ONLY THOSE WHO ADJUST THEIR PERSPECTIVE WILL SEE OPPORTUNITY IN THE CRISES.

HALF-YEAR REPORT 2009

VOLKSBANK AG

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

Key figures of Volksbank AG

in euro million	30 Jun 2009	31 Dec 2008	31 Dec 2007
Statement of financial position [1]			
Total assets	**52,688**	**52,924**	**78,641**
Loans and advances to customers	28,212	28,818	24,764
Amounts owed to customers	11,408	11,829	10,191
Debts evidenced by certificates	17,360	15,213	13,436
Subordinated liabilities	1,977	2,014	1,457
Own funds			
Core capital (tier I) after deductions	3,259	2,515	2,767
Supplementary capital (tier II, tier III) after deductions	813	909	1,491
Eligible qualifying capital	4,071	3,424	4,258
Assessment base credit risk	30,405	33,263	38,502
Capital requirement market risk	38	42	58
Capital requirement operational risk	138	114	0
Surplus capital	1,463	606	1,120
Core capital ratio in % [2]	**10.7**	**7.6**	**7.2**
Equity ratio in % [3]	**12.8**	**9.8**	**10.9**
Income statement [1]	**1-6/2009**	**1-6/2008**	**1-6/2007**
Net interest income	322.6	391.9	326.3
Risk provisions	–294.1	–45.2	–38.0
Net fee and commission income	88.1	108.5	76.0
Net trading income	74.4	51.5	28.9
General administrative expenses	–312.3	–338.7	–262.3
Other operating result	9.6	4.9	9.8
Income from financial investments	–27.8	–21.2	2.2
Income from the disposal group	0.0	41.5	49.2
Result before taxes	**–139.4**	**193.3**	**192.1**
Income taxes	46.2	–24.3	–17.3
Result after taxes	**–93.2**	**169.0**	**174.8**
Minority interest	–12.9	–70.3	–63.6
Consolidated net income	**–106.1**	**98.8**	**111.2**
Key ratios [4]			
Cost-income-ratio	61.7 %	61.6 %	59.2 %
ROE before taxes	–10.6 %	11.9 %	12.4 %
ROE after taxes	–7.1 %	10.5 %	11.2 %
ROE consolidated net income	–13.0 %	10.5 %	12.5 %
ROE before taxes (regulatory)	–10.9 %	11.8 %	13.6 %
Ressources [1]			
Staff average	8,723	8,324	6,660
of which domestic	2,053	1,984	1,800
of which foreign	6,670	6,340	4,860
	30 Jun 2009	**31 Dec 2008**	**31 Dec 2007**
Staff at end of period	8,602	8,926	8,055
of which domestic	2,041	2,080	1,938
of which foreign	6,561	6,846	6,117
Number of sales outlets	644	660	595
of which domestic	49	50	49
of which foreign	595	610	546

[1] The comparative figures of 2007 und 2008 were restated by disposal group in line with IFRS 5.
[2] In relation to credit risk.
[3] In relation to credit risk after deduction of capital requirement for market and operational risk.
[4] The cost-income-ratio was calculated without taking into account impairment of financial investments. All ROEs were displayed without including the disposal group.

MANAGEMENT REPORT

Economic development in the first half of 2009

The first half of the year was characterised by weak industrial activity, rising unemployment and falling rates of inflation around the world. However, the momentum of the economic downturn has recently slowed. While in the first quarter of 2009 the US economy shrank compared to the first quarter at an annualised rate of 6.4 %, according to an initial official estimate the decline in the second quarter was comparatively slow at an annualised rate of 1.0 %. The downturn was curbed by higher government spending and less downward momentum in investments, exports and home construction activity.

Economic conditions in the euro zone have also stabilised recently. According to a preliminary estimate by Eurostat, in the second quarter real gross domestic product only decreased at a quarterly rate of change of 0.1 % (first quarter: −2.5 %). In comparison to the first quarter the Austrian economy contracted in the second quarter by 0.4 % (first quarter: −2.7 %). In Austria, demand for exports and investments declined considerably more slowly than in the first quarter. Growth in private consumer spending was even slightly stronger than in the previous quarter at 0.4 % (first quarter: +0.1 %).

The inflation rate in the euro zone fell significantly in the first half of the year, even sliding slightly into negative territory in the middle of the year. A similar trend was observed in Austria as well.

The economic environment in Central and Southeast Europe has deteriorated significantly over the course of the year so far. In addition to the slump in exports, the national economies suffered due to declining domestic demand. Inflation decreased substantially throughout the entire region.

Publication of weak economic and company data negatively impacted the equity markets, causing stock prices to continue to descend during the first few months of the year. The currencies of Central and Southeast European countries depreciated sharply in the first quarter. Since March, share prices have risen significantly as the economic environment has continued to stabilise, leading in turn to increased optimism on the part of market participants as regards further economic developments. The fact that the results published by the majority of companies were better than expected was also a contributory factor here. The currencies of Central and Southeast European countries have appreciated again. By May, the European Central Bank had cut its base rate to 1 %. Owing to the lower base rate and the good liquidity position of European banks thanks to the liquidity provided by the European Central Bank, money market interest rates have fallen further in the course of the year to date. In the euro zone, yields from government bonds rose due to strong issuing activity, somewhat improved economic forecasts and slightly higher inflation forecasts, particularly in the long term. Spreads of long-term non-government bonds with investment grade ratings over German government bonds that, according to the JP Morgan Bond Spread Index, increased to over 300 basis points in the first quarter, have halved until the end of August. The difference in yields between Austrian and German government bonds also decreased again, although it still remained high in a historical comparison.

Business development in the first half of 2009

Results in detail

The underlying macroeconomic conditions and developments on the financial markets in the first half of the year were also reflected in Österreichische Volksbanken-AG Group´s results. The result before taxes is euro −139 million in the first half of 2009.

As in the first quarter, Österreichische Volksbanken-AG placed significant emphasis on the provision of liquidity in the second quarter as well, despite the positive sentiment on the money and capital markets. In addition to its usual funding activities, contracts were signed with the Republic of Austria regarding the issue of government-guaranteed bonds . In the second quarter, participation capital was issued to the Republic of Austria in order to strengthen the equity ratio, thus securing the Group's capital and liquidity position for the long term.

However, the measures outlined for maintaining this liquidity buffer were to the detriment of net interest income. Net interest income amounted to euro 323 million and is thus euro 69 million below the figure of the same period of the previous year. In the Corporate business within Austria, we are still noting a slowdown in the demand for loans, as many companies are continuing to postpone investments due to the negative economic forecasts. Investment loans that have already been granted are not being utilised as quickly as originally envisaged or are no longer being fully utilised. Nevertheless, net interest income (adjusted for changes in the value of rental properties) showed a slight improvement of euro 13 million against the first quarter of 2009. The Retail business is proving to be a stabilising factor in this environment. This segment reported growth of euro 66 million – euro 47 million of which was attributable to the banks in CEE – compared to the previous year.

In the second quarter, net fee and commission income rose slightly against the first quarter. An increase of euro 8 million is attributable to the recovery in the securities business, as a rise in stock exchange prices in the last few months boosted customer demand again. However, a decline of euro 20 million compared to the previous year was posted in the period under review. Thanks to the stabilisation of the money and capital markets in the second quarter, net trading income improved considerably, exceeding the first half of 2008 figure by euro 23 million.

At euro 312 million, general administrative expenses decreased by euro 26 million compared to the previous year, demonstrating the effectiveness of the cost reduction programmes that have been initiated. Cost reductions primarily related to the area of operating expenditure. The number of employees in Austria remained stable at just over 2,040. Outside Austria, the branch network was optimised, in particular in Ukraine. The decline in employee numbers outside Austria from 6,850 to 6,560 is chiefly attributable to the Ukraine. Overall, 8,602 employees now serve Österreichische Volksbanken-AG Group's customers in 644 sales outlets in Austria and abroad. The cost-income-ratio could be improved from 73.8 % (first quarter) to 61.7 %.

The impact of the financial crisis on the real economy is chiefly reflected in risk provisions for the lending business. These were increased to euro 294 million, after totalling euro 45 million in the same half-year period of the previous year. The most significant rise was in the Corporates segment, where risk provisions amounted to euro 125 million, and at the CEE banks, which had provisions of euro 83 million.

The trend of the first quarter was reversed as far as income from financial investments is concerned. An increase of euro 26 million in the second quarter mitigated the decline to euro –28 million. This is due to the performance of the financial markets, which relieved the pressure as regards the valuation of securities. The available for sale reserve also improved by euro 46 million in the period after March 2009.

Balance sheet and own funds

As at 30 June 2009, total assets amounted to euro 53 billion, which approximately corresponds to the level of 31 December 2008.

In the first half of the year, a fall in demand for loans was recorded in virtually all of the countries in which Österreichische Volksbanken-AG is active. This relates both to corporate loans and consumer and mortgage loans. Further measures for reducing risk were initiated in the last few months. Firstly, the Group strongly restricted the granting of new loans in foreign currencies in order to counteract the risk of devaluation in the local currencies concerned. Secondly, project finance in the area of real estate financing was reduced to counter the risk of negative changes in property values. Loans and advances to customers have thus fallen by euro 0.6 billion since the end of the previous year due to scheduled repayments and a lower level of new business and amounted to euro 28.2 billion.

Despite the difficult market conditions, total primary deposits (amounts owed to customers, debts evidenced by certificates and subordinated liabilities) were up by euro 1.7 billion in the first half of 2009. Government-guaranteed bonds with a total volume of euro 2 billion were issued in order to safeguard liquidity, raising debts evidenced by certificates to euro 17.4 billion.

At 30 June 2009, Österreichische Volksbanken-AG had eligible own funds of euro 4.1 billion. The rise is due to the issuing of participation capital amounting to euro 1 billion to the Republic of Austria. The Tier I ratio (ratio of core capital to the assessment base for credit risk) is now 10.7 %. The equity ratio in relation to total risk stood at 12.5 %. These ratios have thus improved by more than 3 percentage points compared with the first quarter. Own funds exceeded the regulatory requirement by just under euro 1.5 billion.

Expected developments

Economic indicators recently showed a certain amount of stabilisation. Combined with reduced inventories and the government investment programmes that are underway, this indicates that quarterly change rates in the relevant national economies will improve as the year progresses. However, taking the 2009 financial year as a whole, GDP in all countries is expected to decline compared to the previous year. In some countries – particularly in Southeast Europe – it could be possible that the downturn is to some extent counterbalanced by improving current account balances. While links with the Central and Southeast European countries and their substantial potential for recovery should become a driver of growth again for Austria over the long term, in the current year Austria's domestic economy should perform approximately in line with the monetary union average.

Inflation rates have fallen sharply in the last few months, in some cases even sliding into negative figures. Based solely on basis effects from the substantial increases in oil and other commodity prices in the previous year, this trend should continue into the autumn. However, beyond the basis effects from changes in commodity prices, this deflationary trend is also attributable to the combination of weak consumer demand (not least as a result of rising unemployment rates), lower utilisation of capacity and international competition. A gradual rise in inflation rates is subsequently to be expected. While long-term interest rates are pointing upwards, short-term interest rates are expected to remain more or less stable in the course of the year. In line with economic developments, default rates and risk premiums should remain high.

On 24 July 2009, Moody's Investors Service published Österreichische Volksbanken-AG's new rating. The long-term and short-term ratings were downgraded to Baa1 and P-2 respectively. On 27 July 2009, ÖVAG published a profit warning in response to the rating downgrade, as based on current performance it is no longer to be expected that Österreichische Volksbanken-AG and Investkredit Bank AG will generate a profit in 2009. As a result, the dividends and coupons of both institutions (equities, participation capital, hybrid capital, supplementary capital) that are dependent on profits generated in the 2009 financial year and due for payment in 2010 will probably not be paid out.

SEGMENT CORPORATES

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

For decades, Investkredit has concentrated on its core target group of medium-sized enterprises with a focus on family businesses. High levels of expertise and leadership in the field of innovative financing products for medium-sized businesses (e.g. SME bonds or mezzanine capital) are among Investkredit's core competences. Its regional focus is on German-speaking countries and the bordering EU states. Realignment of the segment Corporates continued in the first half of 2009. As the core of the business model, traditional corporate business is to be implemented even more efficiently and profitably.

The economic environment of the Corporates field of business is characterised by a high level of uncertainty and risk as a result of the major economic slump. Companies are implementing extensive cost cutting programmes as part of restructuring measures and are postponing investments. Liquidity costs remain high and, in particular, increased risk provisions are continuing to put significant pressure on Investkredit´s margins. The primary concern of the companies´ financial managers is to secure liquidity over the medium to long term. Investkredit supports its corporate customers in coping with those challenges while also placing an emphasis on risk assessment.

Higher risk provisions constitute the most notable change in the segment's income statement and were a key contributory factor in the segment's negative result. Net interest income remained virtually unchanged at the level of the first half year of 2008 , while general administrative expenses fell by 14 % and income from financial investments improved. The low volume of new business was reflected in the segment´s lending volume, which decreased by around euro 0.5 billion.

In corporate lending the focus will be on optimising the use of funding opportunities provided by OeKB (Oesterreichische Kontrollbank AG), the EIB (European Investment Bank) and KfW (KfW Bankengruppe) and on government guarantee products from aws (austria wirtschaftsservice), OeKB and the Austrian states. SMEs and large corporations are showing significant interest in utilising the new government support programmes. In July, the seventh edition of the Handbuch EU-konformer Förderungen (Handbook of EU-conforming Subsidies) was published. The book underlines Investkredit's expertise in this field. It is a guide on this topic for entrepreneurs and financial managers, providing an update on subsidised lending for the current Structural Fund period which will end in the year 2013. With regard to structured export and trade finance, it addresses the use of funding opportunities provided to corporate customers by OeKB and the export fund as main topics. Investkredit is registering an increased work load in the administration of subsidies in co-operation with the development agencies due to companies requesting changes in payment schedules. In the area of ERP small loans processed for the Volksbank-Sector, 25 new commitments were concluded in the first half of 2009, with this number set to rise. Administration for ERP loans was simplified in the small loan initiative.

The continuing optimisation measures of the Cash Management offered by Investkredit are beginning to show results. Gross earnings were up 58 % while administrative costs fell by 28 % compared to the same period of 2008 despite the expansion of the team in 2009.

In Project Finance, the focus is increasingly on infrastructure and energy projects in Austria, Germany, Switzerland and selected EU countries. Public infrastructure projects present new opportunities for financing in co-operation with strong partners. Furthermore, the demand for investments in traditional and renewable forms of energy continues unabated.

With regard to Leveraged Finance, there was a decline in transactions in Austria, CEE and Germany in the first half of 2009 owing to insufficient visibility and liquidity on the markets. The total volume and number of LBOs decreased substantially throughout Europe.

In the second quarter, Debt Capital Markets realised a mandate for asset-backed financing (ABF) involving a receivables volume of euro 12 million. The documentation for this product was updated to take account of amended statutory and regulatory provisions.

Despite the difficult market environment, VB Factoring Bank – primarily positioned as a financing partner for medium-sized enterprises – performed well in the first half of 2009. The volume of receivables purchased amounted to euro 493.1 million in the period under review. Although only a small number of existing customers recorded growth in sales, volume rose by 6 % compared to the previous year. Demand for the factoring services offered grew significantly in the second quarter. Due to the upward trend in company insolvencies in the first half of the year, particular attention is given to the balance between risk awareness and expansion of the business volume.

Outlook for the segment Corporates

In July, Moody's Investors Service downgraded its rating of Investkredit Bank AG by four notches from A1 to Baa2. The strong increase in risk provisions expected for the second half of the year will put additional pressure on margins in the lending business. Due to companies' increasing reluctance to invest, new business is likely to focus on refinancing of maturing bonds or loans, financing of downsizing processes and on securing medium-term liquidity. Therefore, no significant expansion of the loan portfolio is expected in 2009. However, a rise in gross interest income is anticipated, while risk provisions are expected to increase.

In the segment Corporates, subsidies – especially financing of domestic investments and working capital as well as export finance– will take priority. Based on its expertise in co-operating with subsidy agencies, in the second half of the year Investkredit will concentrate on advising customers on the utilisation of guarantees from economic support packages for companies. In October 2009, all existing customers in Cash Management will be transferred to new and more flexible terms and conditions for payment transactions. Payment transaction systems will be adapted to the new statutory requirements for payment transactions (Zahlungsdienstegesetz (ZaDiG – Austrian Payment Services Act)) by November 2009. Specialist knowledge in the area of Corporate Finance is increasingly employed in (re)structuring core customers' liabilities. Individually adapted measures will be implemented with the aim of bringing about structural changes to stabilise companies over the long term. In Leveraged Finance, a market recovery in the second half of the year can be expected to bring interesting transaction opportunities with conservative structures. As far as project finance is concerned, we expect investments for safeguarding energy supplies and projects necessary for maintaining the high standard of public infrastructure in Austria to lead to new business. One of VB Factoring Bank's main objectives for the second half of the year is to further strengthen its market position.

SEGMENT RETAIL

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

Volksbank Wien AG

Despite the difficult economic conditions, Volksbank Wien had a satisfying first half-year in 2009. Total assets amounted to euro 2.6 billion and provisions for credit risks were in line with forecasts. Loans and advances to customers increased by 2 % compared to the beginning of the year, while savings deposits remained stable. At euro 2.5 million, the result before taxes was below the previous year due to interest rate developments in the first quarter.

There was enormous demand for secure investment opportunities in the first half of the year. The savings products Sprungsparbuch and Kapitalsparbuch (with an interest rate of 2 % p.a. for six months) generated a total volume of euro 137.9 million. Sales of medium-term notes issued in February with interest fixed at 3 % p.a. for two years totalled euro 5 million.

With a focus on the target group of small and medium-sized enterprises, Volksbank Wien implemented specific activities aimed at maintaining the high level of customer satisfaction. In addition to providing individual service and regularly distributing information, these activities centred on participation in the bank action week for SMEs and invitations to subject-specific events as part of the Fit for Business training campaign. Furthermore, a co-operation with Teambank (a subsidiary of DZ Bank) in the area of consumer loans of up to euro 50,000 was agreed in March. The first joint marketing activities were implemented as early as April 2009.

As a family bank, Volksbank Wien has set itself the task of addressing children through a wide variety of activities.

For example, its co-operation with the Museum of Natural History involving the "poisonous animals and animal poison" exhibition in the Schottentor branch was continued in 2009. Attracting almost 5,000 visitors, the exhibition was a great success.

The presence of Volksbank Wien at the Bauen & Energie trade fair met with great approval among the visitors, thanks to the housing construction experts on the stand. Information and advisory evenings at the branches rounded off the focus on home construction.

Social and ethical responsibility always takes priority at Volksbank Wien. In 2008 it thus initiated a charity campaign enabling 40 children growing up in foster families to attend horse riding therapy classes for a year.

Volksbank Linz+Mühlviertel reg. GenmbH

The turbulent economic conditions impacted the interim results of Volksbank Linz+Mühlviertel in the first half of 2009.

Demand for loans declined slightly owing to companies' generally restrained approach towards investments. Lending volume thus decreased by 6,6 % against the comparable period of the previous year, amounting to around euro 190 million as at the end of the reporting period.

Customer deposits remained more or less stable thanks to a number of measures such as interest rate promotions for newly invested funds and special savings products. Amounts owed to customers totalled around euro 298 million as at 30 June 2009.

Despite the cautious investment strategy of many customers, the volume of securities sold could be increased. The forecasted level of fee and commission income was even exceeded as a result.

As at 30 June 2009, Volksbank Linz+Mühlviertel's result before taxes amounted to euro 126 thousand, slightly below the result of the first half year of 2008.

Volksbank Linz+Mühlviertel is conscious of its social responsibilities, even in fairly difficult economic times. It thus continued its co-operation with the Lentos Art Museum Linz, sponsoring the Point of Intersection Linz exhibition in the first half of 2009. It also supported the integrative holiday camp in St. Oswald again.

Together with the newspaper "Oberösterreichische Nachrichten", the bank initiated a trip to Dublin for thirty-eight representatives of the Upper Austrian business community again this year.

Bank für Ärzte und Freie Berufe AG

In the first half of 2009, Ärztebank continued its success of the previous year. Total assets amounted to euro 808 million.

Despite the difficult economic environment, the result before taxes for the period could be doubled compared to the first half of 2008 and totalled euro 2,863 thousand.

Customer deposits reached a new high of euro 169 million – a rise of 26.6 % against the end of the previous year.

The launch of interest rate hedging products for loans supports the aim of qualitative growth in the lending business.

The encouraging growth in the number of customers is reflected in the results of a customer satisfaction survey conducted in the second quarter. Ärztebank achieved a top score for its customer recommendation rate.

IMMO-BANK AG

Despite the difficult market environment, IMMO-BANK AG exceeded its targets in the first half of 2009, generating a result for the period before taxes of euro 4.8 million – a significant increase against the first half of 2008.

The bank, which specialises in residential real estate lending, was also successful in the area of loans and advances to customers which amounted to around euro 948 million as of 30 June 2009 (own share).

IMMO-BANK AG has been issuing tax-exempt mortgage bonds (exemption from capital gains tax up to a nominal interest rate of 4 %) in the form of convertible bonds since 1993. IMMO-BANK AG sells the bonds both directly and via the regional Volksbanks. The strong demand continued in the first half of 2009, tax-exempt mortgage bonds with a volume of euro 30 million were issued in the period under review.

The issue of such mortgage bonds is also of importance to the housing market. The capital invested in this way, mostly by private individuals, forms a substantial basis for the attractive range of IMMO-BANK loan products and consequently facilitates the construction of modern and affordable housing in Austria.

IMMO-BANK AG is confident that it can meet its budgeted targets for 2009 as, firstly, the stable residential real estate market and the current demand for loans create a positive basis for further success in the market. Secondly, the efficiency campaign that has been launched will have a positive effect on expenses. Furthermore, efficient structures not only result in lower costs but flat structures are also an important core competence that make speedy decisions possible for customers.

As a pioneer in the construction of social housing, IMMO-BANK AG will also develop a new field of business in the area of homes for the elderly and nursing homes. The age pyramid in the Austrian population is undergoing a clear shift and there is a requirement for facilities that are innovative yet affordable. The specialist bank will increasingly address the financing of homes for the elderly and nursing homes as well as financing for social facilities such as sheltered accommodation.

Volksbank International AG

Volksbank International Group (VBI) continued its successful course in the first half of 2009. This success is chiefly attributable to a conservative and sustainable business model and rigorous implementation of this model over the last few years.

Ten banks in nine countries

VBI Group consists of ten VBI banks in nine Central and Eastern European countries (Slovakia, the Czech Republic, Hungary, Slovenia, Croatia, Romania, Bosnia and Herzegovina, Serbia and the Ukraine) as well as VBI AG, which is domiciled in Vienna. VBI Group employs a total of 5,615 staff. Its strategy of focusing on qualitative development has paid off, particularly in the last six months.

Österreichische Volksbanken-AG is the majority shareholder in VBI with a 51 % interest. Since 2004, the German cooperative banks DZ BANK AG/WGZ BANK AG and the French Banque Fédérale des Banques Populaires each hold a 24.5 % interest in VBI.

Total assets remain stable

VBI's total assets remained relatively stable compared to 31 December 2008, amounting to euro 14.3 billion at the end of the first half of 2009. The largest share of total assets was held by Volksbank Romania, with euro 5.4 billion, followed by the banks in the Czech Republic (euro 2.0 billion), Hungary (euro 1.9 billion), Slovakia (euro 1.4 billion) and Croatia (euro 1.1 billion).

Total assets	in euro billion
Volksbank, Slovakia	1.4
Volksbank, Czech Republic	2.0
Volksbank, Hungary	1.9
Volksbank, Slovenia	0.8
Volksbank, Croatia	1.1
Volksbank, Romania	5.4
Volksbank, Bosnia-Herzegovina	0.4
Volksbank, Banja Luka	0.2
Volksbank, Serbia	0.7
Volksbank, Ukraine	0.3

The lending volume amounted to euro 9.6 billion and the volume of deposits posted a slight year-on-year increase to euro 4.9 billion. The largest rise in deposits (25.2 %) was recorded by Volksbank Czech Republic (euro 1.1 billion).

Service-oriented customer support was further strengthened through more rapid decision-making and a market-oriented service offering. The number of customer accounts managed remained stable at 1.5 million.

Around 600 sales outlets

Based on a continuous strategy of founding its own operations, supplemented by appropriate acquisitions and innovative sales channels (franchises, bank shops), VBI has developed an extensive network with 594 sales outlets in the key Central and European regions. This network has remained relatively stable over the last six months. The cost-income-ratio was reduced further.

Retail business

In a difficult environment, operating income (interest income, fee and commission income) in the Retail business area rose – in the reference period – by 23 % from euro 115 million to euro 141 million. Risk provisions for loans and advances in the segment Retail were significantly increased for the first half of the year. An adequate contribution margin was generated despite this conservative risk policy.

Innovations were also pursued rigorously. While sales innovations such as franchised bank outlets and bank shops have contributed to the strong performance to date, now it is primarily the internet that is used as a sales and communications tool. Volksbank Slovenia has already acquired around 2,000 new customers with an online investment product marketed exclusively via the Internet. Volksbank Romania was awarded the country's "best electronic banking product" accolade. Volksbank Slovakia has already distinguished itself through several innovations in the credit card business. "Contactless technologies" make payment by credit card secure and convenient. Integrating modern information and communication technologies into the sales strategy will also continue to be an area of focus.

Corporate business

VBI's Corporate business also performed well in the first half of 2009 in spite of the difficult environment. This business area generated positive contribution margins despite increased risk costs.

In view of the slight decline in lending volumes, the primary aim was raising profitability and earning power from existing customer relationships. Cross-selling efforts were strengthened and produced a share of fee and commission income – which is not directly related to the lending business - of around 26 % of total gross earnings.

VB-Leasing International Holding GmbH

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

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

In the first half of 2009, VB LEASING generated sound results overall despite the strained situation in Central and Eastern Europe. In terms of new business, a slight slowdown in the previous trend was observed. In the first six months of the year, VB LEASING Group generated new business volume of around euro 450 million. The Polish and Czech companies achieved the largest volumes at around euro 128 million and euro 105 million respectively. By concentrating on profitable core business, efficient utilisation of our equipment and reducing operating expenditure, VB LEASING delivered sustainable results.

Outlook for the segment Retail

One of Volksbank Wien's primary objectives continues to be strengthening its market position. For this reason, the campaign relating to advisory services will be pursued further in order to offer customers the best possible service. Employees receive training on an ongoing basis to enhance their subject-specific and social competencies.

Volksbank Linz+Mühlviertel continues to pursue its well-defined, ambitious targets subject to external conditions and developments. Key topics are risk management as regards corporate customers and intensive customer support.

Targeted marketing measures will support Ärztebank's positioning as a bank for medical professionals and a partner in difficult times. Seminars, various events and the presence at major doctors' congresses are core activities of Ärztebank´s customer service.

Based on its degree of specialisation, its clear positioning as the housing construction bank in the Volksbank-Sector as well as its commitment to efficiency, IMMO-BANK AG is confident that it will be able to implement the business objectives planned for 2009 and will continue undeterred on its path as a specialist in housing construction finance, even in turbulent economic times.

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

Taking the economic situation into account, VB LEASING is expecting its business to continue to develop steadily over the medium term. Its short-term focus is on granular portfolio management and strengthening vendor partnerships so as to be ideally placed to meet future challenges.

SEGMENT REAL ESTATE

The segment Real Estate encompasses the real estate loan financing operations of Investkredit Bank AG, the leasing financing operations of Immoconsult Leassinggesellschaft m.b.H., the development activities of PREMIUMRED Real Estate Development GmbH and the real estate investments of Europolis Real Estate Management GmbH. The real estate activities are concentrated in Austria and in the CEE and SEE regions.

Real estate valuations substantially impacted the segment's results, leading to a noticeable decline of net interest income. Credit risk provisions in this segment remained relatively stable and general administrative expenses decreased by 24.6 %. However, negative income from financial investments adversely affected the segment's result before taxes. The segment Real Estate did not escape the effects of market trends, recording a result before taxes of euro –23 million.

Due to the continuing real estate crisis and a generally cautious approach to granting new loans, the focus in the real estate finance field of business remains on managing the existing portfolio. In addition to general tasks (covenant checks, ratings etc.), it increasingly involves the administration of loan exposures requiring special management, in particular in relation to the extension of real estate financing agreements and the management of vacancies in office and logistics properties. Furthermore, with regard to borrowers we have recently observed that tenants are increasingly seeking to have rental payments reduced or rescheduled, primarily in the area of retail real estate.

The business activities of Immoconsult are characterised by a strategic focus on real estate leasing activities in Austria and by the selective support of Austrian key customers active in the CEE and SEE states. In addition, Immoconsult Asset GmbH operates in the container leasing business working with the largest shipping lines and container leasing companies with the best credit ratings. Due to the current financial and economic crisis, in the first half of 2009 the focus was placed on improving profitability and risk levels in the existing portfolio. New business was limited.

The real estate development company Premiumred has now succeeded in leasing 99 % of the "North Gate" in Warsaw – its largest office building to date, covering 30,000 m² – mainly to international companies. The construction work on "Premium Point", an office building in Bucharest with a rentable area of around 6,400 m², was completed in June. Around 63 % of the total usable floor space had already been leased by the time construction was completed. So far, the tenants include Aviva, the UK's largest insurance group, and Thomson Reuters. "Salomea Business Park", which will comprise a rentable area of around 28,000 m², is currently in development on the land in the vicinity of Warsaw airport that was acquired last year. In August 2009, Premiumred will acquire a site in Karlin (Prague) that it secured by way of preliminary contract. It will use this site to develop its first "green building", with usable floor space of around 20,000 m².

As at 30 June 2009, the real estate assets of Europolis Group amounted to euro 1.7 billion. Compared to the beginning of the year this represents an increase of euro 110 million, which is primarily attributable to the acquisition of office properties in conformity with contracts. For the first time, Europolis Group is managing commercial rentable space in excess of 1 million m². This corresponds to a rise of 200,000 m² in comparison to the previous year. The vacancy rate climbed to 14.4 % owing to the addition of completed real estate developments that have not yet been fully leased to the portfolio. Rental income rose to euro 40.9 million in the first half of the year and was thus up 21.9 % on the first half of 2008. Impairments on real estate as a result of the market conditions led to a result before taxes of euro –17.9 million. Europolis currently owns 45 properties in the Czech Republic, Hungary, Poland, Romania, Slovakia, Croatia, Russia and the Ukraine. The contractually fixed investment volume amounts to around euro 2 billion.

In the area of real estate investments, Europolis has obtained planning permission for the Orhideea Towers office project in Bucharest and the Avia project in Krakow. In the Czech Republic, the Amazon Court project – the third office building in the successful River City Prague complex – was completed. Europolis Park Blonie in Poland and Europolis Park Bucharest in Romania will also be expanded. Logistics currently accounts for 28 % of the portfolios. In the area of asset management, the properties of Vienna-based Europolis Real Estate Asset Management GmbH and of its regional offices in Prague, Warsaw, Budapest, Bucharest, Moscow, Zagreb and Kiev are developed and managed by 119 employees. A total of 106,332 m² have been let or re-let since the beginning of the year. Europolis AG's lending in real estate financing increased to euro 872 million (including guarantees), most of which is attributable to loans for Europolis project financing companies.

Outlook for the segment Real Estate

A slight increase in demand for loans is discernable in real estate financing, particularly in the comparatively healthy markets of the Czech Republic and Poland and to a lesser degree also in Romania. Real estate developers mainly attribute this to the major potential for development remaining in these countries, as well as to the comparatively low construction costs at present (up to 20 % lower compared to the previous year). It is also expected that, when these properties will be completed in around two years' time, firstly the economy should have recovered and, secondly, competition will be at a manageable level. The planning and official procedures for the "Salomea Business Park" and Premiumred's green building project are currently underway. It is expected that planning permission will be granted by spring 2010. In view of the difficult situation on the international financial markets, Europolis will focus on completing, leasing and further developing existing properties. In particular, this includes the management of the real estate portfolio and tenants and thus securing continuing rental income.

SEGMENT FINANCIAL MARKETS

The positive market sentiment in the second quarter is reflected in the results of the Financial Markets segment. The Group Treasury and Volksbank Investments divisions again produced a very good result, adding to the positive result posted in the first quarter. In the first half of 2009, the Financial Markets segment generated a result before taxes totalling euro 29.5 million.

The strong performance of the bond market – particularly the tightening of bond spreads in the second quarter as well as the steep interest rate curve – enabled the Fixed Income Team in the Group Treasury division to post new record results. A significant supporting factor here was the very good cooperation with the primary banks, where demand for fixed interest bonds, variable interest bonds with an interest rate floor and inflation-linked bonds is still strong.

The success of the sales teams for institutional customers and Financial Institutions & Funds is also worthy of particular mention. Despite an illiquid and therefore difficult secondary market, these units crossed a substantial volume of bonds between customers.

The Treasury division used the low interest rates and the steepness of the interest rate curve to generate considerable income from money market trading. Currency trading also made a strong contribution to the good half-year results.

In the second quarter, business relations with trading partners in the FX market were expanded further. Improvements in process security were made thanks to the introduction of CLS in our trading partners' operations. The electronic trading software we provide for customers and the Group was extended to include additional currency pairs.

Österreichische Volksbanken-AG enjoys a very good liquidity position. For this reason, the option of a government-guaranteed bond issue was not utilised in the second quarter. The tender programmes offered by the ECB were utilised effectively. Private placements of bonds and the issue of promissory notes also contributed to the good liquidity position.

Hedging products with a volume of over euro 100 million were sold via the "Treasury 4 You" platform, which was used for the first time in the second quarter. In the first half of 2009, demand for interest rate hedging products was generally strong due to the favourable interest rates in Europe. Many customers have taken this opportunity to arrange interest rate caps for their outstanding loans or converted floating rate loans into fixed interest loans using interest rate swaps. We expect this trend to strengthen in the second half of 2009.

The "Treasury 4 You" platform developed for the Volksbank-Sector made a substantial contribution to simplifying and professionalising the process of settling and valuing these interest rate derivatives for the Volksbanks.

With regard to support for the local Volksbanks, the focus was on asset management services. The "Portfolio Illustrator" software for advising Volksbank customers in the securities business was extended to enhance the quality of advisory services further.

Volksbank Investments had a very successful second quarter with its new "Leben^3" product. The target of 2,500 transactions per year, which was set on the basis of comparable campaigns, was almost reached after only three months: 2,200 transactions could be concluded during the campaign period. Since the beginning of July, the next building block of the Leben^3 product – the savings product - is being finalised. The aim is to expand the Leben^3 product range to include annuity products.

Volksbank Investments' sales strategy has been extremely successful in the CEE/SEE countries, where sales increased across the board. The Structured Investments product line generated a sales volume of euro 357 million in the first half of 2009, while the sales volume in the area of investment funds remained stable.

In the Capital Markets division, risk provisions for international credit risks in the investment book increased again slightly quarter-on-quarter. As a result of the favourable market environment, income from financial investments rose by around euro 4 million against the first quarter.

The positive market trend on the financial markets in the second quarter of 2009 brought about an improvement in the available for sale reserve compared with the first quarter, returning it to approximately the level at the end of 2008.

Outlook for the segment Financial Markets

We expect these positive trends to continue into the second half of the year. However, based on the uncertainty as regards economic developments, we expect the markets to remain volatile. Customers and investors are showing themselves to be somewhat more inclined to take risks again, which is reflected in higher transaction volumes. Low interest rates are also contributing to the rise in sales volumes. Demand for interest rate hedges and investment products offering more attractive interest rates than savings accounts is on the rise. The forecast for the second half of the year is therefore cautiously optimistic.

Income statement

	1-6/2009 in euro thousand	1-6/2008 restated in euro thousand	Changes in euro thousand	Changes %	1-6/2008 published in euro thousand
Interest and similar income and expenses	330,221	388,098	–57,877	–14.91 %	445,303
Income from companies measured at equity	–7,594	3,837	–11,431	<–200.00 %	7,056
Net interest income	322,627	391,935	–69,308	–17.68 %	452,359
Risk provisions	–294,144	–45,177	–248,967	>200.00 %	–44,923
Net fee and commission income	88,147	108,492	–20,345	–18.75 %	117,735
Net trading income	74,432	51,525	22,906	44.46 %	51,718
General administrative expenses	–312,286	–338,668	26,381	–7.79 %	–359,958
Other operating result	9,635	4,941	4,694	94.99 %	3,940
Income from financial investments	–27,812	–21,219	–6,594	31.08 %	–27,570
Income from the disposal group	0	41,469	–41,469	–100.00 %	0
Result for the period before taxes	**–139,402**	**193,300**	**–332,702**	**–172.12 %**	**193,300**
Income taxes	46,189	–18,241	64,430	<–200.00 %	–24,260
Income taxes of the disposal group	0	–6,019	6,019	–100.00 %	0
Result for the period after taxes	**–93,213**	**169,039**	**–262,253**	**–155.14 %**	**169,039**
Profit/loss attributable to shareholders of the parent company (Consolidated net income/loss)	**–106,099**	**98,769**	**–204,868**	**<–200.00 %**	**98,769**
Profit/loss attributable to minority interest (Minority interest)	12,886	70,271	–57,385	–81.66 %	70,271

Statement of financial position

	30 Jun 2009 in euro thousand	31 Dec 2008 in euro thousand	Changes in euro thousand	%
Assets				
Liquid funds	**2,916,777**	3,897,897	–981,120	–25.17 %
Loans and advances to credit institutions (gross)	**5,935,585**	5,574,957	360,628	6.47 %
Loans and advances to customers (gross)	**28,211,787**	28,818,341	–606,554	–2.10 %
Risk provisions (–)	**–856,320**	–606,297	–250,023	41.24 %
Trading assets	**1,072,031**	1,085,598	–13,567	–1.25 %
Financial investments	**9,450,280**	8,961,634	488,645	5.45 %
Assets for operating lease	**1,958,753**	1,852,592	106,161	5.73 %
Companies measured at equity	**106,261**	126,306	–20,045	–15.87 %
Participations	**749,261**	769,814	–20,553	–2.67 %
Intangible assets	**137,504**	129,822	7,682	5.92 %
Tangible fixed assets	**280,652**	290,070	–9,419	–3.25 %
Tax assets	**499,222**	418,341	80,881	19.33 %
Other assets	**2,226,524**	1,604,690	621,835	38.75 %
TOTAL ASSETS	**52,688,315**	52,923,765	**–235,450**	**–0.44 %**

	30 Jun 2009 in euro thousand	31 Dec 2008 in euro thousand	Changes in euro thousand	%
Liabilities and equity				
Amounts owed to credit institutions	**15,607,298**	18,686,846	–3,079,548	–16.48 %
Amounts owed to customers	**11,407,608**	11,829,455	–421,847	–3.57 %
Debts evidenced by certificates	**17,360,184**	15,212,758	2,147,426	14.12 %
Trading liabilities	**716,250**	787,618	–71,368	–9.06 %
Provisions	**191,030**	181,535	9,495	5.23 %
Tax liabilities	**168,381**	173,142	–4,761	–2.75 %
Other liabilities	**2,200,731**	1,814,264	386,466	21.30 %
Subordinated liabilities	**1,976,541**	2,014,314	–37,772	–1.88 %
Equity	**3,060,293**	2,223,833	836,460	37.61 %
Shareholders' equity	**2,108,120**	1,230,604	877,516	71.31 %
Minority interest	**952,173**	993,229	–41,056	–4.13 %
TOTAL LIABILITIES AND EQUITY	**52,688,315**	52,923,765	**–235,450**	**–0.44 %**

Changes in the Group´s equity

Euro thousand	Subscribed capital [1]	Capital reserves	Retained earnings	Currency reserve	IAS 39 valuation reserves [2]: Available for sale reserve	IAS 39 valuation reserves [2]: Hedging reserve	Shareholders´ equity	Minority interest	Equity
As at 1 Jan 2008	339,960	493,709	800,705	19,577	–59,898	6,330	1,600,384	1,346,996	2,947,380
Comprehensive income *			98,769	37,922	–140,942	1,466	–2,786	45,608	42,823
Dividends paid			–37,688				–37,688	–48,762	–86,450
Change in treasury stocks	86	163					249	0	249
Change due to reclassifications shown under minority interest and capital increases			–89				–89	81,652	81,563
As at 30 Jun 2008 [3]	340,046	493,872	861,697	57,499	–200,839	7,796	1,560,070	1,425,495	2,985,565
As at 1 Jan 2009	339,524	493,343	613,006	–21,230	–204,200	10,162	1,230,604	993,229	2,223,833
Comprehensive income *			–106,099	–6,565	–9,833	2,661	–119,837	5,686	–114,151
Dividends paid			–2,660				–2,660	–35,186	–37,846
Participation capital	1,000,000						1,000,000	0	1,000,000
Change in treasury stocks	–85	–123					–208	0	–208
Change due to reclassifications shown under minority interest and capital increases			221				221	–11,556	–11,335
As at 30 Jun 2009	**1,339,439**	**493,220**	**504,468**	**–27,796**	**–214,033**	**12,823**	**2,108,120**	**952,173**	**3,060,293**

* Comprehensive income (Income and changes in reserves)

Euro thousand	1-6/2009 Shareholders´ equity	1-6/2009 Minority interest	1-6/2009 Equity	1-6/2008 Shareholders´ equity	1-6/2008 Minority interest	1-6/2008 Equity
Consolidated net income	–106,099	12,886	–93,213	98,769	70,271	169,039
Currency reserve	–6,565	–8,239	–14,805	37,922	29,002	66,924
thereof from application of the average rates of exchange in income statement	44	35	80	1,085	1,157	2,242
thereof from a hedge of a net investment	0	0	0	0	0	0
Available for sale reserve (incl. deffered taxes) [4]	–9,833	829	–9,004	–140,942	–54,801	–195,743
Hedging reserve (incl. deffered taxes)	2,661	210	2,871	1,466	1,137	2,603
Comprehensive income	**–119,837**	**5,686**	**–114,151**	**–2,786**	**45,608**	**42,823**

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

[2] As at 30 June 2009 the available for sale reserve included deferred taxes of euro 68,394 thousand (30 June 2008: euro 61,308 thousand). The hedging reserve contains deferred taxes in the amount of euro –4,691 thousand at the balance sheet date (30 June 2008: euro –2,400 thousand).

[3] In the figures as at 30 June 2008, the Kommunalkredit disposal group accounted for an amount of euro 5,001 thousand in the currency reserve and euro –85,359 thousand in the available for sale reserve.

[4] In the first half of 2009, an amount of euro 8,051 thousand (1-6/2008: euro 921 thousand) previously recognised in the available for sale reserve was reclassified and shown in the income statement.

Cash flow statement
from continued operations

Euro thousand	1-6/2009	1-6/2008
Cash and cash equivalents at the end of previous period (= liquid funds)	3,897,897	**3,172,239**
Cash flow from operating activities	**–1,971,316**	1,159,535
Cash flow from investing activities	**83,934**	–204,981
Cash flow from financing activities	**906,263**	338,574
Cash and cash equivalents at the end of period (= liquid funds)	**2,916,777**	**4,465,368**

INTERIM FINANCIAL STATEMENTS

as at 30 June 2009

1) General

The interim report as at 30 June 2009 of the Österreichische Volksbanken-AG (VBAG) has been prepared in accordance with all IFRS / IAS published by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC / SIC) issued by the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee respectively as adopted for use in the European Union. These interim financial statements comply with IAS 34 Interim financial reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at 31 December 2008.

These condensed consolidated interim financial statements have not been audited.

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

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

In the first half of 2009 there were no events or changes in circumstances that would indicate an impairment of goodwill, therefore no impairment tests were carried out for goodwill.

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

2) Changes in the Group structure

In the first half of 2009, Europolis sub-group sold 2 companies. The deconsolidation result in the amount of euro 517 thousand is recognised in other operating result.

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

Income statement of the Kommunalkredit disposal group

Euro thousand	1-6/2008
Net interest income	60,423
Risk provision	254
Net fee and commission income	9,243
Net trading income	192
General administrative expense	–21,291
Other operating result	–1,002
Income from financial investments	–6,352
Result before taxes	**41,469**
Income taxes	–6,019
Result after taxes	**35,450**
Profit attributable to shareholders of the parent company	**14,949**
Profit attributable to minority interest	20,502

3) Subsequent events

Moody's Investors Service published the new rating of VBAG on 24 July 2009. The new rating resulted in a downgrade of the long-term rating to Baa1 and of the short-term rating to P-2. In the course of the downgrade of the rating we released a profit warning on 27 July 2009 as we can no longer expect a positive result for Österreichische Volksbanken-AG and Investkredit Bank AG due to the current developments of 2009. As a result, the dividends and coupons which depend on a positive result of the financial year 2009 and which are due for payment in 2010 of both institutions (equities, participation capital, hybrid capital, supplementary capital) will probably not be paid out.

No other events took place during the period of the interim report that had any significant effect on the interim financial statements as at 30 June 2009.

4) Notes to the income statement

Net interest income

Euro thousand	1-6/2009	1-6/2008
Interest and similar income	1,246,598	1,403,205
Interest and similar income from	1,205,323	1,322,954
liquid funds	35,959	30,943
credit and money market transactions with credit institutions	81,554	122,908
credit and money market transactions with customers	749,913	893,510
debt securities	182,382	201,053
derivatives in the investment book	155,515	74,540
Current income from	12,687	17,026
equities and other variable-yield securities	3,039	4,915
other affiliates	722	2,066
companies measured at equity	–7,594	3,837
investments in other companies	16,519	6,208
Operating lease operations (including investment property)	28,589	63,225
rental income	66,417	39,226
unrealised income / expenses from investment property	–21,141	27,395
depreciation of operating lease assets	–16,686	–3,396
Interest and similar expenses of	–923,971	–1,011,270
deposits from credit institutions (including central banks)	–268,528	–332,256
deposits from customers	–192,482	–206,102
debts evidenced by certificates	–318,110	–304,952
subordinated liabilities	–63,516	–68,009
derivatives in the investment book	–81,337	–99,951
Net interest income	322,627	**391,935**

Risk provisions

Euro thousand	1-6/2009	1-6/2008
Allocation to risk provisions	–344,596	–120,367
Release of risk provisions	59,331	76,229
Allocation to provisions for risks	–11,136	–2,810
Release of provisions for risks	1,617	1,308
Direct write-offs of loans and advances	–2,600	–2,330
Income from loans and advances previously written off	3,240	2,794
Risk provisions	–294,144	**–45,177**

Net fee and commission income

Euro thousand	1-6/2009	1-6/2008
Fee and commission income from	126,369	173,342
lending operations	36,162	31,038
securities businesses	21,577	30,804
payment transactions	26,698	31,742
foreign exchange, foreign notes and coins transactions	25,650	57,618
other banking services	16,282	22,141
Fee and commission expenses from	–38,222	–64,850
lending operations	–12,820	–9,690
securities businesses	–6,532	–14,770
payment transactions	–2,731	–3,312
foreign exchange, foreign notes and coins transactions	–12,124	–34,341
other banking services	–4,015	–2,738
Net fee and commission income	88,147	108,492

Net trading income

Euro thousand	1-6/2009	1-6/2008
Equity related transactions	3,317	4,122
Exchange rate related transactions	8,257	18,331
Interest rate related transactions	62,858	29,074
Other transactions	0	–1
Net trading income	74,432	51,525

General administrative expenses

Euro thousand	1-6/2009	1-6/2008
Staff expenses	–163,149	–174,891
Other administrative expenses	–129,136	–143,617
Depreciation of fixed tangible and intangible assets	–20,001	–20,160
General administrative expenses	–312,286	–338,668

Income from financial investments

Euro thousand	1-6/2009	1-6/2008
Result from financial investments at fair value through profit or loss / macro hedges	**1,525**	**–14,339**
Result from financial investments at fair value through profit or loss and from underlying instruments for macro hedges	1,525	–14,022
Result from revaluation of derivatives	0	–318
Result from fair value hedges	**69**	**–1,591**
Result from revaluation of underlying instruments	–315,358	–1,254
Result from revaluation of derivatives	315,427	–337
Result from valuation of other derivatives in the investment book	**–1,312**	**–1,079**
Exchange rate related transactions	–1,187	–1,135
Interest rate related transactions	–2,576	75
Credit related transactions	2,613	118
Other transactions	–162	–138
Result from available for sale financial investments	**1,534**	**–2,505**
Realised gains / losses	8,051	164
Impairments	–6,517	–2,669
Result from loans & receivables financial instruments	**–19,740**	**0**
Realised gains / losses	182	0
Impairments	–19,922	0
Result from held to maturity financial investments	**–10,423**	**–11,760**
Realised gains / losses	1,841	–24
Impairments	–12,264	–11,737
Result from participations, assets for operating lease and other financial investments	**535**	**10,056**
Realised gains / losses	695	10,056
Impairments	–160	0
Income from financial investments	**–27,812**	**–21,219**

5) Notes to the consolidated statement of financial position

Loans and advances to credit institutions and customers

Euro thousand	30 Jun 2009	31 Dec 2008
Loans and advances to credit institutions	5,935,585	5,574,957
Loans and advances to customers	28,211,787	28,818,341
Loans and advances to credit institutions and customers	**34,147,372**	**34,393,298**

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

Risk provisions

Euro thousand	Individual impairment credit institutions	Individual impairment customers	Portfolio-based allowance	Total	of which disposal group
As at 1 Jan 2008	766	434,785	66,863	502,414	1,652
Currency translation	–80	8,369	1,167	9,456	0
Reclassification	0	2,823	0	2,823	0
Utilisation	0	–17,455	0	–17,455	0
Release	–19	–38,583	–38,221	–76,823	–594
Addition	0	88,690	31,677	120,367	0
As at 30 Jun 2008	667	478,628	61,487	540,782	1,058
As at 1 Jan 2009	**491**	**571,843**	**33,963**	**606,297**	**0**
Currency translation	48	–265	–410	–627	0
Reclassification	0	7,010	–3,323	3,688	0
Utilisation	0	–38,303	0	–38,303	0
Release	0	–36,757	–22,575	–59,331	0
Addition	0	320,726	23,871	344,596	0
As at 30 Jun 2009	**539**	**824,254**	**31,527**	**856,320**	0

The amount of utilised risk provisions also includes the unwinding effect of euro –1,464 thousand (1-6/2008: euro –951 thousand) which is reported in net interest income. Loans and advances to credit institutions and customers include non-interest-bearing receivables amounting to euro 333,579 thousand (31 December 2008: euro 244,452 thousand). The reclassification item reflects the regrouping of other assets.

Trading assets

Euro thousand	30 Jun 2009	31 Dec 2008
Debt securities	**178,004**	243,998
Equity and other variable-yield securities	**31,061**	18,541
Positive fair value from derivatives	**862,966**	823,058
foreign exchange transactions	**56,802**	30,461
interest rate related transactions	**780,466**	766,900
other transactions	**25,697**	25,697
Trading assets	**1,072,031**	**1,085,598**

Financial investments

Euro thousand	30 Jun 2009	31 Dec 2008
Financial investments at fair value through profit or loss	**1,253,330**	1,357,211
Debt securities	**1,025,038**	1,251,044
Equity and other variable-yield securities	**228,292**	106,166
Financial investments available for sale	**3,908,804**	3,087,528
Debt securities	**3,598,468**	2,917,185
Equity and other variable-yield securities	**310,336**	170,344
Financial investments loans & receivables	**2,001,152**	2,137,667
Financial investments held to maturity	**2,286,992**	2,379,228
Financial investments	**9,450,280**	**8,961,634**

Financial investments measured at fair value through profit or loss

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

Reclassification from available for sale to loans & receivables

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

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

Euro thousand	30 Jun 2009	31 Dec 2008	1 Jul 2008
Carrying amount	999,891	1,073,806	1,140,363
Fair value	800,221	851,641	1,140,363
Available for sale reserve with reclassification	–63,526	–71,816	–79,177
Available for sale reserve without reclassification	–222,472	–248,245	–79,177

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

Participations

Euro thousand	30 Jun 2009	31 Dec 2008
Investments in unconsolidated affiliates	610,153	602,057
Participating interests	70,679	99,298
Investments in other companies	68,429	68,460
Participations	**749,261**	**769,814**

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

Other assets

Euro thousand	30 Jun 2009	31 Dec 2008
Deferred items	60,638	32,569
Other receivables and assets	506,068	180,410
Positive fair value from derivatives in the investment book	1,659,819	1,391,710
Other assets	**2,226,524**	**1,604,690**

Amounts owed to credit institutions

Euro thousand	30 Jun 2009	31 Dec 2008
Central banks	903,813	141
Other credit institutions	14,703,485	18,686,706
Amounts owed to credit institutions	**15,607,298**	**18,686,846**

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

Amounts owed to customers

Euro thousand	30 Jun 2009	31 Dec 2008
Measured at fair value through profit or loss	16,547	7,453
Measured at amortised cost	11,391,061	11,822,002
Savings deposits	1,648,869	1,676,756
Other deposits	9,742,192	10,145,246
Amounts owed to customers	11,407,608	11,829,455

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

The carrying amount of the amounts owed to customers designated at fair value through profit or loss falls below the redemption amount at maturity by euro 226 thousand (31 December 2008: the carrying amount exceeds the redemption amount by euro 228 thousand).

Debts evidenced by certificates

Euro thousand	30 Jun 2009	31 Dec 2008
Mortgage and local authority bonds	225,295	219,647
Bonds	17,098,992	14,964,783
Medium-term notes	29,409	21,900
Others	6,488	6,427
Debts evidenced by certificates	17,360,184	15,212,758

Debts evidenced by certificates are all measured at amortised cost.

Trading liabilities

Euro thousand	30 Jun 2009	31 Dec 2008
Negative fair value from derivatives		
Exchange rate related transactions	56,366	54,994
Interest rate related transactions	638,520	711,261
Other transactions	21,364	21,364
Trading liabilities	716,250	787,618

Other liabilities

Euro thousand	30 Jun 2009	31 Dec 2008
Deferred items	68,376	56,241
Other liabilities	599,530	410,084
Negative fair value from derivatives in the investment book	1,532,824	1,347,940
Other liabilities	2,200,731	1,814,264

Subordinated liabilities

Euro thousand	30 Jun 2009	31 Dec 2008
Subordinated liabilities	1,060,650	1,098,928
Supplementary capital	915,891	915,386
Subordinated liabilities	1,976,541	**2,014,314**

Subordinated liabilities are all measured at amortised cost.

Subordinated liabilities comprises hybrid tier I capital in the amount of euro 351,656 thousand (31 December 2008: euro 355,494 thousand).

6) Own funds

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

Euro thousand	30 Jun 2009	31 Dec 2008
Subscribed capital (less treasury stocks)	1,839,438	837,902
Open reserves (including differential amounts and minority interests)	1,776,568	1,957,632
Funds for general banking risks	17,523	18,028
Intangible assets	–30,246	–32,574
Net loss	–122,106	–125,647
Core capital (tier I capital) before deductions	3,481,177	2,655,341
Deductions from core capital (50 % deduction pursuant to section 23 (13) Austrian Banking Act)	–222,421	–140,667
Core capital (tier I capital) after deductions	3,258,757	2,514,674
Supplemetary capital	404,936	409,845
Eligible subordinated liabilities	600,183	622,127
Hidden reserves pursuant to section 57 (1) Austrian Banking Act	4,179	3,382
Supplementary capital (tier II capital) before deductions	1,009,298	1,035,354
Deductions from supplementary capital (50 % deduction pursuant to section 23 (13) Austrian Banking Act)	–222,421	–140,667
Supplementary capital (tier II capital) after deductions	786,878	894,688
Short term subordinated liabilities (tier III capital)	25,700	14,284
Eligible qualifying capital	4,071,334	**3,423,646**
Capital requirement	2,608,388	2,817,183
Surplus capital	1,462,946	606,463

Core capital ratio (tier I) (in relation to the assessment base pursuant to section 22 Austrian Banking Act – credit risk)	10.72 %	7.56 %
Equity ratio (solvency ratio) (in relation to credit risk after deduction of capital requirements for market and operational risk)	12.81 %	9.82 %
Core capital ratio (in relation to the risks pursuant to section 22 (1) no. 1-5 Austrian Banking Act)	9.99 %	7.14 %
Equity ratio (in relation to the risks pursuant to section 22 (1) no. 1-5 Austrian Banking Act)	12.49 %	9.72 %

The item open reserves includes the hybrid tier I capital totalling euro 351,656 thousand (31 December 2008: euro 355,494 thousand).

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

Euro thousand	30 Jun 2009	31 Dec 2008
Risk-weighted assessment base pursuant to section 22 Austrian Banking Act – credit risk	30,405,113	33,262,990
Of which 8 % minimum capital requirement for credit risk	2,432,409	2,661,039
Capital requirement for position risk in debt instruments, equities, foreign exchange and commodities – market risk	38,172	42,140
Capital requirement for operational risk	137,807	114,004
Total capital requirement	2,608,388	**2,817,183**

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

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

7) Number of staff

Number of staff employed during the first half of 2009

	Average number of staff		Number of staff at end of period	
	1-6/2009	1-6/2008	30 Jun 2009	31 Dec 2008
Domestic	2,053	2,243	2,041	2,080
Foreign	6,670	6,374	6,561	6,846
Total	8,723	**8,617**	8,602	**8,926**

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

8) Sales outlets

	30 Jun 2009	31 Dec 2008
Domestic	49	50
Foreign	595	610
Total	644	**660**

9) Segment Report

Segment reporting by business segments

Euro thousand	Corporates	Retail	Real Estate	Financial Markets	Other Operations	Consoli-dation	Group result
Net interest income							
1-6/2009	75,056	315,137	30,667	18,789	–99,707	–17,315	322,627
1-6/2008	76,625	249,243	75,850	40,713	–74	–50,422	391,935
Risk provisions							
1-6/2009	–124,612	–138,958	–14,347	–16,247	19	0	–294,144
1-6/2008	–2,074	–46,614	–10,895	11,926	2,479	0	–45,177
Net fee and commission income							
1-6/2009	11,476	55,361	–1,441	16,991	12,286	–6,526	88,147
1-6/2008	14,613	68,071	6,551	16,853	7,227	–4,824	108,492
Net trading income							
1-6/2009	955	1,739	2,126	73,780	1,342	–5,510	74,432
1-6/2008	1,657	10,141	4,921	33,256	3,603	–2,052	51,525
General administrative expenses							
1-6/2009	–34,784	–209,700	–28,689	–27,470	–29,901	18,258	–312,286
1-6/2008	–40,493	–218,801	–38,068	–28,615	–30,406	17,715	–338,668
Other operating result							
1-6/2009	1,121	9,157	–4,906	557	14,510	–10,803	9,635
1-6/2008	–3,569	3,116	2,974	191	16,161	–13,931	4,941
Of which impairment of goodwill							
1-6/2009	*0*	*0*	*0*	*0*	*0*	*0*	*0*
1-6/2008	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Income from financial investments							
1-6/2009	4,630	829	–6,487	–36,922	10,138	0	–27,812
1-6/2008	–21,969	472	9,292	–8,267	–748	0	–21,219
Income from the disposal group							
1-6/2009	0	0	0	0	0	0	0
1-6/2008	0	0	0	0	41,469	0	41,469
Result for the period before taxes							
1-6/2009	**–66,158**	**33,564**	**–23,078**	**29,478**	**–91,312**	**–21,896**	**–139,402**
1-6/2008	**24,791**	**65,628**	**50,625**	**66,057**	**39,712**	**–53,513**	**193,300**
Total assets							
30 Jun 2009	9,825,517	23,857,755	7,761,866	4,953,798	32,670,998	–26,381,619	52,688,315
31 Dec 2008	10,520,254	24,399,651	7,294,909	5,329,270	31,190,609	–25,810,927	52,923,765
Loans and advances to customers							
30 Jun 2009	6,238,595	16,679,538	4,578,692	423,510	2,426,704	–2,135,251	28,211,787
31 Dec 2008	6,657,537	17,071,313	4,502,838	422,499	2,182,075	–2,017,922	28,818,341
Amounts owed to customers							
30 Jun 2009	690,749	8,169,993	809,730	1,683,000	436,703	–382,567	11,407,608
31 Dec 2008	1,050,204	8,107,854	690,970	2,142,179	674,972	–836,725	11,829,455
Debts evidenced by certificates including subordinated liabilities							
30 June 2009	3,360,988	1,239,747	910,065	0	17,738,294	–3,912,368	19,336,725
31 Dec 2008	2,895,822	1,208,916	914,647	0	15,025,051	–2,817,365	17,227,071

Segment reporting by geographical markets

Euro thousand	Austria	Central and Eastern Europe	Other Markets	Group result
Net interest income				
1-6/2009	21,591	262,369	38,668	322,627
1-6/2008	117,245	234,177	40,514	391,935
Risk provisions				
1-6/2009	–143,768	–127,480	–22,896	–294,144
1-6/2008	–16,551	–40,083	11,458	–45,177
Net fee and commission income				
1-6/2009	45,761	47,366	–4,980	88,147
1-6/2008	49,826	62,298	–3,631	108,492
Net trading income				
1-6/2009	70,851	2,273	1,307	74,432
1-6/2008	36,103	11,419	4,004	51,525
General administrative expenses				
1-6/2009	–126,990	–174,892	–10,404	–312,286
1-6/2008	–134,770	–187,880	–16,018	–338,668
Other operating result				
1-6/2009	8,507	9	1,119	9,635
1-6/2008	5,825	–891	8	4,941
Income from financial investments				
1-6/2009	7,652	–118	–35,347	–27,812
1-6/2008	–11,457	473	–10,235	–21,219
Income from the disposal group				
1-6/2009	0	0	0	0
1-6/2008	41,469	0	0	41,469
Result for the period before taxes				
1-6/2009	**–116,395**	**9,526**	**–32,533**	**–139,402**
1-6/2008	**87,689**	**79,512**	**26,099**	**193,300**

10) Quarterly financial data

Euro thousand	4-6/2009	1-3/2009	10-12/2008	7-9/2008	4-6/2008
Net interest income	**156,223**	166,404	418,452	424,919	191,839
Risk provisions	**–179,539**	–114,605	–78,058	–31,717	–11,270
Net fee and commission income	**48,205**	39,942	41,109	53,096	58,952
Net trading income	**47,650**	26,782	–18,110	7,944	23,495
General administrative expenses	**–150,303**	–161,983	–168,959	–175,182	–178,043
Other operating result	**5,829**	3,806	–163,375	–7,031	3,902
Income from financial investments	**25,892**	–53,704	–124,087	–148,320	–26,665
Income from the disposal group	**0**	0	–361,200	–264,629	21,949
Result for the period before taxes	–46,044	–93,358	–454,228	–140,920	84,159
Income taxes	**30,647**	15,541	193,151	–18,887	–8,720
Income taxes of the disposal group	**0**	0	20,031	20,945	–2,254
Result for the period after taxes	–15,396	–77,817	–241,046	–138,862	73,185
Profit attributable to shareholders of the parent company	–20,315	–85,784	–163,185	–87,596	35,687
Profit attributable to minority interest	**4,919**	7,967	–77,861	–51,266	37,498

STATEMENT OF ALL LEGAL REPRESENTATIVES

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

Vienna, 26 August 2009

Gerald Wenzel
Chairman of the Managing Board

Michael Mendel
Deputy Chairman of the Managing Board

Wolfgang Perdich
Member of the Managing Board

Dieter Tschach
Member of the Managing Board