VOLKSBANK AG
INVESTKREDIT

HALF-YEAR FINANCIAL REPORT

AS AT 30 JUNE 2011

INVESTKREDIT GROUP

KEY FIGURES OF INVESTKREDIT GROUP

Euro million	30 Jun 2011	31 Dec 2010	31 Dec 2009
Statement of financial position			
Total assets	**9,400**	**10,005**	**12,644**
Loans and advances to customers	7,508	7,865	9,583
Amounts owed to customers	811	891	1,104
Debts evidenced by certificates	1,954	2,583	3,353
Subordinated liabilities	720	720	675
Own funds			
Core capital (tier I) after deductions	733	761	782
Supplementary capital (tier II, tier III) after deductions	610	630	577
Eligible qualifying capital	1,343	1,391	1,358
Assessment base credit risk	8,174	8,956	10,438
Capital requirement operational risk	34	34	38
Surplus capital	655	640	486
Core capital ratio [1]	**9.0%**	**8.5%**	**7.5%**
Equity ratio [2]	**15.6%**	**14.8%**	**12.5%**
	1-6/2011	**1-6/2010**	**1-6/2009**
Income statement			
Net interest income	98.7	101.9	102.7
Risk provisions	-22.8	-43.9	-98.8
Net fee and commission income	5.6	4.5	7.0
Net trading income	-1.3	0.4	-1.3
General administrative expenses	-38.8	-41.0	-37.9
Other operating result	4.5	0.1	-0.4
Income from financial investments	6.3	-8.5	10.0
Result before taxes	**52.2**	**13.5**	**-18.9**
Income taxes	-10.3	-3.5	10.9
Result after taxes	**41.9**	**10.0**	**-8.0**
Non-controlling interest	-0.1	-0.4	-1.4
Consolidated net income	**41.8**	**9.6**	**-9.4**
Key ratios			
Cost-income-ratio [3]	37.7%	38.4%	35.0%
ROE before taxes	14.5%	7.5%	-10.3%
ROE after taxes	11.6%	5.6%	-4.4%
ROE consolidated net income	11.6%	5.8%	-5.6%
ROE before taxes (regulatory)	15.3%	6.2%	-8.7%
Resources			
Staff average	450	480	547
of which domestic	404	436	477
of which foreign	46	44	70
	30 Jun 2011	**31 Dec 2010**	**31 Dec 2009**
Staff at end of period	435	471	495
of which domestic	392	422	445
of which foreign	43	49	50

1) In relation to credit risk
2) In relation to total risk
3) The operating cost-income-ratio is the ratio between net interest income, net fee and commission income and general administrative expenses.

CONTENTS

Half-Year Financial Report

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

HALF-YEAR MANAGEMENT REPORT

Report on business development and the economic situation

Economic environment

The economy in the Eurozone was characterised by pronounced national differences in the first half of the year, with visibly slower economic development in the second quarter. Annual growth in industrial production fell from 9.1% in January to 4% in May 2011. Monthly growth rates also flattened. Growth rates in Estonia (+26.1% Y/Y in May), Germany (7.5% Y/Y in May), Austria (11.8% Y/Y in April) and Slovakia (10.7% in May) were above average. There has been a continued weak development in Greece (-10%) and Portugal (-0.3%), while the Irish industry registered positive growth rates. Economic sentiment indicators were somewhat unclear, though incoming orders recovered in May and were 15.5% higher than in the same period the year before. Incoming orders have been especially positive in the investment-goods industry in the first half year, which indicates that the economic growth path is still robust.

Uncertainty resulting from the debt crisis and the negative impact on the financial sector as well as the substantial increase in prices in crude oil and other energy resources affected economic sentiment indicators. These effects were exacerbated by the spreading of the North African freedom movement to Libya in the first quarter. The collapse of Japanese industrial production in the wake of the earthquake and nuclear incident in May caused a partial breakdown in the international supply chain and, thus, affected production in specific sectors in Europe. An indirect factor emerging from this development was the rise in electricity wholesale prices, which followed the halt in generation at German nuclear power stations and the subsequent presentation of a new energy policy.

The annual inflation rate stabilised at 2.7% in the second quarter, after accelerating sharply mostly due to higher energy and raw-material prices in the first quarter and is currently well above the ECB target level of about 2%. The ECB retained its easy monetary policy to some extent, for example, by granting full allocations at the base rate. However, it raised its main refinancing rate by 25 basis points in April and again at the start of July from an original rate of 1% to 1.5%.

In Austria, first-quarter GDP growth was 0.9% Q/Q, almost as high as in the final quarter of 2010. Growth was driven by exports and investments in plant and machinery. While industrial production went up sharply, production in the construction industry only recovered marginally and was 1.7% higher than in the year before in April 2011. Growth in private consumption was also modest measured in terms of retail turnover. At -3.7%, in May, annual growth in retail turnover in Austria was noticeably weaker than that in the Eurozone as a whole (-1.9%). However, the annual inflation rate was about one percentage point higher than in the entire Eurozone. This was partly caused by increases in indirect taxes and was reflected in an above average rise in food and luxury-product prices, which are comparably volatile in Austria. [1)]

The unemployment rate fell in the first half of 2011, from 10% (January and February) to 9.9% (March to May). Despite the low unemployment level, the reduction in unemployment rates in Austria were above average (4.6% in January, 4.7% in February and 4.3% in May, according to EU calculation methods).

Economic development in the Czech Republic, Poland, Slovakia and Serbia was solid. Growth rates in the first quarter were well above the average for the Eurozone. In Slovenia, growth levels were below average partly due to budget consolidation measures that were necessary as a result of recent high deficits. Hungary still has the biggest consolidation requirements and its first-quarter growth was behind total European performance levels, though it presented the most comprehensive reform programme in terms of the annual Convergence Reports. Romania had growth of 0.3% in the first quarter, the first time it registered a positive rate in GDP growth since the fourth quarter of 2008. Only Croatia has yet to escape the grips of the recession, with a drop in GDP of 0.8% Y/Y in the first quarter. Industrial production in Croatia also fell below the level recorded in the previous year, although it was well above the previous year's level in all other countries.

Inflation rates of the Central and South-Eastern European countries were above the inflation targets set by the local central banks, just as in the Eurozone – a trend that has been fought by the tightening of monetary policy in certain countries for some time. The exception is the Czech Republic, which had an inflation rate that never rose above 2% in the first half of the year.

[1)] This might result from the fact that due to low trade margins, in Austria rising purchase costs are transferred on to consumers faster than in the rest of the Eurozone, according to the Financial Market Stability Report of the Austrian National Bank Q2/11. On the reverse, decreasing purchase costs should be felt more quickly and/or more sharply in local consumer prices.

Financial markets

The most important factors affecting the financial markets in the first and second quarters were concerns about state-budget financing in the periphery euro states, as well as accelerating inflation and resulting rises in interest rates in Europe. The exchange rate of the Swiss Franc reached a new high. Government bonds that had been seen as safe in recent times had rising yields because of economic and inflation developments, but then reached such a high level of demand due to stability concerns that yields fell again. By contrast, the sovereign debt of periphery states that had come under pressure had yield increases of 300 to 400 basis points, especially after budget data from Greece worsened again and government spending cuts led to more and more protests. Calm was only restored after the end of the quarter with the agreement by Eurozone heads of state and government leaders on new assistance mechanisms. The markets in Central and South-Eastern Europe barely felt the rise in risk aversion in the last half year, unlike during the 2008/2009 financial crisis – currencies remained stable, bond yields in Hungary and Poland even fell in contrast to international trends. The stock markets developed inconsistently in the first half year. While the DAX and Dow Jones Index registered increases of about 6% in the half-year, many European stock indices were lower than at the start of the year, including the ATX.

Business development

Investkredit Group continued the positive business development reported in the 2010 financial year in the first half of 2011. The result before taxes was euro 52 million and the consolidated result after taxes and non-controlling interest amounted to euro 42 million for the first half of 2011.

The capital ratios improved as against 31 December 2010. On 30 June 2011, the tier I ratio (in relation to credit risk) was 9.0% (31 December 2010: 8.5%) and the equity ratio (in relation to total risk) stood at 15.6% (31 December 2010: 14.8%).

Results in detail

At euro 99 million, net interest income is euro 3 million or 3% lower than the result for the first half of 2010. The decrease reported in the Investment Book/Other Operations segment results from the presentation of the refinancing assumed by VBAG on a syndicate basis. Interest income from the loans and advances to customers that were transferred to VBAG on a syndicate basis in the 2010 financial year is allocated to the relevant segments, while the amounts assumed in the Investment Book/Other Operations segment are recognised as a negative amount.

Net fee and commission income increased by euro 1 million year-on-year and amounted to euro 6 million in the first half of the year. As Investkredit Group no longer maintains a trading book since 2009, only open foreign currency positions are reported under net trading income.

General administrative expenses for the first half of 2011 amounted to euro 39 million, a slight decrease of euro 2 million against the comparative period.

Since the end of 2010, the number of employees in the Group fell by 36, with 435 members of staff now employed.

Operating result

Euro million	1-6/2011	1-6/2010	Change	
Net interest income	99	102	-3	-3.1%
Net fee and commission income	6	5	1	24.3%
Net trading income	-1	0	-2	< -200.0%
General administrative expenses	-39	-41	2	-5.4%
Operating result	**64**	**66**	**-2**	**-2.4%**
Operating cost-income-ratio	**37.7%**	**38.4%**	**-0.7 Percentage points**	

As the decline in net interest income was largely offset by lower general administrative expenses, the operating cost-income ratio decreased slightly in comparison to the first half of 2010.

The other operating result increased year-on-year, amounting to euro 5 million in the first half of 2011. This increase is due to the successful sale of the "North Gate" real estate project, which was reflected in deconsolidation proceeds of euro 9 million, reported under other operating result.

The positive trend in risk provisions continued on from the 2010 financial year into 2011. Despite the persisting difficult economic environment in some regions of Central and Eastern Europe, risk provisions were driven down by euro 21 million compared with the first half of 2010 and stood at euro 23 million.

Income from financial investments amounted to euro 6 million for the first half of 2011, improving by euro 15 million year-on-year. As a result of the bailout of Greece by the European Union in July, in which the private sector is also to participate, Greek bonds had to be impaired. Securities in the held to maturity category were measured at a present value of 79%, corresponding to an impairment of euro 7 million. Securities that are not included in the exchange programme were not impaired as there does not exist any triggering event for an impairment. The Investkredit Group thus fully followed the recommendations of the German and Austrian auditors with regard to the valuation of Greek securities.

Statement of financial position and own funds

As of 30 June 2011, total assets amounted to euro 9.4 billion, which signifies a decrease of euro 0.6 billion or 6% in comparison with the previous year.

Loans and advances to customers amounted to euro 7.5 billion as of 30 June 2011, remaining below the level of the previous year by euro 0.4 billion or 4.6%. In preparation for the planned merger with VBAG, loans and advances to customers in the amount of euro 1.7 billion (including euro 0.5 billion with fully consolidated companies) were assumed by VBAG on a syndicate basis in December 2010. These receivables are still allocated to the segments in segment reporting, while the syndicated acquisition is presented as a negative amount in the Investment Book/Other Operations segment.

Debts evidenced by certificates declined by euro 0.6 billion or 24.3% compared with the end of 2010 and amounted to euro 2 billion of 30 June 2011. This is attributable to scheduled redemptions.

Amounts owed to customers fell slightly to euro 0.8 billion.

As of 30 June 2011, the Investkredit Group had eligible own funds of euro 1.3 billion. The tier I ratio (ratio of core capital to the assessment base for credit risk) reached 9% (31 December 2010: 8.5%). The tier I ratio in relation to total risk was 8.5% as at 30 June 2011 (31 December 2010: 8.1%). The equity ratio in relation to total risk amounts to 15.6% (31 December 2010: 14.8%). Eligible own funds exceed the regulatory requirement by more than euro 0.6 billion or 95%.

Outlook

Economic environment

There has recently been a slight easing of the inflationary pressure on Austrian and German producer prices. However, the risk of second-round effects is likely to cause continued cautious interest rate increases. Inflation, interest rates and high sovereign debt in many countries both within and outside the euro zone are depressing private demand. Exports and investments remain the most important drivers of the positive, albeit slightly slowing, momentum in the macroeconomic development. The uncertainties on the financial markets will likely be reduced only slowly.

Business performance

The combination of Österreichische Volksbanken-Aktiengesellschaft and Investkredit Bank AG is in progress and is set to be completed by the second half of 2011. The necessary resolutions were voted upon on 19 May 2011 at the annual general meetings of VBAG and Investkredit. As a result – subject to approval by the Financial Market Authorities – in the second half of 2011, the banking operations of Österreichische Volksbanken-Aktiengesellschaft will be transferred to Investkredit Bank AG as the assuming company by way of a universal succession through de-merger. The name of the combined bank will then be changed to Österreichische Volksbanken-AG.

CORPORATES SEGMENT

Investkredit Bank AG, Investkredit Investmentbank AG, Invest Mezzanine Capital Management GmbH and Investkredit International Bank p.l.c. service corporate customers within Investkredit Group. A comprehensive range of products and services are provided, with the aim of being THE bank for companies and entrepreneurs.

The downstream merger of Österreichische Volksbanken-AG with Investkredit Bank AG is expected to be completed in the second half of the year. The Corporate segment has been operating on the market under the brand name of Volksbank AG – Investkredit since June 2010.

Volksbank AG – Investkredit strives to create sustainable and profitable customer relationships with corporate customers by understanding their business models and branch conditions. It focuses on solution-oriented financing based on partnership and geared towards the individual requirements of customers. The service spectrum the bank provides includes short- and long-term financing, treasury products, hedging products for interest rates, currencies and raw materials, subsidized lending as well as capital market activities. Arrangement and placement of corporate bond issues is gaining importance. Tailor-made export and trade financing solutions have been developed by Volksbank AG – Investkredit for companies involved in international business. Leasing and factoring are also focal points of the bank.

The Medium-sized Companies department concentrates on the needs of small- and medium-sized businesses and on the syndicated-loan business with the regional Volksbanks. Corporate Banking performs direct business with larger medium-sized companies – including many family firms.

Corporate customers and financial investors from Austria, as well as Germany, Poland, the Czech Republic and Slovakia, are offered special corporate finance services: project financing for infrastructure and especially for renewable energy, acquisition financing, mergers & acquisitions services, private equity and loan financing in Central and Eastern Europe.

Segment result

In the first half of 2010, the Corporates segment continued the positive development from the 2010 financial year. The result before taxes amounted to euro 16 million and was euro 7 million higher than the result in the first half of 2010. This is primarily due to lower credit risk provisions, an increase in net fee and commission income, and lower general administrative expenses.

Commercial business

Lending business

Volksbank AG – Investkredit registered more stabilised demand for working capital facilities and investment financings, following the encouraging results of 2010.

Activities are centred on companies with good credit ratings, which are provided with loans and other financial services. Margins are yet again under increasing pressure in the medium- and long-term lending field, which is counterbalanced by tailor-made lending and capital market financing, as well as cross selling (for example, treasury instruments to hedge against interest-rate, currency and raw-materials price risks).

Syndication business

In the first half of 2011, the focus was put on assisting the regional Volksbanks in the acquisition of medium-sized companies. This resulted – on the basis of a fair sharing of risk with the regional Volksbanks – in increasing demand, especially in the field of structured long-term financing.

Company subsidies and trade finance

Investment activities and associated subsidies have grown steadily in the first half year in Austria. ERP loans of around euro 50 million are currently being processed for customers in the Volksbank Sector. In addition, ERP small loans are also being processed for the regional Volksbanks. Austria Wirtschaftsservice Gesellschaft m.b.H., aws, has recorded rising demand in guarantee instruments for ERP large-sized loans. ERP application volumes have gone up close to 100% in comparison with the first half of 2010.

Export finance loans rose slightly compared to 31 December 2010, although interest-rates are higher than last year. With respect to long-term equity financing by Osterreichische Kontrollbank AG, OeKB, the credit volume which was processed rose by about 200% to euro 40.6 million compared to 31 December 2010.

Leveraged finance

Leveraged finance Austria/CEE

In the first half of 2011 there was brisk business and a markedly stronger flow in deals in acquisition financing, with activities still centring on Central and Eastern Europe.

High levels of activity were also observed in the area of M&A in Central European markets, this development being particularly strong in Poland and the Czech Republic. However, the number of transactions in Austria is still below expectations. Participations, as well as other trend-setting arrangements that will put this business field into a promising position in the future, were completed in the past half year.

Leveraged finance Germany/Western Europe

New business was successful in Frankfurt in the first half of 2011 with a large number of transactions completed. This is mainly due to the successful acquisition of single transactions and not yet to a sustainable recovery in financing demand.

The Corporate Lending segment is facing continuing pressure on margins because of a lack of volumes. There is a higher, more stabilised level of deal flow with good quality in the LBO and Corporate Finance areas, though this is still far below the volume levels registered in the pre-crisis years of 2006 to 2008.

Project finance

Further projects in Poland are expected to be evaluated by the Project Financing department, following the successful closing of lending deals for a Czech and a Polish wind park. The proposed structures confirm expected developments towards “adding” market electricity price risk to typical, fixed feed-in tariffs. That means more flexibility on the structuring side, while this development should be positive for Volksbank AG – Investkredit because of its branch knowledge. This trend demonstrates that the asset classes “wind” and “photovoltaic” are developing very clearly towards “grid parity” (market price adequacy).

Two financing transactions for Spanish photovoltaic parks were completed successfully. On the one hand, a structure which satisfied the investors in spite of very reduced, state-controlled feed-in tariffs was developed, while, on the other hand, the investors themselves are strong and reliable sponsors (in one case, a Danish utility company).

Financing of international schools

A loan of USD 8.7 million for the American School in Warsaw underlined the good, long-term customer relationship to top-level international educational institutions in Poland. The German School in London, founded in 1970 and supported financially by the German government, became a new customer. A euro 3.4 million loan was extended, which is used for the construction of a primary school. It proves the excellent links between the Federal Foreign Office in Berlin, the KfW Group and Volksbank AG – Investkredit.

Both transactions have been complemented by interest-rate hedging instruments in line with the conservative financial management of the schools.

Investkredit Investmentbank AG (IKIB)

Investkredit Investmentbank AG is responsible for M&A Consulting and Private Equity (fund and direct investment) within VBAG Group.

A new co-investment deal was completed in the first half of 2011. In addition, IKIB made an investment in a well-known German private equity fund specializing in medium-sized companies.

Due to the improved economic environment and resulting increase in transaction numbers, IKIB generated capitals in-flows from the sale of portfolio companies from the existing fund investments.

Debt capital markets

Volksbank AG – Investkredit took part in six Austrian corporate bond issues in the first half of 2011: once as the lead arranger, three times as senior co-lead manager and twice as co-lead manager. This underpinned Volksbank AG – Investkredit’s strong presence in this market segment.

Corporate Treasury

The very high levels of volatility in the interest-rate and FX areas are providing good opportunities for hedging and optimization strategies. The trend towards higher money and capital market rates was initiated by the increase in ECB interest rates. The product focus on interest-rate hedging is expected to continue in the months ahead due to historically still very low long-term interest rates.

Outlook for the Corporates segment

There has been an increased concentration on core customers. Based on a potential analysis, core customers are serviced in a comprehensive manner. Suitable solutions are provided to support the growth of our clients.

The Syndicated Financing department expects moderate growth in business volumes in 2011, based on existing demand for financing.

Greater demand for subsidised loans is expected, especially in Austria. Moderate improvements are also expected in export financing and short-term lending (export fund global loans), as well as in long-term OeKB equity financing.

The deal flow is expected to stabilise in Leveraged Finance Austria/CEE in the months ahead, with the prospect of further transactions in the second half of the year.

The subsidiary in Frankfurt is focusing on strengthening its marketing and sales. In September, the unit is organising an event – similar to the ones that were very successful in the past – for customers, private equity funds, bank partners and other multipliers at the Frankfurt Opera for the first time since 2008.

Germany's announcement and partly started exit from atomic energy strengthens the trend towards renewable energy and reaffirms the focus of the Project Financing on this market segment. Speeches and seminars by the Project Financing Team were expanded to include panel and speaker participation at an international risk conference in Vienna and further presentations and talks are being planned (for example, at the Austrian Innovation Forum in September 2011).

Intensive dialogue with a variety of international schools should lead to further business deals in the next few months, even though project lead times are long because each transaction requires wide-ranging commercial and legal discussions. Attractive loan margins, long-term customer relations and low credit risks are central elements in the business field International School Financing.

Investkredit Investment Bank foresees further capital in-flows in private equity in the second half.

There should be further business opportunities for the issuance of corporate bonds for the Debt Markets division later in the year, provided market sentiment for new corporate bond issues remains good.

Corporate Treasury will continue to focus on working with corporate customers on capital market financing activities (corporate bonds and promissory notes), as well as on the interest-rate hedging business, together with origination and securities sales. Process optimisation has led to increased volumes in the last 18 months, meaning that the very ambitious 2011 revenue targets set for corporate treasury sales are reachable.

REAL ESTATE SEGMENT

The Real estate segment provides a comprehensive spectrum of commercial real estate services for customers and real estate partners, under the slogan "Passion for Quality". The service range includes long-term real estate financing at Investkredit Bank AG as well as leasing finance, real estate development and asset management at VB Real Estate Services GmbH. In addition, Immo Kapitalanlage AG offers private customers attractive fund investment opportunities via its <immofonds 1>. Customers in Austria and selected CEE and SEE nations can rely on the expertise and the high level of service quality provided by Investkredit's Group real estate specialists.

The downstream merger of Österreichischen Volksbanken-AG with Investkredit Bank AG should be completed in the second half of 2011. Investkredit Bank AG real estate financing has been operating under the brand name of Volksbank AG – Investkredit since the decision to combine the banks was taken.

VB Real Estate Services represents the central service platform and the brand VB Real Estate Services comprises all real estate activities within Investkredit Group.

Segment result

The result before taxes in the Real Estate segment amounted to euro 29 million for the first half of 2011. Compared with the previous period, the result improved due to the decrease in risk provisions. The successful sale of the "North Gate" project is presented under other operating result, with deconsolidation effect of euro 9 million.

Real Estate Finance at Volksbank AG – Investkredit

The second quarter of 2011 was characterised by a visible recovery in the real estate markets in Central and Eastern Europe: on the one hand, due to a rise in purchase and sales transactions, and on the other, thanks to growing development activity in Volksbank AG – Investkredit's target markets. This was accompanied by a significant increase in deals in the pipeline. More projects are expected to be concluded in the second half year. Increased marketing activities on the German real estate market are producing positive results. There are very interesting business opportunities in this new target market, particularly in office buildings and hotels.

Leasing

VB Real Estate Services' real estate leasing activities were reorganised as part of the continued restructuring at VBAG's real estate units. All activities were bundled into one department, which manages both sales and contract processing. Significant synergies and increases in efficiency have been achieved through organisational streamlining.

Real estate portfolio optimisation will carry on with the sale of less profitable projects. VB Real Estate Services will remain the leasing service provider for the Volksbank Sector.

A long-planned sale and lease back transaction involving two OBI stores in Poland was completed successfully in the reporting period, with a financing volume of about euro 20 million.

Container leasing, in the form of large-volume movables leasing, will continue to be offered as a niche product by a specialist department within VB Real Estate Services GmbH.

Real Estate Project Development

VB Real Estate Services currently owns office buildings in Vienna, Warsaw, Budapest, Bucharest, Bratislava and Ljubljana and is the competence centre for international project development within VBAG Group.

The projects "Horizon Offices" in Prague (rentable space about 23,000 m^2) and "Salomea Business Park" in Warsaw (rentable space about 28,000 m^2) are under completion. The acquisition of new sites for future development of real estate projects in Warsaw is in progress, a plot of land has recently been bought in the Zoliborz District of Warsaw for the future development of an office building with rentable space of about 19,000 m^2.

Outlook for the Real Estate segment

The real estate finance loan portfolio will be further optimised in 2011 in order to improve profitability. New business will be concentrated on the defined core target markets. The number of countries in which financing will be offered will be reduced. This means that existing know-how can be bundled more tightly and local expertise will be expanded, resulting in further improvements in quality for customers and the bank.

In the real estate leasing segment, new business will only take place once the necessary levels of profitability have been reached and the restructuring of the existing portfolio has been completed. As a result of the strict refocusing on core target markets, local presence will be limited to the countries that belong to the core target markets of the leasing segment in the medium term.

VB Real Estate Services will also continue to focus on its role as the Group's workout unit for impaired real estate financing. Real estate project developments are expected to resume in the defined core markets, on the condition that the respective markets develop favourably and planned occupancy rates are reached. A land acquisition related to this strategy has already been made in Warsaw.

VB Real Estate Services will continue working on the project of optimising its processes, which is expected to be completed during 2011. A milestone was reached on 1 July 2011, when the reorganisation and resultant integration and streamlining of existing structures was concluded. These far-reaching measures will not only improve process quality, but will ensure the optimisation of the full-service spectrum of products and services.

INVESTMENT BOOK/OTHER OPERATIONS SEGMENT

All activities related to Volksbank AG – Investkredit's investment book are organised centrally and are presented in the VBAG's Investment Book/Other Operations segment. The segment consists of VBAG's Capital Markets and Asset Liability Management, as well as the department Debt Capital Markets at Volksbank AG – Investkredit (presented in the Corporate segment).

Capital Markets

The Capital Markets activities organised at VBAG are presented comprehensively in the VBAG Group interim report.

Asset Liability Management/Liquidity management

The ALM and liquidity management activities organised at VBAG are presented comprehensively in the VBAG Group interim report.

Income Statement

	1-6/2011 Euro thousand	1-6/2010 Euro thousand	Changes Euro thousand	%
Interest and similar income and expenses	98,616	101,214	-2,598	-2.57%
Income from companies measured at equity	105	682	-576	-84.57%
Net interest income	98,722	101,896	-3,174	-3.12%
Risk provisions	-22,770	-43,923	21,153	-48.16%
Net fee and commission income	5,626	4,524	1,101	24.34%
Net trading income	-1,296	436	-1,732	< -200.00%
General administrative expenses	-38,808	-41,039	2,231	-5.44%
Other operating result	4,509	94	4,415	> 200.00%
Income from financial investments	6,266	-8,479	14,744	-173.90%
Result for the period before taxes	**52,249**	**13,511**	**38,738**	**> 200.00%**
Income taxes	-10,307	-3,505	-6,802	194.09%
Result for the period after taxes	**41,942**	**10,007**	**31,935**	**> 200.00%**
Result attributable to shareholders of the parent company (Consolidated net income/loss)	**41,821**	**9,644**	**32,177**	**> 200.00%**
Result attributable to non-controlling interest Non-controlling interest)	121	362	-241	-66.65%

Comprehensive income	1-6/2011 Euro thousand	1-6/2010 Euro thousand	Changes Euro thousand	%
Result for the period after taxes	41,942	10,007	31,935	> 200.00%
Other comprehensive income				
Currency reserve	57	89	-32	-36.39%
Available for sale reserve (including deferred taxes)				
Change in fair value	110	0	110	100.00%
Net amount transferred to profit or loss	-292	0	-292	100.00%
Other comprehensive income total	-126	89	-215	< -200.00%
Comprehensive income	41,816	10,096	31,720	> 200.00 %
Comprehensive income attributable to shareholders of the parent company	41,698	9,733	31,965	> 200.00%
Comprehensive income attributable to non-controlling interest	117	362	-245	-67.58%

Statement of financial position

	30 Jun 2011 Euro thousand	31 Dec 2010 Euro thousand	Changes Euro thousand	 %
Assets				
Liquid funds	26	255	-230	-89.95%
Loans and advances to credit institutions (gross)	446,116	345,351	100,766	29.18%
Loans and advances to customers (gross)	7,507,813	7,865,304	-357,491	-4.55%
Risk provisions (-)	-641,295	-661,340	20,045	-3.03%
Financial investments	1,580,435	1,802,890	-222,455	-12.34%
Investment property and operating lease assets	108,763	210,026	-101,263	-48.21%
Companies measured at equity	18,229	18,124	105	0.58%
Participations	203,310	211,734	-8,423	-3.98%
Intangible assets	1,295	1,374	-79	-5.74%
Tangible fixed assets	39,444	40,559	-1,114	-2.75%
Tax assets	16,512	14,246	2,266	15.91%
Other assets	119,534	156,055	-36,522	-23.40%
TOTAL ASSETS	**9,400,183**	10,004,578	-604,395	-6.04%

Liabilities and equity				
Amounts owed to credit institutions	4,830,629	4,783,425	47,204	0.99%
Amounts owed to customers	810,801	891,096	-80,295	-9.01%
Debts evidenced by certificates	1,953,997	2,582,682	-628,685	-24.34%
Provisions	78,090	75,464	2,626	3.48%
Tax liabilities	23,197	28,836	-5,639	-19.55%
Other liabilities	240,861	221,779	19,082	8.60%
Subordinated liabilities	719,973	720,413	-440	-0.06%
Equity	742,635	700,883	41,752	5.96%
Shareholders' equity	741,706	700,072	41,635	5.95%
Non-controlling interest	929	811	117	14.47%
TOTAL LIABILITIES AND EQUITY	**9,400,183**	10,004,578	-604,395	-6.04%

Changes in the Group's equity

Euro thousand	Subscribed capital [1]	Capital reserve	Retained earnings	Currency reserve	IAS 39 valuation reserves [2]: Available for sale reserve	IAS 39 valuation reserves [2]: Hedging reserve	Shareholders' equity	Non-controlling interest	Equity
As at 1 January 2010	46,000	336,142	275,260	162	0	0	657,564	58,014	715,577
Comprehensive income *			9,644	89			9,733	362	10,096
Dividends paid / Transfer of result							0	-3,835	-3,835
Change due to reclassifications shown under non-controlling interest and capital increases			125				125	-125	0
As at 30 June 2010	46,000	336,142	285,029	251	0	0	667,422	54,416	721,838
As at 1 January 2011	46,000	336,142	317,226	309	395	0	700,072	811	700,883
Comprehensive income *			41,821	60	-183		41,698	117	41,816
Change due to reclassifications shown under non-controlling interest and capital increases			-64				-64		-64
As at 30 June 2011	**46,000**	**336,142**	**358,983**	**369**	**212**	**0**	**741,706**	**929**	**742,635**

* Comprehensive income (Income and changes in reserves)

	1-6/2011			1-6/2010		
Euro thousand	Shareholders' equity	Non-controlling interest	Equity	Shareholders' equity	Non-controlling interest	Equity
Consolidated net income	41,821	121	41,942	9,644	362	10,007
Currency reserve	60	-3	57	89	0	89
thereof from application of the average rates of exchange in income statement	-2	-3	-5	4	0	4
Available for sale reserve (including deferred taxes)	-183	0	-183	0	0	0
Comprehensive income	**41,698**	**117**	**41,816**	9,733	362	10,096

[1] Subscribed capital corresponds to the figures reported in the financial statements of Investkredit Bank AG.
[2] As at 30 June 2011, the available for sale reserve included deferred taxes of euro -71 thousand.

Cash flow statement

Euro thousand	1-6/2011	1-6/2010
Cash and cash equivalents at the end of previous period (= liquid funds)	**255**	254
Cash flow from operating activities	-77,114	-82,960
Cash flow from investing activities	75,790	55,859
Cash flow from financing activities	1,095	55,886
Cash and cash equivalents at the end of period (= liquid funds)	**26**	29,039

NOTES

Interim Financial Statements as at 30 June 2011

1) General

The interim report as at 30 June 2011 of Investkredit Bank AG 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 2010.

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

In preparing this interim report the estimates and assumptions were the same as those applied to the consolidated financial statements as at 31 December 2010.

There were no events or changes in circumstances for goodwill that would indicate an impairment, therefore no impairment tests were carried out for these goodwill.

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

2) Changes in the Group structure

Backdated with 1 January 2011 Immoconsult Leasing GmbH was merged with PREMIUMRED Real Estate Development GmbH. The merged companies are trading under the name VB Real Estate Services GmbH. This change in legal form has not affected the consolidated financial statements.

As at 15 March 2011, a contract concerning the sale of the shares of Bonifraterska Development Sp.zoo (project "North Gate") was concluded. The result of deconsolidation in the amount of euro 9,032 thousand is shown in other operating result. The result of the period 1 January to 15 March 2011 is shown in the respective positions in income statement.

Calculation of deconsolidation result of Bonifraterska

Euro thousand	
Assets proportional	106,665
Liabilities proportional	71,508
Disposal of net assets proportional	**-35,157**
Revenues	44,189
Deconsolidation result	**9,032**

3) Subsequent events

The combination of Österreichische Volksbanken-Aktiengesellschaft and Investkredit Bank AG is in progress and is set to be completed by the second half of 2011. The necessary resolutions were voted upon on 19 May 2011 at the annual general meetings of VBAG and Investkredit. As a result – subject to approval by the Financial Market Authority – in the second half of 2011, the banking operations of Österreichische Volksbanken-Aktiengesellschaft will be transferred to Investkredit Bank AG as the assuming company by way of an universal succession through de-merger. The name of the combined bank will then be changed to Österreichische Volksbanken-AG.

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 2011.

4) Notes to the income statement

Net interest income

Euro thousand	1-6/2011	1-6/2010
Interest and similar income	205,935	220,817
Interest and similar income from	195,780	210,421
liquid funds	111	154
credit and money market transactions with credit institutions	4,702	6,704
credit and money market transactions with customers	142,949	147,436
debt securities	28,258	26,964
derivatives - investment book	19,759	29,162
Current income from	3,975	2,042
equities and other variable-yield securities	2,090	1
other affiliates	1,762	1,359
companies measured at equity	105	682
investments in other companies	18	0
Income from operating lease and investment property	6,180	8,354
rental income investment property	6,181	8,355
income from operating lease contracts	-1	-1
depreciations	-1	-1
Interest and similar expenses of	-107,213	-118,921
deposits from credit institutions (including central banks)	-39,185	-42,481
deposits from customers	-9,443	-7,615
debts evidenced by certificates	-23,876	-29,058
subordinated liabilities	-12,182	-7,831
derivatives - investment book	-22,527	-31,936
Net interest income	98,722	**101,896**

Starting December 2010, changes in value of investment property assets are reported in position financial investments. The comparative figures have been restated accordingly.

Net interest income according to IAS 39 categories

Euro thousand	1-6/2011	1-6/2010
Interest receivable and similar income	205,935	220,817
Interest receivable and similar income from	195,780	210,421
financial investments at fair value through profit or loss	7,253	9,455
derivatives - investment book	19,759	29,162
financial investments not at fair value through profit or loss	168,768	171,804
financial investments at amortised cost	147,763	154,294
of which financial lease	9,342	8,574
financial investments held to maturity	21,005	17,510
Current income from	3,975	2,042
financial investments at fair value through profit or loss	2,090	1
financial investments available for sale	1,779	1,359
companies measured at equity	105	682
Operating lease operations (including investment property)	6,180	8,354
Interest and similar expenses of	-107,213	-118,921
derivatives - investment book	-22,527	-31,936
financial investments at amortised cost	-84,687	-86,986
Net interest income	98,722	**101,896**

Risk provisions

Euro thousand	1-6/2011	1-6/2010
Allocation to risk provisions	-48,007	-86,013
Release of risk provisions	27,260	42,633
Allocation to provisions for risks	-2,465	-1,458
Release of provisions for risks	704	3,802
Direct write-offs of loans and advances	-271	-2,910
Income from loans and advances previously written off	9	23
Risk provisions	-22,770	**-43,923**

Net fee and commission income

Euro thousand	1-6/2011	1-6/2010
Fee and commission income from	9,589	8,089
lending operations	6,436	5,095
securities businesses	136	374
payment transactions	886	727
other banking services	2,131	1,893
Fee and commission expenses from	-3,964	-3,565
lending operations	-3,623	-3,192
securities businesses	-164	-171
payment transactions	-176	-159
other banking services	0	-42
Net fee and commission income	5,626	**4,524**

Net fee and commission income does not include any income or expenses from financial investments designated at fair value through profit or loss.

Net trading income

Euro thousand	1-6/2011	1-6/2010
Exchange rate related transactions	-1,296	436
Net trading income	-1,296	**436**

General administrative expenses

Euro thousand	1-6/2011	1-6/2010
Staff expenses	-24,718	-26,336
Other administrative expenses	-12,613	-13,117
Depreciation of fixed tangible and intangible assets	-1,477	-1,586
General administrative expenses	-38,808	**-41,039**

Income from financial investments

Euro thousand	1-6/2011	1-6/2010
Result from financial investments at fair value through profit or loss	696	10,289
Result from fair value hedges	0	0
Result from revaluation of underlying instruments	1,461	12,903
Result from revaluation of derivatives	-1,461	-12,903
Result from valuation of other derivatives in the investment book	9,404	-22,453
Exchange rate related transactions	-253	59
Interest rate related transactions	9,657	-22,512
Result from available for sale financial investments (including participations)	883	913
Realised gains / losses	1,375	1,125
Impairments	-492	-212
Result from loans & receivables financial investments	119	2,553
Realised gains / losses	119	0
Income from revaluation	0	2,553
Result from held to maturity financial investments	-4,835	520
Realised gains / losses	2,515	622
Impairments	-7,350	-102
Result from investment property assets as well as other financial investments	0	-300
Change in value investment property	0	-300
Income from financial investments	6,266	**-8,479**

Since December 2010, changes in value of investment property assets were reported in this position. The results of participations are part of available for sale financial investments beginning with December 2010. The comparative figures have been restated accordingly.

Impairments of held to maturity financial investments also include impairments of bonds of Greek to the amount of euro 7,350 thousand. Held to maturity securities were impaired to 79% of net present value. Securities of Greek not included in the replacement programme were not impaired, as there does not exist any triggering event for an impairment.

In the first half of 2011, an amount of euro -292 thousand (1-6/2010: euro 0 thousand) previously recognised in the available for sale reserve was reclassified and shown in income statement.

Euro thousand	1-6/2011	1-6/2010
Result from financial investments, which are measured at fair value through profit and loss	**10,100**	**-12,465**
Financial instruments at fair value through profit or loss	696	10,289
Other derivatives in investment book	9,404	-22,453
Operating lease assets and other financial investments	0	-300
Result from financial investments, which are not measured at fair value through profit and loss	**-3,834**	**3,986**
Realised gains / losses	4,008	1,747
Available for sale financial investments	1,375	1,125
Loans & receivables financial investments	119	0
Held to maturity financial investments	2,515	622
Income from revaluation	0	2,553
Loans & receivables financial investments	0	2,553
Impairments	-7,842	-314
Available for sale financial investments	-492	-212
Held to maturity financial investments	-7,350	-102
Income from financial investments	**6,266**	**-8,479**

5) Notes to the consolidated statement of financial position

Loans and advances to credit institutions and customers

Euro thousand	30 Jun 2011	31 Dec 2010
Loans and advances to credit institutions	446,116	345,351
Loans and advances to customers	7,507,813	7,865,304
Loans and advances to credit institutions and customers	**7,953,930**	**8,210,655**

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

Risk provisions

Euro thousand	Individual impairment customers	Portfolio based allowance	Total
As at 1 Jan 2010	632,664	35,000	667,664
Currency translation	4,718	0	4,718
Reclassification	17,307	0	17,307
Utilisation	-27,580	0	-27,580
Release	-42,633	0	-42,633
Addition	86,013	0	86,013
As at 30 Jun 2010	670,488	35,000	705,488
As at 1 Jan 2011	648,340	13,000	661,340
Currency translation	-1,546	0	-1,546
Reclassification	2,719	0	2,719
Utilisation	-41,965	0	-41,965
Release	-27,260	0	-27,260
Addition	48,007	0	48,007
As at 30 Jun 2011	**628,295**	**13,000**	**641,295**

The additions include an amount of euro 111 thousand (1-6/2010: euro 0 thousand), which is caused by allocation due to interest past-due. Loans and advances to credit institutions and customers include non-interest-bearing receivables amounting to euro 82,334 thousand (31 December 2010: euro 106,124 thousand). The reclassification item reflects the regrouping of provisions.

Financial investments

Euro thousand	30 Jun 2011	31 Dec 2010
Financial investments at fair value through profit or loss	528,624	633,555
Debt securities	470,718	581,178
Equity and other variable-yield securities	57,906	52,376
Financial investments available for sale	318,214	343,719
Debt securities	318,214	343,719
Financial investments loans & receivables	128,526	132,569
Financial investments held to maturity	605,071	693,048
Financial investments	**1,580,435**	**1,802,890**

Participations

Euro thousand	30 Jun 2011	31 Dec 2010
Investments in unconsolidated affiliates	153,469	161,123
Participating interests	10,011	11,004
Investments in other companies	39,831	39,607
Participations	**203,310**	**211,734**

All participations are measured at amortised costs, as their fair values cannot be determined without an unreasonable amount of effort. None of the Group's participations are listed on a stock exchange.

Other assets

Euro thousand	30 Jun 2011	31 Dec 2010
Deferred items	16,023	4,655
Other receivables and assets	58,625	77,116
Positive fair value from derivatives in the investment book	44,886	74,284
Other assets	**119,534**	**156,055**

Amounts owed to credit institutions

Amounts owed to credit institutions amounting to euro 4,830,629 thousand (31 December 2010: euro 4,783,425 thousand) are measured at amortised cost.

Amounts owed to customers

Amounts owed to customers amounting to euro 810,801 thousand (31 December 2010: euro 891,096 thousand) are measured at amortised cost.

Debts evidenced by certificates

Debts evidenced by certificates amounting to euro 1,953,997 thousand (31 December 2010: euro 2,582,682 thousand) are measured at amortised cost.

Other liabilities

Euro thousand	30 Jun 2011	31 Dec 2010
Deferred items	17,756	3,571
Other liabilities	168,443	136,774
Negative fair value from derivatives in the investment book	54,663	81,434
Other liabilities	**240,861**	**221,779**

Subordinated liabilities

Euro thousand	30 Jun 2011	31 Dec 2010
Subordinated liabilities	230,020	232,719
Supplementary capital	489,953	487,693
Subordinated liabilities	719,973	**720,413**

Subordinated liabilities are all measured at amortised cost,

Subordinated liabilities comprise hybrid tier I capital in the amount of euro 110,215 thousand (31 December 2010: euro 114,427 thousand).

6) Own funds

The Investkredit Group is a member of the VBAG Group of credit institutions as defined in the Austrian Banking Act.

The own funds of the Investkredit Group calculated in accordance with the Austrian Banking Act can be broken down as follows

Euro thousand	30 Jun 2011	31 Dec 2010
Subscribed capital (less treasury stocks)	46,000	46,000
Open reserves (including differential amounts and minority interests)	702,138	728,734
Intangible assets	-545	-610
Net loss	-8,851	-8,165
Core capital (tier I capital) before deductions	738,742	765,959
Deductions from core capital (50% deduction pursuant to section 23 (13) Austrian Banking Act)	-5,358	-5,094
Core capital (tier I capital) after deductions	733,384	760,865
Supplementary capital	414,413	414,413
Eligible subordinated liabilities	134,605	147,965
Hidden reserves persuant to section 57 (1) Austrian Banking Act	25,000	25,000
IRB risk provision surplus	41,054	47,827
Supplementary capital (tier II capital) before deductions	615,072	635,205
Deductions from supplementary capital (50% deduction pursuant to section 23 (13) Austrian Banking Act)	-5,358	-5,094
Supplementary capital (tier II capital) after deductions	609,714	630,111
Eligible qualifying capital	1,343,099	**1,390,976**
Capital requirement	688,295	750,800
Surplus capital	654,804	640,176

Tier I ratio (in relation to the assessment base pursuant to section 22 Austrian Banking Act - credit risk)	8.97%	8.50%
Equity ratio (solvency ratio) (in relation to credit risk after deduction of capital requirements for market and operational risk)	16.01%	15.15%
Tier I ratio (in relation to the risks pursuant to section 22 (1) no. 1 - 5 Austrian Banking Act)	8.52%	8.11%
Equity ratio (in relation to the risks pursuant to section 22 (1) no. 1 - 5 Austrian Banking Act)	15.61%	14.82%

The item open reserves includes the hybrid tier I capital totalling euro 110,215 thousand (31 December 2010: euro 114,427 thousand).

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

Euro thousand	30 Jun 2011	31 Dec 2010
Risk-weighted assessment base pursuant to section 22 Austrian Banking Act - credit risk	8,174,204	8,955,513
Of which 8% minimum capital requirement for credit risk	653,936	716,441
Capital requirement for operational risk	34,359	34,359
Total capital requirement	688,295	**750,800**

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

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

In the first half of 2011, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the senior institution and institutions subordinated to the former.

7) Financial assets and liabilities

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

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Available for sale	Amortised cost	Carrying amount - total	Fair value
30 Jun 2011							
Liquid funds	0	0	0	0	26	26	26
Loans and advances to credit institutions	0	0	0	0	446,116	446,116	446,116
Loans and advances to customers	0	0	0	0	7,507,813	7,507,813	6,879,518
Financial investments	0	528,624	605,071	318,214	128,526	1,580,435	1,585,988
Participations	0	0	0	203,310	0	203,310	203,310
Derivatives - investment book	44,886	0	0	0	0	44,886	44,886
Financial assets - total	**44,886**	**528,624**	**605,071**	**521,525**	**8,082,481**	**9,782,587**	**9,159,845**
Amounts owed to credit institutions	0	0	0	0	4,830,629	4,830,629	4,830,629
Amounts owed to customers	0	0	0	0	810,801	810,801	810,801
Debts evidenced by certificates	0	0	0	0	1,953,997	1,953,997	1,884,099
Derivatives - investment book	54,663	0	0	0	0	54,663	54,663
Subordinated liabilities	0	0	0	0	719,973	719,973	694,395
Financial liabilities - total	**54,663**	**0**	**0**	**0**	**8,315,400**	**8,370,062**	**8,274,586**

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Available for sale	Amortised cost	Carrying amount - total	Fair value
31 Dec 2010							
Liquid funds	0	0	0	0	255	255	255
Loans and advances to credit institutions	0	0	0	0	345,351	345,351	345,351
Loans and advances to customers	0	0	0	0	7,865,304	7,865,304	7,216,964
Financial investments	0	633,555	693,048	343,719	132,569	1,802,890	1,812,822
Participations	0	0	0	211,734	0	211,734	211,734
Derivatives - investment book	74,284	0	0	0	0	74,284	74,284
Financial assets - total	**74,284**	**633,555**	**693,048**	**555,452**	**8,343,479**	**10,299,817**	**9,661,409**
Amounts owed to credit institutions	0	0	0	0	4,783,425	4,783,425	4,783,425
Amounts owed to customers	0	0	0	0	891,096	891,096	891,096
Debts evidenced by certificates	0	0	0	0	2,582,682	2,582,682	2,491,710
Derivatives - investment book	81,434	0	0	0	0	81,434	81,434
Subordinated liabilities	0	0	0	0	720,413	720,413	691,792
Financial liabilities - total	**81,434**	**0**	**0**	**0**	**8,977,616**	**9,059,050**	**8,939,457**

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

Euro thousand	Level 1	Level 2	Total
30 Jun 2011			
Financial assets			
Financial investments	684,254	162,585	846,838
at fair value through profit or loss	366,040	162,585	528,624
available for sale	318,214	0	318,214
Derivatives - investment book	0	44,886	44,886
Total	**684,254**	**207,471**	**891,725**
Financial liabilities			
Derivatives - investment book	0	54,663	54,663
Total	**0**	**54,663**	**54,663**
31 Dec 2010			
Financial assets			
Financial investments	848,638	128,635	977,273
at fair value through profit or loss	504,919	128,635	633,555
available for sale	343,719	0	343,719
Derivatives - investment book	0	74,284	74,284
Total	**848,638**	**202,919**	**1,051,557**
Financial liabilities			
Derivatives - investment book	0	81,434	81,434
Total	**0**	**81,434**	**81,434**

In 2011 and 2010 there have not been any reclassifications between the levels.

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

8) Number of staff

Number of staff employed during the business year

	Average number of staff		Number of staff at end of period	
	1-6/2011	1-6/2010	30 Jun 2011	31 Dec 2010
Domestic	404	436	392	422
Foreign	46	44	43	49
Total	**450**	**480**	**435**	**471**

9) Segment reporting

Segment reporting by business segments

Euro thousand	Corporates	Real Estate	Investment Book / Other Operations	Total
Net interest income				
1-6/2011	**51,283**	**42,698**	**4,741**	**98,722**
1-6/2010	52,420	42,433	7,043	101,896
Risk provisions				
1-6/2011	**-20,737**	**-7,591**	**5,558**	**-22,770**
1-6/2010	-27,055	-16,865	-2	-43,923
Net fee and commission income				
1-6/2011	**5,422**	**1,524**	**-1,321**	**5,626**
1-6/2010	2,310	1,721	493	4,524
Net trading income				
1-6/2011	**262**	**-1,056**	**-502**	**-1,296**
1-6/2010	937	1,409	-1,910	436
General administrative expenses				
1-6/2011	**-19,921**	**-12,854**	**-6,034**	**-38,808**
1-6/2010	-22,945	-12,861	-5,232	-41,039
Other operating result				
1-6/2011	**28**	**5,384**	**-902**	**4,509**
1-6/2010	0	1,990	-1,896	94
Of which impairment of goodwill				
1-6/2011	***0***	***0***	***0***	***0***
1-6/2010	*0*	*0*	*0*	*0*
Income from financial investments				
1-6/2011	**-498**	**802**	**5,962**	**6,266**
1-6/2010	3,642	604	-12,724	-8,479
Result for the period before taxes				
1-6/2011	**15,839**	**28,907**	**7,503**	**52,249**
1-6/2010	**9,309**	**18,431**	**-14,228**	**13,511**
Income taxes				
1-6/2011	**-3,044**	**-4,836**	**-2,426**	**-10,307**
1-6/2010	-1,585	-5,023	3,103	-3,505
Result for the period after taxes				
1-6/2011	**12,795**	**24,071**	**5,077**	**41,942**
1-6/2010	**7,724**	**13,408**	**-11,125**	**10,007**
Total assets				
30 Jun 2011	**5,265,751**	**4,490,938**	**-356,506**	**9,400,183**
31 Dec 2010	5,386,437	4,775,492	-157,352	10,004,578
Loans and advances to customers				
30 Jun 2011	**4,722,452**	**4,140,292**	**-1,354,930**	**7,507,813**
31 Dec 2010	4,820,055	4,265,806	-1,220,557	7,865,304
Amounts owed to customers				
30 Jun 2011	**453,845**	**174,430**	**182,527**	**810,801**
31 Dec 2010	772,186	118,910	0	891,096

Segment reporting by geographical markets

Euro thousand	Austria	Major foreign markets	Other foreign markets	Total
Net interest income				
1-6/2011	80,288	3,007	15,427	98,722
1-6/2010	77,111	4,509	20,275	101,896
Risk provisions				
1-6/2011	-15,529	0	-7,241	-22,770
1-6/2010	-38,811	0	-5,112	-43,923
Net fee and commission income				
1-6/2011	5,214	-221	632	5,626
1-6/2010	3,706	-2	820	4,524
Net trading income				
1-6/2011	-1,607	243	68	-1,296
1-6/2010	384	178	-126	436
General administrative expenses				
1-6/2011	-33,010	-955	-4,842	-38,808
1-6/2010	-35,336	-1,180	-4,523	-41,039
Other operating result				
1-6/2011	-4,692	9,207	-6	4,509
1-6/2010	-428	523	0	94
Income from financial investments				
1-6/2011	12,380	0	-6,114	6,266
1-6/2010	-10,523	0	2,044	-8,479
Result for the period before taxes				
1-6/2011	**43,042**	**11,282**	**-2,075**	**52,249**
1-6/2010	**-3,896**	**4,029**	**13,379**	**13,511**

10) Quarterly financial data

Euro thousand	4-6/2011	1-3/2011	10-12/2010	7-9/2010	4-6/2010
Net interest income	52,126	46,596	51,991	52,517	52,568
Risk provisions	-8,231	-14,539	1,872	-11,683	-6,403
Net fee and commission income	1,411	4,214	1,116	1,585	2,490
Net trading income	-298	-998	1,245	-1,932	1,047
General administrative expenses	-19,344	-19,464	-36,801	-17,862	-21,134
Other operating result	-3,978	8,488	3,941	-799	-1,270
Income from financial investments	-3,437	9,703	11,056	7,451	-13,383
Result for the period before taxes	**18,249**	**34,000**	**34,420**	**29,277**	**13,914**
Income taxes	-3,704	-6,602	-5,045	-8,581	-5,004
Result for the period after taxes	**14,544**	**27,398**	**29,375**	**20,697**	**8,910**
Result attributable to shareholders of the parent company	**14,495**	**27,326**	**29,446**	**20,608**	**8,858**
Result attributable to non-controlling interest	49	72	-71	89	53

STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the condensed half-year financial-report gives 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 half-year financial-report and of the principal risks and uncertainties for the remaining six months of the financial year.

Vienna, 25 August 2011

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

Michael Mendel
Deputy Chairman of the Managing Board
Risk

Martin Fuchsbauer
Member of the Managing Board
Treasury

Wolfgang Perdich
Member of the Managing Board
Market/International Activities