VOLKSBANK AG

HALF-YEAR FINANCIAL REPORT

AS AT 30 JUNE 2012

KEY FIGURES OF VOLKSBANK AG

Euro million	30 Jun 2012	31 Dec 2011	31 Dec 2010
Statement of financial position [1]			
Total assets	**30,493**	**41,135**	**46,550**
Loans and advances to customers	11,575	12,717	23,615
Amounts owed to customers	2,988	2,713	7,312
Debts evidenced by certificates	11,469	13,452	16,122
Subordinated liabilities	1,675	1,729	1,864
Own funds			
Core capital (tier I) after deductions	2,034	2,305	2,613
Supplementary capital (tier II, tier III) after deductions	1,012	1,021	950
Eligible qualifiying capital	3,046	3,326	3,563
Assessment base credit risk	15,549	22,947	25,454
Capital requirement market risk	109	121	54
Capital requirement operational risk	93	144	141
Surplus capital	1,600	1,225	1,333
Core capital ratio [2]	**11.3 %**	**8.8 %**	**9.4 %**
Equity ratio [2]	**16.8 %**	**12.7 %**	**12.8 %**
Income statement [3]	**1-6/2012**	**1-6/2011**	**1-6/2010**
Net interest income	114.8	239.7	267.9
Risk provisions	–73.8	–84.1	–150.1
Net fee and commission income	37.9	51.4	54.1
Net trading income	23.6	17.2	29.4
General administrative expenses	–132.8	–179.8	–179.7
Other operating result	–33.2	0.2	14.2
Income from financial investments	64.1	–42.2	–51.6
Income from discontinued operation	48.6	13.9	19.2
Result before taxes	**49.2**	**16.3**	**3.5**
Income taxes	–18.8	5.7	–8.4
Result after taxes	**30.4**	**22.1**	**–4.9**
Non-controlling interest	–16.3	–15.1	–19.8
Consolidated net income	**14.1**	**7.0**	**–24.7**
Key ratios [4]			
Operative cost-income-ratio	75.3 %	58.3 %	51.1 %
ROE before taxes	0.3 %	0.3 %	–2.0 %
ROE after taxes	–7.3 %	1.9 %	–2.5 %
ROE consolidated net income	–24.2 %	1.2 %	–4.6 %
ROE before taxes (regulatory)	0.1 %	0.3 %	–1.9 %
Resources [3]			
Staff average	1,987	3,493	3,637
of which domestic	1,200	1,342	1,359
of which foreign	787	2,151	2,278
	30 Jun 2012	**31 Dec 2011**	**31 Dec 2010**
Staff at end of period	1,951	2,038	3,540
of which domestic	1,167	1,253	1,353
of which foreign	784	785	2,187
Number of sales outlets	2	2	238
of which domestic	1	1	1
of which foreign	1	1	237

[1] The comparative figures of 2010 were adjusted according to IAS 8.
[2] In relation to total risk
[3] The comparative figures of 2010 and 2011 were restated for discontinued operation in line with IFRS 5 and according to IAS 8 (see Notes chapter 1).
[4] The operating cost-income-ratio is the ratio between net interest income, net fee and commission income and general administrative expenses.
All ratios were displayed without including discontinued operation or disposal group.

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Any role descriptions in this interim report that are used only in the masculine form apply analogously to the feminine form.
English translation by BBi (Scotland) Ltd.

MANAGEMENT REPORT

Report on business development and the economic situation

Economic environment

Following stagnation in real economic output in the first quarter of 2012, development in the euro area remained weak in the second quarter, as shown by the data available to date.

Despite an unexpected recovery in May, when a month-on-month increase of 0.6% was posted, industrial production was weak in the second quarter which is due primarily to a sharp decline in April (–1.1% month-on-month). Industrial production during both months was lower than in the previous year. Construction activity was even weaker, with the figure for April down 2.7% on the previous month and 5.0% on the same period of the previous year. In May, these figures stood at 0.1% (compared to the previous month) and –8.1% (compared to the previous year). Industrial production in Austria performed much better, with positive monthly and annual growth rates being achieved in April and May. Retail sales in the euro area declined considerably in April compared to the previous month, falling by 1.0%, before rising by 0.6% in May. However, a significant year-on-year decline was posted during both these months. The situation was similar in Austria, although here it was at least possible to achieve a positive annual growth rate in May.

Unemployment in the euro area once again reached a new all-time high, rising to 11.1% (seasonally adjusted) in May. This figure was only slightly lower in April, standing at 11.0%. The unemployment rate in Austria remains the lowest in the euro area, rising from 3.9% in April to 4.1% in May.

Inflation in both Austria and the euro area was slightly higher than the European Central Bank's inflation target of 2% throughout the three months of the second quarter of 2012. In June, it stood at 2.4% in the euro area, and slightly less in Austria at 2.2%. Lower energy prices, particularly falling fuel prices, contributed significantly towards the drop in inflationary pressure.

The European debt crisis is still the primary cause of weak macroeconomic development in the euro area, with the main factor being the downturn in demand in the countries most affected by the sovereign debt crisis. In these countries, unemployment is very high: Spain has the highest unemployment rate at 24.6%, followed by Greece (22.5%) and Portugal (15.2%).

While the debt crisis was primarily characterised by the restructuring of Greek debt in the first quarter, the main focus in the last few months has been on Spain and, to a lesser extent, Italy. The Spanish banking sector is now set to receive funds of up to euro 100 billion from the European Financial Stability Facility (EFSF). This has not, however, led to stabilisation of the bond markets in Spain or other countries in crisis. Premiums remained at very high levels compared to the German Bund and in fact began to increase even further towards the end of the quarter.

The European Central Bank lowered its base rate by 25 basis points in July to 0.75%. The three-month Euribor also fell during the second quarter, from 0.78% to 0.65%. It has dropped even further since the end of the quarter to below 0.50%.

Economic development in Central and Eastern Europe was rather uneven in the second quarter, but the majority of CEE countries appear surprisingly robust. Some inflation rates were considerably above the central banks' targets, as they were in the first quarter. Currencies in the Central and Eastern European countries were stable and the bond markets proved to be impressively strong. Yields in Hungary, Poland and the Czech Republic declined continually throughout the entire second quarter.

Romanian monthly data also indicate stable macroeconomic development during the second quarter. Despite falling in May, industrial production increased overall, while retail sales rose significantly both month-on-month and year-on-year. The rate of inflation continued on the upward trajectory it has been on for some time now, most recently standing at 2%. The base rate, however, which had been reduced to a historic low of 5.25% in the first quarter, was not lowered any further by the National Bank of Romania in the second quarter. This is also due to the ongoing weakness of the leu, which has depreciated considerably since the end of the quarter.

Business development

The result for the first six months of 2012 has been influenced by proceeds from sales and positive valuation effects. The result before taxes was euro 49 million and the consolidated result after taxes and non-controlling interest amounted to euro 14 million.

The stabilisation measures agreed between the owners of VBAG and the Republic of Austria on 27 February 2012 were approved at the Annual General Meeting of 26 April 2012. As a result of the capital reduction and subsequent capital increase, equity in the single entity and own funds in accordance with the Austrian Banking Act increase with retroactive effect from 31 December 2011. According to IFRS, the measures can only be reported in the consolidated financial statements once they take full legal effect. Approval from the EU Commission and FMA (Austrian Financial Market Authority) is expected in September 2012.

The sale of Volksbank International (VBI) was finalised on 15 February 2012, at which time the VBI sub-group was deconsolidated. The sale of all VBAG participations in the VICTORIA Volksbanken insurance companies in Austria and CEE was also completed in the period under review.

The closing of the sale of Selini Holding GmbH, which originally formed part of the Europolis Group, took place on 12 April 2012, so that all assets from the Europolis Group business area have now been sold. Result up to 12 April 2012 and the deconsolidation proceeds were recognised as income from discontinued operation.

Sales were also finalised within the VB Real Estate Services Group. A contract of sale for Immoconsult Asset Leasing GmbH was signed on 17 July 2012; closing will take place in the third quarter. Another two companies were sold on 30 June and a further company on 31 July.

The sale of a large part of the Frankfurt branch's portfolio to Deutsche Zentral-Genossenschaftsbank, as agreed in the Term Sheet dated 27 February 2012, was executed in the first six months of 2012, decreasing risk-weighted assets to the tune of euro 400 million.

All of these measures contributed to a significant strengthening of VBAG's capital. In particular, a marked improvement in capital ratios was achieved with the sale of the VBI sub-group. As of 30 June 2012, the tier I ratio (in relation to total risk) was 11.3% (31 December 2011: 8.8%), and the equity ratio (in relation to total risk) stood at 16.8% (31 December 2011: 12.7%).

Results in detail

At the beginning of 2012, segment reporting was adjusted due to VBAG's restructuring process. The Financing, Financial Markets and Investment Book/Other Operations segments constitute VBAG's core business. The Non-core Business segment comprises all areas that are to be sold or wound down in accordance with their repayment profile. These consist of the Corporates, Real Estate, CEE Leasing, and Volksbank Romania (VB RO) business areas, as well as parts of the investment book.

The 1-6/2011 result for VB RO, which has been measured at equity since October 2011, is included in the result for the comparative period.

Net interest income amounted to euro 115 million in the first six months of 2012, down euro 125 million year-on-year. Euro 62 million of the decline is attributable to VB RO and euro 27 million to other areas of the Non-core Business segment. Net interest income remains below the previous year's level in the Investment Book/Other Operations segment since, in view of VBAG's conservative policy on interest rate risks, maturing investments were not fully replaced.

Net fee and commission income in the first six months of 2012 was euro 38 million, down euro 14 million year-on-year, with euro 5 million resulting from the deconsolidation of VB RO in the Non-core Business segment. In the Financial Markets segment, a fall in sales of structured investment products led to a reduction in net fee and commission income. Net trading income rose by euro 6 million to euro 24 million.

General administrative expenses were reduced by euro 47 million to a total of euro 133 million. In addition to VB RO, which accounted for euro 29 million in the comparative period, cost savings were achieved particularly in the Other Operations segment, and also in the Financing and Financial Markets segments. Adjusted for the disposal group, the number of employees fell by 87 since the end of 2011 to 1,951. Of these, 784 work outside Austria.

Other operating income fell by euro 33 million. This is primarily attributable to the allocation of a provision regarding an impending liability for investment income taxes in the amount of euro 19 million and to the fact that deconsolidation proceeds of euro 9 million were recognised for the "North Gate" real estate project in the first six months of 2011. An increase in bank taxes by euro 6 million year-on-year also contributed to the decline in other operating profit.

Risk provisions for the first six months of 2012 amounted to euro 74 million, down by euro 10 million on the figure for the previous year (euro 84 million). The decrease resulting from the deconsolidation of VB RO was euro 38 million. Risk provisions also fell in the Corporates (euro 21 million), Investment Book (euro 8 million) and CEE Leasing (euro 4 million) business areas of the Non-core Business segment. In the Non-core Real Estate business area, in contrast, impairments rose by euro 60 million year-on-year.

Income from financial investments amounted to euro 64 million for the first six months of 2012, representing a year-on-year increase of euro 106 million. In the period under review, income of euro 21 million from the sale of the VICTORIA Volksbanken insurance companies and additional proceeds of euro 15 million from the sale of participations and securities were recognised. A valuation income of euro 56 million from the surplus from effective fair value hedges was recorded. Open derivatives positions in the investment book generated a positive valuation result of euro 7 million in the period under review; this income was offset in the Non-core Real Estate business area by impairments of investment property assets totalling euro 25 million and impairments of participations in real estate companies in the amount of euro 12 million. In the comparative period last year, income from financial investments included impairments of Greek sovereign bonds and of securities whose market values are linked to baskets of various country risks (including Greece), in the amount of euro 60 million.

The sale of VBI AG and its subsidiaries closed on 15 February 2012. The deconsolidation result of euro 15 million and income for the period from 1 January to 15 February 2012 of euro 21 million (including consolidation) were recognised as income from discontinued operation.

In addition, Selini GmbH and the Vremena Goda project, which has been measured at equity, contribute to the income from discontinued operation. Closing of the sale took place on 12 April 2012. Deconsolidation proceeds amounted to euro 13 million. Income of euro 0.1 million was recorded for the period from 1 January to 12 April.

Statement of financial position and own funds

As at 30 June 2012, total assets amounted to euro 30.5 billion, a decrease of euro 10.6 billion compared with 31 December 2011. Of this decrease, euro 8.8 billion is attributable to the deconsolidation of the VBI sub-group.

Loans and advances to customers continued to fall, amounting to euro 11.6 billion as at 30 June 2012. Declines were registered primarily in the Non-core Business segment, specifically in the Corporates and Real Estate business areas.

Amounts owed to customers, at euro 3 billion, rose slightly compared with 31 December 2011.

Debts evidenced by certificates amounted to euro 11.5 billion as at 30 June 2012; the decline of euro 2 billion since 31 December 2011 is substantially a result of redemptions.

VBAG Group's own funds stood at euro 3 billion as at 30 June 2012. Retroactive capital measures (capital reduction and capital increase) were already included in the calculation of own funds. The tier I ratio in relation to total risk was 11.3% (31 December 2011: 8.8%). The equity ratio in relation to total risk stood at 16.8% (31 December 2011: 12.7%). Eligible own funds exceeded the regulatory requirement by nearly euro 1.6 billion.

Outlook

Economic environment

The first few weeks of the third quarter were characterised by heightened uncertainty on the financial markets. However, rating agency Moody's downgrading of the credit outlook for Germany and several other triple A-rated countries in the euro area was not the main cause of this – it barely had an impact on the yields of the affected countries. Fears of further escalation of the debt crisis are set to remain, and will affect the financial markets and restrict economic prospects in the coming months. Furthermore, the situation in Greece has a negative impact. Finally, a number of leading indicators (Purchasing Managers Indices, ZEW Index and ifo Index) also point to deterioration in the economic situation.

Business performance

Scheduled capital and restructuring measures were approved at the Annual General Meeting of 26 April 2012. This laid the foundation for the stabilisation and continuity of the institution. Investkredit will be merged with VBAG with retroactive effect from 31 December 2011. The capital reduction and subsequent capital increase, which are also effective retroactively as of 31 December 2011, secure the capitalisation necessary for the business strategy to be implemented. The approvals required for full legal effect of all these measures, particularly from the EU Commission and FMA, are expected in September 2012.

At its meeting on 17 July 2012, the supervisory board appointed Stephan Koren as the new CEO of VBAG. He will take office on 3 September 2012. Additionally, with effect from 6 August 2012 Rainer Borns has been appointed as COO and supervisory board member responsible for the new structure of the association of Volksbanks.

In the first half of the year, VBAG submitted offers to holders of hybrid tier I capital for the repurchase of these securities. The offers expired on 11 June and 28 June 2012 respectively. Investors holding a volume of just under 80% of the total nominal value issued accepted the offer. The repurchases came into effect on the settlement dates in July 2012, and positive results from these transactions are therefore recorded in the third quarter. The scale of the profit made is determined by the difference between the carrying amount for the bond liability previously recognised and the purchase price of the reacquired bonds; it will total almost euro 144 million.

The association of credit institutions that is being set up pursuant to section 30a of the Austrian Banking Act and based on a joint liability scheme and joint funding scheme will specify the new orientation of the merged company. The new institution will focus on its role as central institution of the Austrian Volksbanks. Business areas outside this sphere (Non-core Business) are to be sold or wound down in accordance with their underlying repayment profile.

FINANCING SEGMENT

The Financing segment consists of the Syndicate Business, Subsidies and Trade Finance, VB Leasing Finanzierungsgesellschaft m.b.H. and VB Factoring Bank AG business areas.

The Financing segment is responsible for supporting the regional Volksbanks through the joint provision of services to existing customers as well as advising the Volksbanks regarding new business opportunities.

Segment result

Result before taxes for the Financing segment was euro 10 million in the first six months of 2012. The decrease in risk provision and reduction in general administrative expenses, in particular, more than made up for the decline in net interest income and net fee and commission income.

Syndicate Business

Syndicate Business activities in the first six months of the year continued to focus on servicing existing customers in collaboration with the Volksbanks. Syndicate Business worked together with the Volksbanks to assist a number of syndicate customers in their growth process and during new projects. Financing agreements were implemented with selected new customers.

Subsidies and Trade Finance

This unit is responsible for subsidies within the framework of the cooperation with the regional Volksbanks and also for ongoing subsidies of the Non-core Business segment.

Total ERP loan volume amounted to approximately euro 207 million at the end of the first six months of 2012. This is down on the figure for same period of the previous year (euro 229 million), mainly due to fact that under the new Group strategy the Volksbanks' small and medium-sized clients are being classified as core customers. Accordingly, the number of individual loans again increased significantly to 400 ERP loans (including 256 ERP small loans) compared with 325 (including 179 ERP small loans) in the first six months of 2011. In the first half year of 2012, 61 ERP loans (including 36 ERP small loans) with a volume of more than euro 38 million were added or partially added. The majority of the new subsidised loans are generated by the local Volksbanks, which thereby support Austrian SMEs.

Exposure continued to stagnate in OeKB short-term business at around euro 40 million across a total of 15 loans (compared with 19 loans with a volume of euro 41 million in the first six months of 2011), which can also be attributed to the new strategic focus on SMEs.

The volume of financing for SME customers of the Volksbank sector banks under the Austrian Export Fund declined to around euro 38 million across 138 loans (compared with 153 loans with a volume of euro 51 million in the first six months of 2011), meaning that it is lower than the long-term average of around euro 50 million. This is due to two substantial loan repayments in the first quarter (euro 10 million due to the elimination of SME thresholds) and lower export sales on the part of some SMEs.

In the first six months of 2012, the volume of OeKB equity finance fell to approximately euro 387 million across 49 loans (54 loans with a volume of euro 464 million in the first six months of 2011). Most of this finance is assigned to the Bank's non-core business segment, meaning that further declines are to be expected.

Soft loan exposure volumes increased by euro 6 million year-on-year and totalled euro 55 million as at 30 June 2012.

In trade finance, the Bank primarily concentrates on documentary business involving letters of credit and guarantees for customers of the Volksbank sector.

VB Leasing Finanzierungsgesellschaft m.b.H. (VBLF)

VB Leasing Finanzierungsgesellschaft's results in the first six months of 2012 are pleasing but slightly down year-on-year due to a sharp rise in refinancing costs. Volume of new business generated was euro 160 million in the period under review, corresponding to more than 9,200 individual contracts – a moderate rise compared with the first six months of 2011. VB Leasing is currently ranked seventh among moveable goods leasing providers in Austria.

Primary focus on the vehicle leasing business

In light of a market environment that has been rapidly changing in Austria since the outbreak of the financial and economic crisis, key factors for success have been a careful balance between risk and return as well as customer relations based on efficiency and mutual trust.

Recoveries in the economy and also in the Austrian leasing market have led to increased competition, resulting in growing pressure on margins. VB Leasing consistently strives to optimise collateralisation levels in order to minimise loss rates. Strict compliance with these guidelines is reflected in the stagnation of new contracts other than standard bulk business.

The Volksbank sector as a sales channel

VB Leasing Finanzierungsgesellschaft's sales activities in the 2012 financial year are again focusing on the Volksbank sector. Marketing activities within the framework of the campaign aimed at the Volksbanks that was launched back in 2011 will be continued. As a result of this approach, sales generated via the Volksbanks' sales channel grew by 20% year-on-year in the first six months of 2012.

VB Factoring Bank AG

Despite new business flattening out compared to the same period in 2011 and the loss of customers in connection with VBAG's strategic reorientation, the factoring business continued to develop satisfactorily in the first six months of 2012. VB Factoring Bank AG achieved business volume growth of 16%. In the middle of the year, the factoring volume exceeded target levels by 17% and totalled euro 786 million.

Outlook for the Financing segment

Based on the number of enquiries already in the pipeline, the Syndicate Business expects new business volume to grow moderately in the second half of 2012.

In the Subsidies area, demand for ERP loans arising from the Volksbanks' SME business client segment is highly satisfactory as shown by the substantial number of applications received for small ERP loans. Taken together with large ERP loans, a new volume in excess of euro 30 million is expected by year-end.

New business volumes for long-term OeKB equity finance are essentially stagnating, a reduction in volume is expected, however, due to the new strategic focus on SMEs, whose investment projects tend to be considerably smaller.

Since many companies expect the Basel III discussions to result in tighter credit supply, there has been a noticeable rise in interest in subsidised loans. Despite a decline in export fund financing in the second quarter of 2012, Volksbank AG – Investkredit is forecasting new export fund financing volumes of up to euro 20 million with up to around 50 new contracts concluded by year-end, although this will depend on the direction of short-term interest rates.

VB Leasing Finanzierungsgesellschaft m.b.H. will continue to pursue its systematic risk policy in terms of creditworthiness, asset security and risk diversification, with a particular focus on ensuring a risk-adequate pricing policy.

FINANCIAL MARKETS SEGMENT

The Financial Markets segment encompasses the customer-oriented organisational units of Group Treasury and Volksbank Investments, as well as strategically important executive departments. The segment also includes Immo Kapitalanlage AG and the online bank LiveBANK.

The Financial Markets segment is responsible for providing support and a wide range of services to the banks in the Volksbank sector. Group Treasury performs all treasury services such as securities and foreign exchange trading and the management of interest rate and currency risks. Volksbank Investments is an innovative product supplier for the Volksbank sector and offers a wide range of products, from traditional funds, certificates and alpha investments to asset management. The portfolio of fund products is supplemented by an open-ended real estate fund operated by Immo Kapitalanlage AG.

Segment result

Result before taxes was euro 20 million in the first six months of 2012 in the Financial Markets segment. Drops in net interest income and net fee and commission income were not fully counterbalanced by the increase in trading income and decrease in general administrative expenses.

Group Treasury

The trends of the previous year continued in the first two quarters of 2012, with capital markets being characterised by high volatility and low interest rates. Uncertainty in peripheral countries continued to dominate the markets, in particular due to the intensification of the debt crisis in Spain and Italy. Ongoing difficulties encountered in implementing required austerity measures and weak economic indicators (high unemployment, fall in GDP) will continue to create market unrest.

Trading

Foreign exchange markets were influenced by the debt crisis and political uncertainty in the euro area during the second quarter. Attempts to form a Greek government failed and led to new elections. The risk of contagion of other peripheral nations negatively impacted the euro. In addition, rating downgrades and problems in the Spanish banking sector fuelled the sense of nervousness. The EUR-USD exchange rate fell to an annual low of 1.2288. The EUR-CHF exchange rate remained close to the 1.20 mark, a brief dip below this level in April was immediately offset through intervention by the Swiss National Bank.

Liquidity markets remained unchanged in the second quarter. The short end of the curve traded consistently around the ECB's deposit facility rate of 0.25%. Good Group liquidity management helped to ensure a stable liquidity position throughout the entire reporting period by utilising all available money market instruments.

Project activities in Trading involved the implementation of central counterparty clearing for derivatives and confirmation that the new Murex IT system will go live in the fourth quarter of 2012.

Consulting

In the regional Volksbanks' own-account business, general bank management was dominated by the issues of liquidity maturity transformation and liquidity costs in the first six months of 2012. Due to the difficult and risky investment environment and extremely low interest rates, maturing securities positions were not reinvested in full. Some free funds were used to reduce the volume of short-term refinancing.

In the area of risk hedging for customers of the Austrian Volksbanks, the focus was on interest rate hedging. Historically low interest rates on both the money markets and capital markets led to a growing number of fixed interest rate transactions. A considerable number of forward hedges and optional hedging product transactions (USD, JPY, GBP) were concluded in the area of currency hedging. In addition, commodity hedging is available.

Corporate bonds continued to dominate commission trading due to the low interest rate environment. Growing interest in the secondary market was seen as a result of the improved flow of information to the sector. In the area of third-party funds, the focus was on real estate and high dividend yielding equities.

Sales

Banks & Institutionals

Despite the unfavourable economic environment and the restructuring of VBAG, the Banks & Institutionals team succeeded in achieving its budget targets, mainly thanks to the very strong primary market business.

Demand for Austrian corporate issues was high, the Banks & Institutionals sales team will focus on this area in the near future. Demand for straightforward structured bonds was also strong on the Austrian retail market.

Corporates

Persistently low interest rates meant that corporate clients continued to focus on interest hedging strategies. Demand is particularly strong for traditional hedging products such as plain vanilla caps and interest rate swaps. Foreign currency risks were hedged via currency forwards or purchased FX options, currently there is no interest in risky, exotic FX hedging variants.

Volksbank Investments

The total volume of Volksbank Investments' assets under management remained stable in the first six months of 2012 at euro 7.23 billion despite the difficult market conditions.

Securities customers continued to focus on a policy of maximum safety due to ongoing extreme market volatility and high levels of uncertainty. All recent surveys show a strong preference for capital protection and guarantee concepts. The aim of Volksbank Investments is to position itself as the first choice in the market in this area. The in-house team of experts has many years of experience in the certificate market, and it is continually developing its expertise in all of the product shells it offers (certificates, funds, insurance products). The groundwork has been laid in the first six months of 2012 for a new hedging variant that will be rolled out for the first time in conjunction with the planned new guarantee fund.

In order to raise awareness amongst Volksbank Investments advisors that difficult times also provide big market opportunities, the central theme "crisis investments" was launched in the first six months of the year. It is centred around the notion of increasing equity allocations in portfolios in phases of low share prices. Long-term sensible alternatives are offered, at times when there is a threat of capital losses due to historically low interest rates and ongoing inflation.

Funds

Development of Volksbank Investments' funds was mixed in the first six months of 2012. Declines in special funds and some mixed funds were offset by growth in equity funds and bond funds. The overall volume declined slightly by 2.2% to euro 2.73 billion. This corresponds approximately to overall market development, which was characterised by high net outflow in general funds, large-scale investor funds and special funds.

Certificates

The Austrian certificates market continued to decline in the second quarter. Open interest (excluding interest rate products) fell to around euro 5.5 billion, which was in line with overall market trends. Volksbank Investments posted a more severe decline in volume of around 10% to its current level of euro 1.95 billion in the first six months of the year. This fall was greater than that of the market average and is mainly attributable to expiring products that could not be fully replaced due to difficult market conditions.

With the markets remaining highly volatile, Volksbank Investments continued to focus on issuing certificates offering partial protection at very attractive conditions in the first few months of 2012. This allows investors to benefit from rising, stagnating or even falling prices. An issuer platform was also formed for customers who wish to spread their issuer risk, which provides the option to draw on a pool of third-party issuers.

Overall Volksbank Investments has maintained its leading position in the certificates segment with a market share of over 35%. This strong market position is accompanied by a very positive assessment from its customers. Volksbank Investments was once again chosen by the public as the "Certificate bank of the year" in 2012.

Sustainable products
Expanding the share of sustainable products is an important component of Volksbank Investments' strategy. Development of both funds and certificates in this area was positive. The share of sustainable products has increased further and amounted to around 20% of the total volume (certificates and general funds) as at 30 June 2012, while the volume of sustainable investments already stands at approximately euro 750 million.

Asset management
The steady rise in the volume of asset management mandates is also very encouraging. In the first six months of 2012, the volume increased by more than 5% to euro 2.4 billion. Continuous growth in this area serves as an important endorsement of Volksbank Investments' strategic orientation.

Volksbank Investments has far-reaching expertise in the area of institutional asset management, which is underpinned by experience including the many years it has managed the in-house pension fund, the performance of which has been considerably stronger than the market average over the last five years.

Immo Kapitalanlage AG
Immo Kapitalanlage AG manages an open-ended real estate fund, <immofonds1>. Private investors in particular invest in this fund, which has a broadly diversified real estate portfolio focusing mainly on commercial properties in Austria and Germany. Even in the crisis years, investing in these countries, which are characterized by economically sustainable rental income, was viable. The fund volume currently amounts to euro 232 million.

Outlook for the Financial Markets Segment

Group Treasury expects the market environment to remain difficult, a sustained recovery is not anticipated in the third quarter. The focus once again is on the peripheral European countries, where comprehensive and far-reaching reforms are vital if any relief is to be achieved – particularly in Spain and Italy, according to the latest market assessments.

Based on the current general conditions, Volksbank Investments expects the markets to remain largely unchanged over the next few months. Due to volatile markets, in the third quarter Volksbank Investments will continue to concentrate on issuing attractive certificate products offering partial protection. Stable development is expected in both the funds and certificates business.

"Crisis investments" will remain the focus topic over the next few months. Investments in corporate assets and equity investments remain attractive, for which Volksbank Investments has put together a tailored package of product solutions.

Reflecting the strategy of focusing on its function as the central institution of the Austrian Volksbank sector, the fundamental task of the entire Financial Markets segment is to service and support the regional Volksbanks in an optimal manner. Financial Markets is confident that it can continue to generate solid results on this basis.

NON-CORE BUSINESS SEGMENT

The Non-core Business segment consists of the business areas Leveraged Finance Austria/CEE/Germany, International Project Finance, Renewable Energies, Investkredit Investmentbank (IKIB), Volksbank Leasing International Holding GmbH (VBLI), Volksbank Romania S.A. (VB RO), Real Estate, Volksbank Malta Limited and Investkredit International Bank p.l.c.

The primary objective of the Non-core Business segment is a focused, active reduction in the lending portfolio of the former Corporate Finance and Corporate Banking segments with the aim of improving the Bank's RWA and liquidity situation.

Segment result

Result before taxes was euro 54 million for the first six months of 2012 in the Non-core Business segment. In comparative figures from 2011, VB RO is included with its whole result whereas in the reporting period its result from the measurement at equity is euro –1.5 million. The result of the VBI sub-group before deconsolidation (as at 15 February 2012) in the amount of euro 18 million (without consolidation) as well as the deconsolidation result of euro 15 million is included in income from discontinued operation. Income from discontinued operation also recognises the deconsolidation result of Selini GmbH (Vremena Goda project) in the amount of euro 13 million. Already realised income from the reduction of credit derivatives is reported in the result of financial investments. In the first six months of 2012, risk provisions had to be increased by euro 60 million in the Non-core Real Estate business area. Impairments of investment property assets totalling euro 25 million and impairments of participations in real-estate companies in the amount of euro 12 million were recognised in the result of financial investments.

Leveraged Finance Austria/CEE/Germany

The reduction of financing volumes for Austrian/European corporations was ahead of schedule in the first six months of the year. This is attributable to the companies' good liquidity situation and the ongoing high level of interest shown by banking partners in taking over the refinancing.

The structured finance and leveraged finance business in Germany is being discontinued in Frankfurt and branch operations are scheduled to end there on 31 December 2012.

A purchase agreement was signed with DZ Bank AG on 29 June 2012 for the majority of the Frankfurt branch portfolio according to the restructuring agreement with the Republic of Austria. This made it possible to achieve a decrease of risk-weighted assets of euro 400 million in the first six months of 2012.

International Project Finance

In addition to active winding down of the existing portfolio, efforts are being made to sell individual transactions on the secondary market. The sub-segment of international school financing is also no longer being pursued, and the corresponding refinancing agreements have largely been terminated.

Renewable Energies

As a consequence of the restructuring of VBAG Group's business model, investments in renewable energies projects abroad are to be sold in a value-preserving way. New financing is no longer provided in this business field.

Investkredit Investmentbank AG (IKIB)

IKIB, a wholly owned subsidiary of Volksbank AG – Investkredit, is responsible for the Mergers & Acquisitions Consulting and Private Equity business areas.

M&A activities have been discontinued. In the Private Equity business area, which is also being wound down, corporate measures have been taken in order to ensure that as much capital as possible is released from existing subsidiaries and that existing structures are simplified.

VB-Leasing International Holding GmbH (VBLI)

VB Leasing International specialises in moveable goods leases in Central and Eastern Europe and, in line with its risk policy, focuses on small and medium-sized enterprises (SMEs) and private customers. The product range for financing moveable assets is rounded out by a wide range of service packages and supplementary products, such as insurance. Sales activities are concentrated on international and local vendor partnerships.

In the first six months of the year, VB-Leasing International generated a stable new business volume around the previous year's level of almost euro 500 million, which corresponds to around 18,000 contracts.

The companies of VB-Leasing International stand out primarily thanks to high levels of service orientation, which is supported by further automation measures such as optimising front-end systems of car dealers and other partner companies.

VB Leasing Group's website www.vbleasing.com was relaunched in the first six months of 2012. This is clearly geared towards being able to provide customers with fast, flexible and individual service and therefore being in a position to offer them the greatest possible added value.

Volksbank Romania S.A.
Volksbank Romania's results in the first six months of 2012 were largely on target. The volume of non-performing loans was kept at the end of the previous year's level. Nevertheless, risk cost was slightly up on projected figures, primarily due to impairment of loan collateral and the cost of ongoing court proceedings.

The capitalisation of Volksbank Romania is extremely healthy. The equity ratio rose slightly over the first six months of the year – at over 20% as of 30 June 2012, it is double the ratio required according to local regulatory provisions.

Real Estate
The Real Estate business area encompasses the commercial real estate loan financing operations of Volksbank AG – Investkredit, the corresponding workout activities of REWO Holding GmbH and the real estate lease financing and asset management operations of VB Real Estate Services GmbH. The business area provides services to customers in Austria and real estate partners in CEE and SEE. This business area does not form part of VBAG's core business any more. Accordingly, new business activities have been discontinued in full and the current focus is the wind down of the portfolio in the medium term and in a value preserving way.

Real estate loan financing at Volksbank AG – Investkredit
The real estate loan financing portfolio is concentrated in Austria, Germany, Poland, the Czech Republic and Hungary. As part of the reorientation of VBAG Group, the portfolio and associated processes were reviewed in order to ensure a medium-term reduction that minimises the impact on earnings. The deterioration in the economic situation made risk provisions are necessary. In the first six months of 2012, active measures to scale back the portfolio meant that loans amounting to approximately euro 200 million were prepaid.

Leasing and asset management
In line with the strategy of asset reduction, the leasing business segment has achieved the sale of a number of projects, with a present value of around euro 37 million, since the start of the year. Sales processes are currently underway for projects in Austria and abroad with a total volume of over euro 130 million.

Restructuring of the foreign branches in Slovakia and Poland is currently in the implementation phase. The branch in Hungary has already been closed.

A development project in Prague with a volume of around euro 14 million was sold early and wound down as part of the disposal activities. Impairment was necessary in the real estate portfolio, particularly for plots of land.

Outlook for the Non-core Business segment

In the Leveraged Finance Austria/CEE/Germany business area, the transfer of the majority of the Frankfurt branch portfolio to DZ Bank carried out in the first six months of the year will be completed in the third quarter. A transfer at market price will be attempted for the remainder of the Frankfurt portfolio in order to close operations at the Frankfurt branch at the end of 2012 following the disposal or transfer of all assets.

The wind down of the defined loan portfolio will be continued on an active and focused basis in the International Project Finance, Mergers & Acquisitions Consulting and Private Equity business areas, whereby it will be possible to ensure a reduction in RWA in line with planning and improve the liquidity situation further.

VB-Leasing International is continuing to work intensively on existing and potential partnerships with manufacturers and dealers, thereby further expanding the network of sales partners. Future activities will continue to focus on strengthening this network and optimising the service range. The objective is to perform a pioneering role in the field of rapid, efficient and service-oriented customer communications and customer care in the long term.

Volksbank Romania's focus will be on generating new business by expanding the product range, accompanied by appropriate marketing activities. Repositioning and redimensioning measures will be continued, with the aim of bringing the volume of total assets to a sustainable level.

The objective of activities in real estate finance over the coming months will continue to be the reduction of the loan portfolio and alignment of its risk content towards capital relief. A greater focus is also being placed on the workout unit for impaired real estate financing, REWO Holding GmbH, where sales activities are being intensified.

Activities in the area of real estate leasing are focused on the management of the existing portfolio and customer care. Maturity of existing contracts is expected to lead to a reduction in the leasing volume by a further euro 66 million in the second half of the year. Despite the challenging economic conditions, VB Real Estate Services GmbH intends to sell further portfolio properties and implement additional redimensioning measures. The disposal of a substantial sub-portfolio from lease finance is set to be completed in 2012.

INVESTMENT BOOK/OTHER OPERATIONS SEGMENT

All activities relating to VBAG Group's investment book are managed centrally and reported in the Investment Book/Other Operations segment. The segment consists basically of VBAG's Capital Markets and Asset Liability Management business areas. Furthermore, the Investment Book/Other Operations segment also includes VB Services für Banken GmbH and various holding companies.

Capital Markets

Within VBAG Group, Capital Markets is responsible for managing the strategic investment book which contains the entire securities portfolio of around euro 4.8 billion required for regulatory purposes and banking operations, as well as other capital market investments totalling around euro 1.3 billion. This portfolio was reduced by approximately euro 0.2 billion in the second quarter through sales and redemptions.

The CDS portfolio was also reduced by a further euro 0.3 billion as part of the Group's reorganisation around its function as the central institution of the Austrian Volksbanks. The portfolio now consists of positions with remaining maturities of less than one year and of CDSs that reference the Austrian government.

Asset Liability Management (ALM)

Interest rate risk

Asset Liability Management is responsible for managing VBAG Group's long-term interest rate risk. Transfer prices are used when taking over market risk from front office areas.

The declared aim of interest rate risk management is to record interest rate risks from assets, liabilities and off-balance-sheet items in the investment book. In order to achieve this, it is necessary to analyse both the income effect and the present value effect of changes in interest rates and take these into account when making decisions.

The market risk controlling department measures and monitors interest rate risk using different limits. The overall limit is determined by the Board of Management, taking into account regulatory limits and the Bank's risk-bearing capacity.

Risk measurement covers all the main forms of interest rate risk. All of VBAG Group's interest-sensitive items are included in a monthly report.

ALM is also responsible for heading the Asset Liability Committee (ALCO), the coordination body for managing ALM processes. ALM prepares the relevant data and necessary analyses for the decisions to be taken at ALCO meetings which are held on a quarterly basis.

Foreign currency risk

Foreign currency risk is defined as the risk of losses resulting from open foreign currency positions. VBAG Group has material participations outside the euro area, with equity held in the respective local currency. Accordingly, exchange rate movements are hedged in order to prevent fluctuations in the Group's consolidated capital.

Various approaches can be taken to hedging foreign currency risk. VBAG Group's hedging strategy aims to immunise capital held in local currency by entering into corresponding offsetting positions on a consolidated basis. The Asset Liability Committee is also responsible for managing foreign currency risk.

Liquidity management

At 30 June 2012, the liquidity buffer held by VBAG Group was in line with forecasts at around euro 2.7 billion. Assumption of central liquidity management functions within the association of Volksbanks was implemented according to schedule in the second quarter of 2012 in cooperation with the regional Volksbanks. A newly developed funds transfer pricing system and a clearly defined set of regulations for cooperation with the regional Volksbanks constitute the key components of the joint funding and liability scheme, which came into force on 1 July 2012.

Close cooperation with the Volksbanks and the ongoing collateral programme will serve to further strengthen the liquidity buffer.

Outlook for the Investment Book/Other Operations Segment

Capital Markets activities over the coming months will continue to focus on reducing portfolios that are not required for regulatory purposes.

With the assumption of central controlling functions in the new association of Volksbanks by VBAG's liquidity management team, consolidated association liquidity planning and budgeting will represent an important next step in strengthening the new association of Volksbanks. Allowing the cooperative banks to focus on their strengths in customer business (primary deposits) while the central institution concentrates on ensuring the long-term provision of liquidity, maintaining an adequate liquidity buffer for short-term requirements and on adhering to regulatory requirements represent basic elements of the new funding and liability scheme. A further aim is to reduce liquidity costs of the entire Volksbank sector by optimising maturities and diversifying refinancing sources.

Income statement

	1-6/2012 Euro thousand	1-6/2011 Euro thousand	Changes Euro thousand	%
Interest receivable and similar income	550,300	744,633	–194,333	–26.10%
Interest payable and similar expense	–433,627	–505,067	71,440	–14.14%
Income from companies measured at equity	–1,849	105	–1,954	<–200.00%
Net interest income	114,824	239,671	–124,848	–52.09%
Risk provisions	–73,848	–84,063	10,216	–12.15%
Fee and commission income	47,183	76,795	–29,612	–38.56%
Fee and commission expenses	–9,267	–25,367	16,100	–63.47%
Net fee and commission income	37,916	51,428	–13,512	–26.27%
Net trading income	23,641	17,225	6,416	37.25%
General administrative expenses	–132,834	–179,802	46,968	–26.12%
Other operating result	–33,205	200	–33,405	<–200.00%
Income from financial investments	64,108	–42,217	106,325	<–200.00%
Income from discontinued operation	48,646	13,908	34,738	>200.00%
Result for the period before taxes	**49,248**	**16,349**	**32,899**	**>200.00%**
Income taxes	–16,787	12,416	–29,202	<–200.00%
Income taxes from discontinued operation	–2,051	–6,667	4,616	–69.23%
Result for the period after taxes	**30,410**	**22,098**	**8,313**	**37.62%**
Result attributable to shareholders of the parent company (Consolidated net result)	**14,108**	**7,039**	**7,069**	**100.42%**
thereof from continued operation	–32,486	–202	–32,285	>200.00%
thereof from discontinued operation	46,595	7,241	39,354	>200.00%
Result attributable to non-controlling interest	16,302	15,058	1,244	8.26%
thereof from continued operation	8,203	7,567	637	8.41%
thereof from discontinued operation	8,099	7,492	607	8.10%

Comprehensive income	1-6/2012 Euro thousand	1-6/2011 Euro thousand	Changes Euro thousand	%
Result for the period after taxes	**30,410**	**22,098**	**8,313**	**37.62%**
Other comprehensive income				
Currency reserve	16,558	22,905	–6,346	–27.71%
Available for sale reserve (including deferred taxes)				
Change in fair value	35,624	51,247	–15,623	–30.49%
Net amount transferred to profit or loss	–813	–2,362	1,549	–65.58%
Hedging reserve (including deferred taxes)				
Change in fair value (effective hedge)	–1,878	–9,783	7,905	–80.80%
Net amount transferred to profit or loss	761	8,622	–7,861	–91.17%
Other comprehensive income total	**50,253**	**70,629**	**–20,376**	**–28.85%**
Comprehensive income	**80,663**	**92,726**	**–12,063**	**–13.01%**
Comprehensive income attributable to shareholders of the parent company	**61,284**	**66,902**	**–5,618**	**–8.40%**
thereof from continued operation	–4,244	53,933	–58,176	–107.87%
thereof from discontinued operation	65,527	12,969	52,559	>200.00%
Comprehensive income attributable to non-controlling interest	19,380	25,825	–6,445	–24.96%
thereof from continued operation	8,660	11,257	–2,597	–23.07%
thereof from discontinued operation	10,720	14,568	–3,848	–26.42%

The comperative figures 2011 have been adapted accoring to IAS 8 (see note 1)

Statement of financial position

	30 Jun 2012 Euro thousand	31 Dec 2011 Euro thousand	Changes Euro thousand	 %
Assets				
Liquid funds	980,094	430,943	549,150	127.43%
Loans and advances to credit institutions (gross)	8,001,044	7,964,310	36,734	0.46%
Loans and advances to customers (gross)	11,575,169	12,717,062	–1,141,892	–8.98%
Risk provisions (–)	–958,913	–945,744	–13,169	1.39%
Trading assets	2,294,770	2,102,213	192,558	9.16%
Financial investments	5,947,737	6,795,633	–847,896	–12.48%
Assets for operating lease	322,199	308,412	13,788	4.47%
Companies measured at equity	10,765	12,606	–1,841	–14.60%
Participations	544,362	579,583	–35,221	–6.08%
Intangible assets	12,463	13,778	–1,315	–9.54%
Tangible fixed assets	125,470	127,751	–2,281	–1.79%
Tax assets	119,825	133,985	–14,161	–10.57%
Current taxes	21,158	22,870	–1,712	–7.49%
Deferred taxes	98,667	111,116	–12,449	–11.20%
Other assets	1,517,872	2,019,055	–501,182	–24.82%
Assets of the disposal group	0	8,874,996	–8,874,996	–100.00%
TOTAL ASSETS	**30,492,858**	**41,134,582**	**–10,641,724**	**–25.87%**
Liabilities and Equity				
Amounts owed to credit institutions	10,435,618	11,649,751	–1,214,133	–10.42%
Amounts owed to customers	2,987,996	2,712,738	275,258	10.15%
Debts evidenced by certificates	11,469,241	13,452,120	–1,982,878	–14.74%
Trading liabilities	1,822,887	1,631,437	191,450	11.74%
Provisions	204,992	190,310	14,682	7.71%
Tax liabilities	91,810	83,693	8,117	9.70%
Current taxes	14,406	9,315	5,091	54.65%
Deferred taxes	77,404	74,378	3,026	4.07%
Other liabilities	1,485,351	1,927,828	–442,478	–22.95%
Liabilities of the disposal group	0	7,281,880	–7,281,880	–100.00%
Subordinated liabilities	1,674,880	1,728,658	–53,778	–3.11%
Equity	320,083	476,167	–156,084	–32.78%
Shareholders' equity	135,582	80,425	55,157	68.58%
Non-controlling interest	184,501	395,742	–211,241	–53.38%
TOTAL LIABILITIES AND EQUITY	**30,492,858**	**41,134,582**	**–10,641,724**	**–25.87%**

Changes in the Group's equity

					IAS 39 [3] valuation reserves				
Euro thousand	Subscribed capital [1]	Capital reserve	Retained earnings	Currency reserve	Available for sale reserve	Hedging reserve	Shareholders' equity	Non-controlling interest	Equity
As at 1 Jan 2011	**1,339,193**	**0**	**–29,106**	**–45,219**	**–158,893**	**2,785**	**1,108,761**	**865,415**	**1,974,175**
Consolidated net income [2]			7,039				7,039	15,058	22,098
Currency reserve				11,829			11,829	11,076	22,905
Available for sale reserve (including deferred taxes)					48,757		48,757	127	48,885
Hedging reserve (including deferred taxes)						–724	–724	–437	–1,161
Comprehensive income	0	0	7,039	11,829	48,757	–724	66,902	25,825	92,726
Dividends paid							0	–8,836	8,836
Change in treasury stocks	–137		–104				–241		–241
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation			71				71	–150,422	–150,350
As at 30 June 2011 [4]	**1,339,056**	**0**	**–22,100**	**–33,390**	**–110,135**	**2,061**	**1,175,492**	**731,982**	**1,907,474**
As at 1 Jan 2012	**1,338,838**	**0**	**–1,002,116**	**–14,206**	**–243,924**	**1,833**	**80,425**	**395,742**	**476,167**
Consolidated net income [2]			14,108				14,108	16,302	30,410
Currency reserve				16,135			16,135	424	16,558
Available for sale reserve (including deferred taxes)					31,792		31,792	3,020	34,811
Hedging reserve (including deferred taxes)						–751	–751	–366	–1,117
Comprehensive income	0	0	14,108	16,135	31,792	–751	61,284	19,380	80,663
Dividends paid							0	–1,948	–1,948
Change in treasury stocks	–57						–57		–57
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation			–6,069				–6,069	–228,672	–234,741
As at 30 June 2012 [4]	**1,338,780**	**0**	**–994,077**	**1,928**	**–212,132**	**1,082**	**135,582**	**184,501**	**320,083**

1) Subscribed capital as at 30 Jun 2012 does not correspond to the figures reported in the financial statements of Österreichische Volksbanken-Aktiengesellschaft. In the separate financial statements of VBAG the capital measures (capital reduction and increase) were included as at 31 December 2011. According to IFRS these measures can only be included in the consolidated financial statements after full legal effect.

2) Currency translation differences amounting to euro 5 thousand (1-6/2011: euro –45 thousand) for shareholders' equity and euro –5 thousand (1-6/2011: euro –42 thousand) for non-controlling interest resulted from the application of average rates of exchange in the income statement.

3) As at 30 June 2012, the available for sale reserve included deferred taxes of euro 52,857 thousand (30 June 2011: euro 45,150 thousand). The hedging reserve contains deferred taxes in the amount of euro –456 thousand at the balance sheet date (30 June 2011: euro –819 thousand).

4) In the figures as at 30 June 2011 the disposal group Banks CEE accounted for an amount of euro –875 thousand in the currency reserve, for an amount of euro –888 thousand in the available for sale reserve and for an amount of euro 705 thousand in the hedging reserve. At the same time the disposal group Selini accounted for an amount of euro –578 thousand in the currency reserve.

Cash flow statement

Euro thousand	1-6/2012	1-6/2011
Cash and cash equivalents at the end of the previous period (= liquid funds)	1,256,936	1,982,446
Cash flow from operating activities	–597,780	74,009
Cash flow from investing activities	455,957	194,035
Cash flow from financing activities	–135,020	-16,631
Cash and cash equivalents at the end of period (= liquid funds)	980,094	2,233,859

NOTES

Interim Financial Statement as at 30 June 2012

1) General

The interim report as at 30 June 2012 of Österreichische Volksbanken-Aktiengesellschaft (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.

The interim financial statements 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 2011. In preparing this interim report the accounting principles, the estimates and assumptions were the same as those applied to the consolidated financial statements as at 31 December 2011.

In the third quarter 2011 the management of VBAG decided due to the actual development of interpretations of accounting standards and the volatility on capital and financial markets to recognise instruments which where so far classified as financial guarantees with their market value through profit or loss. In income statement the change in market value is recognised in income from financial investments (1-6/2011: euro 8,622 thousand). Furthermore the disclosure of credit linked notes whose market values are linked to baskets of various country risks was changed. These instruments which were so far classified as available for sale financial instruments are now recognised as financial instruments at fair value through profit or loss. Accordingly changes in fair value are recognised in income statement in the position income from financial investments (1-6/2011: euro –2,794 thousand) and no any longer in the available for sale reserve. Deferred taxes were also reclassified from the available for sale reserve to income statement (1-6/2011: euro 699 thousand). According to IAS 8 comparative figures have been restated due to the changes in accounting policy.

In the reporting period an impairment test was carried out for one entity, which led to an impairment amounting to euro 230 thousand. As all other goodwills have already a carrying amount of zero, no further impairment tests were done.

These condensed consolidated interim financial statements were reviewed by an auditor.

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.

a) Going concern

The VBAG parent company posted significant losses for the 2011 business year in its separate financial statements, giving rise to a medium-term danger of falling short of regulatory solvency limits and doubts about the company's ability to continue as a going concern.

As at 27 February 2012, stabilisation measures were agreed between the shareholders of VBAG and the Republic of Austria which were concluded in the Annual General Meeting of 26 April 2012. The measures include amongst others a capital reduction and a subsequent capital increase. Investkredit will be merged with VBAG with retroactive effect from 31 December 2011. The association of credit institutions that is being set up pursuant to section 30a of the Austrian Banking Act (based on a joint liability scheme and cash pool) secures VBAG and the Association of Volksbanks a sustainable and solid liquidity position and capital base.

The approvals of the European Commission and the Financial Market Authority are expected in September 2012. The VBAG managing board assumes that the still outstanding stabilisation measures are very likely to be taken and that the preparation of the condensed consolidated interim financial statements on the assumption that the company shall remain a going concern is justified.

2) Changes in the Group structure

In Real Estate segment eighteen companies were newly included into the scope of consolidation, as these companies are no longer immaterial for the presentation of the consolidated financial statements. The results from previous years in the amount of euro –6,064 thousand were recognised directly in equity. Through the inclusion of these companies in the scope of consolidation, loans and advances to credit institutions and customers from finance lease increased by the amount of euro 67,163 thousand as well as investment property assets by an amount of euro 43,016 thousand. These assets offset in addition with Group-internal funding, amounts owed to credit institutions and customers totalling euro 14,765 thousand.

As at 8 September 2011 the contract of sale of VBI to the Russian Sberbank was signed. The sale was concluded with various conditions precedent, which must be fulfilled by the time the deal is closed. The closing took place as at 15 February 2012. The purchase price for 100% of shares consists of a fixed amount of euro 585 million reduced by an amount of euro 80 million as a take over of losses for the fourth quarter 2011 as well as a variable component based on the changes of equity of VBI group for the first three quarters of 2011. VB RO is not included in this transaction. Starting with 8 September 2011, VBI group is shown as a disposal group or discontinued operation as the VBI group represents a major line of business of the Group. The comparative figures in the income statement were restated accordingly.

The result of deconsolidation is shown in the result from discontinued operation. As the presentation of the participation hold indirectly by VBI BeteiligungsGmbH was adapted in the second quarter 2012, the deconsolidation result changed in comparison to the first quarter 2012.

Calculation of deconsolidation result Banks CEE

Euro thousand	
Assets proportional	4,762,755
Liabilities proportional	4,525,420
Currency reserve proportional	–12,367
Available for sale reserve proportional	–3,433
Hedging reserve proportional	–76
Disposal of net assets proportional	**–253,210**
Revenues proportional	268,532
Deconsolidation result	**15,322**

Profit and loss of discontinued operation Banks CEE

Euro thousand	1 Jan - 15 Feb 2012	1-6/2011
Net interest income	24,137	138,027
Risk provisions	6,399	–45,485
Net fee and commission income	5,412	36,205
Net trading income	627	1,980
General administrative expenses	–17,344	–110,455
Other operating result	12,932	–7,250
thereof deconsolidation result	15,322	0
Income from financial investments	3,690	187
Result for the period before taxes	**35,852**	**13,209**
thereof consolidation	2,203	6,605
Income taxes	–2,051	–6,042
Result for the period after taxes	**33,801**	**7,167**
Profit attributable to shareholders of the parent company	**25,703**	**–325**
Profit attributable to non-controlling interest	8,099	7,492

Assets of disposal group Banks CEE

Euro thousand	31 Dec 2011
Liquid funds	825,992
Loans and advances to credit institutions (gross)	591,255
Loans and advances to customers (gross)	6,863,031
Risk provisions (–)	–375,661
Trading assets	9,766
Financial investments	668,908
Assets for operating lease (including investment property)	20,135
Participations	3,699
Intangible assets	41,706
Tangible fixed assets	88,920
Tax assets	13,991
Other assets	55,423
Assets	**8,807,166**
thereof consolidation	–1,298,362

Liabilities of disposal group Banks CEE

Euro thousand	31 Dec 2011
Amounts owed to credit institutions	2,077,630
Amounts owed to customers	4,689,536
Debts evidenced by certificates	239,487
Trading liabilities	1,185
Provisions	13,634
Tax liabilities	5,722
Other liabilities	111,480
Subordinated liabilities	66,735
Liabilities	**7,205,410**
thereof consolidation	–2,519,567

Cash flow of discontinued operation Banks CEE

Euro thousand	1 Jan - 15 Feb 2012	1-6/2011
Cash and cash equivalents at the end of previous period (= liquid funds)	**825,992**	**749,659**
Cash flow from operating activities	–168,633	5,248
Cash flow from investing activities	9,774	31,300
Cash flow from financing activities	802	–13,113
Cash and cash equivalents at the end of period (= liquid funds)	**667,936**	**773,095**

Number of staff which was employed in disposal group Banks CEE

	Average number of staff		Number of staff at reporting date	
	1-6/2012	1-6/2011	30 Jun 2012	31 Dec 2011
Domestic	20	63	0	72
Foreign	1,024	3,907	0	4,086
Total number of staff	**1,044**	**3,970**	**0**	**4,158**

The average number of staff was calculated for the whole first half of the year 2012, which means 6 months, resulting in a decrease in comparison to 1-6/2011.

As at 22 December 2011 the contract of sale of shares in Selini Holding GmbH was signed. Closing took place as at 12 April 2012. The sale was concluded with various conditions precedent, which had to be fulfilled by the time the deal was closed. The purchase price consists of a base price which represents the proportional value of investment property as well as adjustments for other assets and liabilites in Selini Holding GmbH itself and the holdings in between. Starting with 22 December 2011 Selini Holding GmbH and Trastona Holding Ltd. (Vremena Goda project) which is measured at equity are shown as disposal group or discontinued operation, as they represent a major line of business of the Group as part of the Europolis group which was deconsolidated at the beginning of 2011. The comparative figures in the income statement were restated accordingly. The result of deconsolidation is shown in result of income from discontinued operations.

Calculation of deconsolidation result Selini

Euro thousand	
Assets proportional	65,288
Liabilities proportional	74,127
Currency reserve proportional	421
Disposal of net assets proportional	**9,260**
Revenues proportional	3,407
Deconsolidation result	**12,667**

Profit and loss of discontinued operation Selini

Euro thousand	1 Jan - 12 Apr 2012	1-6/2011
Net interest income	–640	2,274
Net trading income	782	2,772
General administrative expenses	–15	–423
Other operating result	12,667	0
thereof deconsolidation result	12,667	0
Result for the period before taxes	**12,793**	**4,622**
Income taxes	0	–625
Result for the period after taxes	**12,793**	**3,997**
Profit attributable to shareholders of the parent company	**12,793**	**3,997**
Profit attributable to non-controlling interest	0	0

Assets of disposal group Selini

Euro thousand	31 Dec 2011
Loans and advances to credit institutions	3,232
Companies measured at equity	58,457
Other assets	6,141
Assets	**67,830**

Liabilities of disposal group Selini

Euro thousand	31 Dec 2011
Amounts owed to credit institutions	64,469
Amounts owed to customers	11,984
Other liabilities	18
Liabilities	**76,471**

Due to the fact that discontinued operation Selini has no liquid funds and no cash flow from investing and financing activities in the first half-year 2011 and 2012, the cash flow from operating activities is also zero.

The disposal group Selini does not employ any staff.

As at 2 July 2012, a contract concerning the sale of VB Real Estate Leasing neun GmbH was concluded. According to this contract, all rights and obligations were transfered with 30 June 2012. Therefore the deconsolidation took place in the first half-year 2012. The purchase price consists of proportional value for real estates owned by the company as well as adjustments for other assets and liabilities in the company as at 30 June 2012. The final purchase price will be defined after the financial statements for the reporting date is set up. The result of deconsolidation is shown in other operating result with an amount of euro –98 thousand.

Calculation of deconsolidation result VB Real Estate Leasing neun GmbH

Euro thousand	
Assets proportional	20,491
Liabilities proportional	19,770
Disposal of net assets proportional	**–721**
Revenues proportional	623
Deconsolidation result	**–98**

In the course of the sale of VBI the shares of Volksbank Romania S.A. (VB RO) were demerged from VBI to VBI Beteiligungs GmbH (VBI Bet). Shares in VBI Bet are hold by VBAG with 51%, DZ Bank AG/WGZ Bank AG and Banque Populaire Caisse d'Epargne each with 24,5%. In a shareholder agreement the shareholders stipulated a joint control of VB RO. Therefore VBI Bet as well as VB RO and its subsidiary VBRO Services SRL were deconsolidated as at 30 September 2011 and VBI Bet as well as VB RO are measured at equity starting on this date. The result for the period 1 January to 30 June 2011 is shown in the respective positions in income statement. The measurement of equity in the first half of the year 2012 is recognised in net interest income in the position income from companies measured at equity.

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. In the fourth quarter 2011 a slight adjustment of purchase price occured, for which reason the consolidated financial statements as at 31 December 2011 show a result of deconsolidation of euro 9,761 thousand.

In a contract dated 29 June 2010, the shares in Europolis AG were sold to CA Immo CEE Beteiligungs GmbH and CA Immobilien Anlagen AG. The closing was on 31 December 2010; the right of disposal over the shares was transferred to the buyers at the end of 31 December 2010. Therefore the deconsolidation took place as at 1 January 2011. In the first half of the year 2011 a deconsolidation result with an amount of euro –3,924 thousand was shown in income from discontinued operation.

3) Subsequent events

The agreed corporate and restructuring actions were concluded in the Annual General Meeting of 26 April 2012. Investkredit is to be merged with VBAG with retroactive effect from 31 December 2011. The planned joint liability scheme modelled on section 30a of the Austrian Banking Act specifies the new orientation of the then merged company. The new institution will focus on its role as central institution. Operations outside this area (non-core business) are to be phased out or sold in accordance with their underlying repayment profile. The approvals of the EU as well as the FMA (Financial Market Authority) for a full legal effect are being expected for September 2012.

At its meeting on 17 July 2012, the supervisory board appointed Stephan Koren as the new CEO of VBAG. He will take office on 3 September 2012. Additionally, with effect from 6 August 2012 Rainer Borns has been appointed as COO and supervisory board member responsible for the structure of the association of Volksbanks.

A contract of sale for Immoconsult Asset Leasing GmbH was signed on 17 July 2012. The purchase was closed with various conditions precedent, which must be fulfilled by the time the deal is closed. The purchase price consists of a fixed amount which represents the loans and advances from financial lease owed by Immoconsult Asset Leasing GmbH as well as assets and liabilities in the company. Cloasing will take place in September 2012.

In the first half of the year, VBAG submitted offers to holders of hybrid tier I capital for the repurchase of these securities. The offers expired on either 11 June or 28 June 2012. Investors holding a volume of just under 80% of the total nominal value issued accepted the offer. The repurchases came into effect on the settlement dates in July 2012, and earnings from these transactions are therefore recorded in the third quarter. The scale of the profit made is determined by the difference between the carrying amount for the bond liability previously recognised and the purchase price of the reacquired bonds; it will total almost euro 144 million.

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 2012.

4) Notes to the income statement

Net interest income

Euro thousand	1-6/2012	1-6/2011
Interest and similar income	548,451	744,738
Interest and similar income from	519,962	721,109
liquid funds	1,405	7,480
credit and money market transactions with credit institutions	53,556	36,444
credit and money market transactions with customers	249,862	378,885
debt securities	98,046	134,236
derivatives in the investment book	117,092	164,094
Current income from	16,114	13,004
equities and other variable-yield securities	6,032	4,543
other affiliates	10,305	1,473
companies measured at equity	–1,849	105
investments in other companies	1,626	6,882
Income from operating lease and investment property	12,375	10,625
rental income investment property	7,886	5,990
income from operating lease contracts	4,489	4,635
rental income	15,934	18,660
depreciations	–11,445	–14,024
Interest and similar expenses of	–433,627	–505,067
deposits from credit institutions (including central banks)	–106,300	–111,782
deposits from customers	–45,539	–50,741
debts evidenced by certificates	–243,956	–288,060
subordinated liabilities	–13,407	–26,128
derivatives in the investment book	–24,426	–28,357
Net interest income	114,824	**239,671**

Net interest income according to IAS 39 categories

Euro thousand	1-6/2012	1-6/2011
Interest and similar income	548,451	744,738
Interest and similar income from	519,962	721,109
financial investments at fair value through profit or loss	3,832	9,109
derivatives in the investment book	117,092	164,094
financial investments not at fair value through profit or loss	399,037	547,906
financial investments available for sale	61,776	71,922
financial investments at amortised cost	316,873	440,361
of which financial lease	98,350	99,945
financial investments held to maturity	20,388	35,624
Current income from	16,114	13,004
financial investments at fair value through profit or loss	1,562	2,090
financial investments available for sale	16,400	10,808
companies measured at equity	–1,849	–105
Operating lease operations (including investment property)	12,375	10,625
Interest and similar expenses of	–433,627	–505,067
derivatives in the investment book	–24,426	–28,357
financial investments at amortised cost	–409,201	–476,710
Net interest income	114,824	**239,671**

Risk provisions

Euro thousand	1-6/2012	1-6/2011
Allocation to risk provisions	–190,687	–171,952
Release of risk provisions	111,533	89,898
Allocation to provisions for risks	–1,077	–2,493
Release of provisions for risks	2,382	917
Direct write-offs of loans and advances	–1,871	–1,624
Income from loans and advances previously written off	5,871	1,191
Risk provisions	**–73,848**	**–84,063**

Net fee and commission income

Euro thousand	1-6/2012	1-6/2011
Fee and commission income from	47,183	76,795
lending operations	15,174	21,582
securities businesses	21,142	31,982
payment transactions	2,647	4,049
foreign exchange, foreign notes and coins transactions	0	9,361
other banking services	8,221	9,822
Fee and commission expenses from	–9,267	–25,367
lending operations	–2,321	–11,737
securities businesses	–6,071	–6,517
payment transactions	–487	–767
foreign exchange, foreign notes and coins transactions	0	–5,555
other banking services	–388	–792
Net fee and commission income	**37,916**	**51,428**

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

Net trading income

Euro thousand	1-6/2012	1-6/2011
Equity related transactions	5,144	2,269
Exchange rate related transactions	4,794	–813
Interest rate related transactions	13,703	15,768
Net trading income	**23,641**	**17,225**

General administrative expenses

Euro thousand	1-6/2012	1-6/2011
Staff expenses	–71,852	–96,664
Other administrative expenses	–55,107	–74,687
Depreciation of fixed tangible and intangible assets	–5,875	–8,450
General administrative expenses	**–132,834**	**–179,802**

Other operating result

Euro thousand	1-6/2012	1-6/2011
Other operating income and expenses	13,130	13,035
Proceeds from deconsolidation of subsidiaries	–98	9,032
Other taxes	–46,006	–21,868
Impairment of goodwill and brands	–230	0
Other operating result	**–33,205**	**200**

Other operating income and expenses are added up in the table above. Mostly in these positions hire purchase transactions as well as operating expenses and insurance contributions which are passed on to customers are reported, this procedure presents a fairer view of the economic nature of these transactions.

In the first half of 2012 the proceeds from deconsolidation of subsidiaries contain the result of sale of VB Real Estate Leasing neun and in the first half of 2011 the deconsolidation result of Bonifraterska. Deconsolidation result from the disposal of VBI and its affiliates, as well as Selini and Trastona Holding Ltd. (Vremena Goda project), which was measured at equity, are shown in the result of discontinued operation.

In other taxes the banking tax is included. In the reporting period this position includes an allocation of a provision for the impending utilisation of a liability for investment income taxes in the amount of euro 19,000 thousand.

Due to an impairment test for Heilbad Sauerbrunn, the goodwill was partly impaired by euro 230 thousand in the first half of 2012.

Income from financial investments

Euro thousand	1-6/2012	1-6/2011
Result from financial investments at fair value through profit or loss	**1,422**	**–36,327**
Result from fair value hedges	**56,058**	**–25**
Result from revaluation of underlying instruments	93,297	102,904
Result from revaluation derivatives	–37,239	–102,929
Result from valuation of other derivatives in the investment book	**6,594**	**10,264**
Exchange rate related transactions	8,317	3
Interest rate related transactions	–21,427	1,587
Credit related transactions	28,301	7,799
Other transactions	–8,596	875
Result from available for sale financial investments (including participations)	**15,628**	**–14,451**
Realised gains/losses	27,958	2,993
Income from revaluation	0	421
Impairments	–12,330	–17,865
Result from loans & receivables financial investments	**5,932**	**2,141**
Realised gains/losses	6,047	2,165
Income from revaluation	20	0
Impairments	–135	–23
Result from held to maturity financial investments	**2,159**	**–4,547**
Realised gains/losses	2,159	2,803
Impairments	0	–7,350
Result from assets for operating lease and investment property assets as well as other financial investments	**–23,685**	**728**
Realised gains/losses	859	728
Change in value investment properties	–24,544	0
Result from financial investments	**64,108**	**–42,217**

Amongst others the result of the disposal of VICTORIA Volksbanken insurance companies is shown in the realised gains of available for sale financial investments. The closing took place as at 16 February 2012. In the first half of 2012 increased impairments of participations and investment property assets were reported in Real Estate Business. In the comparative period last year, impairments of Greek souvereign bonds in the category available for sale and held to maturity were reported.

In the first half of 2012, an amount of euro 813 thousand (1-6/2011: euro 2,362 thousand) previously recognised in the available for sale reserve was reclassified and shown in income statement.

Euro thousand	1-6/2012	1-6/2011
Result from financial investments, which are measured at fair value through profit and loss	**39,530**	**–26,089**
Financial instruments at fair value through profit or loss	1,422	–36,327
Fair value hedges	56,058	–25
Other derivatives in investment book	6,594	10,264
Investment property assets	–24,544	0
Result from financial investments, which are not measured at fair value through profit and loss	**24,578**	**–16,129**
Realised gains/losses	37,024	8,689
Available for sale financial investments	27,958	2,993
Loans & receivables financial investments	6,047	2,165
Held to maturity financial investments	2,159	2,803
Operating lease assets and other financial investments	859	728
Income from revaluation	20	421
Available for sale financial investments	0	421
Loans & receivables financial investments	20	0
Impairments	–12,466	–25,238
Available for sale financial investments	–12,330	–17,865
Loans & receivables financial investments	–135	–23
Held to maturity financial investments	0	–7,350
Income from financial investments	**64,108**	**–42,217**

5) Notes to the consolidated statement of financial position

Loans and advances to credit institutions and customers

Euro thousand	30 Jun 2012	31 Dec 2011
Loans and advances to credit institutions	8,001,044	7,964,310
Loans and advances to customers	11,575,169	12,717,062
Loans and advances to credit institutions and customers	**19,576,213**	**20,681,372**

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 2011	872	1,470,404	56,880	1,528,155	265,653
Changes in the scope of consolidation	0	–5,623	0	–5,623	–5,623
Currency translation	0	5,097	222	5,319	1,064
Reclassification	0	2,800	–81	2,719	0
Unwinding	0	–6,511	0	–6,511	–6,511
Utilisation	0	–68,347	0	–68,347	–25,327
Release	0	–114,365	–3,962	–118,327	–28,429
Addition	0	241,019	4,132	245,151	73,199
As at 30 Jun 2011	872	1,524,473	57,191	1,582,535	274,026
As at 1 Jan 2012	**703**	**1,261,444**	**59,258**	**1,321,405**	**375,661**
Changes in the scope of consolidation	0	–350,744	–14,440	–365,183	–366,495
Currency translation	0	10,920	381	11,300	7,429
Reclassification	0	–459	459	0	0
Unwinding	0	–1,567	0	–1,567	–963
Utilisation	0	–79,916	0	–79,916	–9,352
Release	0	–124,756	–3,502	–128,258	–16,725
Addition	0	199,330	1,802	201,132	10,445
As at 30 Jun 2012	**703**	**914,252**	**43,958**	**958,913**	**0**

The additions include an amount of euro 2,797 thousand (1-6/2011: euro 16,797 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 412,069 thousand (31 Dec 2011: euro 358,949 thousand).

Trading assets

Euro thousand	30 Jun 2012	31 Dec 2011
Debt securities	280,310	286,359
Equity and other variable-yield securities	30,124	32,697
Positive fair value from derivatives	1,984,337	1,801,156
exchange rate related transactions	30,776	45,424
interest rate related transactions	1,953,561	1,755,732
Trading assets	**2,294,770**	**2,102,213**

Financial investments

Euro thousand	30 Jun 2012	31 Dec 2011
Financial investments at fair value through profit or loss	250,926	495,578
Debt securities	174,445	419,614
Equity and other variable-yield securities	76,481	75,964
Financial investments available for sale	3,245,289	3,467,590
Debt securities	3,135,397	3,348,293
Equity and other variable-yield securities	109,891	119,297
Financial investments loans & receivables	1,269,455	1,456,567
Financial investments held to maturity	1,182,067	1,375,899
Financial investments	**5,947,737**	**6,795,633**

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.

Euro thousand	30 Jun 2012	31 Dec 2011	1 Jul 2008
Carrying amount	541,092	599,185	1,140,363
Fair value	499,628	543,225	1,140,363
Available for sale reserve with reclassification	–38,160	–40,663	–79,177
Available for sale reserve without reclassification	–75,024	–88,891	–79,177

The amounts of the available for sale reserve take deferred taxes into account. The reclassification did not have any effect on the income statement.

Participations

Euro thousand	30 Jun 2012	31 Dec 2011
Investments in unconsolidated affiliates	428,124	437,236
Participating interests	65,854	91,978
Investments in other companies	50,384	50,369
Participations	**544,362**	**579,583**

All investments and participations which are not listed are measured at acquisition costs, as their fair value cannot be determined without an unreasonable amount of effort. One of the Group's participations is listed on the stock exchange and is measured at fair value.

Other assets

Euro thousand	30 Jun 2012	31 Dec 2011
Deferred items	15,985	11,138
Other receivables and assets	267,883	456,519
Positive fair value from derivatives in the investment book	1,234,004	1,551,398
Other assets	**1,517,872**	**2,019,055**

Amounts owed to credit institutions

Euro thousand	30 Jun 2012	31 Dec 2011
Central banks	300,193	652,075
Other credit institutions	10,135,425	10,997,676
Amounts owed to credit institutions	**10,435,618**	**11,649,751**

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

Amounts owed to customers

Euro thousand	30 Jun 2012	31 Dec 2011
Savings deposits	198	198
Other deposits	2,987,798	2,712,540
Amounts owed to customers	**2,987,996**	**2,712,738**

The amounts owed to customers are measured at amortised cost.

Debts evidenced by certificates

Euro thousand	30 Jun 2012	31 Dec 2011
Debts evidenced by certificates	**11,469,241**	**13,452,120**

In debts evidenced by certificates only bonds are included and they are measured at amortised cost.

Trading liabilities

Euro thousand	30 Jun 2012	31 Dec 2011
Negative fair value from derivatives		
exchange rate related transactions	27,360	36,828
interest rate related transactions	1,795,528	1,594,609
Trading liabilities	**1,822,887**	**1,631,437**

Other liabilities

Euro thousand	30 Jun 2012	31 Dec 2011
Deferred items	26,169	19,714
Other liabilities	331,935	540,009
Negative fair value from derivatives in the investment book	1,127,247	1,368,106
Other liabilities	**1,485,351**	**1,927,828**

Subordinated liabilities

Euro thousand	30 Jun 2012	31 Dec 2011
Subordinated liabilities	813,581	844,523
Supplementary capital	861,299	884,135
Subordinated liabilities	**1,674,880**	**1,728,658**

Subordinated liabilities are measured at amortised cost.

Subordinated liabilities comprise hybrid tier I capital in the amount of euro 300,000 thousand (31 December 2011: euro 300,000 thousand).

Equity

VBAG reported subscribed capital with an amount of euro 311,095 thousand and participation capital with a nominal value of euro 1,034,078 thousand as at 30 June 2012. After the planned capital measures (capital reduction and capital increase) subscribed capital will amount to euro 577,329 thousand and participation capital to euro 460,223 thousand.

The participation capital which was subscribed by the Republic of Austria in fiscal year 2009 carries an option for conversion for the Republic of Austria.

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 (the amounts include the disposal group):

Euro thousand	30 Jun 2012	31 Dec 2011
Subscribed capital (less treasury stocks)	1,031,158	1,031,217
Open reserves (including differential amounts and non-controlling interests)	1,156,713	1,833,768
Funds for general banking risks	10,360	10,667
Intangible assets	–15,888	–40,207
Net loss	–90,004	–484,287
Core capital (tier I capital) before deductions	2,092,339	2,351,158
Deductions from core capital (50% deduction pursuant to section 23 (13) Austrian Banking Act)	–58,337	–46,119
Core capital (tier I capital) after deductions	2,034,002	2,305,040
Supplementary capital	220,686	220,573
Eligible subordinated liabilities	649,597	648,281
Hidden reserves pursuant to section 57 (1) Austrian Banking Act	39,056	39,064
IRB risk provison surplus	55,610	62,684
Supplementary capital (tier II capital) before deductions	964,949	970,602
Deductions from supplementary capital (50% deduction pursuant to section 23 (13) Austrian Banking Act)	–58,337	–46,119
Supplementary capital (tier II capital) after deductions	906,612	924,483
Deductions from own funds pursuant to section 103e no. 13 Austrian Banking Act	–3,519	–24,297
Short-term subordinated liabilities (tier III capital)	109,098	120,866
Eligible qualifying capital	3,046,193	**3,326,092**
Capital requirement	1,446,274	2,100,985
Surplus capital	1,599,919	1,225,107

Core capital ratio (tier I) (in relation to the assessment base pursuant to section 22 Austrian Banking Act - credit risk)	13.08%	10.05%
Equity ratio (solvency ratio) (in relation to credit risk after deduction of capital requirements for market and operational risk)	18.29%	13.34%
Core capital ratio (in relation to the risks pursuant to section 22 (1) no. 1 - 5 Austrian Banking Act)	11.25%	8.78%
Equity ratio (in relation to the risks pursuant to section 22 (1) no. 1 - 5 Austrian Banking Act)	16.85%	12.66%

The capital measures (capital reduction and increase) agreed in the Annual General Meeting as at 26 April 2012 are included in the own funds calculated pursuant to the Austrian Banking Act. According to IFRS these measures can only be included in the consolidated financial statements after full legal effect.

Open reserves include the hybrid tier I capital totalling euro 300,000 thousand (31 December 2011: euro 300,000 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 2012	31 Dec 2011
Risk-weighted assessment base pursuant to section 22 Austrian Banking Act - credit risk	15,548,925	22,946,850
Of which 8% minimum capital requirement for credit risk	1,243,914	1,835,748
Capital requirement for position risk in debt instruments, equities, foreign exchange and commodities - market risk	109,098	120,866
Capital requirement for operational risk	93,262	144,371
Total capital requirement	1,446,274	**2,100,985**

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 or where the Group helds a majority of shares either direct or indirect, are fully consolidated. Therefore VB RO and VBI Bet GmbH are still included in the group of credit institutions and are fully consolidated for the purpose of calculation of own resources and capital requirements. Since the closing date as at 15 February 2012 the companies of the VBI group are no more part of the VBAG Group of credit institutions. 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 or where the Group helds a majority of shares either direct or indirect are considered in the scope of consolidation according to the Austrian Banking Act.

In the first half of the year 2012, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the parent 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 2012							
Liquid funds	0	0	0	0	980,094	980,094	980,094
Loans and advances to credit institutions	0	0	0	0	8,001,044	8,001,044	8,001,044
Loans and advances to customers	0	0	0	0	11,575,169	11,575,169	10,662,641
Trading assets	2,294,770	0	0	0	0	2,294,770	2,294,770
Financial investments	0	250,926	1,182,067	3,245,289	1,269,455	5,947,737	5,752,829
Participations	0	0	0	544,362	0	544,362	544,362
Derivatives – investment book	1,234,004	0	0	0	0	1,234,004	1,234,004
Financial assets total	**3,528,775**	**250,926**	**1,182,067**	**3,789,650**	**21,825,763**	**30,577,181**	**29,469,745**
Amounts owed to credit institutions	0	0	0	0	10,435,618	10,435,618	10,435,618
Amounts owed to customers	0	0	0	0	2,987,996	2,987,996	2,987,996
Debts evidenced by certificates	0	0	0	0	11,469,241	11,469,241	11,270,709
Trading liabilities	1,822,887	0	0	0	0	1,822,877	1,822,877
Derivatives – investment book	1,127,247	0	0	0	0	1,127,247	1,127,247
Subordinated liabilities	0	0	0	0	1,674,880	1,674,880	1,075,395
Financial liabilities total	**2,950,135**	**0**	**0**	**0**	**26,567,735**	**29,517,869**	**28,719,852**

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 2011							
Liquid funds	0	0	0	0	430,943	430,943	430,943
Loans and advances to credit institutions	0	0	0	0	7,964,310	7,964,310	7,963,608
Loans and advances to customers	0	0	0	0	12,717,062	12,717,062	11,817,152
Trading assets	2,102,213	0	0	0	0	2,102,213	2,102,213
Financial investments	0	495,578	1,375,899	3,467,590	1,456,567	6,795,633	6,537,627
Participations	0	0	0	579,583	0	579,583	579,583
Derivatives – investment book	1,551,398	0	0	0	0	1,551,398	1,551,398
Financial assets – total	**3,653,610**	**495,578**	**1,375,899**	**4,047,172**	**22,568,882**	**32,141,142**	**30,982,522**
Financial assets of the disposal group	24,866	10,377	78,011	447,578	8,420,150	8,980,983	8,313,780
Amounts owed to credit institutions	0	0	0	0	11,649,751	11,649,751	11,649,751
Amounts owed to customers	0	0	0	0	2,712,738	2,712,738	2,712,738
Debts evidenced by certificates	0	0	0	0	13,452,120	13,452,120	13,110,818
Trading liabilities	1,631,437	0	0	0	0	1,631,437	1,631,437
Derivatives – investment book	1,368,106	0	0	0	0	1,368,106	1,368,106
Subordinated liabilities	0	0	0	0	1,728,658	1,728,658	1,120,473
Financial liabilities – total	**2,999,543**	**0**	**0**	**0**	**29,543,267**	**32,542,810**	**31,593,324**
Financial liabilities of the disposal group	21,676	20,052	0	0	7,129,790	7,171,517	7,111,776

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 2012			
Financial assets			
Trading assets	56,374	2,238,396	2,294,770
Financial investments	3,175,803	320,412	3,496,215
at fair value through profit or loss	126,653	124,273	250,926
available for sale	3,049,150	196,139	3,245,289
Derivatives – investment book	0	1,234,004	1,234,004
Total	**3,232,177**	**3,792,812**	**7,024,989**
Financial liabilities			
Trading liabilities	0	1,822,887	1,822,887
Derivatives – investment book	0	1,127,247	1,127,247
Total	**0**	**2,950,135**	**2,950,135**

Euro thousand	Level 1	Level 2	Total
31 Dec 2011			
Financial assets			
Trading assets	92,003	2,010,210	2,102,213
Financial investments	3,460,652	502,516	3,963,168
at fair value through profit or loss	301,572	194,007	495,578
available for sale	3,159,080	308,509	3,467,590
Derivatives – investment book	0	1,551,398	1,551,398
Total	**3,552,655**	**4,064,124**	**7,616,778**
Financial assets of the disposal group	403,231	75,891	479,123
Financial liabilities			
Trading liabilities	0	1,631,437	1,631,437
Derivatives – investment book	0	1,368,106	1,368,106
Total	**0**	**2,999,543**	**2,999,543**
Financial liabilities of the disposal group	0	41,727	41,727

In 2012 and 2011 there have not been any reclassifications between the levels.

VBAG 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 adopted.

8) Number of staff

Number of staff employed during the business year, including disposal groups

	Average number of staff		Number of staff at end of period	
	1-6/2012	1-6/2011	30 Jun 2012	31 Dec 2011
Domestic	1,220	1,405	1,167	1,325
Foreign	1,811	6,058	784	4,871
Number of staff - total	**3,031**	**7,463**	**1,951**	**6,196**

The number of staff employed in disposal groups which is included in the table above is as follows

	Average number of staff		Number of staff at end of period	
	1-6/2012	1-6/2011	30 Jun 2012	31 Dec 2011
Banks CEE disposal group				
Domestic	20	63	0	72
Foreign	1,024	3,907	0	4,086
Number of staff Banks CEE	1,044	3,970	0	4,158

9) Branches

	30 Jun 2012	31 Dec 2011
Domestic	1	1
Foreign	1	296
Total	2	297

In the figures as at 31 December 2011, 295 branches of the disposal group Banks CEE are included.

10) Related party disclosure

Euro thousand	Unconsolidated affiliates	Companies in which the Group has a participating interest	Associated companies	Companies which exercise a significant influence on the parent as shareholders	of which disposal group
30 Jun 2012					
Loans and advances to credit institutions	0	1,209,349	1,657,545	21,585	0
Loans and advances to customers	173,469	189,794	3,009	0	0
Risk provisions (–)	–5,498	–34,621	0	0	0
Debt securities	7,941	205,358	0	0	0
Amounts owed to credit institutions	520	1,186,968	81,798	810,211	0
Amounts owed to curstomers	39,848	58,896	1,123	234,170	0
Liabilites arising from guarantees	0	0	0	15,064	0
31 Dec 2011					
Loans and advances to credit institutions	0	1,213,973	1,929,388	43,864	4,011
Loans and advances to customers	304,250	191,370	5,860	0	2,292
Risk provisions (–)	–11,790	–31,406	0	0	0
Debt securities	13,688	131,652	0	0	0
Amounts owed to credit institutions	0	1,187,316	98,482	1,174,058	360,749
Amounts owed to customers	46,987	79,388	14,803	152	31,990
Liabilities arising from guarantees	3,675	0	0	15,224	0

Settlement prices between the VBAG Group and its associated companies are consistent with standard market practices. As in previous year, VBAG Group does not have any other liabiltities for unconsolidated affiliates or associated companies on balance sheet date.

The shareholders Volksbanken Holding e. Gen. and DZ Bank AG Deutsche Zentral-Genossenschaftsbank exercise a significant influence on Österreichische Volksbanken-AG.

As at 30 Jun 2012, loans and advances to credit institutions contained transactions with the Volksbank-Sector amounting to eur 4,937,330 thousand (31 Dec 2011: euro 5,015,379 thousand) and amounts owed to credit institutions included transactions with the Volksbank-Sector amounting to euro 5,284,962 thousand (31 Dec 2011: euro 4,735,288 thousand).

11) Segment reporting

Segment reporting was adjusted in the course of restructuring. The VBAG Group has now four operating segments which correspond to the strategic business segments. The Financing, Financial Markets, and Investment Book/Other Operations segments constitute VBAG's core business. The Non-core Business segment comprises all areas that are to be phased out or sold in accordance with their repayment profile. The comparative figures have been restated accordingly.

Segment Financing consists of the profit centers syndicate business, housing construction- and model financing as well as the VB Leasing Finanzierung group with domestic movable property leasing and VB Factoring Bank.

The segment Financial Markets remained unchanged except for Immo KAG which is now included in this segment.

The segment Non-core Business comprises the corporate customers profit center, renewable energy projects, the Investkredit Investmentbank AG as well as VB Malta from the former segment Corporates. Furthermore the whole Real Estate segment as well as the VB Leasing International group, the VBI group and VB Romania from the former Retail segment are included here. Parts of investment book which are to be phased out or sold according to their repayment profile are allocated in this segment.

All other measurements and allocation procedures remain unchanged to the ones described in the annual report 2011.

Segment reporting by business segments

Euro thousand	Financing	Financial Markets	Non-core Business	Investment Book/Other Operations	Consolidation	Total
Net interest income						
1-6/2012	20,157	11,011	136,413	−44,760	−7,997	114,824
1-6/2011	22,278	18,315	225,578	−31,463	4,963	239,671
Risk provisions						
1-6/2012	−1,270	0	−72,574	−3	0	−73,848
1-6/2011	−7,952	0	−83,482	7,371	0	−84,063
Net fee and commission income						
1-6/2012	3,911	16,209	12,787	6,331	−1,322	37,916
1-6/2011	4,088	27,793	18,951	6,846	−6,252	51,428
Net trading income						
1-6/2012	61	22,795	856	−71	0	23,641
1-6/2011	110	16,769	1,900	−1,555	0	17,225
General administrative expenses						
1-6/2012	−15,381	−30,895	−75,243	−20,148	8,833	−132,834
1-6/2011	−18,067	−33,978	−105,677	−32,340	10,261	−179,802
Other operating result						
1-6/2012	2,386	173	4,310	−38,356	−1,718	−33,205
1-6/2011	3,634	82	7,988	−9,136	−2,368	200
of which impairment of goodwill and brand						
1-6/2012	0	0	−230	0	0	−230
1-6/2011	0	0	0	0	0	0
Income from financial investments						
1-6/2012	0	318	1,218	62,572	0	64,108
1-6/2011	0	837	−50,401	7,347	0	−42,217
Income from discontinued operation						
1-6/2012	0	0	46,443	0	2,203	48,646
1-6/2011	0	0	20,513	0	−6,605	13,908
Result for the period before taxes						
1-6/2012	9,864	19,610	54,210	−34,436	0	49,248
1-6/2011	**4,091**	**29,819**	**35,370**	**−52,930**	**0**	**16,349**
Income taxes including taxes of discontinued operation						
1-6/2012	−2,100	−4,904	−10,704	−1,131	0	−18,838
1-6/2011	−598	−7,455	−2,542	16,344	0	5,749
Result for the period after taxes						
1-6/2012	7,764	14,706	43,506	−35,566	0	30,410
1-6/2011	**3,493**	**22,364**	**32,827**	**−36,586**	**0**	**22,098**
Total assets						
30 Jun 2012	2,768,914	3,658,671	12,551,928	24,491,023	−12,977,678	30,492,858
30 Dec 2011	3,053,693	3,477,936	23,199,697	26,971,051	−15,567,795	41,134,582
Loans and advances to customers						
30 Jun 2012	2,734,805	7,863	8,801,378	1,622,087	−1,590,964	11,575,169
30 Dec 2011	2,869,333	5,067	9,559,420	1,883,225	−1,599,983	12,717,062
Amounts owed to customers						
30 Jun 2012	197,482	1,789,665	257,761	835,147	−92,060	2,987,996
30 Dec 2011	315,388	1,753,309	176,782	553,974	−86,716	2,712,738
Debts evidenced by certificates including subordinated liabilities						
30 Jun 2012	563,011	0	2,875,707	13,917,741	−4,212,338	13,144,121
30 Dec 2011	422,674	13	3,234,781	14,692,636	−3,169,325	15,180,777

Segment reporting by regional markets

Euro thousand	Austria	Central and Eastern Europe	Other markets	Total
Net interest income				
1-6/2012	21,895	54,989	37,940	114,824
1-6/2011	69,013	124,404	46,255	239,671
Risk provisions				
1-6/2012	–61,624	–15,456	3,232	–73,848
1-6/2011	–15,411	–57,386	–11,266	–84,063
Net fee and commission income				
1-6/2012	28,100	2,695	7,121	37,916
1-6/2011	39,462	6,802	5,163	51,428
Net trading income				
1-6/2012	23,270	399	–28	23,641
1-6/2011	15,690	374	1,161	17,225
General administrative expenses				
1-6/2012	–89,073	–26,553	–17,208	–132,834
1-6/2011	–106,206	–53,786	–19,810	–179,802
Other operating result				
1-6/2012	–37,173	3,896	72	–33,205
1-6/2011	–13,686	13,784	102	200
Income from financial investments				
1-6/2012	5,641	–18,205	76,672	–64,108
1-6/2011	17,353	1,805	–61,375	–42,217
Income from discontinued operation				
1-6/2012	0	48,646	0	48,646
1-6/2011	–3,924	17,831	0	13,908
Result for the period before taxes				
1-6/2012	–108,964	50,411	107,801	49,248
1-6/2011	2,292	53,827	–39,770	16,349

11) Quarterly financial data

Euro thousand	4-6/2012	1-3/2012	10-12/2011	7-9/2011	4-6/2011
Net interest income	58,774	56,050	50,444	104,318	123,259
Risk provisions	–51,685	–22,162	–13,384	–6,143	–38,697
Net fee and commission income	17,615	20,301	19,371	23,522	25,944
Net trading income	15,155	8,485	–9,014	–5,284	12,402
General administrative expenses	–67,334	–65,500	–29,432	–90,105	–91,139
Restructuring cost	0	0	–41,450	0	0
Other operating result	–26,983	–6,222	–8,328	–357,220	–8,100
Income from financial investments	28,783	35,325	–95,126	–303,795	–68,510
Income from discontinued operation	36,012	12,634	–68,013	–77,899	2,002
Result for the period before taxes	**10,337**	**–38,912**	**–194,931**	**–712,605**	**–42,840**
Income taxes	–13,963	–2,823	–92,243	–4,240	15,111
Income taxes from discontinued operation	0	–2,051	–5,885	–1,461	–4,233
Result for the period after taxes	**–3,627**	**34,037**	**–293,059**	**–718,307**	**–31,961**
Result attributable to shareholders of the parent company	**–8,050**	**22,159**	**–270,245**	**–696,099**	**–43,138**
Result attributable to non-controlling interest	4,424	11,878	–22,814	–22,208	11,176

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, 27 August 2012

Michael Mendel
Deputy Chairman of the Managing Board
Risk and on an interim basis Finance, Human Ressources, Law, Marketing & Communications

Rainer Borns
Member of the Managing Board
Association of Volksbanks
Organisation/IT

Martin Fuchsbauer
Member of the Managing Board
Market

Wolfgang Perdich
Member of the Managing Board
Non-core business

REPORT ON THE REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Österreichische Volksbanken-Aktiengesellschaft, Vienna, for the period from 1 January 2012 to 30 June 2012. These condensed interim consolidated financial statements comprise the condensed consolidated statement of financial position as of 30 June 2012 and the condensed consolidated statement of comprehensive income, the condensed consolidated statements of cash flows and condensed consolidated statement of changes in equity for the period from 1 January 2012 to 30 June 2012 and the condensed notes, summarizing the significant accounting policies and other explanatory notes.

Management is responsible for the preparation of the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting (IAS 34) as adopted by the EU.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. Our liability towards the Company and towards third parties is limited in accordance with § 275 par. 2 of the Austrian Commercial Code (UGB).

Scope of review

We conducted our review in accordance with Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 "Principles of Engagements to Review Financial Statements", and with the International Standard on Review Engagements (ISRE 2410)" Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements is limited primarily to making inquiries, primarily of Company personnel, responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian Standards on Auditing and/or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As agreed with the Company, comparable figures as of 30 June 2011 and the six month period then ended were neither audited nor reviewed.

Conclusion

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS's) for Interim Reporting (IAS 34) as adopted by the EU.

Without qualifying our conclusion, we would like to point out the following issues:

- In the notes, the management board discloses that due to the loss for the year 2011, there had been substantial doubt about the parent company's (ÖVAG) ability to continue as a going concern. The shareholders of ÖVAG and the Republic of Austria agreed on measures to stabilize ÖVAG on 27 February 2012. The implementation of these measures is subject to the approval of the European Commission by state aid procedures. Therefore, there are risks related to the implementation. The management board believes the implementation of these measures to be highly probable.
- Due to the future concentration on the core business it is planned to reduce also security portfolios with exisiting liabilities in the mid term. In valuing the assets subject to a reduction, management assumes a controlled reduction and therefore, no discounts for forced sales were made.
- As agreed with the Company, comparable figures as of 30 June 2011 and the six month period then ended were neither audited nor reviewed

Statement on the consolidated interim management report for the 6 month period ended 30 June 2012 and on management's statement in accordance with § 87 Austrian Stock Exchange Act (BörseG)

We have read the consolidated interim management report and evaluated whether it does not contain any apparent inconsistencies with the condensed interim consolidated financial statements. Based on our evaluation, the consolidated interim management report does not contain any apparent inconsistencies with the condensed interim consolidated financial statements.

The interim financial information contains the statement by management in accordance with § 87 par. 1 subpar. 3 Austrian Stock Exchange Act.

Vienna, 27 August 2012

KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Bernhard Mechtler	Walter Reiffenstuhl
Certified Public Accountant	Certified Public Accountant

This report is a translation of the original report in German, which is solely valid.