

United in trust.



ANNUAL REPORT 2002

FINANCIAL HIGHLIGHTS

ÖVAG GROUP	2002	2001	Changes as against 2001	
	in millions of €	in millions of €	in millions of €	in %
Total assets	18,887	18,857	29	0.2 %
Loans and advances to customers	11,480	10,633	847	8.0 %
Primary deposits	12,420	10,152	2,269	22.3 %
Net interest income after risk provision	283.3	225.7	57.6	25.5 %
Commission income	86.2	86.1	0.1	0.1 %
Trading result	23.4	19.6	3.8	19.5 %
General administrative expenses	308.7	273.5	35.2	12.9 %
Pre-tax profit	86.3	61.4	24.9	40.6 %
Cost-income-ratio	69.0 %	68.4 %		
Return on equity (pre-tax profit)	8.0 %	7.0 %		
Return on equity (consolidated net income)	6.2 %	6.0 %		

Staff*	2002	2001
Domestic	1,895	1,820
Foreign	2,131	1,685
Total	4,026	3,505

Shareholders of ÖVAG voting capital stock (€ 218.8 million)	
Austrian Volksbanken Group, including Volksbanken Holding GmbH	58.1 %
DZ Bank Group	25.0 %
Victoria Group	10.0 %
RZB	6.1 %
Other shareholders	0.8 %
	100 %

Rating / Moody's Investors Service
Long-term deposits A 2
Short-term deposits P-1

* All data represent average staff numbers, unless otherwise specified

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A Letter from the Managing Board



4

Ladies and Gentlemen,

Thanks to our clear pledge to qualitative growth and high cost efficiency, we were able to put up an extremely satisfactory performance in the fiscal year just ended.

Against the background of lasting stock market difficulties and a harsh economic climate, we concentrated even more strongly than previously on the basic principles of our business, i.e. taking full advantage of earnings opportunities, investing in our core competencies and making responsible use of our equity, which represents a scarce asset. As a result, Österreichische Volksbanken-AG not only reported successful results in the year 2002 but also prepared the ground for its promising future role in Europe.

In close co-operation with our members, the Volksbanken, and thanks to our joint market presence based on a division of labour amongst all members, we can today operate on solid

foundations. This particular strength derives from our double-tier approach in all lines of business combined with a cost-efficient one-tier structure in our back-office operations. At the same time, all of the Volksbanken have retained their identity and independence, which constitutes a specific advantage in servicing regional markets.

In the meantime, we have defined Central and Eastern European countries as our extended domestic market. We are continuously building up our presence in these countries and have been able to position ourselves impressively as a hub and centre of excellence for our international partners. We can already see now that committing ourselves to these foreign markets right from the beginning was the right approach and has contributed significantly to our positive operating results. In the course of the forthcoming eastern enlargement of the EU and the ever more rapid economic growth of this region we expect that our business opportunities in these markets will multiply in the future.

From left to right:
Manfred Kunert
Klaus Thalhammer
Erich Hackl

Our strategy of co-operation with strong partners safeguards our independence while, at the same time, strengthening our competitiveness. Our intensified co-operation with the VICTORIA/ERGO Group allows us to benefit from this considerable potential in the insurance sector, which is fully in line with our one-stop shop service offer.

We have been able to reconcile our pro-active market approach, our focus on individual customer needs and our acquisition-oriented marketing and distribution measures with maximum cost-consciousness. By raising our productivity and heightening our efficiency we have created the pillars on which a lasting, favourable future development of our Group will rest. The main elements of this strategy are carefully considered investment decisions, process optimization and an efficient, sparing use of all resources for the benefit of our customers and hence of our Bank.

Today more than ever before, I am convinced that we have chosen the right strategy. Today more than ever before we act as a competent and reliable provider of financial services to private individuals and corporate customers at home and abroad, thus offering a genuine alternative to large conglomerates which, to some extent, lack transparency.

On behalf of my colleagues on the Managing Board and in my own name I should like to thank all partners and staff members who contributed significantly to our Group's success in fiscal 2002. At this point, I should also like to pay tribute to our customers, who, through their confidence in us, have created a solid basis on which we can build a successful future.

Yours Sincerely



Klaus Thalhammer
Chairman of the Board

Governing Bodies

SUPERVISORY BOARD 2002

CHAIRMAN

Franz PINKL

Deputy Chairman of the Managing Board,
Volksbank Niederösterreich Süd rGmbH
(from May 29, 2002) (until May 29, 2002:
Deputy Chairman)

Gerhard ORTNER

Former President of the Council of the Federation
of Austrian Credit Co-operatives (Schulze-
Delitzsch) (until May 29, 2002)

FIRST DEPUTY CHAIRMAN

Walter ZANDANELL

Chairman of the Managing Board
Volksbank Salzburg rGmbH (from May 29, 2002)

SECOND DEPUTY CHAIRMAN

Bernd KARLHUBER

Chairman of the Managing Board,
Almtaler Volksbank rGmbH (from May 29, 2002)

MEMBERS

Harald BERGER

Chairman of the Managing Board
Volksbank Südburgenland rGmbH

Peter DIECKMANN

Member of the Managing Board, DZ BANK AG
Deutsche Zentral-Genossenschaftsbank
(from May 29, 2002)

Berthold EICHWALD

Member of the Managing Board, DZ BANK AG
Deutsche Zentral-Genossenschaftsbank
(until May 29, 2002)

Franz GATTERBAUER

Member of the Managing Board
Volksbank Alpenvorland rGmbH
(from May 29, 2002)

Hans HOFINGER

Syndic and Member of the Managing Board of the
Federation of Austrian Credit Co-operatives
(Schulze-Delitzsch) (from May 29, 2002)

Franz Wilhelm HOPP

Member of the Managing Boards
VICTORIA Versicherungs-Gesellschaften and
ERGO Versicherungsgruppe AG
(from May 29, 2002)

Herbert HUBMANN

Deputy Chairman of the Managing Board,
ADEG Österreich Großeinkauf der Kaufleute rGmbH
Chairman of the Supervisory Board
ADEG Österreich Handelslaktiengesellschaft

Hubert KOPF

Chairman of the Managing Board
Vorarlberger Volksbank rGmbH

Bedo PANNER

Member of the Managing Board, DZ BANK AG
Deutsche Zentral-Genossenschaftsbank
(until May 29, 2002)

Walter ROTHENSTEINER

Chairman of the Managing Board
Raiffeisen Zentralbank Österreich AG

Karl STEINBERGER

Chairman of the Managing Board
Volksbank Oberkärnten rGmbH

Walter TSCHÜRTZ

Chairman of the Board, Vereinigte
Volksbanken Baden-Mödling-Liesing rGmbH
(until May 29, 2002)

Heinz Otto WEBER

Head of Department Holdings, DZ BANK AG
Deutsche Zentral-Genossenschaftsbank
(from May 29, 2002)

Thomas WIESER

Chairman of the Managing Board
Allgemeine Bausparkasse rGmbH

REPRESENTATIVES OF THE AUSTRIAN MINISTRY OF FINANCE

Alexander GANCZ

State Commissioner

Viktor LEBLOCH

Deputy State Commissioner

DELEGATED BY THE STAFF COUNCIL:

Hans-Dieter PRALLER

Chairman

Brigitte KUGEL**Ulrike PRÖTZNER****Richard PREISSLER****Dieter SEYSER****Walter WENZL**

ADVISORY COUNCIL 2002

Herbert PACHUCKI

Chairman of the Advisory Council
Vice-President of the Council of the Federation
of Austrian Credit-Co-operatives
(Schulze-Delitzsch)

Werner EIDHERR

President of the Federation of
Austrian Credit Co-operatives (Schulze-Delitzsch)
Deputy Chairman of the Council
Chairman of the Managing Board
Volksbank Kufstein rGmbH

Andreas DICHTL

Chairman of the Managing Board, Volksbank
Raiffeisenbank Berchtesgardenland eG

Alfred FREUNSCHLAG

Chairman, Social Insurance Institution
of Small and Medium-sized Companies

Franz FRISCHLING

Chairman of the Managing Board
Volksbank Vöcklamarkt Mondsee rGmbH

Franz GATTERBAUER

Member of the Managing Board
Volksbank Alpevorland rGmbH
(until May 29, 2002)

Hans HOFINGER

Syndic and Member of the Managing Board of the
Federation of Austrian Credit Co-operatives
(Schulze-Delitzsch) (until May 29, 2002)

Franz Wilhelm HOPP

Member of the Managing Boards,
Victoria Versicherungs-Gesellschaften
and ERGO Versicherungsgruppe AG
(until May 29, 2002)

Johannes JELENIK

Member of the Managing Board
Volksbank Kärnten Süd rGmbH

Franz KNOR

Member of the Managing Board
Volksbank Südburgenland rGmbH

Hans Peter REITNER

Managing Director
Weinviertel Volksbank rGmbH

Friedrich SCHILLER

Chairman of the Managing Board, Hagebank-
Volksbank Vöcklabruck-Traunsee rGmbH

Othmar SCHMID

Member of the Managing Board
Österreichische Apothekerbank rGmbH

Peter SEKOT

Deputy Chairman of the Managing Board
Marchfelder Volksbank rGmbH
(from May 29, 2002)

Walter SPATH

Chairman of the Managing Board
Volksbank für den Bezirk Weiz rGmbH

Bernd SPOHN

Member of the Managing Board of the
Federation of Austrian Credit Co-operatives
(Schulze-Delitzsch) (from May 29, 2002)

Wolfgang VYSLOZIL

Member of the Managing Board
APA Austria Presse Agentur rGmbH
(until April 17, 2002)

Walter ZANDANELL

Chairman of the Managing Board
Volksbank Salzburg rGmbH
(until May 29, 2002)

Sonja ZWAZL

President of the Economic Chamber
of Lower Austria
(from May 29, 2002)

Governing Bodies

MANAGING BOARD, SENIOR EXECUTIVES, AUTHORISED SIGNATORIES

MANAGING BOARD

Chairman of the Board

Klaus THALHAMMER

Erich HACKL

Manfred KUNERT

(**Josef FEHRER** until April 16, 2002)

SENIOR EXECUTIVES

Wolfgang Bauer

Process & Quality Management

Erich Kaschnigg – Risk Management

Wolfgang Perdich – Special Financing

Werner Wess – Strategic Planning

Ernst Ahammer

Marketing and Communications

Alfred Benn – Financial Reporting and Tax Issues

Friedhelm Boschert

Chairman of the Board, WIF-Bank

Christian Fritsch – Managing Board Services

Ekkehard Fügl – Group Audit

Kurt Hellwig – Corporate Lending

Hans Janeschitz – Holdings

Management/Corporate Services

Board member Volksbank Wien AG

Wolfgang Kainz – Domestic Lending

Christian Kaltenbrunner

International Operations

Kurt Kapeller

Group Retail Supervisor/International Operations

Walter Keindl – Controlling/Accounting/Taxes

Wolfgang Layr – Fees and Commissions/

Securities/Payment Transactions

Michael Oberhummer – Risk Management

Volker Pesta – Multinationals

Anneliese Pokorny – Retail Business Vienna

(until August 31, 2002)

Harald Posch – Human Resources

Josef Preissl – Housing Construction

Alfred Pribil – Banks Liquidity Management

Herbert Skok – Chairman of the Board

Volksbank CZ a.s., Brno

Livius Tramontana – Retail Banking

Vienna/Board member Volksbank Wien AG

Ulrich Zacherl – Market Volksbanken

AUTHORISED SIGNATORIES

Manfred Arlitsch – Domestic Corporate Lending

Thomas Biedermann – Capital Markets

Franz Biermayer – New Issue Activities

Brigitte Braun – Holdings Management

Wolfgang Burböck – Domestic Lending

Armand Drobesh – Service/Counselling Centre

Susanne Elmer – Corporate Customer Services

Josef Fixl – Chairman of the Board

Magyarországi Volksbank Rt., Budapest

Friedrich Fuchs – Treasury/Risk Management
Systems

Martin Fuchsbauer – Trading and Sales,

Money Market and Interest Management

Otto Habla – Organisation

Herbert Hartl – International Lending

(from June 27, 2002)

Andreas Hopf – Multinationals

Franz Jugl – Logistics

Martina Kittenberger – Region West

Gernot Knafel – Domestic Lending

Gerhard Legat – International Auditing

Herbert Magrutsch

Controlling/Accounting/Taxes (from June 27, 2002)

Peter Mayer – Domestic Lending

Wilhelm Miklas – Chairman of the Board

Hypo Niederösterreich (from June 27, 2002)

Rainer Pötsch – Management Services

Hans-Dieter Praller

Chairman of the Staff Council

Andreas Praxmarer – Liquidity Management

Ulrike Prötzner

TSY Relationship and Order Management

Werner Schellnast – Other VB Business

Franz Schleifer – Money Market and

Foreign Exchange Management

Rudolf Marwan-Schlosser – Special Financing

Felix Schützl – Retail Banking Vienna

Harald Seebacher – Organisation

Josef Spitaler – Organisation

Stefan Tacke – Legal Affairs (from June 27, 2002)

Helmut Tomanec – Special Financing

Ewald Url – Marketing and Communication

Peter Watzlawek – Corporate Services

Herbert Werner – Organisation

Manfred Wiebogen – Treasury CEE

Gerhard Wöber – Infrastructure

Robert Zier – Multinationals



THE ECONOMIC ENVIRONMENT IN 2002

02

International Financial Markets

The Austrian Economy

Outlook for the Year 2003

The Economic Environment in 2002

INTERNATIONAL FINANCIAL MARKETS

The year 2002 saw an economic development that failed to meet even modest expectations. The positive economic indicators recorded worldwide in early 2002 deteriorated again as the year progressed. Thus the initial hope of a recovery of the world economy did not materialize in the second half of the year.

In the first quarter of 2002, bond yields rose significantly thanks to favourable economic conditions. However, yields plunged subsequently under the impact of the cyclical downturn and a growing risk aversion of investors. The cycle of rising interest rates which had been initiated by the Swedish Riksbank at the end of March could not be maintained either. The US Federal Reserve, which in 2001 had cut key interest rates in a series of eleven steps to the lowest mark in a 40-year period, and the European Central Bank reduced key interest rates further by 50 basis points in autumn against the background of an unfavourable economic environment.

2002 was another difficult year for the stock markets. Most standard indices showed price declines that markedly exceeded those recorded in 2001 and 2000. Growth indices once again reflected extreme losses. The US dollar weakened considerably, not least due to the debate on the war in Iraq. In contrast, the euro followed a favourable development, surpassing the US dollar parity in July for the first time since February 2000.

THE AUSTRIAN ECONOMY

In 2002, Austria's gross domestic product grew by 1 % in real terms. Especially in the second half of the year, the momentum for economic growth remained weak, and the hoped-for recovery failed to manifest itself. The Austrian economy would have suffered from stagnation without the surplus of net exports of goods and services. In view of the rather unfavourable economic climate worldwide, only a hesitant upswing of the economy can be expected for 2003. According to forecasts, the Austrian economy should grow at a rate of 1.1 % (WIFO) to 1.5 % (IHS), thus remaining below the medium-term trend.

In 2002, the propensity of Austrian enterprises to invest reached a new low. This unwillingness to invest was much more pronounced in this country, thus exceeding the EU average. On the other hand, private consumption in Austria was less strongly affected by the weakness of the economy than in Germany, for example. Consumer spending in real terms rose by close to one percent above the 2001 level, with consumer prices going up moderately, by 1.8 %. Austrian exports showed a relatively positive development with merchandise exports expanding by 5.5 % in real terms.

OUTLOOK FOR 2003

The further development of the world economy is hard to predict in view of the considerable uncertainties presenting themselves. Low oil prices and a slightly higher propensity to invest in the more positive geopolitical environment which is expected for 2003 should result in a mild acceleration of economic growth. The International Monetary Fund (IMF) has forecast a 1.1 % growth for the EU and a growth rate of approximately 2.5 % for the US.

The key interest rates prevailing in the major currency zones will, in all probability, be kept at a low level for an extended period of time. Should a further downturn in economic activity manifest itself, another cut in key interest rates appears possible, especially within the euro-zone where key interest rates were lowered by 25 basis points to 2.5 % in March 2003. A slight increase of interest rates by the European Central Bank can be expected in the fourth quarter of the year at the earliest. Hence money market rates should remain low for an extended period of time. Bond yields will probably also remain low during the first six months of 2003.

It can be expected that the US dollar will continue to follow a downward trend vis-à-vis the euro, given the US budget and current account deficits, the ebbing of capital flows into the US and the interest rate differential. In view of the potentially more rapid growth of the US economy as compared to that of Europe no drastic decline in the value of the US dollar is to be expected.



THE AUSTRIAN VOLKSBANKEN GROUP

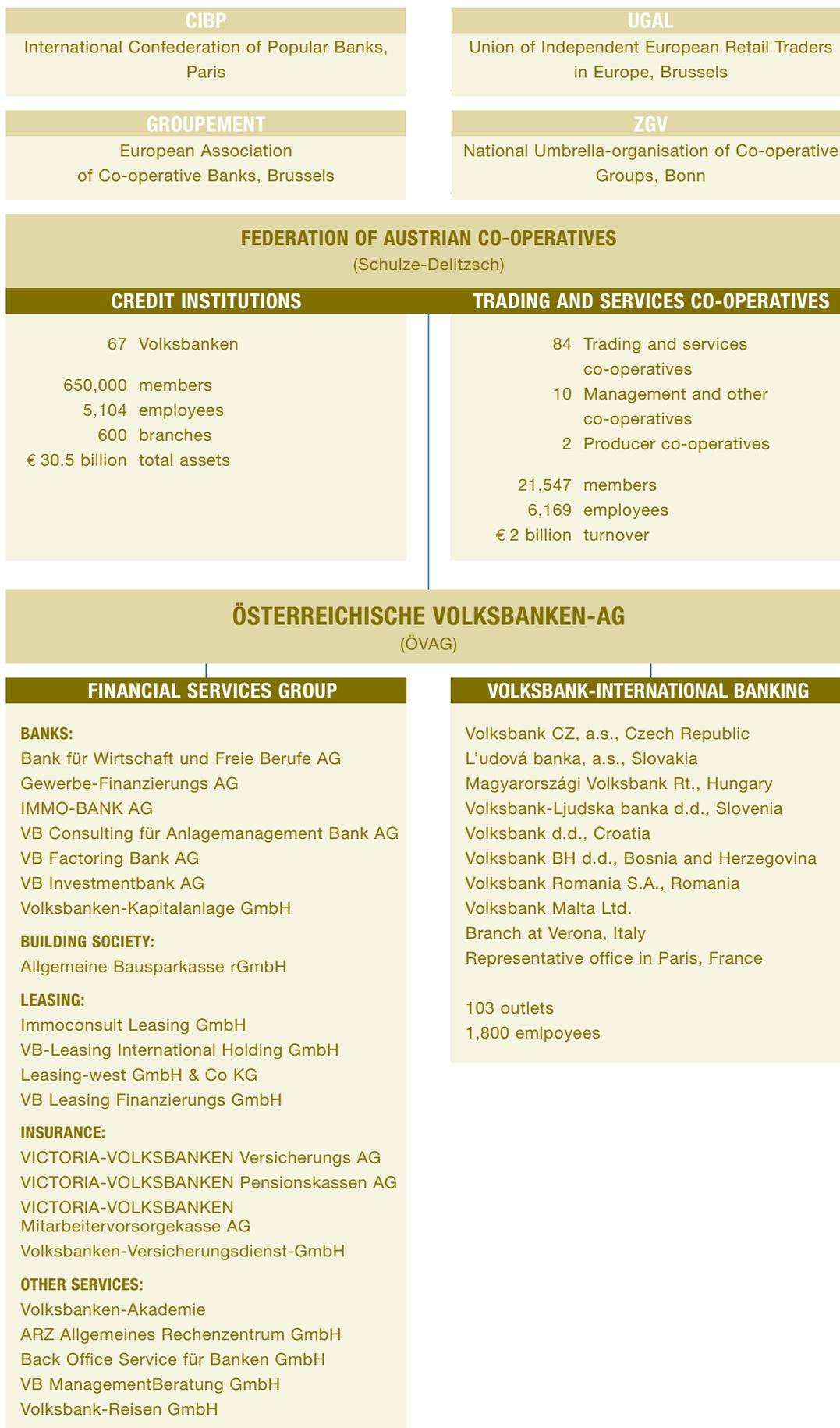
02

Number One in Customer Partnership

Maximum Security for Savers and Investors

Strong Regional Banks in an International Network

Structure of the Volksbanken Group



THE AUSTRIAN VOLKSBANKEN GROUP PARTNERSHIP WITH CLIENTS, TRADITIONS AND INNOVATION

The Austrian Volksbanken Group combines tradition with an innovative future-oriented corporate structure. Member banks are deeply rooted in local markets, and provide on-the-spot assistance to their core target groups of small and medium-sized enterprises and private individuals in accordance with the universal banking concept. In order to be able to offer top-quality service at all levels, close co-operation is practised in such vital areas as data processing, organisation and training.

The first tier of the Volksbanken Group consists of 67 local credit co-operatives. Including the central institution, Österreichische Volksbanken-AG, the Volksbanken sector maintains 600 branches Austria-wide and employs a total staff of 5.104. The Group's total assets amount to € 30.5 billion. In accordance with a survey conducted by the market research company Fessel-GfK, Volksbanken have approximately 670,000 private and corporate clients. The 500,000 members constitute the very core of the Austrian Volksbanken credit co-operatives.

This structure offers a series of competitive advantages: their deep roots in local markets enable Volksbanken to act rapidly and in a flexible manner in the

interest of their local members and clients on the basis of their partnership with customers. At the same time, the additional services provided by the ÖVAG Group and its subsidiaries in Central and Eastern Europe and the integration of the local credit co-operatives into the International Association of Volksbanken offer enormous market opportunities. The Volksbanken Group comprises a series of other institutions, such as Allgemeine Bausparkasse (ABV), a savings and loan association, VB Consulting für Anlagenmanagement AG, VB Factoring Bank AG, the Immoconsult Group, VICTORIA-VOLKSBANKEN Versicherung, an insurance company, VICTORIA-VOLKSBANKEN Mitarbeitervorsorgekasse, a company that runs staff pension schemes, and Niederösterreichische Landesbank-Hypothekenbank AG, as well as a number of service providers operating in various market segments. All of these enterprises constitute one-stop shops, i.e. associations that provide the full range of financial services under one roof, from home loans and savings schemes to factoring, real estate, leasing and insurance services.

NUMBER ONE IN CUSTOMER PARTNERSHIP

Volksbanken are committed to their mission statement, namely to be the number one partner for



THE AUSTRIAN VOLKSBANKEN GROUP

their clients. This is why in this era of globalization and digitalization Volksbanken have consciously chosen to remain local banks with a very specific relationship based on their partnership with customers. Worldwide, banks are increasingly departing from the global player strategy, following the new trend based on the concept of “know your customer”. This philosophy, which we adopted many years ago, has been consistently applied, thus resulting in extremely successful, long-standing business relationships between Volksbanken and their clients. In the increasingly digital world of finance, competent counselling on all financial issues and close personal contacts reflect our clear commitment towards acting as partners to our clients, thus guaranteeing the human touch. Volksbanken, as local providers of financial services, assure that their customers will continue to benefit in future from the physical proximity of the local branch offices and the personalised services and counselling they receive there. In addition, Volksbanken are also available to customers wishing to obtain information or conduct standard banking transactions round the clock, 365 days a year, via the internet.

MAXIMUM SECURITY FOR SAVERS AND INVESTORS

In addition to the governmental Deposit Insurance Fund which guarantees every customer in the case of bankruptcy of a bank € 20,000 for his deposits, the Volksbanken have established a voluntary institutional protection-system. The purpose of the Volksbanken Joint Security Fund is the assistance in form of cash grants and management know how in situations of impending or existing economic hardship. Although no member bank has legal claim to be assisted, in practice all occurring losses were always covered. Therefore, no depositor or customer was suffering a loss of his deposits. Comprehensive and professional early warning and risk management systems, the strong equity base and the high

earnings potential which exceeds that of most other Austrian banks contribute significantly to the security of Volksbanken clients. Thus all savers and investors enjoy maximum security, even in the “euro era”.

STRONG REGIONAL BANKS IN AN INTERNATIONAL NETWORK

Competition is increasingly taking place at the supra-regional level. This is why Volksbanken have joined the strong international Volksbanken Group, the CIBP (the Confédération Internationale des Banques Populaires). The CIBP maintains 60,000 branches and thus has one of the densest banking networks in Europe.

In co-operation with their partners, Volksbanken have devised and launched a cross-border “Client Group System”. So-called “international desks” staffed by multi-lingual advisers for corporate clients act as the initial point of contact with international customers, and subsequently assure optimum customer support and servicing in all member countries of the CIBP. This new system was motivated by the desire to convey the feeling of being at home to customers from a region doing business in other CIBP member countries, and at the same time, to establish business relationships with Volksbanken partners committed to the same philosophy and offering the same range of products and services. Numerous clients already take advantage of this unique service. Within the CIBP area, these “international desks” have in the meantime been introduced in Austria, Germany, France, Italy and Spain, as well as in the Central and Eastern European countries which are serviced by ÖVAG. In a second phase, the “Client Group System” will also be launched in Canada, Argentina and Morocco.

With the international banking network and the new “Client Group System”, Volksbanken are well armed for their international operations. Volksbank. United in trust – at home and across borders.



GROUP SITUATION REPORT

ÖVAG – International Standing through Trust and Partnership

Year-end Results

Outlook for the Year 2003

Group Situation Report 2002

ÖVAG – INTERNATIONAL STANDING THROUGH TRUST AND PARTNERSHIP

Österreichische Volksbanken-AG was established by the industrial credit co-operatives organized in accordance with the Schulze-Delitzsch system in 1922. ÖVAG is the central institution of one of Austria's largest banking groups: the majority of its shares are held by 67 independent Volksbanken. Today ÖVAG presents itself as a successful international commercial bank and acts as a strong partner to enterprises operating in Central and Eastern Europe.

For decades, ÖVAG has maintained close ties to Volksbanken on the basis of its intimate partnership with them. These ties give the Group a crucial competitive edge: on the one hand, Volksbanken with their deep roots in local markets benefit from the uniform Austria-wide brand image, and on the other hand their integration into a group of Central European dimensions. Co-operation between ÖVAG and the Volksbanken is characterized by flexibility, crisis resistance and, at the same time, by a unique dynamism.

At present, Österreichische Volksbanken-AG performs the functions of both a modern central institution and a parent company with banking-sub-sidiaries and some highly specialized domestic and foreign enterprises, such as IMMO-BANK AG, which acts as a housing finance institution, VB Factoring Bank AG, Volksbanken-Kapitalanlage GmbH, which operates as an investment fund company, NÖ Landesbank-Hypothekbank AG, Immoconsult, which is active in real estate leasing and property development, VB Investmentbank AG, and VB-

Leasing International Holding GmbH. Operating as a universal bank under the Volksbank brand name, it covers the full range of state-of-the-art financial services.

In line with its international orientation, ÖVAG pursues the goal of accompanying its customers to any country worldwide as a banking partner who can offer them the required know-how and provide the full range of services for all their transactions. Thanks to the Group's positive assessment by rating agencies, ÖVAG has furthermore gained an excellent acceptance in the international money and capital markets.

The smoothly functioning network of ÖVAG's foreign subsidiaries comprises 103 branches in Slovakia, the Czech Republic, Hungary, Romania, Slovenia, Croatia, Bosnia and Herzegovina, as well as Malta, Italy and a representative office in France. Thus ÖVAG most impressively demonstrates that it has been able to establish itself in various local markets as an important centre of excellence which acts as a one-stop shop for financial services. By deepening its partnership with the VICTORIA/ERGO Group it has succeeded in broadening its product range through the addition of insurance products in line with market requirements.

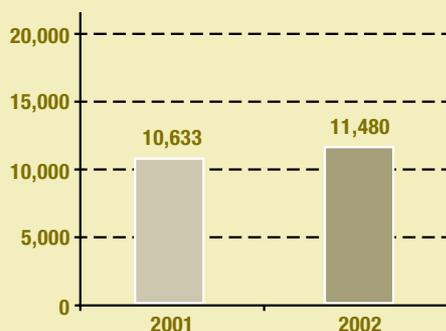
YEAR-END RESULTS 2002

The prevailing features of the Financial Statements for fiscal 2002 are the massive investments made in the new markets of Central and Eastern Europe, where the ÖVAG Group is already achieving a major portion of its success,

GROUP SITUATION REPORT 2002

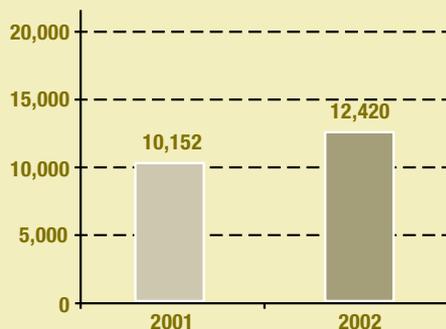
LOANS AND ADVANCES TO CUSTOMERS

in millions of €



PRIMARY DEPOSITS

in millions of €



17

and a positive trend in risk provisioning despite the low level of economic activity.

ÖVAG reported a consolidated net income of € 46.1 million which corresponds to an increase of € 13 million or 39.1 % above the previous year's mark. The result on ordinary operations of the ÖVAG Group stood at € 87.3 million for the financial year, thus exceeding the previous year's figure by € 24.1 million or 38.2 %. One of the main source of this growth was net interest income, which surpassed the previous year's level by € 43.6

million or 14.8 %. This positive result can be attributed to the rapid expansion of the banking business (€ +15 million) and leasing operations (€ +21 million) in Central and Eastern Europe on the one hand, and to ÖVAG's efforts to take advantage of interest rate curve developments in 2002 on the other.

Net commission income, which stood at € 86.1 million at year-end, remained virtually unchanged. Nevertheless, it is worth noting that despite the sluggishness of securities markets, ÖVAG

GROUP SITUATION REPORT 2002

succeeded in raising its income from securities service transactions by 13.7 %. In fiscal 2002, we syndicated lending risks more than in previous years, which resulted in a € 2 million rise in expenses. Thanks to intensified trading operations, ÖVAG was able to improve its trading result by € 3.8 million.

General administrative expenses, which totalled € 308.7 million, 12.9 % more than a year earlier, reflect the strong expansion of the Group's business volume in Central and Eastern Europe. This applies, in particular, to banking transactions, which grew by € 15 million. With the addition of 26 new branches, ÖVAG's network now comprises 103 branches. ÖVAG's average staff number rose by some 500 (of these 75 are Austrian and the remainder foreign staff).

Other operating results are € 5.5 million above the previous-year figure. This can be primarily ascribed to non-recurring expenses in fiscal 2001 (i.e. the stock exchange listing tax that had to be paid as a result of ÖVAG's capital increase). The most important changes as against fiscal 2001 shown under the item income from financial investments can be attributed to higher amounts

of depreciation with respect to securities.

On December 31, 2002, the Group reported total assets of € 18.9 billion, which corresponds to an increase of 0.2 % as against the previous year's figure. Loans and advances to customers rose by more than € 0.8 billion, or 8 % above the 2001 mark. This rise stemmed mainly from the expansion of the Group's banking and leasing operations in the CEES, accounting for € 0.5 billion. Owing to the introduction of the euro, cash reserves were higher on December 31, 2001 (more cash holdings and more liquidity raised and placed with the Austrian Central Bank).

With a view to safeguarding long-term liquidity, the ÖVAG Group intensified its issuing activities, which led to a rise in liabilities evidenced by certificates by € 2 billion, or 40.6 % above the year-end figure for fiscal 2001. Amounts owed to customers went up by € 0.2 billion, which corresponds to a 3.8 % increase above the previous year's level. In contrast, refinancing through credit institutions was brought down markedly. Primary funds, which went up by 22.3 %, totalled € 12.4 billion on the balance-sheet date; accordingly, the loan/deposit ratio now stands at 92.4 %.



GROUP SITUATION REPORT 2002

ÖVAG's own funds amount to € 1.4 billion, which represents an equity ratio of 12.7 %.

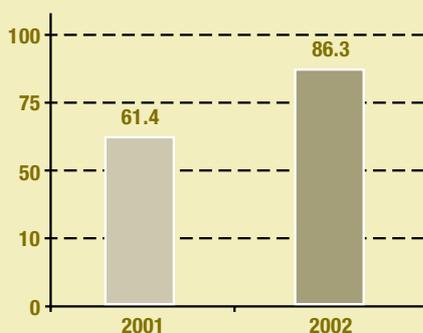
OUTLOOK FOR THE YEAR 2003

Österreichische Volksbanken-AG remains committed to its strategic goal of carrying on the successful expansion of its business in Central and Eastern Europe, in order to be able to further improve its starting position in this buoyant market. The further expansion of its business volume in the Central and Eastern European countries will be energetically pursued and new branches will be opened in the most important conglomerations with a view to

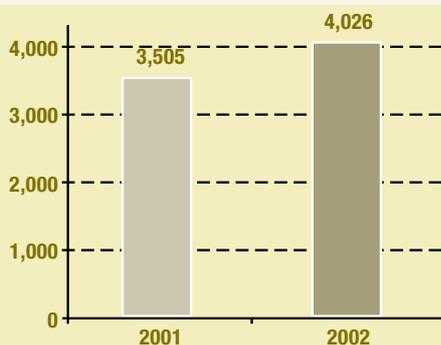
completing the existing branch network.

ÖVAG is planning to enter the Serbian market; in addition, market analyses of Poland and Bulgaria are currently under way. Intensified co-operation with Austrian Volksbanken is also envisaged for the immediate future, which should allow the latter to offer their clients seeking to establish themselves in Central and Eastern European markets the same services as at home.

With the foundation of the new Volksbank Wien AG in July 2001, domestic retail banking received a new focus, which should constitute the optimum prerequisite for a successful development in the future. The Bank's balance-



PRE-TAX PROFIT
in millions of €



STAFF NUMBER

GROUP SITUATION REPORT 2002

sheet growth is extremely satisfactory. The goal of Volksbank Wien AG is to strengthen its market position considerably in line with the philosophy of deepening its partnership with clients.

By pursuing its fundamental strategy goals of customized, person-to-person partnership with its clients combined with the comprehensive one-stop shop financial services concept and up-to-date distribution structures, ÖVAG will face all future challenges with optimism and is confident that it will be able to continue its growth in the future too. ÖVAG is taking advantage of the opportunity to position itself as a local centre of excellence with top-quality know-how, so as to be able to achieve the deepest possible penetration of regional markets.

Our forecasts for fiscal 2003 indicate positive, sustainable development of our consolidated results, which demonstrates the success of our corporate strategy.



L I N E S O F B U S I N E S S

Corporate and Mortgage Banking

Retail Banking in Austria

ÖVAG's Successful Subsidiaries in Central and Eastern Europe

Business Performance of ÖVAG's Subsidiaries

Treasury

Asset Management

ÖVAG's Special Financial Companies

Lines of Business

CORPORATE AND MORTGAGE BANKING

Corporate Banking

Our clear focus on the top 1,000 enterprises in Austria has once again proved its particular value in fiscal 2002. Thanks to its market development analysis and its close, partnership-based ties with customers, ÖVAG was able to further strengthen its market position in corporate banking in the year of reporting. This shows that the quality of our counselling, our innovative products and our range of excellent services, especially in the area of derivatives, fully meet our customers' needs. We believe our particular strength lies in our solutions-oriented approach and in our flexibility and creativity, even with highly complex investment financing schemes. Thus we present ourselves as a genuine alternative in a line of business characterized by fierce and lasting competition with large Austrian and international banking groups.

The smoothly functioning network of banking subsidiaries in Central and Eastern Europe constitutes the backbone of ÖVAG's successful marketing activities. One of our foremost strategy goals has always been to accompany our Austrian corporate customers to these countries and offer them our services on the spot. This strategy will be carried on energetically in the future.

One of the focal points in our customer servicing activities is the rating-dependent management of our lending portfolio. On the basis of pro-active risk management and intensified risk monitoring we succeeded in raising interest income considerably, exceeding the average despite an only

moderate expansion of the lending volume.

The volume of net lending to domestic corporate clients rose by 5.3 % above the previous year's level. At the same time, operating income grew by 26.1 %. This improvement in the overall operating result can be attributed not only to wider margins, but even more so to a disproportionately high increase in commission income and income from financial transactions.

Comprehensive Servicing of International Corporate Clients

The restructuring of our services to international corporate clients within our network of Central and Eastern European branches has been successfully completed. Enterprises engaged in business in these countries can now turn to a contact officer at our headquarters who will not only provide all required services to these clients in Austria but also co-ordinate all necessary steps to be taken in the respective foreign markets. We can thus offer our clients what they expect of us: a regional banking network and in-depth knowledge of local markets.

In addition to accompanying international corporate clients from Austria to other countries, which has in the meantime become a tradition, we have also been able to demonstrate our efficiency and strength to our corporate clients domiciled in other countries. As multinational corporations are continuously expanding their business operations in the CEECs, a further stimulus to the growth of our corporate banking business can be expected.

ÖVAG was also able to achieve considerable success in the field of financial engineering.

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In close co-operation with domestic and foreign development banks, such as the MIGA (Multi-lateral Investment Guarantee Agency) and the EBRD (European Bank for Reconstruction and Development Bank) we once again focused on new lines of business. In this context, mention should be made of a structured financing project involving a sum of € 65 million under which Siemens AG Austria, acting as the general contractor, will provide a wide range of services to the Romanian Ministry of Health. ÖVAG was amongst the winners of the worldwide competition "Best Deals of the Year 2002" run by the international professional journal "Global Trade Review", which mirrors the great success of this project.

The Volksbanken Market

For many decades there has been a strong cohesion between the local Austrian credit co-operatives and ÖVAG, their central institution. We consider this intensive co-operation as one of our USPs, and it gives us a decisive competitive edge: Volksbanken are deeply rooted in local markets while presenting themselves nationwide under the same brand image as elements of a Group with Central European dimensions. This gives us flexibility, resistance to crisis and, at the same time, a unique dynamism.

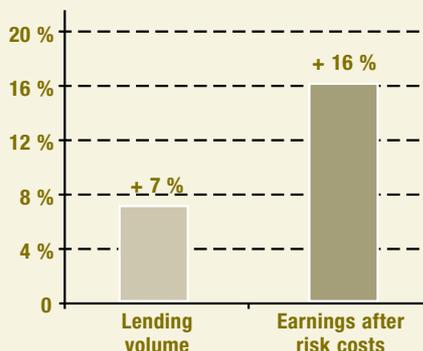
ÖVAG co-operates closely with Volksbanken Austria-wide in the joint structuring, assessment and handling of syndicated loans. In the meantime, syndicated lending transactions have been conducted with virtually all Volksbanken. In the year of reporting, ÖVAG succeeded in further expanding its operations in this line of business. In fiscal 2002, syndicated lending continued to expand, recording a 7 % growth to € 780 million despite more stringent risk assessment procedures. At the same time, the Group was able to raise its earnings after adjustment for risks by 16 % as against fiscal 2001.

This successful strategy will be carried on in fiscal 2003. At present we are seeing a trend towards large-volume financing projects. In this area, we endeavour to involve both Volksbanken and institutions outside our sector in the syndication of loans. For the immediate future we plan to channel customers of local credit co-operatives to ÖVAG's affiliates at home and abroad. We are convinced that this will further strengthen the market position of the local Austrian credit co-operatives.

ÖVAG considers it as its central task to act as a competent partner in its interactions with the

DEVELOPMENT OF SYNDICATED LENDING

Percentage growth as against 2001



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sector's most important target group, i.e. small and medium-sized companies. In the years to come, the Group will focus on supporting its affiliates' efforts to set up new branches and on making available increasingly export and investment promotion funds in order to be able to expand its members' customer portfolios.

Niederösterreichische Landesbank-Hypothekenbank AG

In fiscal 2002, NÖ HYPO-BANK put up a business performance which significantly surpassed all expectations. As compared to the previous year, the Bank succeeded in raising its balance-sheet total by approximately 4.9 %. Furthermore, in stark contrast to the general trend prevailing in the banking industry, it reported an improvement of 12.1 % in its result from ordinary operations.

Being a strong partner to the Province of Lower Austria, NÖ HYPO-BANK was able to attract promotion funds for the region from the European Investment Bank (EIB), and in the first six months of the year obtained a commitment for a global credit facility amounting to € 40 million. In summer 2002, the EIB committed itself to granting an additional loan of € 50 million under an emergency

programme for flood victims in Austria. Since December, these funds have been made available to the Lower Austrian local communities and enterprises which were affected by the flood for reconstruction and flood prevention measures.

Together with Niederösterreichische Versicherung, NÖ HYPO-BANK set up a staff pension plan. The Bank has been able to attract approximately 8,700 companies with a total staff of more than 72,000 as clients, as well as the Province Government of Lower Austria.

NÖ HYPO-BANK plans to launch an image campaign in 2003. The objective of this campaign is to strengthen further NÖ HYPO-BANK's role as a reliable partner and provider of financial services, particularly in Lower Austria and Vienna. Existing on-the-spot partnerships with core target groups, i.e. the public sector and corporate and private clients, as well as doctors and members of the liberal professions, are to be deepened and broadened at the same time.

With the expansion of its banking network by two to three new branches in district centres, NÖ HYPO-BANK will take a further step towards



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assuring its Province-wide presence in Lower Austria.

IMMO-BANK AG

IMMO-BANK AG acts as the central housing finance institution of the Volksbanken sector. One of its central tasks is to raise favourable long-term re-financing funds for housing construction and to finance real estate projects throughout Austria.

In fiscal 2002, the Bank recorded the highest issuing volume for housing construction loans in its history and succeeded in fully placing its issues in the market, thanks to the favourable stock exchange sentiment and the attractive interest rates and tax advantages offered for this type of investment (interest income of up to 4 % of the value of private property is exempted from withholding tax). The Austrian Association of Volksbanken, acting as the marketing channel, sold the majority of these issues to private investors. The funds raised through these issues were primarily made available for the financing of housing construction projects.

Over the past few years, loans extended for the renovation of old buildings have emerged as a

high-growth line of business. In this context, mention should be made of the excellent services the Bank provides to real estate trustees and private investors, as well as of its far-reaching involvement in state-subsidised and privately financed revitalisation projects for old buildings. Under a syndicate agreement with ÖVAG, IMMO-BANK AG co-funded a number of commercial real estate projects in fiscal 2002, an area which, the Bank believes, holds out very promising prospects for the future.

RETAIL BANKING IN AUSTRIA

Volksbank Wien AG

Volksbank Wien AG (VBWAG) was established in July 2001. It is a joint stock company to which ÖVAG contributed its branch network, while the former Volksbank für Wien und Klosterneuburg rGmbH contributed its banking operations. VBAG currently has a staff of 250 and ranks among the largest Austrian Volksbanken.

In the past fiscal year, the Bank revised its marketing concept and adopted a new approach with a stronger customer focus. This exercise allowed the Bank to conduct a far more intensive target group analysis. Thanks to special market



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development efforts first successes have already been achieved. Comprehensive, needs-oriented services are provided by three newly structured marketing units: the "Service Centre", "High Net-Worth Individuals" and "Corporate Customers".

The growth areas shown on VBWAG's balance-sheet have fortunately developed in strong contrast to the general trend observed in the banking industry and have generated highly satisfactory results. The Bank's balance-sheet total rose by 10.4 % to € 1,534 million. VBWAG succeeded in raising its market share in private and corporate banking, with asset-side business expanding by 15 % and deposits growing by 10 %. The expansion of securities transactions by 14 % is an extremely satisfactory result which proves that specifically trained advisors perform a very important function.

The "change-over campaign" for current accounts proved particularly successful. With the tag-line, "Volksbank Wien City-Konto" - the best account in town! Make the change!, more than 1,000 Viennese opened accounts with Volksbank Wien AG.

The branch network, which consists of 36 outlets, will be given a new look and a new, innovative image will be implemented step by step. Proximity to customers, which has always been one of the Bank's particular assets, will not be impaired in any way. The Purkersdorf branch will be revamped in 2003 as the first "branch of the future". The planning work for the modernization of other branches has already been completed.

Volksbank Wien AG's objective for 2003 is to further strengthen its market position significantly on the basis of intensified customer partnership.

Volksbank Linz-Mühlviertel rGmbH

Volksbank Linz-Mühlviertel launched a market development drive in the fourth quarter of fiscal 2001, which it carried on throughout the year 2002 in the entire local market in which it operates. Special emphasis was also placed on the training and upskilling of its staff. Through an image building campaign which was launched in the second half of the year of reporting under the title "There is a bank in Linz", Volksbank Linz-Mühlviertel was able to markedly improve brand awareness and thus gain numerous new customers. Its deposit business showed an extremely positive development: amounts owed to customers expanded by € 26.69 million or 16.6 %, and savings deposits grew by 17.3 % to € 143.37 million.

Volksbank, Gewerbe- und Handelsbank Kärnten AG

Volksbank GHB Kärnten AG put up a very satisfactory business performance. Its corporate lending expanded, with new loans granted to enterprises in the central region of Carinthia totalling € 40 million. The Bank focused its servicing activities especially on small and medium-sized enterprises, which were offered top-quality services through the practice of customer partnership.

Lending projects representing a total volume of € 20 million are being prepared for 2003, hence a continuation of the positive business development can be expected for the future. At year-end, the Bank's operating result stood at € 4.15 million,

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which corresponds to a 15 % increase as against the previous year. Its total assets rose by 4 %, standing at € 490 million on the balance-sheet date.

20 customer meetings and image building events were held in 2002 and met with an extremely favourable response. Some of the lecturers and speakers were renowned personalities who dealt with such topics as “Basle II” and “foundations”, or presented Volksbanken in Slovenia, Croatia and Italy. GHB Kärnten AG pays special attention to the subject of “women and money”; a series of activities such as opinion surveys and workshops offer counselling services to women, which are tailored to their specific needs in different life cycles. The success of these efforts speaks for itself: more than 50 % of new current accounts were opened by women.

The image of Volksbank GHB Kärnten AG is following a sharp upward trend, as evidenced by the large number of new customers acquired in the course of fiscal 2002: 190 corporate clients and 1,267 private customers.

BANK für Wirtschaft und Freie Berufe AG (WIF-Bank)

Bank für Wirtschaft und Freie Berufe (WIF-Bank) re-positioned itself in the market and will henceforth focus even more strongly on its core target groups of medical doctors and free-lancers.

Thanks to its efforts to put together a package of services containing customised solutions for individual job categories, WIF-Bank enjoys a unique competitive edge. With this approach, the Bank intends to raise its market share in

the customer categories of medical doctors and free-lancers substantially in the years to come. WIF-Bank also plans to extend its distribution network for nationwide operation in the future; at present it only services the Eastern Austrian and Styrian markets.

In fiscal 2002, the main factor that contributed to the Bank’s excellent performance was net interest income, which generated a 6.3 % rise in operating income totalling € 7.2 million at year-end. The marked expansion in the lending volume, which grew by 21.3 % to € 209 million, and of deposits, which went up by 13.2 % to € 121 million, played a central role in the Bank’s positive development.

After deducting operating expenses, which surpassed the previous year’s figure by 0.3 %, primarily as a result of higher staff and operating expenditure due to the taking on of new employees, WIF Bank’s operating result improved by 5.34 % as against 2001 and stood at € 2.13 million on the balance-sheet date.

ÖVAG’s SUCCESSFUL SUBSIDIARIES IN CENTRAL AND EASTERN EUROPE

The Austrian financial community, and hence also ÖVAG, have played a central role in the ongoing process of European integration. A prerequisite for the adoption of the roadmap for the enlargement of the EU in the year 2004 was the economic performance of the candidate countries, in which ÖVAG also played a very positive role over the past few years.

Economic and social developments provided impressive confirmation that our decision to define

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ÖVAG'S SUBSIDIARIES IN CENTRAL AND EASTERN EUROPE

in millions of €	2002	2001	+/- absolute	+/- in %
Total assets	2,321	1,937	384	19.8 %
Loans	1,424	1,024	400	39.0 %
Primary deposits	1,345	1,203	142	11.8 %
Number of accounts	479,483	388,385		

the countries of Central and Eastern Europe as part of our domestic market at a very early point in time has borne fruit. In the course of more than a decade since taking up our operations in this region, we have succeeded in building up a strong banking network that operates across borders. We grasped the opportunity to establish our Group in these local markets as a major centre of excellence providing on-the-spot services to our customers there. In the meantime, our activities in Central and Eastern Europe have emerged as one of ÖVAG's most important lines of business.

At present, ÖVAG is represented through its subsidiaries in seven Central and Eastern European countries: Slovakia, the Czech Republic, Hungary, Romania, Slovenia, Croatia and Bosnia and Herzegovina. In addition, the Group maintains a branch in Verona, Italy, a liaison office (bureau de liaison) in Paris and a bank on the island of Malta.

In Central and Eastern Europe, a staff of approximately 1,800 working in 103 branch offices handles 480,000 accounts held by 300,000 customers. Economic growth in Central and Eastern Europe

is also reflected by balance-sheet figures: Aggregate total assets of the Group's subsidiaries in the CEE's amounted to € 2.3 billion at year-end.

We continue to pursue our declared strategic objective of carrying on this successful expansion: we plan to enter the Serbian market by taking over an existing bank in 2003. Market analyses of the Polish and Bulgarian banking sectors are currently under way.

ÖVAG's holdings in its subsidiaries in Central and Eastern Europe will be transferred step by step to Volksbank International AG (VBI AG), acting as the Group's international platform. VBI AG has already taken over holdings in L'udová banka a.s. (Slovakia), Volksbank CZ, a.s. (Czech Republic), Magyarországi Volksbank Rt. (Hungary) and Volksbank BH d.d. (Bosnia and Herzegovina); the take-over of Volksbank Romania S.A. is also planned in the near future.

ÖVAG is swiftly expanding its branch network in Central and Eastern Europe in order to further improve its starting position in this buoyant market

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with a population of approximately 70 million. New branches in the major business centres and metropolitan areas will complete the existing network.

Our subsidiaries act as universal banks, offering not only the classical banking services such as loans, investments and payment transactions, but also a range of complementary products and services from the ÖVAG Group. Together with VICTORIA-VOLKSBANKEN Versicherungs AG, ÖVAG operates in the Hungarian, Slovakian, Croatian and Czech markets. In the meantime, Volksbanken-KAG's products have become an integral part of the product range available in the Czech Republic and Slovakia. In line with the universal banking concept, the Group's products and services are systematically introduced and offered by all of its subsidiaries.

The international desks of our foreign subsidiaries report lively demand for their services. With this concept, we are pursuing the goal of offering expert counselling to our international customers in their own mother tongues in co-operation with our share-holding banks in Germany, France, and Italy.

In 2002, we further extended our intensive co-operation with the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) by concluding a general loan agreement for € 150 million with the EBRD and another loan agreement with the EIB representing an amount of € 40 million, which is earmarked for financing operations in the Czech Republic. These funds will primarily be used for assisting small and medium-sized enterprises and for financing local authority and housing

construction projects in these markets. Leasing projects of VB Leasing International will also be included. Volksbank Romania S.A. entered into a co-operation agreement with the Credit Institution for Reconstruction. An intensification and expansion of this co-operation between ÖVAG's foreign subsidiaries and the Credit Institution for Reconstruction is currently under discussion.

One strategic goal for the immediate future is the intensification of ÖVAG's co-operation with Austrian Volksbanken, which will enable ÖVAG to accompany their clients to the countries of Central and Eastern Europe. By concentrating on new areas, such as housing construction (in co-operation with IMMO-BANK), private banking (in co-operation with WIF-Bank) and the funding of local authorities' projects we will strengthen and improve our market position still further.

BUSINESS PERFORMANCE OF ÖVAG'S SUBSIDIARIES

L'udová banka, a.s., Slovakia

Numerous awards and an excellent rating reflect the continued outstanding success attained by L'udová banka, a.s. in its eleventh year of existence on the Slovak banking scene. In November it obtained the highest individual rating, C/D, from the rating agency Fitch Ratings, as well as being voted the country's second best bank in the opinion poll "Best Bank 2002".

The Bank added ten new branches to its distribution network in 2002. L'udová banka, a.s. opened four outlets in Bratislava and another six branches in the towns of Piešťany, Dunajská Streda, Nové Zámky, Košice, Trnava und Martin. Thus the Bank

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L'UDOVÁ BANKA, A.S., SLOVAKIA

Established in:	1991
Number of staff:	539
Number of accounts:	152,602
Number of branches:	34

MAGYARORSZÁGI VOLKSBANK RT., HUNGARY

30

Established in:	1992
Number of staff:	262
Number of accounts:	63,721
Number of branches:	21

now maintains a total of 34 branches in Slovakia and employs a staff of 539.

In the course of fiscal 2002, it reported a massive growth of more than 67 % in its lending volume. New loan agreements with corporate customers, in particular, acted as the main growth engine. In October, L'udová banka obtained a licence for mortgage lending from the Slovak Central Bank. By year-end, mortgage loans totalling € 3 million had been granted to 145 customers.

Magyarországi Volksbank Rt., Hungary

In fiscal 2002, Magyarországi Volksbank Rt. continued to steer its course of expansion. In April, the Bank opened another branch in Budapest and in October a new outlet in Debrecen in eastern Hungary. On the balance-sheet date, its total assets amounted to € 483 million, which represents a 17 % rise above the previous year's mark. By raising the number of its customer accounts by 21 % to approximately 50,000, this ÖVAG subsidiary once again demonstrated that its strategy in the Hungarian market is a successful one.

In line with the Group's mission statement, which calls for a particular focus on partnership with customers, Magyarországi Volksbank Rt. continuously makes special efforts to broaden and improve its existing services. Accordingly, it introduced call centre services in 2002: in the meantime, this specific Volksbanken business line is providing services to nearly 900 customers. Special mention should also be made of the Bank's success in Internet banking and the lasting boom in credit card business. With the introduction of Internet and electronic banking services, the Bank succeeded in attracting numerous new customers.

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Volksbank CZ, a.s., Czech Republic

In November 2002, Volksbank CZ, a.s. became the first Czech bank to sign a loan agreement with the European Investment Bank (EIB). This loan, which represents an amount of € 40 million, is primarily earmarked for the funding of local communities' infrastructure projects. It is also destined for the financing of medium and long-term investment projects by small and medium-sized enterprises in the Czech Republic, as well as for leasing projects in the region.

Volksbank CZ, a.s. opened three branches in 2002, one each in Pilsen, Znojmo and Hradec Kralove, and thus at present maintains a network of 16 branches. On the balance-sheet date, its total assets stood at € 513 million, which represents an increase of 38 % as against the previous year. In October, the Bank's range of customer services was broadened as a result of the introduction of Internet banking; by year-end approximately 1,000 new customers had taken advantage of this option.

Volksbank-Ljudska Banka d.d., Slovenia

In 2002, Volksbank-Ljudska Banka d.d. opened a representative office in Maribor which now allows it to provide services to customers in the region of eastern Slovenia. In the course of fiscal 2003, this outlet will be converted into a fully-fledged branch. At present, Volksbank-Ljudska Banka d.d. maintains eight branch offices in Slovenia.

A market development drive launched in the second half of fiscal 2002 enabled the Bank to expand its lending volume by an impressive 32 %. It also attained considerable successes in private

VOLKSBANK CZ, A.S., CZECH REPUBLIC

31

Established in:	1993
Number of staff:	317
Number of accounts:	30,766
Number of branches:	16

VOLKSBANK-LJUDSKA BANKA D.D., SLOVENIA

Established in:	1993
Number of staff:	115
Number of accounts:	23,198
Number of branches:	8

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VOLKSBANK D.D., CROATIA

Established in:	1997
Number of staff:	184
Number of accounts:	138,189
Number of branches:	8

32

VOLKSBANK BH D.D., BOSNIA AND HERZEGOVINA

Established in:	2000
Number of staff:	103
Number of accounts:	46,592
Number of branches:	5

VOLKSBANK ROMANIA S.A., ROMANIA

Established in:	2000
Number of staff:	133
Number of accounts:	24,415
Number of branches:	8

banking, with housing loans soaring by 53 %. The Bank concluded a co-operation agreement with General Motors in 2002, which provided for the taking over of the credit portfolio of General Motors by Volksbank-Ljudska Banka d.d. and co-operation with all Opel dealers in Slovenia.

Volksbank d.d., Croatia

In June 2002, Volksbank d.d. opened a new branch in Pola, which allows it to engage in banking operations in Istria, one of the most important regions in Croatia. Two new branches were opened, one in the capital Zagreb and one in Spalato. Currently Volksbank d.d. runs eight branch offices in Croatia. With its "open bank" approach and supported self-service this ÖVAG subsidiary concentrates fully on the requirements of its customers, thus implementing the "partnership with clients" philosophy very successfully.

As compared to the 2001 figures, the Bank's transactions in loan business expanded by 13 % and deposits grew by approximately 35 %. At year-end, VB VICTORIA ZASTUPANJE u OSIGURANJU d.o.o., a joint subsidiary of VICTORIA-VOLKSBANKEN Versicherungen and ÖVAG, was established in Croatia. This enterprise operates as an insurance broker, using Volksbank d.d.'s branch network as its distribution channel.

Volksbank BH d.d., Bosnia and Herzegovina

Volksbank BH d.d., the first Western European bank to be established in Bosnia and Herzegovina in the year 2000, has successfully positioned itself in the regional market and currently runs five branches. Of these, one each was opened in Sarajevo, Mostar and Bihac in 2002. It is the only bank in Bosnia and Herzegovina that implements

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the “open bank” approach, and it does so with great success.

By 2002, the Bank had raised the total number of customer accounts to 27,000. It succeeded in expanding its lending volume to some € 35 million, which represents a 74.4 % increase as against the previous year. Volksbank BH d.d. successfully introduced home loan and savings contracts in the domestic market, and is thus the only bank offering this product in the market of Bosnia and Herzegovina. The objective of Volksbank BH d.d. is to remain the market leader with respect to innovative products and the range of services provided, a strategy that will enable it to continue playing a vital role in the development of this country.

Volksbank Romania S.A., Romania

In its second complete fiscal year, Volksbank Romania S.A. took full advantage of all opportunities to consolidate its position on the highly competitive Romanian banking market. The Bank continued its efforts to expand its branch network. In 2002, five new branches were opened, one each in Timisoara and Brasov, two in Bucharest, and one in Oradea. The successful performance of ÖVAG's

Romanian subsidiary is mirrored by its business results: its total assets soared by 70 % to € 116 million.

A loan agreement for the renovation of the old Coltea hospital in Bucharest, which will require an investment of € 65 million, was concluded in June on the basis of a co-operation scheme with Siemens AG Austria acting as the general contractor. A trade magazine presented the Bank for its “Best Deal of the Year” award, which demonstrates the success of this project.

In the wake of a major product campaign in the first six months of fiscal 2002 and a second campaign lasting for several weeks starting on World Thrift Day in autumn 2002, the Bank was able to attract 1,000 new customers. In line with the “partnership with customers” philosophy, Volksbank Romania S.A. continuously endeavours to broaden the range of its services and products. To this end, longer opening hours and “Infotel”, a telephone service available to the Bank's clients, were introduced, to name but a few additions to the range.



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B.P. Invest Consult GmbH

B.P. Invest Consult (BPIC) was founded in July 2001 by the five member bank organizations belonging to the International Federation of Popular Banks (CIBP):

- Österreichische Volksbanken-AG
- DZ Bank, Germany
- Financière Natexis Banques Populaires, France
- Istituto Centrale delle Banche Popolari Italiane, Italy
- Caisse Centrale Desjardins, Canada

The task of BPIC is to support corporate clients in cross-border projects by providing advice and services in the field of investment banking. BPIC assists its clients in establishing new companies abroad, engaging in mergers and acquisitions, taking over holdings in existing enterprises and setting up joint ventures.

In 2002, under a mandate for the privatisation of a banking group in Bosnia and Herzegovina which the Bank received at the end of fiscal 2001, BPIC successfully completed the re-structuring of these banks, which are to be sold to strategic investors in the course of 2003.

The Russian investment project providing for the raising of equity with, and obtaining of funds from, international financial institutions and the structuring of a business plan was successfully completed in fiscal 2002.

The joint planning of marketing activities by the five founding members of BPIC produced a host of new ideas concerning the conduct of business. B.P. Investconsult examined some 20 projects and received two new mandates for transactions in Slovakia and Poland.

TREASURY

Trading & Sales/Money Market and Interest Management

The prevailing features in fiscal 2002 were fears of recession and poor cyclical indicators in the major industrialised countries. The generally difficult environment was further worsened by various financing scandals in the US and the budget problems of the major EU Member States looming on the horizon.

Owing to the many-faceted economic and political uncertainties prevailing in the year of reporting,



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interest, foreign exchange and securities markets were increasingly characterized by volatilities. While increased volatility leads to a higher risk potential of not insignificant dimensions, it simultaneously opens windows of opportunity which, if used expertly, may give rise to tremendous chances for profit realisation. It is gratifying to note that all trading divisions took advantage of these market opportunities, thus surpassing their ambitious goals for the fiscal year just closed by a wide margin.

The new organisational structure initiated in 2001, broken down into production, trading and sales was finally established and implemented with great success. The new structure constitutes the optimum basis for the generation of a comprehensive range of products tailored to the complex needs of our clients. Our continuous dialogue with the institutional customers of this division is fully in line with the Group's declared dual objective – "know your customer" and "with clients for clients".

The integration of money market and foreign exchange transactions with securities trading has resulted in absolutely perfect synergies. Thanks to the selective combination of special know-how and broadly-based trading experience we were able to develop attractive products for our customers. Our Treasury Relationship Management Division focused on pro-active servicing and counselling of our customers, which resulted in an extraordinary growth in customer accounts, i.e. by roughly 60 %. One of the core tasks of this division consists in assuring the short to medium-term liquidity of the Volksbanken sector and the ÖVAG Group in euro and foreign currencies. ÖVAG's Treasury performs this task by actively participating in securities lending and repurchasing transactions

on the international money and foreign exchange markets and through central management of the Group's liquidity. All these activities are co-ordinated and supported by the CEE Treasury Division, which is fully entrusted with this task. The function of safeguarding the Group's liquidity in the long term is performed in co-operation with the VB Investment-Bank AG, the central issuing house of the ÖVAG Group.

Progress was also made with respect to systems technology. Thanks to the use of the internationally proven Treasury front office and back office systems in the Group's major subsidiaries, it was possible to expand decentralised treasury activities while simultaneously conducting central risk management operations at headquarters.

CAPITAL MARKETS

Capital Market Investments

The disappointing, persistently weak worldwide level of economic activity combined with regional crises and, above all, the conflict in Iraq, prompted a large number of investors to withdraw from high-risk investments. As a consequence, a trend towards widening credit spreads occurred, even with excellent or extremely attractive risks. The Division topped up its traditionally diversified asset portfolio by making selective purchases. Concentration on first-rate risks once again proved the right approach in 2002, and another excellent operating result was reported in the fiscal year just closed. Shrinking spreads are expected for the year 2003, despite the persisting crisis.



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Institutional Asset Management

The trend towards outsourcing internally managed assets in the form of reserves and provisions persisted throughout fiscal 2002. Despite a rather problematic market environment, funds under management rose by 12 % to € 730 million. The markedly reduced willingness of investors to take risks against the background of negative stock market trends over the past three years led to further shifts from share holdings to bonds.

Banks/Liquidity Management

In addition to the continuous, system-supported optimisation of the minimum reserve holdings of ÖVAG and the entire sector, a number of important projects were successfully completed in the year of reporting.

In August, the “e-tender” scheme providing for electronic access to tendering procedures for central bank liquidity came on stream. In October 2002, the “central trading” project was completed. Cost-cutting measures such as streamlining of the Group’s banking connections and resulted in long-term rationalisation effects were defined as one of the goals of this project.

ARTIS-Internet-online, the Austrian National Bank’s Internet information system, will greatly facilitate minimum reserve decisions, recourse to the security pool and the monitoring of payment transactions.

The new minimum reserve requirements imposed in an era dominated by the forthcoming enlargement of the European Union were analysed in a series of studies, the findings of which are being continuously integrated into projects under execution.

International Financial Institutions

“One face to the customer” is the basic principle of the revised customer relations concept adopted by the newly established “International Financial Institutions” unit. Previously, this unit was exclusively entrusted with classical correspondent banking activities. New tasks and the progressive internationalisation of the Group called for the adoption of a new servicing concept, which immediately proved to be an excellent move.

2002 was a difficult year in which international rating agencies downgraded the credit standing of numerous companies. It was also a year full of



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unrest and uncertainties in the banking sector. Nevertheless, the Group managed to deepen existing relationships and establish new and interesting contacts. Its broadly based international banking relations make an essential contribution to the optimum marketing of the Group's products and services.

The International Financial Institutions unit is the first point of contact and information for foreign banks, and supports the local credit co-operatives in their international operations. Together with the expert product management units at the Group's headquarters, its risk management and settlement teams were able to enhance the quality of counselling considerably and intensify the exchange of information within the Group and with its foreign partner banks.

VB Investmentbank AG (VBIB)

In the fiscal year just closed, VBIB once again reported a satisfactory operating result despite a strained market situation. The Bank succeeded in expanding and deepening its main lines of business.

Acting as the issuing house of the Austrian Volksbanken Group, VBIB issued and placed a record volume of more than € 1.8 billion in the domestic and international capital markets. VBIB participated in the placement of bonds offered by Fritz Egger GmbH and Andritz AG, as well as in the placement of profit-sharing certificates of "BIOMAY" Produktions- und Handels-AG.

The Structured Financing Division reported a continuous flow of deals. Transactions were carefully selected. In line with the usual international selling ratios, approximately every

tenth deal was finalised. VBIB also acted as the lead manager in raising outside funds for cross-border acquisitions of companies operating in the fields of heat management and agricultural research.

In its capacity as manager of Venture for business Beteiligungs AG and Partner Kapital AG, VBIB consistently built up a solid deal flow and intensified its co-operation with financial institutions offering loans on favourable terms. The Bank acquired holdings in a high-growth IT company and an offset printing company, as well as in an Austrian Internet service provider focussing on commercial customers. The Bank also acquired options for the acquisition of holdings in two other newly established enterprises engaged in devising alternative energy systems and CRM. Furthermore, VBIB manages the holdings in a German equity fund and an Eastern European mezzanine fund.

VBIB also stepped up its research activities. Alongside the established publications "Wertpapierspektrum" and "Marktperspektiven", VBIB has issued an increasing number of special publications in response to particular events, such as corporate analyses of Telekom Austria AG and currency analyses.

ASSET MANAGEMENT

Volksbanken-Kapitalanlage GmbH (VB-KAG)

Fiscal 2002 proved a difficult year in all securities-related areas of operations. All of the major stock markets around the globe won laurels in advance, but especially in the second half of the year indices pointed to new all-time lows.

In this environment, with share prices declining for nearly three consecutive years, Volksbanken-

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Kapitalanlage GmbH recorded sales increases corresponding to double-digit figures in millions of euro. The Volksbank quartet umbrella funds once again boasted most stable demand.

However, the volume of rated funds open to the general public suffered a decline of € 0.2 billion to € 2.9 billion. Nevertheless, in the category of publicly offered funds VB-KAG ranks fourth amongst all fund management companies in Austria.

Specialised fund assets under management also followed a downward trend, which can be ascribed to the current situation resulting from the Group's internal restructuring of its investment business.

In fiscal 2002 Volksbank funds once again received numerous awards. Special mention should be made of the below-listed surveys in which Volksbank funds emerged as winners:

STANDARD & POOR'S AUSTRIAN INVESTMENT FUND AWARDS 2002

Volksbank-Rent	1 st Rank, category "Eurobonds ex ATS"	(more than 5 years)
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AUSTRIAN UMBRELLA FUND AWARD 2002

European Selection	1 st Rank, category "European equities umbrella funds"	(more than 1 year)
	1 st Rank, category "European equities umbrella funds"	(more than 3 years)
Volksbank-Quartett	1 st Rank, category "Equities share in the fund 76 % to 99 %"	(more than 3 years)

LIPPER FUND AWARDS DEUTSCHLAND 2002

Volksbank-DM-Rent	1 st Rank, category "Fund of the Year 2002 – Bond Euro (Short Term)"	(more than 3 years)
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According to expectations, the year 2003 should, on the one hand, see a moderate recovery of stock markets, though on the other hand the Iraq crisis represents a major factor of uncertainty. In the Austrian market we expect brisk demand for products of the “provisioning for the future” category, which Volksbanken-Kapitalanlage GmbH introduced under a pension fund managed by ÖVAG. A capital guarantee is given for the paid-in amounts as well as the sum-total of all premiums received.

The forthcoming reform of the national pensions system will also have a significant impact on private provisioning schemes. Against this background, we expect buoyant demand for the products offered by Volksbanken-Kapitalanlage GmbH, especially for “VB Fund Saving”.

VB Consulting für Anlagemanagement Bank AG (VBC)

VB Consulting für Anlagemanagement Bank AG (VBC), which was set up in 1997 as a joint venture by ÖVAG and DZ-Bank, operates as a service provider to the entire Volksbanken sector. Its activities are primarily focused on marketing support for member banks in securities sales to retail customers, and on advising and assisting co-operative banks in their portfolio management with due regard for optimum return and minimum risk.

In 2002, VBC mainly focused on providing counselling on balance-sheet structure management to member banks. The interest rate risks of Volksbanken were assessed and

hedged by means of interest derivatives whenever this proved necessary.

With attractively structured issues and an enlarged range of funds, Volksbanken succeeded in raising their income by drawing on their bond portfolios. Alongside improved risk hedging, they were able to optimise their portfolios in all respects by conducting the portfolio performance analysis developed by VBC.

In fiscal 2002, one of VBC’s main activities consisted in supporting member banks in generating primary funds through the sale of fixed-term notes issued by the Austrian Federal Government, government agencies or specific public-sector banks.

VBC provided consulting services on the placement of structured own issues and on hedging operations. The persisting crisis plaguing the stock markets prompted investors to shift towards safe investments in bonds. VBC took full advantage of this trend by devising products tailored to market conditions and clients’ needs.

The implementation of INVO (Investment und Vorsorge, investment and provisioning), which is a strategic concept for even more efficient needs-oriented counselling of clients introduced in 2001, was consistently carried on throughout the year of reporting. In the meantime, 15 banks are successfully applying this concept. VBC intends to continue giving Volksbanken active support in the course of the introduction of INVO.

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In addition, a financial planning programme based on FPS software was developed for the sector's top customers and will be introduced in 2003 according to plan. With a new edition of its money investment magazine and numerous campaigns in the individual Volksbanken, VBC intensified its efforts in the main marketing domain of "finance, investments, trends". With the restructuring of the "investing" segment, VBC is also actively involved in the Group's efforts to consistently broaden its range of services available on the Internet.

ÖVAG's SPECIAL FINANCIAL COMPANIES

Immoconsult Leasing GmbH (ICL)

In fiscal 2002, ICL was able to consistently pursue its goal of building up and extending the business line "special financing". Immoconsult Leasing not only reached its objectives in all business areas, from project financing to factoring, but indeed exceeded its targets by a wide margin. In this context, mention should be made of its successful entry into the Viennese movable property leasing market. In view of its strong market position in the federal capital, ICL established a separate company in the year of reporting. The financing volume was considerably expanded in both

movable property leasing and real estate. With the strengthening of ICL's operative units in the EU candidate countries, with the exception of the Baltic republics, the extension programme has now been completed.

Real estate leasing

In fiscal 2001, the financing of real estate leasing accounted for a volume of approximately € 54.9 million, which corresponds to a 38 % increase as against the excellent previous year's figures. Thus ICL's real estate leasing operations proved extremely successful.

Especially in the countries of Central and Eastern Europe, i.e. the Czech Republic, Hungary and Slovakia, our strategy aimed at acquiring contracts for the financing of major retailers was further pursued. The operative units on site were strengthened and expanded. The volume of new leasing contracts in the CEECs amounted to some € 49.2 million.

The volume of new leasing contracts at home and abroad currently totals some € 104.1 million, which significantly surpasses the previous year's level. This favourable result can be attributed to some major projects (a logistic warehouse for the



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automotive engineering cluster in Graz, hotel financing in Hungary, a shopping centre in the Czech Republic).

Property development

In this line of business, ICL's activities mainly focus on the development, construction and sale of office buildings and commercial real estate. In these operations ICL seeks to diversify risks, so as not to be affected by fluctuations occurring in the individual regional real estate markets.

At year-end, the political decisions for the EU enlargement were taken, meaning that the prerequisites for triggering lasting demand for flexible, high-quality office and commercial space with state-of-the-art equipment have been created in the countries serviced by ICL.

In the year of reporting, one highlight was the completion and leasing of the entire space of our pilot project in Sofia. Furthermore, construction work was started on both the "Tivoli" office building in Ljubljana, which has some 7,000 square metres of usable floor space, and on the Europeum Business Centre in Bratislava, which has approximately 10,500 square metres of usable floor space. The acquisition of two office building

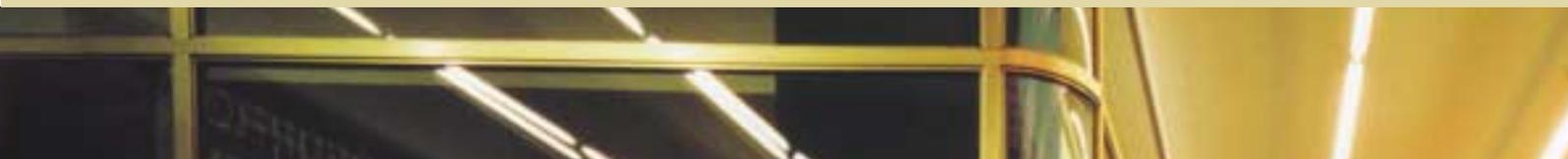
projects in Warsaw was another milestone in fiscal 2002.

For ÖVAG's subsidiaries in Central and Eastern Europe these activities play a key role, since all payment transactions, from project development and implementation to day-to-day management and leasing of the completed buildings, are handled by the Group's regional subsidiaries.

Project financing

ICL is engaged in real estate project financing in Hungary, Poland, the Czech Republic, Slovakia, Slovenia, Romania and Bulgaria. As in previous years, ICL was able to build up its real estate project financing portfolio consistently throughout fiscal 2002. Furthermore, ICL reported a total volume of € 872.7 million in newly acquired projects, which represents a growth of approximately 15.5 % (as against € 755.9 million in the previous year).

Through its financing of real estate projects, ÖVAG participates in the flourishing real estate markets of Central and Eastern Europe. It thus offers partner banks, such as DZ-Bank, an opportunity to benefit from these transactions by acquiring sub-participations.



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GVA Immoconsult Immobilientreuhand GmbH

GVA is engaged in the appraisal of real estate, the conduct of feasibility studies and classical real estate brokerage. Following the establishment of representative offices in Warsaw and Budapest, another subsidiary was opened in Prague at year-end. On the basis of its direct experience and ongoing operations in the relevant markets, GVA's declared objective is to acquire the necessary on-the-spot market knowledge which will allow it to gain a clearer picture in decision-making on property development and project financing. In addition to servicing its own stock of customers, GVA also carries out third-party orders. Entering into a partnership with the GVA Group, which is a global player, was clearly the right strategic decision. The customers of GVA Immoconsult and the Group's foreign subsidiaries are primarily potential investors in real estate.

VB Leasing International Holding GmbH (VBLI)

Through its ten subsidiaries, VB Leasing International is now present in Bosnia and Herzegovina, Croatia, Poland, Romania, Slovakia, Slovenia, the Czech Republic and Hungary. Thanks to its early presence in these markets, VB Leasing International occupied an excellent starting position and today ranks amongst the leading leasing companies operating independently of manufacturers.

In fiscal 2002, it succeeded in expanding its business volume at a rapid pace with new leasing contracts totalling € 598 million, thus surpassing the previous year's mark by 21 %. The highest growth rates were reported by the business

segments "Car Lease Services" and "Vendors", with the "Transport & Construction" segment also putting up a very favourable performance. The ongoing preparations of the candidate countries for their accession to the EU are creating an environment of heightened legal certainty for national and international investors.

With its strategy "think globally, act locally", VB Leasing International combines its efforts to satisfy customer needs in a particular region and local market requirements with the know-how of the entire Group. Its activities are concentrated on the five business segments of "Car Leasing and Services", "Transport and Construction", "Vendors" (marketing and leasing of capital goods of international manufacturers, importers and dealers), "Leasing via Volksbanken" and "Market Area Development". Accordingly, VB Leasing International not only combines top quality services with flexibility and global thinking for the benefit of its customers, but also has the opportunity to develop new products and services within a shorter time span before launching them on the market.

Leasing products are marketed in the respective locations, partly via ÖVAG's network of foreign subsidiaries in Central and Eastern Europe. This gives us the decisive competitive advantage of being able to offer clients at our bank counters leasing solutions tailored to their specific individual requirements.

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Leasing-west GmbH & Co KG (Leasing-west)

Leasing-west GmbH & Co KG, a wholly owned subsidiary of ÖVAG, has been successfully engaged in vehicle and movable property leasing for more than 30 years, serving as the hub for all service and clearing operations for Austrian Volksbanken. Together with its associate VB Leasing, which operates in the eastern part of Austria, Leasing-west is taking up the challenges presenting themselves in the domestic market and thus safeguarding its successful track record as a competent partner in this business area.

In the year of reporting, Leasing-west further strengthened its market position in Austria by concluding new lease contracts representing a value of € 156 million (including VB Leasing). Although real estate leasing was transferred to Immoconsult, Leasing-west currently has a market share of 3.35 %.

VB Leasing Finanzierungs GmbH (VB Leasing)

With a view to stepping up its activities in the eastern part of Austria, an existing leasing company of the Group was re-established as VB Leasing Finanzierungsgesellschaft mb.H. The newly established company, which is a wholly owned subsidiary of the ÖVAG Group, jointly engages in motor vehicle and movable property leasing activities with Leasing-west. In 2002 a joint venture was set up (ACP IT Finanzierungs GmbH), in which VB Leasing holds 75 %. The company has thus emerged as an even stronger player in the IT financing market.

With a company structure built up in accordance with the individual lines of business, we possess in-depth know-how concerning any type of financing. Internal processes are geared to specific market and customer requirements. Flexibility, proximity to the market, customer orientation and banking expertise are the main characteristics of our line specialists' activities.

In fiscal 2002, new financing business (including ACP IT Finanzierung) totalled € 43 million. In the wake of Basle II we expect stimuli to growth and a simultaneous rise in the leasing rate in Austria. Sharing our corporate image with Leasing-west and operating jointly under the brand name VB Leasing, we have set ourselves the goal of further strengthening and widening our position in the Austrian market.

VB Factoring Bank AG

The Bank, which specialises in factoring operations, currently holds a market share of 17.5 %. Domestic business accounted for 75.5 %, and exports for as much as 24.4 % of its total business volume.

In accordance with the provisions of Basle II governing SMEs, which are VB Factoring's typical customers, our intention is to devote even greater attention than previously to balance-sheet formats, balance-sheet ratios, liquidity and improved information policies for banks. As with the leasing business, satisfactory growth rates can be expected for factoring operations due to a reduction in total assets, amongst other measures.



THE CORPORATE PROFILE

Organisation

VB ManagementBeratung GmbH

Back Office Service für Banken GmbH

Marketing and Communications

Employees

ORGANISATION

The Organisation Division is mainly responsible for the structuring and optimisation of all internal workflows and the best possible provision of services to our member banks, as well as for the management of IT projects and other organisational services within ÖVAG and the entire Volksbanken sector.

For ÖVAG, the Organisation Division performs budgeting, investment, auditing, EDP maintenance and organisation functions and acts as a vital interface to the Group's Data Processing Centre.

For the Volksbanken Group, the Organisation Division manages organisational and IT matters, acts as a service provider to ÖVAG's subsidiaries, performs centralised tasks and implements Group-wide projects.

The Division's central function consists in the co-ordination of joint projects and initiatives of the Volksbanken sector for the Data Processing Centre (ARZ-Allgemeines Rechenzentrum). The Division also represents the Volksbanken Group on overarching committees and assures liaison between the Group and its Data Processing Centre.

Fiscal 2002 was characterized by the implementation of several major projects:

– The Organisation Division was entrusted with central tasks in connection with the practical application of the provisions of the Basle II Capital Accord by ÖVAG and the entire Volksbanken sector. These tasks relate, in particular, to the management and execution of the ongoing projects "IT Infrastructure – Basle II" and "Operational Risk", which will be completed

in the course of 2004, as well as to the provision of intensive expert counselling on the "credit risk management Basle II" programme and active support in devising an internal model for holistic assessment of market risks.

– By applying our e-commerce strategy we relaunched ÖVAG's website www.oevag.com and enlarged the sector's portal www.volksbank.at. Our Internet presence provides interactive services in the areas of housing construction finance, investing and provisioning, as well as foreign currency conversion. In addition, a uniform home page format was adopted for all Volksbanken. In 2002, we implemented a comprehensive securities transactions system (specimen deposit account queries and trading) for the Volksbanken sector on the Internet.

– After the successful merger of ÖVAG's former branches Volksbank Wien und Klosterneuburg and their integration into Volksbank Wien AG in 2001, in the year of reporting our activities focused on the elaboration of a uniform organisational structure for work processes. In structuring these processes, we already took into account the main conditions imposed by the Basle II Capital Accord. Accordingly, we prepared the ground for putting in place a permanent process and quality management system within Volksbank Wien AG.

Alongside these large-scale projects, we conceived a large number of programmes mainly aimed at the minimization of operational risks, such as an IT assessment scheme for foreign subsidiaries, quality improvement measures in the form of counselling manuals, and multi-media marketing concepts.

The Corporate Profile

VB MANAGEMENTBERATUNG GMBH

VB Managementberatung GmbH conducts business analyses and offers management counselling services to the Group's corporate clients at home and abroad. The Company's activities focus on corporate analyses (strengths and weaknesses analyses), corporate planning (from the development of long-term strategic scenarios to short-term liquidity planning) and project assessment, as well as on the elaboration of feasibility studies and reorganisation plans.

In 2002, we further developed an internal rating system for corporate clients, which was implemented in the previous year and which is now also applied to our foreign subsidiaries. At the same time, we are also developing further rating instruments for retail customers, projects, local communities and social housing construction projects. VB Managementberatung GmbH plans to introduce these new instruments in the course of 2003.

BACK OFFICE SERVICE FÜR BANKEN GMBH

Alongside payment transactions, trading, banking logistics and commercial administration, B.O.G. provides top quality marketing services.

Back Office Service für Banken GmbH launched a large number of projects, and was entrusted with the preparations for the change-over to the GEOS System, the introduction of Fondssparen Neu (a fund savings scheme), the implementation of the new EU Regulation relating to domestic payment transactions, the conversion of Austrian

schillings into euros and process optimization in payment transactions, as well as with the application of service level agreements in written form. The success of all these activities is once again evidence of B.O.G.'s efficiency.

We made a vital contribution to the preparation of the "Fondssparen Neu" project so that it can be introduced efficiently and smoothly by the Volksbanken sector in 2003. Nearly all of the member banks will adopt the new system. As was expected, the exchange of Austrian schillings for euros constituted B.O.G.'s core activity in 2002. B.O.G. organised this operation for the Volksbanken sector in co-operation with the Austrian banking community. In the course of the year, Austrian schilling coins and banknotes representing a total value of 9.5 billion were handed in, and euro-cash movements (deliveries and allocations) involving € 3.04 billion were effected.

Owing to the new EU Regulation on domestic payment transactions, ÖVAG's foreign payment transactions department is currently going through a phase of massive restructuring. After intensive project work we gave the green light for the reorganisation of the international payment transactions system. We were able to achieve considerable quality improvements in 2002, such as the continued application of service level agreements. A new control instrument was also devised for the entire Volksbanken sector: whenever complaints are made, a service fee is charged. The pricing model for clients' payment transactions which was introduced in July has enabled Volksbanken to cut outsourcing costs significantly thanks to improved document quality. As a result, the number of complaints to be

THE CORPORATE PROFILE

handled was sharply reduced in absolute terms, which means an enormous quality improvement in payment transactions.

Furthermore, we completed the restructuring of the Marketing Services and Trading Divisions in the fiscal year just closed. Inventory reductions and the outsourcing of individual lines of business to strong partners permitted the optimization of workflows and a sustainable reduction in costs.

MARKETING AND COMMUNICATIONS

The outstanding USP of Volksbanken is their very special relationship with clients known under the motto of “partnership with customers”. Most recent surveys have evidenced the positive impact of this approach, as Volksbanken have occupied the leading position in terms of counselling and partnership with their clients for many years now. Our advertising line, which was revamped in early 2002, underlines the logic and efficiency of this strategy.

Volksbank. United in trust. As shown by the findings of international studies, the number one criterion for selecting a bank is the confidence a person has in it. The word “united” in our new tag-line is the very concept that precisely reflects our efforts to establish ties based on partnership with our clients, and has a much stronger impact than the previously used word “commitment”. The tag-line used in our advertising campaign

also takes up this theme: customers can be sure that we will meet their specific needs at any time – so they can be entirely themselves. We quickly found the perfect music to go with this slogan: Paolo Contes’ world-wide hit “Via con me” with its rhythmic refrain “It’s wonderful, it’s wonderful”.

Our advertising line, which is based on sophisticated, witty statements and strong images, was very well received by the target audience. This positive response confirms that we are pursuing the right strategy, namely to continue strengthening the Volksbank brand, especially in the environment in which our customers feel at home, and with which they are in harmony.
Volksbank. United in trust.

Integrated Communications / E-Commerce

In the course of an Austria-wide public relations initiative taken in the year of reporting, the idea of creating a quarterly Volksbank customer magazine was born. The magazine, entitled “Geld Leben” (Money Life), will be made available to all Austrian branches from March 2003 onwards. This will enable us to intensify our communications with the public, because the magazine not only gives our customers and partners comprehensive information on Volksbanken and their products and on our campaigns and strategies, but additionally disseminates valuable financial know-how.



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In addition, Volksbanken also extended their on-line communications: besides installing a comprehensive newsletter service via e-mail, they further stepped up their efforts to enliven their Internet presence. In the meantime, the homepages of the VB Federation have emerged as one of the most important information and contact media. The portal www.volksbank.at and the individual Volksbank homepages are accessed more than 15,000 times daily. Other sites, such as www.oevag.com or www.volksbank-fonds.at, KAG's service page, receive more than 20,000 visits to this virtual branch office every day. An online customer survey involving 1,700 users showed impressive results concerning the Volksbanken's Internet presence: more than 90 % of the respondents stated that they were satisfied or extremely satisfied with our services.

These findings were confirmed by the University of Regensburg (Department of Banking Informatics and Banking Strategies) which conducted an independent analysis of banks' Internet presence, the largest analysis of this type Europe-wide. In the rating table, Volksbanken occupy 27th place among the more than 1,000 German, Austrian and Swiss banks that were assessed – we consider this an impressive achievement! With regard to usability and design, the Volksbanken site was selected as the best Austrian format. Given the limited resources employed, this is quite a sensational outcome.

Youth Marketing

Customers are our partners – for life. In line with the life-cycle concept Volksbanken consider it their task to start providing high-intensity services to their customers at an early age.

The AKTIV account represents a product tailored to the needs of all adolescents who want to be independent in managing their money. In the year of reporting, we were able to attract 3,700 adolescents as new Volksbanken clients. The implementation of the “fit for job” programme, a detailed vocational orientation package, was one milestone set in 2002.

Alongside the on-line presence at www.fitforjob.at, presentations and workshops prepared pupils and students for everyday life in the world of work. With this initiative we can assist young people in their choice of occupation, profession, training or study programme and supply them with important information on how to apply for a job or conduct a job interview; after all, solid training and a sound educational background is the gateway to a successful career.

Electronic Distribution Channels and Card Systems Ever More Popular

For Volksbanken customers, electronic banking is becoming an increasingly normal procedure. Today, shopping without a card is almost inconceivable. With our support, Volksbanken were once again able to strongly expand cashless customer-card payment systems by focusing on targeted marketing measures. At present, approximately 800,000 debit and credit cards are in circulation under the Volksbank brand. As compared to other banking groups this is an impressive track record, which mirrors the impact of the dynamic card marketing policy we initiated already several years ago.

It goes without saying that our corporate customers are also following this trend very closely. In close

THE CORPORATE PROFILE

co-operation with our joint subsidiary, Europay Austria, we installed a large number of new electronic payment terminals on the premises of Volksbanken corporate clients. In the meantime, no fewer than 5,784 dealers and other enterprises have opted for this future-oriented non-cash payment system as recommended by their Volksbanken.

But any kind of access to the Internet, too, be it at the work-place, in the home or in any other location around the world, is increasingly replacing interactions with a physical Volksbank branch. As many as 150,000 current-account holders (of whom 45,000 in 2002) have activated their Volksbank accounts for Internet banking. Utilisation of Internet banking services is also very impressive: at present, some 200,000 payment orders are given per month and 1.4 million account balance or movements queries are made. Various customer-friendly features of "account services" and "payment transactions" have certainly contributed to this favourable performance. Internet banking is a service option that reconciles reliability with high speed and security. Our clients repeatedly tell us that while enjoying close personal ties with their advisors and benefiting from customer partnership in our high-quality consultancy practice, they increasingly opt for electronic banking in order to carry out their routine current-account banking transactions, as this is possible round the clock, regardless of where you are.

Group Marketing in Central and Eastern Europe: Trust with a European Perspective

In autumn 2002, our subsidiaries in Central and Eastern Europe successfully adopted the

Volksbank advertising line. By intensifying the internal communication concept of combining central guidelines and local expertise on the basis of servicing and co-operation, as well as by concentrating on a marketing mix tailored to clients' requirements, we were able to establish the Volksbank brand more firmly both at home and abroad.

"United in trust", our leitmotif, reflects our very special partnership with our customers, including those in Central and Eastern Europe. Joint planning and concerted action generates mutual trust, which is of central importance, particularly in international business. Thanks to the commitment we made more than a decade ago, we have been able to gain considerably more experience than our competitors in the most promising European markets. Our Austrian corporate customers can benefit from this experience and are increasingly taking advantage of it. This development is fully in line with our slogan "Volksbank. Trust with an European perspective."

Internal Communications

An electronic press information service which also provides information on current economic topics is available to our corporate customers and member banks on a daily basis. We also seek to foster our corporate culture with the aid of our quarterly staff magazines, "My web", which we distribute to all Austrian Volksbanken, and "ÖVAG Inside".

STAFF

Human resources are ÖVAG's greatest asset, and give it a particular competitive edge. Our staff profile

THE CORPORATE PROFILE

boasts such features as customer orientation, expert knowledge, technical competence and deep commitment.

The Human Resources Division has taken up the challenge of continuously improving the quality of its services. It has benefited from internal restructuring: five human resources managers, each responsible for any matters dealt with by the five Group Divisions, now act as central contacts for our staff. The human resources managers are assisted in their tasks by the training and services units (including clearing).

Staff Numbers

Owing to the highly dynamic development of the ÖVAG Group throughout fiscal 2002, its workforce increased by 14.9 % to a total of 4,026. Of this number, 2,131 are foreign staff.

Projects

We participated in an international study with the goal of benchmarking and evaluating the quality of the Group's human resources management. In this study, enterprises operating in a wide range of different industries in all parts of Europe were analysed. The findings of this study have provided us with valuable insights into the basic prerequisites for the elaboration and adoption of a comprehensive human resources management scheme.

In the meantime, we have started to define qualification and skill categories within the individual job profiles. This permits us to engage in target group-oriented human resources management, to identify new perspectives and, in general, to heighten staff motivation.

Staff interviews conducted two years ago revealed new aspects of such topics as "information/communication – managerial and executive staff – women". On the basis of the results of these interviews, three highly motivated project teams worked out proposals in fiscal 2002 which are now ready for immediate implementation.

Training

Under our fast-track training programme we launched the WIN initiative (Wissen Intern Nutzen – Using Know-how Internally), thus considerably broadening the range of our training activities. These in-house training courses are conducted by our own experts. Moreover, the highly successful "management development programme" which was started several years ago was redesigned and extended through the addition of international elements.

Welfare

In addition to the continuation of our time-tested projects, our co-operation with a nursery school operator deserves special mention, as it allows us to greatly facilitate the re-entry of mothers or fathers into the world of work after parental leave. In spite of its steady growth, ÖVAG retains all the advantages of a transparent entity in which constructive, frank and direct communication takes place.

Our staff, together with a number of other specific features and attitudes, are the guarantee for our distinctive corporate style and hence the central pillar of our Group. We should thus like to take this opportunity to pay tribute to all our staff members and express our special thanks to the Staff Council, which mirrors the spirit and commitment of our staff.



GROUP REPORTING IN ACCORDANCE WITH IFRS

Group Financial Statements

Auditor's Report

Report of the Supervisory Board

02

Group Reporting in Accordance with IFRS

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CONSOLIDATED FINANCIAL STATEMENTS OF ÖSTERREICHISCHE VOLKSBANKEN-AG

	Notes	Dec. 31, 2002	Dec. 31, 2001	change as against Dec. 31, 2001	
		in € thousand	in € thousand	in € thousand	%
PROFIT AND LOSS ACCOUNT					
Interest receivable and similar income		1,417,863	1,217,231	200,632	16.48 %
Interest payable and similar income		-1,080,110	-923,088	-157,022	17.01 %
Net interest income	5	337,753	294,143	43,610	14.83 %
Provision for risks	6	-54,447	-68,481	14,034	-20.49 %
Net interest income after provision for risks		283,307	225,663	57,644	25.54 %
Commission income		115,514	114,457	1,057	0.92 %
Commission expenses		-29,331	-28,315	-1,016	3.59 %
Net commission income	7	86,183	86,142	41	0.05 %
Trading result	8	23,397	19,582	3,814	19.48 %
General administrative expenses	9	-308,688	-273,472	-35,216	12.88 %
Other operating results	10	2,517	-2,961	5,479	-185.01 %
Operating result		86,715	54,954	31,762	57.80 %
Income from financial investments	11	549	8,194	-7,645	-93.30 %
Result on ordinary operations		87,264	63,147	24,117	38.19 %
Extraordinary result		-930	-1,737	806	-46.42 %
Pre-tax profit for the year		86,334	61,411	24,923	40.58 %
Income taxes	12	-15,324	-12,547	-2,776	22.13 %
After-tax profit for the year		71,010	48,864	22,147	45.32 %
Minority interests		-24,921	-15,726	-9,196	58.48 %
Consolidated net income		46,089	33,138	12,951	39.08 %

In the items Commission income and General administrative expenses the corresponding figures for fiscal 2001 have been adjusted in accordance with IAS 8.31.

CONSOLIDATED FINANCIAL STATEMENTS OF ÖSTERREICHISCHE VOLKSBANKEN-AG

		Dec. 31, 2002	Dec. 31, 2001	change against Dec. 31, 2001	
FINANCIAL STATEMENTS	Notes	in € thousand	in € thousand	in € thousand	%
ASSETS					
Cash and balances with central banks	14	365,788	997,795	-632,007	-63.34 %
Loans and advances to credit institutions	15	3,134,229	3,420,564	-286,335	-8.37 %
Loans and advances to customers	15	11,479,920	10,633,214	846,707	7.96 %
Risk provisions for loans and advances (-)	16	-315,306	-297,918	-17,388	5.84 %
Trading assets	17	254,535	205,955	48,580	23.59 %
Financial investments	18	3,078,164	3,124,731	-46,567	-1.49 %
Intangible fixed assets	19	31,584	40,747	-9,163	-22.49 %
Tangible fixed assets	19	186,999	180,890	6,109	3.38 %
Income tax claims	20	31,489	30,667	821	2.68 %
Other assets	21	639,343	520,760	118,583	22.77 %
TOTAL ASSETS		18,886,745	18,857,404	29,340	0.16 %
LIABILITIES AND EQUITY					
Amounts owed to credit institutions	22	4,444,331	6,929,266	-2,484,936	-35.86 %
Amounts owed to customers	22	5,122,045	4,935,864	186,181	3.77 %
Debts evidenced by certificates	23	7,012,899	4,988,441	2,024,458	40.58 %
Trading liabilities	24	92,268	29,004	63,264	218.12 %
Provisions	25, 26	150,573	139,191	11,382	8.18 %
Tax liabilities	27	82,963	68,149	14,814	21.74 %
Other liabilities	28	514,313	459,246	55,067	11.99 %
Subordinated capital	29	285,167	227,231	57,936	25.50 %
Minority interests		384,130	339,259	44,871	13.23 %
Equity	30	798,055	741,753	56,301	7.59 %
TOTAL LIABILITIES AND EQUITY		18,886,745	18,857,404	29,340	0.16 %

CHANGES IN THE ÖVAG GROUP'S EQUITY

in € thousand	SUB- SCRIBED CAPITAL*	CAPITAL RESERVES*	RETAINED EARNINGS	CURRENCY RESERVE	VALUATION RESERVES PURSUANT TO IAS 39 ²⁾		EQUITY
					AVAILABLE FOR SALE RESERVE	HEDGING- RESERVE	
As at Dec. 31, 2000 (prior to IAS 39)	180,335	105,966	224,944	-7,565			503,680
Initial application of IAS 39 as at January 1, 2001			2,702		17,979	0	20,681
As at January 1, 2001 (after IAS 39)	180,335	105,966	227,646	-7,565	17,979	0	524,362
Consolidated net income ¹⁾			33,138				33,138
Dividends paid			-21,623				-21,623
Change in currency reserve				3,796			3,796
Change in valuation pursuant to IAS 39 not offset in profit and loss					1,366	-748	618
Capital increase	44,302	161,530					205,833
Other changes			-4,370				-4,370
As at Dec. 31, 2001	224,637	267,496	234,791	-3,769	19,345	-748	741,753
Reclassification of premium on treasury stocks from capital to capital reserve	14,392	-14,392					0
As at Dec. 31, 2001 after reclassification	239,029	253,105	234,791	-3,769	19,345	-748	741,753
Consolidated net income ¹⁾			46,089				46,089
Dividends paid			-22,556				-22,556
Change in currency reserve				505			505
Valuation pursuant to IAS 39 ³⁾					12,804	-790	12,014
Change in treasury stocks	2,762	8,582					11,344
Other changes			8,904				8,904
As at Dec. 31, 2002	241,790	261,687	267,229	-3,264	32,149	-1,537	798,055

*The subscribed capital and capital reserves reported correspond to the figures shown in the Financial Statements of Österreichische Volksbanken-AG

1) The currency translation differences amounting to € -91 thousand (2001: € -194 thousand) resulted from the application of the average rates of exchange in the Profit and Loss Account.

2) As at Dec. 31, 2002, the AFS reserve included deferred taxes of € -16,363 thousand (2001: € -9,590 thousand)

The hedging reserve contains deferred taxes standing at € 828 thousand on the balance sheet date (2001: € 39 thousand)

3) The valuation pursuant to IAS 39 includes changes shown in the Profit and Loss Account amounting to € 9,884 thousand.

CASH FLOW STATEMENT

in € thousand	2002	2001
Profit for the year (including minority interests)	71,010	48,864
Non-cash positions in net profit		
Depreciation of, and revaluation gains on fixed assets and financial investments	50,175	39,880
Allocations to, and release of provisions, including risk provisions	67,104	76,461
Profit from the sale of financial investments and fixed assets	-20,905	-19,646
Non-cash changes in taxes	4,969	3,992
Changes in assets and liabilities from operating activities after adjustments for non-cash components		
Loans and advances to credit institutions	286,335	-436,969
Loans and advances to customers	-846,707	-1,002,875
Trading assets	103,290	-68,962
Financial investments	51,074	-700,886
Other assets from operating activities	-48,769	-79,157
Amounts owed to credit institutions	-2,484,936	843,820
Amounts owed to customers	186,181	1,301,875
Debts evidenced by certificates	1,873,994	369,768
Other liabilities	34,231	94,143
Other changes	22,627	-6,981
Cash flow from operating activities	-650,327	463,327
Of which extraordinary	-930	-1,737
Proceeds from the sale or redemption of		
Held-to-maturity securities	1,223	1,641
Financial investments	40,243	6,135
Fixed assets	17,624	33,137
Payments for the acquisition of		
Held-to-maturity securities	-12,656	-42,995
Financial investments	-22,137	-16,109
Fixed assets	-52,702	-73,994
Cash flow from investing activities	-28,405	-92,185
Capital increase	0	205,833
Changes in treasury stocks	11,344	0
Dividends paid	-22,556	-21,623
Other changes (especially in subordinated capital)	57,936	25,638
Cash flow from financing activities	46,725	209,848
Cash and cash equivalents at the end of previous period (cash and balances with central banks)	997,795	416,805
Cash flow from operating activities	-650,327	463,327
Cash flow from investment activities	-28,405	-92,185
Cash flow from financing activities	46,725	209,848
Cash and cash equivalents at the end of period (cash and balances with central banks)	365,788	997,795
Payments of taxes, interest and dividends		
Income tax payments	-7,360	-10,368
Interest received	1,349,640	1,213,165
Interest paid	-1,003,159	-923,088
Dividends received	8,124	4,066

1) GENERAL

Österreichische Volksbanken-AG (ÖVAG) which has its registered office at 1090 Vienna, Peregringasse 3, is the central institution of the Austrian commercial credit co-operatives and an international group acting as a financial services provider. Alongside its transactions with the Volksbanken sector, the Group focuses on retail and corporate banking. ÖVAG's operations are concentrated both on the domestic market and on the Central and Eastern European countries.

The 2002 Consolidated Financial Statements of Österreichische Volksbanken-AG presented in this Annual Report have been prepared in accordance with the International Financial Reporting Standards (IFRS), previously International Accounting Standards (IAS), and comply with the provisions of Section 245a of the Austrian Commercial Code and Section 59a of the Austrian Banking Act governing consolidated financial statements in accordance with internationally recognized accounting principles.

The Group's Consolidated Financial Statements have been drawn up on the basis of all IFRS published by the International Accounting Standards Board (IASB) and in force on the balance-sheet date as well as all interpretations (IFRIC) issued by the International Financial Reporting Interpretations Committee. IAS 39 was applied for the first time as of January 1, 2001.

The Consolidated Financial Statements of ÖVAG are based on the separate financial statements of all fully consolidated associated companies drawn up in accordance with IFRS. The figures reported in the individual financial statements of

associated companies valued at equity have been retained unchanged, which has no significant effects on the Consolidated Financial Statements of Österreichische Volksbanken-AG.

The financial statements of the fully consolidated companies were prepared on the basis of the Group's balance-sheet date of December 31, 2002. For associated companies consolidated under the equity method, their last available financial statements were used.

All figures are indicated in thousands of euros, unless specified otherwise. The following tables may contain rounding differences.

2) CONSOLIDATED COMPANIES AND CONSOLIDATION PRINCIPLES

A) CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES

As of January 1, 2002, VB Leasing International Holding GmbH acquired 50 % in Pet Plus Leasing d.o.o. As a result, the Group's total stake in this company increased to 52 %. Thus Pet Plus Leasing d.o.o., which had hitherto been accounted for at equity, was fully consolidated for the first time as of January 1, 2002. At this date, Pet Plus Leasing d.o.o. reported assets of € 79 million and its equity stood at € 965 thousand. It reported liabilities-side deferred taxes of € 245 thousand at that date. An asset-side differential amount of € 32 thousand was stated which resulted from the equity valuation. On January 1, 2002, an asset-side differential amount of € 909 thousand was recognized which was generated through the initial consolidation. The total differential amount of € 941 thousand is shown as goodwill under assets and will be amortized by assuming the usual leasing period over a useful life of four years. Pet Plus Leasing d.o.o. contributed € 1,903 thousand to the Group's net income for the year.

In addition, the below-listed subsidiaries were fully consolidated for the first time in fiscal 2002:

- ACP IT Finanzierungs GmbH
- BEVO Holding GmbH
- Immoconsult Empusa LeasinggmbH
- NÖ Hypo Beteiligungsholding GmbH
- NÖ Hypo Service GmbH
- V-Dat Informatikai Szolgáltató és Kereskedelmi Kft.
- VB Partner-Kapital Beteiligungs AG
- Volksin d.o.o.

ICL Ingatlankezelő Kft. and Imobilia Rho spol s.r.o. were sold in 2002 and thus no longer belong to the group of consolidated companies. As a result of mergers, the assets of Leasing-west BaumarktvermietungsgmbH, Liegenschaftsverwertungs- und -verwaltungsgmbH and NÖ-Verwaltungszentrum - BetriebsgmbH were transferred to other fully consolidated companies in the course of the fiscal year.

Furthermore, the Group sold 24.9 % of its stake in VB-Leasing International Holding GmbH in fiscal 2002. The proceeds from deconsolidation amounting to € 17,536 thousand are carried under Income from financial investments.

In fiscal 2002, ÖVAG's Consolidated Financial Statements comprised 12 (2001: 12) domestic and 8 (2001: 8) foreign credit institutions, and 68 (2001: 69) domestic and 21 (2001: 22) foreign financial institutions, as well as 34 (2001: 29) other enterprises including 6 (2001: 4) foreign enterprises.

In addition to the fully consolidated companies, 36 (2001: 35) domestic affiliated companies and 5 (2001: 3) foreign associated companies were consolidated under the equity method. Amongst these, 4 (2001: 3) are domestic credit institutions, 25 (2001: 26) are financial institutions (including 2001: 1 foreign financial institution) and 12 (2001: 9) are other enterprises, including 5 (2001: 2) foreign ones.

28 (2001: 43) domestic and 53 (2001: 49) foreign associates were not consolidated; 30 (2001: 21) domestic and 37 (2001: 28) foreign associated companies were not consolidated at equity as these, in their entirety, were not deemed material for presenting a true and fair view of the net worth, and the financial and earnings position of the Group.

A complete list of equity interests of Österreichische Volksbanken-AG containing detailed information is given at the end of this Annex.

B) CONSOLIDATION PRINCIPLES

Benchmark treatment is applied in capital and equity-method consolidations. After the release of the undisclosed reserves, the remaining asset-side differential amounts resulting from the initial consolidation were capitalised as goodwill, taken to income and amortized over the estimated useful life in accordance with the straight line method. Normally, useful life is assumed to correspond to between four and twenty years. Liabilities-side differential amounts are treated pursuant to IAS 22.59 and following paragraphs.

Pro-rata consolidation has not been applied to ÖVAG's Consolidated Financial Statements. Companies in which ÖVAG has equity interests of between 20 % and 50 % and for which controlling agreements do not exist are consolidated under the equity method.

All other equity interests are recognized at their respective values. Equity interests the value of which cannot be determined without a major work input are recognized at acquisition costs. In the case of permanent impairment, corresponding write-offs have been made.

Loans and other receivables, provisions and liabilities arising from relationships between consolidated companies as well as deferred items relating to these were offset in the debt consolidation procedure. Inter-company income and expenditure items were eliminated in the course of the interim expense and income consolidation procedure.

3) ACCOUNTING AND VALUATION PRINCIPLES

A) GENERAL

IAS 39 (Financial Instruments: Recognition and Measurement) contains provisions relating to the carrying values and valuation of financial instruments. A financial instrument constitutes a contractual agreement under which a financial asset is generated in one company whereas a financial obligation arises or another equity instrument is simultaneously created in another company. Financial instruments comprise both originated and derivative instruments.

For the purpose of valuation, financial instruments are broken down into four categories:

- **Held-for-trading:** Financial instruments of the held-for-trading category are used with a view to realising a profit arising from short-term fluctuations in market rates or on the margins between buying and selling prices. Derivatives which do not constitute hedging operations are invariably classified as held-for-trading. Derivatives with negative market values which are not used for hedging are considered as trading obligations and must be shown under liabilities.
- **Held-to-maturity:** When financial instruments are assigned to this category, it must be verified whether the company intends to and is able to hold these instruments to maturity, whether known or identifiable payments will arise and whether a maturity date is indicated.
- **Available-for-sale:** Financial instruments which may be sold at any time but which are not used for realising a profit in the short run

belong to this category. All equity instruments that do not serve trading purposes are also assigned to this category as these financial instruments have no maturity date.

- **Originated loans and receivables:** This category comprises all financial assets which are generated through the direct provision of money, goods or services to debtors, and which are not to be resold immediately. Receivables arising from participation in the lending operations of another company (consortium loans, syndicated loans) must be recognized as originated loans and receivables if such participation exists at the time when the loan is granted and is not acquired at a later date. Securities acquired directly from the issuer on the launching date fall into this category.

Pursuant to IAS 39, own equity instruments are not considered as financial instruments. These are carried at acquisition cost and deducted from equity on the liabilities side.

In principle, financial instruments are stated at their fair values, i.e. the amount for which assets could be exchanged or liabilities met between knowledgeable, willing parties in an arm's length transaction. The fair value of exchange-traded financial instruments corresponds to their market value. If the market value is not known, the future cash flow of a financial instrument is discounted on the valuation date on the basis of internationally recognized actuarial calculation procedures, taking into account market conditions on the balance-sheet date.

Value fluctuations arising from the trading book are recognized in the Profit and Loss Account. Available-for-sale positions may either be recognized in the Profit and Loss Account or allocated to a reserve shown under equity. The ÖVAG Group opted for showing changes in valuation in a separate available-for-sale reserve, under equity taking account of deferred taxes.

On the balance-sheet date it is determined whether impairments have occurred due to partial or total uncollectibility of loans or other assets. Such impairments may result from credit risks, political risks or other general market volatilities and are immediately written off in the Profit and Loss Account. In the event that any of these risks subsequently subsides, the written-off amounts are written up again.

Held-to-maturity instruments and originated receivables are measured at amortised cost. This amount is calculated on the basis of acquisition cost taking into account redemptions, premiums and discounts spread over the life of the instrument in accordance with the effective interest rate method, and decreases in value due to impairments of credit quality.

Derivatives are carried at market value. Unrealized valuation gains or losses are recognized in the Profit and Loss Account, unless the derivative meets the criteria stipulated for hedge accounting in accordance with IFRS rules.

IFRS provisions governing hedge accounting stipulate the way in which derivatives are to be valued which were acquired as a hedge for the underlying transaction. The underlying transaction is valued

on the basis of its assignment to one of the four above-described categories. A hedging relationship exists if the underlying and hedging transactions as well as the hedged risk can be identified. This hedging relationship must be clearly defined, measurable and effective. Effective hedging exists if, depending on the type of hedged risk, the opposite changes in fair value or cash flow of the underlying and the hedging transaction offset each other to a great extent. (The ratio between the change in value of the underlying transaction to the change in value of the hedging transaction should be in the range of between 80 % and 125 %). This effectiveness must be identifiable on a reliable basis and be monitored continuously during the reporting period.

IAS 39 makes a distinction between two types of hedging:

- Fair-value-hedge: Assets and receivables are hedged against changes in market value. The valuation of the derivative and the underlying transaction is shown in the Profit and Loss Account.
- Cash-flow-hedge: The risk arising from cash-flow fluctuations in assets and receivables as well as planned transactions is hedged (i.e. interest rate or exchange rate fluctuations). The valuations of the derivative and the underlying transactions are shown in the hedging reserve and are not offset in profit or loss.

If a hedging transaction can be shown to be only partly effective, the effective part of the transaction qualifies for hedge accounting, whereas the ineffective part does not.

ACCOUNTING AND VALUATION PRINCIPLES

A financial asset or financial liability is recognized in the balance sheet only if the Group becomes party to the contract on the financial instrument and hence acquires the right to receive liquid funds or assumes the legal obligation to pay such funds. A financial instrument is deemed to be added or disposed of on the trading date. The trading date is relevant for the initial statement of a financial instrument in the balance sheet, its valuation in the Profit and Loss account and the reporting of its sale. We eliminate a financial asset when our entitlement to the contractual rights constituting the asset ends. A financial obligation is eliminated once it has been met.

B) OTHER VALUATION PRINCIPLES

In accordance with IAS 21 foreign-currency denominated monetary assets and debts, non-monetary positions stated at fair value and spot transactions not yet settled are translated using the spot exchange mean rate, whereas unsettled forward transactions are translated at the forward exchange mean rate prevailing on the balance-sheet date. Non-monetary assets and debts which are shown at their amortised cost are carried at the rate which applied on the date of acquisition.

The individual financial statements of foreign subsidiaries in foreign currencies are translated for the Consolidated Balance Sheet at the spot-exchange mean rates prevailing at year-end, and for the Consolidated Profit and Loss Account at the average spot exchange rates reported at the end of each month for the Group's fiscal year. Capital is translated at historical exchange rates. Differential amounts resulting from the translation of capital are accounted for appropriately in the currency reserves and are not offset in profit and loss. Goodwill and/or disclosed hidden reserves and charges resulting from initial consolidation of foreign subsidiaries are also translated at historical exchange rates.

IAS 29 (Financial reporting in hyper-inflationary economies) is applied to affiliated companies reporting in the currency of a hyper-inflation country. Hyper-inflation can be recognized by a number of features of the economic climate prevailing in a country, such as:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency
- the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency
- Interest rates, wages and prices are linked to a price index
- The cumulative inflation rate over three years is approaching, or exceeds, 100 %

with the EU standards and hence takes into account the purchasing power of the ROL. On the balance-sheet date, this index stood at 17.8 % (2001: 30.3 %). This subsidiary prepares its financial statements in accordance with the historical cost approach. As ÖVAG's second Romanian subsidiary carries out most of its transactions in Euro and not in the domestic currency, IAS 29 need not be applied to this company.

The financial statements of an enterprise reporting in the currency of a hyper-inflation country must be drawn up in terms of the monetary unit current at the balance-sheet date. All non-monetary assets and liabilities, provided that these are not shown at the amounts applying on the balance-sheet date, must be adjusted using a generally accepted price index. Monetary items are already expressed in terms of the monetary unit current at the balance-sheet date. Such an adjustment must be made for the period from the date of acquisition to the balance-sheet date.

All items reported in the Profit and Loss Account must also be adjusted by means of a general price index from the date on which they were initially recorded in the financial statements.

In fiscal 2002, IAS 29 was applied to a subsidiary in Romania. For this purpose, the general consumer price index published by the National Commission of Statistics of Romania was used as the price index. This price index is calculated in accordance

4) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Loans and advances to credit institutions and customers are shown at their gross amounts before deduction of value adjustments and including deferred interest.

Loan loss reserves and provisions are set aside to cover all identifiable risks. Furthermore, provisions are made for potential losses on investments in high-risk countries. The amounts of such provisions are based on the standard international valuation methods applying to the relevant investments. The loan loss reserves are determined by assessment of the economic situation of each borrower on the basis of credit ratings and taking into account collaterals and maturities. The total amount of provisions for risks, excluding liabilities, shown in the balance-sheet is recognized as a reduction on the asset side of the balance-sheet below the items Loans and advances to credit institutions and Loans and advances to customers. The provision for risks resulting from off-balance-sheet items is included in the item Provisions.

The ÖVAG Group is engaged in both finance lease and operating lease transactions, to which IAS 17 (Leases) is applied. Real estate leasing and the leasing of movables (primarily motor vehicles and machinery) represent a major line of the Group's business. Under finance leasing contracts, the leased assets must be shown in the lessee's balance sheet under assets; hence instead of the leased assets, the cash value of future payments is recognized as loans and advances to credit institutions or customers in the lessor's balance sheet, taking into account any residual values. Revenues from finance lease transactions are stated separately as interest income under the

item Interest receivable and similar income.

Leasing assets serving operating leases must be shown in the lessor's balance sheet as a separate item under financial investments. Leasing revenues are recognized as income, spread evenly over the life of the lease contracts and reported under Other operating results. Leased assets are depreciated in accordance with the standard principles applying to this type of asset and are also shown under the item Other operating results.

All fixed-income securities, shares and variable-yield securities as well as positive market values of derivatives shown in the trading book are defined as trading assets. These are reported at their fair values prevailing on the balance-sheet date. All realised and non-realised revenues under this item are shown in the Trading result of the Profit and Loss Account. This item also includes interest and dividend payments from the trading portfolio as well as the relevant refinancing interest.

Financial investments comprise bonds and other fixed or variable interest securities, holdings and shares in affiliated companies as well as real estate destined primarily for rental to third parties. In accordance with IAS 39, held-to-maturity financial instruments are reported at their amortised cost. Securities of the available-for-sale category are stated at their fair values. Changes in the value of these financial instruments are recognized as not affecting income under equity.

Tangible fixed assets and assets destined for operating leases are carried at their acquisition or production costs, which in the case of depreciable assets are amortized over their estimated useful life in accordance with the straight-line method.

Intangible assets are carried at acquisition or production cost less regular depreciation in accordance with the straight-line method. This item primarily comprises acquired goodwill and software. The chapter “Consolidation Principles” illustrates the principles applying to the treatment of goodwill.

Any impairments that are expected to persist lead to a special write-off. When the circumstances that led to such a write-off cease to exist, a write-up is made up to the amount of amortized acquisition or production costs.

The useful life corresponds to the actual wear and tear and is calculated as follows:

- | | |
|---|----------------|
| • Office furniture and equipment | up to 10 years |
| • EDP hardware (including calculators, etc.) | up to 5 years |
| • EDP software | up to 4 years |
| • Goodwill | up to 20 years |
| • Vehicles | up to 5 years |
| • Strongrooms and safes | up to 20 years |
| • Buildings, reconstructed buildings, rental rights | up to 50 years |

The figures shown in the tax accounts and the balance sheet drawn up in accordance with IFRS normally differ, thus resulting in differential amounts for the taxable profit for the fiscal year and the pre-tax profit reported in the Profit and Loss Account pursuant to IFRS. Deferred taxes are recognized with a view to adjusting the current tax expenditure shown in the Profit and Loss Account drawn up in accordance with the IFRS to the profit for the year in such a way as if the profit for the year constituted the tax assessment base. By stating deferred taxes under assets or liabilities, the future impact of present and past events on tax expenses is anticipated.

IAS 12 provides for the statement of deferred taxes for financial reporting purposes in accordance with the liability method. Under this method, deferred taxes are derived from all temporary differences between the taxable value of an asset or liability and its value as recognized in the balance sheet prepared in accordance with IFRS. Income-tax claims or liabilities are shown under the items Income-tax claims and Tax liabilities. Deferred taxes are calculated for foreign affiliated companies on the basis of the tax rates that will be applicable in the individual countries in the future. Deferred tax claims are offset against deferred tax liabilities for each individual affiliate if the income tax is collected by one and the same tax authority.

Asset-side deferred taxes on losses carried forward which have not yet been claimed are recognized if it is probable that the future taxable profit will be available in the company, or if the enterprise has sufficient temporary taxable differences. Value adjustments are made to

4) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

asset-side deferred taxes on losses carried forward if it cannot be safely assumed that these can later be claimed for tax purposes. Deferred taxes are not discounted.

Under Other assets all deferred items and other assets are stated at their nominal values. Provisions are also set aside for impairments. In addition, this item contains all positive market values of derivatives stated in the investment book.

Liabilities are recognized at the repayment amounts as at the balance-sheet date plus deferred interest.

Issuing costs, payment commissions, premiums and discounts on liabilities evidenced by certificates are spread over the period to maturity of the debt and offset against liabilities.

Trading liabilities comprise the negative market values of derivative financial instruments serving trading purposes.

Provisions for employee benefits (pensions, severance payments and anniversary bonuses) are recognized in accordance with the specific rules contained in IAS 19. With regard to post-employment benefits, a distinction is made between two types of pension plans:

- **Defined contribution plans:** Assets used for covering obligations are transferred in the form of pre-determined contributions to a legally independent fund (staff pension scheme), which manages the assets and makes payments. The ÖVAG Group has no further obligations. Employees run the risk that the fund might not

have accumulated enough capital to be able to meet its obligations. Accordingly, ÖVAG merely undertakes to pay contributions into the fund, but does not make any commitment concerning the amounts that will later be paid out of the fund to beneficiaries. Under these plans, payments agreed to be made to the fund are recognized as expenses in the current reporting period. Irregular payments are deferred to the relevant reporting period.

- **Defined benefit plans:** The ÖVAG Group has committed itself to defined benefit plans for individual staff members under which the amounts of future benefits are fixed. All of these plans are unfunded, i.e. the funds required as cover are retained, and the ÖVAG Group sets aside the necessary provisions.

In accordance with the projected unit-credit method, any obligation arising upon termination of employment is calculated on the basis of generally recognized actuarial principles for determining the present value of the overall entitlement and additional claims acquired in the reporting period. This procedure takes into account retirement because of attainment of pension age, incapacity to exercise the occupation or profession, disability or death, and recognizes vested rights of surviving dependants.

Actuarial gains and losses are treated in accordance with the so-called corridor method, which means that once the cumulative unrecognized actuarial gains or losses exceed 10 % of the present value of the plan obligation or the fair value of eventually available external plan assets, contributions are recognized in the Profit and Loss Accounts in subsequent years.

In these calculations, a discount rate of 5.5 % is applied and salary increases of 3.0 % are anticipated. No fluctuation rate is used.

The basic biometric values assumed by the new Austrian scheme by Pagler and Pagler for calculating pension insurance for salaried employees are used as a calculation basis (AVÖ 1999 P-Rechnungsgrundlagen – Pagler & Pagler, Angestelltenverband).

In these calculations, the early retirement age limits are generally taken into account. It is assumed that, as a rule, men retire at the age of 61.5 years and women at the age of 56.5 years. Any transition arrangements are disregarded. For staff not employed in Austria, the usual retirement age stipulated in the respective country is employed as a calculation basis.

In the overall provision for post-employment benefits, the special arrangements governing the payment or non-payment of severance pay play an insignificant and hence negligible role. These concern the termination of employment by staff after childbirth during the statutory maternity protection period, the absence of legal dependent heirs, dismissal, or termination of employment by employees.

Pension obligations comprise claims of employees who were in active service for the Group on the valuation date as well as entitlements of pension recipients. These entitlements are defined in special agreements and in the Group's Articles of Association, and represent legally binding and irrevocable claims.

Other provisions are set aside if a past event has given rise to a present obligation and if, in all probability, meeting such an obligation will result in an outflow of resources. Other provisions correspond to the most probable future claims, taking into account all identifiable risks arising from contingent liabilities, and are recognized under the item Provisions for risks.

A contingent liability is reported if an eventual obligation exists and if an outflow of resources appears probable, and/or if no reliable estimate of the amount of the obligation can be made.

Other liabilities representing deferred items or other obligations are stated at their nominal values. Furthermore, this item includes all negative market values of derivatives shown in the investment book.

4) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All legal and statutory reserves as well as undisclosed reserves in the narrow sense of the term, provisions against a specific liability as defined in Section 23, para. 6 of the Austrian Banking Act, untaxed reserves and all other undistributed profits are shown under Revenue reserves.

The item Net interest income comprises not only interest but also all current or past similar income such as commissions on loans, overdrafts, and handling fees. This item also includes all revenues from securities and holdings (dividends) which are not consolidated. If it appears improbable that the interest claimed from a particular client will be collectible, this asset item is reported without interest.

The item Provision for risks shows all expenditure and income related to the valuation of loans and advances to credit institutions and customers.

The item Net commission income includes all revenues and expenditure in connection with the provision of services by the ÖVAG Group.

The Net trading result shows the realised results from trading activities and the results from the valuation of trading in securities, foreign exchange and derivatives. In addition, all results from the valuation of derivatives in the investment book are stated under this item.

The item General administrative expenses comprises all expenditure incurred in the course of the Group's business operations (staff and operating expenditure as well as amortization of intangible and tangible fixed assets).

Other operating results includes the amortization of goodwill which results from the difference between non-assignable assets-side and liabilities-side differential amounts. Alongside revenues from operating lease contracts, this item comprises all other operating results of the Group.

The item Income from financial investments consists of all realised results from fixed-income securities of the held-to-maturity and available-for-sale categories as well as revenues from variable-yield securities and equity interests. The valuation results attributable to an essential or lasting impairment of value are also stated in this item.

NOTES TO THE PROFIT AND LOSS ACCOUNT

5) NET INTEREST INCOME

in € thousand

	Dec. 31, 2002	Dec. 31, 2001
Interest receivable and similar income	1,417,863	1,217,231
Interest and similar income from receivables	1,094,709	920,128
Interest and similar income from bonds and other fixed-income securities	167,460	161,660
Interest and similar income from leasing operations	140,090	118,394
Income from shares and other variable-yield securities	3,603	4,066
Income from holdings in non-consolidated affiliates	6,551	8,767
Income from holdings in associated companies	1,984	1,329
Income from holdings in companies in which the Group has participatory interests	1,717	1,287
Income from holdings in other companies	1,749	1,601
Interest payable and similar expenses	-1,080,110	-923,088
Interest payable and similar expenses for liabilities	-783,599	-684,880
Interest payable and similar expenses for debts evidenced by certificates	-296,511	-238,208
Net interest income	337,753	294,143

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6) PROVISION FOR RISKS

in € thousand

	Dec. 31, 2002	Dec. 31, 2001
Allocations to loan loss reserves	-73,983	-93,561
Release of loan loss reserves	39,267	44,053
Direct write-offs of loans and advances	-7,613	-10,288
Amounts received against written-off loans and advances	1,307	1,141
Allocations to provisions	-20,415	-20,564
Release of provisions	6,991	10,738
Risk provisions for lending operations	-54,447	-68,481

NOTES TO THE PROFIT AND LOSS ACCOUNT

7) NET COMMISSION INCOME

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Commission income from	115,514	114,457
Lending operations	15,862	13,419
Securities transactions	42,843	43,297
Money transactions, clearing operations and payment transactions	35,834	26,583
Transactions involving foreign exchange, banknotes, coins and precious metals	9,034	16,904
Other banking services	11,942	14,255
Commission expenditure from	-29,331	-28,315
Lending operations	-11,819	-5,726
Securities transactions	-11,374	-15,629
Money transactions, clearing operations and payment transactions	-3,902	-4,082
Transactions involving foreign exchange, banknotes, coins and precious metals	-632	-2,561
Other banking services	-1,604	-319
Net commission income	86,183	86,142

The 2001 figure under Commission income from other banking services was adjusted in accordance with IAS 8.31

8) TRADING RESULT

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Securities and derivatives trading	8,818	4,264
Foreign exchange trading	7,811	13,080
Interest-related operations	6,767	2,238
Trading result	23,397	19,582

9) GENERAL ADMINISTRATIVE EXPENSES

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Staff expenses	-166,478	-144,210
Wages and salaries	-126,356	-107,659
Statutory social-security contributions	-30,329	-27,138
Other employee benefits	-3,416	-2,666
Expenses for retirement benefits	-3,336	-2,350
Allocation to provision for severance payments and pensions	-3,040	-4,396
Other administrative expenses (cost of materials)	-113,051	-104,340
Depreciation of tangible fixed assets and amortization of intangible fixed assets	-29,159	-24,922
Regular depreciation	-27,880	-24,738
Impairment	-1,279	-184
General administrative expenses	-308,688	-273,472

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The 2001 figure under Other administrative expenses was adjusted in accordance with IAS 8.31.

Staff expenses include defined contribution plans totalling € 3,119 thousand.

AVERAGE NUMBER OF STAFF

	2002	2001
Domestic	1,895	1,820
Foreign	2,131	1,685
Total	4,026	3,505

NOTES TO THE PROFIT AND LOSS ACCOUNT

10) OTHER OPERATING RESULTS

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Income from operating lease agreements	8,297	6,571
Depreciation of assets under operating lease agreements	-5,452	-4,492
Other operating income	66,082	49,433
Other operating expenditure	-56,824	-50,967
Amortization of goodwill	-9,586	-3,506
Regular	-748	-3,386
Impairment	-8,838	-120
Other operating results	2,517	-2,961

The item Amortization of goodwill states the release of the differential amount on the liabilities side resulting from the initial consolidation of Niederösterreichische Landesbank-Hypothekbank AG in 1996 amounting to € 225 thousand (2001: € 225 thousand) netted out.

As the capitalised goodwill of Volksbank, Gewerbe- und Handelsbank Kärnten AG does not appear to correspond to actual developments in the light of its current business performance, the Bank's management reported an impairment of € 8,838 thousand.

11) INCOME FROM FINANCIAL INVESTMENTS

in € thousand	Dec. 31, 2002	Dec. 31, 2001	
Realised profits from disposals	35,393	24,762	
Bonds and other fixed-income securities	14,074	16,875	73
Shares and other variable-yield securities	417	2,361	
Other	20,902	5,526	
Realised expenditure from disposals	-4,604	-5,116	
Bonds and other fixed-income securities	-3,953	-2,370	
Shares and other variable-yield securities	-650	-1,900	
Other	0	-846	
Income from revaluation	434	53	
Bonds and other fixed-income securities	434	47	
Shares and other variable-yield securities	0	0	
Other	0	5	
Write-offs	-30,675	-11,505	
Bonds and other fixed-income securities	-17,944	-11,292	
Shares and other variable-yield securities	-2,451	-22	
Other	-10,279	-190	
Income from financial investments	549	8,194	

NOTES TO THE PROFIT AND LOSS ACCOUNT

12) INCOME TAXES

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Current tax expenses	-12,452	-8,175
Deferred tax expenses	-4,969	-3,992
Tax expenditure expected for the current fiscal year	-17,421	-12,167
Income taxes from previous periods	2,097	-380
Income taxes	-15,324	-12,547

The reconciliation below shows the relationship between the computed income tax and the actual income tax reported in the Profit and Loss Account:

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in € thousand	Dec. 31, 2002	Dec. 31, 2001
Pre-tax profit	86,334	61,411
Computed tax expenditure (34 %)	29,354	20,880
Tax relief resulting from		
Tax-exempt investments income	-11,860	-4,320
Investment allowances	906	671
Other tax-exempt earnings	-5,426	-7,574
Non-tax deductible depreciation of goodwill	3,227	1,119
Tax-prepayments and changes in tax rates	-1,956	900
Different foreign tax rates	-1,272	294
Other differences	4,448	197
Reported income taxes	17,421	12,167

Deferred taxes totalling € 55,827 thousand (2001: € 50,038 thousand) were directly offset against equity. In the year of reporting, no provision for deferred taxes was made from losses carried forward amounting to € 58,584 thousand (2001: € 64,151 thousand). Value adjustments were made to deferred taxes on losses carried forward amounting to € 1,186 thousand, as in the opinion of the Management it does not appear probable that these losses carried forward can be offset against profits. Through the acquisition of Pet Plus Leasing d.o.o. € 245 thousand in liabilities-side taxes were added, but had no effect on income.

13) EARNINGS PER SHARE (EXCLUDING TREASURY STOCKS)

in € or units	Dec. 31, 2002	Dec. 31, 2001	
Consolidated net income	46,089,082	33,137,902	
less preferential dividend	-6,536,530	-6,534,087	
Retained income for the year	39,552,552	26,603,815	
of which pertaining to shares	37,668,524	25,090,677	
of which pertaining to participation capital	1,884,028	1,513,138	
Average number of shares outstanding	31,494,952	25,982,046	
Average number of participation certificates outstanding	157,590	156,754	
Earnings per share	1.20	0.97	75
Earnings per participation certificate	11.96	9.65	

As no contingent rights to convertible bonds or warrants were outstanding on the balance-sheet dates of fiscal 2001 and fiscal 2002, the need for calculating diluted earnings per share did not arise.

At the General Meeting to be held on May 22, 2003, the Supervisory Board of ÖVAG will propose that a 6 % dividend and a 2 % bonus be paid on the Group's share and participation capital carrying dividend rights.

NOTES TO THE GROUP BALANCE SHEET

14) CASH AND BALANCES WITH CENTRAL BANKS

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Cash in hand	71,033	109,559
Balances with central banks	294,755	888,236
Cash and balances with central banks	365,788	997,795

15) LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND CUSTOMERS

BREAKDOWN BY CUSTOMER CATEGORIES

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Loans and advances to credit institutions	3,134,229	3,420,564
Loans and advances to customers	11,479,920	10,633,214
of which public sector	2,764,873	2,899,277
of which corporate clients	7,459,758	6,654,545
of which private individuals	1,255,289	1,079,392
Total	14,614,150	14,053,778

BREAKDOWN BY GEOGRAPHICAL MARKETS

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Austria	11,227,789	11,178,092
of which credit institutions	2,654,204	2,786,435
of which customers	8,573,586	8,391,657
Central and Eastern Europe	2,857,758	2,179,411
of which credit institutions	222,266	259,624
of which customers	2,635,492	1,919,787
Other	528,603	696,275
of which credit institutions	257,760	374,505
of which customers	270,843	321,770
Total	14,614,150	14,053,778

BREAKDOWN BY RESIDUAL LIFE

in € thousand	on demand	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	total
Dec. 31, 2002						
Loans and advances to credit institutions	366,918	2,501,572	55,834	145,299	64,606	3,134,229
Loans and advances to customers	549,163	1,132,658	1,365,661	3,817,460	4,614,978	11,479,920
Total	916,081	3,634,231	1,421,495	3,962,759	4,679,584	14,614,150
Dec. 31, 2001						
Loans and advances to credit institutions	286,313	2,505,898	332,038	210,487	85,828	3,420,564
Loans and advances to customers	1,089,359	1,976,206	1,193,132	2,860,166	3,514,351	10,633,214
Total	1,375,672	4,482,104	1,525,170	3,070,653	3,600,179	14,053,778

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LEASING OPERATIONS

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Total gross investment	2,891,130	2,608,895
Unearned financial income	-774,542	-774,448
Present value of minimum lease payments	2,116,588	1,834,447
Total residual value not guaranteed	300,088	283,686

The present value of minimum lease payments is reported under the item Loans and advances to credit institutions and customers.

NOTES TO THE GROUP BALANCE SHEET

16) RISK PROVISIONS

in € thousand	As at Jan. 1	Currency translation	Changes in scope of consolidation	Reclassification	Used	Released	Addition	As at Dec. 31
Provisions for fiscal 2002								
Credit risks	296,403	169	1,627	7,057	-26,181	-39,066	73,983	313,992
Country risks	1,515	0	0	0	0	-201	0	1,314
Total provisions	297,918	169	1,627	7,057	-26,181	-39,267	73,983	315,306
Provisions for fiscal 2001								
Credit risks	251,318	2,175	20,666	0	-27,205	-43,657	93,106	296,403
Country risks	1,686	0	0	0	-230	-396	455	1,515
Total provisions	253,004	2,175	20,666	0	-27,435	-44,053	93,561	297,918

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Loans and advances to credit institutions and customers comprise non-interest bearing receivables amounting to € 19,504 thousand (2001: € 14,906 thousand).

The column Reclassification shows the regrouping of other liabilities and provisions for risks.

17) TRADING ASSETS

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Bonds and other fixed-income securities	102,844	168,145
Shares and other variable-yield securities	18,267	15,707
Positive fair value from derivative products	133,424	22,103
of which foreign exchange transactions	32,574	6,370
of which interest-related transactions	98,322	13,031
of which other transactions	2,527	2,702
Trading assets	254,535	205,955

18) FINANCIAL INVESTMENTS

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Bonds and other fixed-income securities	2,571,921	2,632,633
of which available-for-sale	2,198,658	2,269,931
of which held-to-maturity	373,263	362,702
Shares and other variable-yield securities	332,289	344,716
Investments in non-consolidated affiliates	13,389	13,192
Investments in associated companies (valued at equity)	42,868	31,287
Investments in which the Group has participatory interests	9,399	9,673
Holdings in other companies	25,523	27,059
Assets held under operating lease agreements	82,774	66,171
Financial investments	3,078,164	3,124,731

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BREAKDOWN OF BONDS AND OTHER FIXED-INCOME SECURITIES (TRADING ASSETS AND FINANCIAL INVESTMENTS) BY RESIDUAL LIFE

in € thousand	on demand	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	total
Dec. 31, 2002	7,914	148,615	183,719	1,286,548	1,047,969	2,674,765
Dec. 31, 2001	6,993	149,268	202,976	969,472	1,472,069	2,800,778

NOTES TO THE GROUP BALANCE SHEET

MOVEMENTS IN FINANCIAL ASSETS

in € thousand	Acquisition costs as at January 1	Currency translation	Changes in the scope of consolidation	Additions including transfers	Disposals including transfers	Acquisition costs as at Dec. 31
2002						
Securities held-to-maturity	351,097	-2,380	0	12,656	-1,233	360,140
Investments in associated companies	11,266	34	0	10,570	-265	21,605
Other investments and holdings	51,106	31	495	11,073	-11,034	51,671
Financial investments	413,469	-2,314	495	34,298	-12,532	433,416
2001						
Securities held-to-maturity	310,039	544	0	42,995	-2,481	351,097
Investments in associated companies	10,723	2	2	539	0	11,266
Other investments and holdings	46,084	68	11	15,570	-10,627	51,106
Financial investments	366,846	614	13	59,104	-13,108	413,469

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in € thousand	Acquisition costs as at Dec. 31	Cumulative write-offs and write-ups	Carrying amount as at Dec. 31	Write-offs in fiscal year	Write-ups in fiscal year	Carrying amount as at Jan. 1
2002						
Securities held-to-maturity	360,140	-1,235	358,905	-1,151	1,641	349,359
Investments in associated companies	21,605	21,263	42,868	0	1,388	31,287
Other investments and holdings	51,671	-3,360	48,312	-2,179	0	49,924
Financial investments	433,416	16,668	450,084	-3,330	3,029	430,570
2001						
Securities held-to-maturity	351,097	-1,738	349,359	0	1,516	308,565
Investments in associated companies	11,266	20,021	31,287	0	965	30,008
Other investments and holdings	51,106	-1,182	49,924	-184	0	45,037
Financial investments	413,469	17,101	430,570	-184	2,481	383,610

Under the item Securities held-to-maturity deferred interest of € 14,358 thousand (2001: € 13,343 thousand) is reported. Write-ups of securities and write-offs resulted from the amortization of the differential amounts between carrying amounts and actual redemption.

Other investments and holdings comprise the divestment of holdings in fiscal 2002 totalling a carrying amount of € 6,786 thousand. Proceeds from these divestments amounted to € 1,771 thousand and are shown under Income from financial investments.

19) INTANGIBLE FIXED ASSETS AND TANGIBLE FIXED ASSETS

in € thousand	Acquisition cost as at January 1	Currency translation	Changes in the scope of consolidation	Additions including transfers	Disposals including transfers	Acquisition cost as at Dec. 31
2002						
Intangible fixed assets	61,737	183	83	8,097	-2,427	67,672
Software	26,158	175	78	6,542	-828	32,124
Goodwill	33,825	0	0	1,030	-1,399	33,457
Other	1,754	8	5	524	-200	2,092
Tangible fixed assets	296,042	888	452	44,169	-25,904	315,647
Land and buildings	152,343	395	35	12,079	-5,502	159,349
EDP equipment (hardware)	32,181	110	128	7,443	-4,441	35,421
Office furniture and equipment	97,768	402	107	17,307	-11,529	104,054
Other	13,750	-18	183	7,340	-4,432	16,822
Fixed assets	357,779	1,071	535	52,266	-28,332	383,319
2001						
Intangible fixed assets	55,265	1,268	213	8,119	-3,128	61,737
Software	19,101	1,194	73	7,646	-1,856	26,158
Goodwill	33,945	0	0	0	-120	33,825
Other	2,219	74	140	473	-1,152	1,754
Tangible fixed assets	238,806	2,601	24,679	68,355	-38,399	296,042
Land and buildings	117,264	1,411	5,701	28,765	-798	152,343
EDP equipment (hardware)	26,820	541	473	8,235	-3,888	32,181
Office furniture and equipment	79,401	472	18,505	17,987	-18,597	97,768
Other	15,321	177	0	13,368	-15,116	13,750
Fixed assets	294,071	3,869	24,892	76,474	-41,527	357,779

NOTES TO THE GROUP BALANCE SHEET

INTANGIBLE FIXED ASSETS AND TANGIBLE FIXED ASSETS

in € thousand	Acquisition costs as at Dec. 31	Cumulative depreciation	Carrying amount as at Dec. 31	Depreciation in fiscal year	Impairment in fiscal year	Carrying amount as at Jan. 1
2002						
Intangible fixed assets	67,672	-36,089	31,584	-6,364	-9,744	40,747
Software	32,124	-19,685	12,438	-5,492	-905	12,325
Goodwill	33,457	-15,423	18,034	-748	-8,838	27,587
Other	2,092	-980	1,112	-124	-1	835
Tangible fixed assets	315,647	-128,648	186,999	-22,264	-373	180,890
Land and buildings	159,349	-37,814	121,536	-3,926	-104	118,223
EDP equipment (hardware)	35,421	-23,926	11,495	-6,125	-89	11,761
Office furniture and equipment	104,054	-61,337	42,717	-10,033	-73	41,525
Other	16,822	-5,571	11,251	-2,180	-107	9,381
Fixed assets	383,319	-164,737	218,582	-28,627	-10,117	221,637
2001						
Intangible fixed assets	61,737	-20,990	40,747	-8,017	-146	42,427
Software	26,158	-13,833	12,325	-4,452	0	10,002
Goodwill	33,825	-6,238	27,587	-3,386	-120	31,093
Other	1,754	-919	835	-179	-26	1,332
Tangible fixed assets	296,042	-115,152	180,890	-20,106	-158	146,426
Land and buildings	152,343	-34,120	118,223	-3,529	0	92,067
EDP equipment (hardware)	32,181	-20,420	11,761	-5,763	-12	9,856
Office furniture and equipment	97,768	-56,243	41,525	-9,166	0	32,073
Other	13,750	-4,369	9,381	-1,648	-146	12,430
Fixed assets	357,779	-136,142	221,637	-28,123	-304	188,853

The item Goodwill shows the netted out differential amount on the liabilities side resulting from the initial consolidation of Niederösterreichische Landesbank-Hypothekenbank AG in 1996 and standing at € 3,156 thousand on the balance-sheet date (2001: € 3,381 thousand).

20) INCOME TAX CLAIMS

in € thousand

	Dec. 31, 2002	Dec. 31, 2001
Current income tax claims	3,840	3,771
Deferred income tax claims	27,649	26,896
Income tax claims	31,489	30,667

The table below shows the differential amounts resulting from the balance-sheet figures reported in accordance with Austrian tax legislation and in accordance with IFRS, leading to deferred income tax claims:

in € thousand

	Dec. 31, 2002	Dec. 31, 2001
Loans and advances to credit institutions	2,529	249
Loans and advances to customers, including risk provisions	45,285	42,495
Financial investments	2,326	3,128
Fixed assets	381	246
Amounts owed to credit institutions	2,127	10,018
Amounts owed to customers	9,371	12,849
Debts evidenced by certificates	27,039	4,203
Trading liabilities	9,638	4,792
Provisions for pensions, severance payment and other provisions	12,720	8,636
Other balance-sheet items	19,393	6,561
Tax losses carried forward	30,313	55,308
Deferred taxes before netting	161,123	148,485
Offset against liabilities-side deferred taxes	-133,475	-121,589
Reported deferred taxes	27,649	26,896

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Deferred tax claims and deferred tax liabilities can only be offset within a company.

NOTES TO THE GROUP BALANCE SHEET

21) OTHER ASSETS

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Deferred items	187,962	55,534
Other receivables and assets	233,187	316,915
Positive market values from derivative products	218,194	148,312
Other assets	639,343	520,760

22) AMOUNTS OWED TO CREDIT INSTITUTIONS AND CUSTOMERS

BREAKDOWN BY CUSTOMER CATEGORIES

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Amounts owed to credit institutions	4,444,331	6,929,266
Amounts owed to customers	5,122,045	4,935,864
of which savings deposits	2,106,966	2,011,809
of which other liabilities	3,015,079	2,924,055
of which public sector	382,208	404,439
of which corporate clients	1,675,818	1,714,482
of which private individuals	957,052	805,134
Total	9,566,376	11,865,130

BREAKDOWN BY GEOGRAPHICAL MARKETS

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Austria	6,856,041	7,918,902
of which credit institutions	3,221,004	4,307,835
of which customers	3,635,038	3,611,067
Central and Eastern Europe	1,676,909	1,668,315
of which credit institutions	402,405	476,264
of which customers	1,274,504	1,192,051
Other	1,033,426	2,277,913
of which credit institutions	820,922	2,145,167
of which customers	212,504	132,746
Total	9,566,376	11,865,130

BREAKDOWN BY RESIDUAL LIFE

in € thousand	on demand	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	total
Dec. 31, 2002						
Amounts owed to credit institutions	2,026,615	1,885,704	341,495	112,341	78,176	4,444,331
Amounts owed to customers	2,070,444	1,128,078	552,902	645,263	725,359	5,122,045
Total	4,097,059	3,013,782	894,397	757,604	803,535	9,566,376
Dec. 31, 2001						
Amounts owed to credit institutions	3,456,713	2,275,338	931,401	91,423	174,391	6,929,266
Amounts owed to customers	1,396,305	2,000,365	711,816	560,292	267,086	4,935,864
Total	4,853,018	4,275,703	1,643,217	651,715	441,477	11,865,130

23) DEBTS EVIDENCED BY CERTIFICATES

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in € thousand	Dec. 31, 2002	Dec. 31, 2001
Mortgage and municipal bonds	885,577	1,057,104
Bonds	6,124,273	3,917,120
Medium-term notes	2,955	8,241
Profit-sharing rights	93	93
Other liabilities	0	5,883
Debts evidenced by certificates	7,012,899	4,988,441

BREAKDOWN BY RESIDUAL LIFE

in € thousand	on demand	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	total
Dec. 31, 2002	830	665,130	282,698	3,751,817	2,312,424	7,012,899
Dec. 31, 2001	1,310	412,246	162,210	3,012,426	1,400,249	4,988,441

24) TRADING LIABILITIES

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Negative market values of derivative products		
of which foreign exchange transactions	31,930	6,274
of which interest-related transactions	55,464	13,300
of which other transactions	4,874	9,430
Trading liabilities	92,268	29,004

NOTES TO THE GROUP BALANCE SHEET

25) PROVISIONS

in € thousand	As at Jan. 1	Currency translation	Changes in scope of consolidation	Reclassification	Used	Released	Addition	As at Dec. 31
2002								
Provisions for risks	27,516	-87	0	-2,558	-170	-6,991	20,415	38,126
Other provisions	27,684	27	0	-35	-9,749	-1,420	12,874	29,380
Provisions	55,200	-60	0	-2,593	-9,920	-8,411	33,289	67,506
2001								
Provisions for risks	12,598	198	5,256	0	-362	-10,738	20,564	27,516
Other provisions	26,199	-32	-1,255	0	-2,930	-950	6,652	27,684
Provisions	38,797	166	4,001	0	-3,292	-11,688	27,216	55,200

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The item Other provisions comprises provisions set aside for obligations which are likely to lead to an outflow of resources in the future. These provisions are set up for eventual contributions to the pension fund, recourse claims arising from construction projects, and pending legal proceedings.

26) LONG-TERM EMPLOYEE PROVISIONS

in € thousand	Provisions for pensions	Provisions for severance pay	Provisions for anniversary bonuses	Total
Net present value as at Jan. 1, 2001	53,858	22,014	2,042	77,913
Changes in the scope of consolidation	3,046	936	80	4,062
Current service costs	56	1,733	158	1,947
Interest costs	2,965	1,306	121	4,392
Payments	-4,446	-1,836	-155	-6,437
Actuarial profits and losses	-238	2,256	-144	1,874
Net present value as at Dec. 31, 2001	55,242	26,409	2,102	83,753
Unrecognized actuarial profits and losses	238	0	0	238
Long-term employee provisions as at Dec. 31, 2001	55,480	26,409	2,102	83,991
Current service costs	62	2,101	161	2,324
Interest costs	3,042	1,568	124	4,734
Payments	-5,479	-3,121	-185	-8,785
Actuarial profits and losses	849	808	-5	1,653
Net present value as at Dec. 31, 2002	53,954	27,766	2,197	83,916
Unrecognized actuarial profits and losses	-849	0	0	-849
Long-term employee provisions as at Dec. 31, 2002	53,104	27,766	2,197	83,067

27) TAX LIABILITIES

in € thousand

	Dec. 31, 2002	Dec. 31, 2001
Current tax liabilities	8,260	6,693
Deferred tax liabilities	74,703	61,456
Tax liabilities	82,963	68,149

The table below shows the differential amounts resulting from the balance-sheet figures reported in accordance with Austrian tax legislation and in accordance with IFRS, leading to deferred income tax liabilities:

in € thousand

	Dec. 31, 2002	Dec. 31, 2001
Loans and advances to credit institutions	555	2,600
Loans and advances to customers, including risk provisions	36,367	64,384
Trading assets	6,974	5,271
Financial investments	32,844	17,027
Fixed assets	513	506
Amounts owed to credit institutions	30	3,081
Amounts owed to customers	7,611	4,156
Provisions for pensions, severance payment and other provisions	1,770	2,009
Other balance-sheet items	121,512	84,011
Deferred tax liabilities before netting	208,178	183,045
Netting against activated deferred taxes	-133,475	-121,589
Reported deferred tax liabilities	74,703	61,456

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28) OTHER LIABILITIES

in € thousand

	Dec. 31, 2002	Dec. 31, 2001
Deferred items	173,898	118,242
Other liabilities	279,677	282,397
Negative market values from derivative products	60,739	58,607
Other liabilities	514,313	459,246

NOTES TO THE GROUP BALANCE SHEET

29) SUBORDINATED CAPITAL

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Subordinated capital	279,469	219,617
Supplementary capital	5,698	7,614
Subordinated capital	285,167	227,231

BREAKDOWN BY RESIDUAL LIFE

in € thousand	on demand	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	total
Dec. 31, 2002	0	0	6,987	2,892	275,289	285,167
Dec. 31, 2001	0	5,305	2,158	14,266	205,502	227,231

30) EQUITY

As at Dec. 31, 2002 ÖVAG's subscribed capital, before deduction of its treasury stocks, stood at € 233,322 thousand. It consists of:

	in € thousand
778,100 registered shares	5,657
29,315,650 bearer shares	213,125
2,000,000 non-voting preferred bearer shares	14,540
	233,322

The shares have a nominal value of € 7.27 each.

In return for waiving their voting rights, holders of preferred bearer shares receive a special dividend, the amount of which will be determined by ÖVAG's business performance.

In addition to its equity, ÖVAG reported participation capital at a nominal value € 11,628 thousand (ATS 160,000 thousand). The participation certificates are made out to bearers, their terms of issue and the contributions paid correspond to the provisions of Section 23, para 4. of the Austrian Banking Act. The participation certificates have a nominal value of € 72.67 (ATS 1,000) each. Holders of participation certificates are entitled to the same percentage share in ÖVAG's profit as shareholders.

MOVEMENT OF SUBSCRIBED CAPITAL

Number of units	Dec. 31, 2002		Dec. 31, 2001	
	Shares	Participation certificates	Shares	Participation certificates
Shares and participation certificates issued	32,093,750	160,000	32,093,750	160,000
less treasury stocks and participation certificates	-394,293	-4,024	-806,692	-769
Shares and participation certificates outstanding	31,699,457	155,976	31,287,058	159,231
Shares and participation certificates outstanding as at Jan. 1	31,287,058	159,231	24,304,465	154,277
Disposal of treasury stocks and participation certificates	757,094	7,743	182,945	5,901
Addition of treasury stocks and participation certificates	-344,695	-10,998	-606,602	-947
Capital increase	0	0	7,406,250	0
Shares and participation certificates outstanding as at Dec. 31	31,699,457	155,976	31,287,058	159,231
Treasury stocks and participation certificates	394,293	4,024	806,692	769
Shares and participation certificates as at Dec. 31	32,093,750	160,000	32,093,750	160,000

In accordance with the resolution adopted by the General Meeting on May 17, 2001, the Board was authorised to raise ÖVAG's share capital by € 32 million by April 30, 2006 through the issue of new ordinary shares and non-voting preference shares against cash payment subject to the consent of the Supervisory Board.

IMMO-BANK AG, which acts as the ÖVAG Group's home loan company, issued convertible bonds at a nominal value of ATS 200 million which can be exchanged for ordinary shares on a one-for-ten basis by the end of 2003. For this purpose, the company is holding contingent capital amounting to ATS 20 million.

NOTES TO THE GROUP BALANCE SHEET

The equity of the ÖVAG Group which was calculated pursuant to the Austrian Banking Act can be broken down as follows:

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Subscribed capital (less treasury stocks)	236,893	224,280
Reserves, differential amounts, minority interests	857,748	833,121
Intangible assets	-14,761	-10,750
Core capital (tier 1 capital)	1,079,880	1,046,651
Supplementary capital	18,224	20,224
Eligible subordinated liabilities	290,065	208,932
Hidden reserves pursuant to Section 57, para. 1 of the Austrian Banking Act	20,286	19,401
Revaluation reserves	37,563	4,138
Supplementary capital (tier 2 capital)	366,138	252,695
Short-term subordinated capital (tier 3 capital)	2,907	2,180
Total equity (qualifying capital)	1,448,925	1,301,526
Less amounts pursuant to Section 23, para. 13, and Section 29, para. 1 and 2 of the Austrian Banking Act	-501	-4,368
Eligible qualifying capital	1,448,424	1,297,158
Equity required	940,240	881,416
Surplus capital	508,184	415,742
Core capital ratio (tier 1) in %	9.47 %	9.79 %
Equity ratio in % (solvency ratio)	12.70 %	12.14 %

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

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Risk-weighted assessment base pursuant to Section 22 of the Austrian Banking Act	11,402,669	10,686,769
of which minimum capital requirement of 8 %	912,214	854,942
Capital requirement for the open foreign exchange position pursuant to Section 26 of the Austrian Banking Act	0	0
Capital requirements for the (securities trading box) pursuant to Section 22b, para. 1 of the Austrian Banking Act	28,026	26,474
Total capital requirement	940,240	881,416

It is worth noting that in accordance with IFRS reporting, the scope of consolidation differs from the group of consolidated companies under the Austrian Banking Act as the IFRS provide for the inclusion of other enterprises not belonging to the banking sector, whereas the Austrian Banking Act stipulates that the group of consolidated companies should consist exclusively of credit and financial institutions as well as banking-related auxiliary service providers.

SUPPLEMENTARY INFORMATION

31) FAIR VALUE OF FINANCIAL INSTRUMENTS

in € thousand	Dec. 31, 2002 Carrying amount	Dec. 31, 2002 Fair value	Dec. 31, 2002 Carrying amount	Dec. 31, 2002 Fair value
Loans and advances to credit institutions	3,134,229	3,131,741	3,420,564	3,420,518
Loans and advances to customers	11,479,920	11,195,526	10,633,214	10,320,431
Held-to-maturity securities	373,263	406,338	362,702	369,237
Amounts owed to credit institutions	4,444,331	4,444,180	6,929,266	6,927,286
Amounts owed to customers	5,122,045	5,122,852	4,935,864	4,934,230
Debts evidenced by certificates	7,012,899	7,007,999	4,988,441	4,887,910
Subordinated capital	285,167	287,248	227,231	227,231

The fair value of loans and advances to customers includes risk provisions.

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32) FOREIGN CURRENCY-DENOMINATED ASSETS AND LIABILITIES

Foreign currency-denominated assets (non-MUM currencies) stood at € 2,688,122 thousand on the balance-sheet date, (2001: € 4,556,952 thousand) whereas foreign currency-denominated liabilities totalled € 3,652,721 thousand (2001: € 4,593,152 thousand). Differential amounts between foreign-currency assets and liabilities are compensated for by derivative transactions.

33) FIDUCIARY TRANSACTIONS

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Assets held in trust		
Loans and advances to customers	99,596	125,315
Financial investments	328	336
Liabilities held in trust		
Amounts owed to credit institutions	1,041	29,233
Amounts owed to customers	128,276	127,828
Other liabilities	328	0
Fund assets under management	3,888,818	4,157,271

SUPPLEMENTARY INFORMATION

34) SUBORDINATED ASSETS

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Loans and advances to credit institutions	727	0
Financial investments	2,275	0

35) ASSETS PLEDGED AS SECURITY FOR GROUP LIABILITIES

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Assets pledged as security		
Loans and advances to customers	1,474,750	1,634,530
Assets pledged as security for Group liabilities		
Amounts owed to credit institutions	3,177	0
Debts evidenced by certificates	1,471,573	1,519,829
Contingent liabilities	0	27,633

36) CONTINGENT LIABILITIES AND CREDIT RISKS

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Contingent liabilities		
Acceptances and endorsement liabilities on negotiated bills	329	1,855
Liabilities from guarantees, warranties and collaterals	1,836,824	1,983,842
Other liabilities	101,351	0
Credit risks		
Amounts owed resulting from quasi-repurchasing agreements	10,351	1,599
Undrawn credit and loan commitments	4,517,401	3,200,754
Other obligations	24,993	267

37) REPURCHASING TRANSACTIONS

On December 31, 2002, ÖVAG as pledgor had assumed buy-back commitments under repurchasing agreements representing an amount of € 52,854 thousand.

38) DATA ON BUSINESS RELATIONSHIPS WITH CLOSELY ASSOCIATED COMPANIES

in € thousand	Non-consolidated affiliates	Companies in which the Group has participatory interests	Associated companies	Companies which, through their holdings, exercise a significant influence on the parent company
Dec. 31, 2002				
Loans and advances to credit institutions	5,748	324,627	30,701	1,851
Loans and advances to customers	330,113	55,495	171,730	0
Debt securities/fixed-income securities	0	0	0	0
Amounts owed to credit institutions	325	167,075	17,505	109
Amounts owed to customers	28,810	3,657	29,822	0
Dec. 31, 2001				
Loans and advances to credit institutions	8,000	164,796	2,211	741
Loans and advances to customers	286,091	470,951	218,961	0
Debt securities/fixed-income securities	0	5,113	0	0
Amounts owed to credit institutions	0	670,790	459	3,244
Amounts owed to customers	27,345	2,765	11,624	0

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Settlement prices between the ÖVAG Group and its associated companies correspond to the usual market conditions.

39) DATA ON MORTGAGE BANKING IN ACCORDANCE WITH THE AUSTRIAN MORTGAGE BANK ACT

in € thousand	Covering loans	Debts evident by certificates	Surplus cover
Dec. 31, 2002			
Mortgage bonds	320,674	247,285	73,389
Public-sector guaranteed debentures	1,150,900	607,484	543,416
Total	1,471,574	854,769	616,805
Dec. 31, 2001			
Mortgage bonds	299,193	250,747	48,446
Public-sector guaranteed debentures	1,220,636	805,795	414,841
Total	1,519,829	1,056,542	463,287

40) EVENTS OCCURRING AFTER THE BALANCE-SHEET DATE

No events have occurred in the period between the balance-sheet date of December 31, 2002 and the approval of the Group's Financial Statements on March 13, 2003 by the Managing Board which would have a significant impact on the Annual Accounts for fiscal 2002.

41) SEGMENT REPORTING

The purpose of segment reporting is to give a survey of the ÖVAG Group's business lines and markets and their profitability. The strategic lines of business which are primarily oriented to the Group's internal management structure constitute the basis for primary segmentation. Under this internal management system, the individual divisions are organised as profit centres so that all results are assigned to the divisions irrespective of whether these are realised by a division functioning as a separate legal entity or by the parent company.

The ÖVAG Group selected the below-described lines of business for primary segment reporting:

Corporate and Mortgage Banking

This segment is responsible for servicing multinational corporations and large corporate clients and for issuing mortgage and public-sector bonds, as well as housing bonds and the reinvestment of these funds in housing and public-sector loans. In addition to a number of ÖVAG's departments, Niederösterreichische Landesbank-Hypothekbank AG and IMMO-BANK AG also concentrate on these operations.

Domestic Retail Banking

This segment is entrusted with the servicing of private customers as well as business clients, especially small and medium-sized enterprises. This service function is primarily performed by the branches of Volksbank Wien AG, Bank für Wirtschaft und Freie Berufe AG, Volksbank Linz-Mühlviertel rGmbH and Volksbank, Gewerbe- und Handelsbank Kärnten AG.

Retail Banking Central and Eastern Europe

This segment provides services to private and corporate clients via the Group's network of branches in Central and Eastern Europe.

Treasury

The Treasury focuses on tasks associated with the generation of liquidity in money and capital markets (issuing activities under the guidance of VB Investmentbank AG) and on medium to long-term strategic investments in national and international markets. The money and securities dealing unit is responsible for managing ÖVAG's trading book and offers all the usual money market products through Treasury Sales.

Asset Management

This segment groups together the activities of VB Kapitalanlage GmbH and VB Consulting für Anlagemanagement GmbH.

Special Financing

This segment performs all activities related to leasing, with the Immoconsult-Leasing group being responsible for real estate leasing operations and project and property development financing in Austria and Central and Eastern Europe, whereas the Leasing-west-group engages in movable property leasing operations in Austria and the VB Leasing-International group performs the same function in Central and Eastern Europe.

In **other operations** we report consolidations and all other activities which cannot be clearly assigned to any one of the business segments described above.

Secondary segment reporting is based on the geographical markets in which the ÖVAG Group operates. All activities focused on Austria as well as Central and Eastern Europe represent one market each. Other markets are grouped together in the segment Other as these do not constitute a major part of the Group's business operations.

The results indicated represent the results of the individual legal entities or results attributable under the market interest method. The intra-group settlement prices for investments, refinancing or services rendered correspond to the usual market conditions. The amortization of goodwill is assigned to the relevant divisions.

A) SEGMENT REPORTING BY LINE OF BUSINESS

in € thousand	Corporate/ mortgage banking	Domestic retail banking	Retail banking CEE	Treasury	Asset Management	Special financing	Other/ consolidations	Group result
Net interest income								
2002	90,699	58,343	74,131	29,300	1,123	79,740	4,418	337,753
2001	77,049	55,961	59,373	17,775	1,294	50,432	32,259	294,143
Provision for risks								
2002	-16,350	-16,629	-7,720	0	320	-14,020	-47	-54,447
2001	-37,079	-12,182	-13,254	-500	0	-6,146	680	-68,481
Net commission income								
2002	12,730	16,279	30,320	8,000	21,060	1,420	-3,626	86,183
2001	12,572	14,395	31,646	8,514	22,007	2,929	-5,921	86,142
Trading result								
2002	6,370	-660	1,449	17,660	0	2,450	-3,872	23,397
2001	4,577	766	4,055	8,346	0	2,226	-388	19,582
General administrative expenses								
2002	-56,940	-57,976	-84,698	-15,070	-10,180	-45,030	-38,793	-308,688
2001	-52,694	-50,354	-69,656	-13,571	-12,016	-35,651	-39,529	-273,472
Other operating results								
2002	4,770	-9,544	-1,276	50	320	9,100	-903	2,517
2001	-1,402	-8,589	-1,419	542	621	3,176	4,109	-2,961
<i>of which amortization of goodwill</i>								
2002	-79	-8,927	0	0	0	-580	0	-9,586
2001	-79	-2,838	0	0	0	-589	0	-3,506
Income from financial investments								
2002	-740	-38	-410	-14,227	50	1,954	13,960	549
2001	506	4,165	113	-870	164	-564	4,680	8,194
Extraordinary result								
2002	0	40	-90	0	150	250	-1,280	-930
2001	-36	-109	-382	0	0	-6	-1,204	-1,736
Pre-tax profit								
2002	40,539	-10,186	11,705	25,713	12,843	35,864	-30,144	86,334
2001	3,494	4,054	10,476	20,236	12,070	16,396	-5,315	61,411
Total assets								
2002	7,875,117	2,547,399	2,494,395	291,995	18,868	2,528,805	3,130,165	18,886,745
2001	7,222,425	2,349,259	1,946,345	263,414	18,670	1,844,414	5,212,877	18,857,404
Loans and advances to customers								
2002	6,295,413	1,341,784	1,471,669	197,000	0	2,034,453	139,602	11,479,920
2001	6,070,878	1,239,075	1,065,236	119,673	0	1,587,368	550,984	10,633,214
Primary funds								
2002	4,525,490	1,862,659	1,371,789	284,000	0	51,698	4,324,475	12,420,111
2001	4,069,510	1,714,150	1,230,121	262,000	0	50,833	2,824,922	10,151,536

As regards the comparison with the previous year's figures, the balance-sheet ratios are unconsolidated between the segments. The corresponding figures for fiscal 2001 have been adjusted. The resulting difference is not significant. The decline of interest income shown in the column Other can be ascribed to intensified issuing activities for assuring long-term liquidity.

B) SEGMENT REPORTING BY GEOGRAPHICAL MARKETS

in € thousand	Austria	Central and Eastern Europe	Other markets	Group result
Net interest income				
2002	181,440	138,402	17,911	337,753
2001	181,114	97,108	15,922	294,143
Provision for risks				
2002	-35,785	-18,310	-351	-54,447
2001	-49,494	-18,009	-978	-68,481
Net commission income				
2002	60,447	24,050	1,686	86,183
2001	56,558	27,376	2,208	86,142
Trading results				
2002	19,842	3,954	-400	23,397
2001	13,311	6,272	0	19,582
General administrative expenses				
2002	-198,944	-105,755	-3,988	-308,688
2001	-185,306	-84,650	-3,516	-273,472
Other operating results				
2002	1,019	1,131	368	2,517
2001	403	-3,587	221	-2,961
Income from financial investments				
2002	11,039	-420	-10,070	549
2001	9,578	113	-1,497	8,194
Extraordinary result				
2002	-840	-90	0	-930
2001	-484	-382	-870	-1,736
Pre-tax profit				
2002	38,218	42,961	5,155	86,334
2001	25,682	24,239	11,490	61,411

42) RISK REPORT

ÖVAG has taken the required organisational measures in order to meet the need for modern risk management. A clear distinction is made between the management of all risks arising from banking business and the identification, measurement and monitoring of such risks. With a view to maximum security and avoidance of conflicting interests, these tasks have been assigned to different organisational units. The Controlling/Financial Reporting/Taxes-Division, which is entirely independent of market operations, is responsible for risk reporting, risk measurement and the quality assurance of the risk models applied.

a) Market Risk

In the ÖVAG Group, the independent Market Risk/Mid-Office Department, which forms part of the Controlling/Financial Reporting/Taxes-Division, is in charge of monitoring the risks arising from trading operations. Risks involved in securities trading are assessed in accordance with the Bloomberg trading system, and risks associated with money and foreign-exchange trading are calculated under the Reuters Front Office System Kondor+. All risk reports are submitted daily to the Managing Board.

Daily estimates of potential losses that could result from unfavourable market developments constitute the core element of risk monitoring. ÖVAG employs the variance-co-variance method for its value-at-risk calculations. These calculations are based on a confidence interval of 99 % and a holding period of one day.

In securities trading, value-at-risk calculations are carried out to assess the risk of interest rate products and first-line securities (including options). In foreign exchange trading, calculations are made to cover interest rate, FX and option risks.

Furthermore, a series of other risk measures are applied on a daily basis. In essence, these are used to assess interest-rate-sensitivities and risk measures for options (delta, gamma, vega, theta).

All risks are subject to a structured system of limits, which is supplemented by volume and stop-loss limits. The plausibility and reliability of risk measures is continuously monitored by means of backtesting. In fiscal 2002, overall limits were never exceeded.

All rules and organisational processes governing the measurement and monitoring of market risks are described in ÖVAG's market risk manual. The structure of limits and escalation procedures which are applied whenever limits are exceeded are also explained in this manual.

The Market Risk/Mid-Office Department also monitors counterparty, issuer and country limits. These limits are recorded separately for on-balance sheet and off-balance sheet products as well as for different maturity ranges in Kondor+ (Credit Net). The computation of transactions carried out for the purpose of determining limits is obviously made on-line. Reports on utilisation and overdrafts are made available to the relevant credit departments every day.

b) Market Risks Controlled through Asset-Liability Management

Within the ÖVAG Group, Asset-Liability Management (ALM) performs the function of monitoring and controlling interest rate risks, which arise from the balance-sheet structure.

The ALM consists of representatives of ÖVAG, VB-Investmentbank AG and Niederösterreichischen Landesbank-Hypothekenbank AG (Hypo NÖ), which is the Group's largest subsidiary.

This body is responsible for optimising the Group's balance-sheet structure, for the management of medium and long-term interest rate risks as well as for safeguarding funding. The ALM exercises its control functions through money market and capital market transactions. Furthermore, it takes decisions concerning ÖVAG's own issuing activities.

In the ÖVAG Group, the contribution to interest rate income is computed for all profit centres in accordance with a uniform market-rate scheme by applying reference interest rates for matching maturities. Hence the profit centres are not exposed to any interest rate risk. This subdivision into a contribution to interest rates, which is influenced by the profit centres, and a structural contribution resulting from maturity transformation constitutes the prerequisite for uniform and central control by the ALM.

Interest rate risks of subsidiaries, with the exception of Hypo NÖ, are taken over by ÖVAG. Both ÖVAG and Hypo NÖ carry out simulation studies of net interest income in their controlling departments. In addition to current portfolio holdings and

interest rates prevailing on the day of assessment, these simulations also take into account future developments of volumes, expected new business and planned issue volumes as well as the latest available interest rate forecasts. The simulations carried out by the two competent bodies are analysed and summarised by ÖVAG's controlling department as a basis for decision-making by the ALM team.

The simulation of net interest income within the relevant reporting period not only yields statically values concerning the maximum risk potential but also indicates the dynamism of risk development, thus allowing an early identification of risks and the immediate implementation of hedging measures. The interest rate risk is limited by a ceiling defined as a function of the operating result for each fiscal year.

The aggregate interest rate risk of the ÖVAG Group, assessed for the observation period, indicates an average sensitiveness to interest rate movements of € 72 thousand per annum. This figure reflects the impact of a change in the interest rate by one basis point (i.e. 0.01 %).

In response to the conditions imposed by Basle II, ÖVAG launched a project for assessing the interest rate risk in the investment book in fiscal 2002. The goal of this project is to create the necessary organisational environment within the Group and to implement an uniform EDP system.

The ÖVAG Group employs derivatives as a vital instrument for hedging against interest rate risks and for managing its balance-sheet structure. Interest rate swaps (IRS) and futures are used as

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primary hedging instruments for the Group's own fixed interest rate issues. IRS are also employed in order to safeguard the market value of fixed-income investments in fixed-interest bearing securities as well as customer receivables.

Furthermore, forward exchange transactions, FX options and FX swaps serve as a hedge against interest rate and currency risks in connection with foreign currency-denominated claims towards, or amounts owed to, credit institutions and customers.

ÖVAG offers structured issues, the repayment of which is oriented to market indices and/or the guaranteed repayment amounts of which correspond to the nominal value of the loan.

Furthermore, the subscriber of an issue has the option of repayment in EUR or in USD. The Group also offers interest rate step-down bonds, conferring a call right upon issuers which can be exercised on pre-defined dates.

All embedded derivatives are monitored by the Market Risk/Mid-Office Department by means of suitable products, whereas the Trading Department assures the availability of suitable products.

DERIVATIVE FINANCIAL INSTRUMENTS

in € thousand	Nominal value				Market value	
	up to 1 year	1 year to 5 years	more than 5 years	Total	Dec. 31, 2002	Dec. 31, 2001
Interest rate related transactions	17,691,448	2,916,561	2,870,089	23,478,098	150,374	20,100
Caps & floors	27,108	54,665	84,753	166,526	301	92
Forward rate agreements	1,500,477	125,000	0	1,625,477	-1,747	580
Futures	1,477,100	0	0	1,477,100	-1,540	212
Interest rate swaps	14,497,763	2,638,296	2,678,636	19,814,695	153,588	20,246
Swaptions	189,000	98,600	106,700	394,300	-228	-1,030
Foreign exchange transactions	9,996,559	74,318	269,976	10,340,853	50,581	74,163
Cross-currency swaps	332,943	63,061	269,976	665,980	5,990	-7,742
Foreign exchange options	2,524,352	0	0	2,524,352	938	96
Forward exchange transactions	7,139,264	11,257	0	7,150,521	43,653	81,809
Other transactions	31,577	0	0	31,577	-2,346	-6,728
Options	31,577	0	0	31,577	-2,346	-6,728
Total	27,719,584	2,990,879	3,140,065	33,850,528	198,609	87,535

All derivative financial instruments are OTC products.

c) Counterparty Risk

As the risk of counterparty default ranks among the most threatening in banking, a series of special measures have been developed to control this risk.

This is not only reflected in the organisational structure of the individual risk assessment and risk management units, but also in the functions performed by the latter.

With a view to assuring a comprehensive management of credit risks, a triple-tier procedure is applied:

- Basic conditions as regards content as well as decisions on a case-by-case basis are defined. Comments are made by the risk management team of experts who have the right of intervention in all Group divisions.
- Alongside this risk management team, there is a credit monitoring body which is independent of the operative loan approval procedure and which was entrusted with the task of critically monitoring the credit rating and security classification on an ongoing basis (internal validation), collecting data and assessing the probability of default, conducting sensitivity analyses as well as stress tests and performing management information tasks jointly with the Controlling/Financial Reporting/Taxes-Division.
- The downstream examination of individual cases, which monitors both compliance with the relevant guidelines and principles and material risks, is carried out by means of an internal control system integrated into the Group's day-to-day business operations.

Decisions on individual cases are generally taken with due regard for the principle of dual control whereas all loans exceeding the decision-making power of the customer service desks of ÖVAG and its foreign subsidiaries have to be submitted to the risk management team. Depending on the amount of the loan, the risk management team takes decisions independently, or makes comments and submits the relevant applications to the Management Board in cases where the decision-making power is vested in loan departments reporting to the Board.

All applications for loans representing an order of magnitude for which only the Board has decision-making power are analysed and pre-evaluated in a weekly meeting. ÖVAG Board members and executive staff of the loan and sales departments participate in these meetings.

The loan assessment procedure not only takes into consideration the direct risks of counterparty default but also country risks in general. In an effort to limit such risks, ÖVAG has devised an in-house system of credit ceilings which is modelled on the standards of international rating agencies.

Since July 2001, a rating system has been applied to all of ÖVAG's domestic corporate banking operations which fully corresponds to the provisions of the Basle II Capital Accord. In the immediate future, this rating system will be extended to cover other credit risk categories as well (i.e. leasing transactions, private individuals, project financing, etc.) and will also be applied by the Group's international banking network. Thanks to the new formula, ÖVAG will be able to install a uniform group-wide credit rating system

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which permits a sharp distinction between, and far-reaching diversification of, the individual credit risk categories. With this system, statistical evaluations can be made which allow an even more accurate risk-based calculation of minimum margins. In line with the Volksbanken's principle of partnership with customers, special attention is given to "soft facts". With a view to making an even sharper distinction it is distinguished between small and medium-sized enterprises and corporate customers.

With the aid of these instruments and on the basis of the system and structures that must be installed in accordance with provisions of the Basle II Capital Accord, the ÖVAG Group should be able to reduce the risks of counterparty default to an acceptable level while continuing to expand its operations at home and abroad.

The Group's exposure in different sectors can be seen from the tables stating loans and advances to and amounts owed to, customers.

d) Operational Risk

ÖVAG defines operational risk as "Imminent losses that could occur due to the inadequacy or failure of internal procedures, human resources and systems, or the occurrence of events beyond the Group's control".

In view of the growing significance of this subject, ÖVAG launched a project in August 2001 which aims at standardised reporting of operational risks in accordance with the provisions of Basle II. The Basle II Capital Accord not only stipulates a future capital requirement the amount of which

will be determined by gross earnings (from 2007 onwards), but also the development and implementation of an operational risk-management process.

ÖVAG has already made the necessary preparations concerning its equity base by allocating gross earnings to its lines of business in accordance with Basle II. In the course of the Quantitative Impact Study 3, it also defined an initial plan for the allocation of earnings and conducted a trial calculation of its equity requirement.

In the risk-management process, operational risks are assessed by means of standardised procedures, which will assure a realistic and holistic measurement of operational risks.

The tools employed for this purpose are described below:

- **The event database:** This web-based application serves the continuous recording of actual operational losses and will be rolled out Group-wide in 2003. These data will be broken down into cause-related categories of individual risks and serve as a basis for the internal reporting system that will be implemented, as well as for the risk assessment and management system which is currently being devised (quantitative approach).
- **Self-assessment:** Structured interviews were conducted with managerial staff and other experts from the different lines of business. The dual goal of self-assessment is to enhance awareness of operational risks within the Group

and to identify potential latent or eventual future risks, in order to be able to meet the qualitative requirements of the standardised approach.

- **Risk indicators:** In close cooperation with the different technical units, investigations will be conducted to establish whether there are indicators that can be documented, and whether their ongoing monitoring would permit the implementation of a reliable early-warning system for diverse operational risks.

By using all information and data obtained by means of the afore-described and further tools, it will be possible to draw up a comprehensive risk profile for ÖVAG. This will serve both decision-makers as a basis for defining the readiness to assume risks and future risk management by means of measures that will limit and reduce risks or pass them on to third parties.

e) Other Risks

Following tax audits of two fully consolidated affiliates, the respective rulings were issued and we made an appeal against them. As we assume that the appeals will be upheld, it does not appear necessary to set up provisions.

With respect to the pending proceedings on competition issues, we received the ruling and made an appeal against it. The provisions set aside for this purpose were used. On the balance-sheet date we were unable to predict whether any further outflow of funds will take place.

On the balance-sheet date, the ÖVAG Group submitted letters of comfort covering a sum of € 138,966 thousand. ÖVAG hereby gives its assurance that Back Office Service für Banken GmbH can meet its contractual obligations.

43) ADDITIONAL INFORMATION REQUIRED UNDER AUSTRIAN LAW

In accordance with Section 80, para. 1, of the Stock Companies Act of 1965, expenditure for severance and pension payments of Managing Board members totalled € 3,410 thousand (2001: € 2,769 thousand).

Total compensation for Supervisory Board members stood at € 72 thousand on the balance-sheet date (2001: € 74 thousand).

Total compensation for the members of the Managing Board amounted to € 1,237 thousand (2001: € 1,113 thousand).

In fiscal 2002, payments to former Board members and their surviving dependents totalled € 696 thousand (2001: € 701 thousand).

As at December 31, 2002, outstanding loans and advances granted to members of the Managing Board and the Supervisory Board totalled € 348 thousand (2001: € 217 thousand). In 2002, redemptions amounted to € 35 thousand (2001: € 70 thousand). Interest payments in fiscal 2002 totalled € 14 thousand (2001: € 10 thousand).

BREAKDOWN OF SECURITIES IN ACCORDANCE WITH THE AUSTRIAN BANKING ACT

in € thousand	Dec. 31, 2002	Dec. 31, 2001
Listed securities	2,221,378	1,635,849
Securities dedicated to fixed assets	1,571,478	1,112,969
Securities eligible for rediscounting	1,906,150	1,490,238

Major Differences between Reporting in Accordance with IFRS and the Austrian Commercial Code

The objective of financial statements drawn up in accordance with IFRS is to present information on the asset, financial and earnings positions as well as changes in the latter which could be useful to wide circles of the business community in economic decision-making. This calls for a high

degree of transparency in the Notes, so that users will be in a position to assess the ability of the Group to generate cash and cash equivalents. Pursuant to IFRS, the setting aside of undisclosed reserves is not permissible. Risks that could influence future cash flows must be stated in all cases.

The main differences between consolidated financial statements prepared in accordance with IFRS and consolidated financial statements drawn up under generally accepted Austrian accounting and reporting principles (as defined in the Austrian Commercial Code and the Austrian Banking Act) relate to the following areas:

The scope of consolidation: In principle, all domestic and foreign subsidiaries, including those not engaged in banking activities, must be included in the consolidated financial statements. Temporary control or long-term restriction of the transfer of funds from a subsidiary to the parent company constitute a cause for excluding such subsidiary from the consolidated financial statements of the Group. Inclusion in the group of consolidated associated companies may be omitted if non-inclusion of any or all such companies does not affect the decision-making ability of users.

The formats of balance sheets and profit and loss accounts: IFRS impose minimum requirements regarding reporting for financial statement purposes: all essential information which, on the basis of the Group's Financial Statements, could influence the economic decisions of users if it were not indicated, must be indicated under separate items. Minority holdings in the equity of the Group's subsidiaries must be shown as a separate item after debt capital and before shareholders' equity in the parent company. Accordingly, minority interests rank in the same category as equity and outside capital. An obvious difference between Profit and Loss Accounts drawn up in accordance with the Austrian Commercial Code and the Austrian Banking Act and Profit and Loss Accounts prepared

pursuant to IFRS is the statement of the credit risk provision immediately after Net interest income and as net exposure, including interest income.

Accounting and valuation principles applying to financial instruments: A detailed description of the principles set forth in IAS 39 is contained in the section entitled "Valuation principles".

Employee benefits: According to IFRS, the actuarial calculation of employee benefits on the basis of the projected-unit-credit method takes into account the expected increases in salaries. For discounting of the projected benefit obligation, a discount rate is applied which is determined by reference to long-term market yields on first-rate corporate bonds or government bonds.

Accounting for deferred taxes: Under the IFRS rules, differences between tax bases and amounts recognized in the balance sheet in accordance with IFRS require the recognition of deferred tax assets or deferred tax liabilities, provided that such differences are only temporary and will reverse in the future, thus leading to tax expenses or tax benefits. Accordingly, deferred tax assets are also stated for losses carried forward provided that these can be expected to result in tax reductions.

44) FULLY CONSOLIDATED COMPANIES

	Company name and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in € thousand
* Abbreviations	„CALCULATOR Grundstückvermietungs Gesellschaft m.b.H.“; St. Pölten	FI	40.81 %	40.81 %	18
KI...	credit institution				
	„VVG Vermietung von Wirtschaftsgütern“ Gesellschaft m.b.H.; Vienna	FI	82.81 %	82.81 %	872
FI...	financial institution				
	ACP IT-Finanzierungs GmbH; Vienna	FI	75.00 %	75.00 %	150
HD...	banking-related auxiliary services				
	ALARIS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
SO...	other enterprises				
	ALB EDV-Service GmbH; Vienna	HD	100.00 %	100.00 %	35
	Back Office Service für Banken GmbH; Vienna	HD	99.34 %	99.34 %	327
	Bank für Wirtschaft und Freie Berufe Aktiengesellschaft; Vienna	KI	80.74 %	80.74 %	6,184
	BEVO-Holding GmbH; Vienna	HD	100.00 %	100.00 %	35
	CALLIDUS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	73
	CLIVUS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
	COMITAS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
	CURIA Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
	FAVIA Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
	FMZ-Verwertungs- und Verwaltungsgesellschaft mbH; Vienna	FI	100.00 %	100.00 %	18
	Gewerbe-Finanzierungs Aktiengesellschaft; Vienna	KI	100.00 %	100.00 %	436
	HBV Beteiligungs-GmbH; St. Pölten	SO	40.81 %	40.81 %	40
	HYPO Niederösterreich-Immobilienleasinggesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	36
	HYPO-REAL 1992 Unternehmensinvest und Mobilien-LeasinggesmbH; St. Pölten	FI	40.81 %	40.81 %	36
	HYPO-REAL 93 Mobilien-Leasinggesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
	IC Investment Corporation Limited; Valetta VLT 05, Malta	SO	100.00 %	100.00 %	7
	ICL Projekt Kft; Budapest	FI	100.00 %	100.00 %	25
	ICL ZETA Ingtatlanhasznosito BT.; Budapest	FI	100.00 %	100.00 %	0
	IMMO-BANK Aktiengesellschaft; Vienna	KI	90.02 %	90.02 %	9,178
	Immocon Alpha Leasinggesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
	Immocon Beta Leasinggesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
	Immocon Delta Leasinggesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	36
	Immocon Gamma Leasinggesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	36
	Immocon Psi Leasinggesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
	Immocon Rho Leasinggesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
	Immocon Zeta Leasinggesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
	Immoconsult Dike Leasinggesellschaft m.b.H; Vienna	FI	100.00 %	100.00 %	18
	Immoconsult drei Liegenschaftsvermietung Gesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	36
	Immoconsult eins Liegenschaftsvermietung Gesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
	Immoconsult Empusa Leasinggesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
	Immoconsult Holding Zeta Gesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
	Immoconsult Ismene Leasinggesellschaft m.b.H.; Vienna	HD	100.00 %	100.00 %	18
	Immoconsult Leasinggesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	3,270
	Immoconsult neun Liegenschaftsvermietung Gesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	19
	Immoconsult Projektentwicklung GmbH; Vienna	HD	100.00 %	100.00 %	18
	Immoconsult Realitätenverwertung EKZ-Villach Gesellschaft m.b.H. & Co. KG.; Vienna	FI	100.00 %	100.00 %	727

Company name and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in € thousand
Immoconsult Realitätenverwertung EKZ-Villach Gesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	73
Immoconsult sechs Liegenschaftsvermietung Gesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
Immoconsult sieben Liegenschaftsvermietung Gesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
Immoconsult vier Liegenschaftsvermietung Gesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
Immoslov Beta s.r.o.; Bratislava	FI	100.00 %	100.00 %	5
Imobilia Omega spol. s.r.o.; Prague 1	FI	100.00 %	100.00 %	3
Imobilia Zeta spol. s.r.o.; Prague 1	FI	100.00 %	100.00 %	3
INPROX Ústí nad Labem. s.r.o.; Prague 1	FI	100.00 %	100.00 %	3
Landeskrankenhaus Tulln-Immobilienvermietung Aktiengesellschaft; St. Pölten	FI	20.67 %	20.67 %	89
Leasing - west Gesellschaft m.b.H. & Co. Kommanditgesellschaft; Kufstein	FI	100.00 %	100.00 %	1,124
Leasing - west Verwaltungsgesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	36
Leasing west Italien G.m.b.H. - S.R.L.; Bozen	FI	100.00 %	100.00 %	510
Leasing-west Gebäudevermietungsgesellschaft m.b.H.; Kufstein	FI	100.00 %	100.00 %	36
Leasing-west Gesellschaft m.b.H.; Kufstein	FI	100.00 %	100.00 %	36
Leasing-west GmbH, BRD; Kiefersfelden	FI	100.00 %	100.00 %	51
Ludova Banka, a.s.; Bratislava 1	KI	70.80 %	87.50 %	24,095
Magyarországi Volksbank Rt.; Budapest	KI	58.78 %	82.98 %	12,696
Mithra Holding Gesellschaft m.b.H.; Vienna	SO	67.00 %	67.00 %	18
MVB Vermögensverwaltungs- und Beteiligungsgesellschaft m.b.H.; Freistadt	HD	96.80 %	96.80 %	73
NEMUS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
Niederösterreichische Landesbank-Hypothekenbank Aktiengesellschaft; St. Pölten	KI	40.81 %	40.81 %	37,586
NÖ Hypo Beteiligungsholding GmbH; St. Pölten	SO	40.81 %	40.81 %	40
NÖ HYPO LEASING ASTEWOG Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	36
NÖ Hypo Service GmbH; St. Pölten	HD	40.81 %	40.81 %	40
NÖ Real-Consult AG & Co. KG; St. Pölten	HD	40.81 %	40.81 %	730
NÖ Real-Consult AG; St. Pölten	HD	40.81 %	40.81 %	118
NÖ. Hypo Bauplanungs- und Bauträgergesellschaft m.b.H.; St. Pölten	SO	40.81 %	40.81 %	40
NÖ. HYPO LEASING AGILITAS Grundstückvermietung Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
NÖ. HYPO LEASING DECUS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	SO	40.81 %	40.81 %	18
NÖ. HYPO LEASING FIRMITAS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
NÖ. HYPO LEASING GERUSIA Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
NÖ. HYPO LEASING MEATUS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	36

FULLY CONSOLIDATED COMPANIES

Company name and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in € thousand
NÖ. HYPO LEASING MENTIO Grundstücksvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	73
NÖ. HYPO LEASING NITOR Grundstücksvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	44
NÖ. HYPO LEASING STRUCTOR Grundstücksvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
NÖ. HYPO Leasinggesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	2,910
NÖ. Verwaltungszentrum - Verwertungsgesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
P.M. Slovensko, spol. s.r.o.; Bratislava	FI	100.00 %	100.00 %	5
Pet Plus Leasing d.o.o.; Zagreb	FI	52.00 %	53.19 %	535
PINUS Grundstücksvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
Privatinvest d.o.o.; Ljubljana	HD	78.14 %	78.14 %	1,363
PROVENTUS Grundstücksvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	36
RAINER Liegenschaftsvermietung Gesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
Sana Grundstückverwaltungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
Sparkasse Region St.Pölten Gebäudeleasinggesellschaft m.b.H.; St. Pölten	FI	20.81 %	20.81 %	36
Telos Mobilien - Leasinggesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	36
Telos Mobilien-Leasinggesellschaft m.b.H. & Co 91 Leasing KG; St. Pölten	FI	0.00 %	0.00 %	0
Telos Mobilien-Leasinggesellschaft m.b.H. & Co. 94 Leasing KG; St. Pölten	FI	0.00 %	0.00 %	0
Telos Mobilien-Leasinggesellschaft m.b.H. & Co. 95 Leasing KG; St. Pölten	FI	0.00 %	0.00 %	4
Treisma Grundstücksverwaltungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
UBG Netherlands Holding & Finance B.V.; Amsterdam	HD	100.00 %	100.00 %	114
Unternehmens- Verwaltungs und Verwertungsgesellschaft m.b.H.; St. Pölten	HD	70.41 %	70.41 %	40
Unternehmensbeteiligungs Gesellschaft mit beschränkter Haftung; Vienna	HD	100.00 %	100.00 %	73
VB Aktivmanagement GmbH; Klagenfurt	HD	75.00 %	75.00 %	35
VB Consulting für Anlagemanagement Bank AG; Vienna	KI	75.00 %	75.00 %	5,087
VB Factoring Bank Aktiengesellschaft; Salzburg	KI	100.00 %	100.00 %	2,907
VB Investmentbank AG; Vienna	KI	69.08 %	69.08 %	5,088
VB Leasing CZ, spol.s.r.o.; Brno-misto	FI	50.00 %	50.00 %	5,067
VB Leasing Finanzierungsgesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	18
VB LEASING SK, spol. s.r.o.; Bratislava	FI	54.99 %	59.00 %	3,012
VB Leasing Verwaltungsgesellschaft m.b.H.; Kufstein	FI	100.00 %	100.00 %	36
VB Lizing Kft.; Budapest	FI	70.38 %	72.80 %	466
VB ManagementBeratung GmbH; Vienna	HD	100.00 %	100.00 %	36
VB Partner-Kapital Beteiligungs AG; Vienna	FI	100.00 %	100.00 %	8,000
VB Pénzügyi Lizing Rt.; Budapest	FI	70.38 %	72.80 %	212
VB-Beteiligung GmbH; Klagenfurt	SO	75.00 %	75.00 %	73

Company name and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in € thousand
VB-Direct Volksbank Finanzierungsberatungs- und -Service GmbH; Vienna	HD	82.81 %	82.81 %	18
VB-Holding Aktiengesellschaft; Vienna	SO	100.00 %	100.00 %	73
VB-Immobilienverwaltungs- und -vermittlungs GmbH; Klagenfurt	SO	75.00 %	75.00 %	73
VBL Beta s.r.o.; Prague 1	FI	100.00 %	100.00 %	3
VB-Leasing International Holding GmbH; Vienna	SO	50.00 %	50.00 %	5,603
VBS Leasing d.o.o.; Ljubljana	FI	53.59 %	53.59 %	378
VBS Leasing HISA d.o.o.; Ljubljana	FI	53.59 %	53.59 %	11
VB-Unternehmensholding GmbH; Vienna	HD	100.00 %	100.00 %	18
V-Dat Informatikai Szolgáltató és Kereskedelmi Kft.; Budapest	HD	58.78 %	82.98 %	13
Venture for Business Betelligungs AG; Vienna	FI	98.45 %	98.45 %	7,268
Verwaltungsgenossenschaft der IMMO-BANK registrierte GenmbH; Vienna	SO	87.18 %	87.18 %	2,876
VIA DOMINORUM Grundstückverwertungs Gesellschaft m.b.H.; St. Pölten	SO	38.77 %	38.77 %	36
VIA-Grundstückverwaltungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
VIRTUS Grundstücksvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
VOBA-Holding GmbH; Vienna	HD	100.00 %	100.00 %	36
VOGEVA - Gebäudevermietung Gesellschaft m.b.H.; Vienna	FI	100.00 %	100.00 %	36
VOLKSBANK - LEASING POLSKA S.A.; Wroclaw	FI	50.00 %	50.00 %	1,751
VOLKSBANK BH d.d.; Sarajevo	KI	100.00 %	100.00 %	15,339
Volksbank CZ, a.s.; Brno	KI	69.74 %	82.60 %	23,751
Volksbank d.d.; Zagreb	KI	70.00 %	81.90 %	9,398
Volksbank Ingatlankezelő Kft; Budapest	HD	58.78 %	82.98 %	5,501
Volksbank International AG; Vienna	KI	100.00 %	100.00 %	15,000
Volksbank Leasing BH d.o.o.; Sarajevo	FI	74.50 %	74.50 %	10
VOLKSBANK LEASING d.o.o.; Zagreb	FI	56.00 %	59.57 %	469
Volksbank Leasing Romania s.r.l.; Bukarest	FI	60.00 %	60.00 %	291
Volksbank Linz - Mühlviertel registrierte Genossenschaft mit beschränkter Haftung; Linz	KI	96.80 %	96.80 %	15,005
Volksbank Malta Limited; Sliema / Malta	KI	83.50 %	83.50 %	167,821
Volksbank Romania S.A.; Bukarest	KI	100.00 %	100.00 %	15,971
Volksbank Vienna AG; Vienna	KI	82.81 %	82.81 %	43,637
Volksbank, Gewerbe- und Handelsbank Kärnten Aktiengesellschaft; Klagenfurt	KI	75.00 %	75.00 %	14,540
Volksbanken-Kapitalanlagegesellschaft m.b.H.; Vienna	KI	100.00 %	100.00 %	727
Volksbank-Ljudska banka d.d.; Ljubljana	KI	78.14 %	78.14 %	11,387
Volksin d.o.o.; Zagreb	HD	100.00 %	100.00 %	3
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	40.81 %	40.81 %	18
WIF-Leasing Gesellschaft m.b.H. & Co.KG.; Vienna	FI	90.37 %	90.37 %	73
WIF-Leasing Gesellschaft m.b.H.; Vienna	FI	82.30 %	82.30 %	18
ZELUS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	SO	40.81 %	40.81 %	36

45) COMPANIES VALUED AT EQUITY

Company name and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in € thousand
ARZ Allgemeines Rechenzentrum GmbH; Innsbruck	HD	26.15 %	26.15 %	1,038
ARZ-Volksbanken Holding GmbH; Vienna	HD	68.45 %	68.45 %	256
Aventin Grundstückverwaltungsgesellschaft m.b.H.; Horn	FI	20.41 %	20.41 %	36
Betriebsanlagen- & Wirtschaftsgüterleasing Gesellschaft m.b.H.; Vienna	FI	50.00 %	50.00 %	36
CONATUS Grundstücksvermietungs Gesellschaft m.b.H.; St. Pölten	FI	20.41 %	20.41 %	36
CULINA Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	20.41 %	20.41 %	36
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.; Scheibbs	FI	20.41 %	20.41 %	36
FACILITAS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	20.41 %	20.41 %	36
FORIS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	20.41 %	20.41 %	36
Garagenliegenschaft-Vermögensverwaltungs Gesellschaft m.b.H.; Kufstein	FI	29.75 %	29.75 %	36
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.; Korneuburg	SO	13.26 %	13.26 %	145
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.; St. Pölten	FI	10.20 %	10.20 %	36
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und BetriebsgmbH Leasing KG; St. Pölten	FI	18.55 %	18.55 %	80
LITUS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	20.41 %	20.41 %	36
N.Ö. Gemeindegebäudeleasing Gesellschaft m.b.H.; Vienna	FI	13.60 %	13.60 %	37
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H.; Vienna	FI	13.60 %	13.60 %	37
Niederösterreichische Kapitalbeteiligungsgesellschaft m.b.H.; Vienna	KI	8.57 %	8.57 %	1,817
Niederösterreichische Vorsorgekasse AG; St. Pölten	KI	20.41 %	20.41 %	1,500
NÖ. HYPO LEASING - Sparkasse Region St.Pölten Grundstückvermietungs GmbH; St. Pölten	FI	20.41 %	20.41 %	36
NÖ. HYPO LEASING ADORIA Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	20.41 %	20.41 %	36
NÖ. HYPO Leasing und Raiffeisen-Immob.-Leasing Traisenhaus GmbH & Co OEG; St. Pölten	FI	20.41 %	20.41 %	7
NÖ. Landeshauptstadt - Planungsgesellschaft m.b.H.; St. Pölten	SO	15.92 %	15.92 %	36
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.; Vienna	FI	13.59 %	13.59 %	37
Palatin Grundstückverwaltungs Gesellschaft m.b.H.; Stockerau	FI	20.41 %	20.41 %	36
Punti Immobilienvermietungsgesellschaft m.b.H.; Vienna	FI	50.00 %	50.00 %	36
Purge Grundstücksverwaltungs-Gesellschaft m.b.H.; Vienna	FI	20.41 %	20.41 %	36
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.; Vienna	FI	13.60 %	13.60 %	37
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	20.41 %	20.41 %	36
UNDA Grundstückvermietungs Gesellschaft m.b.H.; St. Pölten	FI	20.41 %	20.41 %	36
VALET-Grundstückverwaltungs Gesellschaft m.b.H.; St. Pölten	FI	20.41 %	20.41 %	36
VB VICTORIA ZASTUPANJE U OSIGURANJU d.o.o.; Zagreb	SO	25.10 %	25.10 %	13
VICTORIA-VOLKSBANKEN Biztosító Rt.; Budapest	SO	21.12 %	23.52 %	1,545
VICTORIA-VOLKSBANKEN Életbiztosító Rt.; Budapest	SO	21.12 %	23.52 %	2,857
VICTORIA-VOLKSBANKEN pojistovna, a.s.; Praha 2	SO	22.50 %	23.75 %	6,840
VICTORIA-VOLKSBANKEN Poistovna a.s.; Bratislava	SO	22.28 %	23.95 %	3,132
VICTORIA-VOLKSBANKEN Mitarbeitervorsorgekasse AG; Vienna	KI	50.00 %	50.00 %	1,500
VICTORIA-VOLKSBANKEN Pensionskassen Aktiengesellschaft; Vienna	SO	48.52 %	48.52 %	5,087
VICTORIA-VOLKSBANKEN Versicherungsaktiengesellschaft; Vienna	SO	25.37 %	25.37 %	11,601
Viminal Grundstückverwaltungs Gesellschaft m.b.H.; Hollabrunn	FI	20.41 %	20.41 %	36
Volksbank Südburgenland registrierte Gen.m.b.H.; Pinkafeld	KI	20.02 %	20.02 %	1,592
Volksbanken - Versicherungsdienst - Gesellschaft m.b.H.; Vienna	SO	33.13 %	33.13 %	160

Auditor's Report

AUDITOR'S REPORT IN ACCORDANCE WITH IAS AND CERTIFICATION PURSUANT TO SECTION 245 A) OF THE AUSTRIAN COMMERCIAL CODE

We have examined the accompanying Consolidated Financial Statements of Österreichische Volksbanken-AG, Vienna, which comprise the balance sheets as at December 31, 2002 and 2001, the Profit and Loss Accounts, the Cashflow Statements, Movements in Equity and the Notes to the Consolidated Financial Statements for the fiscal years 2002 and 2001 beginning on January 1, and ending on December 31. The Managing Board is responsible for the preparation and content of the Group's Consolidated Financial Statements. It is our responsibility to express an opinion on the Consolidated Financial Statements on the basis of our audit.

We carried out our audit with due regard for the Austrian standards applying to the orderly conduct of such examinations. Pursuant to these standards the audit must be planned and performed in such a way as to give reasonable assurance that the Consolidated Financial Statements are free from material misstatements. The audit includes random checks of evidence supporting the amounts and disclosures in the Consolidated Financial Statements. Furthermore, it comprises assessment of the accounting principles applied, significant estimates made by the Managing Board, and an evaluation of the presentation of the position. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position and assets of Österreichische Volksbanken-AG, Vienna and its subsidiaries as at December 31, 2002 and December 31, 2001, and as well of its earning position and cash flows for the fiscal years 2002 and 2001, beginning on January 1 and ending on December 31 in accordance with the International Accounting Standards (IAS).

Under Austrian commercial law the Group Management Report must be audited and it must be ascertained, whether the legal requirements for exemption from the preparation of consolidated accounts according to Austrian accounting principles have been met.

We confirm that the Management Report is consistent with the Consolidated Financial Statements and that the legal requirements have been met for exemption from the preparation of Consolidated Financial Statements according to Austrian accounting principles.

Vienna, March 18, 2003

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



A handwritten signature in blue ink, appearing to read "Martin Wagner".

A handwritten signature in blue ink, appearing to read "Johann Mühlechner".

Martin Wagner

Johann Mühlechner

Certified Public Accountants and Tax Advisors

Report of the Supervisory Board



Foto Tschank GmbH

In fiscal 2002, the Supervisory Board held six regular and several informal meetings in which it was kept informed of the lawful, appropriate and efficient conduct of business by the Group's management. It examined the reports submitted by the Managing Board and took the relevant decisions on these.

The Group's Financial Statements as at December 31, 2002, together with the Annex and the Situation Report were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. In their examination, the auditors found no objection and accordingly approved the accounts without qualification. The Supervisory Board took note of the proposal for profit appropriation submitted by the Managing Board and approved ÖVAG's Financial Statements as at December 31, 2002 pursuant to § 125, para. 2, of the Stock Companies Act. In addition, it examined and approved the Consolidated Financial Statements as at December 31, 2002 as well as the Situation Report.

Throughout fiscal 2002, ÖVAG fully complied with the provisions set forth in its by-laws and performed the mission assigned to it by its shareholders.

Despite the harsh economic and political environment that prevailed throughout 2002, the consistently practised customer partnership of Volksbanken and ÖVAG, acting as their central institution, constituted the basis for the Group's success. In contrast to the general trend prevailing in the banking sector, ÖVAG succeeded in raising its result on ordinary operations significantly above the previous year's mark.

By offering a genuine alternative to big Austrian and international banks, ÖVAG, thanks to its creativity, flexibility and solutions-oriented approach, was able to meet the specific requirements of its most important customer group, i.e. small and medium-sized enterprises, thus charting impressive successes. Mention should be made here of the "Best Deal of the Year 2002" award, which the international technical magazine "Global Trade

Review” presented to ÖVAG for a structured financing scheme for the Romanian public health sector. This is but one example.

This also proves that the ÖVAG Group’s strategy of defining the Central and Eastern European countries as part of the domestic market is the right approach. This market will gain additional significance in the future, especially in view of the forthcoming EU enlargement. Thanks to the strong, international banking network that ÖVAG has built up in the meantime, which comprised 103 branches as at December 31, 2002, our Group is able to give our clients in neighbouring countries the same support as those at home and to offer a comprehensive range of on-site professional services to multinationals there.

ÖVAG intends to expand the existing banking network further in the future. Alongside its established subsidiaries and branches in Slovakia, the Czech Republic, Hungary, Romania, Slovenia, Croatia, Bosnia and Herzegovina and Malta, ÖVAG will enter the Serbian market in order to build up its presence there. With implementation of the niche strategy in mind, the North African countries, especially Morocco, where a co-operation agreement has been concluded with the local Volksbank, the largest Moroccan bank, are to be serviced via Volksbank Malta. In line with its one-stop-shop concept, ÖVAG’s goal is to offer the full range of products and services in all subsidiaries that operate as universal banks. With a view to optimum implementation of this concept, the existing partnership with the VICTORIA/ERGO group has been intensified, as VICTORIA/ERGO increased its holding

in ÖVAG to 10 % under a co-operation agreement. As a result of this co-operation, the ÖVAG Group will be able to build up an even stronger presence in the traditional markets as well as in new ones.

The close ties between ÖVAG and the Austrian Volksbanken and the strong cohesion within the sector were further strengthened through the contribution of the Volksbanken holding in ÖVAG to the joint Volksbanken Holding, in which Volksbanken will jointly act as ÖVAG shareholders. As a result, Volksbanken and their central institution have moved even closer together and have, once again, demonstrated the unity of their federation.

Concluding, the Supervisory Board should like to thank the Management Board and all staff members for having coped so excellently with all the challenges that presented themselves in fiscal 2002. In doing so, they acted for the benefit of all Volksbank customers and thus made a vital contribution to the impressive performance of the Group.

Vienna, April 2003



Franz Pinkl



S E R V I C E S

[Organisational Chart](#)

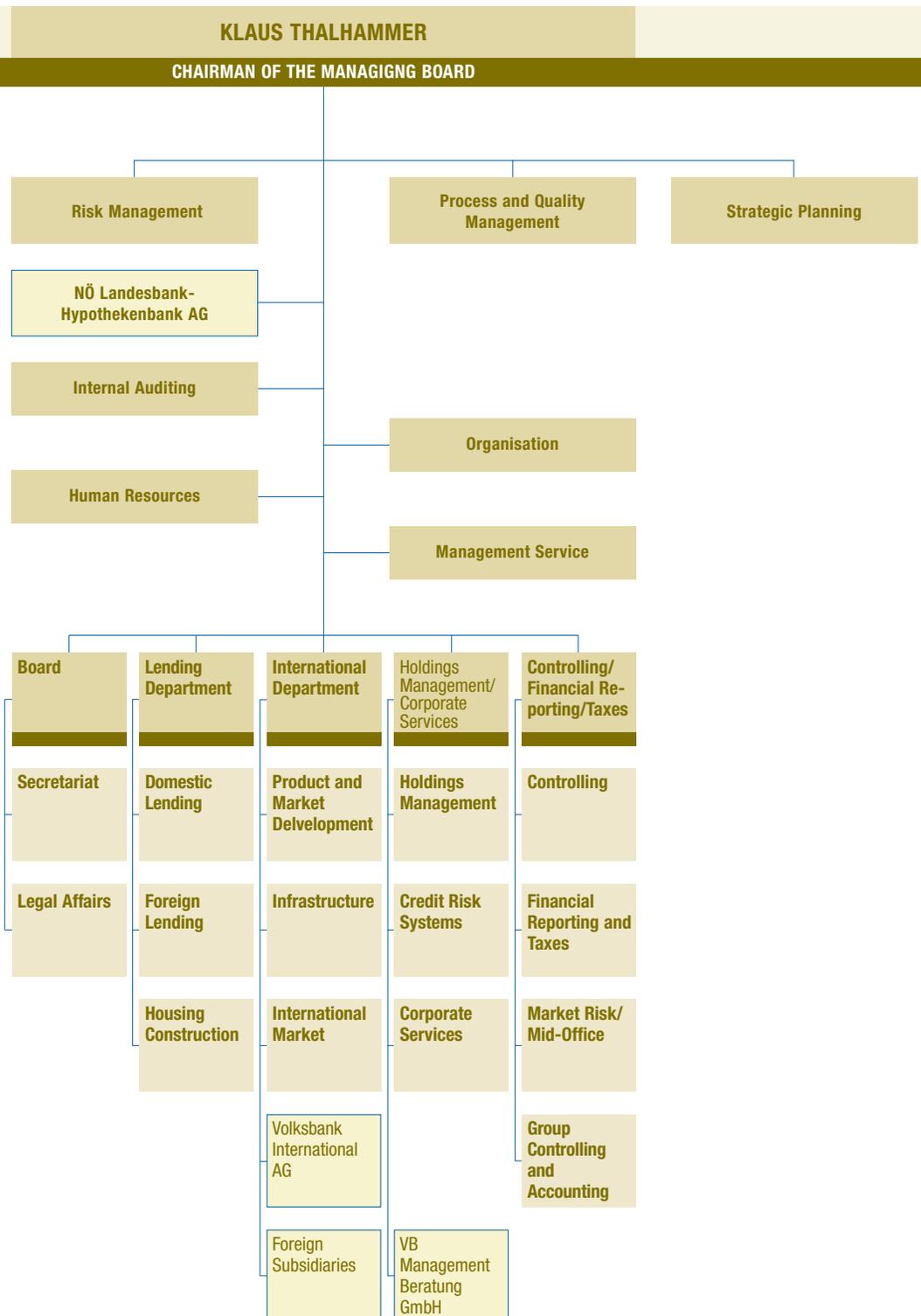
[The Volksbanken Group in Central and Eastern Europe](#)

[ÖVAG's Domestic and International Network](#)

[Addresses](#)

[Your Contacts](#)

Organisational Chart

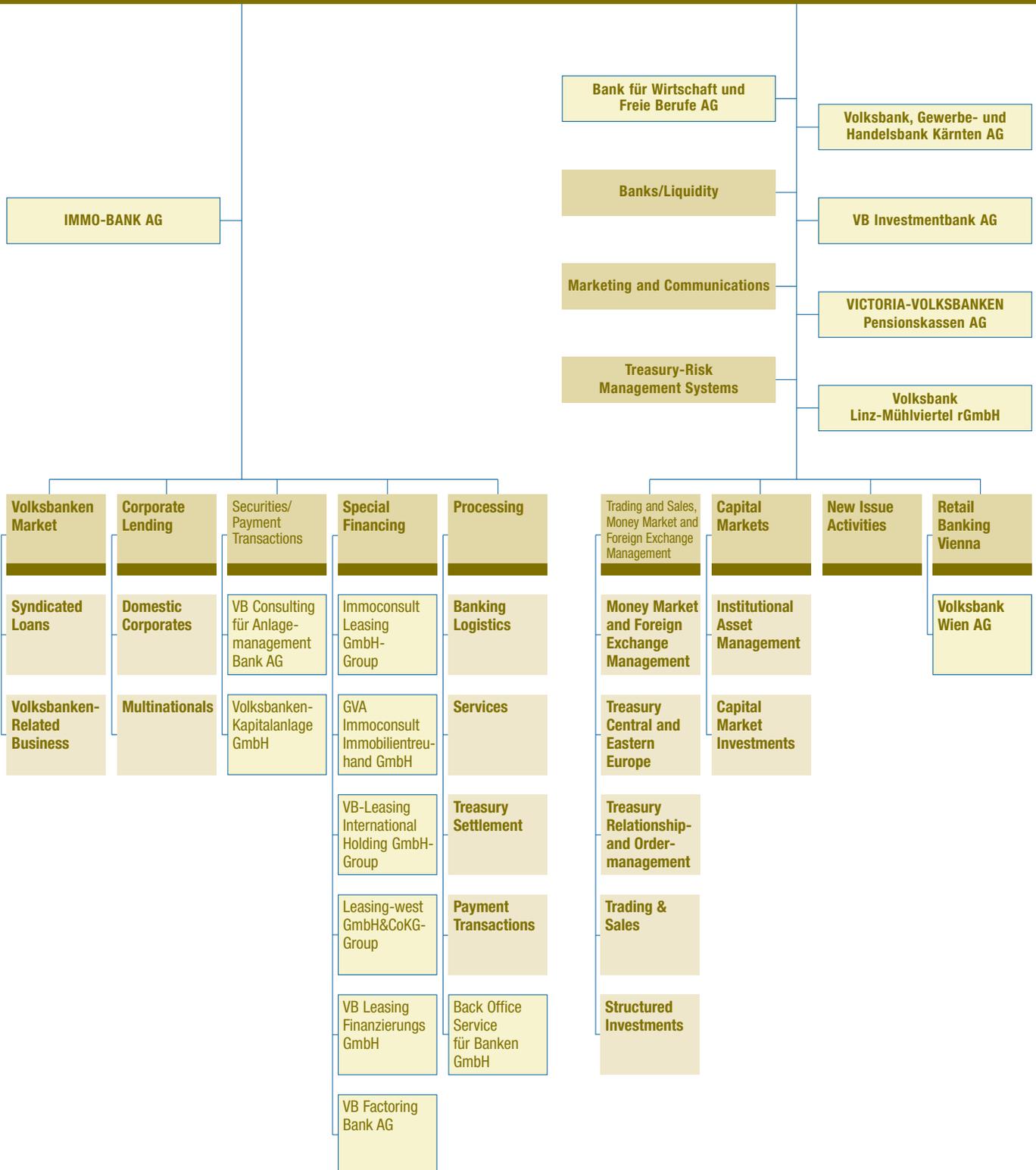


ERICH HACKL

MANFRED KUNERT

MANAGING BOARD MEMBER

MANAGING BOARD MEMBER



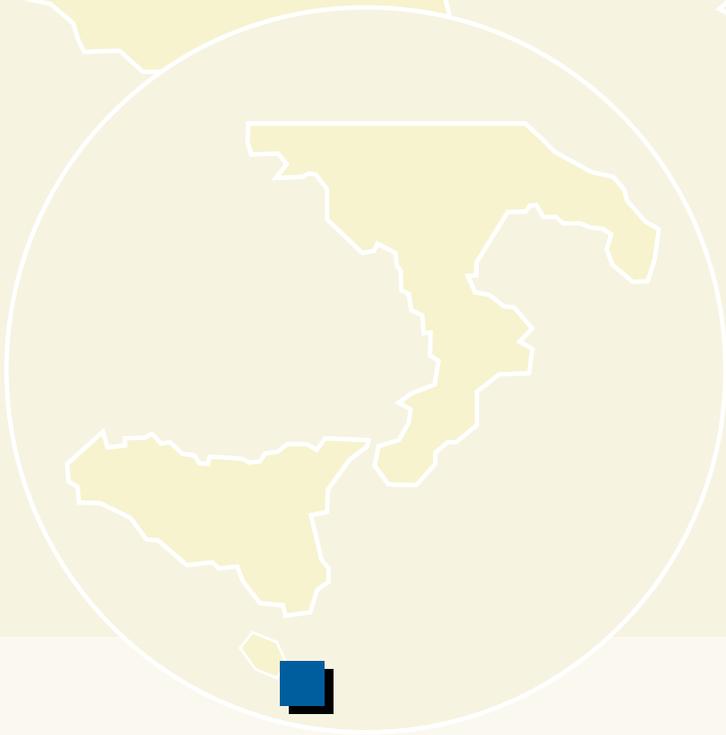
 VOLKSBANK

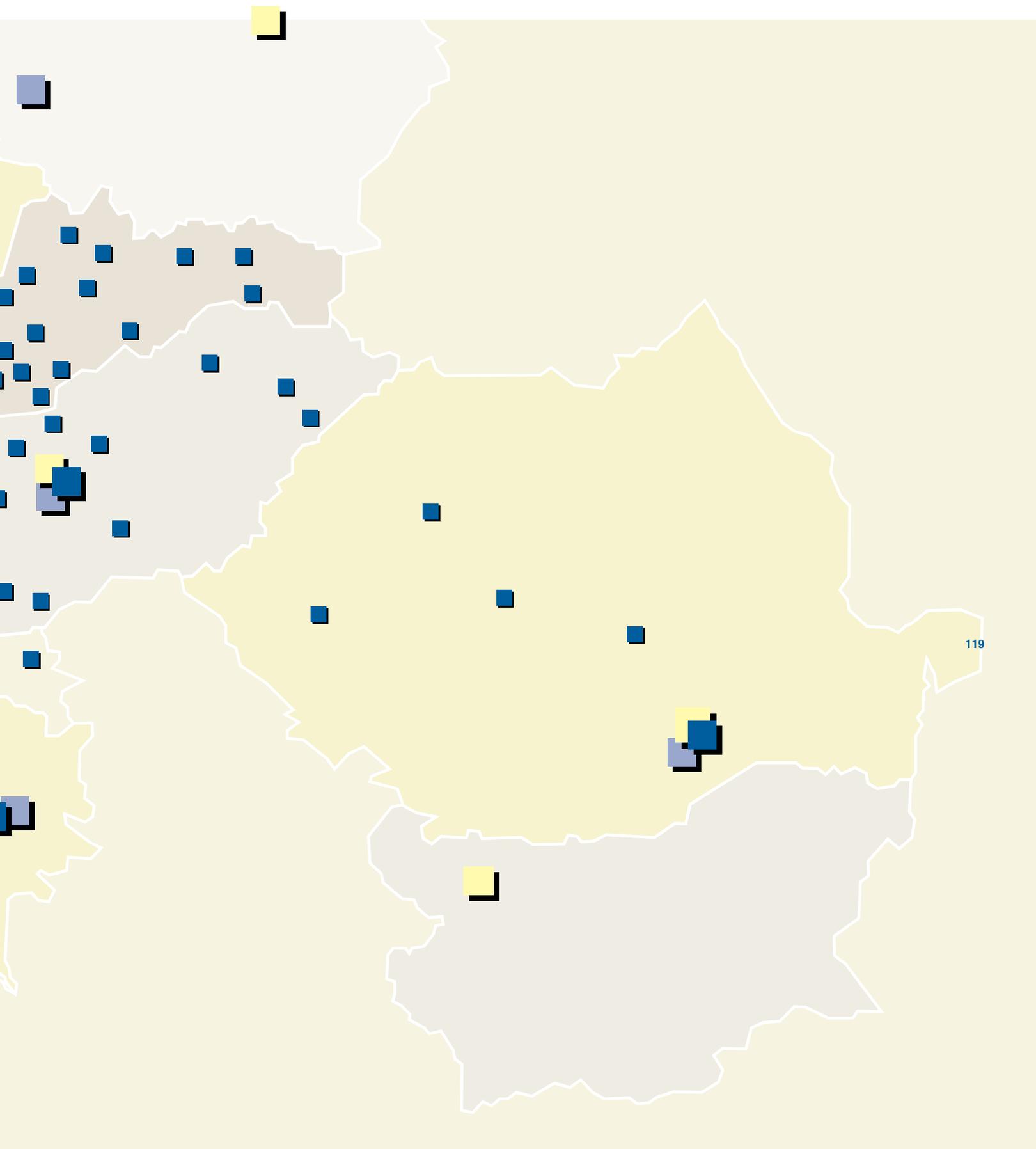
 VB LEASING

 IMMOCONSULT



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The Volksbanken Group in Central and Eastern Europe

Services

ÖSTERREICHISCHE VOLKSBANKEN-AG – KEY HOLDINGS IN AUSTRIA

CREDIT INSTITUTIONS

Bank für Wirtschaft und Freie Berufe AG

Gewerbe-Finanzierungs AG

IMMO-BANK AG

VB Consulting für
Anlagemanagement Bank AG

VB Factoring Bank AG

VB Investmentbank AG

Volksbank, Gewerbe- und
Handelsbank Kärnten AG

Volksbanken-Kapitalanlage GmbH

Volksbank Linz-Mühlviertel rGmbH

Volksbank Wien AG

Allgemeine Bausparkasse rGmbH

Europay Austria Zahlungs-
verkehrssysteme GmbH

Niederösterreichische Landesbank-
Hypothenbank AG

Oesterreichische Kontrollbank AG

VICTORIA-VOLKSBANKEN
Mitarbeitervorsorgekasse AG

Volksbank International AG

Investkredit Bank AG

Raiffeisen Zentralbank Österreich AG

FINANCIAL INSTITUTIONS

Leasing-west GmbH & Co KG

Immoconsult Leasing GmbH
158 project management companies

VB Leasing Finanzierungs GmbH

SUPPORT SERVICES AS DEFINED IN THE AUSTRIAN BANKING ACT (BWG)

Back Office Service für Banken GmbH

VB ManagementBeratung GmbH

ALB EDV-Service GmbH

OTHER

Venture for Business Beteiligungs AG

ARZ Allgemeines Rechenzentrum GmbH

A-Trust Gesellschaft für Sicherheitssysteme
im elektronischen Datenverkehr GmbH

Austrian Payment Systems Services
(APSS) GmbH

VICTORIA-VOLKSBANKEN
Pensionskassen AG

VICTORIA-VOLKSBANKEN
Versicherungs AG

Volksbanken-Versicherungsdienst-GmbH

Wiener Börse AG

VB-Leasing International Holding GmbH

Österreichische Lotterien GmbH

CREDIT INSTITUTIONS

Volksbank-Ljudska banka d.d.
(Slovenia)

Volksbank Romania S.A.
(Romania)

Bank Amerykanski w Polsce S.A.
(Poland)

L'udová banka, a.s.
(Slovakia)

Magyarországi Volksbank Rt.
(Hungary)

Volksbank BH d.d.
(Bosnia and Herzegovina)

Volksbank CZ, a.s.
(Czech Republic)

Volksbank d.d.
(Croatia)

Volksbank Malta Limited
(Malta)

FINANCIAL INSTITUTIONS

VB Lízing Kft.
(Hungary)

VB Pénzügyi Lízing Rt.
(Hungary)

VB LEASING SK, spol. s.r.o.
(Slovakia)

VBS Leasing d.o.o.
(Slovenia)

Volksbank Leasing BH d.o.o.
(Bosnia and Herzegovina)

VOLKSBANK LEASING d.o.o.
(Croatia)

Volksbank Leasing Romania s.r.l.
(Romania)

Pet Plus Leasing d.o.o.
(Croatia)

VB Leasing CZ, spol. s.r.o.
(Czech Republic)

Volksbank-Leasing Polska S.A.
(Poland)

OTHER

VB VICTORIA ZASTUPANJE U
OSIGURANJU d.o.o.
(Croatia)

VICTORIA-VOLKSBANKEN
Biztosító Rt.
(Hungary)

VICTORIA-VOLKSBANKEN
Életbiztosító Rt.
(Hungary)

VICTORIA-VOLKSBANKEN
Poistovna a.s.
(Slovakia)

VICTORIA-VOLKSBANKEN
pojistovna, a.s.
(Czech Republic)

Services

BANKING SUBSIDIARIES AND REPRESENTATIVE OFFICES ABROAD

ÖVAG IN AUSTRIA

Headquarters

Österreichische Volksbanken-AG
1090 Vienna, Peregringasse 3
Tel.: +43/1/31340-0
or +43/5/04004-0
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e-mail: marketing@oevag.volksbank.at
Internet: www.oevag.com
www.volksbank.at

BANKING SUBSIDIARIES AND REPRESENTATIVE OFFICES ABROAD

Czech Republic

Volksbank CZ, a.s.
M-palác, Heršpická 5
CZ-658 26 Brno
Tel.: +4205/43 52 51 11
Fax: +4205/43 52 55 55
e-mail: mail@volksbank.cz
Internet: www.volksbank.cz
Branches in Brno (4), Iglau, Kaplice, Prague (2), Olmořc, Zlín, Plzeň, Liberec and České Budějovice, Znojmo, Hradec Králové

Slovakia

L'udová banka, a.s.
Vysoká 9
SK-810 00 Bratislava
Tel.: +4212/5965 1111
Fax: +4212/5441 2453
e-mail: market@luba.sk
Internet: www.luba.sk
Branches in Bratislava (15), Nitra (2), Galanta, Šal'a, Košice (2), Poprad, Žilina, Trenčín, Ružomberok, Banská Bystrica, Lučenec, Prešov, Komárno, Piešť'any, Nové Zámky, Dunajská Streda, Trnava, Martin

Hungary

Magyarországi Volksbank Rt.
Rákóczi út 7
H-1088 Budapest
Tel.: +361/328 6666
Fax: +361/328 6660
e-mail: volksbank@volksbank.hu
Internet: www.volksbank.hu
Branches in Budapest (6), Pilisvörösvár,

Pécs, Mohács, Székesfehérvár, Nyíregyháza, Miskolc, Kaposvár, Nagykanizsa, Kecskemét, Sopron, Mosonmagyaróvár, Szombathely, Sárvár, Dunakeszi, Debrecen

Slovenia

Volksbank-Ljudska banka d.d.
Dunajska 128 a
SLO-1000 Ljubljana
Tel.: +3861/5307 400
Fax: +3861/5307 555
e-mail: info@volksbank.si
Internet: www.volksbank.si
Branches in Ljubljana (2), Celje, Koper, Šentjur, Tapanje, Kranj, Maribor (representative office)

Romania

Volksbank Romania S.A.
Str. Coltei 8, Sector 3
RO-70 446 Bucharest
Tel.: +4021/303 93 04
Fax: +4021/303 93 93
e-mail: marketing@volksbank.com.ro
Internet: www.volksbank.com.ro
Branches in Bucharest (3), Cluj Napoca, Sibiu, Timisoara, Brasov, Oradea

Bosnia and Herzegovina

Volksbank BH d.d.
Fra Antela Zvizdovića 1
BiH-71 000 Sarajevo
Tel.: +387/33 2956 01
Fax: +387/33 2956 03
e-mail: info@volksbank.ba
Internet: www.volksbank.ba
Branches in Sarajevo (3), Mostar, Bihac

Croatia

Volksbank d.d.
Varšavska 9
HR-10000 Zagreb
Tel.: +3851/4801 300
Fax: +3851/4801 365
e-mail: info@volksbank.hr
Internet: www.volksbank.hr
Branches in Zagreb (2), Varaždin, Rijeka, Split (2), Osijek, Pula

MAJOR SUBSIDIARIES AND HOLDINGS

Malta

Volksbank Malta Limited
53 Dingli Street
SLM 09 Sliema, MALTA
Tel.: +356/21 336 100
Fax: +356/21 336 090
e-mail: info@volksbank.com.mt
Internet: www.volksbank.com.mt

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Österreichische Volksbanken AG sede italiana
Via E. Fermi 11
I-37135 Verona
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e-mail: oevag.org@cesve.it

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Tel.: +33/1/44 189875
+33/612/729071
Fax: +33/1/45 51 40 76
e-mail: didier.harand@oevag.volksbank.at

MAJOR SUBSIDIARIES AND HOLDINGS

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Fax: +43/1/31380-209
e-mail: marketing@abv.at
Internet: www.abv.at

Back Office Service für Banken GmbH

1090 Vienna, Peregringasse 3
Tel.: +43/1/31340-3530
Fax: +43/1/31340-3139
e-mail: bog-office@oevag.volksbank.at

Bank für Wirtschaft und Freie Berufe AG

1072 Vienna, Zieglergasse 5
Tel.: +43/1/52107-0
Fax: +43/1/52107-157
e-mail: info@wifbank.at
Internet: www.wifbank.at

IMMO-BANK AG

1010 Vienna, Stadiongasse 10
Tel.: +43/1/40434-0
Fax: +43/1/40434-697
e-mail: info@immobank.at
Internet: www.immobank.at

Immoconsult Leasing GmbH

1090 Vienna, Wasagasse 2
Tel.: +43/1/31340-3184
Fax: +43/1/31340-3639
e-mail: headquarter@immoconsult.at
Internet: www.immoconsult.eu
Branches in Bratislava, Prague, Budapest,
Bucharest, Sofia, Warsaw, Ljubljana

Leasing-west GmbH & Co KG

6330 Kufstein, Kaiserbergstrasse 28
Tel.: +43/5372/6955-0
Fax: +43/5372/6955-32
e-mail: lw_kufstein@leasing-west.com
Internet: www.leasing-west.com
Representative offices in Wels, Klagenfurt,
Salzburg, Graz

Niederösterreichische Landesbank- Hypothekenbank AG

3100 St.Pölten, Kremser Gasse 20
Tel.: +43/2742/4920-0
Fax: +43/2742/4920-1444
e-mail: hypobank@hypobank.co.at
Internet: www.hypobank.co.at
27 branches in Lower Austria and Vienna

VB Consulting für Anlagemanagement Bank AG

1090 Vienna, Peregringasse 3
Tel.: +43/1/31340-3255
Fax: +43/1/31340-3875

VB Factoring Bank AG

5033 Salzburg, Thumegger Straße 2
Tel.: +43/662/623553-0
Fax: +43/662/623553-160
e-mail: info@vb-factoring-bank.at
Internet: www.vb-factoring-bank.at

Services

MAJOR SUBSIDIARIES AND HOLDINGS

VB Investmentbank AG

1090 Vienna, Peregringasse 3
Tel.: +43/1/31340-7011
Fax: +43/1/31340-7020
e-mail: info@vbinvestmentbank.at
Internet: www.vbinvestmentbank.at

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KEY FIGURES FOR THE VOLKSBANKEN NETWORK

1. KEY BALANCE-SHEET ITEMS	2002	2001	changes
	in millions of €	in millions of €	in %
Total assets	30,504	27,411	+ 11.3 %
Loans and advances	15,443	14,658	+ 5.4 %
Primary deposits	18,597	16,413	+ 13.3 %
Savings deposits	8,928	8,596	+ 3.9 %
Net interest income	466.5	453.2	+ 2.9 %
Net commission income	176.8	176.1	+ 0.4 %
Operating result	271.7	271.2	+ 0.2 %
Result on ordinary operations	127.5	126.2	+ 1.1 %
Own funds	2,653.7	2,470.3	+ 7.4 %
Branches	600	594	+ 1.0 %
Staff	5,104	5,044	+ 1.2 %

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2. KEY BALANCE SHEET ITEMS AS A PERCENTAGE OF TOTAL ASSETS	2002	2001
Operating profit	0.89 %	0.99 %
Net commission income	0.58 %	0.64 %
Other administrative expenses	0.55 %	0.58 %
Staff costs	0.94 %	1.01 %
Result on ordinary operations	0.42 %	0.46 %
Own funds in % of net risk-adjusted assets	13.44 %	13.48 %

Source: ÖGV-Controlling
The 2002 data are based on preliminary results.

