

United in trust.



INTERIM REPORT AS AT JUNE 30, 2004

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Ladies and Gentlemen,

The Managing Board of Österreichische Volksbanken-AG takes the liberty of informing you as shareholders or owners of participating certificates about the key indicators of the Group's business performance in the first six months of fiscal 2004.

BUSINESS PERFORMANCE

In the course of the first half of the year 2004, the Group recorded a consolidated net income totalling € 26.7 million, thus exceeding the previous year's figure by € 4.3 million or 19.1 %. Its result on ordinary operations stood at € 53.8 million, which represents a rise of € 5.7 million above the previous year's mark.

The main factors that contributed to this gratifying development were the growth of interest income by € 10.5 million or 5.9 % to € 188.2 million on the one hand, and the rise of commission income to € 46.9 million, which surpassed the previous year's level by € 6.6 million, on the other. These positive results can mainly be ascribed to the expansion of the business volume of our subsidiaries in Central and Eastern Europe as well as to our successful leasing operations.

The trading result, which totalled € 19.0 million, exceeds the excellent result recorded for the reference period of 2003 by € 8 million.

The dynamic developments taking place in our core markets are reflected in higher administrative expenses, which stood at € 182.3 million, € 20.0 million more than a year earlier.

The Group's total assets amounted to € 23.0 billion, which represents a 6.7 % increase as against the figure reported on December 31, 2003. Loans and advances to customers showed an 8 % increase to € 13.5 billion. Primary funds totalled € 15.0 billion, which corresponds to a rise of € 1.6 billion or 11.8 % as against the figure reported on December 31, 2003.

THE DEVELOPMENT OF CORE BUSINESS IN THE FIRST HALF OF 2004

The organisational and structural measures introduced in response to the new composition of the Managing Board were fully implemented. The new assignment of functions constituting the basis for efficient and goal-oriented corporate management has borne fruit, as had been expected.

In the first six months of 2004, the Group was able to exceed the record figures reported a year earlier and to raise its total assets to € 23.0 billion. We will make every effort to reach the goals we set ourselves for 2004, which are highly ambitious both in terms of quantity and quality.

We are concentrating on our strengths and core competencies: we have succeeded in building up an international network of 138 subsidiaries and branches in eleven different countries. In the first six months of 2004, a total of thirteen new, state-of-the-art branches were opened. Volksbank Serbia, the youngest of our nine subsidiaries, inaugurated its first three branches in Belgrade in April 2004, thus taking up retail operations only half a year after its business start.

Co-operation with strong international partners is one of our main objectives. A co-operation agreement was concluded with Banca Popolari Unite (BPU), one of Italy's largest banking groups, in June. This should further consolidate and strengthen our market position in international payment transactions, documentary business and guarantee business.

The range of our foreign activities encompasses retail operations for private individuals and small and medium-sized enterprises, very successful real estate and movable property leasing operations as well as the financing of property development projects. In the meantime, we have gained an excellent reputation as a niche player, i.e. as a provider of finance to projects in the health, environmental protection and tourism sectors. In the first six months of 2004, Immoconsult, which operates in the area of real estate leasing, was able successfully to complete financing projects for hotels as well as furniture and food markets in the Czech Republic and Poland.

Volksbank International AG (VBI) is currently being built up as a control platform after DZ-Bank and WGZ-Bank contributed their holdings in the Group's foreign subsidiaries. We intend to take full advantage of the new options for co-operation both with regard to equity funding and refinancing. We further plan to continue and intensify significantly our successful co-operation with the EBRD and other supranational financial institutions.

With regard to its corporate clients, Österreichische Volksbanken-AG once again demonstrated its competence as a partner in transborder business transactions. The Group succeeded in concluding a large number of interesting new deals. Thanks to its intensive co-operation with its French partner Bank Natexis Banque Populaire, the Group participated in large projects in which MIGA, a subsidiary of the World Bank, was involved (i.e. hospital financing, education).

Continuing to steer its expansion course, Volksbank Wien AG reported gratifying gains in its most important lines of business in the first six months of 2004. With the opening of its new branch in Vienna's second district as well as the modernisation of several of its branches Volksbank Wien AG is able to offer specialised products tailored to fit the precise needs of its clients.

The ready acceptance of ÖVAG's comprehensive product range by the market demonstrates the Group's innovative strength. With the establishment of the subsidiary "IMMO Kapitalanlage AG" and the launching of the real estate fund "immofonds 1", which contains a number of very interesting properties, we were able to expand the range of our investment products significantly. In the meantime, this fund has established itself as one of the most successful funds in the domestic market. Volksbanken-KAG attracted a lot of attention in the 2004 Standard & Poors Award as six of its funds in its categories were ranked in the first place.

Right from the beginning, the Treasury department "Structured Investments" has played a pioneering role by offering products with capital guarantee. In the first half of 2004, the "Top 20 Garant" fund reached record sales figures. Just as in syndicate transactions, co-operation with the Austrian Volksbanken has proved extremely successful in this field.

CONSOLIDATED FINANCIAL STATEMENTS OF ÖSTERREICHISCHE VOLKSBANKEN-AG

	June 30, 2004	December 31, 2003	change against December 31, 2003	
	In € thousand	In € thousand	In € thousand	%
FINANCIAL STATEMENTS				
ASSETS				
Cash and balances with central banks	910,387	1,238,662	-328,275	-26.50 %
Loans and advances to credit institutions	3,864,353	3,309,160	555,193	16.78 %
Loans and advances to customers	13,507,085	12,499,238	1,007,847	8.06 %
Risk provisions for loans and advances (-)	-336,921	-333,477	-3,445	1.03 %
Trading assets	288,228	301,418	-13,190	-4.38 %
Financial investments	3,956,177	3,615,948	340,229	9.41 %
Intangible fixed assets	15,985	15,287	698	4.57 %
Tangible fixed assets	189,659	189,389	270	0.14 %
Income tax claims	28,780	30,135	-1,355	-4.50 %
Other assets	585,409	695,878	-110,469	-15.87 %
Total Assets	23,009,142	21,561,640	1,447,502	6.71 %
LIABILITIES AND EQUITY				
Amounts owed to credit institutions	5,694,549	5,921,186	-226,637	-3.83 %
Amounts owed to customers	6,317,839	5,593,080	724,758	12.96 %
Debts evidenced by certificates	8,300,785	7,572,417	728,368	9.62 %
Trading liabilities	137,321	137,584	-263	-0.19 %
Provisions	149,803	146,749	3,054	2.08 %
Tax liabilities	89,154	104,890	-15,735	-15.00 %
Other liabilities	662,839	573,346	89,493	15.61 %
Subordinated capital	412,943	285,457	127,486	44.66 %
Minority interests	405,284	393,561	11,723	2.98 %
Equity	838,627	833,371	5,256	0.63 %
Total Liabilities and Equity	23,009,142	21,561,640	1,447,502	6.71 %

CHANGES IN THE 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 December 31, 2003	241,639	261,425	296,287	-8,462	44,762	-2,281	833,371
Consolidated net income ¹⁾			26,689				26,689
Dividends paid			-26,866				-26,866
Changes in currency reserve				4,964			4,964
Valuation pursuant to IAS 39					-4,759	165	-4,594
Change in treasury stocks	-2,460	-7,563					-10,023
Changes in deferred taxes in equity ³⁾			9,517		5,454		14,971
Other changes			114				114
As at June 30, 2004	239,179	253,862	305,742	-3,497	45,457	-2,115	838,627

* 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 € 177 thousand resulted from application of the average rates of exchange in the Profit and Loss Account.

2) As at June 30, 2004 the Available-for-sale reserve included deferred taxes of € -14,245 thousand (Dec. 31, 2003: € -21,281 thousand). The hedging reserve contains deferred taxes standing at € 126 thousand on June 30, 2004 (Dec. 31, 2003: € 126 thousand).

3) The changes in deferred taxes in equity result from the decrease of the income tax rate in Austria to 25 %.



CONSOLIDATED FINANCIAL STATEMENTS OF ÖSTERREICHISCHE VOLKSBANKEN-AG

	1-6/2004	1-6/2003	change against 1-6/2003	
	in € thousand	in € thousand	in € thousand	%
PROFIT AND LOSS ACCOUNT				
Interest receivable and similar income	472,348	505,480	-33,133	-6.55 %
Interest payable and similar expenses	-284,194	-327,838	43,644	-13.31 %
Net interest income	188,154	177,642	10,512	5.92 %
Provision for risks	-26,566	-29,132	2,566	-8.81 %
Net interest income after provision for risks	161,588	148,510	13,078	8.81 %
Commission income	65,286	53,148	12,137	22.84 %
Commission expenses	-18,344	-12,845	-5,499	42.81 %
Net commission income	46,941	40,303	6,638	16.47 %
Trading result	19,025	11,052	7,973	72.14 %
General administrative expenses	-182,279	-162,235	-20,043	12.35 %
Other operating results	11,524	8,532	2,992	35.06 %
Income from financial investments	-2,987	1,909	-4,896	-256.47 %
Result on ordinary operations	53,813	48,072	5,741	11.94 %
Extraordinary result	-318	-292	-26	9.02 %
Pre-tax profit for the year	53,495	47,780	5,715	11.96 %
Income taxes	-11,591	-13,150	1,559	-11.86 %
After-tax profit for the year	41,904	34,630	7,274	21.01 %
Minority interests	-15,215	-12,230	-2,985	24.41 %
Consolidated net income	26,689	22,400	4,289	19.15 %

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About the illustrations

*In recent years, architecture and its materials have again been characterised by an increased use of color. In their newly defined composition the coloured surfaces of a glass facade photographed by **Peter Dressler** thus produce fields of colour of varying intensity which approximate to an abstract pictorial idiom. Dressler lives and works in Vienna as an artist and university professor.*