ON THE WINGS OF SUCCESS / 08

Interim Financial Statements 2nd quarter of Volksbank AG

VOLKSBANK AG

KEY FIGURES OF VOLKSBANK AG

in euro million	June 30, 2008	Dec. 31, 2007	Dec.31, 2006
Balance sheet			
Total assets	**87,709**	**78,641**	**67,429**
Loans and advances to customers	43,305	39,048	31,110
Amounts owed to customers	12,858	10,851	8,087
Debts evidenced by certificates	34,812	33,109	30,846
Subordinated liabilities	2,376	1,966	1,817
Own funds			
Core capital (Tier I) after deductions	3,200	2,767	2,664
Supplementary capital (Tier II, Tier III) after deductions	1,353	1,491	1,451
Eligible qualifying capital	4,553	4,258	4,114
Assessment base credit risk	42,702	38,502	33,895
Capital requirement market risk	32	58	51
Capital requirement operational risk	133	0	0
Surplus capital	971	1,120	1,352
Core capital ratio in % [1]	**7.5**	**7.2**	**7.9**
Equity ratio in % [2]	**10.3**	**10.9**	**12.0**

	1-6/2008	1-6/2007	1-6/2006 adapted
Income statement			
Net interest income	452.4	363.2	292.1
Risk provisions	-44.9	-39.2	-32.1
Net fee and commission income	117.7	83.9	58.1
Net trading income	51.7	29.8	37.5
General administrative expenses	-360.0	-281.3	-232.6
Other operating result	3.9	10.3	5.8
Income from financial investments	-27.6	14.5	15.5
Income from the disposal group	0.0	10.9	8.5
Result for the period before taxes	**193.3**	**192.1**	**152.8**
Income taxes	-24.3	-17.3	-13.2
Result for the period after taxes	**169.0**	**174.8**	**139.5**
Minority interests	-70.3	-63.6	-50.5
Consolidated net income	**98.8**	**111.2**	**89.1**
Ratios			
Cost-income-ratio	60.2 %	56.1 %	56.9 %
ROE before taxes	12.9 %	13.1 %	12.9 %
ROE after taxes	11.2 %	11.9 %	11.7 %
ROE consolidated net income	12.5 %	15.0 %	12.9 %
ROE before taxes (regulatory)	13.5 %	14.8 %	15.1 %

Ressourcen	**1-6/2008**	**1-6/2007**	**1-6/2006**
Staff average	8,617	7,378	6,161
of which domestic	2,243	2,459	2,221
of which foreign	6,374	4,919	3,940
	June 30, 2008	**Dec. 31, 2007**	**Dec.31, 2006**
Staff at end of period	8,820	8,341	6,762
of which domestic	2,290	2,193	2,401
of which foreign	6,530	6,148	4,360
Number of branches	543	493	337
of which domestic	50	49	79
of which foreign	493	444	258

1) in relation to credit risk
2) in relation to credit risk after deduction of capital requirement for market and operational risk

VOLKSBANK AG STILL ON COURSE

Total assets rose by 11.5 % - greatest gains in the CEE banks

Once again, the Volksbank AG Group was able to produce very positive results in the first half of 2008. “As in the previous periods we have continued along the course we set ourselves”, said Chief Executive Officer of VBAG Franz Pinkl with satisfaction. “Despite the fact that the market has been flagging over the last few months.” Thus, total assets reached euro 87.7 billion as at June 30, 2008, which puts them 11.5 % above the level of December 2007. The result of the period before taxes remained stable compared to the same period in the previous year, despite a decrease in income from financial investments, achieving an increase - adjusted by the result from a disposal group – of euro 12.1 million, or 6.7 %.

“We are on course, but the winds are getting rougher”, Pinkl commented, referring to the ongoing turbulence on the international financial markets and the weakening economy. “In the difficult first half of the year our broadly diversified business model based on five Group segments – corporates, public finance, retail, real estate, and financial markets – proved to be a great protection against the crisis. The individual segments made a major contribution to VBAG’s success. Thus, the positive trend of net interest income continued during the first half of the year, showing and increase of euro 452 million (24.6 %) compared to the previous year. The Retail segment contributed strongest to the growth with an increase of euro 55 million – of which the Retail CEE segment posted a rise of euro 44 million – followed by the Corporates segment, where the net interest income exceeded the figure for the previous year by just under euro 21 million. Net fee and commission income also made a significant contribution to the increase in the income of the VBAG Group, with a rise in the period under review of euro 34 million or 40.3% compared to the previous year, to reach euro 118 million. The biggest gains compared to the previous year were an increase of euro 18 million recorded by the banks in Central and Eastern Europe. Similarly, net trading income saw an increase of euro 22 million or 73.4 % to euro 52 million.

The network of international branches has been expanded by 49 outlets since the beginning of the year, bringing the number up to 493. In line with this expansion, the growth in personnel also focussed on the CEE banks, with an increase of 369 employees. As at June 30, 2008, the VBAG Group has a total headcount of 8,820 employees, which is around 479 more than at the end of 2007. In line with this expansion, general administrative expenses rose by 27.9% to euro 360 million.

Due to the market turbulence of recent months, there was a loss from financial investments totalling euro 28 million. The structured credit portfolio was devalued by euro 14 million. This was sufficiently covered through the use of risk provisions that were formed in 2007 with regard to possible future risks emanating from the sub-prime crisis. An additional devaluation amounting to euro 13 million was performed for securities loans to corporate customers. Due to the good asset quality of the overall portfolio however we were able to keep the available for sale reserve at the same level as in the 1st quarter.

“Our sustainable and broadly-based business model together with the continuing dynamic development of business at our subsidiary banks in Central and Eastern Europe are providing us with a good basis for the rest of the fiscal year”, concluded Franz Pinkl.

BUSINESS ACTIVITY AND FINANCIAL MARKETS IN THE FIRST HALF OF 2008

While the growth of the economy in the eurozone during the first quarter was very robust with an annualized rate of 2.1 % (due to mild weather and major construction activities), a heavy decline could be seen from the beginning of the second quarter, as expected. The preliminary indicators have successively worsened in the first half year. Since April, the orders received by the European industry have been below the levels of the previous year. The Austrian Purchasing Manager's Index had already fallen below the neutral 50 point threshold in April, while that of the entire eurozone followed suit in June. Nor are the consumers making any significant contribution to the growth in the current year. The economic decline is the result of the tightened credit conditions since the eruption of the US mortgage crisis in the summer of 2007, the higher prices of crude oil and the stronger euro. Together with a lower demand in the important export markets US and Great Britain, both of which are in a real estate crisis, the strong euro is burdening the export economy, since increased production costs cannot be passed on due to low demand.

The national economies in Central and Eastern Europe, which are important for Austrian companies, are presenting themselves as comparatively robust. As before, they can build on a strong – in some cases maybe too strong – domestic demand.

The high prices of crude oil and food products have led to a strongly increasing inflation rate worldwide. New highs were registered in the eurozone several times in succession: In June, the European inflation rate set a new record with 4 %. At the same time, with 4 % Austria also showed the strongest inflation rate (national consumer price index: 3.9 %) since the introduction of the euro.

Even more than in Western Europe, where the consequential effects are still kept in check and the core inflation without food products and energy still lies below 2 %, the inflation in the Central and Eastern European countries has worsened. The reasons for this are the high domestic demand, an increase in the real wages that in part significantly exceeds the growth in productivity, the comparatively weak competition in retail, and especially the stronger weighting of food products and energy in the shopping baskets for the measurement. In the Ukraine, which registered the strongest inflation spurt within the core markets of Volksbank AG, the share of food products in the consumer price index is more than 50 %!

In the first half year, this situation still led to a strong increase in the short-term euro interest rates and the market expectation of an increase in the minimum refinancing rate by the ECB. This was the case despite the continually existing or further worsening international credit market crisis as a result of the difficulties in the US real estate and mortgage market. The swap curve also shifted upward – by 65 basis points in the two-year swap rate and 28 basis points in the ten-year swap rate – so that it became slightly inverse at the end of the first half year.

The central banks in the CEE and SEE countries continued their respective tightening courses as expected. The Ukraine, Russia and Croatia accelerated the appreciation of their currencies. However, the weakness of the dollar had the result that the hryvnia, which is coupled to the US dollar, and the rouble, coupled to a dollar/euro combination, appreciated less in respect to the euro than would have been necessary for an effective monetary tightening. The key lending rate in the Czech Republic was raised by only 25 basis points. The appreciation of the koruna - which is associated with this but cannot be entirely explained by the development of the interest rate – resulted in a stronger tightening of the monetary conditions than can be detected in the development of the key lending rate. In Hungary and Poland, the key lending rate was raised by a total of 100 basis points, in Romania by 250 and in Serbia, which again had a double-digit inflation rate in the first half year, the key lending rate rose by 575 basis points. Despite the increasing inflation in Slovakia, the Maastricht criteria have been satisfied, the key lending rates maintained and the introduction of the euro has been set for 1 January 2009. Following our expectations, the conversion rate was fixed at an extraordinarily strong valuation level for the koruna. Here – just as with the continuing free-floating Czech koruna - the appreciation of the currency should contribute to a reduction of the inflation. The other currencies in the region also appreciated in the first half year.

The stock market indices declined during the first half year. The reasons were to be found in the increasing concerns about the stability of the financial market, the new records in the price of oil, and the weakening economy.

Outlook

The conditions on the credit markets will probably not improve significantly in the second half of 2008. On the one hand this is a result of the rise in the default rates even outside of the US mortgage market, due to the general economic weakness. On the other hand, the recapitalisation requirement of US and international banks undermines confidence in the financial sector. The economy in the eurozone should continue to weaken. Since the price of oil is reacting to the weakened world economy by now and many additional production capacities are being activated in the second half of the year, a certain relaxation can be expected at least in respect to the inflation in the eurozone, which might contribute to a slight decline in the interest rate level even before the end of this year. We do not expect much momentum in the stock markets over the next quarter. In Central and Eastern Europe, the rise in inflation was significantly more apparent than in the eurozone, so that a lowering of the interest rates by the central banks will probably be an exception, despite the high initial level and a weakening of the economy even here. After the rally of the first half year, no major movements can be expected in the currencies. In those economies where the interest rates might be lowered this year – which is conceivable in Hungary, for example – the currency may weaken again somewhat. In general, however, the upward trends will remain intact, due to the long-lasting growth advantage.

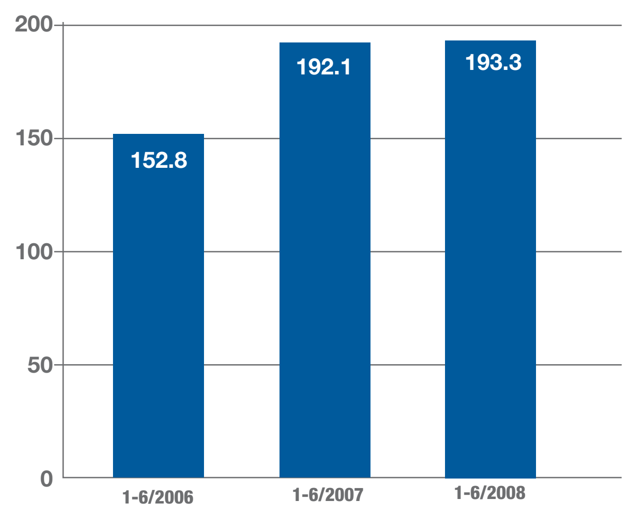
COMMENTARY TO VBAG CONSOLIDATED FINANCIAL STATEMENT

Results

VBAG was able to successfully continue the growth of previous periods and achieve increases in net interest income and net fee and commission income in the first half of the year. The market turbulence of recent months was reflected only in the income from financial investments.

The result for the period before taxes was kept constant compared to the comparative period despite a fall in the income from financial investments. Adjusted by the results from a disposal group (in the first half of 2007, the profit of NÖ Hypo, which was deconsolidated on July 2, 2007, totalled euro 10.9 million), the increase was euro 12.1 million or 6.7 %.

Result for the period before taxes in euro million



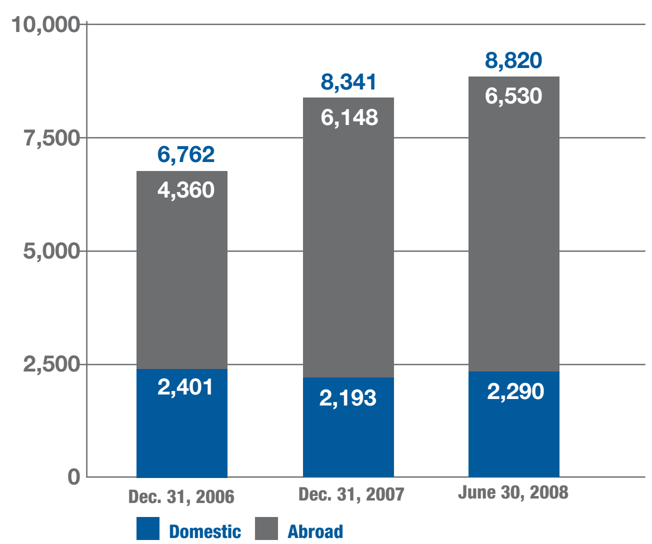
The positive development of net interest income continued in the first half of the year. At euro 452 million, it increased by euro 89 million or 24.6 % compared to the same period in the previous year. The Retail segment contributed strongest to the growth with an increase of euro 55 million – of which the Retail CEE segment posted a rise of euro 44 million – followed by the Corporates segment, where the net interest income exceeded the figure for the previous year by just under euro 21 million.

Net fee and commission income also made a significant contribution to the increase in the income of the VBAG Group, with a rise in the period under review of euro 34 million or 40.3 % compared to the previous year, to reach euro 118 million. The biggest gains compared to the previous year were an increase of euro 18 million recorded by the banks in Central and Eastern Europe.

Net trading income saw an increase of euro 22 million or 73.4 % to euro 52 million, despite the difficult market environment.

The network of international branches has been expanded by 49 outlets since the beginning of the year, bringing the number up to 493. In line with this expansion, the growth in personnel also focussed on the CEE banks, with an increase of 369 employees. As at June 30, 2008, the VBAG Group has a total headcount of 8,820 employees, which is around 479 more than at the end of 2007. In line with this expansion, general administrative expenses rose by 27.9 % to euro 360 million.

Staff



Other operating results is euro 6 million below the level of the previous year because of profits realised last year in the real estate segment from the sale of property in Warsaw in 2007.

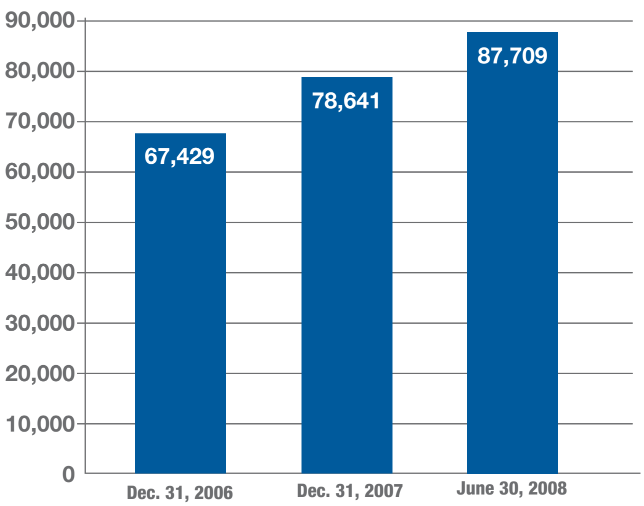
Due to the market turbulence of recent months, there was a loss from financial investments totalling euro 28 million. The structured credit portfolio was devalued by euro 14 million. This was sufficiently covered through the use of risk provisions that were formed in 2007 with regard to possible future risks emanating from the sub-prime crisis. An additional devaluation amounting to euro 13 million was performed for securities loans to corporate customers. The available for sale reserve remained at the level of the first quarter, which can be traced to the robust quality of the entire portfolio, which predominantly comprises debt securities of sovereigns and banks with the best creditworthiness.

The fall in tax-free income increased the tax ratio from 9.0 % in the first half of 2007 to 12.6 % in the first half of 2008. The increase in minority interests can be traced to the higher income at the CEE banks, in which German and French partner banks have a 49 % share. Consolidated net income is therefore euro 12 million below the value for the same period in the previous year.

Balance sheet and own funds

As of June 30, 2008, the Group's total assets stood at euro 87.7 billion, which corresponds to an increase of 11.5 % or euro 9.1 billion compared to December 31, 2007.

Total assets
in euro million



Loans and advances to customers rose by euro 4.3 billion or 10.9 % to euro 43.3 billion. The CEE banks (+ euro 1.8 billion or 25.0 %) and the Investkredit Group (+ euro 1.0 billion or 10.1 %) showed the highest rates of growth. The total volume of financial investments showed a slight increase to euro 18.6 billion as at June 30, 2008.

Total primary deposits (amounts owed to customers, debts evidenced by certificates and subordinated liabilities) rose in the first half of 2008 by euro 4.1 billion. On the one hand, amounts owed to customers went some way to refinancing the growth of loans, achieving a growth rate of 18.5 % or euro 2.0 billion. On the other hand, despite difficult market conditions, issuing activities in the VBAG Group were intensified during the first half of the year, leading to an increase in debts evidenced by certificates of euro 1.7 billion to euro 34.8 billion. The issues in the VBAG Group of euro 2.1 billion and in the Kommunalkredit of euro 0.4 billion are countered by redemptions reported by Investkredit totalling euro 0.6 billion.

The VBAG Group's own funds as required by the Austrian Banking Act amounted to euro 4.6 billion as of June 30, 2008. The tier one ratio (ratio of core capital to the assessment base for the credit risk) was 7.5 %. Through the issue of euro 500 million in participation capital, which drew international attention and was successfully completed in May 2008, it was possible to sustainably strengthen the VBAG Group's level of own funds and return the tier one ratio to (and even beyond) the targeted corridor of 6.8 % to 7.2 %. After deducting the requirements to cover market and operational risks, the ratio of own funds is now 10.3 %. Overall, the Group clearly exceeds the statutory equity requirement by euro 971 million.

CORPORATES SEGMENT

Investkredit sees itself not only as a bank for corporates but also as a bank for entrepreneurs. Its organisational structure is oriented towards a specialised and broad range of services: the lending business, cash management, treasury sales, trade finance, investment banking, debt capital markets, and group cross selling.

In the first half of 2008 operating income in net interest income and net fee and commission income rose, a fact that documents the stronger orientation towards higher profitability and preservation of the required provisions. However, valuation losses were recorded in the income from financial investments due to the situation on the financial markets and Austrian issuers of corporate bonds. Result for the period before taxes in the corporates segment could nevertheless be improved from euro 20.0 million to euro 24.8 million.

The lending volume in the SME division increased only slightly in the first half of 2008. One important reason for this was the increase in the cost of financing. In corporate lending the volume of loans decreased slightly, due mainly to planned amortizations of long-term financing. Investkredit was able to reinforce its market position in the domestic market during the first half of the year by focussing its activities on treasury services and export financing business more.

New employees were hired in Romania, the Czech Republic and Poland in accordance with the strategy of being a niche bank for corporate finance product solutions. This represents another essential step to cover the market in the mid-cap area throughout Central and Eastern Europe as a supplier of corporate finance.

Investkredit's business in Germany developed positively in the second quarter as well. Above all in acquisition financing the structured finance area was able to generate some important arrangement successes, further reinforcing its position among the top 3 in the MBO market. All told, business here is at the same (record) level as last year, despite the fact that the market environment has become noticeably more difficult.

Investkredit customer deposit business established itself for the long term in the first half of 2008 as an essential source of liquidity. Deposits from companies were regularly over euro 460 million. In the US dollar area an increase to euro 277 million was achieved by switching from payable on demand amounts to fixed deposits. The capital market remained volatile in the second quarter as well. Transactions were limited to a few participations in syndicates with other lead arrangers.

Outlook

All in all, Investkredit is expecting reduced growth of the loan portfolio for the total year 2008. The focus is not on expanding the volume but rather on upholding the high quality standards of the loans. Reductions in profit due to the pressure on margins in the lending business should be compensated among other things by the profits from derivatives. Due to the very good deal flow, in Germany the second half of the year should bring a continuing positive environment for acquisition finance for medium-sized German companies. The sales activities of the Frankfurt branch will target higher margin corporate finance projects more closely in future. First cross-selling successes can already be observed in this area. In Eastern Europe, in addition to economic aspects, possible fluctuations in foreign exchange rates must also be taken into consideration which could have an influence on customers' ability to repay their loans.

PUBLIC FINANCE SEGMENT

The Kommunalkredit Group is the market leader in public finance. Approximately two thirds of all Austrian municipalities are among its customers. Another core market is Switzerland. As an internationally operating niche player, Kommunalkredit primarily finances municipalities, cities, regions and countries as well as companies in the public sphere. In Central and Eastern Europe it operates through Dexia Kommunalkredit Bank – a joint venture with the Dexia Group.

With two AA ratings – AA2 by Moody's and AA- by Fitch – Kommunalkredit is one of the highest rated banks and also the one with the highest financial strength rating from Moody´s (B-) in Austria.

Kommunalkredit's business development is distinguished by long-term, stable and constant growth in profits and total assets. Despite the current challenges in the international capital markets, these dynamics also continued in the first half year 2008. The bank's total assets grew to euro 34.5 billion in the first half of the year while the result for the period before taxes amounted to euro 43.3 million (euro 41.2 million considering group overheads), thus achieving 57 % of the total results of the previous year in the first six months.

The essential parameter for the banks success is the strategic decision from the early 1990s to position Kommunalkredit as a specialist bank for public finance. Due to the steps implemented at that time, Kommunalkredit is now an anchor of stability in the midst of the ongoing capital market crisis.

On the liabilities side, the successful placement of the four-year EUR covered bond benchmark issue earlier this year at a flat re-offer level should be emphasised in this difficult market environment.

The Kommunalkredit Group's own funds amounted to euro 1,2 billion as at June 30, 2008. In the meantime the core capital of the Kommunalkredit Group has risen to euro 870.9 million.

Outlook

A continuation of the bank's stable growth can be expected for the second half year. Improving margins domestically and especially internationally level are being used to enter into attractive investment opportunities. At the same time, the focus will continue to be on highly rated risks in Austria, Switzerland, EU Europe and selected risks in investment-grade markets.

SEGMENT RETAIL

Volksbank Wien AG

The first half of 2008 was extremely successful for Volksbank Wien. For the second time in a row, Volksbank was awarded the sought-after Recommender Award by the Austrian Finance Marketing Association. It honours Volksbank as the bank that is most recommended to others by its customers.

The many successful activities on the market are reflected in the mid-year figures: The bank managed to increase amounts owed to customers since the start of the year by 14.5 %, the growth in savings deposits came to about 7.0 %. Loans and advances to customers increased by a very pleasing 4.1 % in the first half of 2008. The volume of securities held by customers was kept stable despite the difficult stock market environment. On the asset management side, the guarantee products, Come Back Garant and Goleador Garant, which were exclusively issued for Volksbank Wien, have been extremely successful.

There were focussed activities for the target group of small and medium-sized enterprises which were meant to be enjoyed by both customers and non-customers. Topics such as “Acquiring and selling companies” in April or – planned for September – “Self-management” as part of the SME training campaign "Fit for business" address the concerns of individual participants. In order to expand the circle of regular clientele of corporate customers, an acquisition campaign launched last year has also been consistently pursued throughout the first half of 2008.

Families were also a target group for Volksbank Wien; one goal of the talent promotion initiative was to catch the attention of children. For example, in the branch at Schottenring 1, in Vienna’s 1st district, a successful exhibit was on display entitled “Animals in Vienna”. It was prepared educationally for schools and nursery schools in cooperation with the Natural History Museum and fascinated more than 5,000 children. Sponsoring sports events such as the “Kids Athletic Cup” and the school sports event “Athletics Light” establishes ties with children and parents and fosters athletic talents. This is yet another step Volksbank Wien hast taken to win customers at an age as early as possible.

As part of the focus on housing, Volksbank Wien was represented with a booth at the “Bauen & Energie” trade fair at the Vienna Fair Centre. Interested parties were offered consulting on financing a public subsidy opportunities as well as a specially-developed financing package called “Housing Million for Young-Families“. Within the variety of offers, informative evenings on topics such as “Financial securitiy and investments” as well as diverse events such as vernissages, a golf tournament, an evening of opera at the St. Margarethen Roman quarry and the successful sports event “Volksbank Wien’s Everybody-Decathlon” were organised.

Throughout all these activities, social and ethical responsibility is very important to Volksbank Wien. This year's charity project "Alaska, the Therapy Pony and her Foster Children" supports the Austrian Parents for Children Association and provides 20 children growing up with foster parents with therapeutic riding lessons for a year on Alaska, a Shetland pony.

Outlook

Strengthening the market position continues to be an important goal for the future. In all its operations, in commercial banking, retail banking as well as in investment banking, Volksbank Wien places its partnership-based customer relations at the centre of its efforts. The forecast shows a continuation of the positive trend, which reflects the success of this business strategy.

Volksbank Linz+Mühlviertel

Volksbank Linz+Mühlviertel stood its ground during the first half of 2008 despite the difficult market environment. Above all, the increase in customer lending (up 4 % to about euro 190 million) reflects the bank’s ambitious growth strategy. This development is all the more pleasing because it defies the tendencies of the generally declining demand for loans.

The investment behaviour of customers (short term and conservative) was reflected in the 5.8 % growth in the primary market compared to December 2007, to about euro 308 million. The moderate growth in savings deposits resulted from the deliberate release of overpriced volumes. Income trends were characterised by a further erosion of the margin in the lending and investments area, caused by the well-known high density of competition.

Commission budgets were under strong pressure as a result of the familiar market trends. Despite a massive decline in prices, the volume of securities was held at about euro 90 million, de facto at the same level as December 2007, due to new business. However, the declared targets were exceeded in the areas of insurance and savings and loan associations.

For the past few years Volksbank Linz+Mühlviertel has had the goal of supporting social areas. As an expression of this corporate social responsibility, it has sponsored an integrative summer camp for children in St. Oswald near Freistadt every July for eleven years now. For the second time, Volksbank Linz+Mühlviertel, together with Lions Linz 2000, hosted the Volksbank Golf Charity Trophy in Linz-Tillysburg. The proceeds, which amounted to 8,500 euros, were used to support three Lions projects benefiting needy children.

Aside from social causes, Volksbank Linz+Mühlviertel has also become increasingly involved in art and culture. This includes cooperating with the Lentos Museum of Art in Linz to produce an event series. Several times a year, Lentos regularly invites personalities from the world of art and culture to a series of talks entitled “Sundays at 11”.

At the initiative of Volksbank Linz+Mühlviertel, the Volksbank Group and the Upper Austrian Volksbanks funded a business trip to Estonia and Finland for the first time for people from the newspaper Oberösterreichische Nachrichten and personalities from business and politics. In addition to visiting various companies and cities, networking with Upper Austrian opinion makers was without a doubt a priority.

Outlook

In the face of the bleak economic trends, trying to reach the targets will be very ambitious. The lack of inclination on the part of entrepreneurs to make investments and the consumer behaviour of private customers are already taking their toll. Despite this, Volksbank Linz+Mühlviertel will work hard to reach its medium-term targets.

Bank für Ärzte und Freie Berufe AG – Die Ärztebank

The first half of 2008 went very well for Bank für Ärzte und Freie Berufe. Total assets as at the reporting date of June 30, 2008 amounted to euro 769 million. Just as pleasing was the growth of the result for the period after taxes, which came to euro 975 thousand in the first half of 2008. This indicates that we may expect a year-on-year increase for the whole of 2008.

In order to carry on guaranteeing individual and top quality consulting for the growing numbers of customers – the bank gained 463 doctors as new customers in the first half of 2008 – ”Ärztebank“ (the doctors' bank) is adding to its consulting staff. As Ärztebank had outgrown its old headquarters, the bank has moved to a larger building at Kolingasse 4, in Vienna's 9th district.

Our new branch in Innsbruck’s Museumstrasse was officially opened on July 1. Dr. Raimund Margreiter was on hand to moderate the official opening together with the Chairman of the Management Board of Ärtzebank, Anton Heisinger.

Outlook

Our new headquarters at Kolingasse 4 will officially open on September 17. Among others, Heinz Marecek will entertain our guests with witty texts. The Sternthalerhof will be given space to introduce its project in more detail: a children’s hospice, unique in Europe, that offers equine therapy and is supported by Ärtzebank.

The goal of our work in the second half of 2008 will be to achieve further growth in the number of new customers by taking certain planned steps and thus to realise an increase in market share in our target segment.

IMMO-BANK Aktiengesellschaft

For IMMO-BANK AG, the first half of 2008 was all about positive, better-than-budget business development and trend-setting initiatives.

”House of Real Estate“ opened

Over the past years, this Group subsidiary has established itself through continuous growth as an expert bank and a centre of competence for housing financing. This gave rise to the forward-looking initiative of building a “House of Real Estate” as a sales channel and internal network platform – entirely in keeping with the association’s current strategy of housing financing. The new “Immo Center”, centrally located on the Märzstrasse in Vienna, was officially opened on March 13, 2008 and is totally living up to its name: Spread out over seven floors and about 5,500 square metres, customers are offered a dense concentration of competence, ranging from the search for real estate (IMMO-CONTRACT Maklergesellschaft) to building maintenance (WEVIG Wohnungseigentumsverwaltungs- und Immobilientreuhand-Gesellschaft mbH) to property developers and the business area “personal real estate business" offered by IMMO-BANK AG as a financing specialist institute. So far, the experience is proving the initiators of this comprehensive in-house solution right: The "Immo Center" has become extremely popular with customers and thus opens up valuable synergies and excellent cross-selling opportunities for IMMO-BANK AG.

Increasing market share

All of IMMO-BANK AG's business areas have been showing pleasing increases in profit – with only a moderate rise in expenses. As a housing construction bank, IMMO-BANK AG has the right to issue tax-sheltered housing construction bonds and achieved a satisfactory volume of issues in the first half of 2008 amounting to euro 60 million. This meant a further increase in market share in the area of housing construction bonds. A solid result was also achieved in the area of lending: Compared to December 2007, loans and advances to customers were up by 4.6 %.

Outlook

Despite the cloudy economy, interest-rate problems and irritable markets triggered by the US mortgage crisis, IMMO-BANK AG is confident that it will be able to outperform the good results of the previous year once again in 2008. With its "prime-climate loan", the specialist institute has launched a highly marketable product. Based on the klima:active catalogue of criteria (put out by the Austrian Ministry of Agriculture, Forestry, Environment and Water Management together with the Federal Ministry for Transport, Innovation and Technology) which defined a nationwide standard for high-quality, energy-efficient buildings, an up-to-date, individual and inexpensive loan product for private and commercial customers has been established.

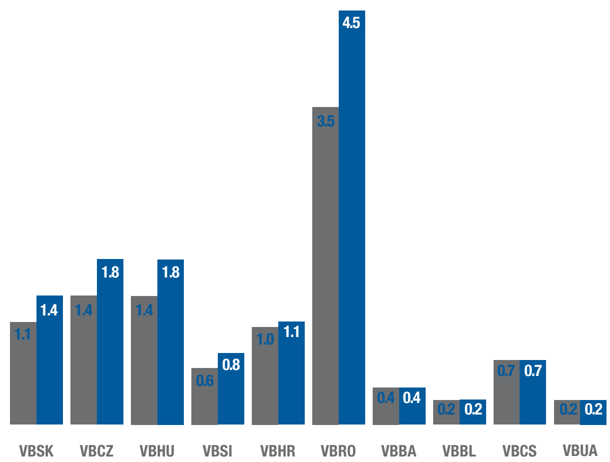
The comprehensive consulting and sales campaign is already receiving positive feedback: The high level of specialisation, well-founded technical knowledge combined with a pronounced willingness to provide service and advice as well as the rapid availability of capital thanks to quick decision-making all give IMMO-BANK AG a unique place in the market that customers can understand.

Volksbank International

The Volksbank International Group (VBI) continued its successful growth course in the first half of 2008. This success can largely be ascribed to the re-orientation of VBI's strategy and its consistent practical implementation.

The total assets of the VBI Group soared by 21.4 % to euro 13.0 billion compared to Dec. 31, 2007. Volksbank in Romania, which reported total assets of euro 4.5 billion, accounted for the lion's share of this result. The banks in Hungary and the Czech Republic (each euro 1.8 billion), Slovakia (euro 1.4 billion) and Croatia (euro 1.1 billion) reached or surpassed the one billion mark.

Total assets
in euro million



The lending volume, which expanded by 25.1 % to euro 9.1 billion, and total deposits, which grew by as much as 11.4 % to euro 4.8 billion, followed a similarly dynamic trend over the past six months.

Increasing market share

The VBI Group currently consists of ten VBI banks in nine Central and Eastern European countries (Slovakia, the Czech Republic, Hungary, Slovenia, Croatia, Romania, Bosnia-Herzegovina, Serbia, Ukraine) and VBI AG, which is based in Vienna. The VBI Group's headcount had increased to 5,507.

The strategy of focusing on qualitative growth through the expansion of selected lines of business proved highly successful. A great deal was invested in boosting sales power and heightening the efficiency of internal workflows. Customers perceived this in the quick decision-making and a market-oriented range of services. This path of efficient growth will be followed just as consistently and energetically in the future as it has been in the past.

About 600 outlets
By continuously setting up its own banks in combination with the acquisition of suitable enterprises and innovative distribution channels (franchises, bank shops) VBI has been able to greatly increase the number of its outlets to 595.

The rapid and cost-efficient expansion of its regional presence was a decisive factor for the acquisition of many new customers. Thus, the VBI network is already managing about 1.5 million customer accounts.

Lending to individual customers up 81 %
In retail banking, VBI banks concentrated on standardised retail business. During the reporting period, VBI was able to increase its retail lending volume by 81 % to euro 4.9 billion and expand the volume of retail deposits by a strong 29.8 % to euro 3.0 billion.

Euro 1.2 billion in new corporate business
Corporate banking focussed on small and medium-sized enterprises, real estate finance and internal transactions. VBI continued to follow its "qualitative growth course" and was able to increase its earnings power by about 25 % compared to mid-year 2007. The growth in volume was, at about euro 620 million, most satisfactory. New corporate business was acquired amounting to about euro 1.2 billion.

Outlook
Thanks to its clear strategy and consistent customer orientation, the VBI group has grown from a small network to a successful medium-sized network over the past few years.

In the years to come, special emphasis will be placed on taking full advantage of the opportunities for which VBI has consistently striven and on actively shaping its new role as a major player in the CEE markets. In view of its business performance in the past few years, Volksbank International can look to the future with optimism and be confident that it will reach the goals it has set itself.

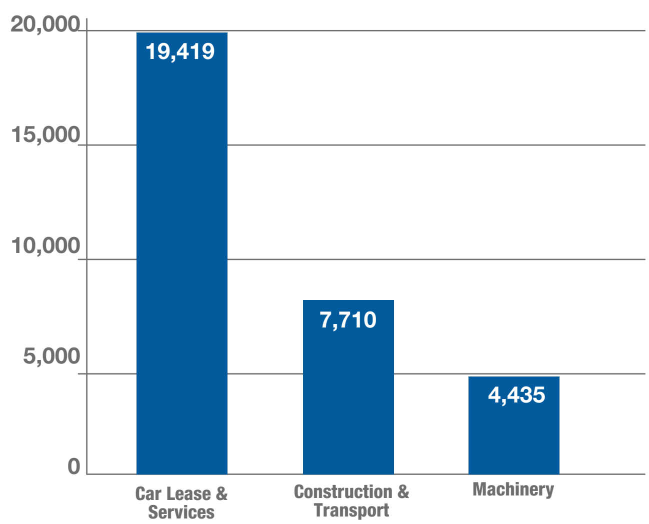
VB-LEASING International Holding GmbH

Once again, VB LEASING International was able to confirm the impressive results of the previous year and continue the success story it has been writing over the past years in the first half of 2008 as well. In the first six months of 2008, the volume of new business expanded to over euro 825 million. A particularly high growth rate was recorded in the areas of machinery and cars/small utility vehicles with a growth of over 10 % compared to the previous year. It was possible to halt the constantly growing pressure on financing conditions and thus stabilise the margins.

The country companies in Slovenia, Serbia and Bosnia showed very pleasing growth with levels of new business that were above the Group average. Happily, we were again able to secure our position at the top of the field in the countries in Central and Eastern Europe during the past 6 months of business. The VB LEASING Group owes this success to our customer proximity, quick decision lines and a slim and cost-conscious market presence. The cross-border exchange of know-how within the Group plays a central role here.

Outlook
The VB LEASING Group continues to be optimistic about the second half of 2008 and is expecting to write yet another successful chapter in the company's history due to the shared future-oriented strategy.

New business in the 1st half year (number of contracts)



REAL ESTATE SEGMENT

Net interest income in the real estate segment was increased from euro 73.0 million to euro 75.9 million. In contrast, there was strong pressure on risk provisions. Because of lower sales profits, the segment result for the period before taxes of euro 50.6 million was also below the amount of the previous year.

The markets for commercial real estate in CEE and Russia, in which Investkredit is active, have been affected by the trends on the global financial markets. As far as the credit crisis goes, however, they have proved to be more resistant than other regions so far. Yet the diminished liquidity levels limit the number of large transactions and portfolio investments. A number of investors are no longer active on the real estate markets or have higher yield expectations.

A deceleration of development and investment activity in real estate finance can be observed in Central and Eastern Europe. The rising costs of refinancing for banks – including Investkredit – are to a large extent manageable and can be covered sufficiently by the yields. As regards the volume of refinancing, it has become more difficult to raise the necessary volumes of external capital, particularly for large real estate projects. Banks have become more selective and generally concentrate on business with existing customers that have a proven track record. The volume of Investkredit's real estate financing increased in the first half year by euro 0.2 billion to euro 3.5 billion.

Immoconsult signed leasing contracts with a total volume of about euro 131.5 million in the first half of 2008. Pursuing its programme of internationalisation, two new foreign companies started operations in Croatia and the Ukraine in 2008.

The project development company PREMIUMRED completed the "Premium Plaza" office building in Bucharest (rentable area 8,600 m²) and opened it in July. Most of the building is already rented, as is the case with the almost completed "North Gate" in Warsaw (rentable area approximately 30,100 m²). "Premium Point" in Bucharest, with a rentable area of about 6,100 m², is still being developed. A plot of land was purchased in Prague on the Vltava River for future building projects.

In the first half of 2008 the property volume of the Europolis Group increased to more than euro 1.5 billion. The rental income rose to euro 33.6 million which is 8 % above the last year´s figure. In light of the more difficult market situation, Europolis has revaluated all properties. The conservative valuation approach has been confirmed. Due to increased rents – especially in Poland – it was even possible to raise the value of a few buildings. The result for the period before taxes of the Europolis Group increased by 10 % to euro 41.2 million. Europolis currently owns 41 properties in the Czech Republic, Hungary, Poland, Romania, Slovakia, Croatia, Russia and the Ukraine. The contractually fixed investment volume increased to euro 2.5 billion.

In the area of real estate investments, Europolis signed a joint venture with GD&K in Poland for a development pipeline of up to euro 120 million. Additionally, the largest rental transaction to date for a Polish office property was negotiated for 39,000 m² in Lipowy Office Park in Warsaw. The minority interest of Europolis Park Blonie near Warsaw was purchased and the project will be extended to a total size of 325,000 m². In Hungary, the expansion of both Europolis Parks is approved and in the Czech Republic Amazon Court, the third office building of the River City Prague development is under construction. In Romania, the first building of Sema Parc project was handed over to the tenants and a land plot was purchased in Bucharest for another development project. In Russia the KPP shopping and entertainment centre in St. Petersburg and an office building in Volgograd are under construction. Two logistics parks in the Ukraine along with the projects Harbour City and Europolis Park D61 in Slovakia are currently in development. In asset management, the properties are managed by Europolis Real Estate Asset Management GmbH in Vienna and its regional offices in Prague, Warsaw, Budapest, Bucharest, Moscow, Zagreb and Kiev with a staff of currently 118 employees. Europolis let or re-let 161,729 m² of office, retail and logistic space in the first half of 2008. In real estate financing the loan book of Europolis AG increased from euro 710 million to euro 835 million. Most loans are intercompany loans to Europolis project companies.

After the reference date of the interim report, the luxury shopping centre Vremena Goda in Moscow was purchased with the Canadian partner Ivanhoe Cambridge. Europolis now holds 40 % in this project with 150 high-end stores and a retail area of 32,000 m².

Europolis is striving to reinforce its excellent market position and quality leadership in the quickly growing CEE and SEE region, especially in Romania, Russia and the Ukraine. To achieve this goal, the investment focus continues to be directed towards project developments. The real estate assets are projected to show continued growth through the end of the year.

FINANCIAL MARKETS SEGMENT

The first half of 2008 was overshadowed by the influence of the ongoing market and confidence crisis and thus severely restricted market liquidity. However, it turned out that the wholesale money market performed without a problem across the region. The monthly requirement for medium to long-term refinancing in the amount of euro 500 million was covered by own securities issues. Of the planned total annual requirement, 78 % of the longer-term refinancing was already covered in the first half of the year. This means that most of the planned growth of total assets for 2008 on the liabilities side has already been achieved. The expansion of the product range to include credit-linked notes for the target groups of Retail and Bank-A-depot was well-received. While large-volume syndicated benchmark bonds could temporarily only be issued by major international banks or on a covered basis, the strategy of the direct marketing of private placements and note loans proved successful.

On the capital side, the regulatory core capital was increased by issuing euro 500 million in participation capital. The newly developed, tax-efficient tier one product was sold mainly to European retail asset managers with a focus on Germany. This step means that the equity corridor of 6.8 % to 7.2 % can be sustainably guaranteed even if there is further growth. The assessment base was increased and thus the capacity for future hybrid capital issues. With the update of our euro 7 billion debt-issuance programme, if necessary these issues can now be directly sold in a format suitable for retail. However, because the current equity ratio is sufficiently high, it is unlikely that a hybrid capital bond will be issued in 2008.

In the first half of 2008, more than euro 3 billion worth of interest-rate products were placed on the capital market. The higher interest rates on money and capital markets led customers to invest more in plain vanilla or simply structured products. This trend will persist or even strengthen if the credit crunch continues. Institutional bank, insurance and pension fund customers from Germany consider VBAG to be a “safe haven” given the current credit margins. Among domestic banks, the trend towards simple products can be seen from the rising volume of deposits. In this context there has been a greater demand for profitable interest-rate products for the A-depot.

VB Invest and VB Structured Investments have bundled their expertise and begun to usher in a new dimension in investments. Employee workshops and events such as the “Stock Exchange Day” and “International Day” encourage a dialogue with the most important sales partners. The goal is to offer Volksbanks in Austria and the CEE/SEE countries an even more professional service for asset management products in the future.

Because of the negative developments on the international credit markets during the first half of 2008, provisions had to be made in VBAG‘s investment book of about euro 14 million. However, these were entirely covered by provisions that had already been built in 2007. VBAG’s indirect monoline exposure (insured securitised bonds) is slight, at about euro 8 million, and not at risk to suffer losses.

Outlook

All in all, the financial markets segment was able to achieve a particularly pleasing result in the first half of the year, despite adverse conditions in the capital markets. Once again, this highlights the fact that we can be lastingly successful with our business model, even in a difficult environment. Thus it continues to be our goal for the future to offer our customers sufficient flexibility and interaction with professional service and high product standards, particularly in this segment, in order to counteract negative market trends early.

INCOME STATEMENT

	1-6/2008	1-6/2007	Changes	
	Euro thousand	Euro thousand	Euro thousand	%
Interest and similar income and expenses	445,303	356,387	88,915	24.95 %
Income from companies measured at equity	7,056	6,788	268	3.94 %
Net interest income	452,359	363,176	89,183	24.56 %
Risk provisions	-44,923	-39,214	-5,708	14.56 %
Net fee and commission income	117,735	83,913	33,822	40.31 %
Net trading income	51,718	29,821	21,896	73.43 %
General administrative expenses	-359,958	-281,345	-78,614	27.94 %
Other operating result	3,940	10,332	-6,392	-61.87 %
Income from financial investments	-27,570	14,478	-42,049	<-200.00 %
Income from the disposal group	0	10,928	-10,928	-100.00 %
Result for the period before taxes	**193,300**	**192,088**	**1,212**	**0.63%**
Income taxes	-24,260	-16,137	-8,123	50.34 %
Income taxes of the disposal group	0	-1,126	1,126	-100.00 %
Result for the period after taxes	**169,039**	**174,825**	**-5,786**	**-3.31 %**
Profit attributable to shareholders of the parent company (Consolidated net income)	**98,769**	**111,203**	**-12,435**	**-11.18 %**
Profit attributable to minority interest (Minority interests)	70,271	63,622	6,649	10.45 %

BALANCE SHEET AS AT JUNE 30, 2008

	June 30, 2008 Euro thousand	Dec. 31, 2007 Euro thousand	Changes Euro thousand	%
ASSETS				
Liquid funds	4,482,966	3,200,392	1,282,574	40.08 %
Loans and advances to credit institutions (gross)	13,330,004	11,367,838	1,962,165	17.26 %
Loans and advances to customers (gross)	43,305,309	39,047,815	4,257,493	10.90 %
Risk provisions (-)	-540,782	-502,414	-38,368	7.64 %
Trading assets	992,992	1,008,738	-15,746	-1.56 %
Financial investments	18,587,329	18,195,539	391,790	2.15 %
Assets for operating lease	1,568,891	1,417,796	151,095	10.66 %
Companies measured at equity	134,981	103,091	31,890	30.93 %
Participations	268,729	249,417	19,311	7.74 %
Intangible assets	457,930	455,087	2,843	0.62 %
Tangible fixed assets	323,162	308,409	14,753	4.78 %
Tax assets	198,259	141,291	56,969	40.32 %
Other assets	4,599,338	3,647,829	951,509	26.08 %
TOTAL ASSETS	**87,709,107**	**78,640,829**	**9,068,278**	**11.53 %**
LIABILITIES AND EQUITY				
Amounts owed to credit institutions	27,486,894	24,200,454	3,286,441	13.58 %
Amounts owed to customers	12,858,025	10,850,921	2,007,105	18.50 %
Debts evidenced by certificates	34,812,013	33,108,714	1,703,299	5.14 %
Trading liabilities	389,462	329,024	60,439	18.37 %
Provisions	192,545	203,763	-11,219	-5.51 %
Tax liabilities	168,740	160,770	7,969	4.96 %
Other liabilities	6,439,789	4,873,324	1,566,465	32.14 %
Subordinated liabilities	2,376,074	1,966,480	409,594	20.83 %
Equity	2,985,565	2,947,380	38,185	1.30 %
Shareholder´s equity	1,560,070	1,600,384	-40,314	-2.52 %
Minority interests	1,425,495	1,346,996	78,499	5.83 %
LIABILITIES AND EQUITY	**87,709,107**	**78,640,829**	**9,068,278**	**11.53 %**

CHANGES IN THE GROUP´S EQUITY

Euro thousand	Subscribed Capital *	Capital reserves	Retained earnings	Currency Reserve	Valuation reserves pursuant to IAS 39 [3] Available for sale reserve	Valuation reserves pursuant to IAS 39 [3] Hedging reserve	Shareholder´s equity	Minority interests	Equity
As at January 1, 2007	**340,118**	**494,096**	**614,587**	**27,901**	**34,540**	**5,547**	**1,516,790**	**1,329,039**	**2,845,829**
Consolidated net income [1]			111,203				111,203	63,622	174,825
Dividends paid			-36,081				-36,081	-6,212	-42,293
Change in currency reserve				9,059			9,059	10,372	19,431
Valuation pursuant to IAS 39 [2]					-20,449	1,230	-19,219	571	-18,649
Change in treasury stock	-49	-270					-320		-320
Change due to reclassifications shown under minority interests and capital increases			299				299	55,223	55,521
Changes from companies measured at equity, not affecting profit or loss				290	2,594		2,884	2,795	5,680
As at June 30, 2007	**340,069**	**493,826**	**690,007**	**37,250**	**16,685**	**6,777**	**1,584,615**	**1,455,411**	**3,040,025**
As at January 1, 2008	**339,960**	**493,709**	**800,705**	**19,577**	**-59,898**	**6,330**	**1,600,384**	**1,346,996**	**2,947,380**
Consolidated net income [1]			98,769				98,769	70,271	169,039
Dividends paid			-37,688				-37,688	-48,762	-86,450
Change in currency reserve				35,302			35,302	26,463	61,765
Valuation pursuant to IAS 39 [2]					-122,734	1,466	-121,268	-36,015	-157,283
Change in treasury stock	86	163					249		249
Change due to reclassifications shown under minority interests and capital increases			-89				-89	81,652	81,563
Changes from companies measured at equity, not affecting profit or loss				2,620	-18,208		-15,589	-15,110	-30,698
As at June 30, 2008	**340,046**	**493,872**	**861,697**	**57,499**	**-200,839**	**7,796**	**1,560,070**	**1,425,495**	**2,985,565**

Contributions from companies measured at equity, not affecting profit or loss

	June 30, 2007	June 30, 2008
Available for sale reserve	1,334	-18,330
Currency reserve	2,183	5,001
	3,517	**-13,329**

* The subscribed capital reported corresponds to the figures reported in the financial statements of Österreichische Volksbanken-AG

1) The currency translation differences amounting to euro 1,085 thousand (1-6/2007: euro 68 thousand) for shareholder´s equity and euro 1,157 thousand (1-6/2007: euro 68 thousand) for minority interests resulted from the application of the average rates of exchange in the income statement.

2) In the first half of 2008, an amount of euro 921 thousand (1-6/2007: euro -244 thousand) previously recognised in the available for sale reserve was reclassified and shown in the income statement.

3) As at June 30, 2008 the available for sale reserve included deferred taxes of euro 61,308 (June 30, 2007: euro -4,363 thousand). The hedging reserve contains deferred taxes standing at euro -2,400 thousand at the balance sheet date (June 30, 2007: euro 1,983 thousand).

CASH FLOW STATEMENT

Euro thousand	1-6/2008	1-6/2007
Cash and cash equivalents at the end of previous period	**3,200,392**	**1,199,865**
Cash flow from operating activities	1,067,996	1,162,701
Cash flow from investing activities	-101,032	-162,382
Cash flow from financing activities	315,610	45,101
Cash and cash equivalents at the end of the period	**4,482,966**	**2,245,284**

NOTES

Interim Financial Statements as of June 30, 2008

1) General

The interim report as of June 30, 2008 of the Österreichische Volksbanken-AG (VBAG) has been prepared in accordance with all IFRS / IAS published by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC / SIC) issued by the International Financial Reporting Interpretations Committee and the Standing Interpretations Comittee respectively as adopted for use in the European Union. These interim financial statements comply with IAS 34 Interim financial reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2007.

These condensed consolidated interim financial statements have not been audited.

There were no changes during the reporting periode in the accounting and valuation methods. Due to the implementation of IFRS 7 the comparison figures were adjusted. These measures will improve transparency and comparability for the following periods without affecting the results.

In preparing this interim report the judgements and estimates were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2007.

In the first half of 2008 there were no events or changes in circumstances that would indicate an impairment of goodwill, therefore no impairment tests were carried out for goodwill.

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

2) Changes in the Group structure

In the first half of 2008, capital increases were completed at six VBI banking subsidiaries, in the course of which VBI took over the shares of third party shareholders. The resulting goodwill amounting to euro 241 thousand was recognised under assets.

3) Subsequent events

There have been no subsequent events having a significant impact on the interim financial statements as at June 30, 2008.

4) Notes to the income statement

Interest and similar income and expenses

Euro thousand	1-6/2008	1-6/2007
Interest and similar income	2,936,037	2,330,855
Interest and similar expenses	-2,490,734	-1,974,468
Interest and similar income and expenses	**445,303**	**356,387**

Net fee and commission income

Euro thousand	1-6/2008	1-6/2007
Fee and commission income	188,368	114,451
Fee and commission expenses	-70,633	-30,538
Net fee and commission income	**117,735**	**83,913**

General administrative expenses

Euro thousand	1-6/2008	1-6/2007
Staff expenses	-186,570	-150,177
Administrative expenses	-151,861	-111,619
Depreciation of fixed assets	-21,528	-19,549
General administrative expenses	**-359,958**	**-281,345**

Income from financial investments

Euro thousand	1-6/2008	1-6/2007
Result from financial investments at fair value through profit or loss / Portfolio hedge	-40,828	6,277
Result from financial investments at fair value through profit or loss and from underlying instruments for portfolio hedges	-133,235	-285,589
Result from revaluation of derivatives	92,407	291,866
Results from fair value hedges	-2,257	826
Result from revaluation of underlying instruments	254,006	-27,522
Result from revaluation of derivatives	-256,263	28,348
Result from other derivatives (investment book)	-1,079	496
exchange rate related	-1,135	-49
interest rate related	75	513
credit related	118	0
others	-138	33
Result from available for sale financial investments	-1,748	-20,244
Result from held to maturity financial investments	-10,704	1,911
Result from participating interests, assets for operating lease and other financial investments	29,045	25,212
Income from financial investments	**-27,570**	**14,478**

5) Notes to the consolidated balance sheet

Loans and advances to credit institutions

Euro thousand	June 30, 2008	Dec. 31, 2007
Measured at fair value through profit or loss	210,761	213,067
Measured available for sale	394,323	412,304
Measured at amortised cost	12,724,920	10,742,467
Loans and advances to credit institutions	**13,330,004**	**11,367,838**

Loans and advances to customers

Euro thousand	June 30, 2008	31.12.2007
Measured at fair value through profit or loss	3,462,715	3,532,287
Measured available for sale	1,267,786	1,487,605
Measured at amortised cost	38,574,808	34,027,923
Loans and advances to customers	**43,305,309**	**39,047,815**

Loans and advances to credit institutions and customers comprise non-interest bearing receivables amounting to euro 252,015 thousand (Dec. 31, 2007: euro 204,492 thousand).

Financial investments

Euro thousand	June 30, 2008	Dec. 31, 2007
Financial investments at fair value through profit or loss	5,618,363	6,695,786
Debt securities	5,281,324	6,438,079
Equity and other variable-yield securities	337,039	257,707
Financial investments available for sale	8,922,632	7,463,369
Debt securities	8,753,975	7,422,153
Equity and other variable-yield securities	168,658	41,215
Financial investments held to maturity	4,046,333	4,036,384
Financial investments	**18,587,329**	**18,195,539**

Loans and advances to credit institutions and to customers as well as financial investments measured at fair value through profit or loss

Loans and advances to credit institutions and customers as well as financial investments have been designated to the category at fair value through profit or loss as the Group manages these receivables on a fair value basis in accordance with its investment strategy. Internal reporting and performance measurement of these receivables are conducted on a fair value basis.

On June 30, 2008, the maximum credit risk for loans and advances measured at fair value through profit or loss stood at euro 3,673,476 thousand (Dec. 31, 2007: euro 3,745,354 thousand).

In the first half of 2008 no credit risk changes occured in the fair value of loans and advances to credit institutions and customers measured at fair value through profit and loss.

Participations

Euro thousand	June 30, 2008	Dec. 31, 2007
Investments in affiliates not consolidated	146,467	143,252
Participating interests	92,634	81,922
Investments in other companies	29,628	24,244
Participations	**268,729**	**249,417**

All participations are valued at amortised costs. No participation is listed on a stock exchange.

Amounts owed to credit institutions

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

Amounts owed to customers

Euro thousand	June 30, 2008	Dec. 31, 2007
Measured at fair value through profit or loss	11,309	10,253
Measured at amortised costs	12,846,716	10,840,668
Saving deposits	1,518,457	1,468,830
Other deposits	11,328,259	9,371,838
Amounts owed to customers	**12,858,025**	**10,850,921**

Amounts owed to customers have been designated to the category at fair value through profit or loss as the Group manages these financial liabilities on a fair value basis in accordance with its investment strategy. Internal reporting and performance measurement of these liabilities are conducted on a fair value basis.
The carrying amount of the amounts owed to customers designated at fair value through profit or loss exceeds the redemption amount by euro 9 thousand (Dec. 31, 2007: euro 44 thousand).

Debts evidenced by certificates

Euro thousand	June 30, 2008	Dec. 31, 2007
Measured at fair value through profit or loss	122,661	161,310
Measured at amortised costs	34,689,352	32,947,403
Debts evidenced by certificates	**34,812,013**	**33,108,714**

Debts evidenced by certificates have been designated to the category at fair value through profit or loss as the Group manages these financial liabilities on a fair value basis in accordance with its investment strategy or because derivatives are embedded in these liabilities. Internal reporting and performance measurement of these liabilities are conducted on a fair value basis.
The carrying amount of debts evidenced by certificates which are reported at fair value through profit or loss exceeds the redemption amount at the end of the life of such certificates by euro 8,126 thousand (Dec. 31, 2007: euro 8,838 thousand).

Subordinated liabilities

Euro thousand	June 30, 2008	Dec. 31, 2007
Measured at fair value through profit or loss	53,022	57,511
Measured at amortised costs	2,323,051	1,908,969
Subordinated liabilities	**2,376,074**	**1,966,480**

Subordinated liabilities have been designated to the category at fair value through profit or loss as the Group manages these financial liabilities on a fair value basis in accordance with its investment strategy or because derivatives are embedded in these liabilities. Internal reporting and performance measurement of these liabilities are conducted on a fair value basis.

The carrying amount of the subordinated liabilities measured at fair value through profit or loss is euro 11,478 thousand lower than the redemption amount at the end of maturity (Dec. 31, 2007: euro 6,989 thousand).

In the first half of 2008 the valuation of debts evidenced by certificates and subordinated liabilities, which is recognised directly in the income statement, includes a change of fair value amounting to euro 8,464 thousand (Dec. 31, 2007: euro 2,480 thousand), which can be attributed to a change in credit risk.

The item subordinated liabilities comprises hybrid tier one capital standing at euro 422,057 thousand (Dec. 31, 2007: euro 422,442 thousand) on the balance sheet date.

6) Own funds

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

Euro thousand	June 30, 2008	Dec. 31, 2007
Subscribed capital (less treasury stocks)	837,004	330,853
Open reserves (including differential amounts and minority interests)	2,549,614	2,447,604
Funds for general banking risks	17,226	21,730
Intangible assets	-27,687	-25,251
Net loss	-16,985	-8,171
Core capital (Tier I capital) before deductations	3,359,172	2,766,765
Deductations from core capital (50 % deduction pursuant to Section 23 (13) and Section 29 (1) and (2) Austrian Banking Act)	-158,788	0
Core capital (Tier I capital) after deductions	3,200,385	2,766,765
Supplementary capital	528,761	540,056
Eligible subordinated liabilities	854,879	910,464
Hidden reserves pursuant to Section 57 (1) Austrian Banking Act	113,782	115,702
Revaluation reserves	0	1,612
Supplementary capital (tier II capital) before deductions	1,497,422	1,567,834
Deductions from supplementary capital (50 % deduction pursuant to Section 23 (13) and Section 29 (1) and (2) Austrian Banking Act)	-158,788	-83,540
Supplementary capital (tier II capital) after deductions	1,338,635	1,484,294
Short-term subordinated liabilities (tier III capital)	13,884	6,772
Eligible qualifying capital	**4,552,903**	**4,257,831**
Capital requirement	3,581,507	3,138,259
Surplus capital	971,396	1,119,572
Core capital ratio (tier I) (in relation to the assessment base pursuant to Section 22 Austrian Banking Act – credit risk)	7.49 %	7.19 %
Equity ratio (solvency ratio) (in relation to credit risk after deduction of capital requirements for market and operational risk)	10.27 %	10.91 %

The item open reserves includes the hybrid tier one capital totalling euro 422,057 thousand (Dec. 31, 2007: euro 422,442 thousand).

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

Euro thousand	June 30, 2008	Dec. 31, 2007
Risk-weighted assessment base pursuant to Section 22 Austrian Banking Act – credit risk	42,702,275	38,502,339
Of which 8 % minimum capital requirement for credit risk	3,416,182	3,080,187
Capital requirement for position risk in debt instruments, equities, foreign exchange and commodities – market risk	31,855	58,072
Capital requirement for operational risk	133,470	0
Total capital requirement	**3,581,507**	**3,138,259**

The risk-weighted assessment base of the first quarter of 2008 has been calculated for all companies according to the standard approach. Starting with April 1, 2008, some companies are calculating the credit risk using the IRB approach.

Beginning with 2008, the counterparty risk of the trading book is shown in the capital requirement for credit risk, in previous periods it was recognised in the capital requirement for position risk in debt instruments, equities, foreign exchange and commodities.

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

In the first half of 2008, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the senior institution and institutions subordinated to the former.

7) Number of staff

Number of staff employed during the first half of 2008:

	Average number of staff		Number of staff at end of period	
	1-6/2008	**1-6/2007**	**June 30, 2008**	**Dec. 31, 2007**
Domestic	2,243	2,459	2,290	2,193
Foreign	6,374	4,919	6,530	6,148
Total	**8,617**	**7,378**	**8,820**	**8,341**

The average staff number of the first half of 2007 includes 428 employees of the NÖ Hypo sub-group as the deconsolidation of NÖ Hypo took place on July 2, 2007.

8) Branches

	June 30, 2008	Dec. 31, 2007
Domestic	50	49
Foreign	493	444
Branches	**543**	**493**

9) Segment reporting

a) Segment reporting by business segments

Euro thousand	Public Finance	Corporates	Retail	Real Estate	Financial Markets	Other Operations	Group result
Net interest income							
1-6/2008	61,118	76,625	249,243	75,850	40,713	-51,191	**452,359**
1-6/2007	43,891	55,906	193,844	72,983	23,717	-27,165	**363,176**
Risk provisions							
1-6/2008	254	-2,074	-46,614	-10,895	11,926	2,479	**-44,923**
1-6/2007	-1,251	-8,963	-30,111	112	-1,937	2,936	**-39,214**
Net fee and commission income							
1-6/2008	9,243	14,613	68,071	6,551	16,853	2,404	**117,735**
1-6/2007	7,896	5,586	49,276	562	17,147	3,446	**83,913**
Net trading income							
1-6/2008	192	1,657	10,141	4,921	33,256	1,551	**51,718**
1-6/2007	949	2,508	3,223	-2,708	26,304	-456	**29,821**
General administrative expenses							
1-6/2008	-23,468	-40,493	-218,801	-38,068	-28,615	-10,514	**-359,958**
1-6/2007	-20,505	-35,186	-173,528	-24,105	-25,753	-2,267	**-281,345**
Other operating result							
1-6/2008	249	-3,569	3,116	2,974	191	979	**3,940**
1-6/2007	575	-318	1,328	7,372	238	1,137	**10,332**
of which impairment of goodwill							
1-6/2008	*0*	*0*	*0*	*0*	*0*	*0*	***0***
1-6/2007	*0*	*0*	*0*	*0*	*0*	*0*	***0***
Income from financial investments							
1-6/2008	-6,352	-21,969	472	9,292	-8,267	-748	**-27,570**
1-6/2007	12,267	471	-868	-24,967	11,982	-34,341	**14,478**
Income from the disposal group - NÖ Hypo							
1-6/2008	0	0	0	0	0	0	**0**
1-6/2007	0	0	0	0	0	10,928	**10,928**
Pre-tax profit							
1-6/2008	**41,237**	**24,791**	**65,628**	**50,625**	**66,057**	**-55,039**	**193,300**
1-6/2007	**43,822**	**20,003**	**43,165**	**79,183**	**51,698**	**-45,783**	**192,088**
Total assets							
June 30, 2008	34,558,272	10,612,464	22,692,997	7,072,759	6,412,512	6,360,103	**87,709,107**
Dec. 31, 2007	32,824,325	11,058,629	19,334,235	6,454,152	5,909,094	3,060,394	**78,640,829**
Loans and advances to customers							
June 30, 2008	13,884,354	7,313,438	16,392,065	4,349,642	421,310	944,499	**43,305,309**
Dec. 31, 2007	13,518,307	6,961,958	14,066,074	3,627,259	430,710	443,506	**39,047,815**
Amounts owed to customers							
June 30, 2008	1,095,233	1,178,891	7,800,661	779,727	2,142,665	-139,152	**12,858,025**
Dec. 31, 2007	659,684	913,751	6,881,289	1,060,064	1,640,351	-304,218	**10,850,921**
Debts evidenced by certificates including subordinated liabilities							
June 30, 2008	20,548,809	2,058,000	1,238,873	816,000	0	12,526,405	**37,188,086**
Dec. 31, 2007	20,185,403	2,664,896	1,057,728	854,782	0	10,312,385	**35,075,194**

b) Segment reporting by geographical markets

Euro thousand	Austria	Central and Eastern Europe	Other Markets	Group result
Net interest income				
1-6/2008	129,770	244,603	77,985	**452,359**
1-6/2007	93,446	215,680	54,049	**363,176**
Risk provisions				
1-6/2008	-16,461	-39,920	11,458	**-44,923**
1-6/2007	-11,839	-24,882	-2,494	**-39,214**
Net fee and commission income				
1-6/2008	55,001	65,384	-2,650	**117,735**
1-6/2007	42,746	34,667	6,500	**83,913**
Net trading income				
1-6/2008	36,347	11,412	3,959	**51,718**
1-6/2007	29,094	4,010	-3,283	**29,821**
General administrative income				
1-6/2008	-142,931	-191,010	-26,018	**-359,958**
1-6/2007	-117,658	-142,305	-21,381	**-281,345**
Other operating result				
1-6/2008	4,744	-860	55	**3,940**
1-6/2007	3,824	6,064	444	**10,332**
Income from financial investments				
1-6/2008	-15,159	2,780	-15,191	**-27,570**
1-6/2007	21,037	4,036	-10,595	**14,478**
Income from the disposal group - NÖ Hypo				
1-6/2008	0	0	0	**0**
1-6/2007	10,928	0	0	**10,928**
Result for the period before taxes				
1-6/2008	**51,311**	**92,390**	**49,599**	**193,300**
1-6/2007	**71,578**	**97,720**	**23,241**	**192,088**

10) Quarterly financial data

Euro thousand	4-6/2008	4-6/2007
Net interest income	224,114	187,876
Risk provisions	-11,239	-20,107
Net fee and commission income	64,471	46,221
Net trading income	23,806	11,200
General administrative expenses	-188,947	-147,660
Other operating result	4,029	2,780
Income from financial investments	-32,075	7,736
Income from the disposal group	0	5,449
Result for the period before taxes	**84,159**	**93,495**
Income taxes	-10,974	-8,090
Income taxes of the disposal group	0	-1,054
Result for the period after taxes	**73,185**	**84,350**
Profit attributable to shareholders of the parent company (Consolidated net income)	**35,687**	**54,208**
Profit attributable to minority interest (Minority interests)	37,498	30,142

Statement of all legal representatives

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

Vienna, August 26, 2008

Franz Pinkl Chairman of the Managing Board	Manfred Kunert Member of the Managing Board
Wolfgang Perdich Member of the Managing Board	Wilfried Stadler Member of the Managing Board