HALF-YEAR FINANCIAL REPORT

AS AT 30 JUNE 2010

INVESTKREDIT GROUP

VOLKSBANK GROUP

KEY FIGURES OF INVESTKREDIT GROUP

In euro million	30 Jun 2010	31 Dec 2009	31 Dec 2008
Statement of financial position			
Total assets	**11,836**	**12,644**	**14,335**
Loans and advances to customers	9,636	9,583	10,548
Amounts owed to customers	982	1,104	1,621
Debts evidenced by certificates	3,108	3,353	2,541
Subordinated liabilities	737	675	683
Own funds			
Core capital (tier I) after deductions	739	782	730
Supplementary capital (tier II, tier III) after deductions	513	577	479
Eligible qualifying capital	1,252	1,358	1,209
Assessment base credit risk	11,203	10,438	11,131
Capital requirement operational risk	36	38	34
Surplus capital	319	486	284
Core capital ratio in % [1]	**6.6**	**7.5**	**6.6**
Equity ratio in % [2]	**10.7**	**12.5**	**10.5**

	1-6/2010	1-6/2009	1-6/2008
Income statement			
Net interest income	101.6	102.7	104.0
Risk provisions	-43.9	-98.8	-12.5
Net fee and commission income	4.5	7.0	14.7
Net trading income	0.4	-1.3	-0.5
General administrative expenses	-41.0	-37.9	-49.7
Other operating result	0.1	-0.4	-2.5
Income from financial investments	-8.2	10.0	-12.5
Result before taxes	**13.5**	**-18.9**	**41.0**
Income taxes	-3.5	10.9	-4.6
Result after taxes	**10.0**	**-8.0**	**36.4**
Non-controlling interest	-0.4	-1.4	-3.8
Consolidated net income	**9.6**	-9.4	32.6
Key ratios			
Cost-income-ratio [3]	41.5 %	31.9 %	49.4 %
ROE before taxes	7.5 %	-10.3 %	21.7 %
ROE after taxes	5.6 %	-4.4 %	19.3 %
ROE consolidated net income	5.8 %	-5.6 %	18.8 %
ROE before taxes (regulatory)	6.2 %	-8.7 %	17.1 %
Resources			
Staff average	480	547	563
of which domestic	436	477	497
of which foreign	44	70	66

	30 Jun 2010	31 Dec 2009	31 Dec 2008
Staff at end of period	471	495	576
of which domestic	430	445	510
of which foreign	41	50	66

[1] In relation to credit risk

[2] In relation to total risk

[3] The cost-income-ratio was calculated without taking into account impairment of financial investments and of goodwill but including revaluation of investment properties.

CONTENT

Half-Year Financial Report

Any role descriptions in this interim report that are used only in the masculine form apply analogously to the feminine form.

HALF-YEAR-MANAGEMENT REPORT

The economic environment in the first half of 2010

GDP growth in the USA was gradually revised downwards in the first quarter of 2010 and, according to final calculations, the annualised rate was 2.7 %. Following growth of 5.6 % in the US economy in the fourth quarter of the previous year, the latest figures show that the growth momentum has slowed considerably. On the one hand, the 3 % increase in consumer spending was lower than expected, while on the other hand, the 1.9 % drop in government expenditure due to expiring economic stimulus programmes decelerated growth. Although the unemployment rate improved slightly to 9.7 % during the second quarter, consumer spending, which accounts for around two thirds of economic output in the USA, remained cautious. In contrast, capacity utilisation in industry reached 74.7 %, its highest level since October 2008. In May, the volume of production increased by 1.2 %.

Compared to the USA, growth in GDP in the **euro zone** in the first quarter was very modest, at just 0.2 %. The growth rates for both private consumer spending and gross investment in fixed assets were negative in the first three months of the year. A rise in government expenditure and an increase in the volume of exports were the crucial factors in ensuring that GDP grew nevertheless. The recovery in foreign trade following the global economic crisis represents an important source of economic support for the European currency area. While the trade balance was still negative in the first quarter, a trade surplus was recorded in March and April. However, domestic demand is gathering momentum only slowly. A high unemployment rate (10 % in May) – that means 15.86 million people out of work – continued to have a negative impact on consumer spending. This has most recently been reflected in retail sales that have virtually stagnated (April: -0.5 %; May: +0.3 %) and poor survey results with regard to consumer confidence. Sentiment has also been dampened by ongoing concerns about the high levels of government debt in many euro countries, particularly the "PIIGS" countries (Portugal, Ireland, Italy, Greece and Spain). However, these effects were offset by very positive signs from the industry. The volume of production rose by 9.6 % year-on-year in April, which represented the highest increase since records began, while the level of growth in May was over 9 % as well. Unexpectedly high order figures – incoming industry orders rose by 22.1 % year-on-year in April – lead us to expect that growth could be slightly higher in the second quarter than at the beginning of the year. The relatively good order situation in **Austria** also gives us reason to hope that growth will gain momentum in the second half of the year. As with the euro zone as a whole, Austrian exports are benefiting from the gradual recovery of world trade. In the first three months of the year, however, the domestic economy declined by 0.1 % compared with the previous quarter.

The development of the **financial markets** was characterised by the above mentioned fiscal uncertainties, particularly with regard to Greece. After risk premiums on Greek bonds rose to alarming levels despite an EU rescue package originally containing euro 45 billion, the euro countries together with the IMF decided to put together a bail-out package for distressed euro countries worth up to euro 750 billion. At the same time, the ECB decided to extend the special facilities it had made available for a limited period in connection with the liquidity crisis, and also began actively buying up bonds from countries at risk. A slight increase in interest rates was observed in the second quarter on the European as well as on the US money market, although the interest rates remained very low. (EURIBOR on 30 June 2010: 3m: 0.77 %, 12m: 1.31 %). Most major stock markets saw a decline in the second quarter.

The developments in the leading industrial nations have resulted in a mixed picture for the economies of **Central Eastern and South-Eastern Europe** (CEE, SEE). As a consequence of the comparatively lively recovery in the European economy, particularly in the German economy, the CE4 countries (Czech Republic, Hungary, Poland, Slovakia) could work their way out of the recession thanks to their close trading connections and comparatively broad export base. This is confirmed by the latest GDP data for the CE4 countries from the first quarter of 2010 and the leading economic indicators available so far for the second quarter of 2010. However, the picture is not consistent: Poland had not actually experienced a recession, the Czech Republic and Slovakia are developing almost in line with the euro zone and Hungary is lagging behind these economies somewhat. At the same time, the only moderate value increases of Czech koruna and Polish zloty over the course of this year and the depreciation of the Hungarian forint (approximately -4.5 % since the beginning of 2010) will boost the competitiveness of exports. Nevertheless, the right balance is important here. Weak local currencies are putting a strain on the private sector, which has already been badly shaken and has high levels of debt in foreign currencies (particularly in Hungary, Romania, Croatia and Serbia). Weak local currencies could therefore ultimately affect the stability of financial markets.

The economic recovery is progressing sluggishly in SEE, as these countries are less able to benefit from the external upturn during the current recovery phase, as they are less open. The slight depreciation of the Romanian leu since the beginning of 2010 has somewhat contributed to the export-driven recovery, while in the non-diversified Serbian economy, the sharp depreciation of the Serbian dinar by more than 8 % in 2010 has not had the desired effect. All in all, most SEE economies seem likely to remain in a slight recession or to stagnate this year.

Business development

The turnaround which was achieved in the first quarter of 2010 was continued in the second quarter. Thanks to lower credit risk provisions in the second quarter, Investkredit reported a consolidated net income of euro 9.6 million for the first half of 2010. The result for the period before taxes reached euro 13.5 million.

Income statement

At euro 101.6 million, net interest income was slightly lower than the comparable figure of the previous period. Owing to adjustments of the loan portfolio carried out last year, credit risk provisions could be reduced by euro 54.9 million compared to the first half year of 2009 and stood at euro -43.9 million as at 30 June 2010. The net fee and commission income dropped year-on-year and was euro 4.5 million for the period under review. As Investkredit has not held a trading book since 2009, the trading result now only contains the valuation result of an open foreign exchange position (euro 0.4 million).

Administrative expenses increased compared with the same period of the previous year due to non-recurring expenditures and amounted to euro -41 million for the first half of 2010. The number of employees fell to 471 compared to 31 December 2009. In the reporting period, the average number of employees (full-time equivalents) was 480. The cost-income ratio as at 30 June 2010 was 41.5 %.

Recent developments on the financial markets led to write-downs on derivatives in the investment book in the second quarter. Therefore it was not possible to repeat the positive result of the first quarter. Net income from financial investments for the first half of the year amounted to euro -8.2 million. This represents a drop of euro 18.2 million compared to the same period of the previous year with a positive result.

In particular the significant reduction in credit risk provisions contributed to a positive result before taxes of euro 13.5 million. After a tax result of euro -3.5 million and non-controlling interest of euro 0.4 million, consolidated net income came to euro 9.6 million.

Statement of financial position and own funds

Total assets declined compared to 31 December 2009 and stood at euro 11.8 billion at the end of the first half year of 2010. Loans and advances to customers amounted to euro 9.6 billion as at the balance sheet date. The sale of Europolis resulted in a restructuring of its debt refinancing. This caused an increase in loans and advances to customers, which offset a decline in existing loans and advances. Debts evidenced by certificates fell to euro 3.1 billion as a result of repayments.

As at 30 June 2010, Investkredit Group had eligible own funds of euro 1.3 billion. Risk-weighted assets increased by euro 0.8 billion compared to 31 December 2009, totalling euro 11.2 billion as at 30 June 2010. The Tier I ratio (ratio of core capital to the assessment base for credit risk) was 6.6 %, while the equity ratio in relation to total risk stood at 11.2 %. Own funds exceed the regulatory requirements by euro 356 million.

Outlook

Weak credit markets, a slowdown in wage growth combined with rising or high unemployment and limited scope with regard to fiscal policy (particularly in RO) are placing a severe strain on domestic demand and particularly on private consumption. Inflation in both CEE and SEE countries has been mitigated, largely by falling domestic demand. Even if weak local currencies and unusually heavy burdens from the spring floods increase the inflation risk, there is little cause for concern in the current year.

The short-term implications for monetary policy remain unchanged, which means that interest rate reduction cycles seem to have come to an end (with the exception of HU and RO) and significant tightening measures are not expected at any time during 2010. In comparison to the US economy, the eurozone recovered in the second quarter, thanks primarily to a surprisingly strong upturn across the German industrial landscape. The former exhibited a distinct deceleration in economic recovery, mainly as a result of an expanding trade balance deficit and continuingly subdued demand. Nonetheless, there is some economic data giving cause for optimism, which means that growth of around 3 % can be expected in the USA for 2010 as a whole. Uncertainties remain in the eurozone in the second half of the year with regard to high levels of state debt and the problems in Greece. In addition, high unemployment and the restraint of private consumption tend to persist. Very positive recent economic data, especially increasing export demand from Asia, is a source of optimism that GDP growth in the eurozone will exceed the 1% mark in 2010. Economic growth in Austria – whose most important trading partner, Germany, grew much stronger than the rest of the eurozone – will be above the eurozone growth by a few tenths of a percentage point due to its reinvigorated export sector. On the European money market, the greatest effect of a single maturing long-term tender (over euro 450 billion in June) has already been absorbed. The upward trend of euro money market interest rates is therefore likely to pause in the next few weeks. In the fourth quarter, the three-month rate should converge towards the prime interest rate, i.e. a three-month Euribor of 1% at the end of the year is expected.

Like the entire VBAG Group, Investkredit will step up its cross-selling efforts in the second half of 2010, in order to improve earnings in all business fields.

The merger with VBAG, together with an innovation strategy for Investkredit and a new strategy for managing corporate customers, should significantly increase opportunities in the relevant market segments.

Investkredit Group is working hard in all of its business fields to achieve a turnaround leading to positive results. However, as the Bank's corporate customers continue to face a challenging economic environment, further risk provisions could be necessary. Nevertheless, Investkredit is optimistic that it will achieve its target of improving earnings, not least due to the positive trend in the operative business.

CORPORATES SEGMENT

Corporate customers of VBAG Group are managed through Investkredit Bank AG, Investkredit Investmentbank AG, Invest Mezzanin Capital Management GmbH and Investkredit International Bank Malta.

In **Austria**, there is a particular focus on **small and medium-sized companies**. Investkredit's aspiration is to act as the main bank for its corporate customers. Key product areas are long-term financing, subsidies, export and trade finance, cash management, factoring and interest rate and exchange rate hedging. Special corporate finance services are available to customers throughout the **German-speaking countries** and in **adjacent Central European markets** (Poland, Slovakia, Czech Republic). Investkredit also performs the tasks of an umbrella organisation for the **Austrian Volksbank sector** as a **funding partner** for corporate customers, particularly medium-sized companies.

Overall, the **segment result** in the first half of 2010 showed a considerable improvement compared to the previous year. However, net interest income declined, owing to a reduction in the volume of business, and amounted to euro 59 million. Individual impairments could be reduced in the first half of the year. In view of the unstable economic situation and the threats resulting from European country risks, however, precautionary measures were taken. Despite these measures, credit risk provisions were significantly lower than in the same period of the previous year, at euro -29 million (euro -89 million in the first half year of 2009). Commission-related business failed to live up to expectations. In total, the result before taxes was up euro 15 million on the figure for the same period of the previous year and stood at euro -5 million as of 30 June 2010.

The major challenge for Austrian companies, particularly for export-oriented companies, in the second quarter of 2010 was to stabilise business at a reduced level of sales. Their focus is therefore on securing liquidity, primarily through working capital financing, and on risk management. Investkredit's core business – long-term financing and investment subsidies – has been strongly impacted by this trend. It was barely possible to replace maturing loans and advances to customers with new business in the first half of the year.

The **syndicate business** with Austrian Volksbanks proved stable in the second quarter. Investkredit's close cooperation with the Volksbanks in the area of syndicated loans was successful. In the field of **company subsidies**, Investkredit fulfills an important function for Austrian Volksbanks. The number of approved ERP subsidy applications increased in comparison to 2009 and amounts 52, mainly due to growth in the ERP microloan programme. The second quarter was characterised by rising demand for large-volume financing in connection with the Austrian Enterprise Liquidity Support Act. Once again, this was due to the consequences of the economic crisis and the resulting restructuring measures. Restraint is still being observed with regard to larger investments in Austria and abroad.

In the field of **structured export finance**, there was increased demand for customer financing in the form of transaction-linked loans including soft loans. Investkredit concluded agreements regarding credit lines with Bank of Communications in China and various Chinese correspondent banks. Through the use of the new electronic banking tool "trade connect", more letters of credit and guarantees can be offered.

In the field of **structured finance**, there was a significant year-on-year increase in transaction activity in Austria, Central and Eastern Europe and in Germany. The deal flow improved significantly in terms of both quantity and quality. Furthermore, Investkredit was lead arranger in international structured financing transactions. **Project financing** was provided for renewable energy projects in the Czech Republic and Germany. In addition, the financing of infrastructure projects in Austria was realised.

In the second quarter of 2010, I**nvestkredit Investmentbank AG** concluded a new co-investment and gained new M&A consulting contracts to support Austrian medium-sized companies concerning their expansion plans.

The business development of **cash management** was positive in all product areas, the volume of term deposits could be increased by 40 % in the first half of the year.

Favourable hedging levels in the field of interest rates and currencies – coupled with optimised processes in the field of derivatives – should continue to lead to an increase in consulting and transaction activities in the area of **Treasury Sales**.

Outlook

The potential for cross-selling to existing customers is to be exploited in the second half of 2010. The focus will be on short-term business and payment transactions. At the same time, work is being carried out on a new risk assessment method which focuses on the business model of corporate customers. This should make it possible to become even more competitive in long-term financing in early 2011.

In order to ensure that the business model is strengthened, particularly in the Corporates segment, it was decided to merge Österreichische Volksbanken-Aktiengesellschaft and Investkredit Bank AG. The implementation of these plans is to be concluded in the first half of 2011. This will further strengthen the excellent position in the market segment of corporate customers.

REAL ESTATE SEGMENT

The Real Estate segment includes the real estate financing activities of Investkredit, the lease financing operations of Immoconsult and the development activities of Premiumred. The segment's core markets are Austria and the Central and Eastern European region.

The **segment result** for the first half of the year shows a noticeable improvement year-on-year. An increase in net interest income and net fee and commission income, along with a stabilisation in administrative expenses, were crucial factors contributing to the good result. Credit risk provisions were higher than in the same period of the previous year and stood at euro -15 million. The pre-tax profit reached euro 19 million.

The trend towards higher real estate investments continued in the second quarter of 2010, although investments are still at a low level. **Investkredit** concluded the financing of an office project at an outstanding location in the Central Business District of Warsaw. Furthermore, the refinancing of a portfolio of commercial properties in CEE (predominantly office, but also retail and logistics properties), including some with the character of a landmark, was concluded.

As the specialist in real estate leasing, **Immoconsult** is concentrating on business in Austria and will continue its close cooperation with the Volksbanks (on a syndicate basis). In the core markets in Central and Eastern Europe, business activities are concentrated on major international customers, who are serviced both from Vienna and by local subsidiaries. Leasing transactions with a total volume of euro 23.5 million were concluded in the first half of 2010.

Premiumred, which is responsible for international real estate project development within VBAG Group, currently holds three properties in Poland and Romania. The office buildings "North Gate" in Warsaw and "Premium Plaza" as well as "Premium Point" in Bucharest, which were completed in 2008 and 2009, have a total usable space of approximately 44,500 m^2. Despite the difficult economic environment, around 95 % of the space is rented out. Valid planning permission is expected to be obtained during the course of the year for the projects under development "Horizon Offices" in Prague (rentable space around 23,000 m^2) and "Salomea Business Park" in Warsaw (rentable space around 28,000 m^2). In its role as work out unit for real estate investments of Investkredit that are at risk, Premiumred took steps towards successful sales.

Outlook

Despite the signs that economic tension is easing on the core markets, prospects remain uncertain in some cases. The polarisation between the Polish and Czech markets on the one hand and Hungary and Romania on the other will continue in 2011. For the second half of 2010, the market environment is expected to remain very difficult, while the conditions that can be obtained are expected to deteriorate, owing to tough competition and cutbacks in investment activities.

The real estate financing division of Investkredit plans to conclude further financing agreements for properties in excellent locations in the second half of the year and will take over the management of Europolis' loan portfolio.

Immoconsult, together with the Austrian Volksbanks, will focus its market activities on Austria.

In the current market environment, Premiumred sees the focus of its work in its role as a workout unit for the real estate financing of the VBAG Group.

Income Statement

	1-6/2010 in euro thousand	1-6/2009 in euro thousand	Changes in euro thousand	%
Interest and similar income and expenses	100,914	102,089	-1,175	-1.15 %
Income from companies measured at equity	682	604	78	12.84 %
Net interest income	101,596	102,694	-1.098	-1.07 %
Risk provisions	-43,923	-98,821	54,899	-55.55 %
Net fee and commission income	4,524	6,967	-2,442	-35.06 %
Net trading income	436	-1,337	1,773	-132.63 %
General administrative expenses	-41,039	-37,884	-3,155	8.33 %
Other operating result	94	-446	540	-121.19 %
Income from financial investments	-8,179	9,976	-18,155	-181.98 %
Result for the period before taxes	**13,511**	**-18,851**	**32,362**	**-171.67 %**
Income taxes	-3,505	10,861	-14,365	-132.27 %
Result for the period after taxes	**10,007**	**-7,991**	**17,997**	**< -200.00 %**
Result attributable to shareholders of the parent company (Consolidated net income/loss)	**9,644**	**-9,408**	**19,052**	**< -200.00 %**
Result attributable to non-controlling interest (Non-controlling interest)	362	1,417	-1,055	-74.45 %

Statement of financial position

	30 Jun 2010 in euro thousand	31 Dec 2009 in euro thousand	Changes in euro thousand	%
Assets				
Liquid funds	29,039	254	28,785	> 200.00 %
Loans and advances to credit institutions (gross)	497,618	935,916	-438,298	-46.83 %
Loans and advances to customers (gross)	9,635,946	9,583,093	52,853	0.55 %
Risk provisions (-)	-705,488	-667,664	-37,825	5.67 %
Financial investments	1,563,470	1,679,838	-116,368	-6.93 %
Assets for operating lease	184,633	185,095	-461	-0.25 %
Companies measured at equity	20,507	25,966	-5,459	-21.02 %
Participations	215,708	211,197	4,511	2.14 %
Intangible assets	1,683	1,781	-98	-5.50 %
Tangible fixed assets	51,372	51,988	-616	-1.19 %
Tax assets	18,883	20,057	-1,174	-5.85 %
Other assets	322,820	616,306	-293,486	-47,62 %
TOTAL ASSETS	**11,836,191**	12,643,826	-807,635	-6.39 %
Liabilities and equity				
Amounts owed to credit institutions	5,877,240	6,431,702	-554,462	-8.62 %
Amounts owed to customers	982,131	1,103,523	-121,392	-11.00 %
Debts evidenced by certificates	3,108,347	3,353,488	-245,141	-7.31 %
Provisions	59,375	66,731	-7,356	-11.02 %
Tax liabilities	25,379	23,034	2,345	10.18 %
Other liabilities	324,629	275,247	49,382	17.94 %
Subordinated liabilities	737,251	674,523	62,729	9.30 %
Equity	721,838	715,577	6,261	0.87 %
Shareholders' equity	667,422	657,564	9,858	1.50 %
Non-controlling interest	54,416	58,014	-3,598	-6.20 %
TOTAL LIABILITIES AND EQUITY	**11,836,191**	12,643,826	-807,635	-6.39 %

Changes in the Group's equity

Euro thousand	Subscribed capital [1]	Capital reserve	Retained earnings	Currency reserve	IAS 39 valuation reserves [2]: Available for sale reserve	IAS 39 valuation reserves [2]: Hedging reserve	Shareholders' equity	Non-controlling interest	Equity
As at 1 January 2009	46,000	336,142	283,449	1,863	0	4,567	672,020	58,470	730,490
Comprehensive income *			-9,408	847		1,534	-7,027	1,417	-5,610
As at 30 June 2009	46,000	336,142	274,041	2,710	0	6,101	664,993	59,887	724,881
As at 1 January 2010	46,000	336,142	275,260	162	0	0	657,564	58,014	715,577
Comprehensive income *			9,644	89			9,733	362	10,096
Dividends paid / Transfer of result							0	-3,835	-3,835
Change due to reclassifications shown under non-controlling interest and capital increases			125				125	-125	0
As at 30 June 2010	**46,000**	**336,142**	**285,029**	**251**	**0**	**0**	**667,422**	**54,416**	**721,838**

* Comprehensive income (Income and changes in reserves)

	1-6/2010 Shareholders' equity	1-6/2010 Non-controlling interest	1-6/2010 Equity	1-6/2009 Shareholders' equity	1-6/2009 Non-controlling interest	1-6/2009 Equity
Consolidated net income	9,644	362	10,007	-9,408	1,417	-7,991
Currency reserve	89	0	89	847	0	847
thereof from application of the average rates of exchange in income statement	4	0	4	0	0	0
Hedging reserve (including deferred taxes) [3]	0	0	0	1,534	0	1,534
Comprehensive income	**9,733**	**362**	**10,096**	**-7,027**	**1,417**	**-5,610**

[1] Subscribed capital corresponds to the figures reported in the financial statements of Investkredit Bank AG.
[2] As at 30 June 2009 the hedging reserve contained deferred taxes in the amount of euro -511 thousand.
[3] In the first half of 2009 changes in value in the hedging reserve amounting to euro 787 thousand were recognised in income.

Cash flow statement

Euro thousand	1-6/2010	1-6/2009
Cash and cash equivalents at the end of previous period (= liquid funds)	254	43,293
Cash flow from operating activities	-82,960	-86,350
Cash flow from investing activities	55,859	84,696
Cash flow from financing activities	55,886	-1,380
Cash and cash equivalents at the end of period (= liquid funds)	29,039	40,259

NOTES

Interim Financial Statements as at 30 June 2010

1) General

The interim report as at 30 June 2010 of Investkredit Bank AG (Investkredit) has been prepared in accordance with all IFRS/IAS published by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC/SIC) issued by the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee respectively as adapted for use in the European Union. These interim financial statements comply with IAS 34 Interim financial reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at 31 December 2009.

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

In preparing this interim report the estimates and assumptions were the same as those applied to the consolidated financial statements as at 31 December 2009.

In the first half of 2010, there were no events or changes in circumstances for the goodwill that would indicate an impairment, therefore no impairment tests were carried out for these goodwill.

Investkredit'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

There were no changes in the Group structure in the first half of 2010.

3) Subsequent events

In July 2010 a framework agreement regarding the repurchase of shares of Investkredit International Bank p.l.c with a face value of euro 53,000 thousand was concluded. From that date these shares are not shown as non-controlling interest in equity any more but are shown as debt capital.

A comprehensive procedure regarding the strengthening of the business model of VBAG was started, aiming at the re-concentration of specific business areas which also includes Investkredit Group. In order to assure the strengthening of the business model and the tightening up of the group structure, the supervisory board of VBAG has decided in June 2010 to consolidate VBAG with Investkredit Bank AG. The implementation of this consolidation should be completed in the first half of 2011.

No other events took place during the period of the interim report that had any significant effect on the interim financial statements as at 30 June 2010.

4) Notes to the income statement

Net interest income

Euro thousand	1-6/2010	1-6/2009
Interest and similar income	220,517	333,650
Interest and similar income from	210,421	324,535
liquid funds	154	534
credit and money market transactions with credit institutions	6,704	19,166
credit and money market transactions with customers	147,436	221,815
debt securities	26,964	38,573
derivatives in the investment book	29,162	44,446
Current income from	2,042	3,949
equities and other variable-yield securities	1	1,062
other affiliates	999	570
companies measured at equity	682	604
investments in other companies	360	1,713
Operating lease operations (including investment property)	8,054	5,167
rental income	8,054	5,167
Interest and similar expenses of	-118,921	-230,957
deposits from credit institutions (including central banks)	-42,481	-102,985
deposits from customers	-7,615	-25,035
debts evidenced by certificates	-29,058	-40,218
subordinated liabilities	-7,831	-14,885
derivatives in the investment book	-31,936	-47,833
Net interest income	**101,596**	**102,694**

Net interest income according to IAS 39 in categories

Euro thousand	1-6/2010	1-6/2009
Interest receivable and similar income	220,517	333,650
Interest receivable and similar income from	210,421	324,535
financial investments at fair value through profit or loss	9,455	20,197
derivatives in the investment book	29,162	44,446
financial investments at amortised cost	154,294	241,515
of which financial lease	8,574	13,994
financial investments held to maturity	17,510	18,376
Current income from	2,042	3,949
financial investments at fair value through profit or loss	1	1,062
financial investments available for sale	1,359	2,282
companies measured at equity	682	604
Operating lease operations (including investment property)	8,054	5,167
Interest and similar expenses of	-118,921	-230,957
derivatives in the investment book	-31,936	-47,833
financial investments at amortised cost	-86,986	-183,123
Net interest income	**101,596**	**102,694**

Risk provisions

Euro thousand	1-6/2010	1-6/2009
Allocation to risk provisions	-86,013	-89,745
Release of risk provisions	42,633	54
Allocation to provisions for risks	-1,458	-9,369
Release of provisions for risks	3,802	0
Direct write-offs of loans and advances	-2,910	-601
Income from loans and advances previously written off	23	839
Risk provisions	**-43,923**	**-98,821**

Net fee and commission income

Euro thousand	1-6/2010	1-6/2009
Fee and commission income from	8,089	10,557
lending operations	5,095	6,820
securities businesses	374	165
payment transactions	727	737
other banking services	1,893	2,835
Fee and commission expenses from	-3,565	-3,590
lending operations	-3,192	-3,098
securities businesses	-171	-268
payment transactions	-159	-204
other banking services	-42	-21
Net fee and commission income	4,524	**6,967**

Net trading income

Euro thousand	1-6/2010	1-6/2009
Exchange rate related transactions	436	-1,441
Interest rate related transactions	0	104
Net trading income	436	**-1,337**

General administrative expenses

Euro thousand	1-6/2010	1-6/2009
Staff expenses	-26,336	-25,458
Other administrative expenses	-13,117	-10,562
Depreciation of fixed tangible and intangible assets	-1,586	-1,864
General administrative expenses	-41,039	**-37,884**

Income from financial investments

Euro thousand	1-6/2010	1-6/2009
Result from financial investments at fair value through profit or loss	10,289	**11,109**
Result from fair value hedges	0	**69**
Result from revaluation of underlying instruments	12,903	-18,695
Result from revaluation of derivatives	-12,903	18,764
Result from valuation of other derivatives in the investment book	-22,453	**-2,608**
Exchange rate related transactions	59	-50
Interest rate related transactions	-22,512	-5,170
Credit related transactions	0	2,613
Result from loans & receivables financial investments	2,553	**0**
Income from revaluation	2,553	0
Result from held to maturity financial investments	520	**1,575**
Realised gains/losses	622	1,575
Impairments	-102	0
Result from participations, assets for operating lease and other financial investments	913	**-168**
Realised gains/losses	1,125	-8
Impairments	-212	-160
Income from financial investments	-8,179	**9,976**

5) Notes to the consolidated statement of financial position

Loans and advances to credit institutions and customers

Euro thousand	30 Jun 2010	31 Dec 2009
Loans and advances to credit institutions	497,618	935,916
Loans and advances to customers	9,635,946	9,583,093
Loans and advances to credit institutions and customers	**10,133,564**	**10,519,009**

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

Risk provisions

Euro thousand	Individual impairment customers	Portfolio based allowance	Total
As at 1 Jan 2009	195,938	0	195,938
Currency translation	198	0	198
Reclassification	569	0	569
Unwinding	57	0	57
Utilisation	-25,614	0	-25,614
Release	-54	0	-54
Addition	89,745	0	89,745
As at 30 Jun 2009	260,839	0	260,839
As at 1 Jan 2010	632,664	35,000	667,664
Currency translation	4,718	0	4,718
Reclassification	17,307	0	17,307
Utilisation	-27,580	0	-27,580
Release	-42,633	0	-42,633
Addition	86,013	0	86,013
As at 30 Jun 2010	**670,488**	**35,000**	**705,488**

Loans and advances to credit institutions and customers include non-interest-bearing receivables amounting to euro 83,474 thousand (31 December 2009: euro 59,856 thousand). The reclassification item reflects the regrouping of other assets. The sale of loans and advances to customers of Europolis AG to Investkredit Bank AG in the first half of 2010 also included the transfer of the corresponding risk provisions. This transfer is shown in line reclassification with the amount of euro 8,677 thousand.

Financial investments

Euro thousand	30 Jun 2010	31 Dec 2009
Financial investments at fair value through profit or loss	695,848	788,720
Debt securities	645,969	744,380
Equity and other variable-yield securities	49,879	44,340
Financial investments loans & receivables	169,520	159,173
Financial investments held to maturity	698,102	731,945
Financial investments	**1,563,470**	**1,679,838**

Participations

Euro thousand	30 Jun 2010	31 Dec 2009
Investments in unconsolidated affiliates	164,724	160,332
Participating interests	11,027	11,056
Investments in other companies	39,957	39,809
Participations	**215,708**	**211,197**

All participations are measured at amortised cost. None of the Group's participations are listed on a stock exchange.

Other assets

Euro thousand	30 Jun 2010	31 Dec 2009
Deferred items	41,785	7,889
Other receivables and assets	208,374	462,127
Positive fair value from derivatives in the investment book	72,662	146,290
Other assets	**322,820**	**616,306**

Amounts owed to credit institutions

Amounts owed to credit institutions amounting to euro 5,877,240 thousand (31 December 2009: euro 6,431,702 thousand) are measured at amortised cost.

Amounts owed to customers

Amounts owed to customers amounting to euro 982,131 thousand (31 December 2009: euro 1,103,523 thousand) are measured at amortised cost.

Debts evidenced by certificates

Debts evidenced by certificates amounting to euro 3,108,347 thousand (31 December 2009: euro 3,353,488 thousand) are measured at amortised cost.

Other liabilities

Euro thousand	30 Jun 2010	31 Dec 2009
Deferred items	33,076	6,314
Other liabilities	180,115	134,500
Negative fair value from derivatives in the investment book	111,438	134,433
Other liabilities	**324,629**	**275,247**

Subordinated liabilities

Euro thousand	30 Jun 2010	31 Dec 2009
Subordinated liabilities	295,505	286,417
Supplementary capital	441,746	388,105
Subordinated liabilities	**737,251**	**674,523**

Subordinated liabilities are all measured at amortised cost.

Subordinated liabilities comprise hybrid tier I capital in the amount of euro 114,344 thousand (31 December 2009: euro 103,123 thousand).

6) Own funds

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

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

Euro thousand	30 Jun 2010	31 Dec 2009
Subscribed capital (less treasury stocks)	46,000	46,000
Open reserves (including differential amounts and minority interest)	748,076	752,584
Intangible assets	-902	-1,003
Net loss	-1,240	-11,845
Core capital (tier I capital) before deductions	791,934	785,736
Deductions from core capital (50 % deduction pursuant to section 23 (13) Austrian Banking Act)	-52,716	-4,086
Core capital (tier I capital) after deductions	739,218	781,651
Supplementary capital	416,505	367,915
Eligible subordinated liabilities	148,721	158,576
IRB risk provision surplus	0	54,279
Supplementary capital (tier II capital) before deductions	565,226	580,770
Deductions from supplementary capital (50 % deduction pursuant to section 23 (13) Austrian Banking Act)	-52,716	-4,086
Supplementary capital (tier II capital) after deductions	512,510	576,684
Eligible qualifying capital	1,251,728	**1,358,335**
Capital requirement	932,628	872,797
Surplus capital	319,100	485,538

Core capital ratio (tier I) (in relation to the assessment base pursuant to section 22 Austrian Banking Act – credit risk)	6.60 %	7.49 %
Equity ratio (solvency ratio) (in relation to credit risk after deduction of capital requirements for market and operational risk)	10.85 %	12.65 %
Core capital ratio (in relation to the risks pursuant to section 22 (1) no. 1-5 Austrian Banking Act)	6.34 %	7.16 %
Equity ratio (in relation to the risks pursuant to section 22 (1) no. 1-5 Austrian Banking Act)	10.74 %	12.45 %

The item open reserves includes the hybrid tier I capital totalling euro 114,344 thousand (31 December 2009: euro 103,123 thousand).

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

Euro thousand	30 Jun 2010	31 Dec 2009
Risk-weighted assessment base pursuant to section 22 Austrian Banking Act - credit risk	11,202,651	10,437,772
Of which 8 % minimum capital requirement for credit risk	896,212	835,022
Capital requirement for operational risk	36,416	37,775
Total capital requirement	932,628	**872.797**

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

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

In the first half of 2010, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the senior institution and institutions subordinated to the former.

7) Financial assets and liabilities

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

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Amortised cost	Carrying amount - total	Fair value
30 Jun 2010						
Liquid funds	0	0	0	29,039	29,039	29,039
Loans and advances to credit institutions	0	0	0	497,618	497,618	497,618
Loans and advances to customers	0	0	0	9,635,946	9,635,946	8,965,458
Financial investments	0	695,848	698,102	169,520	1,563,470	1,585,589
Assets for operating lease	0	0	0	184,633	184,633	184,633
Companies measured at equity and participations	0	0	0	236,215	236,215	236,215
Derivatives in the investment book	72,662	0	0	0	72,662	72,662
Financial assets – total	**72,662**	**695,848**	**698,102**	**10,752,972**	**12,219,584**	**11,571,214**
Amounts owed to credit institutions	0	0	0	5,877,240	5,877,240	5,877,240
Amounts owed to customers	0	0	0	982,131	982,131	982,131
Debts evidenced by certificates	0	0	0	3,108,347	3,108,347	3,029,157
Derivatives in the investment book	111,438	0	0	0	111,438	111,438
Subordinated liabilities	0	0	0	737,251	737,251	715,665
Financial liabilities – total	**111,438**	**0**	**0**	**10,704,970**	**10,816,408**	**10,715,632**

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Amortised cost	Carrying amount - total	Fair value
31 Dec 2009						
Liquid funds	0	0	0	254	254	254
Loans and advances to credit institutions	0	0	0	935,916	935,916	935,916
Loans and advances to customers	0	0	0	9,583,093	9,583,093	8,985,429
Financial investments	0	788,720	731,945	159,173	1,679,838	1,696,088
Assets for operating lease	0	0	0	185,095	185,095	185,095
Companies measured at equity and participations	0	0	0	237,163	237,163	237,163
Derivatives in the investment book	146,290	0	0	0	146,290	146,290
Financial assets – total	**146,290**	**788,720**	**731,945**	**11,100,693**	**12,767,648**	**12,186,235**
Amounts owed to credit institutions	0	0	0	6,431,702	6,431,702	6,431,702
Amounts owed to customers	0	0	0	1,103,523	1,103,523	1,103,526
Debts evidenced by certificates	0	0	0	3,353,488	3,353,488	3,311,768
Derivatives in the investment book	134,433	0	0	0	134,433	134,433
Subordinated liabilities	0	0	0	674,523	674,523	627,724
Financial liabilities – total	**134,433**	**0**	**0**	**11,563,236**	**11,697,670**	**11,609,154**

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

Euro thousand	Level 1	Level 2	Total
30 Jun 2010			
Financial assets			
Financial investments at fair value through profit or loss	511,428	184,419	695,848
Derivatives in the investment book	0	72,662	72,662
Total	**511,428**	**257,081**	**768,510**
Financial liabilities			
Derivatives in the investment book	0	111,438	111,438
Total	**0**	**111,438**	**111,438**
31 Dec 2009			
Financial assets			
Financial investments at fair value through profit or loss	588,783	199,937	788,720
Derivatives in the investment book	0	146,290	146,290
Total	588,783	346,228	935,011
Financial liabilities			
Derivatives in the investment book	0	134,433	134,433
Total	0	134,433	134,433

In 2010 and 2009 there have not been any reclassifications between the levels.

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

8) Number of staff

Number of staff employed during the business year

	Average number of staff		Number of staff at end of period	
	1-6/2010	1-6/2009	30 Jun 2010	31 Dec 2009
Domestic	436	477	430	445
Foreign	44	70	41	50
Total	**480**	**547**	**471**	**495**

9) Segment reporting

Segment reporting by business segments

Euro thousand	Corporates 1-6/2010	Corporates 1-6/2009	Real Estate 1-6/2010	Real Estate 1-6/2009	Total 1-6/2010	Total 1-6/2009
Net interest income	58,936	68,637	42,660	34,057	101,596	102,694
Risk provisions	-28,582	-88,994	-15,341	-9,827	-43,923	-98,821
Net fee and commision income	2,748	10,066	1,777	-3,099	4,524	6,967
Net trading income	-973	-211	1,409	-1,126	436	-1,337
General administrative expenses	-28,083	-25,196	-12,956	-12,688	-41,039	-37,884
Other operating result	38	1,002	57	-1,448	94	-446
Income from financial investments	-9,082	14,751	904	-4,774	-8,179	9,976
Result for the period before taxes	**-4,999**	**-19,945**	**18,510**	**1,094**	**13,511**	**-18,851**
Income taxes	1,378	10,053	-4,883	808	-3,505	10,861
Result for the period after taxes	**-3,621**	**-9,892**	**13,627**	**1,901**	**10,007**	**-7,991**
Non-controlling interest	-264	-1,299	-98	-118	-362	-1,417
Consolidated net income/loss	**-3,884**	**-11,191**	**13,529**	**1,783**	**9,644**	**-9,408**
Cost-income-ratio	54.0 %	26.2 %	27.7 %	56.4 %	41.5 %	31.9 %
Interest margin Ø Total assets	1.7 %	1.5 %	1.6 %	1.4 %	1.7 %	1.5 %
	30 Jun 2010	**31 Dec 2009**	**30 Jun 2010**	**31 Dec 2009**	**30 Jun 2010**	**31 Dec 2009**
Total assets	6,385,837	7,699,873	5,450,354	4,943,953	11,836,191	12,643,826
Loans and advances to customers	4,944,874	5,338,142	4,691,072	4,244,951	9,635,946	9,583,093
Amounts owed to customers	436,385	486,757	545,747	616,767	982,131	1,103,523
RWA (credit risk)	7,208,683	6,723,811	3,993,968	3,713,962	11,202,651	10,437,772
Number of employees as at ultimo	317	341	154	154	471	495

Segment reporting by geographical markets

Euro thousand	Austria	Major foreign markets	Other foreign markets	Total
Net interest income				
1-6/2010	**76,811**	**4,509**	**20,275**	**101,596**
1-6/2009	82,801	3,187	16,705	102,694
Risk provisions				
1-6/2010	**-38,811**	**0**	**-5,112**	**-43,923**
1-6/2009	-92,759	0	-6,062	-98,821
Net fee and commision income				
1-6/2010	**3,706**	**-2**	**820**	**4,524**
1-6/2009	13,338	541	-6,912	6,967
Net trading income				
1-6/2010	**384**	**178**	**-126**	**436**
1-6/2009	-858	-10	-470	-1,337
General administrative expenses				
1-6/2010	**-35,336**	**-1,180**	**-4,523**	**-41,039**
1-6/2009	-33,464	-1,893	-2,527	-37,884
Other operating result				
1-6/2010	**-428**	**523**	**0**	**94**
1-6/2009	-942	-418	915	-446
Income from financial investments				
1-6/2010	**-10,223**	**0**	**2,044**	**-8,179**
1-6/2009	8,119	0	1,857	9,976
Result for the period before taxes				
1-6/2010	**-3,896**	**4,029**	**13,379**	**13,511**
1-6/2009	**-23,764**	**1,407**	**3,506**	**-18,851**

10) Quarterly financial data

Euro thousand	4-6/2010	1-3/2010	10-12/2009	7-9/2009	4-6/2009
Net interest income	52,268	49,328	50,778	66,949	54,253
Risk provisions	-6,403	-37,519	-218,392	-222,691	-55,798
Net fee and commission income	2,490	2,035	1,695	2,062	4,200
Net trading income	1,047	-611	-639	170	-1,505
General administrative expenses	-21,134	-19,904	-16,980	-20,752	-17,007
Other operating result	-1,270	1,364	4,941	-873	251
Income from financial investments	-13,083	4,904	-30,268	7,718	29,292
Result for the period before taxes	**13,914**	**-403**	**-208,864**	**-167,418**	**13,686**
Income taxes	-5,004	1,499	47,770	40,691	3,607
Result for the period after taxes	**8,910**	**1,096**	**-161,094**	**-126,728**	**17,293**
Result attributable to shareholders of the parent company	8,858	787	-158,515	-127,542	16,695
Result attributable to non-controlling interest	53	310	-2,579	814	598

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 half 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, 26 August 2010

Michael Mendel
Chairman of the Managing Board
General Secretary, Internal Audit, Legal, Corporate Banking

Monika Fürnsinn
Member of the Managing Board
Risk

Klaus Gugglberger
Member of the Managing Board
Real Estate