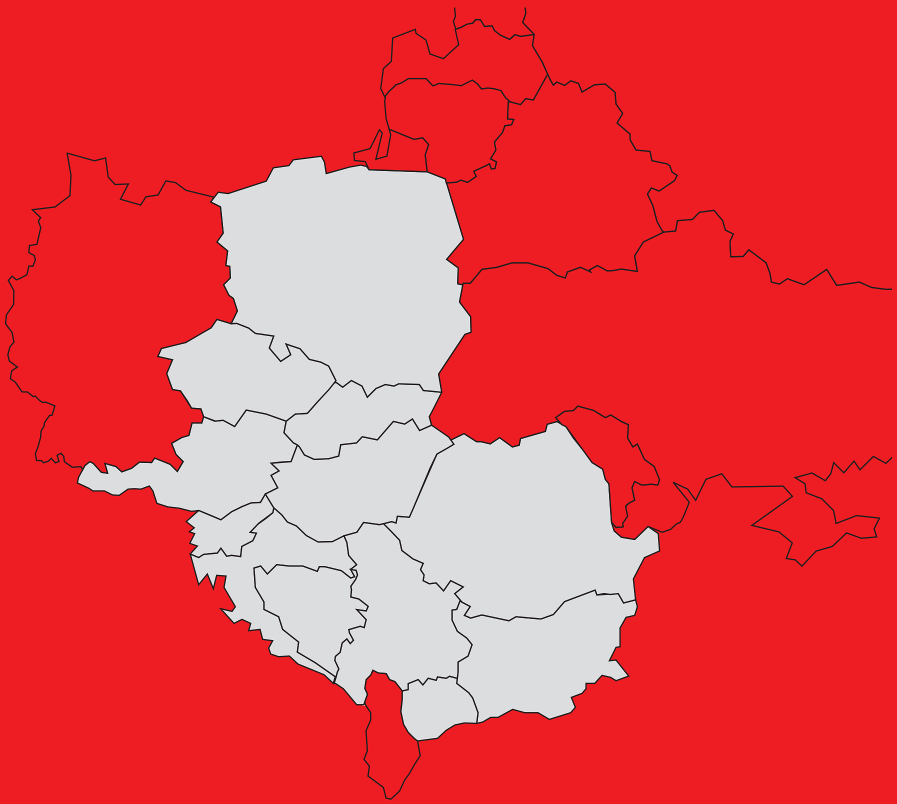
Bank Austria Creditanstalt

Banking for success.

Interim Report at 30 June 2003

A Member of HVB Group



Bank Austria Creditanstalt
Bank Austria Creditanstalt Leasing
CA IB Corporate Finance Beratungs GmbH
Asset Management GmbH
Capital Invest
BANK*PRIVAT*
Schoellerbank

Bank Przemyslowo-Handlowy PBK
HVB Bank Czech Republic
HVB Bank Slovakia
HVB Bank Hungary
Bank Austria Creditanstalt Ljubljana
HVB Bank Romania
CB Biochim, Bulgaria
Splitska banka
HVB Bank Bosna i Hercegovina
HVB Bank Yugoslavia
Skopje Representative Office

Contents

Highlights

20 January	US$ 320 million bond structured for Termoelectrica, the Romanian electricity company.
14 February	Introduction of "flexible loan for residential housing" supported by an advertising campaign.
17 February	Regensburg University's ibi ranking shows Bank Austria Creditanstalt as best Austrian bank in the Internet.
28 February	Bank Austria Creditanstalt named "Best Investor" for the acquisition of Commercial Bank Biochim in Bulgaria.
5 March	Global Finance awards Bank Austria Creditanstalt the title "Best Trade Finance Bank in CEE".
10 March	The opening of a representative office in Skopje, the capital of Macedonia, further strengthens the network in South-East Europe.
10 March	"RatingBeratung der BA-CA" for corporate customers – the core element of the integrated corporate finance approach, the newly developed approach to serving and advising corporate customers in anticipation of the New Basel Capital Accord ("Basel 2").
17 March	Gerhard Randa becomes Chairman of the Supervisory Board of BA-CA with effect from 1 April; Karl Samstag, until then Randa's Deputy, becomes the new Chairman of Bank Austria Creditanstalt's Managing Board.
28 March	HVB and BA-CA announce plans for the IPO of Bank Austria Creditanstalt.
2 April	Corporate bond with a volume of € 200 million placed for the Austrian Federal Railways (ÖBB).
23 April	Bank Austria Creditanstalt launches product initiative including savings and investment products.
16 May	€ 500 million syndicated loan arranged for Sappi, the paper manufacturing company.
20 May	Global Finance names Bank Austria Creditanstalt "Best Bank in CEE".
21/22 May	Opening of branches in Mostar (Bosnia and Herzegovina) and Brasov (Romania).
30 May	First five-year kuna-denominated Croatian government bond with a volume of 1 billion kuna placed successfully.
2 June	"e-Rechnung" becomes standard for payments in the Internet. Electronic Bill Presentment and Payment starts as a joint venture of Bank Austria Creditanstalt, Raiffeisen and Erste.
5 June	New branch opened in Prievidza, Slovakia. Further branches are planned for 2003.
11 June	Bank Austria Creditanstalt signs agreement to purchase Central Profit banka, a Bosnian bank.
11 June	Opinion leaders discuss Europe's future at the Bank Austria Creditanstalt Forum on Europe.
23 June	Offering period for the Bank Austria Creditanstalt share starts.
27 June	According to Teleperformance International, BA-CA's 24h-ServiceLine is the best telephone and e-mail service of any bank in Austria.
30 June	OMV corporate bond with a volume of € 250 million successfully placed by Bank Austria Creditanstalt as Sole Lead Manager and Bookrunner.
4 July	Purchase of CAC Leasing in the Czech Republic and in Slovakia.
9 July	The Bank Austria Creditanstalt share is listed on the Vienna Stock Exchange.

Bank Austria Creditanstalt at a Glance

Income statement figures (in € m)	1 Jan.–30 June 2003	1 Jan.–30 June 2002	Change
Net interest income after losses on loans and advances	830	863	– 3.9%
Net fee and commission income	543	556	– 2.2%
Net trading result	187	55	> 100%
General administrative expenses	1,240	1,276	– 2.8%
Operating profit	315	192	+ 63.8%
Net income before taxes	301	201	+ 50.1%
Consolidated net income	202	137	+ 47.2%
Earnings per share in € in accordance with IAS	1.78	1.21	+ 47.2%

Balance sheet figures (in € m)	30 June 2003	31 Dec. 2002	Change
Total assets	144,399	147,968	– 2.4%
Loans and advances to customers after loan loss provisions	71,586	72,826	– 1.7%
Primary funds	77,550	83,009	– 6.6%
Shareholders' equity	4,680	4,610	+ 1.5%

Key performance indicators (in %)	30 June 2003	31 Dec. 2002
Return on equity after taxes (ROE)	8.8	6.5
Return on assets (ROA)	0.28	0.20
Cost/income ratio	69.5	69.3
Credit risk charge / risk-weighted assets	0.68	0.77
Risk/earnings ratio	21.6	23.3
Total capital ratio	11.3	11.2
Tier 1 capital ratio	6.7	6.8

Staff	30 June 2003	30 June 2002	Change
Bank Austria Creditanstalt (full-time equivalent)	31,170	31,774	– 1.9%
Austria (BA-CA AG and its Austrian subsidiaries that support its core banking business)	11,687	12,290	– 4.9%
CEE and other subsidiaries	19,483	19,484	–
of which: Poland	11,737	13,369	– 12.2%

Offices	30 June 2003	30 June 2002	Change
Bank Austria Creditanstalt	1,299	1,208	+ 91
Austria	429	508	– 79
CEE countries	870	700	+ 170
of which: Poland	538	594	– 56

Dear Shareholders,
Ladies and Gentlemen,

The listing of the new Bank Austria Creditanstalt share revives a business idea which temporarily receded into the background on account of turbulent stock market developments in the past few years: the "Bank of the Regions in the heart of Europe". Bank Austria Creditanstalt's shareholders three years ago almost unanimously passed resolutions approving the integration with HVB. A lot has happened since then: the end of the New Economy boom and many a stock market euphoria, the deconcentration of large companies, the new line-up of corporate groups.

Yet a major reason for the decisions made at that time is now more relevant than ever before: we wanted, and want, to create the leading banking group in the heart of Europe. For the business sector we are building a network across old borders. For people we contribute to ensuring prosperity and harmonising prosperity levels by providing our banking services.

We have made considerable progress – despite the current problems in the operating environment – toward achieving our objectives: the "new" Bank Austria Creditanstalt operating in Austria today is an integrated whole, the bank focuses on its core business as a universal bank, without any peripheral activities which absorb capital, without any exposures at the other end of the world. For this purpose, HVB and Bank Austria Creditanstalt exchanged their banking subsidiaries in various regions via purchases and sales. This has created the bank with the most extensive network in CEE.

Today the enlarged internal market of the EU is a mere matter of form. And we are making another step forward: the initial public offering of shares – the net proceeds will fully benefit Bank Austria Creditanstalt – gives Bank Austria Creditanstalt additional resources to push ahead with the task for which it is responsible within the HVB Group: expanding business in CEE and deepening the network in the region – in the interest of local customers in CEE and Austria, but also, and this is a more far-reaching claim, in the interest of German and international customers of the Group's global network.

The HVB Group – like the other shareholders in Bank Austria Creditanstalt – places considerable expectations in Bank Austria Creditanstalt and in the new share: earnings through growth, opening up markets, pursuing a forward strategy! Rather than eroding its resources in crowding-out competition, the bank is to help build new markets and open them up to the European business sector. The bank benefits from its experience of integration in Austria, from the pragmatic focus on customers in the regions, and it can rely on the wide reach and diversification of an international banking group.

With the stock exchange listing, Bank Austria Creditanstalt's performance will be assessed directly by the markets and will thus become more clearly visible. This will also benefit the HVB Group. I am sure that Bank Austria Creditanstalt will be successful.

Gerhard Randa

Chairman of the Supervisory Board of Bank Austria Creditanstalt
Chief Operating Officer of HVB Group

Dear Shareholders,
Dear Business Partners and Customers,

We are presenting to you Bank Austria Creditanstalt's first interim report, and we will again publish the interim report regularly after our initial public offering of shares.

In the first half of 2003, Bank Austria Creditanstalt achieved consolidated net income of € 202 m and a significant increase in results compared with the previous year. Overall, this is in line with what we have planned for this year. Despite weak demand and the adverse impact from the development of interest rates and margins, we generated higher operating revenues. The net trading result has made a major contribution to this increase. Especially in Central and Eastern Europe, the trend is right: our CEE banks account for a steadily growing proportion of overall profits. And we benefit from sustained synergies from the integration in Austria and Poland.

But we expect more, both of the market and of ourselves. With regard to the operating environment, there are initial signs that the excessively pessimistic sentiment is improving. And as to ourselves: we enjoy the best starting position in our home markets, which complement each other in an ideal manner, and we are convinced of our future as a universal bank in a networked Europe.

In Austria, following the successful integration steps taken in past years, we are pursuing a forward strategy. We see enough room for expansion even in a mature market: applying our integrated service approach, we will make even better use of potential for business with our existing customers and we will win new customers by further encouraging decentralised initiative. And we aim to increase our market share in those Austrian regions where we are still underrepresented. To reach these goals, we will make targeted use of resources available to us.

In Central and Eastern Europe, three factors are building on each other: the rate of economic growth is double the rate achieved in the European Union. Moreover, financial intermediation is gathering momentum, and market penetration with modern banking services is making quick progress. We are not just being swept along in this process, we are playing an active role in it. The IPO enables us to further pursue our expansion. We will use our potential, both through organic growth and through selective acquisitions.

We look forward to the future with confidence.

Karl Samstag
Chairman of the Managing Board of Bank Austria Creditanstalt

The New Bank Austria Creditanstalt Share

On 27 March 2003, HypoVereinsbank, the controlling shareholder of Bank Austria Creditanstalt, held a press conference to present its annual financial statements. On that occasion it announced its intention to increase the equity capital of its subsidiary Bank Austria Creditanstalt via a capital increase excluding subscription rights, while continuing to hold a majority interest of at least 75 % plus one share of the share capital. A resolution approving such a capital increase was passed at the annual general meeting of Bank Austria Creditanstalt on 20 June 2003.

After extensive preparations from the beginning of April to the middle of June, the bookbuilding process within the defined price range of € 27 to € 31 took place from 23 June to 8 July. This process was accompanied by presentations and one-on-ones in 12 financial centres in Europe and the USA.

The initial public offering of 33,031,740 new shares in Bank Austria Creditanstalt AG and an over-allotment option for 15 % (greenshoe for an additional 4,954,760 shares) consisted of an offering to Austrian private and institutional investors and an international offering to institutional investors including "qualified institutional buyers" (QIBs) in the US in reliance on Rule 144A.

The bookbuilding process resulted in the offering (including the volume covered by the greenshoe) being oversubscribed over the entire price range. Institutional investors, predominantly from Europe, accounted for 98 % of demand (see chart).

On 8 July 2003, the issuing syndicate set the offering price at € 29 per share. After the shares had been allotted, trading in the shares in the Prime Market segment of the Vienna Stock Exchange commenced on 9 July 2003 at 11 a.m. The over-allotment option is exercisable by the investment banks in the syndicate until 8 August 2003.

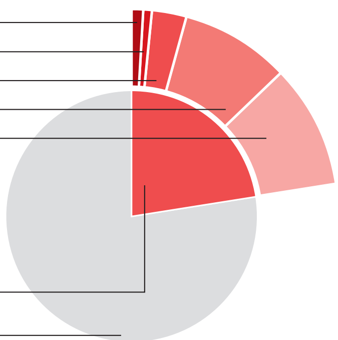
The proceeds from the issue before exercise of the greenshoe amount to € 958 m. After deduction of the issuing costs, the net proceeds will be fully credited to the equity capital account of Bank Austria Creditanstalt and booked in the items "subscribed capital" and "share premium account". As published in the issuing prospectus, Bank Austria Creditanstalt will use the proceeds from the IPO primarily for financing its planned expansion in the countries of Central and Eastern Europe (CEE), be it through organic growth or through targeted acquisitions. For € 439 m the bank will acquire HVB's remaining 18.95 % interest in the Polish subsidiary BPH PBK. Following completion of this transaction, Bank Austria Creditanstalt will hold a 71.03 % interest in BPH PBK. This transaction was agreed in 2002 in the course of the realignment of operations on market terms (at arm's length).

Some € 60 m of the proceeds from the IPO will be used for the acquisition of Central Profit banka (Bosnia and Herzegovina) and of the leasing companies CAC Leasing a.s. in the Czech Republic and CAC Leasing Slovakia a.s.

Shareholder structure of Bank Austria Creditanstalt
as at 9 July 2003

Regional structure of demand at the time of allotment

Austria	4%
Offshore	3%
USA	12%
UK	38%
Europe excl. UK, A	43%



147 million shares (before exercise of the greenshoe)

Free float	22.5%
HVB	77.5%

Economic Environment and Market Situation

The first half of 2003 was marked by a resilient response to the downward spiral of pessimistic expectations with regard to global economic trends and international stock markets. Financial markets digested the confidence crisis, but the share price recovery on the world's major stock markets did little more than correct the sell-off seen in the first few months of the year. Economic sentiment indicators did not improve until June, when excessive fears of deflation were overcome. Most recently, expectations remained at a low point between stagnation and hesitant recovery.

Deep-rooted scepticism gradually being overcome

These global influences also determined economic trends in our core markets of Austria and CEE, though the situation was relatively favourable here: the Austrian economy felt the adverse impact of developments in Germany, where cyclical and structural weaknesses accumulated. Pension reform discussions additionally dampened consumer sentiment in Austria. Nevertheless, in the first six months GDP rose at a modest rate of 0.5 % compared with the previous year. This reflects various factors benefiting the Austrian economy: construction activity in Austria is characterised by a steady trend, industrial output expectations and investment propensity at least show an upward tendency, and intensified trade with Central and Eastern Europe supports overall external trade. The effects of the euro's appreciation against the US dollar (on one occasion by as much as 14 %, to a level of almost US$ 1.20 per euro) are generally overestimated, all the more so as the stronger euro has price-stabilising effects on the import side. There is sufficient scope for fiscal policy measures, without a need to take pro-cyclical action.

Austria has somewhat more growth potential

In the first half of 2003, the CEE economies grew at an estimated overall rate of just over 3 % compared with the previous year. Thus they achieved considerably stronger growth than the euro area, even if closer trade links made it increasingly difficult for these countries to counterbalance the general economic weakness prevailing especially in Germany. The higher overall growth rate was mainly due to robust domestic demand, which in most countries resulted from significant growth in real wages (supported by an improvement in productivity) and thus from lively private consumption. An analysis by region shows that the Baltic states recorded the strongest growth. The catching-up process continued in South-East Europe, too, where growth rates ranging between 4 % and 5 % were supported by capital expenditure. Poland's economic performance was below average, but on the basis of more favourable terms of financing and improved corporate profits – leading to stronger investment activity – there were signs of accelerating growth as the first half-year progressed. The Polish zloty, moving in parallel with the US dollar, depreciated significantly against the euro. The Hungarian forint was devalued twice, in mid-January and in early June, against the euro; in combination with the accompanying increase in key interest rates, this caused temporary uncertainty among international investors.

Economic data

Real GDP, %	2001	2002	2003
USA	0.3	2.4	2.1
Japan	– 0.2	– 0.2	1.0
Euro area	1.5	0.8	0.6
CEE 8 (EU 2004)	2.4	2.5	3.0
South-East Europe	4.7	5.0	4.3
Austria	**2001**	**2002**	**2003**
GDP growth	0.7	1.0	0.8
Private consumption	1.5	0.9	1.3
Investment in equipment	– 2.9	– 9.4	1.9
Investment in construction	– 1.5	– 0.5	1.2
Exports in a broader sense	7.4	2.7	1.5
Imports in a broader sense	5.9	– 1.3	2.5
CEE countries	**2001**	**2002**	**2003**
Poland	1.0	1.4	2.5
Czech Republic	3.0	2.0	2.6
Hungary	3.8	3.3	3.0
Slovakia	3.3	4.4	4.5
Slovenia	2.9	3.2	2.6
Bulgaria	4.0	4.8	4.0
Croatia	3.8	5.2	4.0
Romania	5.3	4.9	4.6

The unfavourable economic climate had an impact on the banking business in the first six months, not only through low growth in demand – close to stagnation – and a correspondingly low increase in lending and transaction volumes, but also through a difficult financial market environment.

Downward interest rate trend continues. Setbacks in the bond market

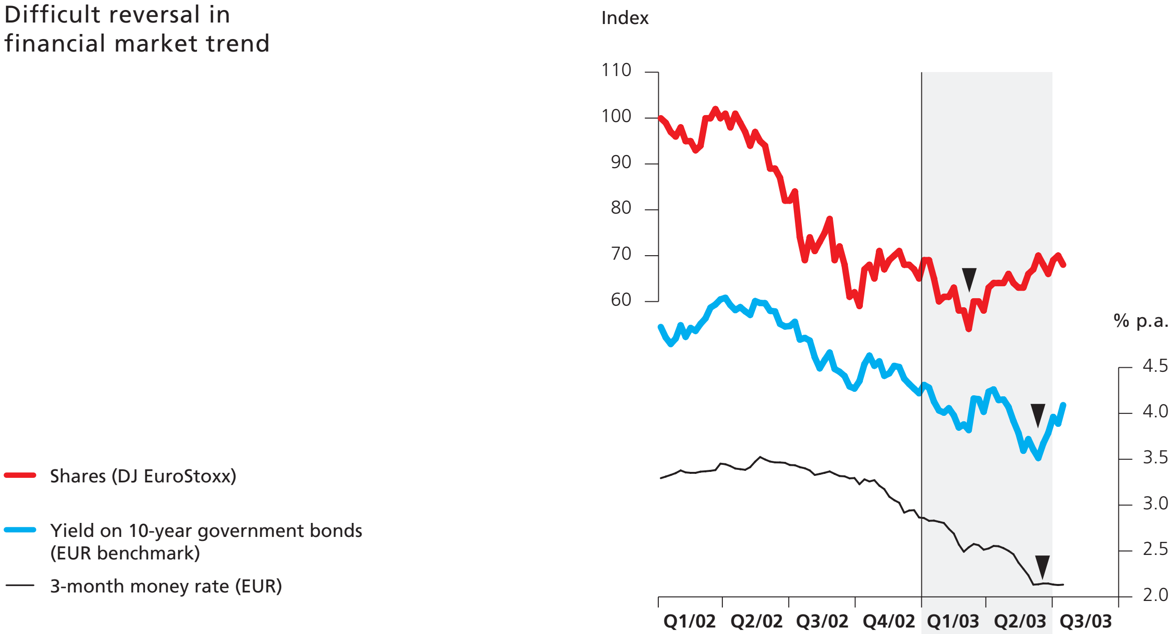
The monetary easing by the European Central Bank – which lowered its key interest rate by 1/4 percentage point in early March and by 1/2 percentage point in early June, to a level of 2 % – finally led to a significant decline in short-term interest rates and narrowing margins in Europe, too. Long-term interest rates followed the general interest rate trend over long periods, but the bond market provided a difficult setting: by mid-June, when the deflation hysteria culminated, the 10-year Austrian benchmark yield had fallen to a record low of 3.55 %. Occasionally there were strong setbacks and price declines, e.g. in the second half of March and especially from the middle of June to the middle of July.

Measured by the DJ EuroStoxx index, share prices rose by 18 % in the second quarter, but at the end of June they were just under 3 % higher than the low level reached at the end of 2002. This failed to stimulate investor interest, so that securities turnover remained moderate.

Companies improve their balance sheets

As companies improved their financing structure, this gave an impetus to the markets: the corporate bond market experienced a boom, reflected in clearly lower credit spreads, and the finance departments of companies sought to lock in the low level of interest rates for the future. Most recently, there were also signs of a recovery in the M&A market.

Difficult reversal in financial market trend



Bank Austria Creditanstalt in the First Half of 2003

Financial review

In the second quarter of 2003, Bank Austria Creditanstalt repeated the good performance achieved in the previous quarter, thus considerably improving its results for the first six months compared with the previous year, despite the difficult environment: consolidated net income for the first half of 2003 was **€ 202 m**, an **increase of € 65 m or 47 %** over the figure for the first six months of the previous year. **Net income before taxes** rose by € 101 m or 50 % to **€ 301 m**, and operating profit increased by € 123 m or 64 % to € 315 m.

Net income before taxes up by 50% on the previous year

These high rates of growth are mainly due to developments in the second quarter: a comparison with the same quarter of the previous year shows an increase of just under 80 % in net income before taxes and a doubling of operating profit. In this connection, the base period effect should be noted: in the previous year the comparative figures for the second quarter were clearly lower than the annual average for 2002, as the economic situation started to deteriorate rapidly exactly one year ago – contrary to expectations at the time – and financial markets slid into a confidence crisis from which they have recovered to some degree only recently. Compared with one-half of the figures in the income statement for the previous year (1/2 of 2002), net income before taxes rose by about 20 % and operating profit increased by 10 %.

Regardless of statistical effects, and seen against the background of the operating environment, results for the first half of 2003 represent a good performance:

- ▷ Business in Austria in the first half of the year, and especially in the second quarter of 2003, continued to be characterised by weak volumes and margins. The bank took a number of measures to counteract this trend; helped by a somewhat more favourable economic environment, these measures should have positive effects. Nevertheless, both net interest income and net fee and commission income were lower than in the previous year.
- ▷ These declines in income were offset by an outstanding net trading result, which was well above the comparative figures and internal budget figures.
- ▷ Moreover, our subsidiaries actively participated in the accelerated upward trend in Central and Eastern Europe (CEE). Irrespective of temporary exchange losses, they make a steadily rising contribution to overall profits.
- ▷ The significant improvement in results was in particular due to progress made in enhancing efficiency – through successful credit risk management, against the general trend in the industry, and through the sustained reduction of general administrative expenses.

The consolidation of Biochim and Splitska banka, in respect of which the comparative figures for the previous year were not restated, increases expense and income items by up to 5% (see note 4 to the income statement, page 22).

Details of items in the income statement

In the first six months of 2003, **net interest income** was € 1,059 million, down by € 124 m or 10 % on the figure for the first half of 2002. In line with interest rate movements in the past one and a half years, the first quarter saw a stronger decline in net interest income compared with the previous year than the second quarter; a comparison between the first and the second quarters shows an increase of 4 %. The decline in the first six months was primarily due to narrower margins in Austria and, to a lesser extent, to weak volumes – despite good progress in business on the assets side in the Private Customers segment. The main factor that led to the lower contribution from interest-related business was a decline in margins on the deposits side. Given the record low of interest rates – in absolute terms –, the bank found it difficult, or was even unable, to pass on the lower market rates to depositors, especially for short maturities. And investors' preference for liquidity in an environment of uncertainty led to strong interest in short-term deposits. In Poland, interest rate spreads diminished as the convergence process advanced. Moreover, technical factors also had an impact on net interest income: a growing part of fixed-income trading activities is handled via derivatives. In accordance with the IAS rules, this results in a shift from net interest income to the net trading result. And finally, currency translation of CEE results into euros accounts for a part – estimated at € 23 m – of the decline in net interest income.

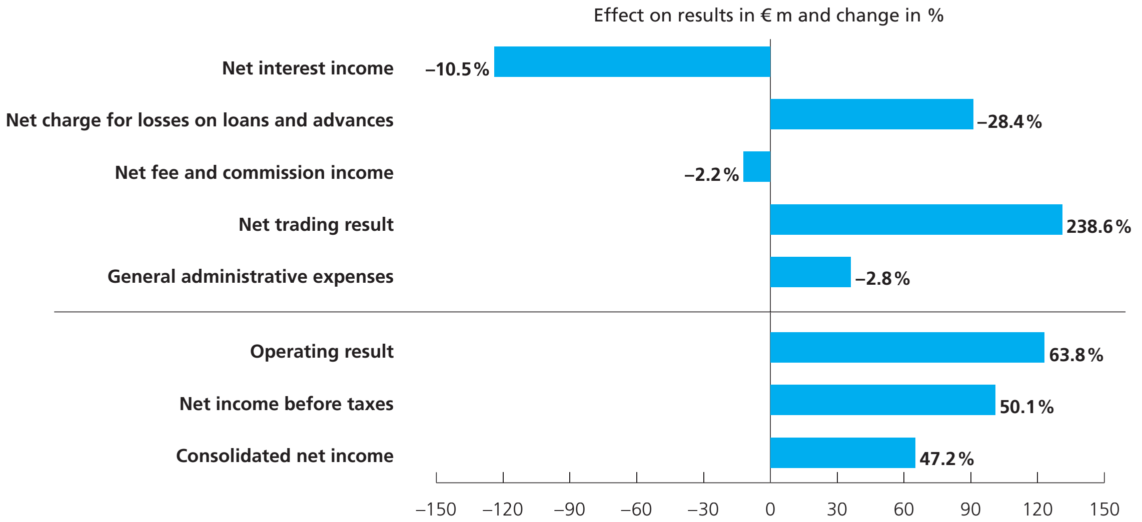
Net interest income affected by narrower margins on the deposits side

The **net charge for losses on loans and advances** was € 229 m (deductible item). In the first half of 2003 it was thus € 91 m or 28 % lower than in the previous year, and it also declined from the first to the second quarter of 2003. Two-thirds of this favourable effect resulted from operations in Austria (despite a further deterioration in insolvency statistics) and one-third from Poland. Nevertheless, at € 830 m, **net interest income after losses on loans and advances** was € 33 m or just under 4 % lower than in the previous year.

In the first six months of 2003, **net fee and commission income** was € 543 m, down by € 12 m or 2 % on the previous year's figure. As expected, this development reflects uncertainty among investors, especially retail customers, with regard to investment in securities. However, the low point in securities commissions was seen in autumn last year. In the meantime, net inflows at our investment fund management companies, and also in direct investment business, have recovered. On the other hand, low fee income from payment transactions reflects not only the economic slowdown, but also the implementation of EU rules for price harmonisation in cross-border payment transactions within the European Union.

The **net trading result** for the first half of 2003 amounted to € 187 m, three and a half times the level recorded a year ago. It should be noted that a year ago, in the wake of the surprising interest rate reversal in the second quarter of 2002, the trading performance had been weak. But the net trading result is also over 60 % higher than one-half of the – good – result

Results of Bank Austria Creditanstalt
First half of 2003 compared with first half of 2002



achieved in the previous year as a whole. Contributions to this strong performance came from Vienna-based Treasury operations (money market / foreign exchange trading, fixed income activities, and Emerging Markets Investments) and from the CEE subsidiaries.

At € 1,559 m, operating revenues – i.e. **operating income** after the net charge for losses on loans and advances – in the first half of 2003 exceeded the previous year's figure by € 86 m or 6 %. Despite the expansion in CEE, **general administrative expenses** in the first half of 2003 (€ 1,240 m, down by € 36 m or 2.8 %) were kept below the figure for the first six months of the previous year and below one-half of the previous year's total figure. This reduction was achieved through cost savings – following the completion of major changes in IT systems in the previous year – at Austrian subsidiaries which support the core banking business, and through synergies in Poland. The cost/income ratio was reduced to below 70 % (69.5 % after 71.3 % in the previous year). The balance of other operating income and expenses hardly changed (€ –4 m after € –5 m). **Operating profit** for the first six months of 2003 thus reached **€ 315 m**, an increase of € 123 m or 64 % as against the previous year.

Enhanced earnings and cost synergies lead to double-digit growth rate in operating profit

Net income from investments reached € 19 m, down by € 21 m or one-half from the previous year's figure, which included sales of equity interests. The other deductible items (amortisation of goodwill, and the balance of other income and expenses) matched the previous year's levels as planned. **Net income before taxes** for the first half of 2003 was € 301 m, up by € 101 m or 50 % on the previous year.

After deduction of taxes on income in the amount of € 66 m (22 % of net income before taxes) and of minority interests (€ 33 m), the first six months of 2003 closed with **consolidated net income** of € 202 m. This is an increase of € 65 m or 47 % on the previous year.

On the basis of 114 million shares, this results in **earnings per share** of € 1.78 (previous year: € 1.21). The return on equity after taxes (ROE) rose from 5.7 % in the previous year to 8.8 %.

Balance sheet

The consolidated balance sheet of Bank Austria Creditanstalt contracted in the first half of 2003: compared with the end of the previous year, **total assets** as at 30 June 2003 declined by € 3.6 bn or 2.4 % to **€ 144.4 bn**. To a lesser extent, this contraction was due to seasonal effects (return of year-end liquidity to normal levels). A weightier factor is the current economic situation, which dampens the expansion of items dependent on the business cycle, e.g. sluggish credit demand from companies on the assets side, or the generally weak development of deposits on the liabilities side. The continued trend towards disintermediation has an impact on the balance sheet, too.

Nevertheless, the decline in total assets reflects specific management measures rather than market developments. These measures include efforts to reduce risk-weighted assets and the increased use of derivatives for proprietary trading activities and asset/liability management, as a result of which interbank business on both sides of the balance sheet is reduced and trading assets and trading liabilities increase. Bank Austria Creditanstalt's policy is to optimise interbank business, which is connected with Treasury operations, with due regard to risk and cost aspects: trading activities are primarily conducted via derivatives, thus reducing capital required to be allocated to such business and the liquidity costs.

Balance sheet optimised under the aspects of risk management and liquidity costs

This is also the reason for the major changes on the **assets side**: trading assets increased by € 3.0 bn to € 22.0 bn (+16 %), loans and advances to, and placements with, banks (with money market placements representing two-thirds of this item) were reduced by € 5.1 bn or 17 %. Loans and advances to customers – totalling € 75.1 bn and representing more than one-half (52 %) of total assets – decreased by € 1.3 bn or 1.6 %. This decline was mainly due to lower money market placements (down by € 1.1 bn), i.e. money market transactions with institutional customers (repurchase transactions, overnight money and term money). On the other hand, loans to customers and real estate finance expanded by 4 % and 6 %, respectively.

Loan loss provisions (shown as a deductible item) remained almost unchanged compared with the level at the end of 2002 (–0.7 % to € 3.6 bn). At the end of June 2003, investments stood at € 17.5 bn, 2.5 % lower than on 31 December 2002.

On the **liabilities side**, trading liabilities, primarily including negative market values on derivative financial instruments, showed the strongest growth, rising by € 2.7 bn or 26 % to € 13.2 bn. Amounts owed to banks (€ 40.4 bn) declined by € 0.7 bn or 1.7 %, after a significant reduction in the previous year.

Amounts owed to customers decreased by € 2.6 bn or 4.5 % to € 54.0 bn. Within this item, savings deposits remained stable at € 17.6 bn. This important source of funds accounts for almost one-third of total customer deposits. On balance, the largest decline was seen in time deposits (–11 %). Together with liabilities evidenced by certificates (€ 17.9 bn), which decreased by 11 % because of large redemptions in all sub-categories, and inclusive of subordinated capital (–12 % to € 5.7 bn), "primary funds" total € 77.6 bn, accounting for some 55 % of the balance sheet total. Therefore, in March this year, Bank Austria Creditanstalt initiated a number of measures to increase marketing activities for on-balance sheet investment products, including the bank's own issues, in the domestic business.

Savings deposits at a stable level, decline in time deposits, large redemptions

Among the other liabilities items, **subordinated capital** (€ 5.7 bn) decreased by 12.3 %. **Minority interests** (€ 611 m) fell by 6 % as the bank acquired additional shares in CEE subsidiaries.

As at 30 June 2003, **shareholders' equity** amounted to € 4.7 bn (3.2 % of the balance sheet total). The slight increase of € 71 m (1.5 %) is the net effect of the allocation of consolidated net income (€ 202 m) to retained earnings, less the dividend payment (€ 116 m), a decrease in the foreign currency translation reserve (€ 125 m) and a positive change of € 99 m in the reserves in accordance with IAS 39 (other changes: € +10 m).

Capital resources

At the end of the first half of 2003, the assessment basis pursuant to the Austrian Banking Act (banking book) was € 67.0 bn, almost matching the level at the end of the previous year (–0.3 %), and capital requirements developed in line with this movement. This was due partly to the weak development of business volume on the assets side, and partly to exchange rate changes (primarily in the USD and PLN). Net capital resources rose by 0.7 % to € 7.6 bn. The Tier 1 capital ratio declined slightly, from 6.81 % to 6.68 %, while the total capital ratio increased from 11.18 % to 11.29 % (30 June 2003 compared with 31 December 2002).

Development of business segments

▶ The **Private Customers / Austria** business segment was the most strongly affected by the trend in interest margins over the past one and a half years. In contrast to previous phases of interest rate reductions, the decline in revenues was not offset by growth in net fee and commission income, but became even more pronounced as customers showed restraint with regard to investment in securities. Net interest income was € 375 m, down by € 39 m or 10 % on the previous year. Net fee and commission income was slightly above one-half of the previous year's total figure, but fell far short of expectations for the current year. Further synergies in the sales sector reduced general administrative expenses by € 21 m or 4 %. On the basis of net income before taxes of € 61 m (down by € 25 m or 29 % on the previous year), the ROE reached 16.8 %.*)

Retail banking affected by economic environment, yet ROE reaches 17 %

Lending business developed very favourably, both in terms of volume and income, above all in the areas of housing finance (in euros), consumer credits and current account loans. This means that the weaker revenue was primarily attributable to business on the liabilities side, especially the more restricted manœuvring

*) For segment reporting purposes, results for the first half of 2003 are compared with one-half of the previous year's total figure because quarterly figures were not restated to reflect the changed method of allocating residual costs (see note 28, page 29).

room for terms and conditions: deposit volume declined slightly, and business was adversely affected, above all, by lower margins on variable-rate savings deposits, and to a lesser extent by similar developments in sight and time deposits. Investors still switch their securities holdings into other securities less frequently. New business picked up in the first half of 2003, particularly in the bank's own funds, real estate securities and guarantee products. Net inflows at our asset management subsidiaries (AMG and Capital Invest) in the second quarter were again somewhat lower than in previous months, reflecting the rather short counter-movement on stock markets. At the end of June, assets under management totalled € 22 bn (including € 3.9 bn at BANK*PRIVAT*).

Therefore Bank Austria Creditanstalt launched programmes in the second quarter to enhance business volume and earnings. The first package of measures aimed at stabilising the funding base. The second package which is currently being implemented involves measures to boost lending and leasing business as well as reviewing prices for the range of deposit products, including special terms and conditions. The sales performance is to be enhanced through targeted use of resources in the branch network and through intensified cross-selling across product groups. In the securities sector, a rise in the volume of redemptions provides an opportunity for the bank to offer its customers reinvestment in the bank's own fund products, real estate shares and structured bond investments.

- Earnings in the **Corporate Customers / Austria** business segment improved slightly in the first half of 2003 compared with one-half of the previous year's total figure, although results still fall short of expectations for this year. At € 359 m, net interest income was € 4 m or 1 % higher than in the previous year. Lending volume stagnated (with the exception of investment finance), while margins improved slightly. On the liabilities side, the decline in margins had an adverse impact, all the more so as corporate customers primarily hold short-term deposits. A decisive improvement was achieved with regard to the net charge for losses on loans and advances: although the situation regarding insolvencies in Austria remained critical, the provisioning charge fell by € 29 m or 18 % to € 130 m. Net fee and commission income was € 132 m, down by 5 % from the previous year. While the securities business has seen some improvement in the course of this year, fee-based business was adversely affected by new factors including the loss of fee income in the wake of the implementation of the EU's regulation on cross-border payments in the internal market. In the first six months of 2003, the Corporate Customers segment achieved net income before taxes of € 98 m, an increase of € 10 m or 11 % over one-half of the previous year's total figure. Successful portfolio management reduced the risk-weighted assets (and the related capital requirement) by 8 %. The ROE rose from 8.1 % to 9.8 %.

Earnings in the Corporate Customers segment improve on the assets side, increase in advisory services and securities business

Within the Corporate Customers business segment, especially the real estate sector – comprising large-volume business with professional real estate customers – made very good progess, both in net interest income and in real estate consulting services.

In business with international corporates, the combination of local customer relationships and international expertise helped to further enhance the market position in the core markets, in particular through large-volume acquisition financing transactions in Austria and CEE. In this connection, the volume of international syndications increased especially in CEE, for example, for PKN Orlen, the Polish oil company, and for HEP, the Croatian energy supply company. An innovation is the Umbrella Loan: customers can use this product flexibly in different countries, depending on their liquidity and investment requirements. The Export Finance unit also recently recorded higher business volumes in CEE and, above all, in Asia, and confirmed its leading position in the core markets.

- The **International Markets** business segment performed very strongly through positioning and trading activities. It took advantage of the difficult situation in the market, which saw two trend reversals in the bond market in March and June, and changes in volatility in between. With the net trading result, for which International Markets is responsible to a large extent, the segment made a substantial contribution to more than offsetting the negative effects from interest rate movements and economic trends on commercial banking business.

Operating revenues after the net charge for losses on loans and advances reached € 152 m, again exceeding (by € 22 m or 17 %) the very good result represented by one-half of the previous year’s total figure. As residual costs are apportioned according to a method using operating profit as a basis, the business segment had to bear a higher proportion of costs. Net income before taxes increased by € 9 m or 29 % to € 41 m.

Substantial revenue growth achieved by all trading units of Treasury in Vienna

All trading units, from Money Markets to Financial Engineering, contributed to the increase in operating revenues. The Relative Value Trading unit benefited from the narrowing of spreads on corporate bonds and also from the steeper yield curve prevailing towards the end of the reporting period. The only negative impact resulted from the “HUF crisis”, with the unexpected devaluation of the Hungarian forint in early June and compensating interest rate steps taken by the central bank. The Emerging Markets Investments unit used the market high in May to realise gains and reduce positions.

Customer-driven business developed favourably, too. Bank Austria Creditanstalt confirmed its undisputed position in A+CEE issuing business by successfully placing corporate bonds, e.g. for the Austrian Federal Railways (ÖBB), OMV or Telekom Austria, which were originated in cooperation with the relationship managers serving major corporates. These bonds set Austrian benchmarks in the corporate bonds segment. Activities in CEE countries included the first five-year kuna-denominated Croatian government bond issue with a volume of 1 billion kuna. The focus on structured products in customer business proved to be a highly promising strategy and will be further pursued in the future.

- The **Central and Eastern Europe (CEE)** business segment continued to be the mainstay of growth at Bank Austria Creditanstalt in the first half of 2003, even if the countries were not quite able to escape the influences from European economic trends and interest rate movements. After building up the corporate banking business, the segment is now pursuing a targeted expansion of its retail banking activities. Moreover, private companies and public-sector enterprises are showing increasing demand for professional Treasury and capital market services. In South-East Europe, there is substantial pent-up demand in the areas of public and private infrastructure and for basic services.

At the business segment level (i.e. after taking into account costs associated with equity interest management, including goodwill amortisation and funding costs), net income before taxes achieved by the CEE business segment rose by 22 % to € 91 m. Lower net interest income was more than offset by growth in net fee and commission income and a good net trading result. Synergies from the merger of our Polish units in the previous year helped to reduce general administrative expenses although the group of consolidated companies became larger. The CEE business segment accounted for 30 % of the Bank Austria Creditanstalt Group’s net income before taxes.

Central and Eastern Europe accounts for 30 % of overall results

The consolidated banking subsidiaries (without central counter-entries) generated net income before taxes of € 156 m, an increase of € 41 m or 36 % (in local currency terms: 45 %) over the first half of 2002. About one-half of this increase was due to organic growth, with the other half resulting from first-time consolidation of banking subsidiaries. In the first half of 2003, the banking subsidiaries’ contribution to net income before taxes (excluding the Vienna cost centre) reached 52 %.

Our largest banking subsidiary is **BPH PBK in Poland**. Its net income before taxes for the first six months of 2003 was € 68 m, up by 48 % on the previous year, or 63 % in local currency terms. The increase in net fee and commission income (+5.5 %) and in the net trading result (+53 %), a decline in the net charge for losses on loans and advances (–43 %) and a reduction of general administrative expenses (–16 %), calculated on a euro basis, are the major factors contributing to the improvement in results compared with the previous year and more than offset the decline in net interest income.

In the Czech Republic, net interest income fell by 17 %, mainly as a result of low interest rates, which in this country are only slightly above the euro yield curve. However, this decline was partly offset by lower general administrative expenses, a lower net charge for losses on loans and advances, and a higher net trading result. In Slovakia, the weak development of interest-based business was more than compensated by significantly higher net fee and commission income and a good net trading result. With the acquisition of the CAC Leasing companies in the Czech Republic and in Slovakia, we are now market leaders in the leasing business in both countries.

Net income before taxes generated by our Hungarian banking subsidiary rose by almost 8 % in local currency terms, but the weak forint led to a decline of about 1 % in euro terms. Growth was achieved especially in the net trading result and, to a lesser extent, in net fee and commission income.

A major event in South-East Europe was the successful integration of HVB Croatia in Splitska banka. This has given the bank a place among the top three banks in the Croatian banking market. In line with Bank Austria Creditanstalt's branding policy, the new bank has operated under the name of "Splitska banka" since 1 July 2003.

In Romania, the expansion of fee-based business and the fact that net fee and commission income more than doubled led to an 8 % increase in net income before taxes.

As usage of banking products in CEE is at a low level, the transfer of international standards, products and know-how to the region meets with a very favourable response from customers. This became clear, for example, in Bulgaria, where retail customers of Biochim, our Bulgarian banking subsidiary, can now raise loans up to the equivalent of € 3,500 without a guarantor – a new offering in the Bulgarian banking market. Supported by an advertising campaign in newspapers and on TV, this initiative in the retail banking business has enhanced the population's awareness of Biochim.

Bank Austria Creditanstalt consistently continues to pursue its strategy of expansion through a mix of organic growth and targeted acquisitions: the signing of agreements on the acquisition of Central Profit banka, the fourth-largest bank in Bosnia and Herzegovina with some 60,000 customers, took place in June 2003.

Outlook

We proceed from the assumption that the global economy will improve in the second half of the year, stimulated by an expansionary US economic policy. In Europe, too, the mix of fiscal and monetary-policy measures (tax cuts, further reduction of the ECB's key interest rate) and structural reforms should lead to more positive expectations. However, with the strong euro acting as a brake on recovery, this brighter outlook will probably not be reflected in noticeably higher demand in our markets until the end of the current year. The fact that the yield curve is steeper than in the first half of 2003 fits in with this picture. Stock markets are experiencing a slow turnaround, with occasional setbacks to be expected.

This means that the environment for business in our core markets will slightly improve in the coming months. Especially the CEE countries, including Poland, will achieve a stronger economic performance, moving closer to their growth trend line. In Austria, volumes and transactions will pick up only moderately later in the year. Advisory services benefit from companies' efforts to improve their balance sheets and financing structure. In business on the liabilities side, the earnings position remains strained in view of developments in margins.

Bank Austria Creditanstalt will swiftly implement its measures to enhance operating revenues and its cross-selling strategy in Austria. The bank will also continue to pursue its strategy of expansion in Central and Eastern Europe while keeping overall costs under control. Therefore we are confident as to the bank's performance for the year as a whole and expect a two-digit percentage increase in results.

Consolidated Financial Statements

Income statement of the Bank Austria Creditanstalt Group for the first half of 2003

	(Notes)	1 Jan. – 30 June 2003 € m	1 Jan. – 30 June 2002 € m	Change € m	Change in %
Interest income		2,452	3,025	– 574	– 19.0
Interest expenses		1,393	1,842	– 450	– 24.4
Net interest income	(5)	1,059	1,183	–124	–10.5
Losses on loans and advances	(6)	– 229	– 320	91	– 28.4
Net interest income after losses on loans and advances		**830**	**863**	**– 33**	**– 3.9**
Fee and commission income		673	690	– 17	– 2.5
Fee and commission expenses		130	134	– 5	– 3.3
Net fee and commission income	(7)	543	556	–12	– 2.2
Net trading result	(8)	187	55	131	238.6
General administrative expenses	(9)	–1,240	–1,276	36	– 2.8
Balance of other operating income and expenses	(10)	– 4	– 5	1	– 23.0
Operating profit		**315**	**192**	**123**	**63.8**
Net income from investments		19	41	– 21	– 52.7
Amortisation of goodwill		– 32	– 31	1	2.2
Balance of other income and expenses		– 1	– 1	0	4.8
Profit from ordinary activities/ Net income before taxes		**301**	**201**	**101**	**50.1**
Taxes on income		– 66	– 35	– 32	91.8
Net income		**235**	**166**	**69**	**41.4**
Minority interests		33	29	4	13.4
Consolidated net income		**202**	**137**	**65**	**47.2**

Key figures

	1 Jan. – 30 June 2003	1 Jan. – 30 June 2002
Earnings per share (in €)	1.78	1.21
Return on equity after taxes (%)	8.8	5.7
Cost/income ratio (%)	69.5	71.3
Risk/earnings ratio (%)	21.6	27.1

Note:

In adding up rounded figures and calculating the percentage rates of changes, slight differences may result compared with totals and rates arrived at by adding up component figures which have not been rounded.

Income statement of the Bank Austria Creditanstalt Group by quarter

€ m	Q2 2003	Q1 2003	Q4 2002	Q3 2002	Q2 2002
Net interest income	539	520	545	579	581
Losses on loans and advances	–101	–128	–74	–142	–149
Net interest income after losses on loans and advances	**438**	**392**	**471**	**436**	**432**
Net fee and commission income	273	270	258	263	270
Net trading result	78	109	129	47	–6
General administrative expenses	–622	–619	–611	–617	–602
Balance of other operating income and expenses	–1	–3	13	–9	–14
Operating profit	**166**	**149**	**260**	**119**	**79**
Net income from investments	0	20	–14	2	19
Amortisation of goodwill	–16	–15	–40	–16	–15
Balance of other income and expenses	–1	–1	–6	–1	–1
Profit from ordinary activities/ Net income before taxes	**148**	**153**	**200**	**103**	**83**
Taxes on income	–33	–33	–52	–24	–13
Net income	**115**	**120**	**148**	**79**	**70**
Minority interests	14	19	38	17	13
Consolidated net income	**101**	**101**	**110**	**62**	**57**

Balance sheet of the Bank Austria Creditanstalt Group at 30 June 2003 compared with the balance sheet at 31 December 2002

Assets

	(Notes)	30 June 2003 € m	31 Dec. 2002 € m	Change € m	Change in %
Cash and balances with central banks	(11)	2,013	1,824	189	10.4
Trading assets	(12)	21,997	18,954	3,043	16.1
Loans and advances to, and placements with, banks	(13)	24,484	29,558	–5,074	–17.2
Loans and advances to customers	(14)	75,096	76,354	–1,257	–1.6
– Loan loss provisions	(15)	–3,596	–3,622	26	–0.7
Investments	(16)	17,520	17,976	–456	–2.5
Property and equipment	(17)	1,093	1,177	–84	–7.1
Intangible assets	(18)	1,224	1,162	62	5.3
Other assets		4,568	4,586	–18	–0.4
TOTAL ASSETS		**144,399**	**147,968**	**–3,569**	**–2.4**

Liabilities and shareholders' equity

	(Notes)	30 June 2003 € m	31 Dec. 2002 € m	Change € m	Change in %
Amounts owed to banks	(19)	40,353	41,033	–680	–1.7
Amounts owed to customers	(20)	53,995	56,562	–2,567	–4.5
Liabilities evidenced by certificates	(21)	17,892	19,992	–2,100	–10.5
Trading liabilities	(22)	13,235	10,504	2,731	26.0
Provisions	(23)	3,472	3,490	–18	–0.5
Other liabilities	(24)	4,498	4,673	–175	–3.7
Subordinated capital	(25)	5,663	6,455	–792	–12.3
Minority interests		611	650	–39	–6.0
Shareholders' equity		4,680	4,610	71	1.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**144,399**	**147,968**	**–3,569**	**–2.4**

Statement of changes in shareholders' equity of the Bank Austria Creditanstalt Group

€ m	Subscribed capital	Capital reserves	Retained earnings	Reserves in accordance with IAS 39	Shareholders' equity
As at 1 January 2002	**829**	**2,177**	**2,148**	**–279**	**4,875**
Consolidated net income			137		137
Dividend paid			–116		–116
Foreign currency translation reserve			–184		–184
Gains and losses recognised directly in equity in accordance with IAS 39				84	84
Other changes			–59		–59
As at 30 June 2002	**829**	**2,177**	**1,926**	**–195**	**4,737**

€ m	Subscribed capital	Capital reserves	Retained earnings	Reserves in accordance with IAS 39[1)]	Shareholders' equity
As at 1 January 2003	**829**	**2,016**	**2,031**	**–266**	**4,610**
Consolidated net income			202		202
Dividend paid			–116		–116
Foreign currency translation reserve			–125		–125
Gains and losses recognised directly in equity in accordance with IAS 39				99	99
Other changes			10		10
As at 30 June 2003	**829**	**2,016**	**2,002**	**–167**	**4,680**

1)

Reserves in accordance with IAS 39	31 Dec. 2002	30 June 2003
Cash flow hedge reserve	–263	–194
Available-for-sale reserve	–3	27
Total	–266	–167

Cash flow statement

€ m	1 Jan. – 30 June 2003	1 Jan. – 30 June 2002
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,824**	**3,428**
Cash flows from operating activities	895	817
Cash flows from investing activities	301	–944
Cash flows from financing activities	–1,002	–266
Effects of exchange rate changes	–3	–27
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,015**	**3,008**

Notes to the Consolidated Financial Statements of Bank Austria Creditanstalt

(1) Significant accounting principles

The interim report of the Bank Austria Creditanstalt Group has been prepared in accordance with International Financial Reporting Standards (IFRS), in particular in accordance with IAS 34, and covers the first half of 2003 (1 January 2003 to 30 June 2003).

(2) Changes in accounting principles in 2003

With the exception of changes in segment reporting (see also note 28), which are described there, and the following exceptions, the accounting principles and methods applied were the same as in the financial statements for 2002:

- From 2003, a loan loss provision of € 19 m attributable to debt securities was reclassified and is now included in the balance sheet item "Investments".
- Part of the purchase price (€ 8 m) of a non-consolidated subsidiary was reclassifed to goodwill due to the allocation to a consolidated subsidiary.
- An investment in the amount of € 6 m originally shown in the item "Loans and advances to customers" was reclassified to investments.

(3) Earnings per share

No financial instruments are outstanding which could have a dilutive effect. Therefore basic earnings per share equal diluted earnings per share. For the first half of 2003, earnings per share are € 1.78 (of which first quarter: € 0.89). The previous year's figure was € 1.21 (of which first quarter: € 0.71).

(4) Changes in the group of consolidated companies in 2003

The Bulgarian Bank CB Biochim AD, which was acquired in the previous year, is included (inclusive of HVB Bulgaria, which was merged with the bank) in the consolidated financial statements as from 1 January 2003.

The effects of those two banks which did not yet belong to the Bank Austria Creditanstalt Group in the first half of the previous year, i.e. Bank CB Biochim AD and the Croatian bank Splitska banka, on results for the first half of 2003 are shown in the following table:

Income statement of the Bank Austria Creditanstalt Group for the first half of 2003
(of which: contribution of Bank CB Biochim AD and Splitska banka)

€ m	1 Jan. – 30 June 2003	of which: Biochim and Splitska banka
Interest income	2,452	59
Interest expenses	1,393	19
Net interest income	1,059	40
Losses on loans and advances	– 229	– 2
Net interest income after losses on loans and advances	**830**	**37**
Fee and commission income	673	15
Fee and commission expenses	130	3
Net fee and commission income	543	12
Net trading result	187	9
General administrative expenses	– 1,240	– 34
Balance of other operating income and expenses	– 4	– 3
Operating profit	**315**	**21**
Net income from investments	19	2
Amortisation of goodwill	32	0
Balance of other income and expenses	– 1	0
Profit from ordinary activities / Net income before taxes	**301**	**24**
Taxes on income	– 66	– 5
Net income	**235**	**19**
Minority interests	33	1
Consolidated net income	**202**	**18**

As at 11 June 2003, Bank Austria Creditanstalt AG acquired a majority interest in the Bosnian bank Central Profit banka, Sarajevo, which is to be merged with HVB Bosna i Hercegovina in the course of this year.

As at 30 June 2003, Bank Austria Creditanstalt Leasing AG completed the acquisition of the previous minority interests in the Czech company CAC Leasing a.s. and the Slovak company CAC Leasing Slovakia a.s. Both companies are now wholly owned by the Group.

Notes to the Income Statement

(5) Net interest income

€ m	1 Jan. – 30 June 2003	1 Jan. – 30 June 2002
Interest income from		
loans and advances and money market transactions	1,948	2,400
bonds and other fixed-income securities	289	411
shares and other variable-yield securities	76	69
companies accounted for under the equity method	23	20
investment property	13	16
Interest expenses for		
deposits	906	1,232
liabilities evidenced by certificates	281	402
subordinated capital	141	149
Results from leasing transactions	38	52
NET INTEREST INCOME	**1,059**	**1,183**

(6) Losses on loans and advances

€ m	1 Jan. – 30 June 2003	1 Jan. – 30 June 2002
Allocations to	427	493
provisions for loans and advances	*415*	*463*
provisions for contingent liabilities	*11*	*30*
Releases from	–169	–155
provisions for loans and advances	*–144*	*–140*
provisions for contingent liabilities	*–25*	*–16*
Recoveries of loans and advances previously written off	–29	–17
NET CHARGE FOR LOSSES ON LOANS AND ADVANCES	**229**	**320**

(7) Net fee and commission income

€ m	1 Jan. – 30 June 2003	1 Jan. – 30 June 2002
Securities and custodian business	113	128
Foreign trade/payment transactions	336	317
Lending business	72	69
Other services and advisory business	22	41
NET FEE AND COMMISSION INCOME	**543**	**556**

(8) Net trading result

€ m	1 Jan. – 30 June 2003	1 Jan. – 30 June 2002
Equity-related transactions	46	–6
Interest-rate and currency-related transactions	141	61
NET TRADING RESULT	**187**	**55**

(9) General administrative expenses

€ m	1 Jan. – 30 June 2003	1 Jan. – 30 June 2002
Staff costs	703	724
Wages and salaries	*488*	*508*
Social-security contributions	*105*	*104*
Expenses for retirement benefits and other benefits	*110*	*112*
Other administrative expenses	415	433
Depreciation and amortisation	121	119
on property and equipment	*71*	*78*
on intangible assets excluding goodwill	*50*	*41*
GENERAL ADMINISTRATIVE EXPENSES	**1,240**	**1,276**

(10) Balance of other operating income and expenses

€ m	1 Jan. – 30 June 2003	1 Jan. – 30 June 2002
Other operating income	34	65
Other operating expenses	38	70
BALANCE OF OTHER OPERATING INCOME AND EXPENSES	**–4**	**–5**

Notes to the Balance Sheet

(11) Cash and balances with central banks

€ m	30 June 2003	31 Dec. 2002
Cash and balances with central banks	1,849	1,630
Debt instruments issued by public borrowers and bills eligible for discounting at central banks	163	194
Treasury bills and non-interest-bearing Treasury notes as well as similar debt instruments issued by public issuers	*153*	*179*
Bills of exchange	*10*	*15*
CASH AND BALANCES WITH CENTRAL BANKS	**2,013**	**1,824**

(12) Trading assets

€ m	30 June 2003	31 Dec. 2002
Bonds and other fixed-income securities	**7,139**	**6,894**
Money market paper	*1,081*	*850*
Debt securities	*5,694*	*5,579*
issued by public borrowers	*2,196*	*1,505*
issued by other borrowers	*3,498*	*4,074*
Group's own debt securities	*364*	*465*
Shares and other variable-yield securities	**1,303**	**1,293**
Shares	*98*	*81*
Investment certificates	*768*	*763*
Other	*436*	*449*
Positive market values on derivative financial instruments	**13,541**	**10,750**
Equity derivatives	*52*	*41*
Interest-rate and currency derivatives	*13,489*	*10,709*
Other trading assets	**15**	**17**
TRADING ASSETS	**21,997**	**18,954**

(13) Loans and advances to, and placements with, banks – breakdown by product

€ m	30 June 2003	31 Dec. 2002
Loans and advances	8,221	9,615
Money market placements	16,263	19,943
LOANS AND ADVANCES TO, AND PLACEMENTS WITH, BANKS	**24,484**	**29,558**

(14) Loans and advances to customers – breakdown by product

€ m	30 June 2003	31 Dec.2002
Loans to local authorities	4,145	4,561
Real estate finance	6,252	5,942
Mortgage loans	6,108	5,765
Other real estate finance	144	177
Current account credits	25,508	25,826
Loans	28,777	27,613
Money market placements	1,583	2,660
Other loans and advances	5,399	6,369
Finance lease receivables	3,433	3,382
LOANS AND ADVANCES TO CUSTOMERS	**75,096**	**76,354**

(15) Loan loss provisions

€ m	for loans and advances to, and placements with, banks		for loans and advances to customers		Total	
	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002
At beginning of reporting period	**94**	**71**	**3,528**	**3,258**	**3,622**	**3,329**
Allocation	0	3	415	459	415	463
Release	–2	0	–142	–139	–144	–139
Use	0	0	–135	–113	–135	–113
Exchange differences and other adjustments not reflected in the income statement	–5	–15	–156	–113	–162	–127
AT END OF REPORTING PERIOD	**86**	**60**	**3,510**	**3,352**	**3,596**	**3,412**

(16) Investments

€ m	30 June 2003	31 Dec. 2002
Held-to-maturity investments – debt securities	**7,138**	**7,341**
Available-for-sale investments	**9,204**	**9,880**
Shares in unconsolidated subsidiaries	893	1,234
Shares in other companies	1,359	2,378
Other fixed-income securities	3,706	3,132
Shares and other variable-yield securities	3,246	3,136
Securities held as short-term investments	*1,469*	*1,445*
Securities held as long-term investments	*1,777*	*1,691*
Investments in companies accounted for under the equity method	**746**	**325**
Investment property	**431**	**431**
INVESTMENTS	**17,520**	**17,976**

(17) Property and equipment

€ m	30 June 2003	31 Dec. 2002
Land and buildings used for banking operations	725	742
Other land and buildings	19	18
Other property and equipment	349	418
PROPERTY AND EQUIPMENT	**1,093**	**1,177**

(18) Intangible assets

€ m	30 June 2003	31 Dec. 2002
Goodwill	953	872
Other intangible assets	271	290
INTANGIBLE ASSETS	**1,224**	**1,162**

(19) Amounts owed to banks – breakdown by product

€ m	30 June 2003	31 Dec. 2002
Repayable on demand	**6,590**	**3,883**
With agreed maturity dates or periods of notice	**33,763**	**37,149**
Loans raised	11,240	10,603
Money market deposits by banks	21,003	21,028
Other amounts owed to banks	1,521	5,519
AMOUNTS OWED TO BANKS	**40,353**	**41,033**

(20) Amounts owed to customers – breakdown by product

€ m	30 June 2003	31 Dec. 2002
Savings deposits	**17,561**	**17,578**
Other amounts owed to customers	**36,434**	**38,983**
Repayable on demand	16,695	16,810
With agreed maturity dates or periods of notice	19,739	22,174
AMOUNTS OWED TO CUSTOMERS	**53,995**	**56,562**

(21) Liabilities evidenced by certificates – breakdown by product

€ m	30 June 2003	31 Dec. 2002
Debt securities issued	**14,165**	**14,926**
Mortgage bonds and local-authority bonds	2,423	2,559
Other debt securities issued	11,742	12,367
Other liabilities evidenced by certificates	3,726	5,066
LIABILITIES EVIDENCED BY CERTIFICATES	**17,892**	**19,992**

(22) Trading liabilities

€ m	30 June 2003	31 Dec. 2002
Equity derivatives	42	34
Interest-rate and currency derivatives	13,015	10,301
Other trading liabilities	178	169
TRADING LIABILITIES	**13,235**	**10,504**

(23) Provisions

€ m	30 June 2003	31 Dec. 2002
Provisions for retirement benefits and similar obligations	2,621	2,609
Provisions for taxes	556	588
Current taxes	51	78
Deferred taxes	505	510
Provisions for restructuring costs	1	2
Provisions for contingent liabilities	133	100
Other provisions for impending losses	162	191
PROVISIONS	**3,472**	**3,490**

(24) Other liabilities

€ m	30 June 2003	31 Dec. 2002
Negative market values on derivative hedging instruments	2,967	3,082
Other amounts payable	1,391	1,478
Deferred income	139	112
OTHER LIABILITIES	**4,498**	**4,673**

(25) Subordinated capital

€ m	30 June 2003	31 Dec. 2002
Subordinated liabilities	4,423	5,207
Supplementary capital	1,240	1,247
SUBORDINATED CAPITAL	**5,663**	**6,455**

Additional IAS Disclosures

(26) Employees

(Full-time equivalent)	30 June 2003	30 June 2002
Bank Austria Creditanstalt Group	31,170	31,774
Bank Austria Creditanstalt AG and its Austrian subsidiaries that support its core banking business 1)	11,687	12,290
CEE and other subsidiaries 2)	19,483	19,484
of which: Poland	*11,737*	*13,369*

1) Including six non-consolidated subsidiaries which support the core banking business.
2) Including non-consolidated HVB Bank Yugoslavia a.d and the consolidated companies Schoellerbank AG, Bank Austria Creditanstalt Leasing GmbH, VISA-SERVICE Kreditkarten AG, Capital Invest KAG, Asset Management GmbH, BA/CA Asset Finance Ltd., BA Cayman Islands Ltd., Bank Austria Creditanstalt Treuhand GmbH, Bank Austria Creditanstalt Wohnbaubank AG.

(27) Events after the balance sheet date

HVB Croatia and the Croatian bank Splitska banka, as absorbing company, merged as at 1 July 2003.

The capital increase of 33,031,740 ordinary shares with no par value, which were issued at a price of € 29, was entered in the Register of Companies as at 9 July 2003. The syndicate banks have been granted an over-allotment option ("greenshoe") to subscribe for up to 4,954,760 additional shares within 30 days after the closing date (closing date: 11 July 2003). The first day of trading in these shares of our company in the Official Market of the Vienna Stock Exchange was 9 July 2003. The shares have been included in the ATX index since 14 July 2003.

(28) Segment reporting

€ m		Private Customers Austria	Corporate Customers Austria	Central and Eastern Europe (CEE)	International Markets	Corporate Center	BA-CA Group
Net interest income	H1 2003	375	359	271	46	8	1,059
	1/2 2002[1)]	414	354	320	63	1	1,153
Losses on loans and advances	H1 2003	–49	–130	–49	0	–1	–229
	1/2 2002[1)]	–49	–159	–50	–3	–7	–268
Net fee and commission income	H1 2003	244	132	168	7	–8	543
	1/2 2002[1)]	240	139	164	4	–9	538
Net trading result	H1 2003	1	1	46	99	39	187
	1/2 2002[1)]	0	1	14	66	34	115
General administrative expenses	H1 2003	–506	–276	–342	–100	–16	–1,240
	1/2 2002[1)]	–527	–264	–359	–83	–19	–1,252
Balance of other operating income and expenses	H1 2003	–1	6	–5	–3	0	–4
	1/2 2002[1)]	9	5	–3	–1	–10	–1
Operating profit	**H1 2003**	**64**	**91**	**90**	**49**	**22**	**315**
	1/2 2002[1)]	**88**	**77**	**85**	**46**	**–10**	**286**
Net income from investments	H1 2003	0	11	20	–4	–7	19
	1/2 2002[1)]	2	14	12	–1	–13	14
Amortisation of goodwill	H1 2003	–4	–2	–18	–4	–4	–32
	1/2 2002[1)]	–4	–2	–22	–13	–2	–44
Balance of other income and expenses	H1 2003	0	–1	–1	0	0	–1
	1/2 2002[1)]	0	0	–1	0	–3	–4
Net income before taxes	**H1 2003**	**61**	**98**	**91**	**41**	**11**	**301**
	1/2 2002[1)]	**86**	**88**	**74**	**32**	**–29**	**252**
Average risk-weighted assets	H1 2003	11,609	32,496	13,501	3,583	6,164	67,352
	2002	11,933	35,315	13,100	4,309	6,772	71,429
Equity allocated (average)	H1 2003	720	2,015	837	222	818	4,614
	2002	740	2,190	812	267	733	4,742
Return on equity before taxes in %	*H1 2003*	*16.8*	*9.8*	*21.7*	*37.1*		*13.1*
	2002	*23.3*	*8.1*	*18.3*	*23.8*		*10.6*
Cost/income ratio in %	*H1 2003*	*81.7*	*55.6*	*71.1*	*67.1*		*69.5*
	2002	*79.5*	*52.8*	*72.6*	*62.5*		*69.3*

1) Previous year's figures are shown on a pro-rata basis (1/2 of 2002 adjusted figures, as explained below).

Changes in segment reporting with effect from 2003

1. Allocation to the "Corporate Center" segment, previously "Other Items / Reclassifications"

In the past, the "Other Items / Reclassifications" segment showed significant amounts not allocated to other segments. In 2002 Bank Austria Creditanstalt further developed its database and introduced new processes enabling the bank to allocate almost all costs (e.g. costs of major IT projects; showing all interest effects resulting from employee benefit plans in net interest income rather than in general administrative expenses) to the relevant business segments. For database reasons, these changes can only be presented for 2002 as a whole, not for the first half of the previous year. Therefore business segment data are not compared with the same period in the previous year but with a pro-rata figure (i.e. figures for the first half of 2003 are compared with 50 % of the total figure for 2002).

2. Changes in allocation of investments

As a result of changes in responsibilities at Managing Board level, most recently becoming effective on 1 April 2003, segment reporting has been adjusted to the new responsibilities at Managing Board level. This led to a reduction of the number of segments: the previous segment "Domestic Real Estate Finance and Real Estate Customers" has been integrated in the "Corporate Customers / Austria" segment, the equity interest in Bank Austria Cayman Islands Ltd. previously included in the "Asset Management" segment has been allocated to the "Corporate Center" segment, the remaining part of the previous segment "Asset Management" has been allocated to the "Private Customers / Austria" segment. This has also resulted in changes in the allocation of several equity interests which are shown in the following table:

	2003	2002
CABET-Holding	Corporate Customers/Austria	Corporate Center
Investkredit Bank AG	Corporate Customers/Austria	Corporate Center
Oesterreichische Kontrollbank AG	Corporate Customers/Austria	Corporate Center
BA-Treuhand GmbH	Corporate Customers/Austria	Corporate Center
Immobilienholding GmbH (profit and substance-sharing rights)	Corporate Center	Corporate Customers/Austria

Information pursuant to the Austrian Banking Act

(29) Capital resources and assessment basis of the Bank Austria Creditanstalt group of credit institutions

€ m	30 June 2003	31 Dec. 2002
Paid-in capital	829	829
Capital reserve	1,489	1,489
Revenue reserve	416	416
Reserve pursuant to Section 23 (6) of the Austrian Banking Act	2,070	2,070
Untaxed reserves	161	163
Differences on consolidation pursuant to Section 24 (2) of the Austrian Banking Act	74	246
Less intangible assets	–566	–639
Core capital (Tier 1)	**4,472**	**4,574**
Supplementary capital	1,196	1,206
Revaluation reserve	101	56
Subordinated capital	2,236	2,287
Supplementary elements (Tier 2)	**3,533**	**3,549**
Deductions	–441	–614
Net capital resources (Tier 1 and Tier 2)	**7,565**	**7,509**
Assessment basis (banking book)	66,981	67,160
Tier 1 capital ratio (banking book) in %	6.68	6.81
Total capital ratio (banking book) in %	11.29	11.18
Available Tier 3	**897**	**1,548**
Requirement for the securities trading book and for open foreign exchange positions	351	434

Summary Financial Information on Our CEE Banking Subsidiaries

(29) Income statement

€ m	Poland H1 2003	Poland H1 2002	Hungary H1 2003	Hungary H1 2002	Czech Rep. H1 2003	Czech Rep. H1 2002
Net interest income	161.2	219.6	31.3	33.6	39.2	47.1
Losses on loans and advances	–35.0	–61.5	–3.1	–2.9	–4.4	–5.6
Net fee and commission income	98.0	92.9	17.4	17.2	25.9	29.0
Net trading result	17.7	11.6	5.3	2.7	0.5	0.2
General administrative expenses	–186.6	–222.0	–30.8	–29.9	–37.0	–40.8
Balance of other operating income and expenses	–0.4	7.8	0.3	0	–0.9	–2.3
Operating profit	**55.0**	**48.4**	**20.4**	**20.7**	**23.3**	**27.5**
Net income from investments	14.7	0.3	0.1	0	0	0
Amortisation of goodwill	–1.7	–2.6	0	0	0	0
Balance of other income and expenses	–0.5	–0.5	0	0	0	0
Profit from ordinary activities / Net income before taxes	**67.5**	**45.6**	**20.5**	**20.7**	**23.3**	**27.5**
Average risk-weighted assets	4,980	5,488	1,590	1,383	2,380	2,150
Average shareholders' equity	1,143	1,237	261	234	358	406
Cost/income ratio (in %)	**67.5**	**66.9**	**56.7**	**55.9**	**57.2**	**55.2**
Return on equity before taxes (in %)[2]	**11.9**	**7.4**	**15.8**	**17.9**	**13.1**	**13.7**
Exchange rate at end of period (units of local currency per euro)	**4.4775**	**4.0598**	**266.61**	**244.93**	**31.572**	**29.267**
Appreciation/depreciation against the euro	**–9.3%**		**–8.1%**		**–7.3%**	

1) Splitska banka + HVB Croatia
2) Based on actual average equity.
Financial information relating to subsidiaries corresponds to the interim financial statements prepared in accordance with IFRS as used for preparing the consolidated financial statements of the Bank Austria Creditanstalt Group.

Other Information

(30) Contingent liabilities and commitments

€ m	30 June 2003	31 Dec. 2002
Guarantees	11,537	12,341
Acceptances and endorsements	26	27
CONTINGENT LIABILITIES	**11,564**	**12,368**
Liabilities arising from sales with an option to repurchase	47	503
Other commitments	7,454	8,206
COMMITMENTS	**7,501**	**8,710**

Slovakia		Slovenia		Croatia		Romania		Bulgaria		CEE banks	
H1 2003	H1 2002	H1 2003	H1 2002	H1 2003[1]	H1 2002	H1 2003	H1 2002	H1 2003	H1 2002	H1 2003	H1 2002
14.0	14.2	12.0	10.0	34.9	6.7	6.8	7.5	10.7	–	310.3	338.6
–1.7	–1.6	–1.0	–0.6	–3.3	–0.1	–1.0	–0.7	0.2	–	–49.3	–73.0
4.7	3.9	4.5	3.5	10.3	2.1	3.5	1.6	5.1	–	169.4	150.3
1.1	0.8	–0.3	0.8	4.1	1.2	1.8	1.0	6.0	–	36.1	18.2
–11.0	–8.6	–9.9	–8.5	–27.0	–6.7	–6.7	–5.0	–14.8	–	–323.6	–321.5
0	0	–0.1	0	–2.6	–0.2	–0.4	–0.1	–0.2	–	–4.2	5.3
7.2	**8.8**	**5.3**	**5.1**	**16.4**	**3.0**	**4.0**	**4.2**	**7.0**	**–**	**138.6**	**117.9**
1.9	0	0	0	2.1	0	0.6	0	0.1	–	19.6	0.3
0	0	0	0	0	0	0	0	0	–	–1.7	–2.6
0	0	0	0	0	0	0	0	0	–	–0.5	–0.5
9.1	**8.8**	**5.3**	**5.1**	**18.5**	**3.0**	**4.6**	**4.2**	**7.2**	**–**	**156.0**	**115.0**
657	485	708	587	1,447	373	248	150	355	–	12,364	10,617
144	119	69	60	183	50	26	19	64	–	2,248	2,125
55.2	**45.1**	**61.1**	**59.9**	**57.8**	**68.2**	**57.5**	**50.4**	**68.3**	**–**	**63.3**	**62.7**
12.8	**14.8**	**15.6**	**17.0**	**20.4**	**12.2**	**35.4**	**46.2**	**22.5**	**–**	**14.0**	**10.9**
41.55	**43.92**	**233.95**	**226.57**	**7.510**	**7.315**	**37,660**	**33,408**	**1.9462**	**1.9517**	**–**	**–**
+5.7%		**–3.2%**		**–2.6%**		**–11.3%**		**+0.3%**		**–**	**–**

Ratings of Bank Austria Creditanstalt AG

	Long-term	Short-term	Individual Financial
Moody's	**A2***	**P-1**	**B-**
Standard & Poor's	**A-****	**A-2**	-

*) Outlook: stable
**) Outlook: negative

Financial calendar

23 October 2003	Interim Report at 30 September 2003
19 May 2004	Annual General Meeting

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The Bank Austria Creditanstalt share

ISIN: AT0000995006
Listed on: Vienna Stock Exchange
Trading symbol: BACA
Reuters RIC: BACA.VI
Bloomberg Ticker Code: BACA AV

Published by:

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VAT identification number: ATU 51507409

Editors:

Financial Relations and Strategic Planning

Photographs:

Stephan Huger, Vienna (Randa), Kurt Keinrath, Vienna (Samstag)

Printed by:

Leykam Druck, Werk Gutenberg
A-2700 Wr. Neustadt

Graphics:

Horvath, Leobendorf

The Report is available from:

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