Bank Austria IR Release

Günther Stromenger ☎ +43 (0) 50505 57232

Vienna, 10 May 2012

Results for the first three months of 2012:

Bank Austria posts first-quarter net profit of EUR 399 million

- **Net operating profit up by 20 per cent, reflecting sound customer business, a flat cost trend and a further decline in the provisioning charge**
  - Lending volume up by 3.7 per cent to EUR 133.4 billion compared with Q1 2011, 7 per cent increase in deposits from customers to EUR 105.4 billion
  - Net write-downs of loans lower in both Austria and CEE; overall, down by 25 per cent to EUR 284 million
  - Charge for bank levies totals EUR 24.3 million
  - Buyback of hybrid instruments has a positive effect of EUR 124 million before tax
- **Profit before tax up by 18 per cent to EUR 527 million**
- **Net profit up by 17 per cent to EUR 399 million**
- **Excellent Core Tier 1 capital ratio of 10.5 per cent**
- **Leverage ratio[1] continues to decline to 12.6**

Bank Austria's CEO Willibald Cernko: "We have got off to a good start in the current year, with net profit of close to EUR 400 million. Commercial banking business with customers has shown a good performance, costs are under control, and net write-downs of loans continued to decline in both Austria and Central and Eastern Europe. In the first quarter we also benefited from a positive special effect resulting from the buyback of hybrid instruments. Demand in the market remains subdued, however, and has not yet returned to pre-crisis levels. At the European level, discussions on austerity versus growth programmes and on banking regulation are not helping to make the market environment less difficult. But our bank is sound and conservatively positioned: with a Core Tier 1 capital ratio of 10.5 per cent and primary funds – i.e. customer deposits and debt securities in issue – amounting to almost 102 per cent of our lending volume, we are well placed for the future."

[1] Leverage ratio = total assets less intangible assets / equity less intangible assets

Items in the income statement

Net interest in the first three months of 2012 was EUR 1,105 million. In an environment characterised by low interest rates, net interest remained the most important revenue component, at a level which was only 2 per cent lower than in the same period of the previous year (Q1 2011: EUR 1,128 million).

Net fees and commissions showed a weaker trend; at EUR 383 million, they were down by 7.1 per cent from the first quarter of the previous year (Q1 2011: EUR 413 million). The decline was due to restraint on the part of customers, especially in securities business, in view of the volatile market environment.

Net trading, hedging and fair value income rose strongly compared with the previous year. The increase is partly explained by the larger amount of Bank Austria's participation in profit before tax of the Markets subdivision of UniCredit's CIB Division, to which CAIB's business was transferred, and by higher net trading income generated in Central and Eastern Europe (CEE). Another contribution to the increase in this item came from a gain of EUR 124 million on the buyback of hybrid instruments in the first quarter of 2012. Overall, net trading, hedging and fair value income was EUR 293 million, up by 79.4 per cent (Q1 2011: EUR 164 million).

Operating income totalled EUR 1,811 million, an increase of 1.6 per cent over the figure for the first three months of the previous year (Q1 2011: EUR 1,783 million).

At EUR 961 million, **operating costs** were up by a moderate 3 per cent from the comparative figure for the previous year (Q1 2011: EUR 934 million); strict cost discipline and continued efficiency enhancement in current operations kept the increase down. The charge for bank levies in Austria and in several CEE countries led to an increase of 2.6 per cent in operating costs.

The total charge for bank levies payable in the Bank Austria Group was EUR 24.3 million, of which EUR 24.0 million relates to Austria, EUR 2.4 million to Slovakia and EUR 0.2 million to Slovenia. In Hungary, the bank levy amounted to EUR 7 million, which is offset by a positive one-off effect of EUR 9.3 million because part of the losses resulting from the early repayment programme for foreign currency loans may be offset against the bank levy.

Bank Austria
Corporate Relations
Lassallestrasse 5
A-1020 Vienna, Austria

Telephone: +43 (0)5 05 05 57232

mailto:investor.relations@unicreditgroup.at
http://ir.bankaustria.at

Operating profit amounted to EUR 850 million, matching the figure for the same period of the previous year (Q1 2011: EUR 849 million) thanks to the sound operating performance and despite additional burdens resulting from bank levies.

In the first quarter of 2012, **net write-downs of loans and provisions for guarantees and commitments** were EUR 284 million, down by a substantial EUR 92 million or 24.5 per cent from the same period of the previous year (Q1 2011: EUR 376 million). The provisioning charge was reduced in Austrian customer business and in Central and Eastern Europe. In Austria, the provisioning charge declined by 36 per cent to EUR 65 million (Q1 2011: EUR 102 million), in CEE by 20 per cent to EUR 219 million (Q1 2011: EUR 274 million). Overall, the cost of risk (net write-downs of loans and provisions for guarantees and commitments as a proportion of average loans to customers) declined from 116 basis points (bp) in the previous year to 85 bp in Q1 2012.

Net operating profit – i.e. operating profit less net write-downs of loans and provisions for guarantees and commitments, the key measure of operating performance – improved strongly in the first quarter of 2012, by 19.6 per cent to EUR 566 million, compared with the same period of the previous year (Q1 2011: EUR 473 million). This favourable development was driven by a sound operating performance from customer business and by a further decline in the provisioning charge.

Provisions for risks and charges were EUR 8 million, down by EUR 24 million from the same period of the previous year. Among the other non-operating items, the **net result from investments** was negative, at minus EUR 31 million.

Profit before tax for the first quarter of 2012 rose by 17.5 per cent to EUR 527 million (Q1 2011: EUR 448 million). Income tax for the period amounted to EUR 110 million, an increase of 24 per cent over the previous year, giving an effective tax rate of 20.9 per cent (Q1 2011: 19.8 per cent).

Profit for the period was EUR 417 million, up by 15.9 per cent from the previous year (Q1 2011: EUR 360 million). After deduction of the Purchase Price Allocation effect and of the goodwill impairment charge, **net profit** attributable to the owners of Bank Austria was EUR 399 million, up by 17.3 per cent from the same period of the previous year (Q1 2011: EUR 340 million).

The following key financial data have been calculated on the basis of the above-mentioned results:

- Return on equity before tax was 12.0 per cent.
- Return on equity after tax was 9.4 per cent.
- The cost/income ratio was 53.1 per cent.
- The risk/earnings ratio (provisioning charge as a percentage of net interest income) was 25.0 per cent.
- The total capital ratio (based on all risks) was 12.23 per cent.
- The Tier 1 capital ratio (based on all risks) was 10.72 per cent.
- The Core Tier 1 capital ratio (based on all risks) was 10.50 per cent.

Results of the Divisions

Bank Austria reports its results in four Divisions: Family & SME Banking (F&SME), Private Banking, Corporate & Investment Banking (CIB) and CEE Banking. The bank also shows results for its Corporate Center.

Profit before tax generated by the **Family & SME Banking** Division in the first quarter of 2012 was EUR 20 million, up by 22.2 per cent (Q1 2011: EUR 16 million). The improvement resulted from strict cost management and especially from a substantial decline in the provisioning charge, which was down by 39.7 per cent from the previous year. The cost/income ratio was 80.9 per cent (Q1 2011: 75.2 per cent).

The **Private Banking** Division achieved a 35 per cent increase in net interest in the first quarter of 2012. Net fees and commissions were down by 7.2 per cent from the previous year, due to restraint on the part of customers in view of continued volatility in the market environment. Profit before tax generated by the Division was EUR 10 million, up by 7.7 per cent from the previous year (Q1 2011: EUR 10 million). The cost/income ratio declined slightly, to 69.8 per cent (Q1 2011: 71.6 per cent).

Bank Austria
Corporate Relations
Lassallestrasse 5
A-1020 Vienna, Austria

Telephone: +43 (0)5 05 05 57232
mailto:investor.relations@unicreditgroup.at
http://ir.bankaustria.at

In the first quarter of 2012, the **Corporate & Investment Banking (CIB)** Division recorded a profit before tax of EUR 122 million, a decrease of 7.1 per cent from the previous year (Q1 2011: EUR 132 million). This reflects two developments: while net interest rose and the provisioning charge continued to decline, net fees and commissions generated by the Division were significantly lower than in the same period of the previous year. The cost/income ratio rose slightly, to 37.8 per cent (Q1 2011: 34.4 per cent).

The **CEE** Division generated a profit before tax of EUR 367 million for the first quarter of 2012, an increase of about 4 per cent over the same period of the previous year (Q1 2011: EUR 353 million). At constant exchange rates, profit before tax rose by 8.8 per cent. Contributions to this favourable trend came from a sound operating performance in customer business, from strict cost discipline and from the fact that net write-downs of loans and provisions for guarantees and commitments continued to decline significantly, by 20.1 per cent. The cost/income ratio rose slightly, to 47.9 per cent (Q1 2011: 45.9 per cent).

Bank Austria is UniCredit's sub-holding company for operations in Central and Eastern Europe (CEE), managing the leading banking network in CEE with over 51,100 employees and about 2,750 branches in 18 countries. During the first quarter the CEE region benefited from improving risk appetite toward emerging markets which were primarily supported by the ECB's liquidity injections. Despite the improving market sentiment the economic cycle is still pointing toward a slowdown with PMIs slightly deteriorating and export dynamics continuing to slow down. Political noise from several EMU countries could weigh on risk appetite and in turn will likely see relatively soft economic performance in the second quarter as well. Overall, UniCredit's analysts expect the CEE-16 region's economy to grow by 3.4 per cent in 2012 as a whole.

"The banking market in many CEE countries got off to a good start in 2012. Favourable developments should be seen especially in large countries such as Russia and Turkey this year," says Gianni Franco Papa, Deputy CEO and Head of the CEE Division of Bank Austria. "It is in these markets that we will concentrate on further business expansion and investment. From a current perspective, the major risk in this context is the stream of new national regulations, which needs more European coordination."

Financial position

Bank Austria's **total assets** as at 31 March 2012 were EUR 200.9 billion, up by EUR 1.6 billion from the end of the previous year (31 December 2011: EUR 199.2 billion). On the assets side, **loans and receivables with customers** amounted to EUR 133.4 billion (31 December 2011: EUR 134.9 billion) and **loans and receivables with banks** totalled EUR 27.1 billion (31 December 2011: EUR 25.6 billion).

On the liabilities side, **deposits from customers** increased slightly, to EUR 105.4 billion (31 December 2011: EUR 104.7 billion) and **debt securities in issue** rose to EUR 30.3 billion (31 December 2011: EUR 29.9 billion). **Primary funds** – the sum total of deposits from customers and debt securities in issue, i.e. funding from commercial banking sources – amounted to EUR 135.7 billion or 67.5 per cent of total liabilities and equity. This means that customer loans were covered by primary funds to the extent of 101.7 per cent.

There were only slight changes in capital ratios from year-end 2011 to 31 March 2012. The **Tier 1 capital ratio** based on **all risks** was 10.72 per cent (31 December 2011: 10.88 per cent) and the **Core Tier 1 capital ratio** (excluding hybrid capital) based on all risks was 10.50 per cent (31 December 2011: 10.55 per cent).

Staff numbers in the Bank Austria Group including the employees of UniCredit's subsidiaries[2] in Austria totalled 61,662 (full-time equivalents) as at 31 March 2012 (31 March 2011: 62,128 FTEs). Of this total, 10,594 FTEs were employed in Austria and 51,068 FTEs in CEE countries.

Enquiries: Bank Austria Corporate Relations
Günther Stromenger, phone: +43 (0)50505-57232
mailto:guenther.stromenger@unicreditgroup.at

[2] Administration Services / UniCredit Business Partner, BAGIS, WAVE (which are now integrated in UBIS); UniCredit Leasing, Pioneer Investments Austria and UniCredit CAIB were transferred on an intra-group basis.