Bank Austria IR Release

Günther Stromenger ☎ +43 (0) 50505 57232

Vienna, 13 May 2013

Results for the first quarter of 2013:

Bank Austria starts the year with net profit of EUR 285 million

- **Growth in customer business compared with the previous year**
  - Lending volume up by 4.8 per cent to EUR 136.4 billion
  - Deposits from customers increase by 7.9 per cent to EUR 110.4 billion
- **Charges for bank levies (Austria and CEE) and financial transaction tax in Hungary total EUR 64.4 million**
- **Net write-downs of loans declining in Austria and rising in CEE; overall, they have increased by 20.4 per cent to EUR 298 million**
- **Special effects influence the comparison with the first quarter of the previous year:**
  - The buyback of hybrid instruments in the first quarter of the previous year resulted in a one-off gain of EUR 124 million. Such a gain was not included this year
  - The provision of EUR 64 million made after a judgment by the Swiss Federal Supreme Court impacted results for the first quarter of 2013 on the cost side
- **Provision of EUR 64 million following a judgment by the Swiss Federal Supreme Court impacts results**
- **Net profit of EUR 285 million down by EUR 117 million or 29.1 per cent from the previous year reflecting special effects**
- **Excellent Core Tier 1 capital ratio of 10.8 per cent**

Bank Austria's CEO Willibald Cernko: "The operating environment continues to be characterised by low interest rates and moderate economic growth. In these circumstances, Bank Austria got off to a good start in 2013 with a net profit of EUR 285 million. Growth in loans and deposits is a positive factor, while the higher total charge of almost EUR 65 million for bank levies and the newly introduced financial transaction tax in Hungary and additional provisions of EUR 64 million for the court judgment in Switzerland impacted the bank's results. The continued strong performance in Central and Eastern

Europe and in Austrian corporate banking provides a sound basis for a positive development. With the strategic decision to implement Smart Banking Solutions as a new customer service approach in business with private individuals, we are pioneers in the Austrian market. Finally, we are well positioned to meet the regulatory requirements with a Core Tier 1 capital ratio of 10.8 per cent and direct funding totalling almost 102 per cent of our lending volume."

Items in the income statement[1]

Net interest in the first quarter of 2013 was EUR 1,103 million. In an environment characterised by low interest rates, net interest remained the most important revenue component, at a level which was slightly higher, by 3.1 per cent, than for the same period of the previous year (Q1 2012: EUR 1,070 million).

Net fees and commissions developed favourably – contrary to the general trend – for the first time since the onset of the financial crisis, rising by 12 per cent to EUR 418 million from a low level (Q1 2012: EUR 373 million).

Net trading, hedging and fair value income fell by 50.7 per cent to EUR 144 million (Q1 2012: EUR 293 million). The sharp decline is largely due to a positive one-off effect recorded in the same period of the previous year, when the buyback of hybrid instruments resulted in a gain of EUR 124 million.

Overall, **operating income** amounted to EUR 1,737 million, a figure which was only 1.6 per cent lower than in the first quarter of the previous year (Q1 2012: EUR 1,765 million).

Operating costs rose by 6.7 per cent to EUR 1,007 million (Q1 2012: EUR 944 million). The increase resulted from two developments: costs associated with operating activities increased only slightly, reflecting business expansion in growth markets as well as strict cost discipline; and bank levies had an adverse impact on costs. Without the negative effect of the significantly higher charge for the bank levy in Hungary, the rate of cost growth is 3.7 per cent, 3 percentage points lower.

[1] To ensure comparability, the comparative figures for 2012 are shown on an adjusted basis: results from ATF Bank are now presented in the item "Total profit or loss after tax from discontinued operations" and segment reporting has been adjusted to the new structure.

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

The charge for bank levies payable by the Bank Austria Group was EUR 56.3 million, of which EUR 24.2 million relates to Austria and EUR 32.1 million to CEE. Within CEE, the bank levies amounted to EUR 28 million in Hungary, where the full-year amount was paid in advance, EUR 3.5 million in Slovakia, EUR 0.4 million in Slovenia and EUR 0.3 million in Romania. In addition, the charge for the newly introduced financial transaction tax in Hungary was EUR 8.1 million.

Operating profit was EUR 730 million, down by EUR 91 million or 11.1 per cent from the same period of the previous year (Q1 2012: EUR 821 million). This decline is due to the positive effect of EUR 124 million resulting from the buyback of hybrid instruments in the first quarter of the previous year.

Net write-downs of loans and provisions for guarantees and commitments in the first quarter of 2013 were EUR 298 million, up by EUR 50 million or 20.4 per cent from the same period of the previous year (Q1 2012: EUR 247 million). While the provisioning charge in Austria continued to decline, by 11 per cent to EUR 58 million, net write-downs of loans and provisions for guarantees and commitments in Central and Eastern Europe rose by 31.6 per cent to EUR 240 million, in line with the objective of raising the coverage ratio. The increase in Central and Eastern Europe also reflects unusually low levels in several countries in the same period of the previous year. Overall, the cost of risk (provisioning charge as a proportion of average loans to customers) increased slightly year-on-year, from 76 to 89 basis points.

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 – for the first quarter of 2013 was EUR 432 million, 24.6 per cent lower than in the same period of the previous year (Q1 2012: EUR 574 million). The decrease resulted mainly from the above-mentioned positive effect of the buyback of hybrid instruments and from higher net-write downs of loans.

Among the items to be deducted from net operating profit, provisions for risks and charges amounted to EUR 74 million. Almost all of the increase of EUR 66 million over the first quarter of the previous year is due to the judgment by the Swiss Federal Supreme Court, the court of final instance, in the lawsuit against the German Bundesanstalt für vereinigungsbedingte Sonderaufgaben (BvS), for which a provision of EUR 64 million was made.

This means that the first quarter reflects two special effects which totalled EUR 188 million: the buyback of hybrid instruments in the past year, and the court judgment in Switzerland. Results for the first quarter of 2013 are therefore not directly comparable with those for the same period of the previous year.

Profit before tax for the first quarter of 2013 was EUR 355 million, down by 33.1 per cent (Q1 2012: EUR 531 million). After deduction of the effects from the write-down on capitalised intangible assets from the former Purchase Price Allocation and of the goodwill impairment charge, and taking into account the total profit or loss from discontinued operations (ATF Bank), **net profit** attributable to the parent company was EUR 285 million, down by 29.1 per cent or EUR 117 million from the same period of the previous year (Q1 2012: EUR 402 million).

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

- Return on equity before tax was 8.3 per cent.
- Return on equity after tax was 6.8 per cent.
- The cost/income ratio excluding bank levies was 54.7 per cent.
- The risk/earnings ratio (provisioning charge as a percentage of net interest income) was 26.2 per cent.
- The total capital ratio (based on all risks) was 12.9 per cent.
- The Tier 1 capital ratio (based on all risks) was 11.0 per cent.
- The Core Tier 1 capital ratio (based on all risks) was 10.8 per cent.

Results of the Divisions

Bank Austria reports its results in four Divisions: Retail & Corporates, Corporate & Investment Banking (CIB), Private Banking and Central Eastern Europe (CEE). The bank also shows results for the Corporate Center.

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 2013, profit before tax of the **Retail & Corporates** Division was stable, at EUR 51 million, compared with the same period of the previous year (Q1 2012: EUR 51 million). This performance was supported by a slight increase of 0.6 per cent in operating income and especially by the significant decline in net write-downs of loans, which were 24.6 per cent lower than in the first quarter of the previous year. The cost/income ratio excluding bank levies was 72.2 per cent (Q1 2012: 68.3 per cent).

Profit before tax generated by the **Corporate & Investment Banking (CIB)** Division in the first quarter of 2013 was EUR 55 million, down by 15.6 per cent from the same period of the previous year (Q1 2012: EUR 65 million). Results in the Markets subsegment were lower than in the previous year, and net write-downs of loans and provisions for guarantees and commitments were higher, though remaining at a moderate level. Costs were reduced by a significant 9.9 per cent through consistent strict cost management. As a result, the cost/income ratio excluding bank levies declined slightly, to 38.2 per cent (Q1 2012: 40.9 per cent).

The **Private Banking** Division generated a profit before tax of EUR 11 million in the first quarter of 2013, a 40.3 per cent increase over the same period of the previous year (Q1 2012: EUR 7 million). Operating income rose by 11.5 per cent, mainly driven by net fees and commissions, which were about 19 per cent higher than in the previous year. This reflects investors' response to the current environment of low interest rates. The cost/income ratio excluding bank levies declined slightly, to 71.6 per cent (Q1 2012: 75.2 per cent).

The **Central Eastern Europe (CEE)** Division generated a profit before tax of EUR 403 million for the first quarter of 2013, an increase of 7.4 per cent over the same period of the previous year (Q1 2012: EUR 375 million). Contributions to this favourable trend came from a sound operating performance in customer business, which was accompanied by strong growth of net interest income, particularly in Turkey and Russia, net fees and commissions and net trading income. Costs are well contained across the region, while loan loss provisions remained at a high level to further improve the coverage ratio. The cost/income ratio – excluding bank levies – declined significantly, to 44.5 per cent (Q1 2012: 48.3 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 around 47,000 employees and about 2,500 branches in 16 countries.

“The ongoing EMU crisis has left the long-term potential of Central and Eastern Europe intact. Nevertheless, from a bank’s perspective this environment calls for a more focused approach rather than doing things in a big way”, says Gianni Franco Papa, Deputy CEO and Head of the CEE Division of Bank Austria, “In line with the Strategic Plan we decided to refine our CEE presence and to exclusively provide leasing services in the Baltics in the future, to implement a project to merge our subsidiaries in Czech Republic and Slovakia, to sell our Kazakh bank to a local investor and to purchase additional retail assets in Romania. As for our branch network, we need to reinforce those profitable micro-markets where customer demand is located.”

Financial position

Bank Austria’s **total assets** as at 31 March 2013 were EUR 205.8 billion, down by 0.9 per cent or EUR 1.8 billion from the end of the previous year (31 December 2012: EUR 207.6 billion).

On the assets side, **loans and receivables with customers** rose by 3 per cent or about EUR 4 billion to EUR 136.4 billion (31 December 2012: EUR 132.4 billion Euro) while **loans and receivables with banks** declined by 18.3 per cent to EUR 23 billion (31 December 2012: EUR 28.1 billion).

On the liabilities side, **deposits from customers** remained stable, at EUR 110.4 billion, as at 31 March 2013 (31 December 2012: EUR 110.6 billion), as did **debt securities in issue** at EUR 28.3 billion (31 December 2012: EUR 28.1 billion).

Primary funds – i.e. the sum total of deposits from customers and debt securities in issue, representing direct funding – totalled EUR 138.6 billion or 67.4 per cent of total liabilities and equity. This means that customer loans were covered by primary funds to the extent of 101.6 per cent.

As at 31 March 2013, capital ratios continued to improve compared with the year-end 2012 levels. The **total capital ratio** based on all risks was 12.9 per cent (31 December 2012: 12.5 per cent). The **Tier 1 capital ratio** based on all risks rose to 11.0 per cent (31 December 2012: 10.8 per cent) and the **Core Tier 1 capital ratio** (excluding hybrid capital) based on all risks was 10.8 per cent (31 December 2012: 10.6 per cent).

Staff numbers in the Bank Austria Group including the employees of UniCredit's subsidiaries[2] in Austria totalled 60,792 (full-time equivalents) as at 31 March 2013 (31 March 2012: 62,075 FTEs). Of this total, 10,165 FTEs were employed in Austria and 50,627 FTEs in CEE countries.

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

[2] Mainly UniCredit Business Integrated Solutions Austria GmbH (UBIS Austria), Pioneer Investments Austria and UniCredit Leasing.