Günther Stromenger ☎ +43 (0) 50505 57232

Vienna, 12 November 2013

Results for the first nine months of 2013:

Bank Austria posts net profit of over EUR 1 billion for the first nine months

- **Supported by growth of customer business, operating profit is slightly higher than in the previous year, despite substantial charges for bank levies**
- **Lending volume, at EUR 134 billion, is about 1 per cent higher than at the end of the previous year**
- **Total charge for bank levies (Austria and CEE) and financial transaction tax in Hungary adding up to about EUR 148 million**
- **Cost of risk rises slightly, to 98 basis points; provisioning charge reaches EUR 999 million**
- **Large volume of direct funding: customer loans covered by customer deposits and debt securities in issue to the extent of 100 per cent**
- **Net profit of about EUR 1.1 billion matching the previous year's level**
- **Core Tier 1 capital ratio further improved to an excellent 11.3 per cent**

Bank Austria's CEO Willibald Cernko: "In an environment which continues to be characterised by low interest rates and moderate credit demand, we performed well in our business with customers. And we achieved sound results, with a net profit of about EUR 1.1 billion. It is important to note that a large part of our profit comes from CEE while our profitability in Austria is weighed down by a cost burden that is becoming heavier. The total charge for bank levies and the Hungarian financial transaction tax was EUR 148 million, of which Austria accounts for almost one-half. On the positive side, we launched Smart Banking Solutions, a new and innovative service model offered to private customers throughout Austria. This is giving us a pioneering role in the Austrian market, making our business model sustainable in the long term."

Items in the income statement[1]

Net interest in the first nine months of 2013 was EUR 3,273 million, matching the previous year's level (1-9 2012: EUR 3,288 million). Accounting for about 62 per cent of total operating income, net interest remained the most important revenue component in an environment which continued to be characterised by low interest rates.

Net fees and commissions developed favourably again, contrary to the general trend which started with the onset of the financial crisis. From a low level, they rose by 11 per cent to EUR 1,290 million (1-9 2012: EUR 1,162 million).

Net trading, hedging and fair value income was EUR 559 million, down by 5.6 per cent from the same period of the previous year (1-9 2012: EUR 592 million). It should be noted, however, that the comparative figure for the previous year included gains of EUR 126 million on the buyback of hybrid instruments and gains of EUR 76 million on the sale of shares in MICEX (Moscow Interbank Currency Exchange), adding up to a one-off effect of EUR 202 million.

Overall, **operating income** in the first nine months amounted to EUR 5,294 million, an increase of 1.6 per cent (1-9 2012: EUR 5,211 million).

Operating costs rose by a moderate 2.4 per cent to EUR 2,961 million compared with the previous year (1-9 2012: EUR 2,890 million). As bank levies and financial transaction taxes continued to rise, the increase in operating costs was held down to a moderate level only through strict cost discipline and ongoing efficiency enhancement in business operations.

The total charge for bank levies in Austria and CEE was EUR 114.1 million. Moreover, the financial transaction tax in Hungary added EUR 33.7 million to operating costs. This means that the total burden resulting from bank levies and the financial transaction tax amounted to EUR 147.8 million, representing 5 per cent of total operating costs in the first nine months of 2013.

[1] To ensure comparability, the comparative figures for 2012 are shown on an adjusted basis and segment reporting has been adjusted to the new structure.

Of the total charge, bank levies accounted for EUR 72.6 million in Austria, EUR 10.7 million in Slovakia, EUR 1.6 million in Romania, EUR 1.3 million in Slovenia, and EUR 27.9 million in Hungary; additionally, the financial transaction tax in Hungary amounted to EUR 33.7 million.

Operating profit was EUR 2,334 million, a slight increase of 0.5 per cent over the previous year (1-9 2012: EUR 2,321 million); this sound operating performance was achieved despite the charges for bank levies and the financial transaction tax. If the comparative figure for the previous year is adjusted for one-off effects (see net trading, hedging and fair value income), operating profit improved by 10 per cent compared with the same period of the previous year.

Net write-downs of loans and provisions for guarantees and commitments rose by 29.7 per cent in the first nine months of 2013, reaching EUR 999 million (1-9 2012: EUR 770 million). This is to be seen especially in connection with a further increase in the coverage ratio. In Austrian customer business, the provisioning charge rose slightly, by 5.2 per cent, to EUR 173 million (1-9 2012: EUR 164 million), thus stabilising at a low level. Net write-downs of loans and provisions for guarantees and commitments in CEE increased by 36.3 per cent to EUR 828 million (1-9 2012: EUR 607 million), mainly due to the fact that the coverage ratio in Ukraine in particular was raised further in response to the current operating environment.

Net operating profit – i.e. operating profit less net write-downs of loans and provisions for guarantees and commitments – in the first nine months of 2013 was EUR 1,334 million, down by 14 per cent (1-9 2012: EUR 1,551 million). Adjusted for the above-mentioned one-off effects in 2012 (buyback of hybrid instruments/MICEX), net operating profit more or less matched the figure for the first nine months of the previous year (down by EUR 14 million or 1 per cent).

Among the non-operating items, **provisions for risks and charges** amounted to EUR 142 million (1-9 2012: EUR 74 million). The increase over the previous year was mainly due to the judgment of the Swiss Federal Supreme Court in the legal dispute with Bundesanstalt für vereinigungsbedingte Sonderaufgaben; the judgment is final and binding, and the related charge in the second quarter of 2013 was EUR 65 million. This means that all charges relating to the Swiss lawsuit against Bank Austria have been included in the financial statements and that there is no risk of any further costs arising from this case.

Net income from investments was EUR 198 million, significantly higher than in the previous year (1-9 2012: minus EUR 45 million). The increase reflects one-off income of EUR 191 million from the sale of equity interests in Turkish insurance companies (Sigorta/Emeklilik).

After the inclusion of non-operating items, **profit before tax** for the first nine months of 2013 was EUR 1,375 million, slightly lower than in the previous year (1-9 2012: EUR 1,429 million). The same applies to **profit for the period,** which amounted to EUR 1,120 million (1-9 2012: EUR 1,155 million). The one-off effects recorded in the previous year (gains on hybrid instruments/MICEX), which totalled EUR 202 million, and those in 2013 (Sigorta/Emeklilik) in the amount of EUR 191 million more or less balance each other out.

Net profit, at EUR 1,086 million, came very close to the level achieved in the previous year (1-9 2012: EUR 1,099 million).

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

- Return on equity before tax was 10.6 per cent.
- Return on equity after tax was 8.6 per cent.
- The cost/income ratio remained stable, at 53.8 per cent, compared with the previous year.
- The risk/earnings ratio (provisioning charge as a percentage of net interest income) was 29.8 per cent.
- The total capital ratio (based on all risks) improved to 13.5 per cent (year-end 2012: 12.5 per cent).
- The Tier 1 capital ratio (based on all risks) rose to 11.6 per cent (year-end 2012: 10.8 per cent).
- The Core Tier 1 capital ratio (based on all risks) increased to 11.3 per cent (year-end 2012: 10.6 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.

In the first nine months of 2013, the **Retail & Corporates** Division generated a profit before tax of EUR 141 million (1-9 2012: EUR 179 million). The decline was due to the fact that interest rates were low and credit demand remained subdued; moreover, costs rose as a result of additional IT-related expenses. Both developments are reflected in the increase in the cost/income ratio to 73.7 per cent (2012 as a whole: 70.0 per cent).

Profit before tax generated by the **Private Banking** Division in the first nine months of 2013 was EUR 31 million, up by 44.9 per cent (1-9 2012: EUR 21 million). The favourable development was mainly driven by net fees and commissions, which improved by about 15.8 per cent compared with the same period of the previous year. The cost/income ratio declined to 71.3 per cent (2012 as a whole: 75.4 per cent).

The **Corporate & Investment Banking (CIB)** Division achieved a profit before tax of EUR 166 million in the first nine months of 2013, a figure which is 14.5 per cent lower than for the same period of the previous year (1-9 2012: EUR 194 million). This development was mainly due to a decline in net interest from the Markets subsegment, which reflects the low level of interest rates and was not offset by a strong trading performance and strict cost discipline. Customer business developed favourably, with double-digit growth. The cost/income ratio was 38.8 per cent (2012 as a whole: 39.2 per cent).

The **CEE** Division recorded solid growth in the first nine months of 2013. Profit before tax rose to EUR 1,373 million, an increase of 4.6 per cent over the same period of the previous year (1-9 2012: EUR 1,313 million). At constant exchange rates, profit before tax showed an increase of 8.3 per cent. This was mainly driven by growing fees and commissions across the CEE region, good net interest income, particularly in Russia and Turkey, and sound trading results. The sale of the Turkish insurance business resulted in income of €191 million, while results for the previous year included one-off income of €76 million from the sale of shares in MICEX[2]. Net profit rose by 9.3 per cent to EUR 1,111 million. The cost/income ratio (excluding bank levies) was 44.1 per cent (2012 as a whole: 44.4 per cent).

[2] On 6 November 2013 the Russian subsidiary ZAO UniCredit Bank announced the sale of the remaining shares (totalling 5.711%) which it holds in the Moscow Interbank Currency Exchange. The proceeds from the sale will be reflected in results for the fourth quarter of 2013.

Within UniCredit, Bank Austria is the sub-holding company for operations in Central and Eastern Europe. Its banking network comprises about 2,500 branches and about 46,000 employees[3] in 14 countries. The Group continues to see itself as a long-term investor in the CEE region and is going to maintain its leading market position in the region through selective investments in the strategic CEE markets of the Czech Republic, Turkey and Russia.

The benefits of a brighter European growth environment are also materialising across Central and Eastern Europe. Following a particularly weak finish last year, industry has posted an impressive rebound in some countries. Many of the younger EU states are at a point which should see credit turn more supportive of domestic demand. Much of the hard work on fiscal policy has been done so that consolidation should act as less of a drag on economic activity going forward in the younger EU states.

“As the business environment in Central and Eastern Europe remains challenging, we continue to focus on asset quality, risk and efficiency. A sound customer business and a strict cost discipline have enabled us to increase the profit before tax, which clearly demonstrates the scope of our ongoing efforts”, says Gianni Franco Papa, Bank Austria’s Deputy CEO and Head of the CEE Division.

Financial position

Bank Austria’s **total assets** as at 30 September 2013 were EUR 197.1 billion, down by EUR 10.5 billion or 5.1 per cent from the end of the previous year (31 December 2012: EUR 207.6 billion). In addition to exchange rate effects reflecting depreciation of several CEE currencies, the decrease resulted especially from the deconsolidation effect following the sale of ATF Bank, Kazakhstan, and from the reduction of interbank business to optimise the structure of assets and liabilities.

On the assets side, **loans and receivables with customers** totalled EUR 134.1 billion as at the end of September 2013, an increase of 1.2 per cent over the end of the previous year (31 December 2012: EUR 132.4 billion). **Loans and receivables with banks** declined substantially, by 21.3 per cent or EUR 6 billion, to EUR 22.1 billion (31 December 2012: EUR 28.1 billion). The deconsolidation of ATF Bank, a banking subsidiary previously classified as held for sale, reduced total assets by EUR 3.7 billion.

[3] Figures without Poland

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

On the liabilities side, **primary funds** – i.e. the sum total of deposits from customers and debt securities in issue – decreased slightly, by 3.1 per cent, to EUR 134.4 billion (31 December 2012: EUR 138.6 billion). Deposits from banks were also down, by 4.4 per cent or EUR 1.4 billion, to EUR 29.7 billion. Expressed as a proportion of total liabilities and equity, **primary funds** rose from 66.8 per cent at year-end 2012 to 68.2 per cent at the end of September 2013. This means that Bank Austria's loans to customers are funded with primary funds to the extent of 100 per cent.

As at 30 September 2013, IFRS **equity** was more or less unchanged, at EUR 18.1 billion (31 December 2012: EUR 18.2 billion), although exchange rate movements also affected components of equity. Foreign currency translation, which reflects exchange differences from capital consolidation, was negative, at minus EUR 691 million.

Capital ratios continued to improve compared with the year-end 2012 levels. The **total capital ratio** based on all risks rose to 13.5 per cent (31 December 2012: 12.5 per cent). The **Tier 1 capital ratio** based on **all risks** increased to 11.6 per cent (31 December 2012: 10.8 per cent) and the **Core Tier 1 capital ratio** (excluding hybrid capital) based on all risks improved to 11.3 per cent (31 December 2012: 10.6 per cent).

Staff numbers in the Bank Austria Group including the employees of UniCredit Group's subsidiaries[4] in Austria totalled 55,944 (full-time equivalents – FTEs) as at 30 September 2013 (30 September 2012: 58,057 FTEs). Of this total, 9,916 FTEs were employed in Austria and 46,028 FTEs in CEE countries.

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

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