

BA-CA Investor Relations Release

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BA-CA results for the 2005 financial year:

Best results in the history of Bank Austria Creditanstalt

- **Net income before taxes reached EUR 1.3 billion**
- **Profit after taxes rose by 58 per cent to EUR 964 million**
- **Profit after taxes in CEE business segment up from EUR 282 million to EUR 588 million**

In 2005 the Bank Austria Creditanstalt Group (BA-CA) achieved record results. Net income before taxes and minority interests rose by 51.5 per cent to EUR 1.3 billion (2004: EUR 859 million). BA-CA thus achieved the target which it had revised upward during the year from EUR 1.1 billion to EUR 1.3 billion. Net income after taxes and minority interests increased by 58.3 per cent to EUR 964 million (2004: EUR 609 million).

BA-CA's CEO Erich Hampel: "2005 was the most successful year in the history of Bank Austria Creditanstalt – and this history goes back to 1855. Net income before taxes exceeded the EUR 1 billion mark for the first time. This is the largest profit ever achieved by a bank in Austria. It is the result of three factors: an ideal strategy, above-average commitment of our staff, and the confidence placed in us by our customers and shareholders."

The high quality of the results achieved can be seen in the significant increase in operating profit, which rose by 20.9 per cent to EUR 1,142 million (2004: EUR 944 million). Business in Central and Eastern Europe (CEE) made a significant contribution to this strong increase: the CEE business segment generated 54 per cent of the BA-CA Group's net income and is the business segment with the largest contribution to profits and the highest creation of value.

Hampel: "Over the past five years BA-CA has changed considerably. We have developed from an international lightweight into a regional heavyweight with the effect that we now earn more than twice as much as five years ago. Today, we concentrate fully on our core markets in Austria and Central and Eastern Europe, and we are among the top international banks in these markets."

Changes in BA-CA's network in Central and Eastern Europe

As a result of the business combination between UniCredit Group and HVB Group, BA-CA will play an even more important role in CEE business in the future: BA-CA will remain in charge of Central and Eastern Europe – but in an even larger network. Erich Hampel: "We will be the spearhead of the Group in CEE. We see further opportunities for expansion particularly in Russia and in the CIS countries, a market of over 150 million people and with growth rates in banking business of over 20 per cent."

UniCredit and HypoVereinsbank will transfer the following banks to BA-CA: Bulbank in Bulgaria, UniCredit Zagrebacka banka in Bosnia and Herzegovina, Zagrebacka banka in Croatia, Zivnostenska banka in the Czech Republic, International Moscow Bank in Russia, HVB Bank in Latvia and the HVB branches in Estonia and Lithuania, UniBanka in Slovakia and UniCredit Romania in Romania. The transfers of the units in Turkey is subject to further consideration. Banking activities in Poland will be directly managed by UniCredit.

In addition, BA-CA will be responsible for business development in the following countries: Albania, Armenia, Azerbaijan, Belarus, Cyprus, Georgia, Greece, Kazakhstan and Moldova.

This will have the following effect on key figures of BA-CA in Central and Eastern Europe: in future, BA-CA will be responsible for 24 countries instead of 12. The market will increase from about 100 million inhabitants to over 300 million inhabitants. After the transfer of the equity interests, total assets – not including Turkey – based on current projections will increase from EUR 37.4 billion to EUR 39 billion. The number of employees will rise slightly from 20,200 to 20,500 and the number of branches will decline slightly from 1,180 to 1,060.

Higher dividend

At the Annual General Meeting the Managing Board of Bank Austria Creditanstalt will propose raising the dividend from EUR 1.50 to EUR 2.50 per share in line with the bank's excellent results. This corresponds to a payout ratio of about 38 per cent.

Stronger capital base

In 2005, shareholders' equity of Bank Austria Creditanstalt increased by nine per cent to EUR 7.5 billion (2004: EUR 6.9 billion). This makes BA-CA the bank with by the far the strongest capital base in Austria. CEO Erich Hampel, "BA-CA's strong capital base offers our

customers a very high degree of security. At the same time we have sufficient capital at our disposal for future expansion." The Tier 1 capital ratio is 8.3 per cent. BA-CA's Tier 1 capital ratio thus exceeds the legal requirement of 4 per cent by more than 100 per cent.

Despite further growth in shareholders' equity, the return on equity before taxes (ROE) increased to 17.9 per cent (2004: 13.3 per cent). The ROE after taxes rose to 14.3 per cent (2004: 10.1 per cent). CEO Erich Hampel: "This is a good value. We have thus met our target, which we communicated to the market, ahead of time."

The BA-CA share continued to develop well in 2005. With an increase of 41.3 per cent, the BA-CA share price outperformed the DJ EuroStoxx / Banks benchmark, which rose by 26.5 per cent. Earnings per share were EUR 6.56 (2004: EUR 4.14). On 16 March 2006 the bank's market capitalisation was EUR 16.2 billion.

Items in the income statement

BA-CA's net interest income was EUR 2,611 million, an increase of 7.0 per cent over the previous year (2004: EUR 2,441 million). The net charge for losses on loans and advances rose by 24.1 per cent to EUR 495 million (2004: EUR 398 million). Net interest income after losses on loans and advances thus rose by 3.6 per cent to EUR 2,117 million (2004: EUR 2,042 million).

Net fee and commission income developed well. It increased by 18.2 per cent over the previous year to EUR 1,458 million (2004: EUR 1,233 million). The net trading result was EUR 237 million, up by 1.7 per cent over the previous year (2004: EUR 233 million).

General administrative expenses increased by 5.8 per cent to EUR 2,622 million (2004: EUR 2,479 million) as a result of exchange rate effects and changes in the group of consolidated companies.

The net result from investments was EUR 282 million (2004: a net loss of EUR 8 million). This figure reflects a gain of EUR 130 million on the sale of shares in Investkredit and effects amounting to EUR 123 million in connection with the acquisition of Banca Tiriac in Romania, which was effected by way of an exchange of shares. Provisions of EUR 203 million made in the 2005 balance sheet related to the restructuring of the SMEs business segment, the increase in loan loss provisions in the Private Customers business segment, and investment in infrastructure and costs of integration for the planned mergers in CEE. On balance, special effects were EUR 51 million in 2005.

BA-CA's net income before taxes reached EUR 1,301 million, an increase of 51.5 per cent over the previous year (2004: EUR 859 million). Net income after taxes and minority interests rose by 58.3 per cent to EUR 964 million (2004: EUR 609 million).

The following key financial data have been calculated on the basis of these results:

- The return on equity before taxes (ROE) rose to 17.9 per cent (2004: 13.3 per cent).
- The ROE after taxes increased to 14.3 per cent (2004: 10.1 per cent).
- The cost/income ratio improved significantly to 61.6 per cent (2004: 64.9 per cent).
- Earnings per share rose to EUR 6.56 (2004: EUR 4.14).
- The Tier 1 capital ratio was 8.3 per cent (2004: 7.9 per cent).

Bank Austria Creditanstalt's business segment results

BA-CA divides its results into five business segments: Central and Eastern Europe (CEE), Private Customers Austria, SMEs Austria, Large Corporates and Real Estate, and International Markets. The bank also shows results for its Corporate Center.

Austria and the region of **Central and Eastern Europe** (CEE) are the core markets of Bank Austria Creditanstalt. The bank's expansion made further progress in 2005. Through the acquisition of Hebros Bank in Bulgaria, Banca Tiriac in Romania and Nova banjalucka banka in Bosnia it extended its branch network further.

In 2005 business in the CEE region developed excellently: BA-CA's banking subsidiaries significantly increased their combined net income before taxes to EUR 650 million (2004: EUR 486 million). After consolidation effects, net income after taxes in the **CEE business segment** was EUR 588 million after EUR 282 million in 2004, an increase of 108 per cent. The ROE after taxes reached 27.9 per cent (2004: 16.7 per cent). The cost/income ratio declined from 58.1 per cent in 2004 to 54.0 percent.

The **Private Customers Austria** segment generated net income after taxes of EUR 73 million (2004: EUR 119 million). The decrease of 39 per cent is due solely to an increase of the provisioning charge related to the implementation of more sophisticated risk identification methods. Sustainable income (net interest income plus net income from commissions and fees) grew significantly. Adjusted for the effect of the above-mentioned increase of the provisioning charge, net income after taxes rose by 46 per cent from EUR 119 million to EUR 174 million, due primarily to the customer service initiative and the reorganisation of settlement activities. In November 2004, back-office activities and the processing of payment transactions were outsourced into separate companies and then combined within BA-CA Administration Services in October 2005. The idea behind this move was to separate front-office operations from back-office and settlement activities. BA-CA intends to further sharpen the focus on relationship management and advisory services in the branches. The most recent number of customers shows that this strategy is successful: the bank won about 20,000 new customers in Austria in 2005. Today Bank Austria Creditanstalt serves about 1.85 million customers in almost 400 branches in Austria. The return on equity after taxes in the business segment was 7.9 per cent (2004: 15.2 percent). The cost/income ratio fell to 73.4 percent (2004: 79.3 per cent).

The **SMEs Austria** segment improved its operating profit, which increased significantly from EUR 13 million to EUR 91 million. As announced previously, BA-CA started an extensive work programme in 2005 to enhance profitability in the business segment on a sustainable basis. The objective is to generate at least the cost of capital by 2007 (the cost of capital is between 8 per cent and 9 per cent). The work programme includes optimising the entire process chain in business with small and medium-sized companies. BA-CA has already implemented an important objective by establishing BA-CA Administration Services, a company in which the bank's entire back-office and settlement activities, including those for the SMEs segment, were combined in 2005. A provision of EUR 90 million was made for restructuring costs relating to the reorganisation and process adjustments of the SMEs business segment. As a result, the business segment recorded net income after taxes of EUR 1 million (2004: EUR 9 million).

The return on equity after taxes was 0.1 per cent (2004: 1.0 per cent). The cost/income ratio was 65.6 per cent (2004: 64.4 per cent).

In the **Large Corporates and Real Estate** segment, net income after taxes was EUR 315 million, 60 per cent higher than in the previous year (2004: EUR 196 million). The result of this segment reflects most of the gains on the sale of shares in Investkredit. Adjusted for this one-off effect, net income improved by 27 per cent. The return on equity after taxes reached 22.1 per cent (2004: 13.0 per cent). At 46.5 per cent, the cost/income ratio remained at the low level of the previous year (2004: 46.4 per cent).

The **International Markets** segment generated net income after taxes of EUR 126 million, an increase of 44 per cent over the previous year (2004: EUR 87 million). The return on equity after taxes was 58.4 per cent (2004: 41.1 per cent). The cost/income ratio was 57.3 per cent (2004: 55.2 per cent).

Costs primarily related to Group functions, which cannot be attributed directly to any one business segment, are recorded in the **Corporate Center**. BA-CA's Corporate Center evidenced a net loss after taxes of EUR 28 million (2004: a net loss of EUR 24 million).

Inclusion of results in the business segments of HVB Group

Net income before taxes in the amount of EUR 1,301 million achieved by BA-CA in 2005 is included in HVB Group's business segment results in the following way: additional amortisation of goodwill, calculated refinancing costs, one-off effects and other consolidation effects are deducted from the amount of EUR 1,301 million. The remaining amount of EUR 1,179 million is apportioned to HVB Group's business segments: EUR 1,113 million to the Austria and CEE segment, EUR 138 million to Corporates & Markets, and minus EUR 72 million to Other Items.

Balance Sheet

As at 31 December 2005, Bank Austria Creditanstalt's total assets amounted to EUR 158.9 billion, an increase of 8.4 per cent over the year-end 2004 figure (31 December 2004: EUR 146.6 billion) mainly due to significant growth in customer business.

On the assets side of the balance sheet, loans and advances to, and placements with, banks increased by 10 per cent to EUR 26.4 billion. Loans and advances to customers rose by 6.3 per cent to EUR 86.4 billion (2004: EUR 81.3 billion). Trading assets fell by 4.9 per cent to EUR 17.7 billion (2004: EUR 18.6 billion). Investments rose by 4.9 per cent to EUR 18.2 billion (2004: EUR 17.3 billion).

On the liabilities side, amounts owed to banks increased by 10.9 per cent to EUR 44.3 billion (2004: EUR 39.9 billion). Amounts owed to customers rose by 6.9 per cent to EUR 61.9 billion (2004: EUR 57.9 billion). Liabilities evidenced by certificates increased by 15.7 per cent to EUR 22.7 billion (2004: EUR 19.6 billion). Trading liabilities fell by 23.8 per cent to EUR 6.8 billion (2004: EUR 8.9 billion). Shareholders' equity grew by EUR 623 million or 9 per cent to EUR 7.5 billion (2004: EUR 6.9 billion).

Staff numbers in the BA-CA Group totalled 31,792 at 31 December 2005, an increase of 2,601 over the previous year (31 December 2004: 29,191 employees).

Outlook for 2006

In the 2006 financial year the group of consolidated companies of BA-CA will change as a result of the bank's integration into UniCredit Group. The dates of the individual transfers of equity interests have not yet been fixed. Therefore the full effects of these transfers cannot yet be estimated and thus BA-CA is at present unable to set an earnings target for 2006. Based on internal calculations, BA-CA expects to further increase its net income before taxes as it continues to see strong earnings potential in the growth region of Central and Eastern Europe. BA-CA's CEO Erich Hampel, "I see our new role within UniCredit Group as a guarantee for growth, which also applies to our results."

Note: In order to make a comparison possible, figures for the 2004 financial year were adjusted to reflect changes in IFRS standards. They do not, therefore, correspond to published figures.

**Income statement of the Bank Austria Creditanstalt Group
for the year ended 31 December 2005**

	2005 in EUR m	2004 in EUR m	Change in EUR m	Change in %
Net interest income	2,611	2,441	170	7.0
Losses on loans and advances	-495	-398	-96	24.1
Net interest income after losses on loans and advances	2,117	2,042	74	3.6
Net fee and commission income	1,458	1,233	225	18.2
Net trading result	237	233	4	1.7
General administrative expenses	-2,622	-2,479	-143	5.8
Balance of other operating income and expenses	-48	-85	37	-43.4
Operating profit	1,142	944	197	20.9
Net result from investments	282	-8	290	> 100
Amortisation of goodwill	-4	-75	71	-94.6
Allocation to provisions for restructuring costs	-108	-	-108	
Balance of other income and expenses	-11	-2	-8	> 100
Net income before taxes	1,301	859	443	51.5
Taxes on income	-226	-188	-38	20.0
Net income	1,075	671	405	60.4
Minority interests	-111	-61	-50	80.5
Net income after taxes and minority interests	964	609	355	58.3

**Income statement of the Bank Austria Creditanstalt Group
by quarter**

	Q4 2005 in EUR m	Q3 2005 in EUR m	Q2 2005 in EUR m	Q1 2005 in EUR m	Q4 2004 in EUR m
Net interest income	686	644	686	596	647
Losses on loans and advances	-179	-108	-98	-110	-89
Net interest income after losses on loans and advances	507	536	588	486	558
Net fee and commission income	410	381	336	330	301
Net trading result	51	68	39	79	88
General administrative expenses	-705	-646	-637	-634	-644
Balance of other operating income and expenses	-27	-7	1	-15	-57
Operating profit	237	332	328	245	246
Net result from investments	13	229	5	35	-17
Amortisation of goodwill	-4	0	0	-0	-22
Allocation to provisions for restructuring costs	-48	-60	0	-0	0
Balance of other income and expenses	-8	-1	-2	-0	-3
Net income before taxes	190	500	331	280	204
Taxes on income	-18	-92	-63	-53	-23
Net income	172	409	268	227	181
Minority interests	-32	-38	-21	-20	-14
Net income after taxes and minority interests	140	371	246	207	167

Segment reporting

in EUR m		Private Customers Austria	SMEs Austria	Large Corporates and Real Estate	Central and Eastern Europe	International Markets	Corporate Center	BA-CA Group
Net interest income	2005	670	369	483	977	89	24	2,611
	2004	678	394	489	744	133	3	2,441
Losses on loans and advances	2005	-234	-121	-35	-117	10	2	-495
	2004	-74	-200	-35	-86	-	-3	-398
Net fee and commission income	2005	536	237	132	519	40	-7	1,458
	2004	473	219	120	408	19	-5	1,233
Net trading result	2005	4	1	-1	46	178	10	237
	2004	3	-	6	78	122	24	233
General administrative expenses	2005	-888	-403	-292	-824	-158	-57	-2,622
	2004	-908	-385	-291	-692	-140	-63	-2,479
Balance of other operating income and expenses	2005	1	8	12	-17	-32	-20	-48
	2004	-9	-15	12	-39	-19	-16	-85
Operating profit	2005	88	91	300	584	128	-49	1,142
	2004	163	13	301	413	114	-59	944
Net result from investments	2005	14	-	138	129	19	-17	282
	2004	4	-	-33	7	9	5	-8
Amortisation of goodwill	2005	-4	-	-	-	-	-	-4
	2004	-4	-	-4	-53	-6	-9	-75
Allocation to provisions for restructuring costs	2005	-2	-90	-	-7	-	-9	-108
	2004	-	-	-	-	-	-	-
Balance of other income and expenses	2005	-2	-	-8	-1	-	-	-11
	2004	-	-	-3	-1	-	2	-2
Net income before taxes	2005	94	1	430	704	147	-75	1,301
	2004	163	13	261	366	117	-61	859
Taxes on income	2005	-21	-	-115	-116	-21	47	-226
	2004	-44	-4	-65	-83	-30	38	-188
Net income	2005	73	1	315	588	126	-28	1,075
	2004	119	9	196	282	87	-24	671

in EUR m		Private Customers Austria	SMEs Austria	Large Corporates and Real Estate	Central and Eastern Europe	International Markets	Corporate Center	BA-CA Group
Risk-weighted assets (average, Austrian Banking Act)	2005	13,286	13,987	20,383	21,350	3,082	3,284	75,372
	2004	11,182	13,089	21,621	16,991	3,039	4,356	70,277
Equity allocated (average)	2005	930	979	1,427	2,106	216	1,631	7,290
	2004	783	916	1,513	1,687	213	1,329	6,441
Return on equity before taxes in %	2005	10.1	0.1	30.1	33.4	68.0	<i>n.m.*</i>	17.9
	2004	20.8	1.4	17.3	21.7	55.0	<i>n.m.*</i>	13.3
Return on equity after taxes in %	2005	7.9	0.1	22.1	27.9	58.4	<i>n.m.*</i>	14.8
	2004	15.2	1.0	13.0	16.7	41.1	<i>n.m.*</i>	10.4
Cost/income ratio in %	2005	73.4	65.6	46.5	54.0	57.3	<i>n.m.*</i>	61.6
	2004	79.3	64.4	46.4	58.1	55.2	<i>n.m.*</i>	64.9
Risk/earnings ratio in %	2005	35.0	32.6	7.3	12.0	<i>n.m.*</i>	<i>n.m.*</i>	18.9
	2004	10.9	50.8	7.1	11.5	<i>n.m.*</i>	<i>n.m.*</i>	16.3

*) not meaningful

Balance sheet of the Bank Austria Creditanstalt Group at 31 December 2005

Assets	31 Dec. 2005 in EUR m	31 Dec. 2004 in EUR m	Change in EUR m	Change in %
Cash and balances with central banks	3,855	2,724	1,131	41.5
Trading assets	17,665	18,575	-910	-4.9
Loans and advances to, and placements with, banks	26,384	23,995	2,389	10.0
Loans and advances to customers	86,404	81,260	5,144	6.3
- Loan loss provisions	-3,232	-3,305	73	-2.2
Investments	18,172	17,316	855	4.9
Property and equipment	1,097	1,122	-25	-2.2
Intangible assets	1,358	1,133	225	19.9
Other assets	3,956	3,761	195	5.2
Non-current assets classified as held for sale	3,221			
Total assets	158,879	146,581	12,298	8.4

Liabilities and shareholders' equity	31 Dec. 2005 in EUR m	31 Dec. 2004 in EUR m	Change in EUR m	Change in %
Amounts owed to banks	44,279	39,927	4,352	10.9
Amounts owed to customers	61,863	57,856	4,008	6.9
Liabilities evidenced by certificates	22,703	19,617	3,086	15.7
Trading liabilities	6,807	8,930	-2,123	-23.8
Provisions	4,753	4,000	753	18.8
Other liabilities	3,671	4,063	-392	-9.7
Subordinated capital	5,400	5,291	109	2.1
Liabilities directly associated with non-current assets classified as held for sale*)	1,884			
Shareholders' equity	7,521	6,898	623	9.0
of which: minority interests	650	439	211	48.2
Total liabilities and shareholders' equity	158,879	146,581	12,298	8.4

*) Excluding Group-internal funding of EUR 1,037 million