

INVESTOR RELATIONS RELEASE

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Bank Austria Creditanstalt sells non-performing loans

- **The transaction comprises a nominal volume of EUR 850 million**
- **Borrowers concerned are protected by a legal provision requiring that their position must not deteriorate**
- **Buyers: well-established investors from France and Sweden and from Germany**

Today, Bank Austria Creditanstalt (BA-CA) has completed, as planned, the sale of loans previously called for repayment. The portfolio comprises non-performing loans to retail customers with a total nominal volume of about EUR 850 million. Of the total volume, a consortium consisting of Calyon S.A., a subsidiary of the French bank Crédit Agricole, and the Swedish Intrum Justitia Group is taking over loans amounting to EUR 640 million. German EOS Group, which is represented by EOS ÖID Inkasso-Dienst GmbH in Austria, is buying loans totalling EUR 210 million. "These two buyers are professional investors which will deal with the non-performing loans in a manner customary in the banking business," says Thomas Gross, Chief Risk Officer of BA-CA, "we are thereby improving our risk position and freeing up equity capital under Basel II." The contracting parties have agreed not to disclose any details of the purchase price.

The sale of loans by BA-CA is a true sale transaction, i.e. the non-performing loans are fully transferred to the buyers. All of the customers concerned are borrowers who have failed to meet their payment obligations for a long time. The loans which have been sold were called for repayment at least eleven months ago. In the past, BA-CA referred such non-performing loans to lawyers and collection agencies for collection. The buyers of the loans are required to meet all confidentiality obligations vis-à-vis the borrowers and to safeguard their protection interests. The borrowers are protected by a legal provision requiring that their position must not deteriorate.

“The change of creditors may offer new opportunities to the borrowers concerned“, says Thomas Gross, “for example, stalled talks about possible solutions to payment problems may be relaunched. Any adverse impact on the relationship between borrowers and the bank thus becomes irrelevant.“ The borrowers concerned will receive letters informing them of the change of creditor and of the new contacts. HypoVereinsbank Real Estate M&A acted as adviser to BA-CA in this transaction; the law firm Fellner, Wratzfeld & Partner provided legal expertise.

The sale of loan portfolios is an instrument which has been used internationally for risk management purposes for a long time. Within Europe, Germany is considered to be one of the most advanced markets for trading in non-performing loans (NPLs), with a portfolio volume estimated at EUR 20 billion in 2006. The largest transactions carried out in the past few years were those between Hypo Real Estate and Lone Star (EUR 3.6 billion), Eurohypo and Citigroup (EUR 2.4 billion), and Delmora and Goldman Sachs (EUR 2.3 billion). According to Oesterreichische Nationalbank, Austria’s central bank, non-performing loans accounted for 2.6 per cent, or about EUR 13.9 billion, of the Austrian banks’ total lending volume in 2005.

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