Half-Yearly Financial Report 2012

Contents

Bank Austria at a Glance

Income statement figures

(€ million)	H1 2012	H1 2011[1]	+/–
Net interest	2,249	2,241	+0.3%
Net fees and commissions	786	818	–4.0%
Net trading, hedging and fair value income	357	272	+31.4%
Operating income	3,512	3,501	+0.3%
Operating costs	–1,947	–1,905	+2.2%
Operating profit	1,565	1,595	–1.9%
Net operating profit	997	898	+11.1%
Profit before tax	864	836	+3.4%
Net profit attributable to the owners of the parent company	646	638	+1.2%

Volume figures

(€ million)	30 JUNE 2012	31 DEC. 2011	+/–
Total assets	202,911	199,229	+1.8%
Loans and receivables with customers	135,989	134,914	+0.8%
Primary funds	135,947	134,658	+1.0%
Equity	18,747	17,661	+6.2%
Risk-weighted assets (overall)	132,181	125,188	+5.6%

Key performance indicators

	H1 2012	2011
Return on equity after tax (ROE)	7.5%	1.2%
Cost/income ratio	55.4%	55.9%
Provisioning charge/avg. lending volume (cost of risk)	0.85%	1.03%
Loans and receivables with customers/primary funds [2]	100.0%	100.2%
Leverage ratio [2] [3]	12.6	13.3
Tier 1 capital ratio [2]	10.17%	10.88%
Tier 1 capital ratio without hybrid capital (Core Tier 1 capital ratio) [2]	9.97%	10.55%

Staff [4]

	30 JUNE 2012	31 DEC. 2011	+/–
Bank Austria (full-time equivalent)	58,199	59,345	–1.9%
Central Eastern Europe business segment	50,613	51,517	–1.8%
Other business segments	7,586	7,828	–3.1%
Austria	*7,492*	*7,704*	*–2.7%*

Offices [4]

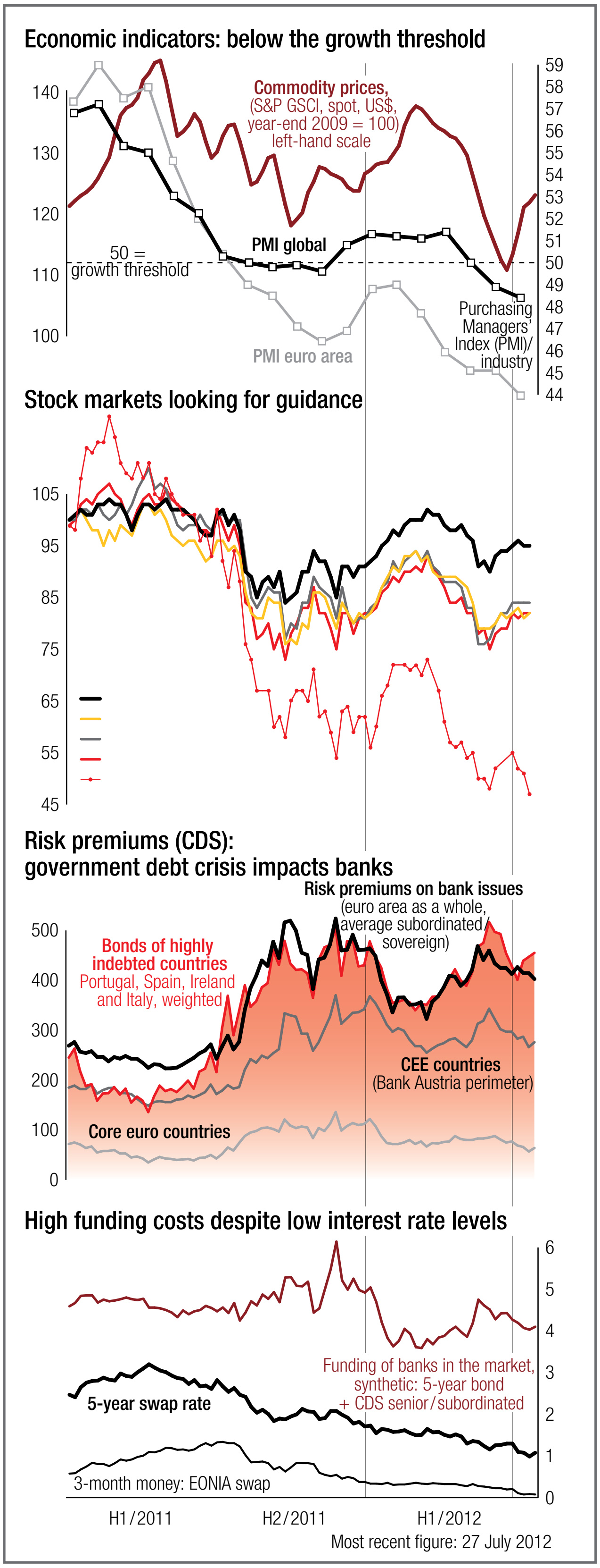
	30 JUNE 2012	31 DEC. 2011	+/–
Bank Austria	2,978	3,040	–2.0%
Central Eastern Europe business segment	2,688	2,750	–2.3%
Other business segments	290	290	0.0%
Austria	*288*	*289*	*–0.3%*

1) Comparative figures for 2011 recast to reflect the current structure and methodology. / 2) End of period. / 3) Total assets/equity (without intangible assets). / 4) Employees and offices of companies accounted for under the proportionate consolidation method are included at 100%.

The banking environment in mid-2012

The European **sovereign debt crisis** flared up again in the first half of 2012, impacting the economic environment in our core markets and developments in the banking sector. While the first quarter of 2012 saw weak economic performance, trends were better than expected; financial markets were still showing signs of easing after the Greek debt restructuring and the far-reaching decisions taken in March in respect of the fiscal pact. The ECB's open market operations, raising liquidity in the Eurosystem by over €1 trillion, provided a strong stimulus. In May and June, however, the crisis escalated again, with stress in financial markets soon returning to levels experienced in November 2011. This development was triggered by the Greek elections, which raised doubts about the implementation of the agreed restructuring programmes, and problems in the Spanish banking sector, which drew attention to the interdependence of banks and their home countries. Moreover, all southern EU countries became aware of the direct **social costs** associated with long-term fiscal consolidation programmes as Spain and Italy slid into recession with strongly rising unemployment. The **divergence** between the core euro countries, the southern peripheral countries and the restructuring programme countries continued to become more pronounced, in both real economic terms and in balance-of-payments terms within the euro area.

The fast switch in financial markets from easing to risk aversion was again a strong accelerator: **risk premiums** on government bonds of highly indebted countries (CDS for Ireland, Portugal, Spain and Italy, weighted) declined from 478 basis points (bp) at the beginning of 2012 to 340 bp in the middle of March. In May/June they rose to 517 bp, a level that can hardly be explained by fundamentals and exceeded the previous year's peak of 504 bp, reached in November 2011 (see chart). Investors' "risk-off" mode involved withdrawals of capital and a flight to benchmarks, making debt rollover more expensive for peripheral countries of the euro area, despite progress in consolidation achieved by then. Benchmark yields, on the other hand, fell to new record lows: on 6 June 2012, the return on the 10-year euro benchmark bond was as low as 1.168% p.a., and short-maturity instruments (Treasury bills) temporarily offered negative returns. These developments had a strong impact on **banks** in the euro area, given their cross-regional orientation and the importance of the government bond segment for their day-to-day business operations. Spreads on banks' own issues rose from 262 bp to a peak of 407 bp (average for subordinated and senior bonds). As a result, **funding** raised by banks in the market was more expensive, in average terms, than direct borrowing in capital markets by companies with good credit ratings. At the end of June the euro member countries decided to "break the vicious circle of banks and government bonds" by allowing, among other things, the recapitalisation of the Spanish banking sector out of the EFSF and, after the transition to the ESM, directly and without senior status. The situation eased somewhat when the decisions taken at the summit meeting, which also envisaged initial steps towards a banking and fiscal union, were published.



The banking environment in mid-2012 (CONTINUED)

The recent escalation of the euro crisis in the second quarter of 2012 coincided with a **slowdown in the global economy**. This was partly a reaction following stronger growth in the first quarter of 2012 (due to weather-related factors and the catching-up process after the natural catastrophes in Asia) and also reflected the impact of the previous year's restrictive economic policy in emerging markets. The moderate upturn of the US economy was still far from providing impetus to the global economy. Commodity prices (energy and industrial metals) rose strongly until March, but declined significantly in the second quarter and fell below the previous year's levels. Growth in China weakened in the second quarter, to 7.6%, a rate which is seen as the lower limit for sustainable expansion given the circumstances in China. In brief, the main drivers of world trade – including imports by the high-growth emerging markets and demand in Europe – slackened.

Bank Austria's **core markets** – Austria and CEE – were among the countries achieving a disproportionately strong performance in the first half of 2012. But they were unable to escape the repercussions of the government debt crisis and the economic slowdown. Overall, the economic environment in the first six months of 2012 was characterised by very weak credit demand, high corporate liquidity, declining transaction volume and considerable uncertainty among corporate and private customers. Although central banks pursued a zero-rate policy, funding and liquidity costs in the banking sector remained high and profitability was persistently low as a result of ongoing structural changes (deleveraging, build-up of equity capital, regulation).

■ The economic upswing seen in **Austria** in early 2012 subsequently lost momentum in the first half of the year, reflecting the difficult European environment. While the Austrian economy is still on the sunny side of Europe, recent early indicators for the industrial sector and a deterioration in European sentiment suggest that after a relatively good start in 2012 (real GDP up by 0.3% on the preceding quarter), growth has slowed. For the second quarter we expect GDP growth of 0.2% compared with the first quarter, a rate that is significantly lower than the long-term average of 0.5% but still positive. Although Austrian exports lost some of their growth momentum as international demand declined, foreign trade again made a positive contribution to GDP growth as imports grew less strongly, benefiting from a decline in oil prices. Domestic demand also supported the economy, mainly because private consumption increased, reflecting a high level of employment, improved purchasing power and a declining savings ratio. Employment growth, mainly driven by foreign workers coming to Austria after the labour market was opened a year ago, recently lost momentum and unemployment started to rise. Over the past few months, sentiment in the industrial sector and among Austrian consumers has deteriorated and is now visibly below the multi-year average. The current uncertainty also has a negative impact on investment activity, which is limited to replacement measures. As backlog demand was largely met in the previous year, there is now sufficient capacity. The moderate rate of growth in the first half of 2012 did not have any inflationary effects, nor did the ECB's monetary-policy measures exert any inflationary pressure. Inflation actually declined throughout the first half of 2012 as the strong increase in crude oil prices in the previous year was no longer included in the calculation of the inflation rate. Inflation declined from 3.3% in 2011 to an average of 2.4% for the period of January to June 2012 compared with the same period of the previous year.

The prevailing uncertainty continues to determine the behaviour of bank customers. Private credit demand remained weak, the total volume of personal loans hardly changed in the first six months of 2012. While demand for housing finance continued to rise, short-term consumer loans and business loans declined. Demand for corporate loans picked up somewhat, due to a strong first quarter, but may have slackened in the summer. In the first half of 2012 many companies tapped capital markets more or less to the same extent as in the past years. The net volume of new issues of corporate bonds was again larger than the change in corporate loans, a pattern seen since 2009. The relatively strong growth of deposits, 4.5% in the first half of 2012, was mainly driven by corporate deposits. Deposits from private households also rose, but at a disproportionately low annual rate of just over 2%. Nevertheless, currently available statistics show that deposits accounted for the largest portion of monetary capital formation by private households in the first six months of 2012. All other types of investments – such as securities, bonds, equities and mutual funds – probably saw net outflows.

■ **Countries in CEE** were affected by the euro crisis especially via three transmission channels: manufacturing and trade links with the euro area; net cross-border financing in the banking sector; and sentiment among international investors. Overall, the region coped with the multiple challenges better than expected.

Industrial output, the best early indicator of overall economic performance, in the first five months of 2012 suggests that **growth** in the second quarter was significantly stronger than in the first quarter (+0.4% quarter on quarter, simple average). Purchasing Managers' Index levels indicate that CEE experienced a better trend than Western Europe. There are wide regional differences, however: Hungary and the Baltic countries achieved disproportionately strong growth, while economic performance of Turkey and Russia remained moderate; the Czech Republic, Slovenia, Poland and Croatia were the only CEE countries where GDP shrank in the year to date. While problems in the euro area also impacted the CEE region, dependence on economic activity in the euro area tends to

The banking environment in mid-2012 (CONTINUED)

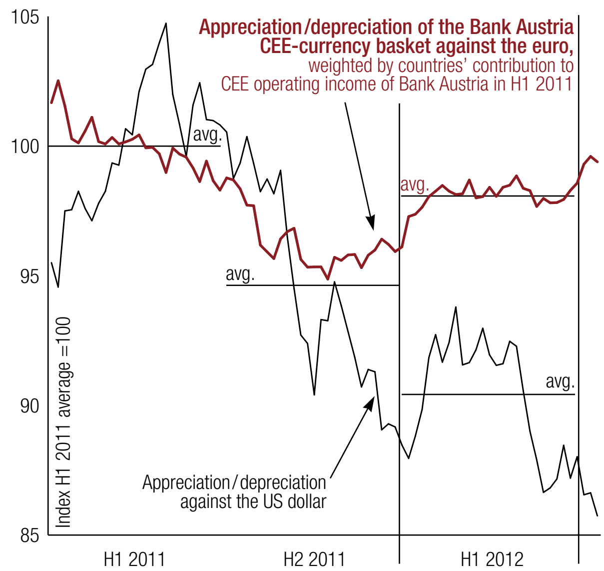
decline as a growing proportion of CEE exports goes directly to third countries. The currently lower rate of growth – about half the long-term average – is also due to domestic demand, which is dampened by fiscal consolidation measures. There is no room for expansionary measures, building confidence in financial markets takes priority.

International capital flows in the **banking sector** in the first six months of 2012 also showed a more favourable trend than in the second half of 2011. Apart from special developments in Russia, the CEE banking sector has reduced its external debt in each month since the middle of 2011 (with the exception of November 2011). Credit expansion has slowed: after several years of strong expansion based on external funding, current developments show a moderate trend with the pace becoming more sustainable. While interest rates have recently declined and should now again support demand, credit expansion is more closely geared to growth of local bank deposits, not least in the context of the deleveraging process at international banks. Provisioning for loan losses may now be past its peak in the entire region, but NPL ratios continue to rise; in some cases asset quality has deteriorated, mostly in the wake of past real estate booms.

While the second half of 2011 saw strong outflows, the region (CEE including Poland) recorded significant **inflows** of portfolio investments in the first few months of 2012. The previous year's outflows were more than offset in the first quarter of 2012; an important factor in this context was investors' stronger risk appetite, which increased not least as a result of the liquidity support provided by the ECB. Inflows are also expected for the second quarter of 2012, though they will be lower. Portfolio capital flows are highly volatile. Quite generally, however, CEE fundamentals compare favourably with those of highly indebted euro area countries. With the exception of Russia and Kazakhstan (which are major exporters of commodities) and Bulgaria and Estonia, where public debt is below 20 % of GDP, most CEE countries have a **debt ratio** of between 30 % and 50 %. Hungary's 80 % is a special case. According to estimates by our economists, the current year should see a decline in the public debt ratio in one-half of the sixteen countries analysed. Relatively strong nominal GDP growth will probably enable three-quarters of the CEE countries to reduce the ratio of public debt to GDP to pre-crisis levels (recorded in 2007) by 2016. Trends in **risk premiums** confirm the comparatively sound position of CEE: CDSs (five-year government bonds, weighted by government debt) tracked developments in financial markets over time but were between 250 basis points (bp) and 340 bp in the first half of 2012, and – in average terms – more than 100 basis points lower than risk premiums on highly indebted euro countries (IIPS). Hungary (CDS recently 450 bp) and Ukraine (784 bp) are exceptions in this context because these countries are still trying to get access to international capital markets. The probability of confidence-building agreements with the IMF has increased, but such agreements are not likely to be signed before the end of 2012 (Hungary) or the beginning of 2013 (Ukraine).

In the first six months of 2012, the financial and government debt crisis led to effective (trade-weighted) depreciation of the euro of 3.7 %; against the US dollar alone, the **euro** depreciated by 2.3 %. CEE currencies were in between: from year-end 2011 to the end of June 2012, the CEE currency basket (Bank Austria perimeter) appreciated by 1.4 % against the euro while depreciating by 1.3 % against the US dollar. A year-on-year comparison shows a different picture because the euro was firm before the debt crisis escalated: a comparison of half-year averages (H1 2012/H1 2011), which are used for translating local currency amounts in income statements into euro, shows that CEE currencies (weighted equally) depreciated by 0.8 % against the euro and by 8.3 % against the US dollar. The strongest declines were seen in the Hungarian forint (–8.8 %), the Romanian leu (–4.8 %) and the Turkish lira (–5.5 %, a significant factor given the size of local operations). On the other hand, the currencies of Kazakhstan and Ukraine, which are partly guided by the US dollar, showed strong appreciation of 6.7 % and 7.3 %, respectively. Weighted by contribution to CEE operating income of Bank Austria and on the basis of half-year averages for H1 2012 and H1 2011, the CEE currency basket depreciated by 2.0 %.

CEE currency movements



Bank Austria in the first half of 2012

Overview

Bank Austria achieved a sound performance in the first six months of 2012 although the operating environment was difficult, characterised by weak demand for financings and banking services, by low interest rates and high risk premiums, and more stringent regulatory requirements. Net operating profit generated in the customer business segments showed an upward trend in the past quarters, without any major setbacks, rising significantly from the first quarter to the second quarter of 2012 and also in a year-on-year comparison. While revenue and cost trends were stable, special effects and non-operating expenses led to quarterly fluctuations at the level of net profit. Moreover, when comparing performance figures with the previous year, one should bear in mind the noticeable changes which have taken place in the financial sector and in the economy over the past twelve months. For example, the ECB raised its key interest rate in mid-2011 and this contrasts with the currently prevailing zero rate environment; another factor to be taken into account is the government debt crisis.

■ In the **second quarter of 2012**, Bank Austria's customer business segments achieved a combined **net operating profit** (after net write-downs of loans) of €606 million, an increase of 16% over the preceding quarter and up by 20% on the Q2 2011 figure. Both the Austrian business segments and the CEE banking subsidiaries made contributions to the increase. Operating income (up by 4% from the same period of the previous year) and costs (up by 1% on Q2 2011) showed moderate trends, while the decisive factor for the stronger performance was a decline of 12% in net write-downs of loans and provisions for guarantees and commitments, in both Austria and Central and Eastern Europe (CEE). (All comparative figures for 2011 have been recast to reflect the current Group structure and methodology.)

Quarterly trends (€ million, 2011 recast)

	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12
Net operating profit 1)	504	505	536	533	521	606
Net profit 2)	340	298	–635	204	399	247

1) Operating profit less net write-downs of loans and provisions for guarantees and commitments generated by the customer business segments (F&SME, PB, CIB, CEE).
2) Net profit attributable to the owners of the parent company.

Net profit attributable to the owners of the parent company for the second quarter of 2012 was €247 million, down by €152 million or 38% from the preceding quarter and €52 million (17%) lower than for the same period of the previous year. The figure for the first quarter of 2012 was exceptionally high because it included substantial income – reflected in the Corporate Center segment result – from the buyback of hybrid capital instruments, and Bank Austria's share of profits of UniCredit's Markets product line. Without these contributions, net profit would have remained stable from the first to the second quarter. The year-on-year decline (Q2 2012/Q2 2011) was due to non-operating items, mainly provisions for risks and charges and a larger amount of income tax. The net result from investments was slightly better than in the second quarter of the previous year, a period which saw the first write-down on Greek government bonds.

■ **Net operating profit** generated by the customer business segments in the **first half of 2012** amounted to €1,127 million, an increase of 12% over the same period of the previous year. Operating income matched the previous year's level (+0.5%) and costs were only slightly higher (+1.6%). This means that the improvement in operating performance from customer business in H1 2012 was mainly driven by a decline of 18% in net write-downs of loans. The cost of risk was 85 basis points (0.85%) of average lending volume, the lowest level since the first half of 2008, the last half-year period before the collapse of Lehman Brothers. Even if the Corporate Center is included in the calculation (its net trading result includes one-off gains on sales), net operating profit rose by €100 million or 11%.

Performance in H1 2012 compared with H1 2011 (€ million, 2011 recast)

	H1 2012	H1 2011	+/– € MILLION	+/–%
Net operating profit from customer business 1)	1,127	1,010	+117	+12%
Net profit 2)	646	638	+8	+1%

1) Operating profit less net write-downs of loans and provisions for guarantees and commitments generated by the customer business segments (F&SME, PB, CIB, CEE).
2) Net profit attributable to the owners of the parent company.

The sound **net operating profit performance** in the first six months of 2012 was burdened – as in the previous year – by a number of non-operating charges. These included provisions for dealing with legacy burdens (litigation risks) and a negative net result from investments which was larger than a year earlier; in the first half of 2011, one-off income offset write-downs on Greek government bonds to a large extent. Income tax for the period was also significantly higher (by over two-thirds) than in the first half of 2011. The charge for goodwill impairment, on the other hand, was low in the first six months of the current year. At €646 million, net profit attributable to the owners of the parent company in the first half of 2012 slightly exceeded the figure for the same period of the previous year (+1%). Return on equity (ROE after tax) was 7.5%.

■ As at 30 June 2012, **total assets** were €202.9 billion, up by 1.8% from year-end 2011 and 4.7% above the level a year earlier. On the assets side, loans to customers rose by 3.3% year-on-year. Primary funds (the sum total of deposits from customers and debt securities in issue) increased by 5.6%. **IFRS equity** rose by 6.2% to €18.7 billion, reflecting primarily the net profit. As a result, the leverage ratio (without intangible assets) declined from 13.3 to 12.6. At the end of June 2012, the **Tier 1 capital ratio** (which for regulatory reasons does not include current profit) was 10.17%, slightly lower than at year-end 2011 (10.88%) and at the end of June 2011 (10.34%). The slight decline mainly reflects business expansion (risk-weighted assets). The Tier 1 capital ratio continues to be comfortably above the regulatory requirements.

Volume figures

	30 JUNE 2012	31 DEC. 2011	30 JUNE 2011
Total assets (€ billion)	202.9	199.2	193.8
IFRS equity (€ billion)	18.7	17.7	18.0
Tier 1 capital ratio pursuant to the Austrian Banking Act	10.17%	10.88%	10.34%

Bank Austria in the first half of 2012 (CONTINUED)

Quarterly trends reflected in the income statement

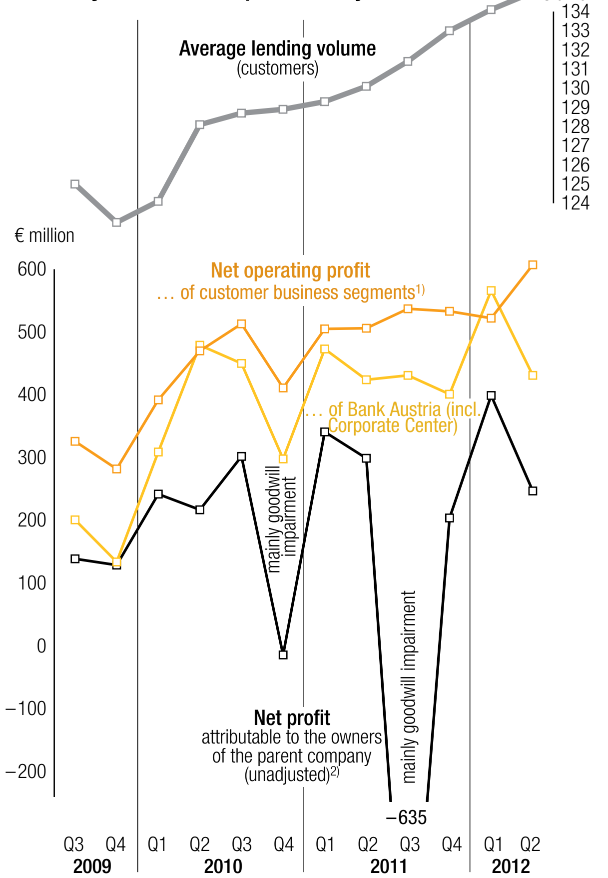
The income statement shows a steady yet moderate upward trend in operating activities in the past quarters. As expected, profit performance stabilised as results were not impacted by substantial non-operating charges such as those recorded in previous years.

■ The average volume of loans to customers – an indicator of general **volume trends** – has grown steadily since the recession seen in 2009. Lending volume also expanded slightly in the second quarter of 2012 (+0.4%) and was up by 3.6% on Q2 2011 and 5.1% higher than in Q2 2010. Expansion was driven by the CEE business segment, with growth rates of 8.1% compared with Q2 2011 and 13.6% over Q2 2010. Lending volume in Austria stagnated. Primary funds (the sum total of customer deposits and the bank's own issues) grew much more strongly than customer loans, rising by 5.9% year-on-year, with growth of 12.6% in CEE and 3.3% in Austria.

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 – generated by the customer business segments (= the bank as a whole without the Corporate Center) in the second quarter of 2012 rose by 16% to €606 million; the year-on-year increase was 20%. This is the best performance since the beginning of 2009. In Austria, the improvement was more pronounced than in CEE, both from the first to the second quarter of 2012 and in a year-on-year comparison, mainly due to a further decline in net write-downs of loans and provisions for guarantees and commitments. Net operating profit including the Corporate Center was exceptionally large in the first quarter of 2012, returning to a more normal level in the reporting quarter (see chart). The Q1 2012 figure included one-off gains of €124 million on the buy-back of hybrid instruments and a volatile profit contribution from Markets, an international product line, which was recorded in the Corporate Center's net trading result. This explains why the Corporate Center's operating result, which is normally negative, turned positive in the first quarter of 2012.

■ While operating performance from the core business was stable, profit trends in the past quarters reflected **special factors** resulting from non-operating items. As in the first quarter of 2012, the income statement for the second quarter of 2012 was impacted by further write-downs on Greek government bonds. Moreover, the item "Net income from investments" was also burdened by the performance of other financial assets in connection with the market environment; the figure for the second quarter of 2012 was a net loss of €32 million, more or less matching the net result from investments for the first quarter of 2012 (–€31 million) but slightly lower than in the same period of the previous year (–€37 million). While the second quarter of 2011 saw the first write-downs on Greek government bonds, the strong negative impact in that period was largely offset by a revaluation gain resulting from the restructuring of the Moscow Interbank Currency Exchange (MICEX). Among the other non-operating items, €59 million was allocated to provisions for risks and charges in the second quarter of 2012 (this compares with a net release of such provisions in Q2 2011), as substantial provisions were made for the credit card bonus points programme in Turkey and for legal proceedings. The income tax charge was over €75 million in the second quarter of 2012, a significant increase over the figure for the same period of the previous year (€24 million) although profit before tax was more or less at the same level. The goodwill impairment charge, which led to a loss

Quarterly trends in the past three years



1) Customer business segments = Austria (F&SME, PB and CIB) and CEE = Bank Austria without Corporate Center, recast. / 2) Difference compared with net operating profit: provisions for risks and charges, integration/restructuring costs, net income from investments and goodwill impairment as well as income tax and non-controlling interests; recasting difference.

Bank Austria in the first half of 2012 (CONTINUED)

in the third quarter of 2011 (see chart), was a low figure in both Q1 and Q2 2012. In the second quarter of 2011, the impairment loss on goodwill relating to UniCredit CJSC Securities (previously ATON), a Russian brokerage firm which was restructured, amounted to €47 million, giving a positive effect (+€47 million) compared with the previous year.

→ Net profit (attributable to the owners of the parent company) achieved by Bank Austria in the second quarter of 2012 was €247 million after €399 million in Q1 2012 and €298 million in Q2 2011. While profitability still reflects the difficult environment (ROE after tax: 5.7%), the quality of results has improved compared with the previous year.

Condensed income statement of Bank Austria[1)]

(€ million)

	QUARTERLY FIGURES		HALF-YEAR FIGURES		CHANGE H1 2012/H1 2011 ORIGINAL		*CHANGE H1 2012/H1 2011 RECAST[2)]*	
	Q1 2012 +	Q2 2012 =	H1 2012	H1 2011	€ MILLION	IN %	*€ MILLION*	*IN %*
Net interest	1,105	1,143	2,249	2,241	+7	+0%	*+7*	*+0%*
Dividends and other income from equity investments	30	57	86	102	–16	–15%	*–16*	*–16%*
Net fees and commissions	383	402	786	922	–136	–15%	*–33*	*–4%*
Net trading, hedging and fair value income	293	63	357	168	+189	+112%	*+85*	*+31%*
Net other expenses/income	0	35	35	105	–70	–67%	*–32*	*–48%*
Operating income	1,811	1,701	3,512	3,538	–26	–1%	*+11*	*+0%*
Payroll costs	–500	–497	–997	–1,008	+11	–1%	*–5*	*+0%*
Other administrative expenses	–394	–420	–814	–793	–20	+3%	*–33*	*+4%*
Recovery of expenses	0	0	1	0	+0	+46%	*+0*	*+47%*
Amortisation, depreciation and impairment losses on intangible and tangible assets	–68	–69	–137	–139	+3	–2%	*–5*	*+3%*
Operating costs	–961	–986	–1,947	–1,941	–6	+0%	*–42*	*+2%*
Operating profit	850	715	1,565	1,598	–32	–2%	*–30*	*–2%*
Net write-downs of loans and provisions for guarantees and commitments	–284	–284	–568	–698	+130	–19%	*+130*	*–19%*
Net operating profit	**566**	**431**	**997**	**900**	**+97**	**+11%**	***+100***	***+11%***
Provisions for risks and charges	–8	–59	–67	–31	–36	+115%	*–36*	*+115%*
Integration/restructuring costs	0	–3	–3	–2	–2	+86%	*–2*	*+86%*
Net income from investments	–31	–32	–63	–29	–33	+114%	*–33*	*+114%*
Profit before tax	**527**	**338**	**864**	**838**	**+27**	**+3%**	***+29***	***+3%***
Income tax for the period	–110	–75	–185	–113	–73	+64%	*–73*	*+65%*
Profit for the period	417	262	679	725	–46	–6%	*–44*	*–6%*
Non-controlling interests	–10	–9	–18	–25	+7	–28%	*+7*	*–28%*
Net profit before PPA[3)]	407	254	661	700	–39	–6%	*–37*	*–5%*
Purchase Price Allocation effect[4)]	–4	–4	–8	–7	–0	+7%	*–0*	*+7%*
Goodwill impairment	–4	–3	–7	–53	+46	–87%	*+46*	*–87%*
Net profit[3)]	**399**	**247**	**646**	**640**	**+6**	**+1%**	***+8***	***+1%***

1) Bank Austria's income statement as presented in this table is a reclassified format corresponding to the format used for segment reporting. See pages 52 to 59 of this report. / 2) Recast: comparative figures for 2011 retrospectively adjusted to the current Group structure (consolidation perimeter, segment definition) and methodology. The largest effects result from a change in reporting fee and commission income from specific customer-driven trading activities, which is now included in the item Net trading, hedging and fair value income, and from the deconsolidation of UBIS, a subsidiary providing IT services (net other expenses/income/other administrative expenses). The recasting differences between actual and recast figures cancel each other out in the bottom line except for a small amount (just under €2 million) / 3) Attributable to the owners of the parent company.
4) PPA effects for Kazakhstan, Ukraine, Russia and Aton.

Bank Austria in the first half of 2012 (CONTINUED)

Details of the income statement for the first half of 2012

The income statement [1)] for the first half of 2012 confirms the steady yet moderate improvement in operating activities in the past two years. The favourable trend in commercial banking business with customers now feeds through to bottom-line results to a larger extent as non-operating expenses resulting from the reassessment of banking business after the crisis years have largely been absorbed.

In the first half of 2012, **operating performance** (operating profit less net write-downs of loans and provisions for guarantees and commitments generated by the customer business segments) was up by 12%, and at overall bank level up by 11%, on the same period of the previous year. A comparison with the first half of 2010, the first comparative period after the recession in 2009, shows that operating performance increased by 31% and 27%, respectively.

The increase in **net profit** attributable to the owners of the parent company fully offset the dip in the second half of 2011, which was due to impairment losses on goodwill recognised in the third quarter. At **€646 million**, net profit for the first six months slightly exceeded the figure for the first half of 2011 (€638 million, +1%) and was significantly higher than in the first six months of 2010 (€459 million, +41%). If the charge for goodwill impairment is excluded, net profit has shown a rising trend since the low marked by the recession in 2009. The bank's profitability is still comparatively low, with a return on equity (ROE after tax) of 7.5%, less than one-half of the long-term average before the crisis. This reflects the current economic situation, primarily trends in demand and customers' wait-and-see attitude; but it also reflects the situation in the banking sector, determined by interest rates that are at a record low and by very high risk premiums, i.e. difficult funding conditions. Moreover, various regulatory requirements aimed at limiting risk ultimately impact commercial banking business.

1) The commentary in this management report refers to the condensed income statement shown on page 9 of this report. The same format is used for segment reporting. This makes it possible to consistently explain the contributions made by the various business segments to the items in the income statement. (A reconciliation of the condensed income statement to the mandatory reporting schedule of the interim consolidated financial statements is given in the notes to the consolidated financial statements on pages 52 and 53).

To obtain consistent time series, the comparative figures for 2011 have been recast to reflect the current consolidation perimeter and the currently applicable financial reporting standards and definitions. The recasting differences to the unadjusted totals for the various items of the income statement are shown in the segment reporting tables in the notes to the interim consolidated financial statements on pages 56 to 59 of this report. These are the main adjustments for 2011: since 1 January 2012, fee and commission income from management, brokerage and consultancy services relating to derivatives business in securities and currency trading is reported in the item "Net trading, hedging and fair value income". The figures for the previous year were recast accordingly. This change involves a shift of about €50 million per quarter, with three-quarters of the total relating to the CEE business segment. The sale of the IT services subsidiary Bank Austria Global Information Services GmbH (BAGIS) to UGIS, a UniCredit subsidiary, as at the end of June 2011 resulted in a decline of €38 million in other operating income in the recast figure for the first half of 2011, while costs declined by more or less the same amount. As the transactions largely offset each other, the recasting difference at the level of net profit for the bank as a whole was only about €2 million (see also page 9).

The moderate trend can be seen from the development of **operating income**, which has been almost unchanged, at €3.5 billion, for any six-month period in the past two years. In the first half of 2012, operating income was €3,512 million, up by €11 million or 0% from the figure for the first six months of the previous year.

Net interest (the most important income component, accounting for 64% of operating income) generated by the bank as a whole totalled €2,249 million, matching the previous year's level. Growth of €61 million in the customer business segments (+2.6%) compared with a significantly higher net interest expense (–€54 million) in the Corporate Center, reflecting increased liquidity and funding costs. Net interest from Austrian customer business rose by 8% over H1 2011; contributions to this increase came from all Divisions, with CIB accounting for the largest portion (+13%), while Private Banking also made a disproportionately strong contribution to growth (+19%) and F&SME contributed with 3% growth in net interest. Measured against the stagnating average lending volume (–0%), the net interest margin in Austria improved by 22 basis points (bp) to 271 bp, driven by interest rate trends and by the increase of almost 5% in deposits. In CEE, on the other hand, net interest stagnated although the average volume of loans rose strongly, by 8%, and deposits grew by a substantial 10%; at current exchange rates, net interest matched the figure for the first half of the previous year (+0%), and at constant exchange rates it was over 2% higher. This result was mainly supported by the performance of our bank in Turkey, where the economy continues to expand despite the weakness of the European economy. Despite currency depreciation of 5.5% [2)], net interest in Turkey was 26% higher than in the previous year, supported by strong growth of 15% (RWAs). In most of the other CEE countries, net interest was lower than a year earlier. A number of countries in the region were affected by rising risk premiums, even though these remained significantly lower than in highly indebted EU countries. Developments in some countries were also influenced by weak credit demand. In the CEE Division, the net interest margin declined from 489 bp to 455 bp. While the period since the end of 2009 has seen convergence, the net interest margin in CEE is still almost double the figure for the mature Austrian market.

Dividends and other income from equity investments show an irregular pattern. In the first half of 2012, this item amounted to €86 million after €103 million a year earlier. The decline of €16 million was due to various factors including internationally weaker leasing business (where Bank Austria participates in profits).

2) Foreign currency translation of items in local income statements is based on average exchange rates. In the case of Turkey, the local currency depreciated by 5.5% in the first half of 2012 compared with the previous year. It was only in June/July 2012 that the Turkish lira appreciated significantly against the euro, reflecting the euro's weakness, and exceeded the previous year's level. At the end of June 2012, the value of the Turkish lira was 7.0% higher (TRY/EUR) than at year-end 2011.

Bank Austria in the first half of 2012 (CONTINUED)

Net fees and commissions have shown a declining trend for quite a long time, mainly due to uncertainty caused by the collapse of Lehman Brothers, by crises surrounding financial markets, government debt and the euro, and by structural factors (payment transactions, derivatives business); most recently, low transaction volume (export trends) also had an impact. At €786 million, net fees and commissions for the first half of 2012 were down by €33 million or 4% from the same period of the previous year. (Based on unadjusted original figures, the year-on-year decline was €136 million or 15%; but the comparative figure for H1 2011 includes a recasting difference of €104 million for fees and commissions from customer-driven trading activities, which are now included in the item "Net trading, hedging and fair value income" under the new methodology.) A particularly pronounced decline was seen in net fees and commissions generated by the Austrian customer business segments (down by 9% from the same period of the previous year), where the number of securities transactions by customers fell substantially and foreign trade-related transactions also declined. In CEE, net fees and commissions were down only slightly, by 1%; adjusted for exchange rate movements, the figure rose by about 2%. Our bank in Turkey, which generated substantial income from fee-based business in previous years (reflecting the advance in credit cards), reported a significant decline in net fees and commissions (–17%; or –13% at constant exchange rates) for the first time as regulatory measures had a dampening effect. The other countries show a mixed picture. Russia, Kazakhstan and Ukraine recorded strong growth in percentage terms. Methodological changes also had an impact (commitment fees allocated using the effective interest method).

Following the combination of global trading activities at UniCredit Group level, which involved the sale of our subsidiary UniCredit CAIB against a participation in profits, Bank Austria's net trading, hedging and fair value income is dominated by the CEE business segment. Customer-related trading activities remained in Austria, including net fees and commissions from derivatives business with customers since the beginning of 2012 (comparative figures for 2011 have been adjusted). The participation in profits of UniCredit/Markets pursuant to the terms and conditions of the sale of CAIB is reflected in the Corporate Center, which also includes special functions for the bank as a whole such as currency hedging and risk management in connection with asset/liability management and equity capital management.

Net trading, hedging and fair value income (€ million, 2011 recast)

	H1 2012	H1 2011	CHANGE	%
Austrian customer business	1	31	–30	–95%
CEE	208	154	+53	+35%
Customer business segments	**209**	**185**	**+24**	**+13%**
Corporate Center	148	86	+61	+71%
Bank Austria as a whole	**357**	**272**	**+85**	**+31%**

In the first half of 2012, **net trading, hedging and fair value income** made a substantial contribution to revenue growth, rising by €85 million or 31%. Net trading income generated by the customer business segments was €209 million, up by €24 million or 13% on the same period of the previous year. Austrian customer business recorded a balanced result, and trading performance in CEE was €208 million (+35%). The strongest contributions came from our banks in Russia, Croatia, Romania and Turkey – countries where the execution and hedging of international capital transactions and current transactions continue to be of great significance in the context of flexible exchange rate regimes. Net trading, hedging and fair value income in the Corporate Center included significant special effects in the first half of 2012: with a view to improving equity capital quality in line with more restrictive regulatory definitions, UniCredit made an offer to buy back various capital instruments in the period from 24 January 2012 to 3 February 2012. As part of these transactions, Bank Austria repurchased 63% of its outstanding hybrid instruments (perpetuals) at 50% of the nominal value. This resulted in a gain of €124 million recognised in net trading, hedging and fair value income of the Corporate Center. As the second quarter was a difficult period in financial markets, Bank Austria's participation in profit before tax of UniCredit's Markets subdivision was in H1 2012 about one-third lower than in the same period of the previous year, but it was still a large figure. The above-mentioned positive components compare with negative items resulting, for example, from hedging transactions concerning the expected annual results from CEE operations.

The item **net other expenses/income** for the first six months of 2012 was €35 million, about one-half of the figure for the same period of the previous year (€67 million). This change resulted primarily from the loss realised on early repayment of foreign-currency real estate financings (mandatory conversion) in Hungary. However, this revenue shortfall was more or less offset by the release of a loan loss provision previously made (against performing loans); this means that the overall effect was limited.

Operating income in the first half of 2012 totalled **€3,512 million**, almost exactly matching the previous year's figure. While the various income components showed different trends, gross income (before net write-downs of loans and provisions for guarantees and commitments) stagnated in both Austria (–0.3%) and CEE (+0.8%). It should be noted that CEE currencies still depreciated compared with the previous year although several currencies (Turkey, Russia, Hungary, Ukraine, Kazakhstan) have shown firmer trends in the meantime. But even adjusted for exchange rate movements of CEE currencies, operating income would have increased by only 2%.

Operating expenses in the bank as a whole, and in both Austria and CEE, remained under control (see table). **Cost growth** in the first half of 2012 was kept down to 2%, which corresponds to a significant decline in real terms. On the basis of unchanged operating income, the cost/income ratio rose slightly, by 1 percentage point to 55.4%.

Bank Austria in the first half of 2012 (CONTINUED)

Operating income and operating costs (€ million, 2011 recast)

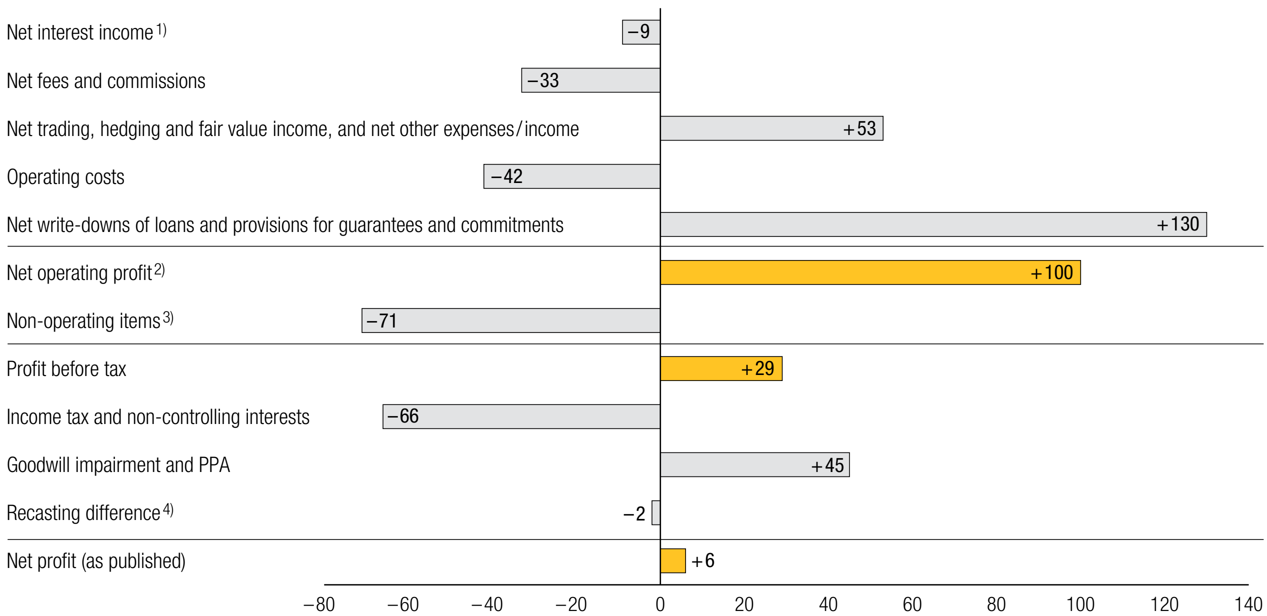
	H1 2012	H1 2011	CHANGE	%
Operating income	3,512	3,501	+11	+0%
Operating costs	1,947	1,905	–42	+2%
Cost/income ratio	**55.4**	**54.4**		

Payroll costs were almost unchanged at €997 million (+0%) and the other cost categories rose only slightly. Other administrative expenses (+4%) also include **bank levies**. In Austria, the bank levy was raised by 25% for 2012 (the figure for the first six months of 2012 increased by about the same percentage over H1 2011), the bank levies in Slovakia, Slovenia and Romania are new. In Hungary, the charge for the bank levy was temporarily reduced because a portion of the losses incurred by mandatory conversion of foreign currency loans is permitted to be offset against the bank levy. This was the reason why the total charge for bank levies in the first half of 2012, at €59 million, was only 8% higher than for the same period of the previous year.

In the three segments of Austrian customer business, costs were slightly lower than in the first half of the previous year. The cost/income ratio was 59.4%, matching the figure for H1 2011 (59.3%). Within the total, payroll costs were up by only €2 million (+1%).

Staffing levels in the F&SME business segment increased (+121 FTEs) compared with the previous year, reflecting the emphasis on customer service in the branch network in line with strategy; this compared with staff reductions in the CIB Division (FTEs down by 99). Payroll costs in the Corporate Center also declined by 5% (FTEs down by 191). The fact that costs in Austria remained more or less stable is noteworthy because the EuroSIG project, i.e. the introduction of a cross-regional standardised IT platform throughout UniCredit, involves additional work in Bank Austria and non-staff expenses for services of UBIS, the external IT provider. The introduction of EuroSIG is planned for the three-day weekend from 26 to 28 October 2012 (26 October is a national holiday in Austria). In CEE, too, costs grew at a very low rate of 3% compared with the same period of the previous year, with proportional increases in the various types of costs. At constant exchange rates, costs were up by 5%, a relatively low rate against the background of local inflation rates. 75% of the total increase resulted from Russia and Turkey, where business expansion is strongest. Staff numbers in Kazakhstan and Ukraine were significantly reduced, by about 1,200 FTEs as part of network restructuring; as a result, FTEs in the CEE Division in June 2012 were down by 882 from the number a year earlier. The cost/income ratio in CEE in the first half of 2012 was 47.4%, slightly higher than for the same period of the previous year (46.6%) but still well below the average for the bank as a whole (unchanged at 55.4%).

Changes in major items of the income statement compared with the previous year
(H1 2012 / H1 2011, changes in € million on previous year)



1) Net interest + dividends and other income from equity investments. / 2) Operating profit less net write-downs of loans and provisions for guarantees and commitments. / 3) Provisions for risks and charges (change: –€36 million), integration/restructuring costs (–€ 2 million), net income from investments (–€ 33 million) compared with the previous year. / 4) All comparative figures for 2011 except net profit (bottom line) have been recast to reflect the current structure and methodology. On the basis of recast figures, the change in net profit compared with the previous year (+€ 6 million, as published) is only € 2 million higher (€ 2 million = recasting difference); this means that the recasting differences cancel each other out in the bottom line to a large extent.

Bank Austria in the first half of 2012 (CONTINUED)

Net write-downs of loans and provisions for guarantees and commitments (€ million)

	H1 2012	H1 2011	CHANGE H1 2012/H1 2011	
Bank Austria as a whole	568	698	–130	–19%
… Austria	87	182	–95	–52%
… CEE	481	516	–35	–7%
Cost of risk (basis points)*)				*AVERAGES FOR 2011*
Bank Austria as a whole	85 bp	108 bp		*102 bp*
… Austria	27 bp	57 bp		*46 bp*
… CEE	135 bp	156 bp		*156 bp*

*) Provisioning charge/average loans to customers (net).

As in 2011 as a whole, **net write-downs of loans and provisions for guarantees and commitments** (€ 568 million) declined substantially in the first half of 2012, making a strong contribution to the improvement in net operating profit: in H1 2012, the provisioning charge absorbed 36% of operating profit, after 44% in the same period of the previous year; this compares with 53% two years ago, and close to 80% in the second half of 2009. In a year-on-year comparison, net write-downs of loans and provisions for guarantees and commitments were down by € 130 million or almost one-fifth. The decline was mainly seen in **Austria**, in business with both private and corporate customers. The favourable development resulted from improvements in the economic situation and from strong corporate liquidity – most recently also from the stabilisation of the Swiss franc – and from methodological progress, which has led to a more precise measurement of risk in Mass Market business and a reduction of IBNR provisions (for losses incurred but not reported). The cost of risk (provisioning charge/average net loans to customers) in the first half of 2012 declined to a low level of 27 basis points (27 bp = 0.27%) compared with 46 bp in 2011 as a whole and 57 bp in the first half of 2011 (see table).

Net write-downs of loans and provisions for guarantees and commitments declined also in **Central and Eastern Europe** (CEE) in the first half of 2012, by 7% to € 481 million, falling to the lowest level since the second half of 2008. (A year later, in the second half of the recession year 2009, the figure exceeded € 1 billion.) The year-on-year reduction would have been even larger (about –19%) without the development in Turkey, where economic trends are ahead of other countries in the business cycle and the improvement in the provisioning charge was seen a year earlier. In the first half of 2011, as a result of methodological changes, the bank in Turkey benefited from a significant net release of provisions made earlier. The provisioning charge for the first half of 2012 showed a negative swing of € 63 million from the previous year. The return to a more normal level is reflected in the cost of risk, which is as low as 90 basis points for our bank in Turkey. The development in Hungary is another special factor: the local bank recorded a € 23 million release of loan loss provisions made in connection with mandatory foreign currency debt restructuring (this compares with realised losses in income recognised in the item Net other expenses/income). Net write-downs of loans in Russia in the first half of 2012 were half the figure for the same period of the previous year, resulting in a favourable effect of € 29 million. The cost of risk in Russia, at 51 bp, is now among the lowest in CEE, also in view of the very strong credit expansion. In Kazakhstan, the provisioning charge declined to a level slightly below € 50 million, the local cost of risk was 257 bp. If the charge resulting from guarantees provided by the Vienna-based CEE headquarters is included in the calculation, the provisioning charge for Kazakhstan was down by 42% from the first half of the previous year, but the cost of risk including the charge for guarantees was 470 bp.
The situation in Ukraine, where the cost of risk remained very high (371 bp), was unchanged. In Romania, net write-downs of loans and provisions for guarantees and commitments were down by 12%, and the cost of risk declined from 315 bp to 245 bp. The risk profile in Croatia deteriorated, mainly in connection with economic trends, with the provisioning charge rising by 19%; the cost of risk, at 120 bp, remained significantly below the average level. In the CEE Division as a whole, the cost of risk declined by 21 bp to 135 bp.

An improvement in the risk profile is first reflected in the provisioning charge, and it becomes apparent ahead of developments in **asset quality** of outstanding loans – as long as net additions to provisions are positive, even if they decline. In the first six months (from the end of 2011 to the end of June 2012) **impaired loans** rose by 6% (to € 15.4 billion) and were 13% higher than a year earlier.
They amounted to a gross 10.7% of the bank's overall exposure (€ 144.0 billion). CEE accounted for three-quarters of impaired loans, with one-third relating to Kazakhstan and Ukraine. Most recently, the coverage ratio (loan loss provisions/impaired loans) was 47.3%, more or less matching the previous year's figure. In net terms, i.e. after deduction of loan loss provisions, impaired loans accounted for 6.0% (June 2011: 5.4%) of net lending volume (shown in the statement of financial position at € 136.0 billion). **Non-performing loans** (NPLs) rose by 6% to € 2.9 billion from December 2011 to June 2012 (year-on-year increase: +18%). At the same time, however, loan loss provisions increased (+8.3% over December 2011/+18% over June 2011). The NPL ratio was 5.5% on a gross basis at the end of June 2012, and the coverage ratio rose slightly, to 64.1%, in the first six months of 2012. In net terms, the NPL ratio was 2.1%. In Austria, non-performing loans declined by 1% from year-end 2011 and by 3% year-on-year.

Net operating profit (€ million, 2011 recast))

	H1 2012	H1 2011	CHANGE H1 2012/H1 2011	
Customer business segments	**1,127**	**1,010**	**+117**	**+12%**
… Austria	374	283	+91	+32%
… CEE	752	727	+26	+4%
Bank Austria as a whole*)	**997**	**898**	**+100**	**+11%**

*) Remaining amount: Corporate Center

Bank Austria in the first half of 2012 (CONTINUED)

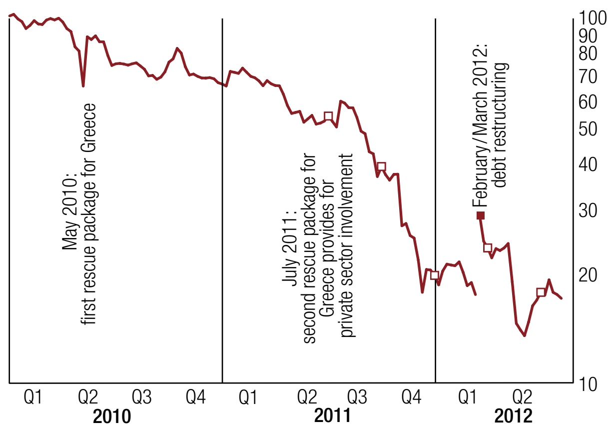
➔ As operating profit remained stable and the provisioning charge declined, **net operating profit** at overall bank level for the first half of 2012 was close to one billion euros (€997 million), up by 11% on the same period of the previous year. Customer business showed a slightly stronger improvement (+12%). While the Austrian customer business segments exceeded the previous year's net operating profit by 32%, the CEE Division achieved 4% growth (adjusted for exchange rate movements, the increase was 6%).

The balance of **non-operating** items between net operating profit and profit before tax was a negative €133 million in the first half of 2012. In the same period of the previous year, these deductions from net operating profit were lower (–€62 million).

Provisions for risks and charges in the first half of 2012 amounted to €67 million, up by €36 million on the same period of the previous year. About one-half of the increase related to substantial provisions for the credit card bonus points programme in Turkey. In addition, provisions for legal proceedings were increased.

In the first six months of 2012, the item **Net income from investments** was a negative €63 million, a charge which was €33 million higher than a year earlier. About one-half of the total amount related to the write-down on an equity investment. While income and expenses in connection with the valuation of real estate used by the bank itself and of securities more or less offset one another, write-downs on government bonds were again a substantial burden.

Performance of Greek government bonds
10-year Greek benchmark bond
before and after the debt restructuring (clean price)



Write-downs on Greek government bonds were made for the first time in the interim financial statements for the first half of 2011, when the discussion on private sector involvement suggested an impairment loss. In the third and fourth quarters of 2011, further write-downs on Greek government bonds were made to reflect market values. UniCredit Bank Austria AG and those of its subsidiaries which hold relevant investments participated in the debt restructuring as at 12 March 2012 described in Bank Austria's Interim Report at 31 March 2012. The Greek government bonds which were held by Bank Austria and qualified for the debt restructuring were exchanged for the new debt instruments offered. As a result of the terms and conditions of the exchange, and as the prices at which the new instruments were traded during the first few weeks declined, this transaction impacted Bank Austria's net result from investments in the first quarter of 2012 with a further €10 million. With the escalation of the debt crisis and scepticism about the success of restructuring measures in Greece itself, the prices for the new bonds continued to decline, impacting the net result from investments in the second quarter of 2012 with €16 million (including swap termination costs). In the first half of 2012, valuation losses thus totalled €26 million. At the end of June 2012, Bank Austria's exposure to Greek government bonds, valued at market prices, was as low as €18 million (carrying amount).

Profit before tax (before the charge for goodwill impairment and Purchase Price Allocation) for the first half of 2012 was **€864 million**, up by €29 million or 3% on the same period of the previous year. Income tax on this amount was €185 million, an increase of €73 million over the first half of the previous year. The effective tax rate (also taking into account taxes which are included in the subsequent items of the income statement and are shown on a net basis) was 21.6%, significantly higher than a year earlier (14.1%). Non-controlling interests were lower, at €18 million after €25 million, as profits in Turkey and Romania declined. The combined charge for the Purchase Price Allocation effect and for goodwill impairment was lower than in the previous year: €15 million for the first half of 2012 compared with €60 million for the first six months of 2011, when the goodwill impairment charge for UniCredit CJSC Securities (previously ATON) in connection with the reorientation of our Russian brokerage firm amounted to €47 million. Major adjustments of the carrying amount of some equity interests to the new economic scenario were already made in the third quarter of 2011.

➔ **Net profit** (attributable to the owners of the parent company) for the first half of 2012 was **€646 million**. This represents an increase of 1% over the recast figure of €638 million, and over the unadjusted original figure of €640 million, for the first half of 2011.

Bank Austria in the first half of 2012 (CONTINUED)

Volume, profitability and resources

Average **loans and receivables with customers** in the first half of 2012 were up by 3.6% on the same period of the previous year. Volume growth was driven by the CEE business segment (+7.7%; adjusted for exchange rate movements, up more than 10%) while average lending volume in Austrian customer business stagnated. In the first six months of 2012, CEE accounted for 53% of total lending volume and the three Austrian customer business segments for 43% (the remaining part – over €5 billion or 4% – in the Corporate Center includes funding for leasing business of UniCredit Leasing, which is not a subsidiary). Average **risk-weighted assets** (RWAs) were lagging behind credit expansion, rising by 2.5%. Average RWAs in Austrian customer business declined significantly, reflecting the more refined method of measurement in Mass Market business and the decline in market risk. In CEE, the increase in risk-weighted assets was stronger than credit expansion; this was due to various factors including higher credit risk and market risk – financial market trading activities with customers is expanding strongly and is generally conducted on a decentralised basis. Most recently, business expansion was driven mainly by the liabilities side: year-on-year growth of average **primary funds** (deposits from customers and debt securities in issue) was stronger than the increase in customer loans across all Divisions, with disproportionately strong growth of 9.5% seen in CEE. Direct deposits in Austria rose significantly (+4.7%) while the bank's own issues declined. Overall, volume trends reflect the business sector's good liquidity position and private customers' restraint in the area of securities investments.

Resources and profitability: H1 2012 compared with H1 2011

2011 RECAST	BANK AUSTRIA	AUSTRIAN CUSTOMER BUSINESS[1]	CEE
Relative size			
Average loans to customers (€ billion)	134.4	57.8	71.3
Change over previous year[2]	+3.6%	−0.3%	+7.7%
Average risk-weighted assets (RWAs, € billion)	127.2	27.8	86.8
Change over previous year[2]	+2.5%	−16.1%	+9.5%
Average primary funds (€ billion)	135.8	58.0	62.1
Change over previous year[2]	+5.9%	+3.3%	+12.6%
Results, profitability and value creation			
Operating income (€ million)	3,512	1,139	2,347
Change over previous year[2]	+0.3%	0.3%	+0.8%
Profit before tax (€ million)	864	359	747
Change over previous year[2]	+3.4%	+17.9%	–1.7%
ROE before tax[3]	9.8%	22.4%	11.5%
Equity			
Average equity (€ billion)[4]	17.7	3.2	13.0
Change over previous year[2]	+0.7%	+1.5%	+10.9%

1) F&SME, Private Banking and Corporate & Investment Banking (CIB) Divisions, the difference of the total amount is shown in the Corporate Center – see "Description of segment reporting" on pages 54 to 55 of this report. / 2) Adjusted to the consolidation perimeter and accounting principles in 2012. / 3) ROE = profit before tax divided by average equity of the business segments. / 4) Subsidiaries are included at actual IFRS capital.

Return on equity (ROE before tax = profit before tax/allocated equity, subsidiaries with institutional capital) improved by a low 0.3 percentage points, to 9.8%, from H1 2011 to H1 2012. For the three segments of Austrian customer business, ROE before tax was 22.4%, 3 percentage points higher than in the previous year, due to the increase in profit before tax, which resulted from the lower provisioning charge, and to the lower allocated equity. While profit before tax generated in the CEE business segment was double the figure for Austria, equity allocated to the CEE growth market was four times the figure for Austria. ROE before tax was 11.5%. ROE after tax (measured on the basis of net profit attributable to the owners of the parent company) at overall bank level was 7.5%, unchanged compared with the same period of the previous year.

In the first half of 2012, Austrian customer business generated a positive **marginal Economic Value Added** of €128 million, giving a risk-adjusted return on risk-adjusted capital (RARORAC) of 10.00%. This was achieved on the basis of an adjusted profit which rose strongly (NOPAT, i.e. net operating profit after tax, +20%), little change in allocated equity (+3.4%) and a comparatively stable cost of capital (11.58%). CEE, however, was considerably affected by the deterioration in the risk situation: the cost of capital (risk-free interest rate plus CDS spread varying from country to country) rose by an average of about 1 percentage point compared with a year earlier (13.22% after 12.25%); moreover, strong growth led to a 20% increase in the capital base and NOPAT was just under the previous year's level. Nevertheless, CEE generated an mEVA of €59 million. At overall bank level, mEVA is no longer shown until further notice. In the entire banking sector, the calculation of mEVA is currently distorted by strains on risk premiums and consequently on the imputed cost of capital, and therefore not very meaningful.

Bank Austria in the first half of 2012 (CONTINUED)

The number of Bank Austria's **branches** has declined by 62 since the end of 2011 and by 35 since June 2011. Movements in CEE were particularly strong: in a year-on-year comparison, additions to the network in Turkey (+34) and the Czech Republic (+17) were more than offset by restructuring in Ukraine (–17) and Kazakhstan (–17) and by net decreases in Romania (–27) and Hungary (–13).

	BANK AUSTRIA	3 AUSTRIAN SEGMENTS 1)	CEE	CORPORATE CENTER 2)
Branches				
End of June 2012	2,978	290	2,688	
End of Dec. 2011	3,040	290	2,750	
End of June 2011	3,013	298	2,715	
Employees (FTEs)				
End of June 2012	58,199	5,574	50,613	2,012
End of Dec. 2011 (recast)	59,345	5,723	51,517	2,105
End of June 2011 (recast)	59,255	5,557	51,495	2,203

1) F&SME, Private Banking and Corporate & Investment Banking (CIB) Divisions
2) Global Banking Services plus other Corporate Center (Competence Lines)

The **number of employees** declined by 1,146 FTEs compared with the end of 2011 and was 1,057 lower than at the end of June 2011. Staffing levels in the three Austrian customer business segments rose slightly, by a combined 17 FTEs, from June 2011 to June 2012, with an increase in F&SME (+121 FTEs) being partly offset by decreases in the CIB Division (–99 FTEs) and in Private Banking (–6 FTEs). The Corporate Center also saw a reduction of 191 FTEs, mainly due to further outsourcing of services. In CEE, a net reduction of 882 FTEs resulted from additions to staff numbers especially in Turkey (+664 FTEs), the Czech Republic (+128 FTEs) and Serbia (+41 FTEs) and from streamlining in Croatia (–175 FTEs), Romania (–137) and Russia (–156); the largest staff reductions took place in Ukraine (–777 FTEs) and Kazakhstan (–314 FTEs), where the restructuring of the local networks has not yet been completed.

Financial position and capital resources

Financial position

Total assets rose by 1.8 % from the end of 2011 to the end of June 2012 and by 4.7 % year-on-year (30 June 2012/30 June 2011). As at 30 June 2012, total assets were **€ 202.9 billion**. This reflects an asymmetrical development of customer business on the assets side and the liabilities side: deposits rose strongly whereas credit expansion was comparatively weak. As a result, funds were partly used to build up liquidity reserves. The equity capital base improved and leverage was further reduced. Overall, developments in Austria and in CEE reflect the currently strong liquidity position of customers and restrained credit demand. Moreover, the structure of assets and liabilities further improved in favour of customer business, especially in a year-on-year comparison.

■ On the **assets side**, loans and receivables with customers rose by € 1.1 billion and available-for-sale financial assets increased by € 3.0 billion, thereby contributing to the € 3.7 billion increase in total assets. **Loans and receivables with customers**, which declined in the first few months of the current year, rose to € 136.0 billion in the second quarter and thus accounted for 67 % of total assets; growth was mainly driven by real estate finance. In the first six months of 2012, loans and receivables with customers rose moderately, by 0.8 %, while year-on-year growth was 3.3 %. As expected, loans and receivables with customers in CEE increased strongly, by 3.3 % in the first six months and by 7.8 % year-on-year, while lending volume in Austrian customer business declined by 3.7 % and 3.3 %, respectively. In this context it should be noted that seven currencies depreciated compared with the previous year; the only CEE countries whose currencies appreciated against the euro were Turkey (to a slight extent), Kazakhstan and Ukraine.

Major items in the statement of financial position – comparison of end-of-period figures

	30 JUNE 2012	31 DEC. 2011	CHANGE		30 JUNE 2011	CHANGE	
ASSETS							
Financial assets held for trading	2,774	3,322	−548	−16.5 %	3,238	−464	−14.3 %
Hedging derivatives	3,784	3,466	+318	+9.2 %	2,072	+1,712	+82.7 %
Other financial assets[1)]	21,307	18,390	+2,917	+15.9 %	24,109	−2,802	−11.6 %
Loans and receivables with banks	25,501	25,621	−120	−0.5 %	19,365	+6,136	+31.7 %
Loans and receivables with customers	135,989	134,914	+1,075	+0.8 %	131,617	+4,372	+3.3 %
Intangible assets	2,882	2,866	+16	+0.6 %	3,545	−663	−18.7 %
… other asset items	10,675	10,652	+23	+0.2 %	9,867	+808	+8.2 %
Total assets	**202,911**	**199,229**	**+3,682**	**+1.8 %**	**193,812**	**+9,099**	**+4.7 %**
LIABILITIES AND EQUITY							
Financial liabilities held for trading and financial liabilities at fair value through profit or loss	3,549	3,597	−47	−1.3 %	3,524	+26	+0.7 %
Hedging derivatives	2,735	2,591	+144	+5.6 %	2,302	+434	+18.8 %
Deposits from banks	33,424	32,772	+652	+2.0 %	33,332	+92	+0.3 %
Deposits from customers	107,421	104,728	+2,693	+2.6 %	98,224	+9,196	+9.4 %
Debt securities in issue	28,526	29,931	−1,404	−4.7 %	30,497	−1,971	−6.5 %
Equity	18,747	17,661	+1,086	+6.2 %	17,978	+769	+4.3 %
… other liability items	37,035	37,880	−845	−2.2 %	38,453	−1,418	−3.7 %
Total liabilities and equity	**202,911**	**199,229**	**+3,682**	**+1.8 %**	**193,812**	**+9,099**	**+4.7 %**
KEY RATIOS							
Customer loans/total assets	67.0 %	67.7 %			67.9 %		
Primary funds/total liabilities and equity	67.0 %	67.6 %			66.4 %		
Customer loans/primary funds	100.0 %	100.2 %			102.2 %		
Total assets/equity (leverage ratio) [2)]	**12.6**	**13.3**			**13.2**		

1) Financial assets at fair value through profit or loss + available-for-sale financial assets + held-to-maturity investments. / 2) Leverage ratio excluding intangible assets.

Financial position and capital resources (CONTINUED)

Loans and receivables with banks hardly changed in the first six months (loans to central banks increased, while loans to commercial banks declined); but a comparison with the figures for 30 June 2011 shows that interbank business has returned to more normal levels, with a strong increase of about 30% (see table on previous page), which also reflects intra-group funding. Financial assets held for trading continued to decline. Among the other categories of financial assets, available-for-sale financial assets were €17.7 billion, up by €3.0 billion or 20% on year-end 2011, but down by about the same amount (–€2.4 billion or –12%) from 30 June 2011.

■ On the **liabilities side**, deposits from customers amounted to €107.4 billion, a strong increase – recorded especially in the past few months – of €2.7 billion or 2.6% over year-end 2011 and up by €9.2 billion or 9.4% year-on-year. Growth was driven by business in the CEE countries (+2.6% and +13.8%, respectively) and by Austrian customer business (+2.5%/+4.4%). Debt securities in issue (€28.6 billion) declined by 4.7% and 6.5%, respectively, as a result of adjustments in asset/liability management, with double-digit growth in CEE and stagnation in Austrian customer business. **Primary funds** (the sum total of deposits from customers and debt securities in issue) increased by €1.3 billion or 0.8% in the first six months of 2012 and by €7.2 billion year-on-year (+5.6%). This means that customer loans are funded by primary funds to the extent of 100%. Deposits from banks changed only little (+€0.7 billion/+2%).

After inclusion of net profit in retained earnings, and taking into account the positive development of reserves in accordance with IAS 39 (available-for-sale reserve and cash flow hedge reserve) as well as highly positive foreign currency translation differences, **IFRS equity** rose to **€18.7 billion**, an increase of €1.1 billion or 6.2% over year-end 2011. Compared with the figure as at the end of June 2011, equity rose by 4.3%. The leverage ratio (based on the cash concept, without intangible assets) was thus further reduced, from 13.3 to 12.6; this compares with 13.2 a year earlier.

Capital resources pursuant to the Austrian Banking Act

■ **Risk-weighted assets** (RWAs) as at 30 June 2012 were €132.2 billion, up by €7.0 billion or 5.6% from year-end 2011.

RWAs from credit risk rose by a total of €5.9 billion. Of the total increase, €4.2 billion related to CEE. The increase in CEE was supported by business expansion in Turkey and Russia, and was also influenced by currency effects and a partial reduction of the volume of collateral taken into account. Moreover, from December 2011 to June 2012, RWAs from operational risk rose by €0.5 billion and market-risk RWAs increased by €0.6 billion. The trend in market risk reflects primarily the increase in interest rate positions.

Capital requirements for credit risk rose by €0.5 billion to €9.2 billion. Capital requirements for all types of risk increased by €0.6 billion to €10.6 billion.

■ **Net capital resources** declined by €0.4 billion (–2.3%) to €15.5 billion in the reporting period. Tier 1 capital declined slightly, by €0.2 billion, mainly as a result of the buyback of a portion of hybrid capital. Net Tier 2 capital was down by €0.2 billion as a result of maturing subordinated capital.

■ As Tier 1 capital declined and RWAs rose compared with year-end 2011, the **Tier 1 capital ratio** and the **total capital ratio** decreased compared with year-end 2011. The Core Tier 1 capital ratio (Tier 1 capital ratio without hybrid capital) based on all risks was down from 10.55% to 9.97%. The Core Tier 1 capital ratio based on credit risk declined from 12.10% to 11.45%.

Capital ratios

	30 JUNE 2012	31 DEC. 2011
based on all risks 1)		
Tier 1 capital ratio	10.17%	10.88%
… without hybrid capital (Core Tier 1 capital ratio)	9.97%	10.55%
Total capital ratio	11.73%	12.68%
based on credit risk 2)		
Tier 1 capital ratio	11.68%	12.47%
… without hybrid capital (Core Tier 1 capital ratio)	11.45%	12.10%
Total capital ratio	12.29%	13.37%

1) Credit risk, operational risk, position risk and settlement risk. / 2) Capital resources less requirement for the trading book and for commodities risk, exchange rate risk and operational risk as a percentage of the risk-weighted assessment basis for credit risk.

Development of business segments

Family & SME Banking (F&SME)

(€ million)	H1 2012	H1 2011[1]	CHANGE	
Operating income	555	561	–6	–1%
Operating costs	–447	–439	–8	+2%
Operating profit	108	121	–14	–11%
Net write-downs of loans	–46	–101	+54	–54%
Net operating profit	61	21	+41	>100%
Profit before tax	**62**	**32**	**+30**	**+92%**
Loans to customers (avg.)	20,858	21,729	–871	–4%
Risk-weighted assets (avg.)[2]	11,028	12,882	–1,855	–14%
Average equity[3]	1,234	1,179	+55	+5%

1) For segment reporting purposes, the comparative figures for 2011 were recast to reflect the structure and methodology of the 2012 reporting period (see the segment reporting section in the notes to the consolidated financial statements on pages 52 to 59 of this report. / 2) Average risk-weighted assets under Basel 2 (all risks). / 3) Standardised capital; capital allocation to subsidiaries reflects actual IFRS capital. The difference compared with the consolidated equity of Bank Austria is shown in the Corporate Center. See segment reporting section on pages 56 to 59.
This information applies to all business segment tables.

Although the difficult market environment led to renewed uncertainty and restraint on the part of customers, profit before tax generated by the F&SME business segment almost doubled from the previous quarter of 2012 and half-year 2011. While operating income remained stable and costs even declined for some time, the improvement was mainly due to lower net write-downs of loans. Quite generally, business with customers in the first half of 2012 was still characterised by weak credit demand, a high level of liquidity and risk aversion.

Operating income rose slightly in the second quarter of 2012, after a weak start to the year. At €555 million, the figure for the first half of 2012 – mainly supported by net interest – more or less matched the previous year's level (–1%). In the past one and a half years operating income rose from quarter to quarter, though very moderately, despite a yield curve which was flatter and unusually low. In the first half of 2012, net interest amounted to €356 million, an increase of over 3% compared with the same period of the previous year. Savings deposits and time deposits rose strongly, and margins improved in view of the growing importance of direct deposits as a source of funding in the banking sector. While there was little change in the volume of loans, the lending side was affected by higher liquidity and funding costs. Special offers to customers were aimed at responding to weak credit demand, for example, by offering the KlimaKredit loan which also provides incentives for sustainable and energy-efficient building and renovation through the "UmweltBonus". While net interest showed a robust trend in the first half of 2012, net fees and commissions were weak, down by 8% to €186 million. Performance was impacted by fee-based business in connection with ongoing structural changes (account maintenance services and payments). Declining sales of mutual funds and generally weak securities business led to lower income from upfront fees. In view of the persistent euro crisis, high market volatility and the zero interest rate environment, all customer groups showed a very low risk appetite. We nevertheless succeeded in meeting the need for security and customers' return expectations through nine "ErfolgsAnleihe" bond issues (€395 million) with maturities ranging between 2 and 5 years. Further impetus was provided by five corporate bonds, which met with demand especially from the Affluent Customers segment for diversification purposes. Placement results for two guarantee products (€97 million) and Real Invest Austria were also good.

Costs remained stable in the first half of 2012, the figure for the second quarter of 2012 was even lower than a year earlier. In the first six months of 2012 operating costs grew at a low rate of not quite 2% year-on-year, to €447 million. As operating income declined slightly, by 1%, the cost/income ratio rose to over 80%. Average staff numbers in the first half of 2012 were 3,893 FTEs, up by 3.6% on the same period of the previous year, with a number of FTEs brought in from other areas of the bank's operations.

In the first half of 2012, **net write-downs of loans and provisions for guarantees and commitments** declined by about one-half over the previous year, to €46 million. This underlines the very good quality of the loan portfolio in business with private customers and small and medium-sized enterprises. The cost of risk fell to 45 basis points in H1 2012, the lowest level in five years. Risk-weighted assets also declined by 14%.

Net operating profit doubled from the first to the second quarter of 2012 and reached €61 million in H1 2012, up from €21 million in the first six months of 2011 (+196%). This figure was matched by the **profit before tax**, which rose more slowly, by 92%; non-operating items were €11 million higher due to positive one-off effects (including a release of provisions).

To strengthen our market position in 2012 we launched initiatives targeted at various customer groups in the F&SME business segment. The initiative launched to win new customers in the **private customer segment** was intensified with a focus on savings products, account services and new young customers. Our "Regional-Sparbuch", "Gemeinde Wien Sparbuch" and "ÖsterreichSparbuch" savings products attracted combined investments of about €1.5 billion. Our "ErfolgsKonten mit Rund-um-Sie-Service" current account campaign, supported by various advertising activities and welcoming benefits, attracted some 36,000 new customers in the first six months of 2012. In addition to personal contact at branches, electronic communication channels – from Mobile-Banking apps to SmartBanking advisory services – gained in importance in the second quarter of 2012.

Development of business segments (CONTINUED)

In 2011, we moved closer to customers by increasing to 56 the number of offices which specialise in serving **small and medium-sized businesses** (SMEs). Additionally, we will create 39 competence centres for independent professionals in the course of the current year. In the SME segment we launched a broadly-based advertising campaign for which we received testimonials from a number of businesses with a long tradition which have used Bank Austria's services for many years. Our initiative launched in 2012 and targeted at **medium-sized companies** concentrated on SMEs which focus on innovation. In view of their rising capital needs and the risk of misdirecting investment, our advisory services focused on professional **business planning**. Whenever a company raises an investment loan of at least €100,000, it receives our investment package which includes the Bank Austria Business Planner and one day of training, both free of charge. Smart Planner, a new planning tool, is free for small businesses. In our core business as lender we offered a new edition of our "Business Billion" lending scheme for SMEs. Demand for loans under this scheme totalled €1.2 billion in 2011, and 2012 also looks promising. Applications for loans offered under financial assistance programmes rose strongly, by about 29%, compared with the previous year.

Private Banking

(€ million)	H1 2012	H1 2011	CHANGE	
Operating income	73	71	+2	+3%
Operating costs	−52	−51	−1	+2%
Operating profit	21	19	+1	+7%
Net write-downs of loans	0	−2	+2	n.m.
Net operating profit	21	17	+4	+22%
Profit before tax	**20**	**19**	**+1**	**+8%**
Total financial assets (avg.)	17,646	17,111	+535	+3%
Loans to customers (avg.)	611	487	+124	+26%
Risk-weighted assets (avg.)	878	905	−27	−3%
Average equity	166	153	+12	+8%

n.m. = not meaningful

In the Private Banking Division we operate through two well-established brands, Bank Austria Private Banking and Schoellerbank, offering the entire range of banking services from a single source. Bank Austria Private Banking uses a 360-degree advisory approach. We follow a holistic service philosophy based on a comprehensive analysis of our clients' individual needs and personal objectives. Given the uncertainty prevailing as a result of the persistent government debt crisis, high market volatility and the absence of easily identifiable trends, we give priority to asset optimisation over short-term performance targets and attach great importance to managing risk through wide diversification. Our holistic advisory approach covers liquidity planning, analyses of financial and portfolio structures, asset transfers and retirement planning. With this extensive range of advisory services, we play a pioneering role in the Austrian market.

The **Private Banking** business segment achieved a good performance in the first half of 2012: operating income was up by 3% on the same period of the previous year, operating profit rose by 7% and net operating profit was 22% higher.

In the first six months of 2012, average **total financial assets** were up by 3% on the same period of 2011. At the end of June 2012, total volume was €17.6 billion, 3.5% above the year-end 2011 level and 2.7% higher than at the end of June 2011. From the end of 2011 to the end of June 2012, all investment categories recorded growth. Assets under management rose strongest, by 4.5%. In the second half of 2011 and well into the first three months of 2012, deposits expanded faster than other investment categories, reflecting investor preference and successful acquisition efforts focusing on deposits. Assets under custody, which declined in the past year, saw growth of 2.7% in the first six months of 2012. A comparison of half-year averages shows that deposits (+13.0%) still showed the fastest growth as investors displayed a strong preference for liquidity.

This profile is also reflected in Private Banking's **income statement for the first half of 2012**: net interest (€31 million) was up by 19% on the same period of the previous year. Net fees and commissions, traditionally the most important income component in private banking operations, were lagging behind (–4%) as a result of persistently low turnover in securities transactions. Nevertheless, net fees and commissions remained above €20 million in the past few quarters, despite restraint on the part of clients. Total **operating income** in the first half of 2012 exceeded the figure for the comparative period by over 3%. Operating costs grew by 2% year-on-year, a rate which was lower than revenue growth, although the reporting period saw a quality initiative in advisory services. On this basis, operating profit rose by 7%. Net write-downs of loans and provisions for guarantees and commitments, which are generally insignificant in this customer segment, fell to nil in the first half of 2012. **Profit before tax** amounted to €20 million, giving a **return on equity** (ROE before tax) of 24.4% which matched the H1 2011 level as capital allocation rose more or less in line with profit before tax.

We continued to offer an extensive information platform in the first half of 2012, ranging from exclusive specialised events such as strategy and expert talks to Financial Planning and Investment breakfast meetings. Comprehensive analyses performed by our experts are the basis for a well-founded market view and a consistent investment strategy binding for all relationship managers. This gives us an information lead which we pass on to our clients in the form of specialised publications, online newsletters and events. We also give clients direct access to our experts in the Finance, Product and Wealth Advisory teams or to the Centre of Expertise for Foundations.

Development of business segments (CONTINUED)

We follow an integrated advisory approach also in the area of asset management. Our VermögensManagement PREMIUM service has achieved a positive performance (even in the traditional variety) over the past few years of crises since the collapse of Lehman Brothers. With our Vermögensmanagement 5Invest we have introduced an innovative type of fees (charging a performance-based fee only if performance exceeds the charges). Cooperation with the ten best fund management companies worldwide, selected on the basis of the Preferred Partners concept, enables us to offer 130 top-quality investment funds which meet our clients' needs and our market view. In March 2012, the independent rating agency Morningstar named Schoellerbank "Best Fund House: Specialist Fixed Income", recognising the particularly large proportion of first-rate bond funds. In July 2012 Schoellerbank launched PREMIUM Global Portfolio, an institutional fund in which equities account for between 50% and 100% of fund assets.

Corporate & Investment Banking (CIB)

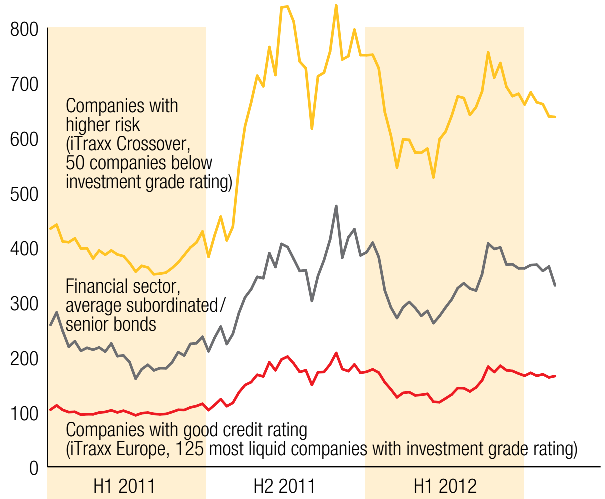
(€ million)	H1 2012	H1 2011	CHANGE	
Operating income	511	511	+0	+0%
Operating costs	–177	–187	+10	–5%
Operating profit	334	324	+10	+3%
Net write-downs of loans	–41	–79	+37	–47%
Net operating profit	292	245	+47	+19%
Profit before tax	**277**	**253**	**+24**	**+9%**
Loans to customers (avg.)	36,292	35,702	+590	+2%
Risk-weighted assets (avg.)	15,877	19,337	–3,461	–18%
Average equity	1,803	1,824	–21	–1%

The Corporate & Investment Banking (CIB) Division showed an excellent performance in the second quarter of 2012, based on revenue growth, lower costs and a further decline in net write-downs of loans. Net operating profit rose to €172 million, from €120 million in Q1 2012 and €118 million in Q2 2011. For the first six months of 2012, net operating profit was €292 million, up by 19% from the same period of the previous year. While operating income remained stable, the improvement was due to a decrease in operating costs and a strong decline in the provisioning charge.

In comparing the income statement for the first six months of 2012 with H1 2011, one should note the significant changes which have occurred in the **operating environment of the CIB Division**, in terms of business climate, interest rate trends, risk awareness and customer behaviour. In the first half of 2011, the Austrian economy was growing strongly, and it was expected that investment activity in the business sector would pick up; interest rates were rising (the ECB raised the key interest rate in July 2011), and the yield curve was relatively steep. In mid-2012, although companies were still in good condition after years of export-driven expansion, they adopted a wait-and-see policy in response to uncertainty over the effects of the government debt crisis and the related deterioration in sentiment: investment projects and acquisitions were postponed, large amounts of liquid funds were invested for short periods and used for strengthening balance sheets. As a result, credit demand was low and internal financing strong. The interest rate environment was characterised by a combination of very low benchmark rates and higher risk premiums, which also applied to banks themselves (see chart). Transaction volume was also lower, even in foreign trade, and this consequently affected banks' fee-based business.

The CIB Division generated **operating income** of €511 million in the first six months of 2012, matching the high level of the previous year although economic trends were less favourable. Average lending volume and average total deposits were up by 1.7% on the levels a year earlier. Net interest rose by 13% to €393 million. The improvement came largely from Treasury, while interest rates in customer business were under pressure due to intense competition on terms in lending and deposit business. Net fees and commissions amounted to €90 million, down by 13% from the same period of the previous year; the downward trend resulted from structural and economic factors and has been seen for quite some time. The net trading result also impacted CIB's performance (–€6 million after +€24 million). These two items of the income statement were affected primarily by persistently low turnover in securities transactions and a decline in customers' use of derivatives for interest-rate and exchange-rate management. Moreover, the net trading performance also included higher credit valuation adjustments (CVA) for counterparty risk, reflecting general risk trends (see chart).

Credit spreads (CDS) of companies and banks, euro area



Development of business segments (CONTINUED)

Operating costs were significantly reduced from Q1 to Q2 2012 and also in a year-on-year comparison. The total figure for the first half of 2012 was €177 million, 5% lower than for H1 2011. On this basis the cost/income ratio of the CIB Division improved by almost 2 percentage points to 34.7%. Payroll costs were down by 11% from the first half of the previous year. Staffing levels (full-time equivalents – FTEs) declined by 5.3% in half-year average terms. At the end of June 2012, the Division employed 1,147 FTEs, 99 less than in June 2011. About one-half of the staff reduction (41 FTEs) related to the restructuring of the former Aton (CJSC UniCredit Securities, Moscow, and UniCredit Securities International Limited, Cyprus). In June 2012, 866 FTEs were employed in core business, down by 48 from a year earlier. Cost discipline resulted in a 1% reduction of non-staff expenses.

Net write-downs of loans were reduced to €41 million in the first half of 2012, a decrease of €37 million compared with H1 2011 which is largely attributable to good portfolio quality and the release of provisions for specific cases. The cost of risk for the first six months of 2012 was as low as 23 basis points (bp) of average lending volume (Bank Austria as a whole: 85 bp); this compares with 44 bp for the first half of 2011 and 68 bp for H1 2010.

The balance of **non-operating** items was a net charge of €15 million in the first half of 2012 (compared with net income of €8 million for the same period of the previous year). This reflects a restructuring charge (Aton) and the valuation result of financial assets. Although this reduced the increase in profits, CIB generated a **profit before tax** of **€277 million**, a year-on-year increase of €24 million or over 9%. The increase resulted in a return on equity (ROE before tax) of 30.7% after 27.8% in the previous year, based on slightly lower equity allocated to the business segment. While the average volume of customer loans increased slightly, risk-weighted assets were reduced by 18% as a result of improved asset quality and reduced market risk. With a marginal EVA of €140 million and RARORAC of 22.03%, the CIB Division generated the largest contribution to **value creation** among all business segments of the bank. Although the cost of capital was higher (12.11% after 10.66%), the CIB Division achieved an increase in marginal EVA over the previous year.

Increasing internationalisation and developments in financial markets have changed corporate customers' needs and financing patterns. Capital markets are used not only by large companies but increasingly also by medium-sized companies. 2012 is expected to become a record year for the Austrian bond market, with new issues of corporate bonds probably totalling €7 billion. Acting as Joint Lead Manager for 9 out of 14 Austrian corporate bonds launched in the first half of 2012, Bank Austria was number one in this segment. Smaller companies are beginning to gain capital market experience by raising loans which are granted by institutional investors against notes issued by the borrowers. In view of complex requirements and growing risks, a professional approach to setting up a company's financial structure is becoming ever more important in the entire corporate sector. In this context we offer our risk management instruments and strategic advisory services (Capital Structure Advisory), working with customers to make software-supported analyses of balance sheets and financing flows and draw up customised solutions.

In its day-to-day business activities, Bank Austria draws on its expertise as Austria's leading bank for foreign trade. With CIB we are the number one in export finance – one in two export credits covered by Oesterreichische Kontrollbank is handled by Bank Austria, and the market share of export letters of credit is also 50%. An example of how we use the international CIB network is our Umbrella Facility, a cross-border financing solution which is available to local subsidiaries of Austrian corporate customers in 10 CEE countries, based on the good credit rating of the parent company. The Cross Border Event 2012 which took place in Vienna at the beginning of May focused on further strengthening links within the Group. In this connection measures were drawn up which will make it possible to serve our customers across all countries and product areas.

Central Eastern Europe (CEE)

(€ million)	H1 2012	H1 2011	CHANGE		ADJ.*)
Operating income	2,347	2,328	+19	+1%	*+3%*
Operating costs	–1,113	–1,085	–28	+3%	*+5%*
Operating profit	1,233	1,243	–9	–1%	*+1%*
Net write-downs of loans	–481	–516	+35	–7%	*–6%*
Net operating profit	752	727	+26	+4%	*+6%*
Profit before tax	**747**	**760**	**–13**	**–2%**	***+1%***
Loans to customers (avg.)	71,272	66,169	+5,103	+8%	*+10%*
Risk-weighted assets (avg.)	86,839	79,322	+7,516	+9%	*+12%*
Average equity	12,962	11,691	+1,272	+11%	*+13%*

*) adjusted = at constant exchange rates

Operating performance of the Central and Eastern Europe (CEE) business segment improved steadily in the first six months: net operating profit for the **second quarter of 2012** was €382 million, exceeding the Q1 2012 figure by 3% and the weaker result for Q4 2011 by 17%. Profit before tax developed in line with this trend, reaching about €380 million in the second quarter of 2012 (+4% and +16%, respectively).

Net operating profit for the **first half of 2012** was up by 4% on the same period of the previous year; at **€752 million** it accounted for two-thirds of Bank Austria's net operating profit from customer business. At constant exchange rates, the increase was slightly higher (+6%). This overall performance reflects wide regional differences and various special effects.

Development of business segments (CONTINUED)

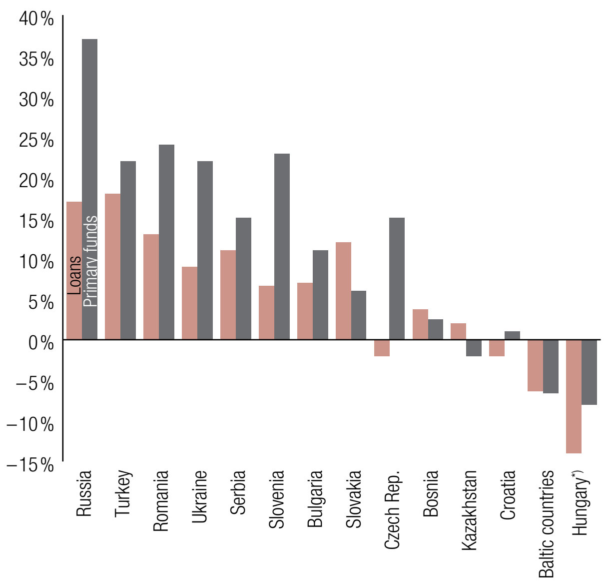
Among the income components, **net interest** (€ 1,620 million) was unchanged compared with the first half of the previous year (+ 0 %; adjusted for exchange rate movements, + 2 %). The assets side and the liabilities side showed lively volume growth (see chart); the net interest trend thus reflects a declining net interest margin (down from 489 bp in the first half of 2011 to 455 bp of average loans to customers in the first half of 2012); at this level, the net interest margin was still higher than in Austrian customer business (271 bp). In most countries, net interest was lower than a year earlier as interest rates declined and liquidity and funding costs rose. This development was offset by our bank in Turkey, where net interest rose by € 73 million or 26 % (at constant exchange rates, + 33 %). **Net fees and commissions** were € 501 million, more or less unchanged (– 1 %; at constant exchange rates, + 2 %), with increases achieved in almost all countries. In contrast to developments in net interest, the bank in Turkey recorded a significant decline of 17 % in net fees and commissions (not least due to regulatory measures dampening growth) after years of strong expansion in credit card business; without the decrease in Turkey, net fees and commissions in CEE as a whole would have increased. **Net trading income** rose strongly, by € 53 million compared with H1 2011, to € 208 million, thus contributing to revenue growth. Almost all countries generated a stronger net trading performance than in the same period of the previous year, especially Russia (+ € 31 million). This reflects the importance of exchange-rate / interest-rate risk management in customer business against the background of currently strong volatility (in the context of flexible exchange rate regimes in particular), a business area in which our banking subsidiaries hold leading positions.

When comparing operating income with the figure for the same period of the previous year, one should note a one-off effect (€ 5 million) in net other operating income and expenses, which were down by € 32 million from the previous year and partly offset the combined improvement in the other components of operating income: in Hungary, provisions were made in the previous year in anticipation of possible early repayment of foreign-currency real estate loans under the government's Early Repayment Programme (ERP). These provisions were released and realised losses were booked in net other operating income / expenses when customers exercised the early repayment option. The burden on income was thus offset by an almost equally large favourable effect on net write-downs of loans.

Operating costs increased to € 1,113 million; at 3 % (based on constant exchange rates, 5 %), growth was kept within limits. The cost / income ratio (operating costs divided by operating income) rose slightly, by 0.8 percentage points to 47.4 %, in line with revenue growth; it would have remained constant without the above-mentioned one-off impact from the ERP in Hungary. In absolute terms, our banks in Turkey, Russia and the Czech Republic accounted for the largest portions of costs; these are the countries which are the focus of our selective expansion, as reflected in the opening of new branches and additions to staff. In Hungary, operating costs declined as a portion of the debt restructuring expenses resulting from mandatory conversion was permitted to be offset against the bank levy. At the end of June 2012, the number of employees in CEE was 50,613 (FTEs), down by 882 from June 2011. The largest staff reductions were made in Ukraine (– 777 FTEs) and Kazakhstan (– 314 FTEs), where the branch networks were reorganised. Staff numbers in Croatia, Russia and Romania were also lower (– 174 FTEs / – 156 FTEs / – 137 FTEs). This compares with additions to staffing levels in Turkey (+ 664 FTEs) and in the Czech Republic (+ 128 FTEs); these two countries also saw the largest net expansion of the branch network.

Net write-downs of loans and provisions for guarantees and commitments in CEE were € 481 million in the first half of 2012, down by 7 % from H1 2011 and at the lowest level since the second half of 2008. The year-on-year reduction would have been even stronger (about – 19 %) without the development in Turkey, where economic trends are ahead of other countries in the business cycle and the improvement in the provisioning charge was seen a year earlier. In the first half of 2011, the bank in Turkey benefited from a significant net release of provisions made earlier. The provisioning charge for the first half of 2012 showed a negative swing of € 63 million. The return to a more normal level is reflected in the cost of risk, which is as low as 90 basis points for our bank in Turkey. A positive special factor relates to the above-mentioned ERP in

Growth in countries of Central and Eastern Europe
Loans and primary funds: H1 2012 average compared with H1 2011 average in %



*) Special factor in Hungary: restructuring of foreign-currency loans

Development of business segments (CONTINUED)

Hungary and the reclassified provision of €23 million. Net write-downs of loans in Russia in the first half of 2012 were half the figure for the same period of the previous year, resulting in a favourable effect of €28 million. The cost of risk in Russia, at 51 bp, is now among the lowest in CEE, also in view of the very strong credit expansion. In Kazakhstan, the provisioning charge declined to a level slightly below €50 million, the local cost of risk was 257 bp. If the charge resulting from guarantees provided by the Vienna-based CEE headquarters is included in the calculation, the provisioning charge for Kazakhstan was down by 42 % from the first half of the previous year, but the cost of risk including the charge for guarantees was 470 bp. The situation in Ukraine, where the cost of risk remained very high (371 bp), was unchanged. In Romania, net write-downs of loans and provisions for guarantees and commitments were down by 12%, and the cost of risk declined from 315 bp to 245 bp. The risk profile in Croatia deteriorated, mainly in connection with economic trends, with the provisioning charge rising by 19%; the cost of risk, at 120 bp, remained significantly below the average level. In the CEE Division as a whole, the cost of risk declined by 21 bp to 135 bp. Overall, the provisioning charge has decreased significantly for quite some time, and NPL ratios are now beginning to stabilise. As a percentage of average lending volume, non-performing loans in CEE as a whole were 8.3% in June 2012, up by only 0.3 percentage points on year-end 2011 (NPL ratio, gross). In net terms, i.e. after deduction of (increased) loan loss provisions, the NPL ratio in CEE was 3.7%, down by 0.1 percentage points. While the strongest declines were seen in Ukraine and Kazakhstan, the situation there stabilised at a very high level.

Net operating profit was €752 million, up by €26 million (+4%; at constant exchange rates: +6%) on the same period of the previous year. The balance of **non-operating items** between net operating profit and profit before tax were slightly negative (–€5 million) in the reporting period but positive (+€34 million) in the same period of the previous year, giving a decrease of €39 million. Provisions for risks and charges made in the first half of 2012 were €20 million after €10 million, mainly in Turkey for special charges and legal risks in credit card business. Net income from investments amounted to €15 million, down from €45 million for the first half of the previous year, a period in which significant gains were recorded in Russia. After deduction of the negative balance of non-operating items, profit before tax was down by €13 million or about 2% from the first six months of 2011; at constant exchange rates, profit before tax rose slightly, by 1%. At **€747 million**, **profit before tax** generated by the CEE Division accounted for 68% of the combined figure for the customer business segments. Equity allocated to the CEE Division rose, in line with the increase of 9.5% in risk-weighted assets, by 11% to €13.0 billion. At local level we recently increased the capital of our Russian banking subsidiary by one-third (the equivalent of about €250 million). Return on equity of the CEE Division was 11.5%, despite the increase in capital allocation, which underlines our confidence in long-term developments in this growth market. The CEE countries are currently facing some headwinds caused by the ongoing EMU crisis. Nevertheless, the long-term outlook for regional economic convergence in CEE remains unchanged, with local growth differentials being wider than in the past. Our commitment to the region was confirmed in the first half of 2012 through the sound customer business with growing deposits and loan volumes on the one hand, and shrinking cost of risk on the other. Central and Eastern Europe remains the engine of growth for our Group. We will therefore continue with our business expansion and selective investments in promising markets such as the Czech Republic, Russia and Turkey.

Countries and country groups

	TURKEY	RUSSIA	CENTRAL EUROPE [1]	SOUTH-EAST EUROPE [2]	EASTERN EUROPE [3]	CEE DIVISION [4]
Average risk-weighted assets (€ bn)	**19.5**	**15.8**	**16.9**	**20.4**	**9.2**	**86.8**
Change on prev. year in %	+15%	+29%	–5%	+2%	–1%	+9%
Change on prev. year in % at constant exchange rates	+21%	+28%	–2%	+4%	–7%	+12%
Operating income (€ m)	**542**	**373**	**412**	**688**	**235**	**2,347**
Change on prev. year in %	+7%	+4%	–9%	–4%	+12%	+1%
Change on prev. year in % at constant exchange rates	+13%	+2%	–5%	–1%	+9%	+3%
Net operating profit (€ m)	**234**	**209**	**133**	**202**	**14**	**752**
Change on prev. year in %	–15%	+17%	–11%	–14%	>100%	+4%
Change on prev. year in % at constant exchange rates	–10%	+16%	–8%	–12%	>100%	+6%

1) Central Europe (CE) = Czech Republic, Slovakia, Hungary and Slovenia. / 2) Bulgaria and Romania; Croatia, Bosnia and Herzegovina, and Serbia. / 3) Kazakhstan, Ukraine and Baltic countries. / 4) Difference compared with total for banking subsidiaries = CEE headquarters in Vienna. / 5) Operating profit less net write-downs of loans and provisions for guarantees and commitments.

Development of business segments (CONTINUED)

Income statement of the consolidated banking subsidiaries in CEE [1)]

(€ million)

	CEE BUSINESS SEGMENT [2)]		CZECH REPUBLIC		SLOVAKIA		HUNGARY	
	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11
Net interest income	1,633	1,632	126	128	38	41	106	113
Net fee and commission income	501	505	37	35	17	14	29	31
Net trading income	208	154	28	28	6	3	11	16
Net other operating income/expenses	5	37	0	1	0	0	–27	2
Operating income	**2,347**	**2,328**	**192**	**191**	**61**	**59**	**119**	**163**
Operating costs	**–1,113**	**–1,085**	**–92**	**–91**	**–42**	**–37**	**–66**	**–80**
Operating profit	**1,233**	**1,243**	**99**	**100**	**19**	**22**	**52**	**82**
Net write-downs of loans	–481	–516	–30	–25	–9	–5	–6	–33
Net operating profit	**752**	**727**	**69**	**76**	**11**	**17**	**46**	**49**
Provisions for risks and charges	–20	–10	1	0	0	0	–1	0
Integration/restructuring costs	0	–2	0	–2	0	0	0	0
Net income from investments	15	45	8	–41	1	0	1	–2
Profit before tax	**747**	**760**	**78**	**33**	**12**	**16**	**47**	**47**
Customer loans [3)]	72,684	67,444	7,154	7,314	3,012	2,698	3,484	4,064
Customer deposits and debt securities in issue [3)]	63,086	55,084	9,078	7,877	2,703	2,555	3,395	3,701
Exchange rate	102.09 [4)]	100.00	25.174	24.350	Euro	Euro	295.45	269.45
Appreciation/depreciation against the euro	–2.0%		–3.3%				–8.8%	

(€ million)

	SLOVENIA		BULGARIA		ROMANIA		BALTICS	
	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11
Net interest income	30	32	109	114	82	92	8	8
Net fee and commission income	11	11	38	34	27	28	1	–1
Net trading income	1	–1	16	9	24	23	1	1
Net other operating income/expenses	–1	0	0	0	2	0	0	0
Operating income	**41**	**42**	**164**	**157**	**134**	**144**	**10**	**7**
Operating costs	**–21**	**–20**	**–65**	**–62**	**–72**	**–73**	**–6**	**–6**
Operating profit	**20**	**22**	**98**	**96**	**62**	**71**	**3**	**0**
Net write-downs of loans	–13	–13	–43	–45	–42	–48	–3	2
Net operating profit	**7**	**9**	**55**	**51**	**20**	**24**	**0**	**2**
Provisions for risks and charges	0	0	0	0	0	2	0	0
Integration/restructuring costs	0	0	0	0	0	0	0	0
Net income from investments	–2	0	1	1	0	0	0	0
Profit before tax	**4**	**9**	**55**	**52**	**20**	**25**	**0**	**2**
Customer loans	2,465	2,311	4,159	3,871	3,536	3,140	613	654
Customer deposits and debt securities in issue	1,154	939	3,882	3,503	2,630	2,123	313	335
Exchange rate	Euro	Euro	1.9558	1.9558	4.3904	4.1798	0.6983 [5)]	0.7070
Appreciation/depreciation against the euro			0.0%		–4.8%		+1.3%	

1) The income statement figures are shown on a consolidated basis at country level. / 2) The CEE business segment for segment reporting purposes comprises the CEE banks shown in this table and the Vienna-based CEE headquarters. / 3) End of period. / 4) Index of the relevant currencies against the euro, weighted by operating income. / 5) Latvian lat (LVL).

Development of business segments (CONTINUED)

(€ million)

	TURKEY[6)]		RUSSIA		KAZAKHSTAN		UKRAINE	
	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11
Net interest income	353	281	261	282	77	74	107	105
Net fee and commission income	149	180	55	46	–1	–4	27	21
Net trading income	23	28	57	26	8	10	5	1
Net other operating income/expenses	17	16	0	6	1	1	1	–2
Operating income	**542**	**506**	**373**	**360**	**86**	**80**	**140**	**124**
Operating costs	**–249**	**–235**	**–135**	**–124**	**–46**	**–42**	**–64**	**–56**
Operating profit	**293**	**271**	**238**	**236**	**39**	**38**	**76**	**68**
Net write-downs of loans	–59	4	–29	–57	–49	–52	–52	–51
Net operating profit	**234**	**275**	**209**	**178**	**–10**	**–13**	**24**	**17**
Provisions for risks and charges	–21	–10	0	0	0	0	0	0
Integration/restructuring costs	0	0	0	0	0	0	0	0
Net income from investments	3	3	0	84	0	0	0	0
Profit before tax	**216**	**268**	**209**	**262**	**–10**	**–13**	**24**	**17**
Customer loans	13,938	11,791	11,663	9,995	3,388	3,337	2,866	2,627
Customer deposits and debt securities in issue	13,239	10,887	10,591	7,732	3,807	3,867	1,711	1,401
Exchange rate	2.3361	2.2081	39.709	40.135	192.098	204.900	10.404	11.177
Appreciation/depreciation against the euro	–5.5%		+1.1%		+6.7%		+7.4%	

(€ million)

	CROATIA		BOSNIA		SERBIA	
	H1 12	H1 11	H1 12	H1 11	H1 12	H1 11
Net interest income	190	222	44	44	39	42
Net fee and commission income	58	61	15	14	7	7
Net trading income	17	3	2	3	5	5
Net other operating income/expenses	12	14	0	0	0	0
Operating income	**277**	**299**	**62**	**62**	**52**	**54**
Operating costs	**–130**	**–135**	**–38**	**–38**	**–19**	**–18**
Operating profit	**147**	**163**	**24**	**23**	**33**	**36**
Net write-downs of loans	–58	–48	–7	–7	–12	–8
Net operating profit	**89**	**115**	**17**	**17**	**20**	**28**
Provisions for risks and charges	0	0	2	0	0	0
Integration/restructuring costs	0	0	0	0	0	0
Net income from investments	1	0	0	0	0	0
Profit before tax	**90**	**116**	**19**	**17**	**20**	**28**
Customer loans	9,413	9,589	1,410	1,360	1,251	1,126
Customer deposits and debt securities in issue	7,955	7,895	1,502	1,465	740	641
Exchange rate	7.543	7.398	1.956	1.956	110.874	101.884
Appreciation/depreciation against the euro	–1.9%		0.0%		–8.1%	

6) pro quota

Outlook

■ Recent early indicators and developments have prompted us to reduce the economic scenario for 2012 and 2013 which we described in the 2011 Annual Report, and to adjust the time profile: we still expect the **global economy** to recover in the second half of 2012, though later and more moderately. While developments in the first few months of the year were better than expected, sentiment deteriorated as the year progressed, falling to a multi-year low in mid-2012 as reflected in the widely noted purchasing managers surveys. Worldwide interdependence has thereby become clearly visible once more: both the difficulties in the euro area and the repercussions felt via weaker world trade are having a tangible impact on emerging markets. The US economy is sending mixed signals, with growth lagging behind expectations in the US, too, and latent fiscal problems (expiring tax benefits, public spending cuts, debt ceiling) possibly returning. For China, the world's second-largest economy, we expect that the slowdown reflected in quarterly data and in leading indicators until July will bottom out over the summer months, supported by a more expansionary economic policy. With growth of 8% in 2012 and a slightly stronger economic momentum in 2013, China will again strongly support the world economy without, however, being able to drive global economic growth all by itself. The strong decline in oil prices in spring 2012 will only have an effect with the usual lag and only as long as there is no abrupt turnaround – triggered, for example, by political tension in the Middle East.

■ Contrary to expectations, the combined effect of the Greek debt restructuring, the EU assistance programmes and the consolidation measures in the countries concerned, and the far-reaching decisions taken at the summit meeting to improve EU governance failed to ease the European **government debt crisis** in a sustainable manner. Risk premiums rose sharply time and again in response to international investors' exit from government bonds, and this made debt rollover in financial markets more difficult. The measures taken in the Eurogroup and in the EU to combat the crisis follow a reactive and gradualist approach, interrupted by periods of stress. However, the measures taken with a view to budget consolidation, and strengthening competitiveness, in the countries concerned should not be underestimated. While these measures initially impact growth and have plunged Spain and Italy into an adjustment recession, they should start to produce the desired effects with the normal lags, stabilising production in the next 9 to 12 months.

In our most likely scenario we therefore expect growth to accelerate gradually, though moderately, in the **euro area** as the year progresses (in the peripheral countries not before the beginning or the middle of 2013). By the end of 2013, the annual growth rate should rise to 1.5%. There will be wide regional divergence between Europe's core and peripheral countries (Germany 2012: +1.1%/2013: 1.9% – Italy 2012: –1.9%/2013: –0.3%).

The government debt crisis will cause disruption and markets will display volatility also in the medium to long term. In several countries further support programmes could strengthen political fringe groupings which are sceptical about the euro, making it more difficult to implement promised reforms. New efforts will possibly be made to limit interest rate spreads for exposed countries, either through the ECB resuming bond purchases or through granting authority to the EFSM/ESM.

■ The currently rather negative sentiment in industry and among Austrian consumers does not bode well for economic developments in **Austria** in the second half of 2012. This will affect investment activity in particular, suggesting that the coming months will see a sluggish trend in the economy as a whole. The current situation continues to be characterised by restraint in response to media reports from Europe. However, the positive effects of effective euro devaluation and lower oil prices could soon become tangible. A consolidation path extended over a longer period in the programme countries and fairly robust growth in emerging markets could help avoid a further decline in world trade. Despite the difficulties in the external environment, the Austrian economy is expected to pursue its growth path also in the second half of 2012; the outlook will tend to be brighter after the seasonal lull in the summer. Given the austerity measures in Europe, however, prospects for a tangible acceleration of economic growth in Austria in the near future are moderate. The economy got off to a good start in 2012 and this supports expectations that Austria's GDP will reach 0.8% for the year as a whole. This modest growth will again make the Austrian economy one of the top-performing countries in the euro area. From a current perspective, 2013 may be expected to see only moderate economic growth. While exports (and imports) will expand much more strongly than in the current year and fixed asset investments will probably pick up, private consumption will only make slow progress. As growth in 2013 is expected to reach 1.5% (in real terms), the Austrian economy will benefit from a significantly stronger momentum than in the current year but it will nevertheless fail to achieve its long-term average growth rate of 2.3%.

Trends seen in loans and deposits in the first six months of 2012 are likely to continue. As a consequence of the lower savings ratio, monetary capital formation will remain below the multi-year average in the second half of the year. The effect of low interest rates and the shift to "material assets" (precious metals, real estate) come at the expense of financial assets. Demand for securities of all types will remain low in the face of continued high volatility in financial markets and erratic market news. Although interest rates are low, the development of lending volume will reflect restraint. Private households manage their finances in a more cautious man-

Outlook (CONTINUED)

ner. The exceedingly low borrowing costs are unable to induce companies to make investments despite the subdued economic expectations and to give up their wait-and-see attitude. Investment activity may revive to some extent with a slight improvement in sentiment in the course of the second half of 2012. But one should note that companies enjoy ample liquidity for internal financing, and demand for bank loans is additionally dampened by the possibility of launching bond issues at low interest rates. Weak credit demand from private households and companies reflects the current liquidity trap and the trend towards debt reduction.

Economic growth (real GDP, % over the previous year)

	2009	2010	2011	2012f	2013f
World (IMF)	−0.6	+5.3	+3.7	+3.5	+3.9
USA	−3.1	+2.4	+1.8	+2.3	+2.2
Euro area	−4.2	+1.9	+1.5	−0.4	+0.6
… Austria	**−3.8**	**+2.1**	**+2.7**	**+0.8**	**+1.5**
Czech Republic	−4.5	+2.6	+1.7	−0.6	+1.7
Slovakia	−4.9	+4.2	+3.3	+2.4	+2.7
Hungary	−6.8	+1.3	+1.7	−0.7	+1.4
Slovenia	−8.0	+1.4	+0.5	−0.6	+1.1
Central Europe	**−5.5**	**+2.5**	**+1.9**	**−0.0**	**+1.8**
Poland	*+1.6*	*+3.9*	*+4.3*	*+3.0*	*+2.6*
Bulgaria	−5.5	+0.4	+1.7	+0.5	+1.5
Romania	−6.6	−1.7	+2.5	+0.5	+1.7
Croatia	−6.9	−1.2	+0.0	−1.0	+1.5
Bosnia and Herzegovina	−2.9	+0.7	+1.8	−0.9	+0.8
Serbia	−3.5	+1.0	+1.6	+0.2	+1.7
Estonia	−13.9	+3.1	+7.6	+1.9	+3.4
Latvia	−17.8	−0.3	+5.5	+3.0	+3.2
Lithuania	−14.7	+1.2	+5.9	+2.9	+3.3
SEE and Baltic states	**−7.8**	**−0.5**	**+2.7**	**+0.6**	**+1.9**
Russia	−7.8	+4.3	+4.3	+3.7	+4.1
Turkey	−4.7	+9.0	+8.5	+2.8	+4.2
Russia and Turkey	**−6.8**	**+5.9**	**+5.7**	**+3.4**	**+4.1**
Kazakhstan	+1.2	+7.3	+7.5	+5.1	+5.5
Ukraine	−14.8	+4.1	+5.2	+1.7	+1.9
Kazakhstan and Ukraine	**−5.8**	**+5.9**	**+6.5**	**+3.6**	**+3.9**
CEE (with Poland, GDP-weighted)	**−5.7**	**+4.6**	**+4.8**	**+2.6**	**+3.4**
CEE (without Poland, GDP-weighted)	**−6.7**	**+4.6**	**+4.9**	**+2.6**	**+3.5**
CEE (Bank Austria-weighted)*)	**−6.3**	**+3.5**	**+4.0**	**+1.3**	**+2.7**
Bank Austria market (GDP-weighted)	**−6.4**	**+4.4**	**+4.7**	**+2.4**	**+3.3**
Bank Austria market (Bank Austria-weighted)	**−5.4**	**+3.0**	**+3.5**	**+1.2**	**+2.3**

*) weighted by contribution of Bank Austria's subsidiaries to CEE operating income in 2010
Source: UniCredit Research. Forecasts CEE: June 2012; rest of world: end of July 2012

■ **CEE:** With quarter-on-quarter growth of only 0.4 %, the first three months of 2012 were the weakest quarter since the second quarter of 2009. However, the growth momentum is likely to have picked up in the period from April to June. The external and the fiscal positions continued to improve. While yield spreads reflected developments in highly indebted countries over time, they were always about 150 basis points lower. The withdrawal of capital, which many feared would be triggered by the deleveraging by Western European banks, remained within limits. The impact of the weaker momentum of global trade spread to the strongly integrated CEE countries in the middle of 2012. Domestic demand, partly impacted by budget consolidation measures, is sluggish and can no longer offset the slowdown in export activity. Despite the persistent sovereign debt crisis and expectations of a very hesitant recovery in Western Europe, CEE will experience a significantly stronger momentum, with anticipated GDP growth of 2.6 % in 2012 and 3.4 % in 2013 compared with –0.4 % and +0.5 % in the euro area. Economic developments will continue to follow a heterogeneous pattern (see table). As in Western Europe, the Central European countries will initially not achieve much more than nil growth before catching up again in 2013 (+1.8 %). Economic growth among the countries in South-East Europe (including the Baltic countries) will be about one-half of a percentage point more, with the Baltic countries providing the additional impetus. Croatia is currently experiencing a year of recession (–1 %; 2013: +1.5 %). In Russia, recent surveys confirm the country's stable growth (3.7 %, 2013: 4.1 %), which is supported by a return to a more expansionary economic policy. In Turkey, economic policy has curbed expansion in response to inflation and the current account deficit experienced in the boom years of 2010 and 2011; nevertheless, economic growth will rise from 2.8 % in the current year to about 4 % in 2013. Kazakhstan again recorded the strongest growth with a rate of over 5 %, while Ukraine lagged far behind despite its relatively favourable position in the commodities cycle. Some countries remain heavily dependent on external funding. This limits possibilities for easing monetary policy, while currency appreciation, seen in past years despite a high inflation rate, has met with growing aversion.

Outlook for Bank Austria's performance

The banking environment does not suggest any major changes in the outlook for Bank Austria's performance in the remaining months of the year: economic trends are weak, benchmark interest rates are at record lows. Although the strong inflow of deposits provides support, nervousness in financial markets may lead to high risk premiums – also for internationally active banks – whenever media reports on the debt crisis communicate an unfavourable picture. Funding conditions will remain volatile and difficult. Banks are under growing pressure from financial markets and from the implementation of various restrictive regulatory measures.

Outlook (CONTINUED)

In the bank's **operating activities**, demand for loans and banking services will remain weak. This applies especially to Austria, where companies and private households use the high level of liquidity to strengthen their balance sheets and financial position – at least as long as no new impetus is provided to economic growth. In CEE we expect continued volume growth, driven almost exclusively by large countries which enjoy economic autonomy and experience strong monetary expansion. While interest margins in Austria have recovered slightly, those in CEE have declined somewhat from a high level. There will be little change in the yield curve, and this means that income from maturity transformation will remain low.

We have kept operating costs under control in the year to date, and for 2012 as a whole we expect little change in the cost/income ratio. In Austria we aim to keep costs associated with customer business at unchanged levels, despite additional expenses resulting from the introduction of EuroSIG, the cross-regional IT platform. In CEE, costs will develop more or less in line with revenue trends, reflecting ongoing cost savings, the focus of our investment on high-growth countries, and cross-regional synergies which are gradually becoming effective.

We think that the reduction of net write-downs of loans and provisions for guarantees and commitments in the past year and in the first six months of 2012 will be sustainable, even though fluctuations over time cannot be excluded. The provisioning charge in Austria has declined to a very low level, and we expect that this can be maintained. The situation in CEE is stabilising especially in those countries which previously caused the strong increase in the provisioning charge, and this offsets the recent deterioration in regions experiencing less favourable economic trends.

Overall, we expect the picture for 2012 as a whole to resemble the first half of 2012, i.e. a development supported by stable commercial banking business with customers.

The **risks** to which future developments are exposed have been mentioned above: if the government debt crisis worsens, this may lead to a renewed flight to quality and widening credit spreads, with all the effects this will have on local banks and the entire banking industry. Macroeconomic risks include a renewed – mutually reinforced – slide into recession of the major regions in the world, and escalating geopolitical tension which may lead to a strong rise in oil prices and disruption of world trade.

Moreover, we think that banking business will be burdened by other factors to which we referred in our 2011 Annual Report. The Basel 3 decisions will become effective in 2013 and this is why banks have, for quite some time, increased their capital ratios and improved capital quality as well as concentrating on core business and giving particular attention to liquidity. In some countries this involves a deleveraging process, at the expense of the real economy.

The problems which emerged in the past few months, including those in Spain, have prompted the European crisis managers to look for ways to loosen the close connection between the creditworthiness of countries and banks domiciled in them. The concept of "banking union" centres on Europe-wide banking supervision, rules for early identification of risks and the restructuring or resolution of large distressed banks (bank insolvency, living will) and also on a solidarity-based cross-regional deposit guarantee scheme. While such an approach is useful, we think that a prerequisite for this are further determined steps towards a fiscal union. For the banking sector, a reliable and coordinated approach across the region is extremely important. For example, the discussion on a bail-in of bond holders for bank restructuring has already caused uncertainty in the markets. Apart from ad-hoc intervention which has already occurred (bank levies, mandatory conversion of debt), burdens on current banking business, such as taxes on financial transactions in several countries, may affect pricing patterns and lead to undesirable structural adjustments. There is a risk that the large number of initiatives and measures may distort competition and have a cumulative effect ultimately impacting the banks' ability to operate effectively. As an internationally active bank we would welcome a reasonable uniform approach to regulation, at least across Europe.

Statement of Comprehensive Income

of the Bank Austria Group for the first half of 2012

Income statement (€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Interest income and similar revenues	4,589	4,192
Interest expense and similar charges	–2,340	–1,951
Net interest margin	**2,249**	**2,241**
Fee and commission income	1,031	1,173
Fee and commission expense	–246	–251
Net fees and commissions	**786**	**922**
Dividend income and similar revenue	23	15
Gains and losses on financial assets and liabilities held for trading	240	150
Fair value adjustments in hedge accounting	–	2
Gains and losses on disposal of:	84	96
a) loans	–27	2
b) available-for-sale financial assets	–3	93
c) held-to-maturity investments	–10	–
d) financial liabilities	124	–
Gains and losses on financial assets/liabilities at fair value through profit or loss	–7	15
OPERATING INCOME	**3,373**	**3,442**
Impairment losses on:	–627	–834
a) loans	–566	–698
b) available-for-sale financial assets	–42	–84
c) held-to-maturity investments	–16	–50
d) other financial assets	–4	–2
Net income from financial activities	**2,746**	**2,607**
Premiums earned (net)	77	63
Other income (net) from insurance activities	–62	–51
Net income from financial and insurance activities	**2,761**	**2,620**
Administrative costs:	–1,814	–1,803
a) staff expense	–1,000	–1,008
b) other administrative expense	–815	–795
Provisions for risks and charges	–66	–31
Impairment/write-backs on property, plant and equipment	–92	–97
Impairment/write-backs on intangible assets	–54	–52
Other net operating income	50	93
OPERATING COSTS	**–1,977**	**–1,891**
Profit (loss) of associates	64	105
Gains and losses on tangible and intangible assets measured at fair value	–	–
Impairment of goodwill	–7	–53
Gains and losses on disposal of investments	7	–6
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**848**	**775**
Tax expense (income) related to profit or loss from continuing operations	–183	–110
NET PROFIT	**664**	**665**
Attributable to: Owners of the parent company	646	640
Non-controlling interests	18	25
Earnings per share (in €, basic and diluted)	5.59	5.53

The comparative figures for H1 2011 differ from those published in the report for the first half of 2011 due to the reclassification, performed by three Group legal entities in the first half of 2012, of the time-value interest component of impaired loans from the item Interest income and similar revenue to the item Impairment losses on loans.

Statement of comprehensive income

(€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Net profit	**664**	**665**
Gains/losses on assets held for sale (available-for-sale reserve)	298	334
Gains/losses on cash flow hedges (cash flow hedge reserve)	–21	–187
Changes at companies accounted for under the equity method	–6	9
Foreign currency translation – exchange differences	228	–320
Foreign currency translation relating to assets held for sale	–	–
Actuarial gains/losses on defined-benefit plans	–	–
Taxes on items directly recognised in equity	–51	–22
Other changes	–1	62
Other comprehensive income after tax	**446**	**–123**
TOTAL COMPREHENSIVE INCOME AFTER TAX	**1,111**	**542**
Attributable to: Owners of the parent company	1,090	523
Non-controlling interests	20	19

Taxes on items directly recognised in equity

(€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Gains/losses on assets held for sale (available-for-sale reserve)	–56	–72
Gains/losses on cash flow hedges (cash flow hedge reserve)	5	50
Actuarial gains/losses on defined-benefit plans	–	–
TAXES ON ITEMS DIRECTLY RECOGNISED IN EQUITY	**–51**	**–22**

Statement of Financial Position

of the Bank Austria Group at 30 June 2012

Assets

(€ million)

	30 JUNE 2012	31 DEC. 2011
Cash and cash balances	2,595	2,919
Financial assets held for trading	2,774	3,322
Financial assets at fair value through profit or loss	491	214
Available-for-sale financial assets	17,663	14,677
Held-to-maturity investments	3,152	3,498
Loans and receivables with banks	25,501	25,621
Loans and receivables with customers	135,989	134,914
Hedging derivatives	3,784	3,466
Changes in fair value of portfolio hedged items (+/–)	30	30
Investments in associates and joint ventures	2,625	2,562
Insurance reserves attributable to reinsurers	1	1
Property, plant and equipment	2,539	2,576
of which held for investment	*763*	*721*
Intangible assets	2,882	2,866
of which goodwill	*2,424*	*2,397*
Tax assets	1,420	1,389
a) current tax assets	298	282
b) deferred tax assets	1,122	1,107
Non-current assets and disposal groups classified as held for sale	135	55
Other assets	1,330	1,120
TOTAL ASSETS	**202,911**	**199,229**

Liabilities and equity

(€ million)

	30 JUNE 2012	31 DEC. 2011
Deposits from banks	33,424	32,772
Deposits from customers	107,421	104,728
Debt securities in issue	28,526	29,931
Financial liabilities held for trading	2,490	2,554
Financial liabilities at fair value through profit or loss	1,059	1,042
Hedging derivatives	2,735	2,591
Changes in fair value of portfolio hedged items (+/–)	–	–
Tax liabilities	882	789
a) current tax liabilities	147	146
b) deferred tax liabilities	735	643
Liabilities included in disposal groups classified as held for sale	–	–
Other liabilities	3,193	2,782
Provisions for risks and charges	4,239	4,204
a) post-retirement benefit obligations	3,678	3,664
b) other provisions	562	540
Insurance reserves	194	175
Equity	18,747	17,661
of which non-controlling interests (+/–)	*528*	*534*
TOTAL LIABILITIES AND EQUITY	**202,911**	**199,229**

Statement of Changes in Equity

of the Bank Austria Group for the first half of 2012

(€ million)

	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	RESERVES IN ACCORDANCE WITH IAS 39*)	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHARE-HOLDERS' EQUITY	NON-CON-TROLLING INTERESTS	EQUITY
As at 1 January 2011	**1,681**	**7,096**	**10,121**	**–1,334**	**111**	**–746**	**16,931**	**546**	**17,476**
Changes in the group of consolidated companies								1	1
Shares in controlling companies									
Net profit for the period			640				640	25	665
Other comprehensive income			75	–317	125		–117	–6	–123
Dividend paid								–21	–21
AS AT 30 JUNE 2011	**1,681**	**7,096**	**10,836**	**–1,651**	**236**	**–746**	**17,454**	**544**	**17,998**

*) Reserves in accordance with IAS 39	1 Jan. 2011	30 June 2011
Cash flow hedge reserve	81	–57
Available-for-sale reserve	30	292
Total	111	236

	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	RESERVES IN ACCORDANCE WITH IAS 39*)	ACTUARIAL LOSSES IN ACCORDANCE WITH IAS 19	SHARE-HOLDERS' EQUITY	NON-CON-TROLLING INTERESTS	EQUITY
As at 1 January 2012	**1,681**	**7,097**	**10,380**	**–1,898**	**507**	**–642**	**17,127**	**534**	**17,661**
Changes in the group of consolidated companies							0	1	1
Shares in controlling companies		2					2	0	2
Net profit for the period			646				646	18	664
Other comprehensive income			–7	228	224	0	444	2	446
Dividend paid							0	–27	–27
AS AT 30 JUNE 2012	**1,681**	**7,099**	**11,019**	**–1,670**	**731**	**–642**	**18,220**	**528**	**18,747**

*) Reserves in accordance with IAS 39	1 Jan. 2012	30 June 2012
Cash flow hedge reserve	336	320
Available-for-sale reserve	171	412
Total	507	731

Statement of Cash Flows

of the Bank Austria Group for the first half of 2012

(€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**2,919**	**3,030**
Cash flows from operating activities	2,436	1,271
Cash flows from investing activities	–2,537	–1,764
Cash flows from financing activities	–241	–143
Effects of exchange rate changes	18	–7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,595**	**2,387**

Notes to the Consolidated Financial Statements

Basis for the preparation of the financial statements

The consolidated interim financial statements for the first six months of 2012 (January 2012 to June 2012), which include the financial statements of UniCredit Bank Austria AG and its subsidiaries (collectively "Bank Austria"), are presented in euros, the functional currency of the Group.

They have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU) and are presented in accordance with the requirements of IAS 34 "Interim Financial Reporting".

Accounting policies

The consolidated interim financial statements of the Bank Austria Group for the first six months of 2012 are unaudited and include a statement of financial position, an income statement and a statement of comprehensive income, a statement of changes in equity, a condensed statement of cash flows, segment reporting and selected explanatory notes.

The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, they should be read in conjunction with the audited consolidated financial statements of the Bank Austria Group for which the same accounting policies have been applied.

No new accounting policies and methods of computation which are relevant for the Group have been adopted since 1 January 2012.

The preparation of financial statements under IFRS requires management to make estimates and assumptions for certain categories of assets and liabilities. These assumptions and estimates affect the reported revenues and expenses during the reporting period, and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period. Actual results could differ from management's estimates and the results reported should not be regarded as necessarily indicative of the results that may be expected for the entire year.

Fair values – fair value hierarchy
The financial instruments carried at fair value have been categorised according to the IFRS fair value hierarchy:

Level 1	Quoted market prices (without adjustments) in active markets
Level 2	Observable inputs not qualifying as quoted prices according to Level 1
Level 3	Non-observable inputs

Notes (CONTINUED)

Effects of amendments to IAS 39 and IFRS 7

In accordance with the amendments to IAS 39 and IFRS 7, Reclassification of Financial Assets, published in October 2008, and in response to the rare circumstances presented by the financial market crisis, we reclassified asset-backed securities (ABSs/specific securitised assets) from financial assets held for trading into loans and receivables with customers with effect from 1 July 2008 at the fair values determined at that date.

The following disclosure table shows the effects of reclassification by item in the statement of financial position and by income statement item as at 30 June 2012:

Reclassified financial assets: carrying amount, fair value and effects on comprehensive income (€ million)

TYPES OF INSTRUMENTS	ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION	ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION	CARRYING AMOUNT AS AT 30 JUNE 2012	FAIR VALUE AS AT 30 JUNE 2012	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAXES)		INCOME/EXPENSES RECOGNISED DURING THE PERIOD (BEFORE TAXES)	
					FROM MEASUREMENT	OTHER	FROM MEASUREMENT	OTHER
A. Debt securities			**−5,939**	**−5,504**	**−274**	**86**	**–**	**92**
	HFT	AFS	−51	−51	–	1	–	1
	HFT	HTM	−43	−44	–	2	–	1
	HFT	Loans to banks	–	–	–	–	–	–
	HFT	Loans to customers	−920	−771	13	21	–	16
	AFS	Loans to banks	−4,925	−4,637	−287	63	–	74
	AFS	Loans to customers	–	–	–	–	–	–
B. Equity instruments			**–**	**–**	**–**	**–**	**–**	**–**
C. Loans			**–**	**–**	**–**	**–**	**–**	**–**
D. Units in investment funds			**–**	**–**	**–**	**–**	**–**	**–**
TOTAL			**−5,939**	**−5,504**	**−274**	**86**	**–**	**92**

Impairment test

In Bank Austria, the impairment test in respect of goodwill allocated to each cash-generating unit was performed as at 31 December 2011.

As at 30 June 2012, the projections used for the impairment test are still considered to be valid. Depending on financial performance of the individual units, such projections may need to be revised.

Notes (CONTINUED)

Group of consolidated companies and changes in the group of consolidated companies of the Bank Austria Group in the first half of 2012

Consolidated companies

	NUMBER
Opening balance	**139**
Additions	**2**
Newly established companies	1
Acquired companies	1
Disposals	**–1**
Companies sold or liquidated	–
Mergers	–1
Other changes	**1**
CLOSING BALANCE	**141**

Companies accounted for under the proportionate consolidation method

	NUMBER
Opening balance	**17**
Additions	–
Disposals	–
Other changes	**–**
CLOSING BALANCE	**17**

Companies accounted for under the equity method

	NUMBER
Opening balance	**32**
Additions	**–**
Newly established companies	–
Newly added companies	–
Disposals	**–1**
Other changes	**–1**
CLOSING BALANCE	**30**

Additions

Consolidated companies

NAME OF COMPANY	DOMICILE	ADDITION AS AT
CU@2012 Facility Services GmbH	Vienna	1 January 2012
UCTAM BULGARIA EOOD *)	Sofia	18 January 2012

*) The objects of the Uctam companies are to acquire, manage, administer and sell equity interests, properties and other business assets, especially of or from real estate projects and other business undertakings, deriving from debt restructuring.

Disposals

Companies accounted for under the equity method

NAME OF COMPANY	DOMICILE	DISPOSAL AS AT	SALES/LIQUIDATION PROCEEDS
OECLB Holding GmbH in liquidation	Vienna	17 April 2012	–

Mergers

Consolidated companies

NAME OF MERGED COMPANY	DOMICILE	NAME OF ABSORBED COMPANY	DOMICILE	MERGER AS AT
CU@2012 Facility Services GmbH	Vienna	Domus Facility Management GmbH	Vienna	1 June 2012

Notes to the income statement

Interest income / Interest expense

Interest income and similar revenues

(€ million)

	1 JAN.–30 JUNE 2012				1 JAN.– 30 JUNE 2011
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	TOTAL
Financial assets held for trading	18	–	39	57	80
Financial assets at fair value through profit or loss	3	–	–	3	3
Available-for-sale financial assets	355	–	–	355	360
Held-to-maturity investments	105	–	–	105	117
Loans and receivables with banks	79	179	–	258	150
Loans and receivables with customers	27	3,511	–	3,538	3,239
Hedging derivatives	X	X	270	270	242
Other assets	X	X	3	3	2
TOTAL	**587**	**3,690**	**312**	**4,589**	**4,192**

The comparative figures for H1 2011 differ from those published in the report for the first half of 2011 due to the reclassification, performed by three Group legal entities in the first half of 2012, of the time-value interest component of impaired loans from the item Interest income and similar revenue to the item Impairment losses on loans.

Interest expense and similar charges

(€ million)

	1 JAN.–30 JUNE 2012				1 JAN.– 30 JUNE 2011
	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	TOTAL	TOTAL
Deposits from central banks	–30	X	–	–30	–1
Deposits from banks	–385	X	–	–385	–389
Deposits from customers	–1,347	X	–	–1,347	–1,027
Debt securities in issue	X	–497	–	–497	–434
Financial liabilities held for trading	–	–	–34	–35	–41
Financial liabilities at fair value through profit or loss	–	–6	–	–6	–11
Other liabilities	X	X	–	–	–3
Hedging derivatives	X	X	–41	–41	–46
TOTAL	**–1,762**	**–503**	**–75**	**–2,340**	**–1,951**

Notes to the income statement (CONTINUED)

Fee and commission income / Fee and commission expense

Fee and commission income

(€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Guarantees given	**109**	**104**
Credit derivatives	**–**	**3**
Management, brokerage and consultancy services:	**244**	**386**
securities trading	15	26
currency trading	26	120
portfolio management	80	90
custody and administration of securities	39	53
custodian bank	20	30
placement of securities	4	11
reception and transmission of orders	5	4
advisory services	17	12
distribution of third party services	39	41
Collection and payment services	**440**	**406**
Securitisation servicing	**–**	**–**
Factoring	**5**	**5**
Tax collection services	**–**	**–**
Management of multilateral trading facilities	**–**	**–**
Management of current accounts	**103**	**102**
Other services	**131**	**167**
TOTAL	**1,031**	**1,173**

Since 1 January 2012, fee and commission income from management, brokerage and consultancy services relating to derivatives business in securities and currency trading is reported in the item Gains and losses on financial assets and liabilities held for trading.

Fee and commission expense

(€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Guarantees received	**–36**	**–39**
Credit derivatives	**–9**	**–15**
Management, brokerage and consultancy services:	**–49**	**–56**
trading in financial instruments	–3	–3
currency trading	–1	–1
portfolio management	–8	–11
custody and administration of securities	–20	–25
placement of financial instruments	–	–1
off-site distribution of financial instruments, products and services	–17	–15
Collection and payment services	**–132**	**–121**
Other services	**–20**	**–20**
TOTAL	**–246**	**–251**

Dividend income and similar revenue

(€ million)

	1 JAN.–30 JUNE 2012			1 JAN.–30 JUNE 2011		
	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	TOTAL	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	TOTAL
Financial assets held for trading	–	–	–	–	–	–
Available-for-sale financial assets	17	–	17	9	2	11
Financial assets at fair value through profit or loss	–	–	–	–	–	–
Investments	5	X	5	4	X	4
TOTAL	**22**	**–**	**23**	**13**	**3**	**15**

Notes to the income statement (CONTINUED)

Gains and losses on financial assets and liabilities held for trading

(€ million)

	1 JAN.–30 JUNE 2012					1 JAN.– 30 JUNE 2011
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets held for trading	**8**	**258**	**–4**	**–209**	**53**	**10**
Debt securities	4	25	–3	–12	14	14
Equity instruments	–	8	–	–8	1	1
Units in investment funds	–	–	–	–	–	–
Loans	–	–	–	–	–	–
Other	4	225	–	–190	38	–5
Financial liabilities held for trading	**–**	**2**	**–**	**–1**	**1**	**–4**
Debt securities	–	–	–	–	–	–
Deposits	–	–	–	–	–	–
Other	–	2	–	–1	1	–4
Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**226**	**19**
Derivatives	**611**	**300**	**–545**	**–349**	**–40**	**125**
Financial derivatives	590	300	–502	–349	–18	123
on debt securities and interest rates	*525*	*286*	*–483*	*–335*	*–6*	*24*
on equity securities and share indices	*52*	*2*	*–4*	*–3*	*47*	*74*
on currency and gold	*X*	*X*	*X*	*X*	*–58*	*24*
other	*13*	*12*	*–15*	*–11*	*–1*	*1*
Credit derivatives	20	–	–43	–	–23	2
TOTAL	**619**	**561**	**–549**	**–559**	**240**	**150**

Since 1 January 2012, fee and commission income from management, brokerage and consultancy services relating to derivatives business in securities and currency trading is reported in the item Gains and losses on financial assets and liabilities held for trading.

Fair value adjustments in hedge accounting

(€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Gains on:		
Fair value hedging instruments	15	16
Hedged asset items (in fair value hedge relationship)	11	23
Hedged liability items (in fair value hedge relationship)	–	–
Cash-flow hedging derivatives	–	–
Total gains on hedging activities	**26**	**39**
Losses on:		
Fair value hedging instruments	–20	–34
Hedged asset items (in fair value hedge relationship)	–6	–3
Hedged liability items (in fair value hedge relationship)	–	–
Cash-flow hedging derivatives	–	–
Total losses on hedging activities	**–26**	**–36**
NET HEDGING RESULT	**–**	**2**

Notes to the income statement (CONTINUED)

Gains and losses on disposals/repurchases

(€ million)

	1 JAN.–30 JUNE 2012			1 JAN.–30 JUNE 2011		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
Financial assets						
Loans and receivables with banks	–	–	–	–	–	–
Loans and receivables with customers	6	–33	–28	2	–	2
Available-for-sale financial assets	22	–25	–3	156	–63	93
Debt securities	*21*	*–25*	*–4*	*73*	*–63*	*10*
Equity instruments	–	–	–	*81*	–	*81*
Units in investment funds	*1*	–	*1*	*3*	–	*3*
Loans	–	–	–	–	–	–
Held-to-maturity investments	–	–10	–10	–	–	–
TOTAL ASSETS	**28**	**–69**	**–40**	**158**	**–63**	**96**
Financial liabilities						
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Debt securities in issue	124	–	124	–	–	–
TOTAL LIABILITIES	**124**	**–**	**124**	**–**	**–**	**–**
TOTAL	**152**	**–69**	**84**	**158**	**–63**	**96**

Net change in financial assets and liabilities at fair value through profit or loss

(€ million)

	1 JAN.–30 JUNE 2012					1 JAN.–30 JUNE 2011
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets	**7**	**2**	**–**	**–**	**8**	**–**
Debt securities	2	–	–	–	1	2
Equity instruments	–	–	–	–	–	–
Units in investment funds	5	2	–	–	7	–2
Loans	–	–	–	–	–	–
Financial liabilities	**1**	**9**	**–63**	**–1**	**–54**	**5**
Debt securities	1	9	–63	–1	–54	5
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Credit and financial derivatives	**41**	**–**	**–2**	**–**	**39**	**10**
TOTAL	**49**	**11**	**–65**	**–1**	**–7**	**15**

Notes to the income statement (CONTINUED)

Impairment losses

Impairment losses on loans and receivables

(€ million)

	1 JAN.–30 JUNE 2012						1 JAN.–30 JUNE 2011
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Loans and receivables with banks	–	–	–	–	–	–	–
Loans and receivables with customers	–14	–1,062	–37	466	80	–566	–697
TOTAL	**–14**	**–1,062**	**–37**	**466**	**80**	**–566**	**–698**

The comparative figures for H1 2011 differ from those published in the report for the first half of 2011 due to the reclassification, performed by three Group legal entities in the first half of 2012, of the time-value interest component of impaired loans from the item Interest income and similar revenue to the item Impairment losses on loans.

Impairment losses on available-for-sale financial assets

(€ million)

	1 JAN.–30 JUNE 2012				1 JAN.–30 JUNE 2011
	WRITE-DOWNS		WRITE-BACKS		
	SPECIFIC				
	WRITE-OFFS	OTHER	SPECIFIC	TOTAL	TOTAL
Debt securities	–	–17	9	–8	–82
Equity instruments	–	–34	x	–34	–
Units in investment funds	–	–6	6	–	–2
Loans to banks	–	–	–	–	–
Loans to customers	–	–	–	–	–
TOTAL	**–**	**–56**	**15**	**–42**	**–84**

Impairment losses on held-to-maturity investments

(€ million)

	1 JAN.–30 JUNE 2012						1 JAN.–30 JUNE 2011
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Debt securities	–14	–2	–	1	–	–16	–50
Loans to banks	–	–	–	–	–	–	–
Loans to customers	–	–	–	–	–	–	–
TOTAL	**–14**	**–2**	**–**	**1**	**–**	**–16**	**–50**

Impairment losses on other financial transactions

(€ million)

	1 JAN.–30 JUNE 2012						1 JAN.–30 JUNE 2011
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Guarantees given	–	–16	–5	14	2	–5	–5
Credit derivatives	–	–	–	–	–	–	–
Commitments to disburse funds	–	–2	–1	2	2	1	4
Other transactions	–	–2	–	3	–	1	–
TOTAL	**–**	**–20**	**–5**	**19**	**4**	**–4**	**–1**

Notes to the income statement (CONTINUED)

Payroll

(€ million)

	1 JAN.–30 JUNE 2012	1 JAN.–30 JUNE 2011
Employees	**–975**	**–985**
Wages and salaries	–706	–713
Social charges	–152	–143
Severance pay	–	–
Social security costs	–	–27
Allocation to employee severance pay provision	–	–
Provision for retirement payments and similar provisions	–124	–126
Payments to external pension funds	–14	–15
Costs related to share-based payments	–3	–3
Other employee benefits	–53	–24
Recovery of compensation*)	78	66
Others	**–25**	**–23**
TOTAL	**–1,000**	**–1,008**

*) This includes recovery of staff costs relating to Bank Austria employees who are not active within the Group.

Other administrative expenses

(€ million)

	1 JAN.–30 JUNE 2012	1 JAN.–30 JUNE 2011
Indirect taxes and duties	**–79**	**–72**
Miscellaneous costs and expenses	**–736**	**–723**
Advertising, marketing and communication	–61	–61
Expenses related to credit risk	–17	–14
Expenses related to personnel	–32	–30
Information and communication technology expenses	–196	–198
Consulting and professional services	–39	–35
Real estate expenses	–172	–166
Other functioning costs	–220	–218
TOTAL	**–815**	**–795**

Net provisions for risks and charges

(€ million)

	1 JAN.–30 JUNE 2012			1 JAN.–30 JUNE 2011
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
Other provisions				
Legal disputes	–51	4	–48	–37
Staff costs	–	–	–	–
Other	–23	4	–19	5
TOTAL	**–74**	**7**	**–66**	**–31**

Notes to the income statement (CONTINUED)

Impairment on property, plant and equipment

(€ million)

	1 JAN.–30 JUNE 2012				1 JAN.– 30 JUNE 2011
	DEPRECIATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	NET PROFIT
Property, plant and equipment					
Owned	**–92**	**–**	**–**	**–92**	**–97**
used in the business	–89	–	–	–89	–94
held for investment	–3	–	–	–3	–3
Finance leases	**–1**	**–**	**–**	**–1**	**–1**
used in the business	–1	–	–	–1	–1
held for investment	–	–	–	–	–
TOTAL	**–92**	**–**	**–**	**–92**	**–97**

Impairment on intangible assets

(€ million)

	1 JAN.–30 JUNE 2012				1 JAN.– 30 JUNE 2011
	AMORTISATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	NET PROFIT
Intangible assets					
Owned	**–54**	**–**	**–**	**–54**	**–52**
generated internally by the company	–3	–	–	–3	–3
other	–51	–	–	–51	–49
Finance leases	**–**	**–**	**–**	**–**	**–**
TOTAL	**–54**	**–**	**–**	**–54**	**–52**

Other net operating income

Other operating expenses

(€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Costs for operating leases	–	–
Reclassification of gains/losses associated with cash flow hedges of non-financial assets or liabilities from equity to profit or loss (IAS 39, paragraph 98a)	–	–
Non-deductible tax and other fiscal charges	–1	–1
Write-downs on improvements of goods owned by third parties	–1	–1
Costs related to the specific service of financial leasing	–	–
Other	–30	–32
TOTAL OTHER OPERATING EXPENSES	**–32**	**–34**

Other operating income

(€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Recovery of costs	**1**	**–**
Other income	**82**	**126**
Revenue from administrative services	23	61
Reclassification of valuation reserve relating to cash-flow hedging of non-financial assets/liabilities	–	–
Revenues from rentals of real estate investments (net of direct operating costs)	10	9
Revenues from operating leases	2	1
Recovery of miscellaneous costs paid in previous years	1	2
Revenues from finance lease activities	–	–
Others	47	54
TOTAL OTHER OPERATING INCOME	**83**	**127**
OTHER NET OPERATING INCOME	**50**	**93**

Notes to the income statement (CONTINUED)

Profit (Loss) of associates

(€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Companies subject to significant influence		
Income	**71**	**111**
Revaluations	71	89
Gains on disposal	–	22
Write-backs	–	–
Other gains	–	–
Expense	**–7**	**–6**
Write-downs	–7	–2
Impairment losses	–	–4
Losses on disposal	–	–
Other negative changes	–	–
TOTAL	**64**	**105**

Gains and losses on disposal of investments

(€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Property		
Gains on disposal	7	5
Losses on disposal	–	–
Other assets		
Gains on disposal	2	2
Losses on disposal	–1	–13
TOTAL	**7**	**–6**

Earnings per share

During the reporting period, no financial instruments with a dilutive effect on the bearer shares were outstanding. Therefore basic earnings per share in accordance with IAS 33 equal diluted earnings per share in accordance with IAS 33. Earnings per share are calculated on the basis of the average number of shares outstanding (231.2 million shares). Earnings per share for the first six months of 2012 were €5.59 (comparative figure for the same period of the previous year: €5.53, based on 231.2 million shares).

Notes to the statement of financial position

Financial assets held for trading

(€ million)

	30 JUNE 2012				31 DEC. 2011			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Financial assets (non-derivatives)	**246**	**182**	**70**	**499**	**307**	**604**	**80**	**992**
Debt securities	227	182	70	479	293	604	80	977
Structured securities	*10*	–	*3*	*14*	*9*	–	–	*10*
Other debt securities	*216*	*182*	*67*	*465*	*283*	*604*	*80*	*968*
Equity instruments	11	–	–	11	7	–	–	7
Units in investment funds	7	–	–	8	6	–	–	7
Loans	1	–	–	1	1	–	–	1
Reverse repos	–	–	–	–	–	–	–	–
Other	*1*	–	–	*1*	*1*	–	–	*1*
Derivative instruments	**2**	**2,267**	**7**	**2,275**	**–**	**2,320**	**9**	**2,330**
Financial derivatives	2	2,263	7	2,272	–	2,318	9	2,328
Trading	*2*	*2,241*	*7*	*2,250*	–	*2,317*	*9*	*2,327*
Related to fair value option	–	–	–	–	–	–	–	–
Other	–	*22*	–	*22*	–	*1*	–	*1*
Credit derivatives	–	4	–	4	–	2	–	2
Trading	–	*4*	–	*4*	–	*2*	–	*2*
Related to fair value option	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
TOTAL	**247**	**2,449**	**77**	**2,774**	**308**	**2,924**	**90**	**3,322**

Financial assets at fair value through profit or loss

(€ million)

	30 JUNE 2012				31 DEC. 2011			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Debt securities	12	325	36	373	11	45	36	92
Structured securities	–	–	–	–	–	–	–	–
Other debt securities	*12*	*325*	*36*	*373*	*11*	*45*	*36*	*92*
Equity instruments	–	–	–	–	–	–	–	–
Units in investment funds	14	–	105	118	15	–	106	122
Loans	–	–	–	–	–	–	–	–
Structured	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
TOTAL	**25**	**325**	**141**	**491**	**26**	**45**	**143**	**214**
COST	**24**	**325**	**141**	**490**	**25**	**45**	**143**	**213**

This item shows assets in respect of which Bank Austria used the option to designate financial instruments as at fair value through profit or loss in order to avoid inconsistencies in the valuation of assets and liabilities which are connected with each other. Most of these assets are complex structures with embedded derivatives.

Notes to the statement of financial position (CONTINUED)

Available-for-sale financial assets

(€ million)

	30 JUNE 2012				31 DEC. 2011			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Debt securities	7,105	7,955	1,801	16,861	5,464	6,876	1,449	13,789
Structured securities	*11*	*74*	*712*	*798*	*–*	*24*	*419*	*443*
Other	*7,093*	*7,881*	*1,089*	*16,063*	*5,464*	*6,852*	*1,030*	*13,346*
Equity instruments	38	13	571	622	45	15	623	684
Measured at fair value	*38*	*13*	*543*	*595*	*45*	*15*	*594*	*655*
Carried at cost	*–*	*–*	*28*	*28*	*–*	*–*	*29*	*29*
Units in investment funds	29	89	62	180	31	87	86	205
Loans	–	–	–	–	–	–	–	–
TOTAL	**7,172**	**8,057**	**2,434**	**17,663**	**5,540**	**6,979**	**2,158**	**14,677**

Held-to-maturity investments

(€ million)

	30 JUNE 2012				31 DEC. 2011			
	BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
Debt securities	3,152	2,448	700	177	3,498	2,347	913	288
Structured securities	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Other securities	*3,152*	*2,448*	*700*	*177*	*3,498*	*2,347*	*913*	*287*
Loans	–	–	–	–	–	–	–	–
TOTAL	**3,152**	**2,448**	**700**	**177**	**3,498**	**2,347**	**913**	**288**

Loans and receivables with banks

(€ million)

	30 JUNE 2012	31 DEC. 2011
Loans to central banks	**6,264**	**5,726**
Time deposits	260	335
Compulsory reserves	4,951	5,007
Reverse repos	840	343
Other	213	41
Loans to banks	**19,237**	**19,895**
Current accounts and demand deposits	2,611	1,908
Time deposits	7,191	8,216
Other loans	3,295	3,846
Reverse repos	*662*	*1,409*
Finance leases	*–*	*–*
Other	*2,633*	*2,437*
Debt securities	6,140	5,924
Structured	*–*	*–*
Other	*6,140*	*5,924*
TOTAL (CARRYING AMOUNT)	**25,501**	**25,621**
TOTAL (FAIR VALUE)	**25,500**	**24,745**
Loan loss provisions deducted from loans and receivables	48	49

Notes to the statement of financial position (CONTINUED)

Loans and receivables with customers

(€ million)

	30 JUNE 2012			31 DEC. 2011		
	PERFORMING	IMPAIRED	TOTAL	PERFORMING	IMPAIRED	TOTAL
Current accounts	12,577	243	12,820	12,105	308	12,413
Reverse repos	455	–	455	230	–	230
Mortgages	23,499	2,653	26,152	23,039	1,967	25,005
Credit cards and personal loans, including wage assignment loans	10,569	123	10,692	9,629	126	9,755
Finance leases	478	15	493	441	19	460
Factoring	1,167	9	1,176	1,132	10	1,142
Other transactions	78,062	5,051	83,114	79,559	5,116	84,675
Debt securities	1,068	19	1,087	1,212	23	1,235
Structured securities	–	–	–	–	–	–
Other debt securities	*1,068*	*19*	*1,087*	*1,212*	*23*	*1,235*
TOTAL (CARRYING AMOUNT)	**127,876**	**8,113**	**135,989**	**127,347**	**7,567**	**134,914**
TOTAL (FAIR VALUE)	**128,851**	**8,001**	**136,852**	**127,819**	**7,536**	**135,355**
Loan loss provisions deducted from loans and receivables	780	7,276	8,056	810	6,903	7,713

Hedging derivatives

(€ million)

	30 JUNE 2012				31 DEC. 2011			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Financial derivatives	**–**	**3,784**	**–**	**3,784**	**–**	**3,466**	**–**	**3,466**
Fair value	–	807	–	807	–	770	–	770
Cash flows	–	2,977	–	2,977	–	2,696	–	2,696
Net investment in foreign subsidiaries	–	–	–	–	–	–	–	–
Credit derivatives	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Fair value	–	–	–	–	–	–	–	–
Cash flows	–	–	–	–	–	–	–	–
TOTAL	**–**	**3,784**	**–**	**3,784**	**–**	**3,466**	**–**	**3,466**

Property, plant and equipment

(€ million)

	30 JUNE 2012	31 DEC. 2011
Assets for operational use	**1,776**	**1,855**
Owned	**1,715**	**1,799**
Land	104	147
Buildings	1,227	1,258
Office furniture and fittings	145	147
Electronic systems	136	141
Others	103	106
Leased	**61**	**56**
Land	14	13
Buildings	46	42
Office furniture and fittings	–	–
Electronic systems	–	–
Others	1	1
Held-for-investment assets	**763**	**721**
Owned	**763**	**721**
Land	292	289
Buildings	471	432
Leased	**–**	**–**
Land	–	–
Buildings	–	–
TOTAL	**2,539**	**2,576**

Notes to the statement of financial position (CONTINUED)

Intangible assets

(€ million)

	30 JUNE 2012	31 DEC. 2011
Goodwill	**2,424**	**2,397**
Other intangible assets	**458**	**469**
Assets carried at cost	458	469
Intangible assets generated internally	*44*	*43*
Other assets	*414*	*426*
Assets valued at fair value	–	–
TOTAL	**2,882**	**2,866**

Non-current assets and disposal groups classified as held for sale

(€ million)

	30 JUNE 2012	31 DEC. 2011
Individual assets		
Financial assets	–	–
Equity investments	–	–
Property, plant and equipment	135	55
Intangible assets	–	–
Other non-current assets	–	–
Total	**135**	**55**
Asset groups classified as held for sale	**–**	**–**
ASSETS	**135**	**55**

This item includes the Schottengasse 6-8 property, which is intended to be sold, and UNO Shoppingcenter, Linz, which is intended to be repositioned and sold in cooperation with a strategic partner, pursuant to a resolution passed by the Management Board. Negotiations are currently under way in this regard and should be completed within a year.

New office buildings were constructed for UniCredit Bank Czech Republic a.s. in Prague. The bank has already relocated to the new buildings. The office buildings previously used by the bank are intended to be sold.

Deposits from banks

(€ million)

	30 JUNE 2012	31 DEC. 2011
Deposits from central banks	**5,204**	**2,454**
Deposits from banks	**28,220**	**30,318**
Demand deposits	2,313	1,649
Time deposits	8,774	11,007
Loans raised with banks	17,011	17,498
Repos	*2,274*	*2,361*
Other	*14,737*	*15,137*
Liabilities in respect of commitments to repurchase treasury shares	–	–
Other liabilities	121	165
TOTAL	**33,424**	**32,772**
FAIR VALUE	**34,138**	**33,234**

Notes to the statement of financial position (CONTINUED)

Deposits from customers

(€ million)

	30 JUNE 2012	31 DEC. 2011
Demand deposits	49,666	45,152
Time deposits	54,650	56,596
Loans raised with customers	1,161	927
Repos	*1,006*	*757*
Other	*155*	*170*
Liabilities in respect of commitments to repurchase treasury shares	626	605
Other liabilities	1,317	1,447
TOTAL	**107,421**	**104,728**
FAIR VALUE	**108,465**	**105,616**

Debt securities in issue

(€ million)

	30 JUNE 2012				31 DEC. 2011			
	CARRYING AMOUNT	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	CARRYING AMOUNT	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
Securities								
Bonds	27,319	898	25,484	806	28,496	1,343	25,627	1,124
Structured	*160*	*–*	*146*	*–*	*187*	*–*	*–*	*187*
Other	*27,159*	*898*	*25,338*	*806*	*28,309*	*1,343*	*25,627*	*938*
Other securities	1,207	5	271	591	1,435	5	579	850
Structured	*6*	*5*	*–*	*–*	*5*	*5*	*–*	*–*
Other	*1,201*	*–*	*271*	*591*	*1,429*	*–*	*579*	*850*
TOTAL	**28,526**	**903**	**25,755**	**1,397**	**29,931**	**1,348**	**26,206**	**1,974**

Financial liabilities held for trading

(€ million)

	30 JUNE 2012				31 DEC. 2011			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Financial liabilities	**57**	**9**	**–**	**67**	**50**	**5**	**–**	**55**
Deposits from banks	**1**	**–**	**–**	**1**	**1**	**–**	**–**	**1**
Deposits from customers	**57**	**9**	**–**	**66**	**49**	**5**	**–**	**54**
Debt securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Bonds	–	–	–	–	–	–	–	–
Other securities	–	–	–	–	–	–	–	–
Derivative instruments	**–**	**2,417**	**6**	**2,424**	**1**	**2,489**	**10**	**2,500**
Financial derivatives	**–**	**2,253**	**6**	**2,259**	**1**	**2,266**	**10**	**2,277**
Trading	–	2,238	6	2,244	1	2,254	10	2,265
Relating to fair value option	–	6	–	6	–	4	–	4
Other	–	9	–	9	–	8	–	8
Credit derivatives	**–**	**164**	**–**	**164**	**–**	**223**	**–**	**223**
Trading derivatives	–	164	–	164	–	223	–	223
Relating to fair value option	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
TOTAL	**57**	**2,427**	**6**	**2,490**	**51**	**2,493**	**10**	**2,554**

Notes to the statement of financial position (CONTINUED)

Financial liabilities at fair value through profit or loss

(€ million)

	30 JUNE 2012				31 DEC. 2011			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Deposits from banks	–	–	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–	–	–
Debt securities	–	1,059	–	1,059	–	1,042	–	1,042
Structured	–	*1,059*	–	*1,059*	–	*1,042*	–	*1,042*
Others	–	–	–	–	–	–	–	–
TOTAL	**–**	**1,059**	**–**	**1,059**	**–**	**1,042**	**–**	**1,042**

This item shows liabilities in respect of which Bank Austria used the option to designate financial instruments as at fair value through profit or loss in order to avoid inconsistencies in the valuation of assets and liabilities which are connected with each other. Most of these liabilities are debt securities and complex structures with embedded derivatives. In the first six months of 2012, changes in fair values resulting from changes in our own funding costs were –€34.9 million (same period of the previous year: –€0.7 million).

Hedging derivatives

(€ million)

	30 JUNE 2012				31 DEC. 2011			
	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	TOTAL
Financial derivatives	**–**	**2,733**	**2**	**2,735**	**–**	**2,883**	**25**	**2,909**
Fair value	–	176	–	176	–	185	–	185
Cash flows	–	2,557	2	2,559	–	2,698	25	2,723
Net investment in foreign subsidiaries	–	–	–	–	–	–	–	–
Credit derivatives	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Fair value	–	–	–	–	–	–	–	–
Cash flows	–	–	–	–	–	–	–	–
TOTAL	**–**	**2,733**	**2**	**2,735**	**–**	**2,883**	**25**	**2,909**

Liabilities included in disposal groups classified as held for sale

The statement of financial position at 30 June 2012 does not include any “Liabilities included in disposal groups classified as held for sale”.

Provisions for risks and charges

(€ million)

	30 JUNE 2012	31 DEC. 2011
Pensions and other post-retirement benefit obligations	**3,678**	**3,664**
Other provisions for risks and charges	**562**	**540**
Legal disputes	285	258
Staff expenses	10	15
Other	267	268
TOTAL	**4,239**	**4,204**

Segment reporting

Reconciliation of reclassified accounts to mandatory reporting schedule

(€ million)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Net interest	2,249	2,241
Dividends and other income from equity investments	86	102
Dividend income and similar revenue	23	15
minus: dividends from equity instruments held for trading	*0*	*0*
Profit (loss) of associates – of which: income (loss) from equity investments valued at net equity	64	87
Net fees and commissions	786	922
Net trading, hedging and fair value income	357	168
Gains (losses) on financial assets and liabilities held for trading	240	150
plus: dividends from equity instruments held for trading	*0*	*0*
Fair value adjustments in hedge accounting	*0*	*2*
Gains (losses) on disposal or repurchase of financial liabilities	*124*	*0*
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss	*–7*	*15*
Net other expenses/income	35	105
Gains (losses) on disposals/repurchases of loans and receivables – not impaired	–29	0
Premiums earned (net)	77	63
Other income (net) from insurance activities	–62	–51
Other net operating income	50	93
minus: other operating income – of which: recovery of expenses	*–1*	*0*
plus: impairment on tangible assets – other operating leases	*0*	*0*
OPERATING INCOME	**3,512**	**3,538**
Payroll costs	–997	–1,008
Administrative costs – staff expenses	–1,000	–1,008
minus: integration/restructuring costs	*3*	*0*
Other administrative expenses	–814	–793
Administrative costs – other administrative expenses	–815	–795
minus: integration/restructuring costs	*1*	*2*
Recovery of expenses = Other net operating income – of which: Other operating income – recovery of costs	1	0
Amortisation, depreciation and impairment losses on intangible and tangible assets	–137	–139
Impairment/Write-backs on property, plant and equipment	–92	–97
minus: impairment losses/write-backs on property owned for investment	*0*	*0*
minus: impairment on tangible assets – other operating leases	*0*	*0*
Impairment/Write-backs on intangible assets	–54	–52
minus: integration/restructuring costs	*0*	*0*
minus: Purchase Price Allocation effect	*10*	*10*
OPERATING COSTS	**–1,947**	**–1,941**
OPERATING PROFIT	**1,565**	**1,598**

Segment reporting (CONTINUED)

	1 JAN.– 30 JUNE 2012	1 JAN.– 30 JUNE 2011
Net write-downs of loans and provisions for guarantees and commitments	–568	–698
Gains (losses) on disposal and repurchase of loans	2	2
Impairment losses on loans	–566	–698
Impairment losses on other financial assets	–4	–2
NET OPERATING PROFIT	**997**	**900**
Provisions for risks and charges	–67	–31
Net provisions for risks and charges	–66	–31
less: integration/restructuring costs	*0*	*0*
Integration/restructuring costs	–3	–2
Net income from investments	–63	–29
Gains (losses) on disposal and repurchase of available-for-sale financial assets	–3	93
Gains (losses) on disposal and repurchase of held-to-maturity investments	–10	0
Impairment losses on available-for-sale financial assets	–42	–84
Impairment losses on held-to-maturity investments	–16	–50
plus: impairment losses/write-backs on property owned for investment	*0*	*0*
Profit (loss) of associates	64	105
minus: profit (loss) of associates – income (loss) from equity investments valued at net equity	*–64*	*–87*
Gains and losses on tangible and intangible assets	0	0
Gains (losses) on disposal of investments	7	–6
PROFIT BEFORE TAX	**864**	**838**
Income tax for the period	–185	–113
Tax expense (income) related to profit or loss from continuing operations	–183	–110
minus: taxes on Purchase Price Allocation effect	–2	–2
PROFIT (LOSS) FOR THE PERIOD	**679**	**725**
Non-controlling interests	–18	–25
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY BEFORE PPA	**661**	**700**
Purchase Price Allocation effect	–8	–7
Impairment of goodwill	–7	–53
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**646**	**640**

Segment reporting (CONTINUED)

Description of segment reporting

The segment reporting format is based on the internal reporting structure of business segments, which reflects management responsibilities in the Bank Austria Group in 2012. The business segments are presented as independent units with their own capital resources and responsibility for their own results. This also meets the requirements of IFRS 8.

The definition of business segments is primarily based on organisational responsibility for customers.

Family & SME Banking
Responsibility for the Family & SME Banking segment covers Bank Austria's business with private customers (except Private Banking customers) and small and medium-sized enterprises (SMEs) with a turnover of up to €50 million. Also included in this Division are the credit card business and factoring business.

Private Banking
Private Banking has responsibility for private customers with investments exceeding €500,000. Schoellerbank AG and various other small subsidiaries are also included in the Private Banking Division.

Corporate & Investment Banking
The Corporate & Investment Banking segment covers the product lines Financing & Advisory (classic and structured lending business and capital market advisory services), Global Transaction Banking (including payment transactions, trade finance, cash management) and Markets (Treasury). Management is performed through a matrix organisation based on customer segments: international corporates, corporate customers whose turnover exceeds €50 million, real estate, public sector and financial institutions.
The Corporate & Investment Banking segment includes a number of subsidiaries – e.g. the Bank Austria Real Invest Group, Bank Austria Wohnbaubank AG and smaller subsidiaries in CEE countries with a focus on investment banking – as consolidated companies.

Central Eastern Europe (CEE)
The CEE business segment includes the commercial banking units of the Bank Austria Group in the region of Central and Eastern Europe (including Turkey and Kazakhstan).

Corporate Center
The Corporate Center comprises all equity interests that are not assigned to other segments and it also includes the contribution from UniCredit Leasing, in which Bank Austria has a shareholding interest of 31.01% accounted for under the equity method. Funding costs relating to consolidated subsidiaries and equity not allocated to business segments are also assigned to the Corporate Center. Also included are inter-segment eliminations, other items which are not to be assigned to other business segments, and impairment losses on goodwill.

Methods

Net interest is split up according to the market interest rate method. Costs are allocated to the individual business segments from which they arise.

The result of each business segment is measured by the profit earned by the respective segment. The interest rate applied to investment of equity allocated to the business segments is determined for one year in advance as part of the budgeting process. Essentially, it is composed of the 1-month EURIBOR and a liquidity cost margin based on the average term of balance sheet volume.

Overhead costs are allocated to the business segments according to a key of distribution applied within the Group on a uniform basis (50% costs, 20% revenues, 20% FTEs and 10% proportionately).

In 2012, capital allocated to the business segments in UniCredit Bank Austria AG, based on the Tier 1 capital ratio, is 9% of risk-weighted assets of the preceding quarter. Subsidiaries are included with actual IFRS capital, not with standardised capital. The adjustment item with respect to the consolidated IFRS capital of the Bank Austria Group is reflected in the Corporate Center.

Segment reporting (CONTINUED)

Recasting:

A number of structural changes took place within the business segments and in the group of consolidated companies. This means that results for 2012 are not fully comparable with those for 2011. For this reason, the segment results for 2011 have been adjusted to the new structure. The difference compared with Bank Austria's overall results is presented in a separate column showing "Recasting differences".

The main pro-forma adjustments are as follows:

- Bank Austria Global Information Services GmbH was sold to UniCredit Global Information Services in June 2011. Bank Austria Global Information Services is therefore no longer included in the recast 2011 figures.
- Starting in 2012, fee and commission income from management, brokerage and consultancy services relating to derivatives business in securities and currency trading is reported in the item Net trading, hedging and fair value income. Figures for previous periods were recast accordingly.
- The equity benefit allocated to the business segments was adjusted to the new calculation method (essentially, 1-month EURIBOR plus liquidity cost margin based on average term of balance sheet volume) also for 2011.
- Starting in 2012, sales commissions resulting from issuing activity are allocated to the business segments on an accrual basis (in 2011, income over the entire period to maturity was directly allocated to the business segments, the compensating effect for reconciliation with accounting figures was presented in the Corporate Center); figures for previous periods were recast accordingly.
- The portfolios which are assigned to asset/liability management and liquidity management were combined in the Corporate Center (this also includes funding of non-consolidated companies of the Group).

Segment reporting (CONTINUED)

Segment reporting 1–6 2012/1–6 2011

(€ million)

		FAMILY & SME BANKING (F&SME)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)	RECASTING DIFFER-ENCES 1)	BANK AUSTRIA GROUP (PUBLISHED) 2)
Net interest	1–6 2012	356	31	393	1,620	–152	2,249	–	2,249
	1–6 2011	345	26	349	1,619	–98	2,241	–	2,241
Dividends and other income from equity investments	1–6 2012	2	–	25	13	46	86	–	86
	1–6 2011	3	–	29	12	59	103	–1	102
Net fees and commissions	1–6 2012	186	42	90	501	–33	786	–	786
	1–6 2011	203	43	104	505	–37	818	104	922
Net trading, hedging and fair value income/loss	1–6 2012	6	1	–6	208	148	357	–	357
	1–6 2011	6	1	24	154	86	272	–104	168
Net other expenses/income	1–6 2012	4	–1	8	5	18	35	–	35
	1–6 2011	3	–	5	37	21	67	38	105
OPERATING INCOME	**1–6 2012**	**555**	**73**	**511**	**2,347**	**27**	**3,512**	**–**	**3,512**
	1–6 2011	**561**	**71**	**511**	**2,328**	**31**	**3,501**	**38**	**3,538**
OPERATING COSTS	**1–6 2012**	**–447**	**–52**	**–177**	**–1,113**	**–157**	**–1,947**	**–**	**–1,947**
	1–6 2011	**–439**	**–51**	**–187**	**–1,085**	**–143**	**–1,905**	**–35**	**–1,941**
OPERATING PROFIT	**1–6 2012**	**108**	**21**	**334**	**1,233**	**–130**	**1,565**	**–**	**1,565**
	1–6 2011	**121**	**19**	**324**	**1,243**	**–112**	**1,595**	**2**	**1,598**
Net write-downs of loans and provisions for guarantees and commitments	1–6 2012	–46	–	–41	–481	1	–568	–	–568
	1–6 2011	–101	–2	–79	–516	–	–698	–	–698
NET OPERATING PROFIT	**1–6 2012**	**61**	**21**	**292**	**752**	**–129**	**997**	**–**	**997**
	1–6 2011	**21**	**17**	**245**	**727**	**–112**	**898**	**2**	**900**
Provisions for risks and charges	1–6 2012	–	–1	–	–20	–46	–67	–	–67
	1–6 2011	10	2	1	–10	–34	–31	–	–31
Integration/restructuring costs	1–6 2012	–	–	–3	–	–	–3	–	–3
	1–6 2011	–	–	–	–2	–	–2	–	–2
Net income from investments	1–6 2012	–	–	–12	15	–66	–63	–	–63
	1–6 2011	2	–	7	45	–83	–29	–	–29
PROFIT BEFORE TAX	**1–6 2012**	**62**	**20**	**277**	**747**	**–242**	**864**	**–**	**864**
	1–6 2011	**32**	**19**	**253**	**760**	**–229**	**836**	**2**	**838**
Income tax for the period	1–6 2012	–15	–6	–67	–149	52	–185	–	–185
	1–6 2011	–7	–5	–55	–98	53	–112	–	–113
PROFIT (LOSS) FOR THE PERIOD	**1–6 2012**	**47**	**14**	**210**	**598**	**–190**	**679**	**–**	**679**
	1–6 2011	**25**	**14**	**198**	**663**	**–177**	**723**	**2**	**725**
Non-controlling interests	1–6 2012	–2	–	–	–25	9	–18	–	–18
	1–6 2011	–3	–	–	–32	10	–25	–	–25
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY BEFORE PPA	**1–6 2012**	**44**	**14**	**210**	**574**	**–182**	**661**	**–**	**661**
	1–6 2011	**22**	**14**	**198**	**630**	**–166**	**698**	**2**	**700**
Purchase Price Allocation effect	1–6 2012	–	–	–	–	–8	–8	–	–8
	1–6 2011	–	–	–	–	–7	–7	–	–7
Goodwill impairment	1–6 2012	–	–	–	–	–7	–7	–	–7
	1–6 2011	–	–	–	–	–53	–53	–	–53
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**1–6 2012**	**44**	**14**	**210**	**574**	**–197**	**646**	**–**	**646**
	1–6 2011	**22**	**14**	**198**	**630**	**–226**	**638**	**2**	**640**
Risk-weighted assets (RWA) (avg.)	**1–6 2012**	**11,028**	**878**	**15,877**	**86,839**	**12,521**	**127,142**	**–**	**127,142**
	1–6 2011	**12,882**	**905**	**19,337**	**79,322**	**11,549**	**123,997**	**354**	**124,350**
Equity (avg.) 3)	1–6 2012	1,234	166	1,803	12,962	1,543	17,708	–	17,708
	1–6 2011	1,179	153	1,824	11,691	2,738	17,584	11	17,595
Cost/income ratio in %	*1–6 2012*	*80.6*	*71.6*	*34.7*	*47.4*	*n.m.*	*55.4*	*n.m.*	*55.4*
	1–6 2011	*78.3*	*72.5*	*36.6*	*46.6*	*n.m.*	*54.4*	*n.m.*	*54.8*
Risk/earnings ratio in % 4)	*1–6 2012*	*13.0*	*n.m.*	*9.9*	*29.5*	*n.m.*	*24.3*	*n.m.*	*24.3*
	1–6 2011	*29.0*	*n.m.*	*20.9*	*31.6*	*n.m.*	*29.8*	*n.m.*	*29.8*

1) The segment results for 2011 have been recast. The difference compared to Bank Austria's results for 2011 is presented in a separate column showing "Recasting differences", which mainly relate to the sale of Bank Austria Global Information Services GmbH and a change in reporting fee and commission income from management, brokerage and consultancy services relating to derivatives business in securities and currency trading, which is now included in the item Net trading, hedging and fair value income.

2) The comparative figures for 2011 differ from those published so far due to the reclassification, performed by three Group legal entities in the first half of 2012, of the time-value interest component of impaired loans from net interest to net write-downs of loans and provisions for guarantees and commitments.

3) Total IFRS capital for the subsidiaries allocated to the respective Division together with standardised capital (capital allocation based on actual RWAs of the previous quarter) for the rest of the respective Division. The difference compared to the consolidated equity of the Bank Austria Group is shown in the Corporate Center.

4) Risk/earnings ratio: net write-downs of loans and provisions for guarantees and commitments measured against net interest and dividends and other income from equity investments.

n.m. = not meaningful

Segment reporting (CONTINUED)

Segment reporting Q1–Q2 2012/Q1–Q4 2011

(€ million)

		FAMILY & SME BANKING (F&SME)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)	RECASTING DIFFER-ENCES 1)	BANK AUSTRIA GROUP (PUBLISHED) 2)
Net interest	Q2 2012	180	15	196	823	–71	1,143	–	1,143
	Q1 2012	176	16	198	798	–82	1,105	–	1,105
	Q4 2011	175	18	183	797	–53	1,121	–	1,121
	Q3 2011	175	17	181	793	–42	1,124	–	1,124
	Q2 2011	174	15	173	806	–50	1,117	–	1,117
	Q1 2011	171	12	176	814	–48	1,124	–	1,124
Dividends and other income from equity investments	Q2 2012	1	–	18	9	29	57	–	57
	Q1 2012	1	–	7	5	17	30	–	30
	Q4 2011	5	–	9	19	23	56	–	56
	Q3 2011	–	–	6	2	41	49	–	49
	Q2 2011	–	–	9	10	33	52	–1	52
	Q1 2011	3	–	20	2	26	50	–	50
Net fees and commissions	Q2 2012	93	20	46	260	–17	402	–	402
	Q1 2012	93	21	44	241	–16	383	–	383
	Q4 2011	96	23	59	271	–16	433	51	484
	Q3 2011	100	20	56	266	–17	424	56	479
	Q2 2011	100	20	49	255	–18	406	54	460
	Q1 2011	104	23	55	249	–18	413	50	462
Net trading, hedging and fair value income/loss	Q2 2012	4	–	2	104	–47	63	–	63
	Q1 2012	2	1	–8	104	194	293	–	293
	Q4 2011	2	–	16	120	–18	121	–51	70
	Q3 2011	2	1	–6	92	–11	79	–56	24
	Q2 2011	3	–	13	77	15	108	–54	54
	Q1 2011	3	1	11	77	72	164	–50	114
Net other expenses/income	Q2 2012	2	–	4	19	10	35	–	35
	Q1 2012	2	–1	4	–14	9	–	–	–
	Q4 2011	6	1	1	–16	1	–7	–	–7
	Q3 2011	4	–	3	40	–9	38	–	38
	Q2 2011	2	–	3	23	10	38	20	58
	Q1 2011	2	–	2	14	10	29	18	47
OPERATING INCOME	**Q2 2012**	**280**	**36**	**267**	**1,215**	**–96**	**1,701**	**–**	**1,701**
	Q1 2012	**274**	**37**	**244**	**1,132**	**123**	**1,811**	**–**	**1,811**
	Q4 2011	**284**	**42**	**269**	**1,192**	**–63**	**1,724**	**–**	**1,724**
	Q3 2011	**281**	**37**	**240**	**1,193**	**–37**	**1,714**	**–**	**1,714**
	Q2 2011	**279**	**35**	**247**	**1,171**	**–10**	**1,721**	**19**	**1,741**
	Q1 2011	**282**	**35**	**264**	**1,157**	**41**	**1,779**	**18**	**1,798**
OPERATING COSTS	**Q2 2012**	**–225**	**–26**	**–85**	**–571**	**–79**	**–986**	**–**	**–986**
	Q1 2012	**–222**	**–26**	**–93**	**–543**	**–78**	**–961**	**–**	**–961**
	Q4 2011	**–241**	**–25**	**–103**	**–567**	**–68**	**–1,005**	**–**	**–1,005**
	Q3 2011	**–226**	**–25**	**–98**	**–541**	**–68**	**–957**	**–**	**–957**
	Q2 2011	**–226**	**–26**	**–96**	**–553**	**–71**	**–972**	**–19**	**–990**
	Q1 2011	**–213**	**–25**	**–91**	**–532**	**–72**	**–934**	**–17**	**–950**
OPERATING PROFIT	**Q2 2012**	**55**	**10**	**182**	**644**	**–176**	**715**	**–**	**715**
	Q1 2012	**53**	**11**	**152**	**589**	**45**	**850**	**–**	**850**
	Q4 2011	**43**	**17**	**166**	**625**	**–131**	**719**	**–**	**719**
	Q3 2011	**56**	**12**	**142**	**652**	**–105**	**757**	**–**	**757**
	Q2 2011	**52**	**9**	**151**	**618**	**–81**	**750**	**1**	**751**
	Q1 2011	**69**	**10**	**173**	**625**	**–31**	**846**	**1**	**847**
Net write-downs of loans and provisions for guarantees and commitments	Q2 2012	–13	–	–10	–262	1	–284	–	–284
	Q1 2012	–33	–	–31	–219	–	–284	–	–284
	Q4 2011	–3	–1	–15	–298	–	–318	–	–318
	Q3 2011	–55	–	–36	–236	–	–326	–	–326
	Q2 2011	–46	–1	–33	–244	–	–325	–	–325
	Q1 2011	–54	–1	–45	–272	–	–372	–	–372

1) The segment results for 2011 have been recast. The difference compared to Bank Austria's results for 2011 is presented in a separate column showing "Recasting differences", which mainly relate to the sale of Bank Austria Global Information Services GmbH and a change in reporting fee and commission income from management, brokerage and consultancy services relating to derivatives business in securities and currency trading, which is now included in the item Net trading, hedging and fair value income.

2) The comparative figures for 2011 differ from those published so far due to the reclassification, performed by three Group legal entities in the first half of 2012, of the time-value interest component of impaired loans from net interest to net write-downs of loans and provisions for guarantees and commitments.

Segment reporting (CONTINUED)

		FAMILY & SME BANKING (F&SME)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)	RECASTING DIFFER-ENCES [1]	BANK AUSTRIA GROUP (PUBLISHED) [2]
NET OPERATING PROFIT	**Q2 2012**	**42**	**10**	**172**	**382**	**–174**	**431**	**–**	**431**
	Q1 2012	**19**	**11**	**120**	**371**	**45**	**566**	**–**	**566**
	Q4 2011	**40**	**16**	**150**	**326**	**–132**	**401**	**–**	**401**
	Q3 2011	**1**	**12**	**107**	**417**	**–105**	**431**	**–**	**431**
	Q2 2011	**6**	**8**	**118**	**374**	**–81**	**424**	**1**	**425**
	Q1 2011	**15**	**9**	**127**	**353**	**–31**	**473**	**1**	**475**
Provisions for risks and charges	Q2 2012	–	–	–	–10	–49	–59	–	–59
	Q1 2012	–	–1	–	–10	3	–8	–	–8
	Q4 2011	–3	–	1	2	–5	–5	–	–5
	Q3 2011	–4	–	–21	–7	–70	–100	–	–100
	Q2 2011	10	1	1	–8	–3	1	–	1
	Q1 2011	–	1	–	–2	–31	–32	–	–32
Integration/restructuring costs	Q2 2012	–	–	–3	–	–	–3	–	–3
	Q1 2012	–	–	–	–	–	–	–	–
	Q4 2011	–	–	–	–	–10	–11	–	–11
	Q3 2011	–	–	–15	–	–	–15	–	–15
	Q2 2011	–	–	–	–1	–	–1	–	–1
	Q1 2011	–	–	–	–1	–	–1	–	–1
Net income from investments	Q2 2012	–	–	–13	8	–27	–32	–	–32
	Q1 2012	–	–	1	6	–39	–31	–	–31
	Q4 2011	–	–	–32	–	–98	–130	–	–130
	Q3 2011	1	–	–2	–39	–78	–118	–	–118
	Q2 2011	–	–	4	43	–85	–37	–	–37
	Q1 2011	1	–	3	2	1	8	–	8
PROFIT BEFORE TAX	**Q2 2012**	**42**	**10**	**156**	**380**	**–250**	**338**	**–**	**338**
	Q1 2012	**20**	**10**	**121**	**367**	**8**	**527**	**–**	**527**
	Q4 2011	**38**	**16**	**119**	**328**	**–245**	**256**	**–**	**256**
	Q3 2011	**–2**	**12**	**69**	**371**	**–253**	**197**	**–**	**197**
	Q2 2011	**16**	**9**	**123**	**408**	**–168**	**387**	**1**	**388**
	Q1 2011	**16**	**10**	**131**	**353**	**–61**	**448**	**1**	**449**
Income tax for the period	Q2 2012	–10	–3	–36	–75	49	–75	–	–75
	Q1 2012	–5	–3	–31	–74	3	–110	–	–110
	Q4 2011	–8	–4	–29	–63	96	–7	–	–7
	Q3 2011	–	–3	–21	–63	–55	–141	–	–141
	Q2 2011	–4	–3	–25	–31	39	–24	–	–24
	Q1 2011	–3	–2	–30	–67	14	–89	–	–89
PROFIT (LOSS) FOR THE PERIOD	**Q2 2012**	**32**	**7**	**119**	**306**	**–201**	**262**	**–**	**262**
	Q1 2012	**15**	**8**	**90**	**293**	**11**	**417**	**–**	**417**
	Q4 2011	**30**	**12**	**90**	**266**	**–149**	**249**	**–**	**249**
	Q3 2011	**–2**	**9**	**48**	**308**	**–307**	**57**	**–**	**57**
	Q2 2011	**12**	**7**	**98**	**377**	**–130**	**364**	**1**	**364**
	Q1 2011	**13**	**7**	**100**	**286**	**–47**	**360**	**1**	**360**
Non-controlling interests	Q2 2012	–1	–	–	–14	6	–9	–	–9
	Q1 2012	–2	–	–	–10	2	–10	–	–10
	Q4 2011	–4	–	–	–9	4	–9	–	–9
	Q3 2011	–2	–	–	–19	5	–16	–	–16
	Q2 2011	–1	–	–	–18	6	–12	–	–12
	Q1 2011	–2	–	–	–15	4	–13	–	–13
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY BEFORE PPA	**Q2 2012**	**31**	**7**	**120**	**291**	**–195**	**254**	**–**	**254**
	Q1 2012	**13**	**8**	**90**	**282**	**13**	**407**	**–**	**407**
	Q4 2011	**25**	**12**	**90**	**257**	**–145**	**240**	**–**	**240**
	Q3 2011	**–4**	**9**	**49**	**289**	**–303**	**41**	**–**	**41**
	Q2 2011	**12**	**7**	**98**	**359**	**–123**	**352**	**1**	**352**
	Q1 2011	**11**	**7**	**100**	**271**	**–43**	**346**	**1**	**347**

1) The segment results for 2011 have been recast. The difference compared to Bank Austria's results for 2011 is presented in a separate column showing "Recasting differences", which mainly relate to the sale of Bank Austria Global Information Services GmbH and a change in reporting fee and commission income from management, brokerage and consultancy services relating to derivatives business in securities and currency trading, which is now included in the item Net trading, hedging and fair value income.

2) The comparative figures for 2011 differ from those published so far due to the reclassification, performed by three Group legal entities in the first half of 2012, of the time-value interest component of impaired loans from net interest to net write-downs of loans and provisions for guarantees and commitments.

Segment reporting (CONTINUED)

		FAMILY & SME BANKING (F&SME)	PRIVATE BANKING	CORPORATE & INVESTMENT BANKING (CIB)	CENTRAL EASTERN EUROPE (CEE)	CORPORATE CENTER	BANK AUSTRIA GROUP (RECAST)	RECASTING DIFFER-ENCES [1]	BANK AUSTRIA GROUP (PUBLISHED) [2]
Purchase Price Allocation effect	Q2 2012	–	–	–	–	–4	–4	–	–4
	Q1 2012	–	–	–	–	–4	–4	–	–4
	Q4 2011	–	–	–	–	–4	–4	–	–4
	Q3 2011	–	–	–	–	–24	–24	–	–24
	Q2 2011	–	–	–	–	–3	–3	–	–3
	Q1 2011	–	–	–	–	–4	–4	–	–4
Goodwill impairment	Q2 2012	–	–	–	–	–3	–3	–	–3
	Q1 2012	–	–	–	–	–4	–4	–	–4
	Q4 2011	–	–	–	–	–32	–32	–	–32
	Q3 2011	–	–	–	–	–653	–653	–	–653
	Q2 2011	–	–	–	–	–50	–50	–	–50
	Q1 2011	–	–	–	–	–3	–3	–	–3
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**Q2 2012**	**31**	**7**	**120**	**291**	**–202**	**247**	**–**	**247**
	Q1 2012	**13**	**8**	**90**	**282**	**5**	**399**	**–**	**399**
	Q4 2011	**25**	**12**	**90**	**257**	**–180**	**204**	**–**	**204**
	Q3 2011	**–4**	**9**	**49**	**289**	**–979**	**–635**	**–**	**–635**
	Q2 2011	**12**	**7**	**98**	**359**	**–177**	**298**	**1**	**299**
	Q1 2011	**11**	**7**	**100**	**271**	**–49**	**340**	**1**	**341**
Risk-weighted assets (RWA) (avg.)	**Q2 2012**	**11,039**	**910**	**15,917**	**87,918**	**13,107**	**128,890**	**–**	**128,890**
	Q1 2012	**11,017**	**846**	**15,836**	**85,759**	**11,936**	**125,394**	**–**	**125,394**
	Q4 2011	**12,016**	**856**	**16,222**	**83,674**	**11,690**	**124,459**	**–**	**124,459**
	Q3 2011	**12,490**	**846**	**17,321**	**82,123**	**11,535**	**124,316**	**143**	**124,459**
	Q2 2011	**11,934**	**880**	**18,722**	**80,314**	**11,463**	**123,314**	**302**	**123,616**
	Q1 2011	**13,830**	**930**	**19,953**	**78,330**	**11,635**	**124,679**	**297**	**124,976**
Equity (avg.) [3]	Q2 2012	1,273	166	1,714	13,104	1,666	17,924	–	17,924
	Q1 2012	1,195	165	1,891	12,820	1,421	17,492	–	17,492
	Q4 2011	757	162	1,613	12,329	2,100	16,961	–	16,961
	Q3 2011	1,262	167	1,537	11,908	2,391	17,265	–	17,265
	Q2 2011	1,101	152	1,708	11,794	2,932	17,687	8	17,694
	Q1 2011	1,256	154	1,940	11,588	2,543	17,481	15	17,496
Cost/income ratio in %	*Q2 2012*	*80.3*	*73.5*	*31.7*	*47.0*	*n.m.*	*58.0*	*n.m.*	*58.0*
	Q1 2012	*80.9*	*69.8*	*37.9*	*47.9*	*n.m.*	*53.1*	*n.m.*	*53.1*
	Q4 2011	*84.9*	*59.5*	*38.4*	*47.6*	*n.m.*	*58.3*	*n.m.*	*58.3*
	Q3 2011	*80.3*	*67.6*	*40.6*	*45.3*	*n.m.*	*55.8*	*n.m.*	*55.8*
	Q2 2011	*81.2*	*73.5*	*38.8*	*47.2*	*n.m.*	*56.4*	*n.m.*	*56.9*
	Q1 2011	*75.4*	*71.6*	*34.5*	*46.0*	*n.m.*	*52.5*	*n.m.*	*52.9*
Risk/earnings ratio in % [4]	*Q2 2012*	*7.3*	*n.m.*	*4.7*	*31.5*	*n.m.*	*23.6*	*n.m.*	*23.6*
	Q1 2012	*18.8*	*n.m.*	*15.4*	*27.3*	*n.m.*	*25.0*	*n.m.*	*25.0*
	Q4 2011	*1.5*	*n.m.*	*7.9*	*36.6*	*n.m.*	*27.0*	*n.m.*	*27.0*
	Q3 2011	*31.3*	*n.m.*	*19.2*	*29.7*	*n.m.*	*27.8*	*n.m.*	*27.8*
	Q2 2011	*26.6*	*n.m.*	*18.4*	*29.9*	*n.m.*	*27.8*	*n.m.*	*27.8*
	Q1 2011	*31.3*	*n.m.*	*23.2*	*33.3*	*n.m.*	*31.7*	*n.m.*	*31.7*

1) The segment results for 2011 have been recast. The difference compared to Bank Austria's results for 2011 is presented in a separate column showing "Recasting differences", which mainly relate to the sale of Bank Austria Global Information Services GmbH and a change in reporting fee and commission income from management, brokerage and consultancy services relating to derivatives business in securities and currency trading, which is now included in the item Net trading, hedging and fair value income.

2) The comparative figures for 2011 differ from those published so far due to the reclassification, performed by three Group legal entities in the first half of 2012, of the time-value interest component of impaired loans from net interest to net write-downs of loans and provisions for guarantees and commitments.

3) Total IFRS capital for the subsidiaries allocated to the respective Division together with standardised capital (capital allocation based on actual RWAs of the previous quarter) for the rest of the respective Division. The difference compared to the consolidated equity of the Bank Austria Group is shown in the Corporate Center.

4) Risk/earnings ratio: net write-downs of loans and provisions for guarantees and commitments measured against net interest and dividends and other income from equity investments.

n.m. = not meaningful

Risk report

Country risk

Risk associated with cross-border transactions with all customer groups is reflected in country risk ("transfer and convertibility risk"; country risk includes, for example, loans to foreign corporate customers or banks). Risk associated with the state itself (e.g. the purchase of government bonds) is reflected in sovereign risk, irrespective of whether such risk is cross-border or local risk. Both risks are assessed via a groupwide credit process. Country limits and sovereign limits are assessed by the responsible risk management team, approved by the relevant body having approval authority, and assigned to UniCredit subsidiaries according to business needs. In general, cross-border business is not limited for countries which are presumed less risky, e.g. the US, Japan, core EU countries; for all other countries, cross-border business is limited via the assigned country limit. Sovereign risk is in each case limited via counterparty limits. The overall bond exposure is monitored via nominal credit risk limits and market risk limits. Impairment losses are recognised, if necessary, according to international standards.

Greece:
Impairment losses on Greek bond exposure were recognised already in the previous year, based on a conservative approach. Remaining holdings of such bonds are insignificant. Business with Greek banks has been reduced to a minimum.

Spain:
UniCredit Group responded to the crisis in the Spanish financial market with a strict watch list strategy. Business partners accepted by the Group are primarily internationally active tier 1 banks, other business transactions with Spanish banks are entered into only in individual cases after careful case-by-case examination.

Hungary and Slovenia:
In view of the difficult economic situation in Slovenia and Hungary, and given the additional political problems in Hungary, UniCredit Group has taken prudent risk-mitigating measures. UniCredit is monitoring the situation and its portfolio and has also limited business via a watch list strategy.

The Italian risk is also centrally monitored and has been adjusted via a watch list strategy, mainly focusing on UniCredit, tier 1 banks and the sovereign within assigned counterparty credit and market risk limits.

Large sovereign exposures for other countries (e.g. Russia, Romania, Croatia) mainly result from excess liquidity management of Bank Austria banking subsidiaries or guarantees from the respective sovereign provided to support local (i.e. Bank Austria banking subsidiaries in e.g. Serbia, Croatia) corporate business. Both are monitored closely by FIBS CRO and CEE Underwriting and captured under credit risk and market risk limits (for bonds).

Risk report (CONTINUED)

Sovereign risk

Within the Group's sovereign exposures as at 30 June 2012, the carrying amount of sovereign debt securities as at 30 June 2012 was €15,686 million, of which about 93% concentrated on ten countries. For each of the ten countries, the table below shows the carrying amount of the exposures broken down by portfolio as at 30 June 2012.

Breakdown of sovereign debt securities by country and portfolio (€ million)

	30 JUNE 2012		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Austria	**3,087**	**3,440**	**3,438**
HFT financial assets/liabilities (net exposures) 1)	–	–	–
Financial assets at FV through P&L	–	–	–
Available for sale	2,853	3,253	3,253
Loans and receivables	–	–	–
Held-to-maturity investments	234	187	185
Turkey 2)	**3,080**	**3,332**	**3,378**
HFT financial assets/liabilities (net exposures) 1)	24	24	24
Financial assets at FV through P&L	–	–	–
Available for sale	1,047	1,141	1,141
Loans and receivables	–	–	–
Held-to-maturity investments	2,009	2,167	2,213
Czech Republic	**1,961**	**2,033**	**2,033**
HFT financial assets/liabilities (net exposures) 1)	90	88	88
Financial assets at FV through P&L	280	281	281
Available for sale	1,590	1,664	1,664
Loans and receivables	–	–	–
Held-to-maturity investments	–	–	–
Hungary	**1,463**	**1,460**	**1,460**
HFT financial assets/liabilities (net exposures) 1)	29	28	28
Financial assets at FV through P&L	–	–	–
Available for sale	1,387	1,384	1,384
Loans and receivables	29	29	29
Held-to-maturity investments	19	19	19
Italy	**1,079**	**1,090**	**1,090**
HFT financial assets/liabilities (net exposures) 1)	–	–	–
Financial assets at FV through P&L	–	–	–
Available for sale	1,025	1,035	1,035
Loans and receivables	–	–	–
Held-to-maturity investments	54	55	55
Croatia	**860**	**845**	**845**
HFT financial assets/liabilities (net exposures) 1)	2	2	2
Financial assets at FV through P&L	–	–	–
Available for sale	851	836	836
Loans and receivables	–	–	–
Held-to-maturity investments	7	7	7
Russia	**826**	**844**	**844**
HFT financial assets/liabilities (net exposures) 1)	53	53	53
Financial assets at FV through P&L	–	–	–
Available for sale	774	792	792
Loans and receivables	–	–	–
Held-to-maturity investments	–	–	–

1) Including exposures in credit derivatives
2) Amounts recognised using proportionate consolidation with reference to the ownership percentage for exposures held by joint ventures.

Risk report (CONTINUED)

COUNTRY/PORTFOLIO	30 JUNE 2012 NOMINAL VALUE	BOOK VALUE	FAIR VALUE
Romania	**697**	**710**	**710**
HFT financial assets/liabilities (net exposures) 1)	–	–	–
Financial assets at FV through P&L	–	–	–
Available for sale	697	710	710
Loans and receivables	–	–	–
Held-to-maturity investments	–	–	–
Slovakia	**499**	**500**	**502**
HFT financial assets/liabilities (net exposures) 1)	–	–	–
Financial assets at FV through P&L	–	–	–
Available for sale	472	472	472
Loans and receivables	–	–	–
Held-to-maturity investments	27	28	29
Bulgaria	**357**	**366**	**370**
HFT financial assets/liabilities (net exposures) 1)	31	31	31
Financial assets at FV through P&L	5	5	5
Available for sale	197	197	197
Loans and receivables	5	5	5
Held-to-maturity investments	120	129	133
Other Countries	**1,339**	**1,065**	**1,062**
HFT financial assets/liabilities (net exposures) 1)	1,031	915	915
Financial assets at FV through P&L	–	–	–
Available for sale	53	53	51
Loans and receivables	248	90	90
Held-to-maturity investments	7	7	7
TOTAL	**15,249**	**15,686**	**15,734**
thereof:			
Greece	**238**	**18**	**18**
Slovenia	**179**	**176**	**173**
Portugal	**30**	**24**	**24**
Spain	**8**	**6**	**6**

1) Including exposures in credit derivatives
2) Amounts recognised using proportionate consolidation with reference to the ownership percentage for exposures held by joint ventures.

Sovereign exposures are bonds issued by and loans granted to central banks, governments and other public sector entities. ABSs are not included.

Breakdown of sovereign debt securities by portfolio

(€ million)

	30 JUNE 2012 HELD FOR TRADING (NET EXPOSURES)	FINANCIAL ASSETS AT FAIR VALUE	AVAILABLE-FOR-SALE FINANCIAL ASSETS	LOANS	HELD-TO-MATURITY INVESTMENTS	TOTAL
Book value of sovereign portfolio	318	292	12,398	34	2,645	15,686
Total portfolio of debt securities	420	373	16,861	7,227	3,152	28,033
% Portfolio	75.61 %	78.30 %	73.53 %	0.46 %	83.92 %	55.96 %

Sovereign exposures are bonds issued by and loans given to central banks, governments and other public sector entities. ABSs are not included.

Risk report (CONTINUED)

In addition to the exposures to sovereign debt securities, loans to central and local governments and other governmental bodies must be taken into account. The table below shows the total amount of loans to countries where the overall exposure exceeded €300 million as at 30 June 2012; these countries accounted for 91 % of the total.

Breakdown of sovereign loans by country

(€ million)

COUNTRY	30 JUNE 2012 BOOK VALUE
Austria	5,571
Croatia	2,981
Turkey*)	1,539
Czech Republic	1,022
Romania	710
Indonesia	563
Hungary	439
Slovenia	431
Bulgaria	375
Serbia	354
Others	1,301
TOTAL ON-BALANCE SHEET EXPOSURE	**15,286**

*) Amounts recognised using proportionate consolidation with reference to the ownership percentage for exposures held by joint ventures.

Sovereign exposures are loans granted to central banks, governments and other public sector entities.

Risk report (CONTINUED)

Credit risk

In the first half of 2012, **net write-downs of loans and provisions for guarantees and commitments** in the Bank Austria Group were €569 million, a further significant improvement compared with the same period of the previous year (H1 2011: €698 million).

The provisioning charge in **Corporates & Investment Banking (CIB)** for the first six months of 2012 declined to €41 million (H1 2011: €79 million), mainly as a result of the release of provisions for specific cases.

In the **Family & SME (F&SME)** business segment, releases of provisions for specific loans and an IBNR reduction relating to performing loans, in the context of methodological adjustments of the PD calibration of foreign currency loans, led to a reduction of net write-downs of loans and provisions for guarantees and commitments to €46 million (H1 2011: €101 million).

CEE

The favourable trend in net write-downs of loans and provisions for guarantees and commitments seen at the subsidiaries in **Central and Eastern Europe** in 2011 continued in the first half of 2012; the provisioning charge declined significantly, to about €481 million, compared with the same period of the previous year (H1 2011: €516 million).

This positive development in net write-downs of loans and provisions for guarantees and commitments was mainly due to the low figure of €219 million recorded in the first quarter of 2012 (Q1 2011: €272 million).

A regional analysis shows that, as in the previous year, the provisioning charge further declined especially in the difficult CIS region, where it fell to €131 million in the first half of 2012 (H1 2011: €160 million).

It should be noted, however, that almost all of this positive effective came from Russia, where the provisioning charge declined to €29 million (H1 2011: €57 million). In Kazakhstan and Ukraine, net write-downs of loans and provisions for guarantees and commitments remained more or less unchanged. The very good result in Russia was mainly due to good portfolio quality and the stable economic situation in the country; the provisioning charge in the second half of the year will, however, depend on future developments in Russia.

The second major factor which led to the decline in net write-downs of loans and provisions for guarantees and commitments in the first half of 2012 was the development in Hungary, where the provisioning charge fell to a disproportionately low level of €6 million (H1 2011: €33 million). This was due to a one-off effect (€25 million release of provisions) resulting from the Early Repayment Programme (ERP) introduced by the Hungarian government in 2011.

On the negative side, net write-downs of loans and provisions for guarantees and commitments in Turkey amounted to €59 million; a net release of provisions (€4 million) in the first half of 2011 was a one-off effect resulting from a change in methodology.

Impaired loans and the impaired loans ratio (impaired loans as a percentage of total loans to customers) in the CEE Division continued to rise in the first half of 2012. This development was mainly driven by Romania, Serbia, Bulgaria, Kazakhstan and Ukraine, whereas the Baltic states, Russia and Slovakia recorded slight declines.

Mortgages are the main type of collateral used; other types of collateral accepted are guarantees and suretyships.

Legal risks

Austrian civil proceedings: Numerous civil proceedings (with the claimed amount totalling about €130 million) have been initiated in Austria by numerous investors related to **Madoff's fraud** in which Bank Austria, among others, has been named as defendant. The plaintiffs invested in investment funds that, in turn, invested directly or indirectly with BMIS. Several judgments have been issued in favour of Bank Austria in various instances, some are already legally binding. Other judgments have been handed down against Bank Austria, which are all interim judgments and none of them is final so far as appeals are pending. With respect to those cases currently on appeal no estimate can be made as to their potential outcomes nor the effects, if any, which the appeal decisions may have on other cases pending against Bank Austria.

Additional disclosures

Guarantees given and commitments

(€ million)

	30 JUNE 2012	31 DEC. 2011
Financial guarantees given to:	**5,204**	**4,828**
Banks	717	410
Customers	4,487	4,418
Commercial guarantees given to:	**15,595**	**14,552**
Banks	1,258	803
Customers	14,337	13,749
Other irrevocable commitments to disburse funds	**19,208**	**17,312**
Banks	2,473	2,147
Usage certain	*108*	*58*
Usage uncertain	*2,364*	*2,088*
Customers	16,735	15,165
Usage certain	*5,846*	*6,336*
Usage uncertain	*10,890*	*8,829*
Underlying obligations for credit derivatives: sales of protection	**1,096**	**666**
Assets used to guarantee others' obligations	**231**	**228**
Other commitments	**11,664**	**11,994**
TOTAL	**52,997**	**49,580**

Employees

Description of payment agreements based on own equity instruments

Outstanding instruments

Group Medium & Long Term Incentive Plans for selected employees include the following instruments:

- **Stock Options** allocated to selected Top & Senior Managers and Key Talents of the Group;
- **Performance Stock Options & Performance Shares** allocated to selected Top & Senior Managers and Key Talents of the Group and represented respectively by options and free UniCredit ordinary shares that the Parent Company undertakes to grant, conditional upon achieving performance targets approved by the Parent Company's Board of Directors;
- **Employee Share Ownership Plan (ESOP)** that offers to eligible Group employees the possibility to buy UniCredit ordinary shares with the following advantages: granting of free ordinary shares ("Discount Shares" and "Matching Shares" or, for the second category, rights to receive them) measured on the basis of the shares purchased by each Participant ("Investment Shares") during the "Enrolment Period". The granting of free ordinary shares is subordinated to vesting conditions (other than market conditions) stated in the Plan Rules.
- **Group Executive Incentive System** that offers to eligible Group Executives a variable remuneration for which payment will be made in four years. For the first two years the beneficiary will receive the payment by cash and for the second two years they will receive the payment by UniCredit shares; the payment is related to the achievement of performance conditions (other than market conditions) stated in the Plan Rules.

Additional disclosures (CONTINUED)

Measurement model

Stock Options and Performance Stock Options

The Hull and White Evaluation Model has been adopted to measure the economic value of Stock Options.

This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:

- reaching a Market Share Value equal to an exercise price-multiple (M);
- probability of beneficiaries' early exit (E) after the end of the vesting period.

The following table shows the measurements and parameters used in relation to the Performance Stock Options granted in 2012.

Measurement of Performance Stock Options 2012

	PERFORMANCE STOCK OPTIONS 2012
Exercise price [€]	4.01
UniCredit share market price [€]	4.01
Date of granting Board resolution (grant date)	27 March 2012
Vesting period start-date	1 January 2012
Vesting period end-date	31 December 2015
Expiry date	31 December 2022
Exercise price – multiple (M)	1.5
Post-vesting exit rate (E)	3.73%
Dividend yield	2%
Volatility	56.5%
Risk-free rate	2.5%
Performance Stock Options' fair value per unit at the grant date [€]	**1.867**

Parameters are calculated as follows:

- **Exit rate:** annual percentage of Stock Options forfeited due to termination;
- **Dividend yield:** next four years average dividend yield;
- **Volatility:** historical daily average volatility for a period equal to four years;
- **Exercise price:** arithmetic mean of the official market price of UniCredit shares during the month preceding the granting Board resolution;
- **UniCredit share market price:** set equal to the exercise price, in consideration of the "at-the-money" allocation of Stock Options at the grant date.

Other equity instruments (Performance Shares)

The economic value of Performance Shares is measured considering the share market price at the grant date less the present value of the future dividends during the performance period. Parameters are estimated by applying the same model used for Stock Options measurement.

No new Performance Share Plans were granted during 2012.

Employee Share Ownership Plan

For both Discount Shares and Matching Shares (or rights to receive them) the fair value is measured at the end of the Enrolment Period according to the weighted average price paid by participants to buy the Investment Shares on the market.

Within the limits of the "Employee Share Ownership Plan" approved in 2011:

- all profit-and-loss and net equity effects related to Discount Shares are booked during 2012 (except adjustments, according to Plan Rules, that will be booked during 2013);
- the profit-and-loss and net equity effects related to Matching Shares (or rights to receive them) will be booked during the three-year period 2013–2015.

Additional disclosures (CONTINUED)

Group Executive Incentive System
The amount of the incentive will be determined on a basis of the achievement of quantitative and qualitative goals stated by the plan. In particular, the overall evaluation of the employee's relevant manager shall be expressed as a percentage, from a minimum of 0% to a maximum of 150% (non-market vesting conditions).

This percentage, adjusted by the application of a risk/opportunity factor – Group Gate – at first payment, multiplied by the Bonus Opportunity will determine the effective amount that will be paid to the beneficiary.

The economic and equity effects will be recognised on the basis of the instrument vesting period.

Payroll costs in 2012 include share-based payments of €3 million.

Full-time equivalents

	H1 2012	2011
Salaried staff	58,597	59,409
Other employees	77	86
TOTAL *)	**58,674**	**59,495**
of which: in Austria	*7,562*	*7,812*
of which: abroad	*51,112*	*51,683*

*) Average full-time equivalents of staff employed in the Bank Austria Group (employees of companies accounted for under the proportionate consolidation method are included at 100%), excluding employees on unpaid sabbatical or maternity/paternity leave.

Events after the reporting period

UniCredit Bank Austria AG and SuP Beteiligungs GmbH entered into a sale and purchase agreement on 16 July 2012 whereby UniCredit Bank Austria AG sells and transfers (i) 17,135 common shares (roughly 0.84% of the voting rights), (ii) 348,047 preferred shares and (iii) 14,826 share certificates, in Allgemeine Baugesellschaft A. Porr Aktiengesellschaft to SuP Beteiligungs GmbH. The transfer of the shares and share certificates in Allgemeine Baugesellschaft A. Porr Aktiengesellschaft is conditional upon the clearance by the Austrian Takeover Commission that such sale does not trigger a mandatory offer pursuant to Section 22 et. seq. of the Austrian Takeover Act.

On the same date, UniCredit Bank Austria AG as well as B & C Bauverwaltungs GmbH and B & C Industrieholding GmbH entered into an agreement under which (i) B & C Bauverwaltungs GmbH sells and transfers to UniCredit Bank Austria AG the entire shareholding in B & C Unternehmensbeteiligung GmbH and, conversely, (ii) UniCredit Bank Austria AG transfers to B & C Bauverwaltungs GmbH the profit participation rights (Genussrechte) issued by B & C Bauverwaltungs GmbH. The transfers of the shareholding in B & C Unternehmensbeteiligung and of the profit participation rights issued by B & C Bauverwaltungs GmbH are conditional upon the transfer of the shares and share certificates in Allgemeine Baugesellschaft A. Porr Aktiengesellschaft, described above, having been effectively closed.

Additional disclosures (CONTINUED)

Consolidated capital resources and regulatory capital requirements

Net capital resources of the Bank Austria group of credit institutions

(€ million)

	30 JUNE 2012	31 DEC. 2011
Paid-in capital (less own shares)	1,681	1,681
Reserves and minority interests	13,125	13,118
Intangible assets	–513	–500
Deductions from Tier 1 capital (in particular 50% deduction pursuant to Section 23 (13) 3 to 4d of the Austrian Banking Act)	–848	–684
Core capital (Tier 1)	**13,445**	**13,616**
Net subordinated liabilities	2,358	2,567
Revaluation reserves and undisclosed reserves	148	180
Deductions from Tier 2 (50% deduction pursuant to Section 23 (13) 3 to 4d)	–684	–684
Supplementary capital resources (Tier 2)	**1,821**	**2,064**
Deductions from Tier 1 and Tier 2 (deduction pursuant to Section 23 (13) 4a)	–135	–132
Net capital resources (excl. Tier 3)	**15,131**	**15,547**
Tier 3 (re-assigned subordinated capital)	380	331
NET CAPITAL RESOURCES (INCL. TIER 3)	**15,511**	**15,878**

Capital requirements of the Bank Austria group of credit institutions

(€ million)

	30 JUNE 2012	31 DEC. 2011
Capital requirements of		
a) Credit risk pursuant to standardised approach	5,838	5,539
b) Credit risk pursuant to internal ratings-based (IRB) approach	3,369	3,194
Credit risk	9,206	8,733
Operational risk	989	951
Position risk – debt instruments, equities, foreign currencies and commodities	380	331
Settlement risk	–	–
CAPITAL REQUIREMENT	**10,574**	**10,015**
Total RWA	132,181	125,188

Capital ratios

	30 JUNE 2012	31 DEC. 2011
Tier 1 capital ratio, based on all risks	10.17%	10.88%
Total capital ratio, based on all risks 1)	11.73%	12.68%
Tier 1 capital ratio, based on credit risk	11.68%	12.47%
Total capital ratio, based on credit risk 2)	12.29%	13.37%

1) Net capital resources (incl. Tier 3) as a percentage of the risk-weighted assessment basis for all risks
2) Total capital resources less requirement for trading book, commodities risk, exchange rate risk and operational risk as a percentage of the risk-weighted assessment basis for credit risk

Statement by Management on the Half-Yearly Financial Report 2012

We confirm to the best of our knowledge that the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the interim report of the group for the first six months gives a true and fair view of important events that occurred during the first six months of the financial year and their impact on the interim consolidated financial statements, and of the principal risks and uncertainties for the remaining six months of the financial year.

Vienna, 30 July 2012

The Management Board

Willibald Cernko
(Chairman)

Massimiliano Fossati

Francesco Giordano

Rainer Hauser

Dieter Hengl

Gianni Franco Papa

Doris Tomanek

Robert Zadrazil

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Ratings

	LONG-TERM	SUBORDINATED LIABILITIES	SHORT-TERM
Moody's1)	A3	Baa3	P-2
Standard & Poor's2)	A	BBB+	A-1

Public-sector mortgage bonds of Bank Austria are rated Aaa by Moody's.
1) Grandfathered debt is rated Aa2, subordinated debt rating is Aa3.
2) Grandfathered debt is rated AA, subordinated debt rating is AA.

Financial calendar

13 November 2012	Publication of the results as of 30 September 2012
All information is available electronically at http://ir.bankaustria.at	

Information and disclosure pursuant to Sections 24 and 25 of the Austrian Media Act (Mediengesetz):

Publisher and media owner:
UniCredit Bank Austria AG
A-1010 Vienna, Schottengasse 6–8
Tel.: + 43 (0)5 05 05-0
Fax: + 43 (0)5 05 05-56155
Internet: www.bankaustria.at
e-mail: info@unicreditgroup.at
BIC: BKAUATWW
Austrian bank routing code: 12000
Register of Firms: FN 150714p
Data Processing Register number: 0030066
VAT registration number: ATU 51507409

Editor: Identity & Communications, Michael Trischler

Creative concept: Marco Ferri

Design, graphic development and composition: Mercurio GP© – Milan

Graphics: www.horvath.co.at

Business objective:
Credit institution pursuant to Section 1 (1) of the Austrian Banking Act (Bankwesengesetz)

Persons (Management Board) authorised to represent the media owner:
Willibald Cernko (Chairman of the Management Board), Gianni Franco Papa (Deputy Chairman of the Management Board), Massimiliano Fossati, Francesco Giordano, Rainer Hauser, Dieter Hengl, Doris Tomanek, Robert Zadrazil.

Supervisory Board of the media owner:
Erich Hampel (Chairman of the Supervisory Board), Paolo Fiorentino (Deputy Chairman of the Supervisory Board), Candido Fois, Karl Guha, Wolfgang Heinzl, Adolf Lehner, Jean Pierre Mustier, Roberto Nicastro, Vittorio Ogliengo, Emmerich Perl, Franz Rauch, Josef Reichl, Karl Samstag, Wolfgang Sprißler, Ernst Theimer, Robert Traunwieser, Barbara Wiedernig.

Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:
UniCredit S.p.A. holds 99.996% of the shares in the media owner (information on the shareholder structure of UniCredit S.p.A. is available at https://www.unicreditgroup.eu/en/governance/shareholder-structure.html).

"Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG, Region Wien" (the Employees' Council Fund of the Employees' Council of employees of UniCredit Bank Austria AG in the Vienna area) and "Privatstiftung zur Verwaltung von Anteilsrechten" (a private foundation under Austrian law; founder: Anteilsverwaltung-Zentralsparkasse; beneficiary: WWTF – Wiener Wissenschafts-, Forschungs- und Technologiefonds) have a combined interest of 0.004% in the media owner.

Notes

This report contains forward-looking statements relating to the future performance of Bank Austria. These statements reflect estimates which we have made on the basis of all information available to us at present. Should the assumptions underlying forward-looking statements prove incorrect, or should risks - such as those mentioned in this report - materialise to an extent not anticipated, actual results may vary from those expected at present. Market share data are based on the most recent information available at the editorial close of this report.
"Bank Austria" as used in this report refers to the group of consolidated companies.
"UniCredit Bank Austria AG" as used in this report refers to the parent company.
In adding up rounded figures and calculating the percentage rates of changes, slight differences may result compared with totals and rates arrived at by adding up component figures which have not been rounded off.

The Half-Yearly Financial Report at 30 June 2012 was not audited or reviewed by an auditor.

Disclaimer

This edition of our Half-Yearly Financial Report is prepared for the convenience of our English-speaking readers. It is based on the German original which is the authentic version and takes precedence in all legal aspects.