Bank Austria
UniCredit Group

**Bank Austria Investor Relations Release**

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Vienna, 8 May 2008

**Results for the first three months of 2008:**

## Bank Austria: consolidated profit of EUR 410 million in the first quarter

- **Continued strong growth in Central and Eastern Europe: CEE Division generates 38 per cent increase in its profit before tax**
- **Net interest income and net fees and commissions grow by a combined 17 per cent to EUR 1.7 billion, trading loss of EUR 143 million weighs down on operating profit**
- **Costs[1] are under control, rising by 1 per cent compared with the first quarter of 2007**

Bank Austria, a member of UniCredit Group, held its own in an exceptionally difficult market environment. The bank's performance reflects continued strong growth in Central and Eastern Europe, good business trends in Austria, and a favourable development of costs. However, Bank Austria was partly affected by the repercussions of the crisis in credit markets. The sharp decline in market prices for securitised credit risks and corporate finance transactions led to further valuation losses on the trading portfolio; this, in combination with a weaker operating performance caused by uncertainty among customers, led to a net trading, hedging and fair value loss of EUR 143 million.

In a year-on-year comparison, the trading loss in the first quarter of 2008 is particularly pronounced because the same period of the previous year saw a record performance of EUR 161 million. As this development was not fully offset by the other Divisions, consolidated profit for the first quarter of 2008 was EUR 410 million, lower than a year before (Q1 2007: EUR 535 million).

Erich Hampel, Bank Austria's Chief Executive Officer: "In the difficult first quarter, which was characterised by persistent turbulence in international financial markets and weakening economic growth, our broadly diversified business model again proved resistant to crises. The favourable development of our sustainable income components, the continued gratifying business

[1] *Normalised to exclude consolidation-related cost effects resulting from the acquisition of the two new banks in Kazakhstan and Ukraine.*

development at our banking subsidiaries in Central and Eastern Europe as well as strict cost management provide a strong basis for the rest of the year."

**Items in the income statement**

Net interest income in the first quarter of 2008 increased by 26 per cent to EUR 1,125 million (Q1 2007: EUR 890 million). Net fees and commissions were EUR 519 million, slightly exceeding the high level of the previous year (Q1 2007: EUR 517 million). The net trading, hedging and fair value result fell sharply, turning from an exceptionally strong performance in the first three months of the previous year (Q1 2007: net income of EUR 161 million) to a net loss of EUR 143 million in the wake of the credit market crisis, which persisted in the first quarter of 2008. Valuation losses – these are marking-to-market adjustments to market prices as at 31 March 2008 with no further write-offs – on the structured credit portfolio totalled EUR 141 million and are fully reflected in the income statement.

Operating expenses rose by 11 per cent to EUR 941 million (Q1 2007: EUR 849 million) as a result of a consolidation effect. The increase is due to the acquisition of the two new banks in Kazakhstan and Ukraine. Without this effect, i.e. calculated on a normalised basis, operating expenses increased by only 1 per cent or EUR 11 million compared with the same period of the previous year. The net trading, hedging and fair value loss had an impact on operating profit for the first quarter, which amounted to EUR 603 million, down from EUR 769 million for the first quarter of the previous year. As a result of the consolidation effect in the CEE business segment, net writedowns of loans and provisions for guarantees and commitments increased by 47 per cent to EUR 173 million (Q1 2007: EUR 117 million). Without this effect, i.e. calculated on a normalised basis, the increase was only EUR 7 million or 6 per cent, to a level of EUR 125 million.

Profit before tax was EUR 520 million, down by 24 per cent from the same period of the previous year (Q1 2007: EUR 688 million). Consolidated profit after tax and minority interests amounted to EUR 410 million (Q1 2007: EUR 535 million).

**On the basis of the above-mentioned results, the following key financial data have been calculated:**

- Return on equity before tax was 13.9 per cent (Q1 2007: 20.7 per cent).
- Return on equity after tax was 11.5 per cent (Q1 2007: 16.9 per cent).
- The cost/income ratio was 60.9 per cent (Q1 2007: 52.5 per cent).
- The risk/earnings ratio (provisioning charge as a percentage of net interest income) rose from 13.2 per cent to 15.4 per cent.

- The Tier 1 capital ratio (based on credit risk) was 7.3 per cent under Basel II[2] (31 December 2007: 8.8 per cent, under Basel I).

**Results of the Divisions**

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

The **Retail** Division's profit before tax for the first quarter of 2008 was EUR 26 million (Q1 2007: EUR 48 million); this shows that the business segment held its own in the difficult market environment. Return on equity before tax was 10.6 per cent (Q1 2007: 18.1 per cent), the cost/income ratio 72.7 per cent (Q1 2007: 72.8 per cent).

The **Private Banking & Asset Management** Division generated a profit before tax of EUR 17 million for the first quarter of 2008 (Q1 2007: EUR 22 million). Return on equity before tax reached 33.7 per cent (Q1 2007: 37.3 per cent), the cost/income ratio was 63.6 per cent (Q1 2007: 51.1 per cent).

Profit before tax in the **Corporates** Division amounted to EUR 154 million (Q1 2007: EUR 164 million). Return on equity before tax was 26.5 per cent (Q1 2007: 28.5 per cent). The cost/income ratio was 27.1 per cent (Q1 2007: 36 per cent).

The **Markets & Investment Banking** Division recorded a loss before tax of EUR 96 million for the first quarter of 2008 (Q1 2007: a profit before tax of EUR 105 million). Return on equity before tax turned negative, to minus 8.7 per cent (Q1 2007: plus 97.7 per cent), and the cost/income ratio was also negative.

The **CEE** Division achieved an increase of 38 per cent in its profit before tax, which rose to EUR 420 million (Q1 2007: EUR 305 million). Return on equity before tax increased to 20.8 per cent (Q1 2007: 18.5 per cent). The cost/income ratio was 50.3 per cent (Q1 2007: 50.8 per cent).

Bank Austria successfully completed the acquisition of the Ukrsotsbank, the sixth largest Ukrainian bank, at the beginning of 2008. This further strengthened Bank Austria's leading position in CEE, adding 2 million customers, 500 branches and 11,000 employees to its

[2] *Capital components held in non-consolidated companies are deducted from Tier 1 capital under Basel II and from total capital under Basel I.*

extensive network in the region. UniCredit Group is currently stepping up its strong local commitment in CEE, planning to open another 950 branches within the next two years. In this context, 82 branches were opened in the region in the first three months of 2008. Bank Austria's extensive network in CEE currently covers 20 countries, including 2,500 branches and 55,000 employees.

The **Corporate Center** of Bank Austria recorded a slightly negative result before tax of minus EUR 2 million (2007: a profit before tax of EUR 45 million).

**Balance sheet**

Total assets of Bank Austria were EUR 220.8 billion, an increase of 5.5 per cent over year-end 2007 (31 December 2007: EUR 209.2 billion).

On the assets side of the balance sheet, financial assets held for trading increased by 10.2 per cent to EUR 21 billion (31 December 2007: EUR 19.1 billion). Loans and receivables with banks increased by 11.1 per cent to EUR 42.2 billion (2007: EUR 38 billion). Loans and receivables with customers grew by 5.4 per cent to EUR 121.5 billion (2007: EUR 115.3 billion).

On the liabilities side, deposits from banks increased by 16.6 per cent to EUR 61.1 billion (2007: EUR 52.4 billion). Deposits from customers were up by 1.7 per cent to EUR 94.8 billion (2007: EUR 93.2 billion). Debt securities in issue rose by 3 per cent to EUR 27.3 billion (2007: EUR 26.5 billion). Equity (including minority interests) declined slightly, by 0.5 per cent, to EUR 15.2 billion (2007: EUR 15.3 billion).

As a result of the acquisition of Ukrsotsbank (10,740 employees), the Bank Austria Group had 66,825 employees (FTE) as at 31 March 2008 (31 March 2007: 47,287 employees). Of this total, 11,344 employees (FTE) were employed in Austria and 55,481 in the CEE countries.

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