Bank Austria Investor Relations Release

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Results[1] for the first six months of 2008:

Bank Austria with first-half profit of over EUR 1 billion

- **Central Eastern Europe remains growth driver: profit before tax up by 36 per cent**
- **Net interest income and net fees and commissions grow by 16 per cent to a combined EUR 3.3 billion**
- **Net trading result shows better trend but lags far behind the excellent previous year and is still negative, which is fully reflected in the income statement**
- **Costs are under control, rising by 9 per cent; adjusted for consolidation effects[2] related to recent acquisitions, costs matched the figure for the first half of 2007**

Bank Austria, a member of UniCredit Group, achieved significantly better results in the second quarter of 2008, after a lower performance in the three preceding quarters, which were affected by the credit market crisis that has been smouldering for the past twelve months. Profit before tax for the second quarter was 14 per cent higher than in the same period of the previous year.

The significantly better development of business in the second quarter is also reflected in results for the first six months: while consolidated profit (after minority interests) for the first quarter of 2008 was 23 per cent lower than in the same period of the previous year, Bank Austria's consolidated profit for the first six months was EUR 1,062 million, nearly matching the previous year's level.

[1] Income statement for the previous year adjusted for one-off effect resulting from "ASVG equivalent". Explanation: As of 1 May 2007, the internal service agreement on the BA-CA pension equivalent ("ASVG equivalent") was adjusted to changes in the legal framework. This led to the release of EUR 150 million from the related pension provision in the second quarter of 2007; the released amount was recognised in income.
[2] Adjusted for consolidation-related cost effects resulting from the acquisition of the two banking subsidiaries ATF in Kazakhstan and Ukrsotsbank in Ukraine.

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The main factors driving this positive development were continued strong growth in Central Eastern Europe (profit before tax up by 36 per cent), the very favourable cost trend and the turnaround in the Markets & Investment Banking Division; in the second quarter, operating results in the MIB Division were positive.

Erich Hampel, Bank Austria's Chief Executive Officer: "As the credit market crisis is not yet over and economic activity is weakening, the market environment remains difficult. In this environment, our results for the first six months nearly matched the very good performance achieved in the same period of the previous year. This shows that we are benefiting greatly from our membership of UniCredit Group. Our business in Central and Eastern Europe continues to grow strongly and our sound business model is paying off in the difficult market situation. This can be seen from the very good progress in our sustainable revenue components and from the favourable cost trend."

Items in the income statement

Net interest income in the first six months of 2008 was the main income component, rising by 26 per cent to EUR 2,309 million (H1 2007: EUR 1,838 million). Net fees and commissions, on the other hand, stagnated at EUR 1,037 million (H1 2007: EUR 1,054 million), due to a decline in sales of securities, commercial risk management products and structured investment instruments.

The net trading, hedging and fair value result in the second quarter showed a loss of EUR 55 million, mainly caused by a negative impact from hedging CEE profits (which is counterbalanced in the income streams of the CEE Division), but with a significantly lower impact of the credit market crisis than in the first quarter. Valuation losses – these are marking-to-market adjustments to market prices as at 30 June 2008 with no further write-offs – including interest accruals on the structured credit portfolio totalled EUR 9 million and are fully reflected in the income statement. Global ABS book was further reduced in line with our expectations to EUR 3.0 bn (31 December 2007: EUR 3.6 bn; 31 March 2008: EUR 3.2 bn). Overall, the net trading, hedging and fair value result for the first six months was a loss of EUR 198 million, a substantial decline from the excellent performance in the same period of the previous year (H1 2007: EUR 224 million).

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Operating expenses rose by 9 per cent to EUR 1,891 million (H1 2007: EUR 1,734 million); this is a positive trend in view of the significant business expansion (acquisition of ATF Bank and Ukrsotsbank) and the ongoing investment programme aimed at expanding the branch network in CEE. Adjusted for consolidation effects of these acquisitions, costs remained stable at the previous year's level.

Bank Austria's operating profit was EUR 1,352 million, down by 10 per cent from the figure for the same period of the previous year (H1 2007: EUR 1,507 million); the decline was due to changes in the cost base as a result of acquisitions (especially significant higher payroll costs), and above all to the negative swing of EUR 422 million in the net trading, hedging and fair value result compared with the previous year.

Net writedowns of loans and provisions for guarantees and commitments rose by 58.4 per cent to EUR 329 million (H1 2007: EUR 208 million), mainly because of the further expansion of the CEE network. Adjusted for the consolidation effects from the acquisition of ATF Bank and Ukrsotsbank, net writedowns of loans and provisions for guarantees and commitments increased by only 17.6%.

Profit before tax was EUR 1,304 million, slightly lower than for the same period of the previous year (H1 2007: EUR 1,378 million). Consolidated profit (after income tax and minority interests) amounted to EUR 1,062 million, slightly lower, by 3.1 per cent, than for the same period of the previous year (H1 2007: EUR 1,096 million). If the one-off effects "ASVG equivalent" in 2007 and the sale of BPH subsidiary TFI for EUR 91.6 million in the second quarter of this year as well as the consolidation effect related to the new CEE banks are taken into account, the difference compared with the H1 2007 figure is as low as 1.1 per cent.

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

- Return on equity (annualised) before tax was 17.2 per cent.
- Return on equity (annualised) after tax was 14.7 per cent.
- The cost/income ratio was 58.3 per cent (H1 2007: 48.9 per cent).

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- The risk/earnings ratio (provisioning charge as a percentage of net interest income) was 14.2 per cent (H1 2007: 11.3 per cent).
- The Tier 1 capital ratio (based on credit risk) was 7.3 per cent under Basel II.[3]

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 half of 2008 was EUR 55 million (H1 2007: EUR 72 million), standing its ground in the difficult market environment. The cost/income ratio improved to 73.4 per cent (H1 2007: 73.5 per cent). Return on equity before tax was 11.2 per cent.

The **Private Banking & Asset Management** Division generated a profit before tax of EUR 37 million (H1 2007: EUR 44 million). Return on equity before tax was 38.8 per cent (H1 2007: EUR 43.6 per cent), the cost/income ratio was 62.3 per cent (H1 2007: 52.5 per cent).

Profit before tax in the **Corporates** Division amounted to EUR 310 million (H1 2007: EUR 323 million). Return on equity before tax was 25.4 per cent (H1 2007: 27.7 per cent). The cost/income ratio improved to 27.6 per cent (H1 2007: 37 per cent). A comparison of the items in the 2008 income statement of the Corporates business segment with 2007 figures is meaningful only to a limited extent because leasing business was transferred to UniCredit Global Leasing and is no longer included in the group of consolidated companies, but accounted for under the equity method as from the second half of 2007.

The **Markets & Investment Banking** Division recorded a net loss before tax of EUR 37 million for the first half of 2008 (H1 2007: net income of 187 million), despite positive results in the second quarter. Return on equity before tax was negative, at – 1.7 per cent (H1 2007: 87.5 per cent), as was the cost/income ratio.

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

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The **CEE Banking** Division achieved an increase of 36 per cent in its profit before tax, which rose to EUR 926 million (H1 2007: EUR 679 million). Return on equity before tax improved to 21.0 per cent (H1 2007: 20.0 per cent), the cost/income ratio was 49.3 per cent (H1 2007: 50.2 per cent).

Within UniCredit Group, Bank Austria is responsible for the banking network in Central and Eastern Europe. Bank Austria's CEE network currently comprises about 2,600 branches, with 56,000 employees serving 21 million customers. Following the successful introduction of the UniCredit brand in the region, the banking group now focuses on expanding its network. Strong growth in CEE and the large business potential available there leads to an increasing need for additional branches and employees. Responding to needs in the local markets, Bank Austria will therefore take on 11,000 new employees in the region and open about 1,200 additional branches in CEE by 2010. Expansion will focus on Turkey, Russia, Romania and Ukraine with a total of 900 new branches in these countries. In the first half of 2008, more than 220 new branches were opened in CEE, a further 280 new branches will be added by the end of 2008.

The **Corporate Center** of Bank Austria recorded a profit before tax of EUR 14 million (H1 2007: EUR 222 million).

Balance sheet

Total assets of Bank Austria were EUR 228.6 billion (31 December 2007: EUR 209.2 billion), an increase of 9.3 per cent over year-end 2007.

On the assets side of the balance sheet, financial assets held for trading rose by 2.3 per cent to EUR 19.5 billion (31 December 2007: EUR 19.1 billion). Loans and receivables with banks increased by 18.9 per cent to EUR 45.2 billion (2007: EUR 38 billion). Loans and receivables with customers grew by 11.3 per cent to EUR 128.4 billion (2007: EUR 115.3 billion).

On the liabilities side, deposits from banks increased by 18.7 per cent to EUR 62.3 billion (2007: EUR 52.4 billion). Deposits from customers were up by 5.8 per cent to EUR 98.6 billion (2007: EUR 93.2 billion). Debt securities in issue rose by 14.3 per cent to EUR 30.3 billion (2007: EUR 26.5 billion).

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Overall, primary funds are slightly higher than loans and receivables with customers on the assets side. This means that Bank Austria can fully fund its loans and receivables out of primary funds. Equity (including minority interests) increased by 4.3 per cent to EUR 16 billion (2007: EUR 15.3 billion).

The number of employees in the Bank Austria Group rose to 67,462 (FTE) as of 30 June 2008 (30 June 2007: 49,192 employees). Of this total, 11,228 employees (FTE) were employed in Austria and 56,234 in CEE countries.

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