Bank Austria
UniCredit Group

Bank Austria Investor Relations Release

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

Bank Austria: EUR 1.6 billion profit despite financial market crisis

- **Central and Eastern Europe continues to drive growth: profit before tax up by 50 per cent**
- **Net interest income and net fees and commissions rise by 17 per cent to a combined EUR 5.2 billion**
- **Net trading result for the first nine months negative and substantially lower than in the previous year**
- **Strong deposit growth brings primary funds to EUR 137 billion, up by 14 per cent**

In the third quarter of 2008 Bank Austria, a member of UniCredit Group, achieved results which were better than in the same period of the previous year, despite the continued repercussions of the credit market crisis which started over a year ago. Profit before tax was 14.7 per cent higher than the figure for the third quarter of the previous year.

Consolidated profit (after minority interests) for the first nine months of 2008 reached EUR 1,642 million, slightly higher than the previous year's level. The largest contribution came from the Central Eastern Europe business division, which improved its profit before tax by 50 per cent compared with the same period of the previous year. This increase was due to acquisitions in Ukraine and Kazakhstan and continued strong organic growth of the CEE banking subsidiaries.

[1] *Income statement for the first nine months of 2007 adjusted for the 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.*

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Erich Hampel, Bank Austria's Chief Executive Officer: "The year to date has been marked by the financial market crisis, which has culminated in the past few weeks. In these turbulent times, our business model has proved to be impressively successful, making us relatively resistant to the repercussions of the global crisis. Otherwise we would not have achieved profits matching the performance of the first nine months of the previous year. Concerted action at the global, European and national levels will contribute to easing the financial market situation perceptibly, but it is still too early to give the all-clear signal. The market environment will remain difficult."

Items in the income statement[1]

In the first nine months of 2008, net interest income was the mainstay of the bank's revenues, rising by 27 per cent to EUR 3,615 million (2007: EUR 2,857 million). Adjusted for additions to the group of consolidated companies[2], net interest income rose by 20.3 per cent. Net fees and commissions were EUR 1,559 million, more or less unchanged compared with the first nine months of the previous year (2007: EUR 1,574 million); adjusted for consolidation effects[2], they were 6.6 per cent below the previous year's level, due to lower demand for securities investments, capital market-related financing instruments and structured investment products.

The strongest direct impact of the financial market crisis is reflected in the net trading, hedging and fair value result, which showed a net loss of EUR 278 million (2007: net income of EUR 180 million). The net trading, hedging and fair value result was influenced by the application of the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", which were approved by the IASB and adopted by the European Union in October 2008. Various financial assets held for trading were reclassified into the item "loans and receivables with customers" in accordance with the new IFRS rules, a move which reflects the intention to hold them for a longer term. As a result of this measure, valuation losses of EUR 120 million in the net trading, hedging and fair value result were avoided at the reporting date. The net effect on consolidated profit was EUR 93 million.

Operating expenses were EUR 2,894 million, up by 13 per cent over the same period of the previous year (2007: EUR 2,555 million); this is a positive trend in view of the significant business expansion (acquisition of ATF Bank and Ukrsotsbank) and investment in 325 new branches

[2] *Acquisition of ATF Bank, Ukrsotsbank and Aton as well as inclusion of iT-AUSTRIA in the consolidation perimeter.*

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opened in CEE this year. Adjusted for consolidation effects of the acquisition of ATF Bank and Ukrsotsbank, operating expenses were only slightly higher than in the first nine months of the previous year.

Bank Austria generated an operating profit of EUR 2,163 million, a figure that is only 3 per cent lower than for the first nine months of the previous year (2007: EUR 2,227 million); adjusted for consolidation effects[2], the difference compared with the same period of the previous year is 7 per cent. Apart from changes in the cost base as a result of acquisitions (significantly higher payroll costs in particular), the decline is mainly due to the negative swing of EUR 457 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 36 per cent to EUR 483 million (2007: 355 million), mainly because of the further expansion of the CEE network. Adjusted for the consolidation effects from the acquisition of ATF Bank and of Ukrsotsbank, net writedowns of loans and provisions for guarantees and commitments increased by only 0.6 per cent.

Profit before tax was EUR 2,052 million, up by 1 per cent on the previous year (2007: EUR 2,030 million); adjusted for the above-mentioned consolidation effects[2], the increase over the previous year was 2.9%. Consolidated profit (after tax and minority interests) amounted to EUR 1,642 million, a slight increase over the figure for the same period of the previous year (2007: EUR 1,638 million); adjusted for consolidation effects[2], the increase was 1.6 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 17.7 per cent.
- Return on equity (annualised) after tax was 14.8 per cent.
- The cost/income ratio was 57.2 per cent (first nine months of 2007: 50.3 per cent); this development is due to the significant business expansion in CEE mentioned above.
- The risk/earnings ratio (provisioning charge as a percentage of net interest income) was 13.4 per cent (first nine months of 2007: 12.4 per cent)

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- The Tier 1 capital ratio (based on credit risk) was 7.6 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 nine months of 2008 amounted to EUR 72 million (2007: EUR 117 million). The cost/income ratio was 73.7 per cent (2007: 72.3 per cent), return on equity before tax was 9.9 per cent (2007: 15.3 per cent).

The **Private Banking & Asset Management** Division generated a profit before tax of EUR 54 million for the first nine months (2007: EUR 64 million). Return on equity before tax was 38.1 per cent (2007: 43.7 per cent), the cost/income ratio was 61.4 per cent (2007: 54.3 per cent).

Profit before tax in the **Corporates** Division reached EUR 451 million (2007: EUR 466 million). Return on equity before tax was 24.4 per cent (2007: 27.4 per cent). The cost/income ratio improved to 27.8 per cent (2007: 34.7 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 loss before tax of EUR 15 million for the first nine months of 2008, despite positive results in the second and third quarters (2007: profit before tax of EUR 198 million). Return on equity before tax was negative, at –0.4 per cent (2007: 28.9 per cent), as was the cost/income ratio.

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[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 again achieved a significant increase in its profit before tax, which rose by 50 per cent to EUR 1,534 million (2007: EUR 1,027 million). Adjusted for the consolidation effects resulting from the acquisition of ATF Bank and Ukrsotsbank, profit before tax rose by 34.3 per cent compared with the same period of the previous year. Return on equity before tax improved to 21.8 per cent (2007: 19.7 per cent), the cost/income ratio improved to 47.5 per cent (2007: 49.8 per cent).

Central and Eastern Europe is one of Bank Austria's core markets, where 56,000 employees serve about 23 million customers in 18 countries. The extensive CEE network currently comprises more than 2,700 branches, of which 325 were opened in 2008. The region still offers large business potential and good growth opportunities. However, the CEE countries have not been fully shielded from the turbulence in international financial markets. The CEE banks are very well positioned within Bank Austria's extensive network and they can handle the current market situation in a professional manner. After completion of the branches yet to be opened in CEE this year, the branch network expansion programme will be put on hold for 2009 in view of developments in financial markets, and the speed of future expansion will be adjusted to overall economic developments.

Balance sheet

Total assets of Bank Austria were EUR 229.8 billion, an increase of 9.9 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 were reduced by EUR 5.8 billion to EUR 13.3 billion (31 December 2007: EUR 19.1 billion). Loans and receivables with banks increased by 6 per cent to EUR 40.4 billion (31 December 2007: EUR 38 billion). Loans and receivables with customers grew by 20 per cent to EUR 138.9 billion (31 December 2007: EUR 115.3 billion).

On the liabilities side, deposits from customers increased by 11 per cent to EUR 103 billion (31 December 2007: EUR 93.2 billion), debt securities in issue rose by 28 per cent to EUR 34 billion (31 December 2007: EUR 26.5 billion). Primary funds – the sum total of deposits from customers and debt

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securities in issue – amounted to EUR 137.1 billion, up by EUR 17.4 billion or 14 per cent over the year-end 2007 figure. Overall, primary funds are more or less at the same level as loans and receivables with customers on the assets side. This means that Bank Austria can fully fund its loans and receivables with customers out of primary funds. Deposits from banks rose by 8.9 per cent to EUR 57.1 billion (31 December 2007: EUR 52.4 billion). Equity (including minority interests) increased by 5 per cent to EUR 16.1 billion (31 December 2007: EUR 15.3 billion).

As a result of business expansion in Central and Eastern Europe, the number of employees in the Bank Austria Group rose to 67,377 (FTE) as of 30 September 2008 (30 September 2007: 48,678 employees). Of this total, 11,179 employees (FTE) were employed in Austria and 56,198 in CEE countries.

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