

## BA-CA Investor Relations Release

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Results for the 2007 financial year<sup>1</sup>:

### **Bank Austria Creditanstalt doubles profit to EUR 2.3 billion**

- **BA-CA performs strongly in a difficult year: profit before tax up by 96.4 per cent to EUR 2.7 billion**
- **Operating profit reaches new record level of EUR 3.1 billion**
- **Return on equity after tax improved to 17 per cent**
- **Economic Value Added (EVA) up by EUR 905 million to EUR 1.3 billion, with contributions coming from all regions and business segments**
- **CEE business segment accounts for 49 per cent of overall profit before tax**
- **Austrian customer business achieves strong increase of close to 80 per cent (+ EUR 354 million) in profit before tax**
- **Cost/income ratio further improved to 52.2 per cent**

Bank Austria Creditanstalt (BA-CA), a member of UniCredit Group, one of the leading European banking groups, again performed strongly in the difficult market environment prevailing in 2007. Profit before tax was EUR 2.7 billion; while this is lower than the previous year's level of EUR 3.3 billion, it should be noted that a direct comparison with the reported figure for 2006 is not meaningful; the previous year's figure should be adjusted for special effects totalling a net EUR 1.9 billion resulting from the sale of the Polish bank Bank BPH and the Croatian bank Splitska banka. Adjusted for these special effects, results from current business improved by 96.4 per cent.

BA-CA's CEO Erich Hampel: "We have achieved excellent results. In view of the difficult conditions in financial and credit markets, this achievement is not a matter of course and we are therefore proud of it. I am particularly pleased that the improvement in results comes from the CEE Division and from Austrian customer business alike. This shows that we have a well-

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<sup>1</sup> Unless otherwise stated, all comparative figures in the income statement for the previous year are pro-forma figures. This provides more meaningful information because the group of consolidated companies of BA-CA has significantly widened as a result of the bundling of all CEE banks (except Poland's Markets) in UniCredit Group's CEE Division, which is managed out of Vienna. To make BA-CA's results for 2007 comparable with those for 2006, the 2006 figures have been adjusted on a pro-forma basis reflecting the new structure of BA-CA.

balanced business model with sustained profitability, which enables us to perform well in a difficult market environment. We benefit from cooperation within UniCredit Group. I am confident that on this sound basis, we can continue to pursue growth in 2008 and further improve our performance.“

### **Changes in the group of consolidated companies, and one-off effects**

2007 was the first full year of Bank Austria Creditanstalt in its function as sub-holding company for CEE operations. The group of consolidated companies widened significantly. To make a comparison with 2006 more meaningful, consolidation effects resulting from the disposal of banks in 2006 and from additions to the group of consolidated companies in 2007 are to be taken into account. These include:

- – EUR 2.2 billion: capital gains in 2006 (sale of Bank BPH S.A. and HVB Splitska banka d.d.)
- – EUR 358 million: missing profit contribution 2006 from banks which were sold
- + EUR 713 million: profit contribution 2006 from new CEE banks

If the consolidation effects in the CEE Division are taken into account, profit before tax for 2006 declines from EUR 3.3 billion to EUR 1.4 billion (pro forma in the new perimeter). On the basis of adjusted pro-forma figures, profit before tax improved by 96.4 per cent to EUR 2.7 billion compared with the previous year.

### **Dividend: EUR 4 per share**

The Management Board of BA-CA will propose to the Annual General Meeting that a dividend of EUR 4 (2006: EUR 4) per share be paid on the shares entitled to a dividend.

### **Items in the income statement**

BA-CA's net interest income rose by 15.6 per cent to EUR 3.9 billion (2006: EUR 3.4 billion). Net fees and commissions increased by 17.4 per cent to EUR 2.1 billion (2006: EUR 1.8 billion). Net trading, hedging and fair value income, which for the first six months exceeded the multi-year average, turned into a net loss in the second half of 2007; overall, at EUR 141 million, it was positive but considerably lower in 2007 than the exceptionally good performance in the previous year (2006: EUR 480 million). Operating income increased by 10.1 per cent to EUR 6.4 billion (2006: EUR 5.8 billion).

Operating expenses totalled EUR 3.3 billion, down by 1.5 per cent from the previous year (2006: EUR 3.4 billion). If the special effect resulting from a partial release of the pension provision (ASVG equivalent) is taken into account, by which payroll costs in the Corporate Center declined, the adjusted figure for operating expenses rose slightly, by EUR 113 million or 3.3 per cent, compared with the previous year.

Operating profit reached EUR 3.1 billion, exceeding the EUR 3 billion mark for the first time. On an adjusted basis, it rose by 26.4 per cent over the previous year (2006: EUR 2.4 billion).

Net writedowns of loans and provisions for guarantees and commitments were EUR 483 million (2006: EUR 715 million), down by 32.4 per cent from the previous year. The decline of EUR 232 million mainly reflects the base effect in the second half of 2006, when – as part of a methodological refinement and higher credit risk standards for low-volume loans to retail customers and to a smaller extent in the SME segment – a one-off allocation of EUR 278 million was made to provisions. Adjusted for this effect, the provisioning charge increased by only EUR 46 million (10.5 per cent), reflecting business expansion.

Restructuring costs in 2007 were EUR 33 million, 87.2 per cent lower than in 2006 (EUR 257 million). The integration in UniCredit Group's structure is more or less complete.

Net income from investments amounted to EUR 268 million, a significant increase over the previous year (2006: EUR 93 million). The rise was mainly due to the share of EUR 223 million in current profits of UniCredit Group's Polish banking subsidiaries, to which BA-CA is entitled under the terms and conditions of the sale of Bank BPH<sup>2</sup> and which is included in net income from investments for the first time.

BA-CA's profit before tax was EUR 2.7 billion, exceeding the previous year's figure by 96.4 per cent (2006: EUR 1.4 billion).

Consolidated profit (after tax and minority interests) was EUR 2.3 billion – more than double the adjusted pro-forma figure for 2006 (EUR 1.1 billion).

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<sup>2</sup> When BA-CA's Polish banking subsidiary Bank BPH was sold to UniCredit in November 2006, it was agreed that BA-CA would receive a share of Bank BPH's current profits for three years.

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

- Earnings per share were EUR 11.71 after EUR 20.56 (as published) in 2006. After deduction of all one-off effects, but still based on the old consolidation perimeter and the old number of shares, adjusted earnings per share for 2006 were EUR 7.61.
- Return on equity (ROE) after tax increased significantly, to 17 per cent (adjusted figure for 2006: 15.8 per cent).
- The cost/income ratio improved significantly, to 52.2 per cent (adjusted figure for 2006: 58.3 per cent).
- The risk/earnings ratio (provisioning charge / net interest income) improved to 12.3 per cent (adjusted figure for 2006: 14.9 per cent).
- Economic Value Added (EVA) rose by EUR 905 million to EUR 1.3 billion. Of the total increase, EUR 291 million came from the Austrian business segments (including MIB, without the Corporate Center) and EUR 334 million from the CEE business segment.

### **Results of the Divisions**

BA-CA 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.

Efforts made in the **Retail** Division in the past years to serve the market with a customer-focused approach while improving profitability proved successful in 2007. The Retail Division achieved the turnaround in 2007 and has returned to sustained profitability. The favourable development in the business segment was supported by three factors: the switch from a traditionally product-oriented approach to customer-focused segmentation; further differentiation of customer service models geared to providing customers with advisory services responding to different stages in their lives; and the transfer of back-office and settlement activities to a subsidiary.

In 2007, the Retail Division generated an operating profit of EUR 330 million (2006: EUR 305 million). Its pre-tax results improved significantly, from a loss before tax of EUR 119.2 million in 2006 to a profit before tax of EUR 135.2 million in 2007. The favourable performance trend is reflected in ROE before tax, which swung from –10.1 per cent to 13.3 per cent. The cost/income ratio declined from 76.2 per cent to 73.9 per cent.

The profit contribution from the Affluent Customers sub-segment rose strongly in the previous year, reflecting very favourable trends in investment business. Revenues generated in business with Mass Market customers remained at a stable level. A gratifying feature is the turnaround in results from the Small Businesses sub-segment (businesses with an annual turnover of less than

EUR 3 million): with its “one-stop shop” approach, BA-CA has a strong competitive advantage in this area. The bank plans to open about 15 new branches for retail customers in Austria in the next three years.

The **Private Banking & Asset Management** Division took further integration steps in 2007 to align its set-up to UniCredit’s structure with a view to concentrating services provided to high net worth individuals and conducting Austrian fund business with the support of Pioneer, one of the world’s leading fund managers. The transfer of private customers in the top segment from BA-CA to *BANKPRIVAT* was completed, creating the basis for providing integrated services to high net worth individuals. Pioneer Investments Austria held its ground in a difficult market environment; the company offers structured investment products providing investment opportunities while limiting risk.

Operating profit of the Private Banking & Asset Management Division in 2007 reached EUR 98 million (2006: EUR 66 million). Profit before tax rose to EUR 99 million (2006: EUR 63 million). ROE before tax increased from 36.5 per cent to 48.9 per cent, the cost/income ratio improved from 61.6 per cent to 51.5 per cent compared with the previous year.

The **Corporates** Division generated an operating profit of EUR 652 million in 2007, which was 5 per cent higher than in the previous year (2006: EUR 623 million). Profit before tax increased by 12 per cent to EUR 570 million (2006: EUR 507 million). ROE before tax rose to 25.2 per cent (2006: 20.5 per cent) and the cost/income ratio improved to 35.1 per cent (2006: 41.2 per cent).

A comparison of the items in the 2007 income statement of the Corporates business segment with 2006 figures is meaningful only to a limited extent because BA-CA Leasing was transferred to UniCredit Global Leasing and was no longer included in the group of consolidated companies as from the second half of 2007. This restructuring led to a decline in net interest income and net non-interest income. If the figures are adjusted for this effect, operating income rose by 5 per cent (reported figure: – 5 per cent).

The Corporates Division attracted more than 700 new customers in 2007. The Division aims to further increase the number of new customers significantly in the next few years, especially among Austrian medium-sized companies. The target number to be reached by 2010 is a total of 30,000 customers served by the Corporates Division – 3,000 more than the current number of 27,000 customers. In this context, BA-CA will benefit from the trend towards internationalisation among medium-sized companies by increasingly offering such companies in Austria the network advantages within UniCredit Group. Today, BA-CA is already the number 1 banking partner for companies in Austria: 82 per cent of large corporates, 62 per cent of medium-sized companies and 45 per cent of small businesses are customers of BA-CA.

Operating profit generated by the **Markets & Investment Banking** (MIB) Division in 2007 was EUR 238 million, slightly exceeding the strong performance of the previous year (2006: EUR 235 million), despite global market turbulence and a very difficult market environment. Profit before tax improved by 15 per cent to EUR 237 million (2006: EUR 207 million). ROE before tax was 12.1 per cent (2006: 66.4 per cent). The cost/income ratio was 49.5 per cent (2006: 41.6 per cent).

Overall, the financial market crisis in 2007 had an impact on net trading, hedging and fair value income, which was partly offset by favourable developments in other business lines such as FICC (Fixed Income, Commodities and Currencies). Net fees and commissions and net interest income rose strongly, especially in the second half of the year, thus more than offsetting the impact on net trading, hedging and fair value income.

MIB's good overall performance is mainly due to the diversification of trading activities (by market segment and region) and to the large proportion of customer-driven business. It also reflects the growing importance of advisory services, which have been intensified over the past years.

BA-CA's **CEE Division** doubled its profit before tax compared with the previous year, to EUR 1.3 billion (2006: EUR 655 million), contributing almost one half (49 per cent) to overall profit before tax of Bank Austria Creditanstalt. Return on equity before tax reached 18.9 per cent (2006: 18 per cent). Further improvements were achieved in the cost/income ratio to 51.4 per cent (2006: 53.2 per cent) and in the risk/earnings ratio, which declined from 13.4 per cent in the previous year to 9.8 per cent in 2007.

BA-CA acts as UniCredit Group's hub for its banking network in Central and Eastern Europe. As sub-holding company for CEE operations and based in Vienna, BA-CA manages by far the largest banking network in the region, with more than 43,600 employees serving 21 million customers in over 2,400 branches (including Ukrasotsbank).

In 2007, BA-CA continued to grow strongly and made two strategic acquisitions of renowned banks. With the acquisition of ATF Bank in Kazakhstan, the third-largest bank in the country, BA-CA has become the first Austrian bank to enter the Central Asian market. In Ukraine, it acquired Ukrasotsbank, the sixth-largest bank in the country; after the closing in January 2008, Ukrasotsbank is now a member of one of the world's largest banking groups. Ukrasotsbank will be included in the group of consolidated companies in 2008.

Apart from these major acquisitions, BA-CA has also expanded its branch network in CEE countries through organic growth and plans to open 950 additional branches in the next two years. The bank will thereby further expand its leading position in CEE. Another focus in 2007 was on integrating the CEE banking subsidiaries. Mergers of banking subsidiaries took place in Bulgaria, the Czech Republic, Romania and Slovakia in the past year. Moreover, the implementation of a distinct branding strategy has made the banks in the CEE network clearly recognisable as members of UniCredit Group. The last merger in Bosnia and Herzegovina was finalised in February 2008. This means that CEE network consolidation is now complete.

BA-CA's CEO Erich Hampel: "The past year was another milestone in our success story in CEE. With two large acquisitions, four mergers and strong organic growth in booming markets such as Russia and Turkey, we have further expanded our leading position in the region. This benefits our customers: wherever they want to expand their business in CEE, we are already there – offering the standards of quality of one of the largest European banking groups."

The **Corporate Center** of BA-CA recorded a profit before tax of EUR 362 million compared with EUR 2 billion in 2006; the previous year's figure included the above-mentioned one-off capital gains on the sale of banks.

**Balance sheet**

As at 31 December 2007, BA-CA's total assets were EUR 209.2 billion, up by EUR 54.9 billion or 35.6 per cent on the year-end 2006 figure (31 December 2006: EUR 154.3 billion). This strong increase is due to first-time consolidation of the new banks in CEE and to growth of the bank's business volume.

On the assets side of the balance sheet, financial assets held for trading rose by 14.5 per cent to EUR 19.1 billion (2006: EUR 16.7 billion). Loans and receivables with banks totalled EUR 38 billion, an increase of 17 per cent over the year-end 2006 figure (EUR 32.5 billion). Loans and receivables with customers grew at a disproportionately high rate of 44 per cent, to a total of EUR 115.3 billion (2006: EUR 80.1 billion), as a result of the large volume and strong expansion of customer business in CEE countries.

On the liabilities side, deposits from banks increased by 8.6 per cent to EUR 52.4 billion (2006: EUR 48.3 billion). Deposits from customers rose by 69.6 per cent to EUR 93.2 billion (2006: EUR 55 billion). Debt securities in issue grew by 4.5 per cent to EUR 26.5 billion (2006: EUR 25.3 billion). Primary funds (deposits from customers and debt securities in issue) rose by 49 per cent to EUR 119.7 billion, growing more strongly than loans and receivables with customers – this means that lending business with customers can be fully financed with primary funds.

Equity (including minority interests) increased by 51.2 per cent to EUR 15.3 billion (2006: EUR 10.1 billion). On this basis, BA-CA is the bank with by far the largest capital resources in Austria.

As at 31 December 2007, the BA-CA Group had 54,387 employees (FTE), 33,300 more than in the previous year (31 December 2006: 21,087 employees). Of this total, 10,739 FTEs are employed in Austria and 43,648 in the CEE countries.



### **Outlook for 2008**

After successful expansion in the CEE region and the turnaround in Austrian retail banking, BA-CA is pursuing organic growth in the current year. This development continues to be driven by the CEE region, where the focus will be on the ambitious branch network expansion programme and full integration of the recently acquired banking subsidiaries in Central and Eastern Europe.

BA-CA's CEO Erich Hampel: "Based on the position created in 2007, we aim to further enhance our performance in Central and Eastern Europe and in Austrian business. In 2008 we want to achieve a double-digit percentage increase in profits."

In the current financial year, the group of consolidated companies of BA-CA will further increase through the integration of Ukrsofsbank in Ukraine.

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