Bank Austria Member of UniCredit

Meeting real needs with concrete solutions.

Interim Report at 31 March 2012

Contents

Bank Austria at a Glance

Income statement figures

(€ million)	Q1 2012	Q1 2011[1]	+/–
Net interest	1,105	1,128	–2.0%
Net fees and commissions	383	413	–7.1%
Net trading, hedging and fair value income	293	164	+79.4%
Operating income	1,811	1,783	+1.6%
Operating costs	–961	–934	+3.0%
Operating profit	850	849	+0.1%
Net operating profit	566	473	+19.6%
Profit before tax	527	448	+17.5%
Net profit attributable to the owners of Bank Austria	399	340	+17.3%

Volume figures

(€ million)	31 MARCH 2012	31 DEC. 2011	+/–
Total assets	200,874	199,229	+0.8%
Loans and receivables with customers	133,361	134,914	–1.2%
Primary funds	135,691	134,658	+0.8%
Equity	18,561	17,661	+5.1%
Risk-weighted assets (overall)	125,599	125,188	+0.3%

Key performance indicators

	Q1 2012	2011
Return on equity after tax (ROE)	9.4%	1.2%
Cost/income ratio	53.1%	55.9%
Provisioning charge/avg. lending volume (cost of risk)	0.85%	1.03%
Marginal Economic Value Added	€77 million	€129 million
Marginal RARORAC	2.60%	1.35%
Total capital ratio (based on all risks, end of period)	12.23%	12.68%
Tier 1 capital ratio	10.72%	10.88%
Tier 1 capital ratio without hybrid capital (Core Tier 1 capital ratio)	10.50%	10.55%

Staff [2]

	31 MARCH 2012	31 DEC. 2011	+/–
Bank Austria (full-time equivalent)	58,740	59,345	–1.0%
Central Eastern Europe business segment	51,068	51,517	–0.9%
Other business segments	7,673	7,828	–2.0%
Austria	*7,560*	*7,704*	*–1.9%*

Offices [2]

	31 MARCH 2012	31 DEC. 2011	+/–
Bank Austria	3,017	3,040	–0.8%
Central Eastern Europe business segment	2,726	2,750	–0.9%
Other business segments	291	290	0.3%
Austria	*289*	*289*	*0.0%*

1) Comparative figures for 2011 recast to reflect the current structure and methodology. / 2) Employees and offices of companies accounted for under the proportionate consolidation method are included at 100%.

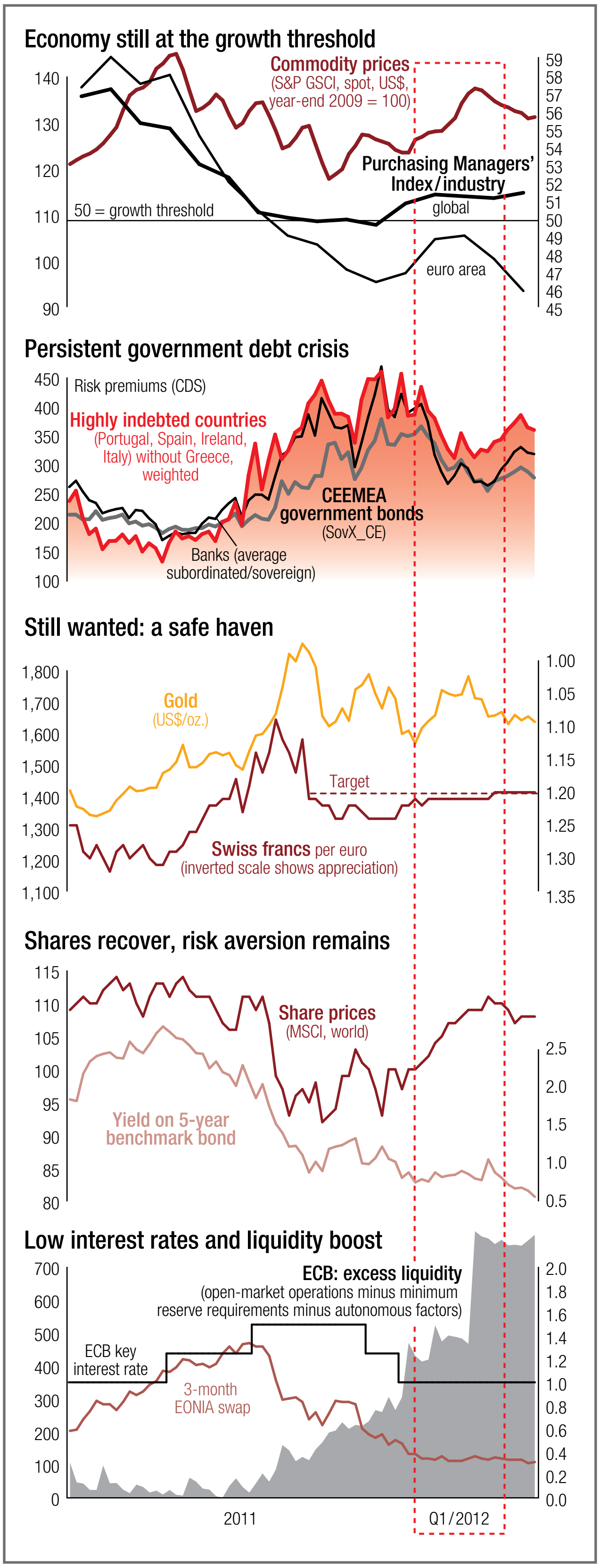
Interim Report at 31 March 2012 (CONTINUED)

The banking environment in early 2012

The **global economy**, which lost much of its momentum in the second half of 2011 when economic growth in the euro area and in Japan slowed, experienced a more stable trend in the first quarter of 2012. In the US, consumption was supported by an economic policy which remained expansion-oriented, and by improvements in the real estate sector and in the labour market. Growth remained strong, at over 2% on an annualised basis. Among the factors which contributed to stronger economic trends in Asia, primarily in Japan, were the intensive reconstruction efforts after the natural catastrophes in 2011. Some emerging markets eased their previously restrictive economic policies. China felt the repercussions of measures acting as a brake in 2011 and saw weaker export demand from Europe. Nevertheless, at a real 8.5%, China's economy continued to display robust growth, though slowing down by about one percentage point compared with the previous year, and again strongly supported the global economy. Most recently, leading indicators again pointed to a more pronounced upward trend.

The decline in real GDP seen in the **euro area** in the preceding quarter seems to have virtually come to a halt in the first quarter of 2012. This development reflects divergent trends: while currently available indicators show that the economy in the core countries of Germany and France – and also in Austria – more or less stagnated, the highly indebted South European countries experienced a deflationary downward spiral of consolidation and weak demand coupled with high unemployment, as a result of public and private austerity measures. The economies of Spain and Italy are in recession.

In the first quarter of 2012, the **European government debt crisis** was the main factor influencing financial markets, the global real economy and, via direct and indirect channels, also the banks. The Greek debt restructuring, which was an issue since the middle of 2011, was successful in that financial markets fully continued to function even after it triggered compulsory measures and credit default swaps. EU decisions, including those on the fiscal pact and the strengthening of the rescue scheme, also had positive effects. While the decisions still need to be ratified and implemented, they demonstrate the determination of almost all EU countries to maintain sound financial policies. What remains to be solved is the timing problem: the restructuring measures, which are indispensable in the medium to long term, are having a negative impact on budget consolidation in the short term, which in some of the highly indebted countries coincides with competition-induced weakness of growth, putting a great strain on local banks. The **ECB**'s response to the threatening liquidity problems were two three-year refinancing operations with a combined gross volume of over €1 trillion, which helped banks with their funding activities and quite generally built confidence in the mechanics of crisis management. Risk premiums on government bonds and bank bonds of highly indebted countries declined significantly in the first quarter of 2012. The euro also showed a firmer trend in the same period.



Interim Report at 31 March 2012 (CONTINUED)

While the situation in the **European banking sector** eased in the first quarter of 2012, this does not mean that risks disappeared. The ECB's expansionary policy and declining risk premiums made funding and liquidity management easier for banks in February. However, such support cannot be repeated ad infinitum. Spreads on bonds of South-European countries widened again in late March/early April, reflecting risks associated with the real economy. On the other hand, stock markets recovered in the period from December 2011 to the end of March 2012 (MSCI World +10.1 %, Euro Stoxx + 9.6 %), returning to levels attained in the middle of 2011 after the poor performance in the second half of 2011. This trend was accompanied by an improvement in companies' creditworthiness, measured by CDS spreads; despite lively issuing activity, corporate bonds also showed above-average performance (+5 % in the first three months alone). The current bank lending survey suggests that European banks significantly eased their credit standards as they benefited from ECB support: only 9 % said they tightened lending terms, after 35 % in the preceding quarter. On the other hand, net credit demand from companies declined more strongly than expected.

➔ Overall, banks operated in an environment characterised by interest rates that were close to zero and by low margins; the main features were customers' excess liquidity and low demand for credit. On-balance sheet business came under pressure at a time when banks were required to bolster their risk buffers, out of profits generated by current business wherever possible.

■ In **Austria**, the marked economic slowdown seen in the preceding two quarters started to stabilise in early 2012. In the first quarter of 2012, Austria's industry pursued a – fairly uneven – growth path. Since the beginning of the year, Bank Austria's Purchasing Managers' Index consistently moved above the growth threshold. The foreign trade data available to date are again signalling a slight upward trend. In addition, key domestic demand components proved to be resilient in the early part of 2012, likely facilitating a moderate GDP rise of an estimated 0.1 % in the first three months of 2012. Investment activity is impacted by the European sovereign debt crisis and by the temporary disruption in the upward trend in capacity utilisation in Austria's economy. But improved consumer sentiment and the moderate rise in retail sales provided conditions for a positive trend in private consumption in Q1 2012. The downturn in the labour market seen in the second half of 2011 eased somewhat and there are initial signs that a turnaround may be underway. The positive development in real wages is bolstering consumption, supported by a marked decline in inflation from 3.3 % in 2011 to an average 2.6 % in Q1 2012. At the end of the first quarter of 2012, **lending volume** probably fell to a little below the year-end 2011 level; in February 2011 the year-on-year growth rate amounted to only 1.7 % after adjustments for exchange rate effects. Only demand for housing construction loans remained fairly robust (+5 %), corporate loans stagnated at the end of the first quarter of 2012 and were only about 2.5 % above the Q1 2011 level. **Deposits** continued to experience strong growth (by just over 4 % compared with the same period of the previous year), driven by deposits from corporate customers, while deposits from private households rose much more slowly, by just over 2 %. Interest rates on deposits remained well above the reference rates, while interest rates on loans declined and margins consequently narrowed further.

■ After a weak second half in 2011, economic trends in **Central and Eastern Europe** (CEE) may have reached a turning point in the first quarter of 2012. Developments in the fourth quarter of 2011 were significantly better than expected, so that the CEE region entered the year with a strong growth momentum. In March, our economists raised their annual forecast for real GDP growth in 2012 from 4.4 % to 4.7 %; in the meantime they see this level as a lower limit. The favourable developments are reflected in the leading indicators for the first few months: Purchasing Managers' Index (PMI) levels exceeded the growth threshold of 50 points in all countries. The only exception was Turkey, where economic growth is nevertheless expected to reach 4.8 % (2011: 8.5 %) in 2012, despite a temporary slowdown. The general outlook has brightened as the situation in Western Europe eased and providers of capital tend to be less averse to risk, a development which is also reflected in narrowing interest rate spreads. At the end of March 2012, the iTraxx SovX (CDS index, 5-year) was down by one-quarter from the year-end 2011 level, and one-third lower than in November 2011. Most CEE countries were in a better position as they had initiated fiscal consolidation measures already in 2010 and 2011. Some of these countries, including Romania, even achieved notable success in their consolidation efforts, not least with a view to obtaining assistance from the IMF and the EU. Raising the rates of indirect taxes was a widely used instrument, although this was done at the expense of domestic demand. Ultimately, fears that Western banks would withdraw from CEE or repatriate capital in the course of the necessary deleveraging process failed to materialise.

Trends in the region's **banking sectors** vary as widely as economic developments. In Russia and Turkey, credit expansion will slow in 2012, though continuing at double digit rates. In Russia, windfall profits from high oil prices (whose levels in March/April 2012 matched those seen in spring 2011) compare with permanent capital outflows. Turkey is still making efforts to reduce its high current account deficit and above-average rates of inflation. Credit growth in the countries in South-East Europe – especially Bulgaria, Romania and Croatia – is expected to be weak from a current perspective, depending on these countries' ability to attract capital. The Central European countries recorded the lowest levels of economic growth and credit demand. Hungary is a special case: although its export performance is strong, the country will probably achieve zero growth at best. Recent negotiations with the EU and the IMF brought some progress and a preventive standby arrangement to support the country's balance of payments is likely to be reached. Hungary's public debt (the largest in CEE) shows an unfavourable maturity profile. Nevertheless, a number of laws and levies have irritated international investors. Governments throughout CEE, as in Western Europe, are facing problems concerning acceptance of consolidation measures. Regulatory and fiscal intervention in the national interest has recently become more frequent.

Interim Report at 31 March 2012 (CONTINUED)

Bank Austria in the first quarter of 2012

Overview

■ In an environment characterised by low interest rates, Bank Austria experienced very weak demand in the past few quarters while having to adjust – like all other banks – to more stringent regulatory requirements. The bank nevertheless got off to a good start in 2012: **net profit** attributable to the owners of Bank Austria was **€ 399 million**, almost double the figure for the preceding quarter (€ 204 million) and up by 17 % on the same period of the previous year (Q1 2011: € 341 million). **Net operating profit** (operating profit less net write-downs of loans and provisions for guarantees and commitments) reached **€ 566 million**, exceeding the Q4 2011 and Q1 2011 figures by 41 % and 19 %, respectively. → These good results were mainly supported by a stable operating performance from customer business. Moreover, Bank Austria realised a substantial gain on a capital measure in the first quarter of 2012.

■ The customer business segments*) generated a **net operating profit** of € 522 million, which almost matched the figure for the preceding quarter (–2 %) and was up by 3 % from the first quarter of 2011. An analysis of quarterly performance (see chart) shows that net operating profit remained stable in a volatile environment. **Customer business** continued to expand steadily yet moderately also in the reporting period. The quarterly average for loans to customers rose by 0.8 % compared with the preceding quarter and was 3.7 % higher than in Q1 2011. All of the increase came from the CEE business segment (+ 7.3 %) while stagnating in the bank's other segments (0.0 % compared with Q1 2011). The average volume of customer deposits grew even more strongly, by a combined 5.7 % year-on-year, mainly driven by developments in the final quarter of 2011, both in CEE (+ 7.6 %) and Austria (+ 3.6 %). Both developments underline the strong liquidity position enjoyed by the business sector.

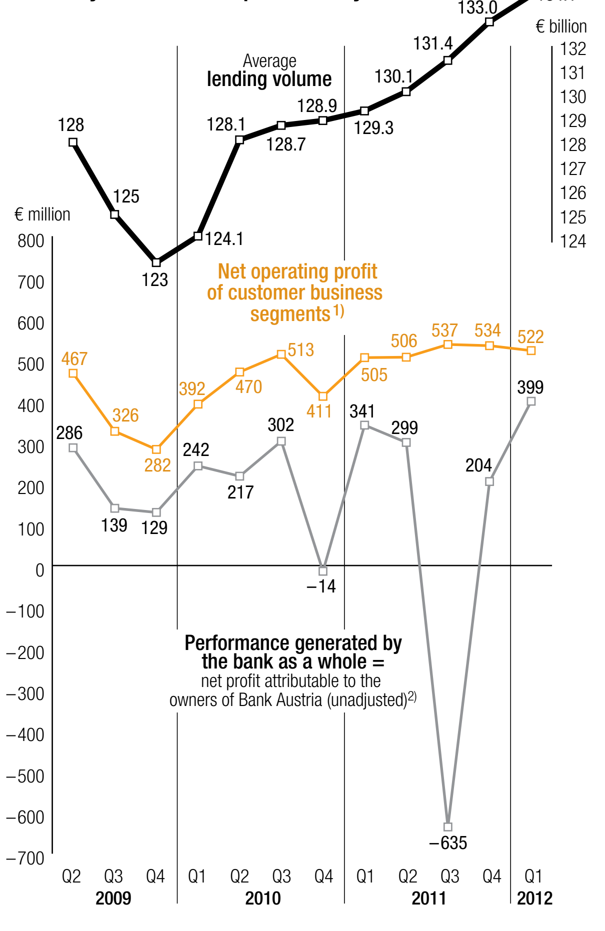
Revenue trends in customer business did not match the increase in business volume; in Q1 2012, operating income generated by customer business was 3 % lower than in Q1 2011. Within the total figure, and contrary to the usual picture, net interest in a narrower sense grew in the Austrian customer business segments (+ 8 % on Q1 2011 / + 3 % on Q4 2011) rather than CEE (–2 % / 0 %). This means that the decline in operating income was mainly due to net fees and commissions and to the irregular pattern of dividend income and other income from equity investments. In the first quarter of 2012, net fees and commissions fell significantly, reflecting weak securities business, the low level of loan commissions, and low transaction volume in foreign trade and services business. As in previous quarters, the improvement in net operating profit was mainly attributable to a **decline in net write-downs of loans and provisions for guarantees and commitments**, which were reduced by one-tenth from Q4 2011 to Q1 2012 and by almost one-quarter year-on-year.

*) Customer business segments = Family & SME Banking (F & SME), Private Banking (PB) and Corporate & Investment Banking (CIB), and Central Eastern Europe (CEE) = Bank Austria without Corporate Center.

The cost of risk in the first quarter of 2012 was as low as 85 basis points (bp) of average lending volume, compared with 103 bp for 2011 as a whole and 144 bp in 2010.

■ Besides the stable operating performance from core business, profits in the past quarters also reflected various **special influences**. The main factors burdening results in 2011 were substantial impairment losses on goodwill in the third quarter and write-downs on Greek government bonds in the third and fourth quarters. In the first quarter of 2012 these factors had only a minor impact (for details see the following section). With a view to improving equity capital quality ahead of the stricter definition of Common Equity Tier 1, we bought back **hybrid instruments** in the reporting period, realising a gain of € 124 million which was recognised in net trading income of the Corporate Center.

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 of the customer business segments: operating profit of Corporate Center, provisions for risks and charges, integration/restructuring costs, net income from investments and goodwill impairment as well as income tax and non-controlling interests.

Interim Report at 31 March 2012 (CONTINUED)

At the end of March 2012, **total assets** were €200.9 billion, up by 0.8% from year-end 2011 and 5.6% higher than a year earlier. **IFRS equity** rose by 5.1% to €18.6 billion as a result of the higher net profit, which also included the gain on the buyback of hybrid products. Leverage was thereby further reduced. The **Core Tier 1 capital ratio** (which, by definition, does not include current profit) was 10.50%, higher than in the previous year (10.38%) and comfortably meeting the current and forthcoming regulatory requirements.

Condensed income statement of Bank Austria[1]

(€ million)

	QUARTERLY FIGURES 2011 RECAST[2]					CHANGE OVER PREVIOUS YEAR	
	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	€ MILLION	IN %
Net interest	1,128	1,121	1,128	1,120	1,105	−23	−2%
Dividend income and other income from equity investments	50	52	49	56	30	−21	−41%
Net fees and commissions	413	406	424	433	383	−29	−7%
Net trading, hedging and fair value income	164	108	79	121	293	+130	+79%
Net other expenses/income	29	38	38	−7	0	−29	−100%
Operating income	1,783	1,725	1,717	1,723	1,811	+28	+2%
Payroll costs	−488	−504	−499	−494	−500	−12	+2%
Other administrative expenses	−380	−401	−390	−444	−394	−14	+4%
Recovery of expenses	0	0	1	1	0	+0	+68%
Amortisation, depreciation and impairment losses on intangible and tangible assets	−66	−67	−69	−68	−68	−3	+4%
Operating costs	−934	−972	−957	−1,005	−961	−28	+3%
Operating profit	849	753	761	718	850	+1	+0%
Net write-downs of loans and provisions for guarantees and commitments	−376	−329	−330	−317	−284	+92	−24%
Net operating profit	**473**	**424**	**431**	**401**	**566**	**+93**	**+20%**
Provisions for risks and charges	−32	1	−100	−5	−8	+24	−75%
Integration/restructuring costs	−1	−1	−15	−11	0	+1	−101%
Net income from investments	8	−37	−118	−130	−31	−39	n.m.
Profit before tax	**448**	**387**	**197**	**256**	**527**	**+79**	**+18%**
Income tax for the period	−89	−24	−141	−7	−110	−21	+24%
Profit for the period	360	364	57	249	417	+57	+16%
Non-controlling interests	−13	−12	−16	−9	−10	+3	−26%
Net profit before PPA[3]	346	352	41	240	407	+61	+18%
Purchase Price Allocation effect[4]	−4	−3	−24	−4	−4	+0	−2%
Goodwill impairment	−3	−50	−653	−32	−4	−2	+73%
Net profit[3]/recast	**340**	**298**	**−635**	**204**	**399**	**+59**	**+17%**
Net profit[3]/original published figure	**341**	**299**	**−635**	**204**	**399**	**+58**	**+17%**

n.m. = not meaningful

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 44 to 51 of this report./ 2) The comparative figures for 2011 have been recast to reflect the current consolidation perimeter and methodology. This provides a consistent basis for comparison. For details see the "Description of segment reporting" in the notes to the consolidated financial statements on page 46 and 47 of this report. / 3) Attributable to the owners of Bank Austria. 4) PPA effects for Kazakhstan, Ukraine, Russia and Aton.

Interim Report at 31 March 2012 (CONTINUED)

Details of the income statement for the first quarter of 2012

Note: The commentary in this interim management report refers to the condensed income statement shown on page 7. The condensed format, also used for segment reporting, makes it possible to consistently explain the contribution of the various business segments to individual items of the income statement. A reconciliation of the condensed income statement to the income statement which is presented as part of the consolidated financial statements and is prepared in a different format, is contained in the notes to the consolidated financial statements (see pages 44 and 45).

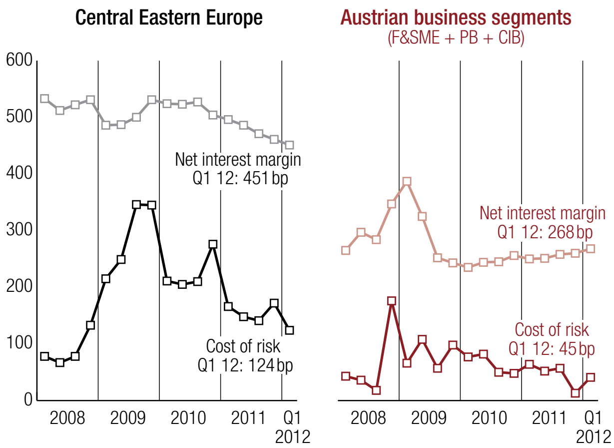
To provide consistent time series and comparative data, the quarterly figures for 2011 were recast to reflect the current consolidation perimeter and the currently applicable accounting principles and definitions. The recasting differences compared with the unadjusted totals of the individual income statement items are presented in the segment reporting tables of the notes to the consolidated financial statements. The main **adjustments for 2011** concern the following items: 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 net trading, hedging and fair value income (previously in net fees and commissions). The previous year's figures were adjusted accordingly. This shift amounts to about €50 million, with the CEE business segment accounting for three-quarters of this total. The sale of the IT services subsidiary Bank Austria Global Information Services GmbH (BAGIS) to UniCredit's subsidiary UGIS as at the end of June 2011 is reflected in the recast figures for the first and second quarters of 2011, with a decline in other operating income, which is offset by a decrease in costs of more or less the same amount. Therefore the recasting difference compared with the results for the bank as a whole is only about €1 million. For more details see pages 44 and 45.

■ **Net interest** (€1,105 million) generated by the bank as a whole hardly changed in the past few quarters (–1% compared with Q4 2011/–2% compared with Q1 2011) although there were significant movements in the interest rate environment. An unusual feature is the divergence of trends in Austria and CEE: net interest from Austrian customer business rose, by 3% over Q4 2011 and by 8% over Q1 2011; contributions to this increase came from all Divisions, with CIB accounting for the largest portion and Private Banking also making a disproportionately strong contribution to growth of net interest. In CEE, on the other hand, net interest stagnated from quarter to quarter; at current exchange rates the figure was down by 2% from a year earlier, and at constant exchange rates it was only 1% higher. With the exception of Turkey, where net interest rose by 14% on account of strong expansion and despite currency depreciation, net interest generated by the local banking subsidiaries in most CEE countries was lower than in the same period of the previous year. Over the past year, the net interest margin (net interest/average lending volume) in Austrian customer business improved from 250 basis points (bp) to 268 bp while narrowing from 496 bp to 451 bp in the CEE Division. While net interest margins tend to converge, the margin in CEE is still almost double the figure for Austria.

Dividend income and other income from equity investments is not recognised on an accrual basis and therefore shows an irregular pattern. The figure for the first quarter of 2012 was €30 million after €50 million a year earlier.

In the first quarter of 2012, **net fees and commissions** were €383 million, down by 11% from Q4 2011 and 7% lower than in the same period of the previous year – also in a comparison with recast figures, i.e. without the above-mentioned shift in certain fee income from derivatives business with customers to net trading, hedging and fair value income. The decline was particularly strong in the Austrian customer business segments (–13% compared with Q1 2011), 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 by 4%. 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 for the first time as regulatory measures had a dampening effect on such business. Methodological changes also had an impact.

Cost of risk and net interest margin
Net interest and provisioning charge as a proportion of average loans to customers (in basis points)



Interim Report at 31 March 2012 (CONTINUED)

Net trading, hedging and fair value income in the first quarter of 2012 was up by €130 million from the previous year, making a decisive contribution to revenue growth. At €293 million, net trading, hedging and fair value income was more than double the recast figure – i.e. including net fee income from customer-driven derivatives business – for Q4 2011 and 79% higher than in Q1 2011.

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

	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12
Austrian customer business	14	17	–2	19	–5
CEE	77	77	92	120	104
Customer business segments	92	94	90	139	99
Corporate Center	72	15	–11	–18	194
Bank Austria as a whole	**164**	**108**	**79**	**121**	**293**

Net trading income generated by **customer business segments** was lower than in Q4 2011 but 8% higher than in Q1 2011. The quarterly fluctuations (see table) reflect changes in the market environment, primarily in CEE, where the execution and hedging of international capital transactions continue to be of great significance in the context of flexible exchange rates. This explains the large net trading income generated in CEE in Q4 2011 and also the strong trading performance in Q1 2012. Our Russian banking subsidiary made substantial contributions in this respect. In Austria, net trading income also reflects the varying influence of position-keeping for asset/liability management. Net trading, hedging and fair value income in the **Corporate Center** included significant success factors in the first quarter 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 €124.1 million recognised in net trading, hedging and fair value income of the Corporate Center. Following the sale of UniCredit CAIB on an intra-group basis in the middle of 2010, Bank Austria participates in profit before tax of UniCredit's Markets subdivision, which is also recognised in the Corporate Center. This contribution is recognised on an accrual basis, depending on the annual result to be expected from investment banking operations, and therefore volatile. The figure for Q1 2012 was over one-quarter higher than in the first quarter of the previous year. 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** was balanced in the first quarter of 2012, after net income of €29 million in the previous year. This change is almost exactly equal to the loss realised on the early repayment of 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; this means that the overall effect – at least in the reporting period – was limited.

Operating income in the first quarter of 2012 totalled **€1,811 million**, an increase of 5% over Q4 2011 and up by 0.6% (recast: by 1.6%) on Q1 2011. A slight decline in the customer business segments (–3%) in both Austria and CEE was offset by an increase in the Corporate Center. It should be noted that CEE currencies depreciated by an average 2½% compared with the first quarter of the previous year although firmer intermediate trends were seen in various currencies (Turkey, Russia, Hungary, Ukraine, Kazakhstan). Adjusted for exchange rate movements, operating income would have grown by over 3%.

From Q4 2011 to Q1 2012, **operating costs** were reduced by 4% to €961 million as non-staff costs ("other administrative expenses") declined significantly. This is a noteworthy development because this item includes the charge for bank levies.

The bank levy in Austria was raised by 25% for 2012, the bank levies in Slovakia and Slovenia 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. Overall, operating costs of the bank as a whole increased by 3% (recast) or 1% (unadjusted). Within the total figure, payroll costs rose by only 2% (original figure: +1%). In the three Austrian customer business segments, costs were up by 3.5% on Q1 2011. The cost/income ratio was 61.2%, better than in Q4 2011 (61.9%) though less favourable than a year earlier (56.4%), which is also explained by the weak revenue trend.

In CEE, year-on-year cost growth was very low, at 2%. Non-staff expenses in CEE also remained more or less unchanged. As on the income side, when analysing operating costs, one should take exchange rate movements into account: while costs grew by 5% at constant exchange rates, growth was low when compared with inflation. The cost/income ratio in CEE was 47.9%, slightly higher than in Q1 2011 (45.9%) but still significantly lower than the average for the bank as a whole (53.1% and 52.4%, respectively).

Interim Report at 31 March 2012 (CONTINUED)

At €850 million, **operating profit** in the first quarter of 2012 was 18% higher than in Q4 2011 and more or less matched the Q1 2011 figure.

Net write-downs of loans and provisions for guarantees and commitments declined substantially in the first quarter of 2012, to €284 million. The provisioning charge absorbed 33% of operating profit compared with 44% in Q4 2011 and 44% in Q1 2011; two years ago, the relevant proportion was as high as 60%. Net write-downs of loans and provisions for guarantees and commitments were down by 10% from the Q4 2011 level and one-quarter lower than in Q1 2011 (see table). It declined in Austria (–36%) and in CEE (–20%), with CEE still accounting for more than three-quarters of the total provisioning charge.

Austria saw a substantial decrease in net write-downs of loans in business with private and corporate customers compared with the previous year. The favourable development resulted from improvements in the economic situation and in corporate liquidity – most recently also from the stabilisation of the Swiss franc exchange rate – and also from methodological progress, which has led to a more precise measurement of risk and a reduction of IBNR provisions (for losses incurred but not reported). The cost of risk (provisioning charge/average net loans to customers) fell to 41 basis points (41 bp = 0.41%) in Q1 2012; this compares with 47 bp in 2011 as a whole and 64 bp in Q1 2011 (see table).

In Central and Eastern Europe (CEE), net write-downs of loans and provisions for guarantees and commitments fell sharply in Q1 2012 over Q4 2011, with only few exceptions. The year-on-year comparison therefore largely reflects the trend in 2011. The provisioning charge was also down in most countries – including Kazakhstan (–14%) and Ukraine (–5%) – in a comparison with Q1 2011. In Hungary, there was a €23 million release of loan loss provisions created in connection with debt restructuring of foreign-currency loans (this compares with realised losses in income recognised in the item Net other expenses/income). In Romania, net write-downs of loans and provisions for guarantees and commitments stabilised after previously rising in 2011; the cost of risk (337 bp) was 18 bp above the Q1 2011 level. Although also rising in Slovakia and Croatia year-on-year, the provisioning charge remained at a comparatively low level in these two countries (cost of risk 58 bp and 89 bp, respectively). In Turkey, the exceptionally low amount of net write-downs of loans and provisions for guarantees and commitments in the last few quarters returned to a "normal" level in Q1 2012 (the cost of risk in the reporting period was 75 bp after 43 bp in Q1 2011).

Net write-downs of loans and provisions for guarantees and commitments

(€ million)

	Q1 2011	*2011 AVERAGE*	Q1 2012	CHANGE Q1 2012/Q1 2011	
Bank Austria as a whole	376	*338*	284	–92	–24%
… Austria	102	*69*	65	–37	–36%
… CEE	274	*264*	219	–55	–20%
Cost of risk (basis points)*)					
Bank Austria as a whole	116 bp	*103 bp*	85 bp		
… Austria	64 bp	*47 bp*	41 bp		
… CEE	166 bp	*157 bp*	124 bp		

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

The improvement in the cost of risk is first reflected in the provisioning charge, and it becomes apparent far ahead of developments in **asset quality** of outstanding loans. In a comparison of March 2012 with December 2011, impaired loans rose by only 1% (to €14.6 billion) in the reporting period, but they were still almost 10% higher than a year earlier. They accounted for a gross 10.35% of the bank's overall exposure (€141.2 billion). The coverage ratio (loan loss provisions/impaired loans) was 47.9% in March 2012. In net terms, i.e. after deduction of loan loss provisions, impaired loans accounted for 5.71% (March 2011: 5.52%) of net lending volume (€133.4 billion).

Non-performing loans (NPLs) were up by a gross 3% from December 2011 to March 2012, in net terms they remained unchanged at €2.8 billion due to the higher amount of loan loss provisions. The NPL ratio was a gross 5.47% at the end of March 2012, and the coverage ratio was 63.5%. In net terms, the NPL ratio was 2.11%.

➔ Based on a stable operating profit and a decline in net write-downs of loans and provisions for guarantees and commitments, **net operating profit**, the measure of operating performance, totalled **€566 million** for the bank as a whole. This is **41%** up on the figure reported for the preceding quarter and **20%** above the level of the same period in the previous year. While operating performance of the customer business segments (Divisions) in the reporting period did not quite match the levels of the two preceding quarters, it was more than 3% up on the Q1 2011 figure. The combined performance of the Austrian customer business segments again equalled the Q1 2011 result (–0.7%); the CEE Division recorded growth of 5% (8.5% after adjustments for exchange rate effects). Supported by the favourable level of net trading, hedging and fair value income (gains from the buyback of hybrid instruments, participation in profit of UniCredit's investment banking activities) net operating profit of the Corporate Center was positive.

Interim Report at 31 March 2012 (CONTINUED)

Net operating profit (€ million, 2011 recast))

	Q1 2011	Q4 2011	Q1 2012	CHANGE Q1 2012/Q1 2011	
Bank Austria as a whole	473	401	566	+93	+20%
… Austrian customer business segments	152	207	151	–1	–1%
… CEE	353	326	371	+17	+5%
… Corporate Center	–32	–133	44	+76	n.m.

n.m. = not meaningful

Non-operating deductions between net operating profit and profit before tax were a negative € 39 million in the first quarter of 2012 (Q1 2011: –€25 million). In the third and fourth quarters of 2011 these items were much higher due to a number of special factors (–€233 million and –€145 million, respectively). Allocations to **provisions for risks and charges** (–€8 million) were €24 million lower than in Q1 2011. In Q1 2012, the **net result from investments** was a negative €31 million. Most of this amount is attributable to a write-down on an equity investment. In the third and fourth quarters of 2011, net income from investments was deep in negative territory largely due to write-downs on Greek bonds (–€118 million and –€130 million, respectively). On 24 February 2012, after long negotiations, the Greek government made a **debt restructuring offer** to private investors. As part of the offer, the nominal value of outstanding bonds under Greek law was reduced to about 31.5%. A separate debt instrument (warrant) linked to the development of Greece's GDP was issued in respect of the nominal amount of the bonds exchanged. A portion of the debt should be replaced by short-term/medium-term instruments of the European Financial Stability Facility (EFSF). UniCredit Bank Austria AG and those of its subsidiaries which hold Greek bonds participated in the **debt restructuring** as at 12 March 2012. The Greek government bonds which were held by Bank Austria and qualified for the debt restructuring (a nominal €498 million/carrying amount: €129 million at the end of 2011) 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 with €10.2 million. At the end of March, Bank Austria's exposure, valued at market prices, was just under €112 million (carrying amount).

Profit before tax (before the charge for goodwill impairment and Purchase Price Allocation) was **€527 million** (Q1 2011: €448 million); corporate income tax on this amount was €110 million. Non-controlling interests remained more or less unchanged at €10 million. In the first quarter of 2012, the Purchase Price Allocation effect and goodwill impairment absorbed €8 million following major adjustments of the carrying amount of some equity interests to the new economic scenario in the third quarter of 2011.

➔ **Net profit** (attributable to the owners of Bank Austria) for Q1 2012 was **€399 million** after €204 million in Q4 2011 and €340 million (unadjusted: €341 million) in Q1 2011. This represents an increase of 95% from Q4 2011 to Q1 2012, and a rise of 17% year-on-year.

Interim Report at 31 March 2012 (CONTINUED)

Volume, profitability and resources

Average **loans and receivables with customers** rose steadily over the past quarters. Business reflected in the statement of financial position expanded by 3.7% compared with the previous year, growth was mainly driven by the CEE Division (+7.3%; adjusted for exchange rate movements, more than +10%). Austrian customer business grew only slightly, by 0.8%. In the first quarter of 2012, CEE accounted for 53% of total lending volume and the three Austrian customer business segments for 43%; the remaining part – about €5 billion, or 4%, in the Corporate Center – includes funding for leasing business. Average **risk-weighted assets** were again lagging behind credit expansion, rising by only 0.6% year-on-year. Average RWAs in Austrian customer business declined significantly. 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. In a comparison with Q1 2011, **primary funds** (deposits from customers and debt securities in issue) rose at a higher rate than loans to customers across all Divisions, with disproportionately strong growth seen in CEE. Overall, volume trends reflect the business sector's good liquidity position and investor restraint in the area of direct investments as well as the bank's focus on risk-adjusted equity capital efficiency.

Resources and profitability: Q1 2012 compared with Q1 2011

2011 RECAST	BANK AUSTRIA	AUSTRIAN CUSTOMER BUSINESS[1]	CEE
Relative size			
Average loans to customers (€ billion)	134.1	58.3	70.7
Change over previous year[2]	+3.7%	+0.8%	+7.3%
Average risk-weighted assets (RWAs, € billion)	125.4	29.3	85.8
Change over previous year[2]	+0.6%	−18.4%	+9.5%
Average primary funds (€ billion)	135.2	57.4	61.0
Change over previous year[2]	+5.8%	+2.5%	+9.0%
Results, profitability and value creation			
Operating income (€ million)	1,811	557	1,132
Change over previous year[2]	+1.6%	−4.5%	−2.3%
Profit before tax (€ million)	527	152	367
Change over previous year[2]	+17.5%	−3.2%	+4.1%
ROE before tax[3]	12.0%	17.9%	11.5%
Marginal EVA (€ million)[4]	76.6	25.5	27.8
Marginal RARORAC	2.60%	3.46%	1.44%
Equity			
Average equity (€ billion)[5]	17.5	3.4	12.8
Change over previous year[2]	+0.1%	−1.1%	+10.6%

1) F&SME, Private Banking and Corporate & Investment Banking (CIB) Divisions, the difference of the total amount is shown in the Corporate Center – see the "Description of segment reporting" on page 46 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) Calculated on the basis of capital allocated under Basel 2. Difference = Corporate Center and intersegment items, sum total calculated using the bank's own cost of capital of 12.13% and the target Tier 1 capital ratio of 9.5%. 5) Subsidiaries are included at actual IFRS capital.

Return on equity (ROE before tax = profit before tax/allocated equity, subsidiaries with institutional capital) improved from 10.3% in Q1 2011 to 12.0% in Q1 2012. Most recently, ROE before tax for Austrian customer business was higher than for CEE as the amount of allocated equity was lower and continued to decline. ROE after tax (based on net profit attributable to the owners of Bank Austria) improved from 8.0% in Q1 2011 to 9.4% in Q1 2012. At overall bank level, **marginal Economic Value Added** (EVA), the long-term indicator used by UniCredit Group for value creation, was €77 million in the first quarter of 2012 after €72 million in the same period of the previous year. In this context one should note the high cost of equity capital which is to be exceeded: for 2012, capital employed was increased in line with the target Tier 1 capital ratio of 9.5% and the cost of capital was set at 12.13% (previous year: 8.0% and 10.93%, respectively). The risk-adjusted return on risk-adjusted capital (RARORAC) therefore was 2.60% after 2.93%. Marginal EVA of the CEE business segment in the first quarter of 2012 was only slightly higher than that of the three Austrian customer business segments, due to higher levels of risk-weighted assets, allocated equity and cost of capital.

	BANK AUSTRIA	3 AUSTRIAN SEGMENTS[1]	CEE	CORPORATE CENTER[2]
Branches				
End of March 2012	3,017	291	2,726	
End of Dec. 2011	3,040	290	2,750	
End of March 2011	3,033	299	2,734	
Employees (FTEs)				
End of March 2012	58,740	5,668	51,068	2,005
End of Dec. 2011 (recast)	59,345	5,744	51,517	2,083
End of March 2011 (recast)	59,300	5,544	51,579	2,177

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

The **number of branches** of Bank Austria has declined by 23 since the end of 2011 and by 16 since March 2011. These changes primarily reflect movements in CEE: additions to the branch network in Turkey (+41) and the Czech Republic (+22) compared with the previous year were offset by restructuring in Ukraine (–51) and Kazakhstan (–15); developments in the other countries were determined by a number of openings and closures of branches, also within the individual countries. The **number of employees** declined by 604 FTEs compared with the end of 2011 and was 560 FTEs lower than at the end of March 2011. While staff numbers in the three Austrian customer business segments increased by 123 FTEs compared with Q1 2011, the Corporate Center saw a reduction of 172 FTEs. In CEE, the net reduction of 511 FTEs resulted mainly from additions to staff in Turkey (+776 FTEs), the Czech Republic (+176 FTEs) and Serbia (+68 FTEs) and from the streamlining of the branch network in Croatia (–175 FTEs), Ukraine (–925 FTEs) and Kazakhstan (–273 FTEs).

Interim Report at 31 March 2012 (CONTINUED)

Financial position and capital resources

Financial position

As at 31 March 2012, total assets were €200.9 billion, up by 0.8% from year-end 2011 and 5.6% higher than at the end of March 2011. The statement of financial position reflects stable customer business, which recently continued to grow on the deposits side rather than in lending operations. Efforts to strengthen capital resources, reduce leverage and increase liquidity ahead of the Basel 3 rules also had a positive influence.

The slight growth in total **assets** from year-end 2011 to 31 March 2012 was mainly due to an increase in highly liquid financial market investments (+10.1%) and higher loans and receivables with banks (+5.7%); the particularly low level of interbank business in the past year reflected the confidence crisis. **Loans and receivables with customers** declined slightly, by 1.2%, in the first three months of 2012. This was due to weak credit demand in Austria and exceptionally low growth in CEE (+1.0%), where deleveraging in Kazakhstan and Ukraine and a decline in Hungary dampened an overall weak expansion. However, at €133.4 billion, loans and receivables with customers still accounted for two-thirds of total assets (66.4%, see table below); from March 2011 to March 2012, loans and receivables with customers increased by 3.7%, with growth mainly driven by CEE.

On the **liabilities side**, financial liabilities held for trading, financial liabilities at fair value through profit or loss, hedging derivatives, and deposits from banks declined. From year-end 2011 to 31 March 2012, deposits from customers (+0.7%) and debt securities in issue (+1.1%) rose slightly; **primary funds** (the sum total of deposits from customers and debt securities in issue) increased by over €1 billion or 0.8% to €135.7 billion. This means that loans to customers were funded by primary funds to the extent of more than 100% (loans/primary funds: 98.3%). In regional terms, Austria recorded a particularly strong increase in deposits from customers (+2.9%), and in CEE, a strong contribution to growth came especially from debt securities in issue (up by 18.5% from a low base). Primary funds were up by a strong 6.2% from the level a year earlier, growing by 10.8% in CEE and by 2.7% in Austria.

IFRS equity amounted to **€18.6 billion**, an increase of €900 million or 5.1% from year-end 2011. The increase resulted from a higher net profit, which also reflects gains on the buyback of hybrid instruments and is included in retained earnings, and from the positive development of reserves in accordance with IAS 39 (available-for-sale reserve and cash flow hedge reserve) and positive foreign currency translation differences. Equity was up by 6.7% from the level at the end of March 2011 (which already included the capital increase). The leverage ratio (based on the cash concept, without intangible assets) was thus further improved, from 13.3 to 12.6; this compares with 13.6 a year earlier.

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

	31 MARCH 2012	31 DEC. 2011	CHANGE		31 MARCH 2011	CHANGE	
ASSETS							
Financial assets held for trading	3,249	3,322	−73	−2.2%	3,758	−510	−13.6%
Hedging derivatives	3,634	3,466	+168	+4.9%	2,172	+1,462	+67.3%
Other financial assets[1]	20,253	18,390	+1,864	+10.1%	24,022	−3,769	−15.7%
Loans and receivables with banks	27,094	25,621	+1,473	+5.7%	18,329	+8,764	+47.8%
Loans and receivables with customers	133,361	134,914	−1,553	−1.2%	128,553	+4,808	+3.7%
Intangible assets	2,904	2,866	+38	+1.3%	3,659	−755	−20.6%
… other asset items	10,380	10,652	−271	−2.5%	9,807	+573	+5.8%
Total assets	**200,874**	**199,229**	**+1,645**	**+0.8%**	**190,301**	**+10,573**	**+5.6%**
LIABILITIES AND EQUITY							
Financial liabilities held for trading and financial liabilities at fair value through profit or loss	3,212	3,597	−385	−10.7%	3,635	−423	−11.6%
Hedging derivatives	2,427	2,591	−164	−6.3%	1,962	+465	+23.7%
Deposits from banks	32,715	32,772	−57	−0.2%	31,722	+993	+3.1%
Primary funds	135,691	134,658	+1,033	+0.8%	127,775	+7,916	+6.2%
Equity	18,561	17,661	+900	+5.1%	17,400	+1,161	+6.7%
… other liability items	8,268	7,950	+318	+4.0%	7,808	+460	+5.9%
Total liabilities and equity	**200,874**	**199,229**	**+1,645**	**+0.8%**	**190,301**	**+10,573**	**+5.6%**
KEY RATIOS							
Customer loans/total assets	66.4%	67.7%			67.6%		
Primary funds/total liabilities and equity	67.6%	67.6%			67.1%		
Customer loans/primary funds	98.3%	100.2%			100.6%		
Total assets/equity (leverage ratio) [2]	**12.6**	**13.3**			**13.6**		

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

Interim Report at 31 March 2012 (CONTINUED)

Capital resources pursuant to the Austrian Banking Act

Risk-weighted assets (RWAs) as at 31 March 2012 were €125.6 billion, a slight increase of €0.4 billion (+0.3%) over year-end 2011.

An increase in RWAs from credit risk at CEE subsidiaries, which was due to business expansion and exchange rate movements, compares with a decline in credit risk RWAs at UniCredit Bank Austria AG. Risk-weighted assets from operational risk rose by €0.9 billion in the reporting period; the increase resulted from the favourable income trend at Yapı Kredi and is to be seen in the context of the methodology used for the calculation. Market risk RWAs were down by €0.5 billion, reflecting strict limit management with regard to interest-rate products.

The capital requirement for credit risk remained more or less unchanged at €8.7 billion. The capital requirement for all types of risk was €10.0 billion, up by only €33 million.

Net capital resources declined by €0.5 billion (–3.3%) to €15.4 billion in the reporting period. The decrease was mainly due to the €0.3 billion decline in net Tier 2 capital as a result of repayments at maturity. Tier 1 capital of the Group declined slightly, by €0.1 billion, as a result of the buyback of a portion of hybrid capital.

As Tier 1 capital declined and RWAs rose slightly compared with year-end 2011, **capital ratios** were lower. The Core Tier 1 capital ratio (Tier 1 capital ratio without hybrid capital) based on all risks was down from 10.55% to 10.50%. The Core Tier 1 capital ratio based on credit risk declined from 12.10% to 12.07%.

Capital ratios

	31 MARCH 2012	31 DEC. 2011
based on all risks 1)		
Tier 1 capital ratio	10.72%	10.88%
… without hybrid capital (Core Tier 1 capital ratio)	10.50%	10.55%
Total capital ratio	12.23%	12.68%
based on credit risk 2)		
Tier 1 capital ratio	12.32%	12.47%
… without hybrid capital (Core Tier 1 capital ratio)	12.07%	12.10%
Total capital ratio	12.86%	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.

Interim Report at 31 March 2012 (CONTINUED)

Development of business segments

Family & SME Banking (F&SME)

(€ million)	Q1 2012	Q1 2011[1)]	CHANGE	
Operating income	275	283	–8	–3%
Operating costs	–222	–213	–9	+4%
Operating profit	53	70	–18	–25%
Net write-downs of loans	–33	–55	+22	–40%
Net operating profit	19	15	+4	+30%
Profit before tax	**20**	**16**	**+4**	**+22%**
Loans to customers (avg.)	20,959	21,751	–793	–4%
Risk-weighted assets (avg.) 2)	11,017	13,830	–2,814	–20%
Average equity 3)	1,195	1,256	–61	–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 44 to 51 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 pages 48 to 51.
This information applies to all business segment tables.

In the first quarter of 2012 – unlike the situation in Q1 2011 – business operations in the **Family & SME Banking** (F&SME) Division were characterised by generally weak demand for loans, combined with high liquidity and continued risk aversion by customers in an environment of unusually low interest rates. The business segment's overall performance was nevertheless significantly better than in the same period of the previous year, even if it failed to match the results achieved in Q4 2011. Operating performance (net operating profit) improved by 30% to €19 million compared with Q1 2011. Profit before tax was up 22% to €20 million.

Operating income (€275 million) decreased from the Q4 2011 level and was 3% below the figure for Q1 2011. Net interest remained stable in the last few quarters and exceeded the level of the previous year by 3%, although the yield curve was both flat and exceptionally low. Net interest rose with an increase in customer deposits and a slight improvement in margins. Lending volume was maintained at the level of the previous year, thanks to trends in medium-term and long-term loans, and real estate financing, while short-term loans declined. The robust growth of net interest income and the large volume of bank deposits compared with particularly weak net fees and commissions, which also characterised the preceding quarter (–10% compared with Q1 2011). In the last two quarters, uncertainty over the government debt crisis led to a slump in securities business which was most pronounced in the area of direct capital market investments; the bank's own issues offered to meet customers' needs held up somewhat better. The general trend shows that customers chose to channel their funds into bank deposits.

Q1 2012 saw a marked quarter-on-quarter decline in operating costs (–8%) which were 4% higher than in Q1 2011. A major contribution to the Division's performance came from the reduction in net write-downs of loans and provisions for guarantees and commitments, from €55 million in Q1 2011 to €33 million most recently. In the first quarter of 2012 the cost of risk was only 64 basis points (bp) compared with 74bp in 2011 and 120bp in 2010. In a comparison with Q1 2011, the €22 million decline in net write-downs of loans and provisions for guarantees and commitments more than offset the decrease in operating profit (–€18 million), resulting in a 30% rise in net operating profit to €19 million. Based on a profit before tax of €20 million (+22% over Q1 2011), return on equity before tax in Q1 2012 was 6.5% after 5.1% in Q1 2011. Besides an improved performance this resulted from a reduction in risk-weighted assets (–20%) and a lower level of equity allocated to this business segment (–5%).

Private Banking

(€ million)	Q1 2012	Q1 2011	CHANGE	
Operating income	37	35	+2	+5%
Operating costs	–26	–25	–1	+3%
Operating profit	11	10	+1	+12%
Net write-downs of loans	0	–1	+1	n.m.
Net operating profit	11	9	+2	+20%
Profit before tax	**10**	**10**	**+1**	**+8%**
Total financial assets (avg.)	17,495	17,047	+449	+3%
Loans to customers (avg.)	608	459	+149	+33%
Risk-weighted assets (avg.)	846	930	–85	–9%
Average equity	165	154	+11	+7%

n.m. = not meaningful

The **Private Banking** business segment had a good start in 2012: operating income for the first quarter was up by 5% on Q1 2011, operating profit improved by 12% and net operating profit was 20% higher. It should be noted, however, that operating income was lower than the high figure achieved in Q4 2011. The top segment of private customers shows a strong preference for liquidity. Customers are warming to other forms of investments only slowly. This can be seen from the trends in volume and income components.

Average **total financial assets** in the first quarter of 2012 were up by 3% on the same period of the previous year. At the end of March 2012, volume totalled €18.0 billion, exceeding the year-end 2011 level by 5.4% and the figure at the end of March 2011 by 4.5%. While increases were seen in all types of investment in the first three months of 2012, direct deposits showed by far the strongest growth (+8%). This is explained by investor preferences and by successful acquisition efforts focusing on deposits. Assets under management rose by 2.9%. Assets under custody, which declined in the past year, also grew in the first few months of 2012 (+5%).

Interim Report at 31 March 2012 (CONTINUED)

This profile is reflected in Private Banking's income statement for Q1 2012: net interest was slightly lower than in the third and fourth quarters of the previous year, as a result of interest rate movements. Compared with Q1 2011, however, net interest was up by 35% and got close to the level of net fees and commissions, traditionally the most important income component in private banking operations. In the past few quarters, net fees and commissions remained above €20 million, more or less stable despite restraint on the part of customers. At €21 million in Q1 2012, the figure was down by 7% from a year earlier. Operating costs grew by 3% year-on-year, a rate which was lower than revenue growth (+5%) although the quality initiative in advisory services involved training measures and selective additions to staff. On this basis operating profit rose by 12%. Net write-downs of loans were insignificant. Profit before tax amounted to €10 million, giving a return on equity (ROE before tax) of 25%, which matched the Q1 2011 level.

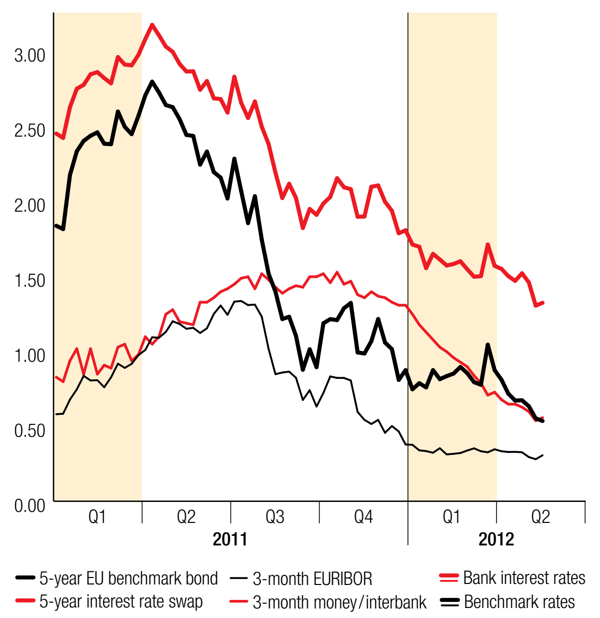
Corporate & Investment Banking (CIB)

(€ million)	Q1 2012	Q1 2011	CHANGE	
Operating income	245	265	−20	−8%
Operating costs	−93	−91	−1	+2%
Operating profit	152	174	−21	−12%
Net write-downs of loans	−31	−46	+14	−31%
Net operating profit	121	128	−7	−6%
Profit before tax	**122**	**132**	**−9**	**−7%**
Loans to customers (avg.)	36,735	35,631	+1,103	+3%
Risk-weighted assets (avg.)	17,475	21,186	−3,711	−18%
Average equity	2,039	2,026	+13	+1%

In the first quarter of 2012, the CIB Division operated in an environment which differed considerably from the situation a year earlier: in early 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 and there was a steep yield curve (see chart). Although companies were still in good condition at the beginning of 2012, despite the intermediate economic slowdown, investment projects and acquisitions were postponed, which reduced credit demand, and liquidity was at exceptionally high levels. Transaction volume was low, even in foreign trade.

In this environment the CIB business segment again achieved good results. Profit before tax was **€122 million**, slightly higher (+2%) than in Q4 2011, though down by 7% from the first quarter of the previous year. Equity allocated to the CIB Division was 12% of the total; CIB accounted for 23% of the profit before tax generated by the bank as a whole. Operating income in Q1 2012 was 8% lower than in the same period of the previous year. This reflects developments which moved in opposite directions: net interest was up by 7% on Q4 2011 and 12% higher than in Q1 2011; this increase was achieved despite the specific patterns of demand and interest rates prevailing in the reporting period. Credit demand declined sharply (although March saw signs of recovery). Oversupply in the market on the deposit side led to volume growth while margins narrowed. Strong contributions to the good net interest performance came from the Real Estate sub-segment and from the bank's interest rate management (Treasury). Net fees and commissions declined significantly compared with Q4 2011 and Q1 2011, reflecting low activity levels in securities business. The same applies to net trading income, which includes income from customer business relating to interest-rate/currency derivatives. Another factor which had a strong effect was dividend income from equity investments, which was down by almost two-thirds from the figure for Q1 2011 as such income is not received on a regular basis. Costs were reduced by 10% compared with Q4 2011 and were thus only 2% higher than in Q1 2011. Net write-downs of loans, at €31 million, remained under control; the cost of risk was 34bp, matching the low levels in 2011 (37bp) and 2010 (35 bp). CIB's net operating profit for the first quarter of 2012 was €121 million (down by 6% from Q1 2011), profit before tax was more or less equal in amount (€122 million/−7%). Although lending volume rose, risk-weighted assets in CIB were reduced by 18%, improving RWA efficiency. Return on equity in Q1 2012 was 24.0%.

Yield curve in Q1 2012 compared with the previous year



Interim Report at 31 March 2012 (CONTINUED)

Central Eastern Europe (CEE)

(€ million)	Q1 2012	Q1 2011	CHANGE		ADJ.*)
Operating income	1,132	1,159	–27	–2%	*+0%*
Operating costs	–543	–532	–11	+2%	*+5%*
Operating profit	589	627	–38	–6%	*–4%*
Net write-downs of loans	–219	–274	+55	–20%	*–19%*
Net operating profit	371	353	+17	+5%	*+8%*
Profit before tax	**367**	**353**	**+14**	**+4%**	***+7%***
Loans to customers (avg.)	70,689	65,885	+4,804	+7%	*+10%*
Risk-weighted assets (avg.)	85,759	78,330	+7,429	+9%	*+13%*
Average equity	12,820	11,588	+1,232	+11%	*+14%*

*) adjusted = at constant exchange rates

The CEE Division ended Q1 2012 with a profit before tax of €367 million, representing a significant increase over both Q4 2011 (+12%) and Q1 2011 (+4%). At constant exchanges rates, i.e. excluding the effect of changes in the reporting currencies, the quarter-on-quarter increase amounts to 6%, and compared with Q1 2011, to 7%.

Operating income amounted to €1,132 million in Q1 2012, up by 0.3% over Q1 2011 (at constant rates). The decrease over Q4 2011 (–7% at constant rates) is explained by higher dividends received in the last quarter of 2011 and to higher fee income primarily from year-end account maintenance fees, as well as some reduction of the trading result in Q1 2012. Net interest income at €802 million was practically unchanged over Q4 2011 in line with the very stable development of business volume in the first quarter of 2012.

Operating costs decreased by 6% quarter-on-quarter at constant rates to €543 million as a result of both the ongoing tight cost control and the traditionally higher cost level at year-end. The 5% increase over Q1 2011 was driven by the network expansion in selected countries, primarily in Turkey and the Czech Republic.

Net write-downs on loans amounted to €219 million in Q1 2012, representing a significant reduction of 27% at constant rates over the preceding quarter and of 19% compared with Q1 2011, reflecting the improvement in the general risk environment. The decrease compared with the preceding quarter was further accentuated by the fact that provisions booked last year in anticipation of the Early Repayment Programme for CHF borrowers in Hungary had to be reclassified this year to other operating expenses when customers exercised their options and the costs were therefore incurred by our Hungarian subsidiary.

Net operating profit thus reached €371 million in Q1 2012, up by 9% over Q4 2011 and by 8.5% over Q1 2011.

Loans to customers (net of provisions) were €71 billion at the end of the first quarter which, at constant rates, represents a slight reduction quarter-on-quarter. This also includes the effect of the Early Repayment Programme in Hungary. Customer deposits (including debt securities in issue) at €61 billion decreased by 2% as some large corporate deposits placed at year-end matured. Compared to the first quarter of the previous year both customer loans and deposits showed healthy growth rates of 11% and 13%, respectively.

At the end of the first quarter of 2012, the CEE Division employed 51,068 FTEs (full-time equivalents) across the whole region. This represents a reduction of 449 FTEs compared with Q4 2011, which is mainly due to reorganisational activities in Ukraine, Croatia and Kazakhstan, counterbalanced by staff increases in selected countries to support ongoing business and the expansion of the CEE network.

Interim Report at 31 March 2012 (CONTINUED)

Income statement of the consolidated banking subsidiaries in CEE 1)

(€ million)

	CEE BUSINESS SEGMENT 2)		CZECH REPUBLIC		SLOVAKIA		HUNGARY	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Net interest income	802	818	64	65	21	20	54	56
Net fee and commission income	241	249	18	17	8	7	15	16
Net trading income	104	77	12	15	2	1	5	9
Net other operating income/expenses	–14	14	0	0	0	–1	–28	1
Operating income	**1,132**	**1,159**	**95**	**96**	**31**	**28**	**45**	**81**
Operating costs	**–543**	**–532**	**–47**	**–45**	**–21**	**–18**	**–28**	**–39**
Operating profit	**589**	**627**	**48**	**51**	**10**	**11**	**18**	**42**
Net write-downs of loans	–219	–274	–17	–18	–4	–3	8	–14
Net operating profit	**371**	**353**	**30**	**32**	**6**	**8**	**26**	**27**
Provisions for risks and charges	–10	–2	0	0	0	0	0	0
Integration/restructuring costs	0	–1	3	2	1	0	0	–3
Net income from investments	6	2	0	–1	0	0	0	0
Profit before tax	**367**	**353**	**34**	**33**	**7**	**8**	**26**	**25**
Customer loans	70,689	65,885	7,195	7,122	2,954	2,661	3,505	4,043
Customer deposits and debt securities in issue	61,021	55,964	8,431	7,912	2,609	2,791	3,306	3,803
Exchange rate	102.80 3)	100.00	25.084	24.375	Euro	Euro	296.85	272.43
Appreciation/depreciation against the euro	–2.7%		–2.8%				–8.2%	

(€ million)

	SLOVENIA		BULGARIA		ROMANIA		BALTICS	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Net interest income	16	15	54	56	42	45	4	4
Net fee and commission income	5	5	18	16	13	13	0	–1
Net trading income	0	0	9	3	12	9	1	0
Net other operating income/expenses	0	0	0	0	2	0	0	0
Operating income	**21**	**20**	**81**	**75**	**70**	**67**	**5**	**3**
Operating costs	**–10**	**–10**	**–33**	**–31**	**–36**	**–35**	**–3**	**–3**
Operating profit	**11**	**10**	**49**	**45**	**34**	**32**	**2**	**0**
Net write-downs of loans	–6	–7	–24	–25	–28	–24	–2	0
Net operating profit	**4**	**4**	**25**	**19**	**5**	**9**	**–1**	**0**
Provisions for risks and charges	0	0	0	0	0	0	0	0
Integration/restructuring costs	–2	0	1	0	0	0	0	0
Net income from investments	0	0	0	0	0	0	0	0
Profit before tax	**2**	**4**	**26**	**20**	**5**	**9**	**–1**	**0**
Customer loans	2,455	2,316	4,036	3,880	3,402	2,978	619	667
Customer deposits and debt securities in issue	1,062	972	3,831	3,421	2,520	2,091	278	396
Exchange rate	Euro	Euro	1.9558	1.9558	4.3533	4.2212	0.6985 4)	0.7049
Appreciation/depreciation against the euro			0.0%		–3.0%		+0.9%	

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) Index of the relevant currencies against the euro, weighted by operating income. / 4) Latvian lat (LVL).

Interim Report at 31 March 2012 (CONTINUED)

(€ million)

	TURKEY [5]		RUSSIA		KAZAKHSTAN		UKRAINE	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Net interest income	161	142	121	145	39	39	52	55
Net fee and commission income	72	91	26	22	–1	–3	13	11
Net trading income	14	20	32	5	3	5	1	–1
Net other operating income/expenses	8	9	0	6	0	0	2	–1
Operating income	**254**	**261**	**180**	**178**	**42**	**41**	**69**	**64**
Operating costs	**–121**	**–118**	**–67**	**–61**	**–22**	**–21**	**–30**	**–28**
Operating profit	**133**	**143**	**113**	**117**	**20**	**20**	**38**	**36**
Net write-downs of loans	–24	–12	–11	–23	–24	–28	–24	–26
Net operating profit	**109**	**131**	**102**	**94**	**–4**	**–7**	**14**	**10**
Provisions for risks and charges	–9	–2	0	0	0	0	0	0
Integration/restructuring costs	1	3	1	0	0	0	0	0
Net income from investments	0	0	0	0	0	0	0	0
Profit before tax	**102**	**132**	**102**	**94**	**–4**	**–8**	**14**	**10**
Customer loans	12,769	11,203	11,534	9,269	3,313	3,453	2,777	2,672
Customer deposits and debt securities in issue	12,235	11,169	11,037	7,396	3,887	3,618	1,666	1,331
Exchange rate	2.3556	2.1591	39.550	39.998	194.185	200.240	10.503	10.877
Appreciation/depreciation against the euro	–8.3%		+1.1%		+3.1%		+3.6%	

(€ million)

	CROATIA		BOSNIA		SERBIA	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Net interest income	101	112	22	21	20	20
Net fee and commission income	28	30	7	7	4	4
Net trading income	8	6	1	1	3	2
Net other operating income/expenses	1	2	0	0	0	0
Operating income	**138**	**150**	**31**	**30**	**26**	**25**
Operating costs	**–63**	**–65**	**–19**	**–19**	**–9**	**–9**
Operating profit	**75**	**86**	**12**	**11**	**17**	**16**
Net write-downs of loans	–22	–19	–3	–3	–6	–3
Net operating profit	**53**	**66**	**8**	**8**	**11**	**14**
Provisions for risks and charges	0	0	0	0	0	0
Integration/restructuring costs	1	0	0	0	0	0
Net income from investments	0	0	0	0	0	0
Profit before tax	**54**	**67**	**8**	**8**	**11**	**14**
Customer loans	9,724	9,535	1,385	1,334	1,271	1,096
Customer deposits and debt securities in issue	7,861	7,899	1,451	1,493	648	680
Exchange rate	7.557	7.402	1.956	1.956	108.147	103.954
Appreciation/depreciation against the euro	–2.1%		0.0%		–3.9%	

5) pro quota

Interim Report at 31 March 2012 (CONTINUED)

Outlook

■ Overall, the global economic scenario which we described in our 2011 Annual Report, published a few weeks ago, is confirmed by recently released economic data and leading indicators. The global economy is expected to strengthen gradually, mainly supported by continued expansion in China, the turnaround in Japan and growth in other emerging markets in Asia and South America. After a long interval the moderate increase in economic activity in the US will also provide some impetus again. Prices for industrial raw materials have fallen, and oil prices have declined to slightly lower levels from their high in March.

This means that the cyclical component will be more pronounced. But the economy will have to overcome structural obstacles, especially uncertainty over the European government debt crisis, which is having a dampening impact on both regional and global developments and causing disruptions in international capital transactions. General awareness of these adverse factors has increased, not least in view of the dramatic increase in unemployment in several countries. The shortfall of economic growth resulting in the short to medium term from the imperative consolidation of state finances was a major topic in a number of regional and national elections in the past few weeks. Following the Greek debt restructuring and the increase in the EFSF and the ESM, the situation has eased but the governance reforms (including the fiscal pact) which have been initiated frequently come up against problems of acceptance, and this leads to periods of extreme risk aversion in financial markets. However, there is hardly any scope for expansionary countermeasures, and measures aimed at enhancing productivity will only be effective in the long term. For these reasons, real GDP in the euro area will hardly grow in 2012. Robust, though moderate, growth in the core European countries and recession in the highly indebted South-European countries will result in overall stagnation or a slight decline in GDP.

Liquidity support provided by the ECB should gradually have tangible effects on the real economy. Short-term interest rates could continue to fall further, which means that interest rates will remain close to zero. In view of expectations of low inflation and stronger preference for security, the benchmark yield curve will remain flat; interest rates will continue to be mainly determined by risk premiums and individual credit ratings building on sovereign spreads.

■ Economic trends in **Austria** in spring 2012 will remain moderate, with sentiment moving up and down in response to widely varying economic data. The necessary impetus from abroad is modest and volatile for the time being, and domestic demand is still subdued, reflecting the impact of a stricter budget policy and risk factors at the European level. While the Austrian economy got off to a positive, though slow, start in 2012, this will not yet be followed by a dynamic upturn in the second quarter. Based on our estimates, Austria's GDP recorded slight quarter-on-quarter growth of 0.1 per cent in Q1 2012. In view of the existing stress factors, growth will rise only marginally, to 0.2 %, in Q2 compared with Q1. Towards the middle of the year, growth in Austria is expected to pick up. If the euro crisis continues to ease, Austria could see economic growth of about 2 % year-on-year beginning in the summer. Foreign trade will intensify again and support the Austrian economy. Domestic demand will also stabilise, with central bank policy making a strong contribution through increased liquidity and low interest rates. This development is, however, exposed to risks. On the one hand, difficulties encountered in implementing the reform pact may adversely affect confidence, at least in the short term; on the other hand, one should keep an eye on inflation. While the moderate pace of growth is not in itself expected to lead to inflation, a rise in commodities prices caused by geopolitical tensions could have a negative impact on economic trends as in the previous year. From a current perspective, we expect inflation to decline from 3.3 % in 2011 to an average 2.2 % for 2012; our growth forecast for Austria remains unchanged at a moderate 0.8 % for the year as a whole.

While the bank lending survey has shown that credit standards in Austria were unchanged, credit demand in the second quarter is expected to remain weak. Demand is likely to remain low especially in the corporate sector, and also for consumer loans, while housing loans should continue to grow as real interest rates remain low. Overall, credit growth is expected to reach a level which will hardly exceed 2 % at year-end 2012, even if the economic outlook brightens in the second half of the year. Although real interest rates are low, financial market volatility means that there will probably be no shift in portfolios from deposits to securities. Additions to holdings of financial assets in 2012 should remain significantly below pre-crisis levels as the savings ratio will continue to decline slightly.

■ At the end of March, our economists revised upward by 0.3 percentage points the forecast for **Central and Eastern Europe** and now see GDP growth of at least 3.3 % in 2012 and 3.7 % in 2013. On this basis, the economy of Central and Eastern Europe will this year grow more slowly than the emerging markets in Asia, for which the IMF has forecast a growth rate of 7.3 %, but will follow closely behind South America (3.6 %). Growth rates in CEE range from a slight decline in Croatia and Slovenia and unchanged GDP in Hungary, to growth of between 3 % and 5 % in Poland, Russia and Turkey.

In the early part of 2012, the performance of the industrial sector, in particular, exceeded expectations. The impact of the euro debt crisis has subsided markedly; this is also reflected in the lower interest rate spreads. The feared withdrawal of capital by Western European banks as part of the deleveraging process remained within limits.

Interim Report at 31 March 2012 (CONTINUED)

But within CEE, the outlook continues to vary widely from region to region: the larger, more autonomous economies (Turkey, Russia, Poland) will experience stronger growth than the smaller countries (Hungary, Croatia, Slovenia, Ukraine). More ample liquidity in Poland and Turkey will help these two countries to avoid a hard landing, while Russia is benefiting from a higher oil price and a more relaxed fiscal policy. While other, weaker economies such as Hungary, Croatia and Ukraine will continue to experience difficulty in raising funds from external sources, the currently high international liquidity levels could help them to hold out for some time without further IMF assistance. In addition, domestic demand continues to develop in a very disparate manner. In most countries, unemployment is much higher than before the big recession in 2009 (the exceptions are Russia and Kazakhstan), and in some countries it is still rising (Bulgaria, Croatia, the Czech Republic, Hungary). On the other hand, private consumption in Turkey, Poland and Russia has already exceeded the pre-crisis peak levels.

Outlook for Bank Austria's performance

As described in the Outlook section of the 2011 Annual Report, Bank Austria's performance in the remaining part of the year will be determined by what is referred to as the new normal, i.e. moderate growth of business volume in a more or less stationary – deflationary rather than inflationary – environment characterised by low interest rates. The expected volume growth will be moderate; moreover, its effect will probably be offset by a continued narrowing of margins. This means that net interest will be, at best, stable.

Uncertainty and volatility emanating from the European government debt crisis are still having an impact on investors' willingness to take risks. This applies to companies and their investment projects or acquisitions in the same way as to securities investors and their decisions. However, the current liquidity situation is now much better than it was in previous periods. We are therefore confident that restraint will gradually lessen and that corporate customers, in particular, will increasingly take advantage of opportunities in capital markets for launching new issues and financing their projects. From the low level of the first quarter of 2012, net fees and commissions should recover as the year progresses. Unless strong risk aversion returns, banking business in CEE countries will benefit from this situation to a disproportionately large extent. In our basic scenario we also assume that exchange rates will be stable.

Costs declined in the first quarter of 2012 after the seasonal increase in the final quarter of 2011. We expect to keep cost growth down to a level below revenue growth by pursuing cost savings and focusing investment on high-growth CEE countries while benefiting from synergies which result from the cross-regional back-office structure and are beginning to have an impact. We believe that the reduction of net write-downs of loans and provisions for guarantees and commitments in the past quarters 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. In CEE there is further potential for restructuring, especially in those countries which originally caused the strong increase in the provisioning charge.

➔ Overall, we believe that, after the substantial one-off charges absorbed in the past year, the slight upward trend in operating performance will feed through to bottom-line profits.

The risks to which this scenario is exposed have been mentioned above: if the government debt crisis worsens, this may lead to a renewed flight to quality and widening credit spreads; macroeconomic risks include a strong rise in oil prices – be it due to geopolitical developments or as a result of ample liquidity.

Moreover, banking business will be burdened by other factors to which we referred in our 2011 Annual Report. The current protracted process of implementing the Basel 3 decisions (which is a major challenge in itself) into European law has shown very clearly that there is a risk of national bodies acting independently (gold plating). In the middle of 2012, a European Commission proposal on crisis management institutions will put on the European agenda such topics as insolvency rules, a stabilisation fund and deposit guarantee schemes; national approaches should be compatible with this. Apart from ad-hoc intervention which has already occurred – from bank levies to mandatory debt restructuring –, there is a risk that protectionist measures will again become fashionable, including attempts to restrict the free movement of capital or influence it by bringing moral pressure to bear. In view of the multiple activities taking place in the area of banking regulation, there is a risk that uncoordinated measures may have a cumulative effect impacting the banks' ability to operate effectively. As an internationally active bank we would welcome a reasonable uniform approach to regulation across Europe.

Statement of Comprehensive Income

of the Bank Austria Group for the first quarter of 2012

Income statement

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Interest income and similar revenues	2,294	2,070
Interest expense and similar charges	–1,189	–942
Net interest margin	**1,105**	**1,128**
Fee and commission income	503	584
Fee and commission expense	–120	–122
Net fees and commissions	**383**	**462**
Dividend income and similar revenue	4	6
Gains and losses on financial assets and liabilities held for trading	176	104
Fair value adjustments in hedge accounting	1	1
Gains and losses on disposal of:	99	8
a) loans	–28	1
b) available-for-sale financial assets	3	8
c) held-to-maturity investments	–	–
d) financial liabilities	124	–
Gains and losses on financial assets/liabilities at fair value through profit or loss	–8	9
OPERATING INCOME	**1,760**	**1,718**
Impairment losses on:	–324	–377
a) loans	–282	–377
b) available-for-sale financial assets	–28	–
c) held-to-maturity investments	–11	–
d) other financial assets	–4	–
Net income from financial activities	**1,436**	**1,341**
Premiums earned (net)	37	32
Other income (net) from insurance activities	–31	–27
Net income from financial and insurance activities	**1,442**	**1,346**
Administrative costs:	–894	–883
a) staff expense	–500	–496
b) other administrative expense	–394	–386
Provisions for risks and charges	–8	–32
Impairment/write-backs on property, plant and equipment	–46	–48
Impairment/write-backs on intangible assets	–27	–26
Other net operating income	23	42
OPERATING COSTS	**–951**	**–947**
Profit (loss) of associates	26	44
Gains and losses on tangible and intangible assets measured at fair value	–	–
Impairment of goodwill	–4	–3
Gains and losses on disposal of investments	5	1
TOTAL PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**518**	**442**
Tax expense (income) related to profit or loss from continuing operations	–109	–88
NET PROFIT	**409**	**354**
Attributable to:		
Owners of the parent company	399	341
Non-controlling interests	10	13
Earnings per share (in €, basic and diluted)	6.90	5.90

Other comprehensive income

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Gains/losses on assets held for sale (available-for-sale reserve)	252	–144
Gains/losses on cash flow hedges (cash flow hedge reserve)	23	–302
Changes at companies accounted for under the equity method	–6	2
Foreign currency translation – exchange differences	272	–117
Foreign currency translation relating to assets held for sale	–	–
Actuarial gains/losses on defined-benefit plans	–	–
Taxes on items directly recognised in equity	–51	108
Other changes	2	29
Recognised directly in equity	**491**	**–424**
Net profit	**409**	**354**
TOTAL OF INCOME AND EXPENSES RECOGNISED IN THE REPORTING YEAR	**900**	**–70**
Attributable to:		
Owners of the parent company	889	–84
Non-controlling interests	11	14

Taxes on items directly recognised in equity

(€ m)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Gains/losses on assets held for sale (available-for-sale reserve)	–45	32
Gains/losses on cash flow hedges (cash flow hedge reserve)	–6	77
Actuarial gains/losses on defined-benefit plans	–	–
TAXES ON ITEMS DIRECTLY RECOGNISED IN EQUITY	**–51**	**108**

Statement of Financial Position

of the Bank Austria Group at 31 March 2012

Assets

(€ million)

	31 MARCH 2012	31 DEC. 2011
Cash and cash balances	2,482	2,919
Financial assets held for trading	3,249	3,322
Financial assets at fair value through profit or loss	206	214
Available-for-sale financial assets	16,749	14,677
Held-to-maturity investments	3,298	3,498
Loans and receivables with banks	27,094	25,621
Loans and receivables with customers	133,361	134,914
Hedging derivatives	3,634	3,466
Changes in fair value of portfolio hedged items (+/–)	42	30
Investments in associates and joint ventures	2,599	2,562
Insurance reserves attributable to reinsurers	1	1
Property, plant and equipment	2,605	2,576
of which held for investment	*747*	*721*
Intangible assets	2,904	2,866
of which goodwill	*2,446*	*2,397*
Tax assets	1,390	1,389
a) current tax assets	280	282
b) deferred tax assets	1,110	1,107
Non-current assets and disposal groups classified as held for sale	53	55
Other assets	1,208	1,120
TOTAL ASSETS	**200,874**	**199,229**

Liabilities and equity

(€ million)

	31 MARCH 2012	31 DEC. 2011
Deposits from banks	32,715	32,772
Deposits from customers	105,423	104,728
Debt securities in issue	30,269	29,931
Financial liabilities held for trading	2,083	2,554
Financial liabilities at fair value through profit or loss	1,129	1,042
Hedging derivatives	2,427	2,591
Changes in fair value of portfolio hedged items (+/–)	–	–
Tax liabilities	876	789
a) current tax liabilities	150	146
b) deferred tax liabilities	726	643
Liabilities included in disposal groups classified as held for sale	–	–
Other liabilities	3,007	2,782
Provisions for risks and charges	4,204	4,204
a) post-retirement benefit obligations	3,678	3,664
b) other provisions	526	540
Insurance reserves	181	175
Equity	18,561	17,661
of which non-controlling interests (+/–)	*544*	*534*
TOTAL LIABILITIES AND EQUITY	**200,874**	**199,229**

Statement of Changes in Equity

of the Bank Austria Group for the first quarter 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								0	0
Shares in controlling companies		–5					–5		–5
Net profit for the period			341				341	13	354
Other comprehensive income			29	–116	–338		–425	1	–424
Dividend paid								–2	–2
AS AT 31 MARCH 2011	**1,681**	**7,091**	**10,491**	**–1,450**	**–227**	**–746**	**16,841**	**558**	**17,400**

*) Reserves in accordance with IAS 39	1 Jan. 2011	31 March 2011
Cash flow hedge reserve	81	–145
Available-for-sale reserve	30	–82
Total	111	–227

	SUB-SCRIBED CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION	RESERVES IN ACCORDANCE WITH IAS 39[1)]	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		0					0	0	0
Net profit for the period			399				399	10	409
Other comprehensive income			–4	272	222	0	490	1	491
Dividend paid							0	–1	–1
AS AT 31 MARCH 2012	**1,681**	**7,097**	**10,775**	**–1,626**	**730**	**–642**	**18,016**	**544**	**18,561**

1) Reserves in accordance with IAS 39	1 Jan. 2012	31 March 2012
Cash flow hedge reserve	336	353
Available-for-sale reserve	171	377
Total	507	730

Statement of Cash Flows

of the Bank Austria Group for the first quarter of 2012

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
CASH AND CASH EQUIVALENTS AT END OF PREVIOUS PERIOD	**2,919**	**3,030**
Cash flows from operating activities	1,221	1,590
Cash flows from investing activities	–1,434	–2,243
Cash flows from financing activities	–215	–148
Effects of exchange rate changes	–9	–2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,482**	**2,227**

Notes to the Consolidated Financial Statements

Basis for the preparation of the financial statements

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

They have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 three months of 2012 include a statement of financial position, an income statement and a statement of other comprehensive income, a condensed statement of cash flows, a statement of changes in equity, segment reporting and selected explanatory notes. They have not been audited or reviewed by an auditor.

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 pronouncements 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 balance sheet date. 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 "Reclassification of Financial Assets"

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 31 March 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 31 MARCH 2012	FAIR VALUE AS AT 31 MARCH 2012	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAXES)		INCOME/EXPENSES RECOGNISED DURING THE PERIOD (BEFORE TAXES)	
					FROM MEASUREMENT	OTHER	FROM MEASUREMENT	OTHER
A. Debt securities			**–5,964**	**–5,712**	**–92**	**46**	**–**	**49**
	HFT	AFS	–10	–10	–	–	–	–
	HFT	HTM	–41	–43	–	1	–	1
	HFT	Loans to banks	–	–	–	–	–	–
	HFT	Loans to customers	–997	–855	19	10	–	8
	AFS	Loans to banks	–4,916	–4,805	–111	35	–	40
	AFS	Loans to customers	–	–	–	–	–	–
B. Equity instruments			**–**	**–**	**–**	**–**	**–**	**–**
C. Loans			**–**	**–**	**–**	**–**	**–**	**–**
D. Units in investment funds			**–**	**–**	**–**	**–**	**–**	**–**
TOTAL			**–5,964**	**–5,712**	**–92**	**46**	**–**	**49**

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 31 March 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 quarter of 2012

Consolidated companies

	NUMBER
Opening balance	**139**
Additions	**2**
Newly established companies	1
Companies newly added to the group of consolidated companies	–
Acquired companies	1
Disposals	**–**
Companies sold or liquidated	–
Mergers	–
Other changes	**1**
CLOSING BALANCE	**142**

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	**–**
Other changes	**–1**
CLOSING BALANCE	**31**

Additions

The following subsidiaries were included in the consolidated financial statements for the first quarter of 2012 for the first time with no material impact on the financial position and on the financial performance of the group.

Consolidated companies

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

In the first quarter of 2012 there were no disposals or mergers of companies from the group of consolidated companies of the Bank Austria Group.

Notes to the income statement

Interest income/Interest expense

Interest income and similar revenues

(€ million)

	1 JAN.–31 MARCH 2012				1 JAN.–31 MARCH 2011
	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL	TOTAL
Financial assets held for trading	10	–	16	26	39
Financial assets at fair value through profit or loss	1	–	–	1	1
Available-for-sale financial assets	172	–	–	172	173
Held-to-maturity investments	54	–	–	54	60
Loans and receivables with banks	43	91	–	134	70
Loans and receivables with customers	14	1,756	–	1,770	1,603
Hedging derivatives	X	X	131	131	122
Other assets	X	X	6	6	2
TOTAL	**294**	**1,847**	**153**	**2,294**	**2,070**

Interest expense and similar charges

(€ million)

	1 JAN.–31 MARCH 2012				1 JAN.–31 MARCH 2011
	DEPOSITS	SECURITIES	OTHER TRANSACTIONS	TOTAL	TOTAL
Deposits from central banks	–9	X	–	–9	–1
Deposits from banks	–201	X	–	–201	–188
Deposits from customers	–686	X	–	–686	–499
Debt securities in issue	X	–251	–	–251	–206
Financial liabilities held for trading	–	–	–19	–19	–21
Financial liabilities at fair value through profit or loss	–	–3	–	–3	–6
Other liabilities	X	X	–	–	–
Hedging derivatives	X	X	–20	–20	–22
TOTAL	**–896**	**–254**	**–39**	**–1,189**	**–942**

Notes to the income statement (CONTINUED)

Fee and commission income / Fee and commission expense

Fee and commission income

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Guarantees given	**53**	**52**
Credit derivatives	**–**	**1**
Management, brokerage and consultancy services:	**121**	**193**
securities trading	8	16
currency trading	13	57
portfolio management	39	45
custody and administration of securities	21	26
custodian bank	10	15
placement of securities	2	6
reception and transmission of orders	2	2
advisory services	7	6
distribution of third party services	19	21
Collection and payment services	**213**	**198**
Securitisation servicing	**–**	**–**
Factoring	**2**	**4**
Tax collection services	**–**	**–**
Management of multilateral trading facilities	**–**	**–**
Management of current accounts	**51**	**50**
Other services	**64**	**85**
TOTAL	**503**	**584**

Since 1 January 2012, fee and commission income from management, brokerage and consultancy services relating to derivatives business in securities and currency trading (€49 million) is reported in the item Gains and losses on financial assets and liabilities held for trading.

Fee and commission expense

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Guarantees received	**–17**	**–20**
Credit derivatives	**–5**	**–8**
Management, brokerage and consultancy services:	**–25**	**–30**
trading in financial instruments	–2	–1
currency trading	–	–
portfolio management	–4	–7
custody and administration of securities	–10	–13
placement of financial instruments	–	–
off-site distribution of financial instruments, products and services	–8	–8
Collection and payment services	**–63**	**–57**
Other services	**–10**	**–7**
TOTAL	**–120**	**–122**

Dividend income and similar revenue

(€ million)

	1 JAN.–31 MARCH 2012		1 JAN.–31 MARCH 2011	
	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS
Financial assets held for trading	–	–	–	–
Available-for-sale financial assets	3	–	3	2
Financial assets at fair value through profit or loss	–	–	–	–
Investments	–	X	–	X
TOTAL	**3**	**–**	**4**	**2**

Notes to the income statement (CONTINUED)

Gains and losses on financial assets and liabilities held for trading

(€ million)

	1 JAN.–31 MARCH 2012					1 JAN.–31 MARCH 2011
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets held for trading	**7**	**137**	**–3**	**–83**	**58**	**14**
Debt securities	5	8	–2	–3	8	8
Equity instruments	–	4	–	–4	1	2
Units in investment funds	–	–	–	–	–	–
Loans	–	–	–	–	–	–
Other	2	124	–	–76	49	4
Financial liabilities held for trading	**1**	**–**	**–**	**–**	**1**	**–14**
Debt securities	–	–	–	–	–	–
Deposits	–	–	–	–	–	–
Other	1	–	–	–	1	–15
Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**–66**	**–148**
Derivatives	**554**	**307**	**–362**	**–343**	**184**	**252**
Financial derivatives	481	307	–270	–343	203	231
on debt securities and interest rates	*379*	*301*	*–260*	*–337*	*83*	*–33*
on equity securities and share indices	*93*	*1*	*–1*	*–2*	*92*	*69*
on currency and gold	*X*	*X*	*X*	*X*	*28*	*193*
other	*9*	*5*	*–9*	*–4*	*–*	*2*
Credit derivatives	73	–	–91	–	–19	21
TOTAL	**562**	**444**	**–365**	**–427**	**177**	**104**

Since 1 January 2012, fee and commission income from management, brokerage and consultancy services relating to derivatives business in securities and currency trading (€49 million) 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.–31 MARCH 2012	1 JAN.–31 MARCH 2011
Gains on:		
Fair value hedging instruments	9	10
Hedged asset items (in fair value hedge relationship)	–	16
Hedged liability items (in fair value hedge relationship)	2	3
Cash-flow hedging derivatives	–	–
Total gains on hedging activities	**11**	**28**
Losses on:		
Fair value hedging instruments	–10	–21
Hedged asset items (in fair value hedge relationship)	–	–6
Hedged liability items (in fair value hedge relationship)	–	–
Cash-flow hedging derivatives	–	–
Total losses on hedging activities	**–10**	**–27**
NET HEDGING RESULT	**1**	**1**

Notes to the income statement (CONTINUED)

Gains and losses on disposals/repurchases

(€ million)

	1 JAN.–31 MARCH 2012			1 JAN.–31 MARCH 2011		
	GAINS	LOSSES	NET PROFIT	GAINS	LOSSES	NET PROFIT
Financial assets						
Loans and receivables with banks	–	–	–	–	–	–
Loans and receivables with customers	3	–31	–28	1	–	1
Available-for-sale financial assets	8	–5	3	9	–2	8
Debt securities	*7*	*–5*	*2*	*7*	*–2*	*5*
Equity instruments	–	–	–	–	–	–
Units in investment funds	*1*	–	*1*	*2*	–	*2*
Loans	–	–	–	–	–	–
Held-to-maturity investments	–	–	–	–	–	–
TOTAL ASSETS	**11**	**–36**	**–25**	**10**	**–2**	**8**
Financial liabilities						
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Debt securities in issue	124	–	124	–	–	–
TOTAL LIABILITIES	**124**	**–**	**124**	**–**	**–**	**–**
TOTAL	**135**	**–36**	**99**	**10**	**–2**	**8**

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

(€ million)

	1 JAN.–31 MARCH 2012					1 JAN.–31 MARCH 2011
	UNREALISED PROFITS	REALISED PROFITS	UNREALISED LOSSES	REALISED LOSSES	NET PROFIT	NET PROFIT
Financial assets	**1**	**1**	**–2**	**–**	**–1**	**–2**
Debt securities	–	–	–	–	–	2
Equity instruments	–	–	–	–	–	–
Units in investment funds	–	1	–2	–	–1	–4
Loans	–	–	–	–	–	–
Financial liabilities	**16**	**5**	**–131**	**–**	**–110**	**–5**
Debt securities	16	5	–131	–	–110	–5
Deposits from banks	–	–	–	–	–	–
Deposits from customers	–	–	–	–	–	–
Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**–**	**–**
Credit and financial derivatives	**103**	**–**	**–**	**–**	**103**	**16**
TOTAL	**120**	**5**	**–133**	**–**	**–8**	**9**

Notes to the income statement (CONTINUED)

Impairment losses

Impairment losses on loans and receivables

(€ million)

	1 JAN.–31 MARCH 2012						1 JAN.–31 MARCH 2011
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Loans and receivables with banks	–	–	–	–	–	–	–
Loans and receivables with customers	–6	–487	–27	197	41	–282	–377
TOTAL	**–6**	**–487**	**–27**	**197**	**41**	**–282**	**–377**

Impairment losses on available-for-sale financial assets

(€ million)

	1 JAN.–31 MARCH 2012				1 JAN.–31 MARCH 2011
	WRITE-DOWNS		WRITE-BACKS		
	SPECIFIC				
	WRITE-OFFS	OTHER	SPECIFIC	TOTAL	TOTAL
Debt securities	–	–6	9	3 *)	–
Equity instruments	–	–31	x	–31	–
Units in investment funds	–	–	–	–	–
Loans to banks	–	–	–	–	–
Loans to customers	–	–	–	–	–
TOTAL	**–**	**–37**	**9**	**–28**	**–**

*) Relating to provisions for Republic of Greece bonds

Impairment losses on held-to-maturity investments

(€ million)

	1 JAN.–31 MARCH 2012						1 JAN.–31 MARCH 2011
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Debt securities	–11	–	–	1	–	–11 *)	–
Loans to banks	–	–	–	–	–	–	–
Loans to customers	–	–	–	–	–	–	–
TOTAL	**–11**	**–**	**–**	**1**	**–**	**–11**	**–**

*) Relating to provisions for Republic of Greece bonds

Impairment losses on other financial transactions

(€ million)

	1 JAN.–31 MARCH 2012						1 JAN.–31 MARCH 2011
	WRITE-DOWNS			WRITE-BACKS			
	SPECIFIC						
	WRITE-OFFS	OTHER	PORTFOLIO	SPECIFIC	PORTFOLIO	TOTAL	TOTAL
Guarantees given	–	–5	–3	4	1	–3	–1
Credit derivatives	–	–	–	–	–	–	–
Commitments to disburse funds	–	–4	–	2	–	–2	1
Other transactions	–	–2	–	3	–	1	–
TOTAL	**–**	**–11**	**–3**	**9**	**1**	**–4**	**–**

Notes to the income statement (CONTINUED)

Payroll

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Employees	**–487**	**–484**
Wages and salaries	–354	–350
Social charges	–77	–71
Severance pay	–	–
Social security costs	–	–14
Allocation to employee severance pay provision	–	–
Provision for retirement payments and similar provisions	–61	–63
Payments to external pension funds	–7	–6
Costs related to share-based payments	–1	–
Other employee benefits	–25	–11
Recovery of compensation*)	38	31
Others	**–12**	**–12**
TOTAL	**–500**	**–496**

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

Other administrative expenses

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Indirect taxes and duties	**–34**	**–36**
Miscellaneous costs and expenses	**–360**	**–351**
Advertising, marketing and communication	–27	–28
Expenses related to credit risk	–6	–7
Expenses related to personnel	–14	–14
Information and communication technology expenses	–99	–97
Consulting and professional services	–18	–14
Real estate expenses	–86	–83
Other functioning costs	–109	–108
TOTAL	**–394**	**–386**

Net provisions for risks and charges

(€ million)

	1 JAN.–31 MARCH 2012			1 JAN.– 31 MARCH 2011
	PROVISIONS	REALLOCATION SURPLUS	TOTAL	TOTAL
Other provisions				
Legal disputes	–3	–	–3	–31
Staff costs	–	–	–	–
Other	–8	3	–5	–1
TOTAL	**–11**	**3**	**–8**	**–32**

Notes to the income statement (CONTINUED)

Impairment on property, plant and equipment

(€ million)

	1 JAN.–31 MARCH 2012				1 JAN.– 31 MARCH 2011
	DEPRECIATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	NET PROFIT
Property, plant and equipment					
Owned	**–46**	**–**	**–**	**–46**	**–48**
used in the business	–44	–	–	–44	–47
held for investment	–1	–	–	–1	–1
Finance leases	**–**	**–**	**–**	**–**	**–**
used in the business	–	–	–	–	–
held for investment	–	–	–	–	–
TOTAL	**–46**	**–**	**–**	**–46**	**–48**

Impairment on intangible assets

(€ million)

	1 JAN.–31 MARCH 2012				1 JAN.– 31 MARCH 2011
	AMORTISATION	IMPAIRMENT LOSSES	WRITE-BACKS	NET PROFIT	NET PROFIT
Intangible assets					
Owned	**–27**	**–**	**–**	**–27**	**–26**
generated internally by the company	–2	–	–	–2	–1
other	–25	–	–	–25	–24
Finance leases	**–**	**–**	**–**	**–**	**–**
TOTAL	**–27**	**–**	**–**	**–27**	**–26**

Other net operating income

Other operating expenses

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 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	–	–
Write-downs on improvements of goods owned by third parties	–1	–
Costs related to the specific service of financial leasing	–	–
Other	–12	–19
TOTAL OTHER OPERATING EXPENSES	**–13**	**–20**

Other operating income

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Recovery of costs	**–**	**–**
Other income	**36**	**62**
Revenue from administrative services	11	31
Reclassification of valuation reserve relating to cash-flow hedging of non-financial assets/liabilities	–	–
Revenues from rentals of real estate investments (net of operating direct costs)	4	5
Revenues from operating leases	1	1
Recovery of miscellaneous costs paid in previous years	1	1
Revenues from finance lease activities	–	–
Others	19	24
TOTAL OTHER OPERATING INCOME	**36**	**62**
OTHER NET OPERATING INCOME	**23**	**42**

Notes to the income statement (CONTINUED)

Profit (Loss) of associates

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Companies subject to significant influence		
Income	**26**	**48**
Revaluations	26	48
Gains on disposal	–	–
Write-backs	–	–
Other gains	–	–
Expense	**–**	**–4**
Write-downs	–	–4
Impairment losses	–	–
Losses on disposal	–	–
Other negative changes	–	–
TOTAL	**26**	**44**

Gains and losses on disposal of investments

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Property		
Gains on disposal	4	2
Losses on disposal	–	–
Other assets		
Gains on disposal	1	1
Losses on disposal	–	–2
TOTAL	**5**	**1**

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 three months of 2012 were €1.72 (comparative figure for the same period of the previous year: €1.47, based on 231.2 million shares).

Notes to the statement of financial position

Financial assets held for trading

(€ million)

	31 MARCH 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)	**391**	**624**	**70**	**1,084**	**307**	**604**	**80**	**992**
Debt securities	377	623	69	1,069	293	604	80	977
Structured securities	*13*	–	–	*13*	*9*	–	–	*10*
Other debt securities	*364*	*623*	*69*	*1,056*	*283*	*604*	*80*	*968*
Equity instruments	6	–	1	7	7	–	–	7
Units in investment funds	7	–	–	7	6	–	–	7
Loans	1	–	–	1	1	–	–	1
Reverse repos	–	–	–	–	–	–	–	–
Other	*1*	–	–	*1*	*1*	–	–	*1*
Derivative instruments	**2**	**2,148**	**14**	**2,165**	**–**	**2,320**	**9**	**2,330**
Financial derivatives	2	2,147	14	2,163	–	2,318	9	2,328
Trading	*2*	*2,145*	*14*	*2,161*	–	*2,317*	*9*	*2,327*
Related to fair value option	–	–	–	–	–	–	–	–
Other	–	*2*	–	*2*	–	*1*	–	*1*
Credit derivatives	–	2	–	2	–	2	–	2
Trading	–	*2*	–	*2*	–	*2*	–	*2*
Related to fair value option	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
TOTAL	**393**	**2,772**	**84**	**3,249**	**308**	**2,924**	**90**	**3,322**

Financial assets at fair value through profit or loss

(€ million)

	31 MARCH 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	9	44	36	89	11	45	36	92
Structured securities	–	–	–	–	–	–	–	–
Other debt securities	*9*	*44*	*36*	*89*	*11*	*45*	*36*	*92*
Equity instruments	–	–	–	–	–	–	–	–
Units in investment funds	14	–	103	117	15	–	106	122
Loans	–	–	–	–	–	–	–	–
Structured	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
TOTAL	**24**	**44**	**139**	**206**	**26**	**45**	**143**	**214**
COST	**22**	**44**	**139**	**205**	**23**	**45**	**143**	**211**

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)

	31 MARCH 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	6,731	7,439	1,703	15,872	5,464	6,876	1,449	13,789
Structured securities	*11*	*25*	*419*	*456*	–	*24*	*419*	*443*
Other	*6,719*	*7,414*	*1,284*	*15,417*	*5,464*	*6,852*	*1,030*	*13,346*
Equity instruments	41	15	617	673	45	15	623	684
Measured at fair value	*41*	*15*	*589*	*645*	*45*	*15*	*594*	*655*
Carried at cost	–	–	*28*	*28*	–	–	*29*	*29*
Units in investment funds	29	92	84	204	31	87	86	205
Loans	–	–	–	–	–	–	–	–
TOTAL	**6,800**	**7,546**	**2,404**	**16,749**	**5,540**	**6,979**	**2,158**	**14,677**

Held-to-maturity investments

(€ million)

	31 MARCH 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	3,298	2,286	940	182	3,498	2,347	913	288
Structured securities	–	–	–	–	–	–	–	–
Other securities	*3,298*	*2,286*	*940*	*182*	*3,498*	*2,347*	*913*	*287*
Loans	–	–	–	–	–	–	–	–
TOTAL	**3,298**	**2,286**	**940**	**182**	**3,498**	**2,347**	**913**	**288**

Loans and receivables with banks

(€ million)

	31 MARCH 2012	31 DEC. 2011
Loans to central banks	**5,226**	**5,726**
Time deposits	316	335
Compulsory reserves	4,555	5,007
Reverse repos	221	343
Other	133	41
Loans to banks	**21,868**	**19,895**
Current accounts and demand deposits	2,970	1,908
Time deposits	6,866	8,216
Other loans	5,862	3,846
Reverse repos	*3,557*	*1,409*
Finance leases	–	–
Other	*2,306*	*2,437*
Debt securities	6,169	5,924
Structured	–	–
Other	*6,169*	*5,924*
TOTAL (CARRYING AMOUNT)	**27,094**	**25,621**
TOTAL (FAIR VALUE)	**27,317**	**24,745**
Loan loss provisions deducted from loans and receivables	50	49

Notes to the statement of financial position (CONTINUED)

Loans and receivables with customers

(€ million)

	31 MARCH 2012			31 DEC. 2011		
	PERFORMING	IMPAIRED	TOTAL	PERFORMING	IMPAIRED	TOTAL
Current accounts	12,023	261	12,284	12,105	308	12,413
Reverse repos	576	–	576	230	–	230
Mortgages	23,670	2,339	26,009	23,039	1,967	25,005
Credit cards and personal loans, including wage assignment loans	9,932	159	10,091	9,629	126	9,755
Finance leases	441	18	459	441	19	460
Factoring	1,065	7	1,072	1,132	10	1,142
Other transactions	76,900	4,808	81,708	79,559	5,116	84,675
Debt securities	1,139	21	1,160	1,212	23	1,235
Structured securities	–	–	–	–	–	–
Other debt securities	*1,139*	*21*	*1,160*	*1,212*	*23*	*1,235*
TOTAL (CARRYING AMOUNT)	**125,747**	**7,614**	**133,361**	**127,347**	**7,567**	**134,914**
TOTAL (FAIR VALUE)	**126,646**	**7,527**	**134,173**	**127,819**	**7,536**	**135,355**
Loan loss provisions deducted from loans and receivables	801	6,994	7,795	810	6,903	7,713

Property, plant and equipment

(€ million)

	31 MARCH 2012	31 DEC. 2011
Assets for operational use	**1,857**	**1,855**
Owned	**1,798**	**1,799**
Land	150	147
Buildings	1,261	1,258
Office furniture and fittings	144	147
Electronic systems	139	141
Others	104	106
Leased	**60**	**56**
Land	14	13
Buildings	45	42
Office furniture and fittings	–	–
Electronic systems	–	–
Others	1	1
Held-for-investment assets	**747**	**721**
Owned	**747**	**721**
Land	291	289
Buildings	456	432
Leased	**–**	**–**
Land	–	–
Buildings	–	–
TOTAL	**2,605**	**2,576**

Notes to the statement of financial position (CONTINUED)

Intangible assets

(€ million)

	31 MARCH 2012	31 DEC. 2011
Goodwill	**2,446**	**2,397**
Other intangible assets	**458**	**469**
Assets carried at cost	458	469
Intangible assets generated internally	*22*	*43*
Other assets	*436*	*426*
Assets valued at fair value	–	–
TOTAL	**2,904**	**2,866**

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

(€ million)

	31 MARCH 2012	31 DEC. 2011
Individual assets		
Financial assets	–	–
Equity investments	–	–
Property, plant and equipment	53	55
Intangible assets	–	–
Other non-current assets	–	–
Total	**53**	**55**
Asset groups classified as held for sale	**–**	**–**
ASSETS	**53**	**55**

This item includes UNO Shoppingcenter, Linz, which is intended to be repositioned and sold in cooperation with a strategic partner. 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)

	31 MARCH 2012	31 DEC. 2011
Deposits from central banks	**4,504**	**2,454**
Deposits from banks	**28,211**	**30,318**
Demand deposits	2,394	1,649
Time deposits	8,564	11,007
Loans raised with banks	17,125	17,498
Repos	*2,146*	*2,361*
Other	*14,979*	*15,137*
Liabilities in respect of commitments to repurchase treasury shares	–	–
Other liabilities	127	165
TOTAL	**32,715**	**32,772**
FAIR VALUE	**33,355**	**33,234**

Notes to the statement of financial position (CONTINUED)

Deposits from customers

(€ million)

	31 MARCH 2012	31 DEC. 2011
Demand deposits	46,942	45,152
Time deposits	55,176	56,596
Loans raised with customers	1,197	927
Repos	*1,048*	*757*
Other	*149*	*170*
Liabilities in respect of commitments to repurchase treasury shares	616	605
Other liabilities	1,492	1,447
TOTAL	**105,423**	**104,728**
FAIR VALUE	**106,387**	**105,616**

Debt securities in issue

(€ million)

	31 MARCH 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	28,788	1,667	25,934	1,007	28,496	1,343	25,627	1,124
Structured	*285*	–	–	*285*	*187*	–	–	*187*
Other	*28,503*	*1,667*	*25,934*	*722*	*28,309*	*1,343*	*25,627*	*938*
Other securities	1,481	5	366	1,110	1,435	5	579	850
Structured	*5*	*5*	–	–	*5*	*5*	–	–
Other	*1,475*	–	*366*	*1,110*	*1,429*	–	*579*	*850*
TOTAL	**30,269**	**1,673**	**26,301**	**2,116**	**29,931**	**1,348**	**26,206**	**1,974**

Financial liabilities held for trading

(€ million)

	31 MARCH 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	**19**	**6**	**–**	**25**	**50**	**5**	**–**	**55**
Deposits from banks	**1**	**–**	**–**	**1**	**1**	**–**	**–**	**1**
Deposits from customers	**18**	**6**	**–**	**25**	**49**	**5**	**–**	**54**
Debt securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Bonds	–	–	–	–	–	–	–	–
Other securities	–	–	–	–	–	–	–	–
Derivative instruments	**–**	**2,048**	**10**	**2,058**	**1**	**2,489**	**10**	**2,500**
Financial derivatives	**–**	**1,929**	**10**	**1,939**	**1**	**2,266**	**10**	**2,277**
Trading	–	1,917	10	1,926	1	2,254	10	2,265
Relating to fair value option	–	2	–	2	–	4	–	4
Other	–	10	–	10	–	8	–	8
Credit derivatives	**–**	**119**	**–**	**119**	**–**	**223**	**–**	**223**
Trading derivatives	–	119	–	119	–	223	–	223
Relating to fair value option	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
TOTAL	**19**	**2,054**	**10**	**2,083**	**51**	**2,493**	**10**	**2,554**

Notes to the statement of financial position (CONTINUED)

Financial liabilities at fair value through profit or loss

(€ million)

	31 MARCH 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	–	1,129	–	1,129	–	1,042	–	1,042
Structured	–	*1,129*	–	*1,129*	–	*1,042*	–	*1,042*
Others	–	–	–	–	–	–	–	–
TOTAL	**–**	**1,129**	**–**	**1,129**	**–**	**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 three months of 2012, changes in fair values resulting from changes in our own funding costs were –€90.8 million (same period of the previous year: –€14.3 million).

Liabilities included in disposal groups classified as held for sale

The statement of financial position at 31 March 2012 does not include any "Liabilities included in disposal groups classified as held for sale".

Provisions for risks and charges

(€ million)

	31 MARCH 2012	31 DEC. 2011
Pensions and other post-retirement benefit obligations	**3,678**	**3,664**
Other provisions for risks and charges	**526**	**540**
Legal disputes	250	258
Staff expenses	16	15
Other	260	268
TOTAL	**4,204**	**4,204**

Segment reporting

Reconciliation of reclassified accounts to mandatory reporting schedule

(€ million)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Net interest	1,105	1,128
Dividends and other income from equity investments	30	50
Dividend income and similar revenue	4	6
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	26	45
Net fees and commissions	383	462
Net trading, hedging and fair value income	293	114
Gains (losses) on financial assets and liabilities held for trading	176	104
plus: dividends from equity instruments held for trading	*0*	*0*
Fair value adjustments in hedge accounting	*1*	*1*
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	*–8*	*9*
Net other expenses/income	0	47
Gains (losses) on disposals/repurchases of loans and receivables – not impaired	–29	0
Premiums earned (net)	37	32
Other income (net) from insurance activities	–31	–27
Other net operating income	23	42
minus: other operating income – of which: recovery of expenses	*0*	*0*
plus: impairment on tangible assets – other operating leases	*0*	*0*
OPERATING INCOME	**1,811**	**1,801**
Payroll costs	–500	–496
Administrative costs – staff expenses	–500	–496
minus: integration/restructuring costs	*0*	*0*
Other administrative expenses	–394	–386
Administrative costs – other administrative expenses	–394	–386
minus: integration/restructuring costs	*0*	*1*
Recovery of expenses = Other net operating income – of which: Other operating income – recovery of costs	0	0
Amortisation, depreciation and impairment losses on intangible and tangible assets	–68	–69
Impairment/Write-backs on property, plant and equipment	–46	–48
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	–27	–26
minus: integration/restructuring costs	*0*	*0*
minus: Purchase Price Allocation effect	*5*	*5*
OPERATING COSTS	**–961**	**–950**
OPERATING PROFIT	**850**	**851**

Segment reporting (CONTINUED)

	1 JAN.– 31 MARCH 2012	1 JAN.– 31 MARCH 2011
Net write-downs of loans and provisions for guarantees and commitments	–284	–376
Gains (losses) on disposal and repurchase of loans	1	1
Impairment losses on loans	–282	–377
Impairment losses on other financial assets	–4	0
NET OPERATING PROFIT	**566**	**475**
Provisions for risks and charges	–8	–32
Net provisions for risks and charges	–8	–32
less: integration/restructuring costs	*0*	*0*
Integration/restructuring costs	0	–1
Net income from investments	–31	8
Gains (losses) on disposal and repurchase of available-for-sale financial assets	3	8
Gains (losses) on disposal and repurchase of held-to-maturity investments	0	0
Impairment losses on available-for-sale financial assets	–28	0
Impairment losses on held-to-maturity investments	–11	0
plus: impairment losses/write-backs on property owned for investment	*0*	*0*
Profit (loss) of associates	26	44
minus: profit (loss) of associates – income (loss) from equity investments valued at net equity	*–26*	*–45*
Gains and losses on tangible and intangible assets	0	0
Gains (losses) on disposal of investments	5	1
PROFIT BEFORE TAX	**527**	**449**
Income tax for the period	–110	–89
Tax expense (income) related to profit or loss from continuing operations	–109	–88
minus: taxes on Purchase Price Allocation effect	–1	–1
PROFIT (LOSS) FOR THE PERIOD	**417**	**360**
Non-controlling interests	–10	–13
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY BEFORE PPA	**407**	**347**
Purchase Price Allocation effect	–4	–4
Impairment of goodwill	–4	–3
NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**399**	**341**

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.

Segment reporting (CONTINUED)

Segment reporting 1–3 2012/1–3 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)
Net interest	1–3 2012	176	16	198	798	–83	1,105	–	1,105
	1–3 2011	172	12	178	816	–49	1,128	–	1,128
Dividends and other income	1–3 2012	1	–	7	5	17	30	–	30
from equity investments	1–3 2011	3	–	20	2	26	50	–	50
Net fees and commissions	1–3 2012	93	21	44	241	–16	383	–	383
	1–3 2011	104	23	55	249	–18	413	50	462
Net trading, hedging and	1–3 2012	2	1	–8	104	194	293	–	293
fair value income/loss	1–3 2011	3	1	11	77	72	164	–50	114
Net other expenses/income	1–3 2012	2	–1	4	–14	9	–	–	–
	1–3 2011	2	–	2	14	10	29	18	47
OPERATING INCOME	**1–3 2012**	**275**	**37**	**245**	**1,132**	**122**	**1,811**	**–**	**1,811**
	1–3 2011	**283**	**35**	**265**	**1,159**	**40**	**1,783**	**18**	**1,801**
OPERATING COSTS	**1–3 2012**	**–222**	**–26**	**–93**	**–543**	**–78**	**–961**	**–**	**–961**
	1–3 2011	**–213**	**–25**	**–91**	**–532**	**–72**	**–934**	**–17**	**–950**
OPERATING PROFIT	**1–3 2012**	**53**	**11**	**152**	**589**	**44**	**850**	**–**	**850**
	1–3 2011	**70**	**10**	**174**	**627**	**–32**	**849**	**1**	**851**
Net write-downs of loans and provisions	1–3 2012	–33	–	–31	–219	–	–284	–	–284
for guarantees and commitments	1–3 2011	–55	–1	–46	–274	–	–376	–	–376
NET OPERATING PROFIT	**1–3 2012**	**19**	**11**	**121**	**371**	**44**	**566**	**–**	**566**
	1–3 2011	**15**	**9**	**128**	**353**	**–32**	**473**	**1**	**475**
Provisions for risks and charges	1–3 2012	–	–1	–	–10	3	–8	–	–8
	1–3 2011	–	1	–	–2	–31	–32	–	–32
Integration/restructuring costs	1–3 2012	–	–	–	–	–	–	–	–
	1–3 2011	–	–	–	–1	–	–1	–	–1
Net income from investments	1–3 2012	–	–	1	6	–39	–31	–	–31
	1–3 2011	1	–	3	2	1	8	–	8
PROFIT BEFORE TAX	**1–3 2012**	**20**	**10**	**122**	**367**	**8**	**527**	**–**	**527**
	1–3 2011	**16**	**10**	**132**	**353**	**–62**	**448**	**1**	**449**
Income tax for the period	1–3 2012	–5	–3	–31	–74	3	–110	–	–110
	1–3 2011	–3	–2	–30	–67	14	–89	–	–89
PROFIT (LOSS) FOR THE PERIOD	**1–3 2012**	**15**	**8**	**91**	**293**	**10**	**417**	**–**	**417**
	1–3 2011	**13**	**7**	**101**	**286**	**–48**	**360**	**1**	**360**
Non-controlling interests	1–3 2012	–2	–	–	–10	2	–10	–	–10
	1–3 2011	–2	–	–	–15	4	–13	–	–13
NET PROFIT ATTRIBUTABLE TO THE	**1–3 2012**	**13**	**8**	**91**	**282**	**13**	**407**	**–**	**407**
OWNERS OF THE PARENT COMPANY BEFORE PPA	**1–3 2011**	**11**	**7**	**101**	**271**	**–44**	**346**	**1**	**347**
Purchase Price Allocation effect	1–3 2012	–	–	–	–	–4	–4	–	–4
	1–3 2011	–	–	–	–	–4	–4	–	–4
Goodwill impairment	1–3 2012	–	–	–	–	–4	–4	–	–4
	1–3 2011	–	–	–	–	–3	–3	–	–3
NET PROFIT ATTRIBUTABLE TO THE	**1–3 2012**	**13**	**8**	**91**	**282**	**4**	**399**	**–**	**399**
OWNERS OF THE PARENT COMPANY	**1–3 2011**	**11**	**7**	**101**	**271**	**–50**	**340**	**1**	**341**
Risk-weighted assets (RWA) (avg.)	**1–3 2012**	**11,017**	**846**	**17,475**	**85,759**	**10,297**	**125,394**	**–**	**125,394**
	1–3 2011	**13,830**	**930**	**21,186**	**78,330**	**10,402**	**124,679**	**297**	**124,976**
Equity (avg.)[2]	1–3 2012	1,195	165	2,039	12,820	1,273	17,492	–	17,492
	1–3 2011	1,256	154	2,026	11,588	2,457	17,481	15	17,496
Cost/income ratio in %	*1–3 2012*	*80.9*	*69.8*	*37.8*	*47.9*	*n.m.*	*53.1*	*n.m.*	*53.1*
	1–3 2011	*75.2*	*71.6*	*34.4*	*45.9*	*n.m.*	*52.4*	*n.m.*	*52.8*
Risk/earnings ratio in %[3]	*1–3 2012*	*18.8*	*n.m.*	*15.3*	*27.3*	*n.m.*	*25.0*	*n.m.*	*25.0*
	1–3 2011	*31.7*	*n.m.*	*23.2*	*33.5*	*n.m.*	*31.9*	*n.m.*	*31.9*

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) 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.

3) 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 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)
Net interest	Q1 2012	176	16	198	798	–83	1,105	–	1,105
	Q4 2011	176	18	185	795	–54	1,120	–	1,120
	Q3 2011	176	17	182	795	–43	1,128	–	1,128
	Q2 2011	175	15	174	808	–51	1,121	–	1,120
	Q1 2011	172	12	178	816	–49	1,128	–	1,128
Dividends and other income from equity investments	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	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	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	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	**Q1 2012**	**275**	**37**	**245**	**1,132**	**122**	**1,811**	**–**	**1,811**
	Q4 2011	**285**	**42**	**271**	**1,190**	**–64**	**1,723**	**–**	**1,723**
	Q3 2011	**282**	**37**	**241**	**1,195**	**–38**	**1,717**	**–**	**1,717**
	Q2 2011	**280**	**35**	**248**	**1,173**	**–11**	**1,725**	**19**	**1,744**
	Q1 2011	**283**	**35**	**265**	**1,159**	**40**	**1,783**	**18**	**1,801**
OPERATING COSTS	**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**	**–70**	**–972**	**–19**	**–990**
	Q1 2011	**–213**	**–25**	**–91**	**–532**	**–72**	**–934**	**–17**	**–950**
OPERATING PROFIT	**Q1 2012**	**53**	**11**	**152**	**589**	**44**	**850**	**–**	**850**
	Q4 2011	**43**	**17**	**167**	**623**	**–132**	**718**	**–**	**718**
	Q3 2011	**56**	**12**	**144**	**655**	**–106**	**761**	**–**	**761**
	Q2 2011	**53**	**9**	**152**	**620**	**–82**	**753**	**1**	**754**
	Q1 2011	**70**	**10**	**174**	**627**	**–32**	**849**	**1**	**851**
Net write-downs of loans and provisions for guarantees and commitments	Q1 2012	–33	–	–31	–219	–	–284	–	–284
	Q4 2011	–3	–1	–16	–296	–	–317	–	–317
	Q3 2011	–55	–	–36	–238	–	–330	–	–330
	Q2 2011	–47	–1	–34	–246	–	–329	–	–329
	Q1 2011	–55	–1	–46	–274	–	–376	–	–376
NET OPERATING PROFIT	**Q1 2012**	**19**	**11**	**121**	**371**	**44**	**566**	**–**	**566**
	Q4 2011	**40**	**16**	**151**	**326**	**–133**	**401**	**–**	**401**
	Q3 2011	**1**	**12**	**108**	**417**	**–106**	**431**	**–**	**431**
	Q2 2011	**6**	**8**	**119**	**374**	**–82**	**424**	**1**	**425**
	Q1 2011	**15**	**9**	**128**	**353**	**–32**	**473**	**1**	**475**
Provisions for risks and charges	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

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.

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)
Integration/restructuring costs	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	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	**Q1 2012**	**20**	**10**	**122**	**367**	**8**	**527**	**–**	**527**
	Q4 2011	**38**	**16**	**120**	**328**	**–246**	**256**	**–**	**256**
	Q3 2011	**–2**	**12**	**70**	**371**	**–254**	**197**	**–**	**197**
	Q2 2011	**16**	**9**	**124**	**408**	**–169**	**387**	**1**	**388**
	Q1 2011	**16**	**10**	**132**	**353**	**–62**	**448**	**1**	**449**
Income tax for the period	Q1 2012	–5	–3	–31	–74	3	–110	–	–110
	Q4 2011	–8	–4	–29	–63	97	–7	–	–7
	Q3 2011	–	–3	–21	–63	–54	–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	**Q1 2012**	**15**	**8**	**91**	**293**	**10**	**417**	**–**	**417**
	Q4 2011	**30**	**12**	**91**	**266**	**–149**	**249**	**–**	**249**
	Q3 2011	**–2**	**9**	**49**	**308**	**–308**	**57**	**–**	**57**
	Q2 2011	**12**	**7**	**99**	**377**	**–130**	**364**	**1**	**364**
	Q1 2011	**13**	**7**	**101**	**286**	**–48**	**360**	**1**	**360**
Non-controlling interests	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	**Q1 2012**	**13**	**8**	**91**	**282**	**13**	**407**	**–**	**407**
	Q4 2011	**25**	**12**	**91**	**257**	**–145**	**240**	**–**	**240**
	Q3 2011	**–4**	**9**	**50**	**289**	**–303**	**41**	**–**	**41**
	Q2 2011	**12**	**7**	**99**	**359**	**–124**	**352**	**1**	**352**
	Q1 2011	**11**	**7**	**101**	**271**	**–44**	**346**	**1**	**347**
Purchase Price Allocation effect	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	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	**Q1 2012**	**13**	**8**	**91**	**282**	**4**	**399**	**–**	**399**
	Q4 2011	**25**	**12**	**91**	**257**	**–181**	**204**	**–**	**204**
	Q3 2011	**–4**	**9**	**50**	**289**	**–980**	**–635**	**–**	**–635**
	Q2 2011	**12**	**7**	**99**	**359**	**–177**	**298**	**1**	**299**
	Q1 2011	**11**	**7**	**101**	**271**	**–50**	**340**	**1**	**341**
Risk-weighted assets (RWA) (avg.)	**Q1 2012**	**11,017**	**846**	**17,475**	**85,759**	**10,297**	**125,394**	**–**	**125,394**
	Q4 2011	**12,016**	**856**	**18,095**	**83,674**	**9,817**	**124,459**	**–**	**124,459**
	Q3 2011	**12,490**	**846**	**18,961**	**82,123**	**9,895**	**124,316**	**143**	**124,459**
	Q2 2011	**11,934**	**880**	**19,993**	**80,314**	**10,192**	**123,314**	**302**	**123,616**
	Q1 2011	**13,830**	**930**	**21,186**	**78,330**	**10,402**	**124,679**	**297**	**124,976**

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.

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)
Equity (avg.) 2)	Q1 2012	1,195	165	2,039	12,820	1,273	17,492	–	17,492
	Q4 2011	757	162	1,744	12,329	1,969	16,961	–	16,961
	Q3 2011	1,262	167	1,652	11,908	2,276	17,265	–	17,265
	Q2 2011	1,101	152	1,797	11,794	2,843	17,687	8	17,694
	Q1 2011	1,256	154	2,026	11,588	2,457	17,481	15	17,496
Cost/income ratio in %	*Q1 2012*	*80.9*	*69.8*	*37.8*	*47.9*	*n.m.*	*53.1*	*n.m.*	*53.1*
	Q4 2011	*84.8*	*59.5*	*38.2*	*47.7*	*n.m.*	*58.3*	*n.m.*	*58.3*
	Q3 2011	*80.1*	*67.6*	*40.4*	*45.2*	*n.m.*	*55.7*	*n.m.*	*55.7*
	Q2 2011	*81.0*	*73.5*	*38.6*	*47.1*	*n.m.*	*56.3*	*n.m.*	*56.8*
	Q1 2011	*75.2*	*71.6*	*34.4*	*45.9*	*n.m.*	*52.4*	*n.m.*	*52.8*
Risk/earnings ratio in % 3)	*Q1 2012*	*18.8*	*n.m.*	*15.3*	*27.3*	*n.m.*	*25.0*	*n.m.*	*25.0*
	Q4 2011	*1.7*	*n.m.*	*8.2*	*36.4*	*n.m.*	*26.9*	*n.m.*	*26.9*
	Q3 2011	*31.5*	*n.m.*	*19.3*	*29.9*	*n.m.*	*28.0*	*n.m.*	*28.0*
	Q2 2011	*27.0*	*n.m.*	*18.4*	*30.1*	*n.m.*	*28.0*	*n.m.*	*28.0*
	Q1 2011	*31.7*	*n.m.*	*23.2*	*33.5*	*n.m.*	*31.9*	*n.m.*	*31.9*

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) 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.

3) 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

Legal risks

- UniCredit Bank Austria AG ("Bank Austria") has joined as a process guiding intervening party in support of the defendant AKB Privatbank Zürich AG [formerly a subsidiary of Bank Austria and formerly Bank Austria (Schweiz) AG] in a suit in Switzerland relating to alleged claims of **Bundesanstalt für Vereinigungsbedingte Sonderaufgaben "BvS"** (formerly Treuhandanstalt), the legal successor to Deutsche Treuhandanstalt, the German public body for the new Länder reconstruction. Essentially it is asserted that the former subsidiary of Bank Austria in Switzerland participated in the embezzlement of funds from companies in the former East Germany. BvS lost the case in the court of first instance and fully won the appeal. Bank Austria filed an appeal against that judgment before the Court of Cassation of the Zurich Canton. In November 2011 the Court of Cassation granted Bank Austria's appeal, revoked the judgment for the plaintiff issued by the Court of Appeal of Zurich and remanded the case back to the Court of Appeal (= second instance) for reconsideration. On 20 March 2012 the Court of Appeal again granted the appeal of BvS and ordered Bank Austria's former subsidiary – which Bank Austria is obliged to indemnify – to pay approx. €247 million (including accrued interest and costs calculated as at 23 March 2012). Bank Austria is appealing against this judgment before the Swiss Federal Court.

- **The Madoff fraud**
  Several customers addressed enquiries and complaints against Bank Austria in connection with certain funds related to the fraudulent actions by Mr. Bernard L. Madoff. The following proceedings are relevant:

  Austrian civil proceedings: In connection with the funds linked to the activities of Mr Madoff, many legal actions are pending with Austrian courts to date, with the claimed amount totalling €130.5 million. In nine lawsuits Bank Austria succeeded at first instance, five at second instance as well and two overall are already legally binding. In one of those cases the Supreme Court revoked the judgment issued by the court of second instance in favour of the plaintiffs and remanded the case back to the court of first instance. Four interim judgments were handed down in favour of the plaintiffs. In one of those cases the claim has since been withdrawn. In the second case the court of second instance has confirmed the decision and Bank Austria will appeal to the Supreme Court. The third and fourth cases also will be appealed by Bank Austria. With respect to these cases which are subject to an appeal, no estimate can be made as to their potential outcomes nor the effect, if any, which those appeal decisions may have on other cases pending against Bank Austria.

  Criminal proceedings: Bank Austria has been named as a defendant in criminal proceedings in Austria which concern the Madoff case. These proceedings were initiated by a complaint filed by the FMA (the Austrian Financial Market Authority) to the Austrian prosecutor. Subsequently complaints were filed by purported investors in funds which were invested, either directly or indirectly, in Bernard L. Madoff Investments Securities LLC and Bernard L. Madoff Securities LLC (collectively referred to as "BMIS"). These complaints allege, amongst other things, that Bank Austria breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo Fund. These criminal proceedings are still at the pre-trial stage.

  U.S. Securities Class Actions in the U.S.: Bank Austria was named as one of many defendants in two putative class action suits (the Primeo Action and the Herald Action) filed in the United States District Court for the Southern District of New York. A liquidated indirect subsidiary of Bank Austria has also been named in two putative class action suits filed in the United States District Court for the Southern District of New York (the Herald Action and the Thema Action). In each of the suits, the class action plaintiffs claim to represent investors whose assets were invested in BMIS, directly or indirectly.

  Proposed amended complaints have been filed; one of which purports to include allegations that the defendants, including Bank Austria, violated the Racketeer Influenced and Corrupt Organizations Act ("RICO") by allegedly participating in a plan to enrich themselves by feeding investors' money into Madoff's Ponzi scheme and seeks treble damages under RICO, i.e., three times US$2 billion.

  On 29 November 2011, the Court dismissed the actions as against Bank Austria and its liquidated indirect subsidiary, among others, and denied plaintiffs' motion to amend the complaints. The plaintiffs in those actions have filed notices of appeal of that decision. In the Primeo Action, the putative class action plaintiff agreed to stay its appeal and be bound by an affirmance of the dismissal of the Herald Action.

  The **United States Bankruptcy Court** appointed Irving H. Picard as Trustee (the "SIPA Trustee") for the liquidation of BMIS. In December 2010, the SIPA Trustee filed two complaints in the United States Bankruptcy Court in the Southern District of New York against many defendants, including Bank Austria and a liquidated indirect subsidiary of Bank Austria, to recover amounts to be determined at trial.

  One complaint (the "First Trustee Complaint") seeks to recover so-called avoidable transfers to initial transferees of funds from BMIS, subsequent transfers of funds originating from BMIS (in the form of alleged management, performance, advisory, administrative and marketing fees, among other such payments, said to exceed US$400 million in the aggregate for all defendants), and compensatory and punitive damages against certain defendants alleged to be in excess of US$2 billion.

Risk report (CONTINUED)

The other complaint (the "Second Trustee Complaint") further alleges defendants violated RICO by allegedly participating in a plan to enrich themselves by feeding investors' money into Madoff's Ponzi scheme. In this latter complaint, the SIPA Trustee seeks treble damages under RICO, i.e. three times the reported net US$19.6 billion losses allegedly suffered by all BMIS investors.

On 28 July 2011, the Court granted the motion to dismiss the First Trustee Complaint with respect to the claims for aiding and abetting Madoff's fraud, breach of fiduciary duty, unjust enrichment and contribution. The Court's decision did not address the claims to recover avoidable transfers, which were returned to the Bankruptcy Court. The SIPA Trustee has filed a notice of appeal of the decision.

On 21 February 2012, the Court granted the motion to dismiss the Second Trustee Complaint with respect to the RICO claims and the claims for unjust enrichment, conversion and money had and received. The Court's decision did not address the claims to recover avoidable transfers which were returned to the Bankruptcy Court. On 21 March 2012, the SIPA Trustee filed a notice of appeal. By stipulation of the parties, on 5 April 2012, the SIPA Trustee withdrew its notice of appeal without prejudice. Pursuant to the terms of the stipulation, the SIPA Trustee has until 6 April 2013 to reinstate his appeal.

On 22 March 2012, Bank Austria filed an application with respect to each of the First and Second Trustee Complaints requesting that the District Court withdraw the reference from the Bankruptcy Court in respect of the Trustee's avoidance and recovery claims. On 14 April 2012, the District Court granted Bank Austria's application to withdraw the reference.

All pending U.S. actions are in their initial phases.

Bank Austria intends to defend itself vigorously against the Madoff-related claims and charges. At present it is not possible to reliably estimate the timing and results of the various actions, nor determine the level of responsibility, if any responsibility exists. In addition to the proceedings outlined above, additional actions arising out of Madoff's activities have been threatened and may be filed in the future by private investors or local authorities; in this context the question of whether these cases fall under the statute of limitations will have to be examined. Pending or future actions may have negative consequences for Bank Austria.

Additional disclosures

Guarantees given and commitments

(€ million)

	31 MARCH 2012	31 DEC. 2011
Financial guarantees given to:	**5,232**	**4,828**
Banks	742	410
Customers	4,490	4,418
Commercial guarantees given to:	**15,364**	**14,552**
Banks	1,085	803
Customers	14,279	13,749
Other irrevocable commitments to disburse funds	**19,012**	**17,312**
Banks	2,568	2,147
Usage certain	*113*	*58*
Usage uncertain	*2,455*	*2,088*
Customers	16,445	15,165
Usage certain	*5,990*	*6,336*
Usage uncertain	*10,455*	*8,829*
Underlying obligations for credit derivatives: sales of protection	**1,150**	**666**
Assets used to guarantee others' obligations	**227**	**228**
Other commitments	**12,353**	**11,994**
TOTAL	**53,339**	**49,580**

Employees

Share-based payments

The Management Board and selected key management personnel of Bank Austria participate in UniCredit Group's incentive scheme for share-based payments. The share-based payment arrangements relate to Stock Options, Performance Shares and Restricted Shares based on shares in the parent company UniCredit S. p. A (UCI).

UniCredit calculates the economic value of the share-based payment arrangements on a uniform basis for the entire Group and provides the Group companies with the relevant information. In the Bank Austria Group, the amount recognised in the income statement for the first three months of 2012 is €1 million.

No new Stock Option Plans have been granted since 2009. A cash-based payment model was adopted.

Full-time equivalents

	Q1 2012	2011
Salaried staff	58,899	59,409
Other employees	79	86
TOTAL*)	**58,978**	**59,495**
of which: in Austria	*7,617*	*7,812*
of which: abroad	*51,360*	*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

After the end of the reporting period there were no events that are required to be mentioned in this interim report.

Additional disclosures (CONTINUED)

Consolidated capital resources and regulatory capital requirements

Net capital resources of the Bank Austria group of credit institutions

(€ million)

	31 MARCH 2012	31 DEC. 2011
Paid-in capital (less own shares)	1,681	1,681
Reserves and minority interests	13,150	13,118
Intangible assets	–501	–500
Deductions from Tier 1 capital (in particular 50% deduction pursuant to Section 23 (13) 3 to 4d of the Austrian Banking Act)	–871	–684
Core capital (Tier 1)	**13,458**	**13,616**
Net subordinated liabilities	2,258	2,567
Revaluation reserves and undisclosed reserves	192	180
Deductions from Tier 2 (50% deduction pursuant to Section 23 (13) 3 to 4d)	–710	–684
Supplementary capital resources (Tier 2)	**1,741**	**2,064**
Deductions from Tier 1 and Tier 2 (deduction pursuant to Section 23 (13) 4a)	–133	–132
Net capital resources (excl. Tier 3)	**15,066**	**15,547**
Tier 3 (re-assigned subordinated capital)	291	331
NET CAPITAL RESOURCES (INCL. TIER 3)	**15,357**	**15,878**

Capital requirements of the Bank Austria group of credit institutions

(€ million)

	31 MARCH 2012	31 DEC. 2011
Capital requirements of		
a) Credit risk pursuant to standardised approach	5,567	5,539
b) Credit risk pursuant to internal ratings-based (IRB) approach	3,168	3,194
Credit risk	8,736	8,733
Operational risk	1,021	951
Position risk – debt instruments, equities, foreign currencies and commodities	291	331
Settlement risk	–	–
CAPITAL REQUIREMENT	**10,048**	**10,015**
Total RWA	125,599	125,188

Capital ratios

	31 MARCH 2012	31 DEC. 2011
Tier 1 capital ratio, based on all risks	10.72%	10.88%
Total capital ratio, based on all risks [1)]	12.23%	12.68%
Tier 1 capital ratio, based on credit risk	12.32%	12.47%
Total capital ratio, based on credit risk [2)]	12.86%	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 Interim Report

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 three months gives a true and fair view of important events that occurred during the first three months of the financial year and their impact on the interim consolidated financial statements, and of the principal risks and uncertainties for the remaining nine months of the financial year.

Vienna, 2 May 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's 1)	A2	A3	P-1
Standard & Poor's 2)	A	A–	A-1

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

Financial calendar

6 August 2012	Publication of the half-year results as of 30 June 2012
13 November 2012	Publication of the results as of 30 September 2012
All information is available electronically at http://ir.bankaustria.at	

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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.

Disclaimer

This edition of our Interim 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 respects.