Bank Austria Investor Relations Release

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Results for the first six months of 2009:

Bank Austria posts profit of EUR 833 million for the first half of 2009

- **Operating profit rises to record level of over EUR 2 billion driven by strong operating performance in customer business, up by about 51 per cent on H1 2008**
  - **Operating income up by almost 18 per cent to EUR 3.8 billion**
  - **Net trading income reaches EUR 272 million, after a net trading loss for H1 2008**
  - **Operating expenses down by close to 6 per cent due to cost reductions in CEE and synergies within UniCredit Group**
- **Provisioning charge triples to EUR 1 billion reflecting the economic environment**
- **Consolidated profit of EUR 833 million, down by 21 per cent from first half of previous year**

Erich Hampel, Bank Austria's Chief Executive Officer: "Our operations have again proved to be highly resilient despite the global economic downturn. The sustained focus on classic customer business pays off. And with investment banking generating profits again after the losses recorded in the past year, our operating profit rose to a record level of over EUR 2 billion. Nevertheless, the persistently weak economic trend has impacted our results in the form of a significantly higher provisioning charge. The good operating performance has enabled us to absorb this impact and achieve a profit of EUR 833 million in the first half of 2009."

Items in the income statement

Net interest income in the first half of 2009 was EUR 2,557 million, up by 10.8 per cent on the first six months of the previous year (H1 2008: EUR 2,309 million), and remained the major revenue component. Most of the increase in net interest income resulted from interest-earning business of the Markets & Investment Banking Division.

Net fees and commissions amounted to EUR 899 million, down by 13.3 per cent on the previous year (H1 2008: EUR 1,037 million). The decline was due to persistently low demand for securities investments.

In the second quarter of 2009, **net trading, hedging and fair value income** continued to develop favourably as in the first quarter, reaching a total of EUR 272 million in the first six months. The comparative figure for the first half of 2008 was a net loss of EUR 198 million.

Overall, **operating income** improved significantly to a level of EUR 3,824 million, an increase of 17.9 per cent over the same period of the previous year (H1 2008: EUR 3,244 million).

Operating expenses declined by 5.6 per cent to EUR 1,795 million compared with the first half of the previous year (H1 2008: EUR 1,902 million). The decline was due to lower-cost processes and cross-regional synergies, and to staff reductions mainly as part of the integration of the new banking subsidiaries in Ukraine and Kazakhstan.

The improvement in **operating profit** was thus supported by both revenues and costs. Bank Austria's operating profit for the first half of 2009 was EUR 2,029 million, up by 51.3 per cent on the same period of the previous year (H1 2008: EUR 1,341 million).

As in the fourth quarter of the previous year, the persistently weak economic environment had an impact on the income statement items between operating profit and profit before tax. The provisioning charge increased as the risk position in commercial banking business deteriorated further. **Net writedowns of loans and provisions for guarantees and commitments** more than tripled compared with the same period of the previous year, to a level of minus EUR 1,009 million (H1 2008: minus EUR 329 million).

As the provisioning charge increased and net income from investment was lower, Bank Austria's **profit before tax** declined by 19 per cent to EUR 1,048 million (H1 2008: EUR 1,293 million).

Consolidated profit (after minority interests) for the first six months of 2009 was EUR 833 million (H1 2008: EUR 1,053 million).

The following key financial data have been calculated on the basis of the above-mentioned results:

- Return on equity before tax was 14.8 per cent (H1 2008: 17.1 per cent).
- Return on equity after tax[1] was 12.1 per cent (H1 2008: 14.6 per cent).
- The cost/income ratio improved to 46.9 per cent (H1 2008: 58.6 per cent).
- The risk/earnings ratio (provisioning charge as a percentage of net interest income) rose significantly, to 39.5 per cent (H1 2008: 14.2 per cent).
- The Tier 1 capital ratio based on credit risk increased to 8.58 per cent (7,70 per cent as at year end 2008) under Basel II.
- The Tier 1 capital ratio based on all risks improved to 7.53 per cent (6,82 per cent as at year end 2008.) under Basel II.

Results of the Divisions[2]

Until the first half of 2009, Bank Austria reports its results in five Divisions: Retail, Private Banking, Corporates, Markets & Investment Banking and Central Eastern Europe (CEE). The bank also shows results for its Corporate Center.

In the first six months of 2009, the **Retail** Division achieved a profit before tax of EUR 44 million, which was only slightly lower than in the same period of the previous year (H1 2008: EUR 48 million). Return on equity before tax was 10.5 per cent (H1 2008: 12.1 per cent), the cost/income ratio improved to 71 per cent (H1 2008: 74.4 per cent).

The **Private Banking** Division was affected by low activity in securities business in the first half of 2009. The Division generated a profit before tax of EUR 17 million (H1 2008: EUR 25 million). Return on equity before tax reached 22 per cent (H1 2008: 29.8 per cent), the cost/income ratio was 68.7 per cent (H1 2008: 67.4 per cent).

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[1] *Before deduction of minorities.*
[2] *Due to changes in perimeter (sale of Pioneer, AS, BTS, Wave within UniCredit Group) the divisional results for 2008 have been restated in order to improve comparability.*

Given the continued weakness of the economic environment, the provisioning charge in the **Corporates** Division rose significantly in the first half of 2009 and thus impacted profits. Profit before tax amounted to EUR 144 million (H1 2008: EUR 280 million). Return on equity before tax was 14.3 per cent (H1 2008: 23.9 per cent). The cost/income ratio was 33.1 per cent (H1 2008: 30.4 per cent).

The favourable development seen in the **Markets & Investment Banking** Division in the first three months of 2009 continued in the second quarter, with profit before tax reaching EUR 391 million, while the figure for the same period of the previous year was negative (H1 2008: a loss before tax of EUR 36 million). Return on equity before tax rose to 13.9 per cent (H1 2008: minus 1.7 per cent), the cost/income ratio also improved to 18.4 per cent.

Bank Austria's **CEE** Division again achieved a strong increase in its operating profit, which rose by 33 per cent to EUR 1,447 million in the first six months of 2009. As the provisioning charge more than tripled compared with the same period of the previous year, profit before tax was EUR 721 million, down by 22 per cent on the first half of the previous year (H1 2008: EUR 929 million). Return on equity before tax was 14.8 per cent (H1 2008: 21.3 per cent), while the cost/income ratio improved significantly to 39.7 per cent (H1 2008: 49.1 per cent).

Bank Austria is the hub for UniCredit Group's banking network in Central and Eastern Europe. As sub-holding for CEE operations, Bank Austria manages the largest banking network in this region of almost 400 million inhabitants. More than 53,000 employees in over 4,000 branches are committed to maintaining customer satisfaction at a high level by striving for sustainability in customer relationships and thus in the bank's business.

The commitment of Bank Austria to CEE has always been that of a long term investor, trusting in the potential of the countries and clearly benefiting from the structural strength of the region. CEE is not a homogeneous area and in the last couple of months it has become clear that some countries are struggling more with the effects of the crisis than others. The well diversified banking model of the Group has proved to be trustworthy in these difficult times.

"We are aware of the risks in CEE and effectively responding to it with a strong focus on credit risk management, pro-active and close monitoring of liquidity positions in all countries and further cost reductions, which are reflected in a further improved cost/income ratio. Although we successfully improved our operating profit once again, the significantly increased loan loss provisions reduced the profit before tax compared with previous year. Nonetheless, this good result shows that we are well positioned and able to handle the current market situation", says Federico Ghizzoni, Deputy CEO of Bank Austria.

Balance sheet

Bank Austria's **total assets** at 30 June 2009 were EUR 207.7 billion, down by 6.5 per cent from the level at the end of the previous year (31 December 2008: EUR 222.2 billion).

Like the consolidated balance sheet at 31 December 2008, the interim consolidated balance sheet at 30 June 2009 includes disposal groups classified as held for sale (valued at the lower of carrying amount and fair value less costs to sell), which are shown in accordance with IFRS 5 in the items Non-current assets and disposal groups classified as held for sale and Liabilities included in disposal groups classified as held for sale. These items include the investment bank UniCredit CAIB AG and Card Complete Service Bank AG.

On the assets side, **loans and receivables with customers** were EUR 127.1 billion as at 30 June 2009, 3.7 per cent lower than at the end of the previous year (31 December 2008: EUR 132 billion); the decline was mainly due to short-term transactions and devaluation of CEE currencies. **Loans and receivables with banks** decreased by EUR 1.4 billion or 7.1 per cent to EUR 18.6 billion (31 December 2008: EUR 20 billion). The decline of EUR 5.9 billion or 17.2 per cent in the item Non-current assets and disposal groups classified as held for sale to EUR 28.2 billion (31 December 2008: EUR 34.1 billion) mainly reflects the reduced interbank business of CAIB.

On the liabilities side, interbank business declined by EUR 4.5 billion and liabilities included in disposal groups classified as held for sale were down by EUR 8.6 billion, accounting for most of the EUR 14.5 billion contraction of the balance sheet total. **Deposits from customers** rose by EUR 1.0 billion to EUR 96.2 billion (31 December 2008: EUR 95.2 billion) and **debt securities in issue** were EUR 31.2 billion, down by EUR 1.4 billion (31 December 2008: EUR 32.6 billion).

Primary funds – the sum total of the above two items – reached EUR 127.2 billion or 61.2 per cent of the balance sheet total. This means that primary funds covered 100 per cent of loans and receivables with customers.

The loan/deposit ratio improved to 132 per cent (year-end 2008 figure: 138.7 per cent).

Equity was EUR 14.1 billion, almost unchanged compared with the level at the end of 2008 (31 December 2008: EUR 14.2 billion).

Capital ratios as at 30 June 2009 improved significantly compared with year-end 2008. The **Tier 1 capital ratio** based on credit risk pursuant to Basel II rose to 8.58 per cent. The Tier 1 capital ratio based on all risks increased to 7.53 per cent. The **Core Tier 1 capital ratio** (Tier 1 capital ratio without hybrid capital based on all risks) was 7.2 per cent.

Staff numbers in the Bank Austria Group including the employees at UniCredit Group subsidiaries[3] in Austria totalled 64,372 (FTEs) as at 30 June 2009, a decrease compared with the previous year (30 June 2008: 67,462 employees). Of this total, 10,881 (FTEs) were employed in Austria and 53,491 (FTEs) in CEE countries.

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[3] Administration Services, Banking Transaction Services and WAVE were transferred on an intra-group basis (2,501 FTEs).