Österreichische Volksbanken-Aktiengesellschaft (VBAG) Group publishes results for the 2013 business year

03 April 2014

- **Total assets** fell to **EUR 20.9 billion**
- **Risk-weighted assets** also decreased and stood at **EUR 9.6 billion**
- **Capital ratios** increased, the **tier 1 ratio** reached **14.1%**

- **Group result** after taxes and non-controlling interests of **EUR -100 million**
- **Net interest income** decreased to **EUR 189 million**
- **Risk provisions** dropped to **EUR -23 million**

Risk-weighted assets, total assets and capital ratios as of 31 December 2013

VBAG Group has to wind down or sell all business areas and assets which are not related to the bank's function as central organisation of the Association of Volksbanks. After substantial downsizing measures in previous years (sale of the subsidiary Europolis, sale of the participations in VBI and in insurance companies, sale of the container leasing business, closure of the branch in Frankfurt), this process has been continued in 2013. Accordingly, assets of the Non-core Corporate Customers segment were reduced by an amount of approximately EUR 1 billion and various office properties in Vienna were sold. Furthermore, a large part of the structured credit portfolio and further private equity positions were sold in the 2013 business year.

As a result of the successfully implemented downsizing measures in the non-core business areas, **risk-weighted assets** (RWA) could be reduced by EUR 3.8 billion year-on-year and stood at **EUR 9.6 billion** (RWA credit risk) at the end of 2013. **Total assets** dropped by EUR 6.7 billion compared to the end of 2012 and amounted to **EUR 20.9 billion** as of 31 December 2013. With this decrease of total and risk-weighted assets VBAG Group clearly exceeds the asset reduction targets for the year 2013 set by the European Commission (total assets: EUR 26.8 billion, RWA: EUR 17.4 billion).

VBAG's focus is primarily on preserving the capital base during the downsizing and restructuring process. While the downsizing measures affected results in 2013, capital ratios could be strengthened in the period under review. The **tier 1 ratio** (based on Basel II and in relation to total risk) was **14.1%** at the end of 2013 after 10.9% as of 31 December 2012, and the **equity ratio** (Basel II, total risk) stood at **19.1%** compared to 15.7% at year-end 2012.

VBAG Group results for the 2013 business year in detail

As of 31 December 2013 a **pre-tax consolidated result of EUR -49 million** and a **consolidated result after taxes and non-controlling interests of EUR -100 million** were reported.

Net interest income as well as net fee and commission income reflect VBAG Group's substantial deleveraging. **Net interest income** decreased by EUR 33 million year-on-year to **EUR 189 million** as of 31 December 2013. While net interest income was stable in the core business areas in the period under review, it declined by an amount of EUR 42 million in non-core business areas as a result of the downsizing process.

Net fee and commission income stood at **EUR 30 million** at the end of 2013, down by an amount of EUR 28 million on the previous year. The decrease is, among other factors, attributable to a reduction in fees for loans and guarantees in the non-core segments and to the expense for the Government's asset guarantee which was due for the first time in 2013. A decline was also posted in **net trading income**, which was **EUR 8 million** as of 31 December 2013.

Risk provisions improved by EUR 344 million compared to the previous year to **EUR -23 million** as of 31 December 2013. The improvement was driven by a reduction of portfolio-based allowances due to lower impairment levels expected in the future, primarily in the Non-core Real Estate segment.

VBAG's **general administrative expenses** could be lowered slightly and amounted to **EUR -250 million** at the end of the 2013 business year. The head-count has been decreasing continuously, as of 31 December 2013 VBAG Group had **1,853 employees**.

The **other operating result** stood at **EUR 157 million** in the period under review, clearly below the result of EUR 755 million in the previous year, which was strongly influenced by one-off effects. In 2013, the EUR 100 million asset guarantee provided by the Republic of Austria and the earn-out clause included in the guarantee were reported under the item other operating result with an amount of EUR 69 million. The result from the sale of VBAG office properties of EUR 40 million is also included in this position in the period under review.

Income from financial investments decreased to **EUR -49 million** as of 31 December 2013. Main drivers were losses resulting from the valuation of investment property assets and participations in real estate companies (EUR -40 million in total) and from the valuation of guarantees for capital-guaranteed funds (EUR -21 million).

The **result from companies valued at equity** of **EUR -126 million** as of 31 December 2013 includes, among other factors, a capital increase in Volksbank Romania in the third quarter of 2013 which was written down immediately.

VBAG single entity result 2013

The **VBAG single entity result** (based on local GAAP) was **EUR -224 million** as of 31 December 2013. The **tier 1 ratio** and the **equity ratio** (based on Basel II and in relation to total risk) stood at **9.4%** and **15.1%** respectively as of 31 December 2013 after 8.0% and 13.4% at year-end 2012.

Outlook

In the current business year, VBAG's focus will remain on an efficient implementation of the restructuring process. It is to be expected that the downsizing measures will continue to negatively affect consolidated and single entity results. As announced in an ad-hoc release on 28 November 2013, negative results are expected for 2014 as well as for 2015 on the single entity level. For this reason, interest payments on any profit-related instruments are not to be expected in 2015 and 2016, even if they are not affected by the ban on dividend payments imposed by the European Commission.

According to the Austrian Banking Act, an upper tier II bond can be repaid at its maturity only after a pro-rata deduction of net losses incurred over the life of the bond. It is therefore to be expected that repayment of upper tier II bonds issued by VBAG will be clearly below par as a consequence of VBAG's substantial losses, in particular in the years 2009 and 2011.

Currently, VBAG and the regional Volksbanks are working on a profound reorganization of the Association of Volksbanks. The number of primary banks is to be reduced massively by way of mergers. It is planned that at the end of this process the Association will consist of nine regional Volksbanks, a few specialized institutions and the central institution, VBAG. This streamlining of the structure of the Association of Volksbanks aims at strengthening the market position of the regional Volksbanks, at increasing the earnings potential and at achieving cost synergies. Please refer to the annual report for further information regarding the outlook.

The 2013 annual report of the Association of Volksbanks will be available at the end of June 2014. The Association's equity ratio as of 31 December 2013 is expected to reach 14.9% (Basel II); from today's viewpoint and based on current planning a Basel III equity ratio of 14.4% is expected for the end of 2014.

The annual report for the 2013 business year is available on VBAG Group's webpage:
www.volksbank.com/investor_relations

Do not hesitate to contact the investor relations team (www.volksbank.com/investor_relations) if you require any further information