

## Oesterreichische Volksbanken-AG (VBAG) Group publishes results for the first three quarters of 2011

25 November 2011

- Net interest income was EUR 342 million in the first three quarters of 2011
- Risk provisions decreased to EUR -90 million
- Result from financial investments of EUR -346 million
- Result before taxes was EUR -696 million in the first three quarters
- Tier 1 ratio in relation to credit risk of 9.5% as of 30 September 2011
- Total assets reached EUR 43.6 billion at the end of the third quarter
- Annual results preview

### Consolidated results as of 30 September 2011

VBAG Group's results in the first three quarters of 2011 were affected by the difficult economic environment. The loss on deconsolidation of Volksbank Romania and the negative result from financial investments (write-down of Greek bonds and of participation capital of Kommunalkredit) in particular strongly affected consolidated results. The Group's pre-tax result for the period under review was EUR -696 million and the consolidated net result after taxes and minority interests stood at EUR -689 million.

### Results in detail

As a result of the sale of Volksbank International on 08 September 2011 to Sberbank, VBI is presented in the disposal group in the third quarter of 2011. Volksbank Romania was not included in the sales transaction. As the bank is now being managed by its owners jointly, Volksbank Romania has been carried at equity since it was deconsolidated on 30 September 2011.

Net interest income reached EUR 342 million as of 30 September 2011, down EUR 36 million year-on-year. Net interest income grew in the Financial Markets segment, in the Retail segment, however, net interest income dropped due to declining interest margins in Central and Eastern European countries.

Net fee and commission income declined slightly and stood at EUR 75 million at the end of the first three quarters of the year. The trading result was negatively impacted by the volatile markets and amounted to EUR 13 million as of 30 September 2011.

Despite the persistently difficult economic environment in Central and Eastern Europe, risk provisions dropped by EUR 132 million year-on-year to EUR -90 million. With the exception of the Corporates segment, risk provisions declined in all segments; the greatest reduction was recorded in the Retail segment.

The other operating result was EUR -357 million as of 30 September 2011, the year-on-year decrease is attributable to a large extent to the loss on deconsolidation of Volksbank Romania in an amount of EUR -294 million.





The result from financial investments was EUR -346 million in the first three quarters of 2011. This result was driven primarily by two factors: due to the measures regarding Greece adopted by the European Union, Greek bonds were written down by EUR 102 million. Furthermore, participation capital of Kommunalkredit Austria AG, which VBAG has been holding since the disposal of Kommunalkredit, was written down by an amount of EUR 108 million. This write-down results from the fact that the difficult situation on the financial markets and the debt crisis of peripheral countries also affect the results of Kommunalkredit Austria AG.

Total assets amounted to EUR 43.6 billion as of 30 September 2011, representing a decrease of EUR 8.4 billion compared to the end of 2010. This decrease is mainly a consequence of the deconsolidation of Volksbank Romania (EUR 4.8 billion) and of the sale of Europolis (EUR 1.7 billion). Risk weighted assets fell from EUR 25.5 billion as of 31 December 2010 to EUR 23.9 billion at the end of the third quarter 2011.

As a result of the loss in the current financial year, capital ratios dropped as against 31 December 2010. The tier 1 ratio in relation to credit risk decreased by 0.8 percentage points to 9.5% as of 30 September 2011 and the equity ratio in relation to total risk declined by 0.6 percentage points to 12.2%. Capital ratios calculated by VBAG according to the EBA method are 5.5% (core capital ratio) and 8.6% (capital ratio).

#### **Annual results preview**

The intensifying crisis on the international financial markets, the debt crisis in peripheral countries and the difficult market environment for banks strongly affected VBAG Group's result. The Board of Management has therefore already published a profit warning and further information on the expected loss in 2011. Due to the severe economic turbulences the projected losses in VBAG's consolidated IFRS statement and single entity statement will increase by at least 10% from today's viewpoint.

Capital ratios will clearly exceed legal requirements despite the expected losses. Taking into consideration capital strengthening effects of the sale of Volksbank International, a tier 1 ratio of around 10.4% and an equity ratio of around 13.7% are expected after closing of the transaction by year-end.

The European Council set a minimum core capital ratio of 9% for international, systemically important banks starting from June 2012. On this basis, the European Banking Authority (EBA) has quantified the capital required by VBAG Group with EUR 972 million. This is a provisional and merely indicative figure, since VBAG Group is currently implementing a restructuring process and has already initiated the withdrawal from Central and Eastern Europe with the sale of VBI. EBA will publish its final calculations in the near future. Due to VBAG's loss and the resulting decline of equity, it is expected that VBAG's capital requirement as calculated by EBA will increase.

VBAG's Board of Management is currently holding intensive discussions with the core shareholders regarding a potential modification of the Schulze-Delitzsch Genossenschaftsverbund (mutual support scheme of Volksbank sector) in accordance with Art. 3 of Directive 2006/48/EC (part of the European implementation of Basel II) or Art. 9 of the CRR I draft (Capital Requirements Regulation I, the directly applicable regulatory part of the European implementation of Basel III). The regional Volksbanks and VBAG will move closer together, the cooperation between regional Volksbanks and their central institution will be further strengthened. More detailed information regarding this modification will be provided as soon as possible.

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