Österreichische Volksbanken-Aktiengesellschaft (VBAG) Group publishes interim results for the first half year of 2014

28 August 2014

- **Downsizing measures** continued in the first half year
- **Total assets** were further reduced and stood at **EUR 18.8 billion** as of 30 June 2014
- **Group result** after taxes was **EUR -186 million** at the end of the first half year

Downsizing measures and reduction of total assets

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 the substantial downsizing of the last years, the downsizing and restructuring process has been continued in the first half of 2014:

- Sale of a real estate refinancing portfolio of EUR 400 million
- Signing of the sale of VB Leasing International's subsidiaries in Poland and in Romania in May, negotiations regarding the sale of the remaining subsidiaries are currently taking place
- The contracts for the sale of Investkredit International Bank and Volksbank Malta were signed in March and in April
- A sales process for non-performing loans primarily from the real estate segment in an amount of approximately EUR 460 million has been initiated
- A non-performing loans portfolio of VB Romania (EUR 495 million) was sold after the accounting date

Total assets decreased significantly as a result of the downsizing measures implemented in the first half year. **Total assets** dropped by EUR 2.1 billion compared to the end of 2013 to **EUR 18.8 billion** as of 30 June 2014. VBAG Group clearly exceeds the asset reduction targets agreed upon with the European Commission, the total assets target value of EUR 18.4 billion stated in the restructuring plan for year-end 2017 has almost been reached already.

VBAG Group result in the first half year of 2014

As of 30 June 2014 a **pre-tax consolidated result** of EUR **-190 million**, a **result after taxes** of **EUR -186 million** and a **consolidated result after taxes and non-controlling interests** of **EUR -203 million** were reported.

Net interest income and net fee and commission income declined on the comparable period, reflecting VBAG Group's substantial deleveraging. At the end of the first half year **net interest income** and **net fee and commission income** stood at **EUR 104 million** and **EUR 10 million** respectively.

Risk provisions improved slightly compared to the previous year to **EUR -24 million**. VBAG's **general administrative expenses** remained almost unchanged at **EUR -127 million**, the head-count has been decreasing continuously, as of 30 June 2014 VBAG Group had 1,810 employees.

The **other operating result** stood at **EUR -24 million** in the period under review, main driver here was a disposal group valuation result according to IFRS 5 of EUR -35 million. The **result from companies valued at equity** has been negatively affected by a planned strengthening of Volksbank Romania's equity in an amount of EUR 128 million which has been included in VBAG's half year results. In preparation of the sale of Volksbank Romania, a restructuring of the bank's loan portfolio, which will impact its equity ratio, is planned.

Capital ratios in the first half year

The regulatory base for consolidation is now determined by the Capital Requirements Regulation (CRR) which became effective as of 01 January 2014. Capital ratios now have to be reported for the highest scope of consolidation which is not VBAG Group but VB Holding Credit Institutions Group (essentially VBAG Group, VB Regio Invest Bank AG and VB Holding itself) as well as for the Association of Volksbanks.

As of 30 June 2014, **VB Holding Credit Institutions Group's** capital ratios subject to the implementation of the base amount for cooperative capital which prevents its phasing out stood at: **common equity tier 1 capital ratio: 11.6%, equity ratio: 17.8%** (both ratios according to Basel III and based on total risk).

On the level of the **Association of Volksbanks** capital ratios (also Basel III and based on total risk) as of 30 June 2014 were: **common equity tier 1 capital ratio: 11.2%, equity ratio: 15.3%**

Outlook

VBAG's focus remains 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 profit-related instruments are not to be expected in 2015 and 2016.

AQR and stress test results are not available yet, they will be published by the ECB at the end of October.

The half-year financial report can be found 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