VOLKSBANK AG

Österreichische Volksbanken-Aktiengesellschaft (VBAG) Group publishes preliminary consolidated results for the first three quarters of 2013

28 November 2013

Please note that the consolidated results presented below are preliminary.

- **Total assets** fell to **EUR 23.3 billion**
- **Risk-weighted assets** also decreased and stood at **EUR 13.0 billion**
- **Capital ratios** increased, the **tier 1 ratio** reached **13.0%**

- **Group result** after taxes and non-controlling interests at **EUR -67 million**
- **Net interest income** decreased to **EUR 90 million**
- **Risk provisions** dropped and stood at **EUR -50 million**

- **Negative single entity results** are to be expected for the years 2013, 2014 and 2015

Total assets, RWA and capital ratios as of 30 September 2013

VBAG Group is currently implementing a profound restructuring process. VBAG 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. Total assets therefore are to be reduced considerably. VBAG aims to implement the downsizing and restructuring process as efficiently as possible while the focus of the bank remains on preserving the capital base.

Total assets decreased by EUR 4.3 billion compared to the end of 2012 and amounted to **EUR 23.3 billion** as of 30 September 2013.

Risk-weighted assets (RWA) could be reduced by EUR 2.7 billion and stood at **EUR 13.0 billion** (RWA total risk) at the end of the first three quarters of 2013. The reduction of risk-weighted assets is attributable primarily to downsizing measures implemented successfully in the Non-core Real Estate and Non-core Corporates segments and to the winding down of investment book positions.

With regard to the downsizing process, VBAG Group exceeds the asset reduction targets set by the European Commission.

Capital ratios could be increased in the period under review. The **tier 1 ratio** in relation to total risk was **13.0%** at the end of the first three quarters after 10.9% as of 31 December 2012, and the **equity ratio** in relation to total risk stood at **17.5%** compared to 15.7% at year-end 2012.

Results for the first three quarters of 2013 in detail

The restructuring and downsizing process strongly affects results. As of 30 September 2013 a **pre-tax consolidated result of EUR -49 million** and a **consolidated result after taxes and non-controlling interests of EUR -67 million** were reported.

Net interest income of VBAG Group's core business areas increased slightly in the period under review, nonetheless the overall net interest result declined by EUR 70 million. Net interest income stood at **EUR 90 million** at the end of the first three quarters of 2013. A capital increase in Volksbank Romania in the third quarter which was written down immediately had an EUR -61 million effect on net interest income. Furthermore, net interest income is declining in non-core business areas due to the downsizing measures that have already been implemented.

Risk provisions improved by EUR 151 million compared to the first nine months of the previous year to **EUR -50 million.** The improvement was driven by decreasing risk provisions in the Non-core Real Estate segment and by a release of EUR 51 million from portfolio-based allowances due to lower expected impairment levels.

Net fee and commission income declined by EUR 19 million on the comparable period and stood at **EUR 27 million** at the end of the first three quarters of 2013. On the one hand, this decline is the result of a change in the way income from cost allocations in the Other Operations segment is recognised, which has been recorded under other operating income since the fourth quarter of 2012. On the other hand, a guarantee commission expense of EUR 8 million for the Federal Government's asset guarantee has been reported under net fee and commission income.

A decline on the comparable period was also posted in **net trading income**, which is mainly attributable to valuation losses resulting from ineffective hedge relations. Net trading income stood at **EUR -2 million** at the end of the first three quarters. The trading result adjusted for the valuation losses mentioned above was positive at EUR 18 million.

VBAG's **general administrative expenses** could be lowered slightly and amounted to **EUR -193 million**. The head count has been decreasing continuously, as of 30 September 2013 VBAG Group had 1,868 employees, of which 756 were employed abroad.

The **other operating result** was **EUR 65 million** in the period under review. The Republic of Austria provided VBAG with an asset guarantee up to a maximum amount of EUR 100 million. According to IAS/IFRS, receivables resulting from the potential assumption of defaulted assets are to be discounted to the reporting date. The asset guarantee includes an earn-out clause which represents a liability that also has to be discounted. In sum, those two items amounted to EUR 65 million and were included in the other operating result position.

Income from financial investments declined by EUR 49 million to **EUR -1 million** as of 30 September 2013. Main drivers of the decline were losses resulting from the valuation of investment property assets and participations in real estate companies (EUR -22 million) and from the valuation of guarantees for capital-guaranteed funds (EUR -20 million).

Outlook

In the last quarter of the year, the focus will be on the conclusion of planned or already contractually agreed sales of assets as well as on the implementation of the sale of VBLI Group and Volksbank Malta. The massive deleveraging process will continue to affect results, it is therefore to be expected that VBAG's consolidaded Group result as well as VBAG's single entity result will be clearly negative for the full year 2013.

VBAG's current medium term planning shows that negative single entity results (based on local GAAP) are to be expected until 2015 at least. Therefore interest payments on supplementary capital (upper tier II capital) are unlikely form today's viewpoint until 2016.

The interim report for the first three quarters of 2013 will be available on 29 November 2013 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