VOLKSBANK AG

Österreichische Volksbanken-Aktiengesellschaft (VBAG) Group publishes consolidated results for the first half year of 2013

29 August 2013

- **Result** after taxes and non-controlling interests of **EUR -87 million**
- **Net interest income** decreased to **EUR 73 million**
- **Risk provisions** dropped and stood at **EUR -27 million**
- **Total assets** fell to **EUR 24.9 billion**
- **Risk-weighted assets** could be reduced to **EUR 14.3 billion**
- **Capital ratios** increased, the **tier 1 ratio** reached **11.4%**

Consolidated results as of 30 June 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. The focus of VBAG is on preserving the capital base during the restructuring phase. A number of restructuring and downsizing measures could already be implemented, these measures, however, have an impact on results. As of 30 June 2013 a pre-tax consolidated result of **EUR -54 million** and a consolidated result after taxes and non-controlling interests of **EUR -87 million** were reported, the results are in line with VBAG's expectations.

First half year 2013 results in detail

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 42 million. Net interest income stood at **EUR 73 million** as of 30 June 2013. This decrease is primarily attributable to an at equity valuation result of EUR -60 million due to a planned capital measure at Volksbank Romania.

Risk provisions dropped by EUR 46 million compared to the first six months of the previous year to **EUR -27 million**. The decline was driven by a reduction of specific provisions in the Non-core Real Estate segment and by a release of EUR 35 million from portfolio-based allowances due to expected lower impairment levels. In the Non-core Corporates segment, however, an increase in specific provisions was reported in the period under review.

Net fee and commission income declined by EUR 19 million on the comparable period and stood at **EUR 19 million** at the end of the first half year. This decline is primarily 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. Furthermore, a guarantee commission expense of EUR 5 million for the Federal Government's asset guarantee has been included in 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 -27 million** at the end of the first half year of 2013.

As a result of VBAG's cost reduction program, **general administrative expenses** dropped by EUR 7 million to **EUR -126 million**. The head-count has been decreasing continuously, as of 30 June 2013 VBAG Group had 1,878 employees, of which 755 were employed abroad.

The **other operating result** was **EUR 66 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 reported in the other operating result position.

Income from financial investments declined to **EUR -47 million** as of 30 June 2013. Main drivers were a valuation loss of EUR -22 million resulting from an overhang of effective fair value hedges, and a loss of EUR -22 million resulting from the valuation of guarantees for capital-guaranteed funds.

Total assets decreased by EUR 2.8 billion compared to the end of 2012 and amounted to **EUR 24.9 billion** as of 30 June 2013.

Risk-weighted assets (RWA) could be reduced by EUR 1.5 billion and stood at **EUR 14.3 billion** (RWA total risk) at the end of the first half year 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 exceeds the asset reduction targets set by the European Commission.

Capital ratios increased in the first half year due to the downsizing process. The **tier 1 ratio** in relation to total risk was **11.4%** at the end of the first half year of 2013 (10.9% as of 31 December 2012) and the **equity ratio** in relation to total risk stood at **16.3%** as of 30 June 2013 compared to 15.7% at year-end 2012.

Outlook

In the second half 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 a sales process for VBLI Group and Volksbank Malta. The massive deleveraging process will continue to affect results, it is therefore to be expected that VBAG Group's results for the full year 2013 will be negative.

The English interim report for the first half year of 2013 will be available on VBAG Group's webpage (www.volksbank.com/investor_relations) on 30 August 2013

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