

Österreichische Volksbanken-AG (VBAG) publishes preliminary results for the year 2011

Vienna, 05 April 2012

The 2011 results presented are preliminary results which have to be approved by the general assembly held on 26 April 2012.

- The **Group result before taxes** was **EUR -891 million** in the period under review
- The loss is primarily due to **write downs on participations and to sovereign risks**
- **Net interest income** amounted to **EUR 394 million**
- **Risk provisions** were **EUR -104 million** as of 31 December 2011
- The **other operating result** was affected by a write down of the participation in Volksbank Romania in particular and stood at **EUR -365 million**
- **Income from financial investments** was **EUR -441 million** in 2011 due to the write down of Greek government bonds, among other factors
- **Total assets** declined to **EUR 41.1 billion** as at the end of the year
- The **tier I ratio** was **10%** as of 31 December 2011 and the **equity ratio** was **12.7%**
- On the **single entity basis**, the loss in 2011 was **EUR -1.36 billion**. After the capital reduction, the **net loss** was **EUR -53.5 million**; **supplementary capital** will share losses

The 2011 results are strongly affected by the difficult economic environment. Write downs of participations (Volksbank Romania, Investkredit) and impairments due to country risks in particular had a negative impact on the result. The **result before taxes** was **EUR -891 million** and **consolidated net income after taxes** was **EUR -959 million** in the period under review. The retroactive capital write down is not shown in the consolidated results since according to IFRS approval by the general assembly on 26 April 2012 is required.

Consolidated results

Net interest income decreased by 22% year-on-year to **EUR 394 million** as of 31 December 2011. The decline is a result of the deconsolidation of Volksbank Romania on the one hand and of lower interest margins in Central and Eastern European countries on the other.

Net fee and commission income dropped by 7% to **EUR 94 million** as of 31 December 2011. **Net trading income** was **EUR 3 million**. The EUR 34 million reduction of the trading result is to a large extent a consequence of the sovereign crisis and turbulences on the financial markets which resulted in increased volatilities of derivatives and in a massive widening of credit spreads.

General administrative expenses in the 2011 business year amounted to **EUR -299 million** which represents a drop by 14% compared to 2010. Apart from cost cutting measures by VBAG and Investkredit, administrative expenses declined by EUR 11 million due to the deconsolidation of Volksbank Romania.

Compared to the previous year, **risk provisions** could be reduced by EUR 176 million and amounted to **EUR -104 million** as of 31 December 2011. The most pronounced decline was posted by the Retail segment where risk provisions dropped by EUR 32 million in the leasing business field and by EUR 113 million in Volksbank Romania. In the Corporates segment risk provisions also developed positively and fell by EUR 68 million.

The **other operating result of EUR -365 million** was impacted by the write down of the participation in Volksbank Romania (EUR -294 million) in particular. Furthermore, it includes write downs of Investkredit Bank AG (impairments on goodwill and the Investkredit brand) of EUR -57 million as well as the bank tax due in Austria in an amount of EUR -36 million.





Income from financial investments was **EUR -441 million** in 2011, it was affected considerably by impairments of Greek bonds which were written down to market values. In total, impairments amounted to EUR -160 million, EUR -37 million of which is attributable to a fair value hedge on a Greek government bond which had to be terminated due to the write down of the bond. The negative development of financial markets also affected the results of Kommunalkredit. Participation capital of Kommunalkredit - which has been held by VBAG since the disposal of Kommunalkredit - was written down by EUR -142 million to a book value of zero. Due to the increasing volatility on financial markets, management decided that instruments that were recognized as financial guarantees are to be recorded at market values via P&L, which results in a negative effect of EUR -59 million in 2011. Furthermore, declining market values of investment property assets and write downs of participations in the Real Estate segment of EUR -76 million affected income from financial investments.

The **annual result of non-controlling interests** dropped by EUR 31 million to **EUR -30 million** due to a loss in the CEE Banks business field which is a consequence of the negative result of Volksbank Hungary.

The **capital ratios** as of 31 December 2012 reflect the retroactive capital measures (capital write down and capital increase). Also included in the calculations are VBI (closing of the sales transaction took place in February 2012) and Volksbank Romania. The **tier I ratio** (in relation to **credit risk**) was **10%**, the **tier I ratio** (in relation to **total risk**) was **8.8%** and the **equity ratio** (in relation to **total risk**) was **12.7%**. Capital ratios will increase as a result of the sale of VBI. Total assets decreased by EUR 5.4 billion (EUR 1.7 billion is attributable to the sale of Europolis and EUR 4.8 billion is due to the deconsolidation of Volksbank Romania) to EUR 41.1 billion as of 31 December 2011.

Single entity statement

VBAG's single entity result is affected by impairments due to sovereign risks including negative market values of derivatives (EUR -337 million) and by write downs on participations of EUR -881 million. The merger loss of EUR -322 million resulting from the merger of VBAG and Investkredit which takes place retroactively as of 31 December 2011 is already included here. The participation in Volksbank Romania as well as participation capital of Kommunalkredit were written down to zero, by EUR -299 million and EUR -142 million respectively. The sale of VBI has an impact of EUR -164 million on the single entity result, but also leads to a significant improvement of the levels of risk, liquidity and equity of VBAG Group.

In total, the **single entity loss** amounts to **EUR -1.36 billion** in 2011. The loss will be compensated to a large extent by the retroactive write down of shares and participation capital by approximately 70%. **Net loss** for the year therefore is **EUR -53.5 million**. Due to the high losses in 2009 and 2011 it should **not be expected that supplementary capital** issued by Österreichische Volksbanken-AG **will be redeemed at par** at final maturity. A determination of the pro rata net loss that will be applied to the respective instrument, as required by the Austrian Banking Act can at the earliest be made on the maturity date of the instrument.

Outlook

An agreement on stabilization measures was concluded by the owners of VBAG and the Republic of Austria on 27 February 2012. The measures include a capital write down to compensate the losses incurred in 2011, a subsequent capital increase through the Volksbanks and the Republic of Austria as well as the merger of VBAG and Investkredit. The merged bank will be the central institution of the Volksbank sector in accordance with § 30a BWG (Austrian banking law), VBAG's focus therefore will be on providing services to the regional Volksbanks. The measures mentioned above will be approved by the general assembly held on 26 April 2012.

Please contact the investor relations team
(www.volksbank.com/investor_relations) if you have any questions.