VOLKSBANK AG

# Oesterreichische Volksbanken-AG (VBAG) Group publishes result for the first half year of 2012

*31 August 2012*

- **Result before taxes** of **EUR 49 million** as of 30 June 2012
- **Net interest income** decreased to **EUR 115 million**
- **Risk provisions** also dropped and stood at **EUR -74 million**
- **Total assets** fell to **EUR 30.5 billion** as of 30 June 2012
- Capital ratios increased, the **tier 1 ratio** in relation to total risk was **11.3%** at the end of the first half year of 2012

## Consolidated results as of 30 June 2012

The result before taxes of Oesterreichische Volksbanken-AG Group was **EUR 49 million** as of 30 June 2012, the consolidated result after taxes and non-controlling interests was **EUR 14 million.**

In accordance with VBAG Group's restructuring and redimensioning strategy, a number of sales could be completed in the first half year of 2012. The closing of the sale of Volksbank International AG (VBI) took place in February. The sale of Selini Holding GmbH, a participation which originally was part of Europolis Group, was closed in April. Furthermore, the predominant part of the portfolio of the branch in Frankfurt was sold to Deutsche Zentral-Genossenschaftsbank in the first half year of 2012 resulting in a EUR 400 million decrease of risk-weighted assets.

## Half year results in detail

The result for the comparative period of last year includes the 1-6/2011 result of Volksbank Romania, which has been carried at equity since October 2011.

**Net interest income** stood at **EUR 115 million** as of 30 June 2012, down EUR 125 million year-on-year. This decrease is attributable to a large extent to the Non-core Business segment where the interest result declined by EUR 89 million in total. Within the segment, Volksbank Romania accounts for EUR 62 million of the decrease. Net interest income remained below the previous year's level in the Investment Book/Other Operations segment as well since maturing investments were not fully replaced.

**Net fee and commission income** declined by EUR 14 million on the comparable period to **EUR 38 million** at the end of the first half of 2012. The **trading result** could be increased and amounted to **EUR 24 million** as of 30 June 2012.

**General administrative expenses** were reduced by EUR 47 million, as of 30 June 2012 they stood at **EUR -133 million.** Apart from Volksbank Romania, a reduction of costs was achieved in the Other Operations business area as well as in the Financing and Financial Markets segments.

In the first six months of 2012 the **other operating result** decreased to **EUR -33 million**. The reduction is primarily attributable to the allocation of a provision regarding an impending liability for capital gains taxes in an amount of EUR 19 million. A year-on-year increase of bank taxes of EUR 6 million also contributed to the decline in the other operating result.

**Risk provisions** decreased by EUR 10 million compared to the first half year of 2011 to **EUR -74 million** as of 30 June 2012. Volksbank Romania accounts for EUR 38 million of the decrease. In the Corporates, Investment Book and Leasing CEE business fields risk provisions could be reduced whereas in the Non-core Real Estate business field risk provisions grew by EUR 60 million year-on-year.

**Income from financial investments** reached **EUR 64 million** as of 30 June 2012, up EUR 106 million on the comparable period. The result from the sale of the VICTORIA Volksbanken insurance companies (EUR 21 million) as well as additional proceeds from the sale of participations and securities (EUR 15 million) are recognized in this position. A valuation income of EUR 56 million from the surplus from effective fair value hedges was recorded and open derivatives positions in the investment book generated a positive valuation result of EUR 7 million in the period under review. These positive effects were partly offset through impairments of investment property assets (EUR 25 million) and impairments of participations in real-estate companies (EUR 12 million) in the Non-core Real Estate business area.

**Income from discontinued operations** was **EUR 49 million** in the first half of 2012. The VBI deconsolidation result and VBI income for the period 1 January to 15 February 2012 (closing of the sale and deconsolidation) in a total amount of EUR 36 million are included here.

In the first half year, VBAG Group submitted a **public tender offer for two hybrid tier 1 capital** instruments. In total, investors holding almost 80% of the issued nominal volume accepted the offer. The repurchases became effective on their respective settlement dates in July 2012. Consequently, the result of the repurchase transactions of almost EUR 144 million will be reported in the third quarter.

Compared to year-end 2011, **total assets** decreased by EUR 10.6 billion and amounted to **EUR 30.5 billion** as of 30 June 2012. This decrease is mainly a consequence of the deconsolidation of VBI which accounts for a reduction of EUR 8.8 billion. **Risk-weighted assets** also dropped considerably, from EUR 22.9 billion as of 31 December 2011 to **EUR 15.5 billion** at the end of the first half year of 2012.

As a result of the capital write-down and subsequent capital increase, the sale and deconsolidation of VBI and further asset sales capital ratios increased considerably. The **tier 1 ratio** (in relation to total risk) increased by 2.5 percentage points compared to the end of 2011 to **11.3%** as of 30 June 2012. The **equity ratio** (in relation to total risk) was **16.8%** at the end of the first half year representing a growth of 4.1 percentage points.

## Outlook

Capital and restructuring measures agreed upon by the Republic of Austria and the owners of VBAG were approved at the Annual General Meeting of 26 April 2012. The capital write-down and subsequent capital increase, which are effective retroactively as of 31 December 2011, secure the capitalisation necessary for the business strategy to be implemented. Investkredit will be merged with VBAG, also retroactively as of 31 December 2011. The approvals from the EU Commission and from the Austrian Financial Market Authority which are required for full legal effect of these measures, are expected in September 2012.

The new structure of the association of Volksbanks – which is based on a joint liability scheme and a joint funding scheme – that is being set up pursuant to section 30a of the Austrian Banking Act is in line with the new orientation of VBAG Group. Oesterreichische Volksbanken-AG will focus on its role as central institution, assets of business areas outside this sphere (Non-core Business) are to be sold or wound down according to their maturity profiles. The sales of participations, assets and portfolios that have been realised according to plan in the first half year reflect VBAG's strategy of focussing on its function as central institution of the Austrian Volksbanks.

The first half year 2012 interim report is available on VBAG Group's webpage: **www.volksbank.com/investor_relations**

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