Ad hoc announcement pursuant to Section 48d (1) of the Austrian Stock Exchange Act (§ 48d (1) BörseG)

Bank Austria's first quarter results 2008

Date of entry: 08 May 2008

Results for the first three months of 2008:

Bank Austria: consolidated profit of EUR 410 million in the first quarter

- Continued strong growth in Central and Eastern Europe: CEE Division generates 38 per cent increase in its profit before tax
- Net interest income and net fees and commissions grow by a combined 17 per cent to EUR 1.7 billion, trading loss of EUR 143 million weighs down on operating profit
- Costs[1] are under control, rising by 1 per cent compared with the first quarter of 2007

Bank Austria, a member of UniCredit Group, held its own in an exceptionally difficult market environment. The bank's performance reflects continued strong growth in Central and Eastern Europe, good business trends in Austria, and a favourable development of costs. However, Bank Austria was partly affected by the repercussions of the crisis in credit markets. The sharp decline in market prices for securitised credit risks and corporate finance transactions led to further valuation losses on the trading portfolio; this, in combination with a weaker operating performance caused by uncertainty among customers, led to a net trading, hedging and fair value loss of EUR 143 million.

In a year-on-year comparison, the trading loss in the first quarter of 2008 is particularly pronounced because the same period of the previous year saw a record performance of EUR 161 million. As this development was not fully offset by the other Divisions, consolidated profit for the first quarter of 2008 was EUR 410 million, lower than a year before (Q1 2007: EUR 535 million).

Items in the income statement

Net interest income in the first quarter of 2008 increased by 26 per cent to EUR 1,125 million (Q1 2007: EUR 890 million). Net fees and commissions were EUR 519 million, slightly exceeding the high level of the previous year (Q1 2007: EUR 517 million). The net trading, hedging and fair value result fell sharply, turning from an exceptionally strong performance in the first three months of the previous year (Q1 2007: net income of EUR 161 million) to a net loss of EUR 143 million in the wake of the credit market crisis, which persisted in the first quarter of 2008. Valuation losses – these are marking-to-market adjustments to market prices as at 31 March 2008 with no further write-offs – on the structured credit portfolio totalled EUR 141 million and are fully reflected in the income statement.

Operating expenses rose by 11 per cent to EUR 941 million (Q1 2007: EUR 849 million) as a result of a consolidation effect. The increase is due to the acquisition of the two new banks in Kazakhstan and Ukraine. Without this effect, i.e. calculated on a normalised basis, operating expenses increased by only 1 per cent or EUR 11 million compared with the same period of the previous year. The net trading, hedging and fair value loss had an impact on operating profit for the first quarter, which amounted to EUR 603 million, down from EUR 769 million for the first quarter of the previous year. As a result of the consolidation effect in the CEE business segment, net writedowns of loans and provisions for guarantees and commitments increased by 47 per cent to EUR 173 million (Q1 2007: EUR 117 million). Without this effect, i.e. calculated on a normalised basis, the increase was only EUR 7 million or 6 per cent, to a level of EUR 125 million.

Profit before tax was EUR 520 million, down by 24 per cent from the same period of the previous year (Q1 2007: EUR 688 million). Consolidated profit after tax and minority interests amounted to EUR 410 million (Q1 2007: EUR 535 million).

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[1] Normalised to exclude consolidation-related cost effects resulting from the acquisition of the two new banks in Kazakhstan and Ukraine.

in Euro m	1-3/08	1-3/07	change in %
Net interest	1,075	852	26.2
Dividend income	11	9	22.7
Income from investments in companies valued at equity	39	29	34.5
Net interest income	**1,125**	**890**	**26.4**
Net fee and commission income	519	517	0.3
Net trading income	-143	161	<-100
Net other operating income/expenses	42	49	-14.9
TOTAL REVENUES	**1,543**	**1,618**	**-4.6**
Staff expenses	-551	-502	9.8
Other administrative expenses	-316	-275	15.0
Expenses recovery			
Writedowns of tangible/intangible assets	-73	-72	1.1
OPERATING EXPENSES	**-941**	**-849**	**10.8**
OPERATING PROFIT	**603**	**769**	**-21.6**
Provisions for risks and charges	-7	-18	-63.0
Goodwill impairment			
Net writedowns of loans	-173	-117	47.3
Net income from investments	101	58	74.9
Integration costs	-5	-3	49.9
PROFIT BEFORE TAX	**520**	**688**	**-24.5**
Income taxes	-86	-125	-31.3
NET PROFIT	**434**	**563**	**-23.0**
Minority interests	-24	-29	-18.0
CONSOLIDATED PROFIT	**410**	**535**	**-23.2**

	1-3/08	1-3/07
ROE after taxes	11.5%	16.9%
Cost/income ratio	60.9%	52.5%
Risk/earnings ratio	15.4%	13.2%

in Euro bn	31/03/08	31/12/07	change in %
Total assets	220.8	209.2	5.5
Equity (without minority interests)	14.6	14.7	0.7
Tier 1 ratio	7.3%*	8.8%	

* calculated in accordance with Basel II

The Bank Austria Interim Report at 31 March 2008 will be published on May 15, 2008.

Enquiries:
Günther Stromenger
Investor Relations Bank Austria
phone: +43 (0) 50505 - 87230
e-mail: guenther.stromenger@unicreditgroup.at

Issuer:
Bank Austria Creditanstalt AG
Schottengasse 6-8. 1010 Vienna. Austria
e-mail: IR@unicreditgroup.at
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