

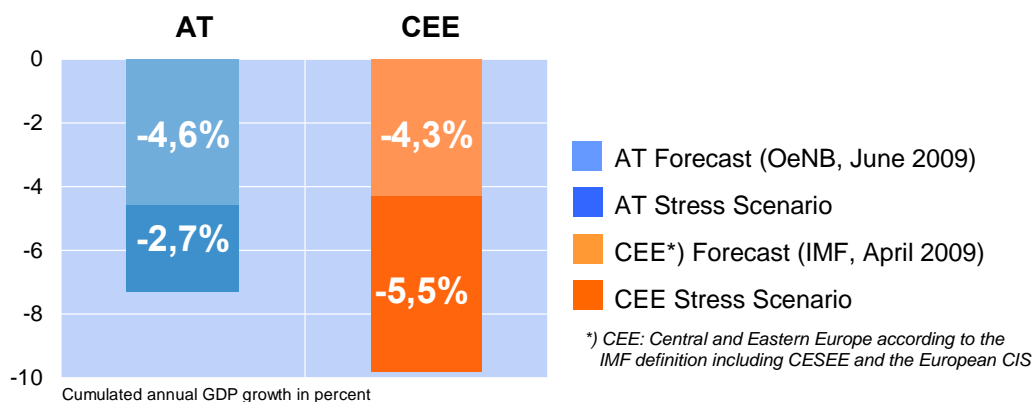
Summary of Stress Test Results

Severe OeNB Stress Test Shows: Currently No Need for Further Recapitalisation

Based on current evidence the major Austrian banks do not require additional recapitalisation measures. This is the main result of a stress test conducted by the OeNB. The stress test is “in line with international best practice”, as stated by the IMF in the context of the recently completed Article IV consultations. According to the “Deep CESEE Recession” stress test, the capital ratios of the major Austrian banks remain above the regulatory minimum requirements even in case the economic crises should deepen severely, in particular in Central-, Eastern- and South-eastern Europe, and the Commonwealth of Independent States (CIS). This scenario, however, is based on assumptions that dramatically exceed the OeNB’s assessment of the current situation. In fact, the developments during the first quarter of 2009 surpassed OeNB’s initial expectations and hence were much better than in the stress test scenario.

As the global recession, which has severely affected many of the CESEE and CIS countries, also had an increasing impact on Austria, a further rise in credit losses seems unavoidable. In view of the uncertain outlook for the real economy, the OeNB regards the continued close monitoring of future developments as an essential prerequisite for the timely implementation of countermeasures should the need arise.

Figure 1 Cumulated GDP-Growth for 2009 and 2010 in the Forecast versus the OeNB’s “Deep CESEE Recession” Stress Scenario



Source: OeNB.

The OeNB’s stress test is therefore based on the scenario of a deepening crisis in CESEE and the CIS in 2009, and further economic deterioration throughout 2010. Due to the high exposure of the Austrian banking system to this region, the scenario puts severe additional strain on exposed banks.

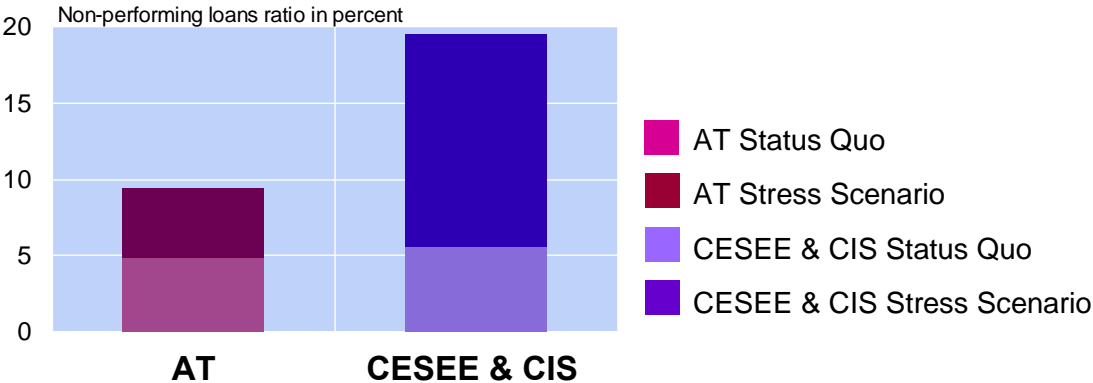
As a result, cumulated over both years GDP decreases by an additional 5.5%, compared to the IMF forecast of April 2009 (−4.3%, see

Figure 1). In addition, in the “Deep CESEE Recession” scenario macroeconomic feedback effects have a severe impact on Austrian GDP-growth, thus increasing the pressure on Austrian banks in the domestic market. This is equivalent to an additional decrease in GDP of 2.7% cumulated over 2009 and 2010, as compared to −4.6%, again cumulated, according to OeNB’s June forecast.

In the OeNB stress test, the macroeconomic scenario causes a doubling of the non-performing loans ratio (NPL-ratio) of the domestic exposure to nonbanks, and a three-and-a-half-fold increase in CESEE and the CIS. In total this results in an NPL-ratio of nearly 10% in the domestic market, and almost 20% in CESEE and the CIS, over the two-year horizon of the “Deep CESEE Recession” (see

Figure 2). The scenario is therefore comparable to current international stress tests based on similarly severe assumptions.

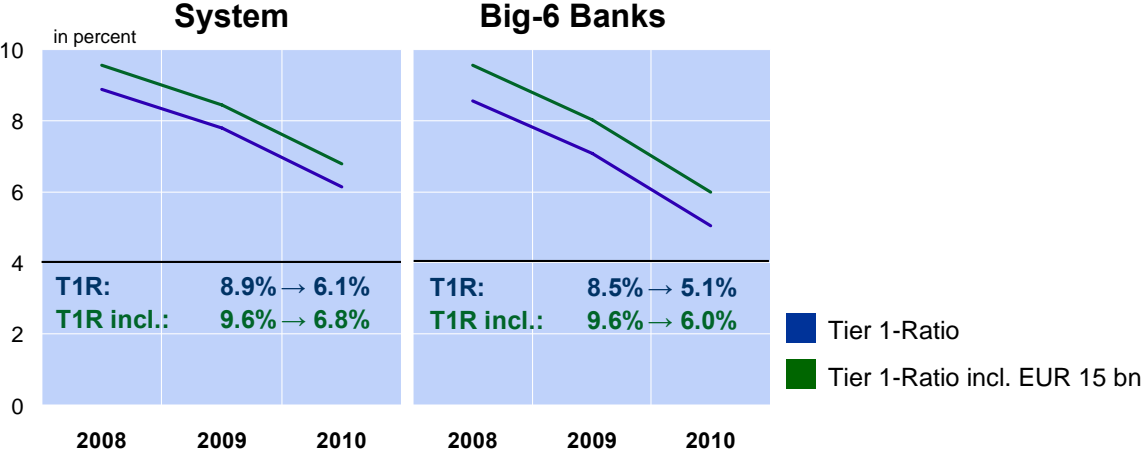
Figure 2 Deterioration of NPL-Ratios in OeNB’s “Deep CESEE Recession” Stress Scenario



Source: OeNB.

Moreover, a distinct reduction of the operating income before risk is assumed, which is mainly driven by the depreciation of non-pegged currencies in CESEE and the CIS. The scenario further includes an increase in risk-weighted assets caused by the continued deterioration of credit quality.

Figure 3 Deterioration of Tier 1 Ratios in OeNB's "Deep CESEE Recession" Stress Scenario



(Baseline Tier 1-Ratio includes EUR 8.4 bn preferred shares from the Austrian bank rescue package and an additional EUR 0.7 bn from third parties. Source: OeNB based on disaggregate data)

Source: OeNB.

On an individual basis, the tier 1-ratios of all major Austrian banks remain above the regulatory minimum of 4% in the "Deep CESEE Recession" scenario. In the few cases where smaller banks fail to meet this minimum requirement, however, the amount necessary to lift them above this threshold is less than half a percent of the Austrian banking system's total own funds. In addition, since almost all of these banks are part of one of the multi-tier sectors, stabilizing mechanisms within their respective sector would come into effect.

All in all, the OeNB stress test shows that based on current evidence, the Austrian banking system is sufficiently capitalized. All major Austrian banks are in a position to withstand even a severe deterioration of the economic crisis. This is even the case under the severe assumptions of the OeNB stress test. Nonetheless, the OeNB will be closely monitoring the real economy, the banking sector, and the overall financial system, to detect potential negative signals and introduce timely countermeasures.