Investor Relations *Release*

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HGAA publishes 2010 half-year results

Group Management Board presents first milestones in re-orientation of the Hypo Group Alpe Adria

Hypo Group Alpe Adria (HGAA) today published its results for the first half of 2010. The consolidation of business activity following the nationalisation at the end of 2009 and an assessment of the current position were the prime focus of the new management. The Group increased its net interest income, while operating expenses remained largely unchanged. Increased loan loss provisions and lower income from other operations led to a pre-tax loss of EUR -449 million, and a consolidated result (excl. minorities) of EUR -499 million. The bank succeeded in consolidating its customer base and increased customer deposits by EUR 300 million.

Credit risk provisions impacted the half-year result by EUR 667 million compared to EUR 1,672 billion in 2009. The Group's net interest income improved from EUR 390 million to EUR 447 million (+ 15%). Dr. Gottwald Kranebitter, Chief Executive Officer of Hypo Group Alpe Adria since April 2010, explains: "An in-depth analysis of the credit portfolio identified a volume of EUR 667 million for loan loss provisions causing a loss of EUR 499 million despite the positive operating result."

Loan loss provisions are focused on operations in South-Eastern Europe, which was accentuated by the uncertain economic environment in Central Europe, the expected lag in economic recovery in the region and lower real estate activity. The volume of non-performing loans (NPLs) increased to EUR 8.27 billion during the first half of 2010.

Increase in balance sheet and equity

During the first six months of the year, the balance sheet increased by EUR 0.7 billion to EUR 41.8 billion largely from an increase in cash reserves. Accounts receivable fell to EUR 29.6 billion (from EUR 30.1 billion at 31 December 2009). On June 30th 2010, the consolidated equity capital amounted to EUR 3.2 billion. The total capital ratio was 10.6 percent and the tier 1 capital ratio 7.3 percent.

Higher deposits and stable customer numbers during the first half of 2010

"Despite the difficult business environment, we managed to consolidate customer numbers at 1.2 million. Numbers increased in particular in Croatia, Serbia and Slovenia. We were able to increase the volume of deposits during the first half of 2010 by EUR 300 million", says Dr. Kranebitter. The highest increases were reported in Croatia, Slovenia and Bosnia Herzegovina. "We are particularly pleased to have also managed to stabilize deposits in Austria following the considerable reduction in numbers at the end of 2009."

Restructuring of the HGAA

To signal the Group's re-orientation and fresh start, the Supervisory Board and Board of Management were replaced with new members during the first half of the year. Dr. Kranebitter emphasises: "The Group's restructuring follows a clear strategy and focusses on the healthy and profitable core business, in which HGAA is able to combine strong market presence with sustainable success and growth opportunities". These are the core markets of Austria, the Bank's domestic market, and also Slovenia, Croatia, Serbia and Bosnia Herzegovina. In these markets, the Group aims to continue to offer its full range of banking and leasing products to its costumer base. The Group aims to divest its operations in Italy and Montenegro, which remain fully active in their domestic markets, in the medium term. For the units in other markets and business segments, the focus lies on the management of existing business, while the opportunities for transfers to new owners are being assessed. The Group aims to divest its non-core business under favourable market conditions.

Outlook

The steps that were taken to improve risk management, stabilise the quality of the credit portfolio, strengthen the deposit capital and to wind down operations outside its defined core business without, the HGAA is laying the foundation for the preservation and consolidation of the Group as a significantly smaller but sustainably stable and profitable Alpe-Adria Bank.

The macroeconomic environment in the Group's operational markets is expected to remain difficult during the second half of the year, although an upturn is expected in 2011. Given this macroeconomic situation and the continuing lack of transactions in the real estate market, risk provisioning will remain a feature of the Group's balance sheet and earnings during the second half of the year. Risk provisioning totalling EUR 1 billion is expected for 2010 as a whole. "It is our declared aim to achieve a balanced result in 2011", says Dr. Kranebitter.

Since the nationalisation, the Group owners and Management have established the criteria and the necessary basis for the Bank's re-sizing, restructuring and reorientation, making it a smaller, focused SEE regional bank within the core countries of the Alps Adriatic region. This is also the basis for the restructuring plan, whose agreement the Bank's owner, the Republic of Austria, is currently negotiating with the European Commission.

New start with a new Board of Management and Supervisory Board

The Chief Executive Officer (CEO) is Dr. Gottwald Kranebitter. The other members of the Board of Management are Mag. Wolfgang Edelmüller as Chief Risk Officer (CRO), Mag. Johannes Proksch as Chief Financial Officer (CFO) and Dkfm. Rainer Sichert as Chief Operations and Market Officer (COMO). Dr. Johannes Ditz was elected as Chairman of the Supervisory Board, and Dr. Rudolf Scholten as his deputy. The other elected members of the Supervisory Board are Mag. Alois Steinbichler and DI Dr. Helmut Draxler.

Please feel free to contact us for further information; alternatively you will also find more information on the Investor Relation pages of our website (www.hypo-alpe-adria.com).

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