

Investor Relations Release

Klagenfurt, March 30th, 2011

High risk costs due to far-reaching restructuring measures lead to consolidated net loss for 2010

- The first exhaustive analysis of the loan portfolio leads to risk provisions of EUR -1.21 billion and an increase in non-performing loans to EUR 9.04 billion.
- Consolidated net loss of EUR -1.06 billion reflects risk-related costs following portfolio rationalisation
- Solid capital funds position and a liquidity cushion giving stability
- Encouraging increase of EUR 470 million in customer deposits
- Restructuring measures progressing well, reorganisation of risk functions and processes creating basis for a normalised lending business
- Focus in 2011: greater market presence and customer-facing activities; targeting break-even

Klagenfurt, 30 March 2011 – Hypo Alpe-Adria-Bank International AG has posted a consolidated net loss of EUR -1.06 billion (previous year: loss of EUR -1.58 billion). The risk provisions necessary on loans and advances and for the leasing business impacted on the 2010 result to the tune of EUR -1.21 billion; net interest income rose slightly, to EUR 882 million (previous year: EUR 869 million). Net fee and commission income decreased to EUR 107 million (previous year: EUR 121 million). Operating expenses came to EUR -595 million (previous year: EUR -541 million). The proportion of non-performing loans (NPL) on the loan book rose from 19.8% to 26.8% and thus to a volume of EUR 9.04 billion.

The growth in customer deposits in 2010, by EUR 470 million, is an encouraging development.

Balance sheet and equity development

The change in total assets, which were reduced by EUR 2.3 billion, or 5.7%, to EUR 38.8 billion, is evidence of the systematic implementation of the restructuring plan. With regulatory capital of EUR 2.78 billion (overall equity ratio of 10.3%; core capital ratio Tier 1: 6.6%) and a capital surplus of EUR 610 million, the group is in a stable position and well-equipped for continuing with the restructuring and turnaround measures which are already underway.

Recapitalisation and guarantee agreement

At the end of June 2010, the recapitalisation of the bank, which had already been agreed as part of the nationalisation process in December 2009, went ahead as planned, with a volume of EUR 600 million in participation capital provided. Of this, EUR 450 million was provided by the current sole shareholder, the Republic of Austria, which subscribed to 9,000 bearer participation certificates with a total nominal value of EUR 450 million on 28 June 2010.

A guarantee agreement was concluded with the Republic of Austria at the end of December 2010, providing a maximum liability guarantee of EUR 200 million. In return, the bank undertook

to reduce the Republic of Austria's liability by buying back – in February 2011 – government guaranteed bonds (GGB) with a volume of over EUR 750 million.

Progress of restructuring measures at HAA

Following the takeover of the bank by the Republic of Austria, which became the bank's "temporary sole shareholder", a restructuring plan was drawn up which foresaw fundamental changes to, and a realignment of, strategy.

At the core of the realignment strategy is the preparation of the sound parts of the business for reprivatization in the medium term, while those business units and portfolios which are fraught with problems, as well as all non-banking and non-leasing business, are to be wound down or sold off. The disposals and winding-down activities are to be carried out in such a way that – market developments permitting – no losses will be incurred.

Hypo Alpe Adria's credit risk organisation and all connected processes – the limit system, new loan granting process and administration/work-out of non-performing loans – has undergone fundamental revision in 2010. The analysis of the loan portfolio has resulted in extraordinarily high loan risk provisions and charges, the cause of which can be attributed to historical weaknesses in the credit administration processes and procedures and to misconduct in the past.

These procedural weaknesses have been eliminated by the group's new management, which has vigorously pushed through the introduction of standard market structures and processes and their further optimisation. A new corporate governance structure and extremely stringent standards for compliance have been implemented throughout the group.

Following a detailed survey of the front office and customer-facing functions, the bank has hugely strengthened central control and monitoring of front office activities. By introducing comprehensive account management concepts, which provide for tailored solutions to our customers' needs, there will be greater potential for cross-selling in the future.

Under the project name "CSI Team Hypo", the bank, together with the Financial Procurator (Finanzprokurator) and a team of lawyers, accountants and forensic experts, has pushed forward with investigating the past. The bank has two major objectives:

1) Through this investigation, the bank is developing a set of new and exacting ethical standards; the new management team has a zero-tolerance approach to unethical dealings. 2) As a logical consequence of the exhaustive investigations, the bank will use every opportunity to assert claims against those persons who have harmed the bank.

The target is to conclude the bank's investigations by the end of this financial year.

Outlook

Immediately after taking up its duties, the new Executive Board team set out the bank's new strategy, thereby ushering in a new phase of concentrating 100% on the provisions of normal, service-oriented banking services. This has created the conditions for the bank, which is striving to reach a break-even position in 2011, to return to normalisation.

All the measures which have already been implemented and are still in the process of being implemented serve to establish a simpler, smaller and more customer-focussed bank.

Simpler: The bank is reducing the complexity of its structures and products, thereby increasing the standard of transparency and reducing structural costs. Those leasing units which will continue to operate will be managed in future under the governance structure of the banks in the individual country markets.

Smaller: Hypo Alpe Adria will focus its marketing activities on the SEE region in Slovenia, Croatia, Bosnia & Herzegovina, Serbia and Montenegro, as well as Italy and Austria, and on the “normal” banking and leasing business. All other business areas in banking and leasing, and all business units not in the financial services sector, will be wound down or sold.

More customer-focussed: After two years in which the bank was insufficiently active in the market, Hypo Alpe Adria will raise its profile markedly with high-quality products and a very high standard of service for its customers. In future, customers can expect even more attractive services and products.

The group is striving for a strengthened equity base through sustained positive financial results from 2012 onwards while at the same time reducing risk assets. By improving the primary funds base and undertaking asset-backed funding measures, the bank aims to safeguard and normalise its funding base in the long term.

The structures put in place during 2010 are directed at ensuring stability and sustained profitability for the healthy parts of the group’s business, so that the group is well-positioned for reprivatisation at a later point in time.

On the occasion of the press conference to present the group’s consolidated results for 2010, Dr. Gottwald Kranebitter, CEO of Hypo Alpe-Adria-Bank International AG, said: *“As a result of the swift and systematic restructuring measures taken, the new Executive Board achieved its most important target for 2010: to stabilise the bank following its emergency nationalisation by the Republic of Austria. For the first time in the bank’s history, we have carried out a detailed and comprehensive analysis of our loan portfolio. The balance sheet for 2010 has taken account of all the findings from this exercise. We have now truly shed light on this area. The strategy for 2011 is “back to market” – but with very strict risk controls. Hypo Alpe Adria will become smaller, simpler and more customer-focussed. As a result, the bank will take an important step towards sustained profitability in 2011. Economists are forecasting an economic upturn for the SEE region. This will give Hypo Alpe Adria the momentum it needs to make a quick recovery.”*

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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