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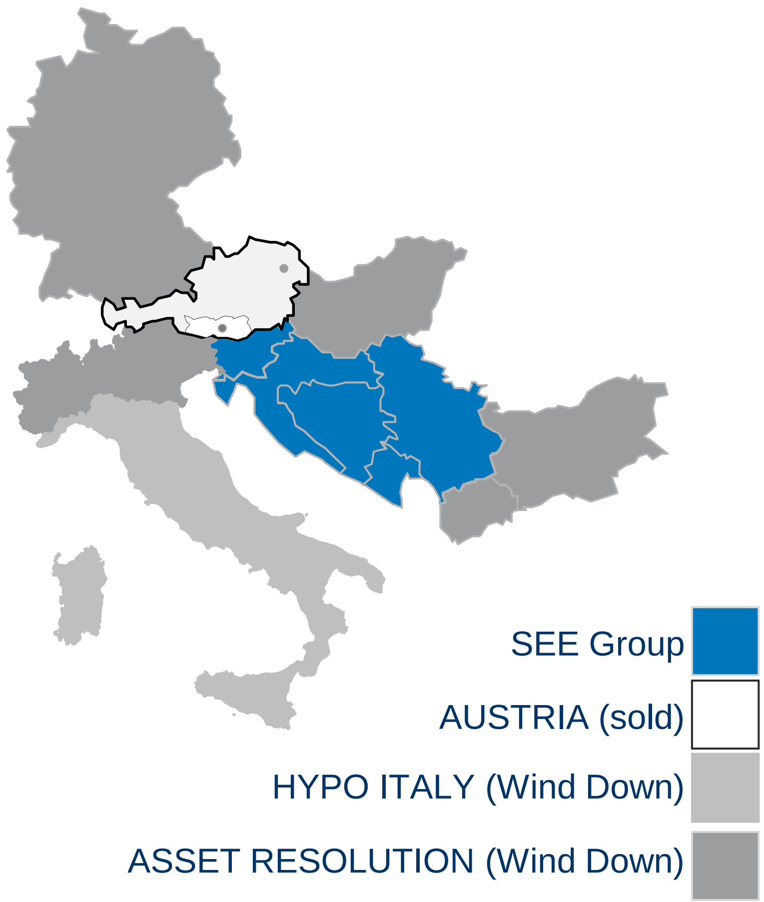
Investor Relations

Presentation of Results H1/2014



Klagenfurt, August 28th 2014

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HAA in line with its restructuring path – carve-out of Italian banking subsidiary (HBI) and SEE Group as precondition for deregulation well on track

H1/2014 losses in line with EU restructuring plan	Loss of EUR 1.67 bn mainly influenced by provisions of EUR -1.44 bn due to anticipated carve-out of banking subsidiaries in Italy and SEE; Stable operating performance of EUR -0.23 bn in line with expectations
Stable risk provisioning	Stabilized risk provisioning at EUR 245 m incl. one-off's triggered by flood event in Bosnia & Herzegovina and Serbia as well as sale of a EUR ~160 m multi-country NPL portfolio
Deregulation	Deregulation of HAA's Parent (Hypo Alpe-Adria-Bank International AG/ HBInt) on track after legislative package came into force on August 7th 2014 following decision by Austrian's Financial Market Authority (FMA)
No new capital	EUR 750 m owner capital injection from April 2014 consumed leading to Tier 1 capital ratio per June 30th 2014 of 4.1% - i.e. below min. 5,5% regulatory requirements; no further capital injections due to mitigating impacts of burden sharing legislation since August 2014 (HAASANG)
Hypo Italy (HBI)	New local management established; Preparation for carve-out of Hypo Bank Italy (HBI) in progress to fulfill requirements for deregulation of HBInt
SEE Group on track	Close to break-even under challenging environment and pressure on operating profit; SEE Group managed to enhance efficiency and de-risking via portfolio carve-outs (not yet finalized); Continued focus on improved new business quality and -profitability; targeted cost initiatives from 2013 as well as in H1/2014 continue to bear fruits in 2014 substantially lowering the cost base

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Half year loss of EUR 1.67 bn significantly impacted by required carve-out of banking subsidiaries in Italy and SEE Group

Result

- Negative post tax and minorities result of EUR -1.67 bn (H1/2013: EUR -0.87 bn) impacted by exceptional items
- Exceptional items of EUR -1.44 bn due to provisions for carve-out of banking subsidiaries in Italy and SEE Group
- Without exceptional items negative result of EUR -0.23 bn fully in line with expectations and EU restructuring plan
- Normalized risk provisioning, including one-off's related to sale of multi-country NPL portfolio as well as flood event impacts in Bosnia & Herzegovina and Serbia

Operating income

- Net interest income declined by 21.9% to EUR 191.6 m due to
  - decreased portfolio from continuous wind-down efforts
  - continued historically low market interest levels
  - lower new business volumes in SEE due to profitability focus, EU behavioral measures and current market demand

Operating expenses

- Overall cost base lowered by ~12%, in particular through targeted initiatives in personnel expenses and administrative expenses as well as YE2013 one-off effects in depreciation
- Cost for set-up of deregulated Asset Resolution Wind-Down Unit included in other operating result (H1/2014)

Asset reduction

- Continuous wind-down focus leads to further decrease in total assets of EUR ~1.1 bn since YE2013, in line with the EU restructuring plan:
  - 4% balance sheet reduction since YE2013
  - 42% balance sheet reduction since peak in YE2008
- State and provincial guarantees on own issues further reduced by EUR ~1 bn (from EUR 13.4 bn in YE2013 to EUR 12.5 bn)

Income statement (in EUR m) [1.)]	H1 2013	H1 2014	+/-
Net interest income	245.2	191.6	-21.9%
Net commission income	24.9	21.0	-15.8%
Financial result	-41.7	37.1	n.m.
Other operating result	-196.3	-1,463.4	n.m.
Total income	**32.1**	**-1,213.7**	**n.m.**
Personnel expenses	-107.2	-104.1	-3.0%
Administrative expenses	-89.5	-83.9	-6.3%
Depreciation	-40.7	-21.5	-47.1%
Total expenses	**-237.4**	**-209.4**	**-11.8%**
Operating Profit before risk provisions	**-205.4**	**-1,423.2**	**n.m.**
Risk Provisions on loans and advances	-623.0	-245.1	-60.7%
Profit Before Tax	**-828.4**	**-1,668.3**	**n.m.**
Taxes	62.7	4.8	-92.4%
Result after tax of discounted operations - IFRS 5	-94.1	0.0	n.m.
Profit After Tax	**-859.8**	**-1,663.5**	**-93.5%**
Minorities	-9.7	-9.5	2.8%
Net income	**-869.5**	**-1,673.0**	**-92.4%**
Net interest margin	1.5%	1.4%	n.m.
Cost income ratio	740%	-17%	n.m.
LLP ratio in bp (of average loans)	261	119	n.m.

Balance sheet (in EUR m)	2013	H1 2014	+/-
Total assets	**26,219**	**25,153**	**-4.1%**
Customer loans	19,289	17,807	-7.7%
Customer deposits	6,121	5,720	-6.6%
RWA (total risk)	18,422	19,145	3.9%
Total capital ratio [2.)]	**14.87%**	**11.42%**	**n.m.**
Tier 1 ratio [2.)]	9.81%	4.06%	n.m.

1.) **Management view**: Does not include reallocations of positions within P&L reflected in „financial statement" (i.e. interest income, rental income from investment properties, other result (impairments), costs (e.o. write-offs))
2.) 2013 Capital ratios: excl. 750m capital increase from April 2014

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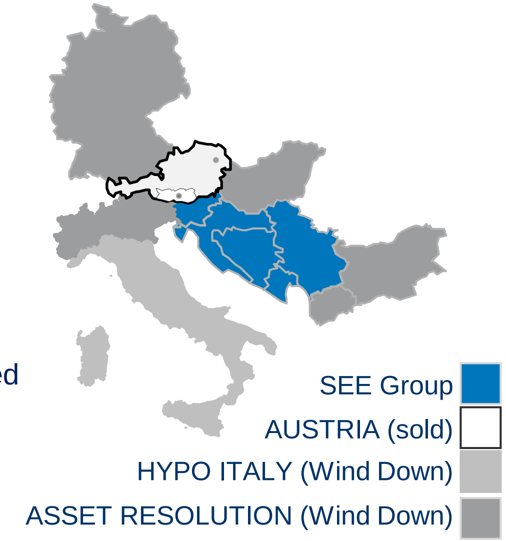
H1/2014 Results: Financial Performance (2/2)

Separation of HAA into Asset Resolution, HBI and SEE Group in progress – finalization planned until YE2014



- **SEE Group (SEE network & SEE holding):**
  - Operating income impacted by reduced interest result influenced by historically low market interest levels, reduced new business volumes as well as restrictions from the European Commission
  - Further sustainable reduction of operating expenses subsidiaries of the SEE network
  - Risk provisions stable and in line with expectations, even including one-off's related to flood event
  - NPL development in absolute terms stable in challenging market, increased NPL ratio due to reduced asset base
- **Asset Resolution / Hypo Italy:**
  - Significant decrease of customer loans by EUR ~1.1 bn, driven by continued wind-down of portfolio and sale of a multi-country NPL portfolio
  - Further risk provisioning to reflect market developments

Income statement (in EUR m) [1.)]	Group		SEE Group [2.)]		Asset Resolution / Hypo Italy [3.)]		o/w Hypo Italy		Consolidation	
	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014
Net interest income	245.2	191.6	121.7	113.4	122.2	75.3	33.7	30.2	1.2	2.9
Net commission income	24.9	21.0	30.2	31.3	-5.2	-10.3	3.9	2.9	0.0	0.0
Total income	32.1	-1,213.7	137.2	145.8	-87.3	85.5	-58.3	30.8	-17.8	-1,445.0
Total expenses	-237.4	-209.4	-106.5	-112.0	-146.6	-109.3	-32.8	-21.6	15.7	11.9
Risk Provisions (loans and advances)	-623.0	-245.1	-128.5	-38.3	-485.8	-209.1	-121.4	-34.2	-8.7	2.2
Profit after tax	**-859.8**	**-1,663.5**	**-96.8**	**-4.3**	**-658.8**	**-228.6**	**-178.6**	**-17.9**	**-103.1**	**-1,430.6**
Net interest margin	1.5%	1.4%	2.0%	2.0%	1.3%	0.8%	2.1%	2.1%	n.m	n.m
Cost income ratio	740%	-17%	78%	77%	-168%	128%	-56%	70%		
LLP ratio in bp (of average loans)	261	119	349	123	745	353	824	257		
NPL ratio (IFRS GE)[4.)]	32.5%	33.5%	12.3%	13.0%	42.2%	43.9%	31.3%	34.0%		
Balance sheet (in EUR m)	**2013**	**H1 2014**	**2013**	**H1 2014**	**2013**	**H1 2014**	**2013**	**H1 2014**	**2013**	**H1 2014**
Total assets	**26,219**	**25,153**	**8,553**	**8,451**	**19,990**	**19,416**	**2,728**	**2,628**	**-2,324**	**-2,714**
Customer loans	19,289	17,807	6,370	6,008	12,919	11,799	2,632	2,447	0	0
Customer deposits	6,121	5,720	4,105	3,865	2,016	1,855	400	365	0	0
NPL exposure	9,255	9,091	1,129	1,185	8,125	7,906	906	928	0	0

[1.)] Management view: Does not include reallocations of positions within P&L reflected in „financial statement" (i.e. interest income, rental income from investment properties, other result (impairments), costs (e.o. write-offs))

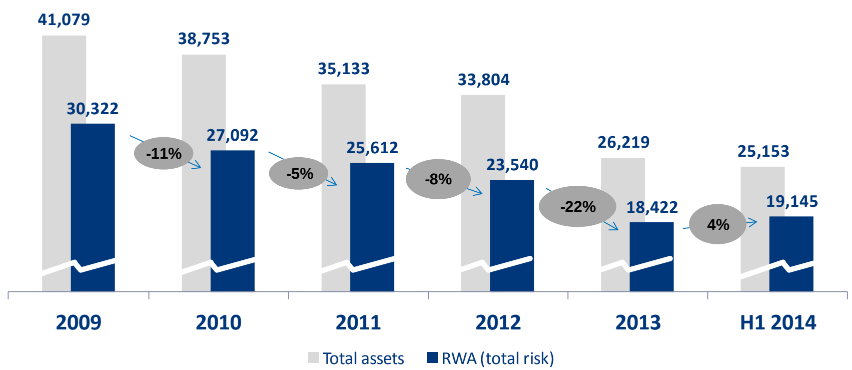
[2.)] SEE Group incl. adapted SEE Holding in H1/2014; income/ cost base not reflected in H1/2013 (H1/2014: EUR ~600m consolidated asset ; YE2013: EUR ~300m consolidated assets)

[3.)] Total assets H1/2014 currently including EUR ~2,4 bn of continued funding exposure to SEE Group

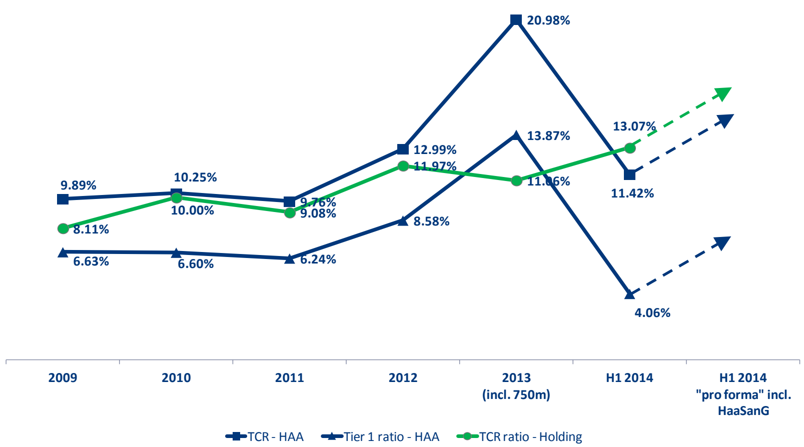
[4.)] NPL Ratio H1/2013: based on YE2013 figures

Balance sheet reduction in line with EU restructuring plan; No recapitalizations due to positive mitigating impact of HAASANG

Total Assets- and RWA development (in EUR m)



Capital ratios (in %)



Note:

- Common Equity Tier 1 ratio is from 2012 equal to Tier 1 ratio given that from 2012 no additional Tier 1 capital within capital structure of HAA
- 2013: Ratios excl. EUR 750 m (TCR – HAA: 14,87% / T1 ratio - HAA: 9,8%, TCR – Holding/ HBInt: 1,87%)

Balance sheet/Capital

- Continuous wind-down efforts lead to further decrease in total assets of EUR ~1.1 bn, fully in line with EU restructuring plan
  - 4% reduction since YE2013
  - 42% reduction since peak in YE2008
- Basel III capital and RWA effects fully reflected in H1/2014 figures
- Capital ratios in H1/2014 at 4,1% and below regulatory minimum, mitigated by HAASANG since Aug. 2014
- Based on owner's decision (mid March 2014) and the enacted laws on restructuring of HAA (e.g. GSA, and ABBAG) the Wind-Down Unit will not be subject to current minimum capital requirements (according to BWG) after deregulation in autumn

Liquidity/Funding

- Stable liquidity position above EUR 2.3 bn in cash and additional EUR 1.5 bn liquidity reserves H1/2014, including EUR 750 m capital increase from April 2014

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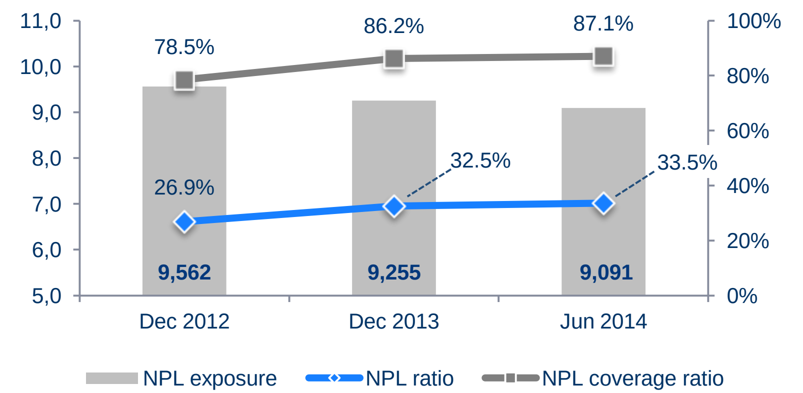
Following increased risk provisions in 2013, current market environment lead to risk provisioning in line with expectations

Overall NPL coverage ratio improved

- Decreasing NPLs due to active workout management, SRP utilization and rigorous application of risk monitoring
- Despite difficult market conditions, total NPL coverage further increased due to risk provision allocation in H1/2014 (in line with expectations)
- Increased NPL ratio as a consequence of overall decrease of gross exposure by EUR 1.3 bn

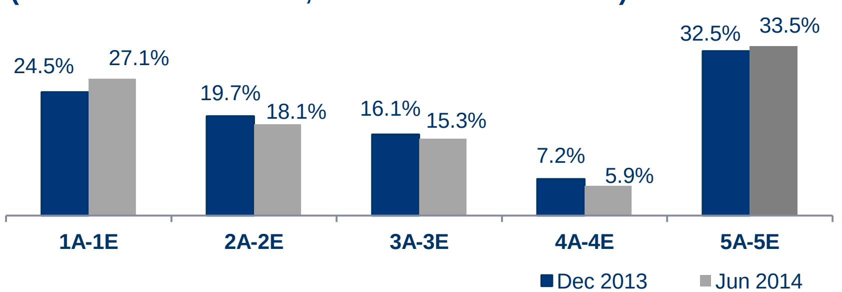
NPL exposure (in EUR m), NPL ratio and NPL coverage (in %)



Continuously improved rating distribution

- Main de-risking in the segment Corporate due to portfolio reduction, and new business in accordance with restrictive underwriting rules (EU behavioral measures and internal guidelines)
- New business disbursements during H1/2014 in the amount of EUR ~0.3 bn, where 92% underwritten in rating categories of 3B or better – i.e. investment grade (4%) and upper non-investment grade (88%)

Rating by Gross Exposure
(Dec 2013: EUR 28.4 bn, June 2014: EUR 27.1 bn)



Legend:

1A-1E	Highest credit rating
2A-2E	Excellent credit rating - very good credit rating
3A-3E	Good credit rating - acceptable credit rating
4A-4E	Poor credit rating - watch list (4A and 4E)
5A	90 days in arrears
5B-5E	Individual value adjustment, restructuring, insolvency

5A and 5B-5E: NPLs

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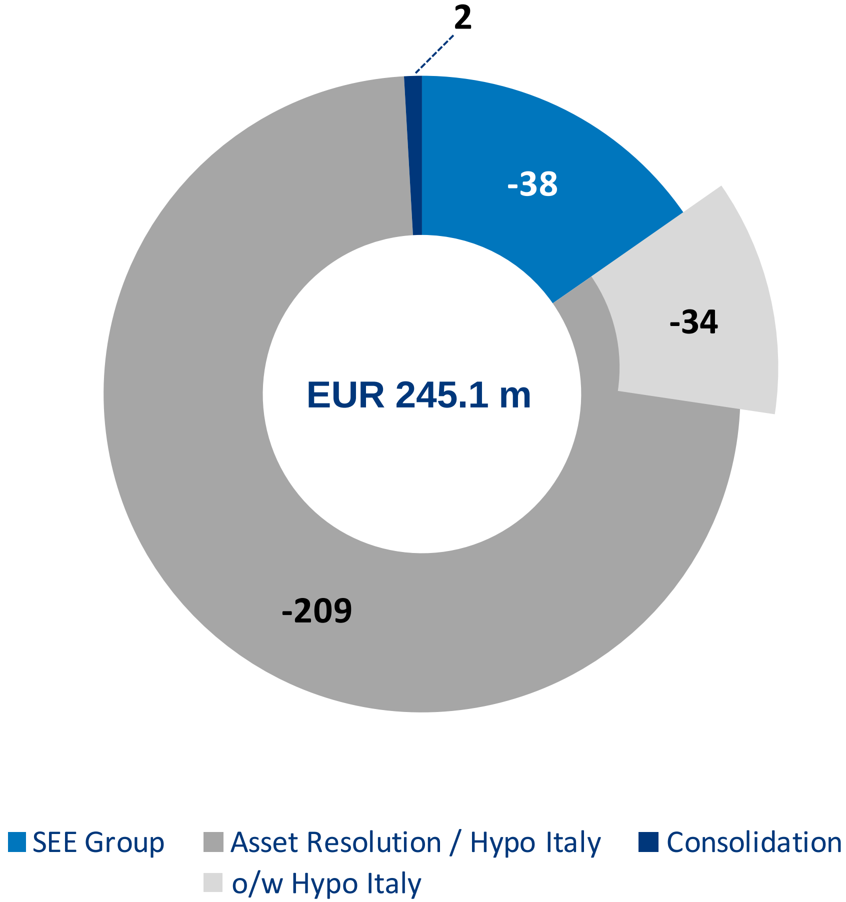
Risk provisions by segment – allocation of net risk provisions in H1/2014

Risk provisions in H1/2014 (in EUR m)



- **SEE Group:**
  - Bookings of EUR 38.3 m in line with expectations
  - One-off impacts out of flood event (mainly Bosnia & Herzegovina and Serbia) included
- **Asset Resolution / Hypo Italy:**
  - Bookings of EUR 209.1 m (of which EUR 34.2 m in Hypo Italy) reflecting continuously difficult market environment
  - Additional risk provisions related to sale of multi-country NPL portfolio fully reflected

H2/2014 – Finalization of preparations for re-privatization of SEE Group and deregulation of Hypo Alpe-Adria-Bank International AG (HBInt)

Re-privatization of SEE Group	• Re-privatization of SEE network banks incl. licensed holding in Austria well advanced – final decisions expected in autumn • Key milestones for establishment of SEE holding achieved – transfer of personnel and set-up of required infrastructure on track • Post portfolio restructurings in 2013, and sustainable benefits from cost saving initiatives break-even targeted in a still challenging environment
Hypo Bank Italy (HBI)	• Execution of wind-down strategy outlined in the EU restructuring plan with newly established local management, in a still weak market environment • Finalize HBI's carve-out to new owner – subsidiary of the Austrian Ministry of Finance („HBI-Bundesholding") as a pre-requisite for deregulation of HBInt
Deregulated HBInt – Asset Resolution Wind-Down Unit	• Full implementation of legislative package to allow subsequent deregulation • Establish a pure wind-down focused operating model allowed by new legal framework post carve-out of HBI and SEE Group • Further sharpened focus on asset classes for value preserving recovery of wind-down portfolios

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