

**Welcome to
the bank of
the future.**

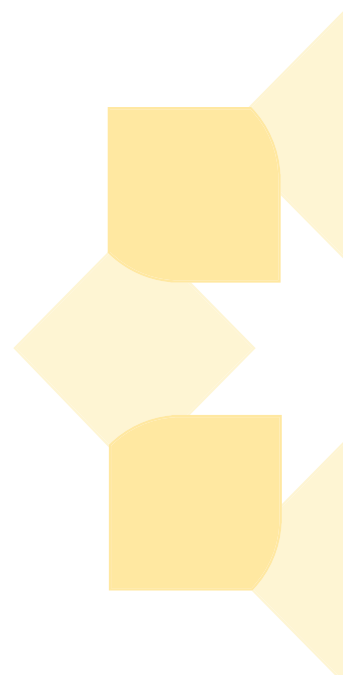
TABLE OF CONTENTS



<u>Half Year Management Report 2017</u>	3
<u>Half Year Financial Statements 2017</u>	9
<u>Statement of Legal Representatives</u>	31
<u>Publishing information</u>	32

HALF YEAR MANAGEMENT REPORT 2017

1.	General economic environment	4
2.	Business development of Anadi Bank	4
2.1	Balance sheet development	4
2.2	Own capital funds	4
2.3	Profit and loss 2017	5
3.	Principal risks and uncertainties	5
4.	Outlook	6



HALF YEAR MANAGEMENT REPORT 2017

1. GENERAL ECONOMIC ENVIRONMENT

In the first few months of 2017 there was a continued upturn in the Austrian economy, driven by both domestic and overseas demand. Based on the economic recovery in large parts of Europe – and the associated stronger export growth – there is a positive outlook for the domestic economy over the next few periods, which in turn should have a stimulating effect on the Austrian labour market.

Generally higher expectations for overall growth rates for the world economy have created a positive trend in the Euro zone over the last few months. The sentiment among companies, consumers and investors has improved over the first half of the year, the key indicators continuously increased.

In addition to the positive economic trends, the results of the elections in the Netherlands and especially in France, have contributed to the currently positive sentiment within Europe. Equally, the uncertainty resulting from the decision by the UK to leave the EU, or the direction of the American economic policy after the unexpected election outcome, did not have negative implications in the short term for economic growth.

Alongside economic developments, the central banks continue to be in the focus. While the US FED, as expected, raised its base rates, the ECB remained rather cautious, even if at the end of the first half of 2017, discussions regarding the reduction of the asset purchase programmes had noticeably increased. This has led to a rise in long-term interest rates, while the short-term rates remain almost unchanged. As the ECB is still lagging behind its inflation goal of 2 per cent, it can be assumed that “tapering” will continue to be the markets’ major topic in the coming months.

2. BUSINESS DEVELOPMENT OF ANADI BANK

2.1 Balance sheet development

Following the resolution of the Heta affair, the bank was able to continue its successful business development in the first half of 2017. With total assets of EUR 2.8bn (31.12.2016: EUR 2.9bn), the bank increased its Common Equity Tier 1 Capital Ratio (CET1 ratio) to 16.33 per cent (31.12.2016: 16.00 per cent). This increase is primarily due to retained earnings from 2016. The slight change in the asset total (EUR -0.1bn) is mainly the result of redeeming securities in the liquidity reserve, which were not replaced due to sufficient coverage. Loans and advances to customers are basically stable, other balance sheet items on the asset side show only minor changes as of 30.06.2017. Among the liabilities, the main changes are due to the redemption of own issuances. Liabilities to customers were more or less stable at EUR 1.46bn (31.12.2016: EUR 1.49bn), as were Liabilities to credit institutions at EUR 0.36bn (31.12.2016: EUR 0.33bn). The primary funds ratio based on customer lending is 111 per cent (31.12.2016: 116 per cent). The bank’s Leverage Ratio as of 30.06.2017 was 5.5 per cent. At 31.12.2016 it was at 5.1 per cent, while the legal minimum requirement is 3 per cent. Other items on the liabilities side display only minor changes.

2.2 Own capital funds

The bank’s own capital funds (Tier 1 Capital and Tier 2 Capital, less deductions) in accordance with CRR amounted to EUR 161.0m as at 30.06.2017 (31.12.2016: EUR 157.3m).

The increase in core capital is mainly the result of retained earnings from the financial year 2016. The legally required level of capital was EUR 78.5m (31.12.2016: EUR 78.6m), resulting in an excess of EUR 82.5m (31.12.2016: EUR 78.7m) and a coverage ratio of 205 per cent (31.12.2016: 200 per cent).

As at 30.06.2017 the Common Equity Tier 1 Ratio (CET 1 Ratio) under CRR/CRD regulations was 16.33 per cent (31.12.2016: 15.75 per cent). The bank's total capital ratio was 16.41 per cent (31.12.2016: 16.0 per cent).

2.3 Profit and loss 2017

Operating income as of 30.06.2017 of EUR 36.9m (30.06.2016: EUR 35.4m) showed an increase of EUR 1.5m or 4.2 per cent over the same period last year. The net interest income totalled EUR 27.3m (30.06.2016: EUR 26.6m). The net interest margin was 1.9 per cent (30.06.2016: 1.8 per cent). The net commission income, at EUR 6.5m, showed an increase of 6.6 per cent or EUR 0.4m over the same period last year. Other operating income grew compared to the same period last year, reaching EUR 2.9m (30.06.2016: EUR 0.7m).

Operating expenses were slightly reduced compared to the prior year, and totalled EUR 24.5m (30.06.2016: EUR 24.7m). Despite investment in further extending the online banking offer, and modernising the branch network, there were no cost increases. This is primarily due to the cost streamlining and efficiency measures which were introduced in previous years.

Operating results therefore rose by EUR 1.6m or 14.8 per cent to EUR 12.4m (30.06.2016: EUR 10.8m).

The cost-income ratio, the ratio of operating expenses to operating income, amounts to 66.5 per cent (30.06.2016: 69.6 per cent).

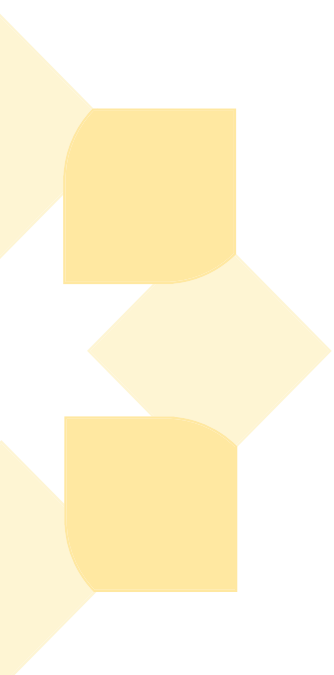
The balance of value adjustments and re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments as well as securities totals EUR -8.5m (30.06.2016: EUR -1.5m). The increase compared to the same period last year is caused by one-off effects resulting from the increased loan loss provisions (EUR -3.4m), and also from the repurchase of an own issue at market value (EUR -5.1m). This transaction was carried out in order to reduce future increases in interest payments and excess liquidity.

During this financial year, the profit or loss on ordinary activities total EUR 3.9m (30.06.2016: EUR 9.3m), and earnings after tax total EUR 1.1m (30.06.2016: EUR 6.7m).

3. PRINCIPAL RISKS AND UNCERTAINTIES

The Strategic Risk Management and Credit Risk Management departments are responsible for risk management within the Austrian Anadi Bank AG. The bank controls and monitors its risks across all business segments, with the aim of optimising its risk and performance profile, and of ensuring the ability to bear risks at all times arising from its business activities. Customers and lenders can therefore rely on a thorough awareness of risks.





The bank's primary focus continues to be on credit risks, where a strict Credit Risk Management approach will ensure that potential defaults are identified in advance and that the necessary preventive measures can be applied to cover any deficits. The bank's sound risk profile is demonstrated in its low risk provisions and low Non-Performing-Loan-Ratio of 2.6 per cent (31.12.2016: 2.2 per cent).

The Austrian Anadi Bank AG also refers you to the contents of the Risk Report from the previous financial year, and the further details in the present notes to the accounts.

4. OUTLOOK

Given the outlook for the next few months and the overall positive trend in the economic environment, Austrian Anadi Bank AG has been able to consistently continue implementing the strategy it initiated in 2016. Austrian Anadi Bank continues to pursue its retail multichannel hybrid bank strategy: In addition to the already modernised branch network, mobile sales force are being expanded, further customer-friendly online solutions are being provided – for example, in the areas of consumer and mortgage lending. Within Corporate Banking, the focus will be on creating closer links with customers in the SME sector, as well as implementing related import/export activities. Anadi Bank acts here as a partner to its customers for European markets and growth markets in Asia – especially India – which is why India Advisory services are being expanded. In addition, the Anadi Bank plans to offer new and attractive online products to SME clients.

Based on the expected economic development in Austria and Europe, it can be assumed that the ECB will only cautiously scale back its bond purchasing programme, in order to avoid putting the incipient economic upturn at risk. Therefore, Anadi Bank is cautiously optimistic and assumes that demand for lending will continue to rise. Conversely, a slower winding down of the programme will mean that the European interest rates will remain subdued in the medium term, which will continue to be a challenge for banks. Points of uncertainty concerning further economic development in Europe could include extended Brexit negotiations, as well as rising protectionism in the US in conjunction with international trade relations.

Due to its future oriented strategy and its positive economic development Austrian Anadi Bank AG is well-prepared for the current and future challenges, and is therefore confident to achieve its ambitious targets for the financial year 2017.

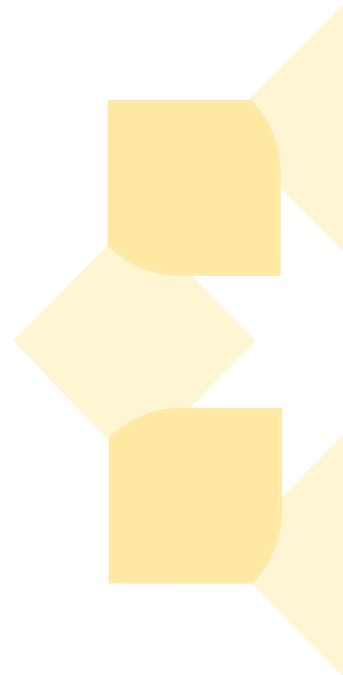
Klagenfurt am Wörthersee, on 01.08.2017

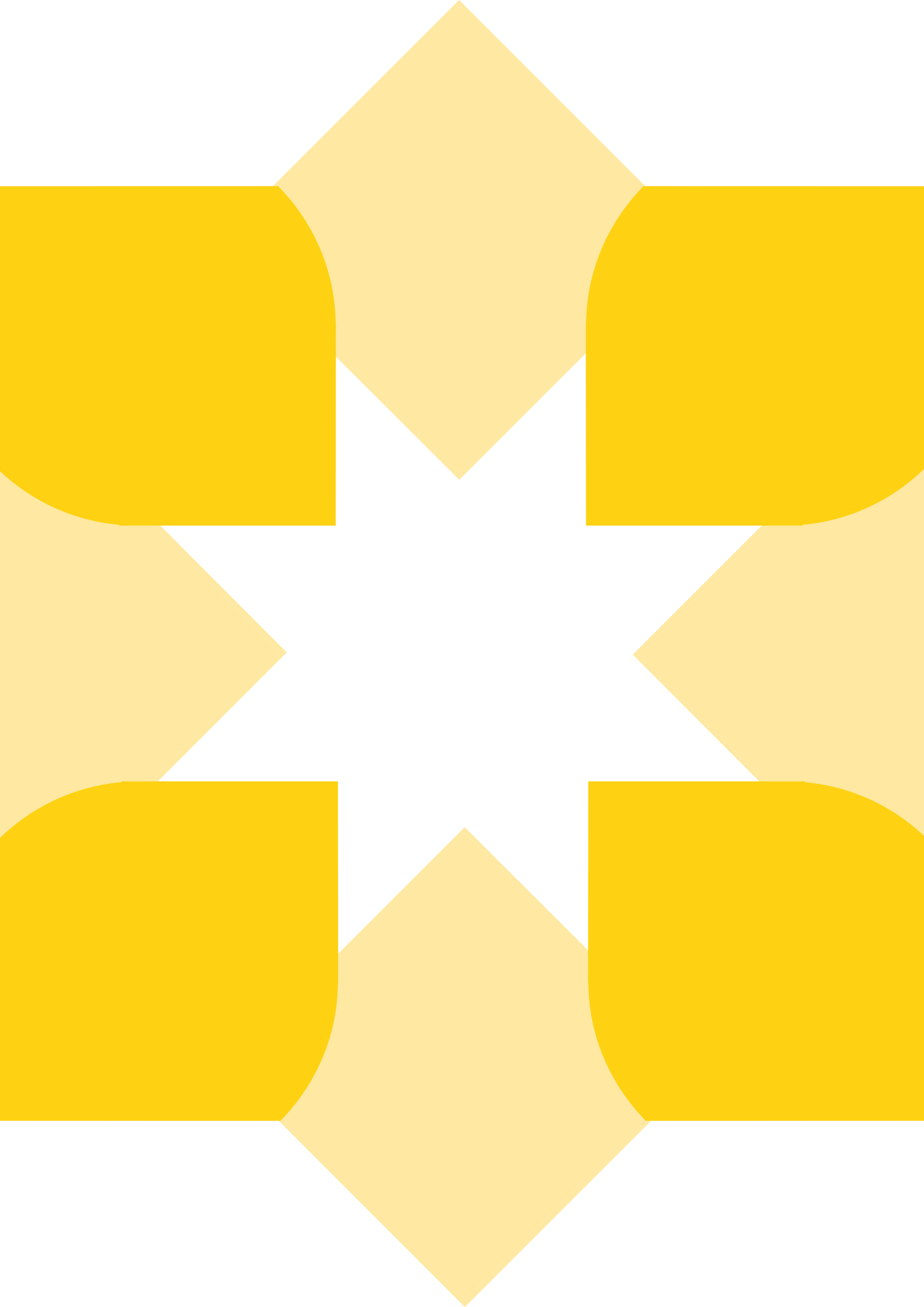
THE MANAGEMENT BOARD:

GD Mag. Christoph Raninger m.p

VDir. Gerhard Salzer m.p

VDir. Mag. Franz Reif m.p





HALF YEAR FINANCIAL STATEMENTS 2017

Balance Sheet	10
Profit and loss Account	11
Notes to the financial statements for the financial half year 2017	12
Basic Accounting principles	12
Accounting and measurement policies	12
Notes to the balance sheet	13
1. Maturities of balance sheet items	13
2. Securities including accrued interest	14
3. Other assets	16
4. Other liabilities	16
5. Provisions	17
6. Information on risk provisions	18
7. Tier 2 capital pursuant to part two, Title I, Chapter 4 of Regulation (EU) No 575/2013	19
8. Equity	19
9. Reserves	19
Off balance sheet transactions	20
10. Derivative Financial Instruments	20
11. Contingent Liabilities	21
12. Other Off-balance Sheet Statements	21
Notes to the income statement	23
13. Interest receivable and similar income	23
14. Interest payable and similar expenses	23
15. Commissions receivable and payable	24
16. Other administrative expenses (operating expenditure)	24
17. Other operating income	24
18. Other operating expenses	25
Supplementary information	25
19. Deferred taxes	25
20. Important Long Term Contracts	25
21. Own capital funds	26
22. Securities	27
23. Trustee saving accounts	27
24. Foreign currency	27
25. Mortgage bond activities pursuant to the Austrian Mortgage Bond Act (PfandBG)	27
26. Other information related to the balance sheet	28
27. Liability State of Carinthia	28
28. Deposit Guarantee	28
29. BaSAG – Resolution Fund	29
30. Consolidation	29
31. Employees	29
32. Events after the balance sheet date	29



BALANCE SHEET

ASSETS	30.06.2017	31.12.2016	Change	
			in EUR '000	in %
1. Cash in hand, balances with central banks and post office banks	25,411	25,033	378	1.5%
2. Treasury bills and other bills eligible for refinancing with central bank	219,579	283,395	-63,816	-22.5%
3. Loans and advances to credit institutions	224,881	177,065	47,816	27.0%
4. Loans and advances to customers	2,014,289	2,051,661	-37,372	-1.8%
5. Debt securities including fixed-income securities	296,041	336,834	-40,792	-12.1%
6. Shares and other variable-yield securities	20	21	-1	-4.8%
7. Participating interests	3,219	3,219	0	0.0%
8. Intangible fixed assets	451	634	-183	-28.9%
9. Tangible assets	11,479	6,020	5,459	90.7%
10. Other assets	40,679	44,752	-4,073	-9.1%
11. Prepayments and accrued income	572	514	58	11.2%
12. Deferred tax assets	3,436	4,862	-1,426	-29.3%
Total Assets	2,840,058	2,934,010	-93,952	-3.2%

LIABILITIES	30.06.2017	31.12.2016	Change	
			in EUR '000	in %
1. Liabilities to credit institutions	369,979	326,861	43,118	13.2%
2. Liabilities to customers	1,463,295	1,495,128	-31,833	-2.1%
3. Securitised liabilities	767,790	876,636	-108,846	-12.4%
4. Other liabilities	23,654	17,297	6,357	36.7%
5. Accruals and deferred income	857	1,042	-185	-17.7%
6. Provisions	34,244	33,087	1,156	3.5%
7. Tier 2 capital pursuant to Part Two, Titel I, Chapter 4 of Regulation (EU) No 575/2013	18,304	18,122	182	1.0%
8. Subscribed capital	30,000	30,000	0	0.0%
9. Capital reserves	82,332	82,332	0	0.0%
10. Retained earnings	11,508	6,182	5,326	86.2%
11. Liability reserve pursuant to Article 57 para. 5 BWG	36,996	36,996	0	0.0%
12. Net profit or loss for the year	1,099	10,326	-9,227	-89.4%
Total Liabilities	2,840,058	2,934,010	-93,952	-3.2%

PROFIT AND LOSS ACCOUNT

		Change			
		01.01.- 30.06.2017	01.01.- 30.06.2016	in EUR '000	in %
1.	Interest receivable and similar income	56,723	54,626	2,097	3.8%
2.	Interest payable and similar expenses	-29,473	-27,998	-1,475	5.3%
I.	Net interest income	27,250	26,629	621	2.3%
3.	Income from securities and participating interests	0	1,750	-1,750	-100.0%
4.	Commissions receivable	7,897	7,227	670	9.3%
5.	Commissions payable	-1,442	-1,197	-245	20.5%
6.	Net profit or net loss on financial operations	337	333	4	1.2%
7.	Other operating income	2,862	676	2,186	323.1%
II.	Operating income	36,904	35,418	1,486	4.2%
8.	General administrative expenses	-23,598	-24,020	423	-1.8%
9.	Value adjustments in respect of asset items 8 and 9	-680	-595	-85	14.4%
10.	Other operating expenses	-262	-36	-226	626.3%
III.	Operating expenses	-24,540	-24,652	112	-0.5%
IV.	Operating result	12,364	10,765	1,598	14.8%
11./ 12.	Value adjustments and re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	-8,586	-1,488	-7,098	477.0%
13./ 14.	Value adjustments and re-adjustments in respect of transferable securities financial fixed assets, participating interests and shares in affiliated undertakings	107	36	71	200.3%
V.	Profit or loss on ordinary activities	3,884	9,313	-5,429	-58.3%
15.	Tax on profit or loss	-1,414	-1,666	252	-15.1%
16.	Other taxes not reported under item 15	-1,372	-973	-399	41.0%
VI.	Profit for the year after tax	1,099	6,674	-5,575	-83.5%
17.	Changes in reserves	0	0	0	0.0%
VII.	Net profit for the year	1,099	6,674	-5,575	-83.5%

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL HALF YEAR 2017

BASIC ACCOUNTING PRINCIPLES

The interim financial statements of Austrian Anadi Bank AG ("Anadi Bank") have been prepared in accordance with the provisions of the Austrian Banking Act (BWG), as amended, and where applicable, in accordance with the provisions of the Austrian Business Enterprise Code (UGB) as amended.

The condensed balance sheet and income statement are essentially presented in the form prescribed in Annex 2 to Section 43 BWG, although only the main items have been included.

In the schedule, the previous year's figures have been rounded up to the nearest thousand EURO (TEUR). Consequently, in the totalling, rounding differences cannot be excluded.

ACCOUNTING AND MEASUREMENT POLICIES

The interim financial statements were prepared in accordance with generally accepted accounting principles and the general requirement to present a true and fair view of the bank's net assets, financial position and results of operations.

The principle of individual measurement was applied and a going concern assumption made for the measurement of assets and liabilities. In these interim financial statements, except for the specific areas noted below, the same accounting and measurement policies and the same methods of calculation have been used as in the most recently published annual financial statements as at 31.12.2016.

The principle of prudence was applied, paying particular attention to the special features of the banking business: only profits and gains realised at the balance sheet date were reported, and all recognisable risks and impending losses were taken into account.

NOTES TO THE BALANCE SHEET

1. MATURITIES OF BALANCE SHEET ITEMS

Maturities in accordance with Section 64 (1) (4) BWG were as follows:

	30.06.2017	31.12.2016
A3. Loans and advances to credit institutions	224,881,288.39	177,065
- payable on demand	224,881,288.39	147,065
- up to three months	0.00	0
- three months to one year	0.00	30,000
- one year to five years	0.00	0
- over five years	0.00	0
A4. Loans and advances to customers	2,014,288,886.87	2,051,661
- payable on demand	102,703,059.09	104,398
- up to three months	91,010,983.83	87,641
- three months to one year	188,274,679.78	215,048
- one year to five years	606,761,743.02	600,972
- over five years	1,025,538,421.15	1,043,602
P1. Liabilities to credit institutions	369,979,209.30	326,861
- payable on demand	62,379,209.30	58,954
- up to three months	64,000,000.00	72,307
- three months to one year	600,000.00	60,600
- one year to five years	243,000,000.00	135,000
- over five years	0.00	0
P2. Liabilities to customers	1,463,294,840.77	1,495,128
- payable on demand	773,448,141.03	716,246
- up to three months	139,521,000.00	236,042
- three months to one year	221,192,000.00	236,864
- one year to five years	262,470,849.87	225,603
- over five years	66,662,849.87	80,373

2. SECURITIES INCLUDING ACCRUED INTEREST

	30.06.2017	31.12.2016
A2. Treasury bills and other bills eligible for refinancing with central banks	219,579,333.79	283,395
of which listed	219,579,333.79	283,395
of which fixed assets	176,460,450.00	267,624
of which accrued interest in fixed assets	1,462,047.15	5,449
of which current assets	41,262,100.00	10,046
of which accrued interest in current assets	394,736.64	275
A4. Loans and advances to customers	88,336,703.58	94,012
of which not listed	88,336,703.58	94,012
of which fixed assets	88,164,939.01	92,237
of which accrued interest in fixed assets	171,764.57	1,774
A5. Bonds and other fixed-income securities	296,041,193.23	336,834
of which listed	179,827,663.65	218,795
of which not listed	116,213,529.58	118,038
of which fixed assets	176,866,150.00	186,954
of which accrued interest in fixed assets	1,902,758.80	3,316
of which current assets	117,167,982.48	146,085
of which accrued interest in current assets	104,301.95	479
A6. Shares and other variable-yield securities	20,284.38	21
of which not listed	20,284.38	21
of which current assets	20,284.38	21
A7. Participating interests	3,218,939.25	3,219
of which not listed	3,218,939.25	3,219

2.1 The Government bonds included in the balance position A2 (excl. accrued interest) are analysed by country as follows:

Country	Nominal value	Carrying amount 30.06.2017	Write-downs until 30.06.2017	Write-ups until 30.06.2017
Germany	9,000,000	9,000,000.00	0.00	0.00
Belgium	6,000,000	6,000,000.00	0.00	0.00
Austria	87,750,000	94,208,360.00	436,840.00	8,213.70
France	21,690,000	23,200,880.00	0.00	65,280.00
Portugal	13,500,000	13,500,000.00	0.00	0.00
Netherland	7,000,000	6,982,500.00	0.00	0.00
European Union	65,000,000	64,830,810.00	11,040.00	98,600.00

2.2 Breakdown of bonds and other fixed-income securities from the balance position A5 (incl. accrued interest)

	30.06.2017	31.12.2016
Issued by others (without public authorities)	296,041,193.23	336,834
of which:		
Own issues	116,213,529.58	135,281
Domestic bonds (credit institutions)	7,085,892.05	7,025
Foreign bonds (credit institutions)	80,126,535.25	107,664
Mortgage bonds and municipal bonds	79,991,657.93	86,864
other bonds	12,623,578.42	0

2.3 Other Disclosures Relating to Securities

The difference between the acquisition cost and the higher market value (Section 56 para. 4 BWG), for trading book securities not held as financial fixed assets which are recognised at their acquisition cost, is EUR 0.00 (31.12.2016: TEUR 0).

The difference between the cost and the higher market value (Section 56 para. 5 BWG), for trading book securities not held as financial fixed assets which are stated at their higher market value, is EUR 116,626.31 (31.12.2016: TEUR 192).

In 2018 fixed-income securities from the bank's own holdings in the amount of EUR 129,303,153.58 (2017: TEUR 214,122) (euro-denominated securities) and EUR 0.00 (2017: TEUR 17,027) (foreign currency-denominated securities) will be due.

Fixed-income securities of private issuers, which were eligible to be refinanced at the Austrian National Bank on the balance date, amounted to EUR 184,843,167.00 (31.12.2016: TEUR 207,112), of which EUR 174,874,367.00 (31.12.2016: TEUR 203,443) were pledged as of the balance date.

As in the previous year, there were no subordinated securities as at 30.06.2017, as per Section 45(2) of the BWG.

The trading book comprised the following as at 30 June 2017:

	30.06.2017	31.12.2016
Currency forward transactions (nominal value)	202,151,771.22	1,731
Interest swaps (nominal value) and interest rate contracts	130,699,055.66	144,795

The growth in currency trading is the result of a one-off short-term customer transaction, which the bank agreed to hedge.

Financial instruments held as fixed assets and recognised above at fair value (Section 237a (1) (2) UGB) are analysed as follows:

	Carrying amount 30.06.2017	Losses not yet recognised 30.06.2017	Carrying amount 31.12.2016	Losses not yet recognised 31.12.2016
Treasury bills	16,829,500.00	-63,440.00	0	0
Bonds and other fixed-income securities	19,945,000.00	-81,390.00	0	0
Total	36,774,500.00	-144,830.00	0	0

No write-ups of securities classified as fixed assets were undertaken in the financial year.

In addition the bank checks as appropriate, and at least once a year, whether a permanent impairment has arisen in the financial assets. A permanent deterioration in the creditworthiness of the issuers was not identified.

In 2018, issued bonds as defined in Section 64 (1) (7) BWG with a value of EUR 82,372,115.76 (2017: TEUR 237,720) will be become due in Anadi Bank.

3. OTHER ASSETS

The breakdown of other assets is as follows:

	30.06.2017	31.12.2016
Other assets	40,679,090.47	44,752
– of which payable after the balance sheet	7,852,743.89	9,747
– thereof with a residual term > 1 year	32,826,346.58	33,474
Interest income receivable	3,450,682.84	4,777
Accrued income (upfront payment)	16,556,982.20	17,681
Offset claims	1,569,234.76	294
Receivables arising from FX measurement of banking book derivatives	4,459,969.51	1,356
Receivables from trading book derivatives	3,281,127.00	2,620
Deposits	8,174,956.79	12,740
Other receivables	3,186,137.37	5,284

4. OTHER LIABILITIES

The breakdown of other liabilities is as follows:

	30.06.2017	31.12.2016
Other liabilities	23,654,171.74	17,297
– of which payable after the balance sheet	16,509,813.97	14,408
– thereof with a residual term > 1 year	7,144,357.77	5,983
Interest expenses payable	665,845.27	774
Clearing account balances	14,282,497.19	7,402
Fees and levies	1,933,651.61	2,966
Liabilities from trading book derivatives	3,068,598.00	2,465
Trade payables	437,487.08	883
Other liabilities	3,266,092.59	2,806

5. PROVISIONS

The items included under provisions are as follows:

	30.06.2017	31.12.2016
Severance payments	6,447,987.00	6,275
Pensions	5,421,026.00	5,488
Taxation	4,650,000.00	4,400
Other provisions:		
<i>Guarantees</i>	256,261.90	218
<i>Holidays not taken</i>	611,815.79	662
<i>Long-service bonuses</i>	1,051,628.00	977
<i>Association of mortgage banks § 1406 ABGB</i>	425,722.95	426
<i>Legal and consultancy fees</i>	85,000.00	93
<i>Costs for legal risks</i>	8,451,425.09	7,387
<i>Restructuring provisions</i>	2,569,189.19	4,023
<i>Negative market values of derivatives in the banking book including trading book CVA</i>	662,017.00	729
<i>Miscellaneous provisions</i>	3,611,622.71	2,410
Total Other provisions	17,724,682.63	16,924
Total	34,243,695.63	33,087

Severance payments, Long-service bonuses and Pensions

Provisions for severance payments and the provision for long term service bonuses were calculated according to the actuarial principles in accordance with Section 211 Abs.2 UGB. The calculation uses a discount factor of 2.24 per cent (31.12.2016: 2.458 per cent) and a rate of salary increase of 1.50 per cent p. a. (31.12.2016: 1.50 per cent), taking into account a deduction of 0 per cent (31.12.2016: 0 per cent). For the 2017 anniversary provision, the fluctuation probabilities presented in the report were used. Provision was calculated assuming retirement at the earliest statutory pensionable age according to the General Social Insurance Act (ASVG, 2004 Pension Reform).

The provision for pension obligations for active pensions was calculated according to the actuarial principles pursuant to Section 211 Abs. 2 UGB. The calculation is made with a discount factor of 2.24 per cent (31.12.2016: 2.458 per cent) and a rate of pension increase of 2 per cent (31.12.2016: 2 per cent).

Other provisions

In accordance with RÄG 2014 and Section 211 of the UGB, other provisions with a term longer than one year must be discounted using a market interest rate. Initial application has resulted in a difference in the amount of EUR 974,393.87, as at 01.01.2016. The bank has exercised the transitional provision for the difference of a deferred income to be distributed evenly over a period of no more than 5 years in accordance with Section 906(33f) of the UGB. The positive effect in the profit and loss account amounts to EUR 115,733.71 as at 30.06.2017.

Guarantees

The provisions for risks arising from the lending business (guarantees) include provisions for specific cases amounting to EUR 18,060.90 (31.12.2016: TEUR 18) as well as provisions at portfolio level amounting to EUR 238,201.00 (31.12.2016: TEUR 200).

Restructuring provisions

Starting in 2015 with the company agreement with the Works Council on the Social Plan (Tempering harsh social effects of redundancy for employees) the provision for the Social Plan – which covers redundancy payments, and compensation for leavers and for which an employee foundation was created – totals EUR 2,411,871.72 as at 30.06.2017 (31.12.2016: TEUR 2.556). In the first half year, EUR 151,954.24 of this was paid out. The provision of EUR 1,309,407.00 created in the prior financial year for the restructuring of the branch network was applied as planned.

In addition, there are provisions in the amount of EUR 157,317.47 (31.12.2016: TEUR 157) for restructuring measures in previous financial years.

Costs for legal risks

A provision in the amount of EUR 8,451,425.09 exists as at 30.06.2017 (31.12.2016: TEUR 7,387) in respect of legal risks and may cover any possible customer compensation and legal costs. In the current financial year payments totalling EUR 4,680.00 (31.12.2016: TEUR 276) were made against the provision.

Negative market values of derivatives in the banking book incl. trading book CVA

Through the creation of provisions for expected losses, a loss sustained in off balance sheet transactions, as defined in Section 198 (8) UGB, is recorded in the period in which such loss becomes probable and recognisable as a result of the developments of prevailing market conditions. The amount of the provision is dependent on the size of the expected loss. Austrian Anadi Bank AG uses the market values of derivatives in the regulatory banking book in its analysis.

The provision for expected losses from banking book derivatives was calculated in compliance with the position of the Austrian Financial Reporting and Auditing Committee (AFRAC) as outlined in its official publication "Accounting for derivatives and hedging instruments under commercial law". This means that provisions for expected losses are only made for derivative transactions for which, in hedging terms, there was no underlying transaction.

According to the AFRAC position paper, a provision for expected losses should be formed for the ineffective parts of a derivative with a negative market value. In the case of a micro hedge, if all the parameters of the underlying transaction and the hedging transaction, which determine the extent of the hedged impairment, are identical but offset each other, this is an indicator of a fully effective hedging relationship. All micro hedges are subjected to a check at Austrian Anadi Bank AG and the effectiveness of the hedging relationship is documented. On the assets side, own securities and loans form the underlying transactions for hedging. On the liabilities side, underlying transactions from own issues and promissory notes form the underlying transaction of a hedging relationship. The hedging period is substantially the same as the term of the underlying transaction. The hedge efficiency for fair value hedges is calculated on the basis of the accumulated theoretical change in price of the underlying transaction as well as the hedge transaction from the start of the hedge using a regression model (advanced dollar offset method) for the hedged risk factors on a monthly basis.

As at 30.06.2017 a provision of EUR 458,329.00 (31.12.2016: TEUR 646) was required.

For derivatives in the trading book, a provision for the Credit Valuation Adjustment (CVA) in the amount of EUR 203,688.00 (31.12.2016: TEUR 84) was required.

6. INFORMATION ON RISK PROVISIONS

Development of risk provisions (loans and advances to customers):

	30.06.2017	31.12.2016
Loans and advances to customers		
Balance at start of year	37,020,916.77	54,357
Additions	4,229,513.96	7,442
Releases	-418,576.33	-19,891
Utilised	-4,212,096.52	-7,568
Transfer	0.00	2,678
Foreign currency valuation	-14,618.23	3
Balance date	36,605,139.65	37,021

For credit default risks existing on the balance sheet date but not yet identified as such, the portfolio risk provision were adjusted from the 2016 level (TEUR 4,153) to EUR 3,969,418.42 as at 30.06.2017.

7. TIER 2 CAPITAL PURSUANT TO PART TWO, TITLE I, CHAPTER 4 OF REGULATION (EU) NO 575/2013

The nominal value of Tier 2 capital as defined in (EU) No 575/2013 is EUR 18,000,000.00 (31.12.2016: TEUR 18,000).

Number	Designation	Volume	Curr.	Interest rate 30.06.2017	Issue date	Maturity date
S51953	Loan against a promissory note	1,500,000.00	EUR	4,560%	31.08.2006	31.08.2017
S51954	Loan against a promissory note	1,500,000.00	EUR	4,560%	31.08.2006	31.08.2017
S51955	Loan against a promissory note	5,000,000.00	EUR	4,560%	31.08.2006	31.08.2017
S53185	Loan against a promissory note	5,000,000.00	EUR	4,575%	15.02.2007	29.09.2017
S53186	Loan against a promissory note	5,000,000.00	EUR	4,575%	15.02.2007	29.09.2017

The loans constitute an unsecured subordinated liability on the part of the borrower, as defined in Tier 2 capital pursuant to part two, title I, chapter 4 of Regulation (EU) No 575/2013, which are equal in status to each other and to all other subordinated liabilities of the borrower. In the event of the winding up, liquidation or insolvency of the borrower, entitlements resulting from the loan may only be honoured after the entitlements of the other, non-subordinated creditors of the borrower have been honoured, i.e. payments on the loan may not be made until the claims of other, non-subordinated creditors have been settled in full. Tier 2 capital may not be repaid ahead of term nor may it be pledged or assigned to a third party. In the event of liquidation or bankruptcy, claims are subordinate to all other creditors' claims and may not be offset against receivables of Anadi Bank.

There were no new subordinated loans raised in 2017.

The interest expenses for the supplementary capital amount to EUR 409,588.36 (31.12.2016: TEUR 823).

8. EQUITY

The issued share capital of Austrian Anadi Bank AG as at the balance sheet date amounts to EUR 30,000,000.00 (31.12.2016: TEUR 30,000) and is divided into 30,000 (31.12.2016: 30,000) non-par value bearer shares. The shares are held 100 per cent by Anadi Financial Holdings Pte. Ltd., whose headquarters are in Singapore.

9. RESERVES

The development of capital and retained earnings, and of the liability reserves, was as follows:

Designation	Opening balance 01.01.2017	Additions	Disposals	Utilised	Releases	Closing balance 30.06.2017
Capital reserves	82,332,115.37	0.00	0.00	0.00	0.00	82,332,115.37
Retained earnings	6,182,101.82	5,326,338.23	0.00	0.00	0.00	11,508,440.05
Liability reserves	36,995,640.00	0.00	0.00	0.00	0.00	36,995,640.00

The allocation to the retained earnings was made out of the previous year's net profit, based on a resolution adopted during the general meeting of shareholders held on 8 May 2017.

OFF-BALANCE SHEET TRANSACTIONS

10. DERIVATIVE FINANCIAL INSTRUMENTS

The following transactions were unsettled as at the balance sheet date:

Futures transactions	Nominal value Purchase contracts		Nominal value Sales contracts	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
a) Interest rate-related business				
<i>OTC-products</i>				
Interest swaps/Interest rate contracts	651,931,774.71	784,806	651,931,774.71	784,806
b) Currency-related business				
<i>OTC-products</i>				
Currency swaps	7,827,788.65	8,104	7,153,000.00	7,153
Cross-currency swaps	167,051,019.15	179,255	163,265,838.29	178,849
Forward exchange contracts	202,151,771.22	1,731	202,054,014.25	1,731

Futures transactions	Fair value Positive		Fair value Negative	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
a) Interest rate-related business				
<i>OTC-products</i>				
Interest swaps/Interest rate contracts	51,084,842.00	76,969	43,903,354.00	54,593
b) Currency-related business				
<i>OTC-products</i>				
Currency swaps	818,706.00	1,095	0.00	0
Cross-currency swaps	3,641,750.00	864	128,728.00	1,461
Forward exchange contracts	1,398,525.00	82	1,301,642.00	82

The trading and banking book derivatives are used to hedge interest rates, exchange rates and market prices. Derivative contracts are mainly formed to hedge individual asset and liability positions in the banking book. As at 30.06.2017 the net fair value of derivatives designated as hedging instruments, was EUR 7,415,297.00 (31.12.2016: TEUR 22,196).

On the 09.09.2013, Anadi Bank AG and Heta Asset Resolution AG (formerly Hypo Alpe-Adria-Bank International AG) entered into a netting agreement which governs contracts for financial futures trading, including the collateral annex (100 per cent cash collateralisation). In addition, an individual agreement supplementing the master agreement was signed, in order to use netting for the purpose of reducing counterparty default risk and credit risk.

11. CONTINGENT LIABILITIES

	30.06.2017	31.12.2016
Contingent liabilities	62,185,987.42	61,038
Guarantees and other collateral securities	62,185,987.42	60,967
Letters of credit	0.00	71

12. OTHER OFF-BALANCE SHEET STATEMENTS

Loan exposures comprise unused credit lines totalling EUR 131,025,000.00 (31.12.2016: TEUR 123,940).

Liabilities from fiduciary activities amounted to EUR 17,082,988.06 (31.12.2016: TEUR 17,939) in the year under review. These activities mainly comprise assets held in trust refinanced by Austrian Control Bank and Heta Asset Resolution AG (formerly Hypo Alpe-Adria-Bank International AG).

In addition to the reported contingent liabilities, there is also an obligation with respect to the obligatory membership of "Hypo-Haftungs-Gesellschaft m.b.H." in relation to the safety of deposits under Section 93 BWG.

Obligations arising in connection with the use of fixed assets (leasing obligations) not included in the balance sheet of Anadi Bank amount to EUR 284,770.60 (31.12.2016: TEUR 848) for the year under review, EUR 493,635.72 falling due in 2018 and EUR 1,782,433.32 in total for the years 2018 to 2022.

Demerger liability

In 2012 Austrian Anadi Bank AG was restructured under the terms of the Austrian Demerger Act (SpaltG) by means of a demerger of those segments that did not belong to its core business into Heta Asset Resolution AG (Heta). Under the provisions of the Austrian Demerger Act, Austrian Anadi Bank AG retains joint and several liability for all liabilities transferred to Heta which were incurred prior to the entry of the demerger in the Commercial Register on 5 September 2012. This demerger liability is limited to the market value of the net assets allocated on the date the demerger was entered in the Commercial Register.

For the assessment of potential risks resulting from the demerger liability, Austrian Anadi Bank AG has obtained legal opinions from widely-recognised experts. According to these opinions, there are good arguments in favour of the view that the demerger liability only takes effect if the obligations of the main debtor become due within five years of the entry of the demerger in the Commercial Register. Accordingly, on the basis of the demerger liability, an enforcement of obligations that become due after 05.09.2017 would not be possible.

In addition, for assessing the risks arising from the demerger liability, it is significant that on 06.09.2016 the Kärntner Ausgleichszahlungs-Fonds (KAF) has on the basis of the Financial Markets Stability Act (FinStaG) issued a public offer to buy back certain debt instruments; the offer has been accepted by the legally required majorities of creditors concerned. In particular, all creditors of those Heta debt instruments which in principle are covered by the demerger liability have accepted the buy-back offer. With regard to the remaining risks resulting from the demerger liability, a distinction must be made between the Heta debt instruments taken over by the KAF and the other liabilities that were not part of the KAF's offer:

- With regard to the Heta debt instruments taken over by the KAF the assertion of any claims in relation to the demerger is highly improbable, because of the offer conditions and certain clarifying declarations provided to Austrian Anadi Bank AG in connection with its acceptance of the offer. In the event of claims being asserted against Austrian Anadi Bank AG in relation to these Heta debt instruments, Austrian Anadi Bank AG would be entitled to take full recourse and enforce securities.
- With regard to other liabilities, which were transferred to Heta in the course of the demerger but which have neither been covered by the KAF offer nor otherwise been met, the assertion of a claim against the Austrian Anadi Bank AG with respect to its demerger

liability is, in principle, possible. Of these Heta liabilities, only one liability amounting to approximately EUR 2.8m remains as of 30.06.2017 outstanding, thus limiting the risk of Austrian Anadi Bank AG from the demerger liability. Since this particular liability becomes due after 05.09.2017, it is also very likely that the temporal limitation of the demerger liability to five years will take effect and that Austrian Anadi Bank AG cannot be held liable. Should Austrian Anadi Bank AG nevertheless be held liable for this liability, it would have a recourse claim towards Heta. However, this recourse claim would be restricted to 64.40 per cent of the nominal amount, since it would be subject to the debt haircut decreed by the FMA on 02.05.2017 on the basis of the Federal Act on the Recovery and Resolution of Banks (BaSAG).

The bank points to the fact that there is largely no case law and only limited literature regarding the subject matters in connection with the demerger liabilities. Although the board has obtained relevant opinions from recognised experts and formed a legal opinion on that basis, the risk remains that the courts may not ultimately follow the opinions of these experts and may come to a different conclusion.

It should be noted that any payment obligations of Austrian Anadi Bank AG deriving from the demerger liability are covered by an indemnity letter issued by its sole shareholder, Anadi Financial Holdings Pte. Ltd.

Pfandbriefstelle

As a member of the Mortgage Bond Division of the Austrian State Mortgage Banks (Pfandbriefstelle), Austrian Anadi Bank AG is, in accordance with Section 2(1) of the Austrian Pfandbriefstelle Act (PfBrStG), jointly and severally liable with the other member institutions for all the Pfandbriefbank liabilities. This liability applies equally for all other member institutions and their legal universal successors as listed in Section 1(2) of the articles of association of the Pfandbriefstelle. For any liabilities of the Pfandbriefbank which arose either before 2 April 2003 or after 2 April 2003 with a term not exceeding 30.09.2017, the guarantors of the member institutions (the relevant federal province of the member institution in question) are jointly and severally liable pursuant to Section 2(2) of the PfBrStG. In the audit report for Pfandbriefbank setting out the legal obligations on liabilities, the value of the liabilities to be covered by the guarantors was reported at around EUR 1.93bn (31.12.2015: EUR 3.34bn) as at the reporting date 31.12.2016. After taking into account the funds received by Pfandbriefbank and forwarded to Austrian Anadi Bank AG from issuances in the amount of EUR 0.21bn (31.12.2015: EUR 0.33bn), the resulting amount which must be reported pursuant to Section 237 8a of the UGB comes to EUR 1.72bn (31.12.2015: EUR 3.01bn). This joint and several liability according to Section 896 of the Austrian Civil Code can potentially amount to 1/16th of EUR 1.72bn.

As at 30.06.2017 there is no updated report of the liabilities of Pfandbriefstelle, therefore the numbers shown are those available at 31.12.2016.

NOTES TO THE INCOME STATEMENT

13. INTEREST RECEIVABLE AND SIMILAR INCOME

	30.06.2017	30.06.2016
From loans and advances to credit institutions and customers	22,009,824.77	24,557
of which Austria	19,027,009.93	21,851
of which International	2,982,814.84	2,706
From fixed-income securities	7,808,656.39	8,100
of which Austria	3,737,176.78	3,973
<i>of which write down to par of securities held as fixed assets</i>	0.00	0
of which International	4,071,479.61	4,127
<i>of which write down to par of securities held as fixed assets</i>	-4,500.00	0
From other assets	26,904,150.79	21,970
of which Austria	26,904,150.79	21,970
<i>of which close outs</i>	20,783,679.79	12,685
of which International	0.00	0
Total	56,722,631.95	54,626

Interests and similar income from other assets includes EUR 20,783,679.79 (30.06.2016: TEUR 12,685) from premature scheduling of derivatives which were designated in hedging relationships.

Interest earnings include negative interests from receivables in the amount of EUR 310,403.70 (30.06.2016: TEUR 227).

14. INTEREST PAYABLE AND SIMILAR EXPENSES

	30.06.2017	30.06.2016
From liabilities to credit institutions and customers	4,221,064.89	5,383
of which Austria	2,722,151.11	3,224
of which International	1,498,913.78	2,160
From debt securities in issue	12,592,463.82	14,556
of which Austria	12,592,463.82	14,556
of which International	0.00	0
From other liabilities	12,659,435.12	8,058
of which Austria	12,659,435.12	8,058
<i>of which close outs</i>	6,785,935.79	0
of which International	0.00	0
Total	29,472,963.83	27,998

Interest and similar expenses from other liabilities includes EUR 6,785,935.79 (30.06.2016: TEUR 0) on the early termination of derivatives which were designated in hedging relationships.

15. COMMISSIONS RECEIVABLE AND PAYABLE

	30.06.2017	30.06.2016
From the lending business		
Fee and commission income	3,270,244.09	2,194
Fee and commission expenses	-674,251.14	-427
From the securities business		
Fee and commission income	862,826.27	959
Fee and commission expenses	-105,633.72	-127
From other transactions		
Fee and commission income	3,763,554.08	4,074
Fee and commission expenses	-661,925.79	-643
Total income	7,896,624.44	7,227
Total expenses	-1,441,810.65	-1,197

16. OTHER ADMINISTRATIVE EXPENSES (OPERATING EXPENDITURE)

	30.06.2017	30.06.2016
Legal and consultancy costs	946,768.63	1,460
Advertising and hospitality expenses	981,988.18	408
Rental, leasing and other building costs	1,287,523.86	1,542
IT costs	935,905.77	773
Data centre costs	1,468,773.90	1,473
Training expenses	65,869.83	73
Issue costs	84,976.70	22
Travel expenses	117,392.23	127
Fleet costs	98,193.99	101
Insurance	390,148.71	421
Telephone/postage costs	264,357.05	280
Costs in connection with company legal structure	130,500.00	78
Office/stationery costs	57,130.59	56
Single Resolution Fund (BaSAG)	1,143,791.00	1,331
Guarantee deposit (EiSi Hypo-Haftungs-GmbH)	992,776.00	452
Other operating expenditure	317,099.32	443
Total	9,283,195.76	9,037

17. OTHER OPERATING INCOME

	30.06.2017	30.06.2016
Rental and leasing agreements	70,329.54	76
Miscellaneous other operating income	2,791,864.64	600
Total	2,862,194.18	676

18. OTHER OPERATING EXPENSES

	30.06.2017	30.06.2016
Other operating expenses	262,048.08	37
Total	262,048.08	37

SUPPLEMENTARY INFORMATION

19. DEFERRED TAXES

Balance Sheet positions	30.06.2017	31.12.2016	Description
Securities held as Current Assets	-116,626.00	-192	Deferred tax liabilities
Positive fair values of trading book derivatives	-3,281,127.00	-2,620	Deferred tax liabilities
Untaxed reserves	0.00	-30	Deferred tax liabilities
Securities held as Fixed Assets	9,518,387.00	13,809	Deferred tax assets
Investments	11,374.00	22	Deferred tax assets
Provisions	7,612,791.00	8,459	Deferred tax assets
Total	13,744,799.00	19,448	Net deferred tax assets
Excess deferred tax 25%	3,436,199.75	4,862	

20. IMPORTANT LONG TERM CONTRACTS

With effect from 01.07.2015 a service agreement was established between the Austrian Reporting Services GesmbH (AuRep) and Austrian Anadi Bank AG, in respect of reporting requirements to the Oesterreichische Nationalbank (OeNB). AuRep will replace the existing paper-based OeNB reporting in the medium term, through a common reporting system (GMP). The intention is to supply a single data pool at the individual transaction level.

On 01.11.2015 a service agreement was signed between the VB Services Banken GesmbH and Austrian Anadi Bank AG. The services provided include payment orders, including domestic and EU countries express payments, plus non-EU countries, integrated with the payment system of the Austrian Anadi Bank AG, together with Nostro account reconciliation.

A shareholder agreement was signed on 13.09.2005 between ARZ (Allgemeines Rechenzentrum GmbH) and Austrian Anadi Bank AG. ARZ is our strategic IT provider with 2 sites in Innsbruck and Vienna. Essentially the services include: the core banking system in the areas of business customers, current accounts, savings, credit, securities, electronic banking; the General Ledger including Accounting; various sub-systems such as SAP, the securities settlement system GEOS (incl. Nostro); workflow and document management; regulatory reporting solutions (national/prudential); as well as various other reporting options. Furthermore, ARZ provides the infrastructure in respect of: mainframe computer; application and database servers; client server; the entire IT network; security (firewall, intrusion detection); end user support; as well as basic services monitoring; and fault management, incl. contingency planning.

21. OWN CAPITAL FUNDS

Own Funds in accordance with CRR/CRD	30.06.2017	31.12.2016
Common Equity Tier 1 Capital	160,226,833.99	154,720
Paid up capital instruments	30,000,000.00	30,000
Retained earnings	82,332,115.37	82,332
Other reserves	48,504,080.05	43,178
Value adjustments due to the requirements for prudent valuation (Fair value exposures)	158,691,425.86	156,346
thereof 0.1% deduction	-158,691.43	-156
Other intangible assets	-450,670.00	-634
Deducting deferred Tax (currently under the exemption limit)	0.00	0.00
Deducting investments (currently under the exemption limit)	0.00	0.00
Additional Tier 1 Capital	0.00	0.00
Additional Tier 1 Capital	0.00	0.00
Tier 2 Capital	769,567.60	2,553
Supplementary Capital total	18,000,000.00	18,000
Supplementary Capital allowable	769,567.60	2,553
Deducting investments (currently under the exemption limit)	0.00	0
Own funds	160,996,401.59	157,272
Own funds requirement	78,494,246.49	78,612
Surplus of total capital	82,502,155.10	78,660
Coverage ratio	205.11%	200.06%

Own Funds Requirement Austrian Anadi Bank AG	30.06.2017	31.12.2016
Risk-Weighted Assets (banking book)	852,829,816.24	854,507
thereof 8% minimum capital requirement	68,226,385.30	68,361
Credit Value Adjustment	888,304.32	873
Own funds requirement for trading book	25,916.62	41
Own funds requirement for open currency position	60,604.35	45
Capital requirement for operational risk	9,293,035.90	9,293
Total own funds requirement	78,494,246.49	78,612
Total risk exposure amount	981,178,081.11	982,652

Common Equity Tier 1 Capital ratio	16.33%	15.75%
Additional Tier 1 Capital ratio	0.00%	0.00%
Tier 1 Capital ratio	16.33%	15.75%
Supplementary Capital ratio	0.08%	0.26%
Total Capital ratio	16.41%	16.00%

22. SECURITIES

In the context of business relationships with customers, different types of collateral are held. The collateral values refer to an internal calculation without regulatory deductions.

	30.06.2017	31.12.2016
Financial collateral	37,965,610.61	42,514
Cash deposits	21,076,911.62	24,049
Securities	16,888,698.99	18,465
Real estate collateral	768,741,132.94	763,517
Guarantees	307,965,759.28	333,328
Other collateral	117,000,690.71	118,782
Insurance	53,164,969.01	54,621
Movable property	16,463,605.44	12,655
Others	47,372,116.26	51,506
Total	1,231,673,193.54	1,258,140

Collateral received and collateral (collateral deals) under derivative transactions:

	30.06.2017	31.12.2016
Collateral received	13,910,000.00	17,050
Collateral	14,300,000.00	4,370

23. TRUSTEE SAVING ACCOUNTS

Liabilities to customers includes trustee savings accounts with a value of EUR 1,977,697.67 (31.12.2016: TEUR 2,474).

24. FOREIGN CURRENCY

The balance sheet contains the following foreign currency amounts:

	30.06.2017	31.12.2016
Assets	229,306,560.55	271,098
Liabilities	92,182,650.96	159,313

The greater part of the EUR 137,123,909.59 (31.12.2016: TEUR 111,785) difference is hedged with currency swap agreements.

25. MORTGAGE BOND ACTIVITIES PURSUANT TO THE AUSTRIAN MORTGAGE BOND ACT (PFANDBG)

	Debt securities in issue		Covering loans		Surplus/shortfall in cover	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Mortgage bonds A	0.00	0	355,134,664.82	360,942	355,134,664.82	360,942
Mortgage bonds B	41,711,462.89	37,666	68,914,221.19	73,809	27,202,758.30	36,143
Public sector mortgage bonds	516,184,454.30	561,169	630,088,110.35	644,730	113,903,656.05	83,561

Anadi Bank has deposited unissued securities (mortgage bonds) with the Austrian National Bank of EUR 280,000,000.00. This compares to mortgage collateral stock (cover loans) of EUR 355,134,664.82. As at 30.06.2017 funding has been drawn with an amount of EUR 59,823,188.76.

26. OTHER INFORMATION RELATED TO THE BALANCE SHEET

In accordance with Section 64 (1) (8) BWG, securities with a value of EUR 772,468,992.00 (31.12.2016: TEUR 762,932) and loans in the amount of EUR 240,828,497.87 (31.12.2016: TEUR 267,795) were pledged as collateral for liabilities to credit institutions amounting to EUR 243,000,000.00 (31.12.2016: TEUR 135,000) as well as for liabilities to customers of EUR 1,918,120.21 (31.12.2016: TEUR 2,119).

The return on assets in accordance with Section 64 (19) BWG is 0.04 per cent (30.06.2016: 0.22 per cent).

27. LIABILITY STATE OF CARINTHIA

The statutory guarantee of the federal state of Carinthia for all commitments of Anadi Bank (and others) is a default guarantee pursuant to Section 1356 of the Austrian Civil Code (ABGB) and covers all commitments entered into prior to 3 April 2003, as well as all commitments created between 3 April 2003 and 1 April 2007 whose term does not extend beyond 30 September 2017. The federal state of Carinthia will not guarantee any commitments entered into after 1 April 2007. The terms of the guarantee are regulated by the Carinthian State Holding Law (K-LHG). A guarantee commission agreement between the federal state of Carinthia and Anadi Bank (and others) provided for a guarantee commission to be paid, of EUR 1 per thousand p.a. of the amount guaranteed.

Availing itself of the contractually agreed right to termination, notice was given by Austrian Anadi Bank AG to terminate the guarantee commission agreement as at 31 December 2011, whereby the contractual obligation to pay guarantee commission from 1 January 2012 ceased to apply. Irrespective of the termination of this contractual guarantee commission agreement, the statutory guarantee provided under Section 5 of the Carinthian State Holding Law (K-LHG) continues in effect. The supervisory commissioner of the Carinthian State Holding company will continue to be given access to all relevant information at Anadi Bank.

Anadi Bank has not yet paid the guarantee commission for the year 2011 amounting to EUR 1.4m plus interest due to differing legal positions. It is assumed that the legal dispute between the federal state of Carinthia and Anadi Bank regarding the question of the guarantee commission will continue.

On the basis of the timely termination of the guarantee commission agreement on 31 December 2011 by Anadi Bank, no further guarantee commission has been paid by Anadi Bank to the federal state of Carinthia for the period from 1 January 2012. The federal state of Carinthia has not yet issued a legally relevant response to the termination of the liability commission agreement.

As at 30 June 2017, the federal state of Carinthia must extend guarantees for fixed term and non-fixed term commitments from Anadi Bank with a total value of EUR 209,445,000.00 (31.12.2016: TEUR 295,466).

28. DEPOSIT GUARANTEE

In accordance with Section 8 paragraph 1 ESAEG Austrian Anadi Bank AG, as a deposit taking Institution (CRR Institute) with its headquarters in Austria, is a member of the Deposit Guarantee Scheme referred to in Section 1 para 1 Z 1 ESAEG. Under the transitional provisions of Section 59 Z 3 ESAEG the Hypo-Haftungs-GmbH, as part of the Association of Hypo mortgage banks, is to establish a Deposit Protective scheme by 31.12.2018. Any protective scheme must establish a deposit guarantee fund consisting of available funding of at least 0.8 per cent of the amount of covered deposits of member institutions. The contribution obligation depends on the amount of covered deposits under basic interpretation of predetermined risk factors (known as risk-based calculation of contributions). For 2017, the annual contribution payable by Austrian Anadi Bank AG amounted to EUR 992,776.00 (31.12.2016: TEUR 452). In addition, in the case of an event giving rise to depositor claims, the Hypo-Haftungs-GmbH is obliged to request special

contributions from Association members in case of insufficient resources in the Fund to cover the depositor claims. These special contributions, in accordance with Section 22 (1) ESAEG, may be an annual maximum contribution of 0.5 per cent of each institution's covered deposits.

As of 01.01.2019 the responsibility for sector based guarantee schemes (trade associations of banks and building societies) will be transferred to the Single Guarantee Scheme being established by the Austrian Federal Chamber of Commerce. The Single Guarantee Scheme at this time will also integrate the activities of the Guarantee Scheme of the Austrian Bankers' Association and Association of Volksbanken.

29. BASAG - RESOLUTION FUND

In accordance with EU Directive 2014/59/EU, BaSAG established a framework for the recovery and resolution of credit institutions and investment firms in Austria.

To finance the statutory resolution funding mechanism, an ex-ante fund i.S.d. Section 123 BaSAG was established through regular contributions in accordance with Section 125 BaSAG. The level of contributions, in accordance with Section 126 BaSAG, is in proportion to the amount of liabilities minus guaranteed deposits of the institution, compared to the aggregate liabilities less guaranteed deposits of all authorised institutions in Austria. These contributions are adapted according to the risk profile of the institution. For the year 2017, Anadi Bank has paid EUR 1,143,791.00 (31.12.2016: TEUR 1,331). Irrevocable payment obligations were not used. In addition, the resolution authority, can if necessary in accordance with Section 127 BaSAG, introduce extraordinary subsequent contribution requirements. The calculation of the amount of these extraordinary contributions follow the rules of the ordinary contributions (i.S.d. Section 126 BaSAG) and may not exceed three times the annual amount of the ordinary contributions.

30. CONSOLIDATION

As at the reporting date, Anadi Bank does not show any shares in affiliated companies in its balance sheet and therefore does not prepare consolidated financial statements. Pursuant to Section 30 (9a) BWG, a regulatory consolidation takes place, comprising Anadi Bank and its Singapore based parent company, Anadi Financial Holdings Pte. Ltd. Pursuant to Sections 59 and 59a of the BWG, Austrian Anadi Bank AG, as the superior credit institution of Anadi Financial Holdings Pte. Ltd., the financial holding group, prepares consolidated financial statements which include the financial holding.

31. EMPLOYEES

Average number of employees according to Section 239 UGB:

	30.06.2017	31.12.2016
Salaried employees	296.70	331.49

32. EVENTS AFTER THE BALANCE SHEET DATE

No further events of particular significance for the bank, which could have led to a change in the presentation of the financial position and results of operations, were recorded after the reporting date of 30 June 2017.

Klagenfurt am Wörthersee, on 01.08.2017

THE MANAGEMENT BOARD:

GD Mag. Christoph Raninger m.p

VDir. Gerhard Salzer m.p

VDir. Mag. Franz Reif m.p

STATEMENT OF LEGAL REPRESENTATIVES

“We confirm to the best of our knowledge that the condensed interim financial statements, which have been prepared according to the applicable accounting standards, present a true and fair view of the net assets, financial position and results of operations of the company and that the interim management report provides a true and fair view of the important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements together with a description of the principal risks and uncertainties the company faces for the remaining six months of the financial year. The interim financial statements were neither subjected to a full audit, nor to an auditing review by a certified auditor.”

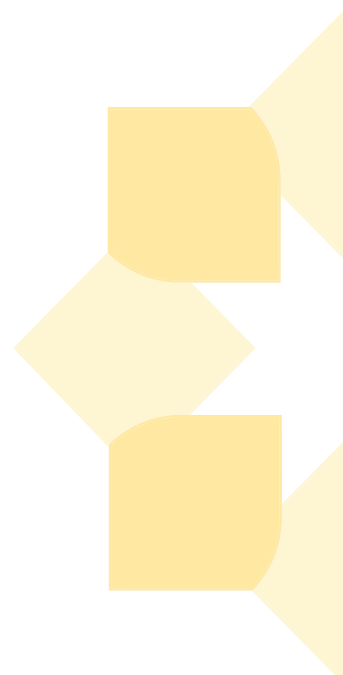
Klagenfurt am Wörthersee, on 01.08.2017

THE MANAGEMENT BOARD:

GD Mag. Christoph Raninger m.p

VDir. Gerhard Salzer m.p

VDir. Mag. Franz Reif m.p



PUBLISHING INFORMATION

Responsible for the content of this report:

Austrian Anadi Bank AG
Domgasse 5
9020 Klagenfurt am Wörthersee
Tel. +43 (0)50 202
Fax +43 (0)50 202 3000
austrian@anadibank.com
anadibank.com

Forward looking statements and forecasts are based on information and data available at the time of finalising the half year financial statements (01.08.2017). Changes after this date may influence the facts and forecasts given in the Annual Report. The information presented in this report and the data contained therein has been compiled and checked with the greatest possible degree of care and circumspection. However, errors arising from rounding, transmission, typesetting or printing cannot be ruled out.

