Half-yearly financial report per 30.06.2012

Hypo Alpe-Adria-Bank AG

Table of Contents

Half-yearly management report

Hypo Alpe-Adria-Bank AG is a 100% subsidiary of Hypo Alpe-Adria-Bank International AG, which is entirely owned by the Republic of Austria (Federal Government).

The Bank positions itself as a full-services bank with a strong regional basis in its home market of Carinthia. The Bank offers all conventional banking services for private and corporate customers and also for institutional customers. At its premises in Vienna and Salzburg, the Bank pursues a clear niche strategy with the emphasis on real estate finance and trade finance.

Hypo Alpe-Adria-Bank AG has a total of 16 branches in Austria, at locations in Carinthia, Vienna and Salzburg. On the reporting date 30.06.2012 the number of employees stood at 463.

1. Balance sheet

In the first half of 2012 Hypo Alpe-Adria-Bank AG was able to post total assets of EUR 5,799 million, almost the same figure as per 31.12. last year (EUR 5,740 million). The positive annual result per 31.12.2011 was thus confirmed in the first half of 2012.

Total assets
in millions of EUR

On the assets side, loans and advances to credit institutions increased by EUR 168 million to EUR 624 million (31.12.2011 EUR 456 million), due to short-term investment of cash. The amount of fixed income securities and shares, EUR 468 million, essentially corresponds to the figure per 31.12.2011. The volume of loans was EUR 4,585 million (31.12.2011: EUR 4,685 million), representing a decrease of EUR 100 million which is attributable to the ongoing planned reduction of the Non-Performing Loans portfolio.

Non-Performing Loans
Rating class 5A to 5E, in millions of EUR

On the equity and liabilities side, liabilities towards customers fell by 1.8% or EUR 29 million to EUR 1,649 million, this being primarily attributable to short-term customer time deposits. Liabilities towards credit institutions showed an increase of EUR 90 million to EUR 2,009 million due to short-term refinancing on the money market. In the remaining items on the equity and liabilities side, there were no significant changes (in relation to the size of the item) as compared with the figures per 31.12.2011.

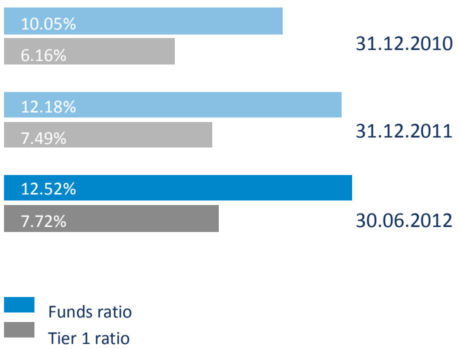
2. Own funds

The entire eligible capital pursuant to the Austrian Banking Act (BWG) per 30 June 2012 was EUR 265 million (per 31.12.2011: EUR 264 million). The statutory minimum requirement was EUR 169 million, corresponding to a surplus of EUR 96 million or a coverage ratio of 156.6%.

The equity ratio related to the banking book (credit risk) reached 13.72% per 30 June 2012 (31.12.2011: 13.31%). At 7.72% the Tier 1 ratio was higher than the level per 31 December 2011 (7.49%).

Related to the entire capital assessment base (including market and operational risk), the funds ratio per 30.06.2012 is 12.52% (31.12.2011: 12.18%), well above the statutory minimum of 8.0% as prescribed by law in Austria.

Development of the funds / Tier 1 ratio
as a percentage



3. Earnings performance

The operating earnings (net interest income, net fee and commission income, income from securities and equity interests, other income) reached EUR 35.9 million in the first half of 2012, around 7.7% less than the comparable figure for the previous year (30.06.2011: EUR 38.8 million).

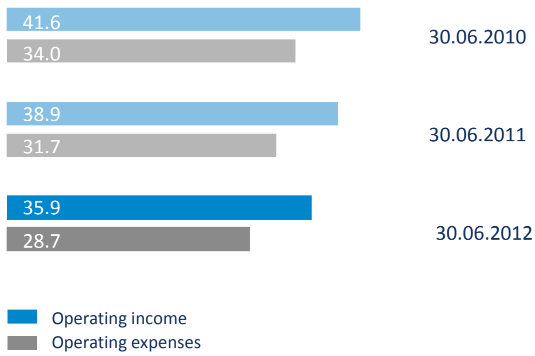
The net bank operating income remained at the same level as during the comparable period last year per 30.06.2011. The Retail & Private Banking, Corporate Banking and Public Finance segments have been restructured in order to meet market requirements and customer needs and to enable the Bank to focus on customer relations in the long term. This has been confirmed by the continuation of the positive turnaround in the first half of 2012.

The net interest income stands at EUR 21.7 million, a decrease of 6.6% or EUR 1.5 million on the comparable period to 30.06.2011. The main cause lies on the one hand in the drop in interest income as a result of the (still necessary) strategic reduction in interest-bearing assets, and on the other hand in the change in the refinancing structure and the interest curve. The net fee and commission income, in the amount of EUR 8.5 million, was at the previous year's level and thus demonstrates the good performance achieved in this segment.

Operating expenses in the first half of 2012 amounted to EUR -28.7 million, a clear reduction of EUR 3 million or 9.7% as compared with last year.

This reduction shows that the programme of restructuring and strategic reorientation the Bank has embarked upon is now proving effective on a lasting basis. This is primarily attributable to the saving of administrative costs, which have been reduced by about 26%. Staff costs have also been reduced by a further 4%.

Operating income / expenses
in millions of EUR



At EUR 7.2 million, the operating result for the first six months, as a balance of the operating income (EUR 35.9 million) and the operating expenses (EUR -28.7 million), remained close to the previous year's figure of EUR 7.1 million.

The balance arising from the loan provision items and the net income from securities classed as fixed assets and short-term investments in securities is positive at EUR 0.8 million, the comparable figure from last year being negative at EUR -2.5 million.

In detail, the items are essentially as follows: the balance from the measurement of receivables and contingent liabilities from the current assets is minus EUR 2.2 million (30.06.2011: minus EUR 2.9 million), the balance from the measurement and disposal of securities used to maintain liquidity is positive at EUR 2.7 million (30.06.2011: plus EUR 1.7 million). The intensive revision of the Non-Performing Loan portfolio, which was started last year, has led to a further reduction in the portfolio (and consequently of the non-interest-bearing items).

A provision has been made, as envisaged in the financial derivatives accounting guidelines, for negative market values of banking book derivatives, in the amount of EUR 1.6 million.

In the fixed assets, the balance arising from the measurement and disposal of financial assets (securities and equity interests) amounts to EUR 2.6 million (30.06.2011: minus EUR 0.5 million). Book value gains in the amount of 1.5 million appear under this item as a result of the sale of equity interests.

With these provision items taken into account, a positive profit from ordinary activity (POA) emerges in the amount of EUR 7.9 million as compared with the previous year's figure of EUR 4.5 million. After deduction of tax expenses this led to a positive result for the period in the amount of EUR 5.9 million (01.01.2011 – 30.06.2011: EUR 3.1 million).

4. Key earnings figures

Per 30 June 2012 the return on equity (ROE) was 5.5% (31.12.2011: 5%), and the return on assets (ROA) 0.14% (31.12.2011: 0.13%). The cost/income ratio, which states the relationship between the operating expenses and the operating income, was 79.9% per 30.06.2012. The corresponding figure for the whole of the financial year 2011 was 78.7%.

5. Employees

The number of employees increased from 453 per 31.12.2011 to 463 per 30.06.2012. The increase is due on the one hand to the reintegration of units and the reduction in tasks which had previously been performed as services provided by companies of the Group, and on the other hand to the implementation of internal optimisation measures in the course of the restructuring process.

Employees

Changes 2010 - 2012

Taking these changes into account results in an employment level of 387.24 “full time equivalent” jobs per 30.06.2012 in operational banking business (per 31.12.2011: 377.34 “full time equivalent” jobs).

It is envisaged that in the second half of 2012 the Bank will take on apprentices who wish to complete a two-year or three-year apprenticeship resulting in a banking qualification.

6. Customers

A highly motivated and committed team works on a daily basis to ensure that the Bank – as an advisory bank – offers its customers the best service and need-oriented product innovations in the fields of financing, cash management, asset management and pension provision.

On the basis of the “money coach” idea of showing customers what potential is available to them, and providing individually tailored solutions which are manageable in the long term, three competence centres have also been bundled under one roof at the Domgasse branch for private customers, for doctors and the liberal professions, and also, with the integration of the branch on Alpen-Adria-Platz in July 2012, a separate competence centre for small and medium-sized enterprises.

Supportive. Friendly. Fair – our motto embodies the support we provide to our approximately 56,000 customers, creating a tailor-made financial structure for all phases of life.

7. Splitting up of the Bank

To support the ongoing sale process for the reprivatisation of Hypo Alpe-Adria-Bank AG it has been decided to prepare for a splitting up of the Bank on the basis of the annual financial statements per 31.12.2011.

The preparations for the implementation of the splitting up of Hypo Alpe-Adria-Bank AG in the form of a demerger for takeover into the parent company were specified in detail in the first half year. The non-strategic areas ("non-core area") are being taken over by Hypo Alpe-Adria-Bank-International AG. Business cases in cross-border business which have arisen historically, and also large-volume financing business from the Corporate Finance und Public Finance divisions, are to be allocated to the non-core area for transfer.

All other main business areas and main parts of Corporate Banking and Public Finance form the strategic "core area" and will accordingly remain within Hypo Alpe-Adria-Bank AG. The total assets of Hypo Alpe-Adria-Bank AG with retroactive effect to the split date will amount to just under EUR 4 billion and will thus strengthen its positioning as a straightforward, customer-oriented, regional all-services bank.

Once all necessary agreements have been received, the split will be executed in autumn 2012.

8. Events after the reporting period

No events of special significance for the company have occurred since the balance sheet date of 30.06.2012 which would have led to the assets, finances and income being presented any differently.

9. Outlook

Following a successful year-end result in 2011, the positive turnaround has been continued in the first half of 2012. The market segments have been optimised to customer needs in order to guarantee the development of business on a lasting basis and to secure a foundation of trust between the customers and the Bank.

It is to be expected that the second half of 2012 will also be characterised by pressure on margins in the regional financial market and also by the volatility and uncertainty of the markets generally. As far as the whole of 2012 is concerned, however, the Executive Board of the Bank is confident, on the basis of the existing solid capital resources, that the increased demand for new business can be met and that last year's result can be exceeded. Over the year as a whole, the risk provision costs will be at an appropriate level which is normal for the sector.

Following the implementation of the splitting up of the Bank in the second half of 2012, measures for the reprivatisation of Hypo Alpe-Adria Bank AG will be continued, with the aim of achieving – with a new investor, and on the basis of the strategic reorientation which is now under way – a secure foundation for the future of the Bank.

Klagenfurt am Wörthersee, 13 August 2012

THE EXECUTIVE BOARD

Gerhard Salzer (Chairman)	Friedrich Racher (Deputy Chairman)	Peter Lazar

Interim financial statements

Balance sheet as at 30.06.2012, prepared in accordance with the Austrian Banking Act/Austrian Commercial Code (BWG/UGB)

	30.06.2012 EUR thousands	31.12.2011 EUR thousands	Change in EUR thousands	Change in %
Assets				
1. Cash in hand, balances with central banks and post office giro institutions	18,083	41,424	-23,341	-56.3%
2. Treasury bills and other bills eligible for refinancing with central banks	205,348	152,692	52,656	34.5%
3. Loans and advances to credit institutions	624,365	456,438	167,927	36.8%
4. Loans and advances to customers	4,584,736	4,685,266	-100,530	-2.1%
5. Bonds and other fixed income securities	261,081	292,094	-31,013	-10.6%
6. Shares and other variable yield securities	1,913	9,542	-7,629	-80.0%
7. Investments in associated companies	4,145	4,145	0	0.0%
8. Shares in affiliated companies	391	537	-146	-27.2%
9. Intangible fixed assets	244	296	-52	-17.6%
10. Tangible fixed assets	10,544	10,966	-422	-3.8%
11. Other assets	87,434	85,754	1,680	2.0%
12. Deferred assets	291	607	-316	-52.1%
Total assets	**5,798,575**	**5,739,761**	**58,814**	**1.0%**
Equity and liabilities				
1. Liabilities to credit institutions	2,009,046	1,919,239	89,807	4.7%
2. Liabilities to customers	1,648,761	1,678,295	-29,534	-1.8%
3. Debt securities in issue	1,734,071	1,744,851	-10,780	-0.6%
4. Other liabilities	53,343	41,907	11,436	27.3%
5. Deferred liabilities	171	145	26	17.9%
6. Provisions	43,967	45,131	-1,164	-2.6%
7. Subordinated liabilities	112,782	112,852	-70	-0.1%
8. Supplementary capital	40,721	40,297	424	1.1%
9. Issued capital	30,000	30,000	0	0.0%
10. Capital reserves	82,332	82,332	0	0.0%
11. Revenue reserves	282	0	282	-100.0%
12. Liability reserves under section 23(6) BWG	36,996	36,996	0	0.0%
13. Retained profit	5,869	7,482	-1,613	0.0%
14. Untaxed reserves	234	234	0	0.0%
Total equity and liabilities	**5,798,575**	**5,739,761**	**58,814**	**1.0%**

Income statement for the period 01.01.2012 to 30.06.2012, prepared in accordance with the Austrian Banking Act/Austrian Commercial Code (BWG/UGB)

		01.01.2012 - 30.06.2012 EUR thousands	01.01.2011 - 30.06.2011 EUR thousands	Change in EUR thousands	Change in %
1.	Interest and similar income	121,468	127,326	-5,858	-4.6%
2.	Interest and similar expenses	-99,809	-104,136	4,327	-4.2%
	Net interest income	**21,659**	**23,190**	**-1,531**	**-6.6%**
3.	Income from securities and equity interests	347	2,004	-1,657	-82.7%
4.	Fee and commission income	9,513	10,383	-870	-8.4%
5.	Fee and commission expenses	-983	-1,502	519	-34.6%
6.	Net income from trading activities	1,061	599	462	77.1%
7.	Other operating income	4,269	4,188	81	1.9%
	Operating income	**35,866**	**38,862**	**-2,996**	**-7.7%**
8.	General administrative expenses	-27,103	-30,297	3,194	-10.5%
9.	Value adjustments for fixed assets (balance sheet items 9 and 10)	-598	-653	55	-8.4%
10.	Other operating expenses	-981	-799	-182	22.8%
	Operating expenses	**-28,682**	**-31,749**	**3,067**	**-9.7%**
	Operating profit	**7,184**	**7,113**	**71**	**1.0%**
11./12.	+/- net gain/loss on disposal or measurement of receivables and securities held as other current assets	-1,841	-1,992	151	-7.6%
13./14.	+/- net gain/loss on disposal or measurement of receivables and securities treated as financial investments	2,619	-559	3,178	0.0%
	Result from ordinary activities	**7,962**	**4,562**	**3,400**	**74.5%**
15.	Taxes on income	-430	-213	-217	101.9%
16.	Other taxes not included in item 15	-1,663	-1,204	-459	38.1%
	Profit/loss for the period	**5,869**	**3,145**	**2,724**	**86.6%**
17.	Changes in reserves	0	0	0	0.0%
	Retained profit	**5,869**	**3,145**	**2,724**	**86.6%**

Explanatory notes (annex)

Hypo Alpe-Adria-Bank AG has prepared its interim financial report to 30.06.2012 in accordance with § 87 of the Austrian Stock Exchange Act [BörseG] and subject to application of the requirements of the Austrian Banking Act [BWG] as amended, and also – where applicable – in accordance with the requirements of the Austrian Commercial Code [UGB] as amended.

The abridged balance sheet and income statement are essentially structured on the basis of the form sheets contained in annex 2 to § 43 BWG, although only the main items have been included. The figures in the interim financial statements are in principle stated in thousands of EUR (EUR ’000).

In principle the same accounting and valuation principles are used in these interim financial statements as in the most recently published annual financial statements for Hypo Alpe-Adria-Bank AG per 31.12.2011.

The interim financial statements were drawn up per 30.06.2012, which is also the date on which the consolidated financial statements of the Austrian parent company, Hypo Alpe-Adria-Bank International AG, were drawn up.

The interim financial report has not been subjected to full examination or review by an auditor.

Klagenfurt am Wörthersee, 13 August 2012

THE EXECUTIVE BOARD

Gerhard Salzer (Chairman)	Friedrich Racher (Deputy Chairman)	Peter Lazar

Statement by the legal representatives

"We confirm to the best of our knowledge and belief that the abridged half-yearly financial statements, which have been drawn up in accordance with the relevant accounting standards, convey as true a picture as possible of the assets, finances and earnings of the company, and that the half-yearly financial statements convey as true a picture as possible of the assets, finances and earnings of the company as regards the important events during the first six months of the financial year and the consequences of these events for the abridged interim financial statements as regards the principal risks and uncertainties in the remaining six months of the financial year."

Klagenfurt am Wörthersee, 13 August 2012

THE EXECUTIVE BOARD

Gerhard Salzer (Chairman)	Friedrich Racher (Deputy Chairman)	Peter Lazar

Imprint

Publisher of the financial report and responsible for content:

HYPO ALPE-ADRIA-BANK AG
Domgasse 5
9020 Klagenfurt am Wörthersee

Tel. +43 (0) 50202-0
Fax +43 (0) 50202-3000
austria@hypo-alpe-adria.com
www.hypo-alpe-adria.at

Information and forecasts oriented towards the future are based on the information presented or data available on the date on which the half-yearly result was published (13 August 2012). Changes occurring after this date could influence the information and forecasts contained in the financial report. We have prepared this report with the greatest of care and have checked the data contained therein. However, errors due to rounding of figures, as well as transmission, typesetting or printing errors, cannot be excluded.