Austrian Anadi Bank

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HALF-YEARLY FINANCIAL REPORT 2014

AUSTRIAN ANADI BANK AG
HALF-YEARLY FINANCIAL REPORT 2014

INTERIM MANAGEMENT REPORT 2014

1. ECONOMIC ENVIRONMENT AND BUSINESS PERFORMANCE

While the global economy has seen a moderate recovery over the first half of 2014, with an expected acceleration of growth in the United States and a cautious but steady growth momentum in Asia, economic development in Austria has remained sluggish. According to the OeNB's economic indicator, the Austrian economy – following a disappointing first quarter of 2014 (+0.2%) – has grown by 0.4% in both the second and third quarters.

Low export growth, a general unwillingness on the part of companies to undertake capital investment, and restraint among private consumers are continuing to have a negative effect on the economy. One positive sign, on the other hand, is that in April 2014, for the first time since summer 2012, the downward trend in the lending volume provided to domestic businesses by Austrian banks has been halted and there is once again a slight upward trend in the annual growth rate (following the previous low in March). However, as a consequence of the generally low interest level (which most recently saw a further reduction in the key lending rate by the European Central Bank to 0.125% in June 2014), interest rates for corporate and household loans in Austria have stabilised at a historically low level.

For Austrian Anadi Bank AG, the first half of 2014 was defined by the rebranding process which was introduced following the change in ownership (the closing took place in December 2013), which was concluded on 27 June with the registration of the new name in the Commercial Register.

Under the new owner, Anadi Financial Holdings Pte. Ltd, which is headed by the UK based Indian businessman Dr. Sanjeev Kanoria, a clear commitment has been given to the historically developed strength of the bank – founded in 1896 as Kärntner Landeshypothekenanstalt – as a partner of public institutions, companies and private customers, with a special focus on residential construction financing.

In addition to the positioning of Austrian Anadi Bank AG as a regionally anchored universal bank, the first six months of 2014 were also taken up with setting the course for the establishment of an additional area of business: the provision of financing and consultancy services for international business relations between Austrian/European and Indian companies.

Even though the interest margin has remained persistently low, Austrian Anadi Bank AG has been able once again to achieve a positive result with stable business development in the first half of 2014. In particular – not least as a result of the very positive public perception of the rebranding of the bank – there has been increased demand in the housing construction and corporate financing sectors, which means that the starting position is very good for the second half of 2014. Valuable support has also been provided by the clear commitment of the Carinthian state government, an important customer and partner of the bank, to the continuation of the close cooperation that has existed up until now.

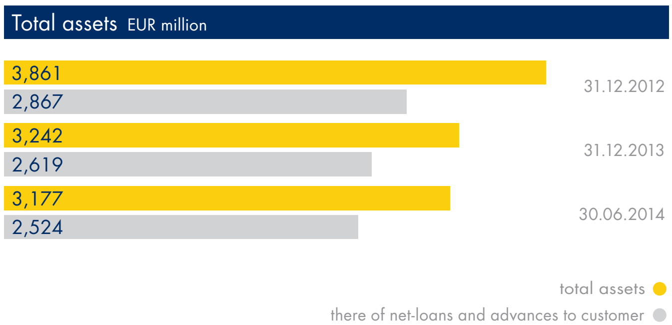
Austrian Anadi Bank AG has further pursued its recently adopted strategy of building on its partnership with strong financial service providers in the area of marketing. In the retail sector, the bank has once again been able to consolidate its position and acquire new customers with new, innovative products such as the "Kärnten account" (an account that includes a Kärnten Card providing free entry to over 100 visitor attractions) and combined investment forms.

In spite of the increased expenses in connection with the rebranding and reorientation of the bank, costs have been stabilised and in some cases reduced. Overall, the first half of 2014 provides confirmation that the bank is on a stable course, with a continuing positive operating income on par with the previous year's level.

2. NOTES ON NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Balance sheet development

In the first half of 2014, Austrian Anadi Bank AG posted total assets of EUR 3,177 million, a reduction of EUR 65 million over the figure as at 31 December of the previous year (EUR 3,242 million). This decrease will be described in the following detailed information concerning the main individual balance sheet items. The positive annual result as at 31.12.2013 was again confirmed in the first half of 2014.



On the assets side, loans and advances to credit institutions increased by EUR 32 million to EUR 123 million (31.12.2013: EUR 91 million) due to short-term investments of liquid funds. The balance sheet items treasury bills and bonds and other fixed-income securities and shares amount to EUR 458 million (31.12.2013: EUR 464 million), which corresponds to a net decrease of EUR 6 million. The securities are used exclusively to bolster liquidity reserves and satisfy the liquidity requirements under Basel III. The lending volume came to EUR 2,524 million (31.12.2013: EUR 2,619 million), which corresponds to a reduction of EUR 95 million. Non-performing loans amounted to EUR 74 million. This figure represents around 2% of the total exposure and remained stable due to the strict risk policy being pursued by the bank. The EUR 4 million increase in other assets to EUR 34 million (31.12.2013: EUR 30 million) largely stems from interest accruals from derivative contracts.

Development of Non Performing Loans Rating class 5A to 5E, EUR million

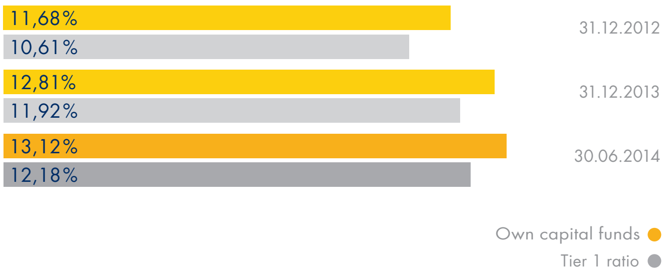
On the equity and liabilities side, liabilities to customers fell by 2.7% or EUR 32 million to EUR 1,156 million (31.12.2013: EUR 1,188 million), this being primarily attributable to the repayment of savings deposits and an increase in time deposits. The amount of liabilities to credit institutions increased by EUR 19 million to EUR 446 million (31.12.2013: EUR 427 million) as a result of short-term borrowings. The balance sheet item debt securities in issue declined to EUR 1,343 million in net terms (31.12.2013: EUR 1,399 million) as a result of repayments in the amount of EUR 74 million and new issues in the amount of EUR 18 million. In the remaining items on the equity and liabilities side, there were no significant changes as compared with the figures as at 31.12.2013.

Own capital funds

The bank's total own capital funds pursuant to the new EU regulations which took effect on 1 January 2014 (CRD IV and CRR) came to EUR 162 million as at 30.06.2014 (31.12.2013: EUR 160 million). The statutory minimum requirement was EUR 99 million, corresponding to a surplus of EUR 63 million or a coverage ratio of 164% (31.12.2013: 160%).

The own capital funds ratio was 13.12% as at 30.06.2014 (31.12.2013: 12.81%), which is well above the legally required minimum level of 8.0% in Austria. The Tier 1 ratio stood at 12.18% (31.12.2013: 11.92%) and thus already fulfils the Basel III requirements for the highest category of capitalisation. The bank will continue to place particular emphasis on building up its own capital funds. The comparative figures of the previous year are still based on the provisions of the Austrian Banking Act (BWG) which were in effect until the end of 2013.

Own capital funds/Tier 1 ratio %



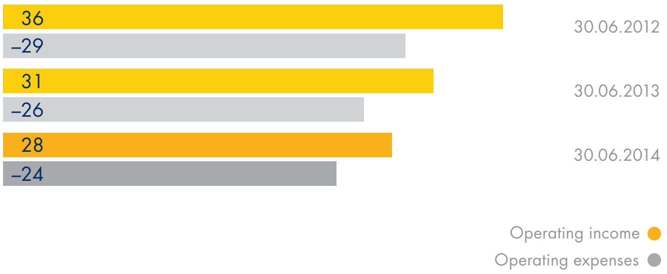
Development of results

In the first half of 2014, Austrian Anadi Bank AG registered a positive result. The acquisition of the bank, which was closed on 19.12.2013, by the sole owner of Anadi Financials Holdings Pte. Ltd. has already shown a positive influence on the interim result as at 30.06.2014, helping to realign the bank and provide it with opportunities for success in the business segments that are the centre of its activities. Against this backdrop, income from operations (net interest income, fee and commission income, income from securities and equity interests, other income) reached EUR 28.2 million in the first half of 2014 (30.06.2013: EUR 31.0 million).

The bank's results of operations increased by EUR 4.9 million during the first six months of 2014 and thus remained almost unchanged as compared to the figure posted at 30.06.2013. Net interest income came to EUR 18.9 million (30.06.2103: EUR 18.0 million) and continues to be impacted by the persistently flat interest rate curve. Net income from fees and commissions amounted to EUR 8.2 million in the period under review and remained largely at the level of the previous year (30.06.2013: EUR 8.7 million). An increase in commission income is anticipated for the second half of the year.

In the first half of 2014, the bank reported operating expenses of EUR 23.3 million (30.06.2013: EUR 26.0 million). This represents a 10% year-on-year decline, which is attributable to a 10.2% decrease in staff costs and an 8.9% decrease in operating expenditure. Other focal points of the bank include cost cuts and other efficiency-boosting measures.

Operating income/expenses EUR million



The operating result for the first six months, as the balance of operating income (EUR 28.2 million) and operating expenses (EUR 23.3 million), came to EUR 4.9 million (30.06.2013: EUR 5.1 million).

The balance arising from credit risk provisions and the net income from securities held as fixed and current assets is positive at EUR 1.3 million (30.06.2013: EUR –2.5 million).

The individual items break down as follows: the balance from the measurement of receivables and contingent liabilities held as current assets is EUR +0.6 million (30.06.2013: EUR –7.8 million), and the balance from the measurement and disposal of securities held for liquidity is EUR –8 thousand (30.06.2013: EUR 5.0 million). The difference in earnings from securities held as current assets is due to the fact that strategic equity positions were sold in the previous year, which caused a non-recurring effect for that period. The balance from the measurement of receivables and contingent liabilities was substantially reduced in comparison with the same period of the previous year (reporting date: 30.06.2013). In the first six months of 2014, there was a net increase of EUR –1.1 million in the specific impairment charges and a net reversal of EUR +1.7 million in the portfolio-based impairment charges. The provision for negative market values of derivatives in the banking book was reversed in the amount of EUR 0.7 million.

The balance arising from the measurement and disposal of financial assets (securities and equity interests) held as fixed assets stands at EUR +51 thousand (30.06.2013: EUR –0.4 million).

Taking into account the risk provisioning items, the bank recorded a positive result from ordinary activities in the amount of EUR 6.3 million (30.06.2013: EUR 2.2 million). After deduction of tax expenses, this led to a positive result for the period in the amount of EUR 4.7 million (30.06.2013: EUR 0.8 million).

Key performance indicators

The return on equity (ROE) after tax was 3.1% as at 30.06.2014 (31.12.2013: 3.4%), and the return on assets (ROA) stood at 0.14% (31.12.2013: 0.15%). The cost/income ratio, which shows the ratio of operating expenses to operating income, came to 82.6% as at 30.06.2014. The figure for the whole of the 2013 financial year was 86.7%.

Events after the reporting date

No further events of particular significance for the bank, which could have led to a change in the presentation of the net assets, financial position and results of operations, were recorded after the reporting date of 30.06.2014.

3. ANTICIPATED DEVELOPMENT OF THE COMPANY

In view of the general economic development, which is strongly influenced by the European Central Bank's interest policy, the current market environment is expected to remain much the same over the second half year of the year. At least for the domestic economy, however, the OeNB forecasts an increase in replacement investment and residential construction investment, which will benefit from favourable financing conditions, rising property prices and a high demand for housing.

As far as Austrian Anadi Bank AG is concerned, following the rebranding process which was successfully completed by the middle of the year we expect a consolidation of new business in the second half of 2014. In both private and corporate banking, as well as in the public finance sector, positive signals have been received from the market in connection with the reorientation of the bank and the new name. In conjunction with a continuingly good risk landscape and the further expansion of our new "International Business" division, the preconditions for a positive course of business over the coming months are fulfilled, so that the 2014 result should be well above the 2013 figure.

4. PRINCIPAL RISKS AND UNCERTAINTIES

Central risk management tasks are carried out within Austrian Anadi Bank AG by the Credit Risk Management and Risk Control divisions. The bank controls and monitors its risks across all business segments, with the aim of optimising its risk/performance profile and of ensuring the ability to bear risks at any time, thus protecting the bank's creditors and owner.

Risks and uncertainties continue to apply with regard to the interest environment and also in connection with the uncertainties of international financial policy. At the political level it can be assumed at the present time that crisis phenomena outside of or within peripheral regions of Europe will remain restricted to local, regional areas, and therefore only limited effects are expected as far as the economic situation in Central Europe is concerned.

Klagenfurt am Wörthersee, 04.08.2014

INTERIM FINANCIAL STATEMENTS 2014

BALANCE SHEET BWG/UGB

	30.06.2014	31.12.2013	Change in EUR '000	in %
ASSETS				
1. Cash in hand, balances with central banks and post office banks	27,238	27,697	–459	–1.7 %
2. Treasury bills and other bills eligible for refinancing with central banks:	218,269	207,154	11,115	5.4 %
3. Loans and advances to credit institutions	123,196	90,774	32,422	35.7 %
4. Loans and advances to customers	2,523,905	2,618,538	–94,633	–3.6 %
5. Debt securities including fixed-income securities	238,884	257,203	–18,319	–7.1 %
6. Shares and other variable-yield securities	842	379	463	122.2 %
7. Participating interests	4,136	4,136	0	0.0 %
8. Shares in affiliated untertakings	0	0	0	0.0 %
9. Intangible fixed assets	635	734	–99	–13.5 %
10. Tangible assets	4,582	4,843	–261	–5.4 %
11. Other assets	34,373	30,152	4,221	14.0 %
12. Prepayments and accrued income	498	560	–62	–11.1 %
Total assets	3,176,558	3,242,170	–65,612	–2.0 %

	30.06.2014	31.12.2013	Change in EUR '000	in %
LIABILITIES				
1. Liabilities to credit institutions	446,203	426,745	19,458	4.6 %
2. Liabilities to customers	1,155,961	1,187,906	–31,945	–2.7 %
3. Securitised liabilities	1,343,139	1,399,443	–56,304	–4.0 %
4. Other liabilities	26,616	24,159	2,457	10.2 %
5. Accruals and deferred income	278	244	34	13.9 %
6. Provisions	30,181	30,830	–649	–2.1 %
7. Subordinated liabilities	18,304	18,121	183	1.0 %
8. Supplementary capital	0	0	0	0.0 %
9. Subscribed capital	30,000	30,000	0	0.0 %
10. Capital reserves	82,332	82,332	0	0.0 %
11. Retained earnings	1,741	429	1,312	–100 %
12. Liability reserve pursuant to Article 23 para. 6 BWG	36,996	36,996	0	0.0 %
13. Net profit or loss for the year	4,675	4,812	–137	0.0 %
14. Untaxed reserves	132	153	–21	–13.7 %
Total liabilities	3,176,558	3,242,170	–65,612	–2.0 %

PROFIT-AND-LOSS BWG/UGB

		01.01.–30.06.2014	01.01.–30.06.2013	Change in EUR '000	in %
1.	Interest receivable and similar income	67,235	70,591	–3,356	–4.8 %
2.	Interest payable and similar expenses	–48,293	–52,555	4,262	–8.1 %
Net interest income		18,942	18,036	906	5.0 %
3.	Income from securities and participating interests	2	1,824	–1,822	–99.9 %
4.	Commissions receivable	9,190	9,460	–270	–2.9 %
5.	Commissions payable	–1,005	–797	–208	26.1 %
6.	Net profit or net loss on financial operations	408	317	91	28.7 %
7.	Other operating income	686	2,181	–1,495	–68.5 %
Operating income		28,223	31,021	–2,798	–9.0 %
8.	General administrative expenses	–22,608	–25,084	2,476	–9.9 %
9.	Value adjustments in respect of asset items 9 and 10	–542	–503	–39	7.8 %
10.	Other operating expenses	–169	–361	192	–53.2 %
Operating expenses		–23,319	–25,948	2,629	–10.1 %
Operating result		4,904	5,073	–169	–3.3 %
11./12.	Value adjustments and re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	1,341	–2,549	3,890	–152.6 %
13./14.	Value adjustments and re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	51	–341	392	–115.0 %
Profit or loss on ordinary activities		6,296	2,183	4,113	188.4 %
15.	Extraordinary income	0	0	0	0.0 %
16.	Extraordinary expenses	0	–1,000	1,000	
17.	Extraordinary result (subtotal of items 15 and 16)	0	–1,000	1,000	
18.	Tax on profit or loss	–434	444	–878	–197.7 %
19.	Other taxes not reported under item 18	–1,208	–840	–368	43.8 %
Profit or loss for the year after tax		4,654	787	3,867	491.4 %
20.	Changes in reserves	21	20	1	5.0 %
Net income for the year		4,675	807	3,868	479.3 %

NOTES TO THE FINANCIAL STATEMENTS AS AT 30.06.2014

NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30.06.2014

A. BASIC ACCOUNTING PRINCIPLES

The interim financial statements of Austrian Anadi Bank AG 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) and the Austrian Stock Corporation Act (AktG), both as amended.

The condensed balance sheet and income statement are essentially presented in the form prescribed in Annex 2 to § 43 BWG, although only the main items have been included. Except where otherwise stated, all amounts are shown in thousands of euros (TEUR).

B. 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, 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 31.12.2013.

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.

C. NOTES TO THE BALANCE SHEET

1. Maturities of balance sheet items

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

	30.06.2014 (TEUR)	31.12.2013 (TEUR)
A3: Loans and advances to credit institutions	123,196	90,774
– payable on demand	114,371	89,945
– up to three months	8,825	3
– three months to one year	0	826
– one year to five years	0	0
– over five years	0	0
A4: Loans and advances to customers	2,523,905	2,618,537
– payable on demand	61,435	72,630
– up to three months	90,297	112,689
– three months to one year	244,350	259,167
– one year to five years	793,687	823,829
– over five years	1,334,136	1,350,222
P1: Liabilities to credit institutions	446,203	426,745
– payable on demand	110,479	78,622
– up to three months	94,817	50,000
– three months to one year	50,403	8,725
– one year to five years	190,504	289,398
– over five years	0	0
P2: Liabilities to customers	1,155,961	1,187,906
– payable on demand	526,781	526,379
– up to three months	63,818	72,626
– three months to one year	120,869	210,611
– one year to five years	289,182	264,658
– over five years	155,311	113,632

2. Securities

Securities including accrued interest:

	30.06.2014 (TEUR)	31.12.2013 (TEUR)
2a. Treasury bills and other bills eligible for refinancing with central banks	218,269	207,154
of which listed	218,269	207,154
of which fixed assets	214,753	193,753
of which accrued interest in fixed assets	3,516	3,139
of which current assets	0	10,007
of which accrued interest in current assets	0	255
3. Loans and advances to credit institutions	0	0
of which not listed	0	0
4. Loans and advances to customers	106,210	110,025
of which not listed	106,210	110,025
of which fixed assets	105,848	109,192
of which accrued interest in fixed assets	362	833
of which current assets	0	0
of which accrued interest in current assets	0	0
5. Bonds and other fixed-income securities	238,884	257,203
of which listed	144,975	161,234
of which not listed	93,909	95,969
of which fixed assets	141,704	150,604
of which accrued interest in fixed assets	1,355	2,041
of which current assets	95,555	104,194
of which accrued interest in current assets	270	364
6. Shares and other variable-yield securities	842	379
of which listed	208	98
of which not listed	634	281
of which current assets	842	379
7. Investments in associated companies	4,136	4,136
of which not listed	4,136	4,136

Breakdown of bonds and other fixed-income securities:

		30.06.2014 (TEUR)	31.12.2013 (TEUR)
Issued by public authorities		0	0
Issued by others		238,885	257,203
	of which:		
	Own issues	94,833	99,445
	Domestic bonds (credit institutions)	7,086	8,989
	Foreign bonds (credit institutions)	73,607	81,046
	Mortgage bonds and municipal bonds	63,359	67,723
	Convertible bonds	0	0
	Other bonds	0	0
Total		238,885	257,203

The bonds issued by public authorities (excluding accrued interest) break down by country as follows (TEUR):

Country	Nominal value	Carrying amount 30.06.2014	Write-downs until 30.06.2014	Write-ups until 30.06.2014
Germany	9,000,000	9,000	0	0
Belgium	11,000,000	11,000	977	0
Austria	111,000,000	110,891	1,615	0
Sweden	0	0	7	0
European Union	84,000,000	83,863	0	0

Other disclosures relating to securities:

The difference between the value of securities recognised at their higher market value (§ 56 (5) BWG) classified as current assets and their acquisition cost comes to TEUR 46 (31.12.2013: TEUR 70).

In 2014, fixed-income securities from the bank's own holdings shall fall due as follows: an amount of TEUR 7,858 (2013: TEUR 47,249) from euro-denominated securities and TEUR 0 (2013: TEUR 0) from securities denominated in foreign currencies.

Fixed-income securities from private issuers, which were eligible for refinancing by the Oesterreichische Nationalbank on the balance sheet date, amounted to TEUR 146,882 (31.12.2013: TEUR 157,378), of which TEUR 137,335 (31.12.2013: TEUR 143,355) were pledged as at the balance sheet date.

Subordinated securities within the meaning of § 45 (3) BWG with a value of TEUR 0 (31.12.2013: TEUR 0) were held as at 30.06.2014.

As at the balance sheet date, securities with a book value of TEUR 14,063 were transferred under repurchase (repo) transactions.

The trading book (§ 64 (1) (15), § 22n BWG) showed the following volume split as at 30 June 2014:

	30.06.2014 (TEUR)	31.12.2013 (TEUR)
Securities (at the market values shown in the balance sheet)	820	358
Currency options (nominal value)	6,015	0
Currency forward transactions (nominal value)	327,882	181,558
Interest swaps (nominal value) and interest rate contracts	229,124	239,187

The option afforded by § 22 (B) BWG was not exercised and there were no money market instruments allocated to the securities trading book as at 30 June 2014.

Financial instruments held as fixed assets and recognised at fair value (§ 237a (1) (2) UGB) are broken down as follows:

	Carrying amount 30.06.2014 (TEUR)	Losses not yet recognised 30.06.2014 (TEUR)	Carrying amount 31.12.2013 TEUR	Losses not yet recognised 31.12.2013 TEUR
Treasury bills	214,753	0	193,753	–88
Loans and advances to customers (fixed-income securities)	105,848	0	109,192	0
Bonds and other fixed-income securities	141,705	0	150,604	–79
Investments in associated companies	4,136	0	4,136	0
	466,442	0	457,685	–167

No write-ups of securities classified as fixed assets were undertaken in the period from 1 January to 30 June 2014. 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 2015, issued bonds as defined in § 64 (1) (7) BWG with a value of TEUR 40,274 (2014: TEUR 47,249) will become due in Austrian Anadi Bank AG.

3. Other assets

The breakdown of other assets is as follows:

	30.06.2014 (TEUR)	31.12.2013 (TEUR)
Other assets	34,373	30,153
Interest income	10,749	6,982
– of which falling due after the closing date	10,749	6,982
Offset claims	633	844
Receivables arising from the foreign exchange measurement of banking book derivatives	70	0
Receivables from trading book derivatives	7,789	6,587
Trade receivables	15,132	15,740

4. Other liabilities

The breakdown of other liabilities is as follows:

	30.06.2014 (TEUR)	31.12.2013 (TEUR)
Other liabilities	26,616	24,159
Interest expenses	151	112
– of which falling due after the closing date	151	112
Clearing account balances	11,397	6,257
Fees and levies	5,321	7,144
Liabilities arising from the foreign exchange measurement of banking book derivatives	194	809
Liabilities from trading book derivatives	7,177	6,076
Trade payables	38	1,473
Statutory guarantee liabilities	1,538	1,484
Other liabilities	800	802

5. Provisions

	30.06.2014 (TEUR)	31.12.2013 (TEUR)
Guarantees	2,994	3,563
Holidays not taken	1,049	1,124
Long-service bonuses	1,152	1,154
Association of mortgage banks – § 1406 ABGB	480	480
Legal and consultancy fees	192	111
Costs for legal risks	1,426	1,491
Restructuring provisions	451	865
Negative market values of derivatives in the banking book including trading book CVA	789	1,497
Provision for severance payments	8,415	8,439
Provision for pension payments	5,880	6,081
Tax provisions	3,112	2,552
Miscellaneous provisions	4,241	3,473
Total	30,181	30,830

The provisions for risks arising from the lending business (guarantees) include both provisions for specific cases amounting to TEUR 122 (31.12.2013: TEUR 6) as well as provisions at portfolio level amounting to TEUR 2,872 (31.12.2013: TEUR 3,557).

Provisions for pensions were calculated actuarially using the projected unit credit method in accordance with the provisions of IAS 19. Provisions for severance payments and provisions for anniversary bonuses disclosed under other provisions were likewise calculated actuarially using the projected unit credit method in accordance with the provisions of IAS 19.

6. Information on risk provisions

The development of risk provisions was as follows (loans and advances to customers):

	30.06.2014 (TEUR)	31.12.2013 (TEUR)
Loans and advances to customers		
Balance at start of year	40,868	44,774
Additions	2,549	11,621
Releases	–1,512	–3,113
Appropriation	–2,333	–12,385
Foreign currency valuation	9	–30
Balance at year-end	39,581	40,868

For credit default risks existing on the balance sheet date but not yet identified as such, the portfolio risk provision was adjusted from the 2013 level (TEUR 7,860) to TEUR 7,125 as at 30.06.2014.

7. Subordinated capital

The nominal value of subordinated capital as defined in § 23 (8) BWG comes to TEUR 18,000 (31.12.2013: TEUR 18,000). The subordinated capital has a maturity of around 3 years.

ISIN	Designation	Volume	Curr.	Interest rate 30.06.2014	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 § 23 (8) in conjunction with § 45 (4) BWG, 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. Subordinated 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 Austrian Anadi Bank AG.

There were no new subordinated loans raised in the period from 1 January to 30 June 2014.

The interest expenses for the subordinated capital amount to TEUR 409.

8. Equity

The issued share capital of Austrian Anadi Bank AG as at the balance sheet date amounts to TEUR 30,000 (31.12.2013: TEUR 30,000) and is divided into 30,000 (31.12.2013: 30,000) non-par bearer shares. Austrian Anadi Bank AG is wholly-owned (100%) by Anadi Financial Holdings Pte. Ltd., which is based in Singapore. Anadi Financial Holdings Pte. Ltd. is a company of the British-Indian business-man Dr. Sanjeev Kanoria.

9. Reserves

The changes in untaxed reserves were as follows (TEUR):

Designation	Opening balance 01.01.2014	Disposals	Releases	Closing balance 30.06.2014
Valuation reserves resulting from special depreciation allowances	153	0	21	132
Valuation reserves as def. in § 8 EStG on land and buildings, plant and equipment	0	0	0	0
Valuation reserves as def. in § 12 EStG on land and buildings	0	0	0	0
Total untaxed reserves	153	0	21	132

The development of capital and revenue reserves, and of the liability reserves, was as follows (TEUR):

Designation	Opening balance 01.01.2014	Additions	Disposals	Allocations	Releases	Closing balance 30.06.2014
Capital reserves	82,332	0	0	0	0	82,332
Revenue reserves	429	0	0	1,312	0	1,741
Liability reserves	36,996	0	0	0	0	36,996

The allocation to the revenue reserves was made out of the previous year's net profit, based on a resolution adopted during the general meeting of shareholders held on 29 April 2014.

D. OFF-BALANCE-SHEET ITEMS

1. Derivative financial instruments

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

Futures transactions	Nominal value Purchase contracts 30.06.2014 (TEUR)	31.12.2013 (TEUR)	Nominal value Sales contracts 30.06.2014 (TEUR)	31.12.2013 (TEUR)
a) Interest rate-related business				
OTC products				
Interest swaps/Interest rate contracts	1,934,404	2,209,027	1,934,404	2,209,027
b) Currency-related business				0
OTC products				
Currency swaps (CCY swap)	7,223	6,910	7,153	7,153
Cross-currency swaps	88,552	103,847	88,746	104,414
Forward exchange contracts	160,041	90,799	159,956	90,759
Currency swaptions	1,439	0	1,576	0

Futures transactions	Fair value positive 30.06.2014 (TEUR)	31.12.2013 (TEUR)	Fair value negative 30.06.2014 (TEUR)	31.12.2013 (TEUR)
a) Interest rate-related business				
OTC products				
Interest swaps/Interest rate contracts	173,575	150,343	114,537	97,859
b) Currency-related business				
OTC products				
Currency swaps (CCY swap)	536	166	0	0
Cross-currency swaps	178	755	370	1.328
Forward exchange contracts	607	522	520	483
Currency swaptions	1	0	1	0

The majority of transactions are used to hedge against fluctuations in interest rates, exchange rates or market prices, as well as customer-oriented derivative items. Micro hedges are used selectively to directly hedge individual transactions on both the assets and liabilities sides of the balance sheet. In the period from 1 January to 30 June 2014, some hedging relationships were terminated early; the net positive result, including the underlying transactions, came to TEUR 3,866 (31.12.2013: TEUR 2,313).

2. Other off-balance-sheet information

	30.06.2014 (TEUR)	31.12.2013 (TEUR)
Contingent liabilities	136,973	144,403
Guarantees and other collateral securities	136,666	143,443
Letters of credit	307	960

Loan exposures comprise unused credit lines totalling TEUR 165,679 (31.12.2013: TEUR 158,483).

Liabilities from fiduciary activities amounted to TEUR 54,293 (31.12.2013: TEUR 60,289) in the year under review. Fiduciary activities mainly comprise transmitted loans refinanced by Oesterreichische Kontrollbank and Hypo Alpe-Adria-Bank International AG.

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

Obligations arising in connection with the use of fixed assets (leasing obligations) not included in the balance sheet of Austrian Anadi Bank AG amount to TEUR 449 for the year under review (31.12.2013: TEUR 968), TEUR 909 in 2014 and TEUR 4,421 in total for the years 2014 to 2019.

In the 2011 financial year, Austrian Anadi Bank AG (previously Hypo Alpe-Adria-Bank AG) was restructured by means of a demerger of those segments that did not belong to its core business (assets and liabilities) and their acquisition by Hypo Alpe-Adria-Bank International AG pursuant to the provisions of the Austrian Demerger Act (SpaltG) utilising the exemptions from taxes and duties accorded under the Austrian Reorganisation Tax Act (UmgrStG) retroactively with effect from the reference date of 31.12.2011, midnight. Due to the joint and several liability prescribed by SpaltG, Austrian Anadi Bank AG is liable for all liabilities it incurred prior to entry of the demerger in the Commercial Register on 05.09.2012 and which were transferred to Hypo Alpe-Adria-Bank International AG, up to the amount of the net assets assigned to Austrian Anadi Bank AG in the context of the demerger.

As a member of the Mortgage Bond Division of the Austrian State Mortgage Banks (Pfandbriefstelle), Austrian Anadi Bank AG is, in accordance with § 2 (1) of the Austrian Pfandbriefstelle Act (PfBrStG), jointly liable with the other member institutions for all the Pfandbriefstelle's liabilities. This liability applies equally for all other member institutions and their legal successors as listed in § 1 (2) of the articles of association for the Pfandbriefstelle. For liabilities of the Pfandbriefstelle which arose before 2 April 2003 or after 2 April 2003 with a term not beyond 30 September 2017, the guarantors of the member institutions (in each case the federal state of the member in question) are, according to § 2 (2) of the PfBrStG, equally jointly liable. In the audit report for the Pfandbriefstelle setting out the legal obligations on liabilities, the value of the liabilities to be covered by the guarantors was put at around EUR 6.2 billion as of the reporting date 31.12.2013 (31.12.2012: EUR 7.6 billion). This equates to almost the entire sum of the Pfandbriefstelle's liabilities as at 31.12.2013. After taking account of the funds taken up by the Pfandbriefstelle and forwarded to Austrian Anadi Bank AG, in the amount of EUR 0.49 billion (31.12.2012: EUR 0.72 billion), the resulting amount which must be reported in accordance with § 237 (8a) UGB comes to EUR 5.7 billion (31.12.2012: EUR 6.9 billion). As at 30.06.2012, no audit report for the Pfandbriefstelle setting out the legal obligations on liabilities is available. For this reason, the figures stated herein correspond to those of 31.12.2013.

E. NOTES TO THE INCOME STATEMENT

Details on the items in the income statement are provided in the interim management report.

F. SUPPLEMENTARY INFORMATION

1) Taxes on income

Pursuant to § 237 (6) UGB, the taxes on income reduce the result from ordinary activities by TEUR 500 (2013: TEUR 1,825).

The balance of untaxed reserves (after movements) has had the effect of increasing profits for the purposes of tax assessment by TEUR 21 in the year under review (31.12.2013: TEUR 41).

2) Trustee savings accounts

The item liabilities to customers includes trustee savings accounts with a value of TEUR 1,643 (31.12.2013: TEUR 1,775).

3) Balance sheet items denominated in foreign currency:

The balance sheet contains the following foreign currency amounts:

	30.06.2014 (TEUR)	31.12.2013 (TEUR)
Assets	344,341	348,927
Liabilities	330,903	316,184

The greater part of the TEUR 13,438 (31.12.2013: TEUR 32,744) difference is hedged with currency swap agreements.

4) Mortgage bond activities

Mortgage bond activities pursuant to the Austrian Mortgage Bond Act (PfandBG) were as follows:

	Debt securities in issue		Covering loans		Surplus/shortfall in cover	
	30.06.2014 (TEUR)	31.12.2013 (TEUR)	30.06.2014 (TEUR)	31.12.2013 (TEUR)	30.06.2014 (TEUR)	31.12.2013 (TEUR)
Mortgage bonds	25,938	22,767	410,633	375,305	384,696	352,538
Public sector mortgage bonds	733,291	793,643	948,688	1,058,233	215,397	265,590

In accordance with § 64 (1) (8) BWG, securities classified as current assets with a value of TEUR 365,814 (31.12.2013: TEUR 360,381) and loans in the amount of TEUR 288,531 (31.12.2013: TEUR 233,275) were pledged as collateral for liabilities to credit institutions amounting to TEUR 130,000 (31.12.2013: TEUR 150.000) as well as for liabilities to customers of TEUR 1,482 (31.12.2013: TEUR 1,581).

Securities classified as current assets with a value of TEUR 18,597 (31.12.2013: TEUR 18,614) were deposited with various clearing houses as collateral for trading activities.

In accordance with § 45 (2) BWG, subordinated loans and advances with a value of TEUR 0 (31.12.2013: TEUR 0) are included in the balance sheet item loans and advances to customers; and with a value of TEUR 0 (31.12.2013: TEUR 0) in the item bonds and other fixed-income securities.

The amount for deferred tax assets not shown in the balance sheet is TEUR 1,415 (31.12.2013: TEUR 2,303).

5) Guarantee of the federal state of Carinthia

The statutory guarantee of the federal state of Carinthia for all commitments of Austrian Anadi Bank AG (and others) is a default guarantee pursuant to § 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 in the Carinthian State Holding Law (K-LHG). A guarantee commission agreement between the federal state of Carinthia and Austrian Anadi Bank AG (previously Hypo Alpe-Adria-Bank AG) provided for a guarantee commission of 1 per mille p.a. of the amount guaranteed to be paid.

Availing itself of the contractually agreed right to termination, notice was given by Austrian Anadi Bank AG (previously Hypo Alpe-Adria-Bank AG) to terminate the guarantee commission agreement as at 31 December 2011, whereby the contractual obligation to pay guarantee commission ceased to apply. Irrespective of the termination of this contractual guarantee commission agreement, the statutory guarantee provided under § 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 Austrian Anadi Bank AG.

As at 30 June 2014, the federal state of Carinthia must extend guarantees for fixed-term and non-fixed-term commitments from Austrian Anadi Bank AG with a total value of TEUR 666,719 (31.12.2013: TEUR 687,164).

6) Employees

The average number of employees for the purposes of § 239 UGB breaks down as follows:

	30.06.2014	31.12.2013
Salaried employees	377.74	386.36
Hourly-paid	0	0

As at the reporting date, Austrian Anadi Bank AG does not show any shares in affiliated companies in its balance sheet and therefore does not prepare consolidated financial statements. Pursuant to § 30 (9a) BWG, a regulatory consolidation takes place, with the scope of consolidation comprising Austrian Anadi Bank AG and its parent company, Anadi Financial Holdings Pte. Ltd. in Singapore.

Klagenfurt am Wörthersee, 04.08.2014

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, dated 4 August 2014

THE MANAGEMENT BOARD:

Dr. Martin Czurda
(signed)

Mag. Friedrich Racher
(signed)

Gerhard Salzer
(signed)

Mag. Peter Lazar
(signed)

PUBLISHING INFORMATION

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Satz: Frischzellen

Forward-looking statements and forecasts are based on information and data available at the time of finalising the half-yearly financial statements (4 August 2014). Changes after this data may influence the facts and forecasts given in the Annual Report. The information presented in this report and the data contained therein has been complied and checked with the greatest possible degree of care and circumspection. However, errors arising from rounding, transmission, typesetting or printing cannot be ruled out.

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