Austrian Anadi Bank

...your bank since 1896

STRONG ROOTS. STRONG PARTNERSHIP.

ANNUAL REPORT 2014

KEY DATA

in EUR m	2014	2013
Total assets	3,207	3,242
Primary funds (customer deposits, own funds)	2,494	2,587
Customer Assets	2,537	2,619
Own capital funds	170	173
of which Tier I	152	155
Total assets	41	36
Primary funds (customer deposits, own funds)	61	60
Customer Assets	50	52
Own capital funds	10	8
of which Tier I	2	8
Cost: Income ratio	83.24%	86.70%
Return on equity (RoE)*	0.41%	3.41%
Return on assets (RoA)*	0.02%	0.16%
Total number of employees	439	430

*RoE and RoA corrected for extraordinary income in 2013

AUSTRIAN ANADI BANK AG
ANNUAL REPORT 2014

MANAGEMENT REPORT 2014
TABLE OF CONTENTS

MANAGEMENT REPORT 2014

1. GENERAL ECONOMIC ENVIRONMENT

There was little positive movement in the macroeconomic environment across the Eurozone in 2014. According to the European Commission's forecast, the GDP of the Euro area grew at a lower rate than the expected 0,8%. The weak investment performance, the prevailing high economic and political uncertainty, in particular in connection with South East and Eastern Europe, together with Corporate sector deleveraging in some Euro areas, are mentioned as contributory factors. According to the European Commission's forecast, 2015 growth should however be slightly improved.

The economic growth in Austria was disappointing in the year 2014. Austrian exporters were affected by the overall weak demand from European trading partners. According to Austrian National Bank (ÖNB), domestic economic performance slowed to 0.0% in the fourth quarter of 2014. The results of the January 2015 ÖNB economic indicator signal an increase to 0.7% for 2015. During the first quarter of 2015 the economy has seen a slight increase to 0.2% due to very low crude oil prices and the weaker Euro rate which are supporting manufacturing and exports (Quarterly growth rates refer to the change from the previous quarter).

2. OVERVIEW OF AUSTRIAN ANADI BANK AG

2.1. Positioning of the bank

For Austrian Anadi Bank AG the year 2014 was marked by the rebranding process, which was completed in the summer and generated a significant increase in confidence, with increasing customer numbers, stabilised deposits and higher volumes in the lending businesses.

The positive commitment of the new owner Dr. Sanjeev Kanoria to the historic regional strengths of the bank as a partner of public institutions, medium-sized Carinthian corporate and private clients, with special emphasis in the housing finance, was notable. Commitment also expressed by the Government of Carinthia to the continuation of the long years of close cooperation in areas such as housing loans is an endorsement of our partner relationship and forms the basis for the further development of business.

In addition to the bank's core business, 2014 was also marked for Austrian Anadi Bank AG by the gradual regional expansion in Austria, as well as for the development of the International and Direct & Mobile Banking businesses. The repositioning of the Salzburg branch with an „Anadi Lounge" for business and private customers, the preparations for the opening of a branch in Graz in the first quarter of 2015 and the strengthening of staffing levels and reorganisation of the Vienna retail branch, broadened Austrian Anadi Bank AG beyond the borders of Carinthia towards new market opportunities, which will be further developed in 2015.

In line with our positioning as a regionally based bank with an international orientation, the foundations of the new International Business were set in 2014 with the development of personnel and products focussing on trade finance between Austrian and Central European on the one hand, and Indian companies on the other. This was supported through the help of the business network of our Indian owner.

In the autumn of 2014, the Austrian Anadi Bank AG website was relaunched, with new functionality for both retail and business customers, and this marked a further step in the development of „direct banking". A unique, customer-friendly „Mobile Banking" app was also added to the functionality.

Overall despite the difficult environment, Austrian Anadi Bank AG achieved an increased operating result with increased business development over the previous year. 2014 was marked by cost management, a cautious policy approach to lending risk, competitive deposit rates, together with successful new products and increased market confidence. For 2015, the outlook, despite difficult external factors such as sustained low interest rates and continued economic uncertainties at national and European levels, remains cautiously optimistic.

The year was however impacted by external events in relation to Heta Asset Resolution AG (Heta) which were announced in March 2015, and which have caused the bank to make a provision for its commitment of liquidity to Pfandbriefstelle in respect of Heta. The impact on the financial performance for 2014 is as follows:

Profit and Loss in TEUR	2014	2013
Operating income	60,634	59,433
Operating expenses	–50,473	–51,589
Operating result	10,161	7,844
Provision for joint and several liability	–15,690	0
Other value adjustment	7,831	594
Profit on ordinary activities	2,302	8,438

This analysis shows that the Heta moratorium and its consequences have had a negative impact on the profit on ordinary activities.

This matter is expanded further in section 3.3 of this Management Report, and in Note 7 to the Financial Statements.

In addition, as part of the bank's liquidity and capital management response to the Heta event, the bank has reclassified EUR 55m of prime rated securities from Fixed Asset to Current Asset status. This change caused the recognition of EUR 7.8m in the profit or loss on ordinary activities noted above.

2.2. Retail Banking

2014 was marked in Retail Banking by the renaming of the bank as Austrian Anadi Bank AG and was extremely well received by customers. As a result, important indicators for the bank have seen encouraging development, including a „turnaround" in customer numbers, which in the second half of 2014 saw a resurgence to over 50,000 customers. Particularly successful lending business, which has almost double the performance of the previous year with a volume of new loans of c.EUR 125m. The traditional focus of the lending business, housing finance, continued in 2014 and accounted for 85% of new loans, reflecting the continued strong market position of Austrian Anadi Bank AG in this area.

In 2014 significant cooperation through our external partners was expanded, with special attention paid to the further increase of the quality of advice. The quality training program which was created to this purpose („Golden Wulfenia" - with particular focus on quality distribution services) was very well attended by our partners and will continue in 2015. 2014 also saw much stronger performance from the insurance business through well-known and reputable external partners.

The expansion of our services also featured the branch network. For this purpose, „Future Dialogue" was implemented within an IT-supported tailored modular framework, where demand-driven customer solutions are developed. On the product side the „Carinthia account" was further developed, which features the „Kärnten Card" with free admission to more than 100 destinations. This very highly regarded regionally focussed innovation has been expanded in late 2014 to the „Topskipass Account" to place Austrian Anadi Bank AG in the special position as the „Carinthian family and winter sports bank".

The leading market position of the bank in the area of „Doctors and Professions" was underlined by a reorganisation and expansion of the competence centre in the main Domgasse branch, Klagenfurt.

With regard to customer deposits, new and innovative savings products have enjoyed strong customer demand such as the „Adabei savings account" or the „win-win combination", a combination product of Savings and Home Savings bonus account. The long-standing tradition of Art Mortgage Bond was continued in 2014 with the support of an etching by the Carinthian artist Johann Julius Taupe.

An important stage in the expansion of electronic banking was performed through the visual and functional redesign of the Austrian Anadi Bank AG website including the launch of a mobile banking app and testing cash withdrawal by mobile phone on Anadi ATMs, without the need for a card.

2015 continues the expansion of the branch network with a promotion of the Retail business in the Vienna branch and the opening of a branch in Graz in February 2015. Our marketing drive will continue to focus on housing finance, supplemented by consumer and investment loans, together with the Securities and Pension product lines. The continuation of the holistic, high-quality advice to private clients in the context of Future Dialogue, the further reduction of processing time and the expansion of electronic and direct banking, alongside the traditional branch network, shape the strategic direction of the current year. In this context, among other things, the introduction of an online savings account is planned for mid-2015.

2.3. Corporate Banking

A customer needs orientation with the aim of customer and employee satisfaction and loyalty, are at the heart of the corporate strategy of the Austrian Anadi Bank AG.

The corporate banking business saw a significant increase in demand for credit in the second half of 2014. Overall new business loans of EUR 117m represents an increase of c. 300% on 2013.

The solid performance based on a strong marketing strategy, was supported by the development of a needs-based approach to customer dialogue. The focus is on the „Business Dialogue", a semi-automated consulting method, which provides a comprehensive survey of the current business situation and future business objectives, and on the basis of the resultant perceived needs, tailor-made solutions are offered to make customers more successful.

The market focus of the business was on medium-sized domestic businesses, with a dominant position in the brown-field Real Estate Financing segment, with approximately 50% share. Within this segment 80% is accounted for by housing and 20% with commercial real estate financing. Other target industries include manufacturing, including exports, together with healthcare and tourism.

The positive result of risk provisions in Corporate Banking highlights the well selected portfolio and confirms the bank's strategy to focus on growth with low risk potential.

In regional terms, Corporate Banking has started from the strong Carinthian foundation in its domestic market, and increasingly taken steps to expand into other regions. The Salzburg branch opened its newly designed „Anadi Lounge" in Autumn 2014, providing counselling for real estate investors and corporate clients.

The foundation in Carinthia, coupled with focussed growth in Vienna, Salzburg and Styria continues in 2015 with among other things the opening of a new branch in Graz. On the product side a further focus in 2015 will be on working capital and investment financing. Target customers are also export-oriented industrial companies, and the next advisory services event will be an „export breakfast", offered in cooperation with the Austrian Control Bank and the Export Funds. In addition, the range of advisory services will be extended to occupational pension schemes

2.4. Public Finance

Austrian Anadi Bank AG is one of the few banks in Austria with a separate division for the care of its public customers. With an asset size of c.EUR 1.2bn, Public Finance is the largest business area within Austrian Anadi Bank AG.

In times when other banks have withdrawn from the public domain, taking care of this sector remains a stable pillar in the strategy of Austrian Anadi Bank AG. The bank has been a partner of Carinthia for the province's housing subsidiary since 1956, and the bank has worked closely with the Province in other financial sectors and maintains relationships with, for example, nearly all 132 communities in Carinthia.

Despite the very low interest rate environment, Public Finance once again achieved a very good financial result in 2014 and its role as a stabilising factor of the bank continued. The strategy of the previous year with an emphasis on consulting services (Public Finance staff as experts for public customers), investments, debt management and cash management was successfully continued in 2014.

As part of the bank's focus on Corporate Social Responsibility, special attention is paid to social projects in the field of public finance, which are carried out jointly with the public sector and associations. In 2014 the project „Used Computers for Schools" and events such as "Lebenshilfe Kärnten" („Values Day") received a very positive response.

In 2015, Public Finance will continue to be a strong and competent partner to its customers in the financing, as well as in the investment field. A focus will be placed on the financing of innovative products for public infrastructure in 2015 (eg LED lighting). At the same time, the focus will be on the continuation of the market penetration in other federal countries – especially Styria and Salzburg.

Through the longstanding expertise in the finance sector a high level of security for investments are available for the bank's public sector customers – classical and modern, and consistently low-risk and transparent products.

2.5. International

In the first half of 2014, the organisational and personnel requirements to build the international business were established in Vienna. At the product level business activity focuses largely on classic trade finance, treasury products and consulting services.

2.6. Treasury and Securities Services

The rebranding associated with the change in ownership, accomplished in mid 2014 set the course for a successful expansion and deepening of relationships with other banks. The increase in brand recognition and the bank's position as a stable and reliable partner were clear in 2014. To support the new activities in the field of International Business, relations with institutions in the UK and India were established or expanded. In addition, the bank has concluded framework agreements and developed targeted investor relations activities, supported by comprehensive and transparent information to our business partners.

As a contribution to support the profitability of the bank, a more active treasury strategy was created. Here, to a limited extent, and in consideration of the risk and overall business strategy, the bank has undertaken investment activities.

In regulatory terms, the adjustments of the control activities under the new regulatory requirements of Basel III were successfully implemented.

The Treasury business also led in the area of own issues, where the focus of activities was mortgage bonds and bonds for its own customers, and selective private placements were also offered on the market.

In the Treasury Sales team, the focus was on the implementation of new products for the protection of import and export business of our customers.

3. BUSINESS DEVELOPMENT IN AUSTRIAN ANADI BANK AG

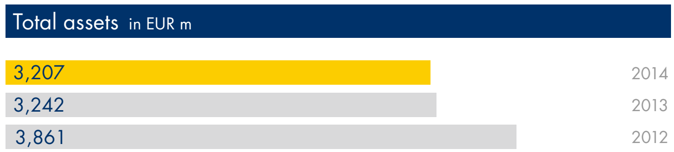
For Austrian Anadi Bank AG, 2014 was defined by the rebranding process which was introduced following the change in ownership in late 2013, which included a clear commitment to the historic strength of the bank – founded in 1896 as Kärntner Landeshypothekenanstalt – as a partner of public institutions, 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, 2014 was also important for the establishment of an additional area of business: the provision of financing and consultancy services for international business between Austrian/European and Indian companies.

Even though the interest rates across Europe have remained persistently low, with the consequential impact on margins, the bank has been able to achieve a positive result with stable business development in 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. 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 previously existed. The bank has continued to pursue its partnership with strong financial service providers in the area of marketing. In the retail sector, the bank has been able to consolidate its position and acquire new customers with new, innovative and competitively priced products complementing the focus on high levels of customer service.

The operating result of the bank has improved to EUR 10.2m (2013: EUR 7.8m) despite the external economic environment. Operating Income has increased, Operating Expenses have reduced and Provisions from the ongoing business have remained at similar levels to 2013. Taken together with the Value Adjustment on the reclassification of investments as Available for Sale (EUR 7.8m) and the exceptional Value Adjustment for Heta of EUR 15.7m, Profit Before Tax is EUR 2.3m (2013: EUR 8.1m). Given the transition that the bank is making under new ownership to embrace new markets whilst maintaining its strength and presence in domestic markets, and despite the issues presented by the Heta issues, this represents a satisfying performance.

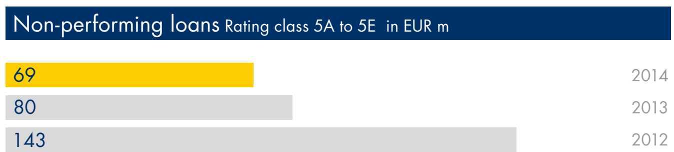
3.1. Balance sheet development

At 31.12.2014 Austrian Anadi Bank AG has total assets of EUR 3,207m (31.12.2013: EUR 3,242m) and represents a stable balance sheet position.



Loans and Advances to Customers declined marginally in 2014 to EUR 2,537m (2013: EUR 2,619m) as customers continued to make scheduled repayments, largely offset by new lending which continued to strengthen throughout the year, benefiting from the rebranding of the bank. The combined assets invested in money markets as Debt Securities, Treasury Bills and other similar securities together with Loans and Advances to Credit Institutions increased only marginally to EUR 603m (2013: EUR 555m) and together with the movement in Loans and Advances to Customers, broadly accounts for the minimal change in the balance sheet. 2014 has been a year of stability and consolidation as the bank has emerged from its previous ownership structure, to its new independent status in the Austrian banking market.

The asset quality in 2014 remains at a level consistent with the previous year, with total risk provisions of EUR 45.5m (2013: EUR 48.7m) representing 1.8% (2013: 1.8%) of total Loans and Advances to Customers. In particular, non-performing loans continued at a low level. This continues to represent around 2% of exposure, as in 2013, and is a measure of the lower credit risk of the bank's assets.



On the liability side of the balance sheet, customer deposits have remained broadly stable at EUR 1,159m (2013: EUR 1,188m), with early 2014 planned reductions being reversed slightly since the rebranding in the summer of 2014 (30 June 2014: EUR 1,156m).

Customer deposits, together with the bank's own issued Debt Securities of EUR 2,493m (2013: EUR 2,588m), comprise the bank's primary funds. On a combined basis, the balance of primary funds at 31 December 2014 was EUR 2,493m (2013: EUR 2,588m), which demonstrates stability of funding at 98.3% of Loans and Advances to Customers (2013: 98.7%).

The customer deposits noted above, comprise Savings Deposits of EUR 515m (2013: EUR 581m) and Demand and Term Deposits of EUR 644m (2013: EUR 606m). The movement in these amounts reflects to some degree the switching of customer deposits from

Balance sheet structure

ASSETS in EUR m	31.12.2014	31.12.2013	31.12.2012
Loans and advances to credit institutions	144	91	500
Loans and advances to customers	2,537	2,619	2,867
Fixed-income securities, shares and investment certificates	459	465	412
Investments in associated companies	3	4	4
Other assets	64	63	78
Total Assets	3,207	3,242	3,861

LIABILITIES in EUR m	31.12.2014	31.12.2013	31.12.2012
Liabilities to credit institutions	480	426	412
Liabilities to customers	1,159	1,188	1,575
Debt securities in issue	1,334	1,400	1,600
Primary funds	*2,493*	*2,588*	*3,175*
Subordinated capital	18	18	18
Own capital	152	150	150
Other liabilities incl net profit for the year	64	60	106
Total liabilities	3,207	3,242	3,861

Savings accounts to Demand and Term deposits, together with some reduction in balances in the first half of 2014 as customers responded to continuing negative reporting in connection with the former parent company. As noted earlier the position has in fact improved in the second half of 2014 with an increase in customer deposits.

Debt Securities issued by the bank reduced by EUR 65m in 2014 as securities matured. However this was partly offset by new issues of EUR 35.1m during the year (2013: EUR 85m).

3.2. Own capital funds

Total own capital funds (Common Equity Tier 1 Capital and Tier 2 Capital, less deductions), as defined by CRR, were EUR 160m as at 31 December 2014 (2013: EUR 160m). The legal minimum requirement stood at EUR 104m, and so indicates a surplus of EUR 56m (2013: EUR 60m) and a coverage of 153% (2013: 160%).

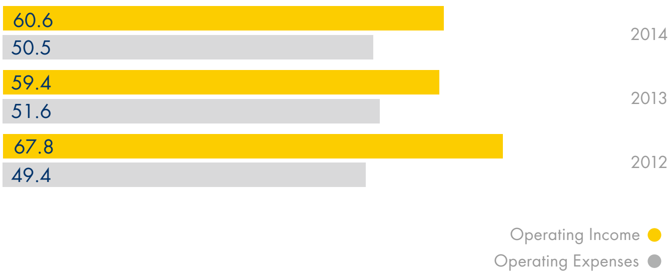
At 31 December 2014, the Common Equity Tier 1 ratio in accordance with CRR/CRD requirements was 11.51% and the Total Capital Ratio of the bank was 12.26%. Comparable ratios for CET 1 in 2013 are not available, since these were prepared under the Basel II methodology. Both Capital ratios remain significantly in excess of the legally required minimum capital levels of 4% and 8% respectively.

3.3. Financial Performance 2014

During 2014 the bank has maintained stable profitability despite the continuing external low interest rate environment. Margins of 1.28% (being the ratio of Net Interest Income to total average balance sheet assets) compares favourably to 2013 (1.01%), with Net Interest Income of EUR 41.1m (2013: 35.8m). When adjusted for swap close outs during the year, Net Interest Income were EUR 35.0 million (2013: EUR 33.5 million). Whilst Commission Receivable also strengthened to EUR 18.1m in 2014 (2013: EUR 17.9m), higher levels of Commission Payable (EUR 2.5m compared to EUR 1.9m in 2013) and lower levels of Income from Securities and Participating Interests (EUR 1.0m compared to EUR 3.0m in 2013) resulted in Operating Income being only marginally improved at EUR 60.6m (2013: EUR 59.4m).

Operating Expenses have reduced in 2014 to EUR 50.5m (2013: 51.6m) and reflects the general tight control over costs within the bank. Inflationary cost increases have been countered by firm cost management. Average Staffing levels have been tightened, and now stand at 379 (2013: 384).
The Operating Result which reflects the improvement in Operating Income and the reduction in Operating Expenses, is a satisfying result for 2014 of EUR 10.2m (2013: EUR 7.8m).

Operating Income and Expenses in EUR m



Value Adjustments, re-adjustments and provisions in respect of loans and advances, contingent liabilities, commitments, transferrable securities (held as financial fixed assets) and participating interests and shares in affiliated undertakings, when taken together, represent a negative contribution to losses of EUR 7.9m (2013: EUR 0.6m), resulting in Profit or Loss on Ordinary Activities for 2014 of EUR 2.3m (2013: EUR 8.4m).

In early 2015, the Financial Markets Authority (FMA) issued a moratorium on the payments against the liabilities of Heta Asset Resolution AG according to the BaSAG (the Austrian law for restructuring and wind down of banking institutions). Due to the preparation of a wind down plan (corresponding to BaSAG) FMA imposed a moratorium on payments against the liabilities of Heta which will last until 31 May 2016.

Austrian Anadi Bank AG is a member of the Pfandbriefstelle along with eight other institutions, including Heta. The Pfandbriefstelle banks have issued debt securities (guaranteed by the Provincial Governments of their respective Provinces of Austria) to the financial markets through Pfandbriefbank, a credit institution that exclusively issues debt securities as trustee for the account of other credit institutions. In accordance with the Pfandbriefstelle-Act and Art 92 of the Austrian Banking Act the member institutions of Pfandbriefstelle and their respective liable public authorities (their Guarantors) are jointly and severally liable for all obligations of Pfandbriefbank (Österreich) AG.

Heta has a wide range of Debt Securities in issue, EUR 1,2bn of which were issued through the Pfandbriefbank. As these fall due, the impact of the Moratorium is that Heta will not honour these commitments. The member institutions of Pfandbriefstelle, in conjunction with the relevant Austrian Provinces, are jointly and severally liable for all obligations of Pfandbriefbank, and so have committed to step in to honour the Pfandbriefbank debt maturity obligations of Heta.

Based on 1/16th share of these obligations (Pfandbriefstelle entities plus their Provincial Governments), Austrian Anadi Bank AG has commited to make available EUR 77m (1/16th of EUR 1.238bn). As a consequence of the information that has emerged since 01.03.2015, it is determined that a provision of EUR 15.7m is required against the future committed funding.

Profit and Loss	2014	2013
Operating income	60,634	59,433
Operating expenses	–50,473	–51,589
Operating result	10,161	7,844
Pfandbriefbank provision	–15,690	0
Other value adjustment	7,831	594
Profit on ordinary activities	2,302	8,438

The impact of the Pfandbriefbank provision, was caused entirely from events outside the control of the bank.

3.4. Key profit indicators

The cost / income ratio, which represents the ratio of Operating Expenses to Operating Income, was 83.2% (2013: 86.7%). This represents an improvement in operating efficiency, but still reflects the impact of a reduced balance sheet size on the underlying infrastructure. This will improve as the balance sheet grows and as cost improvement initiatives are implemented.

The Return on Equity (ROE) after tax is 0.41% for 2014 (2013: 3.41%), and the Return on Assets (ROA) is 0.02 % (2013: 0.16 %).

4. ANALYSIS OF NON-FINANCIAL KEY PERFORMANCE INDICATORS

4.1. Employees

As at 31 December 2014, Austrian Anadi Bank AG employed 439 staff at 15 locations throughout Austria, which is a slight increase compared to 31 December 2013 (430 people). The bank offers its employees a wide variety of part-time working models and at 31 December 2014, 110 employees took advantage of this opportunity, resulting in a workforce of 398 FTEs. More than half of employees are women (228 employees as at 31.12.2014).

For more than 25 years, Austrian Anadi Bank AG has successfully trained apprentices. The strategy in apprentice training was continued in 2014. As at 31 December 2014, Austrian Anadi Bank AG employed 20 apprentices in various teaching models including both high school day release as well as traditional banking training.

Austrian Anadi Bank AG acknowledges the ongoing training of employees as an overarching priority, with a motivating work environment and health promotion. To promote the professional and personal development of employees, a number of technical and management training, together with sales and product training and internal training events are offered. Through this diverse range of training opportunities the bank ensures that employees are appropriately trained and also that the attractiveness of Austrian Anadi Bank AG as an employer is enhanced.

In the Retail, Public Finance and Corporate businesses, training updates have been carried out throughout the year. These updates are one explanation for the high quality of education and expertise of the bank's employees.

In the field of Investments, investment advisory was trained in depth and as in previous years there were also numerous product training programmes, Training is completed in line with current regulatory and legal requirements.

During 2014 there were approximately 235 events with more than 1,300 training days, representing an investment of EUR 0,3m.

4.2. Customers

For its 50,000 customers Austrian Anadi Bank AG represents a strong and reliable partner in all financial matters with a needs-based advice and support approach over many years. As part of this approach the bank takes into account the wishes and needs of each individual customer and offers the appropriate solution from our standard product range for each customer. At Austrian Anadi Bank AG, supported by customer account managers and service staff, there exists a consistent and intensive customer relationship focus, supported by various customer events, collaborations and charitable projects.

In addition, the bank not only offers customers its own know-how, but the bank is always happy to invite external experts and professionals on specific topics to share their knowledge with the bank and our customers. In 2014 several subject-specific events were held, such as the "export breakfasts", organised by Austrian Anadi Bank AG, and the bank organised the Symposium „Carinthia meets India" for the first time, which attracted over 120 national and international enthusiasts to Wörthersee in the autumn. National and international figures from business, culture and tourism - among them the Indian Ambassador to Austria and world-renowned Film Director Gurinder Chadha, were able to make an international contribution.

4.3. The environment and social responsibility

Founded in 2012, the in-house working group ‚Green Bank' works to manage resources sustainably and to preserve the environment. Examples of this are the purchase of eco-friendly E-bikes for city centre travel between offices, the further reduction of the company car pool and the consideration of environmental impact in maintenance and cleaning.

Providing quick and efficient help, as well as demonstrating social responsibility, is a clear mandate for Austrian Anadi Bank AG. In this context, through an organised event, used-computers were sought for schools and the bank also worked with "Lebenshilfe Kärnten" („Values Day") and undertook joint activities with clients and customers. As part of „show responsibility" - an initiative between the economy, society and social organisations - before Christmas eight employees of Austrian Anadi Bank AG committed their support for a day of dementia care at Klagenfurt Hospital.

As part of the continuing sponsorship in the field of culture, in 2014 the cooperation with the Central Carinthian Music Festival „Trigonale" continued. In sports sponsorship the bank continues to support the multiple European and World Champion in Paratriathlon, Christian Troger.

4.4. Research and development

By dint of its sector, Austrian Anadi Bank AG does not conduct any research and development activities.

5. RISK MANAGEMENT

Central risk management tasks are carried out within Austrian Anadi Bank AG by the Credit Risk Management division (operational risk management) and the Risk Controlling department (strategic risk management) under the responsibility of the Chief Risk Officer (CRO).

5.1. Risk strategy, risk controlling and risk monitoring

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 depositors and investors.

The following central principles apply to the overall bank management process:

- Clearly defined processes and organisational structures are in place for all risk types, according to which all tasks, competencies and responsibilities of participants are aligned.
- Front and back office as well as trading and settlement/monitoring units are functionally separated to prevent conflicts of interest, pursuant to the Minimum Standards for the Credit Business (MsK) and the Austrian Banking Act (BWG).
- The bank determines and implements appropriate, mutually compatible procedures for the purpose of identifying, measuring, controlling, monitoring and limiting the different risk types.
- Appropriate limits are set and effectively monitored for material risk types.

5.2. Risk management organisation

Ensuring adequate risk management and control structures and processes is the responsibility of the CRO, who is a member of the bank's Management Board. In view of the minimum standards imposed on the lending business and appropriate levels of internal control, the CRO acts independently of the market and trading units.

The core tasks of risk management are the management of counterparty risks; the restructuring of problem loans; monitoring the credit-granting process; as well as risk control and the monitoring of counterparty, market, liquidity and operational risks at portfolio level. The CRO is also responsible for monitoring risk-bearing capacity and directing the risk capital which is required from an economic point of view. Within the Management Board, the Chief Financial Officer is responsible for monitoring compliance with regulatory capital adequacy requirements under Pillar 1.

5.3. Measures to improve risk management

Basel III – liquidity risk and liquidity risk management

To ensure liquidity on an ongoing basis, Austrian Anadi Bank AG holds cash reserves consisting of freely disposable short term cash investments with Austrian National Bank (ÖNB). In addition, Austrian Anadi Bank AG holds "liquidity portfolios" of highly liquid, central bank eligible securities which can be sold at short notice or used as refinancing collateral for monetary policy transactions with the central bank.

The new liquidity-related requirements contained in Basel III have been implemented. The first reports of the figures for Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Asset Encumbrance took place in 2014 in accordance with regulatory requirements. Furthermore, work continued on the implementation of the already existing requirements for liquidity reporting and monitoring tools.

European Market Infrastructure Regulation (EMIR)

In order to comply with the requirements of EMIR, a project has been set up within Austrian Anadi Bank AG to support the introduction of EMIR, dealing with the following aspects in particular, which are components of EMIR:

- Central Counterparty Clearing (CCP) of standardised OTC derivative contracts through two clearing brokers at the London Clearing House (LCH)
- Implementation of the "Markit Wire" electronic trading platform (contract platform – electronic confirmation)
- Timely reporting of all traded OTC and ETD derivative contracts (clearable/non-clearable (bilateral)) to a transaction register or to the competent supervisory authority

The daily notification of all derivatives to the transaction register has been operational since February 2014. From August, the notification of collateral and valuation updates has been in place. Work continues with ongoing changes in accordance with the requirements.

Development of new rating models

In 2014 a rating tool for the evaluation of commodity finance was developed. A new development is also the rating tool for the financing of commercial real estate, which will become operational in the 1st quarter 2015. Both rating modules have been implemented in the existing web application.

Revisions to risk rules
As part of the ongoing review, which takes place on at least an annual basis, several revisions of rules for both operational and strategic risk management have been made due to external and internal factors.

All regulations were revised last year due to the change in legal situation caused by the change of ownership and the new branding, except those rules and regulations which had already been covered by larger projects.

Funds Transfer Pricing revisions
In 2014 the FTP concept, which is an important calculation and control instrument within the bank, was revised. In particular, the existing internal and external requirements have been reviewed and amended, and new legal requirements have been integrated.

New types of risk in credit risk measurement.
Integration of CVA risk in the RBC: For OTC derivatives, the risk of credit valuation adjustment is calculated by the standard method according to CRR and reflected in the risk-bearing capacity assessment.

Integration of FX-induced credit risk in the RBC: FX-induced credit risk has been identified as a key risk and is taken into account as a separate line item in the risk-bearing capacity assessment. This type of risk is caused by FX changes which impact the exposure at default (EAD) and consequently, the calculated unexpected loss.

Adjustment of credit risk parameters: A fundamental adjustment of the methodology and the input parameters was carried out in credit risk measurement in recognition of regulatory and economic requirements.

Development of a new PD/LGD database
The construction of the technical infrastructure to support the validation of the rating systems and possible self-estimation of LGD parameters (ie commercial or private property) has been implemented within a project with external input.

Concept Development Bank Stress Testing
Due to changes in respect of new regulatory requirements, more total bank stress scenarios were established within a project using external support. These stress tests were divided into different streams within the project:

- ICAAP stress test
- Reverse stress test
- Macroeconomic stress tests
- BIRG/BaSAG stress test

After completion of the design phase new models and bases of calculation were integrated in the systems environment of Austrian Anadi Bank AG. This is intended to ensure that for 2015 the operational implementation of appropriate stress scenarios is incorporated in overall bank management.

Internal Control System (ICS)
Within the framework of the carve out, Austrian Anadi Bank AG adopted ICS rules from its previous parent, however, a project with the aim of establishing the foundations for a new design of ICS in Austrian Anadi Bank AG was established in 2014. This project should on the one hand develop a new ICS approach, adapted to the stand-alone needs of Austrian Anadi Bank AG, and on the other hand, improve the bank's ICS. This project is the first step in the ICS framework with a focus on value-added and business support processes within the businesses
- Corporate
- Retail
- Treasury Business

and should be complemented by further projects for the reporting and management units.

Because the focus in this first project is on establishing appropriate risk control matrices including definition, in particular, of control points, the ICS will subsequently be used to landscape Austrian Anadi Bank AG on an ongoing basis.

Implementation of settlement limits - credit risk
In the second half of 2014 the implementation of settlement limits was completed, enabling bilateral FX netting with other banks. These limits are monitored daily by Risk Controlling.

Operational Risk optimisation
Special attention was given in 2014 to raising awareness for all employees in relation to operational risk. The focus was also on optimisation measures (ie efficiency and quality improvements) in relation to the collection of internal loss data. This is recorded in key performance indicators (KPIs) in monthly reporting.

5.4. Reporting
Timely, independent and risk-adequate reporting for decision makers is ensured for all risk types – requests for ad hoc reports are honoured at all times.

In 2014, risk reports were adapted to the bank's new circumstances and requirements. Regular credit risk reporting is carried out on a monthly basis. There is standardised reporting of liquidity risk on a weekly and monthly basis.

In stress cases the reporting frequency can be increased if required. Market risk reports are compiled on a daily basis.

5.5. Capital management

As part of the overall management of risk, the bank's capital management is based on a multi-dimensional planning process, which consolidates strategic, risk-oriented and regulatory aspects as part of a long-term operational plan.

Regulatory capital adequacy

Capital resource planning is the starting point for the allocation of regulatory capital. Capital resources are composed of the available capital, which is made up of Tier 1 and Tier 2 capital.

Capital resource planning is mainly based on an internal target for the Tier 1 ratio (ratio of Tier 1 capital to risk positions) and an internally set target ratio for the overall capital ratio (ratio of total capital resources to risk positions) for the bank.

Economic capital (risk-bearing capacity)

In addition to ensuring regulatory capital requirements are met, securing the bank's ability to bear economic risks also forms a central part of controlling activities. To this end, Austrian Anadi Bank AG has an institutionalised internal process as regards risk-bearing capacity (ICAAP, or "Internal Capital Adequacy Assessment Process").

In the course of managing risks associated with economic capital, the risk profile of the bank is monitored by means of risk-bearing capacity reporting and any necessary control measures are implemented where required.

The types of risk relevant to determining the risk capital requirements include credit, country, concentration, FX-induced, CVA charge/counterparty risk, market risk, liquidity and operational risks. The primary method used to determine the amount of the risk capital requirement depending on the type of risk, is the value at risk methodology (VaR methodology).

In the course of managing risks associated with economic capital, the bank monitors its risk profile and ensures adequate risk-bearing capacity by comparing its risk coverage potential and the capital available for risk coverage with the risk capital requirement. The upper limit for loss, and thus the available risk capital, is determined from the sum of the capital elements.

5.6. Credit risk

In terms of scale, credit risks constitute the most significant risks for the bank. They mainly arise from the lending business. If lending counterparties do not meet their obligations, losses result from the amount of non-received benefits less utilised securities.

General requirements

The credit policy, as part of the risk strategy, provides firm specifications for the organisational structure of the bank in the lending business, as well as for risk control methods, and is supplemented by further policies, specific directives and risk manuals.

In line with delegated authority levels defined by the Management and Supervisory Boards, credit decisions are made by the Supervisory Board and Management Board, as well as by key staff in the front office and the Risk Management analysis units for standard, mass-market credit applications. The Credit Committee is a permanent institution of the bank and the highest body for making credit decisions, at the same level as the Management Board.

Risk measurement

Austrian Anadi Bank AG utilises various rating methods for the individual analysis and assessment of its borrowers' creditworthiness. The allocation of debtors to rating classes is based on the default probability on a 25-level master rating scale, subdivided into 20 "performing" classes and 5 default classes

The responsibility for checking the completeness and the quality of the ratings lies with the back office and with the front office for standard, mass-market applications (4-eyes principle). Risk Controlling regularly checks the quality of the ratings at portfolio level and reports on them monthly to the Management Board.

Risk limitation

The control of total commitments with an individual client or a group of affiliated clients is carried out by the respective customer segment or business area. Limits are set for banking divisions and countries and monitored independently by Risk Controlling.

Another important instrument in limiting risk is the collection and crediting of generally accepted collateral. The valuation is processed in line with the collateral policy, which defines in particular the valuation procedures as well as valuation discounts and frequencies of individual collateral types. Framework contracts for netting out mutual risks (close-out netting) are generally concluded for trading transactions involving derivatives.

The stipulations for the evaluation and processing of collateral are also governed by the collateral policy. This also contains a description of the collateral normally accepted by the bank. The main types of collateral include mortgages (approx. 60% of the collateral portfolio), pledges, assignments and guarantees.
In addition, efficient recovery and realisation management and restructuring management in the bank leads to further risk reduction.

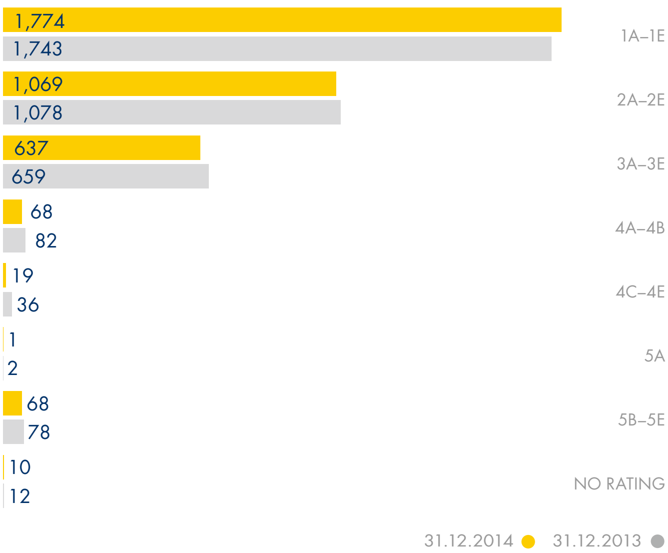
Distribution of exposure

In the year under review, the bank's exposure was reduced by EUR 44m or 1.19%, due to downsizing following the change of owner. In total, there are free lines of credit and loans available totalling some EUR 231.5m.

- Exposure by rating class

Around 78% of the exposure is categorised as rating classes 1A to 2E. This relates in the main to loans and advances to credit institutions and public institutions.

Exposure by rating class in EUR m



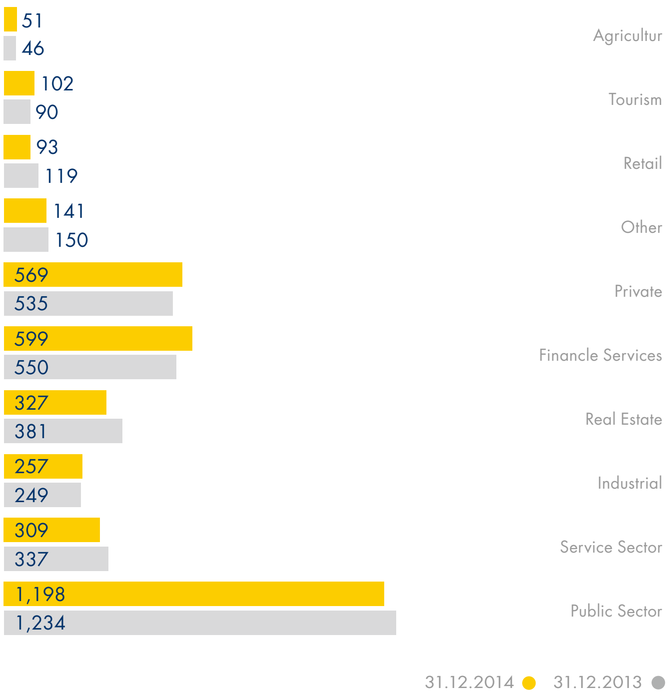
The non-performing portfolio (rating classes 5A to 5E) comprises 1.9% of the total EAD. After taking into account recoverable collateral in the amount of EUR 18m, an exposure of EUR 51m remains. This is covered with risk provisioning in the amount of EUR 38.0m.

- Exposure by industry sector

The financial management and strategic orientation are based on sector exposures (see below), among other considerations.

The lower-risk industry groups, credit institutions and the public sector, account for 49.3%. The well-diversified retail/private sector comprises 15.6%.

Exposure by industry sector in EUR m



- Exposure by loan size

Some 51% of exposure lies in the area < EUR 10m. A majority of the EUR 1,777m exposure in the area > EUR 10m is attributable to banks and the public sector.

Loan size	31.12.2014	31.12.2013
< 10,000	29	66
10,000–20,000	19	31
20,000–50,000	42	72
50,000–100,000	74	125
100,000–250,000	328	352
250,000–500,000	208	236
500,000–1,000,000	146	263
1,000,000–3,500,000	397	620
3,500,000–10,000,000	626	674
10,000,000–50,000,000	703	495
50,000,000–100,000,000	210	246
> 100,000,000	864	510
Total	3,646	3,690

5.7. Country risk
Country risk is the risk that a business partner in a given country, or the country itself, fails to meet its obligations on time, because of governmental directives or economic/political problems, or does not meet them at all.

For example, country risks may arise from possible deterioration of national economic conditions, political or social collapse, the nationalisation or expropriation of assets, non-recognition of cross-border liabilities on the part of the government, exchange controls, payment or delivery prohibitions, moratoria, embargos, wars, revolutions or coups in the respective countries.

Country risk is limited by setting limits, which Risk Controlling monitors on a monthly basis. Any breaches of country limit utilisation are reported directly to the Management Board. Ad hoc reports are also prepared as required.

5.8. Concentration risk
Concentration risks within a portfolio are the result of an unequal distribution of loan receivables against individual borrowers and/or groups of borrowers. This also includes concentrations of loan receivables in individual industry sectors, geographic areas and concentrations resulting from an unequal distribution of guarantors.

Accordingly, concentration risks are analysed in the context of risk-bearing capacity, measured, managed and limited by the bank. Other concentration risks are monitored and subjected to thorough analysis such as concentration risks in industrial sectors, geographic concentrations plus concentrations of guarantors.

5.9. Market risk
Market risks consist of potential losses arising from a change in market prices. Austrian Anadi Bank AG classifies market risks according to the risk factors in changes to interest rates, credit spread, currency, volatility and share price risks, as well as risks associated with Alternative Investments. At Austrian Anadi Bank AG, particular attention is paid to identifying, measuring, analysing, limiting and managing market risk. The organisational department Risk Controlling is responsible for all market risks.

General requirements
The bank develops its market risk strategy on the basis of strategy discussions with the relevant control units.

Risk controlling and monitoring
All market risks are monitored centrally by Risk Controlling, which is unconnected to trading functions. The control of interest rate risk is carried out on an institutionalised basis in compliance with the regulatory requirements related to interest rate risk statistics. The Asset and Liability Committee, which consists of the bank's Management Board as well as key staff in Treasury & Markets, Risk Controlling, Financial Controlling and Accounting, meets on a regular basis to analyse and decide on measures related to balance sheet structure and liquidity control.

Overview – market risk
Interest rate risk: The interest rate risk (excluding non-interest bearing items; including interest rate risk in the trading book) of the bank stood at EUR 302,800 per day at year end 2014, at a confidence interval of 99%. It consists of the VaR for the banking book in the amount of EUR 297,300 and the VaR for the trading book in the amount of EUR 5,500.

The methodology of the interest risk calculation is oriented to the specifications of the Austrian National Bank (ÖNB) regarding the calculation of interest risk statistics.

The regulatory limit of 20% was not even close to being reached or exceeded at any point in the year. Utilisation as at 31.12.2014 stood at 1.95%.

The main instruments used to control the interest rate gap are derivatives on a micro hedge basis, which establish a hedging relationship for both assets and liabilities, thereby mitigating interest rate risk.

Foreign currency risk: The data for determining the VaR for the foreign currency risk of Austrian Anadi Bank AG is based on the number of FX positions reported by the data centre, and contains operational business activity. The management of FX risk is the responsibility of the Treasury & Markets division. The foreign currency risk at Austrian Anadi Bank AG can be classified as not significant, since open positions are managed on a daily basis and positions arising from non-trading business are closed immediately. The VaR for the foreign currency risk was approximately EUR 8,000 per day as at 31.12.2014, at a confidence interval of 99%.

Credit spread risk: the credit spread risk within the bank stood at approx. EUR 128,600 at year end 2014 with a 1-day VaR at risk and 99% confidence level. The key influencing factor in this regard is the liquidity reserve in the form of securities. Consequently, there is very limited scope for reducing risk from these positions.

Equity price risk: Austrian Anadi Bank AG's share portfolio consists exclusively of investment fund assets, which are held for resale to customers and can be considered insignificant. The VaR for equity risk at 31.12.2014 with a confidence interval of 99% is approximately EUR 5,300 per day.

5.10. Liquidity risk

Liquidity risk is defined as the risk of not being able to meet due payment obligations in full or on time, or in the event of a liquidity crisis, only being able to procure refinancing at increased market rates or only being able to sell assets at a discount to market prices.

General requirements

The strategic principles of handling liquidity risks are defined in the Risk Strategy and the Liquidity Risk Strategy. The overriding objective of liquidity risk management and controlling is to ensure that the bank maintains its capacity to make payments and undertake refinancing activities at any time. The requirements and organisational conditions for the management and control of liquidity risks are governed by a liquidity manual.

Liquidity risk control is the responsibility of the Risk Controlling department. It is here that risk measurement and mitigation as well as timely and consistent reporting are carried out.

The bank has in place contingency liquidity planning which has been set out in writing within the Liquidity Risk Strategy. It sets out the processes and controls or hedging instruments which are required to avert imminent crises or tackle acute crises. In the event of a liquidity crisis, the top priorities of the bank are to rigorously maintain the ability to pay and to prevent damage to the bank's reputation.

Risk measurement

The main methodological tool for measuring, analysing, monitoring, limiting and reporting on liquidity risk is the liquidity overview (funding matrix). It is used to compare liquidity gaps resulting from deterministic and modelled future payment flows and the realisable liquidity coverage potential in strictly defined maturity bands.

The liquidity potential quantifies the capacity of the bank, in amounts and dates, to procure liquid funds at the earliest possible opportunity and at favourable terms and conditions. It highlights options regarding the coverage of liquidity gaps, and hence all liquidity risks related to payment flows. The most important components of liquidity coverage potential are as follows:

- Free access to central bank and interbank funds
- Access to further central bank eligible securities
- Issue potential in the cover register

In addition to the normal scenario, other scenario analyses are conducted under stress conditions, such as name crises (rating deterioration, reputation risks) as well as market crises (restrictive funding options on capital markets, increased cash flow outflow), and supplement the risk measurement spectrum.

On the basis of the liquidity overviews, key indicators are determined for the different scenarios, which allow a compact assessment of the liquidity situation. For the purpose of evaluating the liquidity situation, the "liquidity ratio" (minimum liquidity position) and "survival period" (maximum liquid time horizon) indicators are calculated for up to one year, although utilisation over the first 4 weeks is taken to be particularly important.

Besides structural control, care is also taken to ensure that general regulatory requirements are adhered to, which means meeting the minimum reserve as well as 1st and 2nd grade liquidity reserves. The new liquidity ratios under Basel III (LCR and NSFR) are also taken into account in the management systems. The LCR for Austrian Anadi Bank AG at 31.12.2104, in compliance with the gradually increasing Autumn 2015 minimum requirements, was 113%.

Limits for short-term liquidity as well as for the limitation of long-term structural liquidity have been defined and are monitored constantly.

5.11. Operational risk

Austrian Anadi Bank AG defines operational risk as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems or external events outside the sphere of influence of the bank. Legal risk is also included in this definition.

General requirements

The management of operational risks in Austrian Anadi Bank AG uses a decentralised organisation structure, in addition to the traditional overall coordination and monitoring function; responsibility for the shaping of the framework; the elaboration and further development of methodology, measurement techniques; and independent reporting, which the Risk Controlling department is responsible for. However, operational risk management is the responsibility of line management of each organisational unit, supported by the decentralised operational risk officer (DORO) in each area. This is particularly focussed on the identification of operational risks, their documentation, and in the context of risk management, on the definition and implementation of appropriate measures for reducing and preventing such risks.

Risk measurement

Operational risks are measured primarily on the basis of own historical loss data collection and the results of the risk evaluation in the context of scenario analysis. The individual events are structured, with a corresponding systematic breakdown by organisational unit, business and event type in a central database. Further risk identification uses predefined scenarios which amongst other things were developed on the basis of historical loss data, and outline possible future risk potential with severe consequences, and are analysed and evaluated annually as part of expert interviews.

The basic indicator approach is applied for the calculation of the own funds requirements under Pillar I and also the risk-bearing capacity under Pillar II. The risk is thus reflected in the resulting capital adequacy requirements.

Risk limitation

Identified operational risks are subjected to an event related root-cause analysis, and appropriate risk management steps are taken. In addition to the risk reduction activities for individual cases, special focus is placed on the definition and implementation of preventive measures and strategies to minimise the risk of future loss.

In addition, under the risk-bearing capacity calculations for operational risks, capital is allocated and a corresponding limit is defined, which is subject to ongoing monitoring.

6. INTERNAL CONTROL SYSTEM (ICS)

Austrian Anadi Bank AG has an ICS for accounting procedures, in which suitable structures and procedures are defined and implemented.

Austrian Anadi Bank AG's internal control system is based on the COSO (Committee of the Sponsoring Organisations of the Treadway Commission) framework, although the Management Board has independently determined the scope and direction of the ICS on the basis of the specific requirements of the organisation.
The ICS, as part of the bank's risk management system, has the following general objectives:

- Safeguarding and implementing the business and risk strategies as well as company policies
- Effective and efficient use of all the organisation's resources in order to achieve targeted commercial success
- Ensuring reliable financial reporting
- Supporting adherence to all the relevant laws, rules and regulations

The Management Board of Austrian Anadi Bank AG is responsible for the implementation and monitoring of the ICS in relation to accounting procedures for the financial statements, and is responsible for the correct and timely execution of the accounting processes and systems. The internal control system itself is not static and is constantly adjusted to reflect the changing operating environment. In this respect, the ongoing evaluation of risk estimates and monitoring the effectiveness of control instruments is a key component. The Management Board uses the Internal Audit function and the Compliance department to assist it in monitoring compliance. Internal Audit checks the effectiveness of the internal control system and the reliability of the accounting function as part of its regular auditing activity.

The effectiveness of the internal control system is monitored by the Audit Committee or the Supervisory Board of Austrian Anadi Bank AG in accordance with the stipulations of the Austrian Stock Corporation Act.

The basis for applying the internal control system does however rely on the integrity and ethical behaviour of the employees first and foremost. The need for the Management Board and management staff to act as role models in this respect is well known and is taken seriously.

It is important to note that, regardless of its form, an internal control system does not deliver absolute certainty that material misstatements in the financial reporting will be avoided or uncovered.

6.1. ICS-related activities in 2014

Last year, it was assessed that ICS rules and the associated process maps for Austrian Anadi Bank AG, which were established during the carve out from its previous parent company, were inadequate. To meet the needs of Austrian Anadi Bank AG as a stand-alone institute, a project was set up as a basis for the redesign of the ICS.

As part of this project, the complete process map for Austrian Anadi Bank AG has been restructured and the process directory accordingly restructured, supplemented and adapted to current developments.

However, the focus in this project are the Value Adding Processes (VAP) in the retail, corporate and treasury businesses. Those business segments associated with VAP on the Key Process Definition (KP) were mapped out and updated both in terms of process mapping and process description, or were newly made where required.

For those KP, the risk control matrix is re-created, by which the relevant ICS control points are determined and the corresponding ICS controls are defined.

The definition of an operating ICS is the responsibility of the individuals for each VAP segments Corporate, Retail and Treasury that were nominated as part of this project.

6.2. ICS Risk Outlook

In 2015, this first project will be completed, and by follow-up projects, the management and reporting processes of the control units will be added to the risk control matrices, including defined control points. This should be available by the end of 2015, and will create the basis for the new ICS, and then the development of an appropriate methodology for control efficiency measurement can begin. At the same time, a link between the ICS results and the operational risk loss database will be established.

7. EVENTS AFTER THE BALANCE SHEET DATE

On 15 January 2015, the Swiss National Bank lifted its minimum exchange rate of CHF 1.20 per EUR, causing a significant fall in the EUR/CHF exchange rate. As a consequence of the changes in the EUR/CHF exchange rate, the current portfolio of CHF denominated customer loans has increased by approx. 5% to EUR 310m. Any impact on credit risk is assessed in the normal course of ongoing risk management, and any provisions are raised if necessary.

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 31 December 2014.

8. OUTLOOK

After a relatively encouraging first three quarters, the final months of 2014 have seen the pace of recovery slow and a renewed debate about the Eurozone's long-term future. However, 2015 should see support from the effect of a weakening Euro, easing fiscal austerity and more certainty in the banking sector. A weaker Euro should help Austria's export sector to recover in 2015, with business investment following suit and consumer spending growth should be underpinned by low inflation and falling global energy prices.

The bank will continue to develop its presence in international markets, whilst in parallel it will maintain its presence and strength of relationships with customers in its domestic markets. In international markets, the cooperation agreement with India's leading infrastructure financing company, SREI Financial Ltd enhances the bank's profile and broadens its capability and customer reach.

In domestic markets, the bank has implemented significant improvements to its mobile and internet banking capability which is creating a strong platform for success in Retail and Corporate markets in particular.

The focus on product innovation, high quality service and competitive pricing continues to underpin the business. The Public Finance business continues in its preeminent position in the markets in which it operates.

The bank sees significant value in an appropriate balance between selective opportunities in international markets and the underlying strength and stability of domestic markets.

Klagenfurt am Wörthersee, dated 13.05.2015

THE MANAGEMENT BOARD

VDir. Dr. Martin Czurda   VDir. Gerhard Salzer   VDir. Mag. Werner Grillitsch

FINANCIAL STATEMENTS 2014
TABLE OF CONTENTS

FINANCIAL STATEMENTS 2014

BALANCE SHEET

			31.12.2014 EUR	31.12.2013 TEUR
ASSETS				
1.	Cash in hand, balances with central banks and post office banks		26,799,554.80	27,697
2.	Treasury bills and other bills eligible for refinancing with central banks:			
	a) treasury bills and similar securities		219,604,717.48	207,154
3.	Loans and advances to credit institutions:			
	a) repayable on demand	52,810,666.44		89,945
	b) other loans and advances	91,557,519.97		829
			144,368,186.41	90,774
4.	Loans and advances to customers		2,537,123,356.49	2,618,538
5.	Debt securities including fixed-income securities			
	issued by other borrowers	239,217,732.74		257,203
	showing separately:		239,217,732.74	257,203
	own debt securities EUR 92,425,892.46			
	(previous year TEUR 99,205)			
6.	Shares and other variable-yield securities		1,040,106.74	379
7.	Participating interests		3,135,961.57	4,136
	showing separately:			
	participating interests in credit institutions EUR 2,905,887.30			
	(previous year: TEUR 2,906)			
8.	Intangible fixed assets		804,479.40	734
9.	Tangible assets		4,828,449.29	4,843
	showing separately:			
	land and buildings occupied by a credit institution for its own activities EUR 2,287,523.22 (previous year TEUR 2,371)			
10.	Other assets		30,060,000.09	30,152
11.	Prepayments and accrued income		454,913.84	560
Total Assets			3,207,437,458.85	3,242,170
1.	Foreign assets		436,707,765.74	415,607

			31.12.2014 EUR	31.12.2013 TEUR
EQUITY AND LIABILITIES				
1.	Liabilities to credit institutions			
	a) repayable on demand	26,836,755.09		78,623
	b) with agreed maturity dates or period of notice	452,858,588.00		348.123
			479,695,343.09	426,746
2.	Liabilities to customers (non-banks)			
	a) saving deposits	515,144,663.35		581,369
	showing separately:			
	aa) repayable on demand EUR 38,843,321.59 (Previous year: TEUR 62,577)			
	bb) with agreed maturity dates or period of notice EUR 476,301,341.76 (previous year TEUR 518,792)			
	b) Other Liabilities	644,126,074.73		606,537
	showing separately:		1,159,270,738.08	1,187,906
	aa) repayable on demand EUR 543,412,264.65 (previous year: TEUR 463,803)			
	bb) with agreed maturity dates or periods of notice EUR 100,713,810.08 (previous year TEUR 142,734)			
3.	Securitised liabilities			
	debt securities issued		1,334,245,110.78	1,399,442
4.	Other liabilities		20,001,883.31	24,158
5.	Accruals and deferred income		379,601.40	244
6.	Provisions			
	a) provision for severance payments	8,859,341.00		8,439
	b) provisions for pensions	6,700,295.00		6,081
	c) provisions for taxation	1,590,000.00		2,552
	d) other provisions	26,728,113.05		13,758
			43,877,749.05	30,830
7.	Tier 2 capital pursuant to Part Two, Title I, Chapter 4 of Regulation (EU) No 575/2013		18,121,600.00	18,122
8.	Subscribed capital		30,000,000.00	30,000
9.	Capital reserves			
	a) committed	82,008,562.42		
	b) uncommitted	323,552.95		
			82,332,115.37	82,332
10.	Retained earnings			
	other reserves	1,740,614.43		429
			1,740,614.43	429
11.	Liability reserve pursuant to Article 57 para. 5 BWG		36,995,640.00	36,996
12.	Net profit or loss for the year		665,544.34	4,812
13.	Untaxed reserves - valuation reserve due to special depreciation		111,519.00	153
Total Liabilities			3,207,437,458.85	3,242,170

		31.12.2014 EUR	31.12.2013 TEUR
OFF BALANCE SHEET ITEMS: EQUITY AND LIABILITIES			
1.	Contingent liabilities showing separately:		
	b) Guarantees and asset pledged as collateral security	125,679,697.74	144,403
2.	Commitments	225,939,651.00	158,483
3.	Commitments arising from agency services	52,279,490.28	60,289
4.	„Eligible capital in accordance with Part Two of Regulation (EU) No 575/2013, of which Tier	160,007,402.67	159,954
	capital pursuant to Part Two, Title I, Chapter 4 of Regulation (EU) No 575/2013	9,754,789.27	10,800
5.	Own funds requirements as defined in Article 92 of Regulation (EU) no 575/2013,	1,304,941,861.26	1,248,975
	*of which own funds requirements pursuant to Article 92 (1) a to c of Regulation (EU) No 575/2013		
	a) Common Equity Tier 1 Capital ratio	11.51%	n. A.
	b) Tier 1 capital ratio	11.51%	n. A.
	c) Total capital ratio	12.26%	n. A.
6.	Foreign liabilities	318,257,830.54	299,729

*The comparative figures of the previous year based on the provisions of the BWG (Banking Act) which were effective at the end of 2013.

PROFIT AND LOSS ACCOUNT

		2014 EUR	2013 TEUR
1. Interest receivable and similar income showing separately: from fixed-income securities EUR 12,113,463.48 (previous year TEUR 15,666)		152,259,239.23	139,009
2. Interest payable and similar expenses		(111,129,061.97)	(103,232)
I. Net Interest Income		41,130,177.26	35,777
3. Income from securities and participating interests			
a) income from shares and other variable-yield securities	3,814.64		2,848
b) income from participating interests	1,036,309.81		36
c) income from shares in affiliated undertakings	0.00		76
		1,040,124.45	2,960
4. Commissions receivable		18,040,067.78	17,896
5. Commissions payable		(2,461,790.00)	(1,892)
6. Net profit or net loss on financial operations		956,827.45	440
7. Other operating income		1,928,197.01	4,252
II. Operating Income		60,633,603.95	59,433

			2014 EUR	2013 TEUR
8. General administrative expenses				
a) staff costs				
aa) wages and salaries	(24,630,515.86)			(24,967)
bb) expenses for statutory social contributions and compulsory contributions related to wages and salaries	(6,449,143.43)			(6,558)
cc) other social expenses	(398,209.28)			(499)
dd) expenses for pensions and assistance	(1,069,937.93)			(1,332)
ee) allocation to provision for pensions	(619,032.00)			(1,224)
ff) expenses for severance payments and contributions to severance and retirement funds	(1,441,403.80)			(1,201)
		(34,608,242.30)		(35,781)
b) Other administrative expenses		(14,202,335.90)		(13,747)
			(48,810,578.20)	(49,528)
9. Value adjustments in respect of asset items 9 and 10			(1,219,195.94)	(1,108)
10. Other operating expenses			(443,196.32)	(953)
III. Operating Expenses			(50,472,970.46)	(51,589)
IV. Operating Result			10,160,633.49	7,844
11./12. Value adjustments and re-adjustments in respect of loan and advances and provisions for contingent liabilities and for commitments			(7,909,265.87)	958
13./14. Value adjustments and re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings			50,820.00	(364)
V. PROFIT OR LOSS ON ORDINARY ACTIVITIES			2,302,187.62	8,438
15. Extraordinary expenses			0.00	(300)
16. Extraordinary result			0.00	(300)
17. Tax on profit or loss			262,373.03	(1,695)
18. Other taxes not reported under item 17			(1,940,542.31)	(1,671)
VI. Profit for the year after tax			624,018.34	4,772
19. Changes in reserves			(1,270,572.53)	40
VII. Net income for the year			(646,554.19)	4,812
20. Profit brought forward			1,312,098.53	0
VIII. Net profit for the year			665,544.34	4,812

NOTES TO THE FINANCIAL STATEMENTS FOR THE 2014 FINANCIAL YEAR

BASIC ACCOUNTING PRINCIPLES

The separate 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) as amended.

The financial statements consist of the balance sheet, the income statement and the notes. In addition, a management report has been prepared which is consistent with the financial statements.

The balance sheet and income statement are presented in the form prescribed in Annex 2 to § 43 BWG. The option accorded under § 53 (3) and § 54 (2) of the BWG to combine certain items in the income statement has been exercised.

ACCOUNTING AND MEASUREMENT POLICIES

The separate 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.

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.

Assets and liabilities in foreign currencies are translated using mean rates of exchange on the balance sheet date. Forward transactions are translated at the applicable forward rate.

Loans and advances to credit institutions and customers are generally included at their nominal value. Premiums and discounts are recognised under accrued assets and liabilities and amortised over the life of the security. Credit risks have been accounted for by specific and portfolio-based risk provisions for loans and advances and for off balance sheet commitments. Risk provisions for individual transactions are created where there is an objective indication of credit risk, taking into account the amount of the expected loss. The size of the specific risk provision is calculated on the basis of the difference between the carrying amount of the loan and the net present value of the estimated future cash flows, taking into account the collateral provided. The calculation of portfolio-based risk provisions is derived essentially from the Basel III model, although internal parameters are also applied. General risk provisions as defined in § 57 (1) BWG are not created.

Securities earmarked for permanent use in the context of the bank's business operations are shown on the balance sheet as financial assets in accordance with § 56 (1) BWG and valued according to the lower of cost or market value. The option accorded under § 56 (2) and (3) BWG (distribution of the difference between acquisition and repayment costs over the remaining term) was not exercised. Impairment write-downs of financial assets are made where the loss in value is expected to be permanent. The bank checks as appropriate – and at least once a year – whether a permanent impairment has arisen in the financial assets. Where a permanent deterioration of the creditworthiness of an issuer has been identified, an extraordinary impairment write-down is made.

All other securities (liquidity reserves) form part of current assets and, to the extent that they are stock exchange listed securities, they are shown at market value in accordance with § 56 (5) BWG. Unlisted securities are valued strictly at the lower of cost or market value.

Repurchased liabilities are allocated to current assets. Own issues such as these are measured at cost of acquisition, with any difference between a higher repurchase value and the repayment amount being immediately recognised in the income statement. If there is a difference as a result of the repurchase value being lower than the repayment amount, this is only recognised in the income statement upon redemption.

Securities forming part of the trading book are included at market value as at the balance sheet date. As a general rule, market values of financial instruments to be included in the financial statements are based on stock market prices. Where no stock market price is available, the future cash flows of the financial instrument are discounted to the present value using the applicable interest rate. The calculation applies standard investment mathematical procedures.

Investments in associated companies and shares in affiliated companies are recognised at the cost of acquisition, provided that there is no permanent impairment that would require a write-down

Intangible assets, together with tangible assets (land and buildings, fixtures, fittings and equipment) are recognised at acquisition or construction cost, less scheduled depreciation and amortisation and, where necessary, less write-downs for impairment. Scheduled depreciation and amortisation is applied on a straight-line basis. Annual rates of depreciation and amortisation for immovable assets are between 2 and 10 per cent; for movable assets they range from 4 to 33 per cent; and for software they are 25 per cent. Low-value items for which the cost of acquisition is less than EUR 400.00 are written off immediately in the year of acquisition.

Liabilities are shown either at original nominal values or at the amounts repayable. Any issue costs such as premiums and discounts are written off over the life of the underlying debt and shown in net interest income. Other issue costs are shown immediately as an expense.

Provisions for pensions were calculated actuarially using the projected unit credit method in accordance with the provisions of IAS 19. The calculation used an interest rate of 1.60 per cent (31.12.2013: 3.25 per cent) and an annual pension increase of 1.7 per cent (31.12.2013: 2 per cent).

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. The calculation used an interest rate of 1.60 per cent (31.12.2013: 3.25 per cent) and assumed salary increase rate of 1.7 per cent p.a. (31.12.2013: 3 per cent), taking into account a deduction of 0 per cent (31.12.2013: 0 per cent) to reflect employee turnover. The provision was calculated assuming retirement at the earliest statutory pensionable age according to the General Social Insurance Act (ASVG, 2004 Pension Reform).

The allocation to the provision for unused holidays was based on the actual unused leave days per employee as at 31.12.2014.

Other provisions are based on the amounts expected to be required, taking into account all liabilities for which exact amounts have not yet been determined.

Derivative financial transactions (forward transactions, swaps, options) are allocated either to the hedging book or to the trading book, depending on their purpose. Derivatives with a negative market value which are not being used to hedge an underlying transaction and anticipated losses for not entirely effective hedges are treated as provisions. Paid for and received option premiums are disclosed under other assets and other liabilities respectively. Option pricing models based on generalised Black-Scholes models or Hull-White models, drawing on current market parameters, are used to measure options and financial instruments with similar characteristics.

For Overnight Indexed Swaps (OIS) discounting the following calculations are used:

- For collateralised derivatives, the OIS curve of the relevant currency is used to discount cash flows.
- For non-collateralised derivatives and for all underlying transactions, the standard interest rate curve of the relevant currency is used to discount cash flows.
- Forward interest rates are always calculated from the relevant maturity curve.

In the financial year the calculation of the portfolio risk provision (PRP) benefitted from improvements to the source data to support PD (Probability of Default) and LGD (Loss Given Default) assessments which are used in the PRP calculations. This constitutes a methodology change to improve the data quality.

No other changes were made by accounting and assessment methods in the financial year.

NOTES TO THE BALANCE SHEET

1. Relations with affiliated and associated companies

The following balance sheet items include loans and advances and liabilities in respect of affiliated or associated companies:

	31.12.2014	31.12.2013
P2. Liabilities to customers	0.00	6,645,000.00
of which to affiliated companies	0.00	0.00
of which to associated companies	0.00	6,645,000.00

2. Maturities of balance sheet items

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

	31.12.2014	31.12.2013
A3. Loans and advances to credit institutions	144,368,186.41	90,773,780.17
- payable on demand	52,810,666.44	89,944,524.85
- up to three months	81,557,519.97	3,191.50
- three months to one year	10,000,000.00	826,063.82
- one year to five years	0.00	0.00
- over five years	0.00	0.00
A4. Loans and advances to customers	2,537,123,356.49	2,618,537,772.61
- payable on demand	53,447,449.01	72,630,183.79
- up to three months	96,508,266.83	112,689,406.66
- three months to one year	235,149,714.67	259,166,616.69
- one year to five years	811,896,242.66	823,829,180.69
- over five years	1,340,121,683.32	1,350,222,384.78
P1. Liabilities to credit institutions	479,695,343.09	426,745,257.80
- payable on demand	26,836,755.09	78,622,499.81
- up to three months	176,500,000.00	50,000,000.00

	31.12.2014	31.12.2013
- three months to one year	1,073,852.00	8,725,196.88
- one year to five years	275,284,736.00	289,397,561.11
- over five years	0.00	0.00
P2. Liabilities to customers	1,159,270,738.08	1,187,905,789.30
- payable on demand	582,255,586.24	526,379,080.47
- up to three months	101,123,818.38	72,625,770.24
- three months to one year	149,352,576.77	210,611,321.76
- one year to five years	209,109,863.07	264,657,803.51
- over five years	117,428,893.62	113,631,813.32

3. Securities including accrued interest

	30.06.2014 (TEUR)	31.12.2013 (TEUR)
A2.a. Treasury bills and other bills eligible for refinancing with central banks	219,604,717.48	207,154,246.38
of which listed	219,604,717.48	207,154,246.38
of which fixed assets	165,756,512.10	193,753,312.10
of which accrued interest in fixed assets	3,002,734.84	3,139,402.29
of which current assets	49,728,450.00	10,006,942.95
of which accrued interest in current assets	1,117,020.54	254,589.04
A4. Loans and advances to customers	104,977,486.09	110,025,297.41
of which not listed	104,977,486.09	110,025,297.41
of which fixed assets	104,207,079.41	109,191,935.57
of which accrued interest in fixed assets	770,406.68	833,361.84
A5.b. Bonds and other fixed-income securities	239,217,732.74	257,202,479.47
of which listed	146,685,635.85	161,233,968.92
of which not listed	92,532,096.89	95,968,510.55
of which fixed assets	130,704,680.00	150,603,860.00
of which accrued interest in fixed assets	1,651,450.49	2,040,579.89
of which current assets	106,507,602.46	104,193,677.20
of which accrued interest in current assets	353,999.79	364,362.38
A6. Shares and other variable-yield securities	1,040,106.74	379,398.11
of which listed	175,518.13	97,755.69
of which not listed	864,588.61	281,642.42
of which current assets	1,040,106.74	379,398.11
A7. Investments in associated companies	3,135,961.57	4,135,961.57
of which not listed	3,135,961.57	4,135,961.57

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

Country	Nominal value	Carrying amount 31.12.2014	Write-downs until 31.12.2014	Write-ups until 31.12.2014
Germany	9,000,000	9,000,000.00	0.00	408.00
Belgium	11,000,000	11,000,000.00	977,240.00	0.00
Austria	106,000,000	110,921,112.10	1,614,500.00	5,030,450.00
Sweden	0	0.00	7,350.95	0.00
European Union	84,000,000	84,563,850.00	0.00	701,200.00

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

		31.12.2014	31.12.2013
Issued by others (without public authorities)		239,217,732.74	257,202,479.47
	of which:		
	Own issues	92,597,783.12	99,445,319.04
	Domestic bonds (credit institutions)	7,025,145.48	8,988,501.04
	Foreign bonds (credit institutions)	75,706,514.83	81,045,515.63
	Mortgage bonds and municipal bonds	63,888,289.31	67,723,143.76

3.3. Other disclosures relating to securities

The difference between the acquisition cost and the higher market value (§ 56 para. 4 BWG), for trading book securities not held as financial fixed assets which are recognised at their acquisition cost, is EUR 2,589.50 (31.12.2013: EUR 49,839.02).

The difference between the cost and the higher market value (§ 56 para. 5 BWG), for trading book securities not held as financial fixed assets which are stated at their higher market value, is EUR 7,867,716.23 (31.12. 2013: EUR 71,319.99).

Fixed-income securities from the bank's own holdings which will fall due in 2015, amount to EUR 40,888,115.27 (2014: EUR 47,248,779.20) from euro-denominated securities.

Fixed-income securities from private issuers, which were eligible for refinancing by the Austrian National Bank, amounted to EUR 150,940,282.30 (31.12.2013: EUR 157,377,964.46), of which EUR 150,940,282.30 (31.12.2013: EUR 143,354,905.50) were pledged as at the balance sheet date.

Subordinated securities within the meaning of § 45 (2) BWG with a value of EUR 0.00 (31.12.2013: EUR 0.00) were held as at 31.12.2014.

As at 31.12.2014 securities with a carrying amount of EUR 14,975,489.83 (2013: EUR 0.00) were committed as part of a securities repo contract.

In the current year listed securities with a nominal value of EUR 55,000,000.00, which were held as fixed assets, were reclassified as current assets, resulting in a positive valuation effect of EUR 7,817,800.00.

The trading book comprised the following as at 31 December 2014:

	31.12.2014	31.12.2013
Securities (at the market values shown in the balance sheet)	1,017,924.74	357,769.03
Currency forward transactions (nominal value)	8,579,817.98	90,798,786.79
Interest swaps (nominal value) and interest rate contracts	195,950,805.54	239,187,359.28

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

	Carrying amount 31.12.2014	Losses not yet recognised 31.12.2014	Carrying amount 31.12.2013	Losses not yet recognised 31.12.2013
Treasury bills	0.00	0.00	9,996,800.00	-87,800.00
Loans and advances to customer (fixed-income securities)	0.00	0.00	0.00	0.00
Bonds and other fixed-income securities	2,000,000.00	-1,000.00	6,985,560.00	-78,920.00
Investments in associated companies	0.00	0.00	0.00	0.00
Total	2,000,000.00	-1,000.00	16,982,360.00	-166,720.00

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 2015, issued bonds as defined in § 64 (1) (7) BWG with a value of EUR 196,266,799.73 (2014: EUR 51,467,154.85) will become due in Austrian Anadi Bank AG.

4. Tangible and intangible assets

An analysis of individual items and of changes during the financial year is shown in the fixed assets movement schedule (Schedule 2 to the notes). The value of land included in land and buildings as at 31.12.2014 is EUR 706,094.21 (31.12.2013: EUR 706,094.21).

5. Other assets

The breakdown of other assets is as follows:

	31.12.2014	31.12.2013
Other assets	30,060,000.09	30,151,961.91
Interest income	5,302,243.22	6,981,674.19
– of which payable after the balance sheet 31.12.2014	*5,302,243.22*	*6,981,674.19*
Offset claims	597,896.78	843,679.09
Receivables arising from the foreign exchange measurement of banking book derivatives	622,079.15	0.00
Receivables from trading book derivatives	5,827,523.51	6,586,621.41
Deposits	12,460,646.46	12,182,616.33
Other receivables	5,249,610.97	3,557,370.89

6. Other liabilities

The breakdown of other liabilities is as follows:

	31.12.2014	31.12.2013
Other liabilities	20,001,883.31	24,158,720.91
Interest expenses	141,300.22	111,702.25
– of which payable after the balance sheet 31.12.2014	*141,300.22*	*111,702.25*
Clearing account balances	5,304,613.22	6,257,298.80
Fees and levies	5,882,438.50	7,144,360.24
Liabilities arising from the foreign exchange measurement of banking book derivatives	267,370.31	809,423.35
Liabilities from trading book derivatives	5,405,032.51	6,075,953.33
Trade payables	623,551.60	1,473,320.57
Other liabilities	2,377,576.95	2,286,662.37

7. Provisions

The main items included under other provisions are as follows:

	31.12.2014	31.12.2013
Guarantees	1,355,610.84	3,563,141.91
Holidays not taken	1,268,018.63	1,124,441.14
Long-service bonuses	1,212,198.00	1,154,253.00
Association of mortgage banks-§ 1406 ABGB	496,615.97	479,794.75
Legal and consultancy fees	175,000.00	110,750.00
Costs for legal risks	1,407,862.17	1,490,925.17
Restructuring provisions	355,952.78	865,000.00
Negative market values of derivatives in the banking book including trading book CVA	2,016,708.34	1,497,183.42
Provision against Pfandbriefstelle obligations	15,690,000.00	0.00
Miscellaneous provisions	2,750,146.32	3,472,567.13
Total	26,728,113.05	13,758,056.52

Guarantees

The provisions for risks arising from the lending business (guarantees) include both provisions for specific cases amounting to EUR 762,493.84 (31.12.2013: EUR 6,391.91) as well as provisions at portfolio level amounting to EUR 593,117.00 (31.12.2013: EUR 3,556,749.00).

Restructuring provision

In respect of the restructuring provision which was established for the socially responsible reduction of the workforce in 2013, in the financial reporting year EUR 509,047.22 (2013: EUR 2,270,042.41) was utilised.

Costs for legal risks

A provision totalling EUR 1,407,862.17 (31.12.2013: EUR 1,490,925.17) for costs arising from legal risks is available as at 31.12.2014. This sum is intended for use in the event of liability on the grounds of faulty or incorrect advice given to customers, to pay for the resulting legal costs and any compensation payments where these are necessary. In 2014, an amount of EUR 83,063.00 (2013: EUR 786,842.58) was used as planned.

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 § 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 substantiality 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.

Austrian Anadi Bank AG differentiates between the following types of hedge accounting:

- Hedge accounting of derivatives at fair value:
  For transactions designated as fair value hedges in accordance with the International Financial Reporting Standards (IFRS), the same assumption of a micro hedge is made under UGB/BWG. The base parameters of all fair value hedges are equal but opposite, and their effectiveness is measured on a monthly basis. At Austrian Anadi Bank AG, only fair value hedges which hedge the market value of assets and liabilities (underlying transactions) are used within the framework of hedge accounting. The risks to be hedged are interest rate risks and currency risks. In the period under review, a provision in the amount of EUR 1,570,264.00 (31.12.2013: EUR 504,315.00) was necessary to cover ineffective hedges.

- Hedge accounting of fair value option (FVO) derivatives:
  Under IFRS it is assumed that FVO transactions will have a compensatory effect between the underlying transaction and the hedge. The connection is documented accordingly. In the period under review, a provision totalling EUR 159,030.00 (31.12.2013: EUR 31,978.00) was created to cover the negative ineffective part of two FVO hedges.

- Stand-alone derivatives:
  As at 31.12.2014 there were no onerous contract provisions in respect of negative fair values on interest rate derivatives in the banking book that are not designated as hedging instruments in a micro hedge relationship (31.12.2013: EUR 690,919.00).

For derivatives in the trading book, a provision for the Credit Valuation Adjustment (CVA) in the amount of EUR 287,414.00 (31.12.2013: EUR 269,971.00) was required.

Provision against Pfandbriefstelle obligations

Heta Asset Resolution AG (Heta) is a wind-down company owned by the Republic of Austria. Its statutory task is to dispose of the non-performing portion of Hypo Alpe Adria International AG, nationalised in 2009, as effectively as possible whilst preserving value.

On Sunday 1 March 2015, the Financial Markets Authority (FMA) issued a decree regarding the planned wind down of Heta according to the BaSAG (the Austrian law for restructuring and wind down of banking institutions). FMA imposed a moratorium on the liabilities of Heta to their creditors which will last until 31 May 2016.

Austrian Anadi Bank AG is a member of the Pfandbriefstelle along with eight other institutions, including Heta. Refer to Note 14. The Pfandbriefstelle banks have issued debt securities (guaranteed by the Provincial Governments of their respective Provinces of Austria) to the financial markets through Pfandbriefbank, a credit institution that exclusively issues debt securities as trustee for the account of other credit institutions. In accordance with the Pfandbriefstelle-Act and Art 92 of the Austrian Banking Act the member institutions of Pfandbriefstelle and their respective liable public authorities (their Guarantors) are jointly and severally liable for all obligations of Pfandbriefbank.

During the moratorium, Heta will not be allowed to favour the commitment to any creditor, except those specifically permitted. Heta has a wide range of Debt Securities in issue, which were issued through the Pfandbriefbank. As these fall due, the impact of the Moratorium is that Heta may not honour these commitments. The member institutions of Pfandbriefstelle, in conjunction with the relevant Austrian Provinces, are jointly and severally liable for all obligations of Pfandbriefbank, and so have committed to step in to honour the Pfandbriefbank debt maturity obligations of Heta.

At the balance sheet date of 31 December 2014, the Pfandbriefbank debt obligations of Heta were EUR 1.2bn. The funding requirement to honour the obligations of Heta as part of Pfandbriefbank of EUR 1.2bn will be shared between all 8 remaining members of the Pfandbriefstelle and their Provincial Government guarantors. Based on 1/16th share of these obligations, Austrian Anadi Bank AG will make a EUR 37.2m liquidity contribution by June 2015 and a further EUR 4.8m by December 2015, and as part of an overall commitment to liquidity, it will make available EUR 77m (1/16th of EUR 1.2bn).

All funds contributed to Pfandbriefbank by Austrian Anadi Bank AG for the settlement of debt obligations of Heta, will remain a debt owed by Heta or their guarantor (the Province of Carinthia) to Austrian Anadi Bank AG. The liquidity contribution will therefore continue to be held as a valid debtor in the balance sheet of Austrian Anadi Bank AG, pending settlement by Heta or its guarantor.

Austrian Anadi Bank AG will continue to monitor the possibility of impairment of the debt that will arise on injection of the liquidity mentioned above. As at 31.12.12014, as a consequence of the information that has emerged since 01.03.2015, it is determined that a provision of EUR 15.7m (31.12.2013: EUR 0m) is required against the future committed funding of EUR 77m. The measurement of the provision is based on estimates regarding the recoverability of claims against Heta and the Province of Carithia and is therefore subject to uncertainty.

8. Information on risk provisions

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

	31.12.2014	31.12.2013
Loans and advances to customers		
Balance at start of year	40,867,593.30	44,774,120.40
Additions	7,162,108.28	11,621,492.45
Releases	-3,936,995.60	-3,113,012.13
Utilised	-6,063,867.30	-12,384,756.51
Foreign currency valuation	16,214.00	-30,250.91
Balance at year-end	38,045,052.68	40,867,593.30

For credit default risks existing on the balance sheet date but not yet identified as such, the portfolio risk provision were adjusted from the 2013 level (EUR 7,859,783.05) to EUR 7,487,739.05 as at 31.12.2014.

9. 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 (31.12.2013: EUR 18,000,000.00). The Tier 2 capital has a maturity of approximately 3 years.

ISIN	Designation	Volume	Curr.	Interest rate 31.12.2014	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 Tier 2 capital pursuant to part two, title I, chapter 4 of Regulation (EU) No 575/2012, 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 Austrian Anadi Bank AG.

There were no new subordinated loans raised in 2014.

The interest expenses for the supplementary capital amount to EUR 823,553.44 (31.12.2013: EUR 820,115.06).

10. Equity

The issued share capital of Austrian Anadi Bank AG as at the balance sheet date amounts to EUR 30,000,000.00 (31.12.2013: EUR 30,000,000.00) and is divided into 30,000 (31.12.2013: 30,000) non-par value bearer shares. The shares are held 100% by Anadi Financial Holdings Pte. Ltd., whose headquarters are in Singapore.

11. Reserves

The changes in untaxed reserves were as follows:

Designation	Opening balance 01.01.2014	Disposals	Releases	Closing balance 31.12.2014
Valuation reserves resulting from special depreciation allowances Valuation reserves as def. in § 8 EStG.				
Land and Buildings	153,045.00	0.00	41,526.00	111,519.00
Plant and Equipment	0.00	0.00	0.00	0.00
Valuation reserves as def. in § 12 EStG.				
Land and Buildings	0.00	0.00	0.00	0.00
Total untaxed reserves	153,045.00	0.00	41,526.00	111,519.00

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

Designation	Opening balance 01.01.2014	Additions	Disposals	Utilised	Releases	Closing balance 31.12.2014
Capital reserves	82,332,115.37	0.00	0.00	0.00	0.00	82,332,115.37
Retained earnings	428,515.90	1,312,098.53	0.00	0.00	0.00	1,740,614.43
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 30 April 2014.

OFF BALANCE SHEET ITEMS

12. Derivative financial instruments

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

Futures transactions	Nominal value Purchase contracts 31.12.2014	31.12.2013	Nominal value Sales contracts 31.12.2014	31.12.2013
a) Interest rate-related business				
OTC-products				
Interest swaps/Interest rate contracts	1,572,419,629.00	2,209,026,881.00	1,572,419,629.00	2,209,026,881.00
b) Currency-related business				
OTC-products				
Currency swaps (CCY swap)	6,885,629.69	6,909,894.97	7,153,000.00	7,153,000.00
Cross-currency swaps	46,330,079.89	103,847,325.71	45,708,000.74	104,413,644.03
Forward exchange contracts	8,579,817.98	90,798,786.79	8,551,913.32	90,758,792.39

Futures transactions	Fair value positive 31.12.2014	31.12.2013	Fair value negative 31.12.2014	31.12.2013
a) Interest rate-related business				
OTC-products				
Interest swaps/Interest rate contracts	158,061,220.00	150,343,070.00	98,967,152.00	97,858,876.00
b) Currency-related business				
OTC-products				
Currency swaps (CCY swap)	69,620.00	166,448.00	0.00	0.00
Cross-currency swaps	699,502.00	755,227.00	98,609.00	1,328,373.00
Forward exchange contracts	88,814.00	521,717.00	60,538.00	482,710.00

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 31.12.2014 the net fair value of derivatives designated as hedging instruments, was EUR 58,705,073.42 (31.12.2013: EUR 52,602,414.64).

In the year under review, some hedging relationships were terminated early - the net positive result, including the underlying transactions, came to EUR 6,127,847.74 (31.12.2013: EUR 2,313,132.90). See notes 15 and 16.

On the 09.09.2013, Austrian 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% 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.

13. Contingent liabilities

	31.12.2014	31.12.2013
Contingent liabilities	125,679,697.74	144,402,799.69
Guarantees and other collateral securities	125,679,697.74	143,442,515.68
Letters of credit	0.00	960,284.01

14. Other off balance sheet information

Loan exposures comprise unused credit lines totalling EUR 225,939,651.00 (31.12.2013: EUR 158,483,000.00).

Liabilities from fiduciary activities amounted to EUR 52,279,490.28 (31.12.2013: EUR 60,288,590.58) 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 § 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 EUR 899,860.46 (31.12.2013: EUR 968,169.02) for the year under review, EUR 906,139.58 in 2015 and EUR 4,408,878.62 in total for the years 2015 to 2019.

Demerger liabilities

In the 2011 financial year, Austrian Anadi 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 Heta Asset Resolution AG (Heta - formerly 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 midnight on the reference date of 31.12.2011. 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 Heta, up to the amount of the net assets assigned to Austrian Anadi Bank AG in the context of the demerger. In relation to such liabilities, subordinated liabilities of EUR 64m which were transferred, have been declared by the HAASanG as having now lapsed. On the basis of the valid legal status of such lapsed liabilities, the Management Board has made no provision for any liability. In the theoretical case of the publicly debated unconstitutionality of HAASanG on which there is currently no clear information, the Management Board assumes that the Austrian Anadi Bank AG liability will be limited. These potential liabilities as at 31.12.2014 are also covered by an indemnification arrangement between Austrian Anadi Bank AG and its parent, 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 § 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. After the impact of the Heta moratorium outlined in Note 7, there remain 16 Pfandbriefstelle institutions and guarantors. 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 5.5 billion (31.12.2013: EUR 6.2 billion) as of the reporting date 31.12.2014. This equates to almost the entire sum of the Pfandbriefstelle's liabilities as at 31.12.2014. After taking account of the funds taken up by the Pfandbriefstelle and forwarded to Austrian Anadi Bank AG, in the amount of EUR 0.47 billion (31.12.2013: EUR 0.49 billion), the resulting amount which must be reported in accordance with § 237 (8a) UGB comes to EUR 5.0 billion (31.12.2013: EUR 5.7 billion). This joint and several liability, read with Article 896 of the Austrian Civil Code, can be 1/16th of EUR 5.0bn (EUR 0.3bn as at 31.12.2014), such liability being covered by the guarantors, and which is also based on the Pfandbriefstelle funding agreement.

As mentioned in Note 7, based on 1/16th share of the obligations that result from the Heta moratorium, Austrian Anadi Bank AG has made a commitment to make liquidity available to PfandbriefBank, which amounts to EUR 77m (1/16th of EUR 1.238bn).

NOTES TO THE INCOME STATEMENT

15. Interest and similar income

	31.12.2014	31.12.2013
From loans and advances to credit institutions and customers	64,687,069.85	68,969,084.77
of which Austria	58,581,008.21	61,597,468.38
of which International	6,106,061.64	7,371,616.39
From fixed-income securities	12,113,463.48	15,666,374.80
of which Austria	8,386,551.68	10,488,978.69
of which International	3,726,911.80	5,177,396.11
From other assets	75,458,705.90	54,373,827.17
of which Austria	75,458,705.90	54,373,827.17
of which close outs	*36,798,566.25*	*3,993,554.34*
of which International	0.00	0.00
Total	152,259,239.23	139,009,286.74

Interest and similar income from other assets includes EUR 36,798,566.25 (31.12.2013 EUR 3,993,554.34) from the premature termination of derivatives which were designated in hedging relationships.

16. Interest and similar expenses

	31.12.2014	31.12.2013
From liabilities to credit institutions and customers	10,681,594.22	17,663,139.97
of which Austria	6,902,477.01	12,574,014.26
of which International	3,779,117.21	5,089,125.71
From debt securities in issue	36,059,193.38	39,115,794.47
of which Austria	36,059,193.38	39,115,794.47
of which International	0.00	0.00
From other liabilities	64,388,274.37	46,453,170.32
of which Austria	64,388,274.37	46,453,170.32
of which close outs	*30,670,718.51*	*1,680,421.44*
of which International	0.00	0.00
Total	111,129,061.97	103,232,104.76

Interest and similar expenses from other liabilities includes EUR 30,670,718.51 (31.12.2013: EUR 1,680,421.44) on the early termination in 2014 of derivatives which were designated in hedging relationships.

17. Fee and commission income and expenses

	31.12.2014	31.12.2013
From the lending business		
Fee and commission income	7,973,480.67	7,156,756.51
Fee and commission expenses	-1,223,081.96	-531,757.22
From the securities business		
Fee and commission income	2,244,586.61	2,952,957.36
Fee and commission expenses	-368,626.92	-383,154.91
From other transactions		
Fee and commission income	7,822,000.50	7,785,814.19
Fee and commission expenses	-870,081.12	-977,363.00
Total income	18,040,067.78	17,895,528.06
Total expenses	-2,461,790.00	-1,892,275.13

18. Other administrative expenses (operating expenditure)

	31.12.2014	31.12.2013
Legal and consultancy costs	2,144,209.09	1,674,094.83
Advertising and hospitality expenses	1,148,168.68	1,035,409.16
Rental, leasing and other building costs	3,371,415.15	3,391,296.83
IT costs	1,328,035.69	1,027,724.08
Data centre costs	2,725,456.21	2,894,648.58
Training expenses	342,707.98	283,505.38
Issue costs	127,445.00	154,335.58
Travel expenses	309,419.81	115,021.15
Fleet costs	227,490.65	225,022.10
Insurance	684,364.14	127,816.87
Telephone/postage costs	581,069.13	715,100.17
Costs in connection with company legal structure	166,200.00	28,425.00
Office/stationery costs	220,018.91	124,417.36
Other operating expenditure	826,335.46	1,949,813.11
Total	14,202,335.90	13,746,630.20

19. Other operating income

	31.12.2014	31.12.2013
Rental and leasing agreements	276,171.07	408,490.73
Internal transfer pricing subsidiaries	0.00	2,355,180.17
Miscellaneous other operating income	1,652,025.94	1,488,354.32
Total	1,928,197.01	4,252,025.22

20. Other operating expenses

	31.12.2014	31.12.2013
Other operating expenses	443,196.32	953,414.76
Total	443,196.32	953,414.76

21. Taxes on income

Pursuant to § 237 (6) UGB, the taxes on income reduce the extraordinary result by EUR 0.00 (2013: EUR 75,000.00) and the result from ordinary activities by EUR 575,546.91 (2013: EUR 1,825,000.00).

The balance of untaxed reserves (after movements) has had the effect of increasing profits for the purposes of tax assessment by EUR 41,526.00 (31.12.2013: EUR 40,552.00).

SUPPLEMENTARY INFORMATION

22. Important long term agreements

The agency agreement between Heta Asset Resolution AG (formerly Hypo Alpe Adria Bank International AG) and Austrian Anadi Bank AG was terminated by mutual agreement on 19.12.2013.

For some services which could not be fully established due to technical constraints and/or know-how that still needed to be attained, Heta Asset Resolution AG (formerly Hypo Alpe Adria Bank International AG) and Austrian Anadi Bank AG entered into a new service level agreement with effect from 19.12.2013. The services under that new agreement expired on 30.06.2014.

23. Own capital funds

Own Funds in accordance with CRR/CRD	31.12.2014	31.12.2013
Common Equity Tier 1 Capital	150,252,613.40	149,136,660.34
Paid up capital instruments	30,000,000.00	30,000,000.00
Retained earnings	82,332,115.37	82,332,115.37
Other reserves	38,819,893.68	37,538,939.65
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	94,916,245.64	0.00
thereof 0,1% deduction	-94,916.25	0.00
Other intangible assets	-804,479.40	-734,394.68
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	9,754,789.27	10,800,000.00
Supplementary Capital total	18,000,000.00	18,000,000.00
Supplementary Capital allowable	9,754,789.27	10,800,000.00
Deducting investments (currently under the exemption limit)	0.00	0.00
Deductions pursuant to § 23 (13) BWG	0.00	638,361.89
TIER 3 (reclassified TIER 2 capital)	0.00	655,751.88
Own funds	160,007,402.67	159,954,050.33

Own funds requirement	104,395,348.90	99,918,029.49
Surplus of total capital	55,612,053.77	60,036,020.84
Coverage ratio	153.27%	160.08%

Own Funds Requirement Austrian Anadi Bank AG	31.12.2014	31.12.2013
Risk-Weighted Assets (banking book)	1,148,037,405.26	1,109,516,241.32
thereof 8% minimum capital requirement	91,842,992.42	88,761,299.31
Credit Value Adjustment	2,491,233.96	0.00
Own funds requirement for trading book	604,243.30	630,751.88
Own funds requirement for open currency position	65,577.82	25,000.00
Capital requirement for operational risk	9,391,301.40	10,500,978.30
Total own funds requirement	104,395,348.90	99,918,029.49
Total risk exposure amount	1,304,941,861.26	1,248,975,368.63
Common Equity Tier 1 Capital ratio	11.51%	n. A.
Additional Tier 1 Capital ratio	0.00%	n. A.
Tier 1 capital ratio	11.51%	n. A.
Supplementary Capital ratio	0.75%	n. A.
Total capital ratio	12.26%	n. A.

The comparative figures of the previous year based on the provisions of the BWG (Banking Act) which were effective at the end of 2013.

24. 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.

	31.12.2014	31.12.2013
Financial collateral	64,633,142.76	65,099,597.83
Cash deposits	41,943,739.06	43,534,550.52
Securities	22,689,403.70	21,565,047.31
Real estate collateral	900,974,921.16	918,984,807.24
Guarantees	470,769,544.91	438,052,185.22
Other collateral	99,075,006.35	112,296,843.62
Insurance	59,073,293.97	57,761,777.27
Movable property	15,168,950.02	17,100,724.53
Others	24,832,762.36	37,434,341.82
Total	1,535,452,615.18	1,534,433,433.91

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

	31.12.2014	31.12.2013
Collateral received	39,460,000.00	25,810,000.00
Collateral	3,190,000.00	2,630,000.00

25. Trustee saving accounts

Liabilities to customers includes trustee savings accounts with a value of EUR 1,756,497.32 (31.12.2013: EUR 1,775,238.95).

26. Foreign currency

The balance sheet contains the following foreign currency amounts:

	31.12.2014	31.12.2013
Assets	336,775,479.07	348,927,389.43
Liabilities	338,590,961.48	316,183,554.70

The greater part of the EUR 1,815,482.41 (31.12.2013: EUR 32,743,834.73) difference is hedged with currency swap agreements.

27. Mortgage bond activities pursuant to the Austrian Mortgage Bond Act (PfandBG)

	Debt securities in issue		Covering loans		Surplus/shortfall in cover	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Mortgage bonds	32,210,230.62	22,766,989.75	431,242,356.70	375,304,725.13	399,032,126.08	352,537,735.38
Public sector mortgage bonds	724,483,897.14	793,642,955.84	880,107,156.59	1,058,232,790.87	155,623,259.45	264,589,835.04

28. Other information related to the balance sheet

In accordance with § 64 (1) (8) BWG, securities with a value of EUR 380,749,507.00 (31.12.2013: EUR 360,381,369.02) and loans in the amount of EUR 322,393,734.97 (31.12.2013: EUR 233,275,204.65) were pledged as collateral for liabilities to credit institutions amounting to EUR 253,000,000.00 (31.12.2013: EUR 150,000,000.00) as well as for liabilities to customers of EUR 1,601,037.17 (31.12.2013: EUR 1,581,262.00).

Securities classified as current assets with a value of EUR 0.00 (31.12.2013: EUR 18,613,700.00) were deposited with various clearing houses as collateral for trading activities.

The amount for deferred tax assets not shown in the balance sheet is EUR 915,359.00 (31.12.2013: EUR 2,303,275.00).

The return on assets in accordance with § 64 Z 19 BWG is 0.02% (31.12.2013: 0.16%).

29. 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 (and others) provided for a guarantee commission of EUR 1 per thousand 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 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 § 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.

Austrian Anadi Bank AG has not yet paid the guarantee commission for the year 2011 amounting to EUR 1.4 m plus interest due to differing legal positions. It is assumed that the legal dispute between the federal state of Carinthia and Austrian Anadi Bank AG 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 Austrian Anadi Bank AG, no further guarantee commission has been paid by Austrian Anadi Bank AG 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 31 December 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 653,199 (31.12.2013: TEUR 687,164).

30. Consolidation

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, comprising Austrian Anadi Bank AG and its Singapore based parent company, Anadi Financial Holdings Pte. Ltd.

31. Disclosure

In order to comply with disclosure requirements according to Article 431 ff seq Corrigendum of Regulation (EU) No. 575/2013 of the European Parliament (26 June 2013) on prudential requirements for credit institutions and investment companies, and amending Regulation (EU) No. 6486/2012, all information is made public on the website of Austrian Anadi Bank AG www.austrian-anadi-bank.com in the section "Investors Annual Reports".

32. Cash flow statement

The cash flow statement is presented in Schedule 3 to the notes.

33. Auditing expenses

The expenses in respect of the company's auditor come to a total of EUR 258,629.36 (31.12.2013: EUR 495,168.39) as at the reporting date and comprise other auditing and consulting services in the amount of EUR 83,629.36 and the audit of the annual financial statements in the amount of EUR 175,000.00.

34. Employees

The average number of employees for the purposes of § 239 UGB comprises:

	31.12.2014	31.12.2013
Salaried employees	379.08	383.97

Advances, loans and guarantees in respect of members of the management bodies

As of year-end, the members of the Management Board had received advances, loans or guarantees totalling EUR 16,250.00 (31.12.2013: EUR 22,350.00) from Austrian Anadi Bank AG.

As of year-end, the members of the Supervisory Board had received, either for themselves or on behalf of the companies for which they are personally liable, loans or guarantees totalling EUR 177,441.49 (31.12.2013: EUR 280,503.85) from Austrian Anadi Bank AG.

Expenses for severance payments and pensions

The bank incurred the following amounts for payments and provisions for severance pay and pension payments in 2014:

	31.12.2014 Severance payments	31.12.2014 Pensions	31.12.2013 Severance payments	31.12.2013 Pensions
Management Board members	-12,523.02	86,489.19	216,615.03	23,803.61
Senior employees	151,296.49	47,439.18	11,636.47	44,702.04
Other employees	1,302,630.33	1,555,041.56	973,267.07	2,487,169.19
Total	1,441,403.80	1,688,969.93	1,201,518.57	2,555,674.84

The total expenses of EUR 1,441,403.80 for severance payments includes EUR 168,482.31 severance expenses to employee severance funds.

Breakdown of compensation for members of the Management and Supervisory Boards:

	31.12.2014	31.12.2013
Management Board		
of which fixed	*1,361,801.65*	*879,524.91*
Supervisory Board	147,000.00	7,050.00
Remuneration of former members of the Management and Supervisory Boards and their surviving dependents	0.00	0.00
of which related to termination	*0.00*	*0.00*
Total	1,508,801.65	886,574.91

Members of the Management and Supervisory Boards who served during the year under review are detailed in Schedule 1 to these notes.

EVENTS AFTER THE BALANCE SHEET DATE

On 15 January 2015, the Swiss National Bank lifted its minimum exchange rate of CHF 1.20 per EUR, causing a significant fall in the EUR/CHF exchange rate. As a consequence of the changes in the EUR/CHF exchange rate, the current portfolio of CHF denominated customer loans has increased by approx. 5% to EUR 310m. Any impact on credit risk is assessed in the normal course of ongoing risk management, and any provisions are raised if necessary.

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 31.12.2014.

Klagenfurt am Wörthersee, dated 13.05.2015

THE MANAGEMENT BOARD

VDir. Dr. Martin Czurda VDir. Gerhard Salzer VDir. Mag. Werner Grillitsch

SCHEDULE 1 TO THE NOTES - MANAGEMENT BODIES

Chairman of the Supervisory Board:
Srinivasan Sridhar, Mumbai

Deputy Chairman of the Supervisory Board:
Dr. Sanjeev Kanoria, London

Members of the Supervisory Board:
Dr. Christian Hoenig, Vienna until 30.04.2014
Dr. Joachim Kappel, Vienna until 20.08.2014
Hemant Kanoria, Kolkata from 29.04.2014
Hiren Singharay, Woking, Surrey from 30.04.2014

Delegated to the Supervisory Board by the Works Council:
Mag. Gabriele Oberlercher, Krumpendorf
Mag. Annemarie Primik, Klagenfurt am Wörthersee from 05.05.2014 until 29.03.2015

State Commissioner:
Mag. Angelika Schlögel, MBA, Vienna

Deputy State Commissioner:
Dr. Monika Hutter, Vienna until 30.04.2014
Mag. Stefan Wieser, Vienna from 01.08.2014

Trustee:
Dr. Josef Wogrin, Klagenfurt am Wörthersee until 31.07.2014
Mag. Franz Krug, Feldkirch from 01.08.2014

Deputy Trustee:
Mag. Maria Hacker-Ostermann, Graz until 31.07.2014
Ing. Mag. (FH) Jakob Köhler, BMF Vienna from 01.08.2014

Management Board:
Dr. Martin Czurda, Haslau an der Donau
Gerhard Salzer, Maria Saal/Klagenfurt am Wörthersee
Mag. Friedrich Racher, Klagenfurt am Wörthersee until 31.12.2014
Mag. Peter Lazar, Klagenfurt am Wörthersee until 31.01.2015
Mag. Werner Grillitsch, Klagenfurt am Wörthersee from 01.01.2015

SCHEDULE 2 TO THE NOTES – FIXED ASSETS MOVEMENT SCHEDULE

Assets	Acquisition costs 01.01.2014	Additions 2014	Disposals 2014
Pos. 2			
Treasury bills			
Fixed-interest securities in fixed assets	194,499,678.66	23,591,740.00	48,996,800.00
Pos. 3			
Loans and advances to credit institutions			
Fixed-interest securities in fixed assets	0.00	0.00	0.00
Pos. 4			
Loans and advances to customers			
Fixed-interest securities in fixed assets	109,191,935.57	0.00	4,984,856.16
Pos. 5			
Debt securities incl. fixed-income securities			
Fixed-interest securities in fixed assets	152,212,563.02	12,928,100.00	31,899,180.00
Pos. 7			
Participating interests	7,710,778.23	0.00	1,000,000.00
Pos. 8			
Shares in affiliated undertakings	0.00	0.00	0.00
Pos. 9			
Intangible fixed assets	2,674,325.38	329,995.46	606,184.41
Pos. 10			
Tangible assets	18,563,636.29	950,424.84	1,062,205.95
Total	484,852,917.15	37,800,260.30	88,549,226.52

Transfers 2014	Acquisition costs 31.12.2014	Cumulative Depreciation	Book value 31.12.2014	Book value 31.12.2013	Depreciation 2014
0.00	169,094,618.66	3,338,106.56	165,756,512.10	193,753,312.10	2,591,740.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	104,207,079.41	0.00	104,207,079.41	109,191,935.57	0.00
0.00	133,241,483.02	2,536,803.02	130,704,680.00	150,603,860.00	928,100.00
-151,310.00	6,559,468.23	3,423,506.66	3,135,961.57	4,135,961.57	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	2,398,136.43	1,593,657.03	804,479.40	734,394.68	254,885.74
0.00	18,451,855.18	13,623,405.89	4,828,449.29	4,843,164.65	964,310.20
-151,310.00	433,952,640.93	24,515,479.16	409,437,161.77	463,262,628.57	4,739,035.94

SCHEDULE 3 TO THE NOTES – CASH FLOW STATEMENT

	31.12.2014 EUR	31.12.2013 EUR
Pre-tax profit	2,302,188	8,137,339
Appreciation in value	0	0
Depreciation	4,739,036	1,535,409
of tangible fixed assets	964,310	923,476
of intangible fixed assets	254,886	184,913
of financial assets	3,519,840	427,020
Change in loans and advances and other assets	23,031,755	664,844,191
Loans and advances to credit institutions	-53,594,406	409,131,519
Loans and advances to customers	76,429,560	243,892,054
Other assets	91,962	11,877,807
Deferred assets	104,639	-57,190
Change in provisions	14,009,609	-4,406,477
for severance payments	420,520	26,240
for pensions	619,032	1,155,784
Other provisions	12,970,057	-5,588,501
Change in payables and other liabilities	-44,904,122	-573,160,651
Liabilities to credit institutions	52,950,085	14,339,094
Liabilities to customers	-28,635,051	-387,187,528
Debt securities in issue	-65,197,456	-200,187,001
Other liabilities	-4,156,838	-130,884
Deferred liabilities	135,137	5,668
Change in securities classified as current assets	-2,575,143	-48,091,680
Bonds and other fixed-income securities	-1,914,434	-49,466,372
Shares and other variable-yield securities	-660,709	1,374,691
Taxes	-2,640,169	-1,785,692
Taxes on income	262,373	-1,694,883
Other taxes	-1,940,542	-1,670,809
Tax provisions	-962,000	1,580,000
Change to the fund for general banking risks	0	0
Fund for general banking risk	0	0
Cash flow from operating activities	-6,036,848	47,072,437
Changes in tangible and intangible fixed assets	-1,274,565	-743,708
Investments	-1,280,420	-1,722,903
Proceeds from sales	5,855	979,195
Changes in financial assets	22,364,197	13,772,754
Securities classified as fixed assets	21,364,196	13,371,984
Associates and affiliated companies	1,000,000	400,770
Cash flow from investments activities	21,089,632	13,029,046
Dividends paid	-3,500,100	-48,000,000
to shareholders of the parent company	-3,500,100	-48,000,000
to non-controlling interests	0	0
Changes in subordinated and equity capital	0	0

	31.12.2014 EUR	31.12.2013 EUR
Capital contributions	0	0
Subordinated liabilities	0	0
Hybrid capital	0	0
Supplementary capital	0	0
Changes in minorities	0	0
Changes due to exchange rates, scope of consolidation	0	0
Cash flow from financing activities	-3,500,100	-48,000,000
Cash flow	11,552,684	12,101,483

Cash and cash equivalents at the beginning of the period	234,851,588	222,750,106
Cash in hand, balances with central bank	27,697,342	29,366,106
Treasury bills and bills of exchange eligible for refinancing	207,154,246	193,384,000
Cash and cash equivalents at the end of the period	246,404,272	234,851,589
Cash in hand, balances with central bank	26,799,555	27,697,342
Treasury bills and bills of exchange eligible for refinancing	219,604,717	207,154,246
Effective change in cash and cash equivalents	11,552,684	12,101,483

STATEMENT OF LEGAL REPRESENTATIVES

"We confirm to the best of our knowledge that the separate financial statements of Austrian Anadi Bank AG, 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, that the management report provides a true and fair view of the development and performance of the business together with a description of the principal risks and uncertainties which the company faces."

Klagenfurt am Wörthersee, dated 13.05.2015

THE MANAGEMENT BOARD

VDir. Dr. Martin Czurda (signed personally)	VDir. Gerhard Salzer (signed personally)	VDir. Mag. Werner Grillitsch (signed personally)

AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements, including the accounting system, of Austrian Anadi Bank AG, Klagenfurt, for the fiscal year from January 1, 2014 to December 31, 2014. These financial statements comprise the balance sheet as of December 31, 2014, the income statement for the fiscal year ended December 31, 2014, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting Records

The Company's management is responsible for the accounting records and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles and the regulations of the Austrian Banking Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria, Austrian Standards on Auditing and Austrian Standards on Auditing of Banks. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of Austrian Anadi Bank AG as of December 31, 2014 and of its financial performance for the fiscal year from January 1, 2014 to December 31, 2014 in accordance with Austrian Generally Accepted Accounting Principles.

Without qualifying our opinion, we make reference to disclosure "7. Provisions" of the management board, regarding the uncertainties of the provision for the joint and several liability for the Pfandbriefstelle der österreichischen Landeshypothekenbanken/Pfandbriefbank AG.

In addition we make reference to the Notes item "14. Other off balance sheet information" of the management board, which describes potential risks associated with liabilities regarding demerger.

Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to section 243a para 2 UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to section 243a para 2 UGB (Austrian Commercial Code) are appropriate.

Vienna, May 18, 2015

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Nikolaus Müller e.h. Certified Public Accountant	Dr. Peter Bitzyk e.h. Certified Public Accountant

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
austria@anadibank.com
www.austrian-anadi-bank.com

Satz: Frischzellen

Austrian Anadi Bank

...your bank since 1896