Austrian Anadi Bank

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Half Year Financial Statements and Management Report

30 June 2016

Austrian Anadi Bank AG
Half Year Financial Statements and Management Report

Half Year Management Report 2016

1. General economic environment

The early part of 2016 has again been a balance between slowly re-emerging confidence in the Austrian and European economy, whilst at the same time, continued uncertainty regarding the economic impacts of the Heta debt obligations and the deficiency guarantees from the Province of Carinthia. As the moratorium on the debt obligations of Heta drew to a close, on 10 April 2016 the FMA as resolution authority for Heta in accordance with BaSAG, announced significant haircuts to the debt obligations of Heta and extended the maturity of debt securities issued, and other qualifying liabilities, to no later than 2023 and set the interest rates payable to zero. This process had wide ranging impacts on institutions across Europe, and Austrian Anadi Bank AG appropriately reflected these matters in its accounts for 2015.

Whilst Austrian GDP in 2015 indicated moderate growth, and the outlook for 2016 reflects similar cautious optimism, interest rates remain at unprecedented low levels. Despite a rate increase at the end of 2015 by the US Central Bank, the announcement of a zero interest rate environment in the Euro area in March 2016 and reaffirmation of the commitment to quantitative easing continues to underscore the difficulties that central banks are facing in trying to generate growth in the economy. The result of the UK Referendum in June 2016 regarding the intention to exit the EU has had a significant impact on financial markets.

2. Balance sheet development

In the first half of 2016, Austrian Anadi Bank AG has continued its process of capital optimisation of its balance sheet that was so effective in the second half of 2015. With a stable balance sheet position at EUR 3.0bn (31.12.2015 EUR 3.1bn) the bank has increased its Common Equity Tier 1 ratio from 14.4% at 31.12.2015 to 15.7%. This reflects a reduction in risk exposures together with the increase in Common Equity Tier 1 through the capitalisation of 2015 retained profits. The balance sheet has seen EUR 100m reduction in lower yielding Customer Loans and the bank has also taken the opportunity to buy back debt obligations. Customer deposits have increased to EUR 1.3bn in 2016 (31.12.2015 EUR 1.2bn), which when taken together the bank's own issued Debt Securities of EUR 1.0bn (31.12.2015 EUR 1.0bn), represent the bank's Primary Funds. Primary Funds as a ratio of Customer Lending have strengthened from 101% at 31.12.2015 to 105% as at 30.06.2016. The bank's Leverage ratio as at 30.06.2016 was 5.0% compared to 4.7% at 31.12.2015 and compares to a minimum requirement of 3%.

3. Profit development

Comparison between the 2016 and 2015 financial results is distorted by the one off effects, particularly of closing Heta derivative positions in 2015.

Operating Income in 2015 was significantly impacted by the closure of derivative contracts with Heta totalling EUR 36.2m. In 2016 the bank has repaid a small number of debt securities to optimise its fixed interest costs. Furthermore, derivative contract termination rights were used by two counterparties with a nominal value of EUR 40.0m, and positive market values totalling EUR 12.7m were generated as interest income. These derivative positions were subsequently filled again. Net Interest Income is EUR 26.6m. Net Interest Margin is 0.9%. The net income from fees, commission and other operating income amounted to EUR 8.8m.

Operating Expenses have remained stable at EUR 24.7m in 2016 despite EUR 1.8m of costs associated with the Banking Resolution Fund and Deposit Guarantee Fund levies which are included in the 2016 result. Excluding the costs of the new banking levies, costs in 2016 would have been EUR 22.9m (30.06.2015 EUR 24.6m).

Provisions for customer loans, securities and contingencies and other value adjustments have reduced from EUR –15.9m in 2015 to only EUR –1.5m in 2016. In 2015 the bank incurred provision costs of EUR 11.5m in relation to the Heta / Pfandbriefstelle obligations and this has not recurred in 2016. In addition, in 2016 the bank experienced mark to market movements of EUR –0.9m (30.06.2015 EUR –0.1m). Finally, the impact of provisions for bad or doubtful debts of the bank saw a provision additions of EUR –0.6m in 2016 (30.06.2015 EUR –4.3m) reflecting the good underlying asset quality and impact of asset optimisation in late 2015 and early 2016.

The bank has had no financial vulnerability to the market shocks as a result of the Brexit turmoil, demonstrating the bank's sound and customer focused business model.

Considering the above factors, the bank has recorded a profit before tax of EUR 9.3m (30.06.2015 EUR 22.7m). The single largest item that places this movement of profits into context is the change in derivative gains from EUR 36.2m in 2015 to EUR 12.7m in 2016. Profit after taxes and levies is EUR 6.7m (30.06.2015 EUR 16.5m).

4. Own capital funds

Total own capital funds (Common Equity Tier 1 capital plus Tier 2 capital, less deductions) as defined by CRR, were EUR 159.0m as at 30 June 2016 (31.12.2015 EUR 157.0m) which reflects the capitalisation of 2015 retained profits offset by the gradual amortisation of Tier 2 capital. The legal minimum requirement stands at EUR 79.0m (31.12.2015 EUR 83.8m), and so indicates a surplus of EUR 80.0m (31.12.2015 EUR 73.2m) and a coverage of 201% (31.12.2015 187%).

At 30 June 2016, the Common Equity Tier 1 ratio in accordance with CRR/CRD requirements was 15.7% (31.12.2015 14.4%) and the Total Capital Ratio of the bank was 16.1% (31.12.2015 15.0%).

5. Key Performance Indicators

Comparison between the 2016 and 2015 financial results is significantly distorted by the one off effects, particularly the closing of Heta derivative positions in 2015.

The cost / income ratio, which represents the ratio of Operating Expenses to Operating Income, was 69.6%.

The Return on Equity after tax is 4.1% for 30.06.2016, and the Return on Assets is 0.2%.

These indicators will improve with the development of the business strategy and the implementation of initiatives to optimise costs in the context of the restructuring program.

The ratios (ROA and ROE) reflect only the income or profits for 6 months.

6. Anticipated development of the company

In the second half of 2016, the Bank will continue to work on implementing its vision, which combines customer convenience, mobility and flexibility as essential core features. In the consumer market, the hybrid strategy offers customers different channels for their financial needs. In addition to an effective and easy-to-understand digital channel, „Flagship Branches" offer quality counseling with experts in branches in urban centres, as well as mobile sales units for consulting with clients on site. In SME and corporate businesses, the Bank is characterised by strong customer relationships across a diversified portfolio, where the focus is on companies in the trading and manufacturing industries with import/export activities. The Bank also acts as a specialised banking partner for international projects and investment opportunities in European, Indian and Asian growth markets.

The Austrian, European and global economy continues to show signs of uncertainty, yet balanced with optimism in some sectors. The more recent financial uncertainties connected with the planned exit from the EU of the United Kingdom continues to cause concern in financial markets. The continuing extremely low interest rates and regulatory induced additional expenses will also impact on second half year earnings. In this environment, Austrian Anadi Bank AG will continue to pursue all measures which are necessary for the bank's future success, prudent risk management and for the positive development of the business, so that from today's perspective it can be assumed that the result for 2016 will be improved compared with the previous year.

7. Principal risks and uncertainties

Risk management tasks are carried out within Austrian Anadi Bank AG by the Strategic Risk Management and Credit Risk Management departments. The bank controls and monitors its risk across all business segments, with the aim of optimising its risk and performance profile, and of ensuring the ability to bear risks at all times, thus protecting the bank's creditors and investors. Risks and uncertainties persist with regard to the broader economic environment and the national and international financial policy response. The bank's principle risks continue to be credit risks, which 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. The bank's sound risk profile is demonstrated by its low risk provisions and low Non Performing Loan position of 2.52% excluding Heta (31.12.2015 2.38%).

Klagenfurt am Wörthersee, dated 02.08.2016

The Management Board:

GD Mag. Christoph Raninger m.p

VDir. Gerhard Salzer m.p

VDir. Mag. Franz Reif m.p

Austrian Anadi Bank

...your bank since 1896

HALF YEAR FINANCIAL STATEMENTS 2016

Half Year Financial Statements 2016

Balance Sheet

		30.06.2016	31.12.2015	Change in EUR '000	Change in %
Assets					
1.	Cash in hand, balances with central banks and post office banks	24,510	27,432	–2,922	–10.7%
2.	Treasury bills and other bills eligible for refinancing with central bank	226,775	270,657	–43,883	–16.2%
3.	Loans and advances to credit institutions	247,256	158,097	89,159	56.4%
4.	Loans and advances to customers	2,151,449	2,264,423	–112,973	–5.0%
5.	Debt securities including fixed-income securities	285,581	293,939	–8,358	–2.8%
6.	Shares and other variable-yield securities	24	24	0	0.5%
7.	Participating interests	3,144	3,142	2	0.1%
8.	Intangible fixed assets	721	802	–81	–10.1%
9.	Tangible assets	5,989	6,278	–290	–4.6%
10.	Other assets	47,087	33,320	13,767	41.3%
11.	Prepayments and accrued income	363	380	–17	–4.6%
12.	Deferred tax assets	2,534	3,387	–853	–25.2%
Total Assets		2,995,433	3,061,881	–66,449	–2.17%

		30.06.2016	31.12.2015	Change in EUR '000	Change in %
Liabilities					
1.	Liabilities to credit institutions	486,864	539,070	–52,206	–9.7%
2.	Liabilities to customers	1,292,018	1,229,785	62,233	5.1%
3.	Securitised liabilities	962,510	1,047,055	–84,545	–8.1%
4.	Other liabilities	26,654	22,374	4,281	19.1%
5.	Accruals and deferred income	1,122	282	840	298.0%
6.	Provisions	45,777	49,684	–3,908	–7.9%
7.	Tier 2 capital pursuant to Part Two, Titel I, Chapter 4 of Regulation (EU) No 575/2013	18,304	18,122	182	1.0%
8.	Subscribed capital	30,000	30,000	0	0.0%
9.	Capital reserves	82,332	82,332	0	0.0%
10.	Retained earnings	6,182	2,459	3,723	151.4%
11.	Liability reserve pursuant to Article 57 para. 5 BWG	36,996	36,996	0	0.0%
12.	Net profit or loss for the year	6,674	3,723	2,951	79.3%
Total Liabilities		2,995,433	3,061,881	–66,449	–2.17%

Profit and Loss Account

		01.01.– 30.06.2016	01.01.– 30.06.2015	Change in EUR '000	 in %
1.	Interest receivable and similar income	54,626	102,233	–47,607	–46.6%
2.	Interest payable and similar expenses	–27,998	–49,504	21,506	–43.4%
I. Net interest income		**26,628**	**52,729**	**–26,101**	**–49.5%**
3.	Income from securities and participating interests	1,750	875	875	100.0%
4.	Commissions receivable	7,227	9,432	–2,205	–23.4%
5.	Commissions payable	–1,197	–1,431	234	–16.3%
6.	Net profit or net loss on financial operations	333	1,098	–765	–69.6%
7.	Other operating income	676	604	72	11.9%
II. Operating income		**35,418**	**63,307**	**–27,890**	**–44.1%**
8.	General administrative expenses	–24,020	–23,860	–161	0.7%
9.	Value adjustments in respect of asset items 9 and 10	–595	–627	32	–5.1%
10.	Other operating expenses	–37	–148	111	–74.2%
III. Operating expenses		**–24,652**	**–24,635**	**–17**	**0.1%**
IV. Operating result		**10,765**	**38,672**	**–27,906**	**–72.2%**
11./12.	Value adjustments and re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	–1,488	–15,925	14,437	–90.7%
13./14.	Value adjustments and re-adjustments in respect of transferable securities financial fixed assets, participating interests and shares in affiliated undertakings	36	0	36	–100.0%
V. Profit or loss on ordinary activities		**9,313**	**22,747**	**–13,434**	**–59.1%**
15.	Tax on profit or loss	–1,666	–5,360	3,694	–68.9%
16.	Other taxes not reported under item 15	–973	–944	–29	3.1%
VI. Profit for the year after tax		**6,674**	**16,443**	**–9,769**	**–59.4%**
17.	Changes in reserves	0	20	–20	–100.0%
VII. Net profit for the year		**6,674**	**16,463**	**–9,790**	**–59.5%**

Notes to the Financial Statements for the financial half year 2016

Basic accounting principles

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

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

In the notes, both the current year figures and the previous year's figures are rounded to thousand Euro (TEUR). Rounding differences are possible.

Accounting and measurement policies

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

The principle of individual measurement was applied and a going concern assumption made for the measurement of assets and liabilities.

In these interim financial statements, except for the specific areas noted below, the same accounting and measurement policies and the same methods of calculation have been used as in the most recently published annual financial statements as at 31.12.2015.

Changes to accounting policies have been applied in the financial statements of Austrian Anadi Bank AG in accordance with the financial reporting requirements under the Accounting Amendment Act 2014 (RÄG 2014), which apply to fiscal years commencing after 31.12.2015. The explanations of the impact from these changes are described in the section of the notes for each corresponding balance sheet item.

At the reporting date of 30.06.2016, Austrian Anadi Bank AG made a voluntary change in accounting for provisions for pension obligations, termination benefits and anniversary benefits. The previous actuarial valuation according to IFRS 19 will be converted to an actuarial assessment pursuant to section 211 para 2 UGB. The rationale lies in the RÄG2014 (Accounting Amendment Act 2014) for evaluation according to actuarial principles in the UGB, and the fact that Austrian Anadi Bank AG has no consolidated financial statements according to IFRS. The effects of the change are described in greater detail in Note 5.

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

Notes to the balance sheet

1. Maturities of balance sheet items

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

	30.06.2016	31.12.2015
A3. Loans and advances to credit institutions	247,255.94	158,097.43
- payable on demand	242,255.94	151,117.12
- up to three months	5,000.00	2,375.99
- three months to one year	0.00	0.00
- one year to five years	0.00	0.00
- over five years	0.00	4,604.32
A4. Loans and advances to customers	2,151,449.44	2,264,422.53
- payable on demand	41,641.07	56,726.13
- up to three months	77,841.82	75,566.56
- three months to one year	216,422.53	218,931.51
- one year to five years	659,946.65	687,335.70
- over five years	1,155,597.38	1,225,862.64
P1. Liabilities to credit institutions	486,863.75	539,069.83
- payable on demand	71,842.75	15,941.46
- up to three months	178,500.00	165,000.00
- three months to one year	111,521.00	42,756.73
- one year to five years	125,000.00	315,371.64
- over five years	0.00	0.00
P2. Liabilities to customers	1,292,018.01	1,229,785.38
- payable on demand	553,890.22	609,303.25
- up to three months	145,404.00	157,173.03
- three months to one year	200,328.00	112,186.43
- one year to five years	319,996.00	252,485.31
- over five years	72,399.79	98,637.34

2. Securities including accrued interest

Securities including accrued interest included in the balance sheet positions noted below, are as follows:

		30.06.2016	31.12.2015
A2.	**Treasury bills and other bills eligible for refinancing with central banks**	**226,774.53**	**270,657.16**
	of which listed	226,774.53	270,657.16
	of which fixed assets	214,892.29	229,892.29
	of which accrued interest in fixed assets	1,527.20	3,775.61
	of which current assets	10,240.50	36,317.80
	of which accrued interest in current assets	114.54	671.47
A4.	**Loans and advances to customers**	**94,332.77**	**98,925.96**
	of which not listed	94,332.77	98,925.96
	of which fixed assets	94,149.80	98,222.22
	of which accrued interest in fixed assets	182.98	703.73
A5.	**Bonds and other fixed-income securities**	**285,581.14**	**293,938.88**
	of which listed	167,186.47	198,184.05
	of which not listed	118,394.68	95,754.83
	of which fixed assets	142,782.35	172,746.78
	of which accrued interest in fixed assets	1,689.65	2,680.78
	of which current assets	140,757.50	118,209.79
	of which accrued interest in current assets	351.65	301.53
A6.	**Shares and other variable-yield securities**	**24.23**	**24.12**
	of which listed	0.00	0.00
	of which not listed	24.23	24.12
	of which current assets	24.23	24.12
A7.	**Participating interests**	**3,143.94**	**3,141.66**
	of which not listed	3,143.94	3,141.66

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

Country	Nominale value	Carrying amount 30.06.2016	Write-downs until 30.06.2016	Write-ups until 30.06.2016
Germany	32,500	32,500.00	0.00	0.00
Belgium	21,000	21,000.00	0.00	0.00
Austria	83,000	83,166.94	422.02	192.50
France	29,600	29,600.00	0.00	0.00
European Union	59,000	58,865.85	0.00	0.00

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

	30.06.2016	31.12.2015
Issued by others (without public authorities)	**285,581.14**	**293.938.88**
of which:		
Own issues	118,505.55	95,811.65
Domestic bonds (credit institutions)	7,085.98	7,982.56
Foreign bonds (credit institutions)	90,527.26	97,224.57
Mortgage bonds and municipal bonds	69,462.35	92,920.10

2.3 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 TEUR 5.20 (31.12.2015: TEUR 3.37).

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 TEUR 636.27 (31.12.2015: TEUR 4,949.60).

Fixed-income securities from the bank's own holdings which will fall due in 2017, amount to TEUR 205,904.74 (2016: TEUR 90,888.69) from euro-denominated securities.

Fixed-income securities from private issuers, which were eligible for refinancing by the Austrian National Bank, amounted to TEUR 170,236.48 (31.12.2015: TEUR 200,920.99), of which TEUR 168,721,92 (31.12.2015: TEUR 199,425.37) were pledged as at the balance sheet date.

Subordinated securities within the meaning of § 45 (2) BWG with a value of TEUR 0.00 (31.12.2015: TEUR 0.00) were held as at 30.06.2016.

As at 30.06.2016 securities with a carrying amount of TEUR 0.00 (31.12.2015: TEUR 0.00) were committed as part of a securities repo contract.

The trading book comprised the following as at 30 June 2016:

	30.06.2016	31.12.2015
Securities (at the market values shown in the balance sheet)	0.00	0.00
Currency forward transactions (nominal value)	58,352.16	4,426.35
Interest swaps (nominal value) and interest rate contracts	92,855.03	153,775.46

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

	Carrying amount 30.06.2016	Losses not yet recognised 30.06.2016	Carrying amount 31.12.2015	Losses not yet recognised 31.12.2015
Treasury bills	0.00	0.00	0.00	0.00
Loans and advances to customer (fixed-income securities)	0.00	0.00	0.00	0.00
Bonds and other fixed-income securities	0.00	0.00	0.00	0.00
Investments in associated companies	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

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 2017, issued bonds as defined in § 64 (1) (7) BWG with a value of TEUR 274,527.15 (2016: TEUR 136,092.58) will become due in Austrian Anadi Bank AG.

3. Other assets

The breakdown of other assets is as follows:

	30.06.2016	31.12.2015
Other assets	**47,087.36**	**33,320.41**
Interest income receivable	6,384.57	5,164.83
– of which payable after the balance sheet	*6,384.57*	*5,164.83*
Accrued income (upfront payment)	18,630.18	6,561.17
Offset claims	520.82	491.85
Receivables arising from the foreign exchange measurement of banking book derivatives	1,615.08	476.51
Receivables from trading book derivatives	3,850.66	3,526.52
Deposits	12,637.71	12,535.87
Other receivables	3,448.34	4,563.66

4. Other liabilities

The breakdown of other liabilities is as follows:

	30.06.2016	31.12.2015
Other liabilities	**26,654.49**	**22,373.74**
Interest expenses payable	390.47	141.12
- of which payable after the balance sheet	*390.47*	*141.12*
Clearing account balances	13,158.58	8,635.02
Fees and levies	5,291.26	6,053.86
Liabilities arising from the foreign exchange measurement of banking book derivatives	928.72	214.61
Liabilities from trading book derivatives	3,627.03	3,302.55
Trade payables	511.54	1,329.55
Other liabilities	2,746.89	2,697.04

5. Provisions

The items included under provisions are as follows:

	30.06.2016	31.12.2015
Severance payments	7,027.05	8,105,60
Pensions	5,434.99	6,080,96
Taxation	831.00	0,00
Other provisions:		
Guarantees	*189.60*	*265,06*
Holidays not taken	*795.89*	*945,89*
Long-service bonuses	*1,038.70*	*1,143,20*
Association of mortgage banks § 1406 ABGB	*495.88*	*495,88*
Legal and consultancy fees	*99.94*	*171,60*
Costs for legal risks	*5,302.60*	*4,791,82*
Restructuring provisions	*6,600.00*	*8,061,85*
Negative market values of derivatives in the banking book including trading book CVA	*1,373.35*	*1,034,47*
Provision against Pfandbriefstelle obligations	*13,368.45*	*16,046,00*
Miscellaneous provisions	*3,219.21*	*2,542,00*
Total Other provisions	32,483.60	35,497,75
Total	**45,776.64**	**49,684,32**

Severance payments, Long-service bonuses and Pensions

Provisions for severance payments and the provision for long term service bonuses were calculated according to the actuarial principles in accordance with § 211 Abs. 2 UGB. The calculation uses a discount factor of 2.80 percent (31.12.2015: 2.06 percent) and a rate of salary increase of 1.75 percent p. a. (31.12.2015: 1.75%), taking into account a deduction of 0 percent (31.12.2015: 0 percent) for severance payments and 6 percent (31.12.2015: 6 percent) for long term service bonuses, 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 provision for pension obligations for active pensions was calculated according to the actuarial principles pursuant to § 211 Abs. 2 UGB. The calculation is made with a discount factor of 2.80 percent (31.12.2015: 2.06 percent) and a rate of pension increase of 2 per cent (31.12.2015: 2%).

The change in valuation basis at the reporting date 30.06.2016 under a UGB interest rate of 2.80 percent, as compared to an interest rate of 1.24 percent under IFRS, resulted in a positive effect in the profit and loss account of TEUR 2,264.88.

Other Provisions

In accordance with RÄG 2014 of § 211 UGB, Other Provisions with a term in excess of one year must be discounted using a market interest rate. Upon the adoption of the changes, a difference of TEUR 999.71 exists at 01.01.2016. The bank has exercised the transitional provision for the difference to be distributed evenly over a maximum of five years in accordance with § 906 para. 33f UGB. The positive effect on the profit and loss statement for the period to 30.06.2016 is TEUR 115.13.

<u>Guarantees</u>
The provisions for risks arising from the lending business (guarantees) include provisions for specific cases amounting to TEUR 22.13 (31.12.2015: TEUR 29.80) as well as provisions at portfolio level amounting to TEUR 167.48 (31.12.2015: TEUR 235.25).

<u>Restructuring provision</u>
During 2015 the bank responded to external events (HETA moratorium) as well as to the difficult economic conditions and has defined a restructuring programme to ensure the competitiveness of the bank. The programme will reconfigure the branch network to create a wider coverage across the whole of Austria for the benefit of our customers, and this will be supported by a more mobile and digital based service capability. Where branches may be merged as part of this reconfiguration, staff will be redeployed elsewhere in the bank wherever possible. In addition, to strengthen the cost efficiency of the bank, process improvements continue to be implemented in back office support areas, and once again, where staffing reductions result from such efficiency gains, then staff will be redeployed wherever possible.

To recognise the importance of the welfare of its staff, the bank has agreed a Social Plan with the Workers' Council of the bank, which was finalised in December 2015. This Social Plan will provide security for staff whilst the bank implements the changes necessary to reposition the bank for the benefit of customers, and in the event that staff will leave the bank, the Social Plan will provide them with financial support. As at 30.06.2016, restructuring provisions reflecting the changes announced in 2015 together with other historic provisions, were TEUR 6,600.00 (31.12.2015: TEUR 8,061.85).

<u>Costs for legal risks</u>
A provision in the amount of TEUR 5,302.60 exists as at 30.06.2016 (31.12.2015: TEUR 4,791.82) in respect of legal risks and may cover any possible customer compensation and legal costs. In the current financial year payments totalling TEUR 102.62 (2015: TEUR 127.46) were made against the provision.

<u>Negative market values of derivatives in the banking book incl. trading book CVA</u>
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 substantially the same as the term of the underlying transaction. The hedge efficiency for fair value hedges is calculated on the basis of the accumulated theoretical change in price of the underlying transaction as well as the hedge transaction from the start of the hedge using a regression model (advanced dollar offset method) for the hedged risk factors on a monthly basis.

As at 30.06.2016 a provision of TEUR 903.91 (31.12.2015: TEUR 607.39) was required.

For derivatives in the trading book, a provision for the Credit Valuation Adjustment (CVA) in the amount of TEUR 469.44 (31.12.2015: TEUR 427.08) was required.

Provision against Pfandbriefstelle obligations

HETA Asset Resolution AG (Heta) has been subject to a moratorium which was announced by the Financial Markets Authority (FMA) in March 2015. 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 (including Austrian Anadi Bank AG), in conjunction with the relevant Austrian provinces, are jointly and severally liable for all obligations of Pfandbriefbank, and so in 2015, a commitment was made to step in to honour the Pfandbriefbank debt maturity obligations of Heta. Based on a 1/16th share of the joint and several liability, Austrian Anadi Bank AG made a commitment of EUR 77m. As at 30.06.2016, payments have been made to the Pfandbriefbank by Anadi totalling EUR 50m in respect of this commitment.

On 10 April 2016 the FMA, as resolution authority for Heta in accordance with BaSAG, announced the reduction of the nominal value of the subordinated debt of Heta to zero and the nominal value of other liabilities to 46.02%. The FMA also announced that in accordance with § 84 (9) BaSAG, the maturities of debt securities issued by Heta, and other qualifying liabilities, would be extended to no later than 31 December 2023, and that with effect from 1 March 2015 the interest rates were reduced to zero.

Based on the haircuts imposed by the FMA and the changes to maturities, the bank increased the provisions held against Pfandbriefstelle obligations to EUR 37.5m in its 2015 financial statements. As at 30.06.2016 the provision against the commitments made to Pfandbriefstelle in connection with the default by Heta, is EUR 37.5m (31.12.2015: EUR 37.5m). The measurement of the provision is based on estimates regarding the recoverability of claims against Heta and the Province of Carinthia and is therefore subject to uncertainty.

6. Information on risk provisions

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

	30.06.2016	31.12.2015
Loans and advances to customers		
Balance at start of year	**54,357.39**	**38,045.05**
Additions	1,674.67	20,550.62
Releases	–447.79	–1,709.83
Utilised	–1,864.96	–10,145.02
Transfer	2,677.56	7,555.00
Foreign currency valuation	–2.58	61.57
Balance at year-end	**56,394.29**	**54,357.39**

For credit default risks existing on the balance sheet date but not yet identified as such, the portfolio risk provision was adjusted from the 2015 level (TEUR 6,249.38) to TEUR 5,967.87 as at 30.06.2016.

7. Tier 2 capital pursuant to part two, Title I, Chapter 4 of Regulation (EU) No 575/2013

The nominal value of Tier 2 capital as defined in (EU) No 575/2013 is TEUR 18,000.00 (31.12.2015: EUR 18,000.00). The Tier 2 capital has a maturity of approximately 2 years.

ISIN	Designation	Volume	Curr.	Interest rate 30.06.2016	Issue date	Maturity date
S51953	Loan against a promissory note	1,500.00	EUR	4.560 %	31.08.2006	31.08.2017
S51954	Loan against a promissory note	1,500.00	EUR	4.560 %	31.08.2006	31.08.2017
S51955	Loan against a promissory note	5,000.00	EUR	4.560 %	31.08.2006	31.08.2017
S53185	Loan against a promissory note	5,000.00	EUR	4.575 %	15.02.2007	29.09.2017
S53186	Loan against a promissory note	5,000.00	EUR	4.575 %	15.02.2007	29.09.2017

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

There were no new subordinated loans raised in the period from 01 January to 30 June 2016.

The interest expenses for the supplementary capital amount to TEUR 410.52 (30.06.2015: TEUR 409.27)

8. Equity

The issued share capital of Austrian Anadi Bank AG as at the balance sheet date amounts to TEUR 30,000.00 (31.12.2015: TEUR 30,000.00) and is divided into 30,000 (31.12.2015: 30,000) non-par value bearer shares.

The shares are held 100% by Anadi Financial Holdings Pte. Ltd, whose headquarters are in Singapore.

9. Reserves

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

Designation	Opening balance 01.01.2016	Additions	Disposals	Utilised	Releases	Closing balance 30.06.2016
Capital reserves	82,332.12	0.00	0.00	0.00	0.00	82,332.12
Retained earnings	2,459.38	3,722.72	0.00	0.00	0.00	6,182.10
Liability reserves	36,995.64	0.00	0.00	0.00	0.00	36,995.64

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 24 May 2016.

Untaxed reserves

In accordance with RÄG2014 § 205 UGB, the balance sheet item „Untaxed reserves" is omitted. According to the transitional provisions of § 906 para. 36 UGB, a reclassification of untaxed reserves took place on 30.06.2016 with the balance sheet value as at 31.12.2015 of TEUR 70.97. The reclassification was applied to retained earnings in the amount of TEUR 53.23 (75%) and a deferred tax liability of TEUR 17.74 (25%).

Off balance sheet items

10. Derivative financial instruments

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

	Nominal value Purchase contracts		Nominal value Sales contracts	
Futures transactions	30.06.2016	31.12.2015	30.06.2016	31.12.2015
a) Interest rate-related business				
OTC-products				
Interest swaps/Interest rate contracts	951,544.31	991,772.63	951,544.31	991,772.63
b) Currency-related business				
OTC-products				
Currency swaps (CCY swap)	8,768.08	7,629.51	7,153.00	7,153.00
Cross-currency swaps	96,774.13	81,262.97	97,702.67	81,477.58
Forward exchange contracts	58,352.16	4,426.35	58,325.60	4,424.46
Currency option	5,549.47	0.00	5,676.97	0.00

	Fair value positive		Fair value negative	
Futures transactions	30.06.2016	31.12.2015	30.06.2016	31.12.2015
a) Interest rate-related business				
OTC-products				
Interest swaps/Interest rate contracts	91,525.03	83,679.70	67,277.47	59,209.02
b) Currency-related business				
OTC-products				
Currency swaps (CCY swap)	1,939.80	732.38	0.00	0.00
Cross-currency swaps	476.89	269.62	1,626.89	529.37
Forward exchange contracts	505.35	13.49	478.82	11.82
Currency option	3.99	0.00	0.00	0.00

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 30.06.2016 the net fair value of derivatives designated as hedging instruments, was TEUR 25,972.57 (31.12.2015: TEUR 24,888.41).

In the period under review, some hedging relationships were terminated early - the net positive result, including the underlying transactions, came to TEUR 12,685.27 (30.06.2015: TEUR 36,171.63).

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.

11. Contingent liabilities

	30.06.2016	31.12.2015
Contingent liabilities	**58,422.06**	**79,400.06**
Guarantees and other collateral securities	58,299.41	79,224.98
Letters of credit	122.64	175.08

12. Other off balance sheet information

Loan exposures comprise unused credit lines totalling TEUR 155,007.00 (31.12.2015: TEUR 171,490.00).

Liabilities from fiduciary activities amounted to TEUR 14,154.09 (31.12.2015: TEUR 23,461.69) at 30.06.2016. 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 TEUR 439.36 (31.12.2015: TEUR 894,99) at 30.06.2016, TEUR 846.21 falling due in 2016 and TEUR 4,231.06 in total for the years 2016 to 2020.

Demerger liabilities

In 2012 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.

Heta bears the primary responsibility for the obligations assumed as part of the demerger, although Austrian Anadi Bank AG retains joint and several liability for all demerged liabilities incurred prior to the entry of the demerger in the Commercial Register on 5 September 2012, up to the amount of the net assets allocated to the bank within the context of the demerger. The demerger liability is limited to the market value of the net assets allocated to the bank as part of the demerger, on the day the demerger was placed on the Commercial Register. Since the net assets as of 5 September 2012 were not valued at that time, it is necessary to assess this. From the perspective of Austrian Anadi Bank AG the price at which the bank was acquired in December 2013 during a public offer process, is an important indicator of the value.

For any risks arising from the demerger, the bank has obtained relevant legal opinion from well known experts including the common law opinions in literature, on the basis of which the mitigation of any risk would be: the bank believes there are good arguments for the deduction from the liability, of payments made to Pfandbriefbank AG; in addition in the event of any demerger claim against Austrian Anadi Bank AG, the bank can seek partial recourse to the Province of Carinthia; to a limited extent the bank may also seek recourse from Heta; and there exist guarantees from the bank's parent company, Anadi Financial Holdings PTE Ltd, in respect of demerger liabilities. In light of the risk mitigating arguments, the bank assumes that after considering the guarantees from the bank's parent company, there remains no requirement to make any provision for demerger liabilities.

The bank notes that there is no case law and only limited literature regarding the matter of demerger liabilities. Although the board has obtained relevant opinions by recognised specialists and formed a legal opinion on that basis, the risk remains that the courts may not ultimately follow the opinions of experts and come to a different conclusion.

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 Pfandbriefbank 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 Pfandbriefbank which arose before 2 April 2003 or after 2 April 2003 with a term not beyond 30 September 2017, the guarantors of the member institutions (in each case the federal state of the member in question) are, according to § 2 (2) of the PfBrStG, equally jointly liable. In the audit report for the Pfandbriefbank setting out the legal obligations on liabilities, the value of the liabilities to be covered by the guarantors was put at around EUR 3.34bn as at the reporting date 31.12.2015 (31.12.2014: EUR 5.5bn). After taking account of the funds taken up by the Pfandbriefbank and forwarded to Austrian Anadi Bank AG, in the amount of EUR 0.33bn (31.12.2014: EUR 0.47bn), the resulting amount which must be reported in accordance with § 237 (8a) UGB comes to EUR 3,01bn (31.12.2014: EUR 5.0bn). This joint and several liability, read with § 896 of the Austrian Civil Code, can potentially amount to 1/16th of EUR 3,01bn (EUR 0.19bn in 2015).

As at 30.06.2016 there is no updated report of the liabilities of Pfandbriefstelle, therefore the numbers shown are those available at 31.12.2015.

Notes to the income statement

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

Supplementary information

13. Deferred tax assets

Austrian Anadi Bank AG has recognised deferred tax assets in the balance sheet as at 31.12.2015 pursuant to § 198 para. 9 UGB. The overall difference in deferred tax is shown on a net basis because the tax refund claims and tax liabilities relate to the same tax authority. The deferred taxes are calculated with a standard tax rate of 25% and in detail comprise the following as at 30.06.2016:

Balance Sheet positions	30.06.2016	31.12.2015	Beschreibung
Securities held as Current Assets	–636.27	–4,949.60	Deferred tax liabilities
Positive fair values of trading book derivatives	–3,816.61	–3,526.52	Deferred tax liabilities
Untaxed reserves	–70.97	0.00	Deferred tax liabilities
Securities held as Fixed Assets	6,387.27	8,971.09	Deferred tax assets
Investments	21.92	1,743.34	Deferred tax assets
Provisions	8,249.27	11,310.27	Deferred tax assets
Total	10,134.62	13,548.59	Net deferred tax assets
Excess deferred tax 25%	2,533.65	3,387.15	

14. Important long term agreements

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

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

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

15. Own capital funds

Own Funds in accordance with CRR/CRD	30.06.2016	31.12.2015
Common Equity Tier 1 Capital	154,637.37	150,830.45
Paid up capital instruments	30,000.00	30,000.00
Retained earnings	82,332.12	82,332.12
Other reserves	43,177.74	39,455.02
Value adjustments due to the requirements for prudent valuation (Fair value exposures)	151,323.34	154,806.38
thereof 0.1 % deduction	–151.32	–154.81
Other intangible assets	–721.16	–801.88
Deducting deferred Tax (currently under the exemption limit)	0.00	0.00
Deducting investments (currently under the exemption limit)	0.00	0.00
Additional Tier 1 Capital	0.00	0.00
Additional Tier 1 Capital	0.00	0.00
Tier 2 Capital	4,365.63	6,158.73
Supplementary Capital total	18,000.00	18,000.00
Supplementary Capital allowable	4,365.63	6,158.73
Deducting investments (currently under the exemption limit)	0.00	0.00
Own funds	159,003.00	156,989.18

Own funds requirement	79,047.51	83,812.29
Surplus of total capital	79,955.50	73,176.89
Coverage ratio	201.15%	187.31%

Own Funds Requirement Austrian Anadi Bank AG		
Risk-Weighted Assets (banking book)	843,073.22	905,096.68
thereof 8 % minimum capital requirement	67,445.86	72,407.73
Credit Value Adjustment	1,223.19	1.008.05
Own funds requirement for trading book	125.47	157.02
Own funds requirement for open currency position	48.25	34.74
Capital requrement for operational risk	10,204.74	10,204.74
Total own funds requirement	79,047.51	83,812.29
Total risk exposure amount	988,093.87	1,047,653.62

Common Equity Tier 1 Capital ratio	15.65%	14.40%
Additional Tier 1 Capital ratio	0.00%	0.00%
Tier 1 Capital ratio	15.65%	14.40%
Supplementary Capital ratio	0.44%	0.59%
Total Capital ratio	16.09%	14.98%

16. Securities

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

	30.06.2016	31.12.2015
Financial collateral	**41,291.15**	**66,770.07**
Cash deposits	22,307.24	45,843.60
Securities	18,983.91	20,926.47
Real estate collateral	**792,904.76**	**839,686.89**
Guarantees	**417,806.88**	**459,392.93**
Other collateral	**84,466.94**	**90,295.27**
Insurance	54,941.04	56,194.48
Movable property	13,428.57	11,409.08
Others	16,097.33	22,691.72
Total	**1,336,469.74**	**1,456,145.17**

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

	30.06.2016	31.12.2015
Collateral received	11,780.00	13,720.00
Collateral	7,220.00	6,980.00

17. Trustee saving accounts

Liabilities to customers include trustee savings accounts with a value of TEUR 2,441.13 (31.12.2015: TEUR 2,686.68).

18. Foreign currency

The balance sheet contains the following foreign currency amounts:

	30.06.2016	31.12.2015
Assets	281,265.31	301,875.54
Liabilities	270,710.47	272,343.54

The greater part of the TEUR 10,557.95 (31.12.2015: TEUR 29,532.00) difference is hedged with currency swap agreements.

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

	Debt securities in issue		Covering loans		Surplus/shortfall in cover	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Mortgage bonds	43,048.41	40,597.20	78,175.94	75,325.25	35,127.53	34,728.05
Public sector mortgage bonds	572,375.60	584,803.38	656,684.10	683,592.39	84,308.49	98,789.01

Austrian Anadi Bank has deposited unissued securities (mortgage bonds) with the Austrian National Bank of TEUR 285,600. This compares to mortgage collateral stock (cover loans) of TEUR 344,016. As at 30.06.2016 no funding has been drawn.

20. Other information related to the balance sheet

In accordance with § 64 (1) (8) BWG, securities with a value of TEUR 776,013.91 (31.12.2015: TEUR 468,163.35) and loans in the amount of TEUR 303,693.09 (31.12.2015: TEUR 339,834.56) were pledged as collateral for liabilities to credit institutions amounting to TEUR 235,000.00 (31.12.2015: TEUR 338,000.00) as well as for liabilities to customers of TEUR 2,654.61 (31.12.2015: TEUR 2,440.73).

The return on assets in accordance with § 64 Z 19 BWG is 0.22% (30.06.2015: 0.50%).

21. 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 by 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 to be paid, of EUR 1 per thousand p.a. of the amount guaranteed.

Availing itself of the contractually agreed right to termination, notice was given by Austrian Anadi Bank AG to terminate the guarantee commission agreement as at 31 December 2011, whereby the contractual obligation to pay guarantee commission from 1 January 2012 ceased to apply. Irrespective of the termination of this contractual guarantee commission agreement, the statutory guarantee provided under § 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 1.4m 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 30 June 2016, 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 EUR 396.9m (31.12.2015: EUR 475.1m).

22. Deposit Guarantee

In accordance with § 8 paragraph 1 ESAEG Austrian Anadi Bank AG, as a deposit taking Institution (CRR Institute) with its headquarters in Austria, is a member of the Deposit Guarantee Scheme referred to in § 1 para 1 Z 1 ESAEG. Under the transitional provisions of § 59 Z 3 ESAEG the Hypo-Haftungs-GmbH, as part of the Association of Hypo mortgage banks, is to establish a Deposit Protective scheme by 31.12.2018. Any protective scheme must establish a deposit guarantee fund consisting of available funding of at least 0.8% of the amount of covered deposits of member institutions. The contribution obligation depends on the amount of covered deposits under basic interpretation of predetermined risk factors (known as risk-based calculation of contributions). For the 2016 financial year a provision of TEUR 451.76 (01.07.-31.12.2015: TEUR 211.67) is required, and covers the full year. This has been fully recognised in the profits to 30.06.2016. In addition, in the case of an event giving rise to depositor claims, the Hypo-Haftungs-GmbH is obliged to request special contributions from Association members in case of insufficient resources in the Fund to cover the depositor claims. These special contributions, in accordance with § 22 (1) ESAEG, may be an annual maximum contribution of 0.5% of each institution's covered deposits.

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

23. BaSAG - Resolution Fund

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

To finance the statutory resolution funding mechanism, an ex-ante fund i.S.d. § 123 BaSAG was established through regular contributions in accordance with § 125 BaSAG. The level of contributions, in accordance with § 126 BaSAG, is in proportion to the amount of liabilities minus guaranteed deposits of the institution, compared to the aggregate liabilities less guaranteed deposits of all authorised institutions in Austria. These contributions are adapted according to the risk profile of the institution. For the year 2016, Austrian Anadi Bank AG has contributed TEUR 1,330.58 (31.12.2015 TEUR 1,158.59), which as at 30.06.2016 was already fully paid. Irrevocable payment obligations were not used. In addition, the resolution authority, can if necessary in accordance with § 127 BaSAG, introduce extraordinary subsequent contribution requirements. The calculation of the amount of these extraordinary contributions follow the rules of the ordinary contributions (i.S.d. § 126 BaSAG) and may not exceed three times the annual amount of the ordinary contributions.

24. 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.

25. Employees

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

	30.06.2016	31.12.2015
Salaried employees	353.17	381.07

26. Events after the balance sheet date

No further events of particular significance, which could have led to a change in the presentation of the financial position and results of operations, were recorded after the reporting date of 30 June 2016.

Klagenfurt am Wörthersee, dated 02.08.2016

The Management Board:

GD Mag. Christoph Raninger m.p	VDir. Gerhard Salzer m.p	VDir. Mag. Franz Reif m.p

Statement of Legal Representatives

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

Klagenfurt am Wörthersee, dated 02.08.2016

The Management Board:

GD Mag. Christoph Raninger m.p

VDir. Gerhard Salzer m.p

VDir. Mag. Franz Reif m.p

Publishing information

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Forward looking statements and forecasts are based on information and data available at the time of finalising the financial statements (02.08.2016). Changes after this date may influence the facts and forecasts given in the Annual Report. The information presented in this report and the data contained therein has been compiled and checked with the greatest possible degree of care and circumspection. However, errors arising from rounding, transmission, typesetting or printing cannot be ruled out.

Austrian Anadi Bank

...your bank since 1896

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