

Press Release

2014 annual result of Hypo Group Alpe Adria affected by one-off items – Sale of the south-eastern European banking network soon to be closed

- Negative net consolidated income after tax of EUR -97.4m due to impairments and risk provisioning
- Closing of sale to Advent/EBRD expected by mid-2015

Klagenfurt am Wörthersee, 28 May 2015 – Hypo Group Alpe Adria AG (HGAA) published today for the first time its annual report as an independent banking network. For the financial year 2014, which was particularly marked by preparations for the upcoming sale of HGAA, the banking network reports an annual loss after tax of EUR -97.4m (2013: EUR -302.3m). HGAA has only been fully carved out legally from its former owner Hypo Alpe-Adria-Bank International (now Heta Asset Resolution AG (Heta)) since 30 October 2014, and operationally since the beginning of April 2015.

The annual loss in 2014 is primarily attributable to provisions on assets and receivables totalling EUR 133.5m (2013: EUR 353.7m) as well as one-off items such as restrictions regarding new business imposed by the European Commission. In the course of the preparations for the sale of HGAA in 2014, as in the previous years, targeted portfolio transfers and sales of non-performing retail loans were carried out. As a result, the NPL ratio (non-performing loans) was reduced to 12.2% and the core capital ratio (Tier 1) was strengthened. At the closing date of 31 December 2014 this ratio was 20.1%.

Customer receivables declined by 13% compared to 2013 and reached a level of EUR 5,159.8m by the end of 2014 due to a low level of new business and weak economic development. However, margins in retail and corporate banking were maintained close to previous year levels while credit quality increased. A significant reduction in interest rates on customer deposits (-80 BPS) was achieved while maintaining a stable deposit volume of EUR 3,998.7m (2013 EUR 4,161.1m). This means that the decline in interest income was partially compensated while refinancing capabilities by HGAA's subsidiaries were strengthened.

Sale process soon to be closed

In the financial year 2014 the focus was on drawing up HGAA's new structure as well as preparing and carrying out the sales process. As such, in December 2014 the sales agreement with Advent International and the European Bank for Reconstruction and Development (EBRD) was signed. All subsequently required steps including the approval processes by the relevant authorities are being carried out as planned in the first half of 2015. The closing of the transaction is expected by mid-2015.

Repositioning and further strengthening of HGAA expected after closing of the sale

After the closing of the sale by mid-2015, the future owner is expected to carry out measures to reposition HGAA. Once the acquisition of HGAA is completed, Advent International and the EBRD intend to continue operating the banking network via the Austria-based bank holding under an Austrian banking licence with its Headquarters in Klagenfurt. The focus will be on expanding the retail

and SME banking business. The goal in the current year remains to consistently increase cost efficiency throughout the Group and to further strengthen local funding via deposits.

About Hypo Group Alpe Adria AG

Hypo Group Alpe Adria AG (HGAA) with its Headquarters in Klagenfurt am Wörthersee and banking subsidiaries in Slovenia, Croatia, Bosnia and Herzegovina, Serbia and Montenegro, operates in south-eastern Europe with 236 branches and 3,655 employees, serving over 1.16m customers (as on 31 December 2014). These include a large number of small and medium-sized enterprises, retail and corporate customers as well as districts and municipalities.

Press contact:

Mariella Warsberg, CNC +43 (0) 50232 3333
hgaa@cnc-communications.com