



HYP0 ALPE ADRIA
SUPPORTIVE. FRIENDLY. FAIR.

Group Annual Report 2013

Hypo Alpe Adria

Key data based on the consolidated financial statements drawn up in accordance with IFRS

Hypo Alpe-Adria-Bank International AG (Group)

EUR m

	2013	2012	2011
	1.1.-31.12.	1.1.-31.12.*	1.1.-31.12.**
income statement			
Net interest income	423.5	597.9	753.3
Net fee and commission income	51.2	47.9	73.1
Impairment on financial instruments – at cost (risk provision)	-1,362.1	-308.5	-229.8
Operating expenses (administrative expenses)	-439.7	-441.7	-574.2
Operating result – prior to risk provisions on loans and advances	-434.9	294.7	323.7
Operating result – after risk provisions on loans and advances	-1,796.9	-13.9	93.9
Result before tax (from continued operations)	-1,798.3	-13.9	94.8
Result after tax	-1,843.4	8.3	69.3
Statement of financial position	31.12.	31.12.	31.12.**
Loans and advances to customers	19,289.0	24,401.5	26,722.4
Liabilities to customers	6,120.9	8,405.9	8,201.1
Debt securities in issue and subordinated capital and hybrid capital	12,311.8	16,799.1	18,303.0
Equity (including non-controlling interests)	1,858.8	1,968.4	1,413.3
Total assets	26,218.6	33,803.7	35,132.5
Risk-weighted assets (banking book)	16,643.6	21,323.5	23,111.0
Key figures	1.1.-31.12.	1.1.-31.12.*	1.1.-31.12.**
Cost/income ratio	143.2%	54.1%	63.9%
Net interest income/∅ risk-weighted assets (banking book)	2.2%	2.7%	3.1%
Risk/earnings ratio	321.6%	51.6%	30.5%
Risk/∅ risk-weighted assets (banking book)	7.0%	1.4%	1.0%
Bank-specific figures	31.12.	31.12.	31.12.**
Own capital funds according to BWG	2,739.8	3,057.1	2,498.7
Own capital funds requirement according to BWG	1,473.8	1,883.2	2,048.9
Surplus capital/shortage	1,266.0	1,173.9	449.8
Core capital (Tier 1)	1,808.3	2,022.1	1,602.8
Tier 1 ratio – banking book	10.8%	9.5%	6.9%
Tier 1 ratio – including market and operational risk	9.8%	8.6%	6.2%
Own capital funds ratio - total (solvency ratio)	14.9%	13.0%	9.8%
Moody's rating	31.12.	31.12.	31.12.**
Long-term (liabilities not covered by statutory guarantee)	withdrawn	withdrawn	withdrawn
Long-term (liabilities covered by statutory guarantee)	A1	A1	Aa3
Short-term	withdrawn	withdrawn	withdrawn
Bank Financial Strength Rating (BFSR)	withdrawn	withdrawn	withdrawn
Employees and locations	31.12.	31.12.	31.12.**
Employees at closing date (Full Time Equivalent – FTE)	6,008	6,576	7,690
Employees average (FTE)	6,574	7,371	7,774
Number of locations	303	317	330

* Previous year's figures were adjusted, see note (10) Adjustment of previous year's figures.

** In the figures for 2011, Hypo Alpe-Adria Bank AG (Austria), which was sold on 19 December 2013 and therefore excluded from the scope of consolidation, was included in the operating result and was not reported separately as a discontinued operations in the income statement.

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Letter from the Executive Board

Dear partners,
Dear customers,
Dear staff!

For Hypo Alpe Adria, the first half of 2013 was dominated by final discussions over the European Commission's state-aid investigation that began in 2009 while the bank was still under the ownership of BayernLB. While Hypo Alpe Adria detailed the expectations for the imminent decision in Brussels in its result as at 30 June 2013 to the greatest extent possible, this annual report reflects the facts of the final decision passed on 3 September 2013 in full. The conclusion of the state-aid investigation was an external event with huge implications for Hypo Alpe-Adria-Bank International AG, with the imposed market restrictions having major consequences on the operations of the bank's subsidiaries and the detailed requirements regarding, for instance, the defined time frame affecting the entire restructuring and wind-down strategy of the group. The bank was able to avert the danger of an imminent dissolution of the group at year-end, however the regulations and measures led to considerable upheaval and restrictions across the board.

Above all, the final order to sell the marketable bank units in Austria and South East Europe (SEE) by the end of 2013 and mid-2015 respectively, as well as the systematic winding-down and liquidation of other units, including the Italian bank subsidiary, was reflected in the model calculations in the restructuring plans, which were accounted for in the result through a huge rise in risk provisions and significant impairment write-downs on Hypo Alpe Adria participations. The reported net loss for the year was within the range forecast for this scenario during the EU investigations, as was government aid required to fulfil capital requirements. These one-off external effects were exacerbated by the persistent, unfavourable economic situation and associated defaults on payments in South and South East Europe. This downturn was also responsible for the chronically low benchmark interest rates in 2013. Other issues included provisions for one-off local risks relating to foreign currency loans in SEE and interest calculations for leasing agreements in Italy that had been manipulated for years, a fact only uncovered by active investigation work by the governing body.

While some operating banks deliberately pursued a strategy of winding-down certain customer portfolios in order to optimise their risk and earnings structure, the full capacity to seize existing market opportunities was limited by the regulations in the EU restructuring plan. After stable performance in terms of deposits was observed in the first nine months of the 2013 financial year, widespread public debate in Austria over the future of Hypo Alpe Adria in the fourth quarter of the year led to increasing irritation among customers and resulted in deposit outflows in foreign markets. Although the bank had to abandon the original centralised parameters of its restructuring strategy over the course of the year, new prospects opened

up for the new structure of Hypo Alpe Adria in line with tried-and-tested international models. The fact that this central vision of a clear separation of the bank network earmarked for privatisation on the one hand, and an independent, taxpayer-owned wind down unit on the other, – a strategy pursued internally at the bank for considerable amount of time –, was implemented can be seen as an affirmation of the fundamental work carried out at the bank over the last few years.

However, at the same time, Hypo Alpe Adria completed one of the few successful bank transactions seen over the past few years with the sale of Hypo Alpe-Adria-Bank AG (Austria) to an international investor – despite the extremely problematic climate. In spite of all the difficulties, a regional bank rich in history and tradition was given brand-new prospects far beyond its previous boundaries of business and roughly 400 high-quality jobs were able to be saved. The SEE network, increasingly liberated from its legacy burdens and equipped with a solid capital structure, showed its potential for a profitable future in the 2013 financial year, especially considering that negative one-off effects, market restrictions imposed under competition law and unsettling public debate will soon be a thing of the past. Improvements in terms of organisation, cost efficiency and employee and location quality implemented over the past few years show that Hypo Alpe Adria is on firm footing to continue the privatisation process. This process was intensified further at the turn of the year, and a conclusion in the current financial year appears just as realistic as the option of retaining the network, including an Austrian controlling holding company, in the event of a sale.

The Executive Board wishes to present these positive aspects of business in their rightful place, despite the negative and painful events of the 2013 financial year. After all, they represent the fruits of Hypo Alpe Adria employees' labour and are the result of ongoing support from the government. All in all, these positive factors led to a net reduction of risks for the general public – primarily in the form of state-guaranteed liabilities – from EUR 21 billion after the emergency nationalisation to the current level of roughly EUR 13 billion. Even if we consider the recapitalisation from the bank's owner during this period, this equates to a net reduction of potential burdens of EUR 3.6 billion and is a testament to the decision in favour of a systematic wind-down. The further winding-down of these unparalleled legacy burdens, together with the bank's contribution to the fair distribution of costs and the clarifications of the reasons for the burdens' existence, will continue to be a focal point of the bank's activities.

The Executive Board of
HYPO ALPE-ADRIA-BANK INTERNATIONAL AG

Group Management Report

1. General economic conditions

In 2013 emerging economies were once again the biggest driving force behind global growth. In industrialised countries, austerity measures had a negative impact on economic performance last year. In the light of a further concentration of investment activity and the sustained – although more gradual – decline in consumer spending, GDP fell in the eurozone by 0.4% in 2013. Only net trade made a positive contribution to GDP last year. A degree of stabilisation of the pace of growth in Serbia, Bosnia and Herzegovina and Montenegro was offset by declining GDPs in Slovenia and Croatia, so that overall Hypo Alpe Adria's SEE countries dropped back. Altered financial conditions as part of the slowing of bond buying by the Fed ("tapering") and also unexpectedly low inflation rates played a key role in shaping the past year.

In Slovenia, GDP fell by around 2.2% in 2013. This was due in particular to the decline in consumer spending, which in turn was attributable to a rise in unemployment over the 11% mark, falling real net wages and the Government's tight budget policy. Investments also impacted on GDP development, since companies focussed on significant deleveraging in view of the ailing banking sector. It is expected that in 2014 GDP will fall by 1.4% as a result of a continued decline in consumption, austerity measures and the long-overdue restructuring of banks/businesses. Bank stress tests and asset quality reviews have furthermore revealed that the banking system has a manageable capital deficit. This means that the biggest cause of short-term uncertainty is eliminated.

Despite another solid tourist season and the brief improvement in mood after joining the EU, GDP in Croatia fell by 1.1% in 2013. This decline is attributable to the export slump after withdrawal from the CEFTA (Central European Free Trade Agreement), weak domestic demand, the weakness of industry and the debt equity ratio in the private economy. As a result of lack of budgetary discipline the Government did not adhere to three out of five Maastricht criteria, and hence the European Commission was forced to initiate proceedings against Croatia due to an excessive deficit. For 2014 a decline of 0.7% in GDP is forecast. One of the reasons for the decline will be sluggish consumption by private households. In addition dampened investment activity in the private sector, the CEFTA domino effect for SEE exports and the poor outlook for the most important trade partners are impacting on GDP development.

Serbia's rise in GDP in 2013 (2.4% as against -1.5% in the previous year) owes much in particular to the positive contribution made by net trade due to automotive and energy exports. Private consumption remains the largest vulnerability and in combination with the debt equity ratio of businesses and the resulting decline in investment prevented a stronger upturn in GDP. In 2014 it is expected that a reduced contribution by net trade will be accompanied by

a slowing of growth. GDP is anticipated to grow by 1.25%. The biggest positive contribution will be made by investment projects funded with public money in the energy and traffic infrastructure sectors. The Government is avoiding a more stringent tightening of fiscal policy, and hence it may be assumed that the country will still not make use of the relief fund.

Bosnia and Herzegovina achieved positive growth with the help of higher investments and higher industrial production. Private consumption depressed the GDP. This is due to high unemployment and the decline in real net wages. Stronger consumer demand and a rise in public investments in 2014 may result in a rise of 1.3% in GDP. Net trade will depress the result slightly, since investments give a strong impetus to imports. With regard to (re-)financing, the state continues to be largely dependent on finance from international financial institutions. In our view potential political conflict in the lead-up to the general election in the second half of 2014 could constitute a downwards risk. This is particularly the case if political differences have negative consequences for the support of international financial institutions, which would lead to a decline in investment.

Montenegro continues to be strongly dependent on tourism. The sector contributed crucially to the upturn (increase of 1.6% in GDP after -2.5% in the previous year). Looking at the economy as a whole, there are indications of a gradual structural shift from the metal industry towards services sectors. However fiscal risks remain. The additional use of guarantees is likely to lead to a further loosening of fiscal policy. Tourism will continue to be the biggest contributing force for GDP growth in 2014. We also expect greater investment in the areas of tourism and energy infrastructure. In view of uncertainties relating to financing, however, we also perceive downwards risks for public investment spending.

Overall we anticipate a broadly sideways trending GDP in the key markets of Hypo Alpe Adria with slowed inflation and a stabilisation of unemployment figures.

(Economic data for 2013 are interim values)

(Source: (Hypo Research Department))

2. Overview of Hypo Alpe Adria

Hypo Alpe Adria was founded in 1896 in Klagenfurt and remained a typical regional bank for almost 100 years. The strategic focus of Hypo Alpe Adria's business was centred on public-sector financing activities. In the 1990s Hypo Alpe Adria began its gradual expansion into the Alps-to-Adriatic region and developed from a Carinthian regional bank into an international finance group. Hypo Alpe-Adria-Bank International AG is the management holding company for all companies in the Hypo Alpe Adria group.

As a result of years of aggressive growth with no risk limitation, over-optimistic assessments and serious operating deficiencies in all major units of the bank, Hypo Alpe Adria experienced ever greater turmoil during the global financial crisis and had to be rescued by nationalisation at the end of 2009. The Republic of Austria has been the sole owner of the bank since December 2009.

Since emergency nationalisation, the bank has undergone restructuring. The EU state aid investigations in progress since 2009 were brought to a conclusion in the 2013 financial year. After several years of intense negotiations the Commission terminated the proceeding and approved the final restructuring plan of the bank.

The plan provides for the reprivatization of the SEE network, consisting of the countries of Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro and also a holding company in Austria, and the winding down of the remaining segments of the bank in such a way as to preserve value. An important step towards implementing the plan was the sale which occurred during last financial year of the Austrian subsidiary Hypo Alpe-Adria-Bank AG Klagenfurt/Wörthersee to investor group Anadi Financial Holding Pte. Ltd., which emerged as the higher bidder in an extensive tendering process. The next important milestone on the path to restructuring is the swift reprivatization of the SEE network. Hypo Alpe Adria is rated in the SEE countries as a reliable partner in the financial services sector, and focuses first and foremost on serving retail customers and also on small and medium sized businesses. Following comprehensive restructuring measures in recent years this network therefore represents an attractive asset for potential investors. In accordance with the EU's requirements, the reprivatization of the network is scheduled by mid-2015.

As at the effective date of 31 December 2013 Hypo Alpe Adria was operating around 300 branches, primarily in Slovenia, Croatia, Bosnia and Herzegovina as well as Serbia and Montenegro, and served over 1.26 million customers in this extensive Alps-to-Adriatic network. The workforce numbered around 6,000 active employees (FTE) at year's end.

3. Significant events in the 2013 financial year

For Hypo Alpe Adria, the 2013 financial year was shaped by work in preparation for the privatisation of the marketable entities in the SEE countries and by the sale of the Austrian subsidiary despite the prevailing difficult climate for bank sales, and also by the final decision of the European Commission in the state aid investigations that had been pending since 2009, which also had direct consequences for the valuations of assets and loans. Moreover, the prolonged public discussion and – above all – speculation about various scenarios have had a further negative impact on the bank, with customers withdrawing their deposits, for example. These circumstances ultimately led to the owner of the Austrian bank holding company, the Republic of Austria, being forced to provide the company with a total of EUR 1.75 billion of additional capital.

In April 2014 a further capital requirement in the amount of EUR 0.75 billion was notified, which was needed for the finalisation of the 2013 financial statements and also to comply with the statutory capital adequacy ratio until the forthcoming deregulation of the bank in September 2014.

These measures are consistent with the restructuring plan revised by the Republic of Austria and submitted to the European Commission, which provides for further capital measures by the owner in the years ahead and formed the basis for the final decision of the European Commission in September 2013.

3.1. Clearly negative group result in 2013

In 2013 a combination of declining operating income, almost constant operating expenses and a significant increase in risk provisions on loans and advances compared to the previous year led to a group result after taxes of EUR -1,843.4 million (2012: adjusted EUR +8.3 million). This was largely a result of the ongoing tough economic environment in South East Europe as well as rising overdue payments and payment defaults from customers. The low number of real estate transactions and the failed customer restructuring measures led to a delay in the realisation of loan and leasing collaterals or a delay in the planned date of realisation.

3.2. Changes to the Executive Board and Supervisory Board of Hypo Alpe-Adria-Bank International AG (HBInt.)

As at 30 April 2013 the Supervisory Board, which had previously consisted of four members (not including employee representatives), was expanded to six members with the appointment of Klaus Liebscher and Adolf Wala. After chairman of the Supervisory Board Johannes Ditz announced his resignation with immediate effect on 3 June, the general shareholders' meeting elected Ludwig Scharinger to

the Supervisory Board on 21 June. In the Supervisory Board meeting held on the same day, Klaus Liebscher was appointed to the new chairman of the Supervisory Board.

On 2 July 2013 the then chairman of the Executive Board, Gottwald Kranebitter, announced that he would resign from his office with effect from the end of August. The duties of the chairman of the Executive Board were assumed by deputy chairman of the Executive Board, Wolfgang Edelmüller, pending further notice. On 20 December 2013, following the process of advertising the position, Alexander Picker was appointed new chairman of the Executive Board with effect from 1 January 2014. On 10 January 2014 Chief Risk Officer (CRO) Wolfgang Edelmüller announced that he would resign his membership of the Executive Board of Hypo Alpe-Adria-Bank International AG on 28 February 2014. The position of CRO which had become vacant was advertised in accordance with the Stellenbesetzungsgesetz (Austrian law on staff appointments) on 18 January 2014. Upon the departure of Wolfgang Edelmüller on 28 February 2014, chairman of the Executive Board Alexander Picker assumed the function of CRO in an interim capacity. The CRO position has not been filled to date.

On 4 February 2014 Ludwig Scharinger left the Supervisory Board. As at 21 February 2014 Karl Liebscher resigned from office as chairman of the Supervisory Board. In March 2014 Finance Minister Michael Spindelegger made a public announcement that an internationally renowned and experienced banking expert would assume the chairmanship of the Supervisory Board. The appointment is to take place within the second quarter of 2014.

3.3. EU state aid investigation

The Hypo Alpe Adria EU state aid investigation was brought to a conclusion in September 2013 on the basis of the final decision by the European Commission.

Under the guidance of its sole owner, the Republic of Austria, following a request by the European Commission the previous EU restructuring plan was fundamentally revised and working-level meetings between Vienna and Brussels were re-organised. The meetings related to the specific final form of those anticipated obligations relating to the schedule of sale and market presence, the fulfilment of which was likely to be required as part of the implementation of the European Commission's final decision, which were considered to be a prerequisite of a positive decision by the European Commission. In accordance with the Commission's decision dated 3 September 2013, the acquisition of new customers in the credit and leasing business was ceased in Italy, and the Italian banking subsidiary was assigned to wind-down activities. Furthermore, in the operative divisions in the Balkans the "behavioural measures" imposed by the European Commission were given more specific form. Their implementation was part of in-depth consultation appointments and Governance requirements.

On 3 September 2013 the European Commission communicated the final ruling concerning the state aid investigations of Hypo Alpe Adria. It was based on the final restructuring plan submitted by the bank at the end of June 2013. Observance of the conditions contained therein for new business is required until the time of reprivatization. In addition, the reprivatization of the banks of the SEE network is scheduled by mid-2015. The conclusion (closing) of the sale of the Austrian subsidiary, which had been scheduled prior to mid-2014 according to the plan, was already completed in 2013. The version of the ruling drafted with the owner and the European Commission and adjusted for competition law data was published in October 2013. Observance of the restructuring plan and the "behavioural measures" imposed will continue to be monitored by an independent monitoring trustee.

3.4. Capital measures of the Republic of Austria in 2013

The immediate implications arising from the completion of the EU investigations for the valuation of assets and the increased need for credit risk provisions made a recapitalisation of the Austrian parent company, Hypo Alpe-Adria Bank International AG, in the total amount of EUR 1.75 billion necessary in 2013.

At the general shareholders' meeting on 23 July 2013, a capital increase in the amount of EUR 700 million was authorised by the Republic of Austria as the bank's owner, which was effected in September 2013. Registration of the capital measure in the Commercial Register occurred on 27 September 2013.

On 29 November 2013 the deposit of a EUR 250 million shareholder contribution by the owner occurred. At the general shareholders' meeting on 13 December 2013 the Executive Board of the bank was authorised to issue participation capital up to a nominal value of EUR 800 million. The subscription of EUR 800 million in participation capital by the purchaser, the Republic of Austria, represented by the Federal Ministry of Finance, occurred on the same day. The purchase price was deposited into an account of the bank on 18 December 2013. In March 2014 the bank communicated that further capital measures would be required for the finalisation of the 2013 annual financial statements and also for the observance of the regulatory capital ratios until the planned deregulation of the bank in September 2014 (see also 3.6). On 3 April 2014 a capital increase in the amount of EUR 750 million was announced to be conducted by the sole owner. The capital measure was adopted in the course of the extraordinary general shareholders' meeting on 9 April called for this purpose, and the deposit was made on 11 April 2014.

3.5. The bank's capital requirements, going concern

The EU restructuring plan of Hypo Alpe Adria reflects the ruling of the Commission on the wind-down status of the Italian banking subsidiary, the implementation of measures

to assist the sale in the form of portfolio transfers and more conservative risk assessments of the SEE portfolio, and also the accelerated sale of the portfolio earmarked for wind-down. The resulting losses in the period from 2013 to 2017 relate first and foremost to expected losses on disposals arising from the sale of participations as well as increased provision for risk, and were estimated in the restructuring plan at EUR -3.58 billion (so-called “base case”) up to EUR -6.33 billion (so-called “stress pessimistic case”). The recapitalisation requirement resulting from this amounts between EUR 2.65 billion (base case) and EUR 5.40 billion (stress pessimistic case) and was authorised by the European Commission. Taking into account the additional capital measure that occurred in April 2014 in the amount of EUR 0.75 billion, since that time a total of EUR 2.50 billion has been allocated, whereby still a maximum amount of EUR 2.90 billion remains available as part of the state aid already approved by the European Commission.

In March 2014 the bank announced that further capital measures would be required for the finalisation of the 2013 annual financial statements and also in order to observe the regulatory capital ratios until the planned deregulation of the bank in September 2014. Following the exact quantification of the capital requirements, a further capital increase in the amount of EUR 750.0 million was undertaken in April 2014. This capital measure is intended to ensure the observance of regulatory requirements up to the implementation of a planned wind-down unit, which will no longer require a banking licence and will therefore not be subject to any regulatory requirements in relation to minimum capital according to the Austrian Banking Act (BWG). With respect to the assessment of the going concern principle of Hype Alpe Adria, the assumptions employed by the Executive Board were the same as those on which the approved restructuring plan for the group was based, and which also provide for additional capital measures in future to maintain the going concern premise and to cover the losses anticipated in the course of the wind-down of the portfolio.

3.6. Project on options for realisation of wind-down units

After it became possible to predict the completion of the state aid investigations of the European Commission in June 2013 and the task force appointed by the Federal Chancellor and Vice-Chancellor had pronounced a recommendation in this respect, various options for the structural implementation of the EU restructuring plan and for the optimal realisation of the assets of Hypo Alpe-Adria-Bank International AG as part of a wind-down unit were investigated in greater depth. For this purpose Hypo Alpe Adria and its owner launched the “Lux” project.

As a result of this project a document was sent out to the bank’s senior executives, which subsequently fed into a document of the task force and in which a prioritisation of

the various proposed models, based on a legal and economic evaluation, was put forward.

It became apparent on 10 February 2014 that as a further consequence there would be no participation by Austrian banks in the wind-down unit and that therefore those models ought to be pursued in which the Republic remained the sole owner of the wind-down assets. In March 2014 the political decision-makers decided against the insolvency scenario which had also been examined, and stated their intention of quickly selling the SEE banking subsidiaries and implementing the winding-down of Hypo Alpe Adria via a deregulated private-sector unit by September 2014. The bank is currently engaged in implementing these requirements.

3.7. Forensic investigations into the past

Since its introduction as part of the line organisation, the Forensics department has been concerned with in-depth forensic investigations into the past – determination of the causes of the sudden loss of value. The Forensics department manages the task of investigating and working through the past both within Austria and abroad, reports directly to the Executive Board and works closely with the coordinator (BKO) appointed by the general shareholders’ meeting for this purpose. It focuses on protecting, preparing and describing the results of forensic investigations. By 31 December 2013, a total of 86 cases (117 individual cases) in Austria and abroad had been reported to the relevant public prosecutors with total damages amounting to approximately EUR 1.2 billion. In addition, seven civil law suits against former senior executives and third parties are currently pending before the civil courts in Austria, in which claims for EUR 109.0 million are being asserted.

In 2013, the Forensics department continued to focus on the following major sets of issues: “BayernLB equity”, “Consultants” and “Liechtenstein” as well as forensic investigations in the international subsidiaries, in particular Bulgaria and Italy. In addition progress was made on the issues of asset-tracing, network analysis and options for utilising forensic expertise. The world-wide search for and securing of assets from debtors of Hypo Alpe Adria constituted an additional focus in 2013. The active search for assets and their recovery will continue to be one of the central tasks of the Forensics department in the future. The ongoing forensic investigations into the Alpe-Adria Privatbank in liquidation in Liechtenstein are likewise of considerable relevance and also feed into the ongoing official investigations.

To date the findings made in the course of forensic investigations into the past and the statements of fact that could be derived from those investigations have resulted in 13 binding judgements and prison sentences of multiple years. The direct and indirect return flows represent an amount in the three-digit millions and hence clearly balance out the costs allocated to this area. The data material secured and organised in the Forensics department includes around 6

million documents and is processed with specialised software and made available to the various stakeholders, public prosecutors, Federal Criminal Police Office, auditors, the Austrian Attorney General's office and other recipients according to the applicable rules and regulations for their respective purposes. The forensic structures established in the subsidiaries also make a major contribution to this.

3.8. Italian banking subsidiary

The banking subsidiary in Italy is confronting the problem that for many years interest resetting clauses in leasing agreements had been incorrectly applied in favour of the bank, which led to excessive interest charges in many cases. The management of Hypo Alpe Adria and the current Administrative Board of the Italian subsidiary launched extensive internal investigations into these very skilfully concealed fraudulent activities immediately after first indications of the misconduct which began well before 2010. The forensic investigations that were launched and also the review by internal audit resulted in various criminal charges, investigations by the local financial police or the Italian banking regulators respectively and also in consequences for appointments and the organisational structure. The corresponding auditing activities of the Udine Public Prosecutor's office are under way.

The staffing and organisational conditions necessary to deal comprehensively with the individual cases involved were created immediately in order to expedite the repayment of the amounts incorrectly retained to the customers affected. A double-digit EUR million amount has already been disbursed. The Italian leasing subsidiary Hypo Alpe Adria Leasing S.r.l., which assumed NPL portfolios from its sister bank in the course of a portfolio transfer in January 2013, is affected to a minor extent. In a number of contracts taken over, manipulations relating to interest charges had occurred in the past. These wrongly retained amounts have already been repaid to the customers to a large extent.

In addition to the consequences of the fraudulent interest charges that were uncovered, the loss reported for Italy in 2013 is also a consequence of the wind-down status of the Italian banking subsidiary due to the EU decision, the poor economic situation in Italy and also the effects of a slower than expected sale of non-performing loans and financial securities. Recapitalisation requirements resulted for the group holding company as well as the issuance of letters of comfort to its Italian banking subsidiary and the leasing company. Both subsidiaries are now assigned to the wind-down segment of the group.

3.9. Equity substitution loan from BayernLB

After the major need for risk provisions became known, Hypo Alpe-Adria-Bank International AG has raised the question of whether the financial lines granted to Hypo Alpe Adria by its former shareholder BayernLB since 2008 constitute equity substituting shareholder capital. This issue was

subject of comprehensive analysis, also by bringing in external experts. According to the results of this analysis, the conditions for classifying all these financing lines as equity substituting capital under the Austrian Equity Substituting Capital Act (Eigenkapitalersatz-Gesetz [EKEG]) are met. Hence, as specified by article 14 of the EKEG, a mandatory suspension of repayments to BayernLB applies with respect to these financings.

At the end of 2012, former majority shareholder of Hypo Alpe Adria, BayernLB, sought a declaratory judgement from the Munich I regional court in relation to the financing lines, which in the view of Hypo Alpe Adria are subject to the EKEG and may therefore neither be serviced by interest payments nor redeemed until further notice. Hypo Alpe-Adria-Bank International AG submitted a comprehensive statement of defence against the application and contested the order sought in its entirety. In the meantime BayernLB has converted the order sought into an action for performance. The first oral hearing took place on 25 November 2013; at present the delivery of a court-ordered expert opinion on the Austrian EKEG is still awaited.

Hypo Alpe-Adria-Bank International AG had also made repayments from August 2008 until knowledge of the existence of the conditions for a repayment ban under the Equity Substituting Capital Act on refinancing lines of BayernLB, which were subsequently recognised as substituting for equity. Based on the Equity Substituting Capital Act Hypo Alpe-Adria-Bank International AG is therefore entitled to claim these payments back from BayernLB. In order to avert the threat of time-barring, Hypo Alpe-Adria-Bank International AG was compelled to judicially enforce the respective repayments it had made by means of counterclaim in the proceedings named above against BayernLB in Munich. A total amount of around EUR 3.0 billion (including secondary accessory claims) is actively being sought at present.

3.10. Proceedings regarding the involvement of former shareholders

On 21 March 2012 Hypo Alpe-Adria-Bank International AG brought an action against former shareholders HYPO ALPE ADRIA Mitarbeiter Privatstiftung (MAPS), HYPO Bank BURGENLAND Aktiengesellschaft, Kärntner Landes- und Hypothekbank-Holding and B & Co BeteiligungsgmbH, and also a total of nine former board members (Executive and Supervisory Board members) (so-called "Special Dividend/Consultants" civil action. The amount in dispute is EUR 50.1 million, with the performance order being sought for EUR 50.1 million and the action for a declaratory judgement for EUR 0.1 million. Claims are asserted in connection with the distribution of a non-linear special dividend in 2008 to the shareholders named for the 2007 financial year.

In a written pleading dated November 2012, the fourth respondent, B & Co BeteiligungsgmbH, objected with an asserted counter-claim of EUR 250.0 million for assumed

deception when acquiring shares in the course of a capital increase of Hypo Alpe-Adria-Bank International AG in 2006 in the court case for setting off against the sum claimed (and up to the amount thereof) and also raised this asserted claim out of court. In the view of Hypo Alpe-Adria-Bank International AG, this counter-claim is not justified.

In the proceedings themselves, the preliminary hearing took place on several hearing dates between 24 February and 19 March 2014; evidentiary proceedings begin on 12 May 2014 and are anticipated to run at least until the end of 2014.

3.11. Rating

Hypo Alpe Adria withdrew its own institutional rating in November 2011. All state and federally guaranteed bonds as well as the covered bond ratings remain unaffected by this step and will continue to be rated.

During the year under review Moody's announced on 1 August 2013 that it was placing the Unguaranteed Public Sector Covered Bond rating of Hypo Alpe-Adria-Bank International AG on "review" direction "uncertain". This review initially remained in place unchanged until the year's end.

On 19 December 2013 due to countless reports in the media Moody's had occasion to publish an information on Hypo Alpe Adria, in which it confirmed the Guaranteed Senior Unsecured Debt Rating at A1 with a "negative" outlook. At that time Moody's did not see any cause for a ratings change, supporting this view amongst other reasons by the fact that a possible insolvency of the bank was extremely unlikely in the rating agency's view, since this would have grave consequences for the State of Carinthia and high reputational costs.

Prolonged discussion on possible insolvency scenarios and possible loss sharing by creditors as well as uncertainties connected with this concerning the continuance of the bank as a going concern at the beginning of the 2014 financial year caused Moody's to downgrade the Guaranteed Debt Ratings on 14 February 2014. In the course of this ratings action Moody's reduced the Guaranteed Senior Unsecured Debt Rating from A1 to Baa2 and the Guaranteed Subordinated Debt Rating from A2 to Baa3, both ratings with "review for further downgrade". Subsequently in a separate rating action on 24 February 2014 the rating for Guaranteed Public Sector Covered Bonds was reclassified from AAA to Aa2 with "review for downgrade" and the rating for Unguaranteed Public Sector Covered Bonds was reclassified from Aa2 to A3 with "review direction uncertain."

In a further rating action Moody's altered the rating of bonds with a guarantee provided by the Republic of Austria from "Aaa - outlook negative" to "Aaa - outlook stable". This amendment was a consequence of the corresponding adjustment of the rating of the Republic of Austria that had occurred previously.

Information on the individual ratings and also all associated Moody's publications is published on the group's web-

site (www.hypo.alpe.adria.com) in the Investor Relations section.

3.12. Joint Risk Assessment & Decision Process (JRAD)

Within the context of the Joint Risk Assessment & Decision Process ("JRAD") initiated by the regulatory authorities in 2011, Hypo Alpe Adria was required to achieve a minimum total capital ratio and ensure that the deficit between the expected losses in the area of credit risk and total risk provisions (shortfall) is covered as at the implementation date. As yet, there has been no notification regarding the JRAD study ("JRAD III") conducted by the supervisory authorities in 2013, which implies that the requirements of JRAD II must have been met as at 31 December 2013. Based on actual own capital funds of EUR 2.7 billion and risk-weighted assets (RWA) of EUR 18.4 billion, the group's own capital funds ratio amounts to 14.87%. The first JRAD II requirement of maintaining an own capital funds ratio of 12.4% is thereby fulfilled. To meet the second JRAD II requirement of covering the shortfall with own capital funds, non-eligible Tier 2 capital (due to the cap imposed by Basel II) of EUR 0.6 billion can be used in addition to the regulatory actual own capital funds (EUR 2.7 billion). The coverage of own capital funds requirements and the short fall totalling EUR 2.62 billion is offset against the risk coverage capital of EUR 3.37 billion. This corresponds to surplus coverage of EUR 0.75 billion, which meets the second requirement.

3.13. Portfolio transfers in the SEE network

From 2011 selected credit portfolios (loans and finance leases) of the subsidiaries assigned to the SEE network segment in Bosnia and Herzegovina, Montenegro and Slovenia were transferred to local write-down units within the group. The volume of the transfers amounted to a total of around EUR 1.0 billion in 2011, and EUR 0.5 billion in 2012. The transfers were carried out in all countries except Montenegro by means of "synthetic" transfers. Only in Montenegro the transfer was carried out by way of a true sale.

These measures achieved the derecognition of the portfolios, which brought about a normalisation of the key financial figures in the affected units, in particular net income from interest, NPL ratios, (Non Performing Loans), eligibility for refinancing (loan/deposit ratio) and also the strengthening of the key capital figures.

In 2012 the banks in Austria and Italy underwent portfolio transfers, which were implemented by means of splits or transfers of assets and resulted in the transfer of assets in the amount of around EUR 2.0 billion or EUR 0.8 billion respectively.

At the beginning of 2013 an additional portfolio transfer of around EUR 0.7 billion (gross exposure) was carried out which affected the Slovenian leasing portfolio. This represented a further step towards focussing the Slovenian leasing company concerned towards the core business of movables.

The decision of the European Commission on 3 September 2013 demands measures that maximise the sales appeal of the SEE network for potential investors. Further portfolio adjustments were carried out on this basis, along the lines of the transactions already carried out in the countries of the SEE network. In the Slovenian subsidiary, a portfolio adjustment was undertaken on 31 October 2013 in the amount of around EUR 0.3 billion (gross exposure), in Croatia on 31 December 2013 a volume of EUR 0.2 billion (gross exposure) was transferred and in Montenegro a volume of around EUR 0.08 billion (gross exposure). The subsidiary in Serbia underwent a portfolio transfer in 2013 in the form of a true sale of around EUR 0.2 billion, the portfolio was transferred to a separate wind-down unit. In Bosnia and Herzegovina as well as Serbia further portfolio adjustments are planned by mid-2014, which will serve to improve the saleability of the SEE network and are currently in preparation.

3.14. Privatisation activities

In 2012 the splitting off of the non-strategic business portfolio of the subsidiary Hypo Alpe-Adria-Bank AG (Austria) into the parent company Hypo Alpe Adria International AG took place as one of the significant steps towards successful reprivatisation. Consequently, after a bidding process lasting several months and careful examination of the offers on 31 May 2013, a contract of sale was signed with the highest bidder, Anadi Financial Holdings Pte. Ltd. for 100% of the shares of Hypo Alpe Adria Bank AG (Austria). After fulfilment of all the closing conditions by the buyer and seller, in particular after Hypo Alpe-Adria-Bank International AG had obtained the approvals of the Austrian Financial Market Regulator (FMA) and Bayerische Landesbank (BayernLB), the transfer of shares (closing) took place on 19 December 2013. Thus a significant milestone towards the reprivatisation conditions imposed by the European Commission was achieved. The agreed purchase price was EUR 65.5 million, with a part being paid into an escrow account to secure various risks identified by the buyer. In so far as the risks defined in the purchase contract do not come into play, the disbursement of this part of the purchase price will occur by September 2017.

The bidding process for the SEE network, consisting of six subsidiaries in the Balkans as well as a holding company, which was commenced in the 4th quarter of 2012 was continued in 2013 according to plan. In order to increase the attractiveness of the object of the sale, in the second half year a transfer of non-performing portfolio segments into the respective local wind-down companies (brush transaction) was carried out by the local subsidiaries and the necessary preparations for the founding of the management holding company were carried out for that business segment. This restructuring step is necessary for a transparent separation of the SEE bank network to be privatised from the wind-down segments of the bank, and enables the sale of the SEE banks as a banking group with a holding company.

After extensive preparation the data room was opened for selected interested parties in September 2013. These parties are now carrying out their due diligence audits.

Along with these major privatisation processes, further steps to reduce the portfolios of participations and thus the complexity of Hypo Alpe Adria were put in place and sales processes drawn up for the leasing companies and also major hotel participations, the completion of which is expected in 2014. In the case of a number of investment companies it was possible to complete liquidation in 2013.

3.15. Public Corporate Governance Codex

The Austrian Federal Public Corporate Governance Codex (B-PCGK) includes measures and regulations that prescribe a high degree of corporate governance in state-owned and quasi-government businesses. Hypo Alpe-Adria-Bank International AG considers this Codex to be an important code of practice and therefore introduced the observance of the rules of the B-PCGK into its articles of association in July 2013.

The first specific measure was to adapt the by-laws of the Supervisory Board and the Executive Board in strict accordance with the provisions of the B-PCGK. The by-laws now serve as the basis for the business practices of those bodies. In 2014 these strict requirements will also be extended to all group companies.

As a further consequence, Hypo Alpe-Adria-Bank International AG is committed to reporting annually on the observance of the Codex. Additionally the observance of the rules will be examined every five years by an internal specialist.

4. Economic development of the group

4.1. Development of results

In the 2013 financial year Hypo Alpe Adria focused on rapidly pursuing its restructuring measures and creating the foundation for the group's new structure. After last year's positive result, the financial and risk parameters deteriorated again significantly in 2013 due to the effects of the EU restructuring plan and the deterioration of the customer portfolio. The capital requirements determined by the JRAD process were met as at 31 December 2013.

The overall economic environment in Hypo Alpe Adria's core markets continues to be problematic. This is reflected in the group's annual results: Net interest income declined due to the maturing wind-down portfolio and the modest level of new business. The low interest rates and the rise in non-interest-bearing assets are weighing down on net interest income. Newly required risk provisions on loans and advances have risen by over 30% following the year-on-year reduction. Operating expenses fell as sharply as operating income year-on-year. The group reported a negative result after taxes of EUR -1,843.4 million (adjusted comparable figure 2012: EUR +8.3 million), which is largely in line with what was expected as part of the EU restructuring plan. Divided by segments, it is evident that the largest negative effects in terms of value arise from the group's wind-down segments. The contributions from the SEE network segments and Italy were also negative in 2013.

The group's net interest result fell from EUR +597.9 million (adjusted) in the same period of the previous year to EUR +423.5 million, which corresponds to a decline of EUR -174.4 million or -29.2%. The decline in loans and advances to customers led to a decline in interest income as the maturing write-down portfolio cannot be compensated for by new business, which is largely limited as a result of restrictive EU requirements. The low interest rate level cannot be reflected straight away or to the same extent in interest expenses for customer deposits as the group continues to pursue its goal of strengthening the SEE core units' self-funding activities. In addition to the increase in non-interest-bearing assets, the high level of non-performing loans (NPL) – for which, in accordance with IFRS, interest may only be recognised based on the net present value of the net receivables (gross exposure less specific risk provisions, also known as unwinding) – impacted on the result for net interest income. Expenses from the guarantee commission of EUR -53.3 million for the state-guaranteed subordinated bond issued in December 2012 of EUR 1.0 billion are as well recognised in net interest income.

Net interest result

in EUR m

869.0	31.12.2009
881.9	31.12.2010
753.3	31.12.2011
597.9	31.12.2012
423.5	31.12.2013

Net fee and commission income increased slightly in 2013 from EUR +47.9 million (adjusted 2012) to EUR +51.2 million, although the decline in fee and commission expense was lower compared to the decline in net fee and commission income. Fee and commission expenses also include commissions payable to the Republic of Austria for the guarantee in the amount of EUR -18.2 million (2012: EUR -19.6 million). In terms of segments, SEE banks made the largest contribution to net fee and commission income.

The result from financial assets, which are not designated at fair value through profit or loss, amounted to EUR +3.0 million compared to EUR +113.5 million in the previous year's period (adjusted). The previous year's result included effects from the measurement of outstanding hybrid and supplementary capital booked in profit and loss of EUR +99.9 million. The result in the current year was primarily generated from the measurement and sale of securities.

The positive trading result in the previous year, which includes the result from foreign currency translation, fell from EUR +17.0 million (adjusted 2012) to a normal level of EUR +0.2 million. The result from hedge accounting, which derives from hedge inefficiencies, is more or less unchanged at EUR -2.9 million compared to the previous-year figure (EUR -1.8 million; adjusted).

The result from financial investments designated at fair value through profit or loss (fair value option) was recognised with an overall effect of EUR +55.1 million in profit and loss; the corresponding figure for the previous year had been EUR -6.5 million (adjusted). The positive result is largely a result of the measurement of issues on the liabilities side and the ongoing public insolvency discussions, which account for the rise in the group's own credit spread and the related temporary positive effects. This led to a positive impact of +39.5 million (2012: EUR -36.1 million). This income position also includes EUR +15.6 million from the measurement of the portfolio of the investment company HBInt. Credit Management Limited, Jersey.

The operating result from investment properties, which was EUR +32.0 million (adjusted) in the previous year's period, was also positive in the reporting period with EUR +21.4 million. This was a result of the net rental income from operating leasing contracts and investment properties

as well as depreciation and amortisation and other expenses from these assets.

Other operating income, which came to EUR +16.4 million (adjusted) during the same period the previous year, fell to EUR -244.6 million in the 2013 financial year. This position includes other tax expenses of EUR -31.6 million (2012: EUR -26.9 million), of which EUR -22.8 million (2012: EUR -22.1 million) is attributable to the banking tax to be paid in Austria. It also includes the result from assets classified as held for sale and disposal groups, which largely arise from the measurement of a hotel project in Croatia which is held for sale (EUR -37.2 million). The other result primarily includes other, non-bank-specific expenses from damage claims concerning incorrectly applied interest rates adjustments (EUR -135.2 million) in connection with a fraud incident discovered at an Italian subsidiary in 2013.

Newly required risk provisions on loans and advances increased compared to previous year from EUR -308.5 million (adjusted) to EUR 1,362.1 million. This is chiefly due to the ongoing problematic macroeconomic climate in Hypo Alpe Adria's core markets and the fact that problem portfolios were therefore not able to be reduced to the extent originally planned. Moreover, in accordance with the EU restructuring plan, additional provisions were recognised in order to reflect more conservative values of the SEE banking network and to assist in a quicker sale of the portfolio in the wind-down segment.

On the cost side, expenses declined slightly by EUR -2.0 million compared to the previous year. Personnel expenses fell by EUR 13.9 million from EUR -225.4 million (adjusted 2012) to EUR -211.6 million, which was mainly due to the decline in the group's average workforce. The decline reflects the effects of the employee efficiency measures implemented in Italy and the SEE network and are also related to expenses from a Croatian industrial group included in the previous year not accounted for anymore.

Administrative expenses increased slightly in 2013 from EUR -183.2 million (adjusted 2012) to EUR -192.5 million, but are at a lower level compared to previous years.

Depreciation on tangible and intangible assets amounted to EUR -35.7 million (2012: adjusted EUR -33.1 million). Key one-off effects in 2013 resulted from impairments on tangible and intangible assets in the SEE area.

Overall, risk provisions on loans and advances of EUR -1,362.1 million (2012: EUR -308.5 million) and operating expenses of EUR -439.7 million (2012: adjusted EUR -441.7 million) were recorded against operating income of EUR +307.0 million (2012: adjusted EUR +816.3 million). This resulted in an operating result of EUR -1,796.9 million (2012: adjusted EUR -13.9 million.)

After taking into account the result from investments accounted for at equity of EUR -1.4 million (2012: EUR 0.0 million), the annual result before tax from continued operations in 2013 amounted to EUR -1,798.3 million (2012: adjusted EUR -13.9 million).

Income taxes amounted to EUR +51.7 million in 2013 (2012: adjusted EUR -28.8 million.) The positive change was largely attributable to the recognition of deferred taxes at the Italian subsidiaries of EUR +69.1 million. The recoverability does not depend on future taxable profits of the companies under local law as claims can be made from the financial authorities.

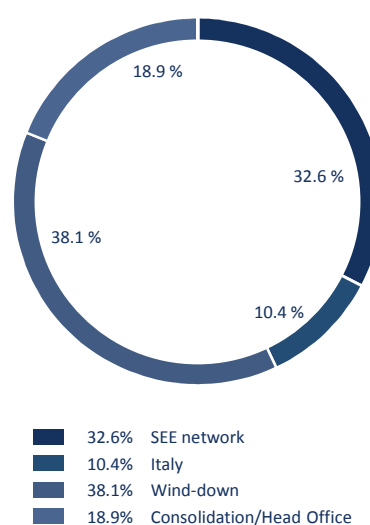
This amounts to a result after tax from continued operations of EUR -1,746.6 million (2012: EUR -42.7 million adjusted.) The annual result after tax from discontinued operations amounted to EUR -96.8 million (2012: adjusted EUR +50.9 million.) Overall, this results in a consolidated result after tax of EUR -1,843.4 million (2012: EUR +8.3 million), whereby Hypo Alpe Adria reported a loss after generating a positive result for two years.

4.2. Statement of financial position

In 2013, total assets fell significantly by EUR 7.6 billion, from EUR 33.8 billion to EUR 26.2 billion. This is largely due to the declining financing volume in the credit and leasing business and the write-downs and risk provisions conducted in 2013. The disposal of subsidiary Hypo Alpe-Adria-Bank AG (Austria) in December 2013, which had group-relevant total assets of EUR 4.1 billion as at 31 December 2012, contributed significantly to the reduction of the total assets. The capital injection of EUR 1.75 billion provided by the Republic of Austria in 2013 was cash effective and subsequently increased cash and cash equivalents.

Total assets per segment

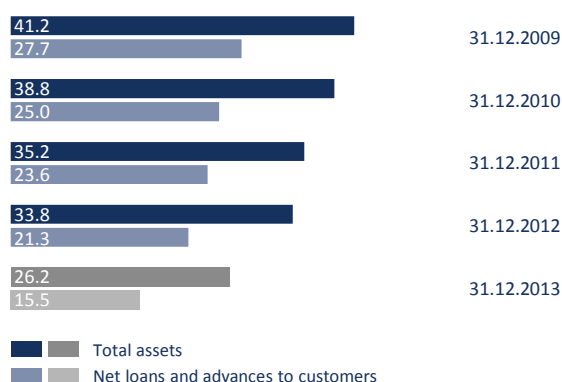
In percent



In total, net loans and advances to customers (loans and advances to customers less risk provisions on loans and advances) decreased from EUR 21.3 billion (adjusted 2012) to EUR 15.5 billion, a decrease of EUR -5.9 billion or some -27.2%. As a result of the absence of an economic

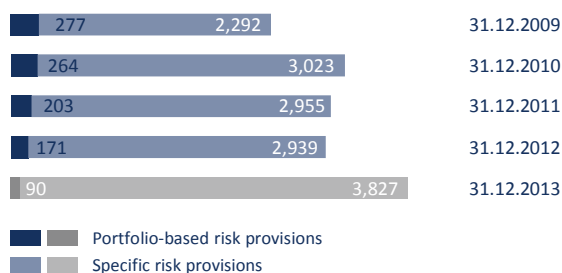
recovery in South East Europe's core markets and the "Behavioural Measures" implemented by the European Commission, the granting of new loans continues to be highly restrictive in order to limit additional risk. Overall, (gross) loans and advances to customers decreased from EUR 24.4 billion (adjusted) to EUR 19.3 billion, which corresponds to a reduction of around 20.9%.

Total assets/net loans and advances to customers in EUR bn



Loans and advances to credit institutions, which include the liquidity reserves, improved by EUR 0.09 billion from the level as at 31 December 2012, to EUR 2.1 billion. Cash and balances deteriorated and amounted to EUR 2.3 billion at the balance sheet date, EUR 0.6 billion less than the previous year (EUR 2.9 billion) and consists primarily of funds invested short-term at the Oesterreichische Nationalbank.

Development of risk provisions on loans and advances in EUR m



The level of risk provisions on loans and advances reached a record level of EUR 3.9 billion as at 31 December 2013, thereby increasing EUR 0.8 billion compared to the previous year (2012: adjusted EUR 3.1 billion). The share of non-performing loans (NPL) grew in 2013. While the problem portfolio was considerably reduced, there was a migration of performing loans to the NPL portfolio. Besides the Austrian group holding company, SEE banks accounted for the majority of total risk provisions.

At EUR 12.5 million (2012: EUR 1.5 million), trading assets were negligible.

Derivative financial instruments – which, on the assets side, include positive fair values from derivatives and are reported collectively as a single balance sheet item – came in well below the previous year at EUR 1,070.1 million (2012: EUR 1,426.1 million) and reflect the reduced maturities of liabilities, which account for the majority of the underlying business.

Financial investments designated at fair value through profit or loss (FVO) fell in the reporting period by EUR 278.2 million to EUR 505.2 million. The total value of financial assets available for sale (AFS) declined in 2013 by EUR 266.9 million to EUR 2,421.5 million. This was primarily a result of the reduced holdings of debt instruments and fixed-income securities related to the disposal of the Austrian subsidiary.

Investment properties fell by EUR 163.9 million from EUR 1,279.2 million (adjusted 2012) to EUR 1,115.3 million, which was largely a result of impairments which totalled EUR -137.6 million in 2013.

The decline in tangible assets from EUR 392.0 million to EUR 260.8 million is also mostly due to impairments on real estate occupied by the group in Italy and Croatia (EUR -22.0 million). Two Croatian hotel projects with a value of EUR 46.9 million were classified as held for sale and disclosed separately, as the formal criteria of IFRS 5 were met.

On the liabilities side, the liabilities to credit institutions decreased from EUR 5.3 billion to EUR 4.7 billion in the reporting period. This reduction was mainly due to the servicing of maturing liabilities.

Liabilities to customers registered a EUR 2.3 billion decline to EUR 6.1 billion compared to 31 December 2012. The decline in deposits is attributable to the disposal of the Hypo Alpe-Adria-Bank AG (Austria) subsidiary from the group, which reported customer deposits totalling EUR 1.6 billion as at 31 December 2012, as well as external effects in the second half of 2013. The majority of the fund outflows stemmed from Austria and Italy, where extensive public debate on the future of Hypo Alpe Adria and the European Commission's ban on new business had a huge impact. The situation in the SEE network, which manages more than 95% of Hypo Alpe Adria's customers, is somewhat different. Following a stable development in the first nine months, outflows were increasingly registered in the fourth quarter in individual countries. This was supported by the restructuring of the conditions and income and also strategic measures.

Liabilities evidenced by certificates fell significantly in the 2013 financial year by EUR 4.4 billion or 29.9% to EUR 10.4 billion. This sharp reduction was a result of the disposal of the Austrian subsidiary Hypo Alpe-Adria-Bank AG and rescheduled repayment of liabilities.

Subordinated capital remained practically unchanged at EUR 2.0 billion in 2013.

Compared to 31 December 2012, equity barely changed from EUR 2.0 billion to EUR 1.9 billion, but the losses incurred in 2013 were offset from capital measures by the Republic of Austria totalling EUR 1.75 billion.

4.3. Own capital funds

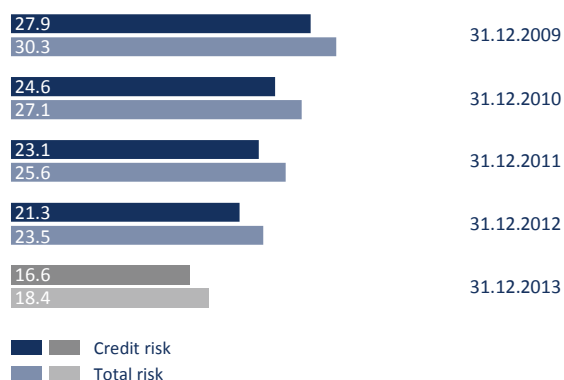
In the 2013 financial year, Hypo Alpe-Adria-Bank International AG, as the ultimate holding company of Hypo Alpe Adria, did not continuously comply with the minimum own capital funds requirements as defined by the Austrian Banking Act as a single institution or within the group. At the closing of the months June, July and August the capital ratios in the single institution were 1.63%, 1.49% and 0.79% and in the group 7.62%, 7.94% and 7.36%, which were below the legally required 8.0%. The capital measures conducted by the shareholder in September 2013 of EUR 700.0 million reinstated the required level. Two additional capital measures involving EUR 250.0 million as a shareholder contribution in November and EUR 800.0 million in the form of participation capital in December ensured capital ratio requirements were met on a consolidated basis.

The own capital funds ratios have increased by 2 percentage points since 31 December 2012 despite shortages during the year compared to the previous year, which is also a result of the mentioned capital measures totalling EUR 1,750.0 million. The state-guaranteed subordinated bond issued in 2012 still did not fully impact own capital funds due to the delayed entry into effect of Basel III and the limited eligibility of 50% of Tier 1 capital in accordance with Basel II regulations.

The main driving force behind the increase in own capital funds ratios in 2013 was the sharp reduction in risk-weighted assets, the total of which declined considerably despite counteractive effects such as country rating downgrades. The disposal of Hypo Alpe-Adria-Bank AG (Austria) reduced RWA.

In relation to credit risk, the risk-weighted assets fell by EUR 4.7 billion to EUR 16.7 billion. Taking into account the market and operational risk, total risk-weighted assets declined from EUR 23.5 billion (31 December 2012) to EUR 18.4 billion (31 December 2013).

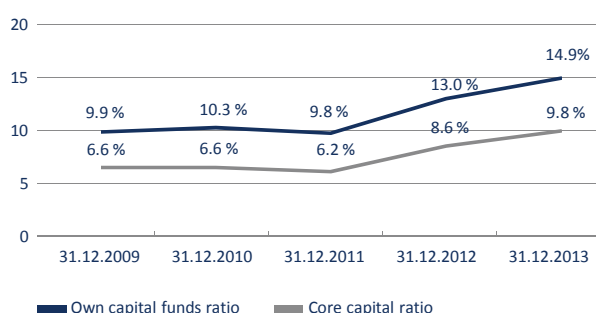
Risk-weighted assets (RWA) related to total risk/credit risk in EUR bn



The total eligible own capital funds as defined in the Austrian Banking Act (BWG) amounted to EUR 2,739.8 million as at 31 December 2013 (31 December 2012: EUR 3,057.1 million), while the minimum legal requirement stood at EUR 1,473.8 million (31 December 2012: EUR 1,883.2 million). This represents a surplus coverage of EUR 1,266.0 million (31 December 2012: EUR 1,173.9 million) or a coverage ratio of some 185.9% (31 December 2012: 162.3%).

The own capital funds ratio (solvency ratio) in relation to the total capital assessment basis (including market and operational risk) came to 14.9% as at 31 December 2013 (13.0% as at 31 December 2012), which is well over the legally required minimum level of 8.0% in Austria.

Development in own capital funds and core capital ratio in percent



With regard to the holding company, Hypo Alpe-Adria-Bank International AG, own capital funds amounted to EUR 231.0 million (2012: EUR 1.957,5 million), which amounted to a significant shortage of EUR -759.2 million (2012: EUR 652.2 million).

4.4. Key profit indicators

The cost/income ratio, which shows the ratio of operating expenses to operating income, came to 143.2% as at 31 December 2013 (2012: adjusted 54.1%). Owing to the fact that both 2012 (positive) and 2013 (negative) include one-off effects, a comparison is not meaningful.

Credit risk in relation to net interest income (the risk/earnings ratio) increased from 54.8% in the previous year to 324.8% in the 2013 financial year. The primary reasons for the decrease in this key profit indicator are decreased net interest income and increased risk provisions.

Credit risk/net interest income (risk/earnings ratio) in percent

192.4%	31.12.2009
137.6%	31.12.2010
30.5%	31.12.2011
51.6%	31.12.2012
321.6%	31.12.2013

5. Analysis of non-financial key performance indicators

5.1. Market and operations development

Clear separation of operating banks and wind-down business

As part of the restructuring operating banks in the SEE segment were clearly separated from the remaining wind-down business. Overall, the disposal of the Hypo Alpe-Adria-Bank AG in Austria and the allocation of Hypo Alpe-Adria-Bank S.p.A. in Italy to the wind-down business plus the discontinuation of new business, led to a decline in the number of customers to 1.26 million at group level. The number of customers remained stable at 1.16 million in the SEE network despite the adverse macroeconomic market environment.

SEE network – stable customer development, improved service quality and active performance management

In the SEE network, stabilisation was the focus of the implementation measures with regard to the business model developed in the last few years. The customer concepts developed in retail, with an emphasis on affluent and small and medium-sized companies were pushed along with the servicing of corporate customers with a good to excellent rating. It successfully upheld its positioning as a reliable partner in public-sector business. Customer confidence in Hypo Alpe Adria was confirmed by the results of a SEE customer satisfaction survey 2013 conducted by market research institution “GfK Austria”.

The strategic focus towards a modern retail bank was advanced with the restructuring of the branch set-up and selective relocation of branches with self-service facilities to better locations. The almost constant number of customers was maintained through the introduction of several innovative products such as the business debit card in Serbia, Eurobasket prepaid card in Slovenia and the “24-hour loan” in Serbia. The innovative use of “Hypo Kiosk” also saw a positive development. It is a temporary sales point in highly frequented areas such as shopping centres, railway stations etc. which is technically connected to the bank’s core system. Through these sales points, customers can be approached directly, new business relationships can be initiated and the bank’s products can be directly sold. Following the successful implementation in Slovenia in 2013, the concept will be extended to Serbia and Croatia.

In terms of performance, Hypo Alpe Adria faced numerous challenges in 2013 which all had an impact on its market operations. On the one hand, the European Commission’s behavioural measures to generate new business initiated before the final state aid decision and the natural maturing of the portfolios led to a decline in interest-bearing loans. While on the other hand, the extremely low EURIBOR rate and continued difficult economic situation in southern

Europe had a negative impact on interest income. Active management of the deposit volume and pricing for deposits and loans combined with the notable improvement in commission income in the SEE network (retail as main driving force) and stronger servicing of the Corporate & Public Finance segments helped to reduce these negative effects to a minimum.

The awards received by several subsidiaries in the SEE network also demonstrate the successful strategy: Hypo Alpe Adria was awarded the "Dedication to Service Quality Award" as part of the "Mystery Shopping Days" held for the ninth time in Croatia. The group achieved another milestone with the mobile app introduced in Croatia in September 2012, which already has 10,000 users and now registers 700 new users per month. The subsidiary in Slovenia, the main sponsor of European basketball championships (EuroBasket 2013), received the special award "best sport sponsor" for its sales and advertising project.

Recently improved credit quality despite difficult climate

In total, a substantial improvement was seen in credit quality in new business at the SEE network while margins remained stable or even increased. For corporate clients and public sector clients, new business efforts were focused on customers with higher creditworthiness. More than 80% of new business (previous year 60%) was concluded as investment grade or upper non-investment grade business. At the same time, margins were increased and risk costs reduced. The substantial increase in the quality of new business and the strategy of consistent risk diversification and also the extensive application of the risk-adjusted price model resulted in a scheduled fall in total corporate lending volume in SEE. Proactive management of deposits and new business helped to reduce the loan-deposit ratio in the SEE network by 14 percentage points to 155%.

Focus on cost management and efficient operation platform

As in the previous year, total costs in the SEE banks were reduced through targeted cost management. This was achieved through cost savings in purchasing, cost optimisation programmes in the SEE branch network through relocation and branch closures as well as through staff reduction. Despite one-off unscheduled depreciation, this resulted in a slight reduction in costs of -2% compared to the previous year. The main cost savings were achieved in advisory costs (-34%), staff costs (-4%) and general administrative costs (-3%).

Implementation and use of effective cost management tools helped to mitigate the unscheduled depreciation effect and thereby compensate for part of the costs.

On the operating side, the upgraded operation platform was further expanded. The successful introduction of the new core banking system (TEMENOS T24 – 24-hour real

time banking core system) by Hypo Alpe Adria Shared Service Centre (ZIS) in Serbia, Bosnia and Herzegovina and Montenegro is particularly noteworthy. This provides Hypo Alpe Adria with cutting-edge banking systems for all its subsidiaries.

Asset Resolution/wind-down unit

The wind-down of the portfolio in the Asset Resolution segment was swiftly implemented through a tailored organisational structure. The focus was on expanding and optimizing the organisation wind-down structure with the aim of establishing a stable and effective control and infrastructure. In addition, the Alpe-Adria-Asset Platform (www.aaaplatform.com), an Internet-based central market place in southern Europe and in the Alps-to-Adriatic area for vehicles, ships and other moveable goods went live.

In terms of costs, savings were achieved in various areas, while the overall picture is similar to that of the SEE segment: Extraordinary costs also exceeded achieved cost savings in the wind-down unit.

Successful IT carve-out

The disposal of Hypo Alpe-Adria-Bank AG (Austria) was completed in December 2013. The closing of the sale required the successful carve-out of the previously jointly used IT and systems and infrastructure.

5.2. Developing talent/staff

The year 2013 was marked by ongoing organisational changes, the disposal of individual companies and subsequent changes in staff numbers as well as the European Commission's requirements for banks.

The number of active employees fell from 6,576 FTEs (full time equivalents) as at 31 December 2012 to 6,008 FTEs as at 31 December 2013. This amounts to a staff reduction of 8.6% and is largely due to the disposal of the Austrian subsidiary Hypo Alpe-Adria-Bank AG and the subsequent staff reduction of 386.5 FTEs.

Despite the ongoing public debate regarding the group's future and the constant changes, the average fluctuation rate in employees in 2013 at group level was reduced a further 2% from 9.5% to an adjusted 7.6% thanks to relevant measures.

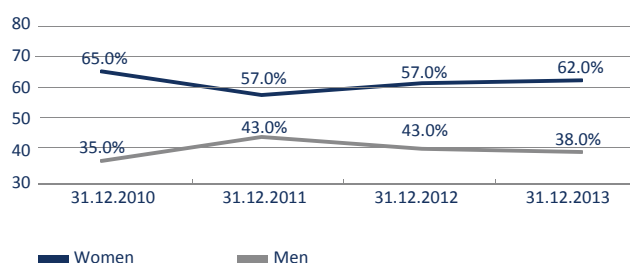
Active employees in finance and finance-related areas Figures from 2010 to 2013

7,624	31.12.2010
7,690	31.12.2011
6,576	31.12.2012
6,008	31.12.2013

There was no significant change in the proportion of men and women. The share of women rose slightly from 61.0% to 62.0%.

Employees by age group Figures from 2010 to 2013

in percent



There were also no significant changes in terms of the age distribution of the workforce. In the 2013 financial year, a clear majority of 48.2% of employees were between the ages of 31 and 40.

Employees by age group as of 31.12.2013

27.5%	< 30 years
48.2%	31-40 years
23.2%	41-50 years
11.1%	> 51 years

Future focus of HR Management

In financial year 2013 the following focal points emerged in Human Resources Management which will continue to be implemented in 2014.

- Preparations for reprivatisation of SEE network (project "Adria")
- Concept and implementation of wind-down unit (project "Alpe")

The focus of project "Adria" is on supporting due diligence through analyses and the processing of staff-relevant data.

Project "Alpe" on the other hand focused on meeting the human resource requirements for the newly created local

wind-down units while taking internal and external benchmarks into consideration.

Targets & requirements of the European Commission

In order to meet the requirements of the European Commission in terms of correct conduct of loan and customer advisors, various measures were initiated and implemented including a monthly monitoring, professional training in an internal Hypo Risk Academy as well as other qualification and staff activities.

Learning & development

Various learning & development activities to qualify and retain existing employees were continued in 2013. More than 100 managers at line and middle management level have participated in programmes at the already established Management Academy in cooperation with IEDC – Bled School of Management. The network meeting of the Executive Boards of the group was held in October 2013 in Bled/Slovenia. The issues discussed were the preparing the members of the SEE network for the sales process as well as establishing the identity of participants suitable for the wind-down unit.

Another focus was the implementation of the Risk Academy established in spring in cooperation with several international partners.

In the period from February to December, some 1,300 participants attended seminars tailored exclusively to Hypo Alpe Adria. Successful completion of the seminars was evaluated through exam modules.

Key steps were also taken in the development of new programmes such as the "Principles of Banking" and the "Hypo Retail Academy".

Employee survey (Hypo Navigator)

As in 2011 and 2012, a comprehensive employee satisfaction survey was also carried out among all bank and leasing units in 2013. Despite the ongoing restructuring process, more than 2,700 employees participated in the survey. The results of the survey and the action plans developed as a result were presented to the Supervisory Boards of the relevant institutions. The progress of the implemented measures is regularly monitored by human resources management.

5.3. Corporate social responsibility

All activities relating to society, education, culture and environment are comprised under "Hypo Pro Futuro". The focus of the group's efforts in terms of social responsibility is contributing towards providing children with a better future, improving education, improving general education and supporting social and charitable institutions.

In Croatia Hypo Alpe Adria received the "Johan Kohlhoffer philanthropist of the year" award. This award is presented to companies who provide material and financial

assistance to social projects, thereby setting the bar for corporate responsibility in the country.

In Bosnia and Herzegovina, Hypo Alpe Adria is involved in a pilot project to integrate disabled children into the regular education system. The bank also supported the newborn intensive care unit of a children's hospital in Sarajevo in acquiring desperately needed incubators for newborns.

The "Employer of the Year for Disabled Persons in Republika" award presented to Hypo Alpe-Adria-Bank in Banja Luka last year is also noteworthy.

In Serbia, Hypo Alpe Adria runs the Hypo Podrška programme ("Hypo Help"), which includes a cooperation with the association of women with breast cancer "Budimo zajedno", set up in 2012. The bank also continued its cooperation in the project "Let's go to Europe" in 2013. As part of these pro-European assistance programmes, the seventy best Serbian students received grants to travel to European cities.

These projects represent a part of Hypo Alpe Adria's annual social responsibility efforts. Hypo Alpe Adria will continue to make contributions towards social responsibility under the umbrella of the "Hypo Pro Futuro" project.

6. Internal control system (ICS)

Hypo Alpe Adria has an internal control system (ICS) for accounting procedures in which appropriate structures and procedures are defined and implemented.

Hypo Alpe Adria's ICS is based on the COSO framework (Committee of the Sponsoring Organisations of the Treadway Commission), although the Executive 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 group policies
- Effective and efficient use of all the organisation's resources in order to achieve the intended commercial success
- Ensuring reliable financial reporting
- Supporting adherence to all the relevant laws, rules and regulations

The particular objectives with regard to the group accounting procedures are that the ICS ensures that all business transactions are recorded immediately, correctly and in a uniform way for accounting purposes. It ensures that accounting procedures and standards regulated in the group IFRS handbook and the internal group policy on IFRS and accounting reporting in accordance with the Austrian Commercial Code (UGB) and the Austrian Banking Act (BWG), which are mandatory for all companies consolidated in the group financial statements, are upheld. The aforementioned group policy specifies the organisation and process of financial reporting as regards accounting procedures.

The ICS is based on:

- The complete documentation of all relevant processes in group accounting and reporting
- Working instructions and documentation on individual workflows
- The complete presentation of all relevant risks and their respective control mechanisms as part of process documentation
- Independently operating control mechanisms and measures in the formal organisational structure and workflow management (programmed controls in the IT system)
- Observance of the principles of separation of functions and dual control
- Internal audit – as a separate organisational unit – which is concerned with monitoring all group business areas

The internal audit department periodically assesses the reliability, propriety and lawfulness of the accounting proc-

ess and the financial reporting. The last regular audit was conducted in 2012.

- Assessment of the appropriateness of the organisational structure and workflow management at the level of the individual institution HBInt. and at HAA group level in accordance with section 39 (2) of the BWG
- Assessment of the adequacy of the internal control system
- Assessment of generally accepted accounting principles

In this way, the internal control system of Hypo Alpe-Adria-Bank International AG ensures that:

- The chart of accounts and structure of financial reporting conforms to national and international standards and to the requirements of Hypo Alpe-Adria-Bank International AG
- The business activities of Hypo Alpe-Adria-Bank International AG are correctly and appropriately documented and reported
- All relevant records are systematically submitted in a traceable manner
- All data required for financial reporting is documented in a traceable manner
- The accounting processes prevent the assets of Hypo-Alpe-Adria Bank International AG from being used, sold or acquired without the appropriate approval
- All subsidiaries and group units involved in producing financial reports are capable of fulfilling this function in terms of both levels of training and staff capacity
- Responsibilities related to the group accounting processes are clearly and unambiguously regulated
- Access to the IT systems which are crucial to the accounting process (VB91, Lotus Notes financial accounting database, SAP) is restricted in order to avoid misuse
- All relevant legal provisions, particularly those of the Austrian Banking Act, are adhered to

The processes, policies and control procedures that are already in place at the group companies are subjected to ongoing evaluation and development. As a result of these efforts to intensify existing control systems in a practical way, further qualitative improvements were achieved during the year under review.

The group subsidiaries draw up their accounts at a local level on the basis of local accounting regulations and transmit their data – stated in conformity with the rest of the group in accordance with IFRS – using a standard, group-wide reporting tool (package). They are responsible for complying with the group policies valid throughout the group and for the proper and timely execution of the proc-

esses and systems related to accounting. Throughout the financial reporting process the local subsidiaries are supported by central points of contact in Group Accounting & Reporting.

The management of the subsidiaries is responsible for implementing and supervising the local ICS and confirms compliance with it on every quarterly reporting date.

The data transmitted by the subsidiaries are reviewed for plausibility in Group Accounting & Reporting and entered in the consolidation software Cognos Controller. The consolidation steps (which include consolidation of expenses and earnings, consolidation of capital and consolidation of debt) are carried out directly in the system, followed by the elimination of any intra-group profits. This process includes the related coordination work, the supervision of required timeframes, processes and contents and the performance of system controls and manual reviews. The notes to the consolidated financial statements are then prepared together with the group management report on the reporting dates 30 June and 31 December.

Throughout the year, internal financial reporting is produced on a consolidated basis by Group Accounting & Reporting and submitted to the Executive and Supervisory Boards on a quarterly basis. Financial reports by Group Financial Controlling are produced once a month. Detailed reports and analyses, as well as periodic target/actual comparisons and forecasts, are also produced. The budgeting process includes producing a business plan (at group level) that covers a five-year period.

In accordance with the Stock Exchange Act, an interim financial report on the first six months is produced; this report conforms to the requirements of IAS 34.

6.1. ICS-related activities in the 2013 financial year

Developments seen in the previous years were also continued consistently in 2013 – particularly with regard to ICS-relevant interfaces with compliance, the credit process and its sub-processes (e.g. processes for the creation/adjustment/reversal of impairments).

In addition, the process of interest adjustments within the Group was documented and critically reviewed. Unanswered points were highlighted and worked through on the basis of a catalogue of measures.

At Hypo Alpe-Adria-Bank International AG level, reporting- and treasury-relevant processes were subjected to a routine trial run. In the context of the ongoing restructuring, changes were made to the financial accounting-relevant processes of Group Balance Sheet Management & Treasury, which are currently being mapped. Other necessary adjustments have already been incorporated into the systems. Test scenarios were developed and carried out jointly with the process owners.

The IT programme necessary for the tests was implemented, and the persons responsible for the ICS were trained in how to use it.

A group-wide e-learning tool was established that addresses the content of the ICS in combination with the topic of operational risk in order to create additional awareness. Various events and training courses were held throughout the year for the Executive Board members, management staff and employees.

6.2. Activities planned for the 2014 financial year

ICS and operational risk management continue to be major topics in 2014. A project will ensure and further improve the sustainability of both systems for 2014 as well. The integration of ICS with the Operational Risk Department will continue so as to be able to exploit the possible synergies from both areas of activity in the best possible way and to create an optimal structure in order to avoid potential losses.

7. Other disclosures

Disclosures in accordance with section 267 of the Austrian Commercial Code (UGB) on events after the reporting date, as well as the risk report and information on the use of financial instruments, are presented in the notes to the consolidated financial statements, since it is obligatory to provide this information in the notes as per IFRS.

8. Research and development

Hypo Alpe-Adria-Bank International AG does not conduct any R&D activities of its own.

9. Forecast report

The forecast for the year 2014 is based on the framework defined by the decision of the European Commission and the course set by the owner towards the establishment of an independent wind-down unit.

At the turn of the year 2013/2014, the process of privatising the South East Europe (SEE) network, which was launched in May 2012, entered a stage that makes the closing of the sale of the network to strategic financial investors appear realistic in the course of the financial year – and comfortably before the mid-2015 deadline set by the European Commission. This process involves finally clearing out the portfolios of the SEE banks by transferring non-performing loans to wind-down units in order to further reduce risk and further optimise the loan-to-deposit ratio. At the same time, a holding and management company will be developed for the SEE network in 2014 which will act as a regulated holding company for these bank participations.

For 2014 as well, it is not yet clear whether the economies in the countries of the Balkans will generate any positive momentum that may provide significant support for this commercial capacity. For the current financial year we generally expect GDP in the SEE countries to move sideways, with inflation slowing down and unemployment figures stabilising. On the basis of these conditions, we expect a slightly positive result for the SEE network in 2014, supported by factors that include selective conclusion of new business with low risk and optimised earnings (risk-adjusted pricing) and further targeted cost reduction measures. Given this overall situation, it cannot be ruled out that the proceeds from a sale will ultimately be lower than the current carrying amount despite significant restructuring and resolution measures.

If reprivatisation of the SEE network should succeed as early as 2014, it can be assumed that the book value of the equity of these banks totalling EUR 1.3 billion cannot be recovered on the market. Such losses are to be recognised if corresponding sales contracts are signed or a short-term disposal of the investment can be conducted according to the conditions set out in IFRS 5 (“assets classified as held for sale”).

With respect to the activities in Italy, where Hypo Alpe Adria is represented with a bank and a leasing company, we

expect a very difficult market environment in 2014 as well, even if current forecasts for the Italian economy predict growth rates of 0.5% to 1.0%. The real estate market in particular, which is of special relevance to both subsidiaries because of the high volume of loans extended, recently exhibited an ongoing very weak performance and is not expected to see a sustainable recovery in 2014 either. Against this background, both companies are expected to incur a loss in 2014 and 2015, which has already been accounted for in the valuation in the forecast amount.

With respect to the largest portion of the portfolio of Hypo Alpe Adria, the winding-down activities, the sales are to continue to proceed at a fast pace in 2014, ranging from realisations of individual loan collaterals to already initiated processes of selling subsidiaries. In accordance with the planning, this portfolio is to be reduced substantially over the coming years.

From today's perspective, however, this reduction will be associated with losses because the current income generated from the portfolio will not be sufficient to cover the costs incurred. For this reason we expect negative total income in any case for Hypo Alpe Adria in 2014 under the restructuring plan approved by the European Commission.

The definitive amount will crucially depend on the decisions to be taken and implemented throughout the year with regard to creating a legally independent deregulated wind-down unit for the liquidation and realisation of the operating units not slated for privatisation – which will not require a banking licence anymore and thus will not be subject to prescribed regulatory minimum requirements. An intensive discussion is currently underway as to the specific design of the restructuring unit. The result of this decision-making process, which is the ultimate responsibility of the owner, and the exact impacts of such a fundamental restructuring on the central income parameters of the company cannot reliably be presented until the deliberations have been concluded.

The installation of this unit for around two thirds of the total assets of Hypo Alpe Adria in the form of a corporation is planned – depending on the legal basis to be created, among other factors – for the end of the third quarter of 2014, which was partly anticipated already in the equity amount of EUR 0.75 billion provided in April 2014.

Consolidated Financial Statements

as at 31 December 2013

Consolidated Financial Statements

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I. Group statement of comprehensive income

Income statement

EUR m

	Note	1.1. - 31.12.2013	1.1. - 31.12.2012*
Interest and similar income	(40)	1,131.9	1,392.2
Interest and similar expenses	(41)	-708.4	-794.4
Net interest income		423.5	597.9
Fee and commission income	(42)	93.3	99.4
Fee and commission expenses	(43)	-42.1	-51.5
Net fee and commission income		51.2	47.9
Gains and losses from financial instruments not measured at fair value through profit and loss	(44)	3.0	113.5
Result from trading	(45)	0.2	17.0
Result from hedge accounting	(46)	-2.9	-1.8
Result from fin. investments – designated at fair value through profit or loss	(47)	55.1	-6.5
Operating income from investment properties	(48)	21.4	32.0
Other operating result	(49)	-244.6	16.4
Operating income		307.0	816.3
Impairment of financial assets	(50)	-1,375.6	-327.9
thereof financial assets – at costs (risk provision)		-1,362.1	-308.5
thereof financial assets– available for sale		-10.9	-19.4
thereof financial assets – held to maturity		-2.6	0.0
Impairment of non financial assets	(51)	-288.6	-60.6
Operating income after impairment		-1,357.2	427.8
Personnel expenses	(52)	-211.6	-225.4
Other administrative expenses	(53)	-192.5	-183.2
Depreciation and amortization on tangible and intangible assets	(54)	-35.7	-33.1
Operating expenses		-439.7	-441.7
Operating result		-1,796.9	-13.9
Result from companies accounted for at equity	(55)	-1.4	0.0
Result before tax from continued operations		-1,798.3	-13.9
Taxes on income	(56)	51.7	-28.8
Result after tax from continued operations		-1,746.6	-42.7
Result after tax from discontinued operations	(6)	-96.8	50.9
Result after tax		-1,843.4	8.3
thereof attributable to non-controlling interests	(57)	20.3	31.1
thereof from continued operations		20.3	31.1
thereof from discontinued operations		0.0	0.0
thereof attributable to equity holders of parent (consolidated result after tax and non-controlling interest)		-1,863.7	-22.9
thereof from continued operations		-1,766.9	-73.8
thereof from discontinued operations		-96.8	50.9

*Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

Other comprehensive income

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Result after tax	-1,843.4	8.3
Remeasurement of the net defined benefit liability	0.1	-1.6
Remeasurement of the net defined benefit liability from discontinued operations	-0.1	-3.6
Deferred tax relating to items that will not be reclassified to profit or loss	0.0	0.0
Total items that will not be reclassified to profit or loss	0.0	-5.2
Available-for-sale-reserve	14.2	87.4
Gains/losses on available-for sale evaluation	11.0	79.3
Effects of deferred taxes	-0.6	-2.0
Gains/losses on available-for sale disposal (reclassification)	-1.4	-14.4
Effects of deferred taxes	0.1	0.0
Gains/losses on available-for sale impairment (reclassification)	10.9	19.4
Effects of deferred taxes	0.0	-1.0
Gains/losses from discontinued operations (6)	-7.8	7.0
Effects of deferred taxes from discontinued operations	1.9	-0.9
Foreign exchange differences (change in foreign currency reserve)	-8.6	-28.6
Total items that will be reclassified to profit or loss	5.6	58.8
Total other comprehensive income	5.6	53.5
Total comprehensive income	-1,837.8	61.8
thereof attributable to non-controlling interests	18.7	39.5
thereof from continued operations	18.7	39.5
thereof from discontinued operations	0.0	0.0
thereof attributable to equity holders of parent	-1,856.5	22.3
thereof from continued operations	-1,753.8	-31.1
thereof from discontinued operations	-102.7	53.4

II. Consolidated statement of financial position

EUR m

	Note	31.12.2013	31.12.2012
ASSETS			
Cash and balances at central banks	(58)	2,312.7	2,873.2
Loans and advances to credit institutions	(59)	2,087.4	1,993.1
Risk provisions on loans and advances to credit institutions	(61)	-8.3	-3.0
Loans and advances to customers	(60)	19,289.0	24,401.5
Risk provisions on loans and advances to customers	(61)	-3,825.1	-3,070.2
Trading assets	(62)	12.5	1.5
Derivative financial instruments	(63)	1,070.1	1,426.1
Financial investments – designated at fair value through profit or loss	(64)	505.2	783.4
Financial investments – available for sale	(65)(69)	2,421.5	2,688.3
Financial investments – held to maturity	(66)(69)	83.7	90.5
Investments in companies accounted for at equity	(67)(69)	5.9	7.4
Investment properties	(68)(72)	1,115.3	1,279.2
Intangible assets	(70)(72)	16.3	44.6
Tangible assets	(71)(72)	260.8	392.0
Tax assets		126.7	77.0
thereof current tax assets		29.0	18.4
thereof deferred tax assets	(56)	97.7	58.6
Assets classified as held for sale	(73)	97.5	0.0
Other assets	(74)	688.6	829.7
Risk provisions on loans and advances on other assets	(61)	-41.2	-10.5
Total assets		26,218.6	33,803.7
EQUITY AND LIABILITIES			
Liabilities to credit institutions	(75)	4,665.3	5,252.5
Liabilities to customers	(76)	6,120.9	8,405.9
Liabilities evidenced by certificates	(77)	10,395.8	14,835.8
Derivative financial instruments	(78)	777.3	781.9
Provisions	(79)	191.5	128.1
Tax liabilities		14.8	40.1
thereof current tax liabilities		2.3	18.1
thereof deferred tax liabilities	(56)	12.4	22.0
Liabilities included in disposal groups classified as held for sale	(80)	5.6	0.0
Other liabilities	(81)	272.7	427.6
Subordinated capital	(82)	1,914.8	1,957.3
Hybrid capital	(83)	1.2	6.0
Equity	(84)	1,858.8	1,968.4
thereof attributable to equity holders of parent		1,341.1	1,447.6
thereof attributable to non-controlling interests		517.7	520.9
Total equity and liabilities		26,218.6	33,803.7

III. Group statement of changes in equity

EUR m

	Issued capital*	Participation capital	Additional paid-in capital	Available-for-sale-reserve	Foreign currency translation	Cumulative results	Owners of the parent	Non-controlling interests	Total
Equity as at 1.1.2013	969.1	339.5	0.0	-43.1	-95.7	277.7	1,447.6	520.9	1,968.4
Capital increases	700.0	800.0	250.0	0.0	0.0	0.0	1,750.0	0.0	1,750.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-22.4	-22.4
Total comprehensive income	0.0	0.0	0.0	15.8	-8.6	-1,863.8	-1,856.5	18.7	-1,837.9
Result after tax	0.0	0.0	0.0	0.0	0.0	-1,863.7	-1,863.7	20.3	-1,843.4
Other comprehensive income	0.0	0.0	0.0	15.8	-8.6	-0.1	7.2	-1.6	5.6
Other changes	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.5	0.6
Equity as at 31.12.2013	1,669.1	1,139.5	250.0	-27.3	-104.2	-1,586.0	1,341.1	517.7	1,858.8

* To improve the presentation of the information, participation capital is reported separately as at 2013. Prior-year figures have been adjusted accordingly.

EUR m

	Issued capital*	Participation capital	Additional paid-in capital	Available-for-sale-reserve	Foreign currency translation	Cumulative results**	Owners of the parent	Non-controlling interests	Total
Equity as at 1.1.2012	469.1	339.5	0.0	-121.4	-67.4	305.8	925.6	487.7	1,413.3
Capital increases	500.0	0.0	0.0	0.0	0.0	0.0	500.0	0.0	500.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-18.2	-18.2
Total comprehensive income	0.0	0.0	0.0	79.0	-28.6	-28.1	22.3	39.5	61.8
Result after tax	0.0	0.0	0.0	0.0	0.0	-22.9	-22.9	31.1	8.3
Other comprehensive income	0.0	0.0	0.0	79.0	-28.6	-5.2	45.1	8.4	53.5
Other changes	0.0	0.0	0.0	-0.6	0.3	0.0	-0.3	11.8	11.5
Equity as at 31.12.2012	969.1	339.5	0.0	-43.1	-95.7	277.7	1,447.6	520.9	1,968.4

* To improve the presentation of the information, participation capital is reported separately as at 2013. Prior-year figures have been adjusted accordingly.

**Previous year's adjustments due to the retrospective application of IAS 19.

For further information on equity, please refer to notes (84) Equity and (127) Participation capital.

IV. Group statement of cash flows

	2013	2012
Result after tax from continued operations	-1,746.6	-42.7
Result after tax from discontinued operations	-96.8	50.9
Result after tax	-1,843.4	8.3
Non-cash items included in profit and reconciliation to cash flows from operating activities:		
Gains/losses from the sale of Hypo Alpe-Adria-Bank AG	96.7	0,0
Depreciation and amortisation of tangible fixed assets and financial investments	328.7	131.0
thereof financial investments	9.0	3.3
thereof intangible and tangible assets	319.8	127.7
Change in risk provisions	1,184.8	165.5
Change in provision	199.6	-10.0
Gains (losses) from disposals of tangible fixed assets and financial investments	-5.5	-18.4
Financial investments	-2.4	-15.5
Intangible and tangible assets	-3.1	-2.8
Subtotal	-39.1	276.5
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:		
Loans and advances to credit institutions and customers	2,045.4	3,110.5
Financial investments	-37.8	35.2
Trading assets	-11.4	10.6
Other assets	244.0	162.4
Liabilities to credit institutions and customers	-1,245.7	-248.0
Liabilities evidenced by certificates	-3,015.7	-2,311.5
Provisions	-110.7	-45.9
Other liabilities from operating activities	-43.8	-76.2
Cash flows from operating activities	-2,214.8	913.6
Proceeds from the sale of:	70.6	183.8
Financial investments and participations	10.2	18.8
Tangible assets, investment properties, operate lease assets and intangible assets	60.4	165.0
Payments for purchases of:	-275.4	-171.2
Financial investments and participations	-8.1	-53.3
Tangible assets, investment properties, operate lease assets and intangible assets	-267.3	-117.9
Payments for sale of subsidiaries	11.8	0.0
Payments for acquisitions of subsidiaries	-1.8	-2.4
Other changes	151.8	-66.9
Cash flows from investing activities	-43.0	-56.7
Capital contributions/disbursements	1,750.0	500.0
Subordinated capital and other financing activities	-26.7	802.4
Dividends paid	-22.4	-18.2
thereof dividends paid to owners of the parent	0.0	0.0
thereof dividends paid to non controlling interest	-22.4	-18.2
Cash flows from financing activities	1,701.0	1,284.2

	2013	2012
Cash flows for taxes, dividends and interests	25.0	134.2
Payments for taxes on income	-10.2	-1.2
Payments for interests	-592.1	-782.3
Dividends received	0.0	3.5
Interests received	627.3	914.2

	2013	2012
Cash and cash equivalents at end of previous period (1.1.)	2,873.2	757.5
Cash flows from operating activities	-2,214.8	913.6
Cash flows from investing activities	-43.0	-56.7
Cash flows from financing activities	1,701.0	1,284.2
Effect of exchange rate changes	-3.6	-25.3
Cash and cash equivalents at end of period (31.12.)	2,312.7	2,873.2

For further information on the statement of cash flows, please refer to note (85) Statement of cash flows.

V. Notes to the consolidated financial statements

Accounting policies and basis of consolidation

(1) The company

1.1. Hypo Alpe Adria

Hypo Alpe-Adria-Bank International AG was founded in 1896 as Landes- und Hypothekenbankanstalt, and operates as the parent company of Hypo Alpe Adria. It has been wholly owned by the Republic of Austria since 30 December 2009. It is registered in the commercial register (Firmenbuch) of the Commercial Court of Klagenfurt under company registration number FN 108415i. The registered office and headquarters of the group are located at Alpen-Adria-Platz 1, 9020 Klagenfurt am Wörthersee, Austria.

Hypo Alpe Adria is a leading banking group in the Alps-to-Adriatic region and is represented by eight banks and twelve leasing companies across the region. Hypo Alpe Adria operates in the retail banking, small and medium-sized enterprises (SME), corporate and public sectors, offering classical banking products such as financing, payment transaction, documentation and investment services, savings and deposits, as well as finance lease transactions.

Hypo Alpe-Adria-Bank International AG is the ultimate parent company of Hypo Alpe Adria. The consolidated financial statements for the group will be published in the official gazette (Wiener Zeitung) as well as on www.hypo-alpe-adria.com (→ Investor Relations→ Financial reports). Disclosure is made in the commercial register as well as at the address of Hypo Alpe-Adria-Bank International AG, Alpen-Adria-Platz 1, 9020 Klagenfurt am Wörthersee.

1.2. Important events

On 3 September 2013, the European Commission delivered a final ruling on the state aid investigation into Hypo Alpe Adria, which began in May 2009. The basis for the ruling was the final bank restructuring plan submitted at the end of June 2013. The bank is required to comply with the rules for new business included in the restructuring plan until reprivatization. Furthermore, it is intended that the bank's SEE network be reprivatized by mid-2015. The closing of the sale of the Austrian subsidiary bank Hypo Alpe-Adria-Bank AG, which was planned for mid-2014, was actually finalised in 2013. Furthermore, the Italian subsidiary bank was forced to close down its lending operations in 2013 and has therefore been allocated for winding down. Compliance with the restructuring plan and the behavioural measures that have been imposed will continue to be monitored by an independent monitoring trustee appointed by the European Commission. In accordance with the provisions of the final European Commission ruling, the subsidiary bank Hypo Alpe-Adria-Bank AG (Austria) was sold on 19 December 2013 (closing) following a bidding process lasting several months and careful consideration of submitted offers. This signified the completion of a major milestone in the European Commission's reprivatization requirements. In order to prepare for the sale of the SEE network that is earmarked for reprivatization, further portfolio transfers were carried out in wind-down companies in Slovenia, Croatia, Serbia, Bosnia and Herzegovina and Montenegro, leading to a normalisation of the key financial figures of the units concerned, particularly net interest income, NPL ratios (non-performing loans) and refinancing capacity (loan/deposit ratio) and a strengthening of key capital figures. These measures were requested in the European Commission ruling on 3 September 2013 in order to increase the attractiveness of the SEE network for potential investors. Further preparatory activities for this sale include the establishment of a legal separate structure for the SEE network and the banking licensing of the planned SEE management holding company for the next few months. When it comes to the remaining wind-down portfolios, the European Commission ruling provides for a swift, intensive wind-down of these units and portfolios.

The Hypo Alpe Adria restructuring plan reflects the European Commission's requirements concerning the wind-down of the Italian subsidiary bank, the implementation of measures to aid sale in the form of portfolio transfers, more conservative risk assessments of the SEE portfolio as well as the accelerated sale of the portfolio allocated for wind-down. The resulting losses in the period between 2013 and 2017 mainly concern anticipated disposal losses from the sale of participations and increased risk provisions; these losses were estimated at between EUR -3.58 billion (best case scenario) and EUR -6.33 billion (pessimistic stress case scenario) in the restructuring plan. The corresponding recapitalisation requirements stand at between EUR 2.65 billion (base case scenario) and EUR 5.40 billion (pessimistic stress case scenario) and were approved by the European Commission. The Republic of Austria injected a total of EUR 1.75 billion of capital into the bank in 2013 over the course of three recapitalisation measures. Together with another capital measure in April 2014 totalling EUR 0.75 billion, a total of EUR 2.50 billion was injected into the bank, leaving a remaining EUR 2.90 billion in capital measures still available under the state aid framework approved by the European Commission.

Once it became evident in mid-2013 that the European Commission's state aid investigation would soon be completed, the Austrian Chancellor and Vice Chancellor formed an expert task force in May 2013 as part of the "Lux" project to investigate the various options available in relation to the implementation of the EU restructuring plan and the best possible liquidation of Hypo Alpe-Adria-Bank International AG's assets within the scope of a wind-down unit. The task force was headed up by

then Chairman of the Supervisory Board Klaus Liebscher until February 2014. Following Mr Liebscher's departure, Austrian central bank governor Ewald Nowotny took over leadership of the task force. On 18 March 2014, following a request by the Federal Minister of Finance, the Austrian government ruled in favour of the implementation of the task force's proposal and the conversion of Hypo Alpe-Adria-Bank International AG into a deregulated wind-down company under private law without any general state guarantee until September 2014. The bank is currently focusing on putting these requirements in place.

Within the context of the Joint Risk Assessment & Decision Process ("JRAD") issued by regulatory authorities that was started in 2011, Hypo Alpe Adria was required to achieve a defined minimum total capital ratio and ensure that the deficit between the expected losses in the area of credit risk and total risk provisions (shortfall) is covered from the date of implementation onwards. At the current time, there has been no new ruling on the JRAD investigation performed by regulatory authorities in 2013 (JRAD III), meaning that the requirements of JRAD II must be complied with as at 31 December 2013. Given current capital funds of EUR 2.7 billion and risk-weighted assets (RWA) of EUR 18.4 billion, the group's own capital funds ratio is 14.87%. As a result, the first requirement under JRAD II of maintaining an own funds ratio of 12.4% has been met. Current regulatory own capital funds (EUR 2.7 billion) as well as ineligible Tier 2 components (ineligible due to the cap defined by Basel II) of EUR 0.6 billion can be applied in terms of compliance with the second requirement of JRAD II, namely the coverage of the shortfall through own capital funds. This means that the funds necessary to cover the own capital funds requirement and the shortfall of a total of EUR 2.62 billion are offset by risk capital of EUR 3.37 billion. This equates to a surplus of EUR 0.75 billion, meaning that the second requirement has also been met. Should the SEE network be reprivatized in the near future, it must be expected that the value of the book equity of these banks, approximately EUR 1.3 billion, will not be able to be obtained on the market. Should there be a material loss before the implementation of the deregulated wind-down unit planned by the government, non-compliance with JRAD capital requirements cannot be ruled out.

Owing to the continued problematic macroeconomic environment and as a result of the obligations that must be met under the EU's group restructuring plan, the Hypo Alpe Adria group's holding company, Hypo Alpe-Adria-Bank International AG, had to take into consideration all material losses on participations as well as on intragroup lending and third-party customer lending in its 2013 separate annual financial statements (at the level of the single institution UGB/BWG). Even in consideration of the three recapitalisation measures implemented in 2013 totalling EUR 1.75 billion, the remaining core capital of the bank was unable to be prevented from falling to roughly EUR 0.18 billion. The own capital funds ratio of the parent company, which is determined pursuant to regulatory requirements, amounted to 1.87% as at 31 December 2013, and therefore did not meet the statutory minimum of 8.0% defined under Basel II. The core capital gap for meeting the regulatory requirements amounts to EUR 0.50 billion. The bank fulfilled its statutory obligations and informed the regulatory authorities immediately of these circumstances. The group's consolidated equity, in which impairment write-downs from lower-than-expected disposal proceeds were not to be considered, came to 14.87% as at 31 December 2013 and met legal requirements (see above).

In the general shareholders' meeting of Hypo Alpe-Adria-Bank International AG held on 9 April 2014, the Republic of Austria, as the owner of the bank, agreed a capital injection in the form of a share capital increase of EUR 0.75 billion, which was carried out on 11 April 2014. This capital measure was aimed at guaranteeing compliance with regulatory requirements until the implementation of a wind-down unit planned for September that, in future, will not require a banking licence and will therefore not be subject to any regulatory minimum capital requirements as defined by the Austrian Banking Act (BWG). The Executive Board based its assessment of Hypo Alpe Adria's continuation as a going concern on the assumptions underlying the group's restructuring plan approved by the European Commission and which provides for further capital measures to maintain the going concern assumption and cover anticipated losses over the course of the portfolio wind-down.

Please note that, as in the past, future economic development is uncertain due to the current volatility on the financial markets.

Back in 2010, the bank, together with the Federal Republic, committed itself to forensic investigations on the past in the context of a "post-acquisition due diligence" exercise. In 2013, the exercise continued to centre on the major issues of "BayernLB/equity substitution", "consultants" and "Liechtenstein" as well as on forensic investigations into subsidiaries in country markets, particularly Bulgaria and Italy.

(2) Significant accounting policies

The consolidated financial statements of Hypo Alpe Adria as at December 31, 2013 were drawn up in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU and include comparative figures for 2012 which were drawn up according to the same accounting principles. Please refer to note (4) Use of estimates and assumptions/uncertainties in connection with estimates with regard to estimates and assumptions in accordance with IAS 8. The consolidated financial statements of Hypo Alpe Adria as at 31 December 2013 were prepared in conformity with section 245a

of the Austrian Commercial Code (UGB) and section 59a of the Austrian Banking Act (BWG) in accordance with Regulation (EC) No. 1606/2002 (the IAS Directive) of the European Parliament and the Council of 19 July 2002, on the basis of the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) as well as their interpretations by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretation Committee (IFRIC).

The consolidated financial statements consist of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes, which also include segment reporting. The statement of financial position is structured by decreasing liquidity. Amounts due or realisable within twelve or more than twelve months after the balance sheet date are described in note (105) Remaining maturity. The consolidated financial statements are based on the reporting packages of all fully consolidated subsidiaries prepared in accordance with group standards and IFRS. All fully consolidated subsidiaries have drawn up their financial statements for the period ended 31 December. As required by IFRS 10, Hypo Alpe Adria applies uniform accounting principles throughout the group. The consolidated financial statements are prepared on a going concern basis. With regard to the possible consequences of the EU state aid proceeding and the Joint Risk Assessment & Decision process, and any uncertainties relating to the group's business activities which may result from these, please refer to notes (1) The company, (129) Important proceedings and (90.11) Joint Risk Assessment Decision ("JRAD").

The consolidated financial statements are generally prepared in line with the cost principle. The exceptions to this are derivative financial instruments and financial investments held for sale, as well as financial investments and liabilities which have been designated for measurement under the fair value principle. The carrying amounts of assets and liabilities shown in the statement of financial position, which are underlying transactions related to fair value hedges and would otherwise be recognised at amortised cost, are adjusted for changes in fair value which arise from hedged risks for effective hedging relationships.

All figures in the consolidated financial statements are expressed in millions of euros (EUR m); the euro is the presentation currency. The tables may contain rounding differences.

The Executive Board of Hypo Alpe Adria approved the consolidated financial statements as at 31 December 2013 for publication on 14 April by submitting them to the Supervisory Board. The Supervisory Board is responsible for examining the consolidated financial statements and announcing whether it ratifies the consolidated financial statements as at 31 December 2013.

(3) Application of new and amended standards

The following new or amended IFRS/IAS standards and interpretations, which were issued by the IASB and adopted by the EU, were applied by Hypo Alpe Adria for the first time in 2013:

Standard	Description	Compulsory for annual period
IAS 1	Presentation of Financial Statements	Presenting Comprehensive income 2013
IAS 19	Employee Benefits	revised 2011 2013
IFRS 13	Fair Value Measurement	2011 2013
IFRS 7	Financial instruments: Disclosures	Offsetting Financial Assets and Financial Liabilities (2011) 2013

The standards that affect the consolidated financial statements of Hypo Alpe Adria are explained below.

The amended **IAS 1** requires the items in other comprehensive income to be split into items which are reclassified to the income statement at a later date (so-called recycling) and those which are not. The disclosures in the statement of comprehensive income were expanded accordingly.

The changes to **IAS 19** require an amendment to the accounting policy regarding the recognition of actuarial gains and losses. The revision requires the immediate recognition under other comprehensive income within equity (OCI); recognition in profit or loss, as previously applied by Hypo Alpe Adria, is no longer applied. Hypo Alpe Adria did not use the previously permitted corridor method. Previous year figures in the statement of comprehensive income and the statement of changes in equity have therefore been adjusted pursuant to the required retrospective application of IAS 19. The retrospective adjustment due to the initial adoption of the amended IAS 19 resulted in a EUR 5.2 million reduction in personnel expenses, which also led to a rise in the profit for the year. At the same time, this amount in the statement of changes in equity as at 31 December 2012 is no longer reported under profit for the year after taxes but under other comprehensive income.

IFRS 13 provides uniform benchmarks for the recognition of fair value which apply to all standards and comprises both financial and non-financial items. As at 31 December 2013, derivatives are measured taking into account the counterparty's default risk; by considering the Credit Valuation Adjustments (CVA) and the Debit Valuation Adjustments when measuring market value. This adjustment impacted profit or loss by EUR -1.8 million. Please see note (123) Fair value disclosures for more details. The previous allocation of levels was reviewed in conjunction with an external advisor as part of the process of implementing IFRS 13 and resulted in a change in the levels allocated to assets and liabilities held as at 31 December 2012 (see also note (123) Fair value disclosures). The detail disclosures required pursuant to IFRS 13 were expanded accordingly.

The amendments to **IFRS 7** require the disclosure of information on set-off rights for financial instruments and related arrangements in an enforceable offsetting arrangement and/or a corresponding arrangement. The disclosures required pursuant to these amendments are to be made retrospectively and also apply to financial instruments recognised in the statement of financial position that are subject to an enforceable master offsetting agreement or a similar arrangement, irrespective of whether offsetting is conducted pursuant to IAS 32. At Hypo Alpe Adria, these disclosures extend to the positive and negative market values of derivatives that are subject to an enforceable master offsetting agreement or a similar arrangement but not offset on the balance sheet.

The following new or amended IFRS/IAS standards and interpretations, which were issued by the IASB and adopted by the EU, were not yet compulsory. With the exception of the consolidation package (IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28) and the corresponding transitional guidelines, the group also did not apply these standards prematurely; Hypo Alpe Adria applies them on the obligatory dates.

Standard	Description		Compulsory for annual period
IAS 27 (2011)	Separate Financial Statements	Supersedes IAS 27 Consolidated and Separate Financial Statements	2014
IAS 27 (2011)	Separate Financial Statements	Amended by Investment Entities (October 2012)	2014
IAS 28 (2011)	Investments in Associates and Joint ventures	Supersedes IAS 28 –2003 Investments in Associates	2014
IAS 32	Financial instruments : Presentation	Offsetting Financial Assets and Financial Liabilities (December 2011)	2014
IAS 36	Impairment of assets	Amended by recoverable amount disclosures for non-financial assets	2014
IAS 39	Financial Instruments	Amended by Novation of Derivatives and Continuation of Hedge Accounting	2014
IFRS 10	Consolidated Financial Statements	2011	2014
IFRS 10	Consolidated Financial Statements	Transition Guidance (June 2012)	2014
IFRS 10	Consolidated Financial Statements	Amended by Investment Entities (October 2012)	2014
IFRS 11	Joint Arrangements	2011	2014
IFRS 11	Joint Arrangements	Transition Guidance (June 2012)	2014
IFRS 12	Disclosure of Interests in Other Entities	2011	2014
IFRS 12	Disclosure of Interests in Other Entities	Transition Guidance (June 2012)	2014
IFRS 12	Disclosure of Interests in Other Entities	Amended by Investment Entities (October 2012)	2014

The group elected to apply the so-called “**consolidation package**” prematurely in 2013. This set comprises the following standards: **IFRS 10** “Consolidated Financial Statements”, **IFRS 11** “Joint Arrangements”, **IFRS 12** “Disclosure of Interests in Other Entities”, as well as **IAS 27** “Separate Financial Statements” and **IAS 28** “Investments in Associates and Joint Ventures”, which were adjusted accordingly due to the publication of IFRS 10 and IFRS 11. The corresponding transitional guidelines were also applied prematurely; retrospective application is limited to the financial year preceding the initial adoption. **IFRS 10** replaces the rules hitherto contained in IAS 27 and SIC 12 and includes a uniform definition of “control”. According to IFRS 10, control requires the parent company to have power over an associated or affiliated company, to participate in the variable returns of the associated or affiliated company and has the ability to affect those returns through its power over the associated or affiliated company. Based on this new definition of control, Hypo Alpe Adria has assessed whether this would result in a change in the scope of consolidation, especially as to whether contractual arrangements exist that justify compulsory consolidation. However, the premature adoption of IFRS 10 has not led to a change in Hypo Alpe Adria’s scope of consolidation. **IFRS 11** replaces the previous IAS 31 “Interest in Joint Ventures” and SIC-13 “Jointly Controlled Entities” and introduces a modified terminology and classification of companies as joint arrangements. It describes accounting for companies that have joint control over an arrangement. Joint control includes the contractually agreed sharing of control. Arrangements subject to joint control are classified either as joint ventures or as joint business activity. The previous option to apply pro rata consolidation for joint ventures was abolished and the application of the equity method is now compulsory. As Hypo Alpe Adria does not use pro rata consolidation, this standard does not have any effect on the consolidated financial statements. **IFRS 12** sets out required disclosures which make it possible for those studying the financial statements to judge the type, risk and financial implications of the company’s interests in subsidiaries, associated companies, joint arrangements and unconsolidated structured entities (special purpose entities). The disclosures required under IFRS 12 are much more extensive than those of the standards currently in force and are presented accordingly in the notes. The modifications to **IAS 27** contain rules on the presentation in the accounts and disclosures in the notes about subsidiaries, joint ventures and associated companies that are only relevant for separate financial statements drawn up under IFRS; The modified **IAS 28** deals with accounting for shares in associated companies and the requirements for applying the equity method when accounting for shares in associated companies and joint ventures.

IAS 32 was expanded with respect to an exact explanation of the criteria that must be met to offset financial assets and liabilities. The amendments relate to the clarifying the criteria: “currently has a legally enforceable right to set off the recognised amounts” and “intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously”. The amendment will likely not impact the consolidated financial statements of Hypo Alpe Adria.

The amendment to **IAS 36** “Impairment of Assets” relates to the disclosure obligations when determining the recoverable amount of impaired non-financial assets in the event that this amount is based on the fair value less costs to sell. This amendment is likely not to impact Hypo Alpe Adria, as these are associated with determining the recoverable amount of cash-generating units that include goodwill or intangible assets with indefinite useful lives.

As a consequence of the amendment to **IAS 39**, derivatives are still designated as hedging instruments in continuing hedging relationships despite novation. In order to benefit from the amended guidance, novation to a central counterparty must happen as a consequence of statutory or regulatory provisions. This will apply in the event of future novations.

The following new standards and interpretations, which were issued by the IASB, have not yet been adopted by the EU and were therefore not applied prematurely. The table also includes the date from which application will be compulsory:

Standard	Description		Compulsory for annual period
IAS 19	Employee Benefits	Employee contributions	2014
IFRS 7 und IFRS 9	Financial Instruments: Disclosures	Mandatory Effective Date and Transition Disclosures	2018
IFRS 9	Financial Instruments	2009	2018
IFRS 9	Financial Instruments	2010	2018
IFRS 9, IFRS 7 and IAS 39	Financial Instruments	Hedge Accounting	2018
Collective Standard	IFRS December 2013 (Improvements 2010–2012)	Annual Improvements IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 7, IAS 16/IAS 38, IAS 24	2014
Collective Standard	IFRS December 2013 (Improvements 2011–2013)	Annual Improvements IFRS 1, IFRS 3, IFRS 13, IAS 40	2014
IFRIC 21	Levies		2014

IAS 19 “Employee Benefits” clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be allocated. In addition, it provides relief if the amount of the contributions is independent of the number of years of service.

The new standard **IFRS 9** “Financial Instruments: Classification and Measurement” is expected to lead to material adjustments for Hypo Alpe Adria in relation to the classification and measurement of financial instruments. In future, instead of the previous four measurement categories of IAS 39 (see note (13) Financial Instruments: Recognition and Measurement (IAS 39)), there will only be two measurement categories under IFRS 9, for which classification will be determined based either on the business model or the characteristics of the financial asset. The measurement of these assets is primarily carried out at amortised cost if the objective of the business model is to hold the financial asset to collect the contractual cash flows or if the contractual terms of the financial asset stipulate interest payments or principal payments on specified dates. Should it not be possible to define these two factors, the financial instruments must in general be measured at fair value through profit or loss. All equity investments within the scope of IFRS 9 are to be measured at fair value in the statement of financial position, with value changes recognised in profit or loss. The only possible exception is for those equity investments measured at fair value for which the entity has elected to report value changes in “other comprehensive income” (at fair value through other comprehensive income, FVTOCI). If an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at fair value through other comprehensive income (FVTOCI) and present the changes in other comprehensive income with only dividend income recognised in profit or loss. Furthermore, it will no longer be compulsory to account separately for embedded derivatives; instead these will be measured as an entire financial instrument at fair value through profit or loss. In July 2013, the IASB provisionally decided to postpone the date on which IFRS 9 comes into force until it is finally defined when the complete version of the standard will be published. In February 2014, the IASB announced its provisional decision to set the date of initial application as 1 January 2018. At the time of writing, IFRS 9 has not yet been adopted in European law as part of the Endorsement Process. As IFRS 9 had not yet been fully published, final quantification of the effects is not possible at present. Hypo Alpe Adria has already launched an implementation project.

In December 2013, the IASB published an **omnibus standard** with amendment to the following standards (**IFRS December 2013 – Improvements 2010-2012**): IFRS 2 “Share-based payment” clarifies the definition of “vesting conditions”, IFRS 3 “Business Combinations” clarifies the accounting of contingent purchaser price payments for company acquisitions, IFRS 8

“Operating Segments” refers to the disclosures in the notes on the aggregation of operating segments and the reconciliation from segment assets to group assets, the amendment to IFRS 13 “Fair Value Measurement” relates to the end to the discounting of short term loans and advances as well as liabilities, IAS 16 “Property, Plant and Equipment” clarifies the proportional adjustment of the cumulative depreciation when using the revaluation method, IAS 24 “Related Party Disclosures” includes a definition of related parties and their influence on the interpretation of “key management personnel” and IAS 38 “Intangible Assets” clarifies the proportional adjustment of the cumulative depreciation when using the revaluation method.

In addition, the IASB published a second **omnibus standard (IFRS December 2013 – Improvement 2011-2013)** in December 2013, which comprised the following standards: IFRS 1 “First-time Adoption of the International Financial Reporting Standards” includes the definition of IFRS 1.7 “all IFRS effective at the end of the reporting period”, IFRS 3 “Business Combinations” is expanded by the definition of the exception from the scope of application for joint arrangements, IFRS 13 “Fair Value Measurement” comprises the clarification of scope of application of the portfolio exception, and the amendment to IAS 40 “Investment Property” includes the clarification key to answering the question as to whether the acquisition of investment properties is a business combination within the scope of IFRS 3.

Interpretation **IFRIC 21 “Levies”** deals with the accounting of obligations to the public sector; these guidelines include when a liability is to be recognised for levies imposed by the government.

(4) Use of estimates and assumptions/uncertainties in connection with estimates

The consolidated financial statements contain values based on discretionary decisions and which have been calculated using estimates and assumptions. Important uncertainties relate in particular to the going concern principle, establishing risk provisions for loans and advances, assessing fair values, measurement of equity investments, the recognition of deferred taxes on tax loss carry-forwards, the treatment of deferred tax risks, performance-related insurance schemes and leasing relationships.

Uncertainties related to the estimates and assumptions may lead to results that will make it necessary to adjust the carrying amounts of the affected assets or liabilities in future periods.

With regard to the assessment of the continuance of the Hypo Alpe Adria group as a going concern, please refer to note (1.2) Important events and (90.11) Joint Risk Assessment and Decision Process (“JRAD”).

Hypo Alpe Adria continuously assesses the recoverability of its problem loans and leasing receivables and allows for impairment by accruing risk provisions for loans and advances should there be indications to suggest impairment. To assess the recoverability, the amount, the time period, and probability of payment is measured. This measurement is based on a detailed analysis of carefully ascertained assumptions which are subject to uncertainties. When making estimates it was assumed that economic growth will remain subdued in the relevant markets in 2014. By implementing active restructuring and targeted wind-down management, Hypo Alpe Adria expects to optimally utilise securities as well as payments from other commercial papers in this respect. The market is expected to enjoy moderate recovery in the years beyond 2014, especially for quality real estate in good locations. A different assessment of these assumptions may result in significantly different valuations of risk provisions on loans and advances. The actual loan defaults can therefore differ from the risk provisions on loans and advances reported in these consolidated financial statements. In 2013, the unchanged, problematic market situation and associated delays and strategy adjustments in individual sale processes were taken into consideration through the formation of additional risk provisions. Considering the current weakness in the economy, the possibility cannot be excluded that it will be necessary to make further provisions for the existing loan portfolio in 2014 and in subsequent years.

For further information on the methodology employed in making risk provisions for loans and advances, please see note (22) Risk provisions for loans and advances.

The fair value of financial instruments for which there are no active markets is established by means of various valuation models. The input parameters used are based – whenever available – on observable market data. If this is not possible, fair value is established on the basis of estimates. In Hypo Alpe Adria fair value is calculated through comparison with the fair value of another financial instrument that is essentially identical and analysis of discounted cash flows and option pricing models. Further details on measuring financial instruments are given in note (13) Financial Instruments: Recognition and Measurement (IAS 39).

The measurement of equity investments in non-consolidated entities relates primarily to special purpose entities (SPEs). The intrinsic value of these companies is verified annually through expert appraisals, whereby these valuations are based on cash flow forecasts on the basis of time periods specific to projects and markets as well as on discounted interest rates.

Deferred tax assets from loss carry-forwards are only recorded when it is probable that future taxable profits will be made which will enable these tax losses to be offset. The basis for these estimates is the respective business plans which essentially have a time horizon of five years. However, due to the EU ruling, expected taxable profits for SEE banks were only considered in the accounts as at 31 December 2013 until the planned date of sale. Given the history of losses and the uncertainties arising from the restructuring of the group, there was no capitalisation of loss carry-forwards for the members of the

Hypo Alpe-Adria-Bank International AG Austrian tax group as well as for the majority of companies defined as wind-down companies.

The recognition of tax risks has been carried out in accordance with the recognition criteria in IAS 37. There is no recognition of deferred tax risks viewed as unlikely to materialise or the extent of which cannot be reliably estimated, either as a provision or as a contingent liability.

The valuation of subsidiaries classified as held for sale under IFRS 5 is carried out on the basis of the lower of carrying amount and fair value less costs to sell. The fair value is determined using existing quotations, and deviations from the actual sale price are not out of the question.

The costs of the performance-based pension plan are calculated using an actuarial process. The actuarial valuation is based on assumptions relating to discount rates, expected returns and asset values, future salary levels, mortality and future rises in pension rates. Such estimates are subject to significant uncertainties due to the long-term nature of these plans. The assumptions and estimates made for the calculation of long-term employee obligations are described in note (31) Provisions for pensions and similar provisions. Quantitative data on long-term employee benefit provisions is given in note (79) Provisions.

Hypo Alpe Adria takes the view that it must make discretionary decisions as a lessor – in particular with regard to classification between finance leases and operate leases – and uses as its criterion whether all principal risks and opportunities are transferred from the lessor to the lessee. In addition the measurement of leasing contracts can be significantly influenced by the assumption regardsing the unguaranteed residual value.

(5) Scope of consolidation

These consolidated financial statements comprise 16 Austrian companies (2012: 21) – including Hypo Alpe-Adria-Bank International AG – and 70 (2012: 85) foreign subsidiaries. For further information, refer to note (139) Scope of consolidation:

	31.12.2013		31.12.2012	
	Fully consolidated	Equity method	Fully consolidated	Equity method
Start of period (1.1.)	102	4	101	4
Newly included in period under review	6	0	9	0
Merged in period under review	-3	0	-1	0
Excluded in period under review	-21	-2	-7	0
Reclassified	0	0	0	0
End of period (31.12.)	84	2	102	4
thereof Austrian companies	14	2	19	2
thereof foreign companies	70	0	83	2

The following six companies were included in the consolidation for the first time in the 2013 financial year:

Company	Registered office	Ownership interest in %	Method of consolidation	Reason
HETA REAL ESTATE D.O.O. BELGRAD	Belgrade	100.0%	Fully consolidated	Materiality
Victor Retail I d.o.o.	Sarajevo	100.0%	Fully consolidated	Foundation
BLOK 67 GmbH	Klagenfurt am Wörthersee	100.0%	Fully consolidated	Acquisition
BLOK 67 ASSOCIATES DOO BEOGRAD	Belgrade - Novi Beograd	100.0%	Fully consolidated	Acquisition
Hypo SEE Holding AG	Klagenfurt am Wörthersee	100.0%	Fully consolidated	Materiality
TERME SPA ROGASKA D.D.	Rogaska Slatina	100.0%	Fully consolidated	Acquisition

HETA REAL ESTATE D.O.O. BELGRAD was founded at the end of 2012 to bundle Serbian real estate retrieved as part of an emergency acquisition. This company was consolidated in the first half of 2013 on grounds of materiality.

Furthermore, assets taken over in the course of emergency acquisitions in Bosnia are being transferred to the company Victor Retail I d.o.o., which was newly founded for this purpose in 2013.

The remaining 50% of the shares in BLOK 67 GmbH previously owned by a third party were acquired at the end of June 2013. It is the parent company of BLOK 67 ASSOCIATES DOO BEOGRAD, a housing construction and property development company, which was also consolidated in the first half of 2013. BLOK 67 ASSOCIATES DOO BEOGRAD was sold to another subsidiary in the second half of 2013. Therefore, BLOK 67 GmbH became immaterial to the group and was eliminated from the scope of consolidation.

Hypo Phoenix Absicherungs GmbH, which was previously not included in the scope of consolidation due to immateriality, was transformed into Hypo SEE Holding AG at the end of June 2013 and shall operate as the holding company of the investments in the group banks in the SEE countries held by Hypo Alpe-Adria-Bank International AG going forward.

TERME SPA ROGASKA D.D. is a Slovenian operating company that manages hotel operations in Slovenia and was financed by Hypo Alpe Adria in the past. In the course of credit restructuring, the properties that were financed (tourism facilities) were transferred to the ownership of Hypo Alpe Adria and therefore the company was added to the scope of consolidation.

The following nine companies were included in the consolidation for the first time in the 2012 financial year:

Company	Registered office	Ownership interest in %	Method of consolidation	Reason
DOHEL d.o.o.	Sesvete	100.0%	Fully consolidated	Acquisition
ALUFLEXPACK NOVI d.o.o.	Zadar	100.0%	Fully consolidated	Division
Hypo-Alpe-Adria-Zastupnik d.o.o. (ehem. Globus)	Sarajevo	100.0%	Fully consolidated	Materiality
Malpensa Gestioni Srl	Tavagnacco (Udine)	100.0%	Fully consolidated	Foundation
Alpe-Adria nekretnine d.o.o.	Zagreb	100.0%	Fully consolidated	Materiality
LOMA CENTER d.o.o.	Ljubljana	100.0%	Fully consolidated	Materiality
BRODARICA POSLOVNI CENTAR d.o.o.	Zagreb	100.0%	Fully consolidated	Materiality
GRAND HOTEL LAV d.o.o.	Podstrana	100.0%	Fully consolidated	Acquisition
H-ABDUKO d.o.o.	Zagreb	100.0%	Fully consolidated	Foundation

Companies which are of secondary importance to Hypo Alpe Adria, either because of reduced business activities or because of planned liquidation, are excluded from the scope of consolidation. The following 24 fully consolidated subsidiaries and two companies valued at equity were excluded from the scope of consolidation in the course of the 2013 financial year:

Company	Registered office	Ownership interest in %	Method of consolidation	Reason
ALFA CAR PROJEKT d.o.o.	Zagreb	100.0%	Fully consolidated	Materiality
ALFA NEKRETNINE d.o.o.	Zagreb	100.0%	Fully consolidated	Materiality
ALPE ADRIA BETEILIGUNGS GMBH	Klagenfurt am Wörthersee	100.0%	Fully consolidated	Materiality
Alpe Adria Venture Fund GmbH & Co KG	Klagenfurt am Wörthersee	100.0%	Fully consolidated	Materiality
Ananke Handels- und Beteiligungs GmbH	Klagenfurt am Wörthersee	100.0%	Fully consolidated	Materiality
BETA NEKRETNINE d.o.o.	Zagreb	100.0%	Fully consolidated	Materiality
BLOK 67 GmbH	Klagenfurt am Wörthersee	100.0%	Fully consolidated	Materiality
D.S. Car d.o.o.	Zagreb	100.0%	Fully consolidated	Materiality
DOSOR d.o.o.	Radenci	50.0%	Equity method	Materiality
ERCS 2008 Kft.	Budapest	100.0%	Fully consolidated	Sale
Grundstücksgesellschaft HLG Achilles mbH & Co. KG	Munich	6.0%	Fully consolidated	Loss of control
Grundstücksgesellschaft Kleine Seilerstrasse 1 GmbH & Co KG	Munich	100.0%	Fully consolidated	Merger
HILLTOP Holding Anstalt	Vaduz	100.0%	Fully consolidated	Materiality
Hypo Alpe Adria IT Holding GmbH	Klagenfurt am Wörthersee	100.0%	Fully consolidated	Materiality
HYPO ALPE-ADRIA-BANK AG	Klagenfurt am Wörthersee	100.0%	Fully consolidated	Sale
HYPO Consultants Holding GmbH	Klagenfurt am Wörthersee	100.0%	Fully consolidated	Materiality
Hypo Group Netherland Holding B.V. in liquidatie	Amsterdam Zuidoost	100.0%	Fully consolidated	Materiality
Hypo Group Netherlands Corporate Finance B.V. in liquidatie	Amsterdam Zuidoost	100.0%	Fully consolidated	Materiality
HYPO PC d.o.o.	Ljubljana	100.0%	Fully consolidated	Materiality
HYPO ULAGANJA d.o.o., Zagreb	Zagreb	100.0%	Fully consolidated	Materiality
PIPER d.o.o.	Zagreb	100.0%	Fully consolidated	Materiality
QLANDIA MARKETING d.o.o.	Ljubljana	100.0%	Fully consolidated	Materiality
SINGULUS d.o.o.	Zagreb	100.0%	Fully consolidated	Materiality
URBANA PRENOVA IZOLA d.o.o.	Izola	40.0%	Equity method	Materiality
Verwaltungsgesellschaft HLG Achilles mbH	Munich	100.0%	Fully consolidated	Merger
Verwaltungsgesellschaft Kleine Seilerstrasse 1 GmbH	Munich	100.0%	Fully consolidated	Merger

With the exception of the Austrian subsidiary bank Hypo Alpe-Adria-Bank AG, the exclusion of these companies has no material effect on the results of Hypo Alpe Adria.

The following eight fully-consolidated subsidiaries were excluded from the scope of consolidation in the course of the 2012 financial year:

Company	Registered office	Ownership interest in %	Method of consolidation	Reason
HYPO Facility Services GmbH in Liqu.	Klagenfurt am Wörthersee	100.0%	Fully consolidated	Liquidation
ORGOVÁNYI IMMO Ingatlanforgalmazó Kft.	Budapest	100.0%	Fully consolidated	Materiality
KÄRNTNER HOLDING BETEILIGUNGS GmbH in Liqu.	Velden am Wörthersee	100.0%	Fully consolidated	Liquidation
HYPO ALPE-ADRIA-Insurance Services GmbH	Klagenfurt am Wörthersee	100.0%	Fully consolidated	Sale
HYPO ALPE-ADRIA-Objektverwaltung GmbH	Munich	100.0%	Fully consolidated	Merger
ALUFLEXPACK d.o.o.	Zadar	100.0%	Fully consolidated	Sale
TLM-TVP d.o.o.	Sibenik	100.0%	Fully consolidated	Sale
ALUFLEXPACK NOVI d.o.o.	Zadar	100.0%	Fully consolidated	Sale

In the federation of Bosnia and Herzegovina, the group is subject to significant restrictions imposed by the local regulatory authority. The return of deposits (financing) in the amount of EUR 0.1 billion, which was approved by the parent company Hypo Alpe-Adria-Bank International AG, is subject to the prior approval of the regulatory authority. Profits (dividends) can only be distributed if the subsidiary bank based in Mostar maintains an overall equity ratio of 14.5% even after the distribution.

a) Subsidiaries with material non-controlling interests

Two companies with material non-controlling interests are included in the scope of consolidation of Hypo Alpe Adria. The material non-controlling interests for Hypo Alpe Adria are as follows:

Company	Registered office	2013	2012
HBInt Credit Management Limited	St. Helier - Jersey	49.0	49.0
Norica Investments Limited	St. Helier - Jersey	49.0	49.0

HBInt Credit Management Limited holds investments in the two investment companies Carinthia I Limited and Carinthia II Limited, also based in St. Helier - Jersey.

In the 2013 financial year, the following gains/losses are allocated to the subsidiary's before the elimination of intercompany revenues and expenses:

EUR m

	HBInt Credit Management Limited	Norica Investments Limited
Net interest income	5.8	16.9
Result from trading	0.0	-2.6
Result from fin. investments – designated at fair value through profit or loss	12.0	0.0
Other operating result	0.0	0.0
Operating income	17.8	14.3
Impairment of financial assets	0.6	0.0
Operating income after impairment	18.4	14.3
Other administrative expenses	-0.4	-0.3
Operating expenses	-0.4	-0.3
Operating result	18.0	14.0
Result before tax from continued operations	18.0	14.0
Result after tax from continued operations	18.0	14.0

The following gains/losses are allocated in 2012:

EUR m

	HBInt Credit Management Limited	Norica Investments Limited
Net interest income	9.2	20.7
Result from trading	0.0	4.0
Result from fin. investments – designated at fair value through profit or loss	25.1	0.0
Other operating result	0.0	-2.9
Operating income	34.4	21.8
Impairment of financial assets	-0.8	0.0
Operating income after impairment	33.6	21.8
Other administrative expenses	-0.4	-0.4
Operating expenses	-0.4	-0.4
Operating result	33.2	21.4
Result before tax from continued operations	33.2	21.4
Result after tax from continued operations	33.2	21.4

Regarding the non-controlling interest of HBInt Credit Management Limited, Jersey, the share of consolidated profits allocated as at 31 December 2013 was EUR +9.0 million (2012: EUR +16.5 million) since the non-controlling shareholder does not participate in the administrative costs. Due to a special dividend allocated to the non-controlling interests, the annual profit of Norica Investments Limited, Jersey that is allocated to the non-controlling interests is EUR +11.5 million (2012: EUR +15.2 million).

The dividend paid to non-controlling interests for HBInt Credit Management Limited is EUR 3.0 million (2012: EUR 5.0 million) and, for Norica Investments Limited – under consideration of the special dividend – EUR 19.3 million (2012: EUR 13.2 million).

The balance sheets of HBInt Credit Management Limited and Norica Investments Limited at 31 December 2013 are as follows:

EUR m

	HBInt Credit Management Limited	Norica Investments Limited
Loans and advances to credit institutions	147.4	183.3
Risk provisions on loans and advances to credit institutions	0.0	0.0
Loans and advances to customers	137.0	0.0
Risk provisions on loans and advances to customers	-6.7	0.0
Derivative financial instruments	0.0	1.2
Financial investments – designated at fair value through profit or loss	189.9	0.0
Financial investments – available for sale	67.8	326.7
Other liabilities	-0.2	0.0
Equity	535.1	511.2

As at 31 December 2012 the balance sheets were as follows:

EUR m

	HBInt Credit Management Limited	Norica Investments Limited
Loans and advances to credit institutions	142.8	139.2
Risk provisions on loans and advances to credit institutions	0.0	0.0
Loans and advances to customers	141.7	0.0
Risk provisions on loans and advances to customers	-7.3	0.0
Derivative financial instruments	0.0	3.9
Financial investments – designated at fair value through profit or loss	177.9	0.0
Financial investments – available for sale	68.5	386.8
Other liabilities	-0.2	0.0
Total equity	523.4	530.0

Under consideration of the special dividend, an amount of EUR 255.1 million (2012: EUR 264.3 million) of consolidated equity is allocated to the non-controlling interests of Norica Investments Limited as at 31 December 2013. For HBInt Credit Management Limited, the amount of consolidated equity assigned to the non-controlling interests is EUR 262.4 million (2012: EUR 256.6 million).

The cash flow statement of HBInt Credit Management Limited and Norica Investments Limited for the financial year ending on 31 December 2013 is as follows:

EUR m

	HBInt Credit Management Limited	Norica Investments Limited
Cash and cash equivalents at end of previous period (1.1.)	0.0	0.0
Cash flows from operating activities	5.7	29.9
Cash flows from investing activities	0.0	0.0
Cash flows from financing activities	-5.7	-29.9
Cash and cash equivalents at end of period (31.12.)	0.0	0.0

As at 31 December 2012, the cash flow statement was as follows:

EUR m

	HBInt Credit Management Limited	Norica Investments Limited
Cash and cash equivalents at end of previous period (1.1.)	0.0	0.0
Cash flows from operating activities	9.8	17.4
Cash flows from investing activities	0.0	0.0
Cash flows from financing activities	-9.8	-17.4
Cash and cash equivalents at end of period (31.12.)	0.0	0.0

b) Investments in joint ventures

Hypo Alpe Adria holds a 50% interest in Hypo-BA Leasing Süd GmbH, which is classified as a joint venture according to IFRS 11. This company is purely a holding company with subsidiaries located in Croatia and Slovenia that process real estate lease agreements. The group's investment in Hypo-BA Leasing Süd GmbH is included in the consolidated financial statements using equity consolidation.

The reconciliation of the financial information with the carrying amount of the investment in Hypo-BA Leasing Süd GmbH as at 31 December 2013 is as follows:

EUR m

	2013	2012
Current asset	0.8	0.5
Non-current assets	2.0	2.0
Provisions	0.0	0.0
Equity	2.8	2.6
Percentage interest	50.0%	50.0%
Book value of the investment	1.4	1.3

The income statement of Hypo-BA Leasing Süd GmbH as at 31 December 2013 is as follows:

EUR m

	2013	2012
Other operating expenses	0.0	0.0
Financial expenses	0.3	0.0
Profit from ordinary activities	0.2	0.0
Taxes on income	0.0	0.0
Net income/loss	0.2	0.0
Attributable to equity holders of parent	0.1	0.0

c) Shares in an associated company

Bergbahnen Nassfeld Pramollo AG operates ski lifts in Carinthia and is included in the consolidated financial statements at 29.5% using equity consolidation. Since the financial statements are prepared for 30 April, the reporting date differs from that of the group.

The reconciliation of the financial information with the carrying amount of the investment in Bergbahnen Nassfeld Pramollo AG is as follows:

EUR m

	30.4.2013	30.4.2012
Current asset	1.5	1.5
Non-current assets	35.6	37.1
Current liability	-4.9	-6.6
Non-current liability	-11.6	-11.5
Provisions	-0.1	-0.2
Equity	20.4	20.3
Percentage interest	29.5%	29.5%
Book value of the investment	6.0	6.0

The income statement of Bergbahnen Nassfeld Pramollo AG is as follows:

EUR m

	1.5.2012 - 30.4.2013	1.5.2011 - 30.4.2012
Revenues	12.5	11.2
Own work capitalized	0.2	0.1
Other income	1.3	1.2
Cost of materials	-4.8	-4.4
Personnel expenses	-0.2	-0.1
Depreciation and amortization	-3.5	-3.5
Other operating expenses	-4.1	-4.2
Financial expenses	-0.7	-0.7
Profit from ordinary activities	0.8	-0.4
Taxes on income	0.0	0.0
Net income/loss	0.8	-0.5
Attributable to equity holders of parent	0.2	-0.1

(6) Discontinued operations

a) Disposal of the Austrian subsidiary bank

The results of discontinued operations include the results of the Austrian subsidiary bank Hypo Alpe-Adria-Bank AG, Klagenfurt/Wörthersee. The share purchase agreement was signed on 31 May 2013 with the highest bidder, Anadi Financial Holdings Pte. Ltd., transferring 100% of the shares in Hypo Alpe-Adria-Bank AG held by Hypo Alpe-Adria-Bank International AG (signing). After all applicable requirements were met by the buyer and the seller, in particular obtaining the approval of the Austrian financial market supervisory authority (FMA) and the Bayerische Landesbank (BayernLB), the transfer of shares (closing) took place on 19 December 2013. The agreed purchase price is EUR 65.5 million. An amount of EUR 40.8 million has already been received, and the remaining EUR 24.7 million was paid to an escrow account as security to protect against various risks identified by the buyer. In the consolidated financial statements, the remaining purchase price receivable is recognised at fair value. Insofar as the risks identified in the purchase contract do not materialise, this portion of the purchase price will be paid no later than in September of 2017.

The presentation of comparative figures from the previous year in the income statement was adjusted in accordance with IFRS 5.

The income statement of the Austrian subsidiary bank for 2013 is presented in the following table. In the 2012 financial year, the result was largely defined by the redemption of Tier 2 capital, which took place at zero due to the allocated losses and led to the corresponding derecognition of the liabilities through profit or loss.

EUR m

	1.1. - 19.12.2013	1.1.-31.12.2012
Interest and similar income	135.7	163.9
Interest and similar expenses	-100.9	-124.6
Net interest income	34.8	39.3
Fee and commission income	16.6	16.6
Fee and commission expenses	-1.9	-1.7
Net fee and commission income	14.7	14.9
Gains and losses from fin. instruments not measured at fair value through profit and loss	9.6	44.5
Result from trading	0.0	1.7
Result from hedge accounting	-1.8	0.1
Result from fin. investments – designated at fair value through profit or loss	3.3	-0.5
Other operating result	1.6	2.5
Operating income	62.2	102.4
Impairment of financial assets	-2.7	-1.4
thereof financial assets – at costs	-2.7	-1.4
Impairment of non financial assets	0.0	0.0
Operating income after impairment	59.4	101.0
Personnel expenses	-35.7	-28.6
Other administrative expenses	-12.9	-16.7
Depreciation and amortization on tangible and intangible assets	-1.7	-1.3
Operating expenses	-50.3	-46.6
Operating result	9.1	54.4
Impairment to portfolios that have been transferred in the course of the sale	-13.4	0.0
Reclassification available for sale	5.9	0.0
Deconsolidation	-96.7	0.0
Result before tax from discontinued operations	-95.1	54.4
Taxes on income	-1.7	-3.4
thereof with respect to current income	-0.2	-3.4
thereof with respect to effects from the deconsolidation	-1.5	0.0
Result after tax from discontinued operations	-96.8	50.9

Next to the current profit before taxes according to IFRS of EUR +9.1 million (+ EUR 4.8 million according to the Austrian accounting standards UGB/BWG), the consolidated statement of comprehensive income includes the deconsolidation result of Hypo Alpe-Adria-Bank AG in the amount of EUR -96.7 million in the item of annual profit after taxes from discontinued operations. This item also includes the impairment of portfolios (EUR -13.4 million) transferred to the parent company in the course of selling Hypo Alpe-Adria-Bank AG. The effects of reclassifying the available-for-sale reserve of EUR 5.9 million and income taxes of EUR -1.7 million were included in the item of annual result after taxes from discontinued operations as well.

The assets of Hypo Alpe-Adria-Bank AG (Austria) are as follows:

EUR m

	19.12.2013
ASSETS	
Cash and balances at central banks	27.7
Loans and advances to credit institutions	90.8
Loans and advances to customers	2,521.5
Risk provisions for loans and advances	-50.6
Trading assets	0.4
Derivative financial instruments	151.8
Financial investments – designated at fair value through profit or loss	221.8
Financial investments – available for sale	387.9
Intangible assets	0.7
Tangible assets	24.3
Tax assets	0.4
Other assets	6.4
Total assets	3,383.1
LIABILITIES	
Liabilities to credit institutions	430.2
Liabilities to customers	1,194.0
Liabilities evidenced by certificates	1,424.4
Derivative financial instruments	99.7
Provisions	25.3
Tax liabilities	6.3
Other liabilities	33.0
Subordinated capital	20.3
Total liabilities	3,233.3

The cash flow statement of Hypo Alpe-Adria-Bank AG (Austria) is composed as follows:

EUR m

	2013	2012
Cash and cash equivalents at end of previous period (1.1.)	29.4	41.4
Cash flows from operating activities	61.9	143.1
Cash flows from investing activities	-15.0	5.9
Cash flows from financing activities	-48.7	-161.1
Cash and cash equivalents at end of period (19.12./31.12.)	27.6	29.4

The development of the available-for-sale reserve of Hypo Alpe-Adria-Bank AG is as follows:

EUR m

	1.1. - 19.12.2013	1.1.-31.12.2012
Gains/losses from discontinued operations	-1.4	6.1
Gains/losses on available-for sale evaluation	-0.2	7.4
Effects of deferred taxes	0.1	-1.9
Gains/losses on available-for sale disposal (reclassification)	-1.6	-0.4
Effects of deferred taxes	0.4	0.0
Gains/losses on available-for sale impairment (reclassification)	0.0	0.0
Effects of deferred taxes	0.0	1.0

b) Sales activities related to the SEE network

The restructuring plan for Hypo Alpe Adria submitted to the European Union by the Federal Ministry of Finance (BMF) at the end of June 2013 calls for the sale of the banks in the southern European countries (SEE) of Slovenia, Croatia, Serbia, Bosnia and Herzegovina as well as Montenegro by mid-2015. With the decision of 3 September 2013, the restructuring plan was approved by the commission.

In accordance with IFRS 5, the assets and liabilities of a disposal group must be reported separately in the financial statements and measured in accordance with the relevant requirements if the following conditions pursuant to IFRS 5.7 and IFRS 5.8 are all met:

- Immediate availability, i.e. the asset must be available for immediate sale in its current condition at terms that are commonly accepted for the sale of such assets
- Concrete intention to sell, active search for a buyer
- High probability of sale
- Sale within twelve months

As at 31 December 2013, several of the required criteria are not met, so that the assets and liabilities of the SEE bank group are not recognised according to the provisions of IFRS 5 but included in the consolidated financial statements as before. In the concrete case, the SEE network (SEE banks including management holding company) is not in saleable condition on the reporting date since the following requirements in particular still have to be met: obtaining a bank license for the management holding company and establishing the associated organisational parameters, concluding the contribution of the bank subsidiaries in the SEE management holding company, carrying out additional portfolio transfers on wind-down units, the sale of retail portfolios, and the possible dissolution or redefinition of existing business relationships with the wind-down business portfolio (in particular portfolio administration).

The impairment of SEE bank group assets, which may arise from the future requirement of measurement according to IFRS 5, as well as losses that may be incurred in the course of a future disposal, are therefore not contained in the 2013 consolidated financial statements.

If the IFRS 5 conditions are met in the future, these shall be recognised in the consolidated financial statements of Hypo Alpe Adria at the lower of carrying amount and fair value less costs to sell; negative effects on the consolidated financial statements resulting from economic conditions and/or a change in the defined overall disposal strategy cannot be ruled out.

Hypo Alpe Adria expects a significant additional need for impairment in the course of the process to sell the SEE network, and/or significant additional losses in the course of the subsequent disposal of the SEE bank group that are not taken into account in the 2013 consolidated financial statements. The banks that are for sale (including the management holding company) have assets of EUR 1.3 billion as at 31 December 2013. A possible difference compared to the actual purchase price will affect future consolidated profits as an additional need for impairment and/or loss on disposal. Furthermore, the proportion of the currency reserve that applies to the SEE network will have a negative impact on the income statement of Hypo Alpe Adria upon disposal, because the amounts recorded in the currency reserve (EUR -132.8 million as at 31 December 2013) have to be recognised through profit or loss at the time of disposal according to the applicable accounting standards.

c) Sales activities in the wind-down business portfolio

Further steps were taken in 2013 to reduce the investment portfolio and therefore the complexity of Hypo Alpe Adria, and the sales process was started for the leasing companies as well as larger hotel holdings with closings expected in 2014. Since the criteria imposed by IFRS 5 for the available-for-sale investments GRAND HOTEL LAV d.o.o. for the Croatian real estate project "Skipper" and for a leasing unit in Eastern Europe are met as at 31 December 2013, the assets and liabilities of these three companies are reported separately in the 2013 consolidated financial statements. For further information, refer to Note (73) Assets held for disposal.

(7) Business combinations and acquisitions

With the acquisition of a majority holding in BLOK 67 GmbH, both BLOK 67 GmbH and its wholly-owned subsidiary BLOK 67 ASSOCIATES DOO BEOGRAD were included in the consolidated financial statements of Hypo Alpe Adria as at 30 June 2013. This consolidation requirement continues to apply, notwithstanding the disposal of BLOK 67 ASSOCIATES DOO BEOGRAD to another group company in the second half of 2013.

The effects from the first-time consolidation on the consolidated financial statements of Hypo Alpe Adria are as follows:

EUR m

	BLOK 67 ASSOCIATES DOO
Date of acquisition	30.6.2013
Acquired share (direct in %)	100.0%
Revalued assets	63.8
Revalued liabilities	63.8
Net assets	0.0
Acquisition costs	0.0
Remaining goodwill/badwill	0.0

EUR m

	BLOK 67 ASSOCIATES DOO	Purchase Price Allocation Adjustments	BLOK 67 ASSOCIATES DOO after Purchase Price Allocation Adjustments
Assets			
Cash and balances at central banks	5.1	0.0	5.1
Investment Properties	25.6	-3.8	21.8
Other assets	34.1	2.9	37.0
Total assets	64.7	-0.9	63.8

Other assets primarily include real estate projects intended to be sold in the medium term.

EUR m

	BLOK 67 ASSOCIATES DOO	Purchase Price Allocation Adjustments	BLOK 67 ASSOCIATES DOO after Purchase Price Allocation Adjustments
Liabilities			
Liabilities to affiliated companies	75.1	-13.3	61.8
Provisions	0.0	0.8	0.8
Other liabilities	1.2	0.0	1.2
Equity	-11.6	11.6	0.0
Total equity and liabilities	64.7	-0.9	63.8

As part of the purchase price allocation, a provision in the amount of EUR 0.8 million was recognised on the acquisition date for an ongoing legal dispute. The 2013 consolidated net income includes a loss of EUR -1.5 million generated by the company since it was included in the scope of consolidation. This loss mainly stems from ongoing expenditures, write-offs and impairments related to investment properties.

As BLOK 67 GmbH, the parent holding company of the Serbian company BLOK 67 ASSOCIATES DOO BEOGRAD, does not have any operations of its own, IFRS 3 regarding initial consolidation of the company is not applied.

The disclosures according to IFRS 3 are also not required for the company TERME SPA ROGASKA D.D.I, since it primarily provides services within the group.

(8) Consolidation methods

Business combinations are accounted for in accordance with IFRS 3 (Business Combinations) using the acquisition method. All identifiable assets and liabilities of the respective subsidiary are recognised at their acquisition-date fair values. The cost of a company acquisition is calculated from the total consideration transferred measured at fair value at the date of acquisition plus the non-controlling interests in the acquired company. At initial recognition, goodwill is measured at cost, which is the excess of total consideration transferred plus the amount of non-controlling interest in the acquired identifiable assets and transferred liabilities of the group. If the difference is negative after another check, the amount is recognised immediately in profit or loss. The carrying amount of goodwill is subjected to an impairment test at least once a year.

The date of first-time consolidation is the date when control is obtained. Subsidiaries acquired during the year are included in the statement of comprehensive income as from the date of acquisition. The results of subsidiaries sold during the year are included in the statement of comprehensive income until the date of disposal.

For reporting shares in joint ventures the equity method has been used for consolidation and the carrying amount determined by the equity method is shown separately in the statement of financial position. There are in total two companies included in the consolidation which have been accounted for using the equity method.

If a further interest is acquired in a company in which there was an interest of less than 100.0% but which is already fully consolidated, any differences in value are recognised as transactions with non-controlling shareholders in equity, without impact on profit or loss.

In the course of eliminating intragroup balances, loans and receivables between consolidated subsidiaries are eliminated in full. In the same way, intragroup income and expenses are eliminated within the framework of expense and income consolidation.

Interests in equity attributable to non-group shareholders and the non-group share in profit or loss of consolidated subsidiaries are recognised separately in equity and in the income statement under the item non-controlling interest. A subsidiary's comprehensive income is recognised in non-controlling interests even if this results in a loss.

(9) Foreign currency translation

Hypo Alpe Adria applies IAS 21 to foreign currency translation. All foreign currency monetary assets and liabilities are translated applying closing rates. Resulting exchange differences are generally recognised in profit and loss in the item result from trading, unless they refer to net investment in a foreign entity.

Open forward transactions are translated at forward rates at the closing date.

The assets and liabilities of foreign operations are translated into euros at the closing rates. Income and expense is translated at the average rates for the period, as long as these do not differ significantly from the actual exchange rates. The resulting exchange differences are reported in other comprehensive income (OCI) under foreign currency reserve. The entry for a foreign operation in other comprehensive income (OCI) is to be reclassified in the income statement in the event of the sale of the foreign operation.

Exchange differences attributable to non-controlling interest are shown under non-controlling interest.

The functional currency of the two leasing subsidiaries in Serbia and the first-time consolidation of BLOK 67 ASSOCIATES DOO BEOGRAD is the euro rather than the local currency (RSD) and conversion of monetary items therefore takes into account exchange rate fluctuation between the euro and the respective currency. Non-monetary items are recognised as EUR assets. For all other companies, the local currency is the functional currency.

IAS 29 "Financial Reporting in Hyperinflationary Economies" is not relevant to Hypo Alpe Adria and has therefore not been applied.

The following rates published by the ECB and Oesterreichische Nationalbank were used for foreign currency translation of the foreign financial statements:

Foreign currency translation Rates in units per EUR	closing date 31.12.2013	Average 2013	closing date 31.12.2012	Average 2012
Bosnian mark (BAM)	1.95580	1.95580	1.95580	1.95580
Croatian kuna (HRK)	7.62650	7.57690	7.55750	7.52690
Swiss franc (CHF)	1.22760	1.22740	1.20720	1.20520
Serbian dinar (RSD)	114.64210	113.12670	113.71830	112.87990
Hungarian forint (HUF)	297.04000	297.50000	292.30000	290.24230
Bulgarian lev (BGN)	1.95580	1.95580	1.95580	1.95580
Ukrainian hrywnja (UAH)	11.04150	10.63410	10.53720	10.30680
Macedonian denar (MKD)	61.51130	61.56090	61.50000	61.52140

(10) Adjustment of previous-year values

Reclassifications were performed in the income statement as at 31 December 2013 in order to improve the information value of individual items on the income statement. Prior-year figures have been adjusted accordingly.

A material change was made to the presentation of impairments: all impairments of financial assets and all impairments of non-financial assets are reported respectively in a separate item of the income statement after the profit from operations. Accordingly the risk provisions are reported under impairments of financial assets.

The results of real estate leased under operating leases (real estate held as financial investments – investment properties) and other lease objects are also reported separately. With the exception of impairments, all effects of investment properties that affect income are reported under the new item operating result of investment properties, while the results of other operating leases are reported under the other operating result. The rental income and/or ongoing lease payments as well as regular depreciation have been reclassified from interest and similar income to the items listed above.

Furthermore, ongoing proceeds from dividends of other investments and non-consolidated companies as well as ongoing proceeds from shares and other variable-interest securities, depending on the intended purpose of the underlying financial instrument, are reported under results of financial assets available for sale or results of financial assets designated at fair value through profit or loss.

Gains and losses on the disposal of financial assets available for sale, financial assets held to maturity and financial assets in the loans and receivables category, which were previously reported in the result of other financial investments, have been reclassified to the new item gains and losses from financial instruments not measured at fair value through profit or loss.

However, none of the changes discussed above have any effect on consolidated profits, the consolidated balance sheet, the consolidated statement of changes in equity and the consolidated cash flow statement.

The application of the amended IAS 19 Employee Benefits on the other hand affects the 2012 consolidated profit and the consolidated statement of changes in equity as at 31 December 2012. Actuarial gains and losses are no longer included on the income statement but in equity under other comprehensive income without affecting profit or loss. Since this change applies retroactively, the 2012 consolidated profit increases by EUR +5.2 million.

Based on the provisions of IFRS 5, the income statement for the previous year has been adjusted accordingly and the result before taxes from discontinued operations is reported on a separate line.

The changes to the 2012 consolidated financial statements described above are shown in the following table. Corresponding to the income statement adjustments, the respective note disclosures have been adapted as well.

EUR m

	Published consolidated financial statements 1.1. - 31.12.2012	Reclassification	IAS 19	IFRS 5	Adjusted consolidated financial statements 1.1. - 31.12.2012
Interest and similar income	1,494.8	-42.6		-60.0	1,392.2
Interest and similar expenses	-816.5	0.0		22.1	-794.4
Net interest income	678.4	-42.6	0.0	-37.9	597.9
Fee and commission income	115.1	0.0		-15.7	99.4
Fee and commission expenses	-52.4	0.0		0.9	-51.5
Net fee and commission income	62.7	0.0	0.0	-14.8	47.9
Gains and losses on fin. instr. that are not measured at fair value through p&l	-8.3	123.7	0.0	-1.9	113.5
Result from fin. inv. – availabelfor sale	-8.2	21.2		-1.9	11.2
Result from fin. inv. – held to maturity	-0.1	0.0		0.0	-0.1
Result from fin. inv. – at cost		102.5		0.0	102.5
Result from trading	25.8	0.0		-8.8	17.0
Result from hedge accounting	-2.3	0.0		0.5	-1.8
Result from fin. inv. – at fair vlaue throug p&l	-7.0	0.1		0.4	-6.5
Operating inc. from inv. Prop.	0.0	32.0		0.0	32.0
Result from other fin. inv.	122.9	-84.2		-38.7	0.0
Other operating result	-22.8	30.2		9.0	16.4
Operating income	849.4	59.2	0.0	-92.3	816.3
Impairment of fin. assets	-309.9	-19.4		1.4	-327.9
Impairment of non-fin. assets	0.0	-60.6		0.0	-60.6
Operating income after impairment	539.5	-20.8	0.0	-90.9	427.8
Personnel expenses	-259.3	0.0	1.6	32.2	-225.4
Other administrative expenses	-189.8	0.0		6.6	-183.2
Depreciation and amortization on tang. and intang. assets	-55.2	20.8		1.3	-33.1
Operating expenses	-504.2	20.8	1.6	40.1	-441.7
Operating result	35.3	0.0	1.6	-50.8	-13.9
Result from companies acc. for at equity	0.0	0.0		0.0	0.0
Result bef. tax from continued operations	35.3	0.0	1.6	-50.8	-13.9
Taxes on income	-32.2	0.0		3.4	-28.8
Result after tax from continued operations	3.0	0.0	1.6	-47.3	-42.7
Result after tax from discontinued operations	0.0	0.0	3.6	47.3	50.9
Result after tax	3.0	0.0	5.2	0.0	8.3

(11) Income/expenses

In accordance with IAS 18, income is recognised when it is probable that the group will derive an economic benefit from it and the amount can be reliably determined, regardless of the point in time in which payment is made. Income is measured at the fair value of consideration received or to be claimed, taking into account contractually stipulated payment terms and conditions, but without taking into account taxes or other fees. Income from dividends are recognised at the time that a legal right to payment arises. The interest income and interest expense on financial instruments recognised at amortised cost and those financial investments available for sale on which interest is to be paid are recognised using the effective interest method: the effective interest rate is the rate that exactly discounts as estimated future cash payments or receipts through

the expected life of the financial instruments or, if appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

(12) Securitisation

In the context of the asset-based-funding strategy of Hypo Alpe Adria, the securitisation of loan portfolios is an established instrument used by Hypo Alpe Adria to gain access to additional sources of liquidity through placing asset-backed securities (ABS) with investors or as part of a repurchase agreement in the international capital market and the ECB. In compliance with the stricter criteria imposed by both the rating agencies and the ECB, Hypo Alpe Adria primarily utilises the option of entering into repurchase agreements with the ECB. Hypo Alpe Adria acts both as the originator as well as the investor and co-arranger in the securitisation of its loan portfolios.

According to IAS 39.17, a financial asset may only be derecognised when either the contractual right to receive cash flows from a financial asset expires or the financial asset is transferred and that proportion of the risks and rewards of ownership which is transferred is derecognised. In accordance with IFRS, all securitisation transactions continue to be recognised unchanged in the consolidated statement of financial position; there is no derecognition.

There were two securitisation transactions in 2013 which were concluded in 2011 and 2012. At the end of 2011, the bank concluded a securitisation transaction where the portfolio includes property receivables of Bank Italy. The original volume amounted to EUR 260.3 million and the securities were issued via the special purpose vehicle "Dolomiti Mortgage S.r.L." domiciled in Italy. Two rating agencies rated the securitisation exposures as part of the securitisation activities. Hypo Alpe Adria, the originator, retained the notes but deposited the senior tranche at the ECB to tap additional sources of liquidity. A second transaction was carried out in 2012; its portfolio comprises lease assets of Bank Italy as well as lease assets of the securitisation transaction from 2009 that was terminated prematurely in 2011. The special purpose vehicle "Salina Leasing S.r.L." issued the original volume of EUR 568.7 million. The securitisation transaction "Salina Leasing S.r.L." was also rated by two rating agencies. Hypo Alpe Adria, the originator, also retained the notes but submitted the senior tranche to the ECB to generate liquidity.

No securitisation transaction was conducted in 2013.

(13) Financial Instruments: Recognition and Measurement (IAS 39)

In accordance with IAS 39, all financial assets and liabilities must be recognised in the statement of financial position. Financial instruments are initially recognised at their fair value (usually the acquisition costs). Financial assets or liabilities which are not designated at fair value through profit or loss include transaction costs directly incurred by the acquisition of an asset or the issue of a liability. Recognition and derecognition of derivatives and regular way contracts are recorded at Hypo Alpe Adria on the trade date.

Financial assets are derecognised when the contractual rights to the cash flows expire or when the transfer qualifies for derecognition under IAS 39. Financial liabilities are derecognised when the obligation has been paid or has expired.

Fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In general, the fair value of a financial asset is determined by reference to quoted prices on the main market. The main market is that market where the financial instrument is most active. If no quoted price is available, the quoted price of similar assets or liabilities is applied or the fair value is determined on the basis of generally accepted valuation models. If there are no market parameters available due to lack of liquidity in the market, estimates of benchmark parameters are made on the basis of similar markets and instruments and are used in standard models to measure the value of the instrument. Care is taken to select similar framework conditions such as similar credit rating, similar term, similar payment structure or a closely-linked market, in order to arrive at the best possible market benchmark.

When applying valuation models, fair value is determined based on observable prices and market parameters. If none can be determined, then the parameters must be estimated by experts on the basis of past experience with an appropriate risk premium applied.

For the purposes of subsequent measurement, financial assets are divided into four categories in accordance with IAS 39:

- Financial assets at fair value through profit or loss
 - a. Held for trading
 - b. Financial assets designated at fair value through profit or loss

- Held to maturity investments
- Loans and receivables
- Available-for-sale financial assets

Financial liabilities are divided into the following categories in accordance with IAS 39:

- Financial liabilities at fair value through profit or loss
 - a. Held for trading
 - b. Financial liabilities designated at fair value through profit or loss
- Other liabilities

Financial assets at fair value through profit and loss

Financial instruments that are acquired for the purpose of their sale in the short term, or that form part of a portfolio managed for short-term profit taking, i.e. securities and receivables held for trading, are classified and recognised as assets held for trading.

The positive market values of derivatives in a hedging relationship, for application in banking book management, are reported in the item derivative financial instruments and not in trading assets.

Trading assets are measured at fair value, which is their quoted price in the case of quoted instruments. Valuation techniques such as, for example, the net present value method or other appropriate methods are used to establish the fair value of financial instruments not quoted on an active market.

Gains and losses on sale, results from currency valuation and changes in fair value are reported in the result from trading. Interest income and interest expenses related to trading assets are reported in net interest income, current dividends are included in trading result.

Irrespective of any trading intention, IAS 39 allows the irrevocable classification of financial assets, upon addition, as "financial assets designated at fair value through profit or loss" (fair value option – FVO). This classification cannot, however, be reversed at a later date, even if the conditions for the designation no longer exist (IAS 39.50(b)). However, this designation is only possible if one of the following applies:

- The financial asset contains one or more separable embedded derivatives
- The fair value approach eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch)
- A group of financial assets and/or financial liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Designation in accordance with the first two criteria gives a better presentation of the financial situation and financial performance (see note (47) Result from financial assets – designated at fair value through profit and loss).

This designation cannot, however, be made for equity instruments that have no quoted market value and whose fair value cannot be determined reliably.

By classifying financial instruments in this category, hedging relationships can be reflected without meeting the rigid rules of hedge accounting.

Financial assets designated at fair value through profit or loss are measured at their fair value. In the case of quoted financial instruments, these assets are recognised at their quoted price. For non-quoted financial instruments, the fair value is established using the net present value method or by using other appropriate valuation techniques.

Realised and unrealised gains and losses are recognised in the item result from financial investments – designated at fair value through profit or loss. Interest income and interest expense from these financial instruments are included in net interest income, dividends received are included in result from financial assets - designated at fair value through profit and loss.

Held to maturity investments

This category may only include non-derivative financial assets with fixed or determinable payments and fixed maturity which the group intends and is able to hold to maturity. If a financial instrument meets the definition of loans and receivables, it is classified in the category loans and receivables. They are measured at amortised cost, with premiums and discounts being allocated in the accounts over the respective term by means of the effective interest method. Impairment losses reduce directly the carrying amount in the statement of financial position and are recognised in profit or loss, included in the item impairment on financial assets.

This position is small, as Hypo Alpe Adria handles additions to this category very restrictively.

Loans and receivables

Loans and receivables are all non-derivative financial assets with fixed or determinable payments that are not held for trading and are not quoted in an active market. They are measured at amortised cost using the effective interest method. Impairments are disclosed separately as credit risk provisions in the item (see note (61) Risk provisions on loans and advances and provisions for credit risk) or at present value in finance lease receivables.

Originated loans, finance lease receivables, overnight loans and time deposits as well as unquoted bonds are mainly disclosed in this item. The position loans and advance to credit institutions also contains balances with central banks not daily due. Carrying amounts include accrued interest before deductions for risk provisions on loans and advances.

Premiums and discounts are allocated in the accounts over the respective term and are also shown in net interest income. Interest income is recognised in the item interest and similar income.

Available-for-sale financial assets

This category includes all non-derivative financial assets that are not assigned to any of the aforementioned categories. Subsequent measurement is at fair value, whereby gains and losses – after taking into account deferred taxes – are recognised in other comprehensive income (OCI) directly in equity. Upon disposal, the differential amounts to the carrying amount recorded in the available-for-sale reserve are released to profit or loss. Impairment losses and any reversals are immediately offset against the value of the asset shown in the statement of financial position. Premiums and discounts on debt instruments are allocated in the accounts over the respective term by means of the effective interest method. Impairment losses are also recognised in profit or loss.

Hypo Alpe Adria has classified most bonds and other fixed-interest securities, as well as shares and other non-fixed-interest securities, as financial investments – available for sale, if they are traded in an active market.

These investments are initially measured at their fair value, which corresponds to their quoted price (including transaction costs). Alternatively, the fair value is established on the basis of comparable instruments or by applying valuation techniques using market data. Recognition at nominal value is not permitted. Any accrued interest paid as part of the purchase is not classified as part of acquisition costs. Subsequent measurements are based on the fair value (excluding transaction costs).

Further long-term investments as well as non-consolidated subsidiaries are classified as financial investments – available for sale. Equity instruments without a listed price in an active market and whose fair value cannot be reliably determined are always measured at cost less impairments.

The measurement result for this category is recognised – after consideration of deferred taxes – in other comprehensive income (OCI). Material or permanent impairment losses are recorded in profit or loss, which are recognised in the position impairment on financial assets. Reversals of impairments of debt instruments are recognised in profit or loss in the item impairment on financial assets; reversals of impairments of equity instruments are recognised only in other comprehensive income (OCI) and not in the income statement. Capital gains and losses are reported in the item gains and losses from financial instruments not measured at fair value through profit or loss. The result from the currency translation of debt instruments is recognised in the result from trading and that of equity instruments in other comprehensive income (OCI).

Income from fixed-interest securities, including spread premiums and discounts are recognized as interest and similar income. Dividends and income from non-fixed-interest securities (shares, investment funds, participations, etc.) are recognised in the position gains and losses from financial instruments not measured at fair value through profit or loss.

For investments in equity instruments which are recognised at fair value, a significant reduction of the fair value below the cost of acquisition is an indicator of the existence of impairment. A significant factor is taken to be a reduction of the fair value by more than 20 % below the historical acquisition cost or a permanent reduction in the market value for more than nine months below the historical costs of acquisition. If these limits are breached, the amount of the difference is recognised as an expense.

Financial liabilities at fair value through profit or loss

This category includes trading liabilities, liabilities related to short sales and liabilities for which the fair value option (FVO) was used. The fair value option can be applied to financial liabilities under the same conditions that apply to financial assets.

Other financial liabilities

This category encompasses financial liabilities, including liabilities evidenced by certificates, for which the fair value option was not used. As a general rule, they are recognised at amortised cost. Premiums and discounts are allocated in the accounts over the respective term using the effective interest method and are reported under interest expense.

Embedded derivatives

Structured finance products are characterised by being made up of a host contract and one or more embedded derivatives. The embedded derivatives form an integral part of the agreement and may not be traded separately.

IAS 39 requires separation of the embedded derivative from the host contract if:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the basic contract;
- The structured finance product is not measured at fair value with changes in fair value recognised in profit or loss;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Gains and losses of the embedded derivative are recognised in the income statement. Inseparable embedded derivatives are measured together with and in the same way as the host contract according to its category.

(14) Financial Instruments: Net gains and losses

Net gains/losses include net interest income, fair value measurements with and without impact on profit or loss and risk provisions on loans and advances.

(15) Classes of financial instruments according to IFRS 7

In the scope of application of IFRS 7 there are – in addition to the financial instruments as defined by IAS 39 – financial instruments which must be recognised according to other specific standards, as well as financial instruments not recognised in the statement of financial position. All of these financial instruments must, in accordance with IFRS, be allocated to specific classes, which are defined according to objective criteria and take into account the characteristics of the individual financial instruments. As a result of the way in which the statement of financial position is presented, the characteristics of the financial instruments have already been taken into account. For this reason, the classes have been defined and directed at those items in the statement of financial position which contain financial instruments.

The table below shows the classes defined and used by Hypo Alpe Adria:

Type of class	Essential valuation standard			Category as per IAS 39
	At fair value through profit or loss	At cost	Other	
Asset classes				
Cash and balances at central banks			Nominal value	n/a
Loans and advances to credit institutions		x		LAR/LAC
Loans and advances to customers		x		LAR/LAC
of which: receivables from financing leasing		x		n/a
Trading assets	x			HFT
Derivative financial instruments	x			HFT (Fair Value Hedges)
Financial investments – afvtpl	x			FVO
Financial investments – afs			At fair value through other comprehensive income	AFS
Financial investments – htm		x		HTM
Investments in companies accounted for at equity				n/a
Other financial investments		x		
Assets of the disposal group			Net disposal value	n/a
Liability classes				
Liabilities to credit institutions	x	x		LAR/LAC
Liabilities to customers	x	x		LAR/LAC/FVO
Liabilities evidenced by certificates	x	x		LAR/LAC/FVO
Trading liabilities	x			HFT
Derivative financial instruments	x			HFT (Fair Value Hedges)
Liabilities included in disposal groups classified as held for sale			Net disposal value	n/a

(16) Hedge accounting

Hedged items such as loans and advances, financial investments or financial liabilities may be measured differently compared to hedging derivatives, which are always classified at fair value through profit or loss. Hedge accounting in accordance with IAS 39 recognises the offsetting effects on profit or loss of changes in the fair values of hedging instruments and hedged items.

The prerequisite for the use of hedge accounting is the documentation of the hedging relationship at the inception of the hedge and an effective compensation of the risks (prospective effectiveness). Throughout the hedging period there should be continual monitoring of whether the derivatives are compensating for changes in the value of the underlying transaction effectively (retrospective effectiveness). The proportion of the change in value of the hedged item and the hedging instrument must lie within a range of 80% to 125%. Once the hedge is no longer effective or once the hedged item or the hedging instrument no longer exists, hedge accounting must be discontinued.

Hypo Alpe Adria only uses fair value hedges in hedge accounting.

These serve to hedge changes in the market values of assets and liabilities (hedged items). The risks to be hedged concern the interest risk and the foreign currency risk. In the case of 100 % effectiveness, the measurement effects of hedged items and the hedging instrument are fully offset and have no impact on the income statement. In the event of ineffectiveness within the accepted range, such ineffectiveness is recognised in the result from hedge accounting.

A similar effect can be achieved for the item to be hedged – without having to fulfil the rigid rules of hedge accounting – if the fair value option (FVO) of IAS 39 is used. The adoption of the fair value option is irrevocable and requires documentation of the offsetting of risks. The prerequisites for a possible designation in the fair value option category are found in note (13) Financial instruments: recognition and measurement (IAS 39). Positive market values of derivatives which are used for hedging are stated in derivative financial instruments on the asset side, while negative market values are stated in derivative financial instruments on the liabilities side.

(17) Leasing

The decisive factor for the classification and recognition of a lease in financial statements of a lessor is the substance of the lease contract rather than ownership of the leased asset. A finance lease according to IAS 17 is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the lessee; an operate lease is a lease other than a finance lease.

The majority of the lease contracts entered into by Hypo Alpe Adria as lessor are classified as finance leases. In the statement of financial position, these are recorded under finance lease receivables at the net investment value (present value) – in this connection, please refer to notes (59) Loans and advances to credit institutions and (60) Loans and advances to customers. The receipts are split into interest income with impact on profit and loss, as well as debt repayments without impact on profit and loss.

Under operating lease agreements, the lessor presents the asset at cost less scheduled depreciation over the useful life of the asset and less any impairment loss. In the case of operating lease agreements concluded in the local currency for which repayments by the lessee were agreed in a different currency, an embedded foreign currency derivative was separated out in the event that IAS 39 criteria were met.

Except for leased real estate, leased assets are reported in other assets (thereof operating leases). Lease income less scheduled depreciation and gains and losses on disposals are recognised in other operating result. Potential impairment losses are reported in the item impairment on non-financial assets.

Real estate leased out under operating lease agreements is classified as investment property.

Assets not yet or no longer leased out are included in other assets. Impairment losses are reported in the item impairment on non-financial assets.

(18) Repurchase agreements

A repurchase agreement is an agreement between two parties whereby one party sells to the other a security at a specified price for a limited period of time and at the same time undertakes to repurchase the security, upon expiry of the said term, at another specified price. Under IAS 39, the seller continues to recognise the asset in its statement of financial position if the material risks and rewards remain with the seller. The amount received is presented as a liability by the seller, whereas the buyer recognises a receivable.

(19) Fiduciary transactions

In accordance with IFRS, fiduciary transactions entered into by Hypo Alpe Adria in its own name, but on the account of a third party, are not recognised in the statement of financial position. Fees are included in fee and commission income.

(20) Financial guarantees

Financial guarantees are contracts that oblige the company to make compensation payments to the guarantee holder for loss incurred. This loss arises if a certain debtor does not meet his payment obligations pursuant to the contractual terms and conditions. Financial guarantees are initially recognised as liabilities at fair value, any transaction costs directly related to the guarantee issued are subtracted. Liabilities are subsequently measured on the basis of the best possible estimate of the amounts required for covering all current obligations as at the reporting date. If, however, fair value amounts to zero at initial recognition, it is evaluated during subsequent measurements if a provision pursuant to IAS 37 should be recognised.

(21) Cash and balances at central banks

This item includes cash and balances daily due at central banks. These amounts are stated at nominal value.

Treasury bills, eligible for refinancing with central banks are not shown in this item but, depending on their valuation category, are shown as financial investments.

(22) Risk provisions on loans and advances

Credit default risks are accounted for by creating specific risk provisions and portfolio risk provisions and by setting aside reserves for off-balance-sheet commitments.

Specific risk provisions are created as soon as there are objective indications that a loan may not be recoverable, the size of the allowance reflecting the amount of the expected loss. Provisions are calculated at the difference between the carrying amount of the loan and the net present value of the estimated future cash flows, taking the respective original effective interest rate into account and considering the provided collateral.

As specific risk provisions are based on the net present value of future cash flows, the future interest income of an impaired loan is determined through discounting of previous cash flow estimations. An increase in present value on the following reporting date is recognised as interest income (unwinding). If a loan restructuring or extension agreement is concluded, the recoverability of the loan commitment is assessed. A specific risk provision must be recognised if the present value of the agreed cash flows differs from the original carrying amount of the receivable.

Portfolio risk provisions are recorded for incurred but not yet reported losses of credit portfolios at balance sheet date. Calculations are carried out by the banks and leasing companies by configuring or grouping loans into homogeneous portfolios with comparable risk characteristics. Provisions are made on the basis of historical loss experience in consideration of the off-balance sheet transaction. Receivables for which specific risk provisions were made are not included in the determination of the portfolio impairment.

After taking into account the customer segment and volume involved, Hypo Alpe Adria assumes the following LIP (Loss Identification Period) factors when calculating portfolio risk provisions on loans and advances: for banks and states: 0.1 (2012: 0.1) and for corporate and retail customers: 0.5 (2012: 0.5).

Amounts identified as irrecoverable after the collateral has been realized are charged against an existing specific risk provision or directly written off. A direct derecognition or an utilisation of the specific risk provision occurs only if there are no further legal claims regarding the customer at the time of determining risk provision. Recoveries of loans and advances previously written-off are recognised in profit or loss. Allocations and reversals of risk provisions and provisions for credit commitments and guarantees are recognised in the income statement under impairments on financial assets – at cost (risk provisions on loans and advances).

In addition to loans and advances, financial instruments are measured and subjected to a recoverability test by Hypo Alpe Adria and the following indicators, which are used throughout the group, give an objective indication – whether individually or as a whole – of when impairment should be applied to a financial instrument:

- For loans and advances in the LAR category this is from that point in time at which the customer exhibits considerable financial difficulties, or at any rate if the customer is more than 90 days in arrears with repayment.
- The same indicators apply for investments in debt instruments (afs) as for loans and advances carried at amortised cost. Here, however, there is an additional objective indication of the existence of impairment, namely, if there is a material reduction in fair value below the amortised cost. Hypo Alpe Adria defines a material reduction as being when the market value is more than 10 % below the amortised cost.

(23) Derivative financial instruments

Positive and negative fair values of derivative financial hedging instruments for underlying transactions recognised pursuant to the fair value option (FVO) as well as banking book derivatives, trading book derivatives and derivatives that meet the hedge accounting requirements of IAS 39 are reported in this item. In the income statement, the results of the measurement of FVO derivatives are recognised in the result from financial investments designated at fair value through profit or loss, the results of the measurements of banking book derivatives and trading book derivatives are reported in the result from trading, and those derivatives that meet the hedge accounting requirements of IAS 39 are stated in the result from hedge accounting.

(24) Investments in companies accounted for at equity

Investments in associated companies and in joint ventures accounted for at equity are shown in a separate item in the statement of financial position.

The impact of the ongoing at-equity valuation as well as any revenue of disposal or impairment loss is shown in the item result from companies accounted for at equity.

(25) Investment properties

Investment properties are land and buildings held to earn rental income or to benefit from expected increases in value. Provided that material rented out parts of mixed-use property can be let or sold separately, these parts are also treated as investment property.

Investment properties are carried at amortized cost, adopting the cost method provided for in IAS 40, with straight-line depreciation applied over the useful life for tangible assets. At each reporting date, it is determined if there are any indications of possible impairment of investment properties held by the bank. Pursuant to IAS 36, the current carrying amount is compared with the recoverable amount for this purpose. The recoverable amount of an asset is therefore the higher of its fair value less costs of disposal and its value in use. If the recoverable amount is less than the carrying amount, an impairment has to be recognised. The calculation of value in use is based on the future expected cash flow as well as country-specific discounting factors for debt and equity financing. The determining factors for the calculation of fair value are the market-based estimates that are generally prepared by full-time experts. If market-based estimates are not available, fair value is estimated on the basis of the income approach.

Lease income less scheduled depreciation on rented buildings and gains and losses on disposals are recognised in the position operating income from investment properties. Potential impairment losses are reported in the item impairment on non-financial assets. If the reasons for the impairment cease to exist, the previously recognised impairment is written up. Write-ups are limited to the maximum carrying amount that does not exceed the amount that would have resulted from depreciation and amortisation if the asset had not been impaired in previous years. The useful life of building held as financial investments is the same as that of buildings recognised as tangible assets.

(26) Intangible and tangible assets

Intangible assets include goodwill arising on acquisitions, software, other intangible assets and advance payments for the acquisition of intangible assets. These assets are measured at acquisition or manufacturing cost less depreciation. Internally generated software is recognised in accordance with IAS 38, providing that the conditions for recognition pursuant to the standard are fulfilled.

Acquired goodwill is recognised at cost on the date of acquisition. The straight-line method of depreciation is not applied to goodwill, it is instead subject to annual impairment testing in accordance with IAS 36. More frequent testing is required if events and circumstances indicate that an impairment may have occurred. If and when such tests reveal impairment, impairment is applied on the basis of a discounted cash flow calculation taking into consideration the interest rate which is applied to the respective asset, whereby the asset's individual useful life in the group is also considered. A possible change in the amount of the referential interest rate used as a basis can have a significant effect on the impairment expense and therefore also on the carrying amount of the asset.

Tangible assets include land and buildings and plant and equipment used by Hypo Alpe Adria for its own operations. Real estate let to third parties or purchases held for capital return is reported in investment properties. Tangible assets are measured at amortised cost.

Straight-line depreciation, based on the following annual rates, is applied over the useful life of assets:

Depreciation rate	in percent	in years
for immovable assets (buildings)	2 –4 %	25 –50 yrs
for movable assets (plant and equipment)	5 –33 %	3 –20 yrs
for software	14 –33 %	3 –7 yrs

In the case of events and circumstances that indicate impairment, the expense is recognised in profit or loss. The impairment of corporate assets used by the group for generating cash flows is tested pursuant to IAS 36. The current carrying amount is therefore compared with the recoverable amount. The recoverable amount of an asset is therefore the higher of its fair value less costs of disposal and its value in use. If the recoverable amount is less than the carrying amount, an impairment has to be recognised. Scheduled depreciation is booked separately on the income statement and impairments and reversals are included in the position impairments on non-financial assets. Gains and losses from disposals are included in other operating result.

(27) Taxes on income

Current and deferred tax assets and liabilities are recognised jointly in the statement of financial position as tax assets or liabilities. Current taxes are calculated in accordance with tax regulations in the respective countries.

Deferred tax assets and liabilities are computed using the liability method, which compares the tax base of the balance sheet items with the carrying amounts pursuant to IFRS. In the case of taxable temporary differences, taxes are deferred. A deferred tax liability shall be recognised, if the reversal of taxable temporary differences will lead to an effective tax burden. For taxable temporary differences associated with shares in domestic subsidiaries, no deferred tax liabilities are recognised in accordance with IAS 12.39 (b) because no reversal of the temporary difference is expected in the foreseeable future. Deferred tax assets are recognised for taxable temporary differences, which lead to a tax credit when recovered. The tax assets and deferred tax liabilities have been offset as required by IAS 12.

Changes to the tax rate are taken into account with respect to the determination of deferred taxes, always providing that they are known at the time of establishing the consolidated financial statements. In accordance with IAS 12 long-term deferred taxes are not discounted. Deferred tax assets are recorded in respect of tax loss carry-forwards if it is deemed probable that future taxable profits will be available. This assessment is based on business plans passed by the Executive Board. Due to the European Commission's decision, regarding reporting as at 31 December 2013 only the expected future taxable profits up to the planned date of disposal need to be recognised for banks. Given the history of losses and the uncertainties arising from the restructuring of the group, there has been no capitalisation of tax loss carry-forwards for the members of the Hypo Alpe-Adria-Bank International AG Austrian tax group and the majority of companies earmarked to be wound down.

The recoverability of a deferred tax asset due to tax loss carry-forwards and taxable temporary differences is reviewed at the end of each reporting period.

The accrual and release of deferred tax assets or liabilities is either recognised in income statement or in other comprehensive income (e.g. revaluation reserve for available-for-sale financial instruments).

From 1 January 2005 the group taxation option was exercised, with Hypo Alpe-Adria-Bank International AG acting as the lead company. The group taxation agreement drawn up to this end contains the rights and duties of the lead company and group members as well as the compulsory ruling on tax reconciliation as laid down by section 9 (8) of the Austrian Corporation Tax Act (KStG). This includes, in particular, the procedure for making the group taxation application, the determination of the individual group members' tax results, rights/duties to receive/provide information, elimination from the group, dissolution and duration of the group. The tax contribution method applied is essentially based on charges and any advantage arising is distributed to group members by means of a fixed charge/credit rate.

(28) Assets classified as held for sale

According to IFRS 5, an asset held for sale is defined as an asset whose carrying amount can only be realised through a disposal as opposed to ongoing usage. Key conditions pursuant to IFRS 5.7 and 5.8 which cumulatively lead to classification are:

- Direct availability, i.e. the asset is available for immediate sale in its current state at customary conditions usually applied in selling such assets
- Concrete intention to sell, active search for a buyer
- High probability of sale
- Sale within twelve months

If investments, which had previously been accounted for at equity in the consolidated financial statements, are classified as assets held for sale, the equity method should be discontinued at this point and the assets assessed in accordance with IFRS 5.

If the prerequisites are fulfilled, the asset classified as held for sale shall be assessed at the end of the reporting period according to the special rules of IFRS 5 and measured at the lower of carrying amount and fair value less costs to sell.

In the statement of financial position, the assets classified as held for sale and the liabilities associated therewith shall each be shown in a separate main item. In the income statement, it is not compulsory to report the associated expenses and income separately. Detailed information can be found on this in note (73) Assets classified as held for sale.

(29) Other assets

The main items in other assets include deferred expenses, receivables other than those arising from banking activities, short-term real estate projects, moveable lease assets let under operating lease agreements and certain short-term lease assets.

Receivables other than those arising from banking activities mainly include receivables from goods and services, receivables from tax authorities relating to taxes other than income taxes. Deferred items and other receivables arising from non-banking activities are recognised at their nominal values.

Together with completed real estate projects, the item other assets also includes buildings under construction as well as buildings in the preparatory phases of construction whose sale is planned after completion. These assets are measured at acquisition or manufacturing cost. Impairment is applied if the carrying amount on the reporting date exceeds the net realisable value, or if a restriction of the utilisation possibilities has resulted in a reduction in value. In accordance with IAS 23, borrowing costs incurred during the manufacturing period must be recognised as part of the value of the asset. Gains and losses from disposals, as well as valuation losses, are included in other operating result.

Other assets also include operating leases leased or not leased out as at the reporting date, as well as returned assets awaiting the signing of a new contract or pending sale (remarketing). They are measured at amortised cost less impairment losses to reflect reduction in value. The measurement result is shown in the statement of comprehensive income in impairments for non-financial assets.

(30) Liabilities

Liabilities to credit institutions and customers, including liabilities evidenced by certificates, are recognised at amortised cost unless they are designated at fair value through profit or loss. Costs of issues as well as premiums and discounts for liabilities evidenced by certificates are spread over the term of the debt.

When using hedge accounting, the fair value changes of the underlying transactions attributable to the hedged risk are recognised in profit or loss.

(31) Long-term employee provisions

Hypo Alpe Adria has both defined contribution and defined benefit plans.

In the former case, a fixed contribution is paid to an external provider. These payments are recognised under personnel expenses in the income statement. Except for these, there are no further legal or other obligations on the part of the employer. Therefore, no provision is required.

Defined benefit plans exist in respect of retirement and severance obligations as well as provisions for anniversary payments. These schemes are mostly unfunded, i.e. all of the funds required for coverage remain within the company. Plan assets are only available for a limited level of retirement provisions.

Provisions for long-term employee benefits are measured in accordance with IAS 19 – Employee Benefits, using the projected unit credit method. The determination of the value of the future commitment is based on an actuarial expert opinion prepared by independent actuaries. The value shown in the statement of financial position is stated as the present value of the defined benefit obligation. In accordance with the new IAS 19 rules, actuarial gains and losses are recognised in other comprehensive income in equity without impact on profit or loss. The most important parameters upon which the actuarial calculation for Austrian employees is based are as follows: an underlying interest rate of 3.25% (2012: 3.25 %) as at 31 December 2013, as well as the consideration of wage and salary increases – unchanged against the previous year – of the active employees at a rate of 3.0% p.a. and an increase in pay to already retired former employees at a rate of 2.0% p.a. and a fluctuation deduction of 6.0% (2012: 6.0 %). The basic biometric data are taken from the Generations Life Expectancy Tables of the AVO (Austrian Actuarial Society) 2008 P for employees.

Provisions for long-term employee benefits are calculated on the basis of the earliest possible legal retirement age. Local rules are applied in the case of employees working abroad.

Expenses to be recognised in profit or loss are divided into service costs (which are reported in personnel expenses), as well as interest costs (which are reported in interest and similar expenses); actuarial gains and losses are recognised in other comprehensive income in equity without impact on profit or loss.

(32) Provisions for credit commitments and guarantees

Provisions for credit commitments and guarantees are created for risks arising in particular from impending drawdown on framework agreements or as a provision regarding guarantees assumed for customer transactions. Provisions for both individual cases and those at portfolio level are accrued.

Changes to provisions for credit commitments and guarantees to be recognised in profit or loss are shown in the income statement under impairments on financial assets – at cost (risk provisions on loans and advances).

(33) Provisions for restructuring

Provisions are only recorded for restructuring if the general criteria for accruing provisions in accordance with IAS 37.72 are fulfilled. In particular, the company has a constructive obligation, as evidenced by the existence of a detailed and formal restructuring plan and the announcement of the measures set out in it to those affected.

The cost associated with the restructuring measures is reported in note (49) Other operating result.

(34) Other provisions

Other provisions are accrued if a past event is likely to translate into a present liability towards a third party, if the assertion of the relevant claim is probable and if the amount of the claim can be determined reliably. If the effect is significant, long-term provisions are discounted. Provisions for uncertain liabilities and impending losses are measured on a best-estimate basis in accordance with IAS 37.36 et seq.

Additions to and releases from other provisions are shown in the corresponding expense item.

(35) Other liabilities

This item includes deferred income. Accruals and deferrals are stated at nominal value, while liabilities are stated at amortised cost.

(36) Subordinated capital

Subordinated capital includes subordinated liabilities as well as supplementary capital.

Subordinated liabilities involve liabilities evidenced or not by certificates and in the event of liquidation or insolvency, creditors are only satisfied after all other creditors as specified in the contracts.

Supplementary capital is contractually issued by the bank/credit institution for at least eight years and any right of ordinary or extraordinary termination is waived. Here, the remaining maturity must be at least three years. Interest is only paid by the issuer to the extent it is covered by annual profits as shown in the separate financial statements in line with the Austrian Commercial Code/Banking Act. In accordance with section 23 (7) (3) of the BWG, supplementary capital prior to liquidation may only be paid back after proportionate deductions have been made for net losses reported during its term.

It is not possible to repay supplementary capital bonds issued by Hypo Alpe Adria at the originally agreed price due to their share in losses. If the fair value option is not applied for these instruments, they are recognised at amortised cost using the effective interest method. Pursuant to IAS 39 AG.8, the repayment amount has to be adjusted regularly in subsequent periods if the instrument shares in loss. The carrying amount of the liability is determined by discounting the future expected cash flows using the original effective interest rate. To calculate the future expected cash flow, current company planning as well as future estimates are consulted; the effects from this remeasurement are recognised in the position gains and losses from financial instruments not measured at fair value through profit and loss.

For further information on subordinated capital, see note (130) Servicing of subordinated capital.

(37) Hybrid capital

As a general rule, hybrid capital (as defined by the Austrian banking supervision regulations) is provided for the entire term of the enterprise. It differs from common subordinated capital in that it is ranked below subordinated capital. Hybrid capital is classified as debt in the IFRS consolidated financial statements due to the fact that coupons are essentially compulsory. Please refer to note (36) Subordinated capital regarding the measurement of hybrid capital.

(38) Equity (including non-controlling interests)

Equity evidences the residual interest in the assets of an entity after deduction of all liabilities or obligations which cannot be terminated by the investor.

Subscribed capital represents the amounts paid in by shareholders in accordance with the memorandum of articles of association. Amounts of participation capital issued are reported separately.

The cumulative gain or loss includes the cumulated profits made by the group with the exception of the share of profit to which external parties are entitled.

The item available-for-sale reserve reflects changes in fair values – after deductions for deferred taxes – arising from available-for-sale financial assets. Non-controlling interests in the equity of subsidiaries in accordance with IAS 1 are presented as a separate item within equity.

Notes to the income statement

(39) Segment reporting

The basis for segment reporting is provided by IFRS 8 – Operating Segments. Segment reporting is based on the information provided regularly to the Executive Board in its capacity as primary decision-maker in accordance with IFRS 8.7 (so-called management approach). Segmentation may therefore differ from the structure presented in the income statement. The basis for segment reporting is Hypo Alpe Adria's business structure itself.

In line with the restructuring plan prepared for the purpose of the EU proceeding, that part of the group which is being systematically wound down is reported separately from continuing operations, which, in line with the restructuring plan, will be successively reprivated. The “going concern” group units consist of the SEE network, i.e. bank and leasing companies in Slovenia, Croatia, Bosnia and Herzegovina, as well as the banking units in Serbia and Montenegro. In order to pursue the fundamental objective of winding up the bank, the focus is on selling the SEE network with a reduced management holding company in Klagenfurt and Wörthersee. The process to sell the SEE network commenced in 2012. This process is being accompanied by an external consultant and, according to the EU decision of 3 September 2013, is to be completed no later than on 30 June 2015. Based on market interest, it is currently assumed that the SEE network will be sold as a group. In order to continue driving forward the privatisation of the SEE network, a holding company was implemented in 2013 and the investments of the SEE network are being transferred to it. The related required permits have been obtained from the local authorities and the implementation is slated for 2014.

The “Italy” business segment consists of the Italian subsidiary bank Hypo Alpe-Adria-Bank S.p.A., while the leasing unit already designated for winding down is assigned to the “Asset Resolution” segment. In keeping with the restructuring plan of Hypo Alpe Adria submitted to the European Commission on 29 June 2013, the Italian subsidiary bank had to cease new business operations as at 1 July 2013.

For the subsidiary bank Hypo Alpe-Adria-Bank AG (Austria) that was still part of the group in the previous year, the sales process initiated in 2011 was successfully concluded in 2013. The bank was sold to an international investor on 19 December 2013 and is therefore eliminated from the Hypo Alpe Adria group.

The business area defined as “Asset Resolution” combines all group leasing companies active in the countries of Croatia, Germany, Austria, Hungary, Macedonia, Montenegro, Bulgaria, Bosnia, Serbia, the Ukraine and Italy. Problematic windup portfolios are also included in this segment. These were separated from the SEE network banks in Bosnia and Herzegovina, Montenegro, Slovenia, Serbia and Croatia and assigned for winding down. The securities portfolios of the investment companies HBInt Credit Management Ltd. and Norica Investments Ltd. as well as the customer portfolio (mainly cross-border and large-volume corporate loan transactions) of Hypo Alpe-Adria-Bank International AG are included as well. Investments that are assigned to Tourism and Real Estate outside the banking and leasing business, and are intended for sale, are also reported in the “Asset Resolution” segment.

The Consolidation/Head Office division includes the effects from the consolidation between different business segments as well as the part of the group holding which features a reference to the core business activities.

Please note: unlike the previous presentation, segment reporting in 2013 uses a summarised presentation in the annual report which corresponds to reporting to the Executive Board since the 2013 financial year. The comparative figures for 2012 are adapted to this reporting format as well.

39.1. SEE network

The business units included in this segment generated total net interest income of EUR +270.5 million (2012: EUR +268.1 million) and net fee and commission income of EUR +68.5 million in 2013 (2012: EUR +59.7 million) and thus contributed around 59.4% and as much as 133.8% to the group's comprehensive income in 2013. In reference to net interest income, this is an increase of EUR +2.4 million compared to the previous year. Net fee and commission income in 2013 increased by EUR +8.8 million, mainly due to offsetting commissions to the units of the wind-down companies. The other result including financial result is EUR -22.2 million in financial year 2013 (2012: EUR +1.7 million). The decrease in the other result from 2012 to 2013 is due primarily to the provisions recognised in 2013 related to foreign currency loans (especially CHF) issued in the past at EUR -17.2 million. At EUR -340.1 million (2012: EUR -51.2 million), around 25% (2012: around 16%) of the total risk expenditures applied to the SEE segment, with high risk provisions for Croatia and Slovenia in particular. The total operating expenses of the SEE network increased from 2012 (EUR -219.0 million) to 2013 (EUR -268.5 million). Targeted cost management in the various SEE banking units allowed costs to be reduced in the areas of personnel expenses, legal and consulting fees and general administrative expenses. However, extraordinary depreciation for the headquarters in Croatia at EUR -15.7 million was added to the operating expenses. Next to Croatia, other units also recognised extraordinary deprecia-

tion on real estate for specific uses (EUR -5.0 Mio). The holding company of the SEE segment is also reported for the first time on 31 December 2013. This affects operating expenses by EUR -35.7 million.

The segment result before taxes is EUR -291.8 million (2012: EUR +59.3 million) in 2013. After taking into account the positive effect of deferred taxes at EUR +5.9 million (2012: EUR -5.2 million), the segment result after taxes for 2013 is EUR -285.9 million (2012: EUR +54.1 million).

The SEE network, which is normally a high-yield segment for the Hypo Alpe Adria Group, was unable to make a positive contribution to comprehensive income in 2013 and closed with a loss of EUR -285.9 million (2012: gain of EUR +54.1 million).

The significant decrease in segment assets is mainly due to separating the portfolio into a core and a wind-down portfolio, which took place beginning in 2011 with the transfer of assets valued at around EUR 3.5 billion within the group. Additional portfolio transfers totalling EUR 200 million are planned for the year 2014, related to the SEE network banks in Serbia and Bosnia.

39.2. Italy

The Italy segment, which is represented by the bank in Udine, is mainly composed of lease transactions in the real estate segment. Overall the Italy segment generated net interest income of EUR +55.2 million (2012: EUR +78.9 million) and net fee and commission income of EUR +7.2 million (2012: EUR +8.5 million). The decrease in interest income compared to the previous year is due to the cessation of new business since 1 July 2013, which is related to the EU restructuring plan of the Hypo Alpe Adria Group. The negative development of the other result in the 2013 financial year (EUR -134.8 million), with a reduction of EUR -132.8 million compared to the previous year (EUR -2.0 million), is due mainly to refunding interest of around EUR 109.0 million related to the case of fraud identified in 2013. At EUR -153.8 million (2012: EUR -30 million), the expenditures for risk provisions in this segment increased more than fivefold and reflect the tense economic situation in Italy. Around EUR -10 million of the increase in gross expenditures in 2013 to EUR -56.9 million (2012: EUR -52.8 million) is due to unplanned depreciation on the headquarters in Udine in order to adjust the value of this building to the current market value. Personnel and administrative costs fell significantly in 2013. Positive deferred taxes on the credit portfolio due to the high impairment losses totalled EUR +45.4 million (2012: EUR -1.6 million) and reduced the segment loss for 2013 accordingly. The total segment result after taxes is reported at EUR -237.7 million, which is significantly less compared to the previous year (2012: EUR +0.9 million).

Because of the ban on new business imposed in mid-2013 and the high impairment losses that had to be recognised in the year under review, segment assets decreased from EUR 3.3 billion (2012) to EUR 2,7 billion (2013).

39.3. Austria

The Austria segment encompasses the results of the Austrian subsidiary bank Hypo Alpe-Adria-Bank AG up to the deconsolidation date. The group holding company Hypo Alpe-Adria-Bank International AG transferred its 100% stake in the subsidiary bank to Anadi Financial Holding Pte. Ltd. (Singapore) on 31 May 2013; this transaction was closed on 19 December 2013.

In 2013 the subsidiary bank until the closing date generated net interest income of EUR +37.7 million (2012: EUR +41.8 million) as well as net fee and commission income of EUR +14.7 million (2012: EUR + 14.9 million). The other result of the Austrian subsidiary in 2013 is EUR +9.7 million (2012: EUR +45.7 million) and has decreased by around EUR -36 million compared to the previous year, since one-time effects from the cancellation of supplementary capital bonds in the amount of EUR 40.0 million (face value) due to the demerger were taken into account in 2012. Positive one-time effects from the sale of an Eastern European commodity share were also included in 2013, contributing EUR +7.7 million to the result. After taking into account higher operating expenses of EUR -50.3 million (2012: -46.6 million), credit risk provisioning expenses of EUR -2.7 million (2012: EUR -1.4 million) and income tax expenses of EUR -0.2 million (2012: EUR -3.4 million) the segment result after taxes for 2013 is positive at EUR +8.9 million (2012: EUR +50.9 million).

The deconsolidation result is explicitly disclosed in the Holding/Consolidation column. Due to the disposal of the subsidiary bank, the segment assets on the reporting date of 31 December 2013 are EUR 0 (2012: EUR 4.1 billion).

The result of the Austrian subsidiary was reported in the consolidated financial statements under discontinued operations. Based on the requirements of IFRS 5, the company's result is reported under "Result of discontinued operations after taxes". The reclassification between the prior reporting of the annual profit and specific disclosure as a discontinued operation according to IFRS 5 is shown in the explicitly included column "IFRS 5 Reclassification".

39.4. Asset Resolution

The group leasing and financing companies as well as the divisions of the domestic parent company that, according to the restructuring plan prepared for the EU, are not part of the future going concern group, generated half the net interest income in 2013 at EUR +110.0 million compared to 2012 (EUR +214.6 million). Most of the decrease in net interest income is due to

higher expenditures in 2013 related to the new subordinate issue at the end of 2012 guaranteed by the government at EUR 1.0 billion. Without taking into account current interest, it has an impact of EUR -53.3 million in the current year (2012: EUR -2.7 million). As in the previous year, the net fee and commission income at EUR -24.3 million (2012: EUR -26.6 million) was clearly negative, mainly due to the annual liability fee of around EUR -18.2 million related to the guarantee agreement concluded with the Republic of Austria at the end of 2010. The other result of EUR -242.6 million (2012: EUR +21.7 million) was defined by the depreciation of investment properties and impairments of emergency acquisitions at EUR -183.4 million. Furthermore, the negative effects of the IFRS 5 measurement of an extensive hotel complex in Croatia in 2013 are included here as well. Credit risk provisioning for this extensive segment increased significantly to EUR -846.2 million in the 2013 financial year compared to the previous year (EUR -222.6 million). This is because the non-performing loan (NPL) portfolio could not be wound down as planned due to the general economic situation. Additional provisioning was necessary in order to account for illiquidity and uncertainty in the secondary markets, especially for real estate. At EUR -186.4 million, operating expenses increased significantly compared to previous year (EUR -172.6 million). After taking into account operating expenses, credit risk provisioning and income taxes for 2013, this segment has a negative result after taxes of EUR -1,167.3 million (2012: EUR -201.1 million).

The assets allocated to this segment have a value of EUR 10 billion as at 31 December 2013 (2012: EUR 11.3 billion) and include the non-performing loans (NPL) transferred or still to be transferred as a consequence of the portfolio transfer project for the "going concern" units.

39.5. Consolidation/Head Office

This segment includes the core activities of the Austrian group holding company, namely controlling and managing funds for the group companies, as well as consolidation effects between the individual segments. Here net interest income of EUR +20.0 million was generated in 2013, significantly below the previous-year value of EUR +75.0 million. The net fee and commission income at EUR -0.2 million is significantly below the previous year as well (2012: EUR +6.3 million), mainly resulting from making liquidity available to the SEE network (unused credit commitments). The other result in the 2013 year is EUR -11.6 million which is significantly lower compared to the previous year (2012: EUR +41.3 million). This decrease is mainly due to the positive one-time effects in 2012 from the repurchase and valuation of supplementary and hybrid capital at EUR +113.7 million. In the 2013 financial year, the value of own liabilities measured at fair value in the amount of EUR +39.5 million improved noticeably compared to the previous year (EUR -36.1 million) with a positive effect on results. This effect was mainly due to the increased own credit spread in the course of the insolvency discussions, which only had a temporary positive impact. A negative impact on results is once again expected over the medium term.

Compared to the previous year, the valuation result for the securities portfolio was approximately halved at EUR +12.0 million (2012: EUR +25.1 million). Additional material driver of other results in 2013 are the penalties pursuant to Section 97, Paragraph 2 BWG of the Austrian group holding company at EUR -17.2 million and the payments for failure to comply with the participation capital conditions, with an additional negative impact on results of EUR -4.0 million. After deducting income taxes, this segment was unable to generate positive comprehensive income in 2013. The 2013 segment result after taxes is EUR -161.4 million (2012: EUR +103.5 million).

On the reporting date of 31 December 2013, the segment assets total EUR 4.9 billion which is unchanged from the previous year (2012: EUR 4.9 billion).

39.6. Segment presentation

EUR m

Period 1.1. - 31.12.2013	SEE- Network	Hypo Italy	Hypo Austria	Asset Resolution	Holding/ Consoli- dation	IFRS 5 Reclassi- fication	Hypo Group
Operating income	316.7	-72.4	62.1	-156.8	8.2	-62.1	95.7
Net interest income	270.5	55.2	37.7	110.0	20.0	-37.7	455.7
Net fee and commission income	68.5	7.2	14.7	-24.3	-0.2	-14.7	51.2
Other result (incl. financial result)	-22.2	-134.8	9.7	-242.6	-11.6	-9.7	-411.2
Operating expenses	-268.5	-56.9	-50.3	-186.4	-18.8	50.3	-530.6
Operating result – prior to risk provisions on loans and advances	48.3	-129.3	11.8	-343.2	-10.6	-11.8	-434.9
Risk provisions on loans and advances	-340.1	-153.8	-2.7	-846.2	-21.9	2.7	-1,362.1
Result after tax from continued operations	-285.9	-237.7	8.9	-1,167.3	-55.7	-8.9	-1,746.6
Result after tax from discontinued operations	0.0	0.0	0.0	0.0	-105.7	8.9	-96.8
Result after tax	-285.9	-237.7	8.9	-1,167.3	-161.4	0.0	-1,843.4
Segment assets	8,553	2,728	0	9,984	4,954	0	26,219
Loans and advances to customers	6,370	2,632	0	10,120	167	0	19,289
Liabilities to customers	4,105	400	0	43	1,573	0	6,121

EUR m

Period 1.1. - 31.12.2012	SEE- Network	Hypo Italy	Hypo Austria	Asset Resolution	Holding/ Consoli- dation	IFRS 5 Reclassi- fication	Hypo Group
Operating income	329.5	85.3	102.4	209.7	122.6	-102.4	747.0
Net interest income	268.1	78.9	41.8	214.6	75.0	-41.8	636.6
Net fee and commission income	59.7	8.5	14.9	-26.6	6.3	-14.9	47.8
Other result (incl. financial result)	1.7	-2.0	45.7	21.7	41.3	-45.7	62.6
Operating expenses	-219.0	-52.8	-46.6	-172.6	-7.9	46.6	-452.3
Operating result – prior to risk provisions on loans and advances	110.5	32.4	55.8	37.1	114.7	-55.8	294.7
Risk provisions on loans and advances	-51.2	-30.0	-1.4	-222.6	-4.8	1.4	-308.5
Result after tax from continued operations	54.1	0.9	50.9	-201.1	103.5	-50.9	-42.6
Result after tax from discontinued operations	0.0	0.0	0.0	0.0	0.0	50.9	50.9
Result after tax	54.1	0.9	50.9	-201.1	103.5	0.0	8.3
Segment assets	10,159	3,282	4,145	11,296	4,922	0	33,804
Loans and advances to customers	7,715	3,059	2,773	10,487	368	0	24,401
Liabilities to customers	4,433	659	1,563	58	1,694	0	8,406

The net interest income in segment reporting corresponds to internal reporting, with income from operating lease assets as well as investment properties are included in this item. In the consolidated statement of comprehensive income, this income is included in the operating result from investment properties and in the other operating result.

(40) Interest and similar income

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Interest income	978.5	1,184.6
from loans and advances to credit institutions	52.8	70.2
from loans and advances to customers	639.6	801.6
from bonds, treasury bills and other fixed-interest securities	58.3	74.9
from derivative financial instruments, net	219.2	229.3
from finance leasing	153.4	207.6
Other interest income	8.5	8.6
Total	1,131.9	1,392.2

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

Interest income also includes the income from unwinding in the amount of EUR 147.5 million (2012: EUR 178.2 million) as well as fees and commissions with similar interest characteristics. A significant part of the item other interest income is the interest on the minimum reserve.

Interest and similar income breaks down as follows in accordance with IAS 39 categories:

EUR m

	IAS 39 Measurement category	1.1. - 31.12.2013	1.1. - 31.12.2012*
Interest income		1,131.9	1,392.2
from loans and advances to credit institutions and customers	LAR	847.4	1,078.6
from trading assets	HFT	0.2	0.3
	HFT (Fair Value Hedges)		
from derivative financial instruments, net		219.2	229.3
from financial investments – designated at fair value through profit or loss	FVO	8.9	15.3
from financial investments – available for sale	AFS	51.6	65.9
from financial investments – held to maturity	HTM	4.6	2.8
Other	-	0.0	0.1
Total		1,131.9	1,392.2

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

(41) Interest and similar expenses

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Interest expenses	-650.9	-783.6
for liabilities to credit institutions	-109.8	-138.6
for liabilities to customers	-207.7	-240.1
for debt securities in issue	-280.3	-371.5
for subordinated capital	-52.1	-30.8
for other liabilities	-0.9	-2.6
Similar expenses	-57.5	-10.7
Total	-708.4	-794.4

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

The item similar expenses includes the guarantee commission relating to the state-guaranteed subordinated bond issued at the end of 2012.

Interest and similar expenses break down as follows in accordance with IAS 39 categories:

EUR m

	IAS 39 Measurement	1.1. - 31.12.2013	1.1. - 31.12.2012*
	category		
Interest expenses		-650.8	-783.6
for financial liabilities – designated at fair value through profit or loss	FVO	-28.3	-24.7
for financial liabilities – at cost	Fin. Liabilities At Cost	-622.5	-758.9
Similar expenses		-57.5	-10.7
Total		-708.4	-794.4

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

(42) Fee and commission income

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Credit business	21.8	26.4
Securities and custodian business	10.1	10.0
Bank transfers including payment transactions	36.5	39.2
Other financial services	24.9	23.9
Total	93.3	99.4

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

(43) Fee and commission expenses

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Credit business	-22.4	-30.1
Securities and custodian business	-5.3	-6.1
Bank transfers including payment transactions	-7.6	-8.0
Other financial services	-6.9	-7.4
Total	-42.1	-51.5

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

Fee and commission expenses also include commission payable to the Republic of Austria for the assumption of guarantee in the amount of EUR 18.2 million (2012: EUR 19.6 million).

(44) Gains and losses from financial instruments not measured at fair value through profit and loss

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Result from fin. investments – available for sale	2.6	11.2
Result from fin. investments – held to maturity	0.0	-0.1
Result from fin. investments – at cost	0.4	102.5
Total	3.0	113.5

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

In financial year 2012 hybrid and supplementary capital bonds recognised at amortised cost were written down. The resulting effect of EUR 99.9 million was reported under the result from fin. investments – at cost.

(45) Result from trading

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Foreign exchange transactions	0.1	16.8
Shares and index related transactions	0.1	0.3
Total	0.2	17.0

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

In addition to trading activities, the item result from trading also includes income from banking book derivatives as well as from currency valuation. Foreign exchange transactions include profits and losses from foreign exchange trading of EUR -7.8 million (2012: EUR 9.4 million).

(46) Result from hedge accounting

This item includes income from hedge accounting in accordance with IAS 39, resulting from the valuation of hedging derivatives and the valuation of the underlying transactions.

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Valuation result from secured underlying transactions	265.4	58.2
Valuation result from hedging derivatives	-268.3	-60.0
Total	-2.9	-1.8

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

(47) Result from financial investments – designated at fair value through profit or loss

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Result from financial assets and related derivatives	15.6	28.7
from loans and advances to customers and credit institutions	3.9	4.5
from equity instruments	-0.1	-3.2
from debt instruments	12.2	26.4
from treasury bills	-0.4	1.0
Result from financial liabilities and related derivatives	39.5	-35.3
from liabilities evidenced by certificates	16.5	-22.1
from subordinated capital	23.0	-13.2
from other liabilities	0.0	0.0
Current income from shares and other not fixed interest securities	0.0	0.1
Total	55.1	-6.5

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

The fair value option (FVO) applies to financial assets and liabilities that include embedded derivatives which must be stated separately. By designating the entire instrument in the category at fair value through profit or loss, the compulsory separation of hedging instruments is avoided.

Furthermore, this category is also used to avoid accounting mismatches. The fair value option is used for financial assets if related liabilities are already carried at fair value. In addition, this category is also used for the purpose of implementing a risk-reducing hedging strategy.

In the past years, the changes in the bank's own credit spreads or the widening of the liquidity spread of financial liabilities, which will be realized at fair value, resulted in an amount of EUR 98.8 million (2012: EUR 214.4 million), which in the previous years was recognised in profit or loss. The market development of the financial liabilities led to a positive impact of EUR 36.1 million (2012: EUR -32.2 million). The remaining cumulative effect of EUR 134.9 million (2012: EUR 103.5 million) may lead to measurements being recognised in profit or loss in the IFRS consolidated financial statements in the coming years. Of this amount, EUR 98.3 million (2012: EUR 76.1 million) pertains to issues underwritten by third parties, EUR 25.6 million

(2012: 16.7 million) to the still outstanding hybrid capital instruments (nominal value: EUR 23.5 million) and EUR 11.0 million (2012: EUR 10.7 million) to supplementary capital issues.

(48) Operating result from investment properties

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Rental income	49.5	49.4
Depreciation	-23.3	-16.0
Other expenses	-4.7	-1.4
Total	21.4	32.0

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

Other expenses from investment properties relate to the result from disposals of EUR 2.4 million as well as ongoing expenses of EUR -7.1 million.

(49) Other operating result

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Other income	112.9	305.0
Other expenses	-357.5	-288.7
Total	-244.6	16.4
Result from operate lease assets	0.9	12.5
Other rental income	1.3	1.5
Net capital gains/losses from the sale of intangible and tangible assets	2.4	2.3
Result from emergency acquisitions and repossessed asset	-2.3	1.7
Result from allocation/release of other provisions	-4.7	14.4
Other tax expenses (incl. bank tax except income tax)	-31.6	-26.9
Expenses from complete or partial sale of fully consolidated companies	-2.1	-0.7
Restructuring expenses	-13.7	0.5
Income from assets classified as held for sale and disposal groups	-39.2	-12.4
Other result	-155.5	23.4
Total	-244.6	16.4

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

The result from operating lease assets is mainly composed of gains on disposal and ongoing lease payments less regular depreciation.

Other rental revenue is the result of renting buildings used for own activities, which are of minor importance.

Next to the proceeds of disposal, the result from emergency acquisitions and repossessed leasing assets also includes rental income and current operating expenses.

Other tax expenses include the bank levies for the 2013 financial year at EUR -21.1 million (2012: EUR -22.1 million).

Detailed information on restructuring expenses can be found in note (118) Restructuring expenses.

The result from assets classified as held for sale and disposal groups is mainly due to the valuation of the Croatian real estate project "Skipper" which is available for sale (EUR -37.2 million), and the valuation of assets of an European leasing company (EUR -1.5 million) which, according to IFRS 5, are reported separately under the item assets held for sale as at 31 December 2013.

The remaining other result consists primarily of other income and expenses not related to the banking business and, in the 2013 financial year, is mainly composed of compensation payments in the context of failing to correctly pass on interest adjustments (EUR -135.2 million).

(50) Impairment of financial assets

The impairment of financial assets is composed as follows:

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Impairment financial assets – at cost (risk provision on loans and advances)	-1,362.1	-308.5
Allocations	-1,684.7	-676.5
Releases	343.5	360.1
Receipts from loans and advances previously impaired	26.7	34.1
Directly recognised impairment losses	-47.5	-26.2
Impairment financial assets – available for sale	-10.9	-19.4
Expenses from impairment	-17.2	-27.3
Income from write-up	6.3	8.0
Impairment financial assets – held to maturity	-2.6	0.0
Expenses from impairment	-2.6	0.0
Income from write-up	0.0	0.0
Total	-1,375.6	-327.9

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

The impairment of financial assets – at cost includes credit risk provisioning for on and off-balance-sheet transactions. For detailed information about risk provisioning, see note (61) Risk provisions on loans and advances and provisions for credit risk.

(51) Impairment of non-financial assets

The impairment of non-financial assets is composed as follows:

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Land and buildings	-33.1	-16.7
Plant and equipment	-25.5	-0.3
Intangible assets	-32.3	-3.8
Investment properties	-137.6	-24.3
Operate-Leases	-5.7	2.3
Emergency required assets and repossessed assets	-54.4	-17.8
Total	-288.6	-60.6

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

The impairment of land and buildings comes mainly from the subsidiaries in Croatia and Italy, since administrative buildings used internally were written down here.

Based on the expected sale of the bank network in the SEE countries by mid-2015, identifying a need for impairment on plant and equipment as well as intangible assets based on the value in use could not be performed. The fair value less costs of disposal was used instead. This resulted in an impairment of EUR -25.1 million for plant and equipment, and EUR -23.9 million for intangible assets. Local expert opinions were used as the basis for determining the fair value.

The impairment of the real estate held as financial investments is mainly due to the leasing units in Italy and Slovenia. This impairment is due to changed interest rates and a change in the expected leasing cash flows regarding the underlying assets.

A large portion of the impairment of emergency acquisitions and repossessed leasing assets originates with the two Italian companies (EUR -23.1 million), which had to record write-downs due to a reduction in market values. The leasing units in Bulgaria, Croatia and Slovenia also had to record write-downs.

(52) Personnel expenses

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Wages and salaries	-150.9	-161.3
Social security	-43.0	-46.7
Long-term employee provisions	-5.3	-6.0
Other employee costs	-12.3	-11.4
Total	-211.6	-225.4

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

The long-term employee provisions contain contributions to defined contribution plans totalling EUR 0.6 million (2012 adjusted: EUR 1.2 million). In addition, payments totalling EUR 0.6 million (2012: EUR 0.7 million) were made into the employee severance and retirement fund for the employees in Austria.

(53) Other administrative expenses

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Infrastructure costs	-41.1	-45.5
IT- and telecommunications	-39.0	-37.6
Advertising costs	-10.0	-9.6
Legal and advisory costs	-28.0	-25.4
Expense for audit and audit-related services	-4.3	-3.9
Expenses related to reorganisation and restructuring	-9.9	-8.3
Investigation of the past	-23.6	-6.0
Staff training cost	-2.7	-3.8
Administration expenses related to HBInt. Credit Management	-1.7	-1.7
Other general administrative expenses	-32.3	-41.4
Total	-192.5	-183.2

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

The item audit and audit-related services includes costs of EUR 2.1 million (2012: EUR 2.7 million) for the audit firm Ernst & Young, see note (119) Audit expenses.

(54) Depreciation and amortization on tangible and intangible assets

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Land and buildings	-9.5	-10.3
Plant and equipment	-15.0	-14.3
Intangible assets	-11.2	-8.5
Total	-35.7	-33.1

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

(55) Result from companies accounted for at equity

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Share of profits	0.1	0.0
Share of losses	-1.5	0.0
Total	-1.4	0.0

(56) Taxes on income**56.1. Income tax expenses**

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Current tax	4.8	-27.1
from previous period	-3.2	0.7
Deferred tax	47.0	-1.7
from previous period	11.4	2.6
Total	51.7	-28.8

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

The theoretical tax expenses are translated into the effective tax burden as follows:

EUR m

	31.12.2013	31.12.2012
Result before tax from continued operations	-1,798.3	-13.9
Result before tax from discontinued operations	-95.1	54.4
Result before tax	-1,893.4	40.5
Theoretical income tax expense based on Austrian corporate tax rate of 25 %	473.4	-10.1
Tax effects		
from divergent foreign tax rates	-30.4	3.5
from previous year	8.5	3.3
from foreign income and other tax-exempt income	0.1	1.0
from investment related tax relief and other reducing the tax burden	2.3	6.9
from non-tax deductible expenses	-16.1	-17.6
from non-recognition of deferred taxes on loss carry-forwards and temporary differences	-379.6	-15.5
from the change of deferred taxes on loss carry-forwards and temporary differences	-3.3	-10.1
from non-recognition of deferred taxes because of permanent differences	1.4	0.1
from other tax effects	-6.1	6.3
Actual income tax expenses (effective tax rate: 2.6 % (2012: 79.6%))	50.0	-32.2
Income tax expenses reported in profit or loss	51.7	-28.8
Income tax expenses attributable to discontinued operations	-1.7	-3.4

In 2013 the non-recognition of deferred taxes on tax loss carry-forwards as well as the amortisation of deferred tax assets recognized in the previous year had a negative impact on actual income tax expenses.

56.2. Deferred tax assets/liabilities

In 2013, deferred tax assets and liabilities were offset as far as the specifications of IAS 12 permitted.

Legally valid tax assessment notices for Hypo Alpe-Adria-Bank International AG have been issued for the years up to and including 2003. The assessment for corporation tax due in 2004 pursuant to section 200 (1) of the Federal Fiscal Code (BAO) is still of a provisional nature. The tax assessments for 2005 to 2010 are, by contrast, legally valid. The corporate income tax return for 2011 has not yet been requested by the tax authorities. The corporate income tax return for 2012 has not yet been submitted to the tax authorities. A tax audit is currently taking place which affects all Austrian members of the tax group.

Deferred taxes (tax assets or tax liabilities) have been recorded for the differences between carrying amounts for tax purposes and IFRS recognition, for the following positions:

EUR m

	2013			2012*		
	Deferred Tax (netted)	Income Statement	Other comprehensive income (OCI)	Deferred Tax (netted)	Income Statement	Other comprehensive income (OCI)
Provisions for loans and advances	87.4	64.2	0.0	19.4	11.4	0.0
Accelerated depreciation for tax purposes /Accelerated capital allowances	1.8	-0.3	0.0	-0.8	0.2	0.0
Effects on AFS-investments	-3.0	2.4	1.5	2.4	-0.1	-3.9
Hedged Accounting – revaluation of a hedged financial asset/liability and of the related swap	0.8	-1.7	0.0	0.8	0.9	0.0
FVO – revaluation of a financial asset /liability and the related swap	4.8	1.0	0.0	1.1	0.7	0.0
Revaluation of leasing contracts	-5.8	5.3	0.0	-5.2	-4.7	0.0
Termination benefits	0.2	0.0	0.0	0.2	0.1	0.0
Deferred revenue fee income	3.5	-0.3	0.0	3.8	-0.3	0.0
Other	-8.8	-6.5	0.0	-0.7	-6.8	-0.7
Utilizable tax losses carried forward	5.8	-17.0	0.0	15.6	-3.1	0.0
Total deferred Tax	85.3	47.0	1.5	36.6	-1.7	-4.6

* Previous year's figures for 2012 were adjusted, see note (10) Adjustment of previous year's figures.

The total change in deferred taxes compared to the previous year is EUR 48.7 million, of which EUR 47.0 million of deferred tax income is reflected in the income statement and EUR 1.5 million positively impacted other comprehensive income in equity. The remaining EUR 0.2 million is a result of foreign exchange differences and changes in the scope of consolidation.

The total deferred tax effect of EUR +47.0 million is a result of deferred taxes on the recognition or reversal of temporary differences totalling EUR +64.0 million and the write-down of previously deferred tax assets due to tax loss carry-forwards of EUR -17.0 million.

The positive change in deferred taxes in provisions for loans and advances amounting to EUR 64.2 million is largely due to the recognition of deferred taxes at the Italian subsidiary. Recoverability at these companies is not depending on future taxable profits, as claims can be made from the financial authorities based on local law.

The development of deferred taxes in net terms is as follows:

EUR m

	2013	2012
Balance at start of period (1.1.)	36.6	45.8
Tax income/expense recognised in profit or loss	47.0	-1.7
Tax income/expense recognised in OCI	1.5	-4.6
Fx-difference	-0.1	-0.7
Deferred taxes acquired in change of scope	0.3	-2.2
Balance at end of period (31.12.)	85.3	36.6

Deferred taxes are reported as follows in the balance sheet:

EUR m

	2013	2012
Deferred tax assets	97.7	58.6
Deferred tax liabilities	12.4	22.0
Deferred tax	85.3	36.6

From deferred tax assets recognised, EUR 5.8 million (2012: EUR 15.6 million) were the result of recognising tax assets in respect of usable tax loss carry-forwards. Due to a lack of possible usability in the various group companies, deferred tax assets of EUR 853.2 million (2012: EUR 715.4 million) on unused tax losses of EUR 3,689.5 million (2012: adjusted EUR 2,981.1 million) and deferred tax assets of EUR 116.9 million (2012: EUR 87.2 million) for temporary differences of EUR 607.3 million (2012: EUR 444.3 million) were not recognised. In addition, deferred tax assets of EUR 103.0 million (2012: EUR 39.8 million) for investments in subsidiaries for temporary differences of EUR 439.2 million (2012: EUR 177.5 million) were not recognised. Of the unused tax losses amounting to EUR 3,689.5 million, EUR 3,047.0 million (2012: EUR 2,265.0 million) are unlimited and EUR 642.6 million (2012: EUR 716.1 million) can be carried forward for a maximum of 5 years.

Deferred tax assets from tax loss carry-forwards are recorded when it is probable that future taxable profits will be made which will enable these tax losses to be offset. The basis for these estimates are the respective business plans which have a time horizon of five years. For SEE banks, however, only the taxable profit up to the time of disposal is recognized in accordance with the European Commission's decision on reporting as at 31 December 2013.

Given the history of losses and the uncertainties arising from the restructuring of the group, there has been no capitalisation of tax loss carry-forwards for the members of the Hypo Alpe-Adria-Bank International AG Austrian tax group and the majority of companies earmarked to be wound down.

In accordance with IAS 12.39 deferred tax liabilities of EUR 4.4 million (2012: EUR 6.4 million) on temporary differences relating to investments in subsidiaries of EUR 18.3 million (EUR 26.4 million) were not recognized as they are not expected to be reversed in the foreseeable future.

(57) Non-controlling interests

In the income statement, non-controlling interests in the income statement of the relevant group companies are included as follows:

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012
HBInt Credit Management Limited	9.0	16.5
Share in interest income	2.8	4.5
Share in measurement result	6.2	12.0
Norica Investments Limited	11.5	15.2
Share in interest income	11.5	15.2
Non-controlling interests of other co-owners	-0.2	-0.5
Total	20.3	31.1

At HBInt Credit Management Limited, Jersey, the total result stemming from the measurement and sale of securities amounted to EUR +12.6 million (2012: adjusted EUR +24.4 million) in 2013. In the consolidated financial statements, EUR +6.2 million (2012: EUR +12.3 million) thereof are assigned to the 49% non-controlling shareholder as a result covered by the equity contribution.

The share of interest income attributable to the non-controlling interest in Norica Investments Limited includes a special dividend and a pro rata share of profit and loss.

Notes to the statement of financial position

(58) Cash and balances at central banks

EUR m

	31.12.2013	31.12.2012
Cash on hand	124.2	124.4
Balances with central banks (due on demand)	2,188.5	2,748.8
Total	2,312.7	2,873.2

Balances with central banks only include those balances which are due on demand. Balances that are not due on demand are shown under loans and advances to credit institutions. The balances at central banks also serve to meet the requirements for minimum reserves. As at the reporting date, the minimum reserve held as due on demand amounted to EUR 144.5 million (2012: EUR 288.9 million).

(59) Loans and advances to credit institutions

59.1. Loans and advances to credit institutions – by type of business

EUR m

	31.12.2013	31.12.2012
Minimum reserve (not due daily)	344.3	434.3
Giro- and clearing business	1,023.0	550.3
Money market placements	584.4	834.9
Loans	114.1	160.7
Finance lease receivables	18.7	11.1
Other loans and advances	3.0	1.8
Total	2,087.4	1,993.1

59.2. Loans and advances to credit institutions – by region

EUR m

	31.12.2013	31.12.2012
Austria	421.1	623.8
Central and Eastern Europe (CEE)	411.3	579.3
Other countries	1,255.0	790.0
Total	2,087.4	1,993.1

The region “Central and Eastern Europe (CEE)” includes Southern Eastern European countries (SEE) as well as other Eastern European countries.

(60) Loans and advances to customers**60.1. Loans and advances to customers – by type of business**

EUR m

	31.12.2013	31.12.2012
Current account credit	458.1	745.5
Bank loans	8,252.5	9,529.5
Mortgage loans	3,331.0	4,726.7
Municipal loans	2,015.4	3,152.8
Finance lease receivables	4,018.7	4,730.3
Other loans and advances	1,213.3	1,516.6
Total	19,289.0	24,401.5

60.2. Loans and advances to customers – by type of customer

EUR m

	31.12.2013	31.12.2012
Public sector	2,008.8	3,390.8
Corporate clients	12,391.4	14,498.8
Retail clients	4,888.8	6,511.9
Total	19,289.0	24,401.5

60.3. Loans and advances to customers – by region

EUR m

	31.12.2013	31.12.2012
Austria	1,213.0	3,886.8
Central and Eastern Europe (CEE)	13,845.2	15,288.0
Other countries	4,230.7	5,226.7
Total	19,289.0	24,401.5

(61) Risk provisions on loans and advances and provisions for credit risk**61.1. Risk provisions on loans and advances and provisions for credit risk – development during the year**

EUR m

	As at 1.1.2013	Foreign- exchange- differences	Allocations	Releases	Use	Changes to the consolidated Group	Un- winding	As at 31.12.2013
Specific risk provisions	-2,930.3	7.1	-1,647.6	241.0	327.8	56.4	148.0	-3,797.7
Loans and advances to credit institutions	-2.4	0.0	-5.3	0.1	0.0	0.0	0.0	-7.7
Loans and advances to customers	-2,917.9	7.2	-1,604.9	240.2	327.3	50.9	148.0	-3,749.2
to public sector	-3.0	0.0	-1.7	1.8	0.1	0.0	0.1	-2.7
to corporate clients	-2,506.5	11.1	-1,210.3	197.8	267.7	23.5	130.0	-3,086.6
to retail clients	-408.4	-3.9	-392.8	40.5	59.5	27.4	17.9	-659.9
Other financial assets	-10.0	0.0	-37.4	0.7	0.4	5.5	0.0	-40.9
Portfolio-based risk provisions	-153.4	-3.9	-24.7	98.6	0.0	6.5	0.0	-76.9
Loans and advances to credit institutions	-0.6	0.0	-0.4	0.4	0.0	0.0	0.0	-0.6
Loans and advances to customers	-152.3	-3.9	-24.3	98.0	0.0	6.5	0.0	-76.0
Other financial assets	-0.5	0.0	0.0	0.2	0.0	0.0	0.0	-0.3
Subtotal risk provisions on loans and advances	-3,083.7	3.3	-1,672.4	339.5	327.8	62.9	148.0	-3,874.6
Provisions for credit commitments and guarantees	-26.0	0.0	-26.3	14.0	0.0	-3.8	0.0	-42.1
Individual provisions	-8.7	0.0	-13.4	-0.6	0.0	-6.5	0.0	-29.2
Portfolio provisions	-17.3	0.0	-12.9	14.6	0.0	2.7	0.0	-13.0
Total	-3,109.7	3.3	-1,698.7	353.6	327.8	59.1	148.0	-3,916.7
thereof discontinued operations	-59.3	0.0	-14.0	10.0	9.1	53.6	0.5	0.0

Risk provisions on loans and advances and provisions for credit risk were as follows as at 31 December 2012:

EUR m

	As at 1.1.2012	Foreign- exchange- differences	Allocations	Releases	Use	Changes to the consolidated Group	Un- winding	As at 31.12.2012
Specific risk provisions	-2,934.0	-1.7	-653.3	286.3	204.6	-10.5	178.3	-2,930.3
Loans and advances to credit institutions	-13.1	0.0	0.0	0.8	10.0	0.0	0.0	-2.4
Loans and advances to customers	-2,914.3	-1.7	-649.7	285.3	194.6	-10.4	178.3	-2,917.9
to public sector	-4.4	0.0	-0.4	1.3	0.4	0.0	0.2	-3.0
to corporate clients	-2,547.1	-1.7	-516.4	224.5	169.0	10.2	155.0	-2,506.5
to retail clients	-362.8	0.0	-132.8	59.5	25.2	-20.6	23.0	-408.4
Other financial assets	-6.6	0.0	-3.6	0.2	0.1	-0.1	0.0	-10.0
Portfolio-based risk provisions	-176.0	-0.6	-30.8	54.3	0.0	-0.3	0.0	-153.4
Loans and advances to credit institutions	-0.1	0.0	-0.5	0.1	0.0	0.0	0.0	-0.6
Loans and advances to customers	-175.5	-0.6	-30.1	54.2	0.0	-0.3	0.0	-152.3
Other financial assets	-0.4	0.0	-0.1	0.0	0.0	0.0	0.0	-0.5
Subtotal risk provisions on loans and advances	-3,110.0	-2.2	-684.1	340.6	204.6	-10.8	178.3	-3,083.7
Provisions for credit commitments and guarantees	-48.2	-2.3	-7.5	31.7	0.3	0.0	0.0	-26.0
Individual provisions	-21.6	-2.3	-4.1	19.0	0.3	0.0	0.0	-8.7
Portfolio provisions	-26.6	0.1	-3.4	12.7	0.0	0.0	0.0	-17.3
Total	-3,158.2	-4.5	-691.6	372.2	204.9	-10.8	178.3	-3,109.7
thereof discontinued operations	-78.1	-0.2	-15.1	12.1	10.3	11.0	0.7	-59.3

In addition, please refer to note (4) Use of estimates and assumptions/uncertainties in connection with estimates, note (50) Impairment of financial assets and note (86) Risk report et seq.

Provisions for credit risk are stated in note (79) Provisions.

61.2. Risk provisions on loans and advances – by region

EUR m

	31.12.2013	31.12.2012
Austria	-192.4	-229.9
Central and Eastern Europe (CEE)	-3,099.0	-2,477.1
Other countries	-583.1	-376.8
Total	-3,874.6	-3,083.7

(62) Trading assets

EUR m

	31.12.2013	31.12.2012
Bonds and other fixed-interest securities	12.5	1.4
Shares and other non-fixed-interest securities	0.0	0.1
Total	12.5	1.5

(63) Derivative financial instruments

EUR m

	31.12.2013	31.12.2012
Positive market value of derivative financial instruments – trading	14.2	32.8
Positive market value of derivative financial instruments – banking book	1,055.8	1,393.3
Total	1,070.1	1,426.1

Hypo Alpe Adria hedged the fixed interest component of several fixed-interest issues with derivative financial instruments as part of its interest risk management. The market value of the issues developed negatively and the corresponding derivative transaction positively due to the steep drop in interest rates compared with the issue date of the liabilities. By using hedge accounting and the fair value option, the underlying transactions are not recognised at amortised cost but at the so-called hedge adjusted value instead (hedge fair value), while the market value of the derivative transaction is recognised separately as an asset pursuant to IAS 39. Positive market values from derivative transactions are primarily hedged by counterparties supplying cash collateral.

The net change in the market value of the derivative instruments and the hedged underlying transactions are recognised in the result from hedge accounting and in the result from financial assets – designated at fair value through profit or loss on the basis of the corresponding designation.

(64) Financial investments – designated at fair value through profit or loss

EUR m

	31.12.2013	31.12.2012
Loans and advances to customers and credit institutions	289.6	579.1
Bonds and other fixed-interest securities	197.1	185.2
Shares and other non-fixed-interest securities	18.4	19.1
Total	505.2	783.4

(65) Financial investments – available for sale

EUR m

	31.12.2013	31.12.2012
Bonds and other fixed-interest securities	2,338.9	2,627.0
Shares and other non-fixed-interest securities	31.3	40.8
Participations without intention for sale (< 20 %)	1.6	6.6
Other participations (associated companies 20 % –50 %)	1.3	2.8
Shares in affiliated, non-consolidated companies (> 50 %)	26.4	11.0
Loans and advances to customers/credit institutions	22.0	0.0
Total	2,421.5	2,688.3

(66) Financial investments – held to maturity

EUR m

	31.12.2013	31.12.2012
Bonds and other fixed-interest securities	83.7	85.5
Treasury bills, eligible for refinancing with central banks	0.0	5.0
Total	83.7	90.5

Financial assets available for sale with a carrying amount of EUR 42.6 million were reclassified to held to maturity in 2012. These financial assets had a fair value of EUR 45.0 million as at 31 December 2013. The original measurement at fair value would have resulted in a positive effect of EUR 2.3 million in other comprehensive income.

(67) Investments in companies accounted for at equity

EUR m

	31.12.2013	31.12.2012
Shares in other associated companies	5.9	7.4
Total	5.9	7.4

The list of associated companies accounted for at equity is shown in note (139) Scope of consolidation.

(68) Investment properties

EUR m

	31.12.2013	31.12.2012
Investment properties	1,115.3	1,279.2
Total	1,115.3	1,279.2

The majority of investment properties include real estate let under operating lease agreements.

Pursuant to IAS 36, the current carrying amount is compared with the recoverable amount to determine possible impairments. The recoverable amount of an asset is therefore the higher of its fair value less cost of disposal and its value in use. If the recoverable amount is less than the carrying amount, an impairment has to be recognised. The calculation of value in use is based on the future expected cash flow as well as country-specific discounting factors for debt and equity financing, which assumes a debt (67.6 %; 2012: 73.7 %) and equity (32.4 %; 2012: 26.3 %) ratio derived from the market. The following country-specific interest rates for the period of planned use are taken into consideration.

	Beginning discount rate equity costs		Closing discount rate equity costs	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Croatia	7.59%	6.39%	6.09%	4.89%
Italy	6.52%	6.41%	5.02%	4.91%
Slovenia	6.99%	5.79%	5.49%	4.29%
Bosnia and Herzegovina	10.17%	7.80%	8.67%	6.30%
Serbia	9.31%	6.84%	7.81%	5.34%
Montenegro	8.86%	6.31%	7.36%	4.81%

The determining factors for the calculation of fair value are the market-based estimates that are generally prepared by full-time experts. If market-based estimates are not available, fair value is estimated on the basis of the income approach.

(69) Development of financial assets and financial investments

31.12.2013	Acquisition costs	Foreign-exchange-	Additions
	1.1.2013	differences	
Financial investments – held to maturity	85.5	0.0	8.1
Bonds, treasury bills and other fixed-interest securities	85.5	0.0	8.1
Financial investments – available for sale	75.1	1.1	1.8
Shares in affiliated, non-consolidated companies (>50%)	30.5	0.0	1.8
Other participations (associated companies 20 % –50 %)	15.7	1.1	0.0
Participations without intension for sale (under 20 %)	29.0	0.0	0.0
Companies accounted for at equity	6.6	0.0	0.0
Total	167.2	1.1	9.9
thereof discontinued operations	19.4	0.0	0.0

31.12.2012	Acquisition costs	Foreign-exchange-	Additions
	1.1.2012	differences	
Financial investments – held to maturity	36.5	0.0	52.3
Bonds, treasury bills and other fixed-interest securities	36.5	0.0	52.3
Financial investments – available for sale	78.4	0.5	3.4
Shares in affiliated, non-consolidated companies (>50%)	34.5	0.5	2.4
Other participations (associated companies 20 % –50 %)	15.2	0.0	0.7
Participations without intension for sale (under 20 %)	28.7	0.0	0.3
Companies accounted for at equity	10.8	0.0	0.0
Total	125.7	0.5	55.7
thereof discontinued operations	19.4	0.0	0.0

(70) Intangible assets

EUR m

	31.12.2013	31.12.2012
Purchased software	0.0	17.5
Self generated software	0.0	7.5
Other intangible assets	16.3	15.1
Prepayments for intangible assets	0.0	4.5
Total	16.3	44.6

EUR m

	Disposals	Other changes	Acquisition costs 31.12.2013	Cumulated change 31.12.2013	Carrying amount 31.12.2013	Carrying amount 31.12.2012
	-7.6	0.0	86.0	-2.3	83.7	85.5
	-7.6	0.0	86.0	-2.3	83.7	85.5
	-17.1	57.5	118.4	-89.1	29.3	20.5
	-16.6	95.0	110.7	-84.2	26.4	11.0
	-0.4	-10.2	6.1	-4.9	1.3	2.8
	0.0	-27.3	1.6	0.0	1.6	6.6
	0.0	-0.4	6.2	-0.3	5.9	7.4
	-24.7	57.2	210.7	-91.7	119.0	113.5
	-11.8	-7.6	0.0	0.0	0.0	4.2

EUR m

	Disposals	Other changes	Acquisition costs 31.12.2012	Cumulated change 31.12.2012	Carrying amount 31.12.2012	Carrying amount 31.12.2011
	-3.2	0.0	85.5	0.0	85.5	36.5
	-3.2	0.0	85.5	0.0	85.5	36.5
	-5.6	-1.6	75.1	-54.6	20.5	24.4
	-4.6	-2.3	30.5	-19.4	11.0	16.2
	-1.0	0.7	15.7	-12.8	2.8	2.9
	0.0	0.0	29.0	-22.3	6.6	5.3
	0.0	-4.2	6.6	0.8	7.4	1.4
	-8.8	-5.8	167.2	-53.7	113.5	62.2
	0.0	0.0	19.4	-15.2	4.2	4.2

(71) Tangible assets

EUR m

	31.12.2013	31.12.2012
Land and buildings	244.2	342.8
Plant and equipment	16.6	49.3
Total	260.8	392.0

(72) Development of fixed assets**72.1. Development of acquisition costs and carrying amounts**

31.12.2013	Acquisition costs 1.1.2013	Foreign-exchange-differences	Additions
INTANGIBLE ASSETS	151.1	-0.5	21.1
Goodwill	1.1	0.0	0.0
Software	120.7	-0.3	8.7
purchased	75.2	-0.4	8.0
self generated	45.5	0.1	0.7
Other intangible assets	24.0	0.0	3.7
Prepayments for intangible assets	5.3	-0.1	8.6
TANGIBLE ASSETS	651.2	-2.3	59.9
Land and buildings	470.4	-1.5	47.7
Land	31.6	-0.1	2.0
Buildings	433.0	-1.3	41.5
Assets under construction	5.8	-0.1	4.2
Plant and equipment	180.7	-0.8	12.2
INVESTMENT PROPERTIES	1,435.6	-1.6	122.9
Investment properties leased out/rented	1,137.9	-1.4	52.0
Vacant investment properties	262.2	0.2	68.8
Assets under construction (future investment properties)	35.6	-0.4	2.1
Total	2,237.9	-4.4	203.9
thereof discontinued operations	47.9	0.0	1.7

Among investment properties, acquisitions amount to the sum of EUR 85.7 million which has been transferred from inventories. The amount of EUR 4.5 million stems from the capitalisation of subsequent expenditures.

31.12.2012	Acquisition costs 1.1.2012	Foreign-exchange-differences	Additions
INTANGIBLE ASSETS	217.2	-2.7	9.8
Goodwill	54.5	0.0	0.0
Software	112.5	-2.5	6.8
purchased	70.6	-0.7	6.2
self generated	41.9	-1.8	0.6
Other intangible assets	36.7	-0.1	0.4
Prepayments for intangible assets	13.5	-0.1	2.6
TANGIBLE ASSETS	582.9	-3.6	53.2
Land and buildings	404.8	-1.2	39.4
Land	30.0	0.0	0.2
Buildings	367.6	-1.0	33.9
Assets under construction	7.2	-0.2	5.3
Plant and equipment	178.1	-2.4	13.9
INVESTMENT PROPERTIES	953.7	-0.8	480.2
Investment properties leased out/rented	849.9	-0.6	275.4
Vacant investment properties	52.7	-0.1	193.8
Assets under construction (future investment properties)	51.1	-0.1	11.0
Total	1,753.8	-7.1	543.2
thereof discontinued operations	48.6	0.0	0.9

The reclassification of assets held for sale reported under IFRS 5 and the disposal of assets of Hypo Alpe-Adria-Bank AG (Austria) which were divested in December 2013 are included under other changes. In addition, acquisitions from assets stemming from BLOK 67 ASSOCIATES DOO BELGRADE are also reported among other changes.

EUR m

	Disposals	Other changes	Acquisition costs 31.12.2013	Cumulative depreciation 31.12.2013	Carrying amount 31.12.2013	Carrying amount 31.12.2012
	-26.6	-3.6	141.6	-125.3	16.3	44.6
	0.0	0.0	1.1	-1.1	0.0	0.0
	-25.5	-1.0	102.6	-102.6	0.0	25.0
	-0.8	-2.3	79.9	-79.9	0.0	17.5
	-24.8	1.3	22.8	-22.8	0.0	7.5
	-0.3	-0.8	26.7	-10.4	16.3	15.1
	-0.8	-1.9	11.2	-11.2	0.0	4.5
	-42.2	-117.4	549.2	-288.4	260.8	392.0
	-27.4	-106.0	383.3	-139.1	244.2	342.8
	-1.6	-5.1	26.8	-3.5	23.3	31.4
	-23.7	-96.7	352.9	-134.6	218.3	307.4
	-2.1	-4.2	3.7	-1.0	2.7	4.0
	-14.8	-11.4	165.9	-149.3	16.6	49.3
	-17.0	-148.9	1,391.0	-275.7	1,115.3	1,279.2
	-11.9	-352.0	824.5	-152.6	671.9	1,035.9
	-4.5	223.0	549.6	-117.6	431.9	216.7
	-0.5	-19.8	16.9	-5.5	11.4	26.5
	-85.8	-269.9	2,081.7	-689.3	1,392.4	1,715.8
	-7.2	-42.4	0.0	0.0	0.0	27.1

EUR m

	Disposals	Other changes	Acquisition costs 31.12.2012	Cumulative depreciation 31.12.2012	Carrying amount 31.12.2012	Carrying amount 31.12.2011
	-60.0	-13.2	151.1	-106.5	44.6	60.0
	-53.4	0.0	1.1	-1.1	0.0	0.0
	-4.8	8.7	120.7	-95.7	25.0	28.4
	-0.2	-0.7	75.2	-57.7	17.5	18.2
	-4.6	9.4	45.5	-38.0	7.5	10.1
	-1.1	-11.9	24.0	-8.9	15.1	18.9
	-0.7	-9.9	5.3	-0.8	4.5	12.8
	-31.1	49.7	651.2	-259.1	392.0	359.9
	-17.0	44.5	470.4	-127.7	342.8	310.1
	-1.1	2.5	31.6	-0.2	31.4	29.8
	-15.8	48.4	433.0	-125.6	307.4	275.0
	-0.2	-6.4	5.8	-1.9	4.0	5.3
	-14.0	5.2	180.7	-131.4	49.3	49.8
	-38.3	40.9	1,435.6	-156.5	1,279.2	837.5
	-28.5	41.7	1,137.9	-102.0	1,035.9	776.9
	-6.6	22.4	262.2	-45.4	216.7	15.7
	-3.2	-23.2	35.6	-9.0	26.5	44.9
	-129.4	77.3	2,237.9	-522.0	1,715.8	1,257.4
	-1.6	0.0	47.9	-20.8	27.1	11.3

72.2. Development of depreciation

31.12.2013	Cumulative depreciation 1.1.2013	Foreign- exchange- differences
INTANGIBLE ASSETS	-106.5	0.3
Goodwill	-1.1	0.0
Software	-95.7	0.3
purchased	-57.7	0.3
self generated	-38.0	0.0
Other intangible assets	-8.9	0.0
Prepayments for intangible assets	-0.8	0.0
TANGIBLE ASSETS	-259.1	1.0
Land and buildings	-127.7	0.4
Land	-0.2	0.0
Buildings	-125.6	0.4
Assets under construction	-1.9	0.0
Plant and equipment	-131.4	0.6
INVESTMENT PROPERTIES	-156.5	0.4
Investment properties leased out/rented	-102.0	0.3
Vacant investment properties	-45.4	0.1
Assets under construction (future investment properties)	-9.0	0.0
Total	-522.0	1.7
thereof discontinued operation	-20.8	0.0

31.12.2012	Cumulative depreciation 1.1.2012	Foreign- exchange- differences
INTANGIBLE ASSETS	-157.2	1.8
Goodwill	-54.5	0.0
Software	-84.2	1.8
purchased	-52.3	0.4
self generated	-31.8	1.4
Other intangible assets	-17.8	0.0
Prepayments for intangible assets	-0.7	0.0
TANGIBLE ASSETS	-223.1	2.2
Land and buildings	-94.7	0.5
Land	-0.2	0.0
Buildings	-92.6	0.4
Assets under construction	-2.0	0.1
Plant and equipment	-128.3	1.8
INVESTMENT PROPERTIES	-116.2	0.5
Investment properties leased out/rented	-73.0	0.4
Vacant investment properties	-37.0	0.1
Assets under construction (future investment properties)	-6.2	0.0
Total	-496.4	4.6
thereof discontinued operations	-21.4	0.0

EUR m

	Disposals	Depreciation charge for the year	Impairment	Other changes	Write-ups	Cumulative depreciation 31.12.2013
	23.7	-11.3	-34.0	1.9	0.6	-125.3
	0.0	0.0	0.0	0.0	0.0	-1.1
	22.8	-10.0	-22.6	1.9	0.6	-102.6
	0.5	-6.8	-19.5	3.3	0.0	-79.9
	22.3	-3.2	-3.1	-1.4	0.6	-22.8
	0.3	-1.3	-0.4	0.0	0.0	-10.4
	0.7	0.0	-11.0	0.0	0.0	-11.2
	19.3	-26.1	-61.6	35.1	3.0	-288.4
	6.1	-10.3	-36.1	25.5	3.0	-139.1
	0.0	0.0	-3.3	0.0	0.0	-3.5
	5.0	-10.3	-32.6	25.4	3.0	-134.6
	1.1	0.0	-0.2	0.0	0.0	-1.0
	13.1	-15.7	-25.5	9.7	0.0	-149.3
	1.3	-23.3	-138.0	40.3	0.1	-275.7
	1.2	-17.4	-44.4	9.6	0.1	-152.6
	0.1	-5.9	-93.2	26.7	0.0	-117.6
	0.0	0.0	-0.5	4.0	0.0	-5.5
	44.3	-60.7	-233.6	77.4	3.7	-689.3
	6.2	-1.7	0.0	16.2	0.0	0.0

EUR m

	Disposals	Depreciation charge for the year	Impairment	Other changes	Write-ups	Cumulative depreciation 31.12.2012
	51.7	-8.6	-3.8	9.5	0.0	-106.5
	53.4	0.0	0.0	0.0	0.0	-1.1
	-2.5	-6.9	-3.8	-0.1	0.0	-95.7
	0.1	-6.9	0.0	1.0	0.0	-57.7
	-2.6	0.0	-3.8	-1.1	0.0	-38.0
	1.0	-1.7	0.0	9.6	0.0	-8.9
	-0.1	0.0	0.0	0.0	0.0	-0.8
	16.1	-25.8	-17.1	-11.6	0.0	-259.1
	5.2	-10.6	-16.7	-11.3	0.0	-127.7
	0.0	0.0	0.0	0.0	0.0	-0.2
	5.2	-10.6	-16.7	-11.3	0.0	-125.6
	0.0	0.0	0.0	0.0	0.0	-1.9
	10.9	-15.2	-0.3	-0.3	0.0	-131.4
	7.5	-16.0	-25.0	-10.3	3.0	-156.5
	5.1	-15.7	-7.9	-11.2	0.3	-102.0
	2.4	-0.3	-12.0	0.9	0.5	-45.4
	0.0	0.0	-5.0	0.0	2.2	-9.0
	75.3	-50.3	-45.8	-12.4	3.0	-522.0
	1.4	-1.3	0.0	0.5	0.0	-20.8

(73) Assets classified as held for sale

On 31 December 2013, the item labelled assets held for sale, which is to be reported separately under IFRS 5, includes the assets of the shares in GRAND HOTEL LAV doo, the Croatian Real Estate Project "Skiper" and an Eastern European leasing unit. It is considered very likely that these companies will be sold in the next twelve months. In the segment report, the GRAND HOTEL LAV doo hotel, assets of the "Skiper" real estate project consisting of hotel mansions and residential complexes and assets from the leasing unit are displayed under the asset segment resolution.

EUR m

	31.12.2013	31.12.2012
Loans and advances to credit institutions	1.2	0.0
Loans and advances to customers	29.7	0.0
Impairment on financial instruments – at cost (risk provision)	-25.9	0.0
Other financial investments (investment properties)	1.0	0.0
Tangible assets	46.9	0.0
Tax assets	0.3	0.0
Other assets	44.2	0.0
Total	97.5	0.0

The SEE network sale process has already started; however, there is no reporting under IFRS 5 yet as not all the criteria required under IFRS 5 have been met. For more detailed information, please refer to note (6) Discontinued operations.

(74) Other assets

EUR m

	31.12.2013	31.12.2012
Deferred income	38.1	55.7
Other assets	650.5	774.0
Assets used for operate lease	82.0	112.9
Real Estate (under construction, held for sale, emergency acquisition, repossessed assets)	308.8	329.3
Movables (leases to go and repossessed assets)	100.7	122.7
Prepayments	1.6	2.3
Value added taxes and other tax assets	30.0	24.2
Remaining not bank specific receivables	75.5	122.2
Other assets	51.8	60.4
Total	688.6	829.7

Real estate and moveable assets include an amount of EUR 298.1 million whose book value was determined based on the fair value less costs to sell.

(75) Liabilities to credit institutions**75.1. Liabilities to credit institutions – by type of business**

EUR m

	31.12.2013	31.12.2012
To central banks	278.4	443.7
To other credit institutions	4,386.9	4,808.9
Due on demand	32.6	75.4
Time deposits	2,718.0	2,790.6
Loans from banks	654.8	770.4
Money market securities	951.2	1,138.2
Other liabilities	30.3	34.1
Total	4,665.3	5,252.5

75.2. Liabilities to credit institutions – by region

EUR m

	31.12.2013	31.12.2012
Austria	74.2	290.8
Central and Eastern Europe (CEE)	493.1	530.2
Other countries	4,098.0	4,431.5
Total	4,665.3	5,252.5

Liabilities to credit institutions include liabilities designated at fair value through profit or loss in the amount of EUR 289.8 million (2012: EUR 318.2 million) – see note (121) Assets designated at fair value and financial liabilities.

(76) Liabilities to customers**76.1. Liabilities to customers – by type of customer**

EUR m

	31.12.2013	31.12.2012
Saving deposits	537.0	1,414.6
Demand and time deposits	5,583.9	6,991.2
from public sector	348.2	555.8
from corporate clients	2,706.6	3,350.7
from retail clients	2,529.2	3,084.7
Total	6,120.9	8,405.9

76.2. Liabilities to customers – by region

EUR m

	31.12.2013	31.12.2012
Austria	63.7	1,445.2
Central and Eastern Europe (CEE)	3,997.3	4,489.2
Other countries	2,059.9	2,471.5
Total	6,120.9	8,405.9

Liabilities to customers include liabilities designated at fair value through profit or loss in the amount of EUR 9.2 million (2012 adjusted: EUR 139.3 million) – see note (121) Assets designated at fair value and financial liabilities.

(77) Liabilities evidenced by certificates

EUR m

	31.12.2013	31.12.2012
Issued bonds	9,183.0	12,875.1
Liabilities issued by the "Pfandbriefstelle"	1,196.2	1,960.0
Other liabilities evidenced by certificates	16.6	0.7
Total	10,395.8	14,835.8

Liabilities evidenced by certificates include liabilities designated at fair value through profit or loss in the amount of EUR 371.9 million (2012 adjusted: EUR 390.2 million.) – see note (121) Assets designated at fair value and financial liabilities.

(78) Derivative financial instruments

EUR m

	31.12.2013	31.12.2012
Negative market value of derivative financial instruments – trading	11.2	31.0
Negative market value of derivative financial instruments – banking book	766.0	750.9
Total	777.3	781.9

(79) Provisions**79.1. Provisions in detail**

EUR m

	31.12.2013	31.12.2012
Pensions	7.0	12.0
Severance payments	8.6	18.3
Provisions for anniversary payments	1.0	2.1
Provisions for credit commitments and guarantees	42.1	26.0
Restructuring provisions as per IAS 37.70	14.2	10.3
Other provisions	118.6	59.4
Total	191.5	128.1

The development of provision for credit commitments and guarantees is shown in note (61) Risk provisions on loans and advances and provisions for credit risk.

In the 2013 financial year, restructuring provisions were formed by those companies within Hypo Alpe Adria which, in the wake of the EU procedure, were designated as wind-down unit and are legally obliged to pay severance. The bulk of the restructuring reserves is expected to be reduced by 2017.

The item other provisions shows provisions related to potential penalty payments, consulting and legal costs, tax proceedings and other miscellaneous provisions. The provisions are for the most part short-term in character, with the exception of employee benefit provisions.

79.2. Provisions – developments in the present value of pension and severance provisions and plan assets

The development of the present value of pension and other benefit obligations are displayed below. The data was summarised on the grounds of non-materiality.

EUR m

	2013	2012
Present value of employee benefit obligation as at 1.1.	30.3	26.7
+ Current service costs	0.7	0.2
+ Interest costs	0.4	1.1
+/- Actuarial gains/losses	-0.1	5.0
+/- Actuarial gains/losses arising from changes in demographic assumptions	-0.1	-0.3
+/- Actuarial gains/losses arising from changes in financial assumptions	-0.3	3.4
+/- Actuarial gains/losses arising from experience assumptions	0.3	1.9
+ Contributions to the plan – (employer)	0.1	0.1
- Payments from the plan	-2.2	-2.0
- thereof amount paid in respect of any settlements	0.1	0.0
+/- Other changes	-13.4	-0.8
Present value of employee benefit obligation as at 31.12.	15.8	30.3

Changes in pension and other benefit obligations due to the sale of Hypo Alpe-Adria-Bank AG (Austria) are included in other changes.

The development of plan assets as at 31 December 2013 is as follows:

EUR m

	2013	2012
Fair Value of plan assets as at 1.1.	0.0	0.0
+ Interest income on plan assets	0.0	0.0
+/- Other changes	0.2	0.0
Fair Value of plan assets as at 31.12.	0.2	0.0

For the most important parameters, a sensitivity analysis is displayed in the following table:

EUR m

Assumptions Scenario	Discount rate		Salary increases		Benefit increases		31.12.2013 Mortality rate	
	Increase by 0.5 %	Decrease by 0.5 %	Increase by 0.5 %	Decrease by 0.5 %	Decrease by 0.5 %	Decrease by 0.5 %	Increase by 1 year	Decrease by 1 year
	Retirement benefits	-0.2	0.6	0.0	0.0	0.6	-0.1	0.6
Severance payment	-0.3	0.3	0.2	-0.3	0.0	0.0	0.0	0.8

In performing the sensitivity analysis, the following actuarial assumptions were considered significant and calculated with the following margins:

- pension provision: discount rate + / - 0.5 % pension increase + / - 0.5 %, life expectancy + / - 1 year
- provision for severance payments: discount rate + / - 0.5 % salary increase + / - 0.5 %

The sensitivity analysis of life expectancy was facilitated by a shift in the average life expectancy for all components of each plan.

The defined benefit obligation is expected to result in the following payments in the upcoming years:

EUR m

	2013	2012
Within the next 12 months	1.3	2.7
From 2 to 5	3.5	6.8
From 5 to 10	3.9	7.8
Over 10 years	4.2	4.2
Total expected benefit payment	12.8	21.5

The average maturity of the defined benefit obligation for Hypo Alpe-Adria-Bank International AG amounts to nine years as at 31 December 2013 (2012: 10 years).

79.3. Provisions – development of other provisions

The development of other provisions in the year under review was as follows:

EUR m

	Carrying amount 1.1.2013	Foreign- exchange- differences	Allocations	Use	Releases	Other changes	Carrying amount 31.12.2013
Provisions for anniversary payments	2.1	0.0	0.1	0.0	-0.1	-1.1	1.0
Restructuring provisions (IAS 37.72)	10.3	0.0	14.0	-9.3	-0.4	-0.4	14.2
Other provisions	59.5	-0.1	177.7	-100.4	-6.4	-11.6	118.6
Total	71.8	-0.2	191.9	-109.7	-6.8	-13.1	133.8
thereof discontinued operations	9.9	0.0	2.9	-4.6	-0.4	-7.8	0.0

Other provisions largely pertain to reserves set aside for litigation costs totalling EUR 35.2 million concerning companies in Italy. Accruals were made for yet to be distributed reimbursements in connection with interest rate adjustments which had been incorrectly passed on to customers. Furthermore, the other remaining reserves contain provisions for litigation and advisory costs, particularly in the context of cleaning up the past as well as provisions for potential penalties in accordance with paragraph 97 (1) of the Austria Banking Act (BWG) in the amount of EUR 22.9 million (2012: EUR 5.6 million) and other contractual penalties in the amount of EUR 4.0 million (2012: EUR 2.0 million).

EUR m

	Carrying amount 1.1.2012	Foreign- exchange- differences	Allocations	Use	Releases	Other changes	Carrying amount 31.12.2012
Provisions for anniversary payments	2.0	0.0	0.4	0.0	0.0	-0.3	2.1
Restructuring provisions (IAS 37.72)	15.6	-0.1	6.9	-5.7	-10.3	3.9	10.3
Other provisions	91.3	-1.1	37.6	-40.1	-26.5	-1.8	59.4
Total	108.9	-1.1	44.9	-45.9	-36.8	1.8	71.8
thereof discontinued operations	15.7	0.0	4.6	-7.4	-3.0	0.0	9.9

(80) Liabilities included in disposal groups classified as held for sale

EUR m

	31.12.2013	31.12.2012
Liabilities to credit institutions	2.2	0.0
Provisions	0.2	0.0
Tax liabilities	0.2	0.0
thereof current tax liabilities	0.2	0.0
thereof deferred tax liabilities	0.0	0.0
Other liabilities	3.0	0.0
Total	5.6	0.0

(81) Other liabilities

EUR m

	31.12.2013	31.12.2012
Deferred expenses	60.7	206.7
Accruals und other obligations	212.0	220.9
Total	272.7	427.6

(82) Subordinated capital

EUR m

	31.12.2013	31.12.2012
Subordinated liabilities	1,914.4	1,956.6
Supplementary capital	0.4	0.7
Total	1,914.8	1,957.3

Among the subordinated liabilities or in supplementary capital, are liabilities designated at fair value through profit or loss in the amount of EUR 28.2 million (2012: EUR 27.3 million) – see also note (121) Assets designated at fair value and financial liabilities. The use of subordinated capital is described in note (131) Use of subordinated capital.

(83) Hybrid capital

EUR m

	31.12.2013	31.12.2012
Hybrid capital	1.2	6.0
Total	1.2	6.0

Hybrid capital includes liabilities designated at fair value through profit or loss in the amount of EUR 1.2 million (2012: EUR 6.0 million) – see also note (121) Assets designated at fair value and financial liabilities.

(84) Equity

EUR m

	31.12.2013	31.12.2012
Attributable to equity holder of the parent	1,341.1	1,447.6
Issued capital*	1,669.1	969.1
Participation capital	1,139.5	339.5
Additional paid-in capital	250.0	0.0
Available for sale reserves	-27.3	-43.1
Foreign currency translation	-104.2	-95.7
Retained earnings (including net consolidated income)	-1,586.0	277.7
Non-controlling interest	517.7	520.9
Total	1,858.8	1,968.4

*To improve the display of information, non-voting capital will be reported in a separate column as at 2013. The previous year was adjusted accordingly.

Issued capital is based on separate financial statements issued by Hypo Alpe-Adria-Bank International AG under UGB/BWG as at 31 December 2013. This includes EUR 1,669.1 million (2012: EUR 969.1 million) in share capital of Hypo Alpe-Adria-Bank International AG which has been split up into 682,536,752 (2012: 396,288,732) voting bearer shares. The development of the share capital is as follows:

in EUR

	Subscribed capital	Number of shares
As at 1.1.2012	469,097,049.29	191,825,860
Ordinary capital increasing with effective 20.12.2012	499,999,999.71	204,462,872
As at 31.12.2012	969,097,049.00	396,288,732
Ordinary capital increasing with effective 27.9.2013	699,999,997.64	286,248,020
As at 31.12.2013	1,669,097,046.64	682,536,752

In the extraordinary shareholders' meeting on 23 July 2013 and/or on 12 September 2013, shareholders approved an increase in the company's share capital by issuing new bearer shares. The resolution also intends for the new shares to be issued at the pro rata amount of share capital (excluding share premium). The sole shareholder (Republic of Austria) has the subscription right for newly issued shares.

In addition, on 29 November 2013, the sole shareholder (Republic of Austria) made a shareholder contribution in the amount of EUR 250.0 million to the capital reserves of Hypo Alpe-Adria-Bank International AG.

At the general shareholders' meeting of 13 December 2013, the Executive Board was authorized to issue non-voting capital shares up to a nominal amount of EUR 800.0 million which were subscribed to by the sole purchaser, the Republic of Austria. As a result, on the balance sheet date as at 31 December 2013, the non-voting capital shares subscribed to by the Republic of Austria amounted to EUR 1,075.1 million (2012: EUR 275.1 million).

The available-for-sale reserves include negative available-for-sale reserves in the amount of EUR -40.4 million.

(85) Statement of cash flows

The statement of cash flows as defined in IAS 7 shows the change in cash and cash equivalents through cash flows from operating activities, investment activities and financing activities.

The cash flow from operating activities at Hypo Alpe Adria includes cash inflows and outflows as a result of loans and advances to credit institutions and customers, from liabilities to credit institutions and customers as well as liabilities evidenced by certificates. Changes in trading assets and liabilities are also included as are cash flow from received dividends and income taxes.

The cash flow from investing activities is recorded for payments for and receipts from securities and participations, intangible and tangible assets and receipts from selling/payments made for the acquisition of subsidiaries.

The cash flow from financing activities shows payments made and received for equity and subordinated capital. Capital increases, dividend payments and changes in subordinated capital are covered by this item.

The cash and cash equivalents include the balance sheet item cash and balances at central banks, which covers cash on hand and balances with central banks which are due on demand.

The relevance of the statement of cash flows for banks is considered low. Hypo Alpe Adria, therefore, does not use it as an instrument of management.

Risk report

(86) Risk strategy, control and monitoring

Hypo Alpe Adria controls and monitors its risks across all business segments, with the aim of optimising its risk/performance profile and ensuring the ability to bear risks at any time, thus protecting the bank's creditors. In doing so, it influences the business and risk policies of its strategic participations and other participations through its involvement in shareholder and supervisory committees. In the case of group strategic and other participations, compatible risk control processes, strategies and methods are implemented.

The following central principles apply to the overall controlling process in Hypo Alpe Adria:

- 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 in accordance with the Minimum Requirements for Risk Management (FMA-MSK) and the Austrian Banking Act (BWG).
- The group determines and implements appropriate, mutually compatible procedures for the purpose of identifying, analysing, measuring, combining, directing and monitoring the different risk types.
- Appropriate limits are set and effectively monitored for material risk types.

(87) Risk organisation and Internal Audit

Ensuring adequate risk management and controlling structures and processes is the responsibility of the group's Chief Risk Officer (CRO), who is a member of the Hypo Alpe Adria Executive Board and acts independently of market and trading units with a focus on the minimum requirements for risk management as well as appropriate internal controls.

The core tasks of risk management are the individual risk management of counterparty risks; the rehabilitation of problem loans; monitoring the credit-granting process; and risk controlling and monitoring of counterparty, market, liquidity and operational risks as well as other risks at portfolio level. The CRO is also responsible for monitoring the risk-bearing capacity and directing the risk capital that is required from an economic and regulatory point of view.

The Risk Office is an integral part of the Group Risk Governance Rules of Hypo Alpe Adria and consists of four pillars. This concept is cascaded – in other words, the four-pillar principle is implemented consistently – both at group and local levels. The respective Country CROs must ensure compliance with the risk principles among all subsidiaries situated in the country.

The Risk Control pillar includes the following main functions:

- Identifying risks
- Determining risk policy guidelines and limits
- Providing risk methods and models
- Performing risk analysis, mitigation and monitoring and risk reporting

The Credit Management pillar includes the following main functions:

- Balance sheet analysis and implementing ratings
- Credit monitoring
- Credit support
- Country risk portfolio management
- Controlling and reporting retail risks
- Credit underwriting

The Credit Rehabilitation pillar includes the following main functions:

- Restructuring transactions
- Work-out transactions
- Loan loss provision calculation (tool/rules)

The Credit Processing pillar includes the following main functions:

- Loan and collateral administration
- Justifying, monitoring and managing collaterals
- Carrying out back office activities
- Compiling a group of borrowers pursuant to BWG

The Risk Quality Assurance Team ensures the qualitative and practical implementation of group specifications/policies at a local level and regularly reports on events to the Chief Risk Officer.

Within the Executive Board, the Chief Financial Officer (CFO) is responsible for monitoring adherence to regulatory equity requirements. Hypo Alpe Adria has separated the CFO and CRO functions.

The Audit division is a permanent function that audits the business activities of Hypo Alpe Adria. In terms of organisation, it reports to the Chairman of the Executive Board and also reports in detail to the Supervisory Board. Auditing activities are based on a risk-oriented audit approach, and generally cover all activities and processes of Hypo Alpe Adria. This area carries out its tasks independently of the tasks, processes and functions to be audited, and in consideration of the applicable statutory and regulatory requirements.

(88) Internal risk management guidelines

Hypo Alpe Adria states its group-wide standard risk management guidelines in the form of risk guidelines to ensure that risks are dealt with in a standardised manner. These guidelines are promptly adjusted to reflect organisational changes as well as changes to parts of the regulations such as processes, methods and procedures. The existing regulations are assessed at least once a year with regard to the need for updating. This ensures that the actual and documented processes coincide at all times.

In 2013, a major change took place in terms of the risk strategy. In order to highlight the relevance of liquidity risk steering, a separate liquidity risk strategy was developed.

Hypo Alpe Adria has clearly defined responsibilities for all of these risk guidelines, ranging from preparation, review and update to the roll-out to the subsidiaries. Each of these guidelines must be implemented on local level by the subsidiaries and adjusted to local conditions. Compliance with these guidelines is ensured by instances directly involved in the risk management process. Process-independent responsibility is carried by the Risk Quality Assurance Team and Internal Audit.

Hypo Alpe Adria therefore has fully comprehensive and up-to-date internal risk management guidelines.

(89) Projects

Further progress was made in the restructuring of Hypo Alpe Adria in the financial year 2013 as a result of a number of different project activities. In the Lux project (see the group management report, chapter "Project concerning disposal possibilities for the wind-down unit"), institutional structure and participation models were defined and analysed for the group. The aim of the Alpe project was to establish a target operating model for asset resolution and the dissolution of the operations of the SEE network and wind-down units. In the Adria project, preparations were made for the reprivatization of the SEE network, while the Hypo Alpe-Adria-Bank AG (HBA) Carve Out project involved the operating dissolution of the already sold Hypo Alpe-Adria-Bank AG from Hypo Alpe-Adria-Bank International AG.

89.1. Alpe project

The aim of the Alpe project was to create an efficient asset resolution platform that covers all Hypo Alpe Adria portfolios intended for wind-down. For this purpose, a target operating model was designed for the asset resolution which was split into group and local units and tasks. At group level, the organisation was focused on wind-down tasks on the one hand and on the steering of the SEE network on the other.

In countries not part of the SEE network, in which there are no Hypo Alpe Adria bank participations, independent asset resolution companies are already operating within HETA Asset Resolution GmbH, which acts as an interim holding company for all asset resolution companies. In 2013, companies in the five core countries, that is Bosnia and Herzegovina, Croatia, Montenegro, Serbia and Slovenia, allocated to the wind-down portfolio were still closely integrated on an operative basis with the banks and leasing companies in the SEE network that were earmarked for reprivatization. This integration was reflected in a large number of mutual services and a common IT infrastructure. The purpose of the Alpe project was to conceive and implement the dissolution of units from SEE network and wind-down units on the basis of the defined target operating model. Organisational implementation was predominantly completed as at 1 January 2014, while the separation of the IT infrastructure will be completed by the end of the third quarter of 2014.

89.2. HBA Carve Out project

The aim of the HBA Carve Out project was the operational dissolution of Hypo Alpe-Adria-Bank AG from Hypo Alpe-Adria-Bank International AG and constituted an important preparatory step for its sale. The objective was to completely separate mutual services and create two autonomous companies that are completely independent from one another.

The separation of subjects into 23 specialist concepts during the programme was implemented in two projects, one based in each bank. Each of these specialist concepts included an individual implementation plan that was controlled primarily within the scope of the respective project and coordinated via the programme depending on the five group themes of IT, contracts, facility management, data separation and participations. A standardised structure within the individual concepts permitted overarching monitoring to programme level. The dissolution was completed for all concepts on schedule with the closing of the transaction on 19 December 2013. Further services required beyond this date are regulated by service level agreements until mid-2014.

(90) Measures to improve risk management

90.1. Development of provisions

90.1.1. METHOD OF CALCULATING PROVISIONS:

As part of the calculation of specific risk provisions, the underlying credit exposure is subject to an individual analysis in accordance with provision calculation regulations. In this calculation, payments from a company's operating business (primary cash flows) and from the liquidation of collaterals and non-core assets (secondary cash flows) are taken into consideration. Depending on the assumed default scenario (restructuring or liquidation), expected payments are assessed individually in terms of amount and time, the underlying assumptions are documented and justified on a case-by-case basis and expected cash flows are discounted to the net present value according to the effective rate of interest and offset against the outstanding current exposure.

In terms of the calculation of recovery cash flows from real estate, Hypo Alpe Adria bases its assumptions on the collateral's market value, which is updated annually in commercial real estate business. Any haircuts are measured on the real estate depending on the determined usability and based on a variety of factors such as market liquidity, location, recovery period and legal situation.

90.1.2. INCREASE OF PROVISIONS:

In 2013, there was a significant rise in provisions at Hypo Alpe Adria. The bank took into account the continued problematic market environment by adding additional impairment write-downs on loans and advances of EUR 1.35 billion. Provision effects reached a significantly high level in 2013 and are largely the result of the following factors:

The SEE credit portfolio had to be subjected to a radical clean-up to ensure that the SEE network banks could be privatised in the limited time available under the EU ruling from September 2013. This concerned the corporate loan portfolio, with further problematic portfolio components being moved to the wind-down portfolio. Provisions were also increased due to the planned sale of part of the NPL retail loan portfolio (debt sale) overdue by more than 180 days. These measures have brought and will continue to bring the loan to deposit ratios (LTD) and the SEE network bank's NPL ratios close to privatisation benchmarks.

The transfer of Hypo Alpe-Adria-Bank S.p.A. into the wind-down business portfolio and the resulting discontinuation of business including portfolio restructuring required increased provisions for the NPL portfolio in regard to the continuing economic crisis in Italy. The wind-down plan commissioned by the European Commission for the primary funds of Hypo Alpe-Adria-Bank S.p.A. meant that the reduction of assets in the Italian subsidiary units needed to take place as soon as possible so as to ensure that the impact on Hypo Alpe-Adria-Bank International AG from the securing of liquidity for Hypo Alpe-Adria-Bank S.p.A. remained within contractual limits. The provisions were also in line with the results of the audit by Banca d'Italia.

The monitoring of restructuring cases saw the increased occurrence of factors requiring a revision of the underlying customer strategy, as negative economic development in Hypo Alpe Adria markets caused original restructuring concepts to not longer be deemed valid ("failed restructurings"). Part of the need for provisions is also related to the further decline in the value of collaterals.

90.1.3. DEVELOPMENT OF THE COVERAGE RATIO

The considerable increase in provisions in 2013 was also reflected in the coverage ratio, which increased over the course of the year from 34.4% to 44.3% (total risk provisions (see note (61.1) Risk provisions on loans and advances and provisions for credit risk – development during the year) plus Phoenix guarantee of EUR 182 million divided by NPLs (see note (93.5) Exposure by rating class)). Especially due to the planned sale of a part of the NPL retail loan portfolio, the coverage ratio was able to be increased considerably in 2013 on account of a change to the SRP collective impaired algorithm (specific provisions by statistical method) in retail, private individuals (PI) and SME portfolio.

90.1.4. SHORTFALL – COMPARISON OF EXPECTED LOSSES WITH RISK PROVISIONS

In accordance with the calculations carried out on behalf of Hypo Alpe Adria group as at 31 December 2013 based on the requirements of the JRAD II process (initial compliance as at 31 December 2013), the expected loss from credit risk stands at EUR 4.55 billion. Of this amount, EUR 4.08 billion is attributable to the NPL portfolio and EUR 0.47 billion to the performing loan (PL) portfolio, although these are offset by existing provisions in accordance with UGB of EUR 4.1 billion. These provisions are composed of specific provisions of EUR 4.02 billion and portfolio provisions of EUR 0.08 billion. Including the provisions not to be considered on account of the EUR 200 million (nominal) guarantee agreement ("Phoenix") concluded with the Republic of Austria in 2010 ("hedged" value of loans and advances of EUR 0.18 billion), then the overall shortfall for credit risk stands at EUR 0.27 billion.

Analysing the NPL portfolio separately from the PL portfolio shows that the expected loss (EL) in the NPL portfolio of EUR 4.08 billion is already covered to a sufficient extent by existing specific provisions and the "Phoenix" guarantee totalling EUR 4.21 billion and that, on account of the surplus coverage of EUR 0.13 billion, there is no shortfall in this non-performing part of the portfolio.

The EL for the SEE group stands at EUR 0.77 billion as at the reporting date 31 December 2013. This is offset by provisions totalling EUR 0.58 billion, resulting in a shortfall of EUR 0.19 billion. The EL in the NPL portfolio comes in at EUR 0.53 billion. This is offset by provisions of EUR 0.53 billion, meaning that there is no shortfall in the NPL portfolio.

90.2. New business requirements in the context of the EU proceeding

On 3 September 2013 (see also note (129.1) EU proceeding), the European Commission announced its final decision to Hypo Alpe Adria and determined the final behavioural measures for new business and existing business (performing and non-performing loans) in the respective segments of the marketable, non-privatised units. The purpose of these behavioural measures is, among other things, to limit collateral and profitability terms, ratings and minimum requirements when granting new loans or when prolonging or restructuring existing loans. Furthermore, the part of Hypo Alpe Adria to be divested may no longer grant new loans. Already existing loans may be prolonged or restructured under specific circumstances.

On behalf of the European Commission, the bank has commissioned a Monitoring Trustee to monitor these behavioural measures and the requirements for Hypo Alpe Adria's wind-down portfolio. This Monitoring Trustee will report to the Euro-

pean Commission on a quarterly basis. A tool and process were implemented enabling each and every risk-relevant transaction conducted by the group to be reported and assessed for compliance with the behavioural measures in order to satisfy the extensive reporting requirements for the Monitoring Trustee. Furthermore, the reporting system for the wind-down portfolio was expanded to include non-financial assets and rolled out in the group on a step-by-step basis (implementation set to be concluded over the course of 2014). The monitoring of individual transactions is largely the responsibility of the Credit Management units and the Rehabilitation/Work-out units of the respective subsidiary units, in cooperation with Local/Group Credit Risk Control. The results are given to the Monitoring Trustee on a quarterly basis, who subsequently reviews them. This information serves as a basis for the Monitoring Trustee's report to the European Commission.

90.3. Risk Academy

The Hypo Alpe Adria Risk Academy was set up with the aim reaching the high standards of a "state-of-the-art" risk management system and giving employees in the Hypo Alpe Adria Risk divisions access to high-quality and above all risk-specific training.

Due to the technical knowledge gained of the bidding procedure, a tender was started in 2012. From the 13 providers that entered bids, five were invited to personally present their offers. The documents and presentations soon showed that the very wide range of requirements within the Risk Office could not all be met by just one provider. As a result and after an intensive selection process, Risk Reward Ltd. was selected as the main vendor. In addition, agreements for sub-areas were concluded with training partners GTIS, Unicredit Bank Austria/Financial Analysts and CMS Reich-Rohrwig-Hainz Rechtsanwälte GmbH. In contrast to the original plan, these do not act as sub-vendors to Risk Reward Ltd., but rather as separate contractual partners of Hypo Alpe Adria.

The following six job roles were defined for the Risk Office and assigned Key Risk Competences (KRC):

- Credit Risk Controller
- Market Risk Controller
- Credit Underwriter
- Retail Risk Manager
- Rehabilitation Manager
- Credit Processing Manager

Based on these job roles and KRC, framework conditions were worked out with the main vendor, consisting of the following criteria:

- Each job role has three training stages (levels 1, 2 and 3) and each stage of training consists of 15 days; these are to be split between the main and sub-vendors depending on the topic.
- The training course programme consists of 93 separate courses, 80 of which are managed by Risk Reward Ltd., ten by GTIS, two by CMS and one by Bank Austria.
- Each level has three groups of courses and each course ends with a test which needs to be passed before the next course can be taken.
- Each level ends with a test; by passing this test the participant receives a certificate for the level in question.

Since the launch of the "Hypo Risk Academy", a total of 124 courses have taken place (between February 2013 and December 2013) and 860 employees have been trained over the course of 1,800 man-days.

In 2014, the course programme, which was originally planned with the Risk Reward training institute, is to be consolidated and courses covering the same or similar content will be pooled together, with others being cancelled if only a small number of employees were being trained. Instead of covering 80 courses, the new programme will now cover 45. Under the new concept, employees will be trained over the course of 2,900 man days on 140 separate course days.

In addition, the final exam concept, with one exam per job role and level, has been replaced by certification for every participant after completion of each course. Employee registration for the PRMIA test is unaffected by this.

90.4. Basel III – credit risk

Due to the final guidelines –the final version published on 27 June 2013 (amended on 30 November 2013) and the corresponding national regulations (CRR-BV – BGBLA_2013_II_425 dated 11 December 2013) are available by now – and the final Implementing Technical Standards (ITS) of Basel III, there have been changes and additional requirements with regard to credit risk and to reporting and equity requirements.

The new definitions of certain receivables classes require an assessment and/or adjustment in the classifications of receivables. National option rights are removed almost entirely to create a “maximum harmonisation approach”.

With regard to the definition of default, defaulted receivables are determined with an approach for each customer (approach based on internal ratings) instead of on account level (standard approach) as it was done previously.

An exception exists for retail exposures, where the definition of losses may be applied to individual loans rather than the borrower's total liabilities.

From a regulatory point of view, this leads to an increase in defaulted receivables at Hypo Alpe Adria.

To meet the requirements of the new Basel III regulations, a project was launched internally as well as within the IT provider. Currently, efforts are focused on testing technical implementation and reviewing calculation logic with regard to the final guidelines and the final ITS. A major change in this respect in 2013 concerns the clarification of the underlying accounting standards. With the exception of first-time users of IFRS (International Financial Reporting Standards), groups have to align reports with IFRS values until 1 January 2014, whereby single institution reports will still have to be submitted on the basis of the Austrian Commercial Code (UGB). Technical implementation in the general data centre was adapted, and data provision to the group data pool is to be expanded to include IFRS values. In order to define own capital funds, an additional internal project was started with external consultancy.

90.5. Basel III – liquidity risk and liquidity risk management

The greatest challenges in liquidity risk management in 2013 were the professional integration and group-wide implementation of the provisions of the Capital Requirements Regulation (CRR). Data requirements defined by the technical implementation standards of the European Banking Authority (EBA) for the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) were able to be met as a result of the recent expansion of the IT infrastructure, which ensures a quality-assured and automated data supply. Hypo Alpe Adria also took part in the Quantitative Impact Study (QIS study) in 2013, in which key figures for the LCR and NSFR were submitted to the EBA.

In order to take into consideration the significance of the new liquidity risk management requirements, a separate liquidity risk strategy was rolled out group-wide in 2013 to complement the existing risk strategy. The liquidity modelling forecasts are subject to continual further development and are validated and back tested with the help of statistical methods.

The target for 2014 is to successfully implement the reporting of LCR and NSFR on the basis of the ITS and establish forecast calculation capabilities. Other goals include the implementation of requirements concerning the reporting of asset encumbrance and monitoring metrics. The project for implementing the Basel III liquidity requirements launched in 2011 was expanded to include all of 2014 for this purpose.

The milestones achieved in 2013 and the initiatives planned for 2014 mean that Hypo Alpe Adria meets both qualitative and quantitative requirements of the EBA and the Oesterreichische Nationalbank (OeNB) / Austrian Financial Markets Authority (FMA).

90.6. Ongoing evaluation of real estate collateral and other collaterals

The “Collateral Management Policy” and the “Collateral & Collateral Monitoring Manual” stipulate the management of all collaterals at Hypo Alpe Adria. The regulations of these guidelines are binding for all subsidiaries. Country-specific adjustments have to be made in the local manuals, whereas minimum standards and maximum securitisation values may only be deviated from if the stated values are stricter than the original ones. All guidelines are updated once a year.

The foundation of group collateral management, which is implemented by its own department within “Group Credit Processing”, are built on the data collection of all collaterals by the system by allocating a reference number to each collateral. This reference number is alphanumeric and is called GSI (Group Collateral ID) or DSI (Detail Collateral ID). All GSI / DSI are checked once a month for the entire group. The data quality of the GSI / DSI assigned to all collaterals regularly comes to 99%. As at 31 December 2013, 858,748 GSI / DSI were valid, divided into the following collateral categories: Cash Collateral, Guarantees, Real Estate Mortgages, Moveables, Rights/Receivables, Insurances and Others.

Real Estate collaterals account for 71.2% (71% in 2012) of collaterals internally reported as recoverable; the remaining recoverable collaterals are split between Guarantees (15.0%, 2012: 16.9%), Moveables (9.1%) and Others (4.7%, 2012: 5.6%).

The group-wide steering of real estate pledged as collateral is of crucial importance as the total market value of all 74,949 properties is EUR 20.3 billion (2012: EUR 25.4 billion), making up 54.6% (2012: 84,525 properties and 43%) of all existing market values and also providing 71.2% (2012: 71%) of all collaterals internally reported as recoverable. These are divided into 53,963 residential real estate (RRE) (2012: 59,545) with a market value of EUR 6.2 billion (2012: EUR 7.84 billion) and 20,986 (2012: 24,980) commercial real estate (CRE) with a market value of EUR 14.1 billion (2012: EUR 17.5 billion). The ongoing update of the appraisals on which the market values are based that is stipulated in the Solvency Regulations (Solvav)

– every three years for RRE and once a year for CRE – applies to the whole group. As at 31 December 2013, 98.0% (2012: 99%) of all collaterals were up to date.

All commercial real estate with a market value above EUR 1.0 million is assessed individually, and all real estate is evaluated with the help of a valuation tool. A group-wide “collateral workflow” for commercial real estate worth more than EUR 1.0 million has been implemented. It ensures that the required process is maintained, which, in turn, ensures that all data is up to date. All evaluations are requested on the part of the market three months before revaluations are due. The specifically assigned evaluation unit – Commercial Real Estate Management (CREM) – carries out the revaluations / new valuations and transfers the results to the employees who maintain collaterals in the collateral systems. The CREM has well-trained employees, who all went through the “Valuation Academy”. The appraisals are prepared on the basis of a precisely defined methodology that is stipulated as a binding rule in the “HAA Real Estate Valuation Standards” and the “HAA Collateral Valuation DB Manual”.

The greatest of care is taken to ensure that market values remain up-to-date. The table below contains an overview of changes in market values from a dynamic perspective, in other words only real estate that was part of the portfolio for the whole of the respective calendar year was considered.

	12/2012-12/2013	12/2011-12/2012
CRE	-4.1%	-6.6%
RRE	-3.0%	-4.5%

The valuation rules ensure that the determined market values can be achieved in the case of actual liquidation scenarios.

The manuals mentioned above, especially the “Collateral & Collateral Monitoring Manual”, also stipulate the reductions of market values underlying the securitisation values (Internal Collateral Value – ICV). The reductions on market values are binding for all collaterals recognised by the group and are set conservatively.

The haircuts defined in the Collateral & Collateral Monitoring Manual are considered conservative, but are retained for 2014.

The following chart shows the real estate market values that qualify for recognition in the group. All tourism properties, for instance, had a 50% haircut and industrial properties a 60% haircut.

Category	Transfer of ownership/		
	Pledge/mortgage	building lease	Building on third-party land
Owner-occupied apartments and private houses	70	70	60
Construction land	70	70	
Commercial multi-storey dwellings	70	70	60
Office buildings	60	60	50
Tourism property	50	50	40
Agricultural properties	60	60	50
Undeveloped agricultural land	60	60	
Commercial properties	60	60	50
Undeveloped commercial land	60	60	
Public buildings	50	50	40
Industrial properties	40	40	30
Undeveloped industrial land	40	40	
Non-profit Housing	70	70	60

The market values of all real estate with a market value of less than EUR 1.0 million are determined with a statistically validated electronic valuation tool. The “TnT” project further develops this statistical tool. It creates a local automated connection between the collaterals databases and the evaluation databases. The values determined by statistical methods are updated monthly, and the documented indices are adjusted every six months due to the collective nature of the data stored in the evaluation databases and external market information.

90.7. Development of rating procedures

The application rating in the SEE network previously used for all private Hypo Alpe Adria customers was replaced in the first half of 2013 with recently developed scorecards for private customers. The scorecards conform to the fundamental struc-

turing of the retail business, which now strives for short decision-making and lead times. Hypo Alpe Adria currently employs the following rating tools: corporate, small and medium enterprises, retail behaviour rating, expert, support, start-up, project finance, commercial real estate, municipalities, countries, insurances, banks and scorecards for private customers. The scorecards can also be used to make other product-specific decisions.

The procedures will be validated and improved as stipulated by the standards issued by the regulatory authorities. In accordance with the current validation plan, the retail behaviour rating, corporate and expert rating procedures were validated in the first half of 2013 and the rating procedure for small and medium enterprises was improved. The validation phase will result in a comprehensive validation report for each of the rating procedures. The elements and a detailed description of the process are described and regulated in the validation concept. In the second half of 2013, validation was carried out for commercial real estate and insurances. A number of tools are currently being improved in accordance with the results of the validation process.

90.8. Improving the financial statements analysis system and implementing enhanced analytical methods

In the first half of 2013 further improvements were made regarding the presentation and evaluation financial statements in the Group Credit Management division. Expanding the scope of IFRS to include additional key figures was reviewed and implemented by evaluating the existing infrastructure. The benefits of this development result from the enhanced reduction of risks on financial statements as the basis for risk-sensitive and uniform ratings.

The evaluation method used to present financial statements in the analysis tool (Allgemeines Rechenzentrum GmbH) was evaluated and expanded based on these specific requirements.

The focus was on developing binding regulations relating to the evaluation of financial statements pursuant to IFRS and similar reporting standards, with the aim of forming a sustainable picture of the assets, liabilities, financial position and profit or loss of our customers.

90.9. Adjusting risk parameters

The roll-out of the loss database, including automatic default recognition, was continued in the second half of 2013 and represents a further milestone towards automation and the establishment of an internal default history. The data gathered systematically will be used to improve the existing parameter estimates. In addition, methodical improvement of internal estimates continued in 2013. Regulatory parameters defined under paragraph 140 SolvaV are applied to internal risk-bearing capacity calculation. Internal estimates serve as comparable figures and are called upon in the benchmarking process.

Cost of standard risk and own capital funds calculation

A variety of input parameters are used in the calculation of internal capital funds and the cost of standard risk and own capital funds. In 2013, the following changes took place in the calculation of cost of standard risk and capital funds:

- Use of regulatory recovery rates (unsecured LGDs) of 45% for all business segments in the cost of standard risk and capital funds calculation models. These recovery rates refer to a one-year forecast of losses from a customer following the liquidation of all income from collateral agreements and customer assets.
- Discontinuation of a fixed asset correlation of 0.15 and the implementation of a formula for asset correlation pursuant to paragraphs 74 and 75 SolvaV, consideration of expected loss in the formula for the calculation of regulatory capital in accordance with paragraph 74 SolvaV, introduction of an adjustment to terms in accordance with paragraph 74 SolvaV (for segments not part of private customer segments).
- Use of the JRAD I parameter (regulatory CCFs and LGDs) in the internal risk-bearing capacity calculations for credit risk (from October 2013).
- The CRR comes into force on 1 January 2014 and requires modifications to the IRB formula. In accordance with paragraph 153 (2), the correlation factor for risk positions to major companies in the financial industry and non-regulated finance companies must be multiplied by 1.25.

90.10. Adjustment of general risk provisions and general risk provisions collective impaired

In the second half of 2013, there was an adjustment of the general risk provisions method. For the retail portfolio in particular, it is logical to use a formula-based portfolio approach instead of individual analysis. The existing method was changed to the extent that the duration of the default is now considered as an additional variable. The longer a customer defaults for, the lower the recovery rate and the higher the LGDs. After a certain period of time in default, provisions are formed for the entire exposure.

90.11. JRAD – Joint Risk Assessment and Decision process

As at 31 December 2013, the requirements defined under JRAD II must be complied with at group level at Hypo Alpe Adria. These requirements stipulate a minimum capital ratio 12.4% and the covering of the shortfall (expected loss – risk provisions) through own capital funds. As a result of the capital injection on the part of the owner of EUR 250 million (November 2013) and the issuing of EUR 800 million (December 2013), the above requirements were able to be complied with.

On 9 April 2014, the resolution for a further capital increase of EUR 750 million was approved by the sole owner, the Republic of Austria.

Another JRAD analysis took place in 2013, however the results are not yet available.

90.12. Wind-down portfolio management

The comprehensive and value-preserving reduction of the existing wind-down portfolio from the business areas identified as non-strategic is a major prerequisite for the successful restructuring of Hypo Alpe Adria.

The wind-down strategy for the “Wind-Down Financials” and “Wind-Down Industrials” has been defined with the aim of keeping the value level as high as possible. A sale of partial portfolios or whole units at the best possible liquidation rates is, however, always viewed as a possible alternative. The parts of Hypo Alpe Adria’s business identified as wind-down cover both selected leasing companies, wind-down portfolios of individual banking institutions (Wind-Down Financials) as well as the non-strategic participations (Wind-Down Industrials).

The wind-down of the portfolio was consistently advanced and monitored by the responsible central units in 2013. In addition, existing bank and lease structures have been reorganised to improve the implementation of the wind-down in operations, and further parts of the portfolio were transferred to the “Wind-Down Financials” portfolio as part of the “Brush” project.

The detailed wind-down planning for the Rehabilitation portfolio has been ongoing since 2011. This plan is updated annually and subjected to regular target/actual comparisons. In cooperation with Financial Controlling, these wind-down plans will also be included in the overall Hypo Alpe Adria plan until 2018. The wind-down plans include the quantification of the pure volume reduction as well as a division into cash and non-cash components and therefore play a major part in steering the wind-down portfolio. The further development and group-wide implementation of tracking tools will make improved and more targeted portfolio steering possible.

Hypo Alpe Adria’s wind-down portfolio was defined further on the basis of the allocation of certain subsidiaries and sub-portfolios. Within the scope of responsibility of the Chief Risk Officer (CRO), this was also considered through the improvement of the organisational structure in 2013. The existing Rehabilitation areas GCR and GTFR were restructured and corresponding portfolios were reallocated. Effective as at 1 January 2014, the new divisions Group Restructuring & Workout Asset Resolution, which is responsible for the entire NPL portfolio in the Hypo Alpe Adria wind-down organisation (HETA Asset Resolution) and in Hypo Alpe-Adria-Bank International AG, and Group Credit Operations SEE, which manages the risks of corporate credit portfolios in the remaining SEE network, were established. A clear definition of responsibilities between SEE and the wind-down portfolio was ensured thanks to the specialist units.

90.13. Further development of retail risk management

In order to support the retail strategy, the Group Retail Risk Management division was set up in 2011 as the equal partner of the Retail sales and marketing function. It reports directly to the Group Chief Risk Officer.

Its responsibilities include retail portfolio management, data analysis and reporting, fraud prevention, allocation of customers to segments in the collections process, as well as making decisions on credit and checking/assuring quality. The “Development Plan” drawn up in 2011 continued to be consistently implemented to ensure a unified structure across the group and to determine the appropriate resources needed. The main pillars of this plan have already been successfully implemented:

- Developing the retail risk areas in the SEE (South East Europe) countries
- Implementing the Retail Credit Policy as well as centralising Underwriting, which now comprises both the private customer and retail SME (small and medium-sized enterprises) customer segment (in all core countries) as well as the leasing business (in most countries)
- Implementing product-specific application scorecards for the SEE countries
- Implementing fraud prevention measures as well as establishing a Retail Risk Review function in Serbia, Bosnia and Herzegovina, Slovenia, and Croatia
- Establishing monthly portfolio quality calls with all SEE countries to identify portfolio trends on time and implement measures
- Developing local Retail Risk Data Marts that include control-related risk information
- Establishing quarterly retail risk reports to the Group Management Board

- Organisation of group-wide training courses regarding private lending and lending to SMEs, portfolio analysis and credit life cycle management, within the scope of the Hypo Risk Academy

Furthermore, the following controlling activities were also carried out:

- Introduction of policies to regulate credit restructuring, retail risk review, retail credit fraud management as well as portfolio and credit monitoring
- Successful cooperation with Collections in order to reduce flow rates further
- Implementation of regular information sharing (best practices) within the SEE retail risk units
- Successful implementation of the European Commission's new business requirements for retail

The foundations for the above development are the preparation and introduction of comprehensive guidelines that provide the group with a credit-risk-focused framework for the retail business. These developments and initiatives were completed for the most part in 2013 and are already having a positive effect on the quality of new business with private and SME customers when evaluating vintage analyses.

90.14. Asset liability management (ALM) enhancement project

Within the context of the ALM enhancement project to measure interest rate and liquidity risks, the group started to implement an advanced ALM system and the requisite infrastructure in January 2013. This system enables integrated risk measurement which – together with market and liquidity risk factors, among other things – enables the integration of credit risk parameters in ALM.

An IT design was developed based on the precise specifications of the requirements for future asset liability management at Hypo Alpe Adria, especially taking into account newer regulatory and internal requirements. The implementation of this IT design has reached the testing phase. During this test phase, the initial batches of data were analysed and cross-checked with previous results; at the moment, a corresponding reporting system is being set up. The benefits of the project do not simply relate to professional risk measurement. Data delivery and data quality are being updated in line with a new standard, resulting in the following measures:

- Adaptation of the existing interface in the form of a new Unified Group Interface (UGIF)
- Gradual increase of data delivery frequency from monthly to weekly and daily data delivery
- Integration of a data compression tool and a
- Data quality analysis system

The implementation will include a reference data system to ensure that reference data, such as interest rate indicators, are uniform. The existing Group Data Warehouse will be adjusted in line with the new requirements as part of effective business intelligence management. Following intensive analysis of the provided data, an extensive, documented review of data quality was started and the systematic, continuous data quality control process was initiated.

Implementation is due to be complete at the end of 2014.

The technical developments being implemented create a resilient foundation for a largely integrated overall bank control system as part of the ALM enhancement project, in which

- a “single point of truth” and
- a “full look through” on an individual transaction level

will initially enable the centralised group-wide Data Warehouse to provide high-frequency, group-wide monitoring of interest rate and liquidity risks in the form of interest rate and liquidity development statements, value at risk and scenario analyses as well as stress tests. Subsequently, Data Warehouse may also be in a position to implement quantitative requirements from future standards pursuant to IFRS 9 (Financial Instruments) and IFRS 13 (Fair Value) within a corresponding framework and by expanding the project.

90.15. Funds Transfer Pricing – integration of liquidation costs

As part of the “Liquidity Transfer Pricing” project, the existing liquidity costs allocation and takedown concept was revised. The new professional concept comprises the integration of direct and indirect liquidity costs in the existing Funds Transfers

Pricing project. Implementation into the group-wide “Risk Adjusted Pricing” tool is being developed in 2013 in collaboration with the responsible departments Group Financial Controlling, Group Balance Sheet Management & Treasury and Group Market Risk Control.

90.16. Market risk limitation in 2013

Significant improvements in terms of limiting Hypo Alpe Adria’s market risks were implemented in order to enhance compliance with regulatory requirements and to improve the management of market risks and the monitoring of tied-up economic market risk capital. Efforts were made to prevent the unreasonable recognition of economic effects from market risks within the context of the risk-bearing capacity calculation, taking into account that defined limit systems, processes and methods must ensure an adequate and timely calculation of the current tied-up economic market risk. The application of correlation assumptions within a market risk factor in relation to the setting of group limits was converted from static adjustments to group consolidation factors to a dynamic concept, which allows for a faster and more effective reaction to changed market conditions. The defined changes were implemented operationally beginning in 2013 within the context of limiting market risks.

90.17. IFRS 13

In conjunction with a renowned consulting company, a specific implementation concept, including portfolio management system (PMS) integration, was developed to ensure comprehensive implementation and consideration of the quantitative aspects of IFRS 13. PMS implementation consisted of the following:

- Implementation of overnight index swap (OIS) discounting
- Integration of basis swaps in the market-interest curves, both within a single currency as well as between two currencies
- Consideration in interest rate structure models
- Calculation of credit and debt value adjusted (CVA & DVA) using the American Monte Carlo method

In 2014, adjustments made under IFRS 13 will also be adapted in market risk measurement in the PMS to ensure consistent accounting and risk controlling.

90.18. European Market Infrastructure Regulation (EMIR)

In order to implement the European Market Infrastructure Regulation, all regulatory requirements for all EU banking subsidiaries have been and are being implemented at Hypo Alpe Adria as part of the EMIR project. Specifically, this concerns:

- The implementation of electronic confirmation by means of MarkItWire or other electronic confirmation platforms
- Participation in the London Clearing House’s (LCH) central clearing process via two clearing brokers (Commerzbank & Landesbank Baden-Württemberg)
- The selection of a licensed central register from European service-provider REGIS-TR (Luxembourg) relating to the reporting of the group-wide derivative portfolio within the scope of EMIR
- The implementation of a reconciliation tool for the purposes of portfolio comparison and dispute management – Tri-Resolve from market-leader TriOptima
- The adjustment of all framework agreements and International Swaps and Derivatives Association (ISDA) agreements with regard to EMIR with all active derivative counterparties
- The adaptation of the COPS Cash Collateral Management tool provided in line with the requirements of central clearing

In autumn 2013, clearing through the LCH was already commenced with a part of the derivative portfolio.

The daily delivery of the entire derivative portfolio relevant to EMIR was implemented within the specified time frame. Transactions concluded before 16 August 2012 and that are still part of the portfolio were reported within the scope of the backloading process. Furthermore, clearing for the Plain Vanilla derivative, which is eligible for clearing, is to be accelerated in 2014 by means of “Backloading” in MarkitWire and “LateClearing” through the LCH via the selected clearing broker in order to reduce counterparty risks and optimise own capital funds.

(91) Risk reporting

Timely, independent and risk-adequate reporting for decision makers is guaranteed for all risk types. Requests for ad hoc reports are honoured at all times.

The risk report was adjusted to the new situation at Hypo Alpe Adria in 2013. In addition to the existing Management Summary section, the risk-bearing capacity, credit and country risk, market risk, liquidity risk and operational risk, the report has been extended to include a depiction of credit risk by steering-relevant groupings: the SEE network, Hypo Alpe-Adria-Bank AG (Austria until closing as at 19 December 2013) and Hypo Alpe-Adria-Bank S.p.A (Italy), Hypo Alpe-Adria-Bank International AG and HETA Asset Resolution (including portfolio transfer). The migration report was also reviewed and now shows the migration in the Watch and Non-Performing Loans areas.

The regular credit risk reports are prepared monthly. The monthly credit risk report comprises three major components: (1) Credit portfolio overview, (2) New business report and (3) Migration analysis. Operational risk reports are prepared ad hoc and passed on to the CRO. A summary of all OpRisk cases is submitted to the Supervisory Board every six months and to the CRO in monthly meetings.

Uniform guidelines on liquidity risk and market risk reporting were introduced across the group, which include standardised daily, weekly and monthly reporting.

In cases of stress, the frequency of reporting on market risk and liquidity risk is increased.

As part of governance, all the reports issued at group level are also available at local level and are distributed regularly to the units.

(92) Capital management

The term “capital for the purpose of solvency” refers to modified available equity that largely comprises the following items:

- core capital (in future Common Equity Tier 1) or Tier 1 capital,
- supplementary capital (Tier 2 capital) and
- deductibles

Up to 31 December 2013 (end of Basel III), available third-ranking funds (Tier 3 capital) was also included in regulatory terms, but no longer applies from the introduction of Basel III (1 January 2014).

Tier 1 capital or rather core capital is largely comprised as follows:

- Paid-in capital
- Participation capital (Republic of Austria, State of Carinthia, Grazer Wechselseitige Versicherung (GRAWE) (Note: The participation capital of the State of Carinthia and of GRAWE is reclassified under Basel III into Tier 2 capital at a rate of 10% per year)
- Reserves
- Funds for general banking risks
- Non-controlling interests (amortisation of material items at a rate of 20% per year from 2014)
- Deductions

Tier 2 capital inherently includes non-current subordinated liabilities.

The introduction of Basel III from 2014 has been taken into consideration in the planning process. This also includes:

- the integration of new regulatory requirements relating to capital ratios (including buffer requirements), and
- the adjustment of the manner in which the group’s regulatory capital and RWA (risk-weighted assets) are calculated from UGB to IFRS (in consideration of the regulatory scope of consolidation)

In terms of the calculation of material risk positions (RWA) in the first Basel III pillar at group level (for regulatory reporting), the following approaches are applied:

- Credit risk standard approach (CSA) for credit risk and
- Standard approach (STA) for operational risk (activities divided into eight defined business divisions)

Regulatory capital resource planning is predominantly based on the following annual target ratios:

- Common equity Tier 1 capital ratio
- Tier 1 capital ratio
- Total capital ratio

Capital ratios are calculated on the basis of the ratio of the respective capital to total risk positions or RWA at Hypo Alpe Adria. The minimum capital ratios defined by regulatory authorities must be complied with in any case. Capital ratios define the upper limit of the risk positions from Hypo Alpe Adria's business activities for the planning period.

Compliance with the resolved risk position limits for individual group companies and business divisions is monitored on an ongoing basis. Monthly reports about the current capacity utilisation are submitted to the Executive Board. The Executive Board is also informed each month about the actual ratios and material effects on these ratios and makes decisions on corresponding measures if actual figures deviate from targets.

92.1. ICAAP – Internal Capital Adequacy Assessment Process

Securing the group's ability to bear economic risks forms a central part of steering activities within the Hypo Alpe Adria group; the group possesses an institutionalised internal process (ICAAP or "Internal Capital Adequacy Assessment Process").

Risks are managed as part of the overall bank management process, which makes risk capital available for the different types of necessary risk involved in following strategies and limits and monitors those risks by placing upper limits on them. The bank's Risk Office units, together with the Executive Board, are developing a risk strategy with focus on determining risk principles to ensure consistency of the group-wide risk profiles, including the capital and liquidity requirements as part of the business strategy. The main pillars of the risk strategy are defining the risk appetite, appropriately identifying and quantifying each individual risk, risk limiting, controlling and monitoring, organisational framework conditions and preparing internal guidelines and manuals.

The risk strategy goes hand in hand with the business strategy, which is based on four pillars (SEE holding, Hypo Bank Austria, Hypo Bank Italy and HETA Asset Resolution). A business strategy is defined for each of the four pillars that are in turn supported by a corresponding measurable risk strategy.

The identification of all material risks through an annual risk inventory forms the very foundation for implementing the risk-bearing capacity calculation. The value at risk (VaR) method was applied for calculating risk capital requirements for credit and market risk, the main risk categories. Hypo Alpe Adria group is controlled pursuant to the gone concern approach with a confidence level of 99.9%. In addition, the going concern approach (confidence level of 95%) is implemented for the "SEE Network" pillar.

Risk capital requirements are offset against risk bearing capital. This is used as the basis for the annual limit planning and for the monthly comparison with risk capital requirements as part of the risk-bearing capacity analysis. According to the risk strategy, 80% of the available aggregate risk cover may be used for covering risks with the remaining 20% acting as a stress buffer.

The risk-bearing capacity calculation is carried out monthly and applies three different methods, of which the internal method is used for controlling the group. As at the end of October, internal parameters were adapted to JRAD I parameters (regulatory CCFs and LGDs). In 2013, the ICAAP group methodology was also rolled out at the strategic subsidiaries and implemented as an additional controlling instrument – in addition to the local relevant regulations.

The risk-bearing capacity report is produced by Group Credit Risk Control and Group Market Risk Control and presented in the Group Asset Liability Committee (Group ALCO) as well as in the risk report submitted to the Executive Board and Supervisory Board. The GREC serves as an operational basis for controlling economic risks. The committee discusses and sets the risk standards (methods, processes, systems, organisation and stress test assumptions) for the whole of the group.

(93) Credit risk (Counterparty default risk)

93.1. Definition

In terms of scale, credit risks constitute the most significant risks for Hypo Alpe Adria. These mainly arise from the lending business. Credit risk (or counterparty risk) occurs when transactions result in claims against debtors, issuers of collaterals or counterparties. If these parties do not meet their obligations, losses result in the amount of non-received benefits less utilised collaterals, reduced by the recovery rate of unsecured portions. This definition includes default and surety risks from credit transactions as well as issuer, replacement and fulfilment risks from trading transactions.

Other risk types that are also included under credit risks, such as country and equity risks, are measured, steered and monitored separately.

93.2. General requirements

The credit policy provides concrete 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 as well as specific directives.

In line with a group-wide instruction on authority levels as defined by the Executive and Supervisory Boards, credit decisions are made by the Supervisory Board, Executive Board and Credit Committee, as well as by key staff in the front office and the analysis units of the risk office.

The Credit Committee is a permanent committee of Hypo Alpe Adria and the highest body for making credit decisions, subordinated only to the Executive Board.

The Group Risk Executive Committee (GREC) is responsible for all methodological matters relating to credit risk, unless a decision by the Executive Board is required for issues of fundamental importance.

93.3. Risk measurement

As described in note 90.7, Hypo Alpe Adria uses its own rating procedures to analyse and review the creditworthiness of its debtors. The allocation of debtors to rating classes is carried out on the basis of probabilities of default on a 25-level master rating scale.

93.4. Risk limitation

The control of total group-wide commitments with an individual client or a group of affiliated clients is carried out by the respective customer segment or business area.

In the banking division, limits are set and monitored independently by Risk Controlling. If limits are exceeded, this is communicated immediately to the CRO and reported to the Group Risk Executive Committee.

In all other segments, limit control is carried out through a group-wide ruling on authorisation levels ("Pouvoir-Ordnung").

At portfolio level there are country limits to prevent the formation of risk concentrations; breaches of limits are passed to the Executive Board, and the operational areas are required to work together with the back office to define measures to control these risk concentrations.

Another important instrument in limiting risk at Hypo Alpe Adria 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 usually concluded for trading transactions involving derivatives. There are collateral agreements in place for certain business partners, which limit the default risk with individual trading partners to an agreed maximum amount and provide an entitlement to request additional collateral if the amount is exceeded.

The methods used to accept collateral (form requirements, preconditions) are governed by the internal processing guidelines for each individual type of collateral.

93.5. Portfolio overview – credit risk

In economic risk steering, the fair value of an asset is used for the calculation of the relevant exposure. For accounting purposes, exposure is calculated on the basis of the book value.

Breakdown of exposure in the group in accordance with IFRS 7.36*:

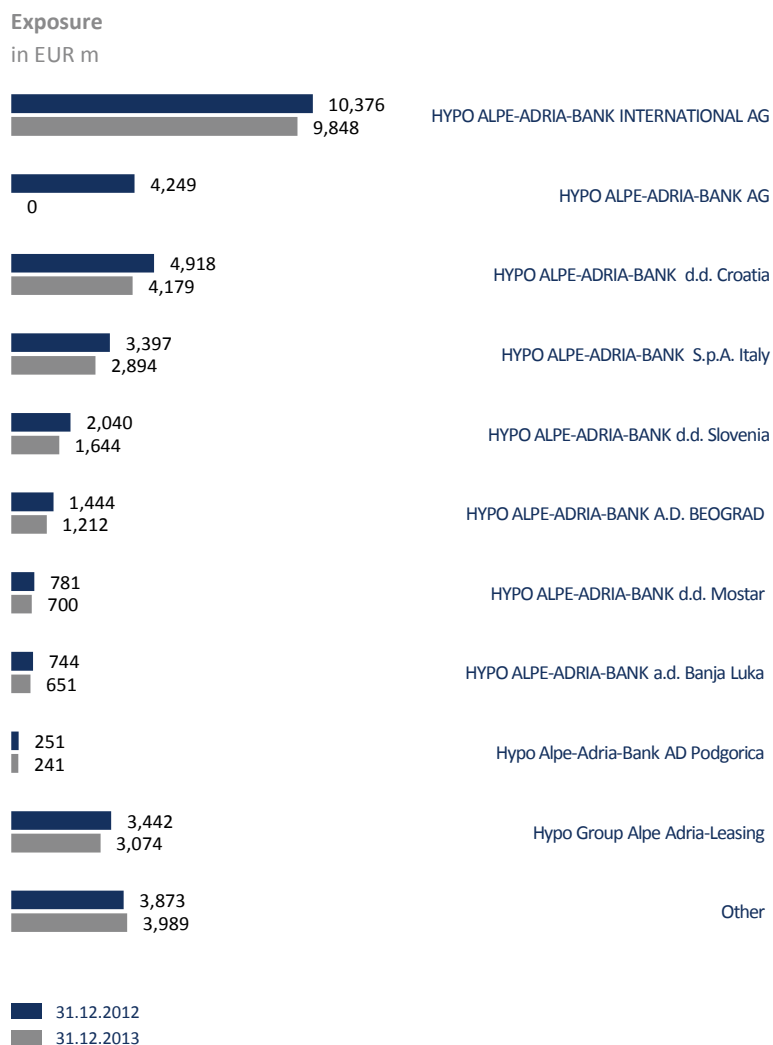
	EUR m	
	31.12.2013	31.12.2012
Cash and balances at central banks	2,313	2,873
Loans and advances to credit institutions	2,087	1,993
Risk provisions on loans and advances	-8	-3
Loans and advances to customers	19,289	24,402
Risk provisions on loans and advances	-3,825	-3,070
Trading assets	13	1
Positive fair value from hedge accounting derivatives	1,070	1,426
Financial investments – designated at fair value through profit or loss	505	783
Financial investments – available for sale	2,422	2,688
Financial investments – held to maturity	84	91
Investments in companies accounted for at equity	6	7
Financial investments real estate	1,115	1,279
Other assets	689	830
Provisions for other assets	-41	-11
Contingent liabilities	509	725
Other liabilities – irrevocable loan commitments	473	861
Total	26,699	34,876

*Adjusted to 31 December 2012. New items are other assets, provisions for other assets. The operating lease item from the last report (EUR 113 million) is included in the “other assets” item.

Distribution of exposure within the group

In the year under review exposure within the group decreased by EUR 7.1 billion or 20.0%, due to very limited new business, the increased reduction of NPLs and the wind-down strategy (HETA). Furthermore, Hypo Alpe-Adria-Bank AG, which had an exposure of approximately EUR 4.2 billion at the end of 2012, was sold in 2013.

In total, there are free credit lines at Hypo Alpe Adria amounting to around EUR 1.0 billion (2012: EUR 1.6 billion). Within the group, exposure breaks down as follows:

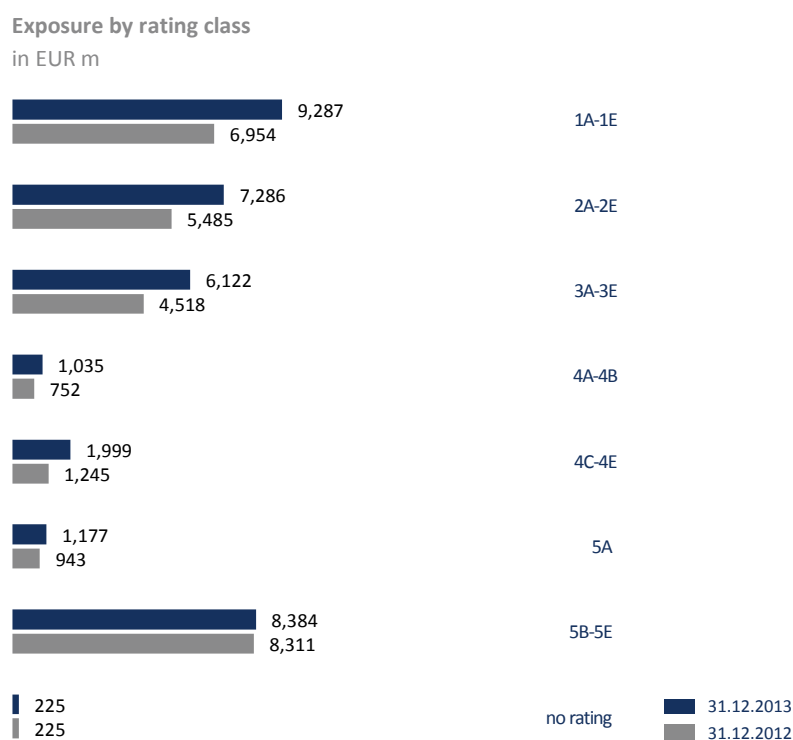


The increase in exposure in the "other" item is due to the portfolio transfer in 2013 as a result of further brush activities.

Exposure by rating class in the group

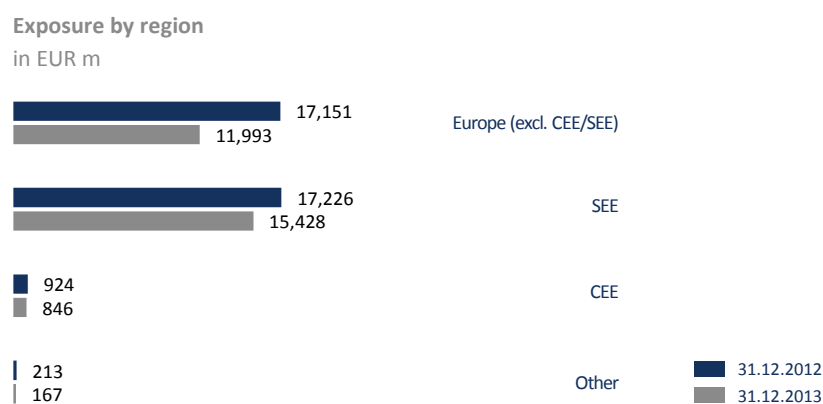
Around 24.5% (2012: 26.1%) of the exposure is categorised as rating classes 1A to 1E. This exposure relates mainly to loans and advances to credit institutions and public institutions.

There was a decline in exposure in the classes 5B to 5E (from impaired exposure to written-off exposure) and 5A (arrears > 90 days).



Exposure by region within the group

The country portfolio of Hypo Alpe Adria is concentrated on the EU and SEE regions. There was, essentially, a reduction in exposure in each country/region.

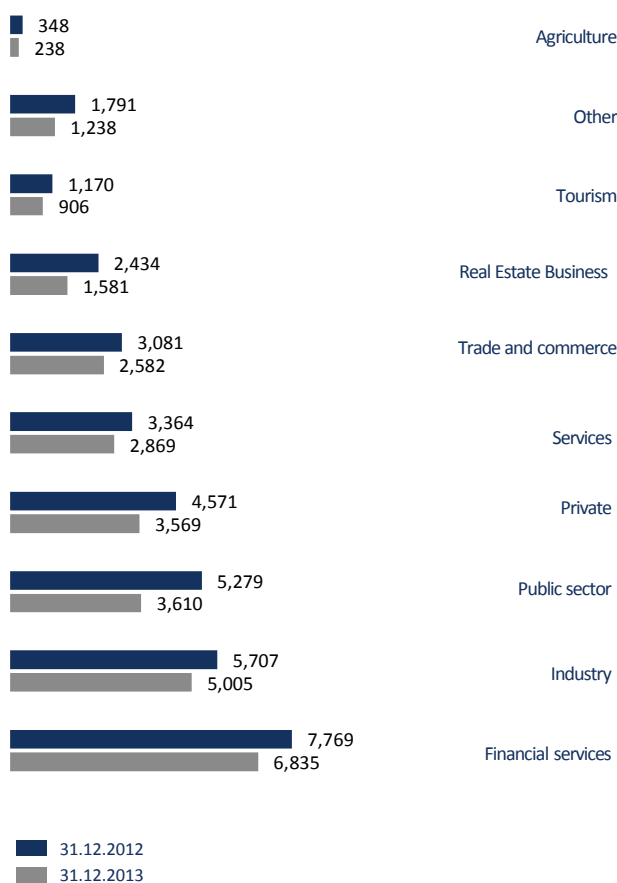


Exposure by sector within the group

A uniform classification code (NACE Codes 2.0) is used in Hypo Alpe Adria for the economic steering and strategic focus of industry exposure. This code is mapped into ten industry sectors for reporting purposes. The lower-risk industry groups - credit institutions and the public sector – account for a share of 36.7% (2012: 36.7%). The well-diversified private clients sector has a share of 12.6% (2012: 12.9%).

Exposure by business sector

in EUR m



Concentration risks relating to the industry sector have arisen in the real estate and tourism sectors. These risks are reduced in a targeted manner by specialist wind-down units.

Exposure by sector and region

When looking at the industry and region, the majority of financial services providers clearly comes from Europe (excluding CEE/SEE). These are primarily large banks with which Hypo Alpe Adria has built up good business relationships over many years. The following chart shows the exposure by sector and regions in 2013:

EUR m

Business sector	Europe (excl. CEE/SEE)	SEE	CEE	Other	Total
Services	747	1,934	140	48	2,869
Financial services	5,391	1,356	20	67	6,835
Trade and commerce	472	2,035	61	14	2,582
Industry	1,760	3,152	93	0	5,005
Agriculture	20	210	8	0	238
Public sector	2,071	1,262	246	31	3,610
Private	197	3,353	18	1	3,569
Real estate business	859	686	36	0	1,581
Other	113	783	10	0	906
Tourism	362	657	214	5	1,238
Total	11,993	15,428	846	167	28,433

In 2012, exposure by sector and region was as follows:

EUR m

Business sector	Europe (excl. CEE/SEE)	SEE	CEE	Other	Total
Services	1,214	1,922	174	54	3,364
Financial services	6,131	1,517	57	64	7,769
Trade and commerce	681	2,309	77	14	3,081
Industry	2,316	3,260	131	0	5,707
Agriculture	69	259	20	0	348
Public sector	3,669	1,368	209	33	5,279
Private	748	3,792	29	2	4,571
Real estate business	1,418	857	159	0	2,434
Other	690	1,039	17	45	1,791
Tourism	215	904	51	0	1,170
Total	17,151	17,226	924	213	35,515

The figures relate to the customer's official home country. The corporate and retail business is mainly focused on Hypo Alpe Adria's core countries in SEE. The business strategy foresees a further increase in this share, particularly in the retail business.

Exposure size category of the transactions

Around 54.6% (2012: 55.5%) of the exposure can be found in the size range <=EUR 10 million.

The bank is pursuing a strict strategy of reducing concentration risk in the corporate segment.

The largest share of the EUR 15.5 billion (2012: EUR 19.7 billion) exposure in the range >EUR 10 million is due to banks or the public sector. These transactions are necessary for securing liquidity, minimum deposit levels and long-term investments as well as for hedge transactions. The presentation is based on the group of borrowers.

EUR m

Size classes	31.12.2013	31.12.2012
< 10,000	699	819
10-20,000	413	504
20-50,000	839	1,000
50-100,000	1,041	1,225
100-250,000	1,390	1,878
250-500,000	994	1,347
500-1,000,000	1,203	1,545
1,000-3,500,000	2,974	3,498
3,500-10,000,000	3,341	3,979
> 10,000,000	15,539	19,719
Total	28,433	35,515

93.6. Breakdown of financial assets by degree of impairment

Financial assets that are neither overdue nor impaired:*

EUR m

Rating class	31.12.2013		31.12.2012	
	Exposure	Collateral	Exposure	Collateral
1A-1E	6,950	1,024	9,265	1,378
2A-2E	5,255	1,944	7,029	3,435
3A-3E	4,140	2,393	5,680	3,262
4A-4B	634	385	818	466
4C-4E	884	582	1,603	895
5A-5E	190	120	402	232
No rating	202	55	208	45
Total	18,255	6,503	25,006	9,712

Financial assets that are overdue, but not impaired:*

EUR m

Classes of loans and advances	31.12.2013		31.12.2012	
	Exposure	Collateral	Exposure	Collateral
Financial investments	0	0	0	0
– overdue to 30 days	0	0	0	0
Loans and advances to credit institutions	1	1	12	4
– overdue to 30 days	0	0	11	4
– overdue 31 to 60 days	0	0	0	0
– overdue 61 to 90 days	0	0	0	0
– overdue 91 to 180 days	0	0	0	0
– overdue 181 to 365 days	0	0	0	0
– overdue over 1 year	1	1	1	0
Loans and advances to customers	1,669	1,005	3,101	1,884
– overdue to 30 days	614	292	911	433
– overdue 31 to 60 days	203	147	393	232
– overdue 61 to 90 days	113	79	115	76
– overdue 91 to 180 days	166	126	376	230
– overdue 181 to 365 days	174	108	344	230
– overdue over 1 year	399	252	961	683
Total	1,671	1,005	3,114	1,888

*For technical reasons, all customers in the restructuring class (5C) were shown in the last report as overdue > 90 days. If looking only at the days overdue without over control through the rating, the following changes occurred in 2012: overdue receivables decreased by around EUR 402.2 million and receivables not overdue increased by the same amount. Without these changes, EUR 3,516.0 million of the exposure were overdue and EUR 24,603.0 million not overdue at the end of 2012 in the last report.

Impaired financial assets:

EUR m

		31.12.2013	31.12.2012
Financial investments	Exposure	0	0
	Provisions	0	0
	Collateral	0	0
Loans and advances to credit institutions	Exposure	13	38
	Provisions	8	2
	Collateral	4	15
Loans and advances to customers	Exposure	8,495	7,357
	Provisions	3,819	2,937
	Collateral	3,694	2,989
Total exposure		8,508	7,396
Total loan loss allowances (incl. provisions for risks from the lending business)		3,827	2,939
Total collateral		3,698	3,004

93.6.1. FORBEARANCE

For the first time, Hypo Alpe Adria determined customer agreements that are part of the “forbearance measures” as defined by the European Securities and Markets Authority (ESMA) retroactively from 2013. Hypo Alpe Adria is currently working intensively on the improvement of its reporting capabilities (on-site workshops, refinement of definitions, etc.). Hypo Alpe Adria is also working towards the implementation of a fixed process for the calculation and evaluation of forbearance cases. In this respect, credit principles, credit processes themselves and the core banking systems must be revised.

All customers who found themselves in financial difficulties were included in the calculation for 2013 (Non Performing, Watch Loan and Watch List customers); they were reviewed in respect of the following criteria:

- Modification of original contractual conditions due to financial difficulties (this also includes prolonging existing loans, reprogramming, partial write-offs, the reduction in the interest rate margin, breaches of contract tolerated by the bank, etc.)
- Complete or partial refinancing approved on the basis of the customer suffering financial difficulties (including new business)

Particularly in the calculation of the initial portfolio, Hypo Alpe Adria was faced with challenges posed by changes to the core banking systems and the associated technical restrictions as well as the availability of data, particularly in the case of portfolio transfers. For the reasons stated above, the following tables reflect current knowledge at group level.

The following charts provide an overview of forbearance at Hypo Alpe Adria for the financial years 2012 and 2013.

EUR m

	OPENING balance 1.1.2013	Change	CLOSING balance 31.12.2013
Loans and advances (LAR + AFS + HTM)	5,865	-32	5,833
to public sector (central governments)	14	9	23
to credit institutions	2	10	11
to non credit institutions (financial institutions)	242	-39	203
to corporate clients	5,178	-31	5,148
to retail clients	429	19	447
Other financial assets	38	0	38
TOTAL FORBORN ASSETS	5,903	-32	5,871
Off-balance exposure	132	32	163

Forbearance exposure was as follows in 2013:

EUR m

	Neither past due nor impaired	Past due but not impaired (> 0 days)	Impaired	CLOSING balance 31.12.2013
Loans and advances (LAR + AFS + HTM)	761	410	4,662	5,833
to public sector (central governments)	18	0	6	23
to credit institutions	0	0	11	11
to non credit institutions (financial institutions)	7	13	184	203
to corporate clients	627	342	4,178	5,148
to retail clients	109	55	283	447
Other financial assets	0	0	38	38
TOTAL FORBORN ASSETS	761	410	4,700	5,871

93.6.2. LIQUIDATED COLLATERAL

In the 2013 financial year, collateral amounting to around EUR 194.5 million was liquidated (bail-out purchases) (2012: EUR 143.4 million). Of this, around EUR 68.6 million (2012: EUR 53.5 million) related to bail-out purchases by banks and EUR 125.9 million (2012: EUR 89.9 million) related to assets repossessed by leasing companies.

(94) Participation risk

94.1. Definition

In addition to counterparty risks from the credit business, equity risks from equity investments can also incur (shareholder risks). These include potential losses from equity provided, liability risks (e.g. letters of comfort) or profit/loss transfer agreements (loss absorption).

94.2. General requirements

Prior to 2009, Hypo Alpe Adria (or a subsidiary) had invested in companies that either served to expand its business spectrum, provide services for the bank or function as purely financial participations to achieve its business objectives. The year 2012 was characterised by the ongoing restructuring measures at Hypo Alpe Adria leading to portfolio rationalisation and to disposals in individual cases.

The handling of participation risks is governed by the Group Participation Policy. The policy governs in particular the differentiation between equity investments that are strategic and non-strategic/similar to loans/act as substitutes for credit. Another objective is to ensure the development of a uniform process for equity investments at Hypo Alpe Adria and at its strategic or non-strategic shareholdings across the group, as well as to describe the investment process, steering and reporting in more detail.

Hypo Alpe Adria influences the business and risk policy of associated companies through its representation on shareholder and supervisory committees.

In addition, all equity investments are monitored for results and risk on a continuous basis.

94.3. Risk measurement

Hypo Alpe Adria uses the PD / LGD approach pursuant to paragraph 72 SolvaV for measuring the participation risk for the ICAAP.

94.3.1. RISK CONTROL AND MONITORING

Hypo Alpe Adria has, in the Group Credit Risk Control division, its own independent central unit with the authority to set guidelines on all methods and processes connected with the management of equity risk. The operational implementation of risk controlling instruments is the responsibility of the business units in charge.

Strategic equity investments are integrated into the annual strategy and planning process of Hypo Alpe Adria. Representation on shareholder and supervisory committees allows Hypo Alpe Adria to exert influence over business and risk policies.

When it acts as a provider of equity capital or a lender of capital, the group evaluates the additional risks, especially those arising from its status as a lender of capital.

(95) Country risk

95.1. Definition

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

For example, country risks may arise from a possible deterioration of national economic conditions, a political or social collapse, 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.

95.2. General requirements

As part of its business activities and in pursuit of its long-term strategy, Hypo Alpe Adria knowingly assumes country risks that are limited in size.

95.3. Risk measurement

Country risk is measured in relation to the exposure relevant to country risk for each country and takes the respective external country rating and the country's specific LGD and PD in accordance with SolvaV into account.

Exposure related to country risk is composed of all non-EMU cross-border transactions for which a currency mismatch between the currency of the debtor country and the account currency (the currency in which the business transaction is conducted) exists.

The IRB approach for companies, banks and countries as outlined in the Austrian Solvency Regulation is used in order to quantify country risk. The country risk determined by this method is offset with equity capital.

95.4. Risk limitation

Country risk is limited by setting limits, which are calculated on the basis of ratings and a risk-oriented grouping of countries. All countries are subject to limits, with the respective limit discussed and approved by the Management Board.

Cross-border transactions by the group are subject to these limits, with direct financing (refinancing, capital) by subsidiaries subject to separate controls that emanate directly from the Executive Board.

95.5. Risk control and monitoring

Central Group Credit Risk Control monitors adherence to the respective country limits on a monthly basis, and reports breaches directly to the Executive Board as part of regular country limit utilisation reporting. Ad hoc reports (e.g. GIIPS) are also prepared when required.

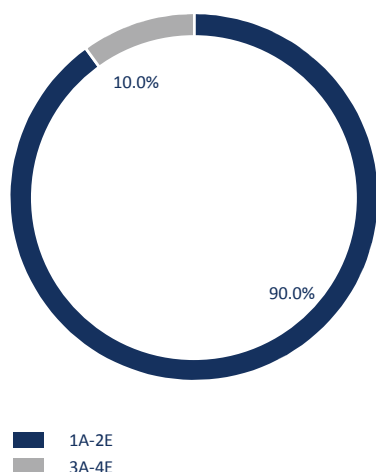
95.6. Portfolio overview – country risk

Exposure by country rating:

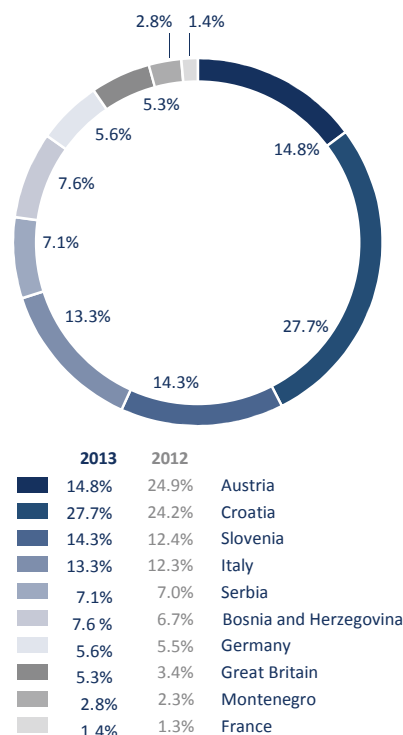
The share of exposure in countries with ratings above 3A amounts to 90% (2012: 83.9%).

As a consequence, roughly EUR 2.8 billion of the exposure as at the end of 2013 (2012: EUR 5.7 billion) was in countries with a rating of 1A to 2E. This is in accordance with Hypo Alpe Adria's strategy of conducting business in its core SEE market. The following charts shows exposure by country rating and the top 10 countries by exposure for the year 2013.

Exposure country rating breakdown
in percent



Top 10 countries by exposure in 2013
in percent



Top 10 countries by exposure:

The top 10 countries' share in overall volume stands at 91.0% (2012: 88.1%). As was the case in 2012, Austria and Croatia account for the largest share. Hypo Alpe Adria's strategy is to focus on the core markets in the SEE network.

95.7. Hypo Alpe Adria country portfolios

Hypo Alpe Adria's activities in the GIIPS states (Greece, Ireland, Italy, Portugal and Spain) are kept to a minimum. The only exception is Italy, where the group supports and funds a subsidiary in the wind-down portfolio, Hypo Alpe-Adria-Bank Italy.

The country limits for all the GIIPS states are currently frozen at Hypo Alpe Adria. An exception is made for Italy where transactions within Hypo Alpe Adria may continue to be carried out.

As the SEE region is Hypo Alpe Adria's core market – through its subsidiaries, Hypo Alpe Adria is present primarily in Croatia, Serbia, Montenegro and Bosnia and Herzegovina – the group is monitoring economic developments in these countries and the forecasts for their economies for 2014 even more closely. This is being done through close monitoring by the subsidiaries involved and through the group holding company, so that they can react swiftly to changes in market conditions.

GDP (gross domestic product) in SEE decreased in 2013 by roughly 1.0% (2012: -1.9%). At the time of writing, the assumptions are for a further slight decline in GDP for this region of 0.1% in 2014. However, Hypo Alpe Adria expects growth of 1.1% in 2015.

As extensively discussed in the group management report, mainly Serbia (close economic connections with Greece) and Bosnia and Herzegovina are affected by high unemployment, which will not reduce in 2014.

In summary, it can be said that the economies of the SEE country markets will experience a slowdown in 2014, representing an increased challenge to Hypo Alpe Adria in the current year. The group will address this challenge with stringent monitoring of customer accounts and portfolios, renewed efforts in processing collections and non-performing loans, with the result that assets requiring liquidation will be sold in such a way as to preserve value, even in this difficult market environment.

95.8. Side-note: GIIPS

The table below shows only the direct exposure (securities and customer business) as at 31 December 2013 to central banks, states, regions and credit institutions.

EUR m

Breakdown by country and risk segment		Total fair value 2013	Total fair value 2012
Greece	State and central bank	0.0	0.0
	Regions and municipalities	0.0	0.0
	Banks	0.0	0.0
	Total	0.0	0.0
Ireland	State and central bank	0.0	0.0
	Regions and municipalities	0.0	0.0
	Banks	39.2	58.3
	Total	39.2	58.3
Italy	State and central bank	93.3	100.4
	Regions and municipalities	31.0	30.5
	Banks	69.6	88.9
	Total	193.9	219.8
Portugal	State and central bank	0.0	0.0
	Regions and municipalities	20.0	20.0
	Banks	15.6	14.9
	Total	35.6	34.9
Spain	State and central bank	0.0	0.0
	Regions and municipalities	50.1	50.2
	Banks	137.3	125.0
	Total	187.4	175.3
Total	456.1	488.3	

The following sections give a short overview of the economic and political status in the individual, relevant GIIPS:

95.8.1. GREECE

Hypo Alpe Adria has no exposure to Greece.

95.8.2. ITALY

In the first half of 2013, Italy's political landscape was dominated by the general election at the end of February, which ended in a stalemate. The resulting coalition negotiations proved to be extremely problematic, until a new government (coalition of the social-democratic PS party and conservative PDL party) was formed under the leadership of social democrat Enrico Letta.

In the third quarter, the political situation escalated after the PDL threatened to pull out of the coalition and cause a new general election to be held. In late September, Silvio Berlusconi ordered his party's ministers to resign from government. Surprisingly, all ministers distanced themselves from Berlusconi's decision and declared their willingness to continue to support the government. In a subsequent vote of confidence a clear majority was achieved. Together with 60 former PDL members, minister of the interior Angelino Alfano formed the "New Centre-Right" as a splinter group from Berlusconi's Forza Italia party and ensured that his party would remain a key component of the coalition.

In economic terms, Italy saw the first signs of stabilisation and recovery over the course of the year. Positive signs from Italian industry came in the summer with the news that production increased. Armed with a multibillion-euro economic stimulus package, the government intends to inject momentum into the national economy (target: creation of 30,000 new jobs, removal of red tape, etc.). Retail sales rose again for the first time in a while, and both consumer confidence and the business climate barometer improved better than expected. The macroeconomic index also improved. Tax revenue rose in the first half of 2013 by 5%.

Following the approval of the economic plan to boost foreign investment, the Italian cabinet passed a number of additional measures to ensure that the national deficit would not increase above the EU-defined threshold of 3%.

Italy was able to escape from recession in the third quarter of 2013 for the first time in over two years. For 2014, the government forecasts economic growth of below 1%. According to the European Commission, new borrowing in 2013 is likely to stand at 3%

At the end of December, the 2014 budget was finally approved by the senate (including tax reductions, amongst other measures). A package worth EUR 1.5 billion aimed at tackling unemployment was also passed.

At the end of the year, an increase in the business climate index was also recorded.

The development of the Italian bond market over the course of 2013 can also be seen as positive. After a brief rise immediately after the general election and during the governmental crisis at the end of September/early October, yields on Italian bonds fell successively to the current level of 4% for ten-year sovereign bonds (as at January 2014).

For these reasons, Hypo Alpe Adria did not consider there to be an impairment requirement on its exposure to Italy at the time of writing.

95.8.3. IRELAND

Following the granting of EUR 85 billion worth of financial aid by the European Union and the International Monetary Fund (IMF) in November 2010, Ireland has succeeded in meeting all defined budgetary targets by means of an extensive and rigorous austerity drive, thus regaining the trust of the markets. In March 2013, Ireland was able to make a successful return to the capital markets by issuing a ten-year bond. The country was repeatedly highlighted as the perfect model for GIIPS countries in 2013.

In the second quarter of the year, Ireland managed to escape recession by recording economic growth of 0.4%. It was able to continue this positive tendency in the third quarter (GDP growth 1.5% up on same period the previous year). All in all, the Irish economy grew for the third year in succession. Growth is set to continue in 2014, with figures of 1.7% and 2.5% forecast for 2014 and 2015 respectively. Ireland is also aiming to cut the rate of unemployment to 11.7% by 2015. One positive sign of life came from the construction industry, while exports also increased and a moderate rise in private consumption was also recorded (+0.9% in September 2013). Ratings agency Moody's awarded also rewarded the country for its positive development. Ireland is also benefitting from the perception that its government is reliable and stable.

At the end of the year, Ireland became the first crisis-hit economy to officially leave the eurozone bailout programme. The Irish government presented a programme to foster growth and employment until 2020 ("A Strategy for Growth"), which aims to support the unemployed with individual job-seeking services and greater incentives to return to the employment market.

From 2014 onwards, the Irish government intends to finance itself exclusively through the markets.

Following Moody's decision to raise Ireland's rating to Baa3 (back to investment grade level + outlook: positive) in mid-January 2014, yields on Irish sovereign bonds fell sharply. For example, the coupon on five-year bonds fell to its lowest level since 2006. The rating upgrade was justified by accelerated economic growth as well as ongoing budgetary consolidation.

For these reasons, Hypo Alpe Adria did not consider there to be an impairment requirement on its exposure to Ireland at the time of writing.

95.8.4. PORTUGAL

Portugal's strict programme of austerity was continued in 2013. Compliance with requirements concerning budgetary consolidation continued to be subject to strict monitoring by the ECB, IMF and the European Commission. In the first half of 2013, the government passed a range of new cost-cutting measures in social services, repeated its commitment to achieving all of the goals set out in the bail-out programme and announced further consolidation measures totalling EUR 4.7 billion for the period between 2014 and 2016.

Portugal's national deficit stood at EUR 3.9 billion in the first half of the year, far below the EUR 6.0 billion deficit agreed with its international lenders. A slight decline in the unemployment rate was observed for the first time in two years.

However, in their latest review of the country's reforms (November 2013), the ECB, European Commission and the IMF reiterated that Portugal is continuing to implement its programme according to schedule. Rating agency Moody's also noted that Portugal's financial situation had improved and that the government was committed to pushing through the consolidation of the national budget. As a result, no further rating downgrade was performed, and in fact the outlook for Portugal's rating was raised to "stable".

GDP growth was able to be recorded in the second and third quarters of the year, after over two years of recession. A slight rise in domestic demand was seen as a reason for this.

In 2014, Portugal is expected to record positive growth again after three years of negative growth figures (growth of 0.8% and 1.5% in 2015). Exports are set to provide the greatest growth momentum, while domestic demand is also forecasted to increase. Portugal is also earmarked for a return to the capital market in June 2014. The national deficit is to be cut to 4% of gross domestic product. Another ambitious austerity programme worth some EUR 3.9 billion was approved in order to reach this goal. This programme includes cutting civil servants' pay, increasing the working hours per week in the public sector and cutting healthcare spending. Corporation tax is also set to be reduced by 2% per year to provide a further boost to the economy and make Portugal one of Europe's most competitive countries by 2016.

The first bond issues of 2014 indicate that investors have faith in Portugal's ability to pay back its debt. Yields on benchmark ten-year bonds fell to their lowest level since 2010 (approx. 5.2%). Standard & Poor's announced that Portugal's credit rating would no longer be subject to strict observation.

For these reasons, Hypo Alpe Adria did not consider there to be an impairment requirement on its exposure to Portugal at the time of writing.

95.8.5. SPAIN

Despite the implementation of fundamental reforms (employment and pension reforms, bank consolidation) by the Spanish government, the country continued to find itself in recession in the first half of 2013.

One positive sign was that reforms introduced of the last few years (the stable government has an absolute majority in the House of Representatives and the senate) have led to a substantial improvement in Spain's competitiveness. In real terms, unit labour costs have been declining since 2010 and are therefore having a positive effect on exports. Spain's international trading activities regained some ground in the first half of 2013, with exports rising year on year by 9.4%. At EUR 1.4 billion, Spain's trade balance recorded a surplus for the first time in 30 years.

A certain degree of stability and solidity returned to the employment market from midway through the year. The unemployment rate fell marginally for the first time since early 2007.

The end of the third quarter also signalled the end of two years of Spanish recession. Between July and September, GDP rose by 0.1% (reason: rising exports and a boom in tourism of 7.7% in the summer season), while in August the country recorded a current account surplus for the fourth month in succession and, in September, retail sales rose for the first time in three years. Industrial firms also saw production rise for the first time in 30 months, and new vehicle registrations also increased.

In early November, ratings agency Fitch determined the country's outlook as "stable" due to considerable progress in reforms to the employment market, the pension system, the national budget and the financial sector. Recovery can also be seen in the banking sector. Major Spanish banks have posted significant profit increases and the "oversized" Spanish financial system now appears to be a thing of the past. International lenders have also noted that Spain's banking sector reforms are still on track. Christine Lagarde, head of the IMF, noted that Spanish banks were stable and healthy thanks to stronger capital buffers and sector restructuring.

Ratings agencies Standard & Poor's and Moody's also upgraded Spain's outlook from negative to stable, justifying the decision with the gradual improvement in the economic climate.

In late December, Spain officially declared that it would not require any further aid from the European Stability Mechanism (ESM) bail-out fund. Furthermore, a surprisingly significant decrease in unemployment was also reported, and a considerable rise in the purchasing managers' index. The development of the private economic and the increase in industrial productivity are two further positive signs.

On the capital market, investor confidence is returning gradually; currently (January 2014), yields on ten-year sovereign bonds stand at 3.7% (summer 2012: 7.5%) and are therefore at their lowest level since December 2009.

For these reasons, Hypo Alpe Adria did not consider there to be an impairment requirement on its exposure to Spain at the time of writing.

95.9. Side-note: Croatia, Hungary, Slovenia, Ukraine and Cyprus

95.9.1. CROATIA

The table below shows only the direct exposure (securities and customer business) as at 31 December 2013 to central banks, states, regions and credit institutions.

EUR m

Breakdown by country and risk segment		Total fair value 2013	Total fair value 2012
Croatia	State and central bank	837.4	1,027.6
	Regions and municipalities	47.9	45.9
	Banks	80.6	32.3
	Total	966.0	1,105.7

Even after Croatia joined the European Union mid of 2013 there has not been any improvement in the financial situation. Croatia continues to be stuck in the mire of recession, not least because the lack of necessary reforms by the Croatian government – above all in healthcare, education and public services – is having a negative effect on investment and GDP. In 2012 and 2013, Croatia recorded declines in GDP of 0.2% and 1.1% respectively. A further decline of 0.7% is anticipated in 2014, with a national deficit of over 5%, meaning that measures to counteract the budgetary deficit can be expected.

The rate of unemployment in Croatia rose from 15.9% in 2012 to 17.6% in 2013, and a further increase to 18.8% is expected in 2014. Inflation fell from 3.4% (2012) to 2.4% (2013), however a slight rise in inflation to 2.6% is forecast for 2014 due to an increase in VAT and the adjustments to energy and tobacco taxes required by the EU.

In the tourism sector, an increase of 5% (year on year) was recorded by the central statistical office for the period from January to October 2013. This positive development is fostered by the Croatian government's tourism development strategy, which aims to make the country one of the top 20 most competitive countries worldwide in the tourism sector by 2020. However, the rise in VAT at the end of 2013 could weaken the country's competitiveness when it comes to tourism and investment.

Net profit in the Croatian banking sector fell by 42.5% – predominantly as a result of a fall in net interest income (due to a lack of new business, a rise in interest-free lending and the cutting of active interest rates) and increased risk provisions. In view of the more problematic macroeconomic conditions, private customer business also stuttered, which made further debt reduction in both retail and the corporate sector harder. The repayment of foreign debt, a real decline in household incomes and rising unemployment are also threatening growth in deposits.

For 2014, mainly because of regulatory and legislative changes (such as the passing of a law for strategic investment, access to EU subsidies and a government programme for public-sector investments) a slight increase is expected in both tourism and in terms of exports. There should also be some positive developments in Croatian industry. In this regard, the Croatian government has presented a strategic plan with the aim of boosting industrial production by 2.85%, creating 85,000 jobs and increasing productivity by 69% by 2020. The liberalisation of Serbian trade at the beginning of 2014 should also prove beneficial to Croatian companies, particularly those in the food sector.

For these reasons, Hypo Alpe Adria did not consider there to be an impairment requirement on its exposure to Croatia at the time of writing.

95.9.2. HUNGARY

The table below shows only the direct exposure (securities and customer business) as at 31 December 2013 to central banks, states, regions and credit institutions.

EUR m

Breakdown by country and risk segment		Total fair value 2013	Total fair value 2012
Hungary	State and central bank	26.2	25.6
	Regions and municipalities	0.0	0.0
	Banks	1.3	29.3
	Total	27.4	54.9

After the Hungarian economy contracted in 2012 (1.4% of GDP), the gross domestic product rose for the first time again in the second quarter of 2013 by 0.5%.

Hungary's current focus is on reducing its debt. Its debt ratio stands at roughly 79% of GDP, which is around the European average. A total of 1.0 million new jobs are set to be created over the next ten years and the country intends to become one of the most competitive economies in Europe by restructuring its legal frameworks.

Thanks to a number of tax increases and the introduction of some much-disputed new levies, state revenue has risen sharply over the past two years. Hungarian exports have also developed positively over the past two years.

In June 2013, Hungary was left out of the Excess Deficit Procedure (EDP) for the first time since joining the EU and, in mid-August, it also paid back the final instalment on the bail-out package granted by the EU and the IMF. Prior to this, there were repeated “differences of opinion” between the IMF and Prime Minister Viktor Orbán, who had complained that the IMF was exerting inappropriate influence on his country’s economic policy.

In the autumn forecast unveiled at the end of November, the European Commission put Hungary’s expected deficit at 2.9% of GDP in 2013 and 3% of GDP for 2014. Economic growth is expected to increase further in the next couple of years. A highly qualified workforce, good infrastructure and low taxes mean that Hungary can expect further foreign investment, particularly in the production industry. Another positive aspect is the fact that the improved economic situation led to a further decline in unemployment (from 11.8% in March 2013 to 9.3% at the end of November 2013).

For these reasons, Hypo Alpe Adria did not consider there to be an impairment requirement on its exposure to Hungary at the time of writing.

95.9.3. SLOVENIA

The table below shows only the direct exposure (securities and customer business) as at 31 December 2013 to central banks, states, regions and credit institutions.

EUR m

Breakdown by country and risk segment		Total fair value 2013	Total fair value 2012
Slovenia	State and central bank	184.4	218.4
	Regions and municipalities	75.3	80.8
	Banks	25.3	24.8
	Total	285.0	324.0

Slovenia, long considered a model for Eastern European transition countries (EU member since 2004) continues to struggle with economic issues which have largely been caused by an oversized banking sector loaded with non-performing loans, excessive government intervention in the economy (roughly 50% state-controlled) and outdated employment market structures. Due to its strong reliance on exports, Slovenia has also suffered from the global economic downturn over the past few years.

Around halfway through the year, Slovenia began to implement the crisis measures resolved by the EU. These included increasing VAT to 22%, intensifying the fight against the shadow economy and cutting public-sector pay. Furthermore, the privatisation of 15 state-owned companies (either via direct investment or via state-owned funds in companies such as Adria Airways, Elan, Ljubljana Airport and Telekom Slovenije) was agreed and a debt ceiling integrated into the Slovenian constitution.

One positive factor is that recession was able to be curbed in the third quarter. Economic output will continue to be affected by declining domestic demand (in spite of general stabilisation), however a major decline in GDP was prevented by an increase in export demand (exports rose by 4.9%). According to a forecast published by the European Commission in early November, Slovenia’s national debt stood at 63.2% of GDP.

After winning a vote of confidence in November, the Slovenian parliaments approved budgets for 2014 and for 2015. The budgets aim to reduce the national deficit to 2.9% (2014) and then 2.4% (2015). After the presentation of the results of the bank stress test (December 2013), it became clear that Slovenia is capable of cleaning up its banking sector (capital shortfall of EUR 4.8 million) without being forced to resort to partners in the European Union. In other words, it can begin privatising state-owned banks once non-performing loans have been housed in a bad bank.

At the start of 2014, yields on Slovenian bonds fell to their lowest level since May 2011 at roughly 4.6% (June 2013: 6.8%). For these reasons, Hypo Alpe Adria did not consider there to be an impairment requirement on its exposure to Slovenia at the time of writing.

95.9.4. UKRAINE

Due to the political crisis in Ukraine that came to a head in first quarter of 2014 and saw the Crimean peninsula declare independence – with the new transitional government in Kiev enjoying the backing of the EU and the USA –, Hypo Alpe-Adria-Bank International AG believes that there will be a further downturn in the payment behaviour of customers. The tense economic situation in Ukraine is also reflected by downgrades from all three ratings agencies to Caa3/CCC/CCC, outlook: negative.

Hypo Alpe Adria has a leasing subsidiary in Ukraine with an exposure of EUR 29.7 million (2012: EUR 40.3 million). Of this exposure, EUR 28.9 million constitutes non-performing loans (2012: EUR 36.1 million). These are offset by existing provisions of EUR 19.4 million (2012: EUR 24.1 million). From the other subsidiary units (not including refinancing) there is a Ukraine exposure of EUR 2.8 million (2012: EUR 4.7 million).

For these reasons, Hypo Alpe Adria did not consider there to be any further impairment requirement on its exposure to Ukraine at the time of writing. Hypo Alpe Adria will continue to monitor the situation in Ukraine and, if necessary, take further action.

95.9.5. CYPRUS

Hypo Alpe Adria has no exposure to Cyprus.

(96) Concentration risk

Concentration risks within a loan portfolio result from the uneven distribution of loans and advances to individual borrowers and/or group of borrowers. These also include concentrations of loans and advances in individual industry sectors, geographic regions as well as concentration from an uneven distribution of collateral providers.

As a result, Hypo Alpe Adria analyses, measures and steers the following concentration risks:

- Counterparty default concentrations
- Industry sector concentrations
- Geographic concentrations
- Collateral concentrations

Counterparty, industry sector and collateral concentrations are measured and managed within the context of the regular ICAAP calculations.

Additional risk capital requirements arising from risk concentrations are calculated using the Herfindahl Hirschman Index (HHI) and an add-on factor, which changes depending on the type of concentration.

(97) Market price risk

97.1. Definition

Market risks consist of potential losses arising from a change in market prices. Hypo Alpe Adria classifies market price risks according to the risk factors in changes to interest rates, credit spread, currency, volatility and equity risks, as well as risks from alternative investments. Hypo Alpe Adria pays particular attention to identifying, measuring, analysing and managing market risk; the organisational division Group Market Risk Control is responsible for all market risks at group level.

Market price risks may result from securities (and products similar to securities), money and foreign currency products, derivatives, exchange rate hedges and results hedging, assets similar to equity or from management of assets and liabilities.

In addition to market risks, market liquidity risks may also be incurred if, in the event of low market demand, the bank is unable to liquidate trading positions during liquidity shortfalls (or due to risk-based offsetting requirements) in the short term. For existing positions, these are taken into account as part of the risk limitations for market risks.

97.2. General requirements

The bank develops its market risk strategy on the basis of strategy discussions with the relevant treasury units. Resolutions on the combined business and risk strategy at group level are passed exclusively in the Group Asset Liability Committee (Group ALCO).

97.3. Risk measurement

Hypo Alpe Adria calculates its market risk as part of daily monitoring with value-at-risk methods on the basis of a one-day holding period, with a confidence level of 99%. The main instrument used in this process is the Monte Carlo simulation with exponentially weighted volatilities and correlations derived from a history of 250 days. For the purpose of determining the economic market risk capital tied up in the risk-bearing capacity calculation, values are scaled to the uniform confidence level of 99.9%, assuming liquidation over a specific time period for each risk factor.

The models calculate potential losses taking into account historic market fluctuations (volatilities) and market context (correlations). In the year under review, the calculation of specific interest risk was further refined, also taking into account the increased significance of credit spread risks in the current market situation.

While the VaR that is determined for monitoring requirements is used to forecast potential losses under normal market conditions, future-oriented analyses using extreme assumptions are also carried out. Market positions are subjected to exceptional market price changes, crisis situations and worst case scenarios as part of so-called "stress tests", and analysed for

hazardous risk potentials using the simulated results. The stress scenarios are monitored for appropriateness and adjusted if required. Back-testing will be performed on the methods and models for defined market risk factors and portfolios at group level and the results presented in Hypo Alpe Adria's monthly market risk report.

The interest rate risk in the banking book is determined as a present value risk, as are all market risks at Hypo Alpe Adria. The risk of interest rate changes in the banking book is for the most part integrated into ongoing risk monitoring of market risk controlling as per value at risk.

Contractual cancellation rights are modelled as an option, and flow into the risk calculation. All stochastic positions are accounted for in accordance with internal models.

The method parameters for until further notice (UFN) product modelling are based on an elasticity concept. In line with Basel II specifications, a 200-basis-point interest rate shock scenario is calculated for the interest rate risk in the banking book. The present value changes calculated in relation to the regulatory equity lie well below the so-called "outlier criterion". In addition, a large number of possible market fluctuations can be calculated and illustrated through a calculation of standard, forward, historic and extreme scenarios.

97.4. Risk limitation

A limit for market risk of 8.5% of the risk capital (including strategic market risk) has been set for Hypo Alpe Adria. This defined risk capital represents the maximum loss for assuming market risks.

The allocation of capital for market risk is carried out based on a defined limit application process, after deduction of a market risk limit reserve, and is determined by setting risk-factor limits for the individual market risk factors (interest risk, currency risk, equity risk (client default and investments), credit spread risk (liquid and illiquid), volatility risk and alternative investment risk). Furthermore, differentiation of these risk factor limits is made by assigning them to defined sub-portfolios. The risk and loss thresholds defined for risk mitigation act as an early-warning system to show any negative developments in the limit system early on.

97.5. Risk steering and monitoring

As part of the reporting process to the group's Executive Board, the value-at-risk and performance figures for the trading book, banking book investments and market risk steering figures as well as the corresponding risk capital view are submitted on a daily basis. Should limits be exceeded, there are escalation processes defined up to the level of the Executive Board.

The Board also receives a separate monthly report on the actual market risk situation for Hypo Alpe Adria, as well as on back-testing and stress test results, with a commentary on potentially significant developments as part of the market risk report as well as a quarterly report on the development of market risk limits.

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 Liability Committee – which consists of the group's Executive Board as well as key staff in Treasury, Risk Management, Financial Controlling and Accounting – meets on a regular basis to analyse and decide on measures related to balance sheet structure and liquidity steering. In addition to group-level monitoring and steering, all subsidiaries and subsidiary portfolios are also monitored and steered.

97.6. Overview – market risk

97.6.1. INTEREST RATE RISK

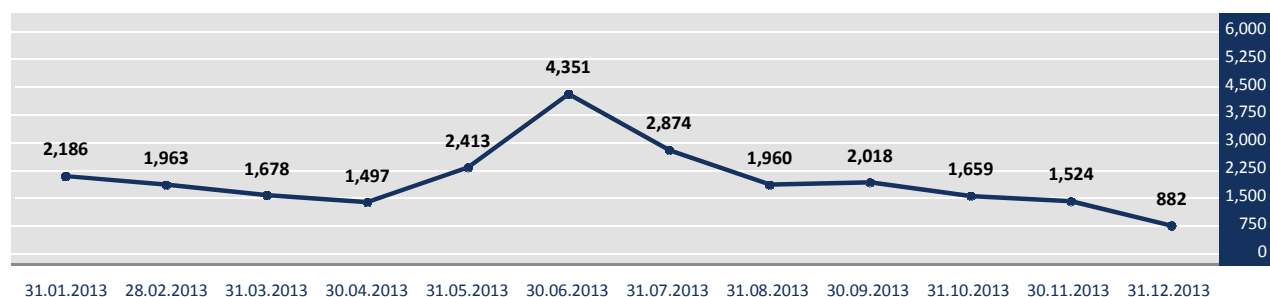
The chart below shows the progression of interest rate risk (including the interest rate risk of the trading book) for Hypo Alpe Adria in 2013 (comparable VaR figure as at 31 December 2012 EUR 0.91 million).

The interest rate gap profile for Hypo Alpe Adria contains all interest rate relevant on- and off-balance-sheet items with their next interest rate fixing date. The stochastic cash flows are illustrated with uniform group standards and with local models for country-specific transactions. All interest rate gap profiles of local banks, local leasing companies and Brush companies are consolidated at group level and combined into the group interest rate gap profile. All interest-bearing balance sheet items are taken as the basis for calculating interest-rate risk and thus for limiting risk. Non-interest-bearing items are not included in the calculation, but are taken into account in other risk types such as equity risk.

Development in interest rate risk for Hypo Alpe Adria in 2013:

Interest Rate Risk (Trading Book + Banking Book) – VaR (99%, 1 day)

EUR thousand



The methodology of the interest risk calculation is oriented to the specifications of the Oesterreichische Nationalbank (OeNB) regarding the calculation of interest risk statistics. Initially, interest risks per defined currency are determined on the basis of the group interest rate gap profile; a second step calculates the risk equity ratio as a percentage of equity capital.

The regulatory limit of 20% and the internal limit of 15% were not even close to being reached or exceeded at any point in the year (the interest risk equity ratio ex NIB as at 31 December 2012 came to 2.0%).

The main instruments used to control the interest rate gap profile are derivatives, which establish a hedging relationship for both assets and liabilities in the form of effective micro-hedges or portfolio hedges, thereby mitigating interest rate risk.

Interest risk equity ratio ex NIB in percent in 2013:

Interest Risk Equity Ratio ex NIB

in percent in 2013

1.7 %	01/2013
1.8 %	02/2013
1.5 %	03/2013
2.0 %	04/2013
2.2 %	05/2013
2.6 %	06/2013
3.7 %	07/2013
2.5 %	08/2013
2.0 %	09/2013
2.4 %	10/2013
2.4 %	11/2013
1.7 %	12/2013

Regulatory requirements state that the proportion of interest rate risk – in the form of the standardised 200-bp rise in directly relevant interest-bearing positions (excluding non-interest-bearing (NIB) positions) – in equity may not exceed 20%. An internal limit for the interest risk equity ratio of a maximum of 15% has been set; however, this has only been sparingly used because of the positive offsetting effects in the interest rate gap profiles. Non-interest-bearing (NIB) positions do not therefore affect interest in the interest rate gap profiles – this conforms to modern international standards and guidelines such as the German minimum requirements for Risk Management (MaRisk).

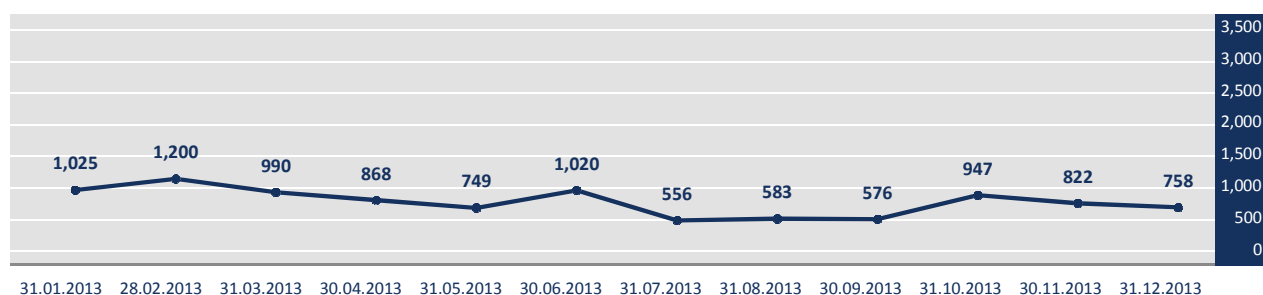
97.6.2. FOREIGN CURRENCY RISK

The data base for determining the value at risk for foreign currency risks at the group level of Hypo Alpe Adria is based on the figures in the OeNB report and contains operational business activities. Foreign currency risk thereby covers the entire FX risk of Hypo Alpe Adria. The main risk drivers for foreign currency risk at Hypo Alpe Adria are the UAH and USD currencies. The value at risk for this foreign currency risk was approximately EUR 0.76 million per day as at 31 December 2013 (value at risk as at 31 December 2012 EUR 0.66 million), at a confidence level of 99%.

Changes in foreign currency risk at Hypo Alpe Adria in 2013:

Open Foreign Currency Position Risk – VaR (99 %, 1 day)

EUR thousand



In addition to the foreign currency risk from operational business activities, there is an additional foreign currency risk at Hypo Alpe Adria from the consolidation of the strategic investments of Hypo Alpe-Adria-Bank International AG in Hypo Alpe-Adria-Bank a.d. Beograd and Hypo Alpe-Adria-Bank d.d. Zagreb, which has been recognised in the Hypo Alpe Adria open foreign exchange position since 1 October 2013 and is therefore no longer reported separately.

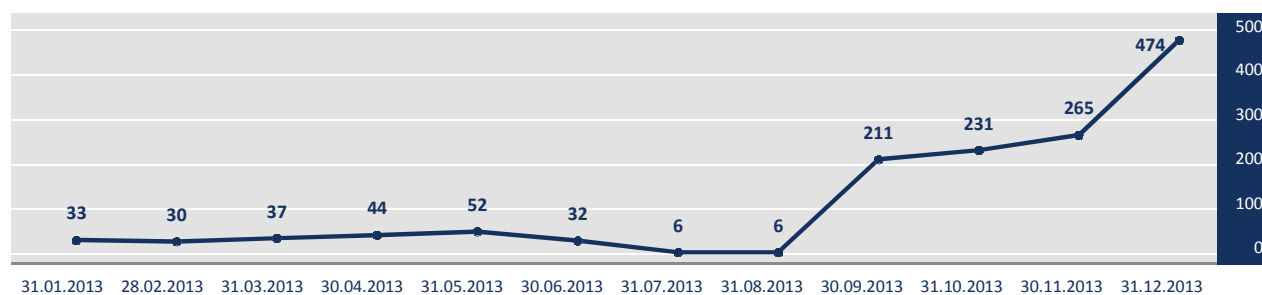
97.6.3. EQUITY RISK

The share capital held in the group is susceptible to market (price) risks, which arise from the uncertainty surrounding of the future value of these shares. Hypo Alpe Adria makes a distinction between equity risks, which arise from liquidating collateral related to credit risk transactions, where liquidation is not currently possible for reasons of illiquidity or because of regulations or agreements (client default), and equity risks from an investment viewpoint (investments). The largest proportion of the risk lies in the share portfolio in the banking book investments of Hypo Alpe-Adria-Bank d.d. Slovenia and Hypo Alpe-Adria-Bank International AG. The value at risk for the equity risk (client default) at Hypo Alpe Adria amounted to EUR 0.64 million as at 31 December 2013 (value at risk as at 31 December 2012 EUR 0.82 million) with a one-day holding period and a confidence level of 99% and EUR 0.47 million (value at risk as at 31 December 2012 EUR 0.03 million) for the equity risk from an investment viewpoint. In line with the risk strategy, no further increase in share positions from an investment viewpoint is planned in Hypo Alpe Adria.

Changes in equity price risk in Hypo Alpe Adria in 2013:

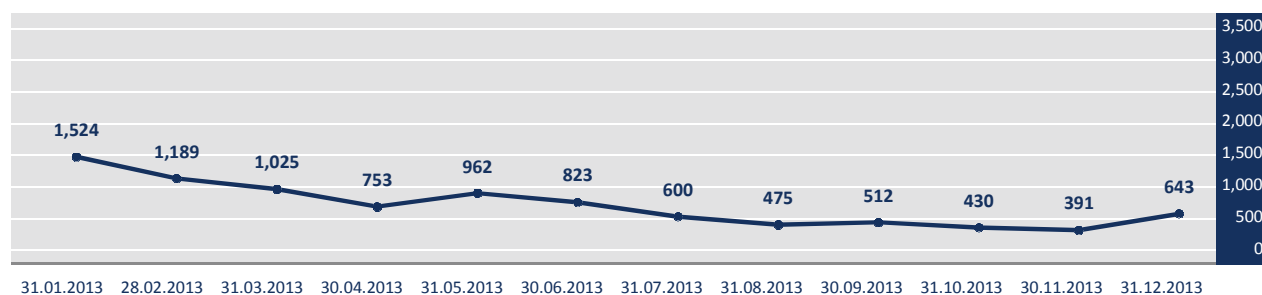
Equity Risk – Investments – VaR (99 %, 1 day)

EUR thousand



Equity Risk – Client Default – VaR (99 %, 1 day)

EUR thousand



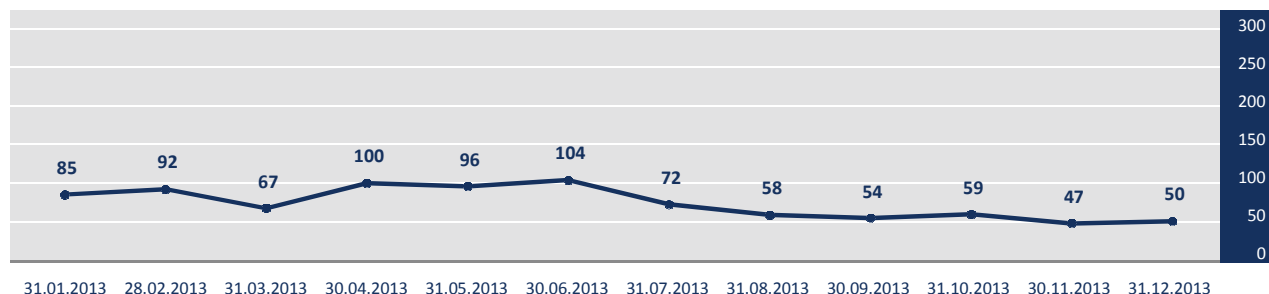
97.6.4. ALTERNATIVE INVESTMENT RISK

The alternative investment risk within Hypo Alpe Adria stood at EUR 0.05 million at year-end 2013 with a 1-day value at risk and 99% confidence level (value at risk as at 31 December 2012 EUR 0.07 million). In line with the current risk strategy, the alternative investments book contains a wind-down portfolio – there are sales orders already in place for all investments in the alternative investments book of Hypo Alpe Adria.

Changes in the alternative investment risk of Hypo Alpe Adria in 2013:

Alternative-Investment-Risk – VaR (99%, 1 day)

EUR thousand



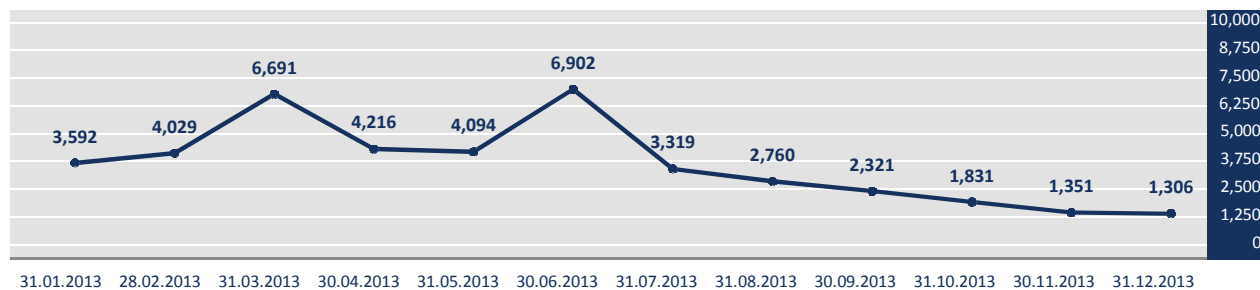
97.6.5. CREDIT SPREAD RISK

The liquid credit spread risk within Hypo Alpe Adria stood at EUR 1.31 million at year-end 2013 with a 1-day value at risk and 99% confidence level (value at risk as at 31 December 2012 EUR 4.27 million) – the illiquid credit spread risk stood at EUR 0.45 million at year-end 2013 (value at risk as at 31 December 2012 EUR 0.82 million). As a result, credit spread risk represents the main market risk driver at Hypo Alpe Adria. The most important influencing factor is the liquidity reserves in the form of securities in Hypo Alpe-Adria-Bank International AG. Consequently, there is very limited scope for reducing risk from these positions.

Changes in credit spread risk in Hypo Alpe Adria in 2013:

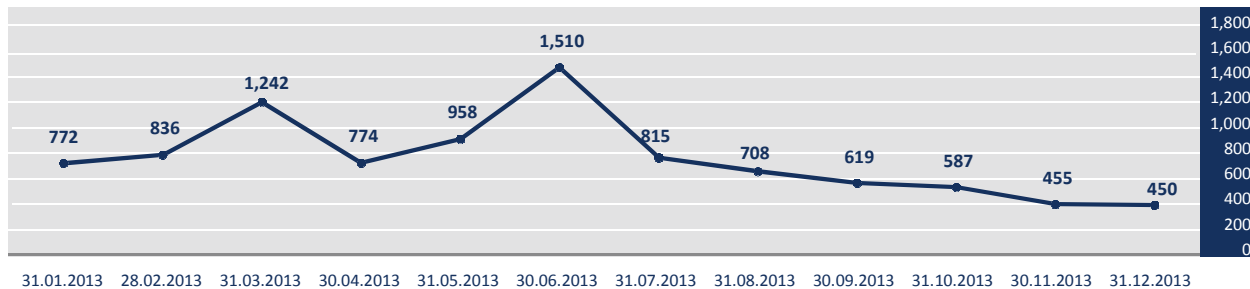
Credit-Spread-Risk (liquid) – VaR (99 %, 1 day)

EUR thousand



Credit-Spread-Risk (illiquid) – VaR (99 %, 1 day)

EUR thousand



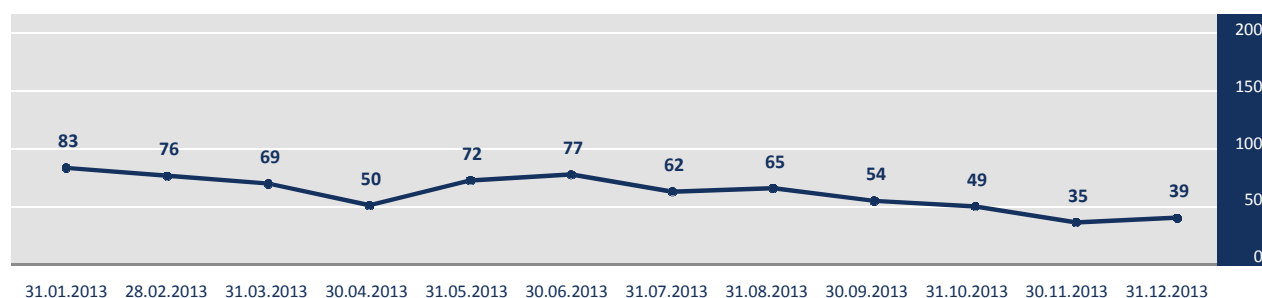
97.6.6. VOLATILITY RISK

The volatility risk for Hypo Alpe Adria stood at EUR 0.04 million at year-end 2013 with a 1-day value at risk and 99% confidence level (value at risk as at 31 December 2012 EUR 0.07 million). Volatility risk is defined within Hypo Alpe Adria as the risk of changes in the present value of open option positions held by the treasury unit caused by a change in implicit volatility.

Change in volatility risk in Hypo Alpe Adria in 2013:

Volatility Risk – VaR (99 %, 1 day)

EUR thousand



(98) Liquidity risk

98.1. Definition

Hypo Alpe Adria defines liquidity risk 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.

98.2. General requirements

The strategic principles of handling liquidity risks at Hypo Alpe Adria are defined in 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 content-related and organisational conditions for the management and controlling of liquidity risks are governed by a liquidity risk policy and a liquidity manual that applies across the entire group.

Liquidity steering and management at group level are the responsibility of the Group Balance Sheet Management & Treasury division of Hypo Alpe Adria. It is here that the steering of situational and structural liquidity, and the coordination of funding potential at group level, takes place. The local treasury units are responsible for operational liquidity steering and liquidity offsets. At group level, liquidity risk controlling is the responsibility of the Group Market Risk Control division of Hypo Alpe Adria, and of the respective risk control unit at local level. It is here that risk measurement and mitigation as well as timely and consistent reporting are carried out.

Hypo Alpe Adria has in place emergency liquidity planning that has been set out in writing. It sets out the processes, and control 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.

98.3. Risk measurement

The main methodological tool for measuring, analysing, monitoring and reporting on liquidity risk within Hypo Alpe Adria is the liquidity overview. 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 potential (counterbalancing capacity) are as follows:

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

- Senior bond issues
- Subsidised loans
- Securitisation potential

In addition to the normal scenario, other scenario analyses 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 as well as transfer limits), 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 limiting structural liquidity, present value losses in the event of an increase in the funding spread caused by a rating deterioration are compared in the risk-bearing capacity calculation to the economic equity. In addition, an internal NSFR limit restricts the structural liquidity risk.

98.4. Risk controlling

A bundle of different liquidity reserves ensures that Hypo Alpe Adria maintains its ability to pay even during crisis situations. They are subjected to different stresses in order to maintain an overview of available liquidity resources through the respective units even during crisis situations.

Moreover, the bank holds its own liquidity buffer for stress situations, composed of ECB-eligible securities and securities that can be quickly liquidated.

There has been a change in the method of reporting liquidity potential or rather counterbalancing capacity at Hypo Alpe Adria since the previous year – total liquidity potential as at 31 December 2012 stood at EUR 1.48 billion.

In 2013, counterbalancing capacity at Hypo Alpe Adria was structured as follows:

EUR thousand

Liquidity Buffer	Hypo Alpe Adria countable
High Quality Securities (incl. Credit Claims)	1,508,275
Central Bank Reserves	1,860,513
Cash	77,154
Counterbalancing Measures	Hypo Alpe Adria countable
Other liquefiable Assets (short-, medium term)	97,496
Intragroup Liquidity Support	0
Committed/Required Credit Lines	0
New Issuance	0
Securitization	0
Covered Pool Potential	0
Total Counterbalancing Capacity	3,543,437

Liquidity controlling for the group is carried out both at a local level, in particular for HRK and RSD, as well as centrally for the group through the group holding.

A cash flow statement composed of deterministic, stochastic and forecast data forms the basis of this process. Short-term forecast data is elicited directly from client transactions by the sales units for the purposes of short-term controlling, while planned budget information is used for medium-term controlling.

Any occurring gaps are compared to the liquidity potential – a well diversified bundle of liquidity reserves available for liquidity management. The liquidity reserves are subjected to a regular review and to stress situations, depending on the market situation (as described above).

Besides structural controlling, care is also taken to ensure that general regulatory requirements for the different group countries are adhered to; in Austria this includes meeting the minimum reserve as well as first and second grade liquidity reserves and, from 2015, compliance with the required LCR.

98.5. Risk monitoring

The monitoring of liquidity risk is carried out, on the one hand, on the basis of the liquidity ratio and “time-to-wall” key indicators under normal and stress conditions and, on the other hand, through the integration of the structural liquidity risk into the bank’s overall controlling (risk-bearing capacity).

Limits for short-term liquidity as well as for the limitation of long-term structural liquidity have been set, both at group level and for the individual subsidiaries, and are monitored constantly.

To ensure that existing liquidity gaps can be closed at any time through the mobilisation of the liquidity potential, threshold values are being defined for all scenarios; and if these are exceeded, measures must be introduced to reduce the identified liquidity risks.

The liquidity overviews as well as other relevant key indicators form a part of regular risk reports to the Executive Board and the controlling units responsible for liquidity risk.

98.6. Overview – liquidity situation

Overall, the liquidity situation of Hypo Alpe Adria International AG in 2013 was characterised by over-liquidity. At no time was it necessary to access liquidity reserves; instead, all liabilities were met using current cash flows. Capital market activities were therefore not necessary in 2013.

Following years of primary funds growth (2010, 2011 and 2012), Hypo Alpe Adria saw a decline in primary funds that can be summarised as follows:

- Outflow of primary funds in Italy due to EU resolution.
- The SEE network remained constant in the first half of 2013. From midway through the year, after the announcement of the EU ruling and the reduction of interest rates on deposits at SEE subsidiaries, the development turned negative with increased outflows in the third quarter of 2013
- The volume of primary funds fell in comparison to the 2012 financial statements as a direct result of the sale of Hypo Alpe-Adria Bank AG (Hypo Austria).

In 2013, capital measures totalling EUR 1.75 billion were carried out by the owner, the Republic of Austria. Through repayments on subsidiaries' lines of credit and capital measures, the liquidity position at year-end 2013 came to around EUR 2 billion. For 2014, an adequate liquidity position can also be expected on the basis of the anticipated inflows and outflows (excluding repayments on Bayern LB/Austrian law on equity substitution (EKEG) credit of around EUR 2.3 billion).

Below is a listing of due dates for the financial liabilities of Hypo Alpe Adria, based on the following conservative assumptions:

- Current accounts, call money and cash collaterals are due on the next working day.
- Dead stock cash flows (primary funds) are excluded (only legal due date is decisive) and are also set as due on the next working day.
- Equity components, accruals, impairment write-downs and positions not relevant to liquidity are not represented.
- EKEG-relevant liabilities to Bayern LB (EUR 2.3 billion) are included and reported in the shortest maturity band.

On 3 April 2014, the ECB Governing Council decided to suspend Hypo Alpe-Adria-Bank International AG from its monetary refinancing transactions and the ECB's refinancing facilities. The ECB Governing Council referred to the breaching of regulatory capital requirements as the reason for the move. Hypo Alpe-Adria-Bank International AG does not currently use any of the ECB's refinancing facilities, so this is not expected to have any negative effect on the bank's liquidity situation. The suspension only affects the Austrian parent company (Hypo Alpe-Adria-Bank International AG), and not local subsidiaries abroad.

EUR m

At 31 December 2013	1 Y 2014	2 Y 2015	3 Y 2016	4 Y 2017	5 Y 2018	> 5 Y (> 2018)	Total
Financial liabilities*							
Liabilities to credit institutions	3,104	527	299	242	26	88	4,286
Liabilities to customers	3,371	759	568	997	311	308	6,315
Liabilities evidenced by certificates	1,551	2,501	1,737	3,545	363	250	9,946
Other liabilities	125	0	0	0	0	0	125
Subordinated capital and hybrid capital	15	24	215	586	10	1,084	1,934
Total	8,166	3,811	2,820	5,371	709	1,730	22,607

*relevant to liquidity

Maturities of financial liabilities

as of 31 December 2013 in EUR m

8,166	1 Y (2014)
3,811	2 Y (2015)
2,820	3 Y (2016)
5,371	4 Y (2017)
709	5 Y (2018)
1,730	> 5 Y (> 2018)

At 31 December 2012, liabilities relevant to liquidity at Hypo Alpe Adria came to EUR 29.29 billion.

As the graph shows the main due dates for issues and refinancing stretch out to 2017, in addition to the conservative modelling of liabilities in the first maturity band. This is taken account of in the funding planning, with particular care directed at broadening the liquidity resources and defining measures and a framework for ensuring the financing base for Hypo Alpe Adria's business activities.

The due date analysis for derivatives covers interest rate swaps, cross currency swaps and FX swaps and is divided into portfolios relevant for steering:

- Banking book: hedge transactions on the asset side of the balance sheet (e.g. fixed rate bonds)
- Market Risk Steering ALM: hedge transactions to steer the interest rate gap profile
- Market Risk Steering B2B: back-to-back transactions by Hypo Alpe-Adria-Bank International AG on the basis of the hedge requirement of individual subsidiaries
- Market Risk Steering FVO: hedge transactions under the fair value option
- Market Risk Steering FX: derivatives to hedge foreign exchange risks and to manage liquidity in foreign currencies
- Market Risk Steering HA: hedge transactions in the course of hedge accounting

EUR m

At 31 December 2013	1 Y 2014	2 Y 2015	3 Y 2016	4 Y 2017	5 Y 2018	> 5 Y (> 2018)	Total
Net cash flow from derivatives							
Banking book	-31	-30	-22	-11	-8	-12	-114
Market Risk Steering ALM	0	0	0	0	0	0	0
Market Risk Steering B2B	0	0	0	0	0	0	1
Market Risk Steering FVO	20	20	18	14	-1	-19	52
Market Risk Steering FX	2	-189	0	-30	-36	0	-252
Market Risk Steering HA	226	202	144	98	-2	-72	597
Total	217	4	141	71	-46	-102	284

* relevant to liquidity

The majority of the derivatives are used for hedge transactions; the net cash flow is therefore diametrically opposed to the cash flows from the underlying transactions. At 31 December 2012, cash flows from derivatives relevant to liquidity at Hypo Alpe Adria came to EUR 853 million.

(99) Operational risk

Hypo Alpe Adria defines operational risk ("OpRisk") as the risk of incurring losses due to the inappropriateness or failure of internal processes, systems, people or external factors. This definition includes legal risks as well as risks to reputation, but not strategic risks.

The aim of operational risk management at Hypo Alpe Adria is the use of a "proactive approach" (risk management) instead of a "reactive approach" (managing losses). Consolidated subsidiaries must implement operational risk on the basis of the Basel II standard approach ("STA") as part of the project agreements. Operational risks are identified and evaluated, so that suitable measures for the prevention, reduction, transfer or acceptance of risks, including priorities for the implementation of safety and protection measures, can be defined.

For this reason, all banking and leasing subsidiaries, as well as any other subsidiaries included in the consolidated group, are taken into account in every aspect of operational risk management.

Other non-consolidated subsidiaries are required to agree the scope of implementation separately with the group.

The OpRisk responsibility of sub-organisations of the subsidiaries is the responsibility of the subsidiary concerned.

In order to ensure that synergy effects are achieved, arrangements have been made with Group Legal Services that the operational risk management software ("Inform") will also include legal cases, including those which are not associated with OpRisk. The advantage of this approach is that it enables the creation of a common platform for the exchange of information between the different areas.

The strategy for operational risk is supported by different instruments and methods. In principle, these methods are used to identify and evaluate risks. Measures to limit damages must be planned on the basis of the results.

The operational risk management software ("Inform") forms the platform for implementing the appropriate instruments at Hypo Alpe Adria.

The following methods are used to support the strategy:

- Loss database for the systematic data capture of operational risks throughout the organisation
- Qualitative instruments such as scenario analyses and risk inventories to determine and evaluate the risks within business processes
- Regular reports as an instrument for communicating significant operational risks to the Executive Board

The current threshold for the reporting of losses within Hypo Alpe Adria has been set at EUR 5,000. All losses, from 1 January 2006 onwards, must be recorded.

OpRisk 2013 milestones and results

The focus of OpRisk in 2013 was the analysis of activities carried out in previous years concerning the precise development of risk avoidance measures. In cooperation with process management, weaknesses and potential for improvement are identified, processes are adapted and employees trained.

In 2013, efforts were centred on raising awareness. A group-wide e-learning concept was rolled out in September. The response from this concept will be used for the precision management of local training courses.

In the second quarter of 2013, a significant operational risk case was determined in Italy. A task force has been created to deal with these cases and, from an internal control system (ICS) perspective, the insufficient processes are identified, responsibilities are determined and weaknesses are eliminated.

Another focus was put on training local Operational Risk Officers, who were assigned to functions. They were provided with local training, in cooperation with local risk managers.

The flow of information to management was intensified further. A committee dealing with issues is set up every quarter and meets regularly. Any unresolved issues are discussed with those in charge, with the results presented to management. These committees – both at country- and group-level – meet quarterly; country-level committees send status reports to the group. Results are discussed in workshops and the information is shared with the relevant departments (Audit, Compliance, ICS, etc.).

In 2014, another focus will be on establishing a sustainable ICS and OpRisk in wind-down units.

(100) Object risk

At Hypo Alpe Adria, object risk covers all possible losses that may arise from fluctuations in the market values of movable equipment and real estate held by Hypo Alpe Adria. Real estate risks arising from collateral for mortgages (residual risk) are not taken into account as these are already covered by credit risk.

Hypo Alpe Adria Group aims to reduce object risk exposures by proactively selling the assets in question in a timely manner. The market and/or carrying amounts of the assets in question serve as the basis for the measurement of object risk.

Capital requirements are calculated using the standardised approach. This states that the market value is multiplied by a risk weighting of 100% and then by a weighting factor. This factor was raised from the regulatory level of 8% to 10% in 2013 to make the regulatory level more conservative.

(101) Other risks

Hypo Alpe Adria considers the following risk types as “Other risks”:

- Strategic risk
- Capital risk
- Reputation risk
- Business risk

In the risk-bearing capacity calculation, 3% of the risk capital required – as stated in the risk strategy (for all other risk types) – is held as a buffer for “Other risks”.

(102) Risks in the portfolio relating to historic interest rate directives

In 2013, group-wide analysis was carried out on the subject of interest rate directives. The results can be summarised under three main headings:

a) Intentional manipulation of the interest rate adjustment matrix at the expense of customers

This issue was detected in the Italian group units and is currently being investigated by Banca d'Italia and public prosecutors. This case is being cleared up according to criminal, civil and labour law as well as from a regulatory perspective. A plan to compensate all affected customers was developed and submitted to Banca d'Italia; the group also took extensive measures to prevent any future manipulation. Internal investigations are currently being carried out in other group units to check for parallel circumstances. If similar cases are determined, claims under civil law resulting from potential criminal conduct would be pursued against the corresponding opposing parties.

b) Interest rate adjustments contrary to the terms of the agreement

The assessment revealed that leasing companies in some countries incorrectly applied interest rate adjustment clauses agreed with customers, especially between 2009 and 2012. Lawsuits have been filed in some cases, the final outcomes of which cannot be predicted at present. The application of interest rate adjustment clauses is also being investigated further,

especially with regard to whether the conduct is criminally relevant and whether customers are entitled to compensation that would then also have to be settled.

c) Possible subsequent invalidity of agreed interest rate and interest rate adjustment clauses and / or components of currency contracts following judicial decisions or changes to statutory provisions

Over the past ten years there has been an increase in private customers who concluded foreign currency loans or foreign currency leasing agreements (especially in CHF). These agreements are now often the subject of customer complaints and are also the subject of legal disputes on an increasing basis (particularly in Croatia). The majority of these legal disputes are initiated by consumer protection associations. One point of complaint is the lack of information provided to the customer and that the customer is not made aware of the potential consequences of such agreements when they were concluded or beforehand. Another allegation is that the interest rate adjustment clauses ran contrary to the terms of the agreement. At the time of writing, a number of first-instance verdicts have been issued on the subject. However, these verdicts provide no reliable assessment of the outcome of the legal dispute or the associated financial implications at the current time.

(103) Legal risks

Please refer to note (129.3.2) Proceedings relating to loans and participations for comments from Hypo Alpe Adria on the ongoing proceedings related to foreign exchange transactions, higher margins and interest rate clauses at the subsidiary banks.

(104) Tax risks relating to tax audits

Tax audits are currently being conducted by tax authorities both in Austria and other group countries. Provisions have already been booked in the consolidated financial statements as at 31 December 2013 for quantifiable audit results that have already been communicated to Hypo Alpe Adria and where Hypo Alpe Adria generally agrees with the tax opinion of tax authority. A residual tax risk remains in cases where Hypo Alpe Adria and tax authorities are of differing legal opinions. This risk could in the future impact results to an extent that is not yet quantifiable.

Supplementary information

(105) Analysis of remaining maturity

Analysis of remaining maturity as at 31.12.2013	thereof : due on demand	up to 3 months
Cash and balances at central banks	2,312.7	0.0
Loans and advances to credit institutions	1,475.8	173.9
Risk provisions on loans and advances to credit institutions	-8.2	0.0
Loans and advances to customers	5,885.1	1,365.4
Risk provisions on loans and advances to customers	-2,329.3	-148.0
Trading assets	12.5	0.0
Derivative financial instruments	3.7	21.2
Financial investments – designated at fair value through profit or loss	0.0	0.0
Financial investments – available for sale	0.0	347.4
Financial investments – held to maturity	0.0	2.6
Investments in companies accounted for at equity	0.0	0.0
Investment properties	0.0	0.0
Intangible assets	0.0	0.0
Tangible assets	0.0	0.0
Tax assets	0.0	7.2
thereof current tax assets	0.0	7.2
thereof deferred tax assets	0.0	0.0
Assets classified as held for sale	0.0	1.5
Remaining other assets	130.0	92.2
Risk provisions on loans and advances on other assets	-35.3	-0.3
Total	7,446.9	1,863.2
Liabilities to credit institutions	3,231.9	229.0
Liabilities to customers	1,276.4	1,208.4
Liabilities evidenced by certificates	249.6	852.7
Derivative financial instruments	0.1	6.6
Provisions	0.0	18.3
Tax liabilities	0.0	0.5
thereof current tax liabilities	0.0	0.5
thereof deferred tax liabilities	0.0	0.0
Liabilities included in disposal groups classified as held for sale	0.0	0.0
Remaining other liabilities	25.6	96.3
Subordinated capital	0.0	240.8
Hybrid capital	0.0	0.0
Total	4,783.7	2,652.7

The remaining term of maturity is the period between the end of the reporting period and the expected payment date for the loan or liability. Where loans or liabilities fall due in partial amounts, the remaining maturity is reported separately for each partial amount. The maturity analysis is made according to the carrying amount.

The liabilities to financial institutions that are due daily and the liabilities evidenced by certificates include financing granted by a former owner in the amount of EUR 2,378.7 million (2012: EUR 2,374.5 million) that falls under the Equity Substitution Act (EKEG). Reporting for the previous year was adjusted accordingly in the analysis of remaining maturity.

EUR m

	from 3 months to 1 year	Total up to 1 year	from 1 year to 5 years	over 5 years	Total over 1 year	Total
	0.0	2,312.7	0.0	0.0	0.0	2,312.7
	61.5	1,711.3	330.9	45.3	376.1	2,087.4
	0.0	-8.2	-0.1	0.0	-0.1	-8.3
	2,538.2	9,788.7	5,707.5	3,792.7	9,500.2	19,289.0
	-253.1	-2,730.4	-630.4	-464.3	-1,094.7	-3,825.1
	0.0	12.5	0.0	0.0	0.0	12.5
	11.5	36.4	762.3	271.3	1,033.6	1,070.1
	0.0	0.0	189.9	315.3	505.2	505.2
	687.9	1,035.3	1,129.4	256.8	1,386.2	2,421.5
	0.1	2.7	41.8	39.3	81.1	83.7
	1.4	1.4	4.5	0.0	4.5	5.9
	0.0	0.0	241.9	873.4	1,115.3	1,115.3
	0.2	0.2	2.2	13.9	16.1	16.3
	0.0	0.0	63.2	197.6	260.8	260.8
	33.5	40.7	83.9	2.1	86.0	126.7
	33.5	40.7	-12.6	0.9	-11.7	29.0
	0.0	0.0	96.5	1.2	97.7	97.7
	96.0	97.5	0.0	0.0	0.0	97.5
	130.2	352.4	114.0	222.2	336.2	688.6
	-1.2	-36.8	-4.4	0.0	-4.4	-41.2
	3,306.3	12,616.4	8,036.7	5,565.5	13,602.2	26,218.6
	55.9	3,516.8	873.6	274.9	1,148.5	4,665.3
	1,518.0	4,002.8	1,960.8	157.3	2,118.2	6,120.9
	455.2	1,557.6	8,820.7	17.5	8,838.2	10,395.8
	4.3	11.1	326.6	439.6	766.2	777.3
	118.9	137.3	49.1	5.1	54.3	191.5
	1.8	2.3	5.8	6.6	12.4	14.8
	1.8	2.3	0.0	0.0	0.0	2.3
	0.0	0.0	5.8	6.6	12.4	12.4
	5.6	5.6	0.0	0.0	0.0	5.6
	59.3	181.2	14.3	77.2	91.4	272.7
	0.2	241.0	271.4	1,402.5	1,673.8	1,914.8
	0.0	0.0	0.0	1.2	1.2	1.2
	2,219.2	9,655.6	12,322.3	2,381.9	14,704.2	24,359.8

Analysis of remaining maturity as at 31.12.2012*	thereof :	
	due on demand	up to 3 months
Balances at central banks	2,873.2	0.0
Loans and advances to credit institutions	1,373.4	254.1
Risk provisions on loans and advances to credit institutions	-2.9	0.0
Loans and advances to customers	3,186.5	1,943.9
Risk provisions on loans and advances to customers	-2,012.9	-300.2
Trading assets	1.3	0.1
Derivative financial instruments	7.2	67.3
Financial investments – designated at fair value through profit or loss	0.0	33.7
Financial investments – available for sale	0.0	296.5
Financial investments – held to maturity	0.0	3.0
Investments in companies accounted for at equity	0.0	0.0
Investment properties	0.0	0.0
Intangible assets	0.0	0.0
Tangible assets	0.0	0.0
Tax assets	0.0	1.1
thereof current tax assets	0.0	1.2
thereof deferred tax assets	0.0	0.0
Assets classified as held for sale	0.0	0.0
Remaining other assets	2.8	127.4
Risk provisions on loans and advances on other assets	-1.3	0.0
Total	5,427.2	2,426.8
Liabilities to credit institutions	3,133.5	400.3
Liabilities to customers	2,084.2	1,397.8
Liabilities evidenced by certificates	249.4	849.9
Derivative financial instruments	0.1	4.7
Provisions	7.0	17.3
Tax liabilities	0.0	4.6
thereof current tax liabilities	0.0	4.6
thereof deferred tax liabilities	0.0	0.0
Liabilities included in disposal groups classified as held for sale	0.0	0.0
Remaining other liabilities	5.8	149.4
Subordinated capital	0.0	230.4
Hybrid capital	0.0	0.0
Total	5,480.0	3,054.4

* Previous year's figures for 2012 were adjusted.

EUR m

	from 3 months to 1 year	Total up to 1 year	from 1 year to 5 years	over 5 years	Total over 1 year	Total
	0.0	2,873.2	0.0	0.0	0.0	2,873.2
	124.4	1,752.0	172.1	69.0	241.1	1,993.1
	0.0	-3.0	0.0	0.0	0.0	-3.0
	2,908.5	8,038.9	6,908.9	9,453.7	16,362.6	24,401.5
	-302.8	-2,616.0	-239.8	-214.4	-454.2	-3,070.2
	0.0	1.4	0.1	0.0	0.1	1.5
	8.6	83.1	1,030.2	312.7	1,343.0	1,426.1
	6.7	40.4	92.4	650.6	743.0	783.4
	526.7	823.2	1,452.5	412.6	1,865.2	2,688.3
	5.0	8.0	41.4	41.1	82.5	90.5
	0.0	0.0	7.3	0.1	7.4	7.4
	0.0	0.0	244.9	1,034.2	1,279.2	1,279.2
	0.0	0.0	23.7	21.0	44.7	44.6
	0.0	0.0	113.2	278.8	392.0	392.0
	16.1	17.3	17.9	41.8	59.7	77.0
	16.1	17.3	1.1	0.0	1.1	18.4
	0.0	0.0	16.9	41.8	58.6	58.6
	0.0	0.0	0.0	0.0	0.0	0.0
	175.8	306.0	329.4	194.3	523.7	829.7
	0.0	-1.3	-9.2	0.0	-9.2	-10.5
	3,469.2	11,323.1	10,185.1	12,295.5	22,480.6	33,803.7
	129.0	3,662.8	1,293.4	296.3	1,589.7	5,252.5
	2,345.7	5,827.7	2,030.0	548.2	2,578.2	8,405.9
	1,751.7	2,851.0	10,984.7	1,000.1	11,984.8	14,835.8
	3.6	8.5	311.9	461.6	773.5	781.9
	79.6	104.0	12.5	11.7	24.1	128.1
	13.4	18.0	19.0	3.2	22.1	40.1
	13.4	17.9	0.2	0.0	0.2	18.1
	0.0	0.1	18.8	3.2	21.9	22.0
	0.0	0.0	0.0	0.0	0.0	0.0
	123.9	279.1	30.3	118.2	148.5	427.6
	268.4	498.8	346.5	1,111.9	1,458.4	1,957.3
	0.0	0.0	0.0	6.0	6.0	6.0
	4,715.5	13,250.0	15,028.2	3,557.1	18,585.3	31,835.3

(106) Finance leases

Receivables under finance lease are included in loans and advances to credit institutions and to customers; they break down as follows:

EUR m

	31.12.2013	31.12.2012
Minimum lease payments (agreed instalments + guaranteed residual value)	4,325.9	5,218.6
Non guaranteed residual value (+)	436.5	518.9
Gross investment value (=)	4,762.4	5,737.5
up to 1 year	1,031.6	1,120.4
from 1 year to 5 years	1,772.1	2,079.5
over 5 years	1,958.7	2,537.6
Unrealized financial income (interest) (-)	-725.0	-996.0
up to 1 year	-126.1	-170.7
from 1 year to 5 years	-333.5	-444.6
over 5 years	-265.4	-380.7
Net investment value (=)	4,037.4	4,741.5

The cumulated risk provision on uncollectable outstanding minimum leasing payments from finance lease for 2013 amounts to EUR 454.3 million (2012 adjusted: EUR 454.8 million).

The total amount of contingent payment of rents from finance lease contracts recognised as income in the reporting period was EUR 9.0 million (2012: EUR 23.1 million).

EUR m

	31.12.2013	31.12.2012
Present value of non guaranteed residual values	436.5	518.9
up to 1 year	30.8	28.6
from 1 year to 5 years	69.1	75.4
over 5 years	336.6	414.9
Present value of minimum lease payments	3,600.9	4,222.6
up to 1 year	874.6	921.1
from 1 year to 5 years	1,369.6	1,559.5
over 5 years	1,356.8	1,742.0

The net investments from finance leases also include the present value of the non-guaranteed residual value. Leased assets corresponding to finance leases break down as follows:

EUR m

	31.12.2013	31.12.2012
Real-estate leases	2,986.4	3,215.1
Vehicle leases	458.1	654.0
Boat leases	107.2	121.4
Other movables	485.6	751.0
Total	4,037.4	4,741.5

(107) Operating leases

The future minimum lease payments from non-terminable operating leases are as follows for each of the years shown below:

	EUR m	
	31.12.2013	31.12.2012
up to 1 year	81.2	62.2
from 1 to 5 years	219.3	207.6
over 5 years	94.3	134.2
Total	394.8	404.0

The breakdown of minimum lease payments from non-terminable operating leases, by leased assets, is as follows:

	EUR m	
	31.12.2013	31.12.2012
Real-estate leases	340.6	328.1
Vehicle leases	21.3	38.9
Boat leases	3.4	7.0
Other movables	29.4	30.0
Total	394.8	404.0

Contingent lease payments from operating leases recorded as income in the reporting period totalled EUR 4.0 million (2012: EUR 3.8 million).

(108) Borrowing costs

Borrowing costs arising in relation to qualified assets as per IAS 23 are capitalised together with manufacturing costs. In financial year 2013, no borrowing costs were capitalised (2012: EUR 0.3 million at a financing cost rate of 1.4%).

(109) Development costs

In the 2013 financial year, Hypo Alpe Adria capitalised development costs of EUR 0.7 million (2012: EUR 0.6 million) for self-generated software as defined in IAS 38 "Intangible assets".

	EUR m	
	31.12.2013	31.12.2012
Development costs capitalised during the period	0.7	0.6

(110) Assets/liabilities in foreign currencies

The following balance sheet amounts are in foreign currency denominations:

	EUR m	
	31.12.2013	31.12.2012
Assets	8,929.0	10,834.9
Liabilities	5,433.6	6,964.1

The majority of the difference between the respective sums is hedged through foreign exchange swaps (currency swaps and cross-currency swaps) and foreign exchange forwards.

(111) Fiduciary transactions

The sum of fiduciary transactions at the end of the reporting period which are not shown in the statement of financial position was as follows:

	EUR m	
	31.12.2013	31.12.2012
Loans and advances to customers	54.1	73.2
Fiduciary assets	54.1	73.2
Liabilities to credit institutions	35.9	73.2
Liabilities to customers	18.1	0.0
Fiduciary liabilities	54.1	73.2

(112) Repurchase agreements

At the end of the year, the following repurchase and reverse repurchase commitments from repurchase agreements existed:

	EUR m	
	31.12.2013	31.12.2012
Liabilities to credit institutions	230.4	300.8
Liabilities to customers	0.0	0.0
Repurchase agreements	230.4	300.8

	EUR m	
	31.12.2013	31.12.2012
Loans and advances to credit institutions	0.0	1.8
Loans and advances to customers	12.9	2.9
Reverse repurchase agreements	12.9	4.8

(113) Assets given as collateral

Assets with a value of EUR 470.6 million (2012 adjusted: EUR 530.3 million) were provided to third parties as collateral for own debts. These are mainly cash collaterals given as security related to derivatives. Further, securities of EUR 1,175.2 million (2012: EUR 971.7 million) were deposited with the Oesterreichische Nationalbank (OeNB) for possible refinancing. The corresponding assets continue to be recognised in Hypo Alpe Adria's balance sheet.

EUR m

	31.12.2013	31.12.2012*
Liabilities to credit institutions	470.6	528.2
Liabilities to customers	0.0	2.1
Total	470.6	530.3

*Previous year's figures for 2012 were adjusted.

Securities in the amount of EUR 126.2 million (2012: EUR 152.7 million) were loaned through securities transactions.

(114) Subordinated assets

The following assets shown in the statement of financial position are subordinated assets:

EUR m

	31.12.2013	31.12.2012*
Loans and advances to customers	2.5	6.8
Financial investments – available for sale	45.1	48.4
Total	47.6	55.2

*Previous year's figures for 2012 were adjusted.

(115) Contingent liabilities and other off-balance-sheet liabilities

The following off-balance-sheet liabilities existed on the balance sheet date:

EUR m

	31.12.2013	31.12.2012
Contingent liabilities	508.5	724.8
from bills of exchange transferred for settlement	0.2	0.4
from credit guarantees	260.7	431.2
from letters of credit	31.2	20.1
from other guarantees	200.8	249.2
from other contingent liabilities	15.6	23.8
Other liabilities	482.4	877.4
from irrevocable credit commitments	472.8	861.3
from other liabilities	9.6	16.1
Total	990.9	1,602.2

Other liabilities include liabilities due to the purchase or construction of investment properties and tangible assets totalling EUR 6.2 million (2012: EUR 14.6 million).

(116) Liability for commitments issued through the “Pfandbriefstelle”

As a member of the Mortgage Bond Division of the Austrian State Mortgage Banks (Pfandbriefstelle), Hypo Alpe-Adria-Bank International AG in accordance with section 2 (1) of the Austrian Pfandbriefstelle Act (PfBrStG) is jointly liable with the other members for all the Pfandbriefstelle’s liabilities. This liability applies equally for all other member institutions and their legal successors as listed in section 1 (2) of the articles of association of 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 (the State of Carinthia) of the member institutions are according to section 2 (2) of the PfBrStG equally jointly liable. In the audit report for the Pfandbriefstelle setting out the legal obligations on liabilities, the value of the liabilities to be covered by the guarantors was put at approximately EUR 6.2 billion as at the reporting date 31 December 2013 (2012: EUR 7.6 billion). After taking account of the funds taken up by the Pfandbriefstelle and forwarded to Hypo Alpe-Adria-Bank International AG in the amount of EUR 1.2 billion (2012: EUR 2.0 billion), the resulting amount which must be reported in accordance with section 237 Z (8a) of the Austrian Commercial Code comes to EUR 4.9 billion (2012: EUR 5.6 billion). The values for the previous year as at 31 December 2012 still include the subsidiary bank Hypo Alpe-Adria-Bank AG (Austria) which was sold in December of 2013.

(117) Breakdown of securities admitted to stock exchange trading

EUR m

	31.12.2013	31.12.2012*
Trading assets		
Bonds and other fixed-interest securities	6.1	1.3
thereof listed	6.1	1.3
thereof unlisted	0.0	0.0
Shares and other non-fixed-interest securities	0.0	0.1
thereof listed	0.0	0.0
thereof unlisted	0.0	0.1
Treasury bills, eligible for refinancing with central banks	6.4	0.0
thereof listed	0.0	0.0
thereof unlisted	6.4	0.0
Financial investments – designated at fair value through profit or loss		
Bonds and other fixed-interest securities	197.1	185.2
thereof listed	70.0	68.6
thereof unlisted	127.1	116.6
Shares and other non-fixed-interest securities	18.4	19.1
thereof listed	1.9	1.8
thereof unlisted	16.6	17.3
Financial investments – available for sale		
AFS-shares in affiliated, non-consolidated companies (>50%)	26.4	11.0
thereof listed	0.0	0.0
thereof unlisted	26.4	11.0
Other participations (associated companies 20% –50%)	1.3	2.8
thereof listed	0.0	0.0
thereof unlisted	1.3	2.8
Participations without intension for sale (under 20%)	1.6	6.6
thereof listed	0.0	0.0
thereof unlisted	1.6	6.6
Bonds and other fixed-interest securities	1,420.4	1,510.1
thereof listed	1,288.6	1,408.5
thereof unlisted	131.8	101.6
Shares and other non-fixed-interest securities	31.3	40.8
thereof listed	19.3	27.7
thereof unlisted	12.0	13.2
Treasury bills, eligible for refinancing with central banks	916.4	1,114.8
thereof listed	542.6	630.4
thereof unlisted	373.9	484.4
Financial investments – held to maturity		
Bonds and other fixed-interest securities	83.7	85.5
thereof listed	83.7	83.3
thereof unlisted	0.0	2.3

*Previous year's figures for 2012 were adjusted.

(118) Restructuring expenses

The restructuring expenses comprise the following elements:

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012*
Restructuring provisions	-13.5	-6.5
Other restructuring costs	-0.4	-0.1
Release of not fully used restructuring provisions	0.2	7.1
Total	-13.7	0.5

* Previous year's figures for 2012 were adjusted.

In the 2013 financial year, restructuring provisions were formed for companies that were defined as wind-down units as a result of the EU investigations and are legally obliged to pay severance.

(119) Audit expenses

The following fees were incurred by the audit company Ernst & Young in the period under review:

EUR m

	31.12.2013	31.12.2012
Audit fees for the annual financial statements	-2.4	-2.4
expenses for the current year	-2.4	-2.3
expenses relating to the previous year	0.0	-0.1
Fees for other services	-0.2	-0.2
other assurance services	0.0	-0.1
tax consultancy	0.0	0.0
other services	-0.2	-0.1
Total services	-2.6	-2.7

The audit expenses incurred in the 2013 financial year include the net audit fee (excluding value-added tax) as well as the related cash expenditures. In addition to the services invoiced by the appointed auditor of the consolidated financial statements, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (Vienna), invoices for services rendered directly by other companies within the Ernst & Young network to Hypo Alpe-Adria-Bank International AG or to its subsidiaries have been included in the total sum.

The expenses for the audit of the consolidated financial statements relate to costs for auditing the (local) annual financial statements, the group reporting packages of the subsidiaries audited by Ernst & Young, as well as the costs of the consolidated financial statement itself.

(120) Measurement categories in accordance with IAS 39

The statement of financial position as at 31 December 2013 is broken down into the following measurement categories in accordance with IAS 39:

EUR m

	LAR / LAC	HFT	FVO	AFS	HTM	HFT (Fair Value Hedges)	31.12.2013
Cash and balances at central banks	2,188.5			124.2			2,312.7
Loans and advances to credit institutions	2,087.4						2,087.4
Loans and advances to customers	19,289.0						19,289.0
Impairment on financial instruments – at cost (risk provision)	-3,874.6						-3,874.6
Trading assets		12.5					12.5
Derivative financial instruments		249.8	103.8			716.5	1,070.1
Financial investments – afvtpl			505.2				505.2
Financial investments – afs				2,421.5			2,421.5
Financial investments – htm					83.7		83.7
Other assets	105.5						105.5
Total financial assets	19,795.8	262.3	609.0	2,545.7	83.7	716.5	24,013.0
Liabilities to credit institutions	4,375.5		289.8				4,665.3
Liabilities to customers	6,111.8		9.2				6,120.9
Liabilities evidenced by certificates	10,023.8		371.9				10,395.8
Derivative financial instruments		498.3	45.2			233.7	777.3
Subordinated capital	1,886.6		28.2				1,914.8
Hybrid capital			1.2				1.2
Other liabilities	95.9		0.0				95.9
Total financial liabilities	22,493.6	498.3	745.5	0.0	0.0	233.7	23,971.1

Abbreviations:

lar:	loans and receivable
lac:	liabilities at cost
hft:	held for trading
fvo:	designated at fair value through profit and loss
afvtpl:	at fair value through profit or loss (fair value option)
afs:	available for sale
htm:	held to maturity

The statement of financial position as at 31 December 2012 was broken down into the following measurement categories in accordance with IAS 39:

EUR m

	LAR / LAC	HFT	FVO	AFS	HTM	HFT (Fair Value Hedges)	31.12.2012
Cash and balances at central banks	2,748.8			124.4			2,873.2
Loans and advances to credit institutions	1,993.1						1,993.1
Loans and advances to customers	24,401.5						24,401.5
Impairment on financial instruments – at cost (risk provision)	-3,083.7						-3,083.7
Trading assets		1.5					1.5
Derivative financial instruments		53.2	152.0			1,220.9	1,426.1
Financial investments – afvtpl			783.4				783.4
Financial investments – afs				2,688.3			2,688.3
Financial investments – htm					90.5		90.5
Other assets	146.5						146.5
Total financial assets	26,206.1	54.7	935.4	2,812.7	90.5	1,220.9	31,320.2
Liabilities to credit institutions	4,934.3		318.2				5,252.5
Liabilities to customers	8,266.6		139.3				8,405.9
Liabilities evidenced by certificates	14,445.7		390.2				14,835.9
Derivative financial instruments		314.6	109.6			357.7	781.9
Subordinated capital	1,929.9		27.3				1,957.3
Hybrid capital			6.0				6.0
Other liabilities	117.6		0.0				117.6
Total financial liabilities	29,694.1	314.6	990.7	0.0	0.0	357.7	31,357.1

*Previous year's figures for 2012 were adjusted.

Abbreviations:

lar:	loans and receivables
lac:	liabilities at cost
hft:	held for trading
fvo:	designated at fair value through profit and loss
afvtpl:	at fair value through profit or loss (fair value option)
afs:	available for sale
htm:	held to maturity

(121) Loans and advances and financial liabilities designated at fair value

Hypo Alpe Adria uses the fair value option primarily to avoid accounting mismatches for securities and loans which are hedged with interest rate derivatives.

This applies equally for long-term bonds issued with fixed interest rates. Based on the management strategy, the interest sums are switched from fixed to variable-rate using interest rate swaps. Over and above this, the fair value option is used for financial instruments with embedded derivatives.

The following values for individual items included in statement of financial position have resulted from applying the fair value option:

	EUR m	
	31.12.2013	31.12.2012*
Loans and advances to customers and credit institutions	289.6	579.1
Bonds and other fixed-interest securities	197.1	185.2
Shares and other non-fixed-interest securities	18.4	19.1
Total	505.2	783.4
Liabilities to credit institutions	289.8	318.2
Liabilities to customers	9.2	139.3
Liabilities evidenced by certificates	371.9	390.2
Subordinated capital	28.2	27.3
Hybrid capital	1.2	6.0
Total	700.3	881.1

*Previous year's figures for 2012 were adjusted.

The valuation result from the application of the fair value option comes to a total of EUR 55.1 million (2012: EUR -6.5 million) (see note (47) Result from financial investments – designated at fair value through profit or loss).

As at 31 December 2013, the maximum default risk for loans and advances designated at fair value recognised in profit or loss was EUR 241.7 million (2012: EUR 513.7 million). The change in the fair value that is attributable to changes in the credit rating was EUR 7.1 million in the 2013 financial year (2012: EUR 4.6 million); since the designation, the cumulated change amounts to EUR 4.2 million (2012: EUR -2.9 million). The fair value changes attributable to changes in the credit rating were determined by calculating differences, comparing the fair value based on the credit rating spreads at the end of the reporting period to that at the beginning of the reporting period.

The fair value of the issued financial liabilities takes into account the credit risk of the group, with the exception of the liabilities evidenced by certificates in the amount of EUR 364.7 million and the subordinated capital of EUR 27.8 million, which are issued with third-party collateral security that cannot be separated, so that the third-party credit risk is taken into account in determining the fair value. The fair value of these financial liabilities is determined with the help of a valuation method. One such method takes account of the credit risk through discounting the contractually determined payment flows of the liability using a risk-adjusted interest rate curve, which shows the interest rate level at which the group could issue similar instruments as at the end of the reporting period.

For the financial liabilities designated at fair value, the total change in fair value due to own credit risk in the 2013 financial year is EUR 36.1 million (2012: EUR -32.2 million); the cumulative fair value change as at 31 December 2013 due to changes in own credit risk is EUR 134.9 million (2012: EUR 103.5 million).

	EUR m	
	31.12.2013	31.12.2012
Cumulative changes in fair value	134.9	103.5
Fair-value-change in reporting year	36.1	-32.2

The repayment sum as at 31 December 2013 is EUR 716.0 million (2012 adjusted: EUR 820.7 million), and therefore EUR 16.9 million higher than the amount shown in the statement of financial position as at 31 December 2013 (2012: EUR 54.3 million lower than the amount shown in the statement of financial position).

The repayment sum as at 31 December 2013 compared to the amount shown in the statement of financial position is as follows:

EUR m

	Repayment amount	Total	Difference
Liabilities to credit institutions	300.0	289.8	10.2
Liabilities to customers	10.0	9.2	0.8
Liabilities evidenced by certificates	378.1	371.9	6.2
Subordinated capital	27.8	28.2	-0.3
Total	716.0	699.1	16.9

The difference as at 31 December 2012 was as follows:

EUR m

	Repayment amount	Total	Difference
Liabilities to credit institutions	294.6	318.2	-23.6
Liabilities to customers	142.6	139.3	3.3
Liabilities evidenced by certificates	355.5	390.2	-34.7
Subordinated capital	28.0	27.3	0.7
Total	820.7	875.0	-54.3

The repayment sum equates to the sum that the group must repay at the earliest possible due date set down in the contracts. If the amount due to be repaid has not been determined (as is the case, for example, with perpetuals), the amounts for these financial instruments will not be recognised.

(122) Net gains or losses on financial instruments

The net gains and losses on financial instruments by category are as follows:

EUR m

	Net interest income	Valuation and Sale	Risk provisions for loans and advances	1.1. - 31.12.2013 Other comprehensive income (OCI)
Loans and receivables	847.4	0.4	-1,362.1	
Trading assets	219.4	4.2		
Financial investments – designated at fair value through profit or loss	8.9	15.6		
Financial investments – available for sale	51.6	-9.0		11.0
Financial investments – held to maturity	4.6	-2.6		
Financial liabilities measured at amortized cost	-622.5	0.0		
Financial liabilities measured at fair value through profit or loss	-28.3	39.5		
Total	481.0	48.2	-1,362.1	11.0

EUR m

	Net interest income	Valuation and Sale	Risk provisions for loans and advances	1.1.-31.12.2012 Other comprehensive income (OCI)
Loans and receivables	1,078.6	4.5	-308.5	
Trading assets	229.6	14.1		
Financial investments – designated at fair value through profit or loss	15.3	28.7		
Financial investments – available for sale	65.9	-10.1		79.3
Financial investments – held to maturity	2.8	-0.1		
Financial liabilities measured at amortized cost	-758.9	97.9		
Financial liabilities measured at fair value through profit or loss	-24.7	-35.3		
Total	608.5	99.7	-308.5	79.3

(123) Fair value disclosures

The fair value is the price that would be collected for the sale of an asset or paid for the transfer of a debt in an ordinary transaction between market participants on the valuation date. The following fair value hierarchy is based on the origin of the fair value:

Quoted prices in active markets (Level I)

The fair value of financial instruments which are traded on active markets can be best determined through quoted prices, as far as these represent market values/prices used in regularly occurring transactions. This applies above all to listed equity securities, debt instruments, which are traded on the interbank market, and listed derivatives.

Value determined using observable parameters (Level II)

If there are no quoted prices for individual financial instruments, the market prices of comparable financial instruments or recognised valuation models using observable prices or parameters must be used to determine fair value. This level includes the majority of the OTC derivative contracts and non-quoted debt instruments.

Value determined using non-observable parameters (Level III)

This category includes financial instruments for which there are no observable market rates or prices. The fair value is therefore determined using valuation models appropriate to the individual financial instrument. This model makes use of management assumptions and estimates which are dependent on the pricing transparency and complexity of the financial instrument.

The end of the period under review is considered the time of reclassification between various levels of the fair value hierarchy.

Equity instruments

Equity instruments are reported in Level I if these are quoted in an active market. If not, these are then reported in Level III. If the fair value of an equity instrument cannot be reliably measured, the equity instrument is measured at amortised cost. Equity instruments measured at cost are impaired if the carrying amount is higher than the recoverable amount, either by a significant amount or over a longer period of time.

Derivative

The fair values of derivatives that are not options are determined by discounting the relevant cash flows. These are reported in Level II if they are measured on the basis of observable input factors. If non-observable significant input factors are used, then these derivatives are reported as Level III. The measurement of the fair values of structured financial products takes into account the type of embedded derivative; these are reported in Level II or Level III depending on whether input factors were used.

Fixed-interest receivables and liabilities

The method used to measure fixed-interest receivables, liabilities and securities depends on the liquidity on the relevant market. Liquid instruments measured on the basis of the relevant market value are reported in Level I. The fair value is de-

terminated on the basis of risk premium curves in the event that there is no active market. The proximity to the risk premium curve used determines whether these instruments are reported in Level II or Level III. They are reported in Level III in the event that a significant, non-observable risk premium is used. Provision of price data either at a low frequency or only from one source is reported in Level III.

Hedge accounting

Within the scope of hedge accounting, Hypo Alpe Adria uses only fair value hedges to hedge the market values of financial instruments. Loans and advances hedged according to IAS 39 are reported in the statement of financial position in accordance with the hedged fair value, i.e. the carrying amount plus the change of the market value attributable to the hedged part of the loan. The hedge serves above all to minimise the market value risk caused by interest rate changes.

With regard to hedging risks arising from interest rate changes, no separate calculation of the fair value was carried out.

As the carrying amount of unhedged fixed interest loans and advances according to IAS 39 remains unaffected by market changes, this produces a difference between the fair value and the carrying amount, which is determined by means of a capital value-oriented valuation method.

For this purpose, Hypo Alpe Adria established the expected series of payments for each financial instrument and discounted it with a discounting rate based on market data.

The end of the period under review is considered the time of reclassification between various levels of the fair value hierarchy.

123.1. Fair value of financial instruments carried at fair value

The table below shows the allocation of financial instruments carried at fair value according to their level in the fair value hierarchy (see note (123) Fair value disclosures).

EUR m

31.12.2013	Level I – from active market	Level II - based on market assumptions	Level III - based on non- market assumptions	Total
Assets				
Trading assets	6.1	6.4	0.0	12.5
Derivative financial instruments	0.0	944.1	126.0	1,070.1
Financial investments – designated at fair value through profit or loss	0.0	1.9	503.3	505.2
Financial investments – available for sale	1,856.4	397.8	167.3	2,421.5
Total	1,862.5	1,350.1	796.6	4,009.2
Liabilities				
Liabilities to credit institutions	0.0	0.0	289.8	289.8
Liabilities to customers	0.0	0.0	9.2	9.2
Liabilities evidenced by certificates	0.0	111.7	260.3	371.9
Derivative financial instruments	0.0	740.9	36.4	777.3
Subordinated capital	0.0	0.0	28.2	28.2
Hybrid capital	1.2	0.0	0.0	1.2
Total	1.2	852.6	623.8	1,477.6

As at 31 December 2013, financial assets available for sale in the amount of EUR 36.1 million were reclassified from Level I to Level II since the availability of third-party market price listings decreased.

EUR m

31.12.2012*	Level I – from active market	Level II - based on market assumptions	Level III - based on non- market assumptions	Total
Assets				
Trading assets	1.5	0.0	0.0	1.5
Derivative financial instruments	0.0	1,254.7	171.3	1,426.1
Financial investments – designated at fair value through profit or loss	0.0	1.7	781.6	783.4
Financial investments – available for sale	2,278.6	318.7	94.6	2,691.8
Total	2,280.0	1,575.2	1,047.5	4,902.7
Liabilities				
Liabilities to credit institutions	0.0	0.0	318.2	318.2
Liabilities to customers	0.0	0.0	139.3	139.3
Liabilities evidenced by certificates	0.0	81.7	308.5	390.2
Derivative financial instruments	0.0	739.9	42.0	781.9
Subordinated capital	0.0	0.3	27.0	27.3
Hybrid capital	6.0	0.0	0.0	6.0
Total	6.0	821.9	835.1	1,662.9

* Previous year's figures for 2012 were adjusted.

The previous allocation of levels was reviewed in conjunction with an external advisor as part of the process of implementing IFRS 13. This has resulted in a change to the classification of assets and liabilities held as at 31 December 2012 and primarily relates to an increase in allocations to the Level III category.

The reconciliation of the financial instruments in Level III is shown in the table below:

EUR m

31.12.2013	At start of reporting period (+)	Total gains/losses	Revaluation (only afs)	Additions (+)	Disposals (-)	Transfer into Level III	Transfer out of Level III	Other (+/-)	At end of reporting period (-)
Assets									
Trading assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial instruments	171.3	-48.2	0.0	0.0	0.0	0.0	0.0	2.8	126.0
Financial investments – designated at fair value through profit or loss	781.7	-34.3	0.0	0.0	-5.0	0.0	0.0	-239.0	503.3
Financial investments – available for sale	94.6	6.0	1.3	79.4	-8.9	8.1	-9.6	-3.5	167.3
Total	1,047.6	-76.5	1.3	79.4	-13.9	8.1	-9.6	-239.7	796.6
Liabilities									
Liabilities to credit institutions	318.2	-28.4	0.0	0.0	0.0	0.0	0.0	0.0	289.8
Liabilities to customers	139.3	-70.5	0.0	0.0	-60.0	0.0	0.0	0.4	9.2
Liabilities evidenced by certificates	308.5	-52.6	0.0	0.0	-4.5	0.0	0.0	9.0	260.3
Derivative financial instruments	42.0	0.6	0.0	0.0	0.0	0.0	0.0	-6.3	36.4
Subordinated capital	27.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0	28.2
Total	835.1	149.8	0.0	0.0	-64.5	0.0	0.0	3.0	623.8

The column "Total gains/losses" contains both income and expenses from financial instruments which were held as at 31 December 2013, as well as from financial instruments which are no longer on the books as at 31 December 2013. The gains/losses on derivative financial instruments are reported in the result of financial assets designated at fair value through profit and loss, the result of hedge accounting and the trading result; the remaining items are reported on the income statement or under equity according to their category. A loss of EUR -106.8 million (2012: EUR -2.2 million) was incurred on the financial instruments held as at 31 December 2013. It is reported in the result of financial assets designated at fair value through profit and loss, the result of hedge accounting and the trading result.

A total of EUR 9.6 million was reclassified from Level III to Level II (2012: EUR 1.8 million) since a larger number of market price sources is available. Due to the restricted availability of external market values, a total of EUR 8.1 million was reclassified from Level I to Level III in 2013 (2012: EUR 66.0 million).

The disposal of the assets and liabilities of the Austrian subsidiary bank Hypo Alpe-Adria-Bank AG, which was sold on 19 December 2013, is recorded in the column "Other".

The reconciliation of the assets reported in Level III as at 31 December 2012 was as follows:

in EUR Mio.

31.12.2012	At start of reporting period (+)	Total gains/losses	Revaluation (only afs)	Additions (+)	Disposals (-)	Transfer into Level III	Transfer out of Level III	Other (+/-)	At end of reporting period (-)
Assets									
Trading assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial instruments	175.2	-5.0	0.0	0.0	0.0	0.0	0.0	1.2	171.3
Financial investments – designated at fair value through profit or loss	717.4	0.2	0.0	0.0	0.0	65.8	-1.8	-0.0	781.7
Financial investments – available for sale	95.6	1.2	-0.1	-0.1	-3.1	0.2	-0.0	0.9	94.6
Total	988.2	-3.6	-0.1	-0.1	-3.1	66.0	-1.8	2.0	1,047.6

The opening values of the Level III table were adjusted due to the changes in level assignments of assets and liabilities held as at 31 December 2012.

123.1.1. VALUATION METHODS USED TO DETERMINE THE FAIR VALUE OF LEVEL II AND LEVEL III ITEMS

The approved valuation techniques according to IFRS 13 are the market approach, the cost approach and the income approach. The valuation technique using the market approach is based on identical or comparable assets and liabilities. With the income approach, the future cash flows or income and expenses are discounted on the valuation date. The fair value determined in this manner reflects current market expectations regarding these future amounts. It primarily includes present value models and also option price models used for the valuation of financial instruments or cash flows with the nature of options. The cost approach is not used.

The fair value of financial instruments with short terms where the carrying amount is an adequate approximation of the fair value was not separately determined.

While market prices for some of the Level III items are provided externally, the market prices are either supplied with low frequency or from only one source. Where possible, the values are verified against third-party valuations on a recurring basis.

The following valuation techniques are applied to items that are valued internally based on models:

Present value of the future cash flows

Level II and III items that are not traded in active markets but where the date and amount of the cash flows are known are valued at the present value of the future cash flows. A risk premium is taken into account for discounting. All input factors are observable for Level II instruments while some parameters cannot be directly observed for Level III.

Option valuation models

The existing portfolio of Level III items includes cash flows with amounts tied to various market variables such as swap rates, stock market indexes and FX rates, or with dates that cannot be determined. Recognised interest and option valuation models calibrated daily with market data (swaption prices, market prices, FX rates) are used for the valuation of such cash flows.

123.1.2. NON-OBSERVABLE INPUT FACTORS FOR LEVEL III ITEMS

Volatilities and correlations

Volatilities are important input parameters for all option valuation models. The volatilities are derived from market data using recognised models. If a model incorporates more than one market variable, correlations also have to be estimated and taken into account.

Risk premiums

Credit risk premiums indicate the default risk of an issuer. They provide information about the expected loss if the issuer defaults and therefore reflect the loss given default and the probability of default. Risk premiums for some issuers can be observed directly in the market. When single-name CDS curves are not available for an issuer, the risk premiums have to be estimated based on similarities to other issuers or based on the issuer's county and sector. This applies to the risk premium of Hypo Alpe Adria.

Loss given default

The loss given default is a parameter that is never directly observable before a company defaults. Historical data is used to estimate the expected loss given default.

Probability of default

The risk premium and loss given default are used to estimate the probability of default, which is used for possible fair value adjustments.

123.1.3. FAIR VALUE ADJUSTMENTS

Credit valuation adjustment (CVA) and debt valuation adjustment (DVA)

The credit valuation adjustment (CVA) and debt valuation adjustment (DVA) are reported for all OTC derivatives. The calculation is based on a Monte-Carlo simulation of the future replacement value (exposure), taking into account the effects of CSA agreements (credit support annex, CSA) by path. This results in a distribution of replacement values for all future dates. To determine the CVA, the absolute expected values from the positive exposure paths are multiplied by the counterparty's marginal probabilities of default and discounted. The DVA on the other hand is determined by multiplying and discounting the absolute expected values from the negative exposure paths with the bank's own marginal probabilities of default.

For counterparties with a collateral contract, the CVA and DVA have to be calculated at the portfolio level. The calculation takes into account contractual parameters such as the minimum transfer amount, threshold, rounding and netting. The relative CVA approach is used to allocate the portfolio CVA to specific items. Here the portfolio CVA is distributed proportionately to the individual CVAs. The full CVA approach is applied to unsecured items. This approach calculates the CVA at the individual item level. A waterfall principle is applied to determine the probabilities of default. First the probabilities of default are derived from CDS curves. Synthetic curves are used if there are no single-name curves; these are comprised of country-specific curves and an internal rating.

OIS discounting

HAA values derivatives under consideration of base spread influences by using various interest curves. Various interest curves are used to calculate the forward rates and discount factors (multi-curve framework). Overnight-indexed swap rates (OIS interest rates) are used for discounting in the valuation of collateralised OTC derivatives according to current market standards. A cross-currency base spread is taken into account for foreign currency swaps, where the collateral and cash flows are in a different currency.

123.1.4. SENSITIVITY ANALYSIS WITH LEVEL III ITEMS

The values of Level III financial instruments are determined on the basis of non-observable input factors. The value of these non-observable factors can be derived from a range of alternatives and are subject to management assumptions and estimates. As at 31 December 2013, the value of factors from within the possible range were selected on the basis of the pricing transparency and complexity of the financial instrument so as to best reflect market conditions. In order to determine sensitivities within the measurement of fair values regarding the change of non-observable input factors, the factors were placed at the end of both ranges. Credit spread was identified as a material, unobservable input factor in the valuation of Level III items.

The following effects on the result arose from the rise and fall of input parameters:

EUR m

31.12.2013	Fair value - drawn all unobservable input parameters to the lowest end of the range	Fair value - drawn all unobservable input parameters to the lowest end of the range
Assets		
Financial investments – designated at fair value through profit or loss	-20.8	18.5
Total	-20.8	18.5
Liabilities		
Liabilities to credit institutions	-8.6	8.3
Liabilities to customers	-0.7	0.6
Liabilities evidenced by certificates	-8.8	9.1
Subordinated capital	-1.1	2.1
Total	-19.2	20.0

123.2. Fair value of financial instruments not recognised at fair value

The carrying amounts of recognised financial instruments and assets not reported at fair value are compared to the respective fair values below:

EUR m

	31.12.2013							
	Carrying amount	Carrying amount of current financial instruments and liabilities	Carrying amount of non-current financial instruments and liabilities	Fair value	Difference	Level I – from active market	Level II - based on market assumptions	Level III - based on non-market assumptions
Assets								
Loans and advances to credit institutions	2,079.1	1,719.9	359.2	359.6	-0.4	0.0	0.7	358.9
Loans and advances to customers	15,463.8	7,171.6	8,292.2	8,217.3	75.0	0.0	39.7	8,177.6
Financial investments – held to maturity	83.7	2.7	81.1	84.3	-3.2	84.3	0.0	0.0
Other financial investments – investment properties	1,106.7	0.0	1,106.6	1,074.4	32.3	0.0	0.0	1,074.4
Assets classified as held for sale	97.5	0.0	97.5	106.2	-8.7	0.0	0.0	106.2
Miscellaneous receivables	105.5	103.7	1.7	1.7	0.0	0.0	0.0	1.7
Total	18,936.4	8,998.0	9,938.5	9,843.5	95.0	84.3	40.4	9,718.8
Liabilities								
Liabilities to credit institutions	4,375.5	3,383.9	991.6	982.4	9.2	0.0	201.9	780.5
Liabilities to customers	6,111.8	3,516.6	2,595.2	2,467.2	128.0	0.0	52.7	2,414.6
Liabilities evidenced by certificates	10,023.8	42.7	9,981.2	9,215.2	766.0	0.0	8.5	9,206.7
Subordinated capital	1,886.6	249.8	1,636.9	1,460.4	176.4	0.0	0.0	1,460.4
Miscellaneous liabilities	95.8	94.4	1.4	1.0	0.3	0.0	0.0	1.0
Total	22,493.5	7,287.4	15,206.1	14,126.3	1,079.9	0.0	263.1	13,863.2

EUR m

	Fair value	Carrying amount	31.12.2012 Difference
Assets			
Loans and advances to credit institutions	1,990.1	1,990.1	0.0
Loans and advances to customers	21,361.8	21,331.3	30.5
Financial investments – held to maturity*	91.8	90.5	1.3
Other financial investments – investment properties	1,195.4	1,365.5	-170.1
Total	24,639.1	24,777.4	-138.3
Liabilities			
Liabilities to credit institutions	5,239.2	5,252.5	-13.3
Liabilities to customers	8,058.8	7,971.6	87.2
Liabilities evidenced by certificates	14,523.7	14,422.5	101.2
Subordinated capital	1,622.9	1,929.9	-307.0
Total	29,444.6	29,576.5	-131.9

* Previous year's figures for 2012 were adjusted.

The fair value of loans and liabilities is determined according to the present value of future cash flows. The risk premium for loans depends on the internal or external rating of the borrower. For liabilities the own credit spread is also taken into account in the discount factor. The inherent model risk and illiquidity of the items were taken into account with adjustment factors as well.

For financial assets held to maturity, the fair value is determined on the basis of externally obtained prices.

The fair value of investment properties is determined by market-based estimates that are generally calculated by full-time appraisers. If no market-based estimate exists, the fair value is estimated based on the income approach.

For assets held for sale, the fair value is calculated on the basis of existing purchase price offers.

(124) Offsetting

The following table shows the reconciliation of gross amounts to the offset net amounts, separately for all recognised financial assets and liabilities. The amounts that are subject to a legally enforceable global netting or similar agreement but have not been offset in the financial statements are disclosed as well.

EUR m

	31.12.2013	31.12.2012
ASSETS	Derivative financial instruments	
Gross amounts of recognised financial instruments	1,065.8	1,379.1
Carrying amounts of financial instruments not able to be netted	0.0	0.0
a) Gross amounts of recognised financial instruments (I and II)	1,065.8	1,379.1
b) Amounts that are set off for financial instruments I	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	1,065.8	1,379.1
d) Master netting arrangements (that are not included in b)		
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	368.1	429.8
Amounts related to financial collateral (including cash collateral);	0.0	0.0
e) Net amounts of financial instruments I and II (c-d)	697.6	949.3

*Financial instruments I: financial assets and liabilities that are already offset on the balance sheet.

Financial instruments II: financial instruments that are subject to a netting agreement but are not offset on the balance sheet.

EUR m

	31.12.2013	31.12.2012
LIABILITIES	Derivative financial instruments	
Gross amounts of recognised financial instruments	776.7	780.8
Carrying amounts of financial instruments not able to be netted	0.0	0.0
a) Gross amounts of recognised financial instruments (I and II)	776.7	780.8
b) Amounts that are set off for financial instruments I	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	776.7	780.8
d) Master netting arrangements (that are not included in b)		
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	368.1	429.8
Amounts related to financial collateral (including cash collateral);	0.0	0.0
e) Net amounts of financial instruments I and II (c-d)	408.5	350.9

*Financial instruments I: financial assets and liabilities that are already offset on the balance sheet.

Financial instruments II: financial instruments that are subject to a netting agreement but are not offset on the balance sheet.

Master agreements are concluded with business partners for offsetting derivatives transactions, so that positive and negative market values of the derivatives contracts covered by the master agreements can be offset against each other. Since such offsetting cannot be performed in the ordinary course of business but only in case of termination (e.g. insolvency), these are not offset on the balance sheet.

(125) Derivative financial instruments

The following business had not yet been transacted at the reporting date:

EUR m

	31.12.2013			31.12.2012		
	Nominal amounts	Fair values		Nominal amounts	Fair values	
		Positive	Negative		Positive	Negative
a) Interest-related transactions						
OTC-products	14,328.8	1,060.8	486.0	14,162.9	1,341.0	459.1
- interest rate swaps	14,234.5	1,060.2	485.2	14,066.4	1,340.3	458.3
- forward rate agreements	0.0	0.0	0.0	0.0	0.0	0.0
- interest options	2.2	0.0	0.0	2.5	0.0	0.0
- caps, floors	85.6	0.4	0.8	77.6	0.3	0.8
- other interest derivatives	6.5	0.3	0.0	16.4	0.4	0.0
b) Currency-related transactions						
OTC-products	4,865.9	9.3	291.3	4,485.3	84.9	322.9
- currency swaps	1,043.9	6.1	287.1	1,225.7	72.2	320.8
- cross currency swaps	3,734.0	2.8	3.9	3,011.9	11.8	1.7
- forward exchange contracts – purchases	43.7	0.2	0.0	123.8	0.3	0.0
- forward exchange contracts – sales	43.7	0.2	0.3	121.3	0.0	0.4
- currency swaptions	0.6	0.1	0.0	2.6	0.6	0.0

The majority of derivative transactions serve the purpose of hedging fluctuations related to interest rates, foreign currency rates or market values. In most cases, micro-hedges are used to directly hedge individual transactions under assets and liabilities. With regard to the disclosure and measurement of the derivatives, see notes (13) Financial instruments: Recognition and Measurement and (16) Hedge accounting.

(126) Related party disclosures

Business relations with related parties on the respective balance sheet dates were as follows:

EUR m

As at 31.12.2013	Parent	Affiliated companies	Joint Ventures	Key management personnel
Assets	108.3	120.1	47.3	0.7
Loans and advances to customers	108.3	137.2	47.3	0.7
Risk provisions on loans and advances	0.0	-54.1	0.0	0.0
Other assets	0.0	37.0	0.0	0.0
Liabilities	27.4	14.0	0.8	1.4
Liabilities to customers	0.0	13.7	0.8	1.1
Provisions	21.3	0.0	0.0	0.3
Other financial liabilities	6.1	0.0	0.0	0.0
Subordinated capital	0.0	0.3	0.0	0.0
Liabilities arising from guarantees	0.0	1.8	0.0	0.0
Guarantees issued by the group for related party	0.0	1.8	0.0	0.0
Guarantees received by the group from related party	0.0	0.0	0.0	0.0

EUR m

As at 31.12.2012	Parent	Affiliated companies*	Joint Ventures	Key management personnel
Assets	124.6	187.1	119.9	1.6
Loans and advances to customers	110.9	184.6	122.0	1.5
Risk provisions on loans and advances	-0.4	-46.4	-2.2	0.0
Other assets	14.1	49.0	0.0	0.1
Liabilities	8.3	11.6	0.0	4.4
Liabilities to customers	0.0	11.1	0.0	4.2
Provisions	2.0	0.1	0.0	0.2
Other financial liabilities	6.2	0.0	0.0	0.0
Subordinated capital	0.0	0.4	0.0	0.0
Liabilities arising from guarantees	0.0	3.9	0.0	0.0
Guarantees issued by the group for related party	0.0	3.9	0.0	0.0
Guarantees received by the group from related party	0.0	0.0	0.0	0.0

*Previous year's figures for 2012 were adjusted.

Expenses in the amount of EUR -5.6 million (2012: -2.0 million) were recorded in the 2013 financial year for uncollectible receivables and doubtful accounts with related parties (non-consolidated investment companies).

Key management personnel is defined as Executive Board members of subsidiary banks and of significant leasing companies as well as the second level of management of Hypo Alpe-Adria-Bank International AG. Relationships with other related parties are included as well. Relationships with companies accounted for at equity are shown in the table under the item affiliated companies.

In addition, at the end of the reporting period there are business relations with publicly-owned organisations, to an extent common to the banking industry.

The relationships with members of the Executive Board and Supervisory Board of Hypo Alpe-Adria-Bank International AG are shown in note (136) Relationships with members of the executive bodies.

The following expenses were incurred in addition to the charges incurred during the course of normal business activities that are due to the Republic of Austria, which as the sole owner assumes a position of control over the company, and its directly attributable legal entities:

EUR m

	1.1. - 31.12.2013	1.1. - 31.12.2012
Bank tax Austria	-22.8	-22.1
Fees for Government Guaranteed subordinated bonds	-53.3	-2.8
Fees for Government Guaranteed bonds (other)	-4.3	-8.0
Fees for Guarantees	-18.2	-19.6
Penalty claim	-4.0	-5.0
Total	-102.5	-57.4

(127) Participation capital

As a result of the resolution passed at the general shareholders' meeting for Hypo Alpe-Adria-Bank International AG on 30 May 2011 to reduce share capital and the resolution passed at the extraordinary shareholders' meeting for Hypo Alpe-Adria-Bank International AG held on 30 June 2011 to convert some of the participation capital into share capital, the Tier 1-eligible participation capital held in Hypo Alpe-Adria-Bank International AG and subscribed by the Republic of Austria on 29 December 2008 now amounts to EUR 275,111,072.56 (18,000 participation certificates each with a value of EUR 15,283.94848). Under section 23 (3) (8) of the Austrian Banking Act (BWG) there is no obligation to make back-payments of dividends on participation capital.

At the shareholders' meeting on 13 December 2013, the bank's Executive Board was authorised to issue participation capital at a face amount up to EUR 800.0 million. On the same date, the Republic of Austria as the sole buyer subscribed to participation capital of EUR 800.0 million. The purchase price was paid to an account of the bank on 18 December 2013. Therefore the participation capital subscribed by the Republic of Austria totals EUR 1,075,111,072.56 on the reporting date of 31 December 2013.

On the basis of the issue agreement and by applying section 102 BWG (the transition provision of Directive (EC) No. 575/2013 has to be observed), the Republic of Austria is in principle entitled to exchange the participation capital subscribed in 2008 for no-par bearer shares of Hypo Alpe-Adria-Bank International AG at a conversion price to be determined in accordance with the conditions of the participation certificates.

The participation capital subscribed to by the previous owners in the course of the change in ownership of Hypo Alpe-Adria-Bank International AG which became effective on 29 December 2009, after the allocation of losses in 2011 and the capital reduction, currently has a value of EUR 64,428,867.95. According to the conditions for subscribing to the issue of participation capital in 2009, the holders of participation capital will be entitled to a dividend of 6.0 % p.a. for the first time in the 2013 financial year, provided that this is covered by net income after movements in reserves of Hypo Alpe-Adria-Bank International AG and the payment of dividends on the participation capital totalling EUR 1,075,111,072.56 held by the Republic of Austria, and provided that the relevant resolution has been passed by the Boards.

Participation capital totalling EUR 1,139,539,940.51 is reported in the consolidated financial statements of Hypo Alpe-Adria-Bank International AG as a separate item under equity. Payments of dividends relating to participation capital will be shown as appropriation of profits and not as interest expense. The basis of assessment for the payment of dividends is the separate financial statements for Hypo Alpe-Adria-Bank International AG in accordance with UGB/BWG and the prerequisite is sufficient annual profit after movement in reserves. There cannot be any distributions on participation capital since there is no such net income.

(128) Statutory guarantee

The legal guarantee of the State of Carinthia for all commitments of Hypo Alpe-Adria-Bank International AG is a statutory guarantee pursuant to section 1356 of the Austrian Civil Code (ABGB) and covers all commitments entered into before 3 April 2003 as well as all commitments entered into between 3 April 2003 and 1 April 2007 whose terms does not extend beyond 30 September 2017. The State 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 State of Carinthia and Hypo Alpe-Adria-Bank International AG provides for a guarantee commission of 1 per mille p.a. of the amount guaranteed to be paid. Availing itself of the contractually agreed right to termination, notice was given by Hypo Alpe-Adria-Bank International AG to terminate the guarantee commission agreement as at 31 December 2011, whereby the contractual obligation to pay the guarantee commission would cease as from 2012. Irrespective of the termination of this contractual guarantee commission agreement, the state guarantee provided

for in law in section 5 of the Carinthian State Holding Law (K-LHG) applies. The supervisory commissioner of the Carinthian State holding company will continue to be given access to all relevant information at the bank.

Divergent legal positions exist between the bank and the State of Carinthia on the guarantee commission for the year 2011, which has not been paid by the bank to date. For now the bank has issued a waiver of the defence of limitation (until 31 December 2015) to the state. In exchange the State of Carinthia has obligated itself not to sue the bank for the time being.

The sums for which the State of Carinthia is liable as at 31 December 2013 are as follows:

EUR m

	31.12.2013	31.12.2012
Hypo Alpe-Adria-Bank International AG	12,195.5	13,931.4
Hypo Alpe-Adria-Bank AG (Austria)	-*	998.4
Total	12,195.5	14,929.8

*) Due to the sale of Hypo Alpe-Adria-Bank AG (Austria) in December of 2013, it is no longer included in the listing of liability sums as at 31 December 2013.

(129) Important proceedings

129.1. EU proceeding

Hypo Alpe Adria concluded the EU state-aid investigation in 2013.

Following the capital measures at Hypo Alpe-Adria-Bank International AG instituted by the Republic at the end of 2012 (EUR 500.0 million capital increase and the issuing of a state-guaranteed bond in the amount of EUR 1.0 billion), the European Commission imposed conditions (Behavioural Measures) with a decision dated 5 December 2012; the Behavioural Measures came into force on 1 January 2013. These mainly relate to the management of new business. The requirements fix, among other things, specific levels of creditworthiness, collateralisation ratios and terms, regulate the issue of foreign currency loans, and boost the level of self-funding by improving the loan-to-deposit ratio within a certain period of time. The group's Executive Board, in consultation with the European Commission, has assigned a Monitoring Trustee, who is responsible for monitoring the requirements mentioned above, and will arrange for the immediate implementation of the "Behavioural Measures" and the resulting reporting obligations at Hypo Alpe-Adria-Bank International AG and the units concerned.

Following a request by the European Commission, the previous EU restructuring plan up was fundamentally revised and working-level meetings between Vienna and Brussels were re-organised. The meetings related to the specific final form of those anticipated obligations relating to the schedule of sale and market presence the fulfilment of which was likely to be required as part of the implementation of the European Commission's final decision. In line with that decision dated 3 September 2013, the acquisition of new lending and leasing customers was ceased and the bank allocated to wind-down activities. Operating units in the Balkan states were further developed as part of more intensive voting and governance guidelines as required by the European Commission's "behavioural measures".

On 3 September 2013, the European Commission published its final decision on the investigation regarding the state aid provided to Hypo Alpe Adria. This was based on the final restructuring plan, which was presented by the bank at the end of June 2013. The new business requirements must be complied with until the bank has been reprivatised. The plan provides for the reprivatisation of the SEE network banks by mid-2015. The sale (closing) of the Austrian subsidiary – required by mid-2014 – was completed in 2013 in compliance with the European Commission's sale deadline. The Italian banking subsidiary was also allocated to the wind-down segment as at 1 July 2013. The redacted resolution prepared by the shareholder and the European Commission was published in October 2013. An independent Monitoring Trustee will continue to monitor compliance with the EU restructuring plan as well as the imposed behavioural measures.

129.2. Proceedings relating to BayernLB

Hypo Alpe-Adria-Bank International AG, together with experts, has thoroughly analysed whether the financing extended to Hypo Alpe Adria by the former shareholder BayernLB since 2008 constitutes an equity-substituting shareholder's loan. On the basis of this and other investigations, the criteria for a qualification as replacement equity as stated in the law on equity substitution (Eigenkapitalersatz-Gesetz, EKEG) are seen to be met in all. Following section 14 EKEG, a mandatory suspension of repayments applies regarding these financing lines granted by BayernLB. Accordingly, repayments on the relevant funds have to be suspended until a sustainable restructuring of Hypo Alpe Adria has been achieved and reclaiming by BayernLB is not permitted until such time. Payments already made on the majority of received funds have to be reclaimed from BayernLB. The outstanding loans amount to some EUR 2.3 billion. Moreover, Hypo Alpe-Adria-Bank International AG has also made repayments and interest rate payments totalling approximately EUR 2.5 billion on the loans granted by BayernLB since 2008.

BayernLB has filed an application for a declaratory judgement at the District Court of Munich I regarding the BayernLB equity replacement loans. Hypo Alpe-Adria-Bank International AG considers the suit to be unfounded and has contested the judgement. BayernLB has since converted the claim as one for payment. The first oral hearing was held on 25 November 2013; the bank is awaiting a court-commissioned legal expertise on the Austrian EKEG. Hypo Alpe-Adria-Bank International AG is also required to ensure that the repayments already made on equity-substituting financing are asserted in court by means of counterclaims in the ongoing case against BayernLB in Munich. Hypo Alpe-Adria-Bank International AG is now calling for an amount totalling approximately EUR 3 billion (including ancillary claims).

BayernLB filed a claim in July 2011 against the HYPO ALPE ADRIA Mitarbeiter Privatstiftung (MAPS) calling for the reversal of share purchase agreements made in 2007 and concerning the acquisition of a total of 175,316 shares in Hypo Alpe-Adria-Bank International AG on the grounds of intent to mislead in conjunction with the eligibility to count as equity the preference shares that had been issued by Hypo Alpe-Adria-Leasing Holding AG (now HETA Asset Resolution GmbH). The sum in dispute, originally set at EUR 50.0 million, was reduced to EUR 10.0 million by BayernLB in a hearing on 14 March 2012. MAPS has served a third-party notice on Hypo Alpe-Adria-Bank International AG on the grounds that the actions of supporting the due diligence process and drawing up the consolidated financial statements as at 31 December 2006, in which the preference shares were shown as equity, could, as the actions of employees and executive bodies of Hypo Alpe-Adria-Bank International AG, be attributed to the same. Hypo Alpe-Adria-Bank International AG has joined these proceedings as a third-party intervener. Subsequently, Hypo Alpe-Adria-Bank International AG served third-party notices on potential recourse parties, so as not to rule out claims to recourse by Hypo Alpe-Adria-Bank International AG in the event that MAPS should make a claim. The court did not allow these and many of the other third-party interveners, who had also stated that they intend to intervene. The extensive taking of evidence has started with a significant number of hearings and expert reports; this is expected to continue until autumn 2014 at the least.

129.3. Other proceedings

129.3.1. PROCEEDINGS RELATING TO THE STATE OF CARINTHIA

In December 2011 an application for a declaratory judgement against the bank was made by the State of Carinthia as a participant in connection with the capital reduction resolution passed at the general shareholders' meeting on 30 May 2011. Essentially the plaintiff claims that the loss allocated to the participation capital is invalid and the entitlement of the participant involved to future interest payments should be on the basis of the nominal value of the capital prior to the reduction. The claim submitted has no effect in terms of company law on the capital reduction which has already been registered and is legally valid; nor on the capital increase which took place on 30 June 2011. The application for a declaratory judgement was upheld in the first instance by the Commercial Court in Vienna in a judgement dated 16 July 2012. Hypo Alpe-Adria-Bank International AG appealed against this judgement of the first instance with due notice. The Higher Regional Court (OLG) of Vienna upheld the appeal launched by Hypo Alpe-Adria-Bank International AG with its judgement dated 29 January 2013, thereby annulling the judgement of the Commercial Court of Vienna. As a result, the State of Carinthia filed an appeal with the Supreme Court on 11 March 2013; Hypo Alpe-Adria-Bank International AG was permitted to respond to the appeal in good time. The Supreme Court has yet to reach its decision.

129.3.2. PROCEEDINGS RELATING TO LOANS AND PARTICIPATIONS

At the end of 2010, a borrower filed a lawsuit against Hypo Alpe-Adria-Bank d.d., Zagreb, and against Hypo Alpe-Adria-Bank International AG. The action was only formally brought against Hypo Alpe-Adria-Bank International AG in November 2012. The plaintiff argues that the project related to the loan, the financing of a hotel in Croatia, should have received further financing/financing sufficient for its completion, above and beyond the credit lines previously granted. The plaintiff's claim is targeted at compensation for damages as well as loss of earnings; the amount in dispute is around EUR 130.0 million. Hypo Alpe Adria assumes that there is no basis whatsoever for this lawsuit in view of the borrower's previous violations of the contract and the improper use of funds which led to the termination of the credit lines. The complaint was answered in due time. A committee of creditors for one of the joint plaintiffs, which has since become insolvent, has withdrawn this complaint. The cases against the other joint plaintiffs continue.

In 2002 Hypo Alpe-Adria-Nekretnine d.o.o. acquired 100.0% of the shares in a Croatian company, which were sold on by the same in 2005 to a third party. In the same year the original vendor claimed the share sale agreement of 2002 was void. This claim was upheld in the first instance in March 2011; Hypo Alpe-Adria-Nekretnine d.o.o. then filed an appeal. The decision has been partially reversed by the court of appeal and returned for a new hearing. The plaintiff withdrew the claim at the first hearing.

Forensic investigations have been underway at AAP Liechtenstein in Liquidation since the end of 2012; these were conducted by liquidator E&Y Zürich under the direction of members of the administrative board and with the aid of Group Forensics (HBInt). Investigations are being conducted, involving the authorities in Liechtenstein and Austria, into various facts and suspicions which show a connection to Liechtenstein, in order to make it possible for Hypo Alpe Adria to examine and pursue any further claims for damages. After consulting with the Liechtenstein FMA and the liquidator, an interface between Hypo Alpe-Adria-Bank International AG and AAP in liquidation was installed in mid-2013. These investigations have since resulted in 50 reports to the FIU/Liechtenstein public prosecutors, which will forward all facts relevant in Austria to the Austrian authorities. Investigations relating to the processing of cases in Liechtenstein are likely to last for the whole of 2014.

In Serbia, Croatia, Bosnia and Montenegro, bank customers and bodies representing bank customers have lodged claims against Hypo Alpe Adria group companies, or have threatened to do so. They allege that provisions in some lending agreements relating to interest are not in compliance with the law and/or that interest rate adjustments did not comply with contractual provisions. Some cases also allege that clauses contained in the agreements regarding linking with the CHF benchmark index rate ought to be changed, and that these should instead be linked to the EUR benchmark interest rate.

The first-instance commercial court in Zagreb, Croatia ruled in favour of the consumer protection association representing bank customers on 4 July 2013. A total of eight banks are affected, including Hypo Alpe-Adria-Bank d.d. in Croatia. All eight banks have launched appeals. The Croatian banking subsidiary currently assumes that the decision will be totally reversed in the second instance. If the first instance court judgement is confirmed, the banks concerned can appeal to the Supreme Court. It is still impossible to say how long the proceedings will last. It is likely that the Croatian banking subsidiary will be confronted with thousands of individual lawsuits in the event that the judgment of the first-instance court is finally upheld. Two lawsuits have already been filed against Hypo Alpe-Adria-Bank d.d. by consumers who took out a CHF mortgage loan. However, these proceedings initiated by consumer representatives were interrupted before a final decision was reached. The new consumer protection law which entered into effect as at 1 January 2014 will have an impact on the granting of future loans and the assessment of existing consumer loans. It specifically defines criteria which are to be considered when setting interest rates and determines methods according to which maximum interest rates are calculated. Hypo Alpe-Adria-Bank d.d.

had already agreed to the regulations prior to their implementation and will apply them to new consumer loans, in particular CHF mortgage loans.

Proceedings are also pending against the Serbian subsidiary Hypo Alpe-Adria-Bank a.d. Beograd involving bank customers concerning interest rate increases based on intransparent contractual clauses, the unilateral right of the bank to change interest rates and the granting of foreign currency loans. In three cases the first-instance courts ruled in favour of the customer, and one decision was in favour of Hypo Alpe-Adria-Bank a.d. Beograd. The bank appealed against the first three rulings. In total, almost 50 lawsuits were filed against the bank in connection with CHF mortgage loans in 2013. One proceeding is a class action which also involves two other banks in Serbia. Many of the pending proceedings have already been settled in or out of court. Hypo Alpe-Adria-Bank a.d. Beograd has already implemented two binding recommendations issued to all banks by the National Bank of Serbia in May 2013, stating that all customers who took out CHF loans must be granted certain easements (such as the option to repay certain CHF loans in smaller instalments over the next three years). There are also pending proceedings against the leasing subsidiary in Serbia relating to incorrectly conducted interest rate adjustments in leasing agreements.

A number of proceedings have also been initiated against subsidiary banks in Bosnia and Herzegovina in relation to similar cases of CHF loans and interest rate adjustments.

In Bosnia and Herzegovina 389 court cases against Hypo Alpe-Adria-Bank d.d. are currently underway in Mostar regarding claims relating to intransparent foreign exchange clauses and/or unilateral interest rate adjustment clauses. According to current information, an additional 1,500 such claims are expected. The claims relate to foreign currency loans granted between 2006 and 2010. At the current stage of procedures, 17 decisions in the first instance have been issued, one in favour of the bank and 15 in favour of the customers (one decision was partly in favour of the bank). The bank has appealed against all 16 decisions and the outcome remains to be seen. In order to prevent potential convictions, the bank makes a concerted effort to reach out of court settlements.

There are also numerous cases underway in Republika Srpska. In Banja Luka Hypo Alpe-Adria-Bank a.d. is faced with 98 court cases in connection with CHF foreign currency loans. As in Bosnia and Herzegovina, the plaintiffs challenged the contractual unilateral right of the bank to change interest rates. To date, three decisions have been made against the bank. One is a first-instance decision against which the bank can appeal and two involve convictions by final court judgement. On the other hand, the foreign currency clauses in the loan agreements were said to be unlawful. In the majority of cases, both charges are brought forward. In such cases, the court in the first instance has ruled twice in favour of the bank. In one case the court's wording was partially in favour of the bank. The foreign currency clause was ruled as lawful, but the unilateral right to adjust interest rates was dismissed as unlawful. In order to prevent the risk of further convictions, the bank is making a concerted effort to reach out of court settlements. If this does not succeed, court settlement is regarded as a viable method of preventing a negative outcome. The further course of the procedures remain to be seen.

Proceedings are also pending against Hypo Alpe-Adria-Bank a.d. in Montenegro, where the lawfulness of CHF mortgage loans and the contained calculation matrix for currency clauses (EUR/CHF) are being challenged. In concrete figures, the bank currently faces two proceedings in the first instance where this is the issue. It involves one class action comprising 232 borrowers (filed on 17 May 2013) and one individual lawsuit. The plaintiffs demand the partial annulment of loan agreements concluded between 2006 and 2008 and a reduction of the loan receivable. The bank has already answered to the court in both cases. To date, a first hearing has not yet been scheduled. The bank expects both decisions to be in its favour. For one, the contractual agreement of foreign currency clauses in loan agreements is permitted under the applicable regulations and secondly, for 199 of the 233 plaintiffs, the bank can refer to signed confirmation that the customers were informed of the risks relating to the foreign currency clause when the contract was concluded.

Regardless of this, the bank is closely following the aforementioned cases. A negative outcome would not only entail subsequent law suits from other borrowers, but would also damage public opinion and thereby have an impact on other pending proceedings against Alpe Adria banks in neighbouring countries. The bank has set aside a provision of some EUR 4.4 million for the above-mentioned class action.

In addition, the subsidiary bank in Italy has been confronted with the fact that long-running interest rate adjustment clauses in leasing agreements were applied incorrectly for the benefit of the bank, resulting in higher obligations for customers. This case only applies to corporate/SME leasing clients; retail customers were not affected. Hypo Alpe Adria initiated the requisite internal investigations to clarify the facts immediately on being informed of the matter; these investigations resulted in criminal charges being brought, investigations by the local financial police and the Italian regulatory authorities as well as HR and organisational consequences. The public prosecutors of Udine are currently investigating the case. A process was also launched immediately to provide financial compensation for affected customers and personnel put in place to process these individual cases. By the end of the year external experts had revealed other minor cases of malversion during recent investigations; the audit is still underway.

129.3.3. PROCEEDINGS RELATING TO INVESTORS AND EXPERTS

In April 2012, an investor filed a claim at the Regional Court in Klagenfurt against Hypo Alpe-Adria-Bank International AG asserting damages, warranty claims and made an application for a declaratory judgement. Specifically, the plaintiff calls for the repayment of the nominal value (including statutory interest on arrears) of a supplementary capital bond issued by Hypo Alpe-Adria-Bank International AG and redeemed in April 2011 at no value due to the statute on loss allocation contained in section 23 (7) (3) BWG. The plaintiff also calls for the payment of interest due on the bond from April 2009 to April 2011, including statutory interest on arrears. Hypo Alpe-Adria-Bank International AG takes the view that the redemption of the bond at no value upon reaching final maturity was correct (see also note (131) Servicing of subordinated capital). The first hearing at the Regional Court in Klagenfurt was only held in December 2013 due to multiple judge changes. At these hearings, it was decided to delegate the case to the Commercial Court in Vienna.

In legal correspondence dated 23 September 2013, two investors filed a case against Hypo Alpe-Adria-Bank International AG in relation to the hybrid capital issued via two companies in Jersey. They claimed an alleged breach of contract in connection with the "HLH preference shares". No judicial assertion or details of the alleged claims as to reasons or amount have yet been given.

Hypo Alpe-Adria-Bank International AG was successful at the first instance in the legal dispute with a former advisor in relation to unpaid fees of EUR 65 thousand. The appeal reversed the decision and returned it to the first instance for a new hearing. An appeal was filed against this ruling. The Supreme Court has yet to rule on the issue. The second of the fees proceedings relating to EUR 576 thousand has been interrupted until a legally binding decision has been reached in the first case.

129.3.4. PROCEEDINGS REGARDING THE INVOLVEMENT OF FORMER SHAREHOLDERS

On 21 March 2012, Hypo Alpe-Adria-Bank International AG filed a suit against original shareholders HYPO ALPE ADRIA Mitarbeiter Privatstiftung (MAPS), HYPO-BANK BURGENLAND Aktiengesellschaft, Kärntner Landes- und Hypothekenbank Holding and B & Co BeteiligungsgmbH as well as a total of nine former Executive and Supervisory Board members (so-called "consultants" civil suit). The sum in dispute is EUR 50.1 million, of which EUR 50.0 million is for demands for performance of obligations and EUR 0.1 million for declaratory relief. The claims made relate to what Hypo Alpe-Adria-Bank International AG considers the undue distribution of a disproportionate special dividend to the above-mentioned shareholders in 2008 for the 2007 financial year. In a submission dated November 2012, one of the joint defendants, B & Co BeteiligungsgmbH, filed a counterclaim during the proceedings for EUR 250.0 million due to assumed deception when acquiring shares relating to a Hypo Alpe-Adria-Bank International AG capital increase in 2006 to be offset against the claim (and up to that amount); the company also addressed this purported claim out of court. Hypo Alpe-Adria-Bank International AG does not believe this counterclaim to be valid. Preliminary hearings were held between 24 February and 19 March 2014; the taking of evidence started on 12 May 2014 and is likely to last until the end of 2014.

(130) Guarantee agreements

On 28 December 2010, a guarantee agreement was concluded between the Republic of Austria and Hypo Alpe-Adria-Bank International AG, with the Republic taking on liability as a statutory guarantor pursuant to section 1356 of the Austrian Civil Code (ABGB). The liability of the Republic relates to a precisely specified portion of receivables in the portfolio of Hypo Alpe-Adria-Bank International AG and is capped at a maximum of EUR 200.0 million ("maximum guaranteed sum"). Hypo Alpe-Adria-Bank International AG agreed to pay a commission to the Republic of Austria of 10% p.a. for the assumption of liability, based on the nominal value of the part of the receivables for which liability is assumed. An addendum was signed whereby the Republic's liability was extended until 30 June 2017, effective 30 June 2013. Certain existing secured receivables were replaced in the context of the extension with other existing bank receivables, resulting in additional risk provisions for receivables that are no longer secured as well as reversals of newly-secured receivables portions. The maximum guarantee sum of EUR 200.0 million and the provisions for the commission payable to assume liability remained unchanged. The drawdown procedures were also adapted, resulting in the redesigning of the process to assess drawdown conditions in particular. The guarantee agreement continues to allow claims for receivables for which the guarantee can be utilised only in the event the certain financial key figures (including covering the guarantee fees with annual profit) are met. In the event that these receivables are utilised, the Republic of Austria is also entitled to a right of regress from Hypo Alpe-Adria-Bank International AG, dependent on certain key financial figures (including covering the distributable profit). The European Commission provisionally approved the initial guarantee agreement on 19 July 2011 until a final decision would have been taken on the overall state-aid given to the bank. Furthermore the European Commission was informed in advance of the possibility of extending the guarantee agreement. The final decision of the European Commission dated 3 September that concluded the investiga-

tions into state aid gave final approval to the initial guarantee and of the extension of the guarantee agreement that had been correctly reported to the European Commission.

(131) Servicing of subordinated capital

131.1. Supplementary capital

Hypo Alpe-Adria-Bank International AG has in the past issued supplementary capital pursuant to section 23 (7) BWG, which in accordance with supervisory regulations has been allocated to own capital funds. According to the restrictions laid down in section 23 (7) (2) of the BWG, interest can only be paid out "if it is covered by the annual profits (before movements in reserves)". As the separate financial statements of Hypo Alpe-Adria-Bank International AG as at 31 December 2007 to 2011 did not meet this criterion, following formal adoption of the financial statements, interest on the supplementary capital issues of the credit institution could not be paid out.

The financial statements for Hypo Alpe-Adria-Bank International AG as at 31.12.12 and 2013 also did not meet this criterion, and consequently interest on the supplementary capital issues made by Hypo Alpe-Adria-Bank International AG could not be paid out. According to the specific legal provisions, payment of interest may only be resumed when formally approved financial statements for Hypo Alpe-Adria-Bank International AG establish that sufficient annual profits (before movements in reserves) have been shown. Hypo Alpe-Adria-Bank International AG assumes that there will be an obligation to make payments of interest for the preceding periods of non-payment.

In accordance with section 23 (7) (3) of the BWG, supplementary capital prior to liquidation may only be paid back after proportionate deductions have been made for net losses reported during its term. This means that the losses must be allocated in proportion to the paid-in capital in accordance with section 23 (3) BWG and to the supplementary capital (*pari passu*) of the supplementary capital bond in question. The loss allocation must be applied not only in the case of redemption at term but also in the event of early repayment by giving notice on the issue or through an early buy-back of the issue. Please refer, in this connection, to the claim brought against Hypo Alpe-Adria-Bank International AG by an investor in April 2012 for the payment of the nominal value plus all non-paid interest charges relating to a supplementary capital bond, which reached final maturity in April 2011 and was redeemed at no value because of the loss allocation applicable to it (see note (129.3) Other proceedings).

Taking into account the loss allocation required by law, a total loss in relation to the remaining supplementary capital issues by Hypo Alpe-Adria-Bank International AG has been stated. Statistics (net loss for the year based on the figures as at the balance sheet date) and a dynamic perspective (when including forecasts) assume that investors would see a total loss, which becomes more likely the shorter the residual maturity of the bond in question. On the basis of the significant change in forward-looking assessment, future cash flows to investors had to be adjusted in 2012 so that no further positive supplementary capital was reported and, pursuant to IAS 39 and IAS 8, the supplementary capital measured at amortised cost was impaired.

131.2. Hybrid capital

Hypo Alpe Adria has in the past made a total of two issues of subordinated hybrid capital, with no obligation to re-margin interest (Hypo Alpe-Adria Jersey Ltd. for a nominal value of EUR 75.0 million and Hypo Alpe-Adria (Jersey) II Ltd. for a nominal value of EUR 150.0 million). Both issues are essentially for an unlimited term, although the issuer has a unilateral right to terminate.

The primary criterion for servicing the outstanding hybrid capital issues is sufficient "distributable funds" as defined in the issue conditions; the secondary criterion is that there is no short-fall on the limits set for the group's own capital funds.

As the separate financial statements for Hypo Alpe-Adria-Bank International AG as at 31 December 2013 prepared in accordance with UGB/BWG show a clear loss (prior to movements in reserves), the main prerequisite for servicing hybrid capital is not met, and thus may not be carried out.

Hypo Alpe Adria may therefore not undertake to pay out interest on hybrid capital until such time as the separate financial statements of Hypo Alpe-Adria-Bank International AG in accordance with UGB/BWG show annual profits, which then require the servicing of the hybrid capital in accordance with the issue conditions with regard to "distributable funds". As there is no supervisory regulatory obligation to re-margin missed interest payments, the payments with regard to this hybrid capital do not apply and are therefore not shown as interest expense in the consolidated income statement.

As part of a buyback in February 2012, hybrid capital totalling approx. EUR 165.0 million (from both issues) was taken out of the market. The take-up quota was more than 70 %. Approximately EUR 60 million of hybrid capital is still on the market.

The hybrid capital of Hypo Alpe-Adria Jersey Ltd. measured at amortised cost (nominal value: EUR 36.5 million) was assessed in the same way as the supplementary capital. As no more payments are expected on this instrument in the future, this was valued at zero in the consolidated financial statements. The hybrid capital of Hypo Alpe-Adria (Jersey) II Ltd. (nominal value: EUR 23.4 million) is measured at fair value; the valuation here is based on the market price at the balance sheet date.

131.3. Subordinated liabilities

As subordinated capital (subordinated liabilities), as defined by section 23 (8) BWG, is not contractually tied either to the existence of sufficient net income or "distributable funds", nor to an annual profit (before movements in reserves), there are currently no contractual restrictions on servicing the interest payments for these issues.

Hypo Alpe-Adria-Bank International AG placed a subordinated bond of EUR 1.0 billion with institutional investors on 6 December 2012. This bond has a term of ten years and a coupon of 2.375% p.a. on the nominal value. The Republic of Austria has given an unconditional and irrevocable guarantee, and has received the necessary provisional approval of the European Commission. The European Commission authorised the guarantee from a state-aid perspective in its resolution dated 3 September 2013. In exchange for the guarantee, Hypo Alpe Adria has undertaken to pay the Republic of Austria a guarantee fee calculated following a European Commissionscheme

(132) Own capital funds as defined by the BWG

The own capital funds of the group as defined by the Austrian Banking Act (BWG) and by the Solvency Regulations (SolvaV) are made up as follows:

	EUR m	
	31.12.2013	31.12.2012
Core capital (Tier 1)	1,808.3	2,022.1
Paid-in capital	2,808.6	1,308.6
Reserves (incl. non-controlling interests in equity)	828.5	774.4
Funds for general banking risks	0.7	153.7
Intangible assets	-11.8	-33.0
Deduction net loss, material negative results	-1,817.8	-181.6
Supplementary elements (Tier 2)	904.1	1,011.0
Supplementary capital	0.0	0.0
Subordinated capital	904.1	1,011.0
Deductions pursuant to Section 23 –13 BWG	-6.7	-9.0
Tier 3 (reclassified Tier 2 capital)	34.1	33.0
Own capital funds according to BWG	2,739.8	3,057.1
Own capital funds requirement according to BWG	1,473.8	1,883.2
Surplus capital/shortage	1,266.0	1,173.9
Coverage	185.9%	162.3%

	EUR m	
	31.12.2013	31.12.2012
Risk-weighted basis for assessment in acc. with section 22 of the BWG (banking book)	16,643.6	21,323.5
thereof 8% minimum own funds requirements	1,331.5	1,705.9
Own funds requirement – securities trading book	6.0	8.1
Own funds requirement – open foreign exchange position	28.1	24.9
Own funds requirement – operational risk	108.2	144.3
Total own capital funds requirement	1,473.8	1,883.2

	EUR m	
	31.12.2013	31.12.2012
Assessment basis banking book (risk-weighted)	16,643.6	21,323.5
Tier 1 ratio	10.8%	9.5%
Own capital funds ratio	16.5%	14.3%
Assessment basis incl. market and operational risk	18,422.2	23,540.1
Tier 1 ratio	9.8%	8.6%
Own capital funds ratio	14.9%	13.0%

In the 2013 financial year, Hypo Alpe-Adria-Bank International AG as the ultimate holding company of Hypo Alpe Adria was not consistently in compliance with the minimum own funds requirements as defined by the BWG, both as an individual institution and as a group. At the June, July and August month-end, the equity ratios for the individual institution were 1.63%, 1.49% and 0.79%, and for the group 7.62%, 7.94 % and 7.36 %, falling below the statutory minimum requirement of 8.0 %. Compliance with the law was restored with the owner's corporate action in the amount of EUR 700.0 million in September of 2013. Corporate actions in the amounts of EUR 250.0 million in the form of a shareholder contribution and EUR 800.0 million in the form of participation capital were carried out in November and December of 2013.

However, the need for additional risk provisioning and reductions in the value of investments in the SEE network manifested themselves within the value elucidation period for the preparation of the separate financial statements of Hypo Alpe-Adria-Bank International AG in accordance with UGB/BWG. This in turn meant that the minimum own funds requirements were once again not met as at 31 December 2013. The total capital ratio for the individual institution fell to 1.87 % as a result (Tier 1 ratio: 1.25 %). Therefore a resolution for further capital increase by the owner in the amount of EUR 750.0 million was passed by the shareholders' meeting on 9 April 2014.

A corresponding provision was recognised in the 2013 consolidated financial statements for the impending penalties incurred according to section 97 (1) BWG due to non-compliance.

(133) Portfolio transfers in the SEE network and in the banks in Italy and Austria

The aim of re-privatising the marketable units is preceded by the portfolio transfers currently taking place within the context of the group "Brush" project. Following the portfolio transfers in the 2011 financial year, when group units in Slovenia, Bosnia and Herzegovina, and Montenegro outsourced their non-performing loan portfolios to other group companies, this was then also implemented in Croatia, Austria and Italy as planned in 2012. While the portfolio transfers in Croatia took the form of "synthetic" transfers, those in Austria and Italy took the form of a demerger, which led to the actual transfer of assets from the Austria subsidiary's spun-off portfolio to Hypo Alpe-Adria-Bank International AG (Austria) and the spun-off part of the Italian bank was split off and transferred to Hypo Alpe-Adria-Leasing s.r.l. (Italy). A portfolio in Montenegro was transferred at the end of 2012 by means of a true sale and the assets transferred from the local bank to a subsidiary of the Montenegrin leasing unit.

At the beginning of 2013 another portfolio transfer totalling EUR 0.7 billion (gross exposure) was conducted. It concerned a Slovenian leading portfolio. This represented a further step towards focusing the Slovenian leasing company on the core business "movables".

Legal provisions in Serbia do not permit synthetic portfolio transfers as in Croatia, Bosnia and Herzegovina, and Slovenia; instead, portfolios here must be disposed of by legal contract. Legal amendments to allow the transfers of portfolios were implemented in Serbia at the end of 2012.

In 2013 portfolio transfers of around EUR 0.3 billion (gross exposure) were conducted in Slovenia, a volume of EUR 0.2 billion (gross exposure) in Croatia, around EUR 0.08 billion (gross exposure) in Montenegro and approx. EUR 0.2 billion (gross exposure) in Serbia. Another portfolio adjustment is scheduled in Bosnia and Herzegovina and Serbia in mid 2014.

A direct portfolio sale of retail and SME exposures to third parties with an expected volume of some EUR 0.4 billion is underway. It involves portfolios in Slovenia, Croatia, Serbia and Montenegro.

(134) Employee data

	31.12.2013	31.12.2012
Employees at closing date (Full Time Equivalent – FTE)	6,008	6,576
Employees average (FTE)	6,574	7,371

(135) Expenses for severance payments and pensions

The outlay of the parent company for severance and pension payments is shown in the table below:

EUR thousand

	31.12.2013		31.12.2012	
	Severance Payments	Pensions	Severance Payments	Pensions
Key management personnel	108.0	11.4	595.8	0.0
Other employees	1,008.2	247.3	1,411.9	92.2
Members of Executive Board	31.5	86.1	35.0	0.0
Total	1,147.7	344.8	2,042.7	92.2

Expenses for severance payments and pensions contain contributions to defined contribution plans totalling EUR 0.9 million (2012: EUR 0.9 million).

(136) Relationship with members of the executive bodies**136.1. Advances, loans and guarantees in respect of members of the executive bodies**

Until it was sold, all transactions relating to members of the Executive and Supervisory Boards were carried out through the Austrian subsidiary bank Hypo Alpe-Adria-Bank AG, Klagenfurt am Wörthersee. As Hypo Alpe-Adria-Bank AG was excluded from the scope of consolidation as at 19 December 2013 due to its disposal, all relationships with it are classified as a relationship with a third-party bank.

The financial relationship of Hypo Alpe Adria to the members of the Executive Board and Supervisory Board of Hypo Alpe-Adria-Bank International AG is as follows:

EUR thousand

	31.12.2013	31.12.2012
Loans and advances	0.0	20.2
Supervisory Board	0.0	20.2
Liabilities	0.0	1,275.2
Executive Board	0.0	819.1
Supervisory Board	0.0	456.1

EUR thousand

	31.12.2013	31.12.2012
At end of previous period	20.2	335.0
New loans issued during the period	0.0	0.0
Amount owing to bank recorded on the balance sheet	0.0	0.0
Amount received by the bank	0.0	0.0
Changes to Executive bodies	0.0	-314.8
Credit repaid during the period	0.0	0.0
Changes to the consolidated Group	-20.2	0.0
At end of period	0.0	20.2
Interest income	0.0	0.4

EUR thousand

	31.12.2013	31.12.2012
At end of previous period	1,275.2	869.3
Deposits received during the period	0.0	523.9
Changes to Executive bodies	0.0	-13.7
Deposits paid out during the period	0.0	-104.2
Changes to the consolidated Group	-1,275.2	0.0
At end of period	0.0	1,275.2
Interest expenses on liabilities	0.0	14.2

136.2. Breakdown of remuneration received by members of the executive bodies of the group's parent company

Remuneration received by the members of the Executive Board and Supervisory Board of Hypo Alpe-Adria-Bank International AG for carrying out their functions, received from this or from another group company, is as follows:

	EUR thousand	
	31.12.2013	31.12.2012
Executive Board	2,218.9	2,474.4
thereof ongoing payments	2,218.9	2,474.4
Supervisory Board	227.1	127.5
Remuneration of former members of the Executive and Supervisory Board and their surviving dependents	512.6	463.8
thereof related to termination	0.0	0.0
thereof payments after termination	512.6	463.8
Total	2,958.5	3,065.7

The members of the Executive Board and Supervisory Board are stated in note (137) Executive bodies.

(137) Executive bodies

1 January to 31 December 2013

Supervisory Board**Chairman of the Supervisory Board**

Johannes DITZ, until 3 June 2013

Klaus LIEBSCHER, member from 30 April 2013

Chairman from 21 June 2014

Deputy Chairman of the Supervisory Board

Rudolf SCHOLTEN

Members of the Supervisory Board

Helmut DRAXLER

Alois STEINBICHLER

Ludwig SCHARINGER, from 21 June 2013

Adolf WALA, from 30 April 2013

Delegated by the Works Council

Gerhard PLIESCHNIG, Chairman of the Works Council

Richard JOHAM

Federal Supervisory Authorities**State Commissioner**

Alexander PESCHETZ

Deputy State Commissioner

Monika HUTTER

Trustees**Trustee:**

Alexander PESCHETZ, Federal Ministry of Finance

Deputy Trustee:

Jakob KÖHLER, Federal Ministry of Finance

Executive Board

Gottwald KRANEBITTER, Chairman, until 31 August 2013

Wolfgang EDELMÜLLER, Deputy Chairman

Johannes PROKSCH, Member of the Executive Board

Rainer SICHERT, Member of the Executive Board

For more details on the changes to the composition of the Executive Board and the Supervisory Board, please refer to note (140) Events after the balance sheet date.

(138) Material subsidiaries as at 31 December 2013**HYPO ALPE-ADRIA-BANK INTERNATIONAL AG**

SEE NETWORK	OTHER BANKS	ASSET RESOLUTION - FINANCIALS	ASSET RESOLUTION - OTHER
Austria: Hypo SEE Holding AG, Klagenfurt/WS	Italy: HYPO ALPE-ADRIA-BANK S.P.A., Udine 99,9998 %	Austria: HETA Asset Resolution GmbH, Klagenfurt/WS HYPO ALPE-ADRIA-LEASING GmbH, Klagenfurt/WS HETA Real Estate GmbH, Klagenfurt/WS	Austria: CEDRUS Handels- und Beteiligungs GmbH, Klagenfurt/WS HYPO ALPE-ADRIA BETEILIGUNGEN GMBH, Klagenfurt/WS Hypo Alpe-Adria-Immobilien GmbH, Klagenfurt/WS PROBUS Real Estate GmbH, Vienna
Slovenia: HYPO ALPE-ADRIA-BANK d.d., Ljubljana HYPO LEASING ¹⁾ d.o.o., Ljubljana 25/75 %		Slovenia: TCV d.o.o., ¹⁾ Ljubljana 25/75 % TCK d.o.o., ¹⁾ Ljubljana 25/75 %	Croatia: REZIDENCIJA SKIPER d.o.o., ⁴⁾ Savudrija GRAND HOTEL LAV d.o.o., Podstrana
Croatia: HYPO ALPE-ADRIA-BANK d.d., Zagreb HYPO ALPE-ADRIA-LEASING d.o.o., Zagreb		Croatia: HYPO-LEASING KROATIEN d.o.o., Zagreb HYPO ULAGANJA d.o.o., Zagreb H-ABDJUCO d.o.o., Zagreb	Serbia: ZAJEDNIČKI INFORMACIONI SISTEM, DOO BELGRADE
Bosnia and Herzegovina: Hypo Alpe-Adria-Bank A.D., Banja Luka 99,777 % Hypo Alpe-Adria-Leasing d.o.o., Banja Luka 99,777 % HYPO ALPE-ADRIA-BANK d.d., Mostar 99,9985 %		Bosnia and Herzegovina: HETA d.o.o., Sarajevo BORA d.o.o., Banja Luka	
Serbia: HYPO ALPE-ADRIA-BANK AD, Belgrade 99,9990 %		Serbia: HYPO ALPE-ADRIA-LEASING DOO, Belgrade HYPO ALPE-ADRIA-RENT DOO, Belgrade HYPO DEVELOPMENT DOO, BELGRADE HETA REAL ESTATE D.O.O., BELGRADE	
Montenegro: HYPO ALPE-ADRIA-BANK ²⁾ A.D., Podgorica 99,88/0,12 %		Italy: HYPO ALPE-ADRIA-LEASING S.r.l., Udine	
		Bulgaria: HYPO ALPE-ADRIA-LEASING ³⁾ OOD, Sofia 99,87/0,13 % HYPO ALPE-ADRIA AUTOLEASING ³⁾ OOD, Sofia 99,78/0,22 %	
		Montenegro: HYPO ALPE-ADRIA-LEASING D.O.O., Podgorica HYPO ALPE-ADRIA-DEVELOPMENT, D.O.O., PODGORICA	
		Macedonia: HYPO ALPE-ADRIA-LEASING DOOEL, Skopje	
		Hungary: HYPO Alpe-Adria-Leasing Zrt., Budapest	
		Ukraine: HYPO ALPE-ADRIA-LEASING TOV, Kiev	
		Germany: HYPO ALPE-ADRIA-LEASING GmbH, Munich	

Participations without additional percentage are direct or indirect 100 % participations of HYPO ALPE-ADRIA-BANK INTERNATIONAL AG (HBInt.)

- 1) HYPO ALPE-ADRIA-BANK INTERNATIONAL AG is direct owner of the minority share of 25 % of HYPO LEASING d.o.o. Ljubljana as well as of TCK d.o.o. and TCV d.o.o.; 75 % is owned by HETA Asset Resolution GmbH.
- 2) HYPO ALPE-ADRIA-BANK INTERNATIONAL AG is direct owner of 99,88 % of HYPO ALPE-ADRIA-BANK A. D., Podgorica; 0,12 % are owned by HETA Asset Resolution GmbH.
- 3) HYPO ALPE-ADRIA-BANK INTERNATIONAL AG is direct owner of the majority share of the two bulgarian leasing companies; the small minority share is owned by HETA Asset Resolution GmbH.
- 4) HYPO ALPE-ADRIA-BANK INTERNATIONAL AG is direct owner of the majority share of 75 % of REZIDENCIJA SKIPER d.o.o.; the minority share of 25 % is owned by HYPO ALPE-ADRIA-BETEILIGUNGEN GmbH.

(139) Scope of consolidation

The consolidated group of companies as defined in IFRS as at 31 December 2013 include the following direct and indirect subsidiaries of Hypo Alpe-Adria-Bank International AG using the full consolidation method:

Company	Registered office	Ownership (direct) in %	Ownership (indirect) in %	closing date	Type
Alpe Adria Privatbank AG in Liquidation	Vaduz	100.0	100.0	31.12.2013	KI
Alpe Adria Snow Fun Park Grundstücks GmbH	Wittenburg	100.0	100.0	31.12.2013	FI
Alpe-Adria nekretnine d.o.o.	Zagreb	100.0	100.0	31.12.2013	SU
Alpe-Adria poslovodstvo d.o.o.	Zagreb	100.0	100.0	31.12.2013	FI
Alpe-Adria-Projekt GmbH	Munich	100.0	100.0	31.12.2013	FI
BLOK 67 ASSOCIATES DOO BEOGRAD	Belgrade - Novi Beograd	100.0	100.0	31.12.2013	SU
BORA d.o.o. Banja Luka	Banja Luka	100.0	100.0	31.12.2013	NDL
BRODARICA POSLOVNI CENTAR d.o.o.	Zagreb	100.0	100.0	31.12.2013	SU
Carinthia I Limited	St. Helier - Jersey	100.0	51.0	31.12.2013	FI
Carinthia II Limited	St. Helier - Jersey	100.0	51.0	31.12.2013	FI
CEDRUS Handels- und Beteiligungs GmbH	Klagenfurt am Wörthersee	100.0	100.0	31.12.2013	NDL
DOHEL d.o.o.	Sesvete	100.0	100.0	31.12.2013	SU
EPSILON GRAĐENJE d.o.o.	Zagreb	100.0	100.0	31.12.2013	SU
GRAND HOTEL LAV d.o.o.	Podstrana	100.0	100.0	31.12.2013	SU
H-ABDUKO d.o.o.	Zagreb	100.0	100.0	31.12.2013	NDL
HBInt Credit Management Limited	St. Helier - Jersey	51.0	51.0	31.12.2013	FI
HETA Asset Resolution Germany GmbH	Munich	100.0	100.0	31.12.2013	FI
HETA Asset Resolution GmbH	Klagenfurt am Wörthersee	100.0	100.0	31.12.2013	FI
HETA d.o.o. Sarajevo	Sarajevo	100.0	100.0	31.12.2013	FI
HETA REAL ESTATE D.O.O. BELGRAD	Belgrade	100.0	100.0	31.12.2013	NDL
HETA Real Estate GmbH	Klagenfurt am Wörthersee	(99.0/1.0)	100.0	31.12.2013	NDL
HTC ENA d.o.o.	Ljubljana	100.0	100.0	31.12.2013	SU
HYPERIUM DOOEL Skopje	Skopje	100.0	100.0	31.12.2013	SU
Hypo Alpe-Adria (Jersey) II Limited	St. Helier - Jersey	100.0	100.0	31.12.2013	SU
Hypo Alpe-Adria Jersey Limited	St. Helier - Jersey	100.0	100.0	31.12.2013	SU
HYPO Alpe-Adria Leasing Zrt.	Budapest	100.0	100.0	31.12.2013	FI
HYPO ALPE-ADRIA-AUTOLEASING OOD	Sofia	(99.78/0.22)	100.0	31.12.2013	FI
Hypo Alpe-Adria-Bank A.D. Banja Luka	Banja Luka	(99.78/0.22)	99.8	31.12.2013	KI
HYPO ALPE-ADRIA-BANK A.D. PODGORICA	Podgorica	(99.88/0.12)	100.0	31.12.2013	KI
HYPO ALPE-ADRIA-BANK AD BEOGRAD	Beograd	100.0	100.0	31.12.2013	KI
HYPO ALPE-ADRIA-BANK d.d.	Ljubljana	100.0	100.0	31.12.2013	KI
HYPO ALPE-ADRIA-BANK d.d.	Mostar	100.0	100.0	31.12.2013	KI
HYPO ALPE-ADRIA-BANK d.d.	Zagreb	100.0	100.0	31.12.2013	KI
HYPO ALPE-ADRIA-BANK S.P.A.	Udine	100.0	100.0	31.12.2013	KI
HYPO ALPE-ADRIA-BETEILIGUNGEN GMBH	Klagenfurt am Wörthersee	100.0	100.0	31.12.2013	NDL
HYPO ALPE-ADRIA-DEVELOPMENT D.O.O. PODGORICA	Podgorica	100.0	100.0	31.12.2013	FI
Hypo Alpe-Adria-Immobilien GmbH	Klagenfurt am Wörthersee	100.0	100.0	31.12.2013	NDL
HYPO ALPE-ADRIA-INVEST d.d.	Zagreb	100.0	100.0	31.12.2013	FI
HYPO ALPE-ADRIA-LEASING d.o.o.	Zagreb	100.0	100.0	31.12.2013	FI
HYPO ALPE-ADRIA-LEASING D.O.O. - PODGORICA	Podgorica	100.0	100.0	31.12.2013	FI

Company	Registered office	Ownership (direct) in %	Ownership (indirect) in %	closing date	Type
Hypo Alpe-Adria-Leasing d.o.o. Banja Luka	Banja Luka	100.0	99.8	31.12.2013	FI
HYPO ALPE-ADRIA-LEASING DOO BEOGRAD	Belgrade	100.0	100.0	31.12.2013	FI
HYPO ALPE-ADRIA-LEASING DOOEL Skopje	Skopje	100.0	100.0	31.12.2013	FI
HYPO ALPE-ADRIA-LEASING GMBH	Klagenfurt am Wörthersee	100.0	100.0	31.12.2013	FI
HYPO ALPE-ADRIA-LEASING OOD	Sofia	(99.87/0.13)	100.0	31.12.2013	FI
HYPO ALPE-ADRIA-LEASING S.r.l.	Udine	100.0	100.0	31.12.2013	FI
HYPO ALPE-ADRIA-LEASING TOV	Kiev	100.0	100.0	31.12.2013	FI
HYPO ALPE-ADRIA-NEKRETNINE d.o.o.	Zagreb	100.0	100.0	31.12.2013	NDL
HYPO ALPE-ADRIA-RENT DOO BEOGRAD	Beograd	100.0	100.0	31.12.2013	NDL
HYPO ALPE-ADRIA-Verwaltung 2011 GmbH	Munich	100.0	100.0	31.12.2013	FI
HYPO ALPE-ADRIA-ZASTUPNIK - Društvo za zastupanje u osiguranju d.o.o.	Sarajevo	100.0	100.0	31.12.2013	NDL
HYPO CENTER –2 d.o.o.	Ljubljana	100.0	100.0	31.12.2013	SU
HYPO Grund- und Bau-Leasing Gesellschaft m.b.H.	Klagenfurt am Wörthersee	(99.9/0.1)	100.0	31.12.2013	FI
HYPO HOUSE D.O.O. - PODGORICA	Podgorica	100.0	100.0	31.12.2013	NDL
HYPO Immobilien- und Bauconsult GmbH	Klagenfurt am Wörthersee	(99.0/1.0)	100.0	31.12.2013	FI
HYPO LEASING d.o.o.	Ljubljana	(75.0/25.0)	100.0	31.12.2013	FI
HYPO Luftfahrzeuge Leasing GmbH	Klagenfurt am Wörthersee	(99.0/1.0)	100.0	31.12.2013	FI
HYPO NEPREMIČNINE d.o.o.	Ljubljana	100.0	100.0	31.12.2013	SU
Hypo SEE Holding AG	Klagenfurt am Wörthersee	100.0	100.0	31.12.2013	SU
HYPO SERVICE S.R.L.	Tavagnacco	100.0	100.0	31.12.2013	NDL
HYPO Vermögensverwaltung Gesellschaft m.b.H.	Klagenfurt am Wörthersee	100.0	100.0	31.12.2013	SU
HYPO-ALPE-ADRIA-INVEST d.o.o. Mostar	Mostar	100.0	100.0	31.12.2013	FI
HYPO-Leasing Kärnten GmbH & Co KG	Klagenfurt am Wörthersee	100.0	100.0	31.12.2013	FI
HYPO-LEASING KROATIEN d.o.o.	Zagreb	100.0	100.0	31.12.2013	FI
LOMA CENTER d.o.o.	Ljubljana	100.0	100.0	31.12.2013	SU
Malpensa Gestioni Srl	Tavagnacco (Udine)	100.0	100.0	31.12.2013	SU
MM THETA d.o.o.	Ljubljana	100.0	100.0	31.12.2013	SU
MM ZETA d.o.o.	Ljubljana	100.0	100.0	31.12.2013	SU
Norica Investments Limited	St. Helier - Jersey	51.0	51.0	31.12.2013	FI
PROBUS Real Estate GmbH	Wien	100.0	100.0	31.12.2013	NDL
REZIDENCIJA SKIPER d.o.o.	Savudrija	(75.0/25.0)	100.0	31.12.2013	SU
SKIPER HOTELI d.o.o.	Savudrija	100.0	100.0	31.12.2013	SU
SKIPER OPERACIJE d.o.o.	Savudrija	100.0	100.0	31.12.2013	SU
Snow-Fun-Park Wittenburg GmbH & Co. Besitz KG	Wittenburg	100.0	100.0	31.12.2013	FI
SPC SZENTEND Ingatlanforgalmazó és Ingatlanfejlesztő Kft.	Budapest	100.0	100.0	31.12.2013	SU
TCK d.o.o.	Ljubljana	(75.0/25.0)	100.0	31.12.2013	NDL
TCV d.o.o.	Ljubljana	(75.0/25.0)	100.0	31.12.2013	NDL
TERME SPA ROGASKA D.D.	ROGAŠKA SLATINA	100.0	100.0	31.12.2013	SU
Victor Retail I d.o.o.	Sarajevo	100.0	100.0	31.12.2013	SU
X TURIST d.o.o.	Umag	100.0	100.0	31.12.2013	SU

Company	Registered office	Ownership (direct) in %	Ownership (indirect) in %	closing date	Type
Y TURIST d.o.o.	Umag	100.0	100.0	31.12.2013	SU
ZAJEDNIČKI INFORMACIJSKI SUSTAVI d.o.o.	Zagreb	100.0	100.0	31.12.2013	NDL
ZAJEDNIČKI INFORMACIONI SISTEM DOO BEOGRAD	Novi Beograd	100.0	100.0	31.12.2013	NDL

The following table shows the companies accounted for at equity:

EUR m

Company	Registered office	Ownership (direct) in %	Ownership (indirect) in %	Carrying amount of investment as at 31.12.2012	Share of profit for the year
Bergbahnen Nassfeld Pramollo AG	Hermagor	29.5	29.5	6.0	0.2
HYPO-BA Leasing Süd GmbH	Klagenfurt am Wörthersee	50.0	50.0	1.4	0.1

Abbreviations:

CI	Credit institution
FI	Financial institution
NDL	Provider of ancillary services
SU	Other companies

(140) Events after the balance sheet date

Alexander Picker was appointed as new Chairman of the Executive Board of Hypo Alpe-Adria-Bank International AG at the end of 2013 following a public tender procedure. He assumed this position with effect from 1 January 2014. Chief Risk Officer (CRO) Wolfgang Edelmüller announced on 10 January 2014 that he would resign as member of the Executive Board of Hypo Alpe-Adria-Bank International AG as at 28 February 2014. Chairman of the Executive Board Alexander Picker succeeded Wolfgang Edelmüller as CRO on an interim basis. A new appointment to the position of CRO has not yet been announced.

Ludwig Scharinger left the Supervisory Board on 4 February 2014. Klaus Liebscher resigned as Chairman of the Supervisory Board as at 21 February 2014. In March 2014, Finance Minister Michael Spindelegger publically announced that an internationally renowned and experienced banking expert will assume the position of Chairman of the Supervisory Board. An appointment is expected in the second quarter of 2014.

Ongoing discussions regarding potential insolvency scenarios and subsequent uncertainty regarding the bank's going concern at the beginning of the 2014 financial year prompted Moody's to downgrade its guaranteed debt rating on 14 February 2014. As part of this rating action, Moody's reduced the Guaranteed Senior Unsecured Debt Rating from A1 to Baa2 and the Guaranteed Subordinated Debt Rating from A2 to Baa3, both ratings with a review for further downgrade. In a separate rating action on 24 February 2014, the rating for Guaranteed Public-Sector Covered Bonds was changed from AAA to Aa2 with a review for downgrade and the rating for Unguaranteed Public-Sector Covered Bonds was lowered from Aa2 to A3 with a review direction uncertain. On 6 March 2014, Moody's changed its rating for bonds with a guarantee from the Republic of Austria from "Aaa – outlook negative" to "Aaa – outlook stable". The rating adjustment was in keeping the prior rating adjustment for the Republic of Austria.

In order to avoid negative implications from the potential insolvency of a debtor, a group company of Hypo Alpe Adria acquired the majority share of a Slovenian project company in March 2014, which is about to complete a business and residential complex in Laibach (Slovenia). The company will be included in the scope of consolidation according to IFRS for the first time as at 31 March 2014.

On 18 March 2014, the Austria Federal Government resolved, on request of the Federal Minister of Finance, to implement the recommendations made by the Task Force and establish Hypo Alpe-Adria-Bank International AG as a deregulated, private wind-down company without any general state guarantees by September 2014.

As part of the Supervisory Board meeting where the auditor was present, it was determined that to finalise the financial statements according to UGB/BWG (separate financial statement) as at 31 December 2013, additional impairments would be required. As a result of the recognition of these impairments, the capital ratios are well below the regulatory minimum requirements, which ultimately led to violations of large exposure limits. The bank immediately fulfilled its obligations to inform the regulatory authorities, informing them and the owner of the violation of regulatory limits.

On 4 April 2014 the bank was informed by the Oesterreichische Nationalbank (OeNB) regarding a resolution of the Governing Council of 3 April 2014, in which the ECB excluded Hypo Alpe-Adria-Bank International AG from participating in refinancing transactions with the ECB and from using its marginal lending facility until further notice. Until further notice, the bank may not use its senior unsecured bonds as collateral for financial operations. In an ad hoc announcement of 4 April 2014, the bank communicated this and informed the public that it currently does not utilise any such refinancing facilities provided by the ECB and that no major repercussions are to be expected on the bank's liquidity situation. This measure applies to the Austrian parent company, but not to local subsidiaries in other countries. The Governing Council of the ECB cited the fact that the bank again reported that it had fallen short of regulatory capital requirements as its reason for issuing this measure.

The bank's shareholder, the Republic of Austria, resolved a capital increase of EUR 750.0 million at the general shareholders' meeting held on 9 April 2014. The payment was made on 11 April; it is currently being entered into the commercial register and is expected to be completed in April.

Klagenfurt am Wörthersee, 14 April 2014
Hypo Alpe-Adria-Bank International AG

EXECUTIVE BOARD

Alexander Picker
(Chairman)

Johannes Proksch

Rainer Sichert

Statement of all legal representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business, together with a description of the principal risks and uncertainties the group faces.

Klagenfurt am Wörthersee, 14 April 2014
Hypo Alpe-Adria-Bank International AG

EXECUTIVE BOARD

Alexander Picker
(Chairman)

Johannes Proksch

Rainer Sichert

Auditors' Report

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt**, for the fiscal year from 1 January 2013 to 31 December 2013. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended 31 December 2013, and the notes.

Management's responsibility for the consolidated financial statements and for the accounting system

The company's management is responsible for the group's accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements of section 245a of the Austrian Enterprise Code (UGB) and banking regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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.

Auditors' responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated 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 group'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 consolidated financial statements.

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

Opinion

Our audit has not led to any reservations. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at 31 December 2013, and of its financial performance and its cash flow for the fiscal year from 1 January 2013 to 31 December 2013, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Without qualifying our opinion we draw attention to the following:

- Disclosure made by the company's management in the notes to the financial statements in note (1.2) "Important Events" in which reference is made the significant shortfall with regard to capitalisation at the individual company level: The capital increase of EUR 750 million agreed on 9 April 2014, which was executed directly thereafter means the required state of affairs was achieved and continued to be met until the date of the financial statements. The joint decision of the banking regulator of January 2013 effective as at 31 December 2013 regarding minimum capitalisation requirements for the banking group was set a level of 12.4%. As also noted in the note (1.2), the Executive Board expects that this recapitalisation will allow it to meet the capitalisation requirements of the bank and banking group with regard to normal business operations until the wind-down unit announced by its owner is established in September 2014. In case value corrections are required in the future and losses are made in the course of the sale of assets, signifi-

cant insecurities remain with regard to the fulfilment of regulatory capitalisation requirements; the executive board expects that the owner will provide additional capital in such a case.

- Disclosures made by the company's management in the notes to the consolidated financial statements in note (1.2) "Important Events", note (6b) "Sales activities related to the SEE network" and note (129.1.) "EU proceedings". According to the decision of the European Commission regarding the restructuring of the company made in the course of the process of providing assistance, the SEE bank network must be sold by 30 June 2015. Otherwise it must be wound down. As presented correctly by the executive board, the affected units were not in saleable state in the sense of IFRS 5 by the reporting date, 31 December 2013, which is why a valuation of the affected assets and liabilities continued to be made on the basis of ongoing business activities in the consolidated financial statements. The executive board plans to sell the SEE bank network by the deadline set but expects based on the current market constellation that the SEE bank network will be sold at a significantly lower sale price compared to the reported book value. At the time when the change to valuation according to IFRS 5 takes place or, at the latest when the SEE bank network is sold significant losses will therefore have to be recognized. There is still significant uncertainty with regard to the extent and timing of such losses.
- Disclosure relating to note (102) "Risks in the portfolio relating to historic interest rate directives". A number of legal claims have been made in Italy and the SEE region relating to interest rate adjustment that were manipulated or the result of changes that were illegal or contrary to contractual agreements. The executive board has created reserves for the expected cost, which were included in the consolidated financial statements, on the basis of a comprehensive evaluation. If the actual decisions made by the courts differ significantly from those expected by the executive board, or if further manipulations come to light, it cannot be excluded that further losses will result.
- Disclosures made by the company's management in the notes to the consolidated financial statements in note (4) "Use of Estimates and Assumptions/Uncertainties in Connection with Estimates". The quality of the loan portfolio in the SEE region depends largely on future macro-economic developments in these markets. In addition, the Executive Board expects that the majority of collaterals can be sold at market values and in the planned periods. An unfavourable change in economic conditions and/or in the real estate markets – which cannot be excluded – could have a significant influence on the asset values disclosed in the consolidated financial statements (in particular loans and advances and provisions on loans and advances), as well as on the group's equity and own capital funds. Further significant uncertainty exists with regard to the future applicable measurement criteria regarding significant parts of the loan portfolio that according to the plans of the owner will be transferred to a deregulated wind-down unit to be established until September 2014. If these criteria should differ from the current valuation principles on which the consolidated financial statements are based and which are presented in note (13) "Financial Instruments: Recognition and Measurement" (IAS 39) and note (22) "Risk provisions on loans and advances", it cannot be excluded that additional losses have to be recognized.

Comments on the consolidated management report

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

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

Vienna, 14 April 2014

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Helmut Maukner
Wirtschaftsprüfer

Friedrich O. Hief
Wirtschaftsprüfer

Report of the Supervisory Board

In the course of the year under review, the Supervisory Board monitored the work of the Hypo Alpe-Adria-Bank International AG Executive Board and its management team. The Supervisory Board discharged all the duties assigned to it by statute and by the articles and by-laws of the bank.

The Supervisory Board currently has, in total, seven committees, which are all composed of members of the Supervisory Board. A total of 18 Supervisory Board meetings took place in 2013. Due to the Austrian Banking Act, the Nomination Committee and the Risk Committee were newly implemented in December 2013. The Articles and By-laws Committee and the Strategy Committee were disbanded over the course of the 2013 financial year. The Audit Committee met seven times in 2013, with the auditors also taking part when issues such as the bank's annual and the group's consolidated and half-yearly financial statements were discussed. The Credit Committee met a total of ten times in 2013 to hear reports on new or existing credit business, loans and specific areas of the portfolio and approve them when necessary. In the financial year 2013, the Executive Board Committee met eight times, the Articles and By-laws Committee met once, the Privatisation Committee met three times and the Remuneration Committee met twice.

The Supervisory Board kept up to date on the company's business and risk situations, and discussed current issues with the Executive Board. The Executive Board provided the Supervisory Board with materials requiring the latter's approval pursuant to statute and the articles and by-laws of the bank and reported to the Supervisory Board on all important events and proceedings.

Report for the 2013 financial year

The year 2013 was characterised for Hypo Alpe Adria by fundamental course-setting, with the European Commission's final ruling on state aid dated 3 September 2013 playing a key role. The report is available at http://ec.europa.eu/competition/state_aid/cases/239580/239580_1473912_739_2.pdf. In the course of the banking regulatory authorities' annual JRAD process, the bank was informed that Hypo Alpe Adria must maintain a total capital ratio of 12.40% from 31 December 2013, as compared to the 12.04% resulting from the first process. Compliance with the JRAD requirements, national regulations at the subsidiaries and the consequences resulting from the EU's decision, particularly with regard to the valuation of the SEE subsidiaries held for sale, as well as a risk situation in the credit business that continued to be tense were the main reasons for the necessary recapitalisation amounting initially to EUR 1.75 billion during the financial year. During the process of drawing up the financial statements, an additional capital requirement was identified in the first quarter 2014. This capital was necessary for covering loan loss allowances and fulfilling regulatory requirements. A capital increase of EUR 750 million was approved by the extraordinary general shareholders' meeting on 9 April 2014 and covered by the shareholder, the Republic of Austria.

In accordance with the requirements set forth by the European Commission, the sale of the former Austrian banking subsidiary Hypo Alpe-Adria-Bank AG to Anadi Financial Holdings Pte. Ltd. was closed on 19 December 2013 after receiving the necessary regulatory approval. At the same time, progress was made in the efforts aimed at selling the bank network in South-East Europe (SEE). Hypo Alpe-Adria-Bank S.p.A. (Italy) was allocated entirely to the wind-down unit in July 2013.

Following a fundamental decision by the Republic of Austria in the first quarter of 2014 to continue the bank's wind-down activities in a wind-down unit belonging to ÖIAG that is not subject to the Austrian Banking Act, the implementation of this decision, alongside the planned sale of the SEE subsidiaries, will be a major priority in 2014.

Following the resignation of the Chairman of the Supervisory Board, Johannes Ditz, on 3 June 2013, Klaus Liebscher took over this function until 21 February 2014. Ludwig Scharinger, who became a member of the Supervisory Board on 21 June 2013, stepped down from his post on 4 February 2014 for personal reasons. In the Supervisory Board meeting on 20 December 2013, Alexander Picker was appointed the new Chairman of the Executive Board effective 1 January 2014. The previous CEO, Gottwald Kranebitter, had left the Executive Board at the end of August 2013. Wolfgang Edelmüller, who was already acting as CRO, took over as Chairman of the Executive Board on an interim basis. Wolfgang Edelmüller left the Executive Board at the end of February 2014. The vacant post of CRO was advertised on 18 January 2014. Rainer Sichert took over as Deputy Chairman of the Executive Board of Hypo Alpe-Adria-Bank International AG on 1 March 2014.

Separate and consolidated financial statements for 2013

The separate financial statements of Hypo Alpe-Adria-Bank International AG were prepared in accordance with the provisions of the Austrian Banking Act (BWG) and, -where applicable,- with the provisions of the Austrian Enterprise Code (UGB). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs).

The consolidated financial statements and the group management report of Hypo Alpe Adria, and the annual financial statements and management report of Hypo Alpe-Adria-Bank International AG as at 31 December 2013 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Wagramer Strasse 19, IZD Tower, A-1220 Vienna, FN 267030t. The respective reports were granted an unqualified auditors' opinion, supplemented by additional comments.

The Supervisory Board has reviewed the separate financial statements and management report submitted by the Executive Board and concurs with the audit results. The separate financial statements have been approved by the Supervisory Board, thereby adopting them in accordance with section 96 (4) of the Austrian Stock Corporation Act (AktG). The Supervisory Board has also examined and acknowledged the 2013 consolidated financial statements and management report for the group.

Members of the Boards for the 2013 financial year

Supervisory Board

The members of the Supervisory Board for Hypo Alpe-Adria-Bank International AG are:

Chairman of the Supervisory Board:	Johannes Ditz, until 3 June 2013 Klaus Liebscher, member from 30 April 2014, Chairman from 21 June 2013 to 21 February 2014
Deputy Chairman:	Rudolf Scholten
Member:	Helmut Draxler
Member:	Alois Steinbichler
Member:	Adolf Wala, from 30 April 2013
Member:	Ludwig Scharinger, from 21 June 2013 to 4 February 2014
Appointed to the Supervisory Board by the Works Council:	Gerhard Plieschnig Richard Joham

Executive Board

The members of the Executive Board for Hypo Alpe-Adria-Bank International AG are:

Chairman:	Gottwald Kranebitter, until 31 August 2013 Alexander Picker, from 1 January 2014
Deputy:	Wolfgang Edelmüller, until 28 February 2014 Rainer Sichert, from 1 March 2014
Member:	Johannes Proksch

For the Supervisory Board

Rudolf Scholten
Deputy Chairman of the Supervisory Board

Vienna, 16 April 2014

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Forward-looking statements and forecasts are based on information and data available at the time of going to press (14 April 2014). Changes after this date could influence the facts and forecasts given in the Group Annual Report. We have drawn up this report with the greatest of care and the data upon which it is based has been checked. Rounding errors or mistakes in transmission, typesetting or printing cannot, however, be ruled out. The English version of the Group Annual Report is a translation. Only the German is the authentic language version. All uses of the third person pronoun in the masculine form in this Group Annual Report that were used in the interests of better legibility also cover the feminine form. The Group Annual Report was produced in-house using Fire.sys.