

COMPANY PROFILE

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Hypo Alpe-Adria-Bank International AG

Klagenfurt, Austria

Company Overview

Hypo Alpe-Adria-Bank International AG (HAA) is based in Austria but its franchise spans the major banking markets of south-eastern Europe. It provides banking and leasing services to individuals and corporate customers, through a network of 328 branches in 12 countries as of 31 December 2010.

In 1896, HAA was founded as K rntner Landes-Hypothekenanstalt, a co-operative credit institution, becoming a bank under public law in 1924. Initially a regional bank in the Austrian federal state of Carinthia, HAA began pursuing an aggressive growth strategy in the 1990s to establish itself as a leading player in south-eastern Europe with significant operations in the former Yugoslavia. In Austria, the bank has a good retail banking franchise in the region of Carinthia (market share 6%) and pursues business with small and medium-sized enterprises (SMEs). Internationally, it is notably one of the leading providers in the leasing industry in Bosnia-Herzegovina, Croatia, Serbia and Slovenia.

The bank received multiple capital injections during the global financial crisis, relying both on support from its former owners, mainly Bayerische Landesbank (BayernLB) and the federal state of Carinthia, as well as from the Republic of Austria.

HAA was dramatically affected by the financial crisis. In December 2008, the bank received a €900 million capital injection from the Republic of Austria as part of the government's support package for the country's financial sector. In 2009, HAA recorded a hefty €1.6 billion loss, erasing a major part of its Tier 1 capital of €2.7 billion. As a result, the bank needed to recapitalise to avoid insolvency. After a final capital injection of more than €1 billion by HAA's former owners, the Austrian government decided to rescue and nationalise the bank at the end of 2009.

The bank is in the midst of a major restructuring in order to compensate for the massive state aid received. HAA has announced plans to divest its operations in Austria (€5.2 billion total assets) and Italy (€4.5 billion total assets). Non-strategic assets will be wound down on the bank's balance sheet over time. The ultimate aim is to privatise the remaining bank whose core business in south-eastern Europe will continue to be ruled from the holding in Carinthia. The bank's restructuring plan is subject to approval from the European Commission.

As of 31 December 2010, HAA reported total consolidated assets of €38.8 billion.

Source: Company Report (annual report Dec 10), Company data, Moody's research

Financial Highlights (as Reported)

Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on Hypo Alpe-Adria-Bank International AG, please see <Hypo Alpe-Adria-Bank International AG page on moodys.com>.

FIGURE 1

Latest Full-Year Results Hypo Alpe-Adria-Bank International AG

EUR million	31-Dec-10	31-Dec-09	31-Dec-08	% Change 10/09	% Change 09/08
Total Assets	38,753	41,079	43,336	(5.66)	(5.21)
Total Shareholders' Equity	1,450	1,990	2,530	(27.12)	(21.33)
Shareholders' Equity excluding Minority Interest	945	1,466	2,021	(35.49)	(27.47)
Own Capital Funds	2,778	3,000	4,173	(7.41)	(28.12)
Tier 1 Ratio (%)	6.6	6.6	7.8	–	(120) bps
Net Income	(1,055)	(1,551)	(518)	N/M	N/M
Net Income Attributable to Equity Holders	(1,061)	(1,581)	(520)	N/M	N/M

Note: Consolidated figures are considered

Source: Company Reports (annual report Dec 10 and Dec 09)

Business Activities

HAA – a universal bank – together with its subsidiaries provides banking and leasing services to individuals and corporate customers. The bank provides a range of products and services including financial products, payment transaction and documentation services; savings, deposits, and investment products and asset management services; and leasing services for the vehicle, property, equipment, cross-border finance, aircraft- and ship-leasing segments.

Banking Services: HAA – along with its nine banking subsidiaries and subsidiaries that are directly involved in banking activities – provides a range of banking products and services. HAA's banking services also include those provided by its 51% held subsidiaries, HBInt Credit Management Limited and Norica Investments Limited, which, with the involvement of the co-investor, who holds 49% of the shares, make long-term investments.

Products and services offered by HAA to retail and corporate customers can be further divided into the following activities:

- » Retail Banking, which offers products and services such as loans, savings deposits, securities, account management, investment products and cards
- » Private Banking, which provides services such as asset management, wealth management and financial planning, including tailor-made solutions for high-net-worth individuals
- » Corporate and International, which provides services to domestic and international corporate customers, and SMEs, including cash management, international payments, documentary credits,

international guarantees, forfeiting, trade finance, investment products, cross-border finance, long-term lending and project finance

- » Public Finance, which offers services for public-sector-related businesses, such as financing, investments, treasury sales, consultancy and cash management; as well as sector-specific solutions such as public-private partnership (PPP) projects or non-recourse financing

Leasing Services: The bank, along with its 12 leasing subsidiaries, provides a range of tailored financial solutions for the vehicle, property, equipment, cross-border, and aircraft- and ship-leasing segments. The leasing business has been extended to include renewable energy financing activities and agricultural equipment financing.

In 2010, HAA changed its segmental reporting in order to align it with the restructuring plan produced for EU proceedings. It now categorises its business activities broadly as follows:

- 1) The “Continuance” group units, which consist of the south-eastern Europe (SEE) network, comprising HAA’s banking and leasing companies in Slovenia, Bosnia and Herzegovina, Serbia, Montenegro and Croatia (only banking units), as well as its business activities in Italy and the core Austrian banking activities.
- 2) The “Wind-down” group units, divided in two segments, namely “Financials” and “Other Investments”. “Financials” includes the activities of HAA’s leasing companies in Croatia, Austria, Hungary, Germany, Bulgaria, Ukraine and Macedonia that are to be wound down in the medium term. Also included in “Financials” are the securities portfolios of the investment companies Norica Investments Limited, HBInt Credit Management Limited and the customer portfolios of HAA and its Austrian subsidiary bank Hypo Alpe-Adria-Bank AG, which relate to the large-volume and cross-border corporate lending business. “Other Investments” includes HAA’s equity investments in the areas of tourism, industry and real estate, which are also to be wound down.

The bank organises its activities through six segments: SEE Network, Italy, Austria, Wind-down Financials, Wind-down Participations and Consolidation/Head Office. For the year ended 31 December 2010 (FYE December 2010), the SEE Network segment was the largest contributor to the bank’s net interest income (56.6%).¹

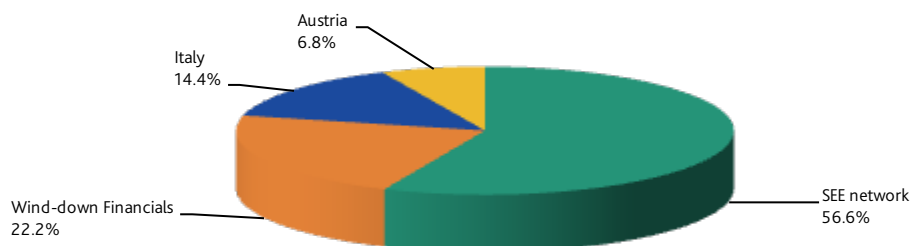
Source: Company Report (annual report Dec 10), Company data

¹ Throughout this section, such percentages are presented excluding contributions from “Consolidation/Head Office” and “Wind-down Participations” segments.

FIGURE 2

Business Segment

(% of Net Interest Income, consolidated, for FYE December 2010)



Note: Excludes "Consolidation/Head Office" and "Wind-down Participations" segments

Source: Company Report (annual report Dec 10, Pg: 72 and 73)

Distribution Capacity and Market Share

HAA services approximately 1.2 million customers through a network of 328 branches in 12 countries. The bank also distributes products and services through several alternative distribution channels including call centres and the internet.

In Austria, HAA has a good retail and SME banking franchise in the region of Carinthia, with a market share of around 6%. Internationally, it is notably one of the leading providers in leasing in Bosnia-Herzegovina, Croatia, Serbia and Slovenia. The bank also holds a market share of more than 10% in the south-eastern Europe, or SEE, region.

In Slovenia, HAA's subsidiary Hypo Alpe-Adria-Bank d.d. held a market share of 4.40% as of 31 December 2010. In terms of leasing activities, HAA's subsidiary Hypo Leasing d.o.o. was a market leader in Slovenia as of 31 December 2009.

As of 31 December 2010, the geographical distribution of loans and advances to customers was as follows:

FIGURE 3

Hypo Alpe-Adria-Bank International AG

Region	31-Dec-10	31-Dec-09
Austria	16.4	16.2
Central and Eastern Europe	61.4	61.4
Other countries	22.2	22.4
Total	100.0	100.0

Source: Company Reports (annual report Dec 10 and Dec 07, investor presentation Dec 10), Moody's research

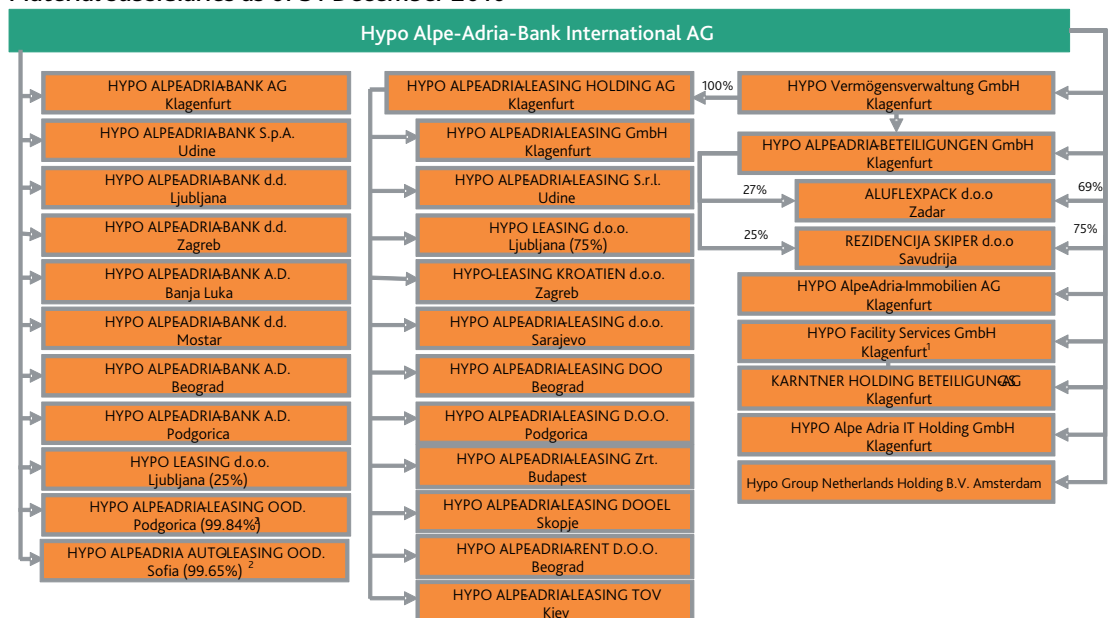
Ownership and Structure

As of 31 December 2009, the Republic of Austria became the sole owner of HAA, acquiring stakes from the bank's previous owners, BayernLB (67.08%), Grazer Wechselseitige Versicherung AG (20.48%), Kärntner Landesholding (12.42%), and Hypo Alpe Adria Mitarbeiter Privatstiftung (0.02%).

In December 2008, the Republic of Austria injected €900 million into HAA's capital as part of the government's support package for the country's financial sector.

Group Holdings

FIGURE 4
Material subsidiaries as of 31 December 2010



1) at 70%; the two Austrian Group banks each hold 15%
2) the remaining shares are held by Hypo Alpe-Adria-Leasing Holding GmbH

Source: Company Reports (annual report Dec 10 and Dec 09), Company data

Company Management

Executive Board	Current Title	Age	Tenure
Dr. Gottwald Kranebitter	HAA: Chairman of the Executive Board	47	1
Mag. Wolfgang Edelmüller	HAA: Deputy Chairman of the Executive Board, Chief Risk Officer	59	1
Mag. Johannes Proksch	HAA: Member of the Executive Board, Chief Financial Officer	41	1
Rainer Sichert	HAA: Member of the Executive Board, Chief Operations and Markets Officer	45	1

Supervisory Board	Affiliation	Tenure
Dr. Johannes Ditz	HAA: Chairman of the Supervisory Board	1
Dr. Rudolf Scholten	HAA: Vice-Chairman of the Supervisory Board	1
DI Dr. Helmut Draxler	HAA: Member of the Supervisory Board	1
Mag. Alois Steinbichler	HAA: Member of the Supervisory Board	1
Erich Klima	HAA: Member of the Supervisory Board (Delegated by the Works Council)	4
Mag. Mario Zolle	HAA: Member of the Supervisory Board (Delegated by the Works Council)	4

State Supervisors

Mag. Angelika Schlögel	HAA: State Supervisor	4
Dr. Monika Hutter	HAA: State Supervisor	N/A

Provincial Supervisors

Finanzlandesrat Mag. Harald Dobernig	HAA: Provincial Supervisor	N/A
Dr. Horst Felsner	HAA: Provincial Supervisor	N/A

Note: Tenure represents years in current position

Source: Company Reports (annual report Dec 10 and Dec 07), Company data

Company History

In 1896, HAA was founded as Kärntner Landes-Hypothekenanstalt, a co-operative credit institution, becoming a bank under public law in 1924. The bank was under the state control of the German Reich between 1938 and 1944.

In 1974, the bank was renamed Kärntner Landes-Hypothekenbank, and changed its status from a specialist to a universal bank in 1982. In 1991, the institution became a public limited company. From 1993 onwards, the bank began to expand internationally, initiating strategic investments in Italy and Slovenia. HAA opened its first branch in Italy in 1995.

In 1998, the bank merged its Italian subsidiaries and Hyposervice S.r.l. to form Hypo Alpe-Adria-Bank S.p.A. In 1999, the bank was renamed Hypo Alpe-Adria-Bank AG.

HAA expanded its banking business by establishing several banking subsidiaries including: Hypo Alpe-Adria-Bank d.d. (formerly Hypo Banka Croatia d.d.) in Zagreb, Croatia in 1996; Hypo Alpe-Adria-

Bank d.d. in Slovenia in 1999; Hypo Alpe-Adria-Bank d.d. (formerly Auro-Banka d.d.) in Mostar in 2001; and Hypo Alpe-Adria-Bank (Liechtenstein) AG in Liechtenstein in 2002.

In 1998, HAA gained control of Slavenska Banka d.d. in Croatia. In 2002, HAA acquired an 86.6% stake in Depozitno-kreditna Banka (now known as Hypo Alpe-Adria-Bank A.D., Belgrade). It also acquired Kristal Banka d.d. in Serbia (now known as Hypo Alpe-Adria-Bank A.D., Banja Luka).

HAA also took steps to develop its leasing activities by establishing a number of leasing subsidiaries including Hypo Leasing d.o.o. in Ljubljana and Hypo Leasing Kroatien d.o.o. in Zagreb (both in 1994); Hypo Alpe-Adria-Leasing d.o.o. in Sarajevo (2001); Hypo Alpe-Adria-Leasing d.o.o. in Belgrade (2002); Hypo Alpe-Adria-Leasing GmbH in Munich, and Hypo Alpe-Adria-Leasing Holding AG in Klagenfurt (2003).

In June 2004, the bank restructured itself by dividing the entity into two separate legal entities: Hypo Alpe-Adria-Bank International AG for international business (formerly Hypo Alpe-Adria-Bank AG) and the newly founded Hypo Alpe-Adria-Bank AG for domestic business. Hypo Alpe-Adria-Bank AG is a 100% subsidiary of Hypo Alpe-Adria-Bank International AG.

HAA formed Hypo Alpe-Adria-Leasing S.r.l. (Udine) and Hypo Alpe-Adria-Leasing d.o.o. (Podgorica) in 2004 and 2005, respectively.

In 2006, HAA established a banking subsidiary, Hypo Alpe-Adria-Bank a.d. Podgorica, and two leasing subsidiaries, Hypo Alpe-Adria-Rent d.o.o. in Belgrade and Hypo Alpe-Adria-Leasing EOOD in Sofia.

In 2007, the bank entered the Ukrainian market through a newly formed leasing subsidiary, Hypo Alpe-Adria-Leasing TOV. In December 2007, HAA sold a 51% stake in its former wholly owned subsidiary Hypo Alpe-Adria-Bank (Liechtenstein) AG while retaining a 49% share.

In May 2007, BayernLB, one of Germany's largest banks, acquired a 50% stake plus one share in HAA for €1.625 billion, becoming the majority shareholder of the bank.

In March 2008, the Supervisory Board of HAA approved a proposal by the Executive Board to sell its entire remaining 49% stake in Hypo Alpe-Adria-Bank (Liechtenstein) AG, held by the bank following its partial sale in 2007. In April 2009, the bank passed a resolution to cease banking activities in Liechtenstein and subsequently put Alpe Adria Privatbank AG (formerly Hypo Alpe-Adria-Bank (Liechtenstein) AG) into liquidation.

In April 2008, the bank acquired 100% stake in HYPO INVESTMENTS a.d. Beograd, a Serbian investment fund company.

In December 2008, the Republic of Austria injected €900 million into HAA's capital as part of the government's support package for the country's financial sector. In December 2009, the Republic of Austria became the sole shareholder of the bank by acquiring stakes from the previous owners (BayernLB, Grazer Wechselseitige Versicherung AG, Kärntner Landesholding and the Mitarbeiter Privatstiftung).

In June 2009, the bank purchased a 100% stake in HYPO NEPREMICNINE d.o.o., a Slovenian project development company, for €1.8 million.

In April 2010, the bank increased its stake in REZIDENCIJA SKIPER d.o.o. by 75% and now fully owns the company. In September 2010, the bank's subsidiary Aluflexpack d.o.o., Zadar acquired an 83.97% stake in TLM-TVP d.o.o., Sibenik for €3.7 million.

Source: Company Reports (annual report Dec 10, Dec 09, Dec 08, Dec 07 and Dec 04), Company data

Peer Group

- » Hypo Tirol Bank AG
- » Vorarlberger Landes- und Hypothekenbank AG
- » Oesterreichische Volksbanken AG

Related Websites and Information Sources

For additional information, please see:

- » The company's website: www.hypo-alpe-adria.com
- » The regulator's website: www.oenb.at/en

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Moody's Related Research

Credit Opinion:

- » [Hypo Alpe-Adria-Bank International AG](#)

Banking Statistics:

- » [Hypo Alpe-Adria-Bank International AG](#)

Special Comment:

- » [Moody's Comments on Individual Banks Included in European Stress Test, July 2011 \(134681\)](#)
- » [EBA Stress Test: Rating Implications are Likely to be Limited, July 2011 \(133807\)](#)
- » [Banks in CIS and CEE Continue to Face Extra Risk from Foreign Currency Lending, June 2010 \(125377\)](#)
- » [Moody's Approach to Estimating Austrian Banks' Credit Losses, November 2009 \(121246\)](#)
- » [Calibrating Bank Ratings in the Context of the Global Financial Crisis, February 2009 \(114705\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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