

HYPO ALPE-ADRIA (JERSEY) II LIMITED
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2010

Ref: 305331
Sims: 2012245

HYPO ALPE-ADRIA (JERSEY) II LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and the unaudited financial statements for the period 1st January 2010 to 30th June 2010.

INCORPORATION

The Company was incorporated in Jersey, Channel Islands, as a public company, under the Companies (Jersey) Law 1991.

ACTIVITIES

The principal activity of the Company is the issue of Fixed/Floating Rate Non-Cumulative Non-Voting Preferred Securities (the "Preferred Securities"). The proceeds of the Preferred Securities are used to grant Hypo Alpe-Adria-Bank International AG ("HAA") a loan facility of €150,000,000.

As set out in the Offering Circular dated 7th October 2004, the Preferred Securities are only intended for highly sophisticated and knowledgeable investors who are capable of understanding and evaluating the risks involved in investing in them. The Preferred Securities are listed on the Euronext Amsterdam Stock Exchange.

RESULTS AND DIVIDENDS

The result for the period amounted to €nil (year ended 31st December 2009: €nil).

The Directors are unable to recommend the payment of a dividend for the period (year ended 31st December 2009: €nil).

DIRECTORS

The Directors who held office throughout the period and up to the date of approval of the financial statements were:-

G.P. Essex-Cater
F. Pinkelnig
S.M. Vardon
F.X.A. Chesnay

REGISTERED OFFICE

22 Grenville Street
St. Helier
Jersey, Channel Islands
JE4 8PX

BY ORDER OF THE BOARD



Authorised Signatory

Simon Vardon

State Street Secretaries (Jersey) Limited (formerly Mourant & Co. Secretaries Limited)

Secretary

Date: 20 8 . 10

HYPO ALPE-ADRIA (JERSEY) II LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Jersey Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the fair representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- * properly select and apply accounting policies;
- * present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- * make judgements and estimates that are reasonable and prudent;
- * provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- * make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991 and International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF PERSONS RESPONSIBLE WITHIN THE ISSUER

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), the Directors of the Company whose names appear on page 1 confirm to the best of their knowledge that the unaudited financial statements for the period ended 30th June 2010 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards. The Report of the Directors gives a fair review of the development of the Company's business, financial position and the important events that have occurred during the financial period and their impact on the financial statements. The principal risks and uncertainties faced by the Company are disclosed in note 7 of these financial statements.

Signed on behalf of the Board of Directors

Director: 

Simon Wardon

HYPO ALPE-ADRIA (JERSEY) II LIMITED


BALANCE SHEET

AS AT 30TH JUNE 2010

	<u>Notes</u>	<u>30th Jun 10</u>	<u>31st Dec 09</u>
ASSETS			
Non-current assets			
Loans and receivables	3	150,000,000	150,000,000
Current assets			
Cash and cash equivalents	4	2	2
TOTAL ASSETS		€ 150,000,002	€ 150,000,002
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	6	2	2
TOTAL SHAREHOLDERS' EQUITY		2	2
Non-current liabilities			
Preferred securities	5	150,000,000	150,000,000
TOTAL EQUITY AND LIABILITIES		€ 150,000,002	€ 150,000,002

The financial statements were approved and authorised for issue by the Board of Directors on the 20th day of August 2010 and were signed on its behalf by:

Director:


GARETH ESSEX-CARTER

(The notes on pages 7 to 15 form part of these unaudited financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

	<u>Notes</u>	<u>1st Jan 10 to 30th Jun 10</u>	<u>1st Jan 09 to 31st Dec 09</u>
INCOME:			
Loan interest income	2, 3	-	1,865,600
EXPENDITURE:			
Interest expense on Preferred Securities	2, 7	-	(1,865,600)
RESULT FOR THE YEAR		€ -	€ -

Continuing operations

All items dealt with in arriving at the result for the period ended 30th June 2010 and for the year ended 31st December 2009 relate to continuing operations.

Other comprehensive income

The Company did not have any other comprehensive income or loss for the period ended 30th June 2010 and for the year ended 31st December 2009.

(The notes on pages 7 to 15 form part of these unaudited financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

	Share capital	Total
Balance at 1st January 2010	2	2
Result for the period	-	-
Balance at 30th June 2010	<u>2</u>	<u>2</u>
	€ 2	€ 2
	<u>2</u>	<u>2</u>
Balance at 1st January 2009	2	2
Result for the year	-	-
Balance at 31st December 2009	<u>2</u>	<u>2</u>
	€ 2	€ 2
	<u>2</u>	<u>2</u>

(The notes on pages 7 to 15 form part of these unaudited financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

	<u>Note</u>	<u>1st Jan 10 to 30th Jun 10</u>	<u>1st Jan 09 to 31st Dec 09</u>
Cash flows from operating activities			
Result for the period/year		-	-
Adjustments for:			
Loan interest income		-	(1,865,600)
Interest expense on Preferred Securities		-	1,865,600
Net cash flow from operating activities		-	-
Cash flows from investing activities			
Loan interest received		-	3,498,000
Cash flows from financing activities			
Interest paid on Preferred Securities		-	(3,498,000)
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the period/year		2	2
Cash cash equivalents at the end of the period/year	4	€ 2	€ 2

The cash flows are managed by HAA and BNP Paribas Securities Services, Luxembourg Branch as the Principal Paying and Transfer Agent.

(The notes on pages 7 to 15 form part of these unaudited financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

1. GENERAL INFORMATION

Hypo Alpe-Adria (Jersey) II Limited was incorporated in Jersey, Channel Islands, as a public company, under the Companies (Jersey) Law 1991. The principal activity of the Company is the issue of Fixed/Floating Rate Non-Cumulative Non-Voting Preferred Securities (the "Preferred Securities"). The proceeds of the Preferred Securities are used to grant Hypo Alpe-Adria-Bank International AG ("HAA") a loan facility of €150,000,000. The Preferred Securities are listed on the Euronext Amsterdam Stock Exchange.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all the periods presented unless otherwise stated.

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee. These financial statements have been prepared under the historical cost convention.

Going concern

Hypo Alpe-Adria-Bank International AG ("HAA") incurred an accumulated loss as at the financial year 2008 and that due to insufficient distributable funds the dividend payments on the Preferred Securities that were scheduled for 7th October 2009 and 7th April 2010 were not made.

In April 2010, the Company issued notice to the holders of Preferred Securities that Hypo Alpe-Adria-Bank International AG ("HAA") had again given notice of an accumulated loss as at the financial year 2009 and that due to insufficient distributable funds the dividend payments on the Preferred Securities scheduled for 7th October 2010 and 7th April 2011 would not be made.

Despite the above, given the limited recourse non petition provisions of the Preferred Securities, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Applicable new standards and interpretations not yet adopted

In November 2009, the IASB issued a new accounting standard, "IFRS 9: Financial Instruments (Replacement of IAS 39)". IFRS 9 is mandatory for accounting periods commencing from 1st January 2013 with early adoption permitted at any time from 12th November 2009 onwards. The main changes resulting from the replacement of IAS 39 by IFRS 9 are changes to the permitted classifications and subsequent measurement of financial instruments. However, in the opinion of the Directors adoption of IFRS 9 will result in no material changes to the Company's financial statements.

Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the period. Actual results could differ from those estimates. Details of such estimates are stated in note 7 to the financial statements.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

2. ACCOUNTING POLICIES - (CONTINUED)

Loans and receivables

The Company designates its investments as Loans and receivables following adoption of IAS 39 (amended 2004). Investments are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any impairment in value. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Impairment

As required by IAS 39, all financial assets, except those carried at fair value through profit or loss, are subject to review for impairment. Such assessment is made at each balance sheet date. The Loan is measured at amortised cost and is therefore subject to a review for impairment.

An impairment is recognised if, and only if, there is objective evidence of impairment as a result of one or more 'loss events' that has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The Directors consider a reduction or write down of principal, notional or redemption amounts, notice of bankruptcy or other indications that HAA will not meet their obligations under the Loan as they fall due.

Whilst the failure to receive interest from the Loan during the financial year or subsequently may be an indicator of impairment, it is unlikely that this alone would give rise to an impairment adjustment for a financial instrument such as the Loan. Interest on the Loan is contingent upon HAA having sufficient distributable profits and in the absence of such, the Company is not entitled to receive any interest. Thus, the Directors do not consider any failure to receive interest as a loss event.

Owing to the limited reliance that can be placed on the estimated fair values, an estimated fair value significantly below par may be an indicator of impairment, but it is unlikely to give rise to an impairment adjustment where the estimated fair value is not based on observable market data. As there is no liquid market for the loan, in the opinion of the Directors, the obtained fair values are not reliable and do not necessarily give rise to an impairment.

Preferred securities

Preferred securities are initially recognised at fair value and subsequently at amortised cost. The scheduled redemption amount of the Preferred securities at the scheduled maturity dates will be the lesser of (i) the nominal amount invested; or (ii) the amount received by the Company in respect of the redemption of the Investments held by the Company. The Directors have considered the characteristics of the Preferred securities, and the requirements of "Financial Instruments: Presentation" ("IAS 32"), and consider that the most appropriate classification of these securities is debt and therefore shown under non-current liabilities in the Balance Sheet.

Preferred securities are derecognised when they are extinguished; i.e., when the obligation is discharged, cancelled or expired.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

2. ACCOUNTING POLICIES - (CONTINUED)

Fair value estimation

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e., the fair value of the consideration given or received). The fair value of financial instruments traded in active markets (such as the quoted investments) is based on quoted market prices at the balance sheet date.

The Company may invest in financial instruments that are not traded in an active market. The fair value of such instruments is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

The estimated fair values of the Loan and the Preferred securities are disclosed in note 7.

The Directors note that the Loan held is neither quoted nor actively traded. These factors mean that the level of reliance that can be placed upon the estimated fair values is limited, and the fair value disclosed may or may not be a reasonable estimate of the price at which a trade could have taken place at the balance sheet date.

Periodic movements in the estimated fair values are not recognised within these financial statements owing to the measurement basis being amortised cost.

Share capital

Ordinary shares are not redeemable and are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Loan interest income and interest payable on Preferred securities

Loan interest income and interest payable on Preferred securities are recognised in the Statement of Comprehensive Income using the effective interest rate method.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

3. LOANS AND RECEIVABLES

	<u>30th Jun 10</u>	<u>31st Dec 09</u>
Loan facility to Hypo Alpe-Adria-Bank International AG	€ 150,000,000	€ 150,000,000

The net proceeds from the issue of the Preferred securities were used by the Company to grant a loan facility (the "Loan") of €150,000,000 to Hypo Alpe-Adria-Bank International AG ("HAA").

The Loan was granted on 7th October 2004 under the terms and conditions, detailed in the Facility Agreement between the Company and HAA. The Loan bore interest initially at a fixed rate of 6.50% per annum, with the first coupon being receivable in arrears on 7th October 2005. Thereafter the facility pays interest at a rate equal to the relevant Reference Rate plus a margin of 0.15%, subject to a cap of 8%, payable semi-annually in arrears every 7th April and 7th October following the fixed payment. Payment of interest shall only be made if the amount of interest due is available from annual profits of HAA's previous fiscal year (before movement of reserves). The relevant Reference Rate is the 10-year mid swap rate in Euro versus 6M EURIBOR.

The Loan has no fixed repayment date, however HAA has the option to repay the Loan in full on 7th October 2011, or on any interest payment date thereafter, subject to giving the Company 30 days prior notice.

The obligations under the Loan constitute unsecured and subordinated obligations of HAA ranking pari passu among themselves and pari passu with all other subordinated obligations of HAA. In the event of the dissolution, liquidation or bankruptcy of HAA, the obligations under the Loan may be satisfied only after the non-subordinated claims of creditors have been satisfied, so that in any such event no amounts shall be payable in respect of the Loan until the claims of all unsubordinated creditors of HAA shall have been satisfied in full.

No interest was received on 7th April 2010 due to insufficient distributable profits by HAA for the fiscal year 2008. Consequently, no dividends due on the Preferred securities were distributed. As at 30th June 2010, the Loan had a market value of €33,750,000 (31st December 2009: €25,830,000). (Refer to note 7 for more details).

HAA has confirmed no principal writedowns during the period and the full amount is maintained as a liability in its own financial statements. Thus, no impairment adjustment was recognised during the period.

4. CASH AND CASH EQUIVALENTS

	<u>30th Jun 10</u>	<u>31st Dec 09</u>
Cash in hand	€ 2	€ 2

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

5. PREFERRED SECURITIES	<u>30th Jun 10</u>	<u>31st Dec 09</u>
150,000 Fixed/Floating Rate Non-Cumulative Non-Voting Preferred Securities of €1,000 each	€ 150,000,000	€ 150,000,000

The Fixed/Floating Rate Non-Cumulative Non-Voting Preferred Securities (the "Preferred Securities"), in the amount of €150,000,000, were issued by the Company on 7th October 2004 under the terms of the Offering Circular.

The Preferred Securities pay interest initially at a rate of 6.50% per annum, with the first interest amount payable in arrears on 7th October 2005. Thereafter the Preferred Securities pay interest at a rate equal to the prevailing reference rate plus a margin of 0.15% per annum, subject to a cap of 8%, payable semi-annually in arrears every 7th April and 7th October following the fixed payment. The prevailing reference rate is the 10-year mid swap rate in Euro versus 6M EURIBOR.

The Support Agreement was entered into on 7th October 2004 between the Company and HAA as the Support Provider. Under this Agreement HAA undertakes to provide the Company with financial support, but HAA is not obliged to make any payment to the Company to the extent that such a payment would exceed HAA's distributable funds for the prior fiscal year or to the extent that such a payment would exceed HAA's annual surplus pursuant to HAA's own financial statements as at the balance sheet date immediately preceding the interest payment date. HAA is also not obliged to make any payment to the Company to the extent that such a payment would impair HAA's ability to make payments on preference shares or preferred securities under applicable Austrian Banking regulations.

The Preferred Securities are redeemable at the option of the Company, in whole but not in part, from and including 7th October 2011 and on any dividend payment date thereafter, upon giving the holders not less than 30 days notice. The Company may only redeem the Preferred Securities with the prior consent of HAA. In the event of the winding-up of the Company or the dissolution or winding-up of HAA, holders of the Preferred Securities will be entitled to receive for each Preferred Security a liquidation preference of €1,000 plus any accrued and unpaid dividends.

The Preferred Securities are limited in recourse to the Loan referred in note 3 to the financial statements.

As no interest was received from the Loan on 7th April 2010, no corresponding interest payment was made to the holders of the Preferred Securities on the relevant interest payment date due to their limited recourse nature.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

6. SHARE CAPITAL

	<u>30th Jun 10</u>	<u>31st Dec 09</u>
AUTHORISED:		
Unlimited number of Ordinary Shares of no par value	€ -	€ -
ISSUED AND FULLY PAID:		
2 Ordinary Shares issued at €1 each	€ 2	€ 2

The Company has issued 2 ordinary shares at €1 each. These shares entitle holders to voting rights at any general meeting of the Company, to ordinary dividends as may be declared by the Directors from time to time, and to participate in the winding up of the Company.

7. FINANCIAL INSTRUMENTS

Financial risk factors

The principal activity of the Company is the issue of Preferred Securities, the proceeds of which have been used to grant a Loan to HAA. The role of financial assets and financial liabilities, therefore, is central to the activities of the Company; the financial liabilities provided the funding to purchase the Company's financial assets. Financial assets and liabilities provide the majority of the assets and liabilities of the Company.

The strategies used by the Company in achieving its objectives regarding the use of its financial assets and liabilities were set when the Company entered into the transactions. The Company has matched the properties of its financial liabilities to its assets to avoid significant elements of risk generated by mismatches of maturity, interest rate risk and currency rate risk.

Interest rate risk

The Company finances its operations through the issue of Preferred Securities upon which interest is payable. Interest payments under the Preferred Securities are non-cumulative, and are limited to amounts receivable from HAA under the Loan. Therefore the Directors believe that there is no material interest rate risk to the Company.

			<u>30th Jun 10</u>		<u>31st Dec 09</u>
	Interest charging basis	Effective interest rate		Effective interest rate	
<i>Financial assets:</i>					
Loans and receivables	Floating	0.000%	€ 150,000,000	1.244%	€ 150,000,000
<i>Financial liabilities:</i>					
Preferred Securities	Floating	0.000%	€ 150,000,000	1.244%	€ 150,000,000

Currency rate risk

As all the Company's assets and liabilities are denominated in Euros the Directors believe that there is no material currency risk to the Company.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

7. FINANCIAL INSTRUMENTS - (CONTINUED)

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's main financial asset is largely the loan with HAA where all of the Company's income is derived from. Credit risk arises principally from this loan. The maximum exposure to credit risk, without taking into account any collateral held or other credit enhancements is as follows:

	<u>30th Jun 10</u>	<u>31st Dec 09</u>
Loans and receivables	150,000,000	150,000,000
Cash and cash equivalents	2	2
	<u>€ 150,000,002</u>	<u>€ 150,000,002</u>

The Directors believe that there is no material credit risk to the Company since the Preferred Securities are limited in recourse to the Loan. If there are insufficient distributable funds from the Loan, a support agreement is in place with HAA whereby they agree to provide sufficient funds to the Company to enable it to meet its payment obligations under the Preferred Securities.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Distribution payments under the Preferred Securities are non-cumulative, and are limited to amounts receivable from HAA under the loan.

Due to the nature of the Company's operations, the Directors consider the net liquidity risk faced by the Company as minimal. The most significant cash outflow consists of the payment of interest on the Preferred Securities. The timing of its cash outflows fall due on the same dates of the cash inflows from the loan. The Company's expenses are paid on its behalf by HAA and therefore the Directors consider its available cash resources as sufficient.

Liquidity risk - (continued)

Maturity of financial assets and liabilities

The expected maturity profile of the Company's financial assets and liabilities is as follows:

	<u>30th Jun 10</u>	<u>30th Jun 10</u>	<u>31st Dec 09</u>	<u>31st Dec 09</u>
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
In less than one year	2	-	2	-
In more than five years	150,000,000	(150,000,000)	150,000,000	(150,000,000)
	<u>€ 150,000,002</u>	<u>€ (150,000,000)</u>	<u>€ 150,000,002</u>	<u>€ (150,000,000)</u>

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

7. FINANCIAL INSTRUMENTS - (CONTINUED)

Fair values

The fair values of the Company's assets and liabilities are as follows:

	<u>30th Jun 10</u> <u>Book Value</u>	<u>30th Jun 10</u> <u>Fair Value</u>	<u>31st Dec 09</u> <u>Book Value</u>	<u>31st Dec 09</u> <u>Fair Value</u>
Loans and receivables	€ <u>150,000,000</u>	€ <u>33,750,000</u>	€ <u>150,000,000</u>	€ <u>25,830,000</u>
Preferred securities	€ <u>(150,000,000)</u>	€ <u>(33,750,000)</u>	€ <u>(150,000,000)</u>	€ <u>(25,830,000)</u>

The fair value of the Preferred Securities has been obtained from quoted prices on the Euronext Amsterdam Stock Exchange. In the opinion of the Directors, the fair value of the loans and receivables held is approximate to the fair value of the Preferred Securities, as the terms and conditions of the Preferred Securities are identical to those of the Loans and receivables and the credit risk attached to both the Preferred Securities and the Loans and receivables are similar being in each case closely related to that of HAA. In the opinion of the Directors, it is not practicable to estimate with sufficient reliability any difference in fair value between the Loans and receivables and the Preferred Securities, although such difference in fair value is not expected to be significant.

The fair value reflects the overall worsening trading environment affecting the banking market and not the likely termination value of the Preferred Securities. In an event of not being able to satisfy its obligations under the Preferred Securities, the Company and the holders of the Preferred Securities have the benefit of a support agreement from HAA that provides for dividend and liquidation rights as if the Securities were issued directly by HAA.

Sensitivity analysis

As disclosed above, in the Director's opinion, there is no material difference between the fair value of the Loan and the fair value of the Preferred Securities. From the perspective of the Company, any change in the fair value of the Loan would be matched by an equal and opposite change in the fair value of the Preferred Securities. Consequently the Company is not exposed to price risk.

Also as disclosed above, in the Directors opinion, there is no material interest rate risk to the Company, nor is there any currency rate risk to the Company.

IFRS 7 requires disclosure of "a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date."

As stated, whilst the financial instruments held by the Company are separately exposed to interest rate risk and market price risk, the Company itself is not exposed to market risk overall. Therefore, in the Directors' opinion, no sensitivity analysis is required to be disclosed.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2010 TO 30TH JUNE 2010

7. FINANCIAL INSTRUMENTS - (CONTINUED)

Capital management

The Company's objective, when managing capital, is to safeguard the Company's ability to continue as a going concern. In order to maintain this, the Company's assets and liabilities and the relative underlying terms and conditions are exactly matched. The transactions are designed to enable the Company to pay its liabilities as they fall due only, without realising a return on capital. The level of interest income and interest expense are exactly matched and were established on incorporation of the Company in order that the Company realises a net result of € nil each year.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

8. HOLDING COMPANY

The Company's immediate and ultimate holding company is HAA, a company incorporated in Austria.

9. RELATED PARTIES

Up to and including 31st March 2010, G.P. Essex-Cater was a shareholder of Mourant Limited. Each of G.P. Essex-Cater, S.M. Vardon and F.X.A. Chesnay was an employee of a subsidiary of Mourant Limited. Affiliates of Mourant Limited provided administrative services to the Company at commercial rates.

On 1st April 2010, Mourant Limited sold its interest in Mourant International Finance Administration to State Street Corporation ("SSC"). Each of G.P. Essex-Cater, S.M. Vardon and F.X.A. Chesnay is an employee of a subsidiary of SSC. Affiliates of SSC now provide administrative services to the Company at commercial rates.

F. Pinkelnig is an employee and officer of Hypo Alpe-Adria Bank International AG and therefore should be regarded as interested in any transaction with Hypo Alpe-Adria Bank International AG and the subsidiaries and affiliates of the same.

Details of the Loan transaction with HAA are disclosed in note 3 to the financial statements.

10. TAXATION

With effect from the 2009 year of assessment Jersey abolished the exempt company regime for existing companies. Profits arising in the Company for the 2009 year of assessment and future periods will be subject to Jersey Income Tax at the rate of 0%. In the prior year the Company was exempt from taxation under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

11. EXPENSES

All of the Company's expenses are met by HAA and are therefore not reflected within these financial statements.