HYPO ALPE ADRIA
SUPPORTIVE. FRIENDLY. FAIR.

Annual Report 2010

Hypo Alpe-Adria-Bank d.d.

Croatia

Key figures for the year 2010

Hypo Alpe-Adria-Bank d.d. Zagreb and the daughter companies

EUR '000

	2009	2010
Total assets	5,377,507	5,297,392
Lending	3,919,417	3,927,936
Own funds	871,781	864,222
Thereof TIER 1	815,722	806,999
Primary funds	1,950,894	2,134,902
Net interest income	146,458	139,255
Operating income	224,844	198,982
Operating expenses	109,053	99,989
Operating profit	20,335	32,431
Profit from ordinary activities (POA)	14,646	25,183
CIR*	57.95%	50.25%
ROE**	2.69%	3.74%
ROA***	0.45%	0.61%
Staff	1,735	1,762

* Cost/Income Ratio = Operating expenses/Operating income

** ROE = Profit from ordinary activities/Average capital

*** ROA= Profit from ordinary activities/Average total assets

Content

Management Board Members

Markus Ferstl
President of the Management Board

Responsible for:
Board Assistance Department
Internal Audit
Legal Affairs and Compliance
Human Resources Management
Marketing
Public Relations

Tadija Vrdoljak
Member of the Management Board

Responsible for:
Financial Controlling
Accounting
Treasury
Real Estate Management
Economic Research

Ivo Bilić
Member of the Management Board

Responsible for:
Retail Banking
Business Technology
Transaction Banking
Card Processing Centre

Brane Golubić
Member of the Management Board

Responsible for:
Risk Controlling
Large Exposure Restructuring
Credit Processing
Credit Risk Management
Rehabilitation

Tea Martinčić
Member of the Management Board

Responsible for:
Corporate Banking
Public Finance
Investment Banking

Management Board Report for the Year 2010

Macroeconomic environment

Croatian GDP has recorded an estimated real decline of 1.4% in year 2010, with the effect of falling investment, personal consumption and industrial production being only partially mitigated by strong export growth. Decrease in investments is the result of the growing illiquidity of the real sector, poor inflow of foreign capital and balance sheet 'cleansing' of businesses. The weakness in personal consumption reflects the additional increase in unemployment, retail leverage, the decline in real disposable income and consumer pessimism. Strong export growth is primarily the result of exports of ships and chemicals in the light of the growth in global commodity prices, while a slight decline in imports is primarily a result of low imports of capital and consumer goods, and is partially limited by the growth in global oil prices. Overall lending activity has increased, thanks to the weaker kuna and investments into less risky public sector, while the growth in deposits primarily reflects the increased savings of households.

Total assets of domestic banks as of 31.12.2010 (Croatian National Bank, the interim non-audited figures) amounted to HRK 385.0 billion, or 116 percent of the estimated nominal GDP.

In order to support state Enterprise Lending program through HBOR, the central bank reduced the rate of reserve requirement of banks by one percentage point to 13 percent and thereby released HRK 2.9 billion in banks' reserve liquidity. Additional monetary relaxation was realized this year by reducing the minimum foreign currency reserves of the banks by 3 percentage points to 17%, thus releasing EUR 850 million of FX liquidity of the banks, aimed at supporting investments in export-oriented sectors and allocation of work capital in prosperous companies. Given the contracting payment balance deficit, low inflation rate and FX stability, there is no need for monetary tightening measures for the time being.

Overview of business operations

The operations of Hypo Alpe-Adria-Bank were under the influence of the economic crisis in 2010, as well, which was particularly felt in the domain of increasing credit risk and weaker collection of outstanding debt.

However, thanks to the new strategy and business focus on the development of retail, financing of small and medium enterprises, especially manufacturing and export-oriented companies, and the public sector, Hypo Alpe-Adria-Bank achieved good business results in 2010, as well, and with the market share of 10 percent it has strengthened its position among one of the major banks. The bank has continued developing products and services and achieved growth in target business segments, including the volume of deposits and loans, and the number of clients.

Total assets of the Bank amounted to HRK 38,701 million, while loans and advances reached the amount of HRK 28,400 millions, and profit after tax amounted to HRK 227 millions. Compared with the previous year 2009, total loans and advances grew by 4.94% and were mainly focused on financing the businesses and public sectors. Particularly strong growth was achieved in the segment of deposits, which at year end amounted to HRK 15,797 million, representing a growth of 10.34 percent on an annual basis.

Hypo Bank recorded a great step forward in the retail segment and thanks to a wide range of products and reasonable financing terms, it had a growth in the number of clients, new accounts, especially deposits, which eventually amounted to EUR 1.42 billion, representing a growth of 19.34 percent compared to 2009.

Pursuant to its strategy of intensive engagement in the retail segment, the Bank continued expanding its business network and opening of new branches. With its 70 branches and more than 200 ATMs, the Bank has increased its presence and availability to the existing and potential clients.

Within the corporate business segment, the Bank continued the diversification of its portfolio, while focusing on long-term financing of reputable clients. Along with these achievements, new basis for acquiring new prosperous clients has been set.

Supporting the public sector is a strategic determinant of Hypo Bank, therefore, the Bank has remained a reliable partner of the Government, its institutions and HBOR, and has actively participated in the implementation of measures for the economic recovery and development of the country.

Retail has achieved remarkable results in 2010, an has, despite the challenging economic environment, marked a considerable growth in terms of number of clients, as well as in almost all the other segments, particularly in terms of collecting deposits, which grew twice as fast as the market. Quicker growth of deposits than loans was a general characteristic of the year 2010, but nevertheless, Hypo Bank's loan portfolio has grown by approximately 5 percent, whereas in housing financing the Bank holds 15 percent of the market. Car and mortgage loans, as well as credit cards, have also generated growth.

The ATM network was significantly improved, and preparations for branch network expansion have been done, with the focus on expansion in urban centres. With its strong market activities as well as product and service development the Bank has managed to establish itself as a strong retail bank.

In the segment of **private banking** the number of clients is continuously growing, but an even greater increase was achieved in volume, so the Bank has also increased the number of employees in this business segment. As of 2010 private banking services can be obtained in Zagreb and Osijek. The Bank plans to offer this service in Split and Rijeka during 2011.

Small and medium-sized enterprises segment continued the positive trend in 2010, which is primarily manifested in the increasing number of clients and the slight growth of deposits, transactions and volume. At the same time, through network expansion and financial advisors' activities, the SME segment was strongly represented and the Bank continued increasing the quality level of service.

The Bank put much effort last year in reprogramming and restructuring of existing client's obligations and also provided them with advisory service, in order to enable small enterprises and craftsmen to overcome the year, whose main feature were a drop in demand, tighter liquidity and uncertain payment collection.

SME is one of the key segments for further development of Hypo Bank, which has made a significant step forward during the year 2010, and the Bank's goal in 2011 is to develop new products and packages specifically developed for small and medium-sized entrepreneurs, and and to improve cross-selling and respond to their needs through an individual approach to a client.

Unlike previous openness towards large projects financing and strong focus on the real estate sector, the **Corporate Sector** has focused towards the acquisition of new, segmented groups of clients and diversification of the current portfolio and income, and thus risk. In this sense, it focused on targeted groups of clients and servicing their financial needs.

The Bank actively participated in the implementation of anti-recession measures that the Government introduced in 2010: the Model A lending - loans for working capital; and Model B in support of commercial banks and HBOR. In addition to the existing programs the Bank was involved in new funding programs by signing a Cooperation Agreement for IPARD program, Measure 301 and 302.

Deposits exceeded business expectations and continue an upward path in the next fiscal year. The Sector is trying to restructure the entire business and related portfolio, which mostly reflects in the reduced provisions for losses, which will in turn have a positive impact on total revenue, while the income side is expected to grow moderately. In accordance with the global economic recovery and the situation in the capital market, business growth on an individual level is expected as well.

The Public Finance Sector continued achieving excellent business results, and the positive trend of previous years continued in 2010, based on providing quality services, with special emphasis on comprehensive financial and advisory support to clients of the public sector (local and regional governments, public enterprises, public utilities, non-profit organizations, etc.). Constant presence in the market has enabled Hypo Bank to participate in a number of significant projects, which resulted in new infrastructural developments and new investment cycles.

The fact that the public sector is determined by the specific influences and the particularities requires from Hypo Bank, whose strategy is to be a partner the public sector, a great ability to adapt, so that the ultimate result of the partnership would be mutual satisfaction. As an example of recognizing the needs of our clients, Public Finance Sector has in 2010 launched the initiative of forming an expert team qualified to assist the customers in matters of EU pre-accession funds.

Taking into account the announced projects in the public sector, and their low risk, the Bank's ambition is to create long-term relationships with clients, in order to maintain a positive growth trend and to be able to meet the planned high-standard goals.

Parallel to the return of liquidity and investors in the domestic market, foreign financial instruments came increasingly in focus. In order to be able to properly respond to the needs of clients, **Investment Banking Sector** has started cooperation with the new global custodian and broker – the State Street investment bank. The cooperation with one of the leading institutions has enabled Hypo Bank to introduce competitive conditions in foreign markets, and to offer its customers quick and favourable access to foreign markets and the possibility of trading regardless of the currency, continent and time zone. At the same time, as part of the internet banking HYPOnet system, HYPOeTrade was developed. It is an internet platform for real-time trading in domestic and foreign markets.

Hypo Alpe-Adria-Bank d.d. has finished the business year 2010 as the leading institution in Croatia in depositary business and custody of financial instruments, with assets in custody totalling more than 20 billion kunas.

The year 2011 will bring emphasis on developing of foreign trade business processes, as well as the possibility of direct access to prices in foreign markets through the platform HYPOeTrade. The Bank's intention is to respond to the business challenges, strengthen and improve its market position, enrich the product and services portfolio, extend the service of financial instruments internet trading for corporate and institutional investors, and to upgrade the trading system, which is connected with the Zagreb Stock Exchange. Cross-selling with Corporate and Retail sectors also provides room for further development.

Despite the economic downturn in the real sector, Croatian capital market achieved long-awaited positive results in 2010. Zagreb Stock Exchange total turnover increased by more than 18%, while the CROBEX index increased in value by 5.3%.

Thanks to having formed a portfolio of liquid and quality securities, funds under management of **Hypo Alpe-Adria-Invest d.d.** have achieved competitive yields, despite the difficult economic conditions in 2010. The best result for the year 2010 achieved a bond fund with yields of 5.84% in EUR, while the yields of other funds ranged from 2.5% (money market fund) up 4.76% in EUR.

Special recognition to the results of Hypo Invest was the Golden Share award for the best balanced fund in 2009. Among the competition of 29 balanced funds in the domestic market, HI-balanced fund received this award by the end of 2010.

Hypo Alpe-Adria-Invest d.d. has closed the year 2010 with 1.9 million profit after taxes, which, compared to the previous year, represents a net profit growth. In 2011, in cooperation with the market sectors of the Bank, Hypo Invest expects a growth in sales activities, which should lead to an increase in assets under management and income growth along with competitive returns on investment.

The Treasury Sector has fulfilled all its strategic goals in 2010. It developed a series of new products that offer customers the possibility of hedging (protection), thus strengthening the Bank's role as a reliable market partner for managing market risks.

Internal trainings on treasury products were initiated and conducted during the year, which contributed significantly to the level of education of the Bank's employees and to the quality of the service for clients. The segmentation of non-banking financial institutions was successfully brought to the end, to which Treasury is now the main contact partner in the Bank, which lead to significantly easier communication and business in this segment.

On an internal level, within the Treasury the Cash Management department has been established, whose main task is to manage the cash in the network, ATMs and regional treasuries professionally.

The Bank expanded its **business network** by two new locations during 2010, thus being present at 70 locations altogether. The year has started by relocation of the Split Peristil branch to Riva, and has continued by relocating the Varaždin branch from Kukuljevićeva address to the Gundulićeva street. Pula branch in Flanatička 25 was renovated, followed by closing the nearby Flanatička 19 branch. The year was closed with the opening of two new outlets in Zagreb – Velesajam and Maksimirska. The ATM network was expanded by additional 39 locations, thus increasing the total number of ATM locations to 208.

Prospects for the Future

We expect below-potential GDP growth of 1.8% in the year 2011, as well as additional growth of unemployment and uncertainty regarding the inevitable reform of social rights. Poor productivity, and thus business profitability, shall keep the work demand on weaker levels. Prolonged adjustment of domestic demand will hardly be compensated by favourable foreign demand, investment optimism about the EU accession, and the improvement of business climate in this regard. Uncertainty regarding perceptions of risk adds to downside risks of economic growth given that the perception of increased risk would additionally worsen the already adverse conditions of external debt servicing. Thanks to Croatian National Bank's additional monetary relaxation and changed loan conditions of Croatian Bank for Reconstruction and Development incentive programs, private sector lending activity will increase to a certain point. But one should bear in mind the usual delay of positive implications for reaching the potential economic growth rate, which will be generated by concrete projects from the sphere of monetary relaxations and state Program of the Economic Recovery.

Downward risks to the lending activity are also resulting from adverse credit conditions for small and medium-sized enterprises in the Euro-zone, along with the still present public debt crisis with negative implications for the costs of external financing and credit potential. The slow recovery of GDP growth, stagnating foreign capital inflows and low payment balance deficit are stalling the potential of additional monetary relaxation. However, we believe that further release of banks' reserve liquidity will primarily depend on success of government incentive programs for corporate financing in the export segment, and, of course, the exchange rate stability, given the significant foreign debt maturing this year.

Even though Croatian economy is showing the first signs of recovery, despite the estimated GDP growth of 1.8%, it is still behind the neighbouring economies. We see chances for a stronger growth in quicker implementation of structural reforms and coordination between fiscal and monetary politics, reduction of work costs and raising its productivity, increase in production and export, as well as in creation of a positive climate, which would automatically result in improved competitiveness. Within the banking industry context, the year 2011, just like the previous one, will be directly marked by the macro-economic environment and GDP stagnation, increase of unemployment and continuing trend of risk cost increase.

In 2011 Hypo Alpe-Adria-Bank will also continue providing a strong support to retail, small and medium-sized enterprises, and public sector. This orientation also reflects in the strategic decision of opening new offices in major Croatian cities of Zagreb, Split and Rijeka, and further strengthening of the network in the region of Dalmatia by opening of branches in the cities of Sinj and Imotski. Also, expansion of ATM network by additional 40 new ATMs is planned. Hypo Bank intends to continue strengthening its deposits base through intensive engagement and new and innovative savings products, along with certain adjustment of deposits interest rates to a long-term sustainable level. In doing so, the Bank will especially focus on the improvement of service quality and personal and private banking service quality, including the increase of their availability.

The segment of small and medium-sized enterprises represents major potential of Croatian economy, especially since bigger companies rely on them. Therefore, this segment is the focus of Hypo Bank's plans, which will actively support good ideas and quality projects, providing assistance to entrepreneurs to overcome the currently unfavourable economic environment, and to consolidate and develop their business.

The main objective of Hypo Alpe-Adria-Bank is to maintain a strong and profitable bank, which has the qualities and potential for further growth and development, and which will continue being a quality partner to its customers and the economy in general.

HYPO ALPE-ADRIA-BANK d.d.
Management Board

Mag. Markus Ferstl

Tadija Vrdoljak, M.Sc.

Ivo Bilić, B.Sc.

Brane Golubić, B.Sc.

Tea Martinčić, B.Sc.

Unconsolidated and Consolidated Financial Statements and Independent Auditor's Report

for the year ended 31 December 2010

Responsibility for the Financial Statements

Pursuant to the Croatian Accounting Law (Official Gazette 109/07) and the Croatian Credit Institutions Act (Official Gazette 117/08), the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with the applicable legislation and regulatory requirements, which give a true and fair view of the financial position of Hypo Alpe-Adria-Bank d.d. Zagreb ("the Bank") and Group HYPO ALPE-ADRIA-BANK d.d. Zagreb ("the Group") and of the results of their operations, changes in equity and cash flows for that period.

After making enquiries, the Management Board has a reasonable expectation that the Bank and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank and the Group will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Bank and the Group and must also ensure that the financial statements comply with the Croatian Accounting Law (Official Gazette 109/07) and the Croatian Credit Institutions Act (Official Gazette 117/08). The Management Board is also responsible for safeguarding the assets of the Bank and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These financial statements were authorized for issue by the Management Board on 22 March 2011 and were therefore signed on its behalf as follows:

Tadija Vrdoljak, M.Sc
Member of the Management Board

Mag. Markus Ferstl
President of the Management Board

HYPO ALPE-ADRIA-BANK d.d.
Slavonska avenija 6
10 000 Zagreb
Republic of Croatia

Independent Auditor's Report

To the Shareholders of HYPO ALPE-ADRIA-BANK d.d. Zagreb:

Report on the financial statements:
We have audited the accompanying unconsolidated and consolidated financial statements ("the financial statements") of HYPO ALPE-ADRIA-BANK d.d. Zagreb ("the Bank") and its subsidiaries (together "the Group"), which comprise the unconsolidated and consolidated statements of financial position as at 31 December 2010, the unconsolidated and consolidated income statements, the unconsolidated and consolidated statements of comprehensive income, the unconsolidated and consolidated statements of changes in equity and the unconsolidated and consolidated cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory information (as set out on pages 6 to 107).

Management Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting requirements for banks in Croatia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion the unconsolidated and consolidated financial statements present fairly, in all material respects, the financial position of the Bank and of the Group as at 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with statutory accounting requirements for banks in the Republic of Croatia.

Other matters
The financial statements of the Bank and the Group for the year ended December 31, 2009, were audited by another auditor who expressed an unqualified opinion on those statements on April 7, 2010.

Report on other legal and regulatory requirements
In accordance with the By-law on the structure and content of the annual financial statements (National Gazette no 62/08) (hereinafter „the By-Law"), the Bank's management has prepared forms which are presented on pages 108 to 118, and which contain a consolidated balance sheet as at 31 December 2010, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended together with notes on the reconciliation of the forms with the primary financial statements of the Group. This financial information is the responsibility of the Bank's management and is, pursuant to statutory accounting requirements for banks in the Republic of Croatia, not a required part of the financial statements, but is required by the Bylaw. This financial information presented in the forms has been properly derived from the primary financial statements which were prepared in accordance with statutory accounting requirements for banks in the Republic of Croatia as presented on pages 6 to 107 or are based on the underlying accounting records of the Group.

Željko Faber
CEO and certified auditor

Ernst & Young d.o.o.
Zagreb, 22 March 2011

Consolidated Income Statement

for the year ended 31 December 2010

	Note	Unaudited* 2010 EUR '000	Unaudited* 2009 EUR '000	2010 HRK '000	2009 HRK '000
Interest and similar income	3	283,070	314,434	2,090,522	2,297,320
Interest expense and similar charges	4	(143,815)	(167,976)	(1,062,098)	(1,227,268)
Net interest income		**139,255**	**146,458**	**1,028,424**	**1,070,052**
Fee and commission income	5	48,764	51,194	360,134	374,033
Fee and commission expense	6	(9,526)	(9,010)	(70,351)	(65,826)
Net fee and commission income		**39,238**	**42,184**	**289,783**	**308,207**
Net trading (loss)/gain	7	(14,345)	31,165	(105,940)	227,701
Net foreign exchange differences	8	24,486	(5,210)	180,836	(38,065)
Other operating income	9	10,348	10,247	76,419	74,868
Total other income		**20,489**	**36,202**	**151,315**	**264,504**
Personnel expenses	10	(41,527)	(41,755)	(306,684)	(305,070)
Depreciation	22	(9,406)	(7,094)	(69,466)	(51,833)
Amortization	23	(4,861)	(5,219)	(35,900)	(38,132)
Impairment losses	11	(66,562)	(95,456)	(491,574)	(697,424)
Other operating expenses	12	(44,195)	(54,985)	(326,388)	(401,735)
Total other expenses		**(166,551)**	**(204,509)**	**(1,230,012)**	**(1,494,194)**
Profit before tax		**32,431**	**20,335**	**239,510**	**148,569**
Income tax	13	(7,248)	(5,689)	(53,528)	(41,566)
Net profit for the year		**25,183**	**14,646**	**185,982**	**107,003**
Attributable to:					
Owners of the Group		25,183	14,646	185,982	107,003

* Income Statement items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 24 to 95 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	Unaudited* 2010 EUR '000	Unaudited* 2009 EUR '000	2010 HRK '000	2009 HRK '000
Net profit for the year	**25,183**	**14,646**	**185,982**	**107,003**
Other comprehensive income				
Net value loss on available for sale financial assets	(1,534)	(1,390)	(11,330)	(10,155)
Net value gain on cash flow hedges	-	-	-	-
Gain on revaluation of properties	(941)	4,941	(6,951)	36,102
Comprehensive income before tax	**(2,475)**	**3,551**	**(18,281)**	**25,947**
Income tax relating to components of other comprehensive income	302	62	2,229	455
Total comprehensive income for the year	**23,010**	**18,259**	**169,930**	**133,405**
Total comprehensive income attributable to:				
Owners of the Group	23,010	18,259	169,930	133,405

* Statement of Comprehensive Income items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 24 to 95 form an integral part of these financial statements.

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 22 March 2011:

Tadija Vrdoljak
Member of the Management Board

Markus Ferstl
President of the Management Board

Consolidated Statement of Financial Position

for the year ended 31 December 2010

	Note	Unaudited* 2010 EUR '000	Unaudited* 2009 EUR '000	2010 HRK '000	2009 HRK '000
Assets					
Cash and balances with Croatian National Bank	14	580,278	682,856	4,285,452	4,989,083
Financial assets at fair value through profit or loss	15	18,145	16,593	134,001	121,233
Derivative financial assets	34	40	52	295	382
Placements with and loans to other banks	16	107,328	215,255	792,635	1,572,699
Loans and receivables	17	3,820,608	3,704,162	28,215,848	27,063,342
Available for sale financial assets	18	554,020	543,788	4,091,536	3,973,021
Assets acquired in lieu of uncollected receivables	20	15,810	13,631	116,758	99,592
Property, plant and equipment	22	153,691	152,938	1,135,036	1,117,393
Intangible assets	23	9,700	11,329	71,636	82,774
Deferred tax assets	13	12,343	7,858	91,157	57,410
Current tax assets		-	11,114	-	81,203
Other assets	21	25,429	17,931	187,802	131,007
Total assets		**5,297,392**	**5,377,507**	**39,122,156**	**39,289,139**
Liabilities					
Due to other banks	24	1,896,902	2,181,657	14,008,951	15,939,619
Due to customers	25	2,134,902	1,950,894	15,766,624	14,253,622
Finance lease liabilities	26	217	188	1,599	1,375
Derivative financial liabilities	34	36,546	12,277	269,895	89,695
Provisions for liabilities and charges	27	12,958	34,060	95,698	248,847
Current tax liabilities		5,070	295	37,443	2,153
Other liabilities	28	23,093	22,731	170,542	166,079
Total liabilities		**4,109,688**	**4,202,102**	**30,350,752**	**30,701,390**
Subordinated debt	29	323,482	303,624	2,388,969	2,218,340
Equity					
Share capital	30	806,999	815,722	5,959,830	5,959,830
Share premium		8,093	8,180	59,767	59,767
Unallocated profits		25,183	20,720	185,982	151,381
Retained earnings		5,730	1,663	42,317	12,148
Reserves	31	18,217	25,496	134,539	186,283
Total equity		**864,222**	**871,781**	**6,382,435**	**6,369,409**
Total liabilities and equity		**5,297,392**	**5,377,507**	**39,122,156**	**39,289,139**
Commitments and contingent liabilities	32	582,157	870,147	4,299,328	6,357,469

* Statement of Financial Position items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 24 to 95 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

HRK '000

	Share capital	Share premium	Reserves	Revaluation reserve	Fair value reserve	Retained earnings	Unallocated profits	Total
Balance at 1 January 2009	**4,187,174**	**75**	**303,158**	**16,031**	**2,022**	**23,962**	**139,461**	**4,671,883**
Total comprehensive income	-	-	-	35,162	(9,700)	940	107,003	133,405
Slavonska banka d.d. transferred balances	1,490,889	59,692	252,074	-	7,403	-	74,562	1,884,620
Adjustment of share capital according to Merger Agreement	281,767	-	(281,767)	-	-	-	-	-
Net profit of Slavonska banka d.d. for the period ended 28 February 2009	-	-	-	-	-	-	33,245	33,245
Alpe-Adria Investments d.o.o. transferred balances	-	-	-	-	-	(3,040)	11,133	8,093
Allocation of profit from 2008								-
- Legal reserves	-	-	11,163	-	-	-	(11,163)	-
- Retained earnings	-	-	-	-	-	(9,237)	9,237	-
- Dividends	-	-	(149,263)	-	-	(940)	(212,097)	(362,300)
Refund of tax paid in prior periods	-	-	-	-	-	463	-	463
Balance at 31 December 2009	**5,959,830**	**59,767**	**135,365**	**51,193**	**(275)**	**12,148**	**151,381**	**6,369,409**
Total comprehensive income	-	-	940	(7,806)	(9,101)	(85)	185,982	169,930
Allocation of profit from 2009								-
- Legal reserves	-	-	7,571	-	-	-	(7,571)	-
- Retained earnings	-	-	-	-	-	(34)	34	-
- Dividends	-	-	-	-	-	-	(143,844)	(143,844)
Dividend from other reserves	-	-	(41,417)	-	-	-	-	(41,417)
Other changes	-	-	(1,932)	-	-	30,289	-	28,357
Balance at 31 December 2010	**5,959,830**	**59,767**	**100,527**	**43,387**	**(9,376)**	**42,318**	**185,982**	**6,382,435**

Notes on pages 24 to 95 form an integral part of these financial statements.

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 22 March 2011:

Tadija Vrdoljak
Member of the Management Board

Markus Ferstl
President of the Management Board

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

HRK '000

	Note	2010	2009
Cash flow from operating activities:			
Net profit for the year		185,982	107,003
Adjustments for:			
Income tax recognized in profit or loss		53,528	41,566
Interest expense recognized in profit or loss		1,062,098	1,227,268
Interest income recognized in profit or loss		(2,020,899)	(2,232,137)
Depreciation and amortization		105,366	89,965
Gain on disposal of property, plant and equipment		(4,704)	(1,806)
Fair value adjustment of financial assets at fair value through profit or loss		(751)	(2,400)
Fair value adjustment of derivative financial instruments		204,932	(92,299)
Dividends received		(36)	(528)
Impairment of asses		491,574	697,424
Operating cash flow before working capital movements		*77,090*	*(165,944)*
Decrease/(increase) in balances with Croatian National Bank		691,761	(636,448)
(Increase) /decrease in placements with other banks		(229,189)	1,283,467
Increase in loans and receivables		(1,796,593)	(1,048,731)
Increase in other assets		(18,871)	(8,276)
(Decrease)/increase in due to other banks		(1,068,914)	542,500
Increase in term deposits		1,428,363	782,022
Increase/(decrease) in demand deposits		88,739	(1,232,891)
(Decrease)/increase in provisions for liabilities and charges		(153,148)	109,709
Increase/(decrease) in other liabilities		166,855	(198,574)
Interest paid		(1,081,146)	(1,178,229)
Interest received		1,997,934	2,040,043
Income taxes paid		(45,961)	(155,295)
Net cash from operating activities		**56,920**	**133,353**
Cash flows from investing activities:			
(Increase)/decrease in financial assets at fair value through profit or loss		(11,919)	13,221
Decrease/(increase) in available for sale financial assets		266,068	(495,476)
Dividends received		36	528
Acquisition of Alpe-Adria Investments d.o.o.		-	(20)
Increase of property, plant and equipment and intangible assets		(115,324)	(130,270)
Net cash from investing activities		**138,861**	**(612,017)**
Cash flows from financing activities:			
Increase in subordinated debt		170,628	726,586
(Decrease)/increase in borrowings		(849,217)	820,332
Dividends paid		(185,261)	(362,300)
Net cash from financing activities		**(863,850)**	**1,184,618**
Increase/(decrease) in cash and cash equivalents		**(668,069)**	**705,954**
Cash of acquired companies		**-**	**454,545**
Cash and cash equivalents at the beginning of the year		3,211,759	2,051,260
Cash and cash equivalents at the end of the year	37	**2,543,690**	**3,211,759**

Notes on pages 24 to 95 form an integral part of these financial statements.

Unconsolidated Income Statement

for the year ended 31 December 2010

	Note	Unaudited* 2010 EUR '000	Unaudited* 2009 EUR '000	2010 HRK '000	2009 HRK '000
Interest and similar income	3	284,189	314,436	2,098,783	2,297,333
Interest expense and similar charges	4	(142,612)	(168,571)	(1,053,216)	(1,231,616)
Net interest income		**141,577**	**145,865**	**1,045,567**	**1,065,717**
Fee and commission income	5	48,276	50,730	356,527	370,647
Fee and commission expense	6	(9,431)	(8,920)	(69,652)	(65,173)
Net fee and commission income		**38,845**	**41,810**	**286,875**	**305,474**
Net trading (loss)/gain	7	(14,371)	31,160	(106,130)	227,663
Net foreign exchange differences	8	26,045	(5,185)	192,349	(37,886)
Other operating income	9	8,871	2,759	65,516	20,157
Total other income		**200,967**	**216,409**	**1,484,177**	**1,581,125**
Personnel expenses	10	(40,054)	(39,679)	(295,804)	(289,902)
Depreciation	22	(6,689)	(6,618)	(49,399)	(48,350)
Amortization	23	(4,816)	(5,129)	(35,565)	(37,473)
Impairment losses	11	(66,431)	(94,118)	(490,601)	(687,644)
Other operating expenses	12	(45,190)	(49,072)	(333,737)	(358,532)
Total other expenses		**(163,180)**	**(194,616)**	**(1,205,106)**	**(1,421,901)**
Profit before tax		**37,787**	**21,793**	**279,071**	**159,224**
Income tax	13	(7,032)	(5,619)	(51,934)	(41,054)
Net profit for the year		**30,755**	**16,174**	**227,137**	**118,170**

* Income Statement items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 24 to 95 form an integral part of these financial statements.

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 22 March 2011:

Tadija Vrdoljak
Member of the Management Board

Markus Ferstl
President of the Management Board

Unconsolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	Unaudited* 2010 EUR '000	Unaudited* 2009 EUR '000	2010 HRK '000	2009 HRK '000
Net profit for the year	**30,755**	**16,174**	**227,137**	**118,170**
Other comprehensive income				
Net value loss on available for sale financial assets	(1,509)	(1,324)	(11,145)	(9,676)
Net value gain on cash flow hedges	-	-	-	-
Gain on revaluation of properties	(941)	4,941	(6,951)	36,102
Comprehensive income before tax	**(2,450)**	**3,617**	**(18,096)**	**26,426**
Income tax relating to components of other comprehensive income	302	62	2,229	455
Total comprehensive income for the year	**28,607**	**19,853**	**211,270**	**145,051**

* Statement of Comprehensive Income items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 24 to 95 form an integral part of these financial statements.

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 22 March 2011:

Tadija Vrdoljak
Member of the Management Board

Markus Ferstl
President of the Management Board

Unconsolidated Statement of Financial Position

for the year ended 31 December 2010

	Note	Unaudited* 2010 EUR '000	Unaudited* 2009 EUR '000	2010 HRK '000	2009 HRK '000
Assets					
Cash and balances with Croatian National Bank	14	580,277	682,855	4,285,444	4,989,077
Financial assets at fair value through profit or loss	15	18,145	16,593	134,001	121,233
Derivative financial assets	34	40	52	295	382
Placements with and loans to other banks	16	107,327	215,254	792,629	1,572,688
Loans and receivables	17	3,845,503	3,704,160	28,399,704	27,063,331
Available for sale financial assets	18	552,944	542,095	4,083,585	3,960,651
Investments in subsidiaries	19	29,686	5,182	219,234	37,859
Assets acquired in lieu of uncollected receivables	20	15,810	13,631	116,758	99,592
Property, plant and equipment	22	44,376	43,182	327,727	315,497
Intangible assets	23	9,616	11,141	71,013	81,398
Deferred tax assets	13	12,343	7,858	91,157	57,410
Current tax assets		-	10,949	-	79,996
Other assets	21	24,308	16,437	179,522	120,094
Total assets		**5,240,375**	**5,269,389**	**38,701,069**	**38,499,208**
Liabilities					
Due to other banks	24	1,836,588	2,069,273	13,563,521	15,118,518
Due to customers	25	2,138,975	1,959,549	15,796,699	14,316,854
Finance lease liabilities	26	217	188	1,599	1,375
Derivative financial liabilities	34	36,546	12,277	269,895	89,695
Provisions for liabilities and charges	27	12,942	34,002	95,576	248,429
Current tax liabilities		5,105	-	37,699	-
Other liabilities	28	22,160	20,067	163,657	146,620
Total liabilities		**4,052,533**	**4,095,356**	**29,928,646**	**29,921,491**
Subordinated debt	29	323,482	303,624	2,388,969	2,218,340
Equity					
Share capital	30	806,999	815,722	5,959,830	5,959,830
Share premium		8,093	8,180	59,767	59,767
Unallocated profits		30,755	20,725	227,137	151,415
Retained earnings		116	129	855	940
Reserves	31	18,397	25,653	135,865	187,425
Total equity		**864,360**	**870,409**	**6,383,454**	**6,359,377**
Total liabilities and equity		**5,240,375**	**5,269,389**	**38,701,069**	**38,499,208**
Commitments and contingent liabilities	32	583,088	871,537	4,306,205	6,367,625

* Statement of Financial Position items reported in the audited financial statements, are translated into EUR using the middle exchange rate of the Croatian National Bank as at 31 December of the respective year and are given only for illustration and do not represent a part of the audited financial statements (see Note 2 for the information on exchange rates used).

Notes on pages 24 to 95 form an integral part of these financial statements.

Unconsolidated Statement of Changes in Equity

for the year ended 31 December 2010

HRK '000

	Share capital	Share premium	Reserves	Revaluation reserve	Fair value reserve	Retained earnings	Unallocated profits	Total
Balance at 1 January 2009	**4,187,174**	**75**	**302,108**	**16,031**	**3,735**	**940**	**148,698**	**4,658,761**
Total comprehensive income	-	-	-	35,162	(9,221)	940	118,170	145,051
Slavonska banka d.d. transferred balances	1,490,889	59,692	252,074	-	7,403	-	74,562	1,884,620
Adjustment of share capital according to Merger Agreement	281,767	-	(281,767)	-	-	-	-	-
Net profit of Slavonska banka d.d. for the period ended 28 February 2009	-	-	-	-	-	-	-	-
Allocation of profit from 2008							33,245	33,245
Legal reserves	-	-	11,163	-	-	-	(11,163)	-
Dividends	-	-	(149,263)	-	-	(940)	(212,097)	(362,300)
Balance at 31 December 2009	**5,959,830**	**59,767**	**134,315**	**51,193**	**1,917**	**940**	**151,415**	**6,359,377**
Total comprehensive income	-	-	940	(7,806)	(8,916)	(85)	227,137	211,270
Allocation of profit from 2009								-
Legal reserves	-	-	7,571	-	-	-	(7,571)	-
Dividends	-	-	-	-	-	-	(143,844)	(143,844)
Dividend from other reserves	-	-	(41,417)	-	-	-	-	(41,417)
Other changes	-	-	(1,932)	-	-	-	-	(1,932)
Balance at 31 December 2010	**5,959,830**	**59,767**	**99,477**	**43,387**	**(6,999)**	**855**	**227,137**	**6,383,454**

Notes on pages 24 to 95 form an integral part of these financial statements.

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 22 March 2011:

Tadija Vrdoljak
Member of the Management Board

Markus Ferstl
President of the Management Board

Unconsolidated Statement of Cash Flows

for the year ended 31 December 2010

HRK '000

	Note	2010	2009
Cash flow from operating activities:			
Net profit for the year		227,137	118,170
Adjustments for:			
Income tax recognized in profit or loss		51,934	41,054
Interest expense recognized in profit or loss		1,053,216	1,231,616
Interest income recognized in profit or loss		(2,029,144)	(2,232,150)
Depreciation and amortization		84,964	85,823
Gain on disposal of property, plant and equipment		(4,704)	(1,661)
Fair value adjustment of financial assets at fair value through profit or loss		(751)	(2,400)
Fair value adjustment of derivative financial instruments		204,932	(92,299)
Dividends received		(32,306)	(528)
Impairment of asses		490,601	687,644
Operating cash flow before working capital movements		*45,879*	*(164,731)*
Decrease/(increase) in balances with Croatian National Bank		691,761	(636,449)
(Increase) /decrease in placements with other banks		(229,194)	1,283,466
Increase in loans and receivables		(1,978,448)	(1,047,022)
Increase in other assets		(51,647)	(50,910)
(Decrease)/increase in due to other banks		(1,068,914)	542,500
Increase in term deposits		1,397,488	535,222
Increase/(decrease) in demand deposits		86,494	(1,237,171)
(Decrease)/increase in provisions for liabilities and charges		(152,853)	109,604
Increase/(decrease) in other liabilities		176,204	(177,672)
Interest paid		(1,072,310)	(1,177,734)
Interest received		2,004,168	2,039,473
Income taxes paid		(39,113)	(152,303)
Net cash from operating activities		**(190,485)**	**(133,727)**
Cash flows from investing activities:			
(Increase)/decrease in financial assets at fair value through profit or loss		(11,919)	13,221
Decrease/(increase) in available for sale financial assets		261,834	(495,436)
Increase in investments in subsidiaries		(181,375)	528
Dividends received		32,306	-
Increase of property, plant and equipment and intangible assets		(90,262)	(127,572)
Net cash from investing activities		**10,584**	**(609,259)**
Cash flows from financing activities:			
Increase in subordinated debt		170,628	726,586
(Decrease)/increase in borrowings		(473,537)	1,084,739
Dividends paid		(185,261)	(362,300)
Net cash from financing activities		**(488,170)**	**1,449,025**
Increase/(decrease) in cash and cash equivalents		**(668,071)**	**706,039**
Cash of acquired companies		**-**	**454,461**
Cash and cash equivalents at the beginning of the year		3,211,753	2,051,253
Cash and cash equivalents at the end of the year	37	**2,543,682**	**3,211,753**

Notes on pages 24 to 95 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2010

1. General Information about the Bank and the Group

a) History and Incorporation

HYPO ALPE-ADRIA-BANK d.d. Zagreb (hereinafter: the Bank), is a joint stock company registered in Croatia. The registered office of the Bank is located in Slavonska avenija 6.

The Bank is a fully owned subsidiary of HYPO ALPE-ADRIA-BANK INTERNATIONAL AG Klagenfurt.

The Bank is a member of the Hypo Group Alpe Adria, with HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt as the parent company. The shareholder of HYPO ALPE-ADRIA-BANK INTERNATIONAL AG is the Republic of Austria, and consequently the ultimate parent company of HYPO ALPE-ADRIA-BANK d.d. Zagreb.

During 2010 the operations were conducted through the Bank's head office located in Zagreb and through branches organized into regional centers Zagreb, Central Croatia, Dalmatia, Istria and Kvarner and Slavonia.

The companies, which are consolidated with the Bank (hereinafter: the Group), are presented below together with the percentage of ownership:

% ownership

	Nature of business	2010	2009
HYPO ALPE-ADRIA-INVEST d.d., Zagreb	Investment funds management	100%	100%
HYPO ALPE-ADRIA-ULAGANJE d.o.o., Zagreb	Financial markets agency business	-	100%
HYPO ALPE-ADRIA-NEKRETNINE d.o.o., Zagreb	Real estate business	100%	100%
ALPE ADRIA CENTAR d.o.o., Zagreb	Real estate business	-	100%
ALPE-ADRIA INVESTMENTS d.o.o., Zagreb	Real estate business	-	100%
PROJEKT NEKRETNINE d.o.o., Zagreb	Real estate business	100%	100%
MAGUS d.o.o., Zagreb	Management of holding companies	100%	100%

Consolidated companies' contribution within the Group net profit after intercompany eliminations for the year:

HRK '000

	2010	2009
HYPO ALPE-ADRIA-BANK d.d. Zagreb	221,259	166,369
HYPO ALPE-ADRIA-INVEST d.d., Zagreb	853	(789)
HYPO ALPE-ADRIA-ULAGANJE d.o.o., Zagreb	-	(2,335)
HYPO ALPE-ADRIA-NEKRETNINE d.o.o., Zagreb	(36,163)	(7,169)
ALPE ADRIA CENTAR d.o.o., Zagreb	-	(49,070)
PROJEKT NEKRETNINE d.o.o., Zagreb	(1)	(1)
MAGUS d.o.o., Zagreb	34	(2)
Total	**185,982**	**107,003**

Consolidated companies' contribution within the Group reserves:

HRK '000

	2010	2009
HYPO ALPE-ADRIA-BANK d.d. Zagreb	196,488	219,131
HYPO ALPE-ADRIA-INVEST d.d., Zagreb	34,662	50,205
HYPO ALPE-ADRIA-ULAGANJE d.o.o., Zagreb	-	32,022
HYPO ALPE-ADRIA-NEKRETNINE d.o.o., Zagreb	5,538	(709)
ALPE ADRIA CENTAR d.o.o., Zagreb	-	(39,350)
ALPE-ADRIA INVESTMENTS d.o.o., Zagreb	-	(3,040)
PROJEKT NEKRETNINE d.o.o., Zagreb	(11)	(10)
MAGUS d.o.o., Zagreb	(54)	(51)
Total	**236,623**	**258,198**

b) Statutory changes

On 28 February 2009 Hypo Alpe-Adria-Bank d.d. Zagreb performed the legal merger of Slavonska banka d.d. Osijek. The sole owner of both entities was HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt.

According to Merger Agreement signed on 18 June 2008, the net assets of Slavonska banka d.d. were transferred to the Hypo Alpe-Adria-Bank d.d. (the Acquirer) and a share exchange was performed. Hypo Alpe-Adria-Bank d.d. has taken over all the assets and liabilities of Slavonska banka d.d. along with all the rights, commitments and contingent liabilities, including movables and immovables, tangible and intangible assets and interest in other companies. Hypo Alpe-Adria Bank d.d. became the legal successor of Slavonska banka d.d.

On 23 of December 2009 Alpe Adria Centar d.o.o. Zagreb, a subsidiary of Hypo Alpe-Adria-Bank d.d. Zagreb, acquired Alpe-Adria Investments d.o.o. Zagreb from the previous owner Alpe-Adria-Immobilien AG, Klagenfurt, also a member of the Hypo Alpe Adria Group.

On 30 March 2010 Alpe Adria Centar d.o.o. Zagreb performed the legal merger of Alpe-Adria Investments d.o.o. Zagreb by transferring all assets and liabilities to its own balance sheet.

On 30 April 2010 Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb performed the legal merger of Hypo Alpe-Adria-Ulaganje d.o.o. Zagreb by transferring all assets and liabilities to its own balance sheet.

On 30 June 2010 Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb performed the legal merger of H Alpe Adria Centar d.o.o. Zagreb by transferring all assets and liabilities to its own balance sheet.

Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb became the legal successor of all merged companies.

c) Activity

The Bank was granted a full banking license by the Croatian National Bank ("CNB") in 1996 and started its banking activities in September 1997. This license includes, but is not limited to the following activities:

- taking deposits in local and foreign currencies,
- approving loans in local and foreign currencies,
- buying and selling of local and foreign currencies,
- opening nostro accounts abroad,
- transactions with securities, precious metals and bills of exchange, in Croatia and abroad,
- performing local and international payments, and
- issuing guarantees and letters of credit to customers.

The management considers that the Group operates in the segment of banking and related services in the Republic of Croatia.

d) Members of the Supervisory Board

The members of the Supervisory Board of the Bank during 2010 were as follows:

Gottwald Kranebitter	President	Appointed as at 27 April 2010
Wolfgang Edelmüller	Deputy President	Appointed as at 27 April 2010
Aleksandar Slana	Member	Appointed as at 27 April 2010
Sebastian Firlinger	Member	Appointed as at 27 April 2010
Goran Radman	Member	Appointed as at 08 July 2009
Wolfgang Peter	President	Recalled as at 27 April 2010
Božidar Špan	Deputy President	Recalled as at 27 April 2010
Othmar Ederer	Member	Recalled as at 27 April 2010
Anton Knett	Member	Recalled as at 27 April 2010

e) Members of the Management Board

The members of the Management Board of the Bank during 2010 were as follows:

Markus Ferstl	President	Appointed as at 14 December 2007
Tadija Vrdoljak	Member	Appointed as at 01 March 2009
Ivo Bilić	Member	Appointed as at 18 December 2009
Brane Golubić	Member	Appointed as at 10 March 2010
Tea Martinčić	Member	Appointed as at 20 October 2010
Ivan Mihaljević	Member	Recalled as at 03 March 2010

2. Summary of Significant Accounting Policies

a) Statement of Compliance

The financial statements have been prepared in accordance with statutory accounting requirements for banks in Croatia. Banking operations in Croatia are subject to the Croatian Credit Institutions Act, in accordance with which financial reporting is regulated by the Accounting Act and the Croatian National Bank ("the CNB"). These financial statements have been prepared in accordance with the regulatory accounting requirements as defined by the CNB.

The statutory accounting regulations for Banks in Croatia are based on International Financial Reporting Standards ("IFRS") as adopted in Croatia and published in the National Gazette adjusted by any specific accounting related regulations brought by the CNB. The main difference between the accounting regulations of the CNB and International Financial Reporting Standards is in the assessment of collective impairment losses for balance sheet and off-balance sheet items not identified as impaired on an individual basis. The regulations require that provision is assessed on non-classified loans and some other financial assets on a portfolio basis, and is to be in a range from 0.85% to 1.20% of items qualifying for such impairment losses. As at 31 December 2010, the Bank recognized a portfolio based allowance for impairment losses in accordance with the CNB requirements of HRK 303,288 thousand (2009: HRK 365,981 thousand) and a related release of provision for collective impairment in the income statement for 2010 of HRK 62,693 thousand (2009: expenses HRK 7,097 thousand).

IAS 39 requires that future cash flows in a group of financial assets that are collectively evaluated for impairment should be estimated on the basis of historical loss experience for such assets with credit risk characteristics similar to those in the group and these losses cannot be limited by any means. The Bank is in the process of collecting available historical data about unidentified existing losses in various portfolios, taking into account relevant economic conditions for which these historic data should be adjusted, as a basis for estimating the unidentified losses existing at the balance sheet date in accordance with IFRS.

Contrary to IFRS, the CNB rules require the amortisation of the discount calculated on impaired loans to be presented in the income statement within the movement on impairment losses on loans and advances to customers and other assets, rather than as interest income, as required by IFRS while collected interest on impaired loans is presented within interest income.

b) Adoption of new and revised International Financial Reporting Standards

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below.

- IFRS 2 Share-based Payments
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below:

IFRS 9 Financial Instruments

On 12 November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied from 1 January 2013, with early adoption permitted. On 28 October 2010 the IASB issued amendments to IFRS 9 to address the requirements for classifying and measuring financial liabilities. Most of the requirements were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the problem of own credit risk. This completed the first phase of the Board's project to replace IAS 39. In the subsequent phases, the IASB will address impairment methodology and hedge accounting. The completion of this project is expected in 2011. The Group is currently assessing the impact of adopting IFRS 9, however, since the impact of adoption depends on the assets held by the Group at the date of adoption, it is not practical to quantify the effect.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

On 26 November 2009, the IASB issued IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments which clarifies the requirements of International Financial Reporting Standards (IFRSs) when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The Interpretation is effective for annual periods beginning on or after 1 July 2010 with earlier application permitted. The Group does not expect IFRIC 19 to have an impact on the financial position or performance of the Group.

Amendments to IAS 24 Related Party Disclosures (effective for financial years beginning on or after 1 January 2011)

The amendments simplify the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. They also provide a partial exemption from the disclosure requirements for government-related entities. The implementation of these amendments will have no impact on the financial position or performance of the Group.

Amendments to IAS 32 Financial instruments: Presentation - Classification of Rights issue (effective for financial years beginning on or after 1 February 2011)

The amendments amend definition of a financial liability in order to classify rights issue (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IAS 12 Income Taxes

Amended IAS 12 includes a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and a requirement that deferred tax on a non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The amended standard is applicable for annual periods beginning on or after 1 January 2012 with earlier application permitted. The Group does not expect that amended IAS 12 will have an impact on the financial statements of the Group as the Group currently does not have any investment property measured using the fair value model or non-depreciable asset which is measured using the revaluation model.

IFRS 7 Financial Instruments: Disclosures
In October 2010, the IASB issued Disclosures - Transfers of Financial Assets (Amendments to IFRS 7). Entities are required to apply the amendments for annual periods beginning on or after 1 July 2011. The Group expects IFRS 7 to have an impact on the disclosures in the financial statements. The Group plans to adopt this amendment on its effective date.

Improvements to IFRSs (issued in May 2010)
The IASB issued improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective from annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- IFRS 3 Business combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

c) Basis of Preparation
The financial statements are presented in the Croatian currency, Kuna (HRK), rounded to the nearest thousand, unless stated otherwise. The financial statements for the year ended 31 December 2010 have been prepared under the historical cost convention except for any financial assets and liabilities stated at fair value in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" and revalued non-current assets. The accounting policies have been consistently applied, except where disclosed otherwise.

The financial statements have been prepared under the assumption that the Group will continue to operate as a going concern.

In preparing the financial statements, the Group's management has made judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of commitments and contingent liabilities at the balance sheet date, as well as amounts of income and expenses for the period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, as well as information available at the date of the preparation of the financial statements, forms the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The accounting policies have been consistently applied by Group entities and are consistent with those applied in previous years.

d) Going concern assumption
The financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The ability of the Group to continue as a going concern is dependent upon the continued funding and support from its shareholder Hypo Alpe-Adria-Bank International AG, Klagenfurt, Austria (the Parent) under the currently agreed financial terms. To this extent, the Parent has provided funding to the Group to support its operations. This support includes agreeing not to seek repayment, other than originally contracted, of intercompany loans made by them to the Group for a period of at least 12 months from the date of these financial statements.

Following the acquisition of 100% of the shares in the Hypo Alpe-Adria-Bank International AG by the Republic of Austria completed on 30 December 2009, Hypo Alpe-Adria-Bank International AG and its subsidiaries (together Hypo Group Alpe Adria or HGAA) is currently in the process of restructuring.

The previous owner of HGAA made contributions towards the restructuring as part of its disinvestment. Furthermore, the Republic of Austria announced another injection of capital. This took place through the subscription of the issue of EUR 450 m of share certificates late in June 2010.

The European Commission provisionally approved the measures put forward by the Republic of Austria on 23 December 2009 for a period of up to six months and instructed the Republic of Austria to present an in depth restructuring plan for HGAA in the first half of 2010, to enable it to judge whether the aid measures are consistent with EU laws on state aid.

The European Commission will check whether the measures planned can return HGAA to long-term profitability, whether support from the state is kept to the required minimum, whether the own contribution made will be appropriate and whether sufficient measures have been undertaken, to limit the distortion to competition caused by the financial assistance given. The European Commission has also announced that it will examine whether the previous owner has contributed sufficiently to the restructuring costs.

A formal restructuring plan has been prepared by the Parent for the European Union approval process for government aid. HGAA will be redimensioned on the basis of this restructuring plan and this will also lead to a significant number of the HGAA member companies being relinquished.

In this context, the restructuring and exit from the market costs are anticipated by the current business plan for the period from 2011 until 2015, and these costs - depending on the timing of the exit and the then existing market environment - may have a corresponding negative impact on the future periods. These expenses may be considered in accordance with IFRS only when the specific criteria according to IFRS 5 are fulfilled, and especially the most likely disposal within the period of 12 months.

On 22 June 2010, the provisional approval of capital measures was prolonged „until making the final decision about the restructuring plan regarding Hypo Alpe Adria“. However, the Commission reserved its right to give its final approval after examining the restructuring plan submitted to the Commission by the Republic of Austria in mid-April 2010.

With its decision as of 4 August 2010, the EU gave its approval for the acquisition of Hypo Alpe Adria by the Republic of Austria required under the merger control law.

At the time of finalizing these financial statements, it cannot be estimated with any degree of certainty when the EU proceedings will be concluded and whether the European Commission will accept the restructuring plan for HGAA.

Hypo Alpe-Adria-Bank International AG as the subject of the procedure stated that it is ready for a full cooperation with the Commission.

e) Basis of Consolidation

The financial statements are presented for the Bank and the Group. The Group’s financial statements comprise the consolidated financial statements of the Bank and its subsidiary entities.

Subsidiaries are the enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the Group financial statements on a consolidated basis from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Acquisitions and mergers with companies under Hypo Group Alpe Adria common control are not treated as acquisitions in accordance with IFRS 3: Business Combinations.

f) Interest Income and Expense

Interest income and expense is recognized on the accrual basis, taking into account the effective yield of the asset and liability or an applicable floating rate. Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing financial instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loan origination fees, generated after the approval of the loans are deferred, together with the related direct costs, and recognized as an adjustment to the effective yield of the loan over its life in “Interest and similar income” in profit or loss.

g) Fee and Commission Income and Expense

Fee and commission income arises on financial services provided by the Group and mainly comprises fees receivable from domestic and foreign payment transactions, fees receivable from customers for guarantees, letters of credit, foreign currency transactions and other services provided by the Group.

Fee and commission income is credited to the income, when the corresponding service is provided.

h) Retirement Benefit Costs

The Group does not have pension arrangements separate from the state pension system of the Republic of Croatia. This system requires that current contributions by the employer be calculated as a percentage of current gross salary payments; these expenses are charged to the income statement in the period the related compensation is earned by the employee.

No liabilities arise to the Group from the payment of pensions to employees in the future.

i) Foreign Currency Transactions

Transactions in foreign currencies are translated into HRK at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into HRK at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into the reporting currency at the foreign exchange rates ruling at the dates that the values were determined.

The principal rates of exchange set forth by the Croatian National Bank and used in the preparation of the balance sheet of the Bank and the Group at the reporting dates were as follows:

31 December 2010	1 EUR = HRK 7.385173
31 December 2010	1 CHF = HRK 5.929961
31 December 2009	1 EUR = HRK 7.306199
31 December 2009	1 CHF = HRK 4.909420

j) Financial Instruments

Financial assets held by the Group are categorized into portfolios in accordance with the Group's intent on the acquisition and pursuant to the Group's investment strategy. Financial assets and liabilities are classified as "At fair value through profit and loss", "Loans and receivables", "Held to maturity" or as "Assets available for sale". The principal difference among the portfolios relates to the measurement of financial assets and the recognition of their fair values in the financial statements.

Financial Assets at Fair Value through Profit or Loss

Financial instruments included in this portfolio are held for trading financial instruments, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists.

These instruments are initially recognized at cost and subsequently stated at fair value which approximates the price quoted on recognized stock exchanges.

All related realized and unrealised gains and losses are included in "Net trading gain". Interest earned whilst holding these instruments is reported as "Interest and similar income".

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All loans and receivables are recognized when cash is advanced to customers. Loan and receivables are measured after initial recognition at amortized cost using the effective interest method, less any allowance for impairment.

Third party expenses, such as legal fees, incurred in securing a loan and other fees, such as loan origination fees are treated as part of the cost of the transaction. Loan origination fees are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loan.

Loans and receivables are stated net of allowances for impairment losses. Allowances for impairment losses are established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the allowance for impairment losses is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans computed at initial recognition.

Specific allowances for impairment losses are assessed with reference to the credit worthiness and performance of the borrower and are taking into account the value of any collateral or third party guarantees.

When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off. If in a subsequent period, the amount of allowance decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the income statement.

In addition to the above described impairment losses on assets identified as impaired, the Group recognizes impairment losses, in the income statement, on on- and off-balance-sheet credit risk exposures not identified as impaired at predefined rates, which range from 0.85 to 1.20%, in accordance with the accounting regulations of the Croatian National Bank ("CNB").

Available for Sale Financial Assets

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss or loans and receivables.

Financial instruments included in available for sale financial assets are initially recognized at cost and subsequently stated at fair value based on the quoted prices, or amounts derived from cash flow models. If estimated fair value is not reliable or its value significantly fluctuates, assets are recognized at cost.

For available for sale financial assets, gains and losses arising from changes in fair value are recognized in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income is included in the income statement for the period.

Impairment losses recognized in the income statement for equity investments classified as available for sale are not subsequently reversed through the income statement. Impairment losses recognized in the income statement for debt instruments classified as available for sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Interest earned whilst holding available for sale securities is accrued on a daily basis and reported as “Interest and similar income” in the income statement.

Foreign exchange differences related to available for sale equity instruments held in foreign currency are reported together with fair value gains and losses in other comprehensive income until the financial asset is sold. Foreign exchange differences related to available for sale debt instruments held in foreign currency are reported in income statements.

Dividends on available for sale financial assets are recorded as declared and included as a receivable in the balance sheet line “Other assets” and in “Other operating income” in the income statement. Upon payment of the dividend, the receivable is offset against the collected cash.

k) Recognition and Derecognition of Financial Assets

Purchases and sales of financial assets at fair value through profit or loss and financial assets available for sale are recognised on the settlement date, which is the date when the financial instrument is delivered to or transferred from the Group.

Loans and receivables and financial liabilities at amortised cost are recognised when funds are advanced or received.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

l) Derivative Financial Instruments

In the normal course of business, the Group uses derivative financial instruments to manage its risks. The use of financial derivatives is governed by the Group’s policies approved by the Supervisory Board, which provide written principles on the use of financial derivatives.

Derivative financial instruments are initially recognised at acquiring cost and subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. Fair value adjustments of derivative financial instruments are recognised in the income statement.

All derivatives are carried as assets, when the fair value is positive and as liabilities when the fair value is negative.

m) Property, Plant and Equipment

Property, plant and equipment, except land and buildings are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Depreciation commences when the assets are ready for their intended use. Depreciation is calculated on all assets, except land and assets in construction, on a straight-line basis over the estimated useful life of the applicable assets.

The annual rates of depreciation are as follows:

	2010	2009
Buildings	2% - 5%	2% - 5%
Equipment and computers	25%	25%
Equipment bought after leasing contract maturity	50% - 100%	50% - 100%
Other	10% - 25%	10% - 25%

Land and buildings are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. The amount of the surplus transferred directly to “Retained earnings” is the difference between depreciation based on the revalued carrying amount of the building and depreciation based on the building’s original cost. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss in the year of disposal.

n) Intangible Assets

Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed at each reporting period.

Intangible assets are amortized over a period of 4 years (2009: 4 years).

o) Impairment of Non-Financial Assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income statement for property, plant and equipment and intangible assets carried at cost and treated as a revaluation decrease for assets that are carried at their revalued amount, to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset. The recoverable amount is the higher of an asset’s net selling price and its value in use.

p) Leases

Leases of assets in terms of which the Group retains all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating lease arrangements. Lease payments under operating lease are recognised as expenses on a straight-line basis over the lease term and included in other operating expenses.

Assets leased under operating lease arrangements where the Group is the lessor are included in tangible assets in the statement of financial position. They are depreciated over their expected useful lives which are based on the duration of the lease contracts. Initial direct costs incurred specifically to earn revenues from an operating lease are recognised as an expense in the income statement in the period in which they are incurred.

q) Sale and Repurchase Agreements

If a financial asset is sold under an agreement to repurchase it at a fixed price or at the sale price plus a lender's return or if it is loaned under an agreement to return it to the transferor, it is not derecognised, because the Group retains substantially all the risks and rewards of ownership.

Securities sold under sale and repurchase agreements ("repos") are recorded as assets in the balance sheet lines of assets in the original classification or the Group reclassifies the asset on its balance sheet. The counterparty liability is included in "Due to other banks" or "Due to customers", as appropriate.

Securities purchased under agreements to purchase and resell ("reverse repos") are not recognised in the balance sheet. The purchase consideration is recorded as increase of "Placements with and loans to other banks" or "Loans and receivables" as appropriate, with the corresponding decrease in cash. The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the repo agreement using the effective interest rate.

r) Provisions for Liabilities and Charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions for liabilities and charges are maintained at the level that the Group's management considers sufficient for absorption of incurred losses. The management determines the sufficiency of provisions on the basis of insight into specific items, current economic circumstances, risk characteristics of certain transaction categories, as well as other relevant factors.

Provisions are released only for expenditures in respect of which provisions are recognised at inception, and reversed if outflow of economic benefits to settle the obligation is no longer probable.

s) Off Balance Sheet Financial Commitments

In the ordinary course of business, the Group enters into credit related commitments, which are recorded in off-balance sheet accounts and primarily include guarantees, letters of credit and undrawn loan commitments. Such financial commitments are recorded in the Group's balance sheet if and when they become payable.

The provision for possible commitments and contingent liabilities losses is maintained at a level the Group management believes is adequate to absorb probable future losses. The Group Management Board determines the adequacy of the provision based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

t) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax expense is based on taxable income for the year. Taxable income differs from net income as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement.

The Group's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amount reported in the annual financial statements could be changed at a later date upon final determination by the tax authorities.

u) Cash and Cash Equivalents for the Purpose of Cash Flow Statement

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and cash equivalents with maturity up to 90 days, which comprise of cash and current accounts and placements with and loans to other banks, balances with Croatian National Bank (excluding the obligatory minimum reserve with the Croatian National Bank), and treasury bills.

Cash and cash equivalents exclude the obligatory minimum reserve with the Croatian National Bank as these funds are not available for the Group's day to day operations.

3. Interest and Similar Income

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Interest charged to companies	840,292	852,439	848,828	852,456
Interest charged to financial institutions	28,447	60,645	28,172	60,641
Interest charged to public sector	180,276	211,686	180,276	211,686
Interest charged to non-profit institutions	2,763	2,998	2,763	2,998
Interest charged to individuals	926,476	844,049	926,476	844,049
Interest charged to non-residents	112,268	325,503	112,268	325,503
Total	**2,090,522**	**2,297,320**	**2,098,783**	**2,297,333**

Interest income includes the amount of HRK 105,652 thousand (2009: HRK 104,651 thousand) of collected interest on impaired financial assets.

4. Interest Expense and Similar Charges

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Interest charged by companies	79,645	133,544	80,148	134,600
Interest charged by financial institutions	128,483	185,230	130,188	190,985
Interest charged by public sector	19,218	14,913	19,218	14,913
Interest charged by non-profit institutions	1,616	2,063	1,616	2,063
Interest charged by individuals	388,992	344,108	388,992	344,108
Interest charged by non-residents	444,144	547,410	433,054	544,947
Total	**1,062,098**	**1,227,268**	**1,053,216**	**1,231,616**

5. Fee and Commission Income

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Fees from services to companies	214,591	238,390	210,863	234,866
Fees from financial institutions	24,486	23,842	24,607	23,980
Fees from public sector	10,073	8,041	10,073	8,041
Fees from non-profit institutions	1,884	1,792	1,884	1,792
Fees from services to individuals	100,197	92,890	100,197	92,890
Fees from services to non-residents	8,903	9,078	8,903	9,078
Total	**360,134**	**374,033**	**356,527**	**370,647**

Fees from services include fees for payment services, fees for approval of overdrafts, guarantees and letters of credit, fees for card business services and other fees.

6. Fee and Commission Expense

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Commissions for services of other companies	1,627	2,220	1,309	1,965
Commissions for services of financial institutions	13,077	14,212	12,696	13,815
Commissions for services of FINA (clearing house)	32,033	30,607	32,033	30,606
Commissions for services of non-residents	23,614	18,787	23,614	18,787
Total	**70,351**	**65,826**	**69,652**	**65,173**

7. Net Trading (Loss)/Gain

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Net gain on foreign exchange transactions	176,931	113,029	176,931	113,029
Fair value adjustment of financial assets at fair value through profit or loss	751	2,400	751	2,400
Realized gains from financial assets at fair value through profit or loss	3,679	3,762	3,679	3,762
Realized gains from available for sale financial assets	12,540	16,211	12,350	16,173
(Losess)/gains from trading in derivatives	(299,841)	92,299	(299,841)	92,299
Total	**(105,940)**	**227,701**	**(106,130)**	**227,663**

8. Net Foreign Exchange Differences

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Net "foreign currency clause" adjustments	1,016,178	(91,310)	1,016,178	(91,310)
Translation (losses)/gains	(835,342)	53,245	(823,829)	53,424
Total	**180,836**	**(38,065)**	**192,349**	**(37,886)**

Common Croatian banking practice involves the pegging of HRK loans to a stable foreign currency, usually EUR or CHF. Any gain or loss as a result of the above noted pegging is shown as profit or loss, and is included in the net "foreign currency clause" adjustments caption.

9. Other Operating Income

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Dividends	36	528	32,306	528
Consultancy services income	6,698	11,405	165	-
Income from cards business	7,507	8,560	7,507	8,560
Rental income	34,673	23,713	2,942	2,503
Income from sales of property	4,704	1,920	4,704	1,776
Income from reversal of provisions for employees	10,464	531	10,464	531
Other income	12,337	28,211	7,428	6,259
Total	**76,419**	**74,868**	**65,516**	**20,157**

Consultancy services income is mostly income of Hypo Alpe-Adria-Nekretnine d.o.o. earned from the real estate estimation services, real estate agency business and investment supervision services.

The majority of the Group's rental income is from Hypo Alpe-Adria-Nekretnine d.o.o. earned by renting business premises.

Other income consists mostly of expenses refund, income from IT services, business premises cleaning services, real estate management and similar services.

10. Personnel Expenses

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Net salaries	165,888	161,482	159,515	153,784
Pension insurance expenses	50,838	52,584	49,035	50,140
Tax and surtax expenses	38,010	38,474	36,793	36,372
Contributions on salaries	43,182	43,175	41,965	41,135
Other personnel expenses	8,766	9,355	8,496	8,471
Total	**306,684**	**305,070**	**295,804**	**289,902**

As at 31 December 2010 and 2009, the Group had 1,762 and 1,735 employees, respectively.
As at 31 December 2010 and 2009, the Bank had 1,696 and 1,658 employees, respectively.

11. Impairment Losses

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Cash and balances with Croatian National Bank	(6,774)	9,900	(6,774)	9,900
Placements with and loans to other banks	(7,085)	(7,711)	(7,085)	(7,711)
Loans and receivables	673,951	545,227	673,503	545,227
Available for sale financial assets	(34,764)	15,184	(34,764)	15,184
Assets acquired in lieu of uncollected receivables	20,919	-	20,919	-
Property and land	1,205	19,618	1,205	12,585
Other assets	2,351	22,285	1,826	19,538
Guarantees and other contingent liabilities	(158,229)	92,921	(158,229)	92,921
Total	**491,574**	**697,424**	**490,601**	**687,644**

12. Other Operating Expenses

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Other taxes and contributions	5,263	6,464	4,858	6,042
Provisions for employee benefits and pending legal actions	6,733	17,317	6,846	17,212
Saving deposits insurance premium	20,533	22,185	20,533	22,185
Rental and lease charges	49,220	108,855	79,501	86,640
Material expenses and services	167,933	167,272	149,658	149,445
Marketing expenses	44,795	53,040	43,896	52,469
Write-offs of receivables	6,156	5,806	6,156	5,800
Other expenses	25,755	20,796	22,289	18,739
Total	**326,388**	**401,735**	**333,737**	**358,532**

13. Income Tax

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Current income tax expense	85,046	12,072	83,452	11,560
Deferred income tax	(31,518)	29,494	(31,518)	29,494
Income tax expense	**53,528**	**41,566**	**51,934**	**41,054**

The reconciliation between tax expense and accounting profit is as follows:

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Net profit before tax	**239,510**	**148,569**	**279,071**	**159,224**
Tax at the statutory rate of 20%	47,902	29,714	55,814	31,845
Tax effect of non-taxable income	(7,542)	(775)	(7,538)	(770)
Tax effect of non-deductible costs	3,662	9,988	3,658	9,979
Tax effect of eliminated items	6,454	-	-	-
Tax effect of losses of consolidated companies	3,052	2,639	-	-
Income tax reported in the consolidated income statement	**53,528**	**41,566**	**51,934**	**41,054**

As at 31 December 2010 Hypo Alpe-Adria-Nekretnine d.o.o. had tax losses carried forward amounting to HRK 31,276 thousand (2009: HRK 39,196 thousand). Such tax losses may only be used by the company that incurred the loss to reduce taxable profits of the following five years. Deferred tax asset related to unused tax losses at subsidiaries has not been recognized as it is not probable that tax losses carried forward will be realised during the period of the next 5 years.

Movements in deferred tax assets are as follows:

HRK '000

	Net deferred tax assets 2010	Compre-hensive income 2010	Net deferred tax assets 2009	Compre-hensive income 2009
Source:				
Deferred loan origination fees	35,603	(395)	35,208	(791)
Unrealized losses on financial assets at fair value through profit or loss	320	248	568	2,282
Unrealized losses on derivative financial instruments	50,566	(31,470)	19,096	31,020
Employees provisions	2,918	99	3,017	(3,017)
Fair value of available for sale financial assets	1,750	(2,229)	(479)	(455)
Total deferred tax	**91,157**	**(33,747)**	**57,410**	**29,039**

14. Cash and Balances with Croatian National Bank

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Cash in hand and on CNB accounts	1,252,446	1,478,955	1,252,438	1,478,949
Nostro accounts and balances with other banks	317,514	109,649	317,514	109,649
Total cash and accounts with banks	*1,569,960*	*1,588,604*	*1,569,952*	*1,588,598*
Obligatory reserve in domestic currency	2,230,554	2,403,155	2,230,554	2,403,155
Obligatory reserve in foreign currency	520,637	539,797	520,637	539,797
Other deposits with CNB	-	500,000	-	500,000
Total balances with Croatian National Bank	*2,751,191*	*3,442,952*	*2,751,191*	*3,442,952*
Impairment losses	(35,699)	(42,473)	(35,699)	(42,473)
Total	**4,285,452**	**4,989,083**	**4,285,444**	**4,989,077**

The Bank calculates obligatory reserves of the Croatian National Bank (the "CNB") in the amount of 13% (2009: 14) of deposits. At least 70% (2009: 70%) of HRK obligatory reserves and 60% (2009: 60%) of foreign currency obligatory reserves have to be held with the CNB. The remaining amount can be held on accounts with the investment rated OECD banks and countries or as a balance in the settlement account and account for covering the negative balance in the clearing account with the National Clearing System.

The HRK balances maintained with the Croatian National Bank are bearing interest of 0.25% (2009: 0.75%). The foreign component of obligatory reserve is not bearing remuneration according to the Decision on interest rates and remunerations of the CNB from 11 November 2009.

Movement in impairment losses of cash and balances with the CNB:

HRK '000

	Group		Bank	
	2010	2009	2010	2009
	Unidentified	Unidentified	Unidentified	Unidentified
Impairment losses at the beginning of the year	**42,473**	**22,257**	**42,473**	**22,257**
Slavonska banka d.d. transferred balances	-	10,316	-	10,316
Release of allowances during the year	(6,774)	-	(6,774)	-
Allowances charged during the year	-	9,900	-	9,900
Impairment losses at the end of the year	**35,699**	**42,473**	**35,699**	**42,473**

15. Financial Assets at Fair Value Through Profit or Loss

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Financial assets held for trading:				
Bonds issued by Republic of Croatia	107,106	77,408	107,106	77,408
Bonds issued by local government	25,877	38,774	25,877	38,774
Bonds issued by companies	-	1,960	-	1,960
Commercial bills issued by companies	957	2,988	957	2,988
Equity securities	61	103	61	103
Total	**134,001**	**121,233**	**134,001**	**121,233**

The bonds issued by the Government of Republic of Croatia are financial instruments issued in HRK and EUR with interest rates ranging from 4.5% to 6.5% and with maturities between 2013 and 2020.

The bonds issued by local government are financial instruments issued in EUR with an interest rate of 5.5% and maturity in the year 2011.

The commercial bills issued by companies are financial instruments issued in EUR with an interest rate of 9.3% and maturity in the year 2011.

Equity securities are related to investments in domestic company Hoteli Brela d.d..

16. Placements with and Loans to other Banks

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Loans	261,670	399,833	261,670	399,833
Deposits	538,163	1,189,199	538,157	1,189,188
Impairment losses	(7,198)	(16,333)	(7,198)	(16,333)
Total	**792,635**	**1,572,699**	**792,629**	**1,572,688**

Loans as presented in the table above include loans to domestic banks, as well as following repurchase agreements:
- As at 31 December 2010 the Bank had repurchase agreement with one Croatian bank. This agreement is collateralized with bonds issued by Republic of Croatian in the total amount of HRK 14,911 thousand.
- As at 31 December 2009 the Bank had repurchase agreement with one Croatian bank. This agreement is collateralized with treasury bills issued by Republic of France in the total amount of HRK 217,667 thousand.

Position "Deposits" is related to the deposits with domestic banks and foreign banks all in countries that are members of OECD.

Movement in impairment losses of placements with other banks for the Bank and the Group:

HRK '000

	2010			2009		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**2,050**	**14,283**	**16,333**	**-**	**13,098**	**13,098**
Slavonska banka d.d. transferred balances	-	-	-	1,500	8,896	10,396
Transfer of off-balance suspended interest to balance sheet	-	-	-	550	-	550
Release of allowances during the year	-	(7,085)	(7,085)	-	(7,711)	(7,711)
Direct write off	(2,050)	-	(2,050)	-	-	-
Impairment losses at the end of the year	**-**	**7,198**	**7,198**	**2,050**	**14,283**	**16,333**

17. Loans and Receivables

a) By type of customer

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Individuals	12,257,389	11,460,821	12,257,389	11,460,821
Private companies and sole traders	16,278,972	15,324,919	16,462,380	15,324,908
Non-profit institutions	48,092	41,959	48,092	41,959
Public sector	2,021,037	2,007,127	2,021,037	2,007,127
Early repayments	(69,023)	(78,852)	(69,023)	(78,852)
Impairment losses	(2,320,619)	(1,692,632)	(2,320,171)	(1,692,632)
Total	**28,215,848**	**27,063,342**	**28,399,704**	**27,063,331**

Loans as presented in the table above include as follows:
- As at 31 December 2010 the Bank had outstanding repurchase agreements with various corporate clients. These agreements were collateralized with domestic corporate bonds and listed shares and treasury bills issued by Ministry of Finance in the total amount of HRK 156,545 thousand.
- As at 31 December 2009 the Bank had outstanding repurchase agreements with various corporate clients. These agreements were collateralized with domestic corporate bonds and listed shares and treasury bills issued by Ministry of Finance in the total amount of HRK 52,391 thousand.

Position "Early repayments" comprises of amounts paid by loan users, based on not-due receivables, that are used for closing receivables when due.

b) Loans to individuals by purpose

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Housing loans	8,892,581	8,009,898	8,892,581	8,009,898
Mortgage loans	177,967	162,808	177,967	162,808
Car loans	818,642	928,908	818,642	928,908
Loans based on credit cards	116,651	89,325	116,651	89,325
Overdrafts	624,631	682,993	624,631	682,993
Other loans	1,626,917	1,586,889	1,626,917	1,586,889
Total	**12,257,389**	**11,460,821**	**12,257,389**	**11,460,821**

c) By industrial sector

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Individuals	12,257,389	11,460,821	12,257,389	11,460,821
Wholesale and retail trade	3,233,676	3,180,946	3,233,676	3,180,946
Construction	2,104,376	1,948,055	2,104,376	1,948,055
Public administration and defense	1,798,636	1,782,735	1,798,636	1,782,735
Other personal service activities	1,488,908	1,269,211	1,488,908	1,269,211
Hotels and restaurants	1,328,054	945,880	1,328,054	945,880
Agriculture, hunting, forestry and fishing	1,283,308	1,189,844	1,283,308	1,189,844
Other manufacturing	1,133,831	1,173,530	1,133,831	1,173,530
Manufacturing of other transport equipment	1,022,804	1,027,291	1,022,804	1,027,291
Manufacturing of food products and beverages	711,077	711,705	711,077	711,705
Real estate business	511,287	546,688	694,695	546,677
Transport, storage and equipment	388,494	367,134	388,494	367,134
Manufacturing of chemicals	267,393	275,710	267,393	275,710
Manufacturing of other non-metallic mineral products	231,838	234,800	231,838	234,800
Education	222,482	111,526	222,482	111,526
Manufacturing of fabricated metal products	213,418	197,197	213,418	197,197
Health and social work	126,387	129,224	126,387	129,224
Manufacturing of wearing apparel, dressing and dying of fur	125,016	110,940	125,016	110,940
Financial intermediation	119,252	103,457	119,252	103,457
Electricity, gas and water supply	117,752	93,125	117,752	93,125
Other	1,920,112	1,975,007	1,920,112	1,975,007
Subtotal	*30,605,490*	*28,834,826*	*30,788,898*	*28,834,815*
Early repayments	(69,023)	(78,852)	(69,023)	(78,852)
Impairment losses	(2,320,619)	(1,692,632)	(2,320,171)	(1,692,632)
Total	**28,215,848**	**27,063,342**	**28,399,704**	**27,063,331**

Movement in impairment losses of loans and receivables:

HRK '000

	Group 2010			Group 2009		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**1,470,059**	**222,573**	**1,692,632**	**574,025**	**152,182**	**726,207**
Slavonska banka d.d. transferred balances	-	-	-	280,301	66,015	346,316
Transfer of off-balance suspended interest to balance sheet	-	-	-	117,894	-	117,894
Transfers from available from sale assets	25,546	1,045	26,591	-	-	-
Net allowances/(releases) charged during the year	675,686	(1,735)	673,951	540,851	4,376	545,227
Foreign exchange differences	43,050	-	43,050	(728)	-	(728)
Direct write off	(115,605)	-	(115,605)	(42,284)	-	(42,284)
Impairment losses at the end of the year	**2,098,736**	**221,883**	**2,320,619**	**1,470,059**	**222,573**	**1,692,632**

HRK '000

	Bank 2010			Bank 2009		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**1,470,059**	**222,573**	**1,692,632**	**574,025**	**152,182**	**726,207**
Slavonska banka d.d. transferred balances	-	-	-	280,301	66,015	346,316
Transfer of off-balance suspended interest to balance sheet	-	-	-	117,894	-	117,894
Transfers from available from sale assets	25,546	1,045	26,591	-	-	-
Net allowances/(releases) charged during the year	675,238	(1,735)	673,503	540,851	4,376	545,227
Foreign exchange differences	43,050	-	43,050	(728)	-	(728)
Direct write off	(115,605)	-	(115,605)	(42,284)	-	(42,284)
Impairment losses at the end of the year	**2,098,288**	**221,883**	**2,320,171**	**1,470,059**	**222,573**	**1,692,632**

18. Available for Sale Financial Assets

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Treasury bills of Ministry of Finance	706,421	877,527	706,421	877,527
Treasury bills of foreign governments	2,211,086	1,801,755	2,211,086	1,801,755
Commercial bills issued by companies	5,498	13,793	5,498	13,793
Bonds issued by the government	13,234	41,733	13,234	41,733
Bonds issued by the local governments	24,067	23,355	24,067	23,355
Bonds issued by foreign governments	155,640	158,447	155,640	158,447
Bonds issued by foreign banks	955,418	946,350	955,418	946,350
Bonds issued by companies	-	4,548	-	4,548
Bills of exchange	-	143,252	-	143,252
Participations in investment funds	11,621	10,845	5,012	-
Equity securities	10,323	14,543	8,981	13,018
Impairment losses	(1,772)	(63,127)	(1,772)	(63,127)
Total	**4,091,536**	**3,973,021**	**4,083,585**	**3,960,651**

The treasury bills issued by the Ministry of Finance are financial instruments with maturity up to one year and interest rates in the range of 3.1% to 4.9% (2009: from 5.1% to 6.2%).

The foreign governments treasury bills are financial instruments issued by German Republic and French Republic with maturity up to one year and interest rates in the range of 0.32% to 0.608% (2009: 0.63% to 0.791%).

Commercial bills issued by companies are financial instruments with maturity up to one year issued by domestic companies with yield rates ranging from 9.3% to 10.9% (2009: 9.3% to 10.9%).

The bonds issued by the Government of Republic of Croatia are financial instruments issued in HRK and EUR with interest rates from 4.75% to 6.25% and maturity in the year 2017 (2009: 4.25% to 6.875%).

The bonds issued by the local governments are financial instruments issued in EUR by the City of Zadar with interest rate of 5.5% and maturity in the year 2011.

The bonds issued by foreign governments are financial instruments issued in EUR by the German Republic with interest rates from 0.5% to 3.529% and maturity from 2011 to 2012. (2009: 3.25% to 4.25%).

The bonds issued by foreign banks are financial instruments issued in EUR by German banks with interest rate from 0.873% to 4.985% and maturity from 2012 to 2015 (2009: 2.157% to 4.985%)

Bills of exchange are financial instruments issued by domestic companies and entrepreneurs with maturity up to one year, which were in the year 2010 transferred from available for sale financial assets to loans and receivables.

Participations in investment funds are related to investments in Allianz Cash and HI-Cash open investment funds.

Equity securities are related to investments in domestic and foreign companies, such as Prvi maj d.d., Hoteli Brela d.d., Zagrebačka burza d.d., VISA INC and similar.

The treasury bills issued by Ministry of Finance and foreign governments, as well as bond issued by foreign governments and foreign banks in the total amount of HRK 2,493,807 thousand (2009: HRK 3,405,480) are given as the collateral for the payables under repurchase agreements (see Note 24).

Movements in unrealised (losses)/gains from financial assets available for sale value adjustment:

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Balance as at 1st January	**(275)**	**2,022**	**1,917**	**3,735**
Slavonska banka d.d. transferred balances	-	7,403	-	7,403
Net unrealized loss of the year	(11,330)	(10,155)	(11,145)	(9,676)
Net deferred tax	2,229	455	2,229	455
Balance as at 31st December	**(9,376)**	**(275)**	**(6,999)**	**1,917**

Movement in impairment losses of financial assets available for sale for the Bank and the Group:

HRK '000

	2010			2009		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**27,318**	**35,809**	**63,127**	**8,937**	**30,663**	**39,600**
Slavonska banka d.d. transferred balances	-	-	-	1,820	4,125	5,945
Transfer of off-balance suspended interest to balance sheet	-	-	-	2,398	-	2,398
Transfer to loans and receivables	(25,546)	(1,045)	(26,591)			-
Allowances charged during the year			-	21,500	1,021	22,521
Release of allowances during the year	-	(34,764)	(34,764)	(7,337)	-	(7,337)
Impairment losses at the end of the year	**1,772**	**-**	**1,772**	**27,318**	**35,809**	**63,127**

19. Investments in Subsidiaries

HRK '000

	Nature of business	Country of incorporation	Bank 2010	Bank 2009
HYPO ALPE-ADRIA ULAGANJE d.o.o.	Financial markets agency business	Croatia	-	33,200
HYPO ALPE-ADRIA-NEKRETNINE d.o.o.	Real estate business	Croatia	214,575	
HYPO ALPE-ADRIA-INVEST d.d.	Establishing and managing investment funds	Croatia	4,659	4,659
Total			**219,234**	**37,859**

At 31 December 2010 and 2009 the Bank was the sole owner of both subsidiaries.

Subsidiary Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb is the sole owner of Magus d.o.o. Zagreb and Projekt Nekretnine d.o.o. Zagreb.

On 30 March 2010 Alpe Adria Centar d.o.o. Zagreb, the sole owner of Alpe-Adria Investments d.o.o. Zagreb, conducted its merger.

On 30 April 2010 Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb, owned 100% by Hypo Alpe-Adria-Ulaganje d.o.o. Zagreb, conducted the merger of its parent company.

On 30 June 2010 Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb, the sole owner of Alpe Adria Centar d.o.o. Zagreb, conducted its merger.

20. Assets Acquired in Lieu of Uncollected Receivables

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Land and buildings	135,253	105,854	135,253	105,854
Equipments	3,670	610	3,670	610
Impairment losses	(22,165)	(6,872)	(22,165)	(6,872)
Total	**116,758**	**99,592**	**116,758**	**99,592**

Movement in impairment losses of assets acquired in lieu of uncollected receivables:

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Impairment losses at the beginning of the year	**6,872**	**-**	**6,872**	**-**
Slavonska banka d.d. transferred balances	-	6,872	-	6,872
Allowances charged during the year	20,919	-	20,919	-
Transfer to Bank's property and equipment	(5,399)	-	(5,399)	-
Disposals	(227)		(227)	-
Impairment losses at the end of the year	**22,165**	**6,872**	**22,165**	**6,872**

21. Other Assets

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Fees and commissions receivables	67,106	46,616	66,784	46,637
Receivables based on card business	66,480	65,618	66,490	65,620
Receivables from clients based on court expenses paid	10,728	8,555	10,728	8,555
Receivables from buyers	19,957	17,291	9,513	6,455
Insurance receivables	1,881	1,638	1,718	1,627
Receivables for sold securities	4,256	2,543	4,256	2,543
Receivables for sold domestic currency	4,589	-	4,589	-
Receivables for sold foreign currency	27,217	918	27,217	918
Other advances	4,350	10,909	4,322	10,907
Deferred expenses	9,355	3,096	8,909	2,981
Other assets	19,513	25,026	19,437	21,568
Impairment losses	(47,630)	(51,203)	(44,441)	(47,717)
Total	**187,802**	**131,007**	**179,522**	**120,094**

Movement in impairment losses of other assets:

HRK '000

	Group 2010			Group 2009		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**49,549**	**1,654**	**51,203**	**16,477**	**912**	**17,389**
Transferred balances of acquired companies	-	-	-	14,391	201	14,592
Allowances charged during the year	54,054	-	54,054	33,971	541	34,512
Release of allowances during the year	(50,807)	(895)	(51,702)	(12,227)	-	(12,227)
Foreign exchange differences	32	-	32	-	-	-
Direct write off	(5,957)	-	(5,957)	(3,063)	-	(3,063)
Impairment losses at the end of the year	**46,871**	**759**	**47,630**	**49,549**	**1,654**	**51,203**

HRK '000

	Bank 2010			Bank 2009		
	Specific	Unidentified	Total	Specific	Unidentified	Total
Impairment losses at the beginning of the year	**46,063**	**1,654**	**47,717**	**15,671**	**912**	**16,583**
Slavonska banka d.d. transferred balances	-	-	-	14,340	201	14,541
Allowances charged during the year	52,686	-	52,686	31,224	541	31,765
Foreign exchange differences	(49,965)	(895)	(50,860)	(12,227)	-	(12,227)
Release of allowances during the year	32	-	32	-	-	-
Direct write off	(5,134)	-	(5,134)	(2,945)	-	(2,945)
Impairment losses at the end of the year	**43,682**	**759**	**44,441**	**46,063**	**1,654**	**47,717**

22. Property, Plant and Equipment

HRK '000

Group	Land and buildings	Computers and other equipment	Assets in construction	Total
Acquisition cost/revalued amount				
At 1 January 2010	**1,124,564**	**284,559**	**12,632**	**1,421,755**
Transfer from assets acquired in lieu of uncollected receivables	12,790	-	-	12,790
Transfer from intangible assets	1,521	329	-	1,850
Additions	28,588	25,756	35,213	89,557
Transfer from assets in construction	15,966	4,917	(20,883)	-
Disposals	(11,416)	(6,299)	-	(17,715)
At 31 December 2010	**1,172,013**	**309,262**	**26,962**	**1,508,237**
Accumulated depreciation				
At 1 January 2010	**103,274**	**181,470**	**-**	**284,744**
Transfer from intangible assets	879	207	-	1,086
Depreciation for the year 2010	22,805	46,661	-	69,466
Depreciation for prior years charged to retained earnings	628	-	-	628
Disposals	(2,959)	(5,986)	-	(8,945)
At 31 December 2010	**124,627**	**222,352**	**-**	**346,979**
Impairment				
At 1 January 2010	**19,618**	**-**	**-**	**19,618**
Transfer from assets acquired in lieu of uncollected receivables	5,399	-	-	5,399
Impairment for the year 2010	1,205	-	-	1,205
At 31 December 2010	**26,222**	**-**	**-**	**26,222**
Book value				
1 January 2010	1,001,672	103,089	12,632	1,117,393
31 December 2010	**1,021,164**	**86,910**	**26,962**	**1,135,036**

HRK '000

Group	Land and buildings	Computers and other equipment	Assets in construction	Total
Acquisition cost/revalued amount				
At 01 January 2009	**161,827**	**165,489**	**19,683**	**346,999**
Slavonska banka d.d. transferred balances	46,770	74,225	6,530	127,525
Alpe-Adria Investments d.o.o. transferred balances	804,645	3,262	-	807,907
Additions	5,429	37,887	63,630	106,946
Transfer from assets in construction	69,792	7,419	(77,211)	-
Revaluation	36,101	-	-	36,101
Disposals	-	(3,723)	-	(3,723)
At 31 December 2009	**1,124,564**	**284,559**	**12,632**	**1,421,755**
Accumulated depreciation				
At 01 January 2009	**34,054**	**92,761**	**-**	**126,815**
Slavonska banka d.d. transferred balances	16,484	48,062	-	64,546
Alpe-Adria Investments d.o.o. transferred balances	42,928	1,741	-	44,669
Depreciation for the year 2009	9,808	42,025	-	51,833
Disposals	-	(3,119)	-	(3,119)
At 31 December 2009	**103,274**	**181,470**	**-**	**284,744**
Impairment				
At 01 January 2009	**-**	**-**	**-**	**-**
Impairment for the year 2009	19,618	-	-	19,618
At 31 December 2009	**19,618**	**-**	**-**	**19,618**
Book value				
01 January 2009	127,773	72,728	19,683	220,184
31 December 2009	**1,001,672**	**103,089**	**12,632**	**1,117,393**

HRK '000

Bank	Land and buildings	Computers and other equipment	Assets in construction	Total
Acquisition cost/revalued amount				
At 1 January 2010	**274,550**	**271,689**	**12,146**	**558,385**
Transfer from assets acquired in lieu of uncollected receivables	12,790	-	-	12,790
Additions	3,824	25,226	35,213	64,263
Transfer from assets in construction	15,895	4,917	(20,812)	-
Disposals	(11,416)	(6,129)	-	(17,545)
At 31 December 2010	**295,643**	**295,703**	**26,547**	**617,893**
Accumulated depreciation				
At 1 January 2010	**55,485**	**174,818**	**-**	**230,303**
Depreciation for the year 2010	5,569	43,830	-	49,399
Disposals	(2,959)	(5,766)	-	(8,725)
At 31 December 2010	**58,095**	**212,882**	**-**	**270,977**
Impairment				
At 1 January 2010	**12,585**	**-**	**-**	**12,585**
Transfer from assets acquired in lieu of uncollected receivables	5,399	-		5,399
Impairment for the year 2010	1,205	-	-	1,205
At 31 December 2010	**19,189**	**-**	**-**	**19,189**
Book value				
1 January 2010	206,480	96,871	12,146	315,497
31 December 2010	**218,359**	**82,821**	**26,547**	**327,727**

HRK '000

Bank	Land and buildings	Computers and other equipment	Assets in construction	Total
Acquisition cost/revalued amount				
At 1 January 2009	**116,930**	**157,392**	**19,641**	**293,963**
Slavonska banka d.d. transferred balances	46,770	74,225	6,530	127,525
Additions	4,957	36,006	63,186	104,149
Transfer from assets in construction	69,792	7,419	(77,211)	-
Revaluation	36,101	-	-	36,101
Disposals	-	(3,353)	-	(3,353)
At 31 December 2009	**274,550**	**271,689**	**12,146**	**558,385**
Accumulated depreciation				
At 1 January 2009	**30,830**	**89,350**	**-**	**120,180**
Slavonska banka d.d. transferred balances	16,484	48,062	-	64,546
Depreciation for the year 2009	8,171	40,179	-	48,350
Disposals	-	(2,773)	-	(2,773)
At 31 December 2009	**55,485**	**174,818**	**-**	**230,303**
Impairment				
At 1 January 2009	**-**	**-**	**-**	**-**
Impairment for the year 2009	12,585	-	-	12,585
At 31 December 2009	**12,585**	**-**	**-**	**12,585**
Book value				
1 January 2009	86,100	68,042	19,641	173,783
31 December 2009	**206,480**	**96,871**	**12,146**	**315,497**

The amount of fully depreciated property, plant and equipment at 31 December 2010 amounts to HRK 124,283 thousand (2009: HRK 52,976 thousand).

The last revaluation of land and buildings was performed on 31 December 2009. The estimation of fair value based on market values was done by company Hypo Alpe-Adria-Nekretnine d.o.o. Zagreb.

If the land and buildings were measured by acquisition cost, the book value would be as follows:

HRK '000

	2010	2010
Acquisition cost	260,008	234,925
Accumulated depreciation	(52,543)	(50,788)
Impairment	(19,189)	(12,585)
Net book value	**188,276**	**171,552**

23. Intangible Assets

HRK '000

Group	Software	Leasehold improvements	Assets in construction	Total
Acquisition cost				
At 1 January 2010	**163,701**	**77,299**	**17,088**	**258,088**
Transfer to property, plant and equipment	-	(1,850)	-	(1,850)
Additions	457	1,412	23,769	25,638
Transfer from assets in construction	15,488	2,618	(18,106)	-
Disposals	(142)	(2,284)	-	(2,426)
At 31 December 2010	**179,504**	**77,195**	**22,751**	**279,450**
Accumulated amortization				
At 1 January 2010	**115,379**	**59,935**	**-**	**175,314**
Transfer to property, plant and equipment	-	(1,086)	-	(1,086)
Amortization for the year 2010	27,434	8,466	-	35,900
Disposals	(31)	(2,283)	-	(2,314)
At 31 December 2010	**142,782**	**65,032**	**-**	**207,814**
Book value				
1 January 2010	48,322	17,364	17,088	82,774
31 December 2010	**36,722**	**12,163**	**22,751**	**71,636**

HRK '000

Group	Software	Leasehold improvements	Assets in construction	Total
Acquisition cost				
At 1 January 2009	**117,937**	**63,160**	**22,479**	**203,576**
Slavonska banka d.d. transferred balances	27,482	10,774	47	38,303
Alpe-Adria Investments d.o.o. transferred balances	30	-	-	30
Additions	6,043	120	20,348	26,511
Transfer from assets in construction	22,538	3,248	(25,786)	-
Disposals	(10,329)	(3)	-	(10,332)
At 31 December 2009	**163,701**	**77,299**	**17,088**	**258,088**
Accumulated amortization				
At 1 January 2009	**76,789**	**48,088**	**-**	**124,877**
Slavonska banka d.d. transferred balances	17,827	4,068	-	21,895
Alpe-Adria Investments d.o.o. transferred balances	30	-	-	30
Amortization for the year 2009	30,350	7,782	-	38,132
Disposals	(9,617)	(3)	-	(9,620)
At 31 December 2009	**115,379**	**59,935**	**-**	**175,314**
Book value				
1 January 2009	41,148	15,072	22,479	78,699
31 December 2009	**48,322**	**17,364**	**17,088**	**82,774**

HRK '000

Bank	Software	Leasehold improvements	Assets in construction	Total
Acquisition cost				
At 1 January 2010	**161,886**	**75,426**	**17,089**	**254,401**
Additions	-	1,413	23,767	25,180
Transfer from assets in construction	15,488	2,619	(18,107)	-
Disposals	-	(2,262)	-	(2,262)
At 31 December 2010	**177,374**	**77,196**	**22,749**	**277,319**
Accumulated amortization				
At 1 January 2010	**114,063**	**58,940**	**-**	**173,003**
Amortization for the year 2010	27,211	8,354	-	35,565
Disposals	-	(2,262)	-	(2,262)
At 31 December 2010	**141,274**	**65,032**	**-**	**206,306**
Book value				
1 January 2010	47,823	16,486	17,089	81,398
31 December 2010	**36,100**	**12,164**	**22,749**	**71,013**

HRK '000

Bank	Software	Leasehold improvements	Assets in construction	Total
Acquisition cost				
At 1 January 2009	**116,165**	**61,408**	**22,479**	**200,052**
Slavonska banka d.d. transferred balances	27,482	10,774	47	38,303
Additions	6,029	-	20,349	26,378
Transfer from assets in construction	22,539	3,247	(25,786)	-
Disposals	(10,329)	(3)	-	(10,332)
At 31 December 2009	**161,886**	**75,426**	**17,089**	**254,401**
Accumulated amortization				
At 1 January 2009	**75,731**	**47,524**	**-**	**123,255**
Slavonska banka d.d. transferred balances	17,827	4,068	-	21,895
Amortization for the year 2009	30,122	7,351	-	37,473
Disposals	(9,617)	(3)	-	(9,620)
At 31 December 2009	**114,063**	**58,940**	**-**	**173,003**
Book value				
1 January 2009	40,434	13,884	22,479	76,797
31 December 2009	**47,823**	**16,486**	**17,089**	**81,398**

The amount of fully amortised intangible assets at 31 December 2010 amounts to HRK 119.625 thousand (2009: HRK 53,391 thousand).

24. Due to other Banks

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Deposits	9,311,696	10,391,906	9,311,696	10,391,906
Borrowings	4,697,255	5,547,713	4,251,825	4,726,612
Total	**14,008,951**	**15,939,619**	**13,563,521**	**15,118,518**

In the total amount of "Due to other banks", the amount of HRK 9,216,115 thousand (2009: HRK 10,093,184 thousand) relates to loans and deposits from HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt.

Borrowings in foreign currencies include payables under a repurchase agreement to foreign banks in the total amount of HRK 2,718,196 thousand (2009: HRK 3,184,193 thousand) which are collateralised with treasury bills of Ministry of Finance and foreign governments, as well as foreign governments and foreign banks bonds in the amount of HRK 2,493,807 thousand (2009: HRK 3,405,480 thousand).

25. Due to Customers

Demand deposits and term deposits from other customers as at 31 December can be shown as follows:

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Deposits from individuals	10,515,499	8,811,142	10,515,499	8,811,142
Deposits from corporate clients	4,609,883	5,044,833	4,639,958	5,108,065
Deposits from non-profit institutions	95,880	94,407	95,880	94,407
Deposits from public sector	545,362	303,240	545,362	303,240
Total	**15,766,624**	**14,253,622**	**15,796,699**	**14,316,854**

26. Finance Lease Liabilities

Maturity of liabilities based on finance lease is as follows:

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Not later than 1 year	340	233	340	233
Later than 1 year but not later than 5 years	1,259	1,142	1,259	1,142
Total	**1,599**	**1,375**	**1,599**	**1,375**

27. Provisions for Liabilities and Charges

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Provisions for commitments and contingent liabilities	55,493	213,728	55,493	213,728
Provisions for legal cases	16,542	10,128	16,420	9,710
Employee retirement provisions	15,687	16,047	15,687	16,047
Provisions for employee vacations	7,976	8,944	7,976	8,944
Total	**95,698**	**248,847**	**95,576**	**248,429**

The Management valued all litigations in which the Group is involved as defendant. The Management does not expect additional losses for the Group.

The Group accrues for legally required minimum retirement severance payments and for unused vacation days.

Movement in provisions for liabilities and charges:

HRK '000

	Group 2010				
	Contingent liabilities	Legal cases	Retirement	Unused vacations	Total
Provisions at the beginning of the year	**213,728**	**10,128**	**16,047**	**8,944**	**248,847**
Net allowances/(releases) charged/(credited) to the income statement	(158,229)	6,414	(360)	(968)	(153,143)
Foreign exchange differences	(6)	-	-	-	(6)
Provisions at the end of the year	**55,493**	**16,542**	**15,687**	**7,976**	**95,698**

HRK '000

	Group 2009				
	Contingent liabilities	Legal cases	Retirement	Unused vacations	Total
Provisions at the beginning of the year	**85,277**	**2,344**	**450**	**6,121**	**94,192**
Slavonska banka d.d. transferred balances	35,528	5,241	916	2,948	44,633
Net allowances/(releases) charged/(credited) to the income statement	92,921	2,543	14,681	(125)	110,020
Foreign exchange differences	2	-	-	-	2
Provisions at the end of the year	**213,728**	**10,128**	**16,047**	**8,944**	**248,847**

HRK '000

	Bank 2010				
	Contingent liabilities	Legal cases	Retirement	Unused vacations	Total
Provisions at the beginning of the year	**213,728**	**9,710**	**16,047**	**8,944**	**248,429**
Net allowances/(releases) charged/(credited) to the income statement	(158,229)	6,710	(360)	(968)	(152,847)
Foreign exchange differences	(6)	-	-	-	(6)
Provisions at the end of the year	**55,493**	**16,420**	**15,687**	**7,976**	**95,576**

HRK '000

	Bank 2009				
	Contingent liabilities	Legal cases	Retirement	Unused vacations	Total
Provisions at the beginning of the year	**85,277**	**2,344**	**450**	**6,121**	**94,192**
Slavonska banka d.d. balances	35,528	5,241	916	2,948	44,633
Net allowances/(releases) charged/(credited) to the income statement	92,921	2,125	14,681	(125)	109,602
Foreign exchange differences	2	-	-	-	2
Provisions at the end of the year	**213,728**	**9,710**	**16,047**	**8,944**	**248,429**

28. Other Liabilities

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Liabilities to suppliers	51,994	51,196	49,175	37,411
Due to employees	26,193	39,379	25,405	37,953
Unallocated foreign currency receipts	13,989	8,107	13,989	8,107
Payables based on card business	32,632	20,485	32,632	20,485
Payables based on securities trading	17,457	21,366	17,457	21,366
Other	28,277	25,546	24,999	21,298
Total	**170,542**	**166,079**	**163,657**	**146,620**

29. Subordinated Debt

HRK '000

		Group 2010		Bank 2010	
Currency	Interest rate	Amount in Currency '000	Amount in HRK'000	Amount in Currency '000	Amount in HRK'000
EUR	3-month EURIBOR+0.83%	3,770	27,841	3,770	27,841
EUR	3-month EURIBOR+1.33%	33,000	243,711	33,000	243,711
EUR	3-month EURIBOR+2.00%	273,251	273,251	273,251	273,251
EUR	3-month EURIBOR+2.00%	100,000	738,517	100,000	738,517
EUR	3-month EURIBOR+2.00%	28,000	206,785	28,000	206,785
CHF	6-month LIBOR+7.00%	151,580	898,864	151,580	898,864
Total			**2,388,969**		**2,388,969**

HRK '000

		Group 2009		Bank 2009	
Currency	Interest rate	Amount in Currency '000	Amount in HRK'000	Amount in Currency '000	Amount in HRK'000
EUR	3-month EURIBOR+0.83%	3,770	27,543	3,770	27,543
EUR	3-month EURIBOR+1.33%	33,000	241,104	33,000	241,104
EUR	3-month EURIBOR+2.00%	37,000	270,329	37,000	270,329
EUR	3-month EURIBOR+2.00%	100,000	730,620	100,000	730,620
EUR	3-month EURIBOR+2.00%	28,000	204,574	28,000	204,574
CHF	6-month LIBOR+7.00%	151,580	744,170	151,580	744,170
Total			**2,218,340**		**2,218,340**

Subordinated debt is from HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt with maturity of up to 5 years. Repayment of these instruments is not possible before the redemption date. Repayment of these funds in case of liquidation is subordinated to all other deposits and liabilities.

Subordinated debt with remaining maturity over one year can be used, with Croatian National Bank permission, as supplementary capital for the purpose of calculation of regulatory capital and capital adequacy.

30. Share Capital

The immediate parent bank of the Group is HYPO ALPE-ADRIA-BANK INTERNATIONAL AG Klagenfurt, Austria. Shareholders of the Group as at 31 December are as follows:

HRK '000

	2010		2009	
	HRK '000	%	HRK '000	%
HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt	5,959,830	100.00	5,959,830	100.00
Total	**5,959,830**	**100.00**	**5,959,830**	**100.00**

The movement in the number of shares was as follows:

HRK '000

	2010		2009	
	Shares	HRK '000	Shares	HRK '000
Balance as at 01 January	1,514,865	5,959,830	1,071,701	4,187,174
Merger of Slavonska banka d.d.	-	-	443,164	1,772,656
Balance as at 31 December	**1,514,865**	**5,959,830**	**1,514,865**	**5,959,830**

The nominal value of 1,487,190 shares amounts to HRK 4,000 and 27,675 shares have nominal value of HRK 400.

At the end of 2010 Hypo Alpe-Adria-Bank d.d. had 1,314,116 of issued ordinary shares and 200,749 of issued preference shares.

Preference shares are not redeemable, are entitled to receive a discretionary 6% non cumulative preference dividend before any dividends are declared to the ordinary shareholders and carry no voting rights.

The dividends are declared by the General Assembly. For the year 2009 Bank has paid the dividend in the amount of HRK 104.31 (2008: HRK 239.04) per ordinary share and HRK 240.00 (2008: HRK 240.00) per preference share.

31. Reserves

Movement in Group reserves was as follows:

HRK '000

	Legal reserve	Revaluation reserve	Fair value reserve	Other reserve	Total
At 1 January 2009	**55,246**	**16,031**	**2,022**	**247,912**	**321,211**
Net unrealised losses on available for sale financial assets	-	-	6,056	-	6,056
Net realised gains on available for sale financial asset	-	-	(16,211)	-	(16,211)
Income tax relating to components of other comprehensive income	-	-	455	-	455
Revaluation of buildings and land	-	35,162	-	-	35,162
Allocation of profit for 2008	11,163	-	-	-	11,163
Transferred balances of acquired companies	25,547	-	7,403	226,527	259,477
Transfer to share capital	-	-	-	(281,767)	(281,767)
Dividend from other reserves	-	-	-	(149,263)	(149,263)
At 31 December 2009	**91,956**	**51,193**	**(275)**	**43,409**	**186,283**
Net unrealised losses on available for sale financial assets	-	-	1,210	-	1,210
Net realised gains on available for sale financial asset	-	-	(12,540)	-	(12,540)
Income tax relating to components of other comprehensive income	-	-	2,229	-	2,229
Disposal of revaluated buildings and land	-	(7,806)	-	-	(7,806)
Allocation of profit for 2009	7,571	-	-	-	7,571
Transfer from retained earnings	-	-	-	940	940
Dividend from other reserves	-	-	-	(41,417)	(41,417)
Other changes	-	-	-	(1,932)	(1,932)
At 31 December 2010	**99,527**	**43,387**	**(9,376)**	**1,000**	**134,538**

Movement in Bank reserves was as follows:

HRK '000

	Legal reserve	Revaluation reserve	Fair value reserve	Other reserve	Total
At 1 January 2009	**55,196**	**16,031**	**3,735**	**246,912**	**321,874**
Net unrealised losses on available for sale financial assets	-	-	6,497	-	6,497
Net realised gains on available for sale financial asset	-	-	(16,173)	-	(16,173)
Income tax relating to components of other comprehensive income	-	-	455	-	455
Revaluation of buildings and land	-	35,162	-	-	35,162
Distribution of profit for 2008	11,163	-	-	-	11,163
Transferred balances of acquired companies	25,547	-	7,403	226,527	259,477
Transfer to share capital	-	-	-	(281,767)	(281,767)
Dividend from other reserves	-	-	-	(149,263)	(149,263)
At 31 December 2009	**91,906**	**51,193**	**1,917**	**42,409**	**187,425**
Net unrealised losses on available for sale financial assets	-	-	1,205	-	1,205
Net realised gains on available for sale financial asset	-	-	(12,350)	-	(12,350)
Income tax relating to components of other comprehensive income	-	-	2,229	-	2,229
Disposal of revaluated buildings and land	-	(7,806)	-	-	(7,806)
Distribution of profit for 2009	7,571	-	-	-	7,571
Transfer from retained earnings	-	-	-	940	940
Dividend from other reserves	-	-	-	(41,417)	(41,417)
Other changes	-	-	-	(1,932)	(1,932)
At 31 December 2010	**99,477**	**43,387**	**(6,999)**	**-**	**135,865**

The legal reserve has been created in accordance with the Croatian Company Act, which requires 5% of the net profit for the year of the Group to be transferred to this reserve, until it reaches 5% of issued share capital of the Group. Legal reserve can be used for covering prior period losses if the losses are not covered by current year profits or if other reserves are not available. The legal reserve is not distributable to the shareholders.

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

The fair value reserve includes unrealised gains or losses on changes in the fair value of financial assets available for sale, net of income tax.

Other reserves are designed in accordance to the General assembly decision and can be used for purposes defined by the law or the General assembly decision.

The Bank's equity reserves, including retained earnings and profit for the year, distributable to the shareholders at 31 December 2010 amounted to HRK 216.635 thousand (2009: HRK 187,192 thousand).

32. Commitments and Contingent Liabilities

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Commitments and contingent liabilities				
Guarantees and letters of credit	2,602,107	4,018,122	2,601,706	4,018,560
Unutilised credit lines	1,697,221	2,339,347	1,704,499	2,349,065
Total	**4,299,328**	**6,357,469**	**4,306,205**	**6,367,625**

Provisions for liabilities and charges are presented in the Note 27.

33. Leases

Minimum future lease payments based on lease arrangements where the Group is a lessee were as follows:

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Not later than 1 year	35,035	33,222	72,296	70,779
Later than 1 year but not later than 5 years	117,746	105,964	267,317	256,972
Later than 5 years	93,425	97,931	579,998	616,070
Total	**246,206**	**237,117**	**919,611**	**943,821**

Minimum future lease receipts based on lease arrangements where the Group is a lessor were as follows:

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Not later than 1 year	33,510	22,732	2,982	972
Later than 1 year but not later than 5 years	70,873	48,938	4,018	2,565
Later than 5 years	84,377	35,873	-	-
Total	**188,760**	**107,543**	**7,000**	**3,537**

34. Derivative Financial Instruments

HRK '000

	Group 2010			Bank 2010		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivative financial instruments held for trading						
Foreign exchange forward contracts	204,957	186	242	204,957	186	242
Foreign exchange swaps	1,717,301	109	13,067	1,717,301	109	13,067
Interest rate swaps	5,696,716	-	256,586	5,696,716	-	256,586
Total	**7,618,974**	**295**	**269,895**	**7,618,974**	**295**	**269,895**

HRK '000

	Group 2009			Bank 2009		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivative financial instruments held for trading						
Foreign exchange forward contracts	56,247	273	-	56,247	273	-
Foreign exchange swaps	2,735,621	109	10,301	2,735,621	109	10,301
Interest rate swaps	6,563,416	-	79,394	6,563,416	-	79,394
Total	**9,355,284**	**382**	**89,695**	**9,355,284**	**382**	**89,695**

35. Related Party Transactions

HYPO ALPE-ADRIA-BANK d.d., Zagreb and its subsidiaries are ultimately owned by HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, to whom and to whose affiliates, the Group provides banking services. Balances with related parties at 31 December were as follows:

HRK '000

	Group 2010			
	Assets	Liabilities	Contingent liabilities	Collaterals received
Parent company	3,349	11,433,047	10,900	10,900
Parent group	27,581	169,315	39,647	22,407
Key management	23,390	15,029	1,618	14,403
Other	639	12,148	-	-
Total	**54,959**	**11,629,539**	**52,165**	**47,710**

HRK '000

	Group 2009			
	Assets	Liabilities	Contingent liabilities	Collaterals received
Parent company	6,812	12,449,768	-	-
Parent group	39,601	2,403,892	58,369	22,450
Key management	19,245	11,978	1,599	11,173
Other	787	28,380	-	-
Total	**66,445**	**14,894,018**	**59,968**	**33,623**

HRK '000

	Bank 2010			
	Assets	Liabilities	Contingent liabilities	Collaterals received
Parent company	3,269	11,877,699	10,900	10,900
Parent group	27,294	169,319	39,647	22,407
Subsidiaries	403,129	30,380	7,278	-
Key management	22,417	14,557	1,474	13,974
Other	639	12,148	-	-
Total	**456,748**	**12,104,103**	**59,299**	**47,281**

HRK '000

	Bank 2009			
	Assets	Liabilities	Contingent liabilities	Collaterals received
Parent company	6,331	12,405,073	-	-
Parent group	39,289	2,403,820	58,369	22,450
Subsidiaries	37,897	63,634	10,157	-
Key management	17,205	11,596	1,284	10,798
Other	787	28,380	-	-
Total	**101,509**	**14,912,503**	**69,810**	**33,248**

Transactions with related parties were as follows:

HRK '000

	Group 2010				
	Interest income	Other income	Interest expenses	Rental expenses	Other expenses
Parent company	81,451	39,740	389,169	338	158,310
Parent group	575	1,845	41,793	21,444	876
Key management	857	56	667	-	0
Other	-	1,393	638	-	17
Total	**82,883**	**43,034**	**432,267**	**21,782**	**159,204**

HRK '000

	Group 2009				
	Interest income	Other income	Interest expenses	Rental expenses	Other expenses
Parent company	267,161	66,017	537,418	-	29,529
Parent group	5,379	37,694	37,984	25,391	6,925
Key management	635	59	574	-	4
Other	-	1,413	1,131	-	71
Total	**273,175**	**105,183**	**577,107**	**25,391**	**36,529**

HRK '000

	Bank 2010				
	Interest income	Other income	Interest expenses	Rental expenses	Other expenses
Parent company	81,451	39,863	378,079	-	158,646
Parent group	575	13,252	41,793	21,183	876
Subsidiaries	8,535	32,484	1,939	18,356	1,541
Key management	820	46	647	-	0
Other	-	1,393	638	-	17
Total	**91,381**	**87,038**	**423,096**	**39,539**	**161,081**

HRK '000

	Bank 2009				
	Interest income	Other income	Interest expenses	Rental expenses	Other expenses
Parent company	267,161	65,187	535,115	-	29,487
Parent group	5,379	24,615	37,984	24,723	6,695
Subsidiaries	18	444	6,811	45,057	-
Key management	555	48	562	-	3
Other	-	1,413	1,131	-	71
Total	**273,113**	**91,707**	**581,601**	**69,780**	**36,256**

Key management compensation

The Group considers that the key management personnel include Management Board and Supervisory Board members, as well as executive directors directly responsible to the Management Board.

The following table summarizes remuneration paid to the key management personnel:

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Salaries and other short-term benefits				
Net salaries	11,269	10,083	10,182	8,289
Pension insurance expenses	3,952	3,461	3,544	2,807
Tax and surtax expenses	7,069	6,884	6,493	5,887
Contributions on salaries	3,834	3,513	3,478	2,921
	26,124	23,941	23,697	19,904
Termination benefits				
Net salaries	567	284	567	284
Pension insurance expenses	305	158	305	158
Tax and surtax expenses	654	347	654	347
Contributions on salaries	263	136	263	136
	1,789	925	1,789	925
Total	**27,913**	**24,866**	**25,486**	**20,829**

Compensation to the Supervisory Board members for the year 2010 amounted to HRK 200 thousand (2009: HRK 385 thousand).

36. Business Combinations

The Group has acquired the following companies in 2009:

HRK '000

	Principal Activity	Date of acquisition	Proportion of shares acquired	Consideration
Slavonska banka d.d. Osijek	Banking busines	28.02.2009	100 %	1,772,656
Alpe-Adria Investments d.o.o. Zagreb	Real estate business	23.12.2009	100 %	20
Total				**1,772,676**

As those companies were under the common control of Group Hypo Alpe Adria, IFRS 3: Business Combinations has not been applied. The acquisitions have been accounted for as mergers at book value and no fair value adjustments have been made, Assets have been recorded on a gross basis along with applicable depreciation or impairment in accordance with the Croatian legal requirements. Income statement items related to acquired entities were included from the acquisition date with no restatement of financial information related to prior periods.

Slavonska Banka d.d. Osijek has been acquired as had similar banking activities as Hypo Alpe-Adria-Bank d.d. Zagreb. The reason for the merger was to create cost savings in the area of common IT systems, greater concentration of knowledge, reduction of duplicate functions, and increase revenues due to stronger capital base and the market influence.

Company Alpe-Adria Investments d.o.o. Zagreb has been acquired by Alpe Adria Centar d.o. Zagreb in order to obtain direct ownership of the business premises at Hypo Centar, Slavonska avenija 6, managed by Alpe Adria Centar d.o.o. Zagreb, where the largest tenant is Hypo Alpe-Adria-Bank d.d. Zagreb. By acquiring Alpe-Adria Investments d.o.o. Zagreb, ownership and management of the facility is in the same company, which is intended to increase business efficiency and reduce operational risk.

Consideration transferred

HRK '000

	Slavonska banka d.d.	Alpe-Adria Investments d.o.o.
Cash	-	20
Shares issue	1,772,656	-
Total	**1,772,656**	**20**

The total costs of the Slavonska banka d.d. Osijek acquisition amounted to HRK 24,600 thousand, of which HRK 3,702 thousand relates to 2009 and HRK 20,898 thousand to 2008.

Assets acquired and liabilities assumed

The following table presents Income Statement of Slavonska banka d.d. for the two month period from 1 January 2009 to 28 February 2009. The net profit for the period is recorded directly to shareholder's equity:

HRK '000

	1 January to 28 February 2009
Interest and similar income	102,255
Interest expense and similar charges	(48,881)
Net interest income	**53,374**
Fee and commission income	21,739
Fee and commission expense	(3,007)
Net fee and commission income	**18,732**
Net trading loss	(13,855)
Net foreign exchange differences	19,961
Other operating income	4,589
Total other income	**10,695**
General and administrative expenses	(34,949)
Impairment losses	(2,647)
Depreciation	(1,310)
Amortization	(1,238)
Other operating expenses	(994)
Total other expenses	**(41,138)**
Profit before tax	**41,663**
Income tax	(8,418)
Net profit for the period	**33,245**

The following table presents Statement of Financial Position of Slavonska banka d.d. as at 28 February 2009:

HRK '000

	28 February 2009
Assets	
Cash and balances with Croatian National Bank	1,322,960
Placements with and loans to other banks	1,126,347
Loans and receivables	8,087,001
Available for sale financial assets	106,581
Assets held for sale	83,394
Deferred tax assets	11,341
Other assets	32,446
Property, plant and equipment	62,979
Intangible assets	16,409
Total assets	**10,849,458**
Liabilities	
Due to other banks	3,912,820
Deposits from customers	4,141,545
Provisions for liabilities and charges	44,633
Other liabilities	73,283
Total liabilities	**8,172,281**
Subordinated debt	759,312
Equity	
Share capital	1,490,889
Share premium	59,692
Net profit for the period	33,245
Reserves	334,039
Total equity	**1,917,865**
Total liabilities and equity	**10,849,458**
Commitments and contingent liabilities	2,093,674

The following table presents an unaudited pro-forma Income Statement of a combined Hypo-Alpe-Adria Bank d.d. and Slavonska banka d.d. for the twelve months ended 31 December 2009:

HRK '000

	2009
Interest and similar income	2,399,315
Interest expense and similar charges	(1,280,224)
Net interest income	**1,119,091**
Fee and commission income	392,316
Fee and commission expense	(68,111)
Net fee and commission income	**324,205**
Net trading gain/(loss)	214,336
Net foreign exchange differences	(17,925)
Other operating income	23,219
Total other income	**219,630**
General and administrative expenses	(649,380)
Impairment losses	(584,333)
Impairment of property, plant and equipment	(12,585)
Depreciation	(49,659)
Amortization	(38,712)
Other operating expenses	(127,370)
Total other expenses	**(1,462,039)**
Profit before tax	**200,887**
Income tax	(49,472)
Net profit for the year	**151,415**
Attributable to:	
Owners of the Bank	151,415

The following table presents an unaudited pro-forma Statement of Comprehensive Income of a combined Hypo-Alpe-Adria Bank d.d. and Slavonska banka d.d. for the twelve months ended 31 December 2009:

HRK '000

	2009
Net profit for the year	**151,415**
Other comprehensive income	
Net value loss on available for sale financial assets	(9,221)
Net value gain on cash flow hedges	-
Gain on revaluation of properties	36,102
Comprehensive income before tax	**26,881**
Income tax relating to components of other comprehensive income	-
Total comprehensive income for the year	**178,296**
Total comprehensive income attributable to:	
Owners of the Bank	178,296

The following table presents the Income Statement of Alpe-Adria Investments d.o.o. for the year ended 31 December 2009:

HRK '000

	2009
Interest and similar income	7
Interest expense and similar charges	(27,059)
Net interest income	**(27,052)**
Fee and commission expense	(29)
Net fee and commission income	**(29)**
Net trading gain	429
Net foreign exchange differences	1,690
Other operating income	58,954
Total other income	**61,073**
General and administrative expenses	(2,666)
Impairment losses	(51)
Depreciation	(15,988)
Other operating expenses	(1,233)
Total other expenses	**(19,938)**
Profit before tax	**14,054**
Income tax	(2,921)
Net profit for the year	**11,133**

The following table presents the Statement of Financial Position of Alpe-Adria Investments d.o.o. for the year ended 31 December 2009:

HRK '000

	2009
Assets	
Cash	84
Available for sale financial assets	10,190
Available for sale financial assets	19,779
Property, plant and equipment	763,303
Total assets	**793,356**
Liabilities	
Due to other banks	772,594
Provisions for liabilities and charges	313
Other liabilities	12,336
Total liabilities	**785,243**
Equity	
Equity capital	20
Net profit for the year	11,133
Retained earnings	(3,040)
Total equity	**8,113**
Total liabilities and equity	**793,356**

Net cash inflow on acquisition of subsidiaries

HRK '000

	Slavonska banka d.d.	Alpe-Adria Investments d.o.o.
Consideration paid in cash	-	(20)
Cash and cash equivalent balances acquired	454,461	84
Total	**454,461**	**64**

37. Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise of the following balances with remaining maturity up to 90 days at most:

HRK '000

	Group		Bank	
	2010	2009	2010	2009
Cash in hand, nostros and funds on CNB accounts	1,569,960	1,588,604	1,569,952	1,588,598
Treasury bills due in 3 months	402,595	36,488	402,595	36,488
Placements with and loans to other banks due in 3 months	571,135	1,586,667	571,135	1,586,667
Total	**2,543,690**	**3,211,759**	**2,543,682**	**3,211,753**

38. Fair Value of Financial Instruments

Fair value represents the amount at which an asset could be exchanged or a liability settled in an arm's length transactions.

The carrying values of cash and balances with the central bank are generally deemed to approximate their fair value.

Financial instruments at fair value through profit or loss and financial instruments available for sale are measured at fair value. Loans and receivables are measured at amortized cost less impairment.

As market prices are not available for a significant proportion of the Group's financial assets and liabilities, fair values for these items have been based on the management assumptions. In the opinion of the management, fair values are not significantly different from book values for all asset and liability categories.

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

The fair value of securities (financial assets at fair value through profit or loss and available for sale financial assets) is based on market prices, or amortized cost which approximates fair value, with the exception of unquoted equity investments the fair value of which is based on the latest available financial statements of the issuer.

The fair value of loans and receivables is calculated based on discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates. Expected future cash flows are estimated considering risk and any indication of impairment. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans. The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available.

For demand deposits and deposits with no defined maturity, the fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturity. The value of long-term relationships with depositors is not taken into account in estimating fair values. As most of the Group's deposits are given with variable rates, being the market rates, there is no significant difference between the fair value of these deposits and their carrying value.

Group's long-term debt has no quoted market prices and the fair value is estimated as the present value of future cash flows, discounted at interest rates available at the balance sheet date to the Group for new debt of similar type and remaining maturity. Again, as the Group's long-term debt is with variable interest, there is no significant difference between its carrying and fair value.

The following table presents the comparison of the consolidated carrying amounts and fair values as at 31 December 2010 and 31 December 2009:

HRK '000

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	28,215,848	28,187,399	27,063,342	27,009,844
Due to customers	15,766,624	15,816,819	14,253,622	14,294,274

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present Fair value measurements recognised in the statement of financial position as at 31 December 2010 and 31 December 2009:

HRK '000

	2010			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading	133,044	-	957	134,001
Derivative financial assets	-	295	-	295
Available for sale financial assets				
Securities available for sale	3,360,872	718,042	12,622	4,091,536
Total financial assets	**3,493,916**	**718,337**	**13,579**	**4,225,832**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	(269,895)	-	(269,895)
Total financial liabilities	**-**	**(269,895)**	**-**	**(269,895)**

HRK '000

	2009			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Financial assets held for trading	118,245	-	2,988	121,233
Derivative financial assets	-	382	-	382
Available for sale financial assets				
Securities available for sale	2,933,779	877,527	161,715	3,973,021
Total financial assets	**3,052,024**	**877,909**	**164,703**	**4,094,636**
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	-	(89,695)	-	(89,695)
Total financial liabilities	**-**	**(89,695)**	**-**	**(89,695)**

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets which are recorded at fair value:

HRK '000

	At 1 January 2010	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	Purchases	Sales	Settlements	Impairment	At 31 December 2010
Financial assets held for trading:								
Commercial bills issued by companies	2,988	130	-	893	(923)	(2,131)	-	957
Available for sale financial assets:								-
Commercial bills issued by companies	13,793	1,024	(1)	5,404	(968)	(13,754)	-	5,498
Bonds issued by the government	13,553	-	-	-	-	(13,553)	-	-
Bills of exchange	123,265	2,712	-	28,976	-	(153,448)	(1,505)	-
Equity securities	11,104	-	618	-	(4,598)	-	-	7,124
Total level 3 financial assets	**164,703**	**3,866**	**617**	**35,273**	**(6,489)**	**(182,886)**	**(1,505)**	**13,579**

HRK '000

	At 1 January 2010	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	Purchases	Sales	Settlements	Impairment	Slavonska banka d.d. transferred balances	At 31 December 2009
Financial assets held for trading:									
Commercial bills issued by companies	968	104	-	2,881	(965)	-	-	-	2,988
Available for sale financial assets:									
Commercial bills issued by companies	10,156	(138)	(4)	14,779	(6,000)	(5,000)	-	-	13,793
Bonds issued by the government	14,980	(1,427)	-	-	-	-	-	-	13,553
Bills of exchange	99,859	19,091	-	340,480	-	(423,559)	(14,212)	101,606	123,265
Equity securities	3,416	-	6,486	-	(495)	-	-	1,697	11,104
Total level 3 financial assets	**129,379**	**17,630**	**6,482**	**358,140**	**(7,460)**	**(428,559)**	**(14,212)**	**103,303**	**164,703**

39. Risk Management

Risk management is recognised as an essential element of management of the Bank. The main risks inherent to the Bank's operations are those arising from economic trends and the bank is faced with them in the form of credit, market, liquidity and foreign currency risks. A detailed description of the risk management policies and methods applied to identify, measure and manage those risks, follows further in the text. Within all further reported risk analysis analytical data based on internal assumptions of risk management are used, and they could be different from the data reported in the statement of financial position and income statement.

39.1. Credit Risk

The Group takes on exposure to credit risk, and categorizes it by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on an ongoing basis and subject to the monthly review.

Exposure to credit risk is managed through regular analysis of the borrowers and potential borrowers ability to meet interest and capital repayment obligations and by changing these lending limits where needed, according to internal procedures and regulatory requirements of CNB. Besides that, exposure to credit risk is additionaly managed by obtaining collaterals, and by corporate and personal guarantees.

Types and amounts of collaterals depend on estimation of credit risk of the particular customer. Their acceptability and evaluation methods are regulated by the internal rulebooks "Handbook on the collateral evaluation" and "Collateral monitoring policy of Hypo Alpe-Adria Bank d.d.".

Group is monitoring market values of accepted collaterals on an ongoing basis and requests additional ones if necessary and stipulated by the contract.

In the case when the counterparty is not able to pay the outstanding amounts due, Group sells received collaterals and does not use them for conducting its regular business.

Analysis of type of collaterals and credit risk exposures secured with those collaterals are presented in the following tables. Amounts of collaterals are presented at the value more conservative than the estimated value, i.e. estimated value decreased by certain percentage, depending on the type of collateral.

Presented guarantees in the following table include government guarantees, provinces and local authorities guarantees and banking guarantees.

Exposures and collaterals at 31 December 2010 and 31 December 2009 were as follows:

HRK '000

Type of exposure	2010 Exposure amount	2010 Collateral amount	2009 Exposure amount	2009 Collateral amount
Loans to corporate clients				
Investment loans	4,391,801	3,245,653	5,493,191	3,599,515
Working capital loans	3,863,266	2,356,811	4,445,876	2,616,181
Project finance loans	797,089	677,267	642,245	462,439
Lombard loans	32,187	30,624	32,305	30,798
Restructuring loans	2,407,228	1,711,426	1,669,460	1,101,613
Subsidized loans	649,970	598,057	708,096	646,096
Tourism financing loans	76,411	74,608	70,439	54,007
Agriculture financing loans	260,126	184,974	353,524	236,574
Loans from CBRD funds	1,444,590	1,327,727	1,567,685	1,356,738
Utilized credit lines	218,593	105,773	163,930	45,344
Other loans	6,577,516	965,095	3,351,162	800,516
Purchased receivables	147,896	5,917	153,928	8,450
Subtotal	*20,866,673*	*11,283,932*	*18,651,841*	*10,958,271*
Loans to retail clients				
Housing loans	8,967,328	7,117,499	8,081,976	6,626,371
Loans for cars purchasing	835,142	405,387	958,931	864,330
Non-purpose loans	1,557,103	408,275	1,409,823	376,400
Other loans	1,192,577	223,197	1,296,412	244,856
Subtotal	*12,552,150*	*8,154,358*	*11,747,142*	*8,111,956*
Card products	491,770	1,827	442,172	876
Guarantees	3,766,512	2,424,237	4,239,256	2,799,060
Letters of credit	60,768	28,790	97,440	40,254
Unutilised credit lines	452,004	145,292	658,739	149,435
Total	**38,189,877**	**22,038,436**	**35,836,590**	**22,059,852**

Types of collaterals at 31 December 2010 and 31 December 2009 considered in the analysis above were as follows:

HRK '000

	2010	2009
Real estate and land mortgages	19,119,220	18,682,338
Liens over movables	854,758	946,632
Cash deposits	497,852	586,897
Guarantees	1,556,711	1,414,496
Insurance policies	9,496	428,854
Other collaterals	399	635
Total	**22,038,436**	**22,059,852**

Credit quality at 31 December 2010 was as follows:

HRK '000

Type of exposure	Niether past due nor impaired	Exposure in delay	Exposure in delay les than 30 days	Exposure in delay 31 to 60 days	Exposure in delay 61 to 90 days	Exposure in delay more than 91 days	Indivi-dually impaired	Total exposure
Loans to corporate clients								
Investment loans	2,624,962	711,425	12,418	332,850	92,692	273,465	1,055,414	4,391,801
Working capital loans	2,474,736	411,878	13,734	212,645	80,874	104,624	976,652	3,863,266
Project finance loans	455,900	77,484	-	26,425	5,305	45,754	263,705	797,089
Lombard loans	32,013	17	-	-	-	17	157	32,187
Restructuring loans	1,265,128	300,814	3,974	170,998	40,743	85,100	841,285	2,407,227
Subsidized loans	439,467	108,867	1,330	35,885	9,311	62,341	101,637	649,971
Tourism financing loans	60,619	9,103	3,587	260	3,653	1,603	6,689	76,411
Agriculture financing loans	175,172	37,017	-	17,210	2,873	16,934	47,938	260,127
Loans from CBRD funds	886,548	143,863	11,796	35,084	46,508	50,475	414,179	1,444,590
Utilized credit lines	1	41,715	8,254	2,108	2,529	27,824	177,877	219,593
Other loans	6,216,712	62,145	889	7,826	26,675	26,755	298,659	6,577,516
Purchased receivables	123,731	1,423	183	52	-	1,188	22,742	147,896
Subtotal	*14,754,989*	*1,905,751*	*56,165*	*841,343*	*311,163*	*696,080*	*4,206,934*	*20,867,674*
Loans to retail clients								
Housing loans	7,731,486	642,944	28,046	285,036	131,383	198,479	592,899	8,967,329
Loans for cars purchasing	774,071	45,807	997	22,140	10,254	12,415	15,263	835,141
Non-purpose loans	1,295,492	94,334	7,148	36,762	15,408	35,016	167,276	1,557,102
Other loans	932,333	85,959	21,485	29,864	7,615	26,994	174,285	1,192,577
Subtotal	*10,733,382*	*869,044*	*57,676*	*373,802*	*164,660*	*272,904*	*949,723*	*12,552,149*
Card products	457,081	14,865	9,305	3,094	799	1,666	19,824	491,770
Guarantees	2,166,995	308,254	17,813	110,313	135,780	44,349	1,291,263	3,766,512
Letters of credit	34,449	17,644	15,667	1,049	928	-	8,675	60,768
Unutilised credit lines	418,413	23,961	21,306	2,183	-	473	9,630	452,004
Total	**28,565,309**	**3,139,519**	**177,932**	**1,331,784**	**613,330**	**1,015,472**	**6,486,049**	**38,190,877**

The primary purpose of credit related commitments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The credit risk concentration is controlled by monitoring of exposure to individual client, to region and to industrial sector. The maximum exposure to individual client at 31 December 2010 excluding Republic of Croatia amounts to HRK 803,875 thousand (2009: HRK 1,298,184 thousand), without taking account of the amounts decreasing the total Bank's exposure or estimated values of collaterals obtained.

The exposure to any one borrower (including banks) is further restricted by sublimits covering on- and off-balance sheet exposures which are set by the Credit Committee. The maximum credit risk exposure, ignoring the fair value of any collateral, in the event other parties fail to meet their obligations under financial instruments is equal to the carrying value of financial assets as presented in the accompanying financial statements and the disclosed financial commitments.

Majority of Bank's operations are performed in the Republic of Croatia, thus majority of credit risk is limited to the Republic of Croatia.

Credit risk by the type of financial assets

Credit risk by the type of financial assets for loans and similar receivables is monitored using internal classification of credit risk, required by the CNB. Category A includes all receivables for which the Bank expects to collect full contracted amounts, including principle and interest. Category B includes receivables for which the Bank expects collection of up to 90% of the contracted amounts. Category C includes receivables for which the Bank does not expect collections.

At 31 December 2010 in the total amount of placements classified into risk categories of HRK 44,640,496 thousand (2009: HRK 41,573,864 thousand) the amount of HRK 33,698,865 thousand (2009: HRK 36,050,236 thousand) relates to placements of category A.

39.2. Market Risk

Market risk arises from open positions in market instruments that are linked to interest rates, different underlying currencies, and equities, all of which are exposed to general and specific market movements. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions, and through establishing and maintaining appropriate limits.

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognized at fair value, and all changes in market conditions directly affect net trading income. The Bank manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed by buying or selling instruments in accordance with risk limits approved by the Management Board.

39.2.1. Value at Risk (VaR) Analysis

The VaR risk measure estimates the potential loss over the given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss should not exceed the reported VaR.

VaR methodology employed to calculate daily risk numbers is a Monte Carlo simulation used in order to determine potential future exposure to risk. The Bank uses VaR to capture: exposure to Bank Book (99% confidence; 1 day holding horizon), exposure to Trade Book (99% confidence; 1 day horizon) portfolios and exposure to daily open FX position of the Bank. Methodology used is a structured Monte Carlo simulation with 10,000 runs and 99% confidence interval based on exponentially weighted volatilities and correlations of the Bank´s own time series (250 days).

For the calculation of VaR for interest rate risk measurement in Bank book the variance-covariance method is used, based on the JPMorgan Risk Metrics approach. The approach is based on the assumption of a normal distribution of logarithmic interest rate returns. The volatility of the risk factors defines the VaR and in the next calculation step in combination with the correlation matrix the correlated VaR results.

As euro is a base currency for all calculations, VaR calculation is modeled and reported via Hypo Alpe Adria Group internal application “Portfolio Management System” (“PMS”) that covers group exposure and monitors risk from a Group perspective.

The following table presents VaR trends of specific risk factors during the year 2010:

HRK ‘000

Value at Risk Risk category	Minimum	Maximum	Average	End of year
Interest rate risk - trading book	560	2,326	1,192	1,217
Interest rate risk - banking book	1,403	5,258	2,742	3,207
Equity risk	2	6	3	6
Currency risk	335	1,384	738	1,086
Total*	**2,300**	**8,974**	**4,675**	**5,516**

The following table presents VaR trends of specific risk factors during the year 2009:

HRK ‘000

Value at Risk Risk category	Minimum	Maximum	Average	End of year
Interest rate risk - trading book	446	684	796	627
Interest rate risk - banking book	12,099	17,336	19,792	17,688
Equity risk	2	32	195	195
Currency risk	112	907	1,821	979
Total*	**12,659**	**18,959**	**22,604**	**19,489**

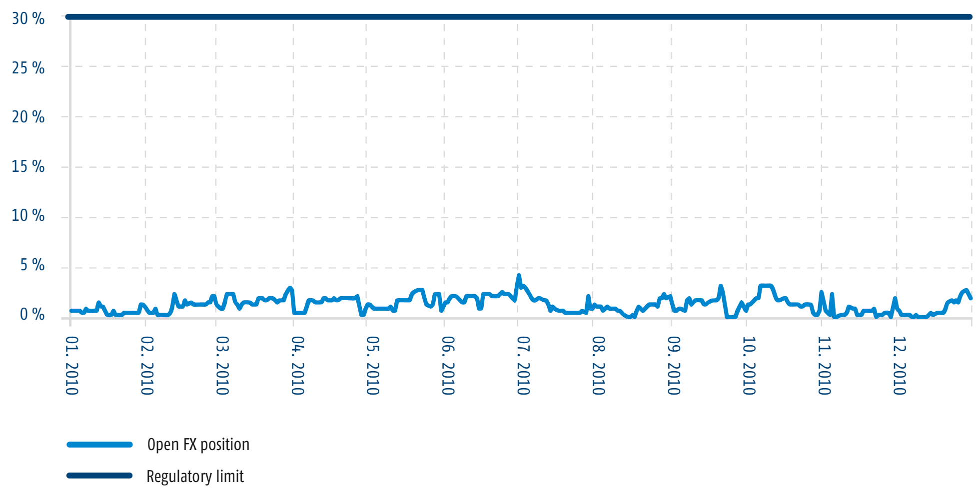
* correlation effects are not considered in the above analysis.

39.2.2. Foreign currency risk
Bank is exposed to changes of existing foreign currency rates which have influenced to its financial situation and to its cash flows. Foreign currency risk exposures emerge out of credit, deposit and investment activities as well as out of trading activities. Foreign currency risk is controlled daily by regulatory requirement and by internally established limits toward particular currencies for assets and liabilities and off balance positions denominated in foreign currencies or in value clause.

Management Board establishes limits on exposure level per particular currency. Such determined internal limits are in line with minimal regulatory requirements of CNB regarding exposure to foreign currency risk (maximum exposure of 30% of liable capital).

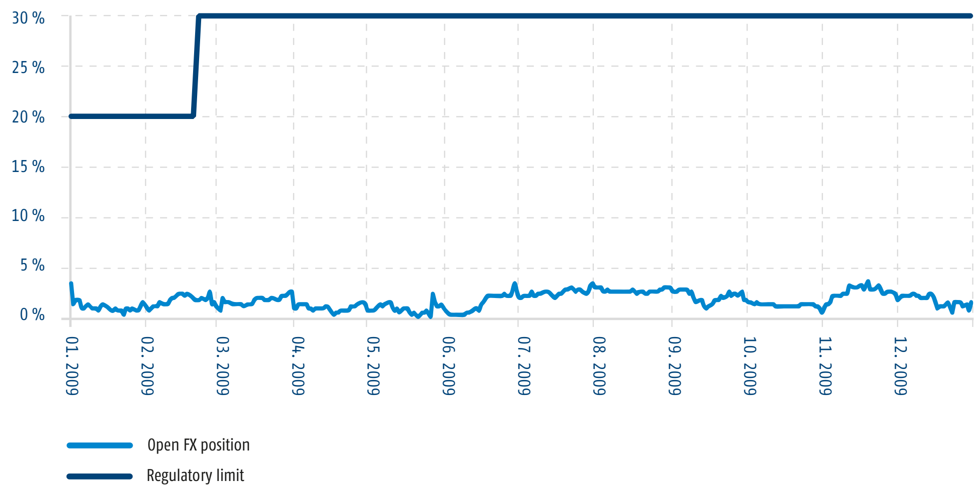
Following graph shows movement of open foreign currency position related to reglatory capital for 2010:

Open FX position in % of Equity capital
Year 2010



Following graph shows movement of open foreign currency position related to regulatory capital for 2009:

Open FX position in % of Equity capital
Year 2009



The Group is mainly exposed to the Euro (EUR) and the Swiss Frank (CHF).The following table details the Bank sensitivity to a 10% increase and decrease in the HRK against the relevant foreign currencies.

The sensitivity analysis includes all foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the HRK strengthens 10% against the relevant currency. For a 10% weakening of the HRK against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

The following table presents the net FX position with the net P/L effect as at 31 December 2010:

HRK '000

	EUR	CHF	USD	GPB	Other
Open FX position	144.781	50,500	7,721	(1,549)	2,951
Net P/L effect	(14,478)	(5,050)	(772)	155	(295)

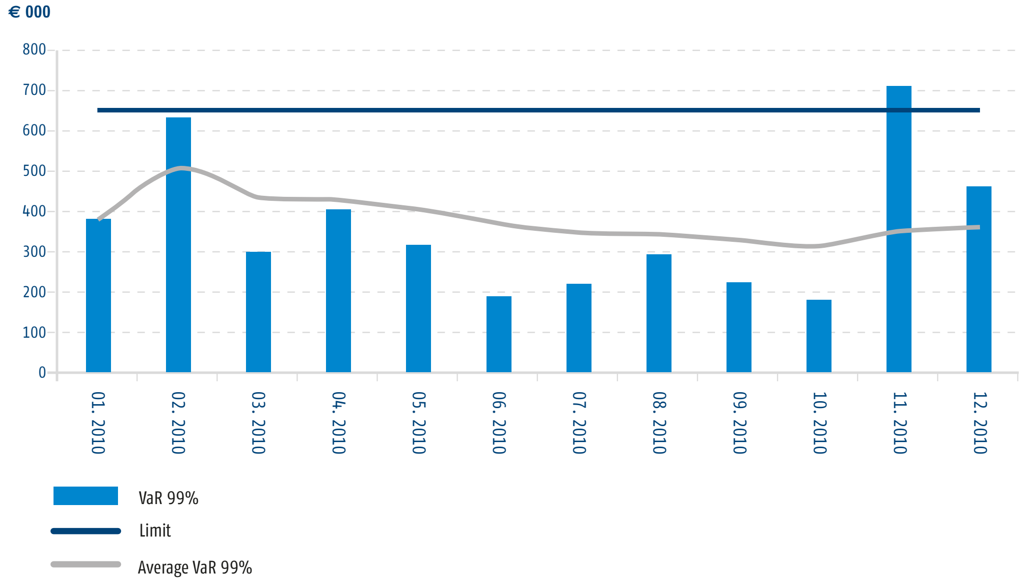
The following table presents the net FX position with the net P/L effect as at 31 December 2009:

HRK '000

	EUR	CHF	USD	GPB	Other
Open FX position	108.567	28,181	822	(6,480)	4,020
Net P/L effect	(10,857)	(2,818)	(82)	648	(402)

39.2.3. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. VaR limit monitoring and average usage of given limits for interest rate risk for 2010 is given in graph below:



Management of interest rate risk is performed through Interest GAP report, where internally acceptable limits for each time band are set and approved by the Management Board, and based on this report interest rate position steering within limits is performed through local and group Asset Liability Comities. Due receivables are taken into account in following manner; receivables that are due and not impaired are distributed in 1 month time period and impaired receivables that are due are included in 2 Year period under assumption that payment out of collaterals will on average occur in that time.

Interest GAP Balance as at 31 December 2010 is as follows:

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect*	Total
Assets	1,622	8,290	18,938	5,999	2,367	452	578	690	38,936
Liabilities	(102)	(10,442)	(10,862)	(6,303)	(680)	(421)	(3,127)	(6,999)	(38,936)
Interest GAP	**1,520**	**(2,152)**	**8,076**	**(304)**	**1,687**	**31**	**(2,549)**	**(6,309)**	**-**
Interest GAP (%)	**3.90%**	**(5.53%)**	**20.74%**	**(0.78%)**	**4.33%**	**0.08%**	**(6.55%)**	**(16.20%)**	**0.00%**

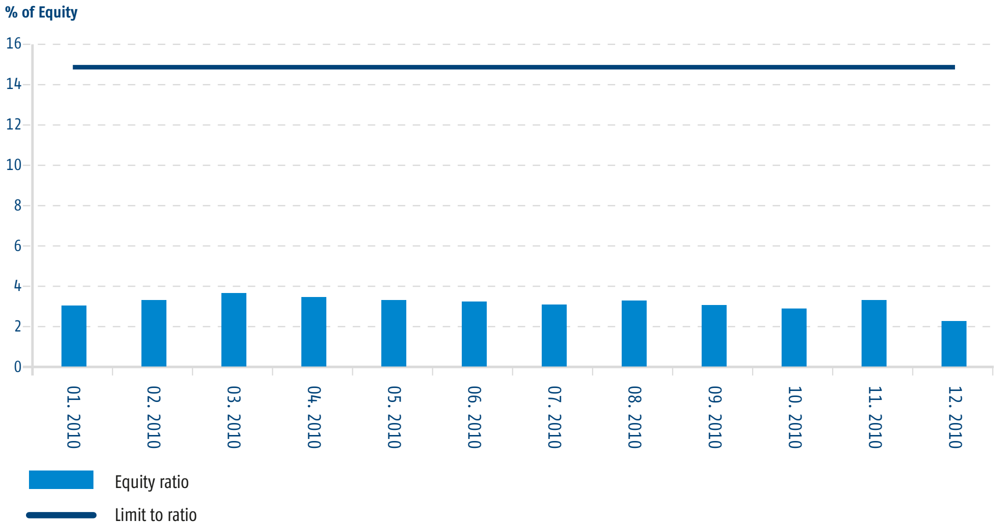
Interest GAP Balance as at 31 December 2009 is as follows:

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect*	Total
Assets	1,822	10,548	18,630	5,277	975	79	712	1,057	39,100
Liabilities	(46)	(11,671)	(11,151)	(6,897)	(533)	(280)	(1,192)	(7,330)	(39,100)
Interest GAP	**1,776**	**(1,123)**	**7,479**	**(1,620)**	**442**	**(201)**	**(480)**	**(6,273)**	**-**
Interest GAP (%)	**4.54%**	**(2.87%)**	**19.12%**	**(4.14%)**	**1.13%**	**(0.51%)**	**(1.23%)**	**(16.04%)**	**0.00%**

* "No Effect" position represents Share capital on Liability side and Tangible asset on Asset side.

Monitoring of Equity ratio which represents interest rate risk calculated as 200BP interest rate shock in relation with regulatory capital as well as monitoring of internally given limit of 15% of regulatory capital for 2010 is given in graph as follows:



The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability shown at the balance sheet date was existing for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents Management Board's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the impact on Bank's income statement will be as shown in the following tables.

Interest GAP sensitivity as at 31 December 2010:

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect	Total
Interest GAP	1,520	(2,152)	8,075	(305)	1,688	32	(2,549)	(6,309)	-
50 BP parallel shift	0.00%	0.02%	0.08%	0.31%	0.69%	1.13%	3.58%	0.00%	-
P/L effect	0,00	(0,43)	6,46	(0,94)	11,65	0,36	(91,27)	0,00	(74,17)

Interest GAP sensitivity as at 31 December 2009:

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect	Total
Interest GAP	1,776	(1,123)	7,479	(1,620)	442	(201)	(480)	(6,273)	-
50 BP parallel shift	0.00%	0.02%	0.08%	0.31%	0.69%	1.13%	3.58%	0.00%	-
P/L effect	0,00	(0,22)	5,98	(5,02)	3,05	(2,27)	(17,19)	0,00	(15,67)

Sensitivity analysis is based on principle described in Basel Committee on Banking Supervision ***"Principles for the Management and Supervision of Interest Rate Risk"*** July 2004, Annex 3 - The standardized interest rate shock.

The Bank's sensitivity to interest rates has increased during the current period mainly due to fixing of interest rates on liability side.

39.2.4. Liquidity risk

Liquidity risk is a measure of the extent up to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. Bank is obliged to continuously insure sufficient amount of liquid assets in order to cover all demands that arises from maturity of their obligations.

Bank has a clearly defined tolerance towards liquidity risk exposure which is determined in accordance with adopted strategy and business plans. In order to meet all Regulatory requirements, to achieve and respect security principles, to maintain stability and achievement of planned profitability, systematical measurement, limitation and reporting of liquidity risk is applied within the institution. Bank maintains its liquidity compliant to regulations given by CNB, starting from 31st March 2010 since which date new Credit Institution Act came into a force. Bank has applied measurement and reporting of minimum liquidity ratio in accordance with regulatory decision on liquidity risk management.

Following table represents minimum liquidity ratios up to one week and one month period in domestic and convertible (foreign) currencies:

	Kuna		Convertible currencies	
	1 week	1 month	1 week	1 month
Year End	2.47	1.95	2.21	1.36
Maximum	7.96	4.93	5.42	2.52
Minimum	1.80	1.72	1.52	1.09
Average	4.46	3.05	2.85	1.67

During 2010 Bank has successfully maintained obligatory amount of foreign currency claims in relation to foreign currencies obligation (so called A/L ratio) according to related Decision given by regulator, which minimum required amount were 20%.

The following table shows the level of A/L ratio in 2010 and 2009:

%

	2010	2009
Year End	20.81	21.56
Maximum	23.52	35.17
Minimum	20.38	20.30
Average	21.05	22.34

Furthermore, Bank has set internal limitations and limits which represent constitutional part of Liquidity Risk Policy. Ratios which Bank uses in liquidity risk management and which represents tolerance toward liquidity risk are:

- Current liquidity ratio
- Loans to Deposits ratio
- Short term assets to short term Liabilities ratio (up to 1 Year)

The following table shows the level of Liquidity ratios in 2010 and 2009:

%

	2010	2009
Current liquidity ratio:		
Year End	10.27	10.28
Maximum	15.01	15.63
Minimum	10.27	9.88
Average	12.96	11.85
Loans to Deposits ratio:		
Year End	140.06	140.88
Maximum	148.09	150.39
Minimum	138.40	117.59
Average	143.78	140.40
Short term assets to short term Liabilities ratio:		
Year End	79.52	89.95
Maximum	92.91	91.33
Minimum	76.48	77.32
Average	83.66	86.28

Bank has also developed a system of liquidity risk management which ensures continuous maintenance of sufficient liquidity assets (reserve) in form of additional, high quality, unpledged liquid instruments as insurance in case of unexpected events. System conducts liquidity risk measurement and monitoring on weekly level, measure used is the ratio which opposes sufficient liquidity reserves versus projected outflows, also known as „Time to wall" ratio. This ratio is defined for variety of scenarios. Through this, liquidity risk measurement for several different predefined liquidity crisis, starting from moderate to severe, is achieved. Aside from, above the Bank has established a liquidity contingency plan which comprises a variety of measures and regulates procedures in case of particular crisis.

Liquidity crisis declaration criteria are consisted of several quantitative and qualitative ratios which are monitored and reported weekly and monthly. In case that crisis declaration criteria is fulfilled Risk Controlling department is obliged to inform Management Board, ALCO and LICO which is than in charge for further actions.

Bank has given special focus on term structure of assets and liabilities in scope of its liquidity risk management. The following table details the remaining contractual maturity for Bank financial assets and liabilities as of 31 December 2010. The table has been drawn up based on the discounted cash flows of financial instruments.

Retail clients have the possibility to withdraw their term deposits prior to their contractual maturity date. However, historical experience shows that this is not very likely. As of 31December 2010 the balance of term deposits from customers was HRK 8,797 million and as of 31 December 2009 HRK 7,103 million.

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect	Total
Assets									
Cash	1,150	102	-	-	-	-	-	-	1,252
Balances with Croatian National Bank	-	550	413	550	275	275	688	-	2,751
Financial assets at fair value through P/L and available for sale	127	50	433	2,878	204	165	626	-	4,483
Placements with and loans to other banks	313	714	-	-	1	229		-	1,257
Loans and receivables	-	1,251	927	4,108	4,973	2,859	13,865	-	27,983
Other assets	-	474	-	-	-	-	-	-	474
Investments in subsidiaries	-	215	-	-	-	-	5	-	220
Property, plant and equipment and intangible assets	-	-	-	1	-	-	515	-	516
Total assets	**1,590**	**3,356**	**1,773**	**7,537**	**5,453**	**3,528**	**15,699**	**-**	**38,936**
Liabilities									
Due to other banks	(11)	(4,105)	(596)	(1,188)	(2,526)	(2,498)	(6,695)	-	(17,619)
Deposits from customers	(310)	(1,989)	(2,004)	(6,713)	(1,162)	(891)	(1,103)	-	(14,172)
Deferred items	-	(20)	(29)	(129)	-	-	-	-	(178)
Provisions for liabilities and charges	-	(33)	(4)	(20)	-	-	-	-	(57)
Other liabilities	(12)	(475)	-	-	-	-	(1)	-	(488)
Capital	-	(24)	(43)	(193)	-	-	(6,162)	-	(6,422)
Total liabilities and equity	**(333)**	**(6,646)**	**(2,676)**	**(8,243)**	**(3,688)**	**(3,389)**	**(13,961)**	**-**	**(38,936)**
Gap per time band	**1,257**	**(3,290)**	**(903)**	**(706)**	**1,765**	**139**	**1,738**	**-**	**-**
Gap in %	**3.23%**	**(8.45%)**	**(2.32%)**	**(1.81%)**	**4.54%**	**0.36%**	**4.45%**	**0.00%**	**(0.00%)**

The following table details the remaining contractual maturity for its financial assets and liabilities as at 31 December 2009.

HRK Mio

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect	Total
Assets									
Cash	1,479	-	-	-	-	-	-	-	1,479
Balances with Croatian National Bank	-	938	785	464	344	97	815	-	3,443
Financial assets at fair value through P/L and available for sale	113	91	121	2,928	211	164	626	-	4,254
Placements with and loans to other banks	110	1,629	-	-	-	-	-	-	1,739
Loans and receivables	-	1,223	1,433	5,847	3,074	2,093	13,262	-	26,932
Other assets	2	357	77	108	109	-	-	63	716
Investments in subsidiaries	4	-	-	-	-	-	-	38	42
Property, plant and equipment and intangible assets	0	-	-	-	-	-	-	495	495
Total assets	**1,708**	**4,238**	**2,416**	**9,347**	**3,738**	**2,354**	**14,703**	**596**	**39,100**
Liabilities									
Due to other banks	(10)	(5,702)	(1,498)	(1,360)	(1,904)	(929)	(7,473)	-	(18,876)
Deposits from customers	(266)	(1,874)	(2,570)	(5,024)	(1,030)	(728)	(1,116)	-	(12,608)
Deferred items	-	-	-	-	-	-	-	(176)	(176)
Provisions for liabilities and charges	(1)	(10)	(2)	(17)	(2)	-	(148)	-	(179)
Other liabilities	(13)	(280)	(161)	(29)	(1)	(1)	(3)	-	(489)
Capital	-	-	(366)	(255)	-	-	-	(6,151)	(6,772)
Total liabilities and equity	**(290)**	**(7,866)**	**(4,597)**	**(6,685)**	**(2,937)**	**(1,658)**	**(8,740)**	**(6,327)**	**(39,100)**
Gap per time band	**1,418**	**(3,628)**	**(2,181)**	**2,662**	**801**	**696**	**5,963**	**(5,731)**	**-**
Gap in %	**3.63%**	**(9.28%)**	**(5.58%)**	**6.81%**	**2.05%**	**1.78%**	**15.25%**	**(14.66%)**	**(0.00%)**

39.3. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed functioning of business processes or systems, intentional or unintentional human actions or from external events. The definition includes legal risk.

As operational risk is inherent in all business activities, the Group seeks to manage its operational risk by including all organizational units in operational risk management according to defined policies and procedures. Roles of all employees in operational risk management are defined. Standards for operational risk management are in compliance with the Croatian National Bank regulations.

Under the operational risk management loss events data related to operational risk are collected, risk estimations and business processes controls are performed as well as analysis of scenarios for low frequency and high severity events.

39.4. Derivative Financial Instruments

Credit exposure or replacement cost of financial derivative instruments represents the Group's credit exposure from contracts with a positive fair value, that is, it indicates the estimated maximum potential losses of the Group in the event that counterparties fail to perform their obligations. This is usually a small fraction of the notional amounts of the contracts. The credit exposure of each contract is indicated by the credit equivalent calculated pursuant to generally applicable methodology using the current exposure method and involves the fair market value of the contract (only if positive, otherwise a zero value is taken into account) and a portion of nominal value, which indicates the potential change in fair market value over the term of the contract. The credit equivalent is established depending on the type of contract and its maturity. The Group periodically assesses credit risks of all financial instruments.

Derivative financial instruments used by the Group include interest, cross-currency and currency swaps and forwards whose value changes in response to changes in interest rates and foreign exchange rates. Derivatives are either standardized contracts transacted through regulated exchanges or individually negotiated contracts. Swap arrangements are used for hedging of exposure resulting from adverse movements in interest and exchange rates, as well as for transformation of currency liquidity.

40. Capital Management

The Bank maintains an actively managed capital level to cover risks inherent in the business. The capital adequacy is monitored using, among other measures, the rules and ratios established by the Croatian National Bank. During the year 2010 the Bank has complied in full with all imposed capital requirements.

The capital adequacy ratio is calculated as the ratio between regulatory capital and credit risk-weighted assets increased by the overall foreign exchange position exposure to currency risk, exposure to position risks, exposure to operational risk, exposure to settlement and counterparty risk and increased by exceeding the permissible exposure limits.

The following table presents regulatory capital and capital adequacy ratio as at 31 December 2010 and 31 December 2009:

HRK '000

	Bank 2010	Bank 2009
Regulatory capital:		
Core capital	6,107,808	6,153,911
Supplementary capital	2,361,128	2,218,340
Deduction items	(4,659)	(37,859)
Total regulatory capital	**8,464,277**	**8,334,392**
Credit risk-weighted assets and other risk exposures	**29,649,361**	**41,232,432**
Core capital adequacy ratio	20.60%	14.92%
Total regulatory capital adequacy ratio	28.55%	20.21%

Appendix to the Financial Statements

for the year ended 31 December 2010

Pursuant to the Croatian Accounting Law (Official Gazette 109/07) Croatian National Bank issued the Decision on structure and contents of annual financial statement of the banks (Official Gazette 62/08). The following tables present financial statements in accordance to the above mentioned decision:

Consolidated Income Statement

HRK '000

	2010	2009
1. Interest income	2,095,396	2,401,632
2. (Interest expenses)	(1,082,625)	(1,326,960)
3. Net interest income	**1,012,771**	**1,074,672**
4. Commission and fee income	360,135	395,749
5. (Commission and fee expenses)	(70,349)	(68,833)
6. Net commission and fee income	**289,786**	**326,916**
7. Gain/(loss) from investments in subsidiaries, affiliated companies and joint ventures	-	-
8. Gain/(loss) from trading activities	(118,481)	196,024
9. Gain/(loss) from embedded derivatives	-	-
10. Gain/(loss) from financial assets not traded on active markets at fair value through profit or loss	-	-
11. Gain/(loss) from financial assets available for sale	12,541	18,250
12. Gain/(loss) from financial assets held to maturity	-	-
13. Gain/(loss) from hedging transactions	-	-
14. Income from investments in subsidiaries, affiliated companies and joint ventures	-	-
15. Income from other equity investments	36	528
16. Gain/(loss) from foreign exchange differences	219,029	(17,386)
17. Other income	74,884	75,370
18. Other expenses	69,319	88,128
19. General and administrative expenses, depreciation and amortization	669,246	702,176
20. Net income before value adjustments and provisions for losses	**752,001**	**884,070**
21. Expenses from value adjustments and provisions for losses	512,491	679,783
22. Profit/(loss) before tax	**239,510**	**204,287**
23. Income tax	53,528	52,906
24. Current year profit/(loss)	**185,982**	**151,381**
25. Earnings per share	105	82

Appendix to the Income Statement

HRK '000

	2010	2009
Current year profit/(loss)	185,982	151,381
Distributable to the parent company shareholders	185,982	151,381
Minority participation	-	-

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 22 March 2011:

Tadija Vrdoljak
Member of the Management Board

Markus Ferstl
President of the Management Board

Consolidated Balance Sheet

HRK '000

	2010	2009
Assets		
1. Cash and deposits with CNB	3,970,795	4,880,421
1.1. Cash	354,557	312,387
1.2. Deposits with CNB	3,616,238	4,568,034
2. Deposits with banking institutions	847,964	1,286,908
3. Treasury bills of Ministry of Finance and treasury bills of CNB	706,421	869,629
4. Securities and other financial instruments held for trading	131,933	119,263
5. Securities and other financial instruments available for sale	3,382,147	3,099,157
6. Securities and other financial instruments held to maturity	-	-
7. Securities and other financial instruments that are not traded on active markets at fair value through profit or loss	-	-
8. Derivative financial assets	295	382
9. Loans to financial institutions	417,023	469,165
10. Loans to other clients	28,076,984	27,001,589
11. Investments in subsidiaries, affiliated companies and joint ventures	-	-
12. Repossessed assets	116,758	99,592
13. Tangible and intangible assets (minus depreciation and amortization)	1,142,965	1,128,481
14. Interests, fees and other assets	569,250	600,252
A. Total assets	**39,362,535**	**39,554,839**
Liabilities and equity		
1. Borrowings from financial institutions	1,716,042	1,990,943
1.1. Short-term borrowings	373,000	490,920
1.2. Long-term borrowings	1,343,042	1,500,023
2. Deposits	24,759,777	24,351,644
2.1. Deposits on giro-accounts and current accounts	1,991,544	2,003,829
2.2. Savings deposits	1,343,522	1,244,721
2.3. Term deposits	21,424,711	21,103,094
3. Other borrowings	2,977,405	3,551,698
3.1. Short-term borrowings	2,520,393	2,710,463
3.2. Long-term borrowings	457,012	841,235
4. Derivative financial liabilities and other trading financial liabilities	269,895	89,695
5. Issued debt securities	-	-
5.1. Issued short-term debt securities	-	-
5.2. Issued long-term debt securities	-	-
6. Issued subordinated instruments	-	-
7. Issued subordinated debt	2,388,969	2,218,340
8. Interests, fees and other liabilities	868,013	983,110
B. Total liabilities	**32,980,101**	**33,185,430**

Consolidated Balance Sheet – continued

HRK '000

	2010	2009
Equity		
1. Share capital	6,003,237	6,003,237
2. Current year gain/loss	185,982	151,381
3. Retained earnings/(loss)	42,317	12,148
4. Legal reserves	99,527	91,956
5. Statutory and other capital reserves	62,497	110,483
6. Unrealised gain /(loss) from available for sale fair value adjustment	(11,126)	204
C. Total equity	**6,382,434**	**6,369,409**
D. Total liabilities and equity	**39,362,535**	**39,554,839**

Appendix to the Balance Sheet

HRK '000

	2010	2009
Total equity	6,382,434	6,369,409
Equity distributable to parent company shareholders	6,382,434	6,369,409
Minority participation	-	-

Signed on behalf of HYPO ALPE-ADRIA-BANK d.d. Zagreb on 22 March 2011:

Tadija Vrdoljak
Member of the Management Board

Markus Ferstl
President of the Management Board

Consolidated Cash Flow Statement

HRK '000

	2010	2009
Operating activities		
1.1. Gain/(loss) before tax	239,510	204,287
1.2. Value adjustments and provisions for losses	491,574	699,401
1.3. Depreciation and amortization	105,366	108,501
1.4. Net unrealised (gain)/loss from financial assets and liabilities at fair value through profit or loss	204,181	(77,151)
1.5. Gain/(loss) from tangible assets sale	4,704	2,318
1.6. Other (gains)/losses	-	-
1. Operating cash flow before operating assets movements	**1,035,927**	**932,720**
2.1. Deposits with CNB	737,238	(632,885)
2.2. Treasury bills of Ministry of Finance and treasury bills of CNB	171,107	(142,102)
2.3. Deposits with banking institutions and loans to financial institutions	(388,512)	1,311,104
2.4. Loans to other clients	(230,340)	(1,245,813)
2.5. Securities and other financial instruments held for trading	(12,018)	13,247
2.6. Securities and other financial instruments available for sale	117,964	(315,038)
2.7. Securities and other financial instruments that are not traded on active markets at fair value through profit or loss	-	-
2.8. Other operating assets	(17,749)	(11,651)
2. Net (increase)/decrease in operating assets	**377,690**	**(1,023,138)**
Increase/(decrease) in operating liabilities		
3.1. Demand deposits	40,677	(1,247,453)
3.2. Savings and term deposits	(733,871)	1,284,942
3.3. Derivative financial liabilities and other trading liabilities	180,200	(81,950)
3.4. Other liabilities	(170,753)	61,521
3. Net increase/(decrease) in operating liabilities	**(683,747)**	**17,060**
4. Net cash flow form operating activities before profit tax paying	**729,870**	**(73,358)**
5. Paid profit tax	(45,961)	(155,295)
6. Net inflows/(outflows) of cash from operating activities	**683,909**	**(228,653)**

Consolidated Cash Flow Statement – continued

HRK '000

	2010	2009
Investing activities		
7.1. Receipts from sale/(payments for purchasing) tangible and intangible assets	(115,324)	(148,293)
7.2. Receipts from sale /(payments for buying) investments in subsidiaries, affiliated companies and joint ventures	-	-
7.3. Receipts from collection/(payments for buying) securities and other financial instruments held to maturity	-	-
7.4. Received dividends	36	528
7.5. Other receipts/(payments) form investment activities	-	(20)
7. Net cash flow from investing activities	**(115,288)**	**(147,785)**
Financial activities		
8.1. Net increase/(decrease) in borrowings	(875,089)	802,207
8.2. Net increase/(decrease) in issued debt securities	-	-
8.3. Net increase/(decrease) in subordinated and subordinated debt	-	723,617
8.4. Receipts from issued share capital	-	-
8.5. (Dividends paid)	(185,261)	(362,300)
8.6. Other receipts/(payments) from financial activities	-	410,630
8. Net cash flow from financial activities	**(1,060,350)**	**1,574,154**
9. Net increase/(decrease) in cash and cash equivalents	**(491,729)**	**1,197,716**
10. Effects from foreign exchange rates changes on cash and cash equivalents	**(176,340)**	**(37,217)**
11. Net increase/(decrease) in cash and cash equivalents	**(668,069)**	**1,160,499**
12. Cash and cash equivalents at the beginning of the year	**3,211,759**	**2,051,260**
13. Cash and cash equivalents at the and of the year	**2,543,690**	**3,211,759**

Consolidated Statement of Changes in Equity

HRK '000

	Share capital	Treasury shares	Legal, statutory and other reserves	Retained earnings/ (loss)	Current year profit/ loss	Unrealised gain/losses from available for sale financial assets fair value adjustment	Minority Partici-pation	Total capital and reserves
1. Balance at 1 January 2010	**6,003,237**	**-**	**202,439**	**12,148**	**151,381**	**204**	**-**	**6,369,409**
2. Changes of Accounting policies and error corrections	-	-	-	-	-	-	-	**-**
3. Restated current year balance	**6,003,237**	**-**	**202,439**	**12,148**	**151,381**	**204**	**-**	**6,369,409**
4. Sale of financial assets available for sale	-	-	-	-	-	(12,540)	-	**(12,540)**
5. Fair value changes of financial assets available for sale	-	-	-	-	-	1,210	-	**1,210**
6. Tax on items directly recognised or transferred from capital and reserves	-	-	2,229	-	-	-	-	**2,229**
7. Other gains or losses directly recog-nised in capital and reserves	-	-	(7,806)	-	-	-	-	**(7,806)**
8. Net gains/losses directly recognised in capital and reserves	**-**	**-**	**(5,577)**	**-**	**-**	**(11,330)**	**-**	**(16,907)**
9. Current year gain/(loss)					185,982			**185,982**
10. Total income and expenses recognised for the current year	**-**	**-**	**(5,577)**	**-**	**185,982**	**(11,330)**	**-**	**169,075**
11. Increase/ (decrease) in share capital	-	-	-	-	-	-	-	**-**
12. Buying/(sale) of treasury shares	-	-	-	-	-	-	-	**-**
13. Other changes	-	-	(992)	30,169	34	-	-	**29,211**
14. Transfer to reserves	-	-	7,571	-	(7,571)	-	-	**-**
15. Dividends paid	-	-	(41,417)	-	(143,844)	-	-	**(185,261)**
16. Distribution of profit	**-**	**-**	**(33,846)**	**-**	**(151,415)**	**-**	**-**	**(185,261)**
17. Balance at 31 December 2010	**6,003,237**	**-**	**162,024**	**42,317**	**185,982**	**(11,126)**	**-**	**6,382,434**

Consolidated Statement of Changes in Equity – continued

HRK '000

	Share capital	Treasury shares	Legal, statutory and other reserves	Retained earnings/ (loss)	Current year profit/ loss	Unrealised gain/losses from available for sale financial assets fair value adjustment	Minority Partici-pation	Total capital and reserves
1. Balance at 1 January 2009	**4,187,249**	**-**	**318,256**	**23,961**	**139,461**	**2,956**	**-**	**4,671,883**
2. Changes of Accounting policies and error corrections	-	-	-	-	-	-	-	**-**
3. Restated current year balance	**4,187,249**	**-**	**318,256**	**23,961**	**139,461**	**2,956**	**-**	**4,671,883**
4. Sale of financial assets available for sale	-	-	-	-	-	(16,211)	-	**(16,211)**
5. Fair value changes of financial assets available for sale	-	-	-	-	-	6,056	-	**6,056**
6. Tax on items directly recognised or transferred from capital and reserves	-	-	455	-	-	-	-	**455**
7. Other gains or losses directly recog-nised in capital and reserves	-	-	35,162	-	-	-	-	**35,162**
8. Net gains/losses directly recognised in capital and reserves	**-**	**-**	**35,617**	**-**	**-**	**(10,155)**	**-**	**25,462**
9. Current year gain/(loss)					151,381			**151,381**
10. Total income and expenses recognised for the current year	**-**	**-**	**35,617**	**-**	**151,381**	**(10,155)**	**-**	**176,843**
11. Increase/ (decrease) in share capital	-	-	-	-	-	-	-	**-**
12. Buying/(sale) of treasury shares	-	-	-	-	-	-	-	**-**
13. Other changes	1,815,988	-	(13,333)	(2,577)	74,562	7,403	-	**1,882,043**
14. Transfer to reserves	-	-	11,163	(8,296)	(1,927)	-	-	**940**
15. Dividends paid	-	-	(149,264)	(940)	(212,096)	-	-	**(362,300)**
16. Distribution of profit	**-**	**-**	**(138,101)**	**(9,236)**	**(214,023)**	**-**	**-**	**(361,360)**
17. Balance at 31 December 2009	**6,003,237**	**-**	**202,439**	**12,148**	**151,381**	**204**	**-**	**6,369,409**

As data in financial statements prepared in accordance with the Croatian National Bank ("CNB") decision are classified differently from those in financial statements prepared according to the statutory accounting requirements for banks in Croatia the following tables present comparatives.

Comparatives for the income statement ended 31 December 2010 and 2009:

HRK '000

	2010			2009		
	Croatian National Bank Decision	Accounting Requirements for banks in Croatia	Difference	Croatian National Bank Decision	Accounting Requirements for banks in Croatia	Difference
Interest and interest similar income	2,095,396	2,090,522	4,874	2,401,632	2,297,320	104,312
Interest and interest similar expenses	(1,082,625)	(1,062,098)	(20,527)	(1,326,960)	(1,227,268)	(99,692)
Net interest income	**1,012,771**	**1,028,424**	**(15,653)**	**1,074,672**	**1,070,052**	**4,620**
Commission and fee income	360,135	360,134	1	395,749	374,033	21,716
Commission and fee expenses	(70,349)	(70,351)	2	(68,833)	(65,826)	(3,007)
Net commission and fee income	**289,786**	**289,783**	**3**	**326,916**	**308,207**	**18,709**
Net trading gain	(118,481)	(105,940)	(12,541)	196,024	227,701	(31,677)
Gain from financial assets available for sale	12,541	-	12,541	18,250	-	18,250
Income from other equity investments	36	-	36	528	-	528
Net foreign exchange differences	219,029	180,836	38,193	(17,386)	(38,065)	20,679
Other operating income	74,884	76,419	(1,535)	75,370	74,868	502
Total other income	**188,009**	**151,315**	**36,694**	**272,786**	**264,504**	**8,282**
General and administrative expenses, depreciation and amortization	(669,246)	(105,366)	(563,880)	(702,176)	(89,965)	(612,211)
Personnel expenses	-	(306,684)	306,684	-	(305,070)	305,070
Expenses from value adjustments and provisions for losses	(512,491)	(491,574)	(20,917)	(679,783)	(697,424)	17,641
Other operating expenses	(69,319)	(326,388)	257,069	(88,128)	(401,735)	313,607
Total other expenses	**(1,251,056)**	**(1,230,012)**	**(21,044)**	**(1,470,087)**	**(1,494,194)**	**24,107**
Profit before tax	**239,510**	**239,510**	**-**	**204,287**	**148,569**	**55,718**
Income tax	(53,528)	(53,528)	-	(52,906)	(41,566)	(11,340)
Net profit for the year	**185,982**	**185,982**	**-**	**151,381**	**107,003**	**44,378**
PROFIT PER SHARE (in HRK)	**105**	**105**	**-**	**82**	**47**	**35**

The difference in position "Interest and interest similar income" of HRK 4,874 thousand is the amount relating to foreign exchange differences presented in "Net foreign exchange differences" in the income statement in accordance with statutory accounting requirements for banks in Croatia.

The difference in position "Interest and interest similar expenses" of HRK 20,533 thousand is the amount relating to savings deposits insurance premium expenses presented in "Other operating expenses" in accordance with statutory accounting requirements for banks in Croatia. The difference of HRK 6 thousand is relating to foreign exchange differences presented in “Net foreign exchange differences” in the income statement in accordance with statutory accounting requirements for banks in Croatia.

The difference in position “Commission and fee income” of HRK 1 thousand is the amount relating to foreign exchange differences on non-interest receivables presented in “Net foreign exchange differences” in accordance with statutory accounting requirements for banks in Croatia.

The difference in position “Commission and fee expenses” of HRK 2 thousand is the amount relating to foreign exchange differences on non-interest payables presented in “Net foreign exchange differences” in accordance with statutory accounting requirements for banks in Croatia.

The difference in position “Net foreign exchange differences” of HRK 43,076 thousand is the amount relating to foreign exchange differences on impairment items presented in “Expenses from value adjustments and provisions for losses” in accordance with CNB decision. The difference of HRK 4,883 is the amount relating to above listed foreign exchange differences on interest and non-interest receivables and payables.

The difference in position “Other operating income” of HRK 1,463 thousand is the amount relating to income from reversal of personnel provisions presented in “Other expenses” in accordance with CNB decision. The difference of HRH 36 thousand is relating to income from dividends presented in “Income from other equity investments” in accordance with CNB decision.

The difference in position “General and administrative expenses, depreciation and amortization” of HRK 22,124 thousand is the amount relating to property impairment losses and assets acquired in lieu of uncollected receivables impairment losses, presented in “Expenses from value adjustments and provisions for losses” in accordance with statutory accounting requirements for banks in Croatia. The difference of HRK 306,684 thousand is relating to personnel expenses presented in “Personnel expenses” in accordance with statutory accounting requirements for banks in Croatia. The difference of HRK 235,072 thousand is relating to material and services expenses and other expenses presented in “Other operating expenses” in accordance with statutory accounting requirements for banks in Croatia.

The in position “Expenses from value adjustments and provisions for losses” of HRK 22,124 thousand is the amount relating to property impairment losses and assets acquired in lieu of uncollected receivables impairment losses presented in “General and administrative expenses, depreciation and amortization” in accordance with CNB decision. The difference of HRK 43,076 thousand is relating to foreign exchange differences on impairment items presented in “Net foreign exchange differences” in accordance with statutory accounting requirements for banks in Croatia. The difference of HRK 35 thousand is relating to income form collected written-off receivables presented in “Other operating income” in accordance with statutory accounting requirements for banks in Croatia.

The negative difference in position “Other operating expenses” of HRK 20,533 thousand is the amount relating to savings deposits insurance premium expenses presented in “Interest and interest similar expenses” in accordance with CNB decision. The difference of HRK 1,463 thousand is relating to income from reversal of personnel provisions presented in “Other operating income” in accordance with statutory accounting requirements for banks in Croatia. The difference of HRK 235,072 is relating to material and services expenses and other expenses presented in “General and administrative expenses, depreciation and amortization” in accordance with CNB decision.

Comparatives for the balance sheet at 31 December 2010 and 31 December 2009:

HRK '000

	2010			2009		
	Croatian National Bank Decision	Accounting Requirements for banks in Croatia	Difference	Croatian National Bank Decision	Accounting Requirements for banks in Croatia	Difference
Assets						
Cash and deposits with CNB	3,970,795	4,285,452	(314,657)	4,880,421	4,989,083	(108,662)
Treasury bills of Ministry of Finance and treasury bills of CNB	706,421	-	706,421	869,629	-	869,629
Financial assets at fair value through profit or loss	131,933	134,001	(2,068)	119,263	121,233	(1,970)
Placements with and loans to other banks	1,264,987	792,635	472,352	1,756,073	1,572,699	183,374
Loans and receivables	28,076,984	28,215,848	(138,864)	27,001,589	27,063,342	(61,753)
Available for sale financial assets	3,382,147	4,091,536	(709,389)	3,099,157	3,973,021	(873,864)
Repossessed assets	116,758	116,758	-	99,592	99,592	-
Property, plant and equipment and intangible assets	1,142,965	1,206,672	(63,707)	1,128,481	1,200,167	(71,686)
Derivative financial assets	295	295	-	382	382	-
Other assets	569,250	278,959	290,291	600,252	269,620	330,632
Total assets	**39,362,535**	**39,122,156**	**240,379**	**39,554,839**	**39,289,139**	**265,700**
Liabilities						
Due to other banks and due to customers	29,453,224	29,775,575	(322,351)	29,894,285	30,193,241	(298,956)
Finance lease liabilities	-	1,599	(1,599)	-	1,375	(1,375)
Provisions for liabilities and charges	-	95,698	(95,698)	-	248,847	(248,847)
Derivative financial liabilities and other trading financial liabilities	269,895	269,895	-	89,695	89,695	-
Other liabilities	868,013	207,985	660,028	983,110	168,232	814,878
Total liabilities	**30,591,132**	**30,350,752**	**240,380**	**30,967,090**	**30,701,390**	**265,700**
Subordinated debt	2,388,969	2,388,969	-	2,218,340	2,218,340	-
Equity						
Share capital	6,003,237	5,959,830	43,407	6,003,237	5,959,830	43,407
Share premium	-	59,767	(59,767)	-	59,767	(59,767)
Net profit for the year	185,982	185,982	-	151,381	107,003	44,378
Retained earning/(loss carried forward)	42,317	42,317	-	12,148	56,526	(44,378)
Unrealised gain /(loss) from available for sale fair value adjustment	(11,126)	-	(11,126)	204	-	204
Reserves	162,024	134,539	27,485	202,439	186,283	16,156
Total equity	**6,382,434**	**6,382,435**	**(1)**	**6,369,409**	**6,369,409**	**-**
Total liabilities and equity	**39,362,535**	**39,122,156**	**240,379**	**39,554,839**	**39,289,139**	**265,700**

The difference in total assets and total liabilities of HRK 240,379 thousand between the balance sheet presented according to the CNB decision and the balance sheet presented in accordance with statutory accounting requirements for banks in Croatia arises from different classification of deferred loan origination fees, liabilities based on the early repayment of loans and netted amount of current tax asset and current tax liability. In balance sheet according to CNB decision deferred origination fees, as well as liabilities based on the early repayment of loans, are included in the position " Interests, fees and other liabilities" in "Total liabilities" whereas in balance sheet according to the statutory accounting requirements for banks in Croatia they are recognized as an adjustment in the position "Loans and receivables" in "Total assets".

Differences in other positions arise from different classification of interest receivables and interest payables. In balance sheet according to CNB decision interest receivables and interest payables are presented in "Other assets" and "Other liabilities" respectively, whereas in the balance sheet according to the statutory accounting requirements for banks in Croatia they are presented in assets or liabilities positions they are related to, as an adjustment to their amortised cost.

Cash and Deposits with the Croatian National Bank are disclosed as separate positions according to CNB standards, while in the Financial statements they are included in Cash and current accounts with other banks and Balances with the Croatian National Bank.

Ministry of Finance treasury bills and CNB's bills of exchange are separately disclosed according to the CNB standard, but in the Financial statements these securities are part of Balances with the CNB (for compulsory bills) or Financial assets at fair value through profit or loss.

Company Organs

1 January 2010 to 31 December 2010

Supervisory Board:

Dr. Gottwald Kranebitter, President
Hypo Group Alpe Adria, Klagenfurt
(from 27. April 2010)

Mag. Wolfgang Edelmüller, Vice President
Hypo Group Alpe Adria, Klagenfrut
(from 27. April 2010)

Dr. Alexander Slana, Member
Hypo Group Alpe Adria, Klagenfrut
(from 27. April 2010)

Dr. Sebastian Firlinger, Member
Hypo Group Alpe Adria, Klagenfrut
(from 27. April 2010)

Goran Radman, Member
Veleučilište Vern, Zagreb

Mag. Wolfgang Peter, President
HYPO ALPE-ADRIA-BANK AG, Klagenfurt
(until 27. April 2010)

Božidar Špan, Vice President
HYPO ALPE-ADRIA-BANK AG, Klagenfurt
(until 27. April 2010)

Dr. Othmar Ederer, Member
Grazer Wechselseitige Versicherung AG, Graz
(until 27. April 2010)

Anton Knett, Member
HYPO ALPE-ADRIA-BANK Intl. AG, Klagenfurt
(until 27. April 2010)

Management Board:

Mag. Markus Ferstl,
President

Tadija Vrdoljak, M.Sc.
Member

Ivo Bilić, B.Sc..
Member

Brane Golubić, B.Sc.
Member
(from 14. March 2010)

Tea Martinčić, B.Sc.
Member
(from 01. December 2010)

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This annual report has been prepared with great care and the information it contains has been checked. The possible occurrence of rounding errors, typesetting and printing errors, and errors in expression can however not be precluded. The English language report is a translation; the Croatian is the authentic language version.