

HYPO ALPE-ADRIA (JERSEY) II LIMITED
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2009

Ref: 305331
Sims: 2012245

HYPO ALPE-ADRIA (JERSEY) II LIMITED

REPORT OF THE DIRECTORS

The Directors present the unaudited interim financial statements for the period from 1st January 2009 to 30th June 2009.

INCORPORATION

The Company is incorporated in Jersey, Channel Islands.

ACTIVITIES

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

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

RESULTS AND DIVIDENDS

The result for the period amounted to €nil (2008: €nil).

The Directors are unable to recommend a dividend for the year (2008: €nil).

DIRECTORS

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

G.P. Essex-Cater
D.J. Le Blancq
F. Pinkelnig (appointed 14th October 2008)
S. Vardon
W. Foster (resigned 2nd April 2009)

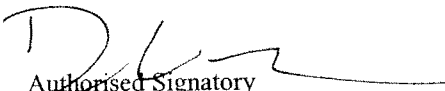
AUDITORS

Deloitte & Touche LLP have changed their name to Deloitte LLP with effect from 1st December 2008. Deloitte LLP have expressed their willingness to continue in office as auditors.

REGISTERED OFFICE

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

BY ORDER OF THE BOARD


Authorised Signatory
Mourant & Co. Secretaries Limited
Secretary
Date: 26.8.09

HYPO ALPE-ADRIA (JERSEY) II LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

HYPO ALPE-ADRIA (JERSEY) II LIMITED

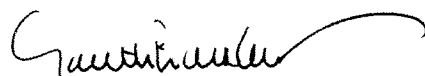
BALANCE SHEET

AS AT 30TH JUNE 2009

	<u>Notes</u>	<u>30th Jun 09</u>	<u>31st Dec 08</u>
ASSETS			
Non-current assets			
Loans and Receivables	2	150,000,000	150,000,000
Current assets			
Trade and other receivables	3	-	1,632,400
Cash and cash equivalents	4	2	2
		2	1,632,402
TOTAL ASSETS		€ 150,000,002	€ 151,632,402
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	2	2
TOTAL SHAREHOLDERS' EQUITY		2	2
Non-current liabilities			
Preferred Securities	6	150,000,000	150,000,000
Current liabilities			
Trade payables	5	-	1,632,400
TOTAL EQUITY AND LIABILITIES		€ 150,000,002	€ 151,632,402

The financial statements were approved and authorised for issue by the Board of Directors on the 26th day of August 2009 and were signed on its behalf by:

Director:


GARRETH KEELEY-CATER

(The notes on pages 7 to 12 form part of these financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

INCOME STATEMENT

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

	1st Jan 09 to 30th Jun 09	1st Jan 08 to 31st Dec 08
INCOME:		
Loan interest income	1,865,600	7,021,200
EXPENDITURE:		
Interest payable on Preferred Securities	(1,865,600)	(7,021,200)
RESULT FOR THE PERIOD/YEAR	€ -	€ -

Continuing operations

All items dealt with in arriving at the result for the period ended 30th June 2009 and the year ended 31st December 2008 relate to continuing operations.

(The notes on pages 7 to 12 form part of these financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

	Stated capital	Total
Balance at 1st January 2009	2	2
Result for the year	-	-
	<hr/>	<hr/>
Balance at 30th June 2009	€ 2	€ 2
	<hr/> <hr/>	<hr/> <hr/>
Balance at 1st January 2008	2	2
Result for the year	-	-
	<hr/>	<hr/>
Balance at 31st December 2008	€ 2	€ 2
	<hr/> <hr/>	<hr/> <hr/>

(The notes on pages 7 to 12 form part of these financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

	1st Jan 09 to 30th Jun 09	1st Jan 08 to 31st Dec 08
Cash flows from operating activities	-	-
Net profit from operating activities	-	-
Decrease in trade and other receivables	1,632,400	58,800
(Decrease) in trade payables	(1,632,400)	(58,800)
Loan interest income	1,865,600	7,021,200
Interest paid on Preferred Securities	(1,865,600)	(7,021,200)
	<hr/>	<hr/>
Net cash flow from operating activities	-	-
	<hr/>	<hr/>
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the period/year	2	2
	<hr/>	<hr/>
Cash and cash equivalents at the end of period/year	€ 2	€ 2
	<hr/> <hr/>	<hr/> <hr/>

(The notes on pages 7 to 12 form part of these financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

1. ACCOUNTING POLICIES

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee. The more significant accounting policies used are set out below.

Basis of accounting

These financial statements have been prepared under the historical cost convention.

Going Concern

In April 2009 the Company gave notice that Hypo Alpe-Adria-Bank International AG had given notice of a balance sheet loss for the financial year 2008 and that due to insufficient distributable funds the dividend payments on the preferred securities scheduled for 7 October 2009 and 7 April 2010 will not be made. However given the limited recourse non petition provisions of the Preferred Securities, also backed by a support agreement with HAA, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expense during the year. Actual results could differ from those estimates. Details of such estimates are stated in Note 9 to the financial statements.

Adoption of new standards

The Company has, in the financial statements for the period ended 31st December 2005, adopted all new and revised standards which are applicable to all accounting periods beginning on or after 1st January 2005.

Loans and Receivables

The Company designates its investments as Loans and Receivables following adoption of IAS 39 (amended 2004). Investments are recognised at amortised cost less any impairment in value. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all

Preferred Securities

The Directors have considered the characteristics of the Preferred Securities, and the requirements of IAS 32 (revised 2004) and consider that the most appropriate classification of these securities is as equity.

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments/overdrafts with original maturities of three months or less.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

1. ACCOUNTING POLICIES (CONTINUED)

Share capital

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

Loan interest income and interest payable on Preferred Securities

Loan interest income and interest payable on Preferred Securities are recognised in the income statement for all instruments using the effective interest rate method.

Dividend distributions

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

Segmental reporting

In the Directors' opinion there are no reportable business segments or geographical segments as the Company's activities are limited to one main business and geographic segment.

2. LOANS AND RECEIVABLES

	<u>30th Jun 09</u>	<u>31st Dec 08</u>
Loan facility to Hypo Alpe-Adria-Bank International AG	€ 150,000,000	€ 150,000,000

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

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

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

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

During 2008 HAA strengthened its financial position by an increase in its capital through both its shareholders and the Austrian Government. From the information available, the Directors understand that the Austrian National Bank has confirmed that HAA is not currently a distressed bank according to the definitions of the EU Commission and that throughout 2008 there were no capital requirement limit breaches. Consequently, the Directors have no reason to believe that HAA has any intention, nor will it be forced by economic or financial

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

3. TRADE AND OTHER RECEIVABLES	<u>30th Jun 09</u>	<u>31st Dec 08</u>
Interest receivable on loan agreement	€ <u> -</u>	€ <u> 1,632,400</u>
4. CASH AND CASH EQUIVALENTS	<u>30th Jun 09</u>	<u>31st Dec 08</u>
Cash in hand	€ <u> 2</u>	€ <u> 2</u>
5. TRADE PAYABLES	<u>30th Jun 09</u>	<u>31st Dec 08</u>
Interest payable on Preferred Securities	€ <u> -</u>	€ <u> 1,632,400</u>
6. PREFERRED SECURITIES	<u>30th Jun 09</u>	<u>31st Dec 08</u>
150,000 Fixed/Floating Rate Non-Cumulative Non-Voting Preferred Securities of €1,000 each	€ <u> 150,000,000</u>	€ <u> 150,000,000</u>

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

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

The Support Agreement was entered into on 7th October 2004 between the Company and HAA as the Support Provider. Under this Agreement HAA undertakes to provide the Company with financial support, but HAA is not obliged to make any payment to the Company to the extent that such a payment would exceed HAA's distributable funds for the prior fiscal year or to the extent that such a payment would exceed HAA's annual surplus pursuant to HAA's own financial statements as at the balance sheet date immediately preceding the interest payment date. HAA is also not obliged to make any payment to the Company to the extent that such a payment would impair HAA's ability to make payments on preference shares or preferred securities under applicable Austrian Banking regulations. In April 2009 the Company gave notice that HAA had given notice of a balance sheet loss for the financial year 2008 and that due to insufficient distributable funds the dividend payments on the preferred securities scheduled for 7 October 2009 and 7 April 2010 will not be made.

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

The Preferred Securities are limited in recourse to the Loan.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

7. STATED CAPITAL	<u>30th Jun 09</u>	<u>31st Dec 08</u>
AUTHORISED:		
Unlimited number of Ordinary Shares of no par value	€ -	€ -
	<u> </u>	<u> </u>
ISSUED AND FULLY PAID:		
2 Ordinary Shares issued at €1 each	€ 2	€ 2
	<u> </u>	<u> </u>

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

8. TAXATION

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

9. FINANCIAL INSTRUMENTS

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

The Funding Agreements and Currency Swap Agreements entered into by the Company hedge the interest rate risk and the currency rate risk of the transactions.

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

All short-term debtors and creditors have been excluded from the following disclosures.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

9. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

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

			<u>2008</u>		<u>31st Dec 08</u>
	Interest charging basis	Weighted average interest rate		Weighted average interest rate	
<i>Financial assets:</i>					
Financial assets:	Fixed	1.244%	€ 150,000,000	4.681%	€ 150,000,000
<i>Financial liabilities:</i>					
Financial liabilities	Fixed	1.244%	€ 150,000,000	4.681%	€ 150,000,000

Currency rate risk

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

Credit risk

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

Fair values

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

	<u>30th Jun 09</u>	<u>30th Jun 09</u>	<u>31st Dec 08</u>	<u>31st Dec 08</u>
	Book Value	Fair Value	Book Value	Fair Value
Loans and Receivables	€ 150,000,000	€ 23,512,500	€ 150,000,000	€ 60,000,000
Preferred Securities	€ (150,000,000)	€ (23,512,500)	€ (150,000,000)	€ (60,000,000)

The fair values have been obtained from quoted prices on the Euronext Amsterdam Stock Exchange

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

The Directors continue to consider that the fair value arise from timing differences and that the current market conditions which have affected the fair value of the loan will reverse. Also, the credit rating of HAA remains stable with a positive outlook and the directors believe that HAA have the financial capacity to meet its payment obligations under the loan agreement dated 7 October 2004 as they fall due. Therefore, a permanent diminution in value has not arisen as at the date of preparing the financial statements.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD 1ST JANUARY 2009 TO 30TH JUNE 2009

9. FINANCIAL INSTRUMENTS (CONTINUED)

In the opinion of the Directors, there is currently no evidence to indicate that the Company's loan with HAA has been permanently impaired.

Sensitivity analysis

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

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

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

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

Maturity of financial assets and liabilities

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

	<u>30th Jun 09</u>	<u>30th Jun 09</u>	<u>31st Dec 08</u>	<u>31st Dec 08</u>
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
In more than five years	€ 150,000,000	€ (150,000,000)	€ 150,000,000	€ (150,000,000)

10. HOLDING COMPANY

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

11. RELATED PARTIES

G.P. Essex-Cater is a shareholder of Moutant Limited. Each of G.P. Essex-Cater, D.J. Le Blancq, S.Vardon and W. Foster is an employee of a subsidiary of Moutant Limited. Affiliates of Moutant Limited provide ongoing administrative services to the Company at commercial rates.

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

Details of the Loan transaction with HAA are disclosed in notes 2 and 3 of the financial statements.

12. EXPENSES

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

