

HYPO ALPE-ADRIA (JERSEY) II LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009

Ref: 305331
Sims: 2012245

HYPO ALPE-ADRIA (JERSEY) II LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31st December 2009.

INCORPORATION

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

ACTIVITIES

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

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

RESULTS AND DIVIDENDS

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

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

DIRECTORS

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

G.P. Essex-Cater	
F. Pinkelnig	
S. Vardon	
W. Foster	(Resigned 2nd April 2009)
D.J. Le Blancq	(Resigned 7th September 2009)
F. Chesnay	(Appointed 26th August 2009)

GOING CONCERN

In April 2009, the Company gave notice that Hypo Alpe-Adria-Bank International AG had given notice of an accumulated loss as at the financial year end 2008 and that due to insufficient distributable funds the dividend payments on the Preferred Securities scheduled for 7 October 2009 and 7 April 2010 would not be made.

However, as a result of worsening economic crisis in 2009, The Republic of Austria has acquired the 100% of the shares in HAA on 30 December 2009. With the acquisition of all shares in HAA by The Republic of Austria, as demanded by the Commission of European Union (the "Commission") The Republic of Austria submitted a restructuring plan which is based on a time horizon upto 2014 to the Commission in early 2010 for the EU approval process for government aid. With regard to the continuance of HAA as a going concern, the HAA's Executive Board has made the same assumptions that underpin HAA's restructuring plan drawn up for the purposes of the EU state aid investigation, although the future development of the business is accompanied by a high degree of uncertainty given the current global financial crisis and the economic crisis which is particularly acute in certain regions and is, above all, dependent on the further capital injection of EUR 600 million to strengthen the equity base contained in the restructuring plan and due by 30th June 2010.

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

HYPO ALPE-ADRIA (JERSEY) II LIMITED

REPORT OF THE DIRECTORS

SUBSEQUENT EVENTS

The events after the balance sheet date are given in note 14 to the financial statements.

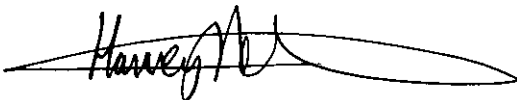
AUDITORS

Deloitte LLP resigned as auditors of the Company on 17th November 2009 PricewaterhouseCoopers CI LLP were appointed on 15th January 2010 have expressed their willingness to continue in office.

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: 30.4.10

HYPO ALPE-ADRIA (JERSEY) II LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

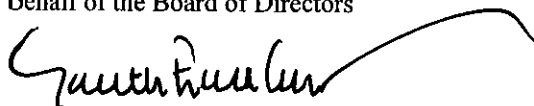
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991 and International Financial Reporting Standards.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

STATEMENT OF PERSONS RESPONSIBLE WITHIN THE ISSUER

With regard to Regulation 2004/109/EC of the European Union (the "EU Transparency Directive"), the Directors of the Company whose names appear on page 1 confirm to the best of their knowledge that the audited financial statements for the year ended 31st December 2009 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards. The Report of the Directors gives a fair review of the development of the Company's business, financial position and the important events that have occurred during the financial period and their impact on the financial statements. The principle risks and uncertainties faced by the Company are disclosed in note 9 of these financial statements.

Signed on behalf of the Board of Directors

Director:



30.4.10

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYPO ALPE – ADRIA (JERSEY) II LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Hypo Alpe-Adria (Jersey) II Limited which comprise the balance sheet as of 31 December 2009 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of Jersey law. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 the directors, 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 financial statements give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 and note 9 in the financial statements which highlight the inherent credit risk associated with the Loan receivable from Hypo Alpe – Adria Bank International AG. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to recover the Loan receivable and its ability to continue as a going concern.

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the report of the directors, the statement of directors' responsibilities and the statement of persons responsible within the issuer.

In our opinion the information given in the report of the directors is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Michael Byrne
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
30 April 2010

HYPO ALPE-ADRIA (JERSEY) II LIMITED

BALANCE SHEET

AS AT 31ST DECEMBER 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
ASSETS			
Non-current assets			
Loans and receivables	3	150,000,000	150,000,000
Current assets			
Receivables	4	-	1,632,400
Cash and cash equivalents	5	2	2
		2	1,632,402
TOTAL ASSETS		€ 150,000,002	€ 151,632,402
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	2	2
TOTAL SHAREHOLDERS' EQUITY		2	2
Non-current liabilities			
Preferred securities	7	150,000,000	150,000,000
Current liabilities			
Payables	6	-	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 30th day of *April* 2010 and were signed on its behalf by:


Director:

(The notes on pages 9 to 19 form part of these financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
INCOME:			
Loan interest income	2, 3	1,865,600	7,021,200
EXPENDITURE:			
Interest expense on Preferred Securities	2, 9	(1,865,600)	(7,021,200)
RESULT FOR THE YEAR		€ -	€ -

Continuing operations

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

Other comprehensive income

The Company did not have any other comprehensive income or loss for the year ended 31st December 2009 (2008: €nil).

(The notes on pages 9 to 19 form part of these financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2009

	Share capital	Total
Balance at 1st January 2009	2	2
Result for the year	-	-
Balance at 31st December 2009	<u>€ 2</u>	<u>€ 2</u>
Balance at 1st January 2008	2	2
Result for the year	-	-
Balance at 31st December 2008	<u>€ 2</u>	<u>€ 2</u>

(The notes on pages 9 to 19 form part of these financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities			
Result for the year		-	-
Adjustments for:			
Loan interest income		(1,865,600)	(7,021,200)
Interest expense on Preferred Securities		1,865,600	7,021,200
		<hr/>	<hr/>
Net cash flow from operating activities		-	-
		<hr/>	<hr/>
Cash flows from investing activities			
Loan interest received		3,498,000	7,080,000
		<hr/>	<hr/>
Cash flows from financing activities			
Interest paid on Preferred Securities		(3,498,000)	(7,080,000)
		<hr/>	<hr/>
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		2	2
		<hr/>	<hr/>
Cash cash equivalents at the end of year	5	€ 2	€ 2
		<hr/> <hr/>	<hr/> <hr/>

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

(The notes on pages 9 to 19 form part of these financial statements)

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2009

1. GENERAL INFORMATION

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

2. ACCOUNTING POLICIES

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

Basis of accounting

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

Going concern

In April 2009, the Company gave notice to the holders of the Preferred Securities that Hypo Alpe-Adria-Bank International AG ("HAA") had given notice of an accumulated loss as at the financial year end 2008 and that due to insufficient distributable funds the dividend payments on the Preferred Securities scheduled for 7 October 2009 and 7 April 2010 would not be made.

As a result of worsening economic crisis in 2009, The Republic of Austria has acquired the 100% of the shares in HAA on 30 December 2009. With the acquisition of all shares in HAA by The Republic of Austria, as demanded by the Commission of European Union (the "Commission") The Republic of Austria submitted a restructuring plan which is based on a time horizon upto 2014 to the Commission in early 2010 for the EU approval process for government aid. With regard to the continuance of HAA as a going concern, the HAA's Executive Board has made the same assumptions that underpin HAA's restructuring plan drawn up for the purposes of the EU state aid investigation, although the future development of the business is accompanied by a high degree of uncertainty given the current global financial crisis and the economic crisis which is particularly acute in certain regions and is, above all, dependent on the further capital injection of EUR 600 million to strengthen the equity base contained in the restructuring plan and due by 30th June 2010.

The ultimate outcome of this matter to the Company cannot presently be determined, and consequently, the Company's financial statements do not include adjustment to reflect this issue.

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

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

2. ACCOUNTING POLICIES - (CONTINUED)

New standards, amendments and interpretations applicable in the current year

IAS 1 (Revised) Presentation of financial statements. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Company has applied IAS 1 (revised) from 1st January 2009, and has elected to present solely a Statement of Comprehensive Income.

In November 2006, the IASB issued IFRS 8, "Operating Segments" which is effective for annual periods beginning on or after 1st January 2009. The standard requires segmental disclosure based on the components of the entity that management monitors in making decisions about operating matters. This "management approach" differs from IAS 14, which currently requires the disclosure of two sets of segments, business and geographical segments, based on a desegregation of information contained in the financial statements. Under IFRS 8 operating segments become reportable based on threshold tests related to revenues, results and assets.

For management purposes, the Company is organised into one main operating segment. Accordingly, all significant operating decisions are based upon analysis of the Company as a single segment. Consequently, in the Directors' opinion there are no reportable operating segments as defined by IFRS 8, "Operating Segments."

IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

The Company has made an assessment of the impact of these new standards and amendments and it is not considered that they will have any significant impact on the performance or position of the Company.

Applicable new standards and interpretations not yet adopted

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

Use of estimates

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

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

2. ACCOUNTING POLICIES - (CONTINUED)

Loans and receivables

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

Impairment

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

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

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

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

Preferred securities

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

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

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

2. ACCOUNTING POLICIES - (CONTINUED)

Fair value estimation

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

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

The estimated fair values of the Loan and the Preferred securities are disclosed in note 9.

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

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

Share capital

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

Loan interest income and interest payable on Preferred securities

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

Dividend distributions

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

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

3. LOANS AND RECEIVABLES

	<u>2009</u>	<u>2008</u>
Loan facility to Hypo Alpe-Adria-Bank International AG	€ 150,000,000	€ 150,000,000

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

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

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

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

No interest was received on 7th October 2009 due to insufficient distributable profits by HAA for the fiscal year 2008. Consequently, no dividends due on the Preferred securities were distributed. As at 31st December 2009, the Loan had a market value of €25,830,000. (Refer to note 8 for more details).

As a result of worsening economic crisis in 2009, The Republic of Austria has acquired the 100% of the shares in HAA on 30 December 2009. With the acquisition of all shares in HAA by The Republic of Austria, as demanded by the Commission of European Union (the "Commission") The Republic of Austria submitted a restructuring plan which is based on a time horizon upto 2014 to the Commission in early 2010 for the EU approval process for government aid. With regard to the continuance of HAA as a going concern, the HAA's Executive Board has made the same assumptions that underpin HAA's restructuring plan drawn up for the purposes of the EU state aid investigation, although the future development of the business is accompanied by a high degree of uncertainty given the current global financial crisis and the economic crisis which is particularly acute in certain regions and is, above all, dependent on the further capital injection of EUR 600 million to strengthen the equity base contained in the restructuring plan and due by 30th June 2010.

However, HAA has confirmed no principal writedowns during the year as a result of the capital restructuring plan and the full amount is maintained as a liability in its own financial statements. Thus, no impairment adjustment was recognised during the year.

4. RECEIVABLES

	<u>2009</u>	<u>2008</u>
Interest receivable on loan agreement	€ -	€ 1,632,400

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

5. CASH AND CASH EQUIVALENTS	<u>2009</u>	<u>2008</u>
Cash in hand	€ <u>2</u>	€ <u>2</u>
6. PAYABLES	<u>2009</u>	<u>2008</u>
Interest expense on Preferred Securities	€ <u>-</u>	€ <u>1,632,400</u>
7. PREFERRED SECURITIES	<u>2009</u>	<u>2008</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.

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

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

As no interest was received from the Loan on 7th October 2009, no corresponding interest payment was made to the holders of the Preferred Securities on the relevant interest payment date due to their limited recourse nature.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

8. SHARE CAPITAL	<u>2009</u>	<u>2008</u>
AUTHORISED:		
Unlimited number of Ordinary Shares of no par value	€ -	€ -
ISSUED AND FULLY PAID:		
2 Ordinary Shares issued at €1 each	€ 2	€ 2

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

9. FINANCIAL INSTRUMENTS

Financial risk factors

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

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

Interest rate risk

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

			<u>2009</u>		<u>2008</u>
	Interest charging basis	Effective interest rate		Effective interest rate	
<i>Financial assets:</i>					
Loans and receivables	Floating	1.244%	€ 150,000,000	4.681%	€ 150,000,000
<i>Financial liabilities:</i>					
Preferred Securities	Floating	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.

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

9. FINANCIAL INSTRUMENTS - (CONTINUED)

Credit risk

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

	<u>2009</u>	<u>2008</u>
Loans and receivables	150,000,000	150,000,000
Receivables	-	1,632,400
Cash and cash equivalents	2	2
	<u>€ 150,000,002</u>	<u>€ 151,632,402</u>

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

However, as a result of worsening economic crisis in 2009, The Republic of Austria has acquired the 100% of the shares in HAA on 30 December 2009. With the acquisition of all shares in HAA by The Republic of Austria, as demanded by the Commission of European Union (the "Commission") The Republic of Austria submitted a restructuring plan which is based on a time horizon upto 2014 to the Commission in early 2010 for the EU approval process for government aid. With regard to the continuance of HAA as a going concern, the HAA's Executive Board has made the same assumptions that underpin HAA's restructuring plan drawn up for the purposes of the EU state aid investigation, although the future development of the business is accompanied by a high degree of uncertainty given the current global financial crisis and the economic crisis which is particularly acute in certain regions and is, above all, dependent on the further capital injection of EUR 600 million to strengthen the equity base contained in the restructuring plan and due by 30th June 2010.

Liquidity risk

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

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

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

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

9. FINANCIAL INSTRUMENTS - (CONTINUED)

Liquidity risk - (continued)

Maturity of financial assets and liabilities

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

	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
In less than one year	2	-	1,632,402	(1,632,400)
In more than five years	150,000,000	(150,000,000)	150,000,000	(150,000,000)
	<u>€ 150,000,002</u>	<u>€ (150,000,000)</u>	<u>€ 151,632,402</u>	<u>€ (151,632,400)</u>

Fair values

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

	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	Book Value	Fair Value	Book Value	Fair Value
Loans and receivables	<u>€ 150,000,000</u>	<u>€ 25,830,000</u>	<u>€ 150,000,000</u>	<u>€ 60,000,000</u>
Preferred securities	<u>€ (150,000,000)</u>	<u>€ (25,830,000)</u>	<u>€ (150,000,000)</u>	<u>€ (60,000,000)</u>

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

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

Sensitivity analysis

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

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

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

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

9. FINANCIAL INSTRUMENTS - (CONTINUED)

Sensitivity analysis - (continued)

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.

Capital management

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

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

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

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

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

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

HYPO ALPE-ADRIA (JERSEY) II LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2009

12. TAXATION

The Company had exempt status for Jersey taxation purposes for the year ended 31st December 2008. The Company incurred an annual exempt company fee of £600. Effective 1 January 2009, Jersey's tax regime changed. The new regime imposed a general corporate income tax rate of 0%, 10% rate which applies to certain regulated financial services companies and 20% rate which applies to utilities and income from Jersey land (ie rents and development profits). Jersey registered companies are treated as resident for tax purposes and are now subject to zero or ten percent standard income tax rate.

Since the Company is not a regulated financial service entity, the effect of the new tax regime is limited to the change of status from exempt to liable to Jersey income tax at 0%.

13. EXPENSES

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

14. SUBSEQUENT EVENTS

In accordance with the notice issued by the Company in April 2009, no interest income was received from the Loan on 7th April 2010. Consequently, given the limited recourse nature of the Preferred Securities, no corresponding interest payment was made on the relevant interest payment date.