HYPO ALPE-ADRIA (JERSEY) II LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2010

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31st December 2010.

INCORPORATION

The Company was incorporated in Jersey, Channel Islands on 2nd September 2004, 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 from the Preferred Securities were used to grant Hypo Alpe-Adria-Bank International AG ("HAA") a loan facility of €150,000,000 (the "Loan").

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.

BACKGROUND TO HAA (in respect of items derecognised in the financial statements)

As a result of worsening economic crisis in 2009, the Republic of Austria has acquired the 100% of the shares in HAA on 30th December 2009. With the acquisition of all shares in HAA, the Republic of Austria as demanded by the Commission of European Union (the "Commission") presented a restructuring plan in April 2010 which is based on a time horizon up to 2014.

The Commission provisionally approved the measures taken by the Republic of Austria in December 2009 for a period of up to six months. The provisional approval for the state aid given was extended indefinitely on 22nd June 2010. A condition of this resolution was that HAA should provide evidence that the restructuring measures proposed were sufficient. HAA is currently working on the answers to a detailed list of questions on the restructuring plan. It cannot be estimated with any degree of certainty when the state aid investigation will be concluded.

With its resolution dated 4th August 2010, the Commission concluded the legal proceedings running parallel to the state aid investigation - namely with regard to the acquisition of all shares in HAA by the Republic of Austria in terms of competition law – and granted its approval. At the end of June 2010, the second step of the recapitalisation measures agreed in December 2009 between the new and former shareholders took place as scheduled. As a consequence of these measures to strengthen HAA's equity base, HAA received participation capital totalling EUR 600 million. A guarantee agreement was concluded with the Republic of Austria at the end of December 2010, providing a maximum liability guarantee of EUR 200 million. In return, HAA undertook to reduce the Republic of Austria's liability by buying back government guaranteed bonds (GGB) with a volume of over EUR 750 million in February 2011.

HAA is striving for a strengthened equity base through sustained positive financial results from 2012 onwards while at the same time reducing risk assets. By improving the primary funds base and undertaking asset-backed funding measures, HAA aims to safeguard and normalise its funding base in the long term. The structures put in place during 2010 are directed at ensuring stability and sustained profitability for the healthy parts of the business, so that it is well-positioned for reprivatisation at a later point in time

In accordance with the notice issued to the holders of the Preferred Securities in March 2010, the Company HAA had an accumulated loss as at the financial year end 2009 and due to insufficient distributable funds the dividend payments on the Preferred Securities scheduled for 7th October 2010 and 7th April 2011 were not made.

In March 2011, the Company gave notice to the holders of Preferred Securities that HAA had given notice of an accumulated loss as at the financial year end 2010 and that due to insufficient distributable funds the dividend payments on the Preferred Securities scheduled for 7th October 2011 and 7th April 2012 would not be made. The dividend payment scheduled for 7th April 2012 may be made, however, if HAA has given prior notice of distributable profits for the fiscal year 2011 resulting in sufficient distributable funds available to pay such dividends.

REPORT OF THE DIRECTORS - (CONTINUED)

GOING CONCERN

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.

CORPORATE GOVERNANCE

The Company is not legally subject to any corporate governance code. However, the Directors have internal controls and reviews in place. Due to the nature of the principal activity for which the Company has been established and the limited risk within the Company these internal controls are limited, but are deemed to be appropriate for the Company. Due to the nature of the principal activity, there are no management or supervisory bodies other than the Board of Directors, as listed below.

RESULTS AND DIVIDENDS

The result for the period amounted to €nil (2009: €nil).

The Directors are unable to recommend the payment of a dividend for the period (2009: €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 (resigned 31st October 2010)
S.M. Vardon
F.X.A. Chesnay

INDEPENDENT AUDITORS

PricewaterhouseCoopers CI LLP resigned as independent auditors of the Company on 9th December 2010. Ernst & Young LLP were appointed on 1st March 2011 and 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
State Street Secretaries (Jersey) Limited (formerly Mourant & Co. Secretaries Limited)
Secretary
Date: 28.4.2011

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 2010 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards. The Report of the Directors gives a fair review of the development of the Company's business, financial position and the important events that have occurred during the financial year and their impact on the financial statements. The principal risks and uncertainties faced by the Company are disclosed in note 8 of these financial statements.

Signed on behalf of the Board of Directors

Director:

ERNST & YOUNG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYPO ALPE-ADRIA (JERSEY) II LIMITED

We have audited the financial statements of Hypo Alpe-Adria (Jersey) II Limited for the year ended 31 December 2010 which comprise the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

KJMackay

Kirsty Mackay
for and on behalf of Ernst & Young LLP
Jersey, Channel Islands
Date: 28 April 2011

Notes:

1. The maintenance and integrity of the Hypo Alpe-Adria (Jersey) II Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2010

	Notes	2010	As restated 31st Dec 2009	As restated 1st Jan 2009
ASSETS				
Current assets				
Cash and cash equivalents	5	2	2	2
TOTAL ASSETS		€ 2	€ 2	€ 2
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	7	2	2	2
TOTAL SHAREHOLDERS' EQUITY		2	2	2
TOTAL EQUITY AND LIABILITIES		€ 2	€ 2	€ 2

The financial statements were approved and authorised for issue by the Board of Directors on the 28th day of April 2011 and were signed on its behalf by:

Director:

(The notes on pages 7 to 14 form part of these financial statements)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2010

	Share capital	Total
Balance at 1st January 2010	2	2
Result for the year	-	-
Balance at 31st December 2010	€ 2	€ 2
Balance at 1st January 2009	2	2
Result for the year	-	-
Balance at 31st December 2009	€ 2	€ 2

(The notes on pages 7 to 14 form part of these financial statements)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2010

1. GENERAL INFORMATION

Hypo Alpe-Adria (Jersey) II Limited was incorporated in Jersey, Channel Islands on 2nd September 2004, 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 from the Preferred Securities were used to grant Hypo Alpe-Adria-Bank International AG ("HAA") a loan facility of €150,000,000 (the "Loan"). The Preferred Securities are listed on the Euronext Amsterdam Stock Exchange.

2. ACCOUNTING POLICIES

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

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

Going concern
The Company's debt funding has been provided by the holders of Preferred Securities, whose recourse to the assets of the Company is limited to the Loan Agreement and Support Agreement and who have no right to petition for insolvency proceedings against the Company in the event that the aggregate proceeds from the realisation of the Issuer Assets are insufficient to repay the principal amount 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.

New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current year
The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, there are no mandatory New Accounting Requirements applicable in the current year that had any material effect on the reported performance, financial position, or disclosures of the Company. Consequently, no mandatory New Accounting Requirements are listed. The Company has not adopted any New Accounting Requirements that are not mandatory.

Non-mandatory New Accounting Requirements not yet adopted
The following applicable new Accounting Standard has been issued. However, this New Accounting Requirement is not yet mandatory and has not yet been adopted by the Company. All other non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position, or disclosures of the Company and consequently have neither been adopted, nor listed.

IFRS 9 (Replacement of IAS 39), "Financial Instruments: Recognition and Measurement"
IFRS 9 was first issued in November 2009, at which time it consisted of provisions relating to the recognition and measurement of financial assets only. In October 2010, IFRS 9 was amended to also include provisions relating to the recognition and measurement of financial liabilities and derecognition of financial instruments. Regardless of whether or not IFRS 9 is early adopted, the provisions of IAS 39 relating to impairments and hedging currently remain effective, as these matters have not yet been addressed within IFRS 9.

2. ACCOUNTING POLICIES - (CONTINUED)

IFRS 9 (Replacement of IAS 39), "Financial Instruments: Recognition and Measurement" - (continued)
IFRS 9 is mandatory for accounting periods commencing from 1st January 2013, but early adoption is permitted at any time prior to this date. However, the Directors currently have no intention of early adopting this standard.

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. Adoption of the standard is not expected to have an impact on the measurement basis of the Company's significant financial instruments since all of the Company's financial instruments have been derecognised.

IFRS 7, "Financial Instruments: Disclosures"
The amendments to IFRS 7 were issued on 7th October 2010 which will be effective for annual periods beginning on or after 1st July 2011 and comparative disclosures are not required for any period beginning before that date.

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

As the Company does not have a continuing involvement in the financial instruments derecognised in the financial statements (see below) and no other transactions have been undertaken around the year end date, in the Directors' opinion, early adoption of the amendments to IFRS 7 would have no material effect on the reported performance, financial position, or disclosures of the Company.

Segmental reporting
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."

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 with original maturities of three months or less.

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.

Derecognition of financial assets and liabilities
Derecognition is the point at which the Company removes a financial asset or financial liability from the statement of financial position. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to the cash flows on that financial asset are cancelled, expire or are transferred to another party, or if the Company retains the contractual rights but enters into a contract under which the relevant cash flows must be duly paid under a 'pass-through arrangement'.

See note 3 for further information on the derecognition of financial assets and financial liabilities.

2. ACCOUNTING POLICIES - (CONTINUED)

Statement of comprehensive income
A statement of comprehensive income has not been presented in these financial statements as there are no items of income or expense. All of the Company's operational expenses are met by HAA.

Statement of cash flows
A statement of cash flows has not been presented in these financial statements as there are no items of cash flows.

Restatement
During the year, the Directors reviewed the Company's accounting policy concerning the recognition or derecognition of its financial instruments. The Directors determined that the Company is required by IAS 39 to derecognise its principal financial instruments as further described in note 3. Therefore, in the Directors' opinion, the previous accounting policy incorrectly applied the requirements of IAS 39.

In accordance with the derecognition of financial assets and liabilities, the prior year comparative figures have been restated as follows.

	As originally stated at 1st Jan 2009	As restated at 1st Jan 2009	As originally stated at 31st Dec 2009	As restated 31st Dec 2009
	€	€	€	€
Statement of financial position				
Loans and receivables	150,000,000	-	150,000,000	-
Preferred securities	150,000,000	-	150,000,000	-

	As originally stated year ended 31st Dec 2009	As restated year ended 31st Dec 2009
	€	€
Statement of comprehensive income		
Loan interest income	1,865,600	-
Dividends payable on Preferred Securities	1,865,600	-
Statement of cash flows		
Loan interest received	3,498,000	-
Dividends paid on Preferred Securities	3,498,000	-

There has been no net effect on the Company's reported financial position as at 31st December 2009, or its financial performance and cash flows for the year then ended.

3. SIGNIFICANT ACCOUNTING JUDGEMENT - DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets

Under the terms of IAS 39, the Company is required to derecognise the Loan as it has transferred the rights to the cash flows generated from the Loan under a 'pass-through arrangement'. The Company has retained the contractual right to receive the cash flows from the Loan, but has assumed a contractual obligation to pay the cash flows, but only if any such cash flows are actually received, to the holders of Preferred Securities without material delay. In addition, without prior approval from the holders of the Preferred Securities, the Company is prohibited under the terms of the transfer from selling or pledging the Loan other than as security to the holders of the Preferred Securities. Consequently, the Loan is derecognised in the Company's statement of financial position, any Loan interest received is derecognised in the Company's statement of cash flows and the income receivable from the Loan is derecognised in the Company's statement of comprehensive income.

Further information on the Loan is set out in note 4.

Financial liabilities

The financial liabilities relating to the Series A Preferred Securities issued by the Company are deemed to have been extinguished concurrently with the derecognition of the Loan. This accounting treatment reflects the fact that the holders of the Preferred Securities are entitled to receive the cash flows generated from the Loan and so, through the 'pass-through arrangement', the Company has discharged its obligations to the holders of the Preferred Securities. Consequently, in accordance with IAS 39, the Company is required to derecognise the Preferred Securities. Therefore, the Preferred Securities are derecognised in the Company's statement of financial position, any dividends paid on the Preferred Securities are derecognised in the Company's statement of cash flows and the dividends payable on the Preferred Securities are derecognised in the Company's statement of comprehensive income.

Further information on the Preferred Securities is set out in note 6.

4. SUBORDINATED LOAN

In accordance with note 3, the Loan has been derecognised from the statement of financial position of the Company. The following information is presented in the financial statements in order to provide information to the reader. This information is based on the scheduled Outstanding Principal Amount receivable at maturity. No consideration has been given to the possibility of future losses arising on the Loan as any such losses would have no effect on the aggregate financial position of the Company, nor on its aggregate financial performance.

	2010	2009
Subordinated Loan receivable (nominal amount)	€ 150,000,000	€ 150,000,000
Subordinated Loan receivable (fair value)	€ 29,127,000	€ 33,750,000

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").

4. SUBORDINATED LOAN - (CONTINUED)

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. As the Loan has been derecognised, the interest receivable thereon has also not been recognised as such interest is due and payable to the holders of the Preferred Securities.

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. The Company's rights under the Facility Agreement are guaranteed by HAA under the terms of a Support Agreement (the Facility Agreement and the Support Agreement together comprising the "Issuer Assets").

No Loan interest was received during the year due to insufficient distributable profits arising at HAA. Consequently, no dividends were paid on the Preferred securities.

Due to the fact that the Support Agreement effectively simply re-affirms the Company's rights under the Facility Agreement, the Support Agreement is considered by the Directors to be an embedded derivative that is closely related to its host contract i.e. the Facility Agreement. Consequently, in the Directors' opinion the fair value of the Support Agreement is included within the fair value of the Loan. As all of the significant terms of the Facility Agreement are the same as those of the Preferred Securities, in the opinion of the Directors, the fair value of the Loan is equal and opposite to the fair value of the Preferred Securities.

5. CASH AND CASH EQUIVALENTS

	2010	2009
Cash in hand	€ 2	€ 2

6. PREFERRED SECURITIES

In accordance with note 3, the Preferred Securities have been derecognised from the statement of financial position of the Company. The following information is presented in the financial statements in order to provide information to the reader. This information is based on the scheduled principal amount payable at maturity. No consideration has been given to the possibility of future losses arising on the Loan (and thereby on the Preferred Securities) as any such losses would have no effect on the aggregate financial position of the Company, nor on its aggregate financial performance.

150,000 Fixed/Floating Rate Non-Cumulative Non-Voting Preferred Securities of €1,000 each	2010	2009
Preferred Securities (principal amount)	€ 150,000,000	€ 150,000,000
Preferred Securities (fair value)	€ 29,127,000	€ 33,750,000

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

The Preferred Securities pay dividends initially at a rate of 6.50% per annum, with the first dividend amount payable in arrears on 7th October 2005. Thereafter the Preferred Securities pay dividends 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.

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 Issuer Assets (see notes 3 and 4) and are listed on the Euronext Amsterdam Stock Exchange.

The fair value of the Preferred Securities is estimated by the Directors to be approximately equal to the market price quoted on the Euronext Amsterdam Stock Exchange as at 30th December 2010. As at the reporting date, the Preferred Securities were rated Ca by Moody's.

As no interest were received from the Loan during the year, no corresponding dividend payments were made to the holders of the Preferred Securities on the relevant dividend payment dates due to their limited recourse nature.

7. SHARE CAPITAL

		2010		2009
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.

The Company is not subject to externally imposed capital requirements.

8. FINANCIAL RISK MANAGEMENT

The principal activity of the Company is the issue of Preferred Securities, the proceeds from which have been used to grant a Loan to HAA. 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 credit risk, liquidity risk and market risks such as interest rate risk, currency rate risk and price risk.

As the financial assets and liabilities of the Company have been derecognised in the financial statements under IAS 39, the Company is no longer exposed to each of credit, liquidity and market risks. Therefore, disclosures on the financial instruments and associated risks are not considered necessary.

9. ULTIMATE CONTROLLING PARTY

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

10. RELATED PARTIES

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

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

On 1st June 2010, Mourant & Co. Limited changed its name to State Street (Jersey) Limited.

On 1st June 2010, Mourant & Co. Secretaries Limited changed its name to State Street Secretaries (Jersey) Limited.

10. RELATED PARTIES - (CONTINUED)

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 4 to the financial statements.

11. TAXATION

Profits arising in the Company are subject to Jersey Income Tax at the rate of 0%.

12. SUBSEQUENT EVENTS

There were no significant events after the year end relating to the Company that have impact on the financial statements. Please refer to the Report of the Directors for events affecting the items derecognised in the financial statements.