

Interim Report 30 June 2009

Hypo Group Alpe Adria

Key data

 based on IFRS Consolidated Financial Statements

Hypo Group Alpe Adria

in EUR m

	2009	2008	2007
	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.
Income statement			
Net interest income	389.8	340.3	303.8
Net fee and commission income	60.2	60.2	56.7
Risk provisions on loans and advances	-349.1	-159.3	-80.0
Operating expenses (general administrative expenses)	-266.2	-263.5	-226.4
Operating result	-71.7	-26.5	97.4
Result before tax	-83.9	-25.2	155.0
Result after tax	-147.7	-53.6	122.9
Consolidated net result (after minority interests)	-162.1	-61.9	119.2
Balance sheet	30.6.	31.12.	31.12.
Loans and advances to customers	30,680.2	30,566.7	25,650.7
Liabilities to customers	8,158.8	8,716.9	8,473.6
Liabilities evidenced by certificates and subordinated capital	21,211.0	23,005.8	21,615.9
Equity (incl. minority interests)	2,405.5	2,529.8	1,659.1
Total assets	41,712.2	43,336.1	37,938.5
Risk-weighted assets (banking book)	31,278.8	32,831.6	28,246.6
Key figures	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.
Return on equity (ROE) before tax	n.a.	n.a.	28.7 %
Return on equity (ROE) after tax	n.a.	n.a.	22.8 %
Return on equity (ROE) after tax and minority interests	n.a.	n.a.	40.6 %
Cost / income ratio	49.0 %	66.5 %	56.0 %
Net interest income / \emptyset risk-weighted assets (banking book)	2.6 %	2.5 %	2.6 %
Risk / earnings ratio	89.6 %	46.8 %	26.3 %
Risk / \emptyset risk-weighted assets (banking book)	2.3 %	1.2 %	0.7 %
Return on assets (ROA) before tax	n.a.	n.a.	0.9 %
Return on assets (ROA) after tax and minority interests	n.a.	n.a.	0.7 %
Bank specific figures	30.6.	31.12.	31.12.
Own capital funds acc. to BWG	3,943.3	4,173.2	2,872.2
Required capital funds acc. to BWG	2,668.3	2,796.8	2,295.6
Surplus coverage	1,275.0	1,376.4	576.6
Tier 1 capital	2,549.8	2,746.5	1,769.4
Tier 1 capital ratio (banking book)	8.1 %	8.3 %	6.3 %
Own capital funds ratio - total (solvency ratio)	11.8 %	11.9 %	10.0 %
Moody's rating	30.6.	31.12.	31.12.
Long-term (liabilities not covered by statutory guarantee)	Baa1	A2	A2
Long-term (liabilities covered by statutory guarantee)	Aa2	Aa2	Aa2
Short-term	P-2	P-1	P-1
Bank Financial Strength Rating (BFSR)	E+	D-	D-
Employees & outlets	30.6.	31.12.	31.12.
Employees at closing date	8,061	8,114	7,542
thereof in core business	7,480	7,552	6,963
thereof in other business	581	562	579
Employees average	8,071	7,867	7,109
thereof in core business	7,491	7,274	6,536
thereof in other business	580	592	573
Number of outlets	376	384	342
Austrian	34	39	40
Foreign Countries	342	345	302

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Letter from the Chairman of the Executive Board



Dear Customers and Business Partners,
Dear Shareholders,
Dear Staff,

The first half of the 2009 financial year is behind us and we can confirm that Hypo Group Alpe Adria has been making headway as far as operations are concerned. In particular, we were able to increase net interest income significantly and – assisted by the financial result – to boost the operating income. Operating expenses rose only marginally in the first half of the year as a result of cost control measures, and this led to a significantly higher operating result before risk provisions.

We are, of course, pleased about our successes in the market. If our satisfaction remains somewhat muted, however, then this is primarily because the successes are cancelled out by the problems caused by the financial crisis as well as wide-ranging corrections needed in the credit and leasing portfolios.

I joined the Bank in June of this year and have taken on the chairmanship of the Executive Board. My first impressions have confirmed the perception I had prior to joining: namely, that Hypo Group Alpe Adria is a bank with good prospects, which can tap into a huge seam of motivation and commitment, and this gives me great confidence looking to the future. I made it clear from the very beginning that I am determined not to mince words and that my aim is to bring about openness and accountability on a lasting basis. With this in mind, I have to record that the effects of the financial crisis will be with us for a long time; and that our internal organisation has a long way to go before it is structured and working the way it should be.

Our success at operational level in the first half-year demonstrates not only that we can operate successfully in the market, but also that we are working hard to do justice to the trust placed in us. We have as a result a little more room for manoeuvre, to allow us to put right in a systematic way the problems that are hurting us every day: we have had to make a whole clutch of value adjustments, in the leasing business in particular, in individual countries of South Eastern Europe

particularly hit by the economic crisis, but also in Austria. Risk provisions have risen as a result, and reflect the difficult position companies in our core regions find themselves in. Consequently, our result could not be positive, on the contrary, we have recorded a clearly negative result.

Hypo Group Alpe Adria is currently working on many fronts at the same time: on the one hand, the Group is part of a comprehensive restructuring programme led by our main shareholder, BayernLB; but we are also working on our own programme and are examining and evaluating every area of our business in order to identify potential risk; and on top of that, we are working extremely hard to streamline and optimise our internal processes wherever we can. It is clear to all, of course, that there is no way that our customers should suffer as a result of what we are doing: no matter what is going on internally, the customer remains our focus.

We are starting to record the first successes: we have been able to reduce the balance sheet total and to rationalise the number of locations. The highly successful placing of our benchmark bond in July also showed that confidence in us remains high and is furthered strengthened through the state guarantee.

But it is also clear that 2009 is going to be a very difficult year. We shall surely succeed in making further headway in operational terms. We shall also succeed in taking a big step forward in terms of sinking costs further and reshaping the Bank to required dimensions. But we will not be able to move back into the black in 2009, because we continue to be confronted daily with the effects of the factors described above. The reason for my confidence in spite of this is down to several factors:

Firstly the Bank is well positioned in the right markets. Once the economic crisis has passed – and it will – our core regions have a great chance of becoming the motors for growth.

Secondly: there are very few banks with such motivated staff as Hypo Group Alpe Adria. There is fighting spirit at this Bank and the achievements of the staff here are outstanding. This is a huge factor in the Bank's favour.

So, we know what we have to do and we are already working on it. In a few short years we will see that the hard work was worth it. The Bank will do its utmost to ensure a positive future for itself and its customers – and customers will reap many benefits from this. The foundation has been laid.

Yours sincerely



Franz Pinkl
Chairman of the Executive Board
Hypo Alpe-Adria-Bank International AG

Group Executive Board



Franz Pinkl
Chief Executive Officer

Ressorts

Strategic Group Development
Audit
Compliance
Marketing
Public Relations
Human Resources
Legal



Andreas Dörhöfer
Deputy Chief Executive Officer

Ressorts

Risk Management
Settlement



Wolfgang Peter
Member

Ressorts

Accounting
Financial Controlling
External Reporting
Investor Relations
Treasury
Participations



Božidar Špan
Member

Ressorts

Leasing
Corporate Banking
International Corporate
Public Finance
Global Markets
Investment Banking



Anton Knett
Member

Ressorts

Retail
Restructuring
IT/Organisation
Facility Management
Real Estate

Group Overview

Austria		Bosnia and Herzegovina		Bulgaria	
Market Entry	1896	Market Entry	2001	Market Entry	2006
Locations Bank	31	Locations Bank	97	Locations Bank	0
Locations Leasing	3	Locations Leasing	7	Locations Leasing	6
Employees	1,172	Employees	1,261	Employees	118
Italy		Serbia		Macedonia	
Market Entry	1986	Market Entry	2002	Market Entry	2006
Locations Bank	29	Locations Bank	45	Locations Bank	0
Locations Leasing	1	Locations Leasing	12	Locations Leasing	2
Employees	558	Employees	1,165	Employees	29
Slovenia		Montenegro		Hungary	
Market Entry	1994	Market Entry	2005	Market Entry	2006
Locations Bank	18	Locations Bank	10	Locations Bank	0
Locations Leasing	11	Locations Leasing	3	Locations Leasing	3
Employees	611	Employees	240	Employees	31
Croatia		Germany		Ukraine	
Market Entry	1994	Market Entry	2003	Market Entry	2007
Locations Bank	77	Locations Bank	0	Locations Bank	0
Locations Leasing	19	Locations Leasing	1	Locations Leasing	1
Employees	2,213	Employees	22	Employees	30



KIEV

Overview of the First Half of 2009

Balance sheet

Total assets reduced by EUR 1.6 bn to EUR 41.7 bn in the first six months, in particular because of reducing excess liquidity. Loans and advances to customers remained stable at EUR 30.7 bn (31 December 2008: EUR 30.6 bn).

Structured ABS Portfolio

The structured loans portfolio was further reduced from EUR 366 m (31 December 2008) to EUR 311 m. The corresponding negative AFS-reserve reduced from EUR –32 m to EUR –20 m. This positive development was due in particular to disposals as well as improvements in share prices. Charges to the income statement arising out of this portfolio came to EUR –9 m.

Result for the first half of the year

The developments in net interest income and in the overall operating income, which rose by EUR 147 m to EUR 544 m, were clearly positive. Risk provisions for loans and advances rose by EUR 190 m (or 119 %) compared to the figure for the comparable period in the previous year, to EUR 349 m. This was due in particular to large risk provisions for Bulgaria, Austria and Ukraine, and for the cross-border financing business run from Austria. Operating expenses rose only slightly, by EUR 3 m to EUR 266 m. The positive developments on operating income and expenses could not compensate in full for the large risk provisions. A negative result before taxes of EUR 84 m and a negative consolidated result (after minority interests) of EUR 162 m was recorded for the first six months.

Own capital funds

Own capital funds available as at 30 June 2009 stood at EUR 3,943 m, against an own capital funds requirement of EUR 2,668 m. As a result there is (over)coverage of EUR 1,275 m or 148 %. The Tier 1 ratio (related to credit risk) was 8.1 % as of the balance sheet date, and the total own capital funds ratio was 11.8 %.

Executive Board changes

Franz Pinkl assumed the position of Chairman of the Executive Board on 1 June 2009 and has been driving through the

restructuring of the Group since that date. Anton Knett has also joined the Executive Board team as COO.

EU investigative procedure

The Commission of the European Union passed a resolution on 12 May 2009 to investigate in depth the capital measures (capital increase and participation capital) of December 2008. This process is expected to be completed in the third or fourth quarter of 2009.

Hypo Fit 2013 restructuring project

A wide-ranging project to restructure and realign the strategy of the whole Group was started together with BayernLB at the beginning of the year. Alongside this a concept to increase cost efficiency is being implemented, which includes an element of job reductions.

Rating downgrade

Moody's downgraded the long-term obligation rating from A2 to Baa1 and the short-term obligation rating from Prime-1 to Prime-2 in the second quarter. The Bank Financial Strength Rating (BFSR) was also downgraded, from D- to E+.

Issue of a benchmark bond

The issue, in July 2009, of a state-guaranteed benchmark bond with a value over EUR 1 bn and a term of four years, attracted strong interest and was significantly oversubscribed.

Outlook for the second half of the year

An extremely difficult macro-economic environment is expected for the Group's core markets in the second half of the year as well. The continuing reluctance on the part of consumers and businesses to spend and/or invest their money, a general rise in unemployment and a greater tendency on the part of consumers to save, will lead to a liquidity problem for countless numbers of businesses and will be reflected in an increase in arrears on credit repayment. Significantly lower valuations for collateral and a continuingly difficult economic environment will be factors affecting risk provisions in 2009. For these reasons a negative annual result is also expected for the whole year 2009.

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Overview of Hypo Group Alpe Adria

Hypo Group Alpe Adria, founded in 1896 and with around 380 locations in twelve Central and South Eastern European countries, is considered to be one of the leading financial institutions in the extended Alps to Adriatic region. The geographical reach of the Bank extends from Austria, Italy, Slovenia and Croatia, through Bosnia and Herzegovina, Serbia, Montenegro and Germany, to Bulgaria, Macedonia, Hungary and Ukraine. With around 7,500 employees in the core business areas as of 30 June 2009, Hypo Group Alpe Adria has a transnational network of financial specialists, who serve close to 1.3 million customers in total.

Even in the difficult economic environment in the first half of 2009, Hypo Group Alpe Adria has succeeded in the main in holding its strong market position in the markets it serves. After years of pursuing an active expansion strategy, the Bank is now focussing on consolidating the existing network, with increased focus on improving results through slimming down the cost structure and reducing risk positions. Thus, for example, the merger of the two Croatian banking subsidiaries, which was initiated back in 2007, was successfully completed on 1 March 2009. With this step, the Group has not only strengthened its market position in Croatia, but has created a more efficient structure allowing for better servicing of the market. The Group has also initiated a comprehensive restructuring project in the first half of 2009, which concentrates in particular on sustainable cost reduction and a refocusing on the target markets. The Bank's strategic focus will be on securing the existing position in core markets.

As part of restructuring and modifying internal structures, there was also a change in Executive Board in the period under review: Franz Pinkl, previously Chairman of

the Management Board of Österreichische Volksbanken-AG, became Chairman of the Executive Board of Hypo Group Alpe Adria with effect from 1 June 2009. Andreas Dörhöfer, who has been the Chief Risk Officer for the banking group since May 2008, was appointed Deputy Chairman. Furthermore, Anton Knett, a proven specialist both for Eastern European markets and for restructuring projects, was appointed to the Board as Chief Operating Officer. With this Executive Board team, which has extensive experience of banking in Austria and in South Eastern Europe, the Bank now has the necessary management structure to enable it to pursue its new strategic direction efficiently and in a focussed way.

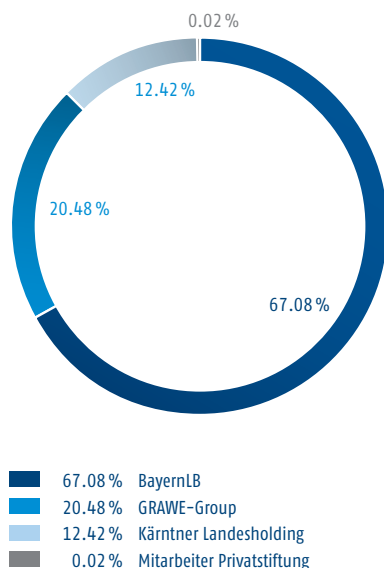
The turbulence in the international financial markets as well as the clearly worsening macro-economic conditions affected the Bank's ratings. In May, for example, the credit rating agency Moody's downgraded its credit rating for the obligations of Hypo Alpe-Adria-Bank International AG, Hypo Group Alpe Adria's representative on international capital markets. Long-term obligations were downgraded from A2 to Baa1, short-term obligations from Prime-1 (P-1) to Prime-2 (P-2) and subordinated liabilities from A3 to Baa2. In June the Group's Financial Strength Rating (BFSR) was downgraded from D- to E+. Moody's confirmed, however, that any state-guaranteed bonds issued by the Bank would be given the highest Aaa rating.

At the start of the second half of the year, Hypo Group Alpe Adria successfully placed a benchmark bond issue guaranteed by the Republic of Austria, to strengthen its liquidity position. The bond, with a volume of EUR 1 bn and a term of four years, was oversubscribed several times within a very short time of its issue. Within the framework of the issue programme totalling EUR 1.35 bn, EUR 350 m is still available to the Group.

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There have been no changes in the ownership structure of Hypo Group Alpe Adria since 31 December 2008, so that it continues to be made up as follows:

Shareholder structure as of 30 June 2009



General economic environment

The global economic crisis deepened in the first half of 2009 and led to decline in economic output which was felt around the world. Experts are already forecasting a decline in GDP of 3.7% for the OECD area for the whole of 2009. One of the effects of the global economic crisis was a double-figure downturn in international trade, which further exacerbated this trend. Even though comprehensive packages to aid economic recovery were launched in most industrialised countries, this was not enough to stop the collapse in econo-

mic output in the period under review – the situation is only expected to stabilise in industrialised countries in the second half of 2009. While a decline in GDP in the Euro-zone of 2.5% was recorded for the first quarter of 2009, experts are assuming a decline of between 4.1% and 5.1% for the total year. According to a forecast by WIFO, the Austrian economy is expected to shrink by 3.4% in 2009. A similar development is expected for the other EU countries in which Hypo Group Alpe Adria is active. For Germany, a decline in economic output of 5.4% is forecast for 2009; for Italy, a decline of 4.4%. Although a moderate decline of 3.4% is assumed for Slovenia, the economic crisis can be felt more keenly in Hungary, with a minus of 6.3%. Experts are confident that the bottommost point will be reached in the second half of 2009 and cite the wide-ranging efforts to stabilise the economic situation by the governments of the countries affected, as well as the recovery in international financial and stock markets in the first half of the year as evidence of this.

Although it is expected that a sustained recovery will take place in Western Europe in the second half of 2009, experts are assuming that the economic output of Central, Eastern and South Eastern Europe will remain flat for a longer period of time. This is attributed, on the one hand, to the fact that these countries were hit by the crisis later, and on the other hand, to the fact that the respective governments have initiated fewer and less wide-ranging stabilisation measures. While the countries of Central, Eastern and South Eastern Europe grew much more strongly than the rest of Europe in recent years, as part of the process of economic catch-up, these regions are now showing a clear decrease in growth differential compared to the Euro-zone. The drastic cuts in industrial production as well as the devaluation of some of the currencies, which further reduces the consumption possibilities for private households, have further aggravated the situation. Experts are generally assuming a decline in economic output of 3.7% for Central and Eastern Europe in 2009, although owing to the distinctly inhomogeneous nature of this region, the individual countries will be affected to a greater or lesser degree.

Economic development in the individual business areas

Hypo Group Alpe Adria's product portfolio ranges from classic financing products to savings products to investment and asset management services for retail and business customers. The service offering is rounded off by tailor-made finance solutions for vehicle, property and equipment leasing. Hypo Group Alpe Adria's customers benefit from a comprehensive network of specialists in the extended Alps to Adriatic region, who, thanks to their wide-ranging expertise and joined-up thinking, are able to offer them solutions specific to their individual needs.

Group Retail & Private Banking

The Retail & Private Banking business area is responsible for the support and advice offered to customers for the day-to-day banking transactions and investment decisions, with Private Banking responsible for the financial advice and asset management services provided to customers with more sophisticated financial requirements. The whole business area was again able, in the first half of 2009, to build on the satisfactory development of the previous period: the volume of current account business, for example, which is one of the most important retail banking product areas, generating more than a third of fee and commission income, has already exceeded 50 % of the plan for the year. Based on the Retail Strategy for 2008–2012, the focus was on intensifying customer relationships and tie-ins and on increasing cross-selling activities. In the first six months of the current financial year, emphasis has also been placed on optimising the internal structures. Thus, for example, the analysis of the customer portfolio of the newly-integrated area SME Financing was completed in the first half of 2009. The next step will be to activate dormant customer relationships and to adjust the number of customer advisors as appropriate. In order to support the sales units, the business area has compiled and distributed policies as well as a handbook for more efficient product management, organised special courses for branch managers to support them in their people management roles and for Private Banking advisors to improve their selling and advisory skills.

Group Investment Banking

Group Investment Banking covers the business areas Asset Management, Brokerage, Corporate Finance, Research and Treasury Sales. In the first half of 2009, again, there was a clear trend amongst customers towards low-risk or risk-averse products: the business area had identified this trend in good time and expanded its product portfolio accordingly. Thus, for example, Group Investment Banking introduced optimised hedging products such as derivatives on raw materials, currency and interest. Interest rate caps, in particular, were well received by customers and a volume of EUR 50 m of interest rate caps was placed in the first half of 2009. The retail fund, managed by the Asset Management department, continued along this theme of risk-averse investments with optimised returns, and showed very good growth. Mixed mandates and share-based funds also demonstrated better performance than the benchmark, thanks to ongoing risk management and active fund management. The Corporate Finance area, which is concentrated on the sale and purchase of shares in companies, takeovers, privatisations, capital measures and strategic investments, used the first six months of the year to research and analyse all M&A transactions in the markets covered, in order to identify new customers and cross-selling opportunities.

Group Corporate International

Group Corporate Banking acts as the management unit for Hypo Group Alpe Adria's corporate customers. Apart from focussing on management in the interest of the performance of the whole Group, the unit's tasks consist primarily of developing the sharing of best practices and comparing the key performance indicators of all the banking subsidiaries. The first half of 2009 was devoted mainly to detailed planning and the implementation of a new Corporate Banking Strategy. This relates to medium-sized enterprises and on minimising risk through diversifying the customer portfolio. With regard to products, there will be specific targeting of cross-selling activities and emphasis will be placed on products with a good return. In addition, more efficient structures should be achieved through harmonising the international organisation. The roll-out of the new strategy began in the core markets in May 2009.

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Group Treasury & Global Markets

Group Treasury functions as the management unit for liquidity, asset liability and capital management; Global Markets is responsible for operational treasury transactions and for issuances. Despite the difficult economic environment, the situation in international stock markets eased a little in the first half of 2009, as a result of which the liquidity position of the Group improved and a positive financial result was achieved. The focus continued to be on core treasury activities in the area of asset liability management. The business area was also responsible for preparing the state-guaranteed bond issue, which went ahead at the beginning of the second half of the year. Through securitising the leasing portfolio in Italy, Hypo Group Alpe Adria was able to diversify its funding further.

Group Public Finance

Group Public Finance offers holistic and long-term support for public sector customers in financial matters – from financing, investment and consultancy through to cash management. Thanks to increased demand for financial solutions from the public sector, the business area recorded a very satisfactory result in the first half of the year: with new business bringing in EUR 246 m on the assets side, 89 % of the whole year target has already been achieved. The highlights of the period under review included organising, as the Sole Arranger for the Hrvatske Autoceste, the first international syndication for a sum of EUR 100 m; and the first interest derivative arranged to secure the loan to a municipality in Carinthia. In total, Public Finance serves around 5,000 customers with 8,600 active products. With the introduction of a new rating tool for municipalities, the business area provided new impulses throughout the whole Group in the first half of the year. In the same period, Public Finance developed its professional debt management function further.

Leasing

The Leasing business area offers tailored financing solutions for vehicle, property and equipment leasing as well for niche markets such as shipping, aircraft and renewable energy. Depending on requirements, full repayment, residual value, deposit or even cross-border leasing financing models may be used. The leasing companies are fully integrated into Hypo Group Alpe Adria, with the leasing business controlled directly by the bank from the first half of 2009 onwards. As a result of this, on the one hand, synergies will be achieved with regard to costs; on the other hand, this strengthens the orientation towards becoming an integrated financial services provider and thus further improves customer service. In the period under review, the volume of leasing transactions declined, due to the general economic environment. However, even against this background, Hypo Group Alpe Adria was essentially able to maintain its market position. Development of new business was sustained and results-orientated in the first half of the year. In the period under review, Leasing pursued a flexible pricing approach based on risk, which was in harmony with the Group's overall strategy.

Economic performance of the Group

Restructuring measures

In the first half of 2009, the Group embarked on a comprehensive restructuring project, with the aim of concentrating the target market area in the Alps to Adriatic region and achieving a sustainable reduction to the cost base. As part of this, wide-ranging changes to the internal organisation and efficiency improvements are defined. The ongoing restructuring project is part of the restructuring plan being implemented by BayernLB, and was presented both to the Austrian authorities and to the Commission of the European Union. The restructuring project has a time horizon of five years and is currently in the implementation phase.

Development of the results

The developments in the operative customer business were satisfactory: net interest income, compared to the figure for the same period of the previous year (1.1.–30.6.2008), grew from EUR 340.3 m to EUR 389.8 m. This equates to an increase of EUR 49.5 m. This development is due to a rise in margins in both new and existing business, the increase in the average volume of loans and advances to customers by around EUR 3.6 bn to EUR 30.6 bn compared to the same period in the previous year, and to the measures to increase capital undertaken in the fourth quarter of 2008.

Net interest income was negatively impacted on by the reductions in interest rates introduced by the European Central Bank in the fourth quarter of 2008. The effect of the various adjustments to interest rates in the financial year 2008, totalling EUR –44.1 m, were recorded as expenses and accrued under the item result from hedge accounting. In the first six months of the financial year there were further negative effects from interest rates which had not yet been adjusted, resulting in particular from deferred issues. Correspondingly, however, a positive result from hedge accounting totalling EUR 36.3 m was posted as a result of releasing the accruals made at 31 December 2008.

After taking into account the interest result components stemming from hedge accounting, the »enlarged net interest income«, as compared to the same period in the previous year, rose from EUR 342.1 m to EUR 426.1 m, equating to a rise of EUR 84 m or 24.6 %.

Despite a decline in fee and commission income from securities and current account transactions, total fee and commission income remained constant at EUR 60.2 m in the first half of 2009 compared to the corresponding period in the previous year (EUR 60.2 m), thanks to a rise in fee and commissions from the loans business.

There was a very positive development in the result from trading, which grew from EUR 8.0 m to EUR 27.8 m compared to the first half of 2008, an increase of 247.5 %. This was due in the first instance to the value losses for interest derivatives in the bank book which were still shown in the comparable figure for 2008. Equally, the currency stabilisation which has been experienced in most countries of Eastern Europe has meant only modest currency-related effects had to be accounted for in the first half of 2009.

The result from financial investments designated at fair value through profit or loss (fair value option), was recorded as a total of EUR 34.6 m profit. This was attributable mainly to the positive valuation effects of own issues underwritten by third parties, caused by the widening of spreads in the markets.

The result from financial investments – available for sale (AFS), as a result particularly of impairment writedowns on loan notes, shares and shares in funds included in the category, as well as the writedown of a tourism participation by EUR –4.6 m, was negative in the first half of 2009. The expense shown at this position came to EUR –11.7 m in the first six months of the year, as compared to the negative result of EUR –1.8 m in the previous year.

The result from other financial investments, which in the corresponding period of the previous year had been positive, at EUR 5.5 m, amounted to EUR –3.5 m in the first half of the year. This was caused mainly by unscheduled impairment writedowns on operating leasing assets as well as on investment properties.

The other operating result also declined, and although a positive amount, at EUR 9.6 m was nevertheless EUR 10.9 m lower than the figure for the corresponding period. This was mainly due to the effect of gross settlements which had been included in the previous year's figure.

In the first six months of the year there was, again, a huge increase in the risk provisions on loans and advances, from EUR 159.3 m to EUR 349.1 m. Relative to the total volume of loans and advances to customers, this equates to risk costs

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on an annualised basis of 228 base points in the first half of 2009, as compared to 112 base points in the same period in 2008.

The causes of this are to be found in the effects of the financial and economic crisis. The spread of the crisis to the real economy hit the corporate and retail portfolios of the Bank. Apart from the noticeable increase in the volume of loans in arrears and the longer average period in arrears, in particular the clearly lower valuations for the collateral offered were decisive factors in the significant increase in risk provisions in the first half.

The main drivers for this were in the area of leasing in Croatia, Ukraine and Bulgaria: the latter two countries are particularly hard hit by the economic crisis. On the banking side of the business, cross-border financing portfolios, which are run from Austria, were affected by this negative development. In general, there was a significant rise in risk provisions made in all countries and all of the Bank's business areas, although in individual countries – in particular also in Austria – this rise was significantly higher than the amounts budgeted for.

Hypo Group Alpe Adria was able to record more positive figures relating to costs in the first half of the year. Thus, for example, personnel expenses rose only marginally, from EUR 133.8 m to EUR 134.3 m, which equates to an increase of 0.4% and was due in the main to gross settlements which had been included in the previous year figures.

Despite high consultancy expenses incurred for the Group restructuring project, other administrative expenses were slightly lower, following limits placed on the subsidiaries with regard to operating expenses. These fell from EUR 102.5 m to EUR 101.2 m, a reduction of 1.3%.

The increase in depreciation and amortisation of tangible and intangible assets from EUR 27.3 m to EUR 30.7 m is mainly due to the expansion of the branch network which took place in 2008.

Overall, against operating income of EUR 543.6 m (comparable period 1.1.–30.6.2008: EUR 396.4 m), risk pro-

visions of EUR –349.1 m (comparable period 1.1.–30.6.2008: EUR –159.3 m) and operating expenses of EUR –266.2 m (comparable period 1.1.–30.6.2008: EUR –263.5 m) were recorded. The resulting net operating result came to EUR –71.7 m (comparable period 1.1.–30.6.2008: EUR –26.5 m).

Taking into account the negative result from companies accounted for at equity of EUR –12.2 m (comparable period 1.1.–30.6.2008: EUR 1.3 m) which resulted primarily from provisions made for possible negative effects from the liquidation of Alpe Adria Privatbank AG (Liechtenstein), the result before tax for the period came to EUR –83.9 m, which was significantly worse than the figure for the comparable period in the previous year (EUR –25.2 m).

Taxes on income came to EUR –63.8 m in the first six months of the year (comparable period 1.1.–30.6.2008: EUR –28.4 m) and included deferred taxes of EUR –26.4 m (comparable period 1.1.–30.6.2008: EUR 0.0) from the writedown of an activated loss carried forward which resulted from the new budget exercise undertaken in the first half of this year.

After allocation of the ongoing share in the results to the Group's minority shareholders, the consolidated net result for the period is negative, at EUR –162.1 m and has deteriorated further by EUR 100 m compared to the result for the first half of the previous year (comparable period 1.1.–30.6.2008: EUR –61.9 m).

As a result, despite the positive development in total operating income as well as success in containing operating expenses, a negative consolidated net result has to be recorded for the first six months of the financial year, due principally to the drastic increase in risk provisions for loans and advances.

Earnings ratios

In the first six months of the 2009 financial year, the cost/income ratio was a very good 49.0%. Compared to the figure for the comparable period in the previous year (1.1.–30.6.2008: 66.5%), this represents an improvement of 17.5%, due in the first instance to the rise in the financial result and result from trading.

As a result of the negative result for the period, due in particular to the high expenses on risk provision on loans and advances, the return on equity and return on assets indicators are not meaningful.

ABS Portfolio

The faltering of asset backed securities which first became apparent in the middle of 2007 – in the US at first and then subsequently in the international financial markets – had a particularly negative effect on Hypo Group Alpe Adria's structured credit portfolio in 2007 and 2008.

As a result of the negative share price developments, actual defaults occurring early on and the sale of securities involved, the structured credit portfolio has reduced drastically in the last two and a half years. The carrying amount for the amount held by the Group was still EUR 840 m at the end of 2006 – by 31 December 2008, the carrying amount had reduced to EUR 366 m.

The structured credit portfolio has been further reduced in the first half of 2009, in particular due to disposals. Due to the market rate recovery observed for many items, the available for sale-reserve apportioned to the ABS portfolio improved from EUR –32.3 m to EUR –19,6 m. On securities particularly at risk of default and already identified as impaired securities as of 31. December 2008 under the item available for sale, additional impairment writedowns to the sum of EUR –15.7 m had to be taken into account. After taking account of positive effects to be recognised in the profit or loss, the net total effect from this ABS portfolio, came to EUR –9.1 m in the first six months of the year.

Total ABS portfolio / structured credit portfolio

Carrying amounts

in EUR m

840	31.12.2006
610	31.12.2007
366	31.12.2008
311	30.6.2009

In line with the implementation of the restructuring project, Hypo Group Alpe Adria will systematically pursue the downsizing of the ABS portfolio. As part of this, a further part of the existing portfolio is planned to be sold off in the second half of the year, bringing the value of the portfolio under EUR 300 m.

Development of the balance sheet

The sum of total assets for Hypo Group Alpe Adria reduced from EUR 43.3 bn at the end of the 2008 financial year to EUR 41.7 bn at 30 June 2009. This reduction of EUR 1.6 bn or 3.7% is mainly attributable to the fact that while the volume of loans and advances to customers remained constant, the excess liquidity which existed in the previous year was reduced through the scheduled repayment of liabilities.

Balance sheet total

in EUR bn

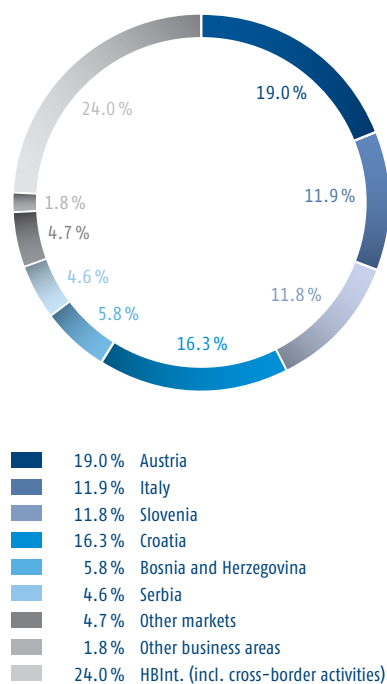
31.0	31.12.2006
37.9	31.12.2007
43.3	31.12.2008
41.7	30.6.2009

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This is the first time for a long time in the recent history of the Group that total assets have not risen, but have indeed reduced. This reduction is, however, a sign that a change in the business strategy of Hypo Group Alpe Adria is becoming noticeable to the outside world. In the future, the Group will restrict itself to financing commitments which are acceptable both qualitatively and in terms of risk, and accordingly only strive for moderate growth at a level in accord with the prevailing growth of the real economy of the country in question.

The focus in the past – on volume-based, quantitative growth – will in the future, regardless of the recovery of the financial markets and of the economies of the core countries, no longer be a part of the business strategy of the Group.

Balance sheet total by business segments



Loans and advances to credit institutions reduced from EUR 4.5 bn to EUR 2.8 bn in the first half of 2009, which is a reduction of EUR 1.7 bn. It should be borne in mind that

the figure at 31 December 2008 was particularly high, as the Group had amassed liquidity reserves. These reserves were then used in the second quarter of 2009 for the scheduled redemption of a EUR 1 bn benchmark issue. The liquidity reserve increased again after the balance sheet date in June 2009 as the result of the issuance of a state-guaranteed issue for the same amount.

The difficult macro-economic situation in the Group's core markets meant that Hypo Group Alpe Adria exercised particular caution, appropriate to the extraordinary conditions, in the issuing of new credit, so as to avoid additional risk and to protect liquidity. Loans and advances to customers in total rose only by a marginal EUR 0.1 bn to EUR 30.7 bn. Inflow from the loans business was in essence therefore replaced, or slightly overcompensated for, by new financing commitments.

The level of risk provisions on loans and advances increased by the amount of new provisions created in the first half of 2009 and stood at EUR 1.4 bn at the balance sheet date, which equates to an increase of 25.4%. The largest proportion of total risk provisions is linked to the Central, Eastern and South Eastern European regions, at EUR 0.9 bn. The sum for the other countries, in particular Germany and Italy, comes to EUR 0.3 bn; the sum for Austrian customers is EUR 0.2 bn.

The Group's trading activities, which had already been very limited, were further reduced in the first six months of the financial year. Total trading assets thus reduced from EUR 0.2 bn to EUR 0.1 bn, particularly because of the banking subsidiaries in Slovenia.

The value shown in the balance sheet for financial investments – available for sale rose by EUR 0.1 bn to EUR 2.7 bn in the first half of the year, due in part to the acquisition of treasury bonds to sustain liquidity and also to the significant recovery in market values, which was reflected in the reduced available for sale-reserve.

Other increases amongst assets related to the positions positive fair value from hedge accounting derivatives, which rose by EUR 0.2 bn in line with the development in market values; tax assets, which rose by EUR 0.1 bn in line with the corresponding position on the liabilities side, tax liabilities; and assets held for disposal, which also rose by EUR 0.1 bn. The latter position also includes all assets from the bank in Liechtenstein, which were disposed of in the second quarter of 2009.

There was also a reduction in other assets of EUR 0.1 bn in the first half of 2009. As a result of the significantly reduced volume of new business compared to the previous year, there was a corresponding reduction in the amount of leases-to-go assets.

On the liabilities side, essentially the only increase in the 2009 financial year has been in liabilities to credit institutions, for the most part as a result of the take-up of liquid funds from the majority shareholder BayernLB. The sum of liabilities to credit institutions rose as a result from EUR 7.3 bn to EUR 8.1 bn in the first six months.

There was a negative development on liabilities to customers, essentially as a consequence of the economic crisis. Although customer deposits as a whole reduced by 6.4% or EUR 0.6 bn to EUR 8.2 bn, in some sub-areas an increase was recorded. While savings deposits increased by EUR 0.1 bn and sight and time deposits from retail customers were higher than six months before, deposits made by the public and corporate sector reduced significantly. Particularly in the case of corporate clients, it was clear that, as a result of the economic crisis and the difficulties companies are having with financing, they were using their own liquid funds to pay back existing loans and to finance their business activities.

Liabilities evidenced by certificates reduced from EUR 21.4 bn to EUR 19.6 bn in the first half of 2009, which equates to a reduction of EUR 1.8 bn or 8.4%. This reduction was caused by the contractual redemption of liabilities, in particular relating to a benchmark issue underwritten by third parties, for EUR 1 bn.

The position liabilities in assets held for disposal contains only the existing liabilities and provisions of the bank in Liechtenstein.

As compared with 31 December 2008, equity reduced in the first six months of the 2009 financial year by EUR –124.4 m in total. The negative result for the period (EUR –162,1 m) had a negative effect, while in particular the recovery in value of securities affecting financial investments available for sale had a positive effect on equity. Whereas the available for sale-reserve (after allowing for deferred taxes) stood at EUR –161.5 m at the end of December 2008, it improved to EUR –122.6 m at 30 June 2009. Due to the relative stability of currencies in relevant markets such as Croatia and Serbia in the first half of the year, the currency reserve deteriorated only slightly, from EUR –0.6 m to EUR –5.5 m.

Own capital funds

The key figures for own capital funds stayed stable despite the loss shown for the first half of 2009. This is due in the first instance to the reduction in own capital requirement (RWA – risk-weighted assets), resulting in particular from the efforts to improve security allocation and data quality.

Overall, total creditable own capital funds pursuant to the Austrian Banking Act (BWG) came to EUR 3,943 m as of 30 June 2009 (2008: EUR 4,173 m), with the legal minimum requirement standing at EUR 2,668 m (2008: EUR 2,797 m). This corresponds to a surplus of EUR 1,275 m (2008: EUR 1,376 m) or to coverage of 147.8% (2008: 149.2%).

The own capital funds ratio as related to the banking book (credit risk) came to 12.6% as of 30 June 2009 (31 December 2008: 12.7%). The corresponding core capital ratio (Tier 1-ratio), after taking into account the provision for 50% of allowances at mid-year point, came to 8.1% (31 December 2008: 8.3%).

In relation to the total capital base (including market and operational risk), the resulting own capital funds ratio stood at 11.8% as of 30 June 2009 (31 December 2008: 11.9%), which was clearly above Austria's statutory minimum ratio of 8.0%.

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Employees

The significant reduction in new financing business in the first half of 2009 had an effect on employee numbers, and for the first time in 15 years there was a slight decline in the numbers of people employed in core business areas.

This was due in the first instance to the merger of the two Croatian banks, which led to a socially acceptable employee reduction exercise; as well as to an extremely restrictive recruitment policy throughout the Group in the first half of the year. The numbers employed in Austria remained constant, at just over 1,100. In total, the reduction in numbers employed, from 7,552 to 7,480 employees, was marginal, at less than 1%.

Employees

in core business



Risk report

Risk strategy

Against the background of the changed economic conditions, in the first half of the year Hypo Group Alpe Adria comprehensively revised and sharpened its risk strategy. The Group-wide roll-out to all subsidiaries is planned for the second half of the year, with the result that all the Group companies will shortly be bound by the new risk strategy.

The main objectives of the new risk strategy are:

- The primary objective is to maintain the risk coverage volumes and thus to secure the sustained risk bearing capacity of the Group.
- The secondary objective is to create a risk structure appropriate to the business model through various measures, including the definition of a risk profile amongst other steps, but also through establishing rules for dealing with significant concentrations in an appropriate way.

Risk reporting

In the course of the first half of 2009, a project to draw up a new risk report was carried out at Hypo Group Alpe Adria. The report is based on the risk report used by BayernLB. The report shows all the important types of risk (credit risk, market risk, liquidity risk, operational risk and participation risk) and the results of the risk bearing capacity calculation.

The original report format used has been expanded to make adequate controlling within the Group possible.

The new risk report will be used for the first time from June 2009 and will completely replace the old credit and country risk report from September 2009 onwards.

OpRisk

The standard approach in OpRisk was successfully introduced in the Group as of 30 June 2009.

The focus of the risk controlling measures is on risks identified in the leasing companies' business.

Concrete measures to minimise risk have been introduced on the basis of results coming from the loss data bank and loss scenarios.

Internal Rating systems

A rating system appropriate to the risks involved is available for all relevant portfolios within Hypo Group Alpe Adria. The processes are developed centrally at Hypo Alpe-Adria-Bank International AG, with the involvement of the subsidiary companies, and are validated (performance measurement of the rating systems). Training is given by head office in order to guarantee uniform standards. Rating authority is regulated in the credit-granting procedures of the policies concerned.

Data quality

Good quality of data is essential for Group-wide risk controlling. For this reason, the Risk Controlling function has introduced a scoring procedure which measures the quality of data submitted to the central database. Apart from giving an aggregated score, which can then be used for comparison purposes, faulty or incomplete submissions can also be identified quickly and corrected by the local subsidiary.

Risk controlling and monitoring

All commitments are monitored on a regular basis by means of defined early warning indicators. The application of the early warning indicators is the responsibility of the individual subsidiaries and can be modified according to local requirements.

The fundamental objective of all activities is to minimise or to avoid completely potential defaults by introducing appropriate measures as part of a process of intensive customer care or of dealing with problem loan repayments, with the aim of guiding a customer back to the status of a normal client relationship.

Risk Controlling regularly reviews and reports on limit utilisation, the portfolio structure and the risk bearing capacity.

Interim Management Report 2009

Liquidity risk

Since May 2009, the Group, with the support of an external business/IT consultancy, has been working on a liquidity data collection and reporting system for use throughout the Group. The targets for the system are to automate data collection and assure the quality of the data delivered through data checks on syntax and semantics, to store and provide data securely via a data warehouse, to integrate the modelling and calculation routines and to standardise the reporting as far as possible.

The pilot system will be trialled in the second half of 2009, with the active support of Hypo Alpe-Adria-Bank S.p.A., Udine and Hypo Alpe-Adria-Bank International AG, and will thereafter be rolled out successively to the individual banking and leasing subsidiaries.

Forecast for the second half of 2009

Following the collapse of Lehman Brothers in September 2008 the financial crisis intensified dramatically in the first quarter of 2009. Since the peak of the crisis in March 2009 the markets have calmed down quite noticeably in the second quarter of 2009. A significant improvement in macro-economic parameters is not expected before the first half of 2010. If the improvement does not come, or not to the extent expected, then significant problems for the financial markets – in particular for the stock and credit markets – are to be expected.

After the turbulence in the currency markets at the end of 2008, there has been stabilisation in the exchange rates against the euro in the first six months of 2009, also for those currencies which are particularly important for Hypo Group Alpe Adria. There has been a reduction in volatility and a recovery of the currencies which are important for Group, in particular the Croatian kuna and the Serbian dinar. In Serbia, this stabilisation came about particularly as a result of the support of the International Monetary Fund (IMF) and the accompanying measures introduced by the government and the international banking groups. For the second half of the year, falls in local exchange rates in the markets in which we operate are possible, but these should be manageable and within the ranges forecast by the market participants.

The real economies of the Central, Eastern and South Eastern European countries, which flourished in recent years, have had to record significant falls in economic output in the first half of 2009 and are currently in deep recession. Economists are not agreed on how long and how deep this recession will be. While some of the markets are already forecasting a swift recovery, Hypo Group Alpe Adria is more reserved on this point – not least because the negative effects of the crisis in the financial markets, which began in 2007, only started to hit the real economies after a delay of more than a year. The Group therefore is assuming that the most important macro-economic parameters (unemployment rate, change in GDP, order book for the industrial sector, industrial output, overnight stays in the tourism sector) will continue to have a negative influence on the situation in the second half of 2009 and possibly also in 2010.

The Group sees the negative effects of this crisis, which has scarcely left any sector untouched, continuing to impact on its customers for the foreseeable future. Falling demand is leading to falling sales and ultimately profits for companies, with a consequent negative influence on their short and mid-term liquidity. Companies and customers, in turn, are increasingly only getting through their financial difficulties by making late payments on their loans. As a result, the proportion of customers in Hypo Group Alpe Adria's portfolio who were in arrears on their agreed repayments rose significantly in the second half of 2009. As a rapid recovery of those sections of the economy which are important for the Group is not evident, an easing of the situation is not to be expected in the second half of 2009.

A further, and most important, factor in 2009 will be the future development of the market price for the items which will have to be sold off because of failure to honour the terms of their financing agreements. This affects both sale of collateral put up for classical financing transactions as well as early returns of leased objects or residual values on items which were the object of operating lease transactions. A general trend to significantly reduced secondary market prices for property as well as for second-hand vehicles, ships and equipment has been observed, which has already had a significant effect on the extent and size of risk provisions for loans and advances created in the first half of 2009. As there is currently no sign of reversal in the prices which can be achieved for such goods in secondary markets, the Group expects to have to make further risk provisions for loans and advances in the second half of the year.

The Executive Board will focus on, amongst other areas, active credit risk management with the best possible asset protection in the second half of the year.

With regard to the development of the overall result for the Group, the Executive Board expects that, on the basis of the measures already implemented to increase income from the interest-bearing areas of the business as well as the limits on spending set throughout the Group, there will be a clearly positive result prior to risk provisions. A negative consolidated full-year result is expected for 2009 because of the effects of the economic crisis on risk provisions, as described above.

Interim Management Report 2009

Along with the focus on credit risk management, the Executive Board will in the second half of 2009 also take all the necessary measures to complete the restructuring of the Group, to push efficiency optimisation further, and to bring the total project to secure sustained profitability to a successful conclusion.

Consolidated Interim Financial Statements

as of 30 June 2009
of Hypo Alpe-Adria-Bank International AG

Statement of Comprehensive Income – 1 January to 30 June 2009

Income statement

EUR '000

	Note	1.1.– 30.6.2009	1.1.– 30.6.2008	Change in m
Interest and similar income	(5)	1,074,062	1,124,132	-50
Interest and similar expense	(6)	-684,283	-783,814	100
Net interest income		389,779	340,318	49
Fee and commission income	(7)	71,709	72,414	-1
Fee and commission expenses	(8)	-11,476	-12,190	1
Net fee and commission income		60,234	60,224	0
Result from trading	(9)	27,838	7,958	20
Result from hedge accounting	(10)	36,277	1,746	35
Result from fin. investments – designated at fair value through profit or loss	(11)	35,035	-38,060	73
Result from fin. investments – available for sale	(12)	-11,716	-1,842	-10
Result from fin. investments – held to maturity	(13)	0	14	0
Result from other financial investments	(14)	-3,457	5,493	-9
Other operating result	(15)	9,639	20,524	-11
Operating income		543,629	396,375	147
Risk provisions on loans and advances	(16)	-349,143	-159,319	-190
Operating income after risk provisions		194,485	237,056	-43
Personnel expenses	(17)	-134,311	-133,786	-1
Other administrative expenses	(18)	-101,185	-102,467	1
Depreciation and amortisation of tangible and intangible assets	(19)	-30,686	-27,261	-3
Operating expenses		-266,182	-263,514	-3
Operating result		-71,697	-26,458	-45
Result from companies accounted for at equity	(20)	-12,225	1,307	-14
Result before tax		-83,922	-25,151	-59
Taxes on income	(21)	-63,789	-28,417	-35
Result after tax		-147,711	-53,568	-94
Minority interests	(22)	-14,372	-8,314	-6
Consolidated net result (after minority interests)		-162,083	-61,882	-100

Income and expenses recognised directly in equity (comprehensive income)

EUR '000

	1.1.– 30.6.2009	1.1.– 30.6.2008	Change in m
Result after tax	-147,711	-53,568	-94
Gains / losses on available for sale-reserves	28,122	-52,220	80
Foreign exchange differences (change in foreign currency reserve)	-4,453	646	-5
Taxes on items directly recognised in equity	10,750	10,509	0
Total gains and losses recognised directly in equity	34,420	-41,065	75
Total comprehensive income	-113,291	-94,633	-19
thereof shareholders' equity	-127,653	-101,959	-26
thereof minority interests	14,362	7,326	7

Earnings per share

		1.1.– 30.6.2009	1.1.– 30.6.2008
Consolidated net result (after minority interests)	EUR '000	-162,083	-61,882
Average number of shares outstanding	Number	7,809,276	6,045,891
Earnings per share	in EUR	-20.76	-10.24

Earnings per share are calculated by dividing the consolidated net income by the weighted average number of ordinary shares outstanding.

In December 2008 Hypo Alpe-Adria-Bank International AG issued participation capital, as defined in Section 23 (3) (8) BWG (Austrian Banking Act) to the value of EUR 900 m to the Republic of Austria (see also Note (54)). Under the terms of the agreement, the Republic of Austria may convert the participation certificates into ordinary shares at any time: the conversion price will be determined at the point of conversion. For this reason, diluted earnings per share cannot be determined.

Balance Sheet

EUR '000

	Note	30.6.2009	31.12.2008	Change in m
ASSETS				
Cash and balances with central banks	(23)	954,332	999,207	-45
Loans and advances to credit institutions	(24)	2,845,348	4,483,271	-1,638
Loans and advances to customers	(25)	30,680,199	30,566,667	114
Risk provisions on loans and advances	(26)	-1,362,388	-1,086,231	-276
Trading assets	(27)	77,007	179,181	-102
Positive fair value from hedge accounting derivatives	(28)	819,054	581,682	237
Financial investments – designated at fair value through profit or loss	(29)	1,092,642	1,120,532	-28
Financial investments – available for sale	(30)	2,667,324	2,565,532	102
Financial investments – held to maturity	(31)	41,283	41,940	-1
Investments in companies accounted for at equity	(32)	5,073	5,360	0
Other financial investments	(33)	1,124,638	1,134,960	-10
Intangible assets	(34)	67,270	66,691	1
Tangible assets	(35)	574,220	583,190	-9
Tax assets	(36)	640,198	559,924	80
Assets held for disposal	(37)	90,724	10,200	81
Other assets	(38)	1,395,277	1,523,945	-129
Total assets		41,712,199	43,336,051	-1,624
LIABILITIES & EQUITY				
Liabilities to credit institutions	(39)	8,054,020	7,287,995	766
Liabilities to customers	(40)	8,158,798	8,716,894	-558
Liabilities evidenced by certificates	(41)	19,621,807	21,415,340	-1,794
Trading liabilities	(42)	8,424	27,902	-19
Negative fair value from hedge accounting derivatives	(43)	101,113	107,356	-6
Provisions	(44)	103,260	107,608	-4
Tax liabilities	(45)	478,759	380,256	99
Liabilities in asset groups held for disposal	(46)	110,852	0	111
Other liabilities	(47)	1,080,520	1,172,418	-92
Subordinated capital	(48)	1,589,196	1,590,448	-1
Equity	(49)	2,405,451	2,529,835	-124
thereof shareholders' equity		1,890,997	2,020,713	-130
thereof minority interests		514,453	509,122	5
Total liabilities & equity		41,712,199	43,336,051	-1,624

Statement of Changes in Equity

EUR '000

	Issued capital	Additional paid-in capital	Available for sale reserve	Foreign currency translation	Retained earnings	Net consolidated result	Shareholders' equity	Minority interests	Total
Equity on 1.1.2009	962,474	881,057	-161,515	-618	339,315	0	2,020,713	509,122	2,529,835
Capital increase	0	0	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0	-5,582	-5,582
Consolidated result	0	0	0	944	0	-162,083	-161,139	14,372	-146,767
Change in available for sale-reserve	0	0	38,870	0	0	0	38,870	3	38,873
Other changes	0	0	0	-5,824	-163,706	162,083	-7,447	-3,461	-10,908
Equity on 30.6.2009	962,474	881,057	-122,645	-5,498	175,610	0	1,890,997	514,453	2,405,451
Equity on 1.1.2008	48,367	940,337	-4,972	359	120,392	50,000	1,154,484	504,588	1,659,071
Capital increase	0	0	0	0	0	0	0	245,029	245,029
Dividends paid	0	0	0	0	0	-50,000	-50,000	-24,996	-74,996
Consolidated result	0	0	0	646	0	-61,882	-61,236	8,314	-52,922
Change in available for sale-reserve	0	0	-40,725	0	0	0	-40,725	-988	-41,713
Other changes	0	0	2	13,816	-776	0	13,043	246	13,289
Equity on 30.6.2008	48,367	940,337	-45,694	14,821	119,616	-61,882	1,015,565	732,193	1,747,758

Cashflow Statement

EUR '000

	30.6.2009	30.6.2008
Cash and cash equivalents at the end of previous period (1.1.)	999,207	997,864
Net cash from operating activities	12,253	-267,627
Net cash from investing activities	-38,012	-246,493
Net cash from financing activities	-11,918	459,646
Effect of exchange rate changes	-7,199	3,953
Cash and cash equivalents at the end of period (30.6.)	954,332	947,343

Notes to the Consolidated Interim Financial Statements

Accounting policies and basis of consolidation

(1) Significant accounting policies

The consolidated financial statements of Hypo Group Alpe Adria as of 30 June 2009 were drawn up in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU for interim reporting (IAS 34).

The same accounting and measurement principles are applied as for the annual consolidated financial statements for 2008. This interim statement should be read in conjunction with the consolidated financial statements for the 2008 financial year.

The following IFRS / IAS standards were adopted by Hypo Group Alpe Adria for the first time with effect from 1 January 2009: IAS 1 »Presentation of Financial Statements (revised 2007)« and IFRS 8 »Operating Segments«. There are no substantial changes resulting from the modified IAS 1 – which provides for an extension to the income statement by way of recording the direct earnings / losses from equity to give a comprehensive income statement – as the information to be presented was already shown in the statement of changes in equity. With regard to the effects of the newly-applied IFRS 8 standard, please refer to the comments given for Note (4).

The figures in the consolidated financial statements are stated in thousands of euros (EUR '000). The tables may contain rounding differences.

(2) Use of estimates and assumptions / material estimates

The principal uncertainties concern primarily the establishment of fair values, the risk provisions on loans and advances and the use of tax losses.

The fair value of financial instruments not traded on active markets is established by means of various valuation models. The assumptions used are based – whenever available – on observable market data.

On each balance sheet date, Hypo Group Alpe Adria assesses the recoverability of its problem loans and allows for loan losses by accruing risk provisions on loans and advances. To assess the recoverability, the amount and probability of payment is assessed. For this purpose, various assumptions are made. Actual future losses may therefore differ from risk provisions.

Deferred tax assets are recorded when it is probable that future taxable profits will be made and that tax losses carried forward can therefore be set against these profits. The tax loss currently available to Hypo Alpe-Adria-Bank International AG does not expire and can be offset against the Group's income in future years under the group taxation regime in Austria. Compared with the actual – and significantly higher – loss, however, only the amount whose utilisation in accordance with tax regulations is expected to be possible over the next ten years was recognised as a deferred tax asset. The assessment of the ability to utilise tax losses carried forward is performed on the basis of the current business plans, which are prepared once a year in autumn. Due to the fact that a completely new business planning exercise was started as a result of the restructuring project initiated at the beginning of 2009, a modified business plan was issued in the first half of 2009, which had already received approval from the Supervisory Committee. Resulting impairment writedowns on tax assets came to EUR –26 m, and these have been recognised in the first half of 2009. A new planning exercise will take place in the second half of the year which may result in further adjustments.

(3) Subsidiaries included in the consolidated financial statements (scope of consolidation)

The consolidated interim financial statements comprise 33 (31 December 2008: 32) Austrian subsidiaries – including Hypo Alpe-Adria-Bank International AG – and 91 (31 December 2008: 86) foreign subsidiaries:

	30.6.2009		31.12.2008	
	Fully consolidated	Equity-method	Fully consolidated	Equity method
At the end of previous period	113	5	114	5
New included in the period under review	10	–	11	–
Merged in the period under review	–2	–	–10	–
Excluded in the period under review	–2	–	–1	–1
Reclassified	–	–	–1	1
At the end of period	119	5	113	5
thereof Austrian enterprises	31	2	30	2
thereof foreign enterprises	88	3	83	3

In the first half of 2009, the following ten fully consolidated subsidiaries were newly included:

Company	Seat	Ownership (direct)	Ownership (indirect)	Method of consolidation	Reason
		interest in %	interest in %		
HYPO FM HOLDING GmbH	Klagenfurt	100.00 %	100.00 %	fully consolidated	Materiality
HYPO FACILITY SERVICES DOO BEOGRAD	Belgrade	100.00 %	100.00 %	fully consolidated	Foundation
QLANDIA MARKETING d.o.o.	Ljubljana	100.00 %	100.00 %	fully consolidated	Foundation
Alpe Adria Privatbank AG in Liquidation	Schaan	49.00 %	49.00 %	fully consolidated	Control
EPSILON GRADENJE d.o.o.	Zagreb	100.00 %	100.00 %	fully consolidated	Materiality
SPC SZENTEND Ingatlanforgalmazó és Ingatlanfejlesztő Kft.	Budapest	100.00 %	100.00 %	fully consolidated	Materiality
SPC ERCS Kft.	Budapest	100.00 %	100.00 %	fully consolidated	Materiality
ERCS 2008 Kft.	Budapest	100.00 %	100.00 %	fully consolidated	Materiality
Hypo Cityimmobilien-Klagenfurt GesmbH	Klagenfurt	100.00 %	100.00 %	fully consolidated	Materiality
HYPO NEPREMICNINE d.o.o.	Ljubljana	100.00 %	100.00 %	fully consolidated	Acquisition

In April 2009 the active search for a buyer for the 49 % stake in Alpe Adria Privatbank AG (Liechtenstein) owned by Hypo Group Alpe Adria together with the 51 %-majority shareholder, was ended and a resolution was passed to cease banking activities in Liechtenstein and subsequently to put the bank into liquidation. The purchase price paid by the majority shareholder was reimbursed and in return Hypo Group Alpe Adria was granted the right to 100 % of proceeds from liquidation, with the share of capital with voting rights left unchanged.

Accounting policies and basis of consolidation

A liquidator was appointed to administer proceedings for the company, which is operating under the name »Alpe Adria Privatbank AG in Liquidation«. The company is expected to be wound up in 2010, or at the latest in 2011, and appropriate risk provisions have already been created to account for any resulting negative effects on measurements. As the company falls under the control of Hypo Group Alpe Adria, it will be included in the consolidated financial statements in the second quarter of 2009, although in accordance with IFRS 5 the value of assets and debts will be shown separately in the balance sheet as Assets held for sale, as will any liabilities arising in connection with them.

There were no other changes to the scope of consolidation. The changes to the scope of consolidation, as a whole, do not have any effect on the financial situation and earnings position of the Group.

In the first six months of 2009 the following four fully consolidated subsidiaries have been excluded from the scope of consolidation:

Company	Seat	Ownership (direct)	Ownership (indirect)	Method of consolidation	Reason
		interest in %	interest in %		
Slavonska Banka d.d. Osijek	Osijek	100.00 %	100.00 %	fully consolidated	Merger
S.P.C. 03 d.o.o.	Ljubljana	67.00 %	67.00 %	fully consolidated	Sale
HYPO TC-BB D00 BEOGRAD	Belgrade	100.00 %	100.00 %	fully consolidated	Merger
HYPO 111	Vienna	98.54 %	98.54 %	fully consolidated	Release

The majority own issue »HYPO 111« fund, which had been fully consolidated in accordance with SIC-12, was dissolved in the course of the first half of 2009 and the value of the assets transferred in their entirety to Hypo Alpe-Adria-Bank AG (Austria).

Hypo Group Alpe Adria had been represented in Croatia by two subsidiary banks and these were merged in the first quarter of 2009. As of 28 February 2009, Slavenska banka d.d. Osijek was merged with Hypo Alpe-Adria-Bank d.d., with registered office in Zagreb.

In both cases, the financial situation and earnings position of the Group are not affected.

Notes to the Income Statement

(4) Segment reporting

The basis for segment reporting is provided by IFRS 8 »Operating Segments«, which must be applied from 2009 onwards. The previous standard IAS 14 »Segment Reporting«, in accordance with which Hypo Group Alpe Adria had hitherto prepared its presentation of primary and secondary business segments, is no longer applicable.

The new segment reporting is based on the information prepared and presented monthly to the Executive Board, which in accordance with IFRS 8.7 functions as the principal decision maker (the so-called Management Approach). The basis for segment reporting is the business structure of Hypo Group Alpe Adria. Reports are provided on nine segments in total, which comprise the Group's key strategic country markets, other markets, other business areas and Hypo Alpe-Adria-Bank International AG (HBInt.), as the holding company.

Apart from the operating result for each of these units, both the costs of the refinancing of carrying amounts for investments and the overhead costs have been allocated to each segment on the basis of costs directly incurred.

Refinancing costs of ultimate parent company participations are allocated as a Group recharge to the segments on the basis of the interest rate for long-term debt capital, inclusive of average borrowing costs, which are calculated on a rolling basis. The basic recharge rate for the first six months of 2009 was 4.44 %: in the previous year comparable period, it was 4.49 %. In addition to the rate for debt capital, a percentage rate for the country risk and liquidity costs is also allocated in each case. The liquidity costs, which vary according to segment, lay between 0.34 % and 1.26 % in the first half of 2009 (for the comparable period 1.1.–30.6.2008: 0.46 % across the board) and the country risk cost between 0 % and 2.52 % (for the comparable period 1.1.–30.6.2008: between 0 % and 2.0 %).

The Group overheads are allocated to the segments on the basis of average risk-weighted assets, in line with Basel II.

Notes to the Income Statement

In accordance with IFRS 8, the business structure of Hypo Group Alpe Adria is made up as follows:

Austria, Italy, Slovenia, Croatia, Bosnia and Herzegovina, Serbia

These six countries represent the most important core markets of the Group, which is represented through its banking and leasing units in these countries.

Other markets

The non-core countries, which in terms of size are of minor relevance for the Group, are summarised and presented in this segment. These have a banking and/or leasing unit and comprise the following countries: Montenegro, Macedonia, Ukraine, Hungary, Bulgaria and Germany.

Other business areas

Other business areas cover companies which are not in core business areas. This primarily includes property companies and tourism-related companies.

Holding company

The »Holding company« business segment comprises Hypo Alpe-Adria-Bank International AG, the ultimate Group holding company headquartered in Austria, and the directly-controlled subgroup holding company Hypo Alpe-Adria-Leasing Holding AG; the investment and issuing companies in St. Helier (Jersey); and the activities in the Netherlands.

Consolidation

There are no companies in this segment. In addition to consolidation transactions which are independent of business segment, this covers contributions to income which cannot be directly attributed to an individual business segment.

Austria

In the first half of 2009, net interest income from the Austrian banking and leasing business fell from EUR 42,421 thousand to EUR 39,696 thousand compared to the same period in the previous year, equivalent to a 6.4 % fall. This reduction is due in large part to a redeployment of customer deposits in the retail business to higher interest-bearing savings products. The net fee and commission income in contrast, improved by 17.3 % from EUR 11,565 thousand to EUR 13,561 thousand.

Total operating income fell to EUR 53,287 thousand and was thus EUR 5,748 thousand or 9.7 % lower than the figure of EUR 59,035 thousand for the previous year. The increase in risk provisions on loans and advances from EUR –55,906 thousand to EUR –58,282 thousand reflected the continuingly high requirement for risk provisions due to the ongoing economic crisis.

There was a further decline of EUR –6,932 thousand or 19.8 % in the consolidated net result for the period (after minority interests), from EUR –35,039 thousand in the first half of 2008 to EUR –41,971 thousand. The cost / income-ratio stood at 69.2 % (comparable period 1.1.–30.6.2008: 65.3 %) and was therefore clearly above the average for the Group.

Italy

As a consequence of the general worsening of economic conditions in Italy, the risk provisions on loans and advances rose significantly for the banking unit operating in Northern Italy, and at EUR –19,176 thousand was more than 100 % higher than the comparable figure for the previous year (EUR –9,005 thousand).

This had the net effect of reducing the business segment's result considerably (operating income reduced from EUR 18,831 thousand in the first half of 2008 to EUR 4,881 thousand in 2009). After allowing for taxes on income, the segment's contribution to the consolidated net result came to EUR 2,635 thousand, after EUR 11,777 thousand in the previous year comparable period.

Slovenia

The net interest income for the Slovenian banking and leasing subsidiaries came to EUR 43,849 thousand in the first half of the year, some EUR 14,379 thousand or 48.8 % over the previous year (EUR 29,470 thousand). This rise is due above all to the changes implemented to customer conditions, accompanied by a higher average financing volume.

Despite the increase in risk provisions on loans and advances by EUR –5,025 thousand, or 119.1 %, to EUR –11,012 thousand, the Slovenian business segment achieved a clearly positive consolidated net result of EUR 17,080 thousand (comparable period 1.1.–30.6.2008: EUR 12,575 thousand) and was thus the Group's most profitable business segment.

Croatia

The Croatian business segment was able to improve its net interest income in the first six months of 2009 in comparison to the previous year, by 64.6 % to EUR 84,594 thousand. This improvement was due to an improvement of the margins and to a higher financing volume compared to the first half of 2008. The higher result from trading (moving from EUR 8,463 thousand in the previous year to EUR 18,465 thousand) came mainly as a result of improvements in currency transactions. As a result of the successful completion of the amalgamation of the two banks which had hitherto existed in Croatia into one credit institution, a positive effect on operating expenses was already apparent.

These positive developments in interest income and operating costs were, however, completely cancelled out by the significantly higher risk provisions on loans and advances in the first half of 2009, with provisions being particularly necessary for the leasing portfolio. Risk provisions on loans and advances for this segment rose from the previous year's (1.1.–30.6.2008) figure of EUR –13,879 thousand by EUR –39,768 thousand or 286.5 % to EUR –53,647 thousand.

The Croatian business segment was nevertheless still able to make a positive contribution of EUR 4,942 thousand to the consolidated net result (comparable period 1.1.–30.6.2008: EUR 8,013 thousand).

Notes to the Income Statement

Bosnia and Herzegovina

In particular because of adjustments to external interest conditions and to the fact that the negative fair value option result of EUR –6,582 included in the 2008 result did not apply in 2009, the operating income for the first half of 2009 increased by EUR 14,180 thousand to EUR 46,808 thousand. This positive development was, however, impaired by the increase in risk provisions on loans and advances, which rose from EUR –10,224 thousand (2008) to EUR –23,827 thousand (2009).

Whereas a negative contribution of EUR –1,541 thousand was made to the consolidated net result in the first six months of 2008, primarily because of negative valuation effects on two local funds, an improved – although still negative – contribution of EUR –832 thousand was made in the first half of 2009.

Serbia

In the first half of 2009, the net interest income from the Serbian banking and leasing subsidiaries rose from EUR 29,177 thousand to EUR 41,836 thousand, which equates to a rise of EUR 12,659 thousand or 43.4%. Risk provisions, at EUR –25,006 thousand, were significantly higher than the figure for the same period in the previous year of EUR –9,387 thousand and reflected the negative developments in the economy. Operating expenses came to EUR –24,252 thousand in the first half of the year, which was 5.4% higher than the previous year comparable figure (EUR –23,015 thousand).

Despite the difficult economic environment in Serbia, the Serbian business segment made a positive contribution of EUR 5,526 thousand (comparable period 1.1.–30.6.2008: EUR 12,311 thousand) to the result for the Group.

Other markets

This segment, which comprises all the other country markets, recorded an increase in the financing portfolio in 2008, which accounts for the significantly improved net interest and operating income figures in the first half of 2009. While risk provisions on loans and advances had come to EUR –4,112 thousand in the previous year, there was a dramatic increase in risk provisions in the first half of 2009 to EUR –68,911 thousand, which stemmed almost entirely from those countries most particularly affected by the economic crisis, Bulgaria and Ukraine. A major factor in the rise was the massive decline in market value of the collateral for the financing transactions, which impacted on the leasing operations in those countries.

Whereas the contribution to the consolidated net result had been a more or less break-even result of EUR 6 thousand in the first half of 2008, this deteriorated significantly in the first half of 2009 because of the large risk provisions, and stood at EUR –54,083 thousand for the first six months of the 2009 financial year.

Other business areas

As the property companies included in the segment Other business areas are financed almost entirely through borrowings (within the Group), there was a clearly negative net interest income result for the first six months of 2009 as there had been for 2008 (of EUR –10,716 thousand, as compared to EUR –10,385 in 2008). The negative result shown in the first six months of the year for financial investments – available for sale, of EUR –4,636 thousand, resulted exclusively from write-downs on tourism projects.

Overall, this segment, from which Hypo Group Alpe Adria will withdraw in the medium term, posted a negative consolidated net result again in the first half of 2009, as in the previous year. It came to EUR –26,130 thousand, which was EUR –6,228 thousand worse than the corresponding period in 2008.

Holding

The significant fall in the net interest income, from EUR 95,541 thousand to EUR 69,914 thousand, is due in particular to the time-lag-effect of interest rate adjustments. The net interest income should therefore be viewed in conjunction with the highly positive result from hedge accounting, as this shows the corresponding compensatory effects. If these two items are viewed together (EUR 100,653 thousand for 2009), there is no significant change over the comparable figure for 2008 (EUR 97,423 thousand).

There was, however, a significant increase in risk provisions on loans and advances in 2009, which rose compared to 2008 from EUR –51,770 thousand to EUR –88,308 thousand. This was in part due to an increase in arrears in the portfolio – caused by the economic crisis – and in part to the defaults expected from large individual credit engagements, in particular in the area of cross-border financing, which is run out of Austria.

The increase of EUR 12,230 thousand in operating expenses stemmed primarily from higher consultancy costs for the ongoing restructuring project.

Furthermore, the result from companies accounted for at equity, which in the period under review included provisions for the liquidation of the bank in Liechtenstein, is recorded by this business segment.

The business segment posted a clearly negative consolidated net result for the first half of 2009, of EUR –70,030 thousand (comparable period 1.1.–30.6.2008: EUR –49,833 thousand), in particular because of the risk provisions made in the first half of the year.

Notes to the Income Statement

Period 1–6/2009	Austria	Italy	Slovenia	Croatia
Net interest income	39,696	51,965	43,849	84,594
Net fee and commission income	13,561	4,650	4,303	23,800
Result from trading	1,455	-1,121	2,643	18,465
Result from hedge accounting	2,168	46	0	74
Result from fin. investments – afvtpl	-3,154	83	0	0
Result from fin. investments – afs	-3,795	0	427	384
Result from fin. investments – htm	0	0	0	0
Result from other financial investments	-215	22	16	-3,710
Other operating result	3,571	-455	2,862	1,241
Operating income	53,287	55,189	54,098	124,847
Risk provisions on loans and advances	-58,282	-19,176	-11,012	-53,647
Operating income after risk provisions	-4,994	36,013	43,086	71,201
Personnel expenses	-21,499	-16,755	-11,597	-27,021
Other administrative expenses	-12,897	-11,684	-6,912	-27,042
Depreciation and amortisation of tangible and intangible assets	-2,473	-2,693	-2,202	-8,042
Operating expenses	-36,869	-31,131	-20,710	-62,105
Segment result (Operating result)	-41,864	4,881	22,376	9,096
Result from companies accounted for at equity	9	0	-209	0
Result before tax	-41,855	4,881	22,167	9,096
Taxes on income	-116	-2,246	-5,087	-4,155
Result after tax	-41,971	2,635	17,080	4,942
Minority interests	0	0	0	0
Consolidated net result (after minority interests)	-41,971	2,635	17,080	4,942
Average assets	7,938,641	5,043,843	4,918,627	6,828,156
Risk provisions on loans and advances	-282,904	-62,084	-51,922	-273,562
Average risk-weighted assets (RWA)	4,171,911	4,210,807	4,376,349	5,795,309
Allocated average equity	315,274	318,214	330,724	437,955
Cost / Income-Ratio	69.2 %	56.4 %	38.3 %	49.7 %
Risk / Earnings-Ratio	146.8 %	36.9 %	25.1 %	63.4 %
Average number of employees (capacity)	625	556	608	2,243

Abbreviations:

afvtpl: at fair value through profit or loss (fair value option)

afs: available for sale

htm: held to maturity

EUR '000

BiH	Serbia	Other markets	Other business areas	Holding	Consolidation	Total
39,155	41,836	30,857	-10,716	69,914	-1,370	389,779
5,919	6,915	373	969	165	-420	60,234
938	6,608	-403	200	29	-975	27,838
0	0	0	0	30,739	3,250	36,277
0	0	0	0	36,328	1,778	35,035
-47	-7	-1	-4,636	-4,349	308	-11,716
0	0	0	0	0	0	0
0	995	62	-626	-1	0	-3,457
844	-764	-3,067	23,415	6,410	-24,416	9,639
46,808	55,584	27,820	8,606	139,234	-21,845	543,629
-23,827	-25,006	-68,911	-975	-88,308	0	-349,143
22,982	30,578	-41,091	7,631	50,926	-21,845	194,485
-11,131	-10,258	-4,781	-11,644	-19,626	0	-134,311
-10,365	-11,376	-6,708	-8,891	-28,854	23,544	-101,185
-2,573	-2,618	-1,339	-7,836	-911	0	-30,686
-24,069	-24,252	-12,828	-28,371	-49,391	23,544	-266,182
-1,087	6,326	-53,919	-20,740	1,535	1,698	-71,697
0	0	0	-1,608	-10,418	0	-12,225
-1,087	6,326	-53,919	-22,348	-8,882	1,698	-83,922
267	-793	-114	-3,792	-46,836	-918	-63,789
-820	5,533	-54,033	-26,140	-55,718	780	-147,711
-12	-8	-50	10	-14,312	0	-14,372
-832	5,526	-54,083	-26,130	-70,030	780	-162,083
2,502,772	1,911,975	1,997,339	704,059	10,678,714	0	42,524,125
-122,251	-73,938	-135,162	-1,686	-358,880	0	-1,362,388
2,322,307	2,096,996	2,008,073	336,095	7,540,286	-204,693	32,653,441
175,498	158,471	151,751	25,399	569,825	-15,469	2,467,643
51.4 %	43.6 %	46.1 %	329.7 %	35.5 %		49.0 %
47.0 %	59.8 %	223.3 %	-9.1 %	134.1 %		89.6 %
1,268	1,012	471	859	419		8,061

Notes to the Income Statement

Period 1–6/2008	Austria	Italy	Slovenia	Croatia
Net interest income	42,421	54,826	29,470	51,379
Net fee and commission income	11,565	5,156	3,731	21,267
Result from trading	137	-235	615	8,463
Result from hedge accounting	-203	67	0	0
Result from fin. investments – afvtpl	-1,156	-878	0	0
Result from fin. investments – afs	-171	0	533	3,730
Result from fin. investments – htm	0	0	14	0
Result from other financial investments	0	55	2,121	1,389
Other operating result	6,441	-453	5,910	7,888
Operating income	59,035	58,537	42,393	94,116
Risk provisions on loans and advances	-55,906	-9,005	-5,025	-13,879
Operating income after risk provisions	3,129	49,532	37,368	80,238
Personnel expenses	-21,840	-15,070	-10,593	-33,676
Other administrative expenses	-13,735	-13,066	-7,187	-29,777
Depreciation and amortisation of tangible and intangible assets	-2,963	-2,566	-1,908	-6,492
Operating expenses	-38,539	-30,702	-19,688	-69,944
Segment result (Operating result)	-35,410	18,831	17,680	10,294
Result from companies accounted for at equity	682	0	-5	0
Result before tax	-34,727	18,831	17,675	10,294
Taxes on income	-312	-7,053	-3,844	-2,281
Result after tax	-35,039	11,777	13,831	8,013
Minority interests	0	0	-1,256	0
Consolidated net result (after minority interests)	-35,039	11,777	12,575	8,013
Average assets	7,874,099	4,857,627	4,542,124	6,710,394
Risk provisions on loans and advances	-160,227	-40,024	-32,829	-174,704
Average risk-weighted assets (RWA)	4,208,778	4,225,687	3,970,414	5,439,877
Allocated average equity	232,785	233,721	219,601	300,877
Cost / Income-Ratio	65.3 %	52.4 %	46.4 %	74.3 %
Risk / Earnings-Ratio	131.8 %	16.4 %	17.1 %	27.0 %
Average number of employees (capacity)	626	516	543	2,233

Abbreviations:

afvtpl: at fair value through profit or loss (fair value option)

afs: available for sale

htm: held to maturity

EUR '000

BiH	Serbia	Other markets	Other business areas	Holding	Consolidation	Total
32,116	29,177	15,771	-10,385	95,541	0	340,318
6,048	8,284	457	768	3,451	-502	60,224
701	8,644	395	-353	-7,079	-3,330	7,958
0	0	0	0	1,882	0	1,746
-6,582	0	0	0	-29,445	0	-38,060
-644	117	-1,083	564	-4,888	0	-1,842
0	0	0	0	0	0	14
0	0	1,925	4	0	0	5,493
988	-678	-2,053	24,115	-3,733	-17,901	20,524
32,628	45,544	15,411	14,714	55,729	-21,732	396,375
-10,224	-9,387	-4,112	-11	-51,770	0	-159,319
22,403	36,157	11,299	14,703	3,959	-21,732	237,056
-10,431	-9,666	-4,400	-11,582	-16,529	0	-133,786
-10,565	-10,728	-6,582	-12,643	-19,784	21,601	-102,467
-2,434	-2,621	-953	-6,475	-849	0	-27,261
-23,430	-23,015	-11,936	-30,700	-37,161	21,601	-263,514
-1,027	13,142	-637	-15,997	-33,203	-131	-26,458
0	0	0	624	0	5	1,307
-1,027	13,142	-637	-15,373	-33,203	-126	-25,151
-501	-818	642	-279	-13,845	-125	-28,417
-1,528	12,323	6	-15,652	-47,048	-252	-53,568
-13	-12	0	-4,250	-2,785	2	-8,314
-1,541	12,311	6	-19,902	-49,833	-249	-61,882
2,670,888	2,157,054	1,797,044	725,776	9,877,028	0	41,212,033
-98,839	-39,480	-8,585	-240	-290,504	0	-845,432
2,147,423	1,649,326	1,599,121	411,630	7,145,627		30,797,883
118,773	91,223	88,447	22,767	395,221		1,703,414
71.8%	50.5%	77.4%	208.6%	66.7%		66.5%
31.8%	32.2%	26.1%	-0.1%	54.2%		46.8%
1,197	969	404	855	383		7,726

Notes to the Income Statement

(5) Interest and similar income

EUR '000

	1.1.–30.6.2009	1.1.–30.6.2008
Interest income	833,938	870,593
from loans and advances to credit institutions	33,226	65,889
from loans and advances to customers	657,149	708,377
from bonds, treasury bills and other fixed interest securities	58,363	72,876
from derivative financial instruments, net	77,404	0
other interest income	7,796	23,450
Current income	240,124	253,539
from shares and other non-fixed interest securities	359	2,314
from leasing business	220,529	231,780
from investment properties	19,237	19,444
Total	1,074,062	1,124,132

Interest and similar income break down as follows according to IAS 39 categories:

EUR '000

	IAS 39 Measurement category	1.1.–30.6.2009	1.1.–30.6.2008
Interest income		833,938	870,593
from loans and advances to credit institutions and customers	LAR	679,751	761,906
from trading assets	HFT	6,144	1,443
from derivative fin. instruments	HFT / Fair Value Hedges	77,404	0
from fin. investments – designated at fair value through profit or loss	FVO	19,447	28,281
from fin. investments – available for sale	AFS	44,447	54,854
from fin. investments – held to maturity	HTM	808	825
from balances at central banks	Fin. Assets At Cost	5,731	22,598
other interest income	–	205	685
Current income		240,124	253,539
from shares and other non-fixed interest securities	AFS	355	1,973
from shares and other non-fixed interest securities	HFT	4	341
from leasing business	LAR / –	220,529	231,780
from investment properties	–	19,237	19,444
Total		1,074,062	1,124,132

(6) Interest and similar expenses

EUR '000

	1.1.–30.6.2009	1.1.–30.6.2008
Interest expenses	-675,265	-772,915
for liabilities to credit institutions	-111,847	-118,062
for liabilities to customers	-153,537	-174,682
for liabilities evidenced by certificates	-362,320	-428,490
for subordinated capital	-44,458	-33,746
from derivative financial instruments, net	0	-17,171
for other liabilities	-3,102	-764
Other interest expenses	-9,018	-10,899
commissions for statutory guarantee	-9,018	-10,899
Total	-684,283	-783,814

Interest and similar expenses break down as follows according to IAS 39 categories:

EUR '000

	IAS 39	1.1.–30.6.2009	1.1.–30.6.2008
	Measurement category		
Interest expenses		-675,265	-772,915
for trading liabilities	HFT	0	-17,171
for fin. liabilities – designated at fair value through profit or loss	FVO	-50,442	-39,608
for fin. liabilities – at cost	Fin. Liabilities At Cost	-623,400	-715,864
for fin. liabilities to central banks	Fin. Liabilities At Cost	-1,466	-87
other	-	42	-185
Other interest expenses		-9,018	-10,899
commissions for statutory guarantee	-	-9,018	-10,899
Total		-684,283	-783,814

(7) Fee and commission income

EUR '000

	1.1.–30.6.2009	1.1.–30.6.2008
Credit business	30,280	25,172
Securities and custodian business	8,863	11,431
Bank transfers incl. payment transactions	18,435	20,537
Other financial service business	14,130	15,274
Total	71,709	72,414

Notes to the Income Statement

(8) Fee and commission expenses

EUR '000

	1.1.-30.6.2009	1.1.-30.6.2008
Credit business	-1,131	-1,293
Securities and custodian business	-3,261	-3,389
Bank transfers incl. payment transactions	-3,827	-4,668
Other financial service business	-3,256	-2,840
Total	-11,476	-12,190

(9) Result from trading

EUR '000

	1.1.-30.6.2009	1.1.-30.6.2008
Interest related transactions	24,785	-26,102
Shares and index related transactions	2,696	-28,842
Foreign exchange transactions	356	50,434
Other trading result (credit derivatives, commodities, etc.)	0	12,468
Total	27,838	7,958

(10) Result from hedge accounting

EUR '000

	1.1.-30.6.2009	1.1.-30.6.2008
Valuation result from secured underlying transactions	-114,999	214,851
Valuation result from hedging derivatives	151,277	-213,105
Total	36,277	1,746

(11) Result from financial investments – designated at fair value through profit or loss

EUR '000

	1.1.–30.6.2009	1.1.–30.6.2008
Loans and advances (to customers and credit institutions)	-1,252	-11,110
Equity instruments	-3,528	-6,485
Debt instruments	-36,756	1,065
Liabilities (incl. subordinated capital)	39,223	44,160
Fair value option (FVO) derivatives ¹⁾	37,349	-65,690
Total	35,035	-38,060

¹⁾ this includes the result from fair value option derivatives relating to foreign currency valuation

The fair value option (FVO) covers financial assets and liabilities that include embedded derivatives. By designating the entire instrument in the category at fair value through profit or loss, the compulsory segregation of hedging instruments is avoided.

Furthermore, this category is also used to avoid accounting mismatches. The fair value option is used for financial assets if related liabilities are already carried at fair value. This category is also used for the purpose of implementing a risk-reducing hedging strategy.

Fair value changes to financial liabilities designated at fair value and resulting from the change in own credit spread or the widening of the liquidity spread came to EUR 817 thousand in the first half of 2009. The fair value changes from own third-party liabilities and requiring recognition in the income statement, came to EUR 33,780 thousand.

(12) Result from financial investments – available for sale

EUR '000

	1.1.–30.6.2009	1.1.–30.6.2008
Income from financial investments available for sale	26,915	12,488
Capital gains	22,583	12,488
Income from write-up	4,332	0
Expenses from financial investments available for sale	-38,631	-14,330
Losses from disposal	-15,996	-7,246
Expenses from impairment	-22,635	-7,083
Total	-11,716	-1,842

(13) Result from financial investments – held to maturity

EUR '000

	1.1.–30.6.2009	1.1.–30.6.2008
Income from financial investments held to maturity	0	14
Total	0	14

Notes to the Income Statement

(14) Result from other financial investments

	EUR '000	
	1.1.-30.6.2009	1.1.-30.6.2008
Result from investment properties (IP)	-1,673	3,739
Other Income	496	3,769
Other Expenses	-2,169	-29
Result from operating leasing assets	-1,874	1,699
Other income	4,998	9,297
Other expenses	-6,873	-7,599
Remaining result from financial investments	90	55
Total	-3,457	5,493

(15) Other operating result

	EUR '000	
	1.1.-30.6.2009	1.1.-30.6.2008
Other rental income	433	615
Net capital gains / losses from	2,800	4,822
Sale of tangible and intangible assets	-506	960
Sale of real estate projects (assets)	2,617	2,994
Sale of property development companies	0	868
Repossessed assets	689	0
Result from allocation / retransfer of other provisions	-265	-937
Other tax expenses (except corporate income tax)	-2,440	-2,391
Expenses from complete or partial sale of consolidated companies	-330	0
Impairment loss for vacant assets	-4,776	-3,500
Remaining other result	14,217	21,916
Remaining other income	57,573	74,606
Remaining other expenses	-43,355	-52,691
Total	9,639	20,524

(16) Risk provisions on loans and advances

Risk provisions for on- and off-balance sheet transactions are composed as follows:

	EUR '000	
	1.1.–30.6.2009	1.1.–30.6.2008
Allocation to	-493,018	-223,046
Risk provisions for loans and advances	-483,928	-219,213
Provisions for commitments and guarantees	-9,090	-3,833
Releases from	143,973	64,927
Risk provisions for loans and advances	132,827	64,014
Provisions for commitments and guarantees	11,146	913
Recoveries of loans and advances previously written off	3,327	1,287
Direct write-offs of loans and advances	-3,425	-2,487
Total	-349,143	-159,319

Details on risk provisions can be found in Note (26).

(17) Personnel expenses

	EUR '000	
	1.1.–30.6.2009	1.1.–30.6.2008
Personnel cost from core business	-128,641	-127,319
Personnel cost from non-core business	-5,670	-6,467
Total	-134,311	-133,786

(18) Other administrative expenses

	EUR '000	
	1.1.–30.6.2009	1.1.–30.6.2008
Premises expenses	-16,319	-16,212
IT expenses	-14,289	-12,466
Office costs	-3,816	-4,588
Advertising costs	-11,323	-17,553
Communication expenses	-5,994	-5,453
Legal and advisory costs	-23,248	-18,750
Other general administration expenses	-26,194	-27,444
Total	-101,185	-102,467

Notes to the Income Statement

(19) Depreciation and amortisation of tangible and intangible assets

EUR '000

	1.1.-30.6.2009	1.1.-30.6.2008
Buildings	-8,662	-6,053
Plant and equipment	-14,246	-16,126
Intangible assets	-7,778	-5,082
Total	-30,686	-27,261

(20) Result from companies accounted for at equity

EUR '000

	1.1.-30.6.2009	1.1.-30.6.2008
Share of profits	9	1,307
Share of losses	-12,234	0
Total	-12,225	1,307

(21) Taxes on income

EUR '000

	1.1.-30.6.2009	1.1.-30.6.2008
Current tax	-29,895	-35,460
Deferred tax	-33,894	7,043
Total	-63,789	-28,417

(22) Minority interests

EUR '000

	1.1.-30.6.2009	1.1.-30.6.2008
HBIInt. Credit Management Limited	-6,158	1,770
Share in interest income	-4,732	-10,053
Share in measurement gains / losses	-1,426	11,823
Norica Investments Limited	-8,155	-180
Share in interest income	-8,042	-170
Share in remaining result	-113	-10
Hypo Alpe-Adria-Leasing Holding AG	0	-8,625
Minority interests of other co-owners	-59	-1,279
Total	-14,372	-8,314

Notes to the Balance Sheet

(23) Cash and balances with central banks

EUR '000

	30.6.2009	31.12.2008
Cash on hand	111,519	113,841
Balances with central banks (daily due)	842,813	885,366
Total	954,332	999,207

(24) Loans and advances to credit institutions

(24.1) Loans and advances to credit institutions – by product

EUR '000

	30.6.2009	31.12.2008
Minimum reserve (not daily due)	457,044	502,196
Giro and clearing business	336,966	341,445
Money market placements	1,501,780	3,013,667
Loans	495,376	595,111
Finance lease receivables	533	632
Other receivables	53,649	30,219
Total	2,845,348	4,483,271

(24.2) Loans and advances to credit institutions – by region

EUR '000

	30.6.2009	31.12.2008
Austria	69,434	607,505
Central and Eastern Europe (CEE)	669,591	873,352
Other countries	2,106,323	3,002,413
Total	2,845,348	4,483,271

Notes to the Balance Sheet

(25) Loans and advances to customers**(25.1) Loans and advances to customers – by products**

	EUR '000	
	30.6.2009	31.12.2008
Current account credits	1,516,026	1,831,700
Bank loans	11,389,952	11,765,021
Mortgage loans	4,819,935	4,434,031
Municipal loans	2,823,644	2,803,063
Finance lease receivables	6,827,609	6,849,922
Other receivables	3,303,033	2,882,930
Total	30,680,199	30,566,667

(25.2) Loans and advances to customers – by types of customer

	EUR '000	
	30.6.2009	31.12.2008
Public sector	5,185,959	5,033,944
Corporate clients	18,602,779	18,813,540
Retail clients	6,891,460	6,719,182
Total	30,680,199	30,566,667

(25.3) Loans and advances to customers – by regions

	EUR '000	
	30.6.2009	31.12.2008
Austria	5,049,373	5,256,676
Central and Eastern Europe (CEE)	18,659,837	18,230,014
Other countries	6,970,989	7,079,976
Total	30,680,199	30,566,667

(26) Risk provisions**(26.1) Risk provisions – movement during the year**

EUR '000

	On 1.1.2009	Exchange differences	Allocation	Release	Use	On 30.6.2009
Specific risk provisions	-964,585	-202	-442,037	104,241	54,617	-1,247,965
Loans and advances to credit institutions	-8,250	-2	-11,631	632	0	-19,251
Loans and advances to customers	-951,034	-211	-432,329	103,538	54,617	-1,225,418
to public sector	-2,477	-16	-2,371	893	0	-3,970
to corporate clients	-859,707	-164	-386,006	87,858	53,845	-1,104,174
to retail clients	-88,850	-31	-43,952	14,786	772	-117,273
Other financial assets	-5,301	11	0	1,993	0	-3,296
Portfolio-based risk provisions	-121,646	875	-41,536	47,585	298	-114,423
Subtotal	-1,086,231	673	-485,495	153,749	54,916	-1,362,388
Provisions for credit commitments and guarantees	-57,345	-38	-8,200	9,776	0	-55,807
Total	-1,143,576	635	-493,695	163,524	54,916	-1,418,195

Releases from risk provisions also include the unwinding effect to the sum of EUR 17.6 m.

(26.2) Risk provisions – by regions

EUR '000

	30.6.2009	31.12.2008
Austria	-213,281	-201,113
Central and Eastern Europe (CEE)	-883,108	-706,255
Other countries	-265,999	-178,863
Total	-1,362,388	-1,086,231

(27) Trading assets

EUR '000

	30.6.2009	31.12.2008
Bonds and other fixed-interest securities	37,514	38,838
Shares and other non-fixed interest securities	10,691	61,333
Positive market value of derivative financial instruments (trading)	28,802	79,011
Total	77,007	179,181

(28) Positive fair value from hedge accounting derivatives

EUR '000

	30.6.2009	31.12.2008
Positive market values of fair value hedge instruments	819,054	581,682
Total	819,054	581,682

Notes to the Balance Sheet

(29) Financial investments – designated at fair value through profit or loss

EUR '000

	30.6.2009	31.12.2008
Loans and advances to customers and credit institutions	605,447	577,216
Bonds and other fixed-interest securities	320,638	352,136
Shares and other non fixed-interest securities	43,564	51,814
Positive market value of derivative financial instruments at fair value option (FVO)	122,993	139,366
Total	1,092,642	1,120,532

(30) Financial investments – available for sale

EUR '000

	30.6.2009	31.12.2008
Bonds and other fixed-interest securities	2,497,289	2,379,536
Shares and other non fixed-interest securities	73,576	86,012
Participations without intention for sale (< 20 %)	12,249	11,326
Other participations (associated companies 20 %–50 %)	43,441	43,191
Shares in affiliated, non-consolidated companies (> 50 %)	40,768	45,467
Total	2,667,324	2,565,532

(31) Financial investments – held to maturity

EUR '000

	30.6.2009	31.12.2008
Bonds and other fixed interest securities	41,283	41,940
Total	41,283	41,940

(32) Investments in companies accounted for at equity

EUR '000

	30.6.2009	31.12.2008
Shares in other associated companies	5,073	5,360
Total	5,073	5,360

(33) Other financial investments

EUR '000

	30.6.2009	31.12.2008
Investment properties	697,573	663,640
Assets used for operating leases (movable assets)	427,064	471,321
Total	1,124,638	1,134,960

(34) Intangible assets

EUR '000

	30.6.2009	31.12.2008
Goodwill	3,502	3,502
Software	34,189	33,797
Other intangible assets	22,817	27,685
Prepayments for intangible assets	6,762	1,708
Total	67,270	66,691

(35) Tangible assets

EUR '000

	30.6.2009	31.12.2008
Land and buildings	466,038	468,352
Plant and equipment	108,182	114,839
Total	574,220	583,190

(36) Tax assets

EUR '000

	30.6.2009	31.12.2008
Current tax assets	22,068	32,183
Deferred tax assets	618,130	527,741
Total	640,198	559,924

(37) Assets held for disposal

EUR '000

	30.6.2009	31.12.2008
Cash and balances with central banks	20,756	0
Loans and advances to credit institutions	12,711	0
Loans and advances to customers	50,728	0
Risk provisions on loans and advances	-5,368	0
Trading assets	336	0
Investments in companies accounted for at equity	0	10,200
Other financial investments (investment properties)	11,000	0
Intangible assets	0	0
Tangible assets	75	0
Tax assets	5	0
Other assets	482	0
Total	90,724	10,200

The position Assets held for disposal, which in accordance with IFRS 5 must be shown separately, contains the assets held in Alpe Adria Privatbank AG in Liquidation (see Note (3)) as well as a large leasing facility in Germany.

Notes to the Balance Sheet

(38) Other assets

	EUR '000	
	30.6.2009	31.12.2008
Prepaid expenses	90,153	83,490
Other assets	1,267,367	1,367,312
Shares in property development companies, short term	0	0
Assets under construction (project development), short term	111,135	100,118
Finished property projects held as current assets	63,924	62,087
Leases to go (lease assets not yet leased out)	554,772	670,844
Remaining receivables and other assets, not specific to banking	88,975	65,089
Other assets	389,142	395,760
Value added taxes and other tax assets	59,419	73,414
Positive market values of hedging instruments of economic hedges (banking book)	37,758	73,144
Total	1,395,277	1,523,945

(39) Liabilities to credit institutions**(39.1) Liabilities to credit institutions – by type**

	EUR '000	
	30.6.2009	31.12.2008
To central banks	682,963	32,299
To credit institutions	7,371,057	7,255,696
Daily due	279,816	73,938
Time deposits	3,939,581	4,026,014
Loans from banks	2,171,349	2,257,573
Money market liabilities	424,131	189,080
Other liabilities	556,180	709,092
Total	8,054,020	7,287,995

(39.2) Liabilities to credit institutions – by region

	EUR '000	
	30.6.2009	31.12.2008
Austria	1,118,833	1,267,224
Central and Eastern Europe (CEE)	1,666,084	1,612,880
Other countries	5,269,102	4,407,891
Total	8,054,020	7,287,995

(40) Liabilities to customers**(40.1) Liabilities to customers – by customer type**

EUR '000

	30.6.2009	31.12.2008
Saving deposits	1,776,652	1,645,169
Sight and time deposits	6,382,146	7,071,725
from public sector	621,410	939,320
from corporate clients	3,268,856	3,690,153
from retail clients	2,491,880	2,442,253
Total	8,158,798	8,716,894

(40.2) Liabilities to customers – by region

EUR '000

	30.6.2009	31.12.2008
Austria	2,044,224	2,190,309
Central and Eastern Europe (CEE)	3,679,241	3,901,879
Other countries	2,435,333	2,624,706
Total	8,158,798	8,716,894

(41) Liabilities evidenced by certificates

EUR '000

	30.6.2009	31.12.2008
Issued bonds	17,291,090	18,638,358
Mortgage-linked bonds and municipal bonds	1,347,700	1,367,066
Bonds	15,876,358	17,123,038
Other certificates of deposit and money market papers	67,031	148,253
Liabilities issued via »Pfandbriefstelle«	2,155,490	2,564,775
Other liabilities evidenced by certificates	175,227	212,207
Total	19,621,807	21,415,340

(42) Trading liabilities

EUR '000

	30.6.2009	31.12.2008
Negative market value of derivative financial instruments (trading)	8,424	27,902
Total	8,424	27,902

Notes to the Balance Sheet

(43) Negative fair value from hedge accounting derivatives

EUR '000

	30.6.2009	31.12.2008
Negative market values of fair value hedge instruments	101,113	107,356
Total	101,113	107,356

(44) Provisions

EUR '000

	30.6.2009	31.12.2008
Pensions	9,550	9,466
Severance payments	15,648	15,626
Provisions for anniversary payments	1,473	1,510
Provisions for credit commitments and guarantees	55,807	57,345
Other provisions	20,781	23,662
Total	103,260	107,608

(45) Tax liabilities

EUR '000

	30.6.2009	31.12.2008
Current tax liabilities	21,063	36,294
Deferred tax liabilities	457,696	343,961
Total	478,759	380,256

(46) Liabilities in asset groups held for disposal

EUR '000

	30.6.2009	31.12.2008
Liabilities to credit institutions	22	0
Liabilities to customers	101,363	0
Trading liabilities	38	0
Provisions	8,476	0
Tax liabilities	67	0
Other liabilities	886	0
Total	110,852	0

(47) Other liabilities

EUR '000

	30.6.2009	31.12.2008
Deferred income	492,567	498,041
Accruals and other obligations	357,143	329,264
Negative market values of hedging instruments	230,809	345,113
of economic hedges (banking book)	62,551	122,644
of derivatives designated at fair value option (FVO)	168,258	222,469
Total	1,080,520	1,172,418

(48) Subordinated capital

EUR '000

	30.6.2009	31.12.2008
Subordinated liabilities	939,737	949,296
Supplementary capital	530,068	523,840
Hybrid capital	119,391	117,311
Total	1,589,196	1,590,448

(49) Equity

EUR '000

	30.6.2009	31.12.2008
Shareholders' equity	1,890,998	2,020,713
Issued capital	962,474	962,474
Additional paid-in capital	881,057	881,057
Available for sale-reserves	-122,645	-161,515
Foreign currency translation	-5,498	-618
Retained earnings (incl. net consolidated income)	175,610	339,315
Minority interests	514,453	509,122
Total	2,405,451	2,529,835

From 1 January 2009, the foreign currency translation includes the foreign currency effects from consolidating the subsidiary bank in Serbia. The inclusion is made because of the measures initiated by the International Monetary Fund (IMF) in the first quarter of 2009, which aim to strengthen the local currency, and which has caused the RSD to assume more importance for the Serbian subsidiary. Due to the continuingly mixed indicators for the functional currency for this Group unit, Senior Management exercised its right to choose under IAS 21.12 and passed a resolution determining that the RSD will be the functional currency of this Group unit from now on, in place of the euro.

As the measures agreed are directed in the first instance at credit institutions, the euro will continue to be the functional currency for the two Group leasing companies.

Supplementary Information

(50) Balance sheet according to IAS 39 – measurement categories

EUR '000

	LAR / LAC	HFT	FVO	AFS	HTM	Fair Value Hedges	Financial assets / liabilities at (amortised) costs	30.6.2009
Cash and balances with central banks							954,332	954,332
Loans and advances to credit institutions	2,388,304						457,044	2,845,348
Loans and advances to customers	30,680,199							30,680,199
Risk provisions on loans and advances	-1,362,388							-1,362,388
Trading assets		77,007						77,007
Positive fair value								
from hedge accounting derivatives						819,054		819,054
Financial investments – afvtpl			1,092,642					1,092,642
Financial investments – afs				2,667,324				2,667,324
Financial investments – htm					41,283			41,283
Other assets / banking book derivatives		1,124,638						1,124,638
Other financial assets							166,280	166,280
Total financial assets	31,706,114	1,201,644	1,092,642	2,667,324	41,283	819,054	1,577,656	39,105,718
Liabilities to credit institutions	8,054,020							8,054,020
Liabilities to customers	7,785,707		373,090					8,158,798
Liabilities evidenced by certificates	18,578,654		1,043,153					19,621,807
Trading liabilities		8,424						8,424
Negative fair value								
from hedge accounting derivatives						101,113		101,113
Subordinated capital	1,447,705		141,491					1,589,196
Other liabilities / banking book derivatives		62,551						62,551
Other liabilities / FVO derivatives			168,258					168,258
Other financial liabilities							849,711	849,711
Total financial liabilities	35,866,086	70,976	1,725,992	0	0	101,113	849,711	38,613,877

Abbreviations:

LAR: loans and receivables

LAC: liabilities at cost

HFT: held for trading

FVO: designated at fair value through profit or loss

AFVTPL: at fair value through profit or loss (fair value option)

AFS: available for sale

HTM: held to maturity

EUR '000

	LAR / LAC	HFT	FVO	AFS	HTM	Fair Value Hedges	Financial assets / liabilities at (amortised) costs	31.12.2008
Cash and balances with central banks							999,207	999,207
Loans and advances to credit institutions	3,981,075						502,196	4,483,271
Loans and advances to customers	30,566,667							30,566,667
Risk provisions on loans and advances	-1,086,231							-1,086,231
Trading assets		179,181						179,181
Positive fair value								
from hedge accounting derivatives						581,682		581,682
Financial investments – afvtpl			1,120,532					1,120,532
Financial investments – afs				2,565,532				2,565,532
Financial investments – htm					41,940			41,940
Other assets / banking book derivatives		1,134,960						1,134,960
Other financial assets							140,016	140,016
Total financial assets	33,461,511	1,314,142	1,120,532	2,565,532	41,940	581,682	1,641,419	40,726,757
Liabilities to credit institutions	7,287,995							7,287,995
Liabilities to customers	8,673,806		431,918					9,105,724
Liabilities evidenced by certificates	19,964,466		1,062,045					21,026,510
Trading liabilities		27,902						27,902
Negative fair value								
from hedge accounting derivatives						107,356		107,356
Subordinated capital	1,451,840		138,608					1,590,448
Other liabilities / banking book derivatives		122,644						122,644
Other liabilities / FVO derivatives			222,469					222,469
Other financial liabilities							827,305	827,305
Total financial liabilities	37,378,107	150,546	1,855,039	0	0	107,356	827,305	40,318,353

Abbreviations:

LAR: loans and receivables

LAC: liabilities at cost

HFT: held for trading

FVO: designated at fair value through profit or loss

AFVTPL: at fair value through profit or loss (fair value option)

AFS: available for sale

HTM: held to maturity

Supplementary Information

(51) Financial liabilities designated at fair value through profit or loss

EUR '000

	30.6.2009	31.12.2008
FVO - Liabilities to customers	373,090	431,918
FVO - Liabilities evidenced by certificates	1,043,153	1,062,045
FVO - Subordinated capital	141,491	138,608
Total	1,557,734	1,632,570

(52) Contingent liabilities and other off-balance-sheet items

The following contingent liabilities and off-balance sheet items existed on the balance sheet date:

EUR '000

	30.6.2009	31.12.2008
Contingent liabilities	1,031,121	1,154,108
Credit guarantees	633,291	709,024
Letters of credit	59,306	65,710
Other guarantees	292,870	298,361
Other contingent liabilities	45,654	81,012
Other commitments	2,184,049	2,506,541
Irrevocable credit commitments	1,950,967	2,298,042
Other obligations	233,081	208,499
Total	3,215,169	3,660,648

(53) Related party disclosures

The business relations with related parties as of 30 June 2009 are presented in the balance sheet as follows:

EUR '000

As per 30.6.2009	Companies with					Key management personnel
	Parent company	substantial influence	Affiliated companies	Associated companies	Joint Ventures	
Total assets	664,098	29,638	80,834	273,627	64,568	2,992
Loans and advances to credit institutions	664,098	15,784	0	0	0	0
Loans and advances to customers	0	0	112,688	313,622	67,543	2,992
Risk provisions	0	0	-32,777	-40,000	-2,982	0
Other financial investments (investment properties)	0	13,854	923	6	6	0
Total liabilities	3,625,575	37,334	4,857	3,395	11	4,517
Liabilities to credit institutions	3,296,959	15,820	0	934	0	0
Liabilities to customers	0	13,115	4,733	2,461	11	4,512
Other financial liabilities	0	8,400	0	0	0	5
Supplementary capital	328,616	0	124	0	0	0

(54) Participation capital

On 29 December 2008, the Republic of Austria subscribed to Tier 1 participation capital (in the form of 18,000 participation certificates each with a value of EUR 50,000) in Hypo Alpe-Adria-Bank International AG, with a total value of EUR 900 m.

Under the terms of the participation agreement, the Republic is entitled to apply Section 102 BWG (Austrian Banking Act) and to convert all participation certificates held into ordinary shares in Hypo Alpe-Adria-Bank International AG at a conversion price to be agreed in accordance with the conditions attached to the investment capital issue.

The owners of the participation capital are entitled to a share of profits of 8.0% p.a., which will rise to 8.5% and 9.0% p.a. in the sixth and seventh year respectively following the capital issue, and to 9.75% or 10.75% p.a. in the eighth and ninth year. From the ninth year onwards, the agreements foresee an increase in dividend payments equivalent to the 12-month EURIBOR rate plus 10.0%. In the event of apportionment of the issued participation capital, the repayment value is measured at 110% of nominal value (for apportionment from the 10th year onwards 150%) provided that this increase of 10% (50% from the tenth year) is covered by a corresponding increase in the company value of Hypo Group Alpe Adria.

In the consolidated financial statements for Hypo Alpe-Adria-Bank International AG, this participation capital is shown under equity under the item subscribed capital. Dividends paid on the participation capital will be shown as appropriation of net income and not as interest expense. The financial statements of Hypo Alpe-Adria-Bank International AG prepared in accordance with the UGB / BWG will be taken as the basis for measuring profits and based on there being sufficient annual profit after movements in reserves.

(55) Statutory guarantee

The guarantee of the Province of Carinthia for all commitments of Hypo Alpe-Adria-Bank International AG and the Hypo Alpe-Adria Bank AG (Austria) is a statutory guarantee pursuant to Section 1356 of the Austrian Civil Code.

As a result of a judgement by the European Commission, which held that the original guarantee of the Province, which had been unlimited with regard to its term of validity and / or amount, constituted a governmental subsidy within the meaning of Article 88 of the ECC, the Carinthian State Holding Law (K-LHG) had to be amended. At present, the Province of Carinthia continues to act as the guarantor for the commitments of the two domestic issuers entered into prior to 3 April 2003. With regard to these commitments, the statutory guarantee according to Section 1356 of the Civil Code is still extended without any restriction.

For commitments entered into by Hypo Alpe-Adria-Bank International AG and Hypo Alpe-Adria-Bank AG (Austria) from 3 April 2003 until 1 April 2007, the Province of Carinthia provides a statutory guarantee to the extent that the term of the commitment does not exceed 30 September 2017. The Province does not offer any guarantee for liabilities entered into after 1 April 2007.

(56) Important proceedings

At the beginning of December 2008, Hypo Alpe-Adria-Bank International AG received an increase in capital of EUR 700 m, primarily subscribed to by its majority shareholder, the Bayerische Landesbank (BayernLB, shareholding as of 30 June 2009: 67.08%). In addition, at the end of December 2008, the Republic of Austria made available participation capital with a value of EUR 900 m, as part of the Austrian banking package (see also Note (54)).

Against the background that the majority shareholder in Hypo Group Alpe Adria, BayernLB, received financial assistance in the form of a EUR 10 bn capital injection and a guarantee of its ABS portfolio to a maximum sum of EUR 4.8 bn, the Commis-

Supplementary Information

sion citing Art. 88 II of the EC Treaty ordered an immediate examination of the restructuring plan of BayernLB as well as of the Group's profitability plan to be delivered to the Commission by the German and Austrian governments.

With regard to Hypo Group Alpe Adria, the Commission is currently checking whether the measures planned by the Group can return it to long-term profitability, whether support from the state has been kept to the required minimum, whether the own contribution made is appropriate and whether sufficient measures have been undertaken, to limit the distortions to competition caused by the financial assistance given.

It is expected that the official process of inspection on the part of the Federal Republic of Germany and the Republic of Austria will be concluded in the third or fourth quarter of 2009. As the subject of the inspection process, Hypo Group Alpe Adria has declared its willingness to cooperate fully with the Commission.

(57) Use of subordinated capital

(57.1) Supplementary capital

Both Hypo Alpe-Adria-Bank International AG and Hypo Alpe-Adria-Bank AG (Austria) have in the past issued supplementary capital pursuant to Section 23 (7) BWG (Austrian Banking Act), which in accordance with regulations has been allocated to own capital funds.

According to the restrictions laid down in Section 23 (7) (2), interest can only be paid out »if is covered by the annual profits before movements in reserves«. As neither the financial statements of Hypo Alpe-Adria-Bank International AG nor of Hypo Alpe-Adria-Bank AG (Austria) as at 31 December 2007 or at 31 December 2008 meet this criterion, and following formal adoption of the financial statements for 2007 or 2008 respectively, interest on the supplementary capital issues of both credit institutions cannot be paid out.

According to the specific legal provisions, payment of interest may only be resumed when subsequent financial statements for Hypo Alpe-Adria-Bank International AG and Hypo Alpe-Adria-Bank AG (Austria) respectively establish that sufficient annual profits prior to movements in reserves have been shown. Due to the existing obligation to make back payments of interest, interest for the preceding periods of non-payment has to be paid out and therefore continues to be shown and accrued as interest expenses in the consolidated income statement, but not paid out.

(57.2) Hybrid capital

Hypo Group Alpe Adria has in the past issued two subordinated hybrid capital, with no obligation to pay back interest (Hypo Alpe-Adria Jersey Ltd. for a nominal value of EUR 75 m and Hypo Alpe-Adria (Jersey) II Ltd. for a nominal value of EUR 150 m). Both issues are essentially for an unlimited term, although the issuer has a unilateral right to terminate, which is not granted to the investor.

The primary criterion for interest being paid on these hybrid capital issues is sufficient »distributable funds«, as defined in the issue conditions; the secondary criterion is that there is no short-fall on the limits set for the Group's own capital funds. As the financial statements in accordance with UGB / BWG for Hypo Alpe-Adria-Bank International AG as of 31 December 2008 only show a result of EUR 0, which came about as a result of releasing unallocated capital reserves to cancel out the loss, the main condition for the ongoing payment of interest on the hybrid capital is essentially not met and may therefore not be undertaken.

The annual financial statements were approved in the Supervisory Committee meeting of 23 April 2009, and as a result, subsequent payments of coupons cannot be covered. Hypo Group Alpe Adria may therefore not undertake to pay out interest on hybrid capital until such time as the financial statements adopted for Hypo Alpe-Adria-Bank International AG in accor-

dance with UGB/BWG show annual profits, which then require the servicing of the hybrid capital in accordance with the issue conditions with regard to »distributable funds«.

As there is no regulatory obligation to pay back missed interest payments, the payments with regard to this hybrid capital do not apply and are therefore not shown as interest expense in the consolidated income statement.

(57.3) Subordinated liabilities

As subordinated capital (subordinated liabilities) as defined by Section 23 (8) BWG is not contractually tied either to the existence of sufficient net income or »distributable funds«, nor to an annual profit prior to movements in reserves, there are currently no restrictions on servicing the interest payments for these issues.

(58) Employee data

	30.6.2009	31.12.2008
Employees at closing date	8,061	8,114
thereof in Austria	1,323	1,328
thereof abroad	6,738	6,786
Employees average	8,071	7,867
thereof in Austria	1,349	1,332
thereof abroad	6,723	6,535

Not including apprentices or employees on unpaid leave

Supplementary Information

(59) Own capital funds as defined by the Austrian Banking Act

The own capital funds of the Group as defined by the Austrian Banking Act (BWG) and by the Solvency Ordinance (SolvaV) are made up as follows:

	EUR '000	
	30.6.2009	31.12.2008
	BASEL II	BASEL II
Core capital (Tier 1)	2,549,770	2,746,534
Paid-in capital	962,474	962,474
Reserves (incl. minority interests in equity and hybrid capital)	1,430,338	1,627,844
Funds for general banking risks	200,700	200,700
Intangible assets	-43,742	-44,484
Supplementary elements (Tier 2)	1,427,443	1,429,980
Supplementary capital	490,095	493,205
Revaluation reserve for real estate (weighted with 45 %)	30,712	30,712
Subordinated liabilities	906,636	906,063
Deductions pursuant to Section 23 (13) of the Banking Act	-33,910	-23,271
Tier 3 (reclassified Tier 2 capital)	0	20,000
Own capital funds acc. to BWG	3,943,303	4,173,243
Own capital funds requirement acc. to BWG	2,668,286	2,796,800
Surplus capital	1,275,017	1,376,443
Coverage	147.8 %	149.2 %

	EUR '000	
	30.6.2009	31.12.2008
	BASEL II	BASEL II
Risk-weighted assessment basis pursuant to Section 22 of the Banking Act (banking book)	31,278,825	32,831,625
thereof 8% capital requirement	2,502,306	2,626,530
Capital requirement pursuant to Section 22b of the Banking Act (securities trading book)	2,239	4,660
Capital requirement pursuant to Section 26 of the Banking Act (open foreign exchange position)	28,266	30,135
Capital requirement pursuant to operational risk	135,475	135,475
Total own capital funds requirement	2,668,286	2,796,800

	EUR '000	
	30.6.2009	31.12.2008
	BASEL II	BASEL II
Assessment basis banking book (risk-weighted):	31,278,825	32,831,625
Core capital ratio (Tier 1-ratio)	8.1 %	8.3 %
Own capital funds ratio	12.6 %	12.7 %
Assessment basis incl. market and operational risk:	33,353,575	34,960,000
Core capital ratio (Tier 1-ratio)	7.6 %	7.8 %
Own capital funds ratio (solvency ratio)	11.8 %	11.9 %

(60) Management bodies 1 January to 30 June 2009**Supervisory Board****Chairman:**

Michael KEMMER, Munich

1st Deputy Chairman:

Othmar EDERER, Graz, until 23 April 2009
Siegfried GRIGG, Graz, from 18 May 2009,
prior to this member of the Supervisory Board

2nd Deputy Chairman:

Hans-Jörg MEGYMOREZ, Klagenfurt-Wölfnitz

Members:

Rudolf HANISCH, Munich,
until 30 April 2009
Siegfried NASER, Munich
Ralph SCHMIDT, Munich
Klaus WEIGERT, Munich,
until 18 March 2009
Benedikt HAAS, Munich, from 23 April 2009
Wolfgang HALLER, Haag, from 23 April 2009
Stefan ERMISCH, Munich, from 23 April 2009

Appointed by the Works Council:

Erich CLIMA, Chairman, Klagenfurt
Edith ENENGEL, Klagenfurt
Markus RUSSLING, Klagenfurt
Mario ZOLLE, Klagenfurt

Federal Supervisory Authorities**State commissioner:**

Angelika SCHLÖGEL, Vienna

Deputy state commissioner:

Monika HUTTER, Vienna

Province – supervisory function

Harald DOBERNIG, Provincial Minister, Maria Saal
Horst FELSNER, Klagenfurt

Trustee:

Herbert PÖTZ
Judge of the Provincial Court, Klagenfurt

Deputy trustee:

Helmut ARBEITER
Judge of the Provincial Court, Klagenfurt

Executive Board

Franz PINKL,
Chairman of the Executive Board, Ternitz,
from 1 June 2009
Tilo BERLIN,
Chairman of the Executive Board, Maria Saal,
until 30 April 2009
Andreas DÖRHÖFER,
Deputy Chairman of the Executive Board, Erding
Paul A. KOCHER,
Member of the Executive Board, Vienna,
until 31 May 2009
Wolfgang PETER,
Member of the Executive Board, Breitenbrunn
Božidar ŠPAN,
Member of the Executive Board, Ljubljana
Anton KNETT,
Member of the Executive Board, Höflein an der Donau,
from 1 June 2009

(61) Material subsidiaries as of 30 June 2009



* 100% of voting and capital rights as of 30 June 2009 (75,24% of capital rights owned as of 31 December 2008)

** 70% owned by AAI; 15% each owned by the two Austrian group banks

(62) Events after the balance sheet date

Within the framework of the issue programme of state-guaranteed bonds totalling EUR 1.35 bn, in mid-July 2009 Hypo Alpe-Adria-Bank International AG successfully placed a benchmark bond issue worth more than EUR 1 bn. This euro-designated issue, which was oversubscribed several times over, has a term of four years (to 24 July 2013) and pays fixed interest of 3.125 % p.a.

Klagenfurt am Wörthersee, 10 August 2009
Hypo Alpe-Adria-Bank International AG

THE EXECUTIVE BOARD



Franz Pinkl



Andreas Dörhöfer



Wolfgang Peter



Božidar Špan



Anton Knett

Statement of all Legal Representatives

»We confirm that, to the best of our knowledge, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the interim Group Management Report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the consolidated interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year.«

Klagenfurt am Wörthersee, 10 August 2009
Hypo Alpe-Adria-Bank International AG

THE EXECUTIVE BOARD



Franz Pinkl



Andreas Dörhöfer



Wolfgang Peter



Božidar Špan



Anton Knett

Report on the Review of the Condensed Consolidated Interim Financial Statements as of 30 June 2009

Introduction

Deloitte Audit Wirtschaftsprüfungs GmbH, Renngasse 1/Freyung, 1010 Vienna und PwC INTER-TREUHAND GmbH, Erdbergstrasse 200, 1030 Vienna have reviewed the accompanying condensed consolidated interim financial statements of HYPO ALPE-ADRIA-INTERNATIONAL AG, Klagenfurt am Wörthersee, for the period from January 1 to June 30, 2009. The condensed consolidated interim financial statements comprise the condensed consolidated balance sheet as of June 30, 2009, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the period from January 1 to June 30, 2009 as well as the explanatory notes.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the IFRS applicable on interim financial reporting as adopted by the EU.

Our responsibility is to draw a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with laws and regulations applicable in Austria and in accordance with International Standard on Review Engagements 2410, »Review of Interim Financial Information Performed by the Independent Auditor of the Entity«. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope and involves less documentation than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with the IFRS applicable on interim financial reporting as adopted by the EU.

Comment on the semi-annual management report for the Group and on the declaration of the legal representatives in accordance with Section 87 BörseG (Austrian Stock Exchange Law)

We have read the semi-annual management report for the Group and assessed whether it did not include any obvious inconsistencies with the condensed consolidated interim financial statements. In our view the semi-annual management report for the Group does not contain any obvious inconsistencies with the condensed consolidated interim financial statements.

The semi-annual financial report contains the declaration of the legal representatives as stipulated by Section 87 (1) (3) BörseG.

Vienna, 10 August 2009

Deloitte Audit
Wirtschaftsprüfungs GmbH



Thomas Becker



Peter Bitzyk

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft



Dorotea-E. Rebmann

Austrian Certified Public Accountant

The condensed consolidated interim financial statements of HYPO ALPE-ADRIA-INTERNATIONAL AG as of June 30, 2009, the semi-annual management report for the Group and the report on review thereon have been issued in German language in accordance with Section 85 (1) Stock Exchange Law. We draw attention to the fact that this translation into English is presented for convenience purposes only and that the German wording is the only legally binding version.

Imprint

Responsible for the content

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www.hypo-alpe-adria.com

Information relating to the future and forecasts are based on the information and data available at the date of compiling this interim financial report (10 August 2009). Changes after this date could affect the statements and forecasts made in the interim financial report. This report has been prepared with the utmost care and diligence. However, rounding, transmission, layout and printing errors cannot be ruled out. The English version is a translation of the German original. The German version is the only authentic version.

