

Bank



Annual Report 2009

Hypo Alpe Adria Bank AG, Austria

metrics

Hypo Alpe Adria Bank AG

in EUR million

	2009	2008	Change 09/08
total assets	6,672	7,047	(375)
Primary funds (customer deposits, own emissions)	3,600	4,761	(1,161)
credit volume	5,639	6,006	(367)
equity	355	326	29
thereof Tier 1	201	197	4
Net Interest Income	65	77	(12)
Operating Income	99	117	(18)
operating expenses	81	80	1
operating result	18	37	(19)
EGT	(258)	(170)	(88)
CIR	81.45%	68.38%	
ROE	negative	negative	
ROA	negative	negative	
Employees	622	630	

Annual Report 2009

Hypo Alpe Adria Bank AG, Austria

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Letter from the Board of Directors

Dear customers, business partners, shareholders and Employees,

2009 was definitely one of the most challenging financial years in the company's history for Hypo Alpe-Adria-Bank AG – as for most financial institutions worldwide. The crisis, which began on the international financial markets in the third quarter of 2008, also reached the real economy shortly afterwards – Austria was thus hit in 2009 by the deepest recession since the Second World War. In addition to these difficult framework conditions and the highly competitive environment, 2009 was also characterized by the takeover of all shares in Hypo Alpe-Adria-Bank International AG by the Republic of Austria in December 2009. In the weeks leading up to this change of ownership, the future of Hypo Alpe-Adria-Bank International AG was the subject of heated public debate. As a result, reports of negative results and high capital requirements weighed on the entire banking group.

This led to general uncertainty, which resulted in massive outflows of deposits until the new ownership structure was determined. In the past financial year, Hypo Alpe Adria-Bank AG had to accept declines in credit volume and primary funds as well as in key earnings figures. Hypo Alpe-Adria-Bank AG now presents itself again with a strong ownership structure and is therefore well prepared for the continuingly challenging future. This year we would like to say a special thank you to our customers and partners who - despite public discussions and difficult

framework conditions – have continued to place their trust in us. We look forward to supporting you in the coming years and decades as a reliable partner in the fulfillment of your corporate and personal goals.

To look forward to this successful but also challenging To prepare for the future, we took a series of measures throughout the 2009 financial year: The entire group was subjected to a comprehensive restructuring program in order to uncover potential cost savings that can be further exploited in the future. With the takeover by the Republic of Austria, this restructuring process was intensified again with the aim of streamlining the organization and giving it a clear profile. After a detailed analysis of our business model, we decided to focus more on our home market of Carinthia, where we have been successfully active since 1896. Against this background, the provincial offices in Tyrol and Upper Austria will be closed in the first quarter of 2010, and the Austrian core regions will continue to be served from Carinthia and from the Vienna and Salzburg locations. In Carinthia in particular, we are focusing on the retail sector: As part of the holistic support approach, existing customers should be given competent and preventive advice. Asset protection and the reduction of risk positions in special sub-areas are also in focus, and the bank's efficiency is to be further increased through strict cost management. All of these measures are aimed at being profitable and competitive again on the Austrian market in the medium term.

At our primary strategic cornerstones, the our development from a regional bank to one

in 2009 and we will continue to do so in the future: For us, a pronounced customer orientation has the highest priority and we strive for a long-term and reliable partnership that goes far beyond the money business. Even in difficult times, we take our responsibility towards society and the environment very seriously. Our employees are certainly the most important pillar of our company's success. Only through their know-how, their commitment and their loyalty

it was possible for us to master this difficult company phase - we would like to thank you very much for that.

It is precisely these highly qualified and motivated employees that allow us to look to the future with confidence. There is still a great deal of work ahead of us in the continuingly challenging 2010 financial year – but thanks to our new, strong owner and our optimized structure and strategic orientation, we are well prepared for this difficult environment.

Best regards



Mag. Kurt Macula

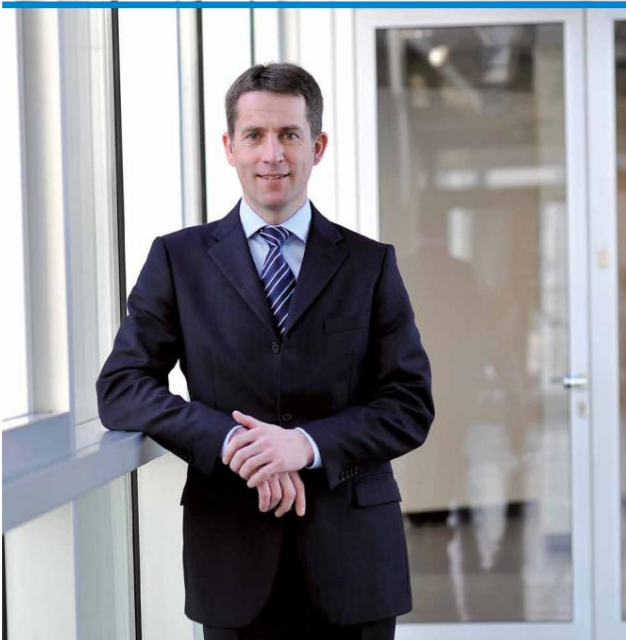


Gerhard Salzer

Management Board of Hypo Alpe-Adria-Bank AG



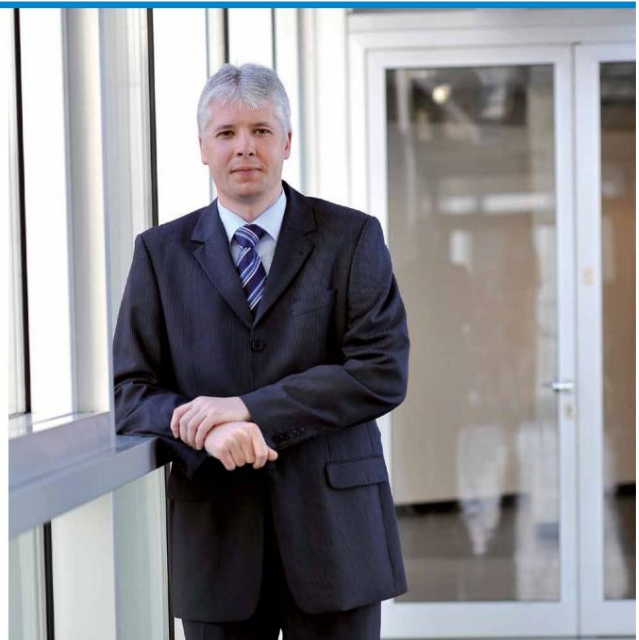
The board



Mag. Kurt Makula
Chairman of the Board
since 01.01.2008

areas of responsibility

audit
compliance
organ transactions
marketing
Retail & Private Banking
corporate banking
public finance
investment services
Treasury
ORG./IT
Human Resources
Legal services



Gerhard Salzer
Member of the Management
Board since February 1, 2009

areas of responsibility

audit
compliance
accounting
financial controlling
risk controlling
Group Credit Processing
transaction banking
Credit risk management
rehabilitation

Strategic cornerstones

Founded in Carinthia in 1896, Hypo Alpe-Adria-Bank AG can now look back on many years of experience in the area of investment and financing. As a subsidiary of Hypo Alpe-Adria-Bank International AG, which has been owned by the Republic of Austria since December 2009 and operates in twelve countries at around 350 locations in the extended Alps-Adriatic region, it has a dense network that enables it to develop target group-specific solutions for the most diverse needs of private and corporate customers. As of December 31, 2009, the universal bank employed 622 people at 22 locations in Carinthia, Vienna, Salzburg, Linz and Innsbruck and offers its customers all the traditional services in retail and private banking, in corporate banking and in the institutional public finance sector.

Hypo Alpe-Adria-Bank AG attaches great importance to customer orientation. In this sense, the bank always sees its activities as a long-term partnership that goes far beyond the money business.

Because only the proximity to the customer enables the customer advisors to develop and implement individual and tailor-made solutions in a timely manner. Hypo Alpe-Adria-Bank AG attaches particular importance to the training and motivation of its employees. It is the employees who, through their know-how and qualifications, create customer proximity and thus form an important pillar of the company's success. In the past financial year, the focus of the training and further education program was primarily in the areas of retail & private banking and corporate banking. Management training in the branches was continued and targeted sales training was held for customer advisors. Ongoing specialist training such as tax meetings, software training and events on the subject of SEPA and Basel II rounded off the training year in this area. The promotion of cooperation between corporate and leasing customer advisors as well as product training were part of the training program for employees in the corporate banking area. In the same period, a three-part group-wide training series for corporate and SME consultants was launched under the title "Business Risk Analysis & Corporate Finance". As part of this event, the employees were trained in the sense of holistic customer care, taking into account the general banking risks.

In the course of its restructuring, Hypo Alpe Adria-Bank AG introduced far-reaching measures in 2009 in order to once again operate profitably and competitively on the Austrian market in the medium term. In the future, Hypo Alpe-Adria-Bank AG will concentrate on the Carinthia region, while also looking after the Austrian core regions from its Vienna and Salzburg locations. Against this background, the company plans to close the existing locations in Upper Austria and Tyrol in the first quarter of 2010. A focus of the activities of the universal bank in the retail sector will be the optimization of the existing branch network and the further expansion of residential construction financing, savings and investment products. While the retail business is being pushed more strongly in Carinthia in particular, the bank will continue to expand the private banking segment in Vienna and Salzburg. In the area of corporate banking, the bank intends to continue to act as a strong partner for Austrian medium-sized companies with its products and services. Hypo Alpe-Adria-Bank AG focuses clearly on the federal states of Carinthia, Vienna and Salzburg with its classic banking services such as financing, payment transactions, documentary business, funding advice, treasury sales, but also with structured financing and syndications as well as investments. As a national niche player, the bank will continue to expand its expertise in real estate financing. In the area of public finance, Hypo Alpe-Adria-Bank AG sees itself as a comprehensive service provider for public and public customers as well as

housing cooperatives. The bank follows a full-service support concept. In addition to the core products of financing, forfeiting, cash and debt management, cooperation with the Public

Finance units of the international sister banks to be further promoted.

Corporate Social Responsibility (CSR)

Hypo Alpe-Adria-Bank AG took its social responsibility very seriously in the past financial year. With the support of important social projects and the commitment in the cultural and sporting area, it once again proved to be an important and indispensable partner of the region.

Social projects

The transnational project "Siamo fratelli e sorelle" was also a major concern of Hypo Alpe-Adria-Bank AG in 2009. Initiated in 2003, this integrative project aims at gathering experiences within the framework of everyday and creative common activities.

Thousands of people from all over Europe take part in this project in Klagenfurt every year. The entire net proceeds from the Artecon Boccia Charity were made available for the renovation of the SOS Children's Village in Moosburg in the year under review. Hypo Alpe-Adria-Bank AG again refrained from giving World Savings Day gifts for adults in the past financial year and in return made donations to various charitable organizations. These included, for example, the Carinthian relief organization, a severely disabled class in Hermagor, the Save the Child association in Spittal, the Wolfsberg Red Cross and the Feldkirchen and St. Paul volunteer fire brigades.

Sports

In the area of sports, Hypo Alpe-Adria Bank AG once again supported selected initiatives. In addition, the bank organized a large number of smaller events in order to intensify direct contact with its customers. The Hypo Alpe-Adria-Bank AG used the Austrian athletes Franz Klammer and Rainer Schönfelder, who have been successful for many years, as brand ambassadors.

In the golf sector, the Bank was involved in various golf tournaments and company cups in 2009, including the Lions Golf Tournament, Kleine Zeitung company cups, the Carinthian Golf Open and the Franz Klammer Trophy.

Arts and Culture

As part of the Trigonale 2009, the early music festival, Hypo Alpe-Adria-Bank AG supported the "Culture.Space.Church.2009" project. The Maria Saal Cathedral served as an impressive backdrop for the encounter with sacred music in all its diversity. Musicians and those interested in music were not only able to meet each other at the concerts or public rehearsals, but also when singing together in professionally led workshops. With the Carinthian Summer, Hypo Alpe-Adria-Bank AG supported a cultural event that received attention far beyond the borders.

Top-class specialist events

In 2009, too, Hypo Alpe-Adria-Bank AG supported numerous events with top-class participants. Among other things, the well-known futurologist Matthias Horx gave a lecture in June 2009 on the subject of "The future after the crisis", showing his vision of the world after the financial and economic crisis. Already for the fourth time took place in September the CEE Economic Forum Velden 2009. "Opportunities – Cooperation – Projects" was the general theme of this event, which focused on the markets of Southeast Europe and the countries that joined the EU in 2004, Poland, the Czech Republic, Slovakia, Hungary and Slovenia. National and international speakers, entrepreneurs, economic politicians, renowned economic researchers, consultants and managers were among the guests at the CEE Economic Forum in Velden

2009. In addition to best practice lectures and in-depth workshops, the numerous participants also discussed the issues at country seminars, one-to-one talks and various networking events. The Alpen-Adria-Kommunalforum took place in Velden am Wörthersee for the first time in September. Increasing the interregional added value and the sustainable networking of municipalities, regions and decision-makers from Northern Italy, Slovenia and Austria were the focus of the event, which is intended to become an annual local and economic policy fixed point for experts and connoisseurs of the Alps-Adriatic region and Southeast Europe.

Other marketing activities

In the spring of 2009, the bank launched a far-reaching image campaign under the slogan "Developing strength together – for Carinthia's economy". One focus of the campaign was on residential construction. This was linked to housing advice days in the branches, a separate housing guide and local advertisements and posters.

But tailor-made events for the private and corporate customers of Hypo Alpe-Adria-Bank AG were also on the agenda. The bank not only offered its corporate customers its own customer newspaper "Corporate in Time" or business breakfasts and information evenings

selected topics such as interest and currency management, perspectives for the economy and financial markets and also funding advice for medium-sized companies. Marketing shares were aimed at retail and private banking

viities on the intensive advertising of savings products and here especially in the fourth quarter of the guaranteed savings book. Regional customer events on the topics of interest rate and currency developments and forecasts and interest rate hedging products were further initiatives of the Bank in the Retail & Private Banking area.

Business development according to business areas

Retail & Private Banking

The Hypo Alpe-Adria-Bank AG offer is aimed equally at private customers, small businesses and freelancers as well as private banking customers and includes all classic banking products and services. The customer segmentation, which was fully completed in the past financial year, supported the bank in its target group-specific orientation to intensify customer care. Regular sales and product training for employees as well as various specialist seminars were part of the bank's training and further education program in 2009.

The bank paid particular attention to conservative ones investment products and pushed the guaranteed savings account with fixed interest and variable terms from twelve to a maximum of 48 months, which was reflected in increased demand for savings accounts with fixed interest rates, especially in the first quarter of 2009. The total volume of savings deposits at Hypo Alpe-Adria-Bank AG as of the reporting date of 31. December 2009 reached EUR 868.5 million, of which EUR 815.2 million was attributable to the Retail & Private Banking area. Tied deposits accounted for around a quarter of all savings deposits. Time deposits reached a total volume of EUR 283.8 million at the end of 2009.

In the year under review, the bank successfully placed three new Pfandbrief issues with terms of two, five and seven years and a sales volume of EUR 18.9 million.

On the financing side, the lending volume was around EUR 823 million and was therefore slightly lower than in the previous year. Of this, a volume of EUR 531.5 million was attributable to personal loans. In general, the bank recorded a weaker demand for loans due to the continued financial crisis in 2009. The area of residential construction financing achieved a proportionate volume of EUR 348.5 million in the past financial year and thus remained almost at the level of the previous year.

In order to be able to look after private banking customers even more intensively and comprehensively in the future, Hypo Alpe Adria-Bank AG set up its own private banking centers at defined locations.

corporate banking

Hypo Alpe-Adria-Bank AG, with its regional focus on Carinthia, Salzburg and Vienna, has in the past financial year, the comprehensive service concept for the customer group of medium-sized companies in Austria

further developed and thus guarantees optimal and solution-oriented support in the future. The top priority in Corporate Banking is customer orientation coupled with a range of target group-specific products and solutions. In addition to classic financing, the bank also offers attractive products in the areas of investments, subsidies, payment transactions, documentary business and treasury sales. The cooperation between customer advisors and product specialists was further developed in order to optimize the area of corporate banking. This means that customers have the best solution from a single source in line with the one-stop banking strategy.

Against the background of a very challenging business year, Hypo Alpe-Adria-Bank AG initiated all measures to streamline the credit portfolio in the year under review and thus significantly reduce the risk positions. The bank also relied on increased monitoring of the existing loan portfolio to support this. Against this background, the Corporate Banking division was able to conclude selective new business in the year under review.

The specialist and product events organized by the bank throughout Austria throughout the year, such as the "Business Breakfast" series of events, have proved very successful. The international cash management module introduced in the past financial year, the introduction of the Single Euro Payments Area (SEPA) and the Europe-wide direct debit procedure (SEPA Direct Debit) as well as target group-specific account packages round off the bank's offering for Austrian medium-sized companies. In the area of investments, the range of products for entrepreneurs was further expanded and internal processes were optimised. The Treasury Sales unit supports the Corporate Banking department in hedging interest rate, currency and commodity management and thus offers companies real added value.

In order to provide comprehensive support for its corporate customers, Hypo Group Alpe Adria implemented two new group-wide competence centers in mid-2009. The Competence Center "Project Finance, Syndications & Subsidies" acts as the central point of contact for syndications, syndication and project financing for the entire group. Funding advice, which is handled by the Competence Center, is now a fixed part of the offer in the sense of an overall solution

Business development according to business areas

for the customer. The second Competence Center "Trade Finance and Guarantees" is responsible for the Group and covers the entire range of products for foreign business. Customers benefit from professional support in the document and guarantee business, in particular to optimize risks in international business.

public finance

In 2009, Hypo Alpe-Adria-Bank AG once again proved to be a strong partner to the public sector. In the area of public finance, the bank offers a comprehensive range of financing and investment products and services: in addition to classic and complex credit financing, the bank's core business in this area, the range also includes attractive products such as cash pooling, treasury sales, a wide variety of investment options and individual financial management for customers in the public sector. Despite the difficult market environment, the Public Finance division was not only able to hold its ground well on the market, but also recorded positive business development. The total volume of new financing in 2009 was EUR 188 million, resulting in growth of around EUR 37 million.

Hypo Alpe-Adria-Bank AG received numerous bids for the financing of national and international public projects. While the focus of financing in Austria in 2009 was on the healthcare sector, abroad it was primarily on infrastructure. In its home market of Austria, Hypo Alpe-Adria-Bank AG received surcharges of around EUR 80 million for financing projects in the healthcare sector. Another focus in Austria was the financing of road construction projects in the amount of around EUR 34 million.

These projects in Austria thus contributed around 73% to the volume of new financing in 2009. Hypo Alpe-Adria-Bank AG was also very successful in international financing projects. Of particular note in this context is the financing of public institutions in Croatia in the amount of around EUR 50 million, which was processed in the past financial year in cooperation with the Croatian sister bank.

investment services

Until the middle of 2009, the focus of the activities of the Investment Services division was exclusively on the brokerage department, which not only processed the bank's entire trading business, but also looked after the private and corporate customers of Hypo Alpe-Adria-Bank AG with its services in south-eastern Europe. As of June 1, 2009, the asset management department of Hypo Alpe Adria-Bank International AG was integrated into Hypo Alpe-Adria-Bank AG when all activities in fund management and asset management were taken over. With the switch to a new global broker, the bank took another important step in the year under review to once again improve costs, efficiency and service quality in trading on the international markets.

Private investors were very reluctant to use the recovery on the international financial markets that began in March 2009 to build up new investments in securities.

The stock markets in south-eastern Europe in particular were severely affected by the reluctance of investors. Low turnover on the stock exchanges in this region and weak fundamental data of the national economies were reasons for investors to either switch to the more liquid emerging markets or the large international stock exchanges.

Despite the improved framework conditions on the financial markets, average investor behavior remained very conservative throughout the year, but demand for high-yield corporate bonds increased from the first quarter of the year. However, the majority of customers continued to invest in low-risk products.

Treasury

The central treasury department of Hypo Alpe Adria-Bank AG acts as the control unit for liquidity and interest rate risks. Another focus of activities was asset/liability management, securities nostro management and the settlement of foreign exchange transactions. The total volume of issues in the past financial year was around EUR 25 million.

The powerful unit operated very successfully Treasury Sales, Corporate, Retail and Public Finance Customers of the group transnationally and holistically with foreign exchange and interest rate products as well as portfolio management supports.

In this way, Hypo Alpe-Adria-Bank AG not only expanded its range of products, but was also able to further strengthen and expand its customer base. In 2009, the Bank recorded strong demand for interest rate and commodity hedging products, which are now a useful addition to the product range. In addition, due to the favorable price developments on the raw materials markets, combined with low interest rates, numerous customers could be advised on an efficient hedging strategy.

Hypo Alpe Adria Insurance Services GmbH

Despite the difficult framework conditions, Hypo Alpe-Adria-Insurance Services GmbH was able to close 2009 on a positive note in the area of insurance brokerage. The insurance expert's offering includes tailor-made products in the area of personal and property insurance and is aimed equally at private and corporate customers.

While the demand for products with long-term bond continued to decline, the other lines of insurance enjoyed uninterrupted demand.

In addition to noticeable consumer restraint, the complete elimination of the repayment vehicle business also contributed to the decline in unit-linked life insurance. Hypo Alpe-Adria-Insurance Services GmbH countered this development very successfully with a focus on state-subsidised pension provision.

Within Hypo Alpe-Adria-Insurance Services GmbH, the financial management department operates as an independent sales unit with a product focus in the area of private housing finance, investments and insurance. In connection with the process optimization of the sales partner business, the financial management department introduced a processing system via the Internet in order to ensure central processing of the applications for housing finance submitted by the sales partners. With this step, not only the quality control, but also the interfaces to the retail and private banking area of the bank could be optimized.

Risk management

At Hypo Alpe-Adria-Bank AG, the four specialist areas Risk Controlling, Group Credit Risk Management, Group Rehabilitation and Treasury Market Risk Control are responsible for the efficient execution of the risk management processes and for risk control.

Risk controlling manages credit, country, investment, market and liquidity risk as well as operational risk at portfolio level. This activity essentially includes the identification, measurement, limitation and communication of risks.

The Group Credit Risk Management organizational unit is responsible for assessing and monitoring risks at the individual borrower level. A vote for credit decisions is made on the basis of objective hard fact and soft fact analyses.

Non-performing loan commitments are processed by the Group Rehabilitation division.

Treasury Market Risk Control is responsible for controlling limits at the level of individual items and compliance with the products admitted to trading, as well as for checking market conformity.

Management report Hypo Alpe-Adria-Bank AG**1. Economic report****1.1. Macroeconomic Environment**

The year 2009 was dominated by the global economic crisis and was characterized by an extremely tense market environment. While the crisis in 2008 was still largely limited to the international financial markets, it also reached the real economy in the fourth quarter. In 2009, for the first time in over 60 years, the global economy was confronted with a decline in economic output of between 1% and 1.5%. The European and US markets were particularly hard hit, with China in particular acting as a stabilizer with further – albeit somewhat slower – growth rates. At the beginning of the third quarter of 2009, the first signs of recovery were discernible worldwide, with slight growth rates being recorded at an extremely low level.

For 2010, the International Monetary Fund (IMF) expects a slight recovery in global economic output with growth rates of around 4%.

Austria was in 2009 from the deepest recession met since World War II. According to a forecast by the Austrian Economic Research Institute (WIFO), Austrian economic output fell by 3.6% in 2009 due to a slump in foreign trade and a sharp drop in investment activity.

After a sharp decline in GDP in the first two quarters, a slight recovery set in from the third quarter – this development was triggered by extensive government economic stimulus programs, which led to an international economic revival and thus also benefited Austrian foreign trade. Manufacturing and domestic investment demand benefited from this. Austria's economy grew by 0.5% in the third quarter compared to the previous quarter. Growth of 0.4% was also recorded in the fourth quarter, with a real decline of 1.5% compared to the same quarter of the previous year.

Despite initial growth trends, experts continue to assume that the Austrian economy will recover slowly, as temporary factors such as economic stimulus programs have also contributed to the positive development of the economy. In addition, the continuing rise in unemployment is also having an inhibiting effect on economic growth: according to the Eurostat definition, the unemployment rate was in

At 4.8% in 2009, this value will increase to 5.2% in 2010. In addition, extensive economic stimulus programs as a reaction to the economic crisis also led to a noticeable widening of the budget deficit. After 4.1% to 4.2% of GDP in 2009, WIFO expects the general government deficit to increase to 5.2% according to Maastricht, which will correspondingly restrict the political scope for action in the coming years. Taking these factors into account, WIFO experts expect the Austrian economy to recover slightly by 1.5% in 2010.

1.2. Hypo Alpe Adria Bank AG

Hypo Alpe-Adria-Bank AG is part of Hypo Group Alpe Adria, which was founded in Carinthia in 1896 as a regional bank. Today, with around 1.2 million private and corporate customers, it is one of the leading financial service providers in Central and Southeastern Europe. The international finance group offers a comprehensive portfolio of banking and leasing services at around 350 locations in twelve countries. The 100% owner of Hypo Alpe-Adria-Bank AG, Hypo Alpe-Adria-Bank International AG, acts as the controlling holding company of Hypo Group Alpe Adria and has been the sole property of the Republic of Austria (federal government) since December 2009.

Hypo Alpe-Adria-Bank AG positions itself as an independent universal bank and offers its customers in the Austrian financial center all classic services in retail and private banking, in corporate banking and in the institutional public finance sector. High customer orientation is one of the primary cornerstones of the corporate strategy. Hypo Alpe-Adria-Bank AG sees it as its task to act as an experienced and reliable partner in the fulfillment of personal and corporate goals. As of December 31, 2009, Hypo Alpe-Adria Bank AG had a total of 22 locations in Austria, in Carinthia, Vienna, Upper Austria, Tyrol and Salzburg.

1.3. Economic development and financial performance indicators

Characterized by the difficult economic conditions in a highly competitive environment and the takeover of all shares in Hypo Alpe Adria-Bank International AG by the Republic of Austria

(Bund) in December 2009, for Hypo Alpe-Adria-Bank AG too, the 2009 financial year was one of the most challenging in the history of the Austrian subsidiary bank.

In order to fulfill the conditions arising from the participation capital granted to Hypo Alpe Adria-Bank International AG, the latter was asked to submit a restructuring plan to the Commission of the European Union that encompasses the entire group of companies. With the takeover of all shares in Hypo Alpe-Adria-Bank International AG by the Republic of Austria (federal government) at the end of December 2009, Hypo Group Alpe Adria intensified its restructuring measures into a far-reaching group restructuring. This with the clear goal of developing the banking group back into a capital market bank in the medium term, which is customer-oriented, tightly managed and operates with a clear business profile in selected markets.

These fundamental strategic decisions made by Hypo Group Alpe Adria also have far-reaching effects for Hypo Alpe-Adria-Bank AG.

In the fourth quarter of 2009, for example, there was a clear separation of control from the operational business between Hypo Alpe-Adria-Bank International AG and Hypo Alpe-Adria Bank AG and the bundling of activities. Against this background, Hypo Alpe-Adria-Bank AG will in future concentrate on the home market of Carinthia and look after the entire Austrian region via the provincial offices in Salzburg and Vienna. In this context, the provincial offices in Tyrol and Upper Austria will be closed in the first quarter of 2010. In terms of the adjusted risk strategy, the bank will in future not only focus on a clearly defined core business, but also attach great importance to asset protection and aim to reduce risk-weighted assets in specific sub-areas of the portfolio. At the same time, the bank plans to increase efficiency through improved resource utilization and strict cost management.

The continuing turbulence on the international financial markets – particularly in the final months of 2009 – made refinancing terms between the banks more difficult. This only had a minor impact up to the third quarter of 2009 due to the solid level of primary funds and internal refinancing options

extent to Hypo Alpe-Adria-Bank AG. Measured against comparable financial institutions, Hypo Alpe-Adria-Bank AG was able to position itself well in the middle in terms of conditions.

The report published at the beginning of November 2009 about the negative annual results of Hypo Group Alpe Adria and Hypo Alpe-Adria-Bank AG and the subsequent public debate about the amount of capital required by Hypo Group Alpe Adria had a lasting negative impact on Hypo Alpe-Adria-Bank AG's image. This was reflected in massive outflows of deposits, which ultimately continued until the new ownership structure was determined. In order to actively counteract this development, the customer advisors at Hypo Alpe-Adria-Bank AG make every effort in their daily customer contact to regain and sustainably strengthen the customers' trust in the bank and in its stability.

1.3.1. balance sheet development

Against this background, Hypo Alpe-Adria-Bank AG had to accept declines in credit volume and primary funds as well as in key earnings figures in the past financial year.

In the course of the year, the balance sheet total fell from EUR 7.05 billion as of the balance sheet date December 31, 2008 to EUR 6.67 billion as of December 31, 2009 and was thus roughly at the level of 2007 (December 31, 2007: EUR 6.81 billion). On the assets side, the credit volume reached EUR 5.64 billion. (December 31, 2008: EUR 6.01 billion), on the liability side the primary funds (customer deposits and own issues) EUR 3.60 billion. (December 31, 2008: EUR 4.76 billion), which corresponds to around 54% of the balance sheet total. EUR 0.87 billion of this related to savings deposits.

The significant decline in primary funds was decisive to the public discussion in the fourth quarter of 2009 about Hypo Group Alpe Adria's capital requirements and the associated loss of customer confidence returned to the bank. In response to the acute crisis, Hypo Alpe-Adria-Bank AG implemented measures as part of its emergency liquidity plan and made greater use of existing liquidity reserves in order to ensure the bank's solvency at all times. In order to counteract the decline in primary funds, Hypo Alpe Adria-Bank AG increased its liabilities to banks from EUR 2.01 billion in 2008 to EUR 2.77 billion in 2009.

Part of the annual financial statements
(according to UGB)

management report

This includes an additional refinancing line from Hypo Alpe-Adria-Bank International AG in the amount of EUR 200 million and the increase in the tender

volume at the Oesterreichische Nationalbank by activating part of the stress reserve.

balance sheet structure
(in EUR million)

assets	2008	2009
Receivables from credit institutions	89.0	210.3
Loans and advances to customers	6,006.4	5,638.6
fixed income securities, Stocks and Mutual Funds	757.1	623.8
holdings	17.8	6.4
Other assets	176.6	193.0
total assets	7,047.0	6,672.1

liabilities	2008	2009
liabilities to credit institutions	2,010.6	2,771.5
liabilities to Customers	2,399.2	1,592.6
Securitized and subordinated liabilities	2,361.6	2,005.4
Equity capital	196.5	201.6
Other Liabilities	79.2	101.0
total assets	7,047.0	6,672.1

Balance sheet structure 2008



Balance sheet structure 2009



1.3.2. equity

As of the reporting date of 31 December, Hypo Alpe-Adria-Bank AG December 2009 had sufficient own funds. The total eligible own funds according to the Austrian Banking Act (BWG) amounted to EUR 340.3 million as of the balance sheet date and were therefore slightly above the comparative value of the previous year. While, on the one hand, two capital grants provided by the sole shareholder in the second and fourth quarters of 2009 led to an increase in core capital of EUR 250 million, own funds fell by EUR -245 million due to the high net loss for the year.

Due to the significant decline in new business as well as the high risk provisions made in the 2009 financial year, the risk-weighted assets (RWA / risk-weighted assets) to be backed with own funds fell significantly. While as of December 31, 2008 the RWA related to the credit risk was still EUR 3,405 million, this value decreased to EUR 2,782 million as of December 31, 2009, which corresponds to a decrease of EUR 623 million or -18.3%.

Accordingly, the total equity ratio (including market and operational risk) increased from 8.9% in the previous year to 11.4% and was thus well above the minimum ratio of 8.0% required by law in Austria. The equity ratio based on the banking book (credit risk) was 12.2% at the end of the year.

1.3.3. Earnings development

The development of earnings at Hypo Alpe-Adria-Bank AG in the past financial year was characterized by the weaker operating result and the drastic increase in loan risk provisions.

Against this background, operating income (net interest income, commission income, income from securities and investments, other income) reached EUR 99.6 million in the past financial year after EUR 117.0 million in 2008. This was primarily due to a significant reduction in net interest income to EUR 65.4 million and thus to the level of the 2007 financial year. On the one hand, this development reflects the increased loan defaults and the associated payment defaults as well as the increased payment deferrals. This development

is the result of a declining volume of assets and a temporary change in the refinancing structure.

The commission result, as the balance between commission income and commission expenses, reached EUR 24.3 million in the past financial year after EUR 26.5 million in 2008. This decline resulted primarily from the negative effects of the financial market crisis. In addition, the strategically aimed at limiting the volume of new business led to lower commission income from the lending business and the decline in the order volume in the securities area to lower commissions from the securities business.

At EUR 81.2 million, the operating expenses of Hypo Alpe-Adria-Bank AG remained at the previous year's level (2008: EUR 80.0 million). Since the total costs include a significant proportion of one-off restructuring expenses, the costs could be reduced effectively.

As a result, the operating result, as the balance of operating income and operating expenses, reached EUR 18.5 million. (2008: EUR 37.0 million)

The negative result from the valuation and sale of receivables, contingent liabilities and marketable securities amounted to EUR 273.3 million in 2009 (EUR -207.2 million in 2008).

Against the background of the persistently difficult economic environment, the Austrian bank significantly tightened its risk policy. In autumn 2009, the bank's risk-relevant loan portfolio was also subjected to an intensive review by an auditing company. Taking into account the results and against the background of the tense economic environment, Hypo Alpe-Adria-Bank AG formed loan risk provisions totaling EUR 273.6 million. The reasons for this can be seen in the aftermath of the financial and economic crisis. The spread of the crisis to the real economy also has an impact on the economic development of the companies financed by Hypo Alpe-Adria-Bank AG and thus in particular on the

bank's corporate portfolio. In addition to the drastic increase in the volume in arrears – especially in the second half of 2009 – and the longer average duration of arrears, there were also significantly lower valuations

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for collateral was the key to this dramatic increase in risk provisioning.

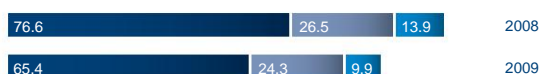
Including the above effects, Hypo Alpe Adria-Bank AG reported a negative result from ordinary activities (EGT) of minus EUR 258.3 million (2008: EUR -170.2 million). After taking into account the positive taxes and tax effects from group taxation of EUR 16.01 million (2008: EUR 11.9 million) and expenses for other taxes of EUR -2.5 million (2008: EUR -1.4 million), EUR -244.9 million

(2008: EUR -159.7 million) generated a significant negative net loss for the year.

Operating Income

(in EUR million)

Operating Income	2008	2009
interest income	76.6	65.4
commission income	26.5	24.3
Miscellaneous*	13.9	9.9
Total balance sheet income	117.0	99.6



■ Miscellaneous*
■ commission income
■ interest income

* This item includes "Income from financial transactions", "Income from securities and participations" and "Other operating income".

1.3.4. Earnings metrics

The cost/income ratio, which reflects the ratio of operating expenses to operating income, was 81.4% as of the balance sheet date (2008: 68.4%). Due to the annual result, the key figures return on equity (ROE) and return on assets (ROA) are negative in the 2009 financial year.

With regard to the use of derivative financial instruments, reference is made to the disclosures in the notes.

1.4. Analysis of non-financial performance indicators

1.4.1. Employees

As of December 31, 2009, Hypo Alpe Adria-Bank AG employed 622 people at 22 locations throughout Austria. As a result, the number of employees remained largely stable compared to the end of the previous year (December 31, 2008: 630 employees). Far more than half of the employees of Hypo Alpe-Adria-Bank AG are women (340 employees as of December 31, 2009). The bank also offers its employees a wide variety of part-time work models, which were being used by around 100 employees at the end of 2009.

With 553 people (as of December 31, 2009), most of the employees were employed at the locations in Carinthia; 36 employees worked in Vienna and 19 employees in Salzburg. At the smaller locations in Innsbruck and Linz, the number of employees was eight and six respectively.

The Hypo Alpe-Adria-Bank AG gives up the permanent The training and further education of their employees is of overriding importance, with a motivating working atmosphere and health-promoting measures also being a matter of course. In order to promote the individual and personal development of employees, a range of specialist and management training courses, courses, trainee programs and internal training events are offered. This wide range of offers not only provides employees with targeted and job-appropriate training, but also increases the attractiveness of Hypo Alpe-Adria-Bank AG as an employer.

The training priorities were available in 2009 especially in the areas of retail & private banking and corporate banking. The employees in Retail & Private Banking received special training in the area of sales in order to increase the personal responsibility of the customer advisor for the branch result. The results of this action were structured and analyzed in reflection meetings. In addition, Hypo Alpe-Adria-Bank AG continued management training in the branches in 2009 in order to further anchor sustainable and resource-oriented management. The training year was rounded off by ongoing specialist training such as tax meetings, software training and events on the subject of SEPA and Basel II.

In the area of corporate banking, a three-part group-wide training series for corporate and SME consultants was launched under the title "Business Risk Analysis & Corporate Finance". As part of these events, the employees were familiarized with a holistic company analysis and customer care, taking into account the general banking risks. In 2009, Hypo Alpe-Adria-Bank AG also developed the "Change in Corporate and Leasing" project to promote cooperation between corporate and leasing customer advisors. This training series included topics such as cross selling, customer acquisition and product training.

1.4.2. Customers

For Hypo Alpe-Adria-Bank AG, pronounced customer orientation is one of the primary cornerstones of corporate success. With this in mind, the bank strives for long-term partnerships that go far beyond pure financial transactions. Hypo Alpe-Adria-Bank AG not only wants to make a contribution to the personal and entrepreneurial success of its customers, but also actively shape it. To this end, intensive personal contact between customer advisors and customers is sought in order to respond even better to customer needs through tailor-made and individual solutions. This customer orientation is also reflected in the solid and transparent products, the short processing paths and the flexibility and solution-orientation that are paramount with every customer contact. With this concept, Hypo Alpe-Adria-Bank AG contributes to the success of around 130,000 customers throughout Austria.

1.4.3. environment and social responsibility

As a responsible company, Hypo Alpe-Adria-Bank AG's operational and strategic orientation is based not only on economic, but also on ecological and social values. The company aims to consider economic, ecological and social aspects as a whole in order to achieve a balance between the interests of the individual stakeholders. Hypo Alpe Adria-Bank AG has therefore been supporting projects in the areas of social responsibility, art and culture as well as the environment for years. As before

In 2008, the bank was involved in the international social project "Siamo fratelli e sorelle", which is intended to help build mutual respect between people with and without disabilities. In the social area, Hypo Alpe-Adria-Bank AG also supported the ARTEcon Boccia Charity, the Auxilium relief organization and the Red Cross benefit concert. As in previous years, the bank refrained from giving World Savings Day gifts for adults in 2009 and donated these amounts to various social organizations. The promotion of art and culture as well as sports also played an important role in 2009. In the area of culture, for example, Hypo Alpe Adria-Bank AG supported the Carinthian Summer, the Kultur.Raum.Kirche project and the Trigonale; In the area of sports, the bank sponsored selected initiatives and smaller events.

1.4.4. Research and Development

Hypo Alpe-Adria-Bank AG does not conduct its own research and development.

2. Risk Management

Hypo Alpe-Adria-Bank AG controls and monitors its risks across business areas with the aim of optimizing its risk/return profile on the one hand and guaranteeing risk-bearing capacity at all times and thus protecting the bank's creditors on the other.

The following central principles apply to overall management at Hypo Alpe-Adria Bank AG:

- There are clearly defined processes for all types of risk and organizational structures to which all tasks, competencies and responsibilities of those involved are based.
- Front and back office as well as trading and settlement/ Monitoring units are functionally separated to avoid conflicts of interest.
- For identification, measurement, aggregation, control and monitoring of risk types, suitable, mutually compatible procedures are determined and implemented in the Group.
- Appropriate limits are set for key types of risk set and effectively monitored.

2.1. Organization and Internal Audit

The Management Board of Hypo Alpe-Adria-Bank AG is responsible for the appropriate structural and process organization and for the operational implementation of risk management.

The core tasks of risk management are the individual risk management of counterparty default risks, the restructuring of problem exposures and loan processing as well as risk controlling and risk monitoring of counterparty default, market, liquidity and operational risks at portfolio level.

The Management Board of Hypo Alpe-Adria-Bank AG is further responsible for monitoring risk-bearing capacity and managing the risk capital required from an economic point of view. The Management Board of Hypo Alpe-Adria Bank AG is also responsible for monitoring compliance with regulatory capital adequacy requirements.

The Internal Audit department checks as constantly set up The organizational unit responsible for the business operations of Hypo Alpe-Adria-Bank AG and reports directly to the Management Board. On the basis of a risk-oriented audit approach, the auditing activity basically extends to all activities and processes of Hypo Alpe-Adria-Bank AG. Internal Audit carries out the tasks assigned to it independently of the activities, processes and functions to be audited, taking into account the applicable legal and supervisory requirements.

2.2. reporting

Prompt, independent and risk-adequate reporting to the decision-makers is ensured for all types of risk, and ad hoc reporting requirements are met at all times.

The monthly risk report adequately depicts all types of risk relevant to the bank and provides the Management Board with a comprehensive overview including recommendations for action. The risk report covers the topics of risk-bearing capacity, credit and country risk, market risk, liquidity risk, operational risk and investment risk.

2.3. Internal risk-bearing capacity

The risk-bearing capacity is determined on a regular basis, taking into account all relevant types of risk and determining the economic risk coverage. The

Risks are determined on the basis of (sometimes simplified) value-at-risk models. The calculation of the aggregate risk cover is based on the regulatory definition of Tier 1 capital, but also includes economic elements that cannot be recognized as regulatory capital (e.g. expected profit and provisions). It should be noted that the institute does not use its own methods to assess the equity base within the meaning of Section 39a BWG, but that these are determined by Hypo Alpe-Adria-Bank International AG in accordance with Section 39a (4) BWG.

The following risk types are included in the risk-bearing capacity calculation:

- Business risk: assumption of a normal distribution model for the bank's gross income
- Operational risk: using an exponential distribution model for operational risk losses
- Market price risk: using a value-at-risk model for market price risks
- Liquidity risk: using a stress scenario for the Closing costs of the gaps in the capital commitment balance sheet
- Credit risk: based on a modified IRB model, in which the collateral is included in the amount of its economic valuation
- Participation risk: using the PD/LGD approach of Basel II.

All types of risk are aggregated into a key risk indicator using a correlation matrix.

2.4. Credit and Country Risk

In terms of scope, credit risks are the most significant risks at Hypo Alpe-Adria-Bank AG. They result primarily from the lending business. Credit risks (or counterparty default risks) arise when transactions result in claims against borrowers, securities issuers or counterparties. If these parties fail to meet their obligations, there is a loss in the amount of the services not received, less the realized collateral and reduced by the recovery rate achieved from the unsecured portion. This definition includes debtor and guarantee risks from lending transactions as well as issuer, replacement and settlement risks from trading transactions.

Country risks are a special form of credit risk and are particularly relevant for credit exposures in other countries around the world.

Country risk specifically refers to the risk of losses understood by the unwillingness of a country (the central bank) to provide foreign exchange for the payment of interest and principal payments. In a broader sense, this also includes economic and political risks that affect the customer's creditworthiness.

In addition to counterparty default risks from the lending business, risks can arise from participations (shareholder risks). These form another subtype of credit risk, but do not play a significant role at Hypo Alpe-Adria-Bank AG.

2.4.1. framework

The credit policy sets specific guidelines for the organizational structure of the bank in the lending business and for the risk management procedures and is supplemented by other policies, such as the monitoring policy or problem loan policy, as well as specific instructions.

Credit decisions are made by the Supervisory Board, the Board of Management and the persons responsible in the market and the analysis units of the Risk Office within the framework of a competency framework established by the Board of Management.

2.4.2. risk measurement

Hypo Alpe-Adria-Bank AG uses a number of statistically based rating procedures for the individual analysis and assessment of the creditworthiness of its borrowers. Borrowers are assigned to rating classes based on the probability of default on a 25-point master rating scale.

The rating landscape currently includes highly developed rating systems for

- Corporate customers (accounting companies, income-expenditure-calculator)
- Special financing (project financing)
- Public sector (municipalities, countries)
- Banks
- Private customers (application and behavior scoring)

Rating authority is regulated in the relevant policies as part of the credit process. The back office is responsible for the completeness and quality of the ratings in risk-relevant business and the front office in non-risk-relevant business (according to the 4-eyes principle).

In the future, all rating procedures will be subject to an annual subjected to validation. The validation includes both quantitative and qualitative analyses. The rating factors, the selectivity and calibration of the procedure, the data quality and the design of the model are checked using statistical and qualitative analyzes as well as user feedback.

The further development of these models by Hypo Alpe-Adria-Bank AG itself or in cooperation with the "RSU Rating Service Unit GmbH & Co. KG" ensures their adequacy for the correct determination of default probabilities in the respective customer or financing segments.

2.4.3. Risk limitation

The overall bank-wide liability of an individual customer or a group of affiliated customers is controlled according to the specifications for the respective customer segments or business areas.

In the banking sector, limits are set and enforced monitored by an independent risk control unit. Limit overruns are communicated directly to the Treasury department and escalated to the Management Board within defined periods.

In all other segments, limits are managed using a Group-wide Pouvoir system.

At the portfolio level, country limits prevent the build-up of clusters, excess values are escalated to the Management Board and measures are to be defined by the front office areas in coordination with the back office.

At the individual customer level, cluster caps were introduced introduced as part of the risk strategy for the customer segments. In addition, credit risk limits are defined according to company segments, rating levels and sectors, which aim to achieve a balanced risk profile for the bank. Further limits restrict the proportion of unrated volume and the credit risks from foreign currency positions where the credit currency does not correspond to the customer's cash flow currency. Exceeding these limits

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are brought to the attention of the Executive Board as part of regular risk reporting.

Another important instrument for risk limitation at Hypo Alpe-Adria-Bank AG is the acceptance and offsetting of customary bank collateral. The processing and evaluation is based on the collateral policy, which in particular defines the evaluation procedures as well as the evaluation discounts and frequencies of the individual types of collateral. The procedures for accepting collateral (formal requirements, prerequisites) are regulated in the internal processing guidelines for each individual type of collateral.

2.4.4. Risk control and monitoring

All commitments are monitored using defined early warning indicators and ratings. The basis for this is regulated, among other things, in the Monitoring Policy.

The fundamental goal of all activities is to minimize or entirely avoid potential defaults for Hypo Alpe-Adria-Bank AG by initiating suitable measures early on in the context of intensive support or problem loan management and, if possible, to return a business partner to normal support.

The formation of the individual value adjustments (time and amount) is regulated in the problem loan policy. The calculation of the impairment under IFRS is regulated in the Group Accounting manual.

Risk controlling monitors and reports regularly in the risk report on limit utilisation, the portfolio structure and risk-bearing capacity.

2.4.5. Presentation of the loan portfolio

The active management of the loan portfolio of Hypo Alpe Adria-Bank AG is made possible by comprehensive and regular risk reporting by Risk Controlling.

In terms of frequency and form, this corresponds to both internal and external requirements (e.g. in connection with the MSK). The reports show the development of the portfolio over time, as well as the distribution of the portfolio across rating classes, industries, customer segments, currencies, regions and maturities. The separate presentation of new business allows a timely presentation of the current development of the portfolio.

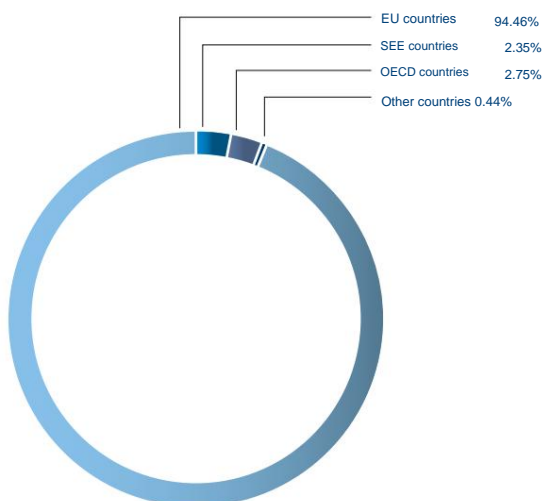
2.4.5.1. Development of the EWB

The formation of value adjustments is in accordance with the provisions of the IFRS accounting standard and is based on the determination of the expected loss resulting from a defaulted commitment. Collateral, possible other returns and the timing of the returns (realization period) are taken into account.

A portfolio-specific value adjustment is determined according to the IFRS standard. The risk structure of the portfolio is taken into account in order to determine the so-called incurred loss (losses that have already occurred but have not yet been recognized by the bank). This amount increased significantly in the 2009 financial year, particularly as a result of increased default rates.

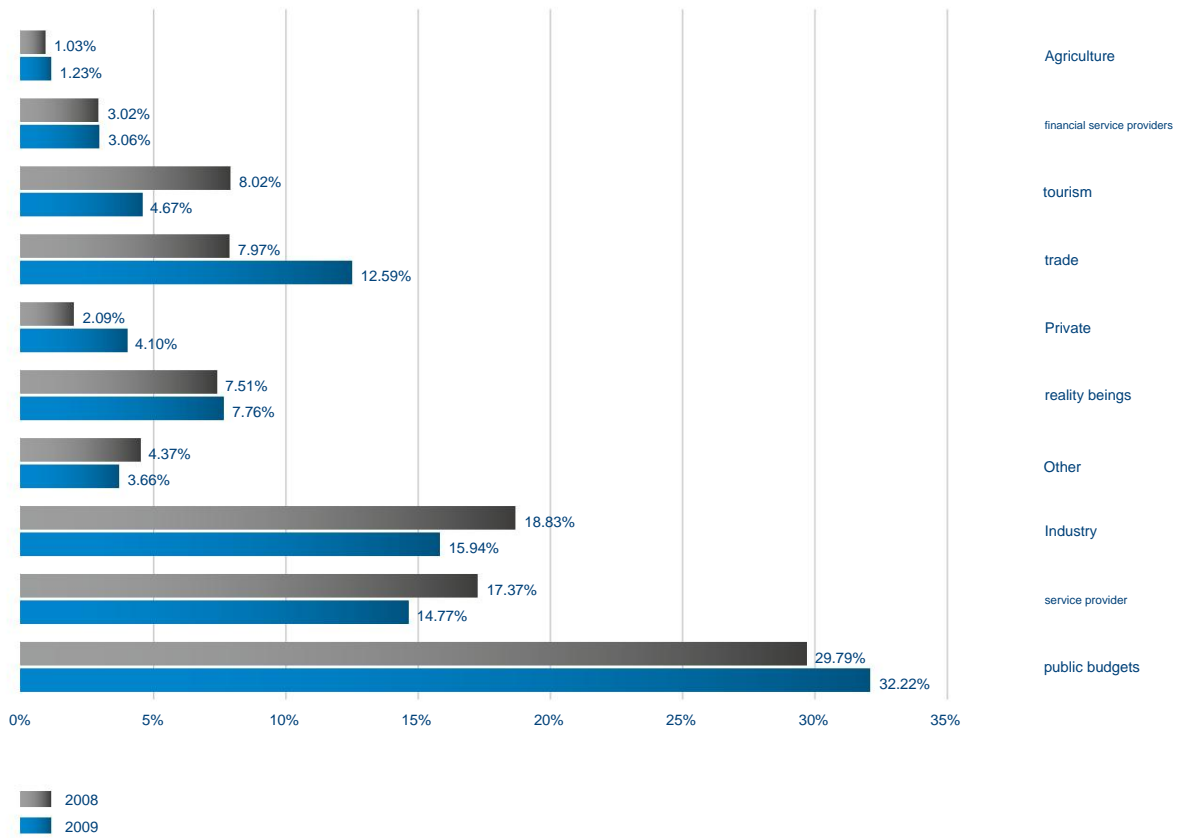
In the wake of a rapidly deteriorating economy situation and a Group-wide asset screening process, loan provisions were made to a large extent in the 2009 financial year.

Total exposure by region as of December 31, 2009



Most of the exposure is in countries of the European Union. The rest is accounted for by OECD countries, SEE countries and other countries.

Breakdown of customer receivables by industry in %

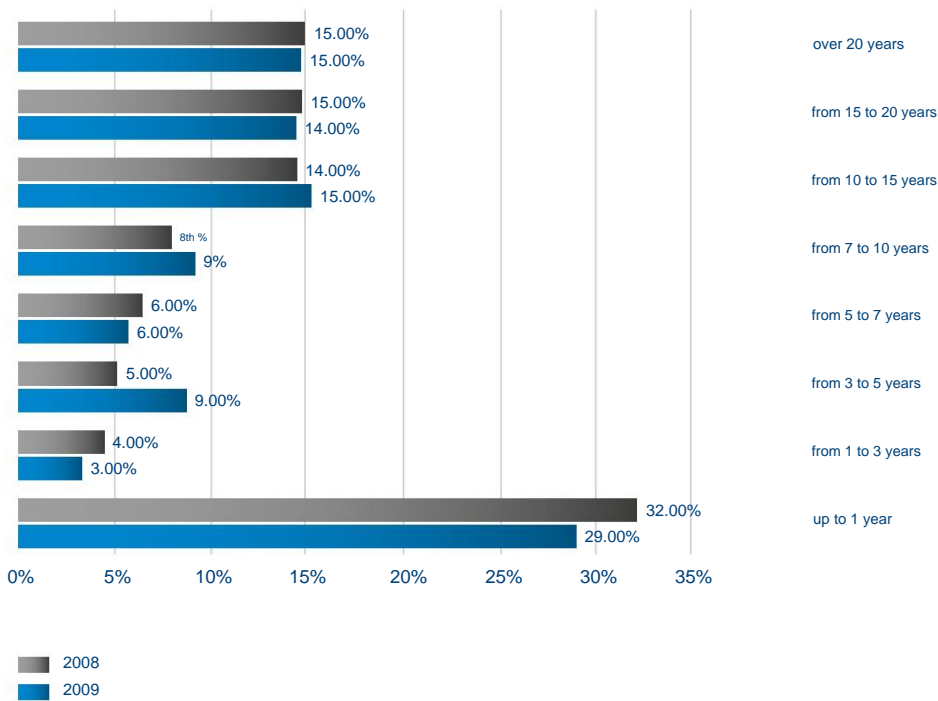


The public sector has the highest share, but it is at low risk.
The industry sector has the second-highest share. Services and trade also still play an important role.

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Breakdown of customer receivables by term in %



Most of the credit volume consists of long-term financing.
Furthermore, a large proportion of the loan volume is granted in the form of short-term financing (up to one year).

2.5. market risk

Market risks include potential losses due to changes in market prices. Hypo Alpe-Adria-Bank AG breaks down market price risks according to risk factors into interest rate risks, credit spread risks, currency risks and risks from shares.

Market price risks can result from securities (and securities-like products), money and foreign exchange products, derivatives, currency and earnings hedging, equity-like funds or from asset/liability management.

In addition to market risks, market liquidity risks can also arise if the bank is unable to sell trading positions at short notice due to low market demand in the event of liquidity bottlenecks (or risk-related close-out needs). In the case of existing positions, they are taken into account as part of the risk limits for market risks.

2.5.1. framework

The bank develops its market risk strategy on the basis of strategy discussions by the responsible treasury unit in coordination with risk controlling and the Management Board of Hypo Alpe-Adria-Bank AG. Final approval takes place at Group level.

In reporting to the Management Board, the value-at-risk and performance figures for the trading book are updated on a daily basis, banking book investments and market risk steering figures on a weekly basis. In addition, the risk and performance indicators at the overall bank level are reported daily to the specialist board. If limits are exceeded, clear escalation processes are defined.

2.5.2. risk measurement

Hypo Alpe-Adria-Bank AG determines its market risks as part of daily monitoring using value-at-risk methods based on a one-day holding period with a confidence level of 99%. Essentially, a Monte Carlo simulation with an exponentially weighted history of 250 days is used for this.

During the value at risk determined for monitoring requirements of forecasting potential losses

under normal market conditions, future-oriented analyzes are also carried out under extreme assumptions. The market positions are exposed to unusual market price changes, crisis situations and worst-case scenarios as part of so-called "stress tests" and analyzed for dangerous risk potential based on the simulated results. The stress scenarios are monitored to ensure they are appropriate and are adjusted if necessary.

Like all market risks at Hypo Alpe-Adria-Bank AG, the interest rate risk in the investment book is determined as a present value risk. The interest rate risk in the banking book is essentially integrated into the ongoing risk monitoring according to value at risk in risk controlling.

The contractual termination rights are modeled as an option and are included in the risk calculation. All stochastic positions are taken into account according to the internal models.

A 200 basis point interest rate shock scenario is calculated for the interest rate risk in the investment book in accordance with the Basel II specification. In addition, by calculating standard, forward, historical and extreme scenarios, a large number of possible market fluctuations are calculated and presented.

2.5.3. risk mitigation

In accordance with the new risk strategy for the group adopted in August 2009, a risk capital limit was set. This defined risk capital represents the maximum unexpected loss for the assumption of market risks. The market risk capital is allocated by setting risk factor limits for the individual market risk factors (interest rate, currency, share and credit spread).

Furthermore, the risk factor limits are differentiated according to defined sub-portfolios.

2.5.4. Risk control and monitoring

All market risks are monitored centrally by the trading-independent Risk Controlling unit. In addition to the regulatory requirements, this unit also ensures risk transparency and regular reporting to the Management Board. In addition, the Management Board receives its own monthly report on the current market risk situation

Hypo Alpe-Adria-Bank AG and the results of stress tests with indications of possible special developments.

Interest rate risk is managed on an institutionalized basis in compliance with the regulatory requirements for interest rate risk statistics. The Asset Liability Committee, which is made up of the Management Board and senior employees from Treasury, Risk Controlling and Financial Controlling, analyzes and decides on measures to manage the balance sheet structure and liquidity at regular meetings.

2.5.5. Presentation of the market risk

The fixed interest balance sheet of Hypo Alpe-Adria-Bank AG contains all interest-relevant on and off balance sheet items with their next interest determination date. The method used to calculate interest rate risk is based on the requirements of the Oesterreichische Nationalbank (OeNB) for calculating interest rate risk statistics. Based on Hypo Alpe-Adria-Bank AG's fixed-interest balance sheet, the interest rate risks are first determined for each defined currency and, in a second step, the risk-equity ratio is calculated as a percentage of equity. The regulatory limit of 20% and the internal limit of 15% were not even remotely in danger of being reached or exceeded at any point during the year. The occupancy rate as of December 31, 2009 was 5.79%.

The database for determining the value at risk for the open foreign exchange position of Hypo Alpe-Adria-Bank AG is based on the figures from the OeNB report and includes the operational business activities. The value at risk for this FX risk as of December 31, 2009 with a confidence interval of 99% was approximately EUR 21 thousand per day.

The value at risk for the equity risk in Hypo Alpe-Adria-Bank AG was EUR 145 thousand as of December 31, 2009 with a holding period of one day and a confidence level of 99%.

The credit spread risk within Hypo Alpe Adria-Bank AG as of December 31, 2009 with a 1-day value-at-risk and 99% confidence level was EUR 2,368 thousand.

2.6. liquidity risk

Hypo Alpe-Adria-Bank AG understands liquidity risk as the risk of not fulfilling payment obligations in full or on time or – in the event of a liquidity crisis – only increasing refinancing funds

market rates or to only be able to sell assets at a discount to market prices.

2.6.1. framework

The strategic principles for dealing with liquidity risks at Hypo Alpe-Adria-Bank AG are defined in the risk strategy. The overriding goal of liquidity risk management and controlling is to ensure the Bank's solvency and refinancing ability at all times. The content and organizational framework for the management and controlling of liquidity risks are regulated in a Group-wide liquidity manual.

The Treasury department is responsible for operational liquidity management and liquidity balancing. Liquidity risk controlling is the responsibility of the Risk Controlling unit. This is where risk is measured and limited, as well as prompt and consistent reporting.

Hypo Alpe-Adria-Bank AG has a written emergency liquidity plan that is based on a corresponding group specification. In it, the processes and control and

Hedging instruments regulated. In the event of a liquidity crisis, the strict maintenance of solvency and the avoidance of reputational damage are the primary goals of the bank.

2.6.2. risk measurement

The liquidity overview is the most important methodological tool for measuring, analyzing, monitoring and reporting on the liquidity risk at Hypo Alpe-Adria-Bank AG.

It compares the liquidity gaps from deterministic and modeled future cash flows and the realizable liquidity coverage potential in clearly defined maturity bands.

The liquidity coverage potential quantifies in amount and timing the bank's ability to obtain cash at the earliest opportunity on economical terms. It shows the possibility of covering liquidity gaps and thus all cash flow-based liquidity risks. The most important components of the liquidity coverage potential include:

- free access to central banks and interbank money (third-party banks and Hypo Alpe-Adria-Bank International AG),
- other available central bank-eligible collateral,
- the emission potential in the cover register,
- senior bond issues,
- promotional loans,
- Securitization potential

In addition to the normal scenario, other scenario analyzes under stress conditions such as name crises (rating deterioration, reputation crises) and market crises (restrictive funding opportunities on the capital market, increased cash flow outflow and transfer restrictions) complete the spectrum of risk measurement.

Based on the liquidity overviews for the various scenarios, key figures are determined that enable a condensed assessment of the liquidity situation. To assess the liquidity situation, the "Liquidity Ratio" (lowest liquidity position) and "Time to Wall" (maximum liquid time horizon) are calculated for up to one year, with particular weight being attached to utilization over the first four weeks.

To limit the structural liquidity, the present value loss in the event of an increase in the funding spread due to a rating downgrade is compared with the economic equity in the risk-bearing capacity calculation.

2.6.3. risk control

A bundle of various liquidity reserves ensures that Hypo Alpe-Adria-Bank AG is able to pay at all times, even in crisis situations. These are subjected to different levels of stress in order to have a good overview of the available liquidity resources even in the event of a crisis.

In addition, a separate liquidity buffer is maintained for stress scenarios, which is made up of ECB-eligible securities or securities that can be liquidated quickly as well as binding interbank lines of credit.

A cash flow balance sheet, which is made up of deterministic, stochastic and forecast data, serves as the basis for liquidity management. The latter are used directly by the market units for short-term management

determined on the basis of customer business. The planned budget data is used for medium-term control.

Any gaps are added to the liquidity coverage potential compared to a well-diversified bundle of liquidity reserves that are available for liquidity management. The liquidity reserves are regularly reviewed and, as mentioned above, subjected to stress depending on the market situation.

In addition to structural management, attention is paid to compliance with the regulatory framework, such as meeting the minimum reserve and the Grade I and II liquidity reserve.

2.6.4. Risk monitoring

Liquidity risks are monitored on the one hand on the basis of the "Liquidity Ratio" and "Time to Wall" key figures under normal and stressed conditions, on the other hand by integrating the structural liquidity risk into overall bank management (risk-bearing capacity).

Appropriate limits for short-term liquidity and for limiting long-term structural liquidity are defined at group level and for the individual subsidiaries and are constantly monitored.

In order to ensure that existing liquidity gaps can be closed at any time by mobilizing the liquidity coverage potential, threshold values are defined for all scenarios, above which measures to reduce the identified liquidity risks must be initiated.

The liquidity overviews and other relevant key figures are part of the regular risk reports to the Management Board and the responsible control departments.

2.6.5. Presentation of the liquidity risk

At the beginning of 2009, the situation on the international money and capital markets was still heavily influenced by the financial events of 2008. The markets only worked to a very limited extent at first, but the situation improved over the course of the year, confidence among the banks increased and investors were also willing to provide liquidity over the longer term. For Hypo Alpe-Adria-Bank AG, the situation in this environment was made even more difficult by the discussion about the owners

structure and burdens from the lending business. This caused primary cash outflows towards the end of 2009.

In accordance with the difficult framework conditions Hypo Alpe-Adria-Bank AG implemented measures as part of its emergency liquidity plan and made greater use of existing liquidity reserves and the refinancing lines of Hypo Alpe-Adria Bank International AG. This ensured the bank's solvency at all times.

With the takeover by the federal government and the departure of the existing owners, measures to secure medium-term liquidity and the equity situation were agreed.

2.7. operational risk

Hypo Alpe-Adria-Bank AG defines operational risk (OpRisk) as the risk of losses occurring as a result of the inadequacy or failure of internal processes, systems and people or as a result of external events. This definition includes legal risk and reputational risk, but not strategic risk.

2.7.1. framework

The aim of Operational Risk Management at Hypo Alpe-Adria-Bank AG is to use a "proactive approach" (risk management) instead of a "reactive approach" (management of losses). Operational risks are identified and evaluated so that appropriate measures to avoid, reduce, transfer or assume risks, including priorities for the implementation of security and protection measures, can be defined.

2.7.2. implementation

The OpRisk responsibility of sub-organizations of Hypo Alpe-Adria-Bank AG also falls under the responsibility of Hypo Alpe-Adria-Bank AG.

In order to achieve synergy effects, there is an agreement with the "Group Legal & Compliance" department that the operational risk management software ("Inform") will also be used to record legal cases, including those that are not related to OpRisk. The advantage of this approach is to have a common platform for sharing

of information between the areas to have available.

2.7.3. responsibilities

Based on the current structure of Hypo Alpe-Adria Bank AG, the main areas of responsibility for operational risk are defined as follows:

- The Chief Risk Officer (CRO) is responsible for implementation and Responsible for fundamental operational risk decisions. Methods for OpRisk management are implemented by Risk Controlling on the instructions of the CRO.
- The Operational Risk Officer of Hypo Alpe-Adria-Bank AG is responsible for the local implementation of operational risks and reporting to the group.
- The area managers are with the support of the decentralized Operational Risk Officer responsible for implementation in their area and for quality assurance.
- The Decentralized Operational Risk Officer is also responsible for the Responsible for monitoring and implementing the standards and methods within the areas/departments.

2.7.4. instruments and methods

The operational risk strategy is supported by various instruments and methods. In principle, these methods are used to identify and assess risks. Damage limitation measures are to be planned on the basis of the results.

The Operational Risk Management Software ("Inform") is the platform for the implementation of the corresponding instruments in Hypo Alpe-Adria-Bank AG.

Hypo Alpe-Adria-Bank AG uses the following Methods to support the strategy:

- Loss database for a systematic recording of operational risk across the organization;
- Qualitative instruments such as scenario analyzes and risk inventories for identifying and assessing risks within business processes;
- Regular reports as a tool for communicating material operational risks to the Management Board.

2.7.5. Loss data collection thresholds

The current threshold for reporting losses at Hypo Alpe-Adria-Bank AG is EUR 500.00.

The one for reporting losses to the parent company is set at EUR 25,000.00. Losses have been recorded since January 1st, 2006.

2.8. contingency planning

Contingency plans are drawn up and implemented in all Group units based on local regulations.

The requirements of the Group must be taken into account and the parent company provides significant support.

2.9. Summary and Outlook

In the 2009 reporting year, Hypo Alpe-Adria-Bank AG further expanded its risk controlling and risk management tools. Significant progress has been made in many areas. The requirements resulting from the new equity capital agreement according to Basel II and the new MaRisk are decisive for this.

Hypo Alpe-Adria-Bank AG has a risk management and risk controlling system that is future-oriented and continuously adapted to internal and external requirements.

When further developing the methods used to map and control risk, care is taken not only to meet regulatory requirements, but also to meet the Bank's strategic orientation.

The organization of Hypo Alpe-Adria-Bank AG is fundamentally tailored to its risk profile and takes into account the complex market environment in which the bank operates. Continuous work is being done to improve the risk systems and processes. The control and monitoring of all types of risk, including all reporting requirements for the Management Board and the Supervisory Board, are central tasks of risk controlling.

The Hypo Alpe-Adria-Bank paid more attention AG in the year under review to expand the procedures and processes for risk mapping and control, especially in the area of credit risk.

In the liquidity area, there is a solution for expanded Ensuring data quality, liquidity measurement and

control nearing completion (Liquidity Ratio Tool LRT 2.0) and will be implemented in spring 2010.

Hypo Alpe-Adria-Bank AG sees these activities as a key success factor in creating sustainable value for shareholders and investors as well as for customers and employees.

Hypo Group Alpe Adria publishes further information on risk management, the organizational structure and the risk capital situation in a separate disclosure report in accordance with Articles 26 and 26a BWG. This disclosure report is available on the Group website (www.hypo-alpe-adria.com) in the Investor Relations section.

3. Internal control system

With regard to the accounting process, Hypo Alpe-Adria-Bank AG has an internal control system (ICS) in which suitable structures and processes are defined and organizationally implemented.

The internal control system of the Hypo Alpe-Adria-Bank AG is part of the internal control system of the Hypo Group Alpe Adria and is based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) Framework, whereby the Board of Management is responsible for designing the scope and orientation of the internal control system that has been set up based on company-specific requirements.

The internal control system (ICS) as part of the bank's risk management system includes the following general objectives:

- Ensuring and implementing the business and risk strategies and company guidelines
- Effective and efficient use of all company resources source in order to achieve the desired business success
- Reliability of financial reporting (financial reporting)
- Supporting compliance with all relevant laws, regulations and rules

Special objectives for the accounting process are that the ICS enables timely, uniform and correct accounting of all business transactions or transactions is guaranteed. It represents compliance with

legal norms, the accounting regulations and the internal group policy of the Hypo Group Alpe Adria on IFRS and UGB/BWG accounting reporting, which are binding for all companies included in the consolidated financial statements.

Internal control is a part of the accounting process integrated process and does not only take place on a level that is higher than the specific work processes. Rather, each (sub)process pursues certain goals, which are faced with more or less great risks. The ICS was designed in such a way that, as part of a structured process, existing or new control activities to be implemented were geared towards the most important risks in order to manage them and support the achievement of goals.

In addition to defined control activities, such as system-supported and manual coordination processes, the internal control system is based on the principle of functional separation and compliance with policies, manuals and work instructions. Accounting is responsible for controlling the accounting process at Hypo Alpe-Adria Bank AG.

The Executive Board is responsible for implementation and monitoring of the internal control system and is responsible for compliance with the Group Policies applicable throughout the Group and for the proper and timely execution of the accounting-related processes and systems.

The Audit department checks as part of its regular Auditing activities, including the effectiveness of the internal control system and the reliability of the accounting system. The effectiveness of the internal control system is monitored by the Audit Committee of Hypo Alpe-Adria-Bank AG in accordance with the requirements of the German Stock Corporation Act.

In the course of the current financial market crisis, especially in the past few months, that certain processes and systems of the bank or the group were not fully prepared in terms of capacity to deal with deterioration caused by the crisis.

The Management Board has therefore taken appropriate sustainable measures to reallocate the existing resources in a targeted manner.

4. Significant events after December 31, 2009

There were no significant reportable events after the balance sheet date.

5. Forecast Report

Although the economic expectations can be classified as cautiously optimistic, especially in comparison to the crisis years 2007 to 2009, according to economic researchers an end to the economic and financial crisis in 2010 cannot be assumed with certainty. This is also evidenced by the volatility of forecasts by recognized economic research institutes in recent months. The Executive Board is therefore assuming that 2010 will be another challenging financial year.

With its new, strong ownership structure, the Hypo Group Alpe Adria, and thus also the Hypo Alpe-Adria-Bank AG, sees itself well prepared for the ongoing difficult market environment. On this stable basis, the challenging course of consolidation will be continued with great effort. In this context, the bank sets selected priorities in order to achieve sustainable profitability in the medium term.

At the beginning of the 2010 financial year, Hypo Alpe-Adria-Bank AG laid the framework for future business orientation with a newly developed risk strategy in order to guarantee a risk-politically balanced portfolio with clear guidelines. In line with the restructuring measures that have already been implemented and are planned for the medium term, which, starting with the group holding company, will include all subsidiary units, the bank expects a further gradual reduction in total assets and risk-weighted assets over the next few years.

The medium-term goals in the area of corporate banking envisage that the portfolio will be realigned in terms of the risk policy balance. In addition to the withdrawal from large-volume financing, the proportion of total customer loans is also to decrease in comparison to the other customer segments. When focusing on the core business, the Corporate Banking division focuses on selective and risk-adequate growth

their target regions in Austria. In general, the bank gives top priority in all market areas to intensifying its relationships with existing target customer groups with a holistic and quality-conscious support concept.

The future lies in the area of Retail & Private Banking Focus on the classic private customer business, which is to be further expanded. The bank is planning to expand its activities in particular through attractive residential construction financing and through the wide range of conservative savings and investment products with short to medium terms.

The Public Finance department will continue to be a strong and competent partner for public and public customers as well as non-profit housing associations in financing and investment issues. Characterized by constant business development, the lending level should remain constant.

Regarding what is expected for the 2010 financial year Due to the high degree of uncertainty with regard to key parameters of economic development and their effects on companies and private households, the management cannot make a reliable forecast for the annual result. However, based on the current business plan from March of this year, no return to the profit zone is expected for the 2010 financial year.

This is justified by the persistently high risk costs, which form the basis of the planning for the current financial year.

However, with the framework conditions created internally in the past financial year, the clear focus on the future business orientation and a large number of committed employees, good conditions are in place, so that the Management Board – aware of the difficult environment – is looking to the future with confidence and is aiming for the turnaround of Hypo Alpe-Adria-Bank AG for the following financial year 2011.

Klagenfurt am Woerthersee, March 16, 2010

VDir. Mag. Kurt Macula eh

VDir. Gerhard Salzer eh

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Balance sheet as of December 31, 2009

	kEUR	12/31/2009	12/31/2008
		EUR	kEUR
assets			
1. Cash on hand, balances with central banks and postal giro offices		74,893,208.82	68,214
2. Public sector debt used for refinancing			
Debt instruments issued by public authorities and similar securities are admitted to the central bank.			
3. Loans and advances to credit institutions		63,087,454.70	43,447
a) payable on	45,742,380.63		40,770
demand b) other receivables	164,551,680.38		48,264
		210,294,061.01	89,034
4. Claims on Customers		5,638,553,740.14	6,006,433
including:			
Trust assets in accordance with § 2 Para. 1a PfandbriefG			
EUR 754,749,891.70 (PY: 830,824)			
5. Debentures and Others			
Fixed Income Securities			
a) from public issuers b) from other	3,639,872.13		3,568
issuers	551,867,903.16		553,324
including:		555,507,775.29	556,892
Own bonds EUR 55,811,405.83 (previous year: 53,629)			
6. Stocks and other non-fixed income securities		5,166,531.32	156,777
7. Participations		6,099,697.20	9,406
including:			
to banks EUR 3,335,887.30 (PY: 6,329)			
8. Interests in Affiliated Companies		263,933.59	8,394
9. Intangible assets of			
Fixed assets		191,275.20	1,620
Fixed assets		13,619,846.58	14,711
including:			
Land and buildings owned by the credit institution im be used within the framework of its own activities			
EUR 9,678,656.59 (previous year: 10.105)			
11. Other assets		88,274,676.32	74,185
12. Prepaid expenses		16,149,428.57	17,859
Total assets		6,672,101,628.74	7,046,972
1. Foreign Assets		1,624,748,070.59	1,679,321

		12/31/2009	12/31/2008
	kEUR	EUR	kEUR
liabilities			
1. Liabilities to banks a) payable on demand b) with an agreed term or period of notice	54,219,082.92		43,636
	2,717,245,663.60		1,966,919
		2,771,464,746.52	2,010,555
2. Amounts due to customers a) Savings deposits	868,980,813.53		1,031,149
including:			
aa) payable on demand EUR 12,048,669.96 (PY: 11,267)			
bb) with an agreed term or Notice period EUR 856,932,143.57 b) (PY: 1,019,882)			
other liabilities	723,618,390.78		1,368,073
including:			
aa) payable on demand EUR 440,004,498.14 (PY: 569,518)			
bb) with an agreed term or Notice period EUR 283,613,892.64 (PY: 798,555)			
3. Securitized Liabilities		1,852,234,794.78	2,208,373
issued debentures			
4. Other liabilities 5. Prepaid expenses 6. Provisions		25,292,071.30	30,838
		93,577.80	116
a) Provisions for severance payments b) Provisions for pensions c) Tax provisions d) Other	6,623,940.00		5,645
	3,725,208.00		3,780
	2,932,000.00		1,932
	62,377,745.03		36,887
		75,658,893.03	48,244
7. Subordinated liabilities 8. Tier 2 capital 9. Subscribed capital 10. Capital reserves		112,851,231.34	112,851
		40,296,513.33	40,299
		30,000,000.00	30,000
a) restricted b) unrestricted 11. Retained earnings	128,214,213.59		
	5,943,195.74	134,157,409.33	128,705
a) legal reserve b) other reserve	0		0
	0		0
		0.0	0
12. Liability reserve pursuant to Section 23 (6) BWG 13. Balance sheet profit 14. Untaxed reserves		36,995,640.00	36,996
		0.00	0
Valuation reserve due to special depreciation		457,547.00	773
sum of liabilities		6,672,101,628.74	7,046,972
1. Contingent Liabilities			
Liabilities from guarantees and Liabilities from the provision of collateral		349,342,741.42	505,324
2. Credit Risks		448,339,000.00	596,470
3. Liabilities from fiduciary transactions 4. Eligible own funds according to § 23 Para. 14 BWG		130,599,797.43	169,280
including:		340,261,426.47	325,694
Own funds according to § 23 para. 14 Z. 7 BWG (PY: 3,268)	679,000.00		
5. Required own funds according to Article 22 Para. 1 BWG		239,656,920.00	290,962
including:			
Required own funds according to § 22 Para. 1 Z. 1 and 4 BWG (previous year: 287,694)	238,977,920.00		
6. Foreign Liabilities		769,441,944.62	770,705

annual accounts

(according to UGB)

Profit and Loss Account for the period from January 1st to December 31st 2009

	2009		2008
	kEUR	EUR	kEUR
1. Interest and Similar Income		354,334,368.00	522,189
including:			
from fixed income securities			
EUR 33,075,592.11	(previous year: 47,185)		
2. Interest and similar expenses I. Net		(288,900,839.20)	(445,617)
interest income		65,433,528.80	76,572
3. Income from securities and participations			
a) Income from stocks, other equity and variable			
income securities b) Income from		22,284.54	2,159
participations c) Income from		15,000.00	251
shares in affiliated			
Pursue		0.00	0
		37,284.54	2,410
4. Commission income		27,426,377.19	29,999
5. Commission expenses 6.		(3,115,879.44)	(3,517)
Income/expenses from financial transactions 7. Other		428,038.03	1,720
operating income II. Operating		9,427,714.73	9,801
income		99,637,063.85	116,985
8. General administrative expenses a) Personnel			
expenses			
aa) Wages and salaries	(35,928,365.20)		(32,561)
bb) Expenses for statutory			
social security and wage-related			
taxes and compulsory contributions cc)	(7,661,511.37)		(7,272)
other social expenses dd)	(672,009.56)		(750)
expenses for pensions and			
Support	(890,977.62)		(831)
ee) Allocation to pension provisions ff)	0.00		0
Expenses for severance payments and			
Benefits to operational			
employee provision funds	(1,624,937.52)		(657)
		(46,777,801.27)	(42,071)
b) other administrative expenses		(26,990,585.79)	(30,625)
(material expenses)		(73,768,387.06)	(72,696)
9. Value adjustments on the assets included in asset			
items 9 and 10		(3,339,105.40)	(4,993)
10. Other operating expenses III. operating		(4,043,904.00)	(2,302)
expenses		(81,151,396.46)	(79,991)
including:			
fixed overheads			
EUR 70,326,890.87	(previous year: EUR 76,983 thousand)		
IV. Operating result		18,485,667.39	36,994

	kEUR	2009 EUR	2008 kEUR
Transfer		18,485,667.39	36,994
11./12. Balance of expenses and income from the sale and the valuation of claims and securities of other current assets 13./14.		(273,253,489.07)	(207,228)
Balance of expenses and income from the sale and the valuation Securities that are like financial assets are rated		(3,544,117.76)	0
V Profit of common business operation		(258,311,939.44)	(170,234)
15 Taxes on income and earnings		15,970,950.55	12,011
16 Other taxes, unless in items 15 to report		(2,521,982.75)	(1,424)
VI. net income		(244,862,971.64)	(159,647)
17 reserve movement including: Allocation to the liability reserve EUR 0.00 <small>(previous year: EUR 0 thousand)</small>		244,862,971.64	159,647
vii Annual profit = balance sheet profit		0.00	0

annual accounts

(according to UGB)

cash flow statement

	2009	2008
	KEUR	KEUR
Profit before tax	(258,312)	(170,234)
Write-ups	0	0
Depreciation on	6,702	4,993
property, plant and	1,825	2,633
equipment on intangible assets on financial	1,514	2,360
assets Proceeds	3,363	0
from the sale of property,	0	0
plant and equipment and immat. assets on financial assets	0	0
	0	0
Change in accounts receivable and other assets	319,548	(149,742)
from banks from customers	(121,260)	46,481
other assets prepaid	437,903	(203,488)
expenses	1,196	5,657
	1,710	1,608
Change in provisions	26,415	31,498
clearances	979	33
pensions	(55)	(165)
other provisions	25,491	31,629
Change in payables and other liabilities	(407,420)	227,603
to banks to customers	760,910	47,925
securitized liabilities	(806,623)	132,040
other liabilities deferred	(5,546)	5,659
income	(22)	(403)
Change in marketable securities	149,046	(63,759)
Debentures and other fixed income securities	(2,565)	(116,265)
Stocks and other non-fixed income securities	151,610	52,506
Steer	(837)	(1,431)
Income taxes other taxes	685	(314)
tax provision	(2,522)	(1,424)
tax provision	1,000	307
Change in funds for general banking risks	0	0
Fund for general banking risks	0	0
Cash flow from operating activities	(164,858)	(121,072)
Changes in tangible and intangible assets	(819)	(2,447)
assets		
investments	(1,332)	(2,651)
sale proceeds	513	204
Changes in financial assets	(58,001)	(12,039)
Securities held as fixed assets	(66,074)	(11,039)
Participations and shares in affiliated companies	8,073	(1,000)
Cash flow from investing activities	(58,820)	(14,486)

	2009	2008
	KEUR	KEUR
Dividends Paid	0	0
Payments to company owners	0	0
payments to minorities	0	0
Changes in subordinated and equity	249,998	135,004
capital grant	250,000	135,000
Subordinated Liabilities	0	0
hybrid capital		
supplementary capital	(2)	4
Changes in foreign shareholders	0	0
Exchange rate, changes in the scope of consolidation	0	0
Cash flow from financing activities	249,998	135,004
cash flow	26,320	(554)
Cash funds at the beginning of the period	111,660	112,215
Cash on hand, central bank balances, public debt and eligible bills of exchange	68,214 43,447	48,063 64,152
Cash funds at the end of the period	137,981	111,660
Cash on hand, central bank balances, public debt and eligible bills of exchange	74,893 63,087	68,214 43,447
Cash changes in cash and cash equivalents	26,320	(554)

annual accounts

(according to UGB)

Balance sheet comparison 2008 : 2009

assets	2008	in %	2009	in %	change	
	Amount in EUR thousand d. total assets		Amount in EUR thousand d. total assets		absolutely	in %
1. Cash on hand, balances with central banks and postal giro offices	68,214	0.97	74,893	1.12	6,679	9.79
2. Debt securities issued by public authorities, who contribute to the refinancing authorized by the central bank	43,447	0.62	63,087	0.95	19,640	45
3. Receivables from credit institutions	89,035	1.26	210,294	3.15	121,259	136
4. Receivables from customers	6,006,433	85.22	5,638,554	84.53	(367,879)	(6.12)
5. Debt securities and other fixed income securities	556,892	7.90	555,508	8.33	(1,384)	(0.25)
6. Shares and not others						
Fixed Income Securities 7.	156,777	2.22	5,167	0.08	(151,610)	(96.70)
Equity Investments	9,406	0.13	6,100	0.09	(3,306)	(35.15)
8. Interests in Affiliated Companies	8,394	0.12	264	0.00	(8,130)	(96.85)
9. Intangible Assets						
of fixed assets 10.	1,620	0.02	191	0.00	(1,429)	(88.21)
Tangible assets	14,711	0.21	13,620	0.20	(1,091)	(7.42)
11. Other assets 12. Prepaid expenses	74,184	1.05	88,275	1.32	14,091	18.99
Total assets	17,859	0.25	16,149	100.00	(1,710)	0.24
	7,046,972	100.00	6,672,102	100.00	(374,870)	(5.32)

liabilities	2008	in %	2009	in %	change	
	Amount in EUR thousand d. total assets		Amount in EUR thousand d. total assets		absolutely	in %
1. Liabilities to credit institutions	2,010,555	28.53	2,771,465	41.54	760,910	37.85
2. Accounts Payable to Customers	2,399,222	34.05	1,592,599	23.87	(806,623)	(33.62)
3. Securitized Liabilities	2,208,373	31.34	1,852,235	27.76	(356,138)	(16.13)
4. Other liabilities 5. Prepaid expenses 6. Provisions 7. Subordinated liabilities 8.	30,838	0.44	25,292	0.38	(5,546)	(17.98)
	115	0.00	94	0.00	(21)	(18.26)
Supplementary capital 9. Subscribed capital 10. Capital reserves 11. Liability reserves pursuant to Section 23 (6) BWG 12. Unappropriated profit 13. Untaxed reserves Total liabilities	48,245	0.68	75,659	1.13	27,414	56.82
	112,851	1.60	112,851	1.69	0	0.00
	40,299	0.57	40,297	0.60	(2)	0.00
	30,000	0.43	30,000	0.45	0	0.00
	128,705	1.83	134,157	2.01	5,452	4
	36,996	0.52	36,996	0.55	0	0.00
	0	0.00	0	0.00	0	0.00
	773	0.01	457	(316)	0.01	100.00
	7,046,972	100.00	6,672,102	(374,870)		(5.32)

annual accounts

(according to UGB)

Profit and Loss Account – Comparison 2008 : 2009

	2008	2009	change	
	Amount in	Amount in	absolutely	in %
1. Interest and similar income	522,189	354,334	(167,855)	(32.14)
2. Interest and similar expenses	(445,617)	(288,900)	(156,717)	(35.17)
I Net Interest Income	76,572	65,434	(11,138)	(14.55)
3. Income from securities and participations	2,410	37	(2,373)	(98.46)
4. commission income	29,999	27,426	(2,573)	(8.58)
5. commission expenses	(3,517)	(3,116)	(401)	(11.40)
6. Income/expenses from financial transactions	1,720	428	(1,292)	(75.12)
7. Other company income	9,801	9,428	(373)	(3.81)
II. Operating Income	116,985	99,637	(17,348)	(14.83)
8th. General administrative expenses	(72,696)	(73,768)	1,072	1.47
9. Valuation allowances on the assets 9 and 10 included assets	(4,993)	(3,339)	(1,654)	(33.13)
10 Other operating expenses	(2,302)	(4,044)	1,742	75.67
III. operating expenses	(79,991)	(81,151)	1,160	1.45
IV operating result	36,994	18,486	(18,508)	(50.03)

	2008	2009	change	
	Amount in EUR thousand	Amount in EUR thousand	absolutely	in %
11./12. Balance of expenses and income from the sale and valuation of Receivables and securities of other current assets	(207,228)	(273,253)	66,025	31.86
13./14. Balance of expenses and income from the sale and the valuation of securities that are like financial assets are rated	0	(3,544)	(3,544)	0.00
V Profit of common business operation	(170,234)	(258,311)	88,077	51.74
15 Taxes on income and earnings	12,011	15,971	(3,960)	33
16 Other taxes, as far as not in item 15 to report	(1,424)	(2,522)	1,098	77.11
VI. net income	(159,647)	(244,862)	85,215	53.38
17 reserve movement	159,647	244,862	85,215	53.38
vii Annual profit = balance sheet profit	0	0	0	0.00

annual accounts

(according to UGB)

Notes for the 2009 financial year

Basics of Accounting

The annual financial statements of Hypo Alpe-Adria-Bank AG were prepared in accordance with the provisions of the Banking Act (BWG) in the current version and also – to the extent applicable – in accordance with the provisions of the Company Code (UGB) and the German Stock Corporation Act (AktG), each in the current version.

The annual financial statements consist of the balance sheet, the income statement and the notes. In addition, a management report was prepared, which is consistent with the annual financial statements.

The balance sheet and the profit and loss account are structured in accordance with the forms contained in Annex 2 to Section 43 BWG, whereby use was made of the option available under Section 53 (3) and Section 54 (2) BWG to combine certain items in the income statement. Values are always given in thousands of euros (TEUR). The tables shown may contain rounding differences.

Accounting and valuation methods

The annual financial statements were prepared in accordance with proper bookkeeping and the general standard of providing a true and fair view of the company's assets, finances and earnings.

When valuing the assets and debts, the principle of individual valuation was observed and it was assumed that the company would continue as a going concern.

With regard to the assessment of the continued existence of the credit institution, the Management Board is of those assumptions made by the Group Executive Board, which underlie the Group's restructuring plan drawn up for the purpose of the EU state aid proceedings, whereby the future economic development is subject to a high degree of uncertainty due to the current global financial crisis and the regionally particularly pronounced economic crisis and depends above all on the further capital injection contained in the restructuring plan to strengthen the equity base in the amount of EUR 600 million by June 30, 2010.

The principle of prudence was taken into account, taking into account the special features of the banking business, in that only the profits realized as of the balance sheet date were reported and all recognizable risks and impending losses were taken into account in the valuation.

Assets and liabilities denominated in foreign currencies are converted at the average exchange rate on the balance sheet date. The respective futures rate is used for futures transactions.

Receivables from banks and receivables from customers are always capitalized at the nominal value of the receivables. Premiums and discounts are included in the active or passive deferred items and released over the term.

Securities that are permanently used for business operations and are dedicated accordingly are accounted for as financial assets in accordance with section 56 (1) BWG and valued according to the moderate lower of cost or market principle. No use was made of the option available for securities classified as financial assets under section 56 (2) and (3) BWG (distribution of the difference between acquisition cost and repayment amount over the remaining term).

Financial assets are written down if they are permanent. The credit institution checks on an ad hoc basis or at least annually whether a permanent impairment has occurred in the area of financial assets. If a sustained deterioration in the issuer's creditworthiness is determined, an unscheduled write-down is made for this purpose.

The remaining securities (liquidity reserve) are classified as current assets and are recognized at market value in accordance with Section 56 (5) BWG if they are listed securities. Unlisted securities are valued according to the strict lower of cost or market principle. Repurchased own liabilities are allocated to current assets. These own issues are valued at acquisition cost, with any difference between a higher repurchase value and the repayment amount being immediately expensed. If the difference results from a repurchase value that is below the repayment amount, this is only recognized in profit or loss upon repayment.

Trading book securities are valued at market value on the balance sheet date. In the case of financial instruments to be accounted for at market value, this is generally determined using stock exchange prices. If no stock market price is available, the future cash flows of a financial instrument are discounted to the present value using the relevant yield curve. The valuation is carried out using standard financial-mathematical methods.

The **participations** and **shares in affiliated companies** are at cost and are valued at the lowest unless sustained losses necessitate a devaluation.

The valuation of **intangible assets** and **property, plant and equipment** (Land and buildings, operating and office equipment) is at acquisition or production costs less scheduled depreciation and, where necessary, unscheduled depreciation. Scheduled depreciation is carried out on a straight-line basis. Depreciation rates range from 2 to 10 percent for immovable assets, 4 to 33 percent for movable assets, 10 percent goodwill and 25 percent for software. Low-value assets with acquisition costs of less than EUR 400 are written off immediately in the year of acquisition. In the year under review, an unscheduled, complete depreciation of the goodwill was made due to the current earnings situation in the amount of EUR 700 thousand.

Liabilities are stated at their nominal value or the repayment amount. Issue costs, such as premiums and discounts, are released over the term of the debt. Other issue costs are expensed immediately.

The **provision for pension obligations** for current pensions was increased in the financial year calculated actuarially using the "unit credit method" in accordance with IAS 19, whereby the distribution of actuarial gains and losses (so-called corridor method) was not used. The calculation was based on an interest rate of **5.25 percent (2008: 6 percent)** and an unchanged pension increase rate of **2 percent compared to the previous year**.

The **provisions for severance payment obligations** and those in other provisions The provisions for anniversary bonuses included in the financial year were also actuarially calculated using the unit credit method in accordance with IAS 19 (without using the corridor method). The calculation was made using an interest rate of **5.25 percent (2008: 6 percent)** and an unchanged salary trend of **3 percent pa**

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Allowance for a fluctuation deduction of **6 percent (2008: 6 percent)**. The earliest possible statutory retirement age according to ASVG (pension reform 2004) and in the case of voluntary termination by the employee if the employment relationship has lasted ten years without interruption was used as the retirement age.

The **other provisions** were formed in the amount of the probable utilization. They take into account all liabilities whose amount has not yet been determined.

Derivative financial transactions (forward transactions, swaps, options) are assigned to a hedging or trading portfolio depending on their purpose. As pending transactions, they are generally not shown on the balance sheet. Paid or received option premiums are reported under other assets or other liabilities.

Option price models using current market parameters are used to measure financial instruments with options.

The risk from the lending business was taken into account by creating individual and portfolio value adjustments for on-balance sheet receivables and off-balance sheet transactions.

Risk provisions are determined in accordance with the provisions of the International Financial Reporting Standards (IFRS). Risk provisions at the level of individual transactions are taken into account in the amount of the expected default if there are objective indications that existing credit risks are taken into account. The amount of the individual value adjustment is calculated as the difference between the book value of the receivable and the present value of the estimated future cash flows, taking into account the collateral provided. The portfolio value adjustment is generally determined on the basis of the model derived from Basel II, whereby internal parameters are also used. Provisional value adjustments pursuant to Section 57 (1) BWG are not recognized.

Since the 2009 financial year, the credit institution has been reporting to standardize the risk system also recognizes the individual value adjustments in the annual financial statements according to UGB/BWG in accordance with the provisions of IFRS, which resulted in a one-time charge of EUR 11,856 thousand on the income statement for the current financial year.

No other changes were made to the accounting and valuation methods.

Notes to the balance sheet

1. Relationships with affiliated companies and with companies in which an investment relationship exists

The following balance sheet items contain receivables from or liabilities to affiliated companies or companies in which an investment is held:

	KEUR	
	2009	2008
A3. Receivables from credit institutions	168,909	48,930
thereof to affiliated companies	168,909	48,701
of which in companies in which an investment is held A4. Receivables from customers thereof from affiliated companies	0	229
of which in companies in which an investment is held A5. Debentures and other fixed income securities thereof to affiliated companies	135,412	173,387
of which to companies in which an investment is held P1. Liabilities to banks of which to affiliated companies	95,666	124,860
of which to companies in which an investment is held P2. Liabilities to customers of which to affiliated companies	39,746	48,527
thereof to companies in which an investment relationship exists	2,172	4,136
thereof to companies in which an investment relationship exists	1,196	3,583
thereof to companies in which an investment relationship exists	976	553
P3. Securitized Liabilities	1,441,984	1,081,320
thereof to affiliated companies	1,441,900	1,080,246
of which to companies in which an investment relationship exists	84	1,074
P7. Subordinated Liabilities	27,692	86,920
thereof to affiliated companies	16,904	83,001
thereof to companies in which an investment relationship exists	10,788	3,919
thereof to companies in which an investment relationship exists	0	0
thereof to affiliated companies	0	0
thereof to companies in which an investment relationship exists	0	0
P7. Subordinated Liabilities	15,000	15,000
thereof to affiliated companies	15,000	15,000
thereof to companies in which an investment relationship exists	0	0

The most important companies are:

	KEUR	
Receivables from affiliated companies:	Hypo Alpe Adria Bank International AG	164,943
Liabilities to affiliated companies:	Hypo Alpe Adria Bank International AG	1,436,719

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2. Maturity breakdown of the balance sheet item

Breakdown of maturities according to remaining terms in accordance with section 64 (1) no. 4 BWG:

	kEUR	
	2009	2008
A3: Receivables from credit institutions	210,294	89,035
- payable daily	45,742	40,770
- up to three months	146,892	28,669
- from three months to one year	4,009	3,169
- over one year to five years	13,422	16,198
- over five years	229	229
A4: Receivables from customers	5,638,554	6,006,433
- payable daily	375,651	501,947
- up to three months	227,571	266,764
- from three months to one year	614,584	636,110
- over one year to five years	1,551,179	1,539,187
- over five years	2,869,569	3,062,425
P1: Liabilities to banks	2,771,465	2,010,555
- payable daily	54,219	43,636
- up to three months	482,924	505,209
- from three months to one year	650,514	219,324
- over one year to five years	587,367	204,508
- over five years	996,441	1,037,878
P2: Liabilities to customers	1,592,600	2,399,222
- payable daily	452,053	580,785
- up to three months	381,872	547,435
- from three months to one year	137,626	704,158
- over one year to five years	419,824	295,815
- over five years	201,225	271,029

3. Securities including

accrued interest:

	kEUR	
	2009	2008
2a. Public sector debt and similar securities used for		
Refinancing approved by the central bank are listed thereof	63,087	43,447
	63,087	43,447
of which AV	9,000	16,184
of which accrued interest AV	390	439
of which UV	52,675	26,252
thereof accrued interest UV	1,022	572

	kEUR	
	2009	2008
3. Receivables from credit institutions	236	238
of which are not listed	236	238
4. Claims on Customers	390,049	319,360
of which are not listed	390,049	319,360
5. Debentures and other fixed income securities	555,508	556,892
of which listed	508,046	523,676
of which are not listed	47,462	33,216
of which AV	360,668	364,618
thereof accrued interest AV	2,687	4,158
of which UV	190,365	185,912
thereof accrued interest UV	1,788	2,204
6. Stocks and other non-fixed income securities	5,167	156,777
of which listed	3,117	14,916
of which are not listed	2,050	141,861
of which UV	5,167	156,777
7. Holdings	6,100	9,406
of which are not listed	6,100	9,406
8. Interests in Affiliated Companies	264	8,394
of which are not listed	264	8,394

Breakdown of Debentures and Other Fixed Income Securities

	kEUR	
	2009	2009
from public issuers	3,640	3,568
from other issuers	551,868	553,324
of which: own issues	56,246	53,967
Domestic Bonds AI	79,082	70,822
Foreign Bonds AI	375,184	361,732
Mortgage Bonds & Municipal Debentures	20,339	25,362
convertible bonds	0	0
Other Bonds	21,017	41,441

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Other information on the securities:

The difference between the securities valued at the higher market value (§ 56 Para. 5 BWG) of the current assets and the acquisition costs amounts to EUR 5,473 thousand (2008: EUR 1,342 thousand).

In 2010, EUR 158,931k (2009: EUR 101,686k) of fixed-income securities from the bank's own holdings of securities denominated in euros and EUR 6,928k (2009: EUR 1,488k) of securities denominated in foreign currencies will mature.

Fixed-income securities from non-public issuers that were eligible for refinancing with the Austrian National Bank on the balance sheet date amounted to EUR 445,696 thousand (2008: EUR 425,580 thousand), of which EUR 369,767 thousand (2008: EUR 325,430 thousand) were pledged as of the balance sheet date.

As of December 31, 2009, there were subordinated securities in the amount of EUR 17,886 thousand in accordance with Section 45 (3) BWG.

The led trading book (§ 64 Abs. 1 Z 15, § 22 lit. n BWG) shows on December 31, 2009 the following volume breakdown:

	kEUR	
	2009	2008
Securities (book value)	799	17,445
FX Options (Nominals)	0	4,436
Forward exchange transactions (nominal)	13,160	19,838
Interest rate swap (nominal)	69,758	100,287

No use was made of the option under Section 22 lit. b BWG and as of December 31, 2009 no money market instruments were allocated to the securities trading book.

Fixed asset financial instruments reported at fair value (§ 237a (1) Z 2 UGB) are divided as follows:

	book value		silent burden	
	12/31/2009	12/31/2009	12/31/2008	12/31/2008
	kEUR		kEUR	
Debt securities public bodies	9,000	0	16,184	(57)
Receivables from customers Fixed-income securities	387,477	(1,120)	317,455	(832)
Debentures and other fixed income securities	360,669	(2,701)	364,617	(16,796)
holdings	6,100	0	9,405	0
Shares in affiliated companies	264	0	8,394	0
In total	763,510	(3,821)	716,055	(17,685)

No write-ups were made to securities classified as financial assets in the financial year. The credit institution checks on an ad hoc basis, or at least annually, whether permanent impairment has occurred in the area of financial assets. A sustained deterioration in the issuer's creditworthiness was not ascertained.

In 2010, EUR 103,700 thousand was paid in Hypo Alpe-Adria-Bank AG in accordance with Article 64, Paragraph 1, Item 7 of the Austrian Banking Act payable in bonds issued.

4. Participations according to § 238 Z 2 UGB:

Company Name	Equity share*	Result**		year diploma
		kEUR	kEUR	
Alpe Adria Beteiligungs GmbH	100% direct	784	749	12/31/2009
Hypo Alpe Adria Insurance Service GmbH	100% direct	1.177	165	12/31/2009
Nawaros Bioenergie GmbH	100% direct	(701)	(180)	12/31/2008
Biogaspark Alpe Adria GmbH	98% direct	(3,003)	(1,665)	12/31/2008
Hypo Versicherung AG	20% direct	7,722	77	12/31/2008

* Equity = within the meaning of § 229 UGB plus untaxed reserves

** Earnings = net income/loss before reserves and before minorities

5. Intangible and Tangible Assets

A breakdown of the individual items and their development in the year under review is shown in the schedule of fixed assets (**Appendix 2** to the Notes).

As of December 31, 2009, the real estate value was EUR 4,165 thousand.

6. Other Assets

Other assets include the following items:

	kEUR	
	2009	2008
Other assets	88,275	74,184
interest income	9,785	11,503
of which cash after the balance sheet date	9,785	11,503
offset claims	30,981	19,027
Receivables from the FX valuation of banking book derivatives	357	0
Receivable from the derivatives trading book	2,434	0
Requests from deliveries and services	44,718	43,654

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7. Other Liabilities

Other liabilities include the following items:

	kEUR	
	2009	2008
Other liabilities	25,292	30,838
Interest expense of	488	1,387
which cash after the balance sheet date	488	
clearing accounts	3,400	3,904
Duties and Fees	7,516	6,684
Liabilities from the FX valuation of banking book derivatives	3,795	0
Liabilities from the derivatives trading book	2,125	0
liabilities from goods and services	597	4,796
Liabilities from guarantor liability	1,305	1,744
Other liabilities	6,066	12,323

8. Provisions

The "Other provisions" item essentially includes:

	kEUR	
	2009	2008
liabilities	45,512	28,685
Unused vacations	2,059	2,184
anniversary bonus	960	785
Success bonus for employees	0	495
Association of Hypobanks § 1406 ABGB	551	554
Legal and consulting expenses	150	300
General data center	239	264
Restructuring	11,742	3,025
Other	1,165	595
In total	62,378	36,887

In the 2009 financial year, a Group-wide restructuring plan, "Hypo Fit 2013", was drawn up and approved with the former majority owner, BayernLB. The plan focused in particular on a sustained reduction in costs, a streamlining of internal organization and efficiency-enhancing measures. In this context, provisions were made in full for the costs incurred for severance and severance payments in the period from 2010 to 2013 in the amount of EUR 7,712 thousand. Effects from the far-reaching restructuring plan to be submitted to the European Commission in the first half of 2010 are no longer included in the valuation of the provisions.

Furthermore, an amount of EUR 4,030 thousand was taken into account as restructuring for the EU branch in Munich, which was closed on March 31, 2009.

9. Information on risk provisions

Development of risk provisions (receivables from customers):

	kEUR	
Loans and advances to customers	2009	2008
Status at the beginning of the year	218,529	94,791
allocation	237.105	147.171
resolution	(2.670)	(2,669)
use	(100.1349)	(20,872)
FRW rating	26	108
Status at the end of the year	352,856	218,529

For default risks that have already occurred but have not yet been identified, the portfolio value adjustment from 2008 (EUR 4,510 thousand) was adjusted to EUR 26,168 thousand in the 2009 financial year.

10. Supplementary or subordinated

capital The nominal value of the reported supplementary capital amounts to EUR 40,000 thousand as of December 31, 2009 (2008: EUR 40,000 thousand). Own holdings include nominal amounts of EUR 0 thousand (2008: EUR 7,110 thousand). The nominal value of the subordinated capital pursuant to Section 23 (8) BWG is EUR 112,000 thousand (2008: EUR 112,000 thousand). The supplementary and subordinated capital has a remaining term of more than 5 years.

The subordinated and supplementary capital cannot be terminated prematurely, nor can it be pledged or assigned. In the event of liquidation or bankruptcy, the claim ranks below all other creditors and cannot be offset against claims of Hypo Alpe-Adria-Bank AG.

The interest expenses of supplementary and subordinated capital amount to EUR 5,988 thousand.

Of this, EUR 1,279 thousand was not paid out due to the negative annual result from 2008.

11. Equity

As of the balance sheet date, the share capital of Hypo Alpe-Adria-Bank AG was EUR 30,000 thousand (2008: EUR 30,000 thousand) and was broken down into 30,000 (2008: 30,000) no-par value bearer shares. A capital increase in the form of a shareholder contribution of EUR 250,000k was carried out in the reporting year.

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12. Reserves

Development of untaxed reserves:

kEUR

Designation	opening inventory	departure	resolution	ending stock
	01/01/2009			12/31/2009
BWR due to special depreciation				
BWR according to § 8 EStG EStG land and buildings	773	206	109	458
operating and GA	0	0	0	0
BWR according to § 12 EStG EStG Land and buildings Total	0	0	0	0
untaxed reserves	773	206	109	458

The development of the capital and revenue reserves as well as the liability reserve:

kEUR

Designation	opening inventory	Access	departure	feeding	resolution	ending stock
	01/01/2009					12/31/2009
capital reserves	128,705	250,000	0	0	244,547	134.158
retained earnings	0	0	0	0	0	0
liability reserve	36,996	0	0	0	0	36,996

Off-Balance Sheet Transactions**13. Financial Derivative Instruments**

The following transactions had not yet been completed as of the balance sheet date:

kEUR

forward transactions	nominal		nominal		market values		market values	
	Purchase Contracts		sales contracts		positive		negative	
	2009	2008	2009	2008	2009	2008	2009	2008
a) Interest-related transactions								
OTC Products								
Interest rate	3,821,591	3,669,352	3,821,591	3,669,352	85,513	69,663	140,196	130,655
swaps b) Currency related businesses								
OTC Products								
currency swaps	36,940	118,858	37,879	119,349	796	1,699	1,898	2,097
foreign exchange swaps	258,214	121,823	260,714	127,436	2,822	2,688	5,327	8,275
Forward Exchange Transactions	13,160	19,838	13,150	19,815	16	294	5	264
Options on currencies	0	4,436	0	4,435	0	88	0	93

All derivatives are valued according to customary market standards. Most of the transactions serve to cover fluctuations in interest rates, exchange rates or market prices, as well as customer-oriented derivative positions. Microhedges are primarily used to directly secure individual transactions on the asset and liability side.

14. Other off-balance sheet disclosures

	kEUR	
	2009	2008
contingent liabilities	349,343	505,324
Sureties and Guarantees	347,813	493,027
letters of credit	1,530	12,297

The credit risks consist of credit lines not yet utilized in the amount of EUR 448,339 thousand (2008: EUR 596,470 thousand).

In addition to the contingent liabilities shown below the line in the balance sheet, there is also an obligation from the membership in "Hypo-Haftungs-Gesellschaft mbH", which is required under § 93 BWG for deposit protection.

As a member institute of the Pfandbriefstelle of the Austrian state mortgage banks, Hypo Alpe-Adria-Bank AG is jointly and severally liable with all other member institutes for all liabilities of the Pfandbriefstelle in accordance with Article 2 Paragraph 1 of the Pfandbriefstelle-Gesetz (PfBrStG). This liability applies equally to all other member institutes and their universal legal successors, as also listed in Article 1 (2) of the Pfandbriefstelle's articles of association. For liabilities of the Pfandbriefstelle, which are due up to April 2, 2003 or after April 2

April 2003 with a term of no longer than September 30, 2017, the guarantors (respective federal state) of the member institutes are also jointly and severally liable in accordance with Section 2 (2) PfBrStG. In the Pfandbriefstelle's liability law audit report, the extent of the liabilities covered by the liability of the guarantors as of the balance sheet date December 31, 2009 was around EUR 9.65 billion. Taking into account the funds raised by the Pfandbriefstelle and forwarded to Hypo Alpe-Adria-Bank AG in the amount of EUR 0.86 billion, the value to be stated in accordance with § 237 Z 8a UGB is EUR 8.79 billion.

The obligations from the use of property, plant and equipment not shown in the balance sheet (leasing obligations) of Hypo Alpe-Adria-Bank AG amounted to EUR 4,257 thousand in the financial year (2008: EUR 5,058 thousand), EUR 3,881 thousand in 2010 and for the financial years 2010 to 2014 a total of EUR 18,853 thousand.

In addition to the contingent liabilities shown in the underlined item, there are also nor a letter of comfort or commitment to Biogaspark Alpe-Adria GmbH Germany.

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Notes to the Profit and Loss Account

Interest and similar income

	kEUR	
	2009	2008
from receivables from banks and customers	212,439	321,095
thereof domestic	158,260	249,411
thereof abroad	54,179	71,684
from fixed income securities	33,076	47,185
thereof domestic	21,836	26,552
thereof abroad	11,240	20,633
from other assets of	108,821	153,908
which domestic	108,821	153,908
thereof abroad	0	0

Interest and similar expenses

	kEUR	
	2009	2008
from liabilities to banks and customers thereof in Germany	112,830	200,635
thereof abroad	90,973	162,167
thereof abroad	21,857	38,468
from securitized liabilities	67,321	85,974
thereof domestic	67,321	85,974
thereof abroad	0	0
from other liabilities of	108,749	159,008
which domestic	108,749	159,008
thereof abroad	0	0

Commission Income and Expense

	kEUR	
	2009	2008
From the credit business		
commission income	12,946	15,540
commission expenses	(1,198)	(927)
From the securities business		
commission income	5,863	7,116
commission expenses	(1,174)	(1,541)
From the rest of the business		
commission income	8,616	7,340
commission expenses	(744)	(1,048)

Other administrative expenses (material expenses):

	kEUR	
	2009	2008
Legal and consulting costs,	1,657	2,418
guarantor liability for the province of	1,305	1,744
Carinthia, advertising and representation expenses,	2,261	2,600
rental and leasing expenses and other building costs, IT	8,920	8,864
costs	888	1,855
data center costs	3,203	4,006
training expenses	977	1,047
issuance costs	10	2
travel and travel expenses	306	428
Fleet and vehicle operating costs	483	752
insurance costs	115	275
telephone and postage	1,129	1,271
legal form costs	24	28
office supplies	331	375
Miscellaneous other material expenses	5,381	4,960
In total	26,990	30,625

There was no investment income according to § 238 Z 4 UGB.

The balance of changes in untaxed reserves in the year under review increased the tax base by an amount of EUR 315k (2008: EUR 218k).

Other Information**15. Important long-term contracts**

An agency agreement was concluded between Hypo Alpe-Adria-Bank International AG and Hypo Alpe-Adria-Bank AG with effect from June 14, 2004, which provides for the offsetting of certain cross-bank back-office activities. Due to the implementation of the "New Credit Process" project in the first half of 2009, the distribution of tasks in processing and administration in the credit business was reorganized and the existing agency agreement was adapted accordingly.

A service agreement was concluded between Hypo Alpe-Adria-Bank International AG and Hypo Alpe-Adria-Bank AG with effect from August 1, 2007, which provides for the procurement and implementation of bank-specific treasury services by the "Group Global Markets" and "Group Treasury" departments. This service contract was terminated on December 1st, 2009.

On April 1, 2007, a service agreement was concluded between Hypo Facility Services GmbH and Hypo Alpe Adria-Bank AG. The services include the areas of building management, building services, cleaning and postal logistics services and vehicle fleet management as well as project development and project steering.

Hypo-Alpe-Adria Bank AG (group member) has been a member since the 2005 assessment year Group member in the § 9KStg group with Hypo-Alpe-Adria Bank International AG as

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group carrier. The group taxation agreement drawn up for this purpose contains the mandatory regulation on tax equalization (calculation/settlement of tax allocations) pursuant to Section 9 (8) KStG, as well as the mutual rights and obligations of the group parent and group members arising in connection with the group. This includes in particular the procedure in connection with the submission of the group application, determination of the tax results of the individual group members, information rights and obligations, leaving the group, dissolution and duration of the group. The tax allocation method basically follows the burden method; any benefit resulting from the group is passed on to the group members using a fixed allocation rate.

16. Other information

equity

KEUR

	2009	2008
Core capital (TIER 1)	201,305	194,660
Paid-in capital	30,000	30,000
Disclosed reserves (incl. minority interests in equity and hybrid capital)	171,610	166,473
Fund for general banking risks	0	0
Intangible assets Deductible	191	1,620
balance sheet loss and mat. Neg. Results Complementary	114	193
Elements (TIER 2)	140,652	130,453
Supplementary	40,000	33,123
capital Subordinated	100,652	97,330
capital Deductible items pursuant to	2,375	2,688
section 23 (13) BWG TIER 3 (reclassified TIER 2 capital)	679	3,268
Available own funds according to	340,261	325,693
BWG Required own funds according	239,657	290,962
to BWG Overfunding (EM)	100,604	34,731
coverage level	141.98%	112.03%

	2009	2008
Assessment basis banking book (risk-weighted): core	2,781,649	3,405,106
capital ratio (TIER 1 ratio)	7.19%	5.68%
Equity ratio Basis	12.23%	9.56%
of assessment including market and oper. Risk: core	2,995,712	3,637,032
capital ratio (TIER 1 ratio)	6.68%	5.32%
equity ratio	11.36%	8.95%

	2009	2008
Risk-weighted basis of assessment in accordance with Section 22	2,781,649	3,405,106
BWG (banking book), of which 8% minimum equity requirement	222,532	272,408
Own funds requirement according to § 22b BWG (securities trading book)	372	2,711
Own funds requirement according to § 26 BWG (open currency position)	307	557
Own funds requirement operational risk	16,446	15,286
Total own funds requirement	239,657	290,962

The liability item "Liabilities to customers" includes trustee savings deposits of EUR 2,763 thousand (2008: EUR 3,418 thousand).

The balance sheet total contains the following amounts, which are denominated in foreign currencies

	2009	2008
assets	961,068	1,039,118
liabilities	817,877	1,047,960

The largest part of the difference amounting to EUR 143,191 thousand is secured by swap agreements.

Mortgage bank business in accordance with the Pfandbrief Act:

	securitized liabilities		cover loan		overlap	
	2009	2008	2009	2008	2009	2008
	Bonds	6,633	4,726	109,099	140,469	102,466
Public Pfandbriefe	917,776	992,392	1,193,417	1,457,056	275,641	464,664

On October 15, 2008, a trust framework agreement was concluded between Hypo Alpe-Adria-Bank AG and Hypo Alpe-Adria-Bank International AG in accordance with Article 2, Paragraph 1a, 7 of the Pfandbrief Act. Under this agreement, Hypo Alpe-Adria-Bank International AG provided Hypo Alpe-Adria-Bank International AG with municipal cover loans for its cover pool in the amount of EUR 754,750 thousand (2008: EUR 830,824 thousand).

Pursuant to section 64 para. 1 no. 8 BWG, liabilities to banks in the amount of EUR 725,000k and liabilities to customers in the amount of EUR 1,565k as

annual accounts

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Attachment

Securities from other current assets of EUR 433,472k and loans of EUR 754,310k were transferred as security.

For trading activities, securities were deposited as collateral from other current assets with various clearing houses in the amount of EUR 72,495 thousand.

In the balance sheet item receivables from customers, there are EUR 25,601 thousand in accordance with Article 45 (2) BWG senior receivables as well as subordinated receivables in the amount of EUR 17,886k in the balance sheet item bonds and other fixed-income securities.

Pursuant to Article 64 Paragraph 1 Z 1 BWG, there are no investments in the leasing business.

The capitalizable amount for deferred tax assets not shown separately in the balance sheet is EUR 451 thousand (2008: EUR 334 thousand).

The liability of the state of Carinthia for all liabilities of Hypo Alpe-Adria-Bank Bank AG, Klagenfurt, is designed as a default guarantee in accordance with § 1356 ABGB. Based on the European Commission's assessment, the state's liability, which was originally unlimited in terms of time and amount, was assessed as state aid within the meaning of Art. 88 EGV, which made it necessary to adapt the Carinthian State Holding Act (K-LHG). The state of Carinthia is now fully liable for liabilities of Hypo Alpe-Adria-Bank AG entered into before April 3, 2003 within the framework of the default guarantee pursuant to § 1356 ABGB.

The state of Carinthia is liable as default guarantor for liabilities of Hypo Alpe-Adria-Bank AG that arose from April 3, 2003 to April 1, 2007, insofar as the term of the liabilities does not go beyond September 30, 2017. The state of Carinthia will no longer be liable for any liabilities arising after April 1, 2007.

As of December 31, 2009, the State of Carinthia still had guarantees for fixed-term and open-ended liabilities of Hypo Alpe-Adria-Bank AG amounting to EUR 1.60 billion (2008: EUR 2.09 billion).

Information on the parent company and inclusion in the consolidated financial statements (§ 237 Z 12 UGB):

The company is fully consolidated in the consolidated financial statements of HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt am Wörthersee, which are prepared in accordance with international accounting standards (IFRS).

Hypo Alpe-Adria-Bank AG is directly owned by Hypo Alpe-Adria-Bank International AG, Alpen-Adria-Platz 1, 9020 Klagenfurt am Wörthersee. Since December 30, 2009, all shares in Hypo Alpe-Adria-Bank International AG have been held by the Republic of Austria. On this date, the previous affiliation with Bayerische Landesbank (BayernLB), in whose consolidated financial statements Hypo Alpe-Adria-Bank AG was included up to this point in time, ended.

The ultimate parent company of the entire group is now Hypo Alpe-Adria-Bank International AG. The consolidated financial statements of Hypo Alpe-Adria-Bank International AG are published in the Wiener Zeitung and at www.hypo-alpe-adria.com (==> Investor Relations ==> Financial Reports). Disclosure takes place in the company register and at the address of Hypo Alpe-Adria-Bank International AG, Alpen-Adria-Platz 1, 9020 Klagenfurt am Wörthersee.

17. Auditor's Expenses

	kEUR	
	2009	2008
Examination costs for completing the HBA		
Deloitte costs current year	358	378
costs of the previous year in the current year	0	18
Expenses for other services		
Deloitte costs current year	18	22
costs of the previous year in the current year	0	0
overall performance	376	418

18. Staff

Average number of employees based on employee years in accordance with § 239 UGB:

	2009	2008
Employee	548.66	560.44
worker	1.78	2.20

Advances, loans and guarantees for organs

At the end of the year, the members of the Management Board received advances, loans and guarantees from Hypo Alpe-Adria-Bank AG in the amount of EUR 149 thousand.

At the end of the year, the members of the Supervisory Board received loans and guarantees of EUR 333 thousand from Hypo Alpe-Adria-Bank AG for themselves and for their companies, for which they are personally liable.

Expenses for severance payments and pensions

As a severance payment and provision for severance payments and pensions, the bank has no Reversals in 2009 expended the following amounts:

	kEUR
	2009
board members	136
Executives	123
Other workers	1,395
In total	1,654

Of the total expenses for severance payments and services, EUR 180 thousand relates to payments to company employee pension funds.

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Attachment

Breakdown of the remuneration for members of the Management Board and the Supervisory Board:

	kEUR
	2009
board of directors	
of that fixed	541
of which variable	5
supervisory board	7
remuneration of former members of the Management Board, of the supervisory board and their surviving dependents	144
In total	697

In the year under review, claims for the return of Management Board bonuses amounting to EUR 53 thousand were recognized in the item Other assets, which are related to the issue of participation capital by Hypo Alpe-Adria-Bank International AG and the relevant terms of issue in 2008.

The members of the Executive Board and the Supervisory Board active in the financial year are listed in the appendix to these notes.

Klagenfurt am Wörthersee, March 16, 2010

The board

VDir. Mag. Kurt Macula eh

VDir. Gerhard Salzer eh

Corporate bodies January 1 to December 31, 2009

Chairman of the Supervisory Board:

Franz Pinkl, Ternitz since June 3, 2009 Dr.

Tilo Berlin, Klagenfurt until April 30, 2009

Deputy Chairman of the Supervisory Board:

Dipl.Kfm. Andreas Dörhöfer, Klagenfurt since June 3, 2009

DI Božidar Špan, Klagenfurt from 03/12/2009 to 06/03/2009

Members of the Supervisory Board:

Mag. Wolfgang Peter, Breitenbrunn DI

Božidar Špan, Klagenfurt since January 29, 2009

Anton Knett, MBA, Klagenfurt since June 3rd, 2009

Dipl.Kfm. Andreas Dörhöfer, Klagenfurt until June 3, 2009

dr Siegfried Grigg, Graz until January 18, 2010

Dipl.-Ing. dr Gerd Penkner, Klagenfurt until February 08, 2010

Mag. Paul Kocher, Vienna until May 31, 2009

Delegated to the Supervisory Board by the Works Council:

Mag. Klaus Jernej, Chairman, Klagenfurt

Werner Mueller, Klagenfurt

Peter Quinesser, Klagenfurt Ursula

Van Overbeek, Klagenfurt

State Commissioner:

Mag. Angelika Schlögel, Vienna

Deputy State Commissioner:

dr Monika Hutter, Vienna

Trustee:

dr Josef Wogrin, Klagenfurt

Trustee deputy:

Mag. Maria Hacker-Ostermann, Graz

Board of directors:

Mag. Kurt Makula, Wölfnitz/Klagenfurt Gerhard

Salzer, Maria Saal/Klagenfurt from February 1st, 2009

Mag. Ernst Eberhard, Vienna until April 30, 2009

Mag. Susanne Althaler, Vienna until January 31, 2009

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(according to UGB)

Investment schedule Hypo Alpe-Adria-Bank AG

asset	acquisition cost 01/01/2009	additions 2009	departures 2009
position 2			
Debt instruments issued by public authorities			
fixed rate securities held as fixed assets	16,184,491.96	49,700.00	7,000,000.00
item 3			
Receivables from credit institutions			
fixed rate securities held as fixed assets	0.00	0.00	0.00
item 4			
Loans and advances to customers			
fixed rate securities held as fixed assets	317,453,983.66	80,873,530.92	10,850,202.32
item 5			
bond and other fixed income. securities			
fixed rate securities held as fixed assets	364,617,385.53	3,736,860.00	7,461,783.44
item 7			
holdings	9,557,051.90	0.00	312,538.04
item 8			
Shares in affiliated companies	8,394,279.25	0.00	7,985,002.00
item 9			
immat. property. of fixed assets	8,833,317.00	84,713.98	7,076,302.73
item 10			
Property, plant and equipment	39,631,755.00	1,246,808.29	6,550,751.37
Total	764,672,264.30	85,991,613.19	47,236,579.90

The additions to item 2 debt instruments issued by public authorities and item 5 debt instruments, and other fixed income. securities relate exclusively to reclassifications from current assets to financial assets.

transfers	acquisition cost	accumulated	book value	book value	depreciation
2009	12/31/2009	depreciation	12/31/2009	12/31/2008	2009
0.00	9,234,191.96	234,191.96	9,000,000.00	16,184,491.96	234,191.96
0.00	0.00	0.00	0.00	0.00	0.00
0.00	387,477,312.26	0.00	387,477,312.26	317,453,983.66	0.00
0.00	360,892,462.09	224,019.02	360,668,443.07	364,617,385.53	224,019.02
0.00	9,244,513.86	3,144,816.66	6,099,697.20	9,405,741.90	2,993,506.66
0.00	409,277.25	145,343.66	263,933.59	8,394,279.25	145,343.66
0.00	1,841,728.25	1,650,453.05	191,275.20	1,620,453.00	1,513,891.78
0.00	34,327,811.92	20,707,965.34	13,619,846.58	14,710,790.00	1,825,213.62
0.00	803,427,297.59	26,106,789.69	777,320,507.90	732,387,125.30	6,936,166.70

audit report

Annual accounts report

We have audited the attached annual financial statements of Hypo Alpe-Adria-Bank AG, Klagenfurt for the financial year from January 1 to December 31, 2009, including the bookkeeping. These financial statements comprise the balance sheet as of December 31, 2009, the income statement for the year ended December 31, 2009 and the notes.

Responsibility of the legal representatives for the annual financial statements and for the bookkeeping

The legal representatives of the company are responsible for the bookkeeping and for the preparation and content of the annual financial statements, which provide a true and fair view of the assets, liabilities, financial position and results of operations of the company in accordance with Austrian corporate and banking regulations. This responsibility includes: designing, implementing and maintaining an internal control system, to the extent that this is relevant to the preparation of the annual financial statements and to give a true and fair view of the assets, liabilities, financial position and results of operations of the company, so that they are free from material misstatement, whether due to intentional or unintentional error; the selection and application of suitable accounting and valuation methods; the making of estimates that appear appropriate, taking into account the given framework conditions.

Responsibility of the auditor and description of the type and scope of the statutory audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the legal regulations and principles of proper auditing of financial statements and banks applicable in Austria. Those standards require that we adhere to ethical practice and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of the audit procedures is at the discretion of the auditor, taking into account its assessment of the risk of material misstatements occurring, whether due to intentional or unintentional errors. When making this risk assessment, the auditor takes into account the internal control system, to the extent that it is important for the preparation of the annual financial statements and the presentation of a true and fair view of the assets, financial position and results of operations of the company, in order to determine suitable audit procedures, taking into account the general conditions, but not for the purpose of expressing an audit opinion on the effectiveness of the company's internal controls. The audit also includes assessing appropriateness of the accounting and valuation methods used and the appropriateness of the estimates made by the legal representatives, as well as evaluating the overall presentation of the annual financial statements.

We believe that we have obtained sufficient and appropriate audit evidence, so that our audit provides a sufficiently reliable basis for our audit opinion.

audit opinion

Our audit has not led to any reservations. Based on the findings obtained during the audit, the annual financial statements, in our opinion, comply with the legal requirements and provide a true and fair view of the asset and financial position of Hypo Alpe-Adria Bank AG as of December 31, 2009 and the earnings position of the company for the financial year from January 1 to December 31, 2009 in accordance with Austrian generally accepted accounting principles.

Without restricting our audit opinion, we would like to point out that the Board of Management, when assessing the continued existence of the audited bank, proceeds from the assumption that Hypo Alpe-Adria-Bank International AG (parent company) has a positive going concern forecast, whereby the future economic development is subject to a high level of uncertainty due to the current global financial crisis and the regionally particularly pronounced economic crisis and, above all, from the additional capital injection contained in the restructuring plan to strengthen the group-wide equity base in the amount of EUR 6 00 million until June 30, 2010. In this respect, the continued existence of the audited company is to be seen in direct connection with the continued existence and the restructuring of the entire group. Reference is made to the relevant statements in the notes.

Statements on the management report

Due to the statutory provisions, the management report must be checked to ensure that it is consistent with the annual financial statements and that the other information in the management report does not give a misleading impression of the company's position. The auditor's report must also contain a statement as to whether the management report is consistent with the annual financial statements and whether the information pursuant to Section 243a UGB is correct.

In our opinion, the management report is consistent with the annual financial statements. the Specifications according to § 243a UGB are applicable.

Vienna, March 16, 2010

Deloitte Wirtschaftsprüfungs GmbH

ppa Dr. Bernd Odvarka eh
Auditors

Mag. Erich Kandler eh
Auditors

The annual financial statements with our audit opinion may only be published or passed on in the version we have confirmed.
This auditor's report relates exclusively to the German-language and complete annual financial statements including the management report. For deviating versions, the provisions of Section 281 (2) UGB must be observed.

Report of the Supervisory Board of Hypo Alpe-Adria-Bank AG

In the 2009 reporting year, the Supervisory Board was informed by the Management Board at five Supervisory Board meetings in oral and written form about the situation and development of the company and about significant business transactions. At all meetings, the Management Board informed the Supervisory Board by means of a detailed report on the key management issues, the course of business and the situation of the company. The transactions submitted to the Supervisory Board for approval were reviewed and discussed with the Management Board.

The annual financial statements of Hypo Alpe-Adria-Bank AG as of December 31, 2009 including the appendix and the management report for the 2009 financial year were audited by the auditing company Deloitte Wirtschaftsprüfungs GmbH, FN 36059d, Vienna, which was appointed as the bank auditor, and issued an unqualified audit opinion.

The Audit Committee of Hypo Alpe-Adria-Bank AG dealt intensively with the examination and preparation for the adoption of the annual financial statements. By inspecting the documents and asking the bank auditor, he was sufficiently informed that the Audit Committee recommended that the Supervisory Board approve the annual financial statements prepared by the Management Board.

The Supervisory Board approved the annual financial statements prepared by the Management Board at its meeting on 23 March 2010, which is thus established in accordance with Section 96 (4) of the German Stock Corporation Act. The Supervisory Board also approved the Management Board's proposal for the appropriation of the unappropriated profit reported in the 2009 annual financial statements.

Klagenfurt am Wörthersee, March 23, 2010

The Chairman of the Board of Directors
Gen.Dir. Franz Pinkl eh

profit distribution proposal

Resolution on the distribution of the balance sheet profit reported in the 2009 annual financial statements:

The Chairman presented the Management Board's proposal for the distribution of the balance sheet profit and submitted the proposal, in accordance with the Management Board's proposal approved by the Supervisory Board, to carry forward the reported balance sheet profit of the 2009 financial year in the amount of EUR 0.00 to new account.

The subsequent vote results in the unanimous acceptance of the motion.

Klagenfurt am Wörthersee, March 23, 2010

The board

VDir. Mag. Kurt Macula eh

VDir. Gerhard Salzer eh

Declaration of all legal representatives

"We confirm to the best of our knowledge that the annual financial statements of Hypo Alpe-Adria-Bank AG, prepared in accordance with the relevant accounting standards, give a true and fair view of the company's net assets, financial position and results of operations, that the management report presents the course of business, the business result and the position of the company in such a way that the truest possible picture of the net assets, financial position and results of operations is created, and that the management report describes the main risks and uncertainties to which the company is exposed."

Klagenfurt am Wörthersee, March 16, 2010

The board

VDir. Mag. Kurt Macula eh

VDir. Gerhard Salzer eh

locations and addresses Hypo Alpe Adria Bank AG

headquarters

Hypo Alpe-Adria-Bank AG

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