

Interim Report 30 June 2007

Hypo Group Alpe Adria

Group Overview

Hypo Group Alpe Adria

Austria		Montenegro	
Market Entry	1896	Market Entry	2005
Locations – Bank	33	Locations – Bank	6
Locations – Leasing	7	Locations – Leasing	1
Employees	1,059	Employees	156
Customers	122,238	Customers	5,906

Italy		Germany	
Market Entry	1986	Market Entry	2003
Locations – Bank	31	Locations – Bank	1
Locations – Leasing*	1	Locations – Leasing	1
Employees	467	Employees (only Leasing)	20
Customers	43,715	Customers (only Leasing)	225

*Hypo Alpe-Adria-Leasing S.r.l.

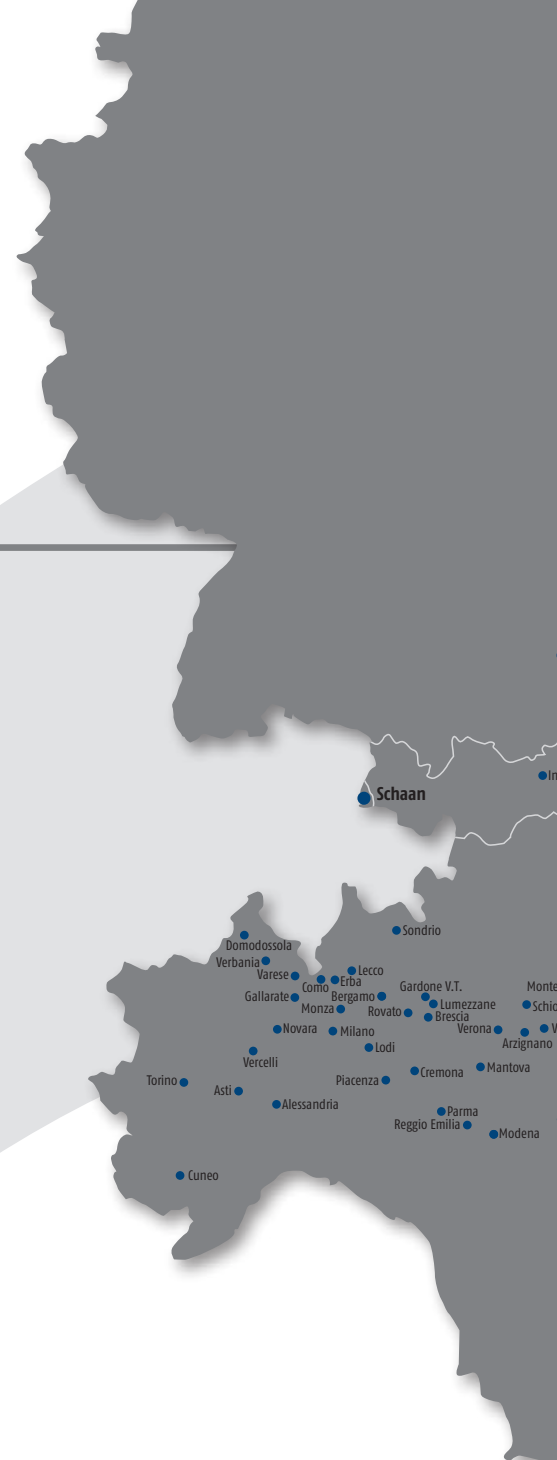
Croatia		Liechtenstein	
Market Entry	1994	Market Entry	2002
Locations – Bank	72	Locations – Bank	1
Locations – Leasing	19	Locations – Leasing	0
Employees	2,174	Employees	33
Customers	514,483	Customers	889

Slovenia		Hungary	
Market Entry	1994	Market Entry	2005
Locations – Bank	12	Locations – Bank	0
Locations – Leasing	10	Locations – Leasing	1
Employees	491	Employees	23
Customers	49,473	Customers	206

Bosnia and Herzegovina		Bulgaria	
Market Entry	2001	Market Entry	2006
Locations – Bank	78	Locations – Bank	0
Locations – Leasing	8	Locations – Leasing	6
Employees	1,078	Employees	65
Customers	318,066	Customers	5,085

Serbia		Macedonia	
Market Entry	2002	Market Entry	2007
Locations – Bank	41	Locations – Bank	0
Locations – Leasing	12	Locations – Leasing	1
Employees	993	Employees	17
Customers	111,723	Customers	First Year

Number of employees relating to core business.





Key data based on IFRS Interim Consolidated Financial Statements

Hypo Alpe-Adria-Bank International AG (Group)

EUR '000

	30.6.2007 incl. one-offs ¹⁾	30.6.2007 excl. one-offs ¹⁾
Income statement		
Net interest income	303,816	303,816
Net commission income	56,738	56,738
Risk provisions on loans and advances	-79,970	-79,970
Operating expenses (general administrative expenses)	-226,447	-226,447
Operating result	97,384	97,384
Profit before tax	154,953	97,745 ¹⁾
Profit after tax	122,895	65,687 ¹⁾
Consolidated net income (after minority interests)	119,196	61,988 ¹⁾
Balance sheet		
Loans and advances to credit institutions	6,319,368	6,319,368
Loans and advances to customers	23,345,861	23,345,861
Liabilities to credit institutions	4,377,619	4,377,619
Liabilities to customers	8,107,581	8,107,581
Liabilities evidenced by certificates and subordinated capital	22,107,579	22,107,579
Equity (incl. minority interests)	1,302,390	1,302,390
Total assets	37,775,827	37,775,827
Risk-weighted assets (banking book)	25,533,723	25,533,723
Key figures		
Return on equity (ROE) before tax	28.69 %	18.10 % ¹⁾
Return on equity (ROE) after tax	22.75 %	12.16 % ¹⁾
Return on equity (ROE) after tax and minority interests	40.59 %	21.11 % ¹⁾
Cost/income ratio	56.08 %	56.08 %
Net interest income / \emptyset risk-weighted assets (banking book)	2.58 %	2.58 %
Risk/earnings ratio	26.32 %	26.32 %
Risk / \emptyset risk-weighted assets (banking book)	0.68 %	0.68 %
Return on assets (ROA) before tax	0.91 %	0.57 % ¹⁾
Return on assets (ROA) after tax and minority interests	0.70 %	0.36 % ¹⁾
Bank specific figures		
Own capital funds acc. to BWG	2,506,701	2,506,701
Required capital funds acc. to BWG	2,069,632	2,069,632
Surplus coverage	437,069	437,069
Tier I capital	1,513,733	1,513,733
Tier I capital ratio	5.93 %	5.93 %
Own capital funds ratio	9.82 %	9.82 %
Moody's rating²⁾		
Long-term (liabilities not covered by statutory guarantee)	A2	A2
Long-term (liabilities covered by statutory guarantee)	Aa2	Aa2
Short-term	P-1	P-1
Bank Financial Strength Rating	D- (positive outlook)	D- (positive outlook)
Employees & outlets		
Employees at closing date	7,218	7,218
thereof in core business	6,576	6,576
thereof in other business	642	642
Employees average	6,942	6,942
thereof in core business	6,387	6,387
thereof in other business	555	555
Number of outlets	342	342
Austrian	40	40
Foreign countries	302	302

¹⁾ the income statement as of 30.6.2007 »incl. one-offs« contains non-recurring profits of EUR 57.2 m due to the disposal of the Consultants Group.

²⁾ from the 20th of April 2007

Interim Report

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Letter from the Chairman of the Executive Board

Dear customers, business associates,
staff and shareholders,



Business for Hypo Group Alpe Adria in the first half of 2007 was successful, and operationally we are on target. Above all else, however it was a half year in which we made a number of decisions which will be crucial to the Bank's future and its ability to remain profitably competitive. Bayerische Landesbank's acquisition of a majority interest in our Group gives our customers the security provided by a strong, long-term owner, and means an even wider variety of products and services to offer, and an enhanced international focus. For our employees this will bring extensive new challenges and opportunities, and will draw even more strongly on their already high levels of motivation and dedication. In Bayerische Landesbank we have gained a partner who shares our belief in the potential of the Alps to Adriatic region and appreciates, supports and complements our growth strategy for the region. Our Alps to Adriatic concept is given fresh impetus by the Bavarian economic region. This long-term partnership gives us access to a new network and provides a solid foundation for the continued growth of our Banking Group, which has counted among the most successful pioneers in Central and South Eastern Europe since the liberalisation of the former CMEA countries. Emerging from a phase of explosive growth, Hypo Group Alpe Adria

Dr. Tilo Berlin

now enters a phase of consolidation before the next push for expansion and growth.

It is in this context that we are delighted on behalf of all involved – the Bank and its shareholders – that this solution was made possible: customers, employees, shareholders, and the Province of Carinthia and all our branches and offices in Austria and abroad will reap the benefits. Constellations as fortunate as this arise only very infrequently. We spotted our chance and took it. We are now channelling all of our energies into exploiting the full potential of the opportunity for the benefit of our over 1.1 million customers and our more than 6,500 employees. We expect our future cooperation with Bayerische Landesbank Group to provide fresh impetus in a number of areas, particularly in the form of cross-selling synergies in direct banking business, credit cards, leasing, our joint lending businesses and Treasury activities.

I took up my appointment at the start of June with the greatest possible respect for everything that the Bank has achieved over the past few years. I prize the Group's spirit and energy. And I was delighted when I was invited to take on the responsibilities of Chairman of the Executive Board. In recent years Hypo Group Alpe Adria has experienced a period of accelerated growth in one of Europe's most promising economic regions, something virtually unparalleled in the banking world. This is a success for which we owe our employees a considerable debt of gratitude – after all, »Banking Business is People's Business«. Hypo Group Alpe Adria has respected this principle for many years, and will continue to do so in future. Our goal is to use the basis

of what has been achieved to take the Bank forward, and to exploit the wide range of opportunities that await us in our existing and future markets.

We have a lot to do in the coming few months. In addition to running our day-to-day operations, the task is to identify and implement the specific opportunities for working together with our new partner. Uniform quality standards in all areas of risk management are needed, and the management team will also be focusing on organisational improvements. Special emphasis will also be placed on broadening the portfolio of retail banking products and strengthening investment banking activities on the corporate side.

Apart from the continued stable growth of the Group's retail banking activities, we expect the annual results for 2007 to be considerably influenced by the realignment of risk management and the organisational restructuring. What is important is to consolidate what we have achieved and to strengthen our capital base and build up reserves. Only once this foundation is secure will Hypo Group Alpe Adria be in a position to continue to forge forward with the verve that typifies our House. I should like to take this opportunity to thank our customers, employees and shareholders in advance for their openness to this approaching process of change. At the same time I am sure that the confidence and willingness to cooperate with which the Bank is confronting the change is preparing the ground for the next successful chapter in the Group's history. There are larger opportunities opening up before us – let us capitalise on them!

With best wishes



Dr. Tilo Berlin
Chairman of the Executive Board
of Hypo Alpe-Adria-Bank International AG

Interim Management Report

Business background

The vigorous growth of the Austrian economy continued into the first half of 2007. Following growth of about 2.7% in 2006, the German economy is expected to grow by a similar amount in 2007, with unemployment continuing to decline. Liechtenstein also saw signs of a slight increase in household consumption. After several years of stagnation, the Italian economy is again back on course for growth, benefiting in the first half of 2007 from the favourable international economic climate. In 2007 the continued positive performance of the Slovenian economy is being driven by booming local investment and infrastructure investments, heavy consumer demand and robust exports. Slovenia adopted the euro as its official currency on 1 January 2007. Croatia continues to number among the fastest growing countries in Europe, and also boasts low inflation. The economy of Bosnia and Herzegovina is also continuing to expand. The Serbian economy shows also a slight increase in 2007. Montenegro continues to adhere to its program of strict political and economic reforms. For Hungary the forecast is for a more slowly growing economy, higher inflation and rising unemployment. The prospects of the Bulgarian economy sustaining its encouraging economic performance are very good. The Macedonian economy is expected to expand at an average of 5% per annum over the next few years.

Hypo Group Alpe Adria

Hypo Group Alpe Adria, with its core banking and leasing businesses, reached excellent results for first half 2007. The Group's operations span 12 countries, with more than 350 locations in South Eastern Europe. Over 6,500 employees serve the Group's more than 1.1 million satisfied customers in Austria, Italy, Slovenia, Croatia, Bosnia-Herzegovina, Serbia, Montenegro, Liechtenstein, Germany, Hungary, Bulgaria and, since the start of the year, Macedonia. Hypo Group Alpe Adria's leasing arm is currently engaged in a detailed review of the Ukrainian market, so that customers can expect to enjoy the benefits of an expanded 13-country network in the second half of the year.

The first half of the year was dominated by signing of the contract in May 2007 for the purchase of a majority holding in Hypo Alpe-Adria-Bank International AG by Bayerische Landesbank. The acquisition of 50 percent plus one share is scheduled for completion in autumn 2007. Munich-headquartered Bayerische Landesbank's participation will permit Hypo Group Alpe Adria to significantly strengthen its already excellent position by boosting growth to the benefit of customers and employees alike. The security provided by a strong, long-term owner, an even wider variety of products and services and Bayerische Landesbank's global network opens up fresh international opportunities and gives Hypo Group Alpe Adria's customers improved access to all the major markets. There were also strategic changes to the management team: Tilo Berlin became Chairman of the Executive Board of Hypo Alpe-Adria-Bank International AG on 1 June 2007. He succeeded Siegfried Grigg, who will return to Grazer Wechselseitige Versicherung AG as deputy chairman of the executive board. Bayerische Landesbank's investment and the successful placement of the second tranche of the capital increase of EUR 125 m put Hypo Alpe-Adria-Bank International AG in a strong position for future growth in South Eastern Europe.

Economic performance

Once the takeover is completed in the third quarter of 2007, Bayerische Landesbank will hold 50 % plus one share, Kärntner Landes- und Hypothekenbank Holding about 20 %, GraWe Group's holding company Hypo-Bank Burgenland Aktiengesellschaft about 26 %, Berlin & Co. Capital S.à.r.l. about 1 % and Hypo Alpe Adria staff foundation about 3 % of the share capital.

International rating agency Moody's reacted immediately to Bayerische Landesbank's acquisition of a majority interest, with a new rating. The Financial Strength Rating of Hypo Alpe-Adria-Bank International AG was upgraded from D- stable outlook to D- positive outlook. To reflect the end of Carinthia's statutory guarantee with effect from 1 April 2007, at the end of March 2007 Moody's published a non-guaranteed long-term rating of A2. The guaranteed long-term rating of Aa2 remains valid for the remaining liabilities of Hypo Alpe-Adria-Bank International AG.

Until 2006 the consolidated financial statements of Hypo Group Alpe Adria were prepared in accordance with the provisions of the Austrian Commercial Code (UGB), as amended, and the Austrian Banking Act (BWG). The consolidated financial statements of Hypo Group Alpe Adria for the year ending 31 December 2007 are for the first time being prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements will contain comparative figures complying with the same accounting principles. As this report on the first half of 2007 is the first report prepared in accordance with IFRS, comparative figures and key indicators for previous periods are not available and have therefore not been supplied.

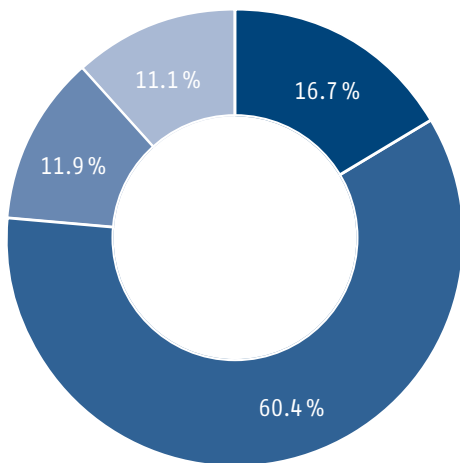
Balance sheet growth

With total assets of EUR 37.8 billion (bn) as at 30 June 2007, Hypo Group Alpe Adria once again ranked among the leading providers of financial services in the Alps to Adriatic region in the first half of 2007.

On the assets side, loans and advances to credit institutions (EUR 6.3 bn) and loans and advances to customers (EUR 22.8 bn) accounted for 16.7 % and 60.4 % of the total respectively (net of loan loss provisions in both cases). On the liabilities side EUR 4.4 bn, or 11.6 %, was accounted for by liabilities to credit institutions, EUR 8.1 bn, or 21.5 %, by liabilities to customers and EUR 20.9 bn, or 55.4 %, by liabilities evidenced by certificates.

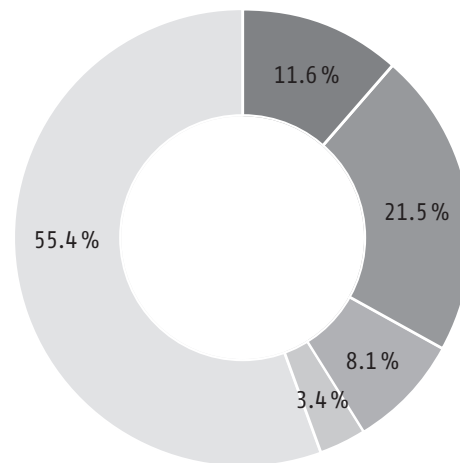
The considerable balance sheet growth over the first half year was driven by increasing volumes of customer business and by the liabilities arising following the ending of the Province of Carinthia's statutory guarantee on 1 April 2007. Prefunding amounting to some EUR 5 bn was taken up in the capital markets (liabilities evidenced by certificates) to take advantage of the Province of Carinthia's guarantee; the funds will be used to finance lending business, but only in subsequent periods. The temporary surplus liquidity is invested in short-term money market paper (loans and advance to credit institutions).

Structure of assets
30.6.2007



- Loans and advances to credit institutions
- Loans and advances to customers
- Securities
- Other assets

Structure of liabilities
30.6.2007

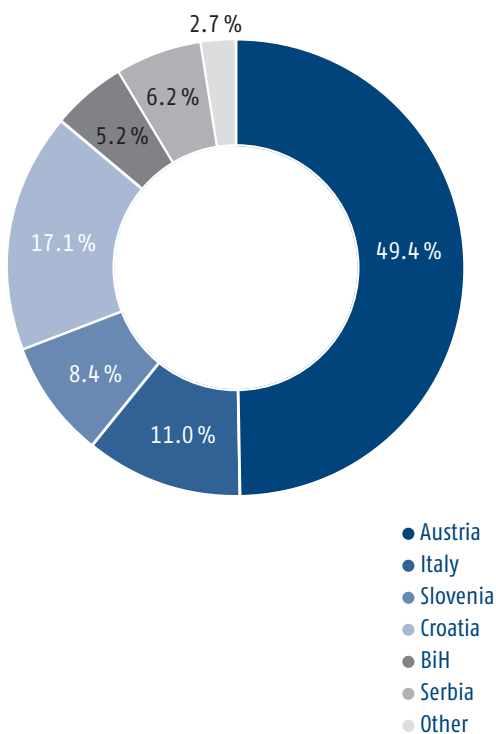


- Liabilities to credit institutions
- Liabilities to customers
- Other liabilities
- Equity
- Liabilities evidenced by certificates

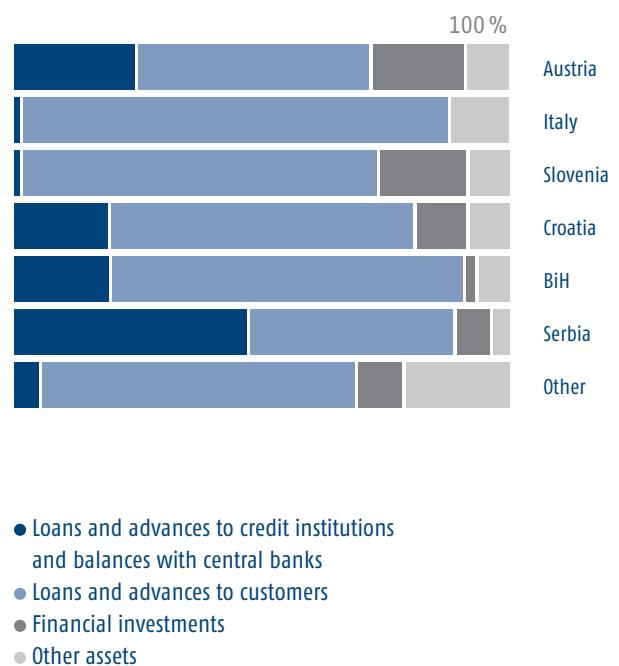
Austria, Croatia and Italy – Hypo Group Alpe Adria’s longest standing markets – accounted for about three quarters of total assets. It should be noted, however, that Austria includes the Group’s cross-border business. Slovenia, Bosnia and Herzegovina, and Serbia accounted for roughly a further 20% of total assets. The share accounted for by other markets served by the Group was just 3%. Broken down by business area, the banking segment accounted for 84.6% of total assets, and the leasing segment about 14.1%.

In the segmentation of total assets by country, Austria’s share reflects the investment of the proceeds of prefunding loans, reported under loans and advances to credit institutions and balances with central banks. The relatively high share of the total accounted for by Croatia and Serbia is attributable to the restrictive minimum reserve requirements of the relevant national banks. In Austria the relatively high proportion represented by financial investments reflects investments in securities, while in Slovenia it is accounted for by a high volume of let residential property (investment properties).

Total assets by country
30.6.2007



Structure of total assets by country
30.6.2007



Statutory capital funds requirement

Overall, own capital funds under the Austrian Banking Act (BWG) amounted to EUR 2,506.7 million (m) at 30 June 2007. Required capital was EUR 2,069.6 m, resulting in surplus coverage of EUR 437.1 m and a coverage ratio of 121.2%. The own capital funds ratio of 9.8% exceeded the statutory requirement. After a capital increase of EUR 125 m and capital introduced by minority shareholders in a Group company, Tier 1 capital was EUR 1,513.7 m.

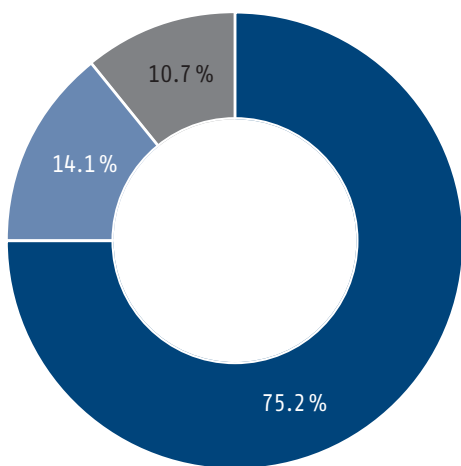
Earnings development

Despite the cost of prefunding activities, net interest income was up thanks to the positive performances of the Group's banking and leasing activities. In the first six months of the current financial year operating income (net interest income, net income from fees and commissions, income from equity interests and other investments, and other income) amounted to EUR 403.8 m.

Expenses for risk provisions on loans and advances increased significantly in the first half of the year, to EUR 80.0 m, with about 70% of allocations to the provision accounted for by Austrian and Croatian Group companies. It should be noted in this context that these two countries also account for about 60% of all loans and advances to customers. The risk to earnings ratio, measured as expenses for risk provisions on loans and advances to net interest income, was about 26.3%. Here, Croatia and Bosnia returned the highest values.

Operating income of EUR 403.8 m was matched by operating expenses amounting to EUR 226.5 m. Of this, personnel expenses amounted to EUR 115.6 m, other administrative expenses came to EUR 88.7 m and depreciation and amortization of tangible assets and of intangible assets used by the Group totalled EUR 22.1 m.

Operating income
30.6.2007



- Net interest income
- Net fee and commission income
- Other income

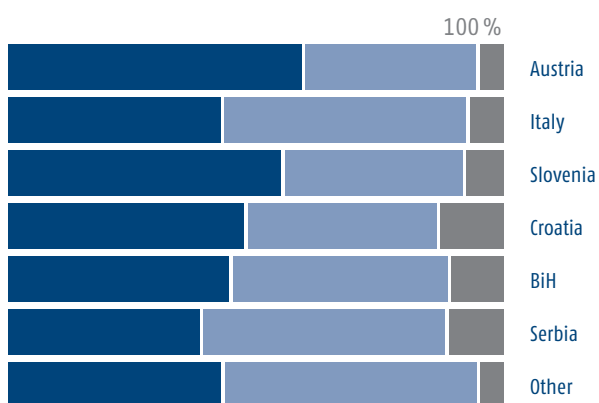
Broken down by countries, personnel expenses in Southern European countries accounted for a lower proportion of overall operating expenses. The decentralised sales structure in Italy means that direct staff costs also account for only a small proportion of operating expenses. The relatively high proportion of operating expenses accounted for by depreciation and amortization in Croatia is attributable to the construction of the new country headquarters and Hypo Group Alpe Adria's most closely meshed branch network. For the first half of 2007, operating income net of risk provisions was EUR 323.8 m, operating expense was EUR 226.4 m and operating result was EUR 97.4 m. This amount includes the Consultants Group, which contributed EUR -1.9 m to the total.

From the tax free disposal of the Consultants Group resulted a non-recurring effect of EUR 57.2 m, which is disclosed in the income statement due to materiality, as a separate item below the operating result. About two thirds of the total was accounted for by the sale of the Croatian Consultants Group company.

Taking into account the result of companies included at equity, pretax profit for the period was EUR 155.0 m. After deduction of current and deferred taxes on income, profit for the period after tax was EUR 122.9 m. Of this amount EUR 3.7 m was allocated to minority shareholders, so that the consolidated net income for the period was EUR 119.2 m.

The Group's performance is reflected in its key earnings ratios, which were highly satisfactory in comparison with those of its peers. After adjustment for the positive non-recurring effect of the disposal of the Consultants Group, pretax return on equity (ROE) was 18.1 % and pretax return on assets (ROA) was 0.6 %. The cost/income ratio was 56.1 %.

Structure of operating expenses by country
30.6.2007



- Personnel expenses
- Other administrative expenses
- Depreciation and amortization of tangible and intangible assets

Development of Segments

Banking

Hypo Group Alpe Adria's banking business further expanded in the first half of 2007, with its comprehensive range of products in retail banking, private banking, fund management and treasury activities.

In January the international banking group successfully placed a 4.375 % benchmark bond with a volume of EUR 2 bn. This fixed income bond with a 10-year maturity is the largest ever euro denomination single issue by an Austrian bank to date. Hypo Group Alpe Adria received orders in the region of EUR 5 bn. Lead managers of the issue were UniCredit (HVB), Credit Suisse Group and ABN Amro.

The Hypo South Eastern European Opportunities Fonds performed very satisfactorily in the period under review and counts as one of the largest foreign investors in listed companies in the region. The fund's performance – a market price increase of almost 100 % since its launch in July 2005 – and growth in volume has exceeded all expectations. As a result, Management decided on a soft closure of the fund with effect from 29 March 2007.

Leasing

Hypo Group Alpe Adria Leasing successfully built on the record results of 2006 in the face of stiff international competition in the first half of the year, maintaining and expanding its already strong market position in South Eastern Europe. The Group's leasing arm is leasing market leader with its local subsidiaries in Slovenia, Croatia, Bosnia and Herzegovina, Serbia and Montenegro. In Hungary and Austria it leads the niche ship leasing segment and heads the field in Austria for aircraft leasing.

Hypo Group Alpe Adria Leasing concluded 24,045 new leasing agreements in the first half of 2007. This represents a 20 % increase on the same period of 2006 (20,123). New financing volumes were better still, up more than 40 % from EUR 774.7 m to EUR 1.1 bn.

Hypo Group Alpe Adria Leasing continued to grow vigorously: operations in Macedonia have begun, with the first agreements successfully concluded in January 2007. In the second half of the year the focus will be on adding to the existing sales network and on entering the Ukrainian market, for which preparations are already at an advanced stage. In the second half of the year a formation of a new company in this country is expected to double the Hypo Alpe Adria Leasing's catchment area.

Outlook for the second half of 2007

Risk management

The first half of 2007 was marked by the final preparations for implementation of Basel II. Starting in 2008 Hypo Group Alpe Adria will use the standardised approach for calculation of the capital requirements. The focus will be on achieving IRB capability in the coming years. The principles of the IRB approach are already largely implemented for internal management purposes.

Current activities in risk management include a comprehensive data quality project and implementation of the requirements resulting from the second pillar of Basel II. The design and implementation of the risk-bearing capacity model, which compares the Bank's overall risk position with the capital funds available as backing, formed part of these efforts. The approach has been implemented into the steering structure of the Group so that steering at group level is now based on economic capital in accordance with the regulators in the Group Risk Policy.

In credit risk management, the main focuses were on refining various rating models, portfolio and individual customer reporting, the design of limit models and target portfolio models, and the introduction of a product implementation process for treasury products, which are sold to non-banks (corporate and public sector).

For management of market risk, the emphasis was on the implementation of a lending limits procedure for the Group's capital markets business which is compatible with the risk-bearing capacity. Further significant improvements concerning the market conformity monitoring procedures and groupwide liquidity risks were also implemented and introduced into regular use.

Turbulence in international financial markets in mid-2007 was triggered by fears of an impending mortgage lending crisis in the US real estate market. Price collapses hit asset-backed US subprime securities hardest, bringing trading in the sector practically to its knees. Hypo Group Alpe Adria is nearly unaffected by this trigger, as closed positions concern mostly AAA und AA rated securities. Furthermore those investments represent only an immaterial part of the portfolio of Hypo Group Alpe Adria. Hypo Group Alpe Adria expects the second half of the year to continue to be shaped by uncertainties in financial markets, and persisting high volatility.

Hypo Group Alpe Adria will continue to pursue its policy of measured growth in key markets over the coming months undeterred by these developments. In addition to consolidating the existing sales network, activities in the second half of the year will be focused on entering the Ukrainian market, initially with a leasing company. Against a background of continued stable growth of the Group's customer business, we nonetheless expect the annual results for 2007 to be considerably affected by the realignment of risk management and organisational restructuring of the Bank Group.

Overall, Hypo Group Alpe Adria Management expects a positive operating performance for the year.

Interim Consolidated Financial Statements

For The Six Months Ended 30 June 2007,

Prepared In Accordance With IFRS

Hypo Alpe-Adria-Bank International AG
(Group)

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Income Statement

EUR '000

	Notes	1.1.–30.6.2007
Interest and similar income	(35)	939,131
Interest and similar expense	(36)	-635,315
Net interest income		303,816
Fee and commission income	(37)	72,069
Fee and commission expenses	(38)	-15,331
Net fee and commission income		56,738
Result from trading	(39)	21,359
Result from hedge accounting	(40)	-2,448
Result from fin. investments – designated at fair value through profit or loss	(41)	-6,841
Result from fin. investments – available for sale	(42)	7,212
Result from fin. investments – held to maturity	(43)	6
Result from other financial investments	(44)	4,412
Other operating result	(45)	19,548
Operating income		403,801
Risk provisions on loans and advances	(46)	-79,970
Operating income after risk provisions		323,831
Personnel expenses	(47)	-115,641
Other administrative expenses	(48)	-88,738
Depreciation and amortization of tangible and intangible assets	(49)	-22,068
Operating expenses		-226,447
Operating result		97,384
Result from disposal of group companies	(5)	57,208
Result from companies accounted for at equity	(50)	361
Profit before tax		154,953
Taxes on income	(51)	-32,058
Profit after tax		122,895
Minority interest		-3,699
Consolidated net income (after minority interests)		119,196

		1.1.–30.6.2007
Consolidated net income (after minority interests)	(in EUR '000)	119,196
Average number of shares outstanding	Number	4,775,220
Earnings per share	(in EUR)	24.96

Earnings per share are calculated by dividing profit or loss attributable to equity holders of the parent entity (EUR 119,196 thousand) by the weighted average number of ordinary shares outstanding during the year (4.775.220 shares).

Neither convertible bonds nor options with a diluting effect were outstanding during the period under review.

Balance Sheet

EUR '000

	Notes	30.6.2007
Assets		
Cash and balances with central banks	(52)	1,238,938
Loans and advances to credit institutions	(53)	6,319,368
Loans and advances to customers	(54)	23,345,861
Risk provisions on loans and advances	(55)	-553,215
Trading assets	(56)	159,738
Positive fair values from hedge accounting derivatives	(57)	161,129
Financial investments – designated at fair value through profit or loss	(58)	1,484,751
Financial investments – available for sale	(59)	2,623,895
Financial investments – held to maturity	(60)	42,759
Investments in companies accounted for at equity	(61)	6,470
Other financial investments	(62)	815,311
Intangible assets	(63)	38,140
Tangible assets	(64)	636,905
Tax assets	(65)	440,786
Other assets	(66)	1,014,992
Total assets		37,775,827
Liabilities & equity		
Liabilities to credit institutions	(67)	4,377,619
Liabilities to customers	(68)	8,107,581
Liabilities evidenced by certificates	(69)	20,932,747
Trading liabilities	(70)	14,248
Negative fair values from hedge accounting derivatives	(71)	552,187
Provisions	(72)	60,054
Tax liabilities	(73)	345,542
Other liabilities	(74)	703,725
Subordinated capital	(75)	1,174,831
Hybrid capital	(76)	204,904
Equity	(77)	1,302,390
thereof shareholders' equity		708,904
thereof minority interests		593,486
Total liabilities & equity		37,775,827

Notes to the Interim Consolidated Financial Statements

Group and activities

Hypo Alpe-Adria-Bank International AG was founded in 1896 as Landes- und Hypothekenbankanstalt. It operates as the parent company of the Hypo Group Alpe Adria. It is registered in the trade register (Firmenbuch) of Klagenfurt court under FN 108415i. The company's registered office and the Group's headquarters are at Alpen-Adria-Platz 1, A-9020 Klagenfurt (Austria).

Hypo Group Alpe Adria is one of the leading banking groups in the Alps to Adriatic region. It operates 11 banks and numerous leasing companies. The Banking Division encompasses a comprehensive line of services that include financing, payment transactions, documentary transactions, savings, deposit taking, investment advice and asset management services. The Leasing Division sells a complete range of financial and operating leasing products for cars, real estate, ships and movable assets inclusive of cross-border leasing. Hypo Group Alpe Adria sees itself as a partner providing more than banking services and it is committed to promoting development in the Alps to Adriatic region. The commitment of Hypo Group Alpe Adria in each country is mainly long-term focused and thus enables its corporate and private customers to develop their activities. The well established cooperation across language barriers and national borders is as important for the success as the knowledge of the cultural and economic variety of the region because it is the basis for the further dynamic growth of the Group.

The Hypo Group Alpe Adria currently operates in 12 countries or regions, namely Austria, Northern Italy, Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Liechtenstein, Southern Germany, Hungary, Bulgaria and Macedonia. The Hypo Group Alpe Adria employs over 6,500 people and serves over 1 million customers at more than 350 locations.

Hypo Alpe-Adria-Bank International AG as parent of Hypo Group Alpe Adria has a strong and well-balanced shareholder structure. On 30 June 2007 Kärntner Landes- und Hypothekenbank-Holding held 44.91 per cent, GraWe Group's holding company Hypo-Bank Burgenland Aktiengesellschaft about 26.45 per cent, Berlin & Co. Capital S.à.r.l. 25.00 per cent and Hypo Alpe Adria Mitarbeiter Privatstiftung (an employee foundation) 3.64 per cent

On 22 May 2007 Bayerische Landesbank (BayernLB) agreed with the former shareholders the acquisition of 50 per cent of the share capital plus one share of Hypo Alpe-Adria-Bank International AG (signing). The transaction will only be completed (closing) after the necessary authorizations and approvals of competent authorities have been obtained.

Significant accounting policies

(1) General / IFRSs, IASs, IFRICs- and SICs applied

Until 2006, Hypo Group Alpe Adria prepared its consolidated financial statements according to the rules of the Austrian Commercial Code (UGB, earlier HGB) and of the Austrian Banking Act (BWG) («previous financial statements»). For the year ended 31 December 2007, Hypo Group Alpe Adria will prepare its first Consolidated Financial Statements according to the International Financial Reporting Standards (IFRS). Comparative figures for 2006 will be prepared according to the same principles.

According to the EU-Transparency Directive (2004/109/EC), issuers of listed debt instruments have to publish half year reports within 2 months. This directive was incorporated in Austrian law as of 25 April 2007 (publication in official gazette) by changing applicable legislation. Other countries provided for the option to prepare interim reports on the basis of national accounting principles. Austria, however, does not grant this option.

Because of the late transformation of the legislation, Hypo Group Alpe Adria was unable to prepare comparable figures of 2006 and refers to article 44 (Balance between benefit and cost) of the IFRS Framework as we believe that our costs would exceed the benefit enjoyed by the reader.

This interim report consequently does not fulfil all requirements of IAS 34 (Interim Reporting). Specifically the statements of shareholders' equity and of cash flows were not prepared. Apart from that the Interim Report as of 30 June 2007 is based on all IFRS/IAS-standards and interpretations that were adopted by the European Union as of this date.

The Consolidated Financial Statements are based on separate or consolidated financial statements for the six months ended 30 June 2007, prepared in accordance with IFRS, of all the material subsidiaries. As required by IAS 27 these are prepared applying uniform accounting principles. The Interim Consolidated Financial Statements are prepared on a going concern basis.

As provider of financial services, we do not have seasonal fluctuations that could reduce the significance of the interim report figures.

All figures in the Interim Consolidated Financial Statements are expressed in thousands of euros (EUR '000). The following tables may contain rounding differences.

(2) Use of estimates and assumptions

To a certain extent, the recognition of assets and liabilities requires estimates and assumptions. The interim report, partially, is based on expectations of future events.

Material estimates were made mainly when establishing fair values, risk provisions on loans and advances and use of tax losses for deferred taxes.

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

Notes to the Interim Consolidated Financial Statements

On each balance sheet date, Hypo Group Alpe Adria assesses the recoverability of its receivables and provides for loan losses by making risk provisions on loans and advances. For the recoverability the amount and probability of payment is assessed. For this purpose a variety of assumptions are made. Actual future losses therefore may differ from risk provisions.

Deferred tax assets are recorded when it is probable that future taxable profits will be made and thus tax benefits can be realised. The tax loss currently available to Hypo Alpe-Adria-Bank International AG does not expire and can be offset against the group's income in future years under the group taxation regime in Austria.

(3) Subsidiaries included in Interim Consolidated Financial Statements (scope of consolidation)

All entities which Hypo Alpe-Adria-Bank International AG controls directly or indirectly and which are material are included in the Interim Consolidated Financial Statements.

These Interim Consolidated Financial Statements comprises 31 Austrian companies – including Hypo Alpe-Adria-Bank International AG – and 74 foreign subsidiaries.

	Fully consolidated	Equity method
On 01.01.2007	110	7
Included for the first time in the period under review	10	-
Merged in the period under review	-3	-
Excluded in the period under review	-17	-2
Reclassified	-	-
On 30.06.2007	100	5
thereof Austrian companies	29	2
thereof foreign companies	71	3

Subsidiaries that are not consolidated are immaterial.

Shares of other companies that are held only temporarily are stated as other assets. This refers only to special purpose entities in the real estate development group AAI Group (direct or indirect subsidiaries of Hypo Alpe-Adria-Immobilien AG).

(4) Business combinations and consolidation procedures

Business combinations are accounted for in accordance with IFRS 3 (Business Combinations) using the purchase method of accounting. All identifiable assets and liabilities of the subsidiary are recognized at their fair values on the acquisition date. Any difference between the cost and the fair value of identifiable assets and liabilities was recognized as goodwill, which is reported in intangible assets. An excess of the fair values over cost is recognized directly in profit. The carrying amount of goodwill is subject to an annual impairment test.

The date of acquisition is the date when control is obtained. Assets and liabilities and income and expenses are included in the Consolidated Financial Statements from that date on.

According to IFRS 1, the Hypo Group Alpe Adria, as first-time adopter, elected not to apply IFRS 3 to past business combinations. Consequently, the carrying amounts of assets and liabilities arising from consolidation procedures in previous financial statements are retained. Cost was then compared with the Group's interest in the net assets and any difference was recognized directly in shareholders' equity.

Joint Ventures are accounted for using the equity method and their carrying amounts are disclosed separately in the balance sheet.

In general, non-consolidated subsidiaries and all other associates are recognized at cost. In the case of impairments, impairment losses are recognized.

Intragroup balances are eliminated. Any temporary differences are reported in Other assets or Other liabilities. Moreover, intragroup transactions, income and expenses are eliminated. Profits and losses, when material, are eliminated.

Minority interests in equity and in profit or loss are recognized as minorities in equity and disclosed separately in the income statement.

(5) Disposal of group companies

By agreements dated 23 March and 11 April 2007 (signing), Hypo Group Alpe Adria sold the companies of the Consultants Group, i.e. Hypo Alpe-Adria Consultants GmbH, Klagenfurt, Hypo Alpe-Adria Consultants d.o.o., Zagreb, Hypo Alpe-Adria Consultants d.o.o., Sarajevo and Hypo Alpe-Adria Consultants d.o.o., Belgrade, to Croatian group Auctor d.o.o., Zagreb. In sales agreements, a customary business guarantee of the seller was arranged, which is limited to 10 per cent of the sales price. Up to now, no events have occurred that would lead to a claim under this guarantee.

Deducting from this sales price the costs directly relating to the disposal and incurred in 2007, a net sales price of EUR 56.8 m is obtained.

Notes to the Interim Consolidated Financial Statements

This transaction was closed (closing) on 29 June 2007. The capital gain from the disposal amounts to EUR 57.2 m. and is computed as follows:

	EUR '000
	On date of disposal
Cash and balances with central banks	90
Loans and advances to credit institutions	20,171
Loans and advances to customers	7,002
Risk provisions on loans and advances	-2,018
Financial investments - available for sale	8,536
Investments in companies accounted for at equity	3,399
Other financial investments	27,387
Intangible assets	578
Tangible assets	34,582
Tax assets	2,652
Other assets	120,891
Total assets	223,270
Liabilities to credit institutions	205,162
Liabilities to customers	2,414
Provisions	364
Tax liabilities	919
Other liabilities	11,558
Total liabilities	220,417
Equity	2,852
Minority interests	3,266
Own equity after minority interests	(414)
Net sales price	56,794
Result from disposal	57,208

The sold subsidiaries will be part of the Income Statement of Hypo Group Alpe Adria until the closing date. The income statement of these four subsidiaries of the Consultants Group from 1 January to disposal date is as follows:

	EUR '000
	1.1.2007 until disposal date
Interest and similar income	796
Interest and similar expense	-2,193
Net interest income	-1,397
Fee and commission income	48
Fee and commission expenses	-30
Net fee and commission income	18
Result from trading	-476
Result from fin. investments - available for sale	55
Other operating result	2,926
Operating income	1,126
Risk provisions on loans and advances	7
Operating income after risk provisions	1,133
Personnel expenses	-893
Other administrative expenses	-1,615
Depreciation and amortization of tangible and intangible assets	-524
Operating expenses	-3,032
Operating result / Profit before tax	-1,899
Taxes on income	-208
Profit after tax	-2,107
Minority interest	9
Net income (after minority interests)	-2,098

Notes to the Interim Consolidated Financial Statements

(6) Effects of changes in foreign exchange rates

The Hypo Group Alpe Adria applies IAS 21. All foreign-currency monetary assets and liabilities are translated applying closing rates. Resulting exchange differences are generally recognized in income under trading results, unless they refer to net investment in a foreign entity.

Open forward transactions are translated at forward rates.

The financial statements of consolidated subsidiaries are translated as follows: income and expenses are translated applying average rates of exchange in the period, and assets and liabilities are translated at closing rates.

All resulting exchange differences are recognized as a separate component of equity, namely foreign currency translation differences. Those relating to minorities are recognized in equity in Minority interests.

For three subsidiaries in Serbia, one bank and two leasing companies, the following applies: the euro and not the local currency is the functional currency because the euro is the predominant currency in the region of their activities.

IAS 29 Financial Reporting in Hyperinflationary Economies is not applied as no subsidiary was affected by hyperinflation.

The following rates announced by the ECB and Austrian Nationalbank are used for currency translation of the Interim Consolidated Financial Statements:

Rates in units per EUR	Closing Date 30.06.2007	Average 1-6/2007
Bosnian mark (BAM)	1.95583	1.95583
Croatian kuna (HRK)	7.30350	7.35005
Swiss franc (CHF)	1.65530	1.63475
Serbian dinar (RSD)	79.02540	80.25350
Hungarian forint (HUF)	246.15000	250.55000
Bulgarian lev (BGN)	1.95580	1.95580
Macedonian denar (MKD)	61.17080	61.18060

(7) Financial instruments: recognition and measurement

According to IAS 39, all financial assets and liabilities must be shown in the balance sheet. Recognition and derecognition of derivatives and regular way purchases and sales of financial assets takes place using trade date accounting.

Financial assets are derecognized when the contractual rights to the cash flows expire or when the transfer qualifies for derecognition under IAS 39. Financial liabilities are derecognized when they are extinguished, which means that the obligation has been discharged, has been cancelled or has expired.

In general, the fair value of a financial instrument is taken from an active market. If no market quote exists, valuation techniques are used such as, for example, the discounted cash flow model. When measuring options, option price models are used that take into account actual market parameters. If the fair value of an equity instrument can not be reliably measured, the equity instrument is measured at amortized cost.

Financial instruments are initially recognized at their fair value.

For the purposes of subsequent measurement, financial assets are divided into four categories in accordance with IAS 39:

1. Financial assets at fair value through profit or loss
 - a) Trading assets
 - b) Assets designated at fair value through profit or loss
2. Held to maturity investments
3. Loans and receivables
4. Available for sale financial assets

Financial liabilities are divided into the following categories in accordance with IAS 39:

1. Financial liabilities at fair value through profit or loss
 - a) Trading liabilities
 - b) Financial liabilities designated at fair value through profit or loss
2. Other financial liabilities

Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of selling or repurchasing them in the short term that are part of a portfolio managed for short-term profit-taking are classified as assets held for trading, as are all derivatives except those designated as hedging instruments.

Notes to the Interim Consolidated Financial Statements

With the fair value option (FVO) it is possible to designate, upon initial recognition, any financial asset not held for trading as a financial asset at fair value through profit or loss under the following conditions:

1. the contract contains one or more embedded derivatives or
2. it eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch);
3. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Designation in accordance with conditions (2) and (3) results in more relevant information.

Held to maturity investments

This category includes financial assets with fixed or determinable payments and fixed maturity which the Group had intended and was able to hold to maturity. They are measured at amortized cost using the effective interest method. Impairment losses are recognized immediately in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are measured at amortized cost using the effective interest method. Impairments (risk provisions) are recorded as a separate line item on the balance sheet.

Available for sale financial assets

This category includes all non-derivative financial assets that are not assigned to any of the foregoing categories. Subsequent measurement is at fair value, gains and losses and related deferred taxes being recognized directly in equity (Available for sale-reserve). Upon disposal, the amounts recorded in the Available for sale-reserve are recycled to the profit or loss. Impairment losses are recognized immediately in profit or loss.

Financial liabilities at fair value through profit or loss

This category includes trading liabilities, liabilities related to short sales and liabilities for which the fair value option (FVO) was used. The FVO can be used under the conditions applicable to financial assets.

Other financial liabilities

This category encompasses financial liabilities, including those evidenced by certificates, for which the fair value option was not used. They are measured at amortized cost using the effective interest method.

Embedded derivatives

Hybrid (combined) instruments contain a host contract and one or more embedded derivatives that cannot be transferred independently of that contract.

IAS 39 requires separation of the embedded derivative from the host contract if

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- the hybrid instrument is not measured at fair value through profit or loss; and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Gains and losses of the embedded derivative are recognized in profit or loss. Inseparable embedded derivatives are measured together with and in the same way as the host contract according to its category.

(8) Hedging / Hedge accounting

Some instruments such as receivables, securities or financial liabilities may be measured differently to derivatives (that can be used as hedging instruments), which are always classified at fair value through profit or loss. Hedge accounting in accordance with IAS 39 recognizes the offsetting effects on profit or loss of changes in the fair values of hedging instruments and hedged items.

The prerequisite for the use of hedge accounting is the documentation of the hedging relationship at the inception of the hedge and its effectiveness. Effectiveness must be assessed throughout the hedging period. The actual results of the hedge must lie in a range of 80–125 per cent. Once the hedge is no longer effective or once the hedged item or the hedging instrument no longer exists, hedge accounting must be discontinued.

The Hypo Group Alpe Adria only uses hedge accounting for fair value hedges. These serve to hedge changes in the market values of assets and liabilities (hedged items).

The gain or loss on the hedged item attributable to the hedged risk results in adjustment of the carrying amount of the hedged item and must be recognized in profit or loss. This applies if the hedged item is otherwise measured at cost. The gain or loss attributable to the hedged risk will be recognized in profit or loss also if the hedged item is an available for sale financial asset.

In the case of 100 per cent effectiveness, changes in the measurement of hedged items are fully offset in the profit or loss account. In case of ineffectiveness within the accepted range, such ineffectiveness is recognized in profit or loss.

Outside the rigid rules of hedge accounting, a similar effect can be achieved for the item to be hedged by the use of the fair value option. Use of the fair value option is not revocable and requires documentation of the offsetting of risks. Positive market values of derivatives which are used for hedging are stated as financial assets – designated at fair value through profit or loss, while negative market values we stated as trading liabilities.

Notes to the Interim Consolidated Financial Statements

(9) Leasing

The decisive aspect for the classification and recognition of a lease in financial statements is the substance of the transaction rather than ownership of the leased asset. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Nearly all the lease contracts entered into by Hypo Group Alpe Adria as lessor are finance leases. On the balance sheet, receivables are stated at the present value of lease payments receivable. The receipts are split into interest income and debt repayments.

Under operating lease agreements, the lessor presents the asset at cost less depreciation over the useful life of the asset less any impairment loss. Except for leased real estate, leased assets are reported in Other financial investments. Lease income less depreciation is presented as Interest and similar income. Gains or losses on disposal are reported in Result from other financial investments.

Real estate leased out under operating lease agreements is classified as investment property. Assets not yet or no more leased are included in Other assets.

(10) Investment properties

Investment properties are land and buildings held to earn rental income or to benefit from an expected value increases. Provided that major parts of mixed-use property can be let or sold separately, these parts are also treated as investment properties. Investment properties are recognized as Other financial investments.

Investment properties are carried at cost less accumulated depreciation and any impairment losses applying one of the options provided for in IAS 40 (cost model). Capital gains and impairment losses are recognized in Result from other financial investments.

(11) Repos

A repurchase agreement (or repo) is an agreement between two parties whereby one party sells to the other a security at a specified price with a commitment to buy the security back at a later date at another specified price. Under IAS 39, the seller continues to present the asset on its balance sheet because the risks and rewards remain with the seller. The amount received is presented as a liability, whereas the buyer recognizes a receivable.

(12) Fiduciary transactions

In accordance with IFRS, fiduciary transactions entered into by Hypo Group Alpe Adria are not recognized on the balance sheet. Fees are included in Fee and commission income.

(13) Cash and balances with central banks

This item includes daily due cash and balances with central banks. These amounts are stated at nominal value.

(14) Loans and advances

Loans and advances to credit institutions and customers mainly include loans, receivables under finance leases, placements with banks and unquoted bonds. This position also contains balances with central banks not due daily. Carrying amounts include accrued interest before deductions for risk provisions on loans and advances. The effective interest method is used. Receivables not held for trading and not traded on active markets are recognized at amortized cost.

Interest income is included in Interest and similar income.

(15) Risk provision for loans and advances

Specific and portfolio-based risk provisions for loans and advances are recorded for credit risks, and (other) provisions are recorded for losses arising from credit commitments and guarantees.

Specific provisions are created as soon as a loss event has occurred. Provisions are calculated at the difference between the cost and the net present value of the estimated future cash flows, taking account of collaterals.

Because specific provisions are based on the net present value, an increase in present value due to the passage of time is recognized as interest income (unwinding).

Portfolio-based loan loss provisions are recorded for incurred but not yet reported losses. Calculations are carried out on the basis of homogeneous portfolios with comparable risk characteristics. Receivables for which specific provisions were booked are not included in these portfolios. Provisions are made on the basis of historical loss experience.

Losses identified after the realization of collateral are charged against an existing provision or written off against income. Recoveries of written-off receivables are recorded as income. Additions to and releases from provisions are recognized in income.

Notes to the Interim Consolidated Financial Statements

(16) Trading assets

Trading assets include securities, receivables and derivatives held for trading.

The positive market values of derivatives in a hedging relationship, whether qualifying for hedge accounting under IAS 39 or not, are reported in Other assets and not in Trading assets. Derivatives used for hedging of base contracts for which the fair value option (FVO) was used are stated as financial assets designated at fair value through profit and loss.

Trading assets are measured at fair value, which is their quoted price in the case of quoted instruments. Valuation techniques such as, for example, the discounted cash flow method are used to establish the fair value of financial instruments not quoted on an active market.

Gains and losses on sale and changes in fair value are reported in Result from trading. Interest income and expenses related to trading assets are reported in Net interest income.

(17) Positive or negative fair values from hedge accounting derivatives

Market values of derivatives are reported separately on the asset or liability side, if they meet the criteria for hedge accounting according to IAS 39. Gains and losses arising from ineffectiveness are reported in the income statement under Result from hedge accounting.

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

Independent of any trading intention, IAS 39 allows the irrevocable classification of financial assets as »financial assets designated at fair value through profit or loss« (so called fair value option – FVO). This cannot be made for equity instruments that have no quoted market value and whose fair value cannot be determined reliably.

By designation to this category, hedging relationships can be fulfilled without the rigid rules of Hedge Accounting. This category includes those derivatives (FVO-derivatives) that are used to hedge items for which the fair value option was used.

These assets are recognized at their fair value, which is their quoted price. For non-quoted financial instruments, the fair value is established on the basis of present values or by using valuation techniques.

Realized and unrealized gains and losses are recognized in results from financial investments – designated at fair value through profit or loss. Interest income, dividends received and interest paid are included in Net interest income.

(19) Financial investments – available for sale

Hypo Group Alpe Adria has classified most bonds and other fixed-interest securities and shares and variable-rate securities that are traded in an active market as available for sale financial investments. These investments are recognized at their fair value, which is their quoted price. For non-quoted financial instruments, the fair value is established on the basis of comparable instruments or by applying valuation techniques using market data.

Further long-term investments, shares in joint ventures and non-consolidated subsidiaries are classified as available for sale. These are stated at cost unless a fair value can be determined.

Unrealized gains and losses net of tax deferrals are recognized in equity, namely in the item Available for sale-reserve. Impairment losses are recorded in profit or loss. Reversals of impairments of debt instruments are recognized in profit or loss; reversals of impairments of equity instruments are recognized only in the item Available for sale-reserve. Capital gains and impairment losses are reported in the item Result from financial investments – available for sale.

Income from fixed-interest securities, including income from the application of the effective interest method, dividends and income from variable-rate securities (shares, investments, participations, etc.) are recognized as Interest and similar income.

(20) Financial investments – held to maturity

Non-derivative debt instruments with a determined maturity classified as held-to-maturity are recognized at amortized cost.

Hypo Group Alpe Adria has limited additions to this category. Therefore there are only few financial investments held to maturity.

Notes to the Interim Consolidated Financial Statements

(21) Investments in companies accounted for at equity

These are shares in associated companies and in joint ventures stated according to the at equity method. They are shown in a separate position.

Changes in equity, disposals and impairments are included in Result from companies accounted for at equity.

(22) Other financial investments

These are land and buildings and movable assets let under operating lease agreements.

For the measurement of investment properties and assets serving leasing purposes see detailed information in the notes.

(23) Intangible and tangible assets

Intangible assets include goodwill arising on acquisitions as well as software and advances for acquisition of intangible assets. These assets are recognized at cost less amortization and impairment losses. Self-developed software is recognized in accordance with the provisions of IAS 38.

Goodwill arising on acquisitions is not amortized. Instead, it is subject to annual impairment testing in accordance with IAS 36. More frequent testing is required if events and circumstances indicate impairment. Once such tests reveal impairments, losses are recognized.

Tangible assets include land and buildings and furniture and fixtures used by Hypo Group Alpe Adria. Real estate let to third parties is reported in Other financial investments. Tangible assets are measured at cost less depreciation.

Straight-line depreciation and amortization takes place over the useful life of assets applying the following annual rates:

	in per cent	in years
For immovable property	2-4 %	25-50 yrs
For movable property	5-33 %	3-20 yrs
For software	20-33 %	3-5 yrs

In the case of events and circumstances that indicate impairment, losses are recognized. Straight-line depreciation and impairment losses are recognized in Depreciation and amortization of tangible and intangible assets, whereas gains or losses on disposals are reported in Other operating result.

(24) Taxes on income

Current and deferred tax assets and liabilities are recognized as tax assets or liabilities, respectively. Current taxes are calculated in accordance with local legislation.

Deferred taxes are computed using the balance sheet liability method, which compares the tax base with carrying amounts pursuant to IFRS. In the case of temporary differences, taxes are deferred. Deferred tax liabilities are recognized in respect of future tax payments relating to temporary differences; deferred tax assets are recognized in respect of recoverable taxes.

Deferred tax assets and liabilities are measured using the tax rates enacted or substantially enacted by the balance sheet date. Deferred taxes are not discounted to present values.

Changes of the tax rate are considered for the purpose of determining deferred taxes, always provided that they are known at the time of establishing the Interim Consolidated Financial Statements. No discounts are made for long-term deferred taxes according to IAS 12.

Deferred tax assets are also recorded in respect of unused tax losses if it is probable that future taxable profits will be available. This assessment is based on budgets approved by Management. The carrying amount of a deferred tax asset is reviewed on each balance sheet date to determine whether it is still probable that sufficient taxable profits will be available to allow the benefit to be utilized.

The deferred tax effects of transactions recognized in profit or loss are recognized in the income statement. The deferred tax effects of transactions recognized in equity are recognized in equity (e.g. the item Available for sale-reserve).

From 1 January 2005, Hypo Alpe-Adria-Bank International AG opted for so-called group taxation («Gruppenbesteuerung»). As a result, the taxable income of all Austrian entities that are part of the tax group is added to that of the parent, Hypo Alpe-Adria-Bank International AG, reducing the current tax of the Austrian entities.

(25) Other assets

Other assets include deferred expenses, receivables other than those arising from banking activities, short-term real estate projects, lease assets and derivatives used to hedge items in the banking book.

Receivables other than those arising from banking activities arise mainly from other sales or services or comprise receivables from tax authorities relating to taxes other than income taxes. Deferred items and other receivables arising from non-banking activities are recognized at their nominal values.

Real estate projects included those of the AAI Group that are not long-term and those of immaterial special purpose entities. These assets are recognized at cost less impairment losses, if any.

Completed real-estate projects and buildings under construction intended for sale after completion and assets under construction are reported in Other assets. These assets are recognized at cost less (if recoverable amounts are lower) impairment losses. In accordance with IAS 23, borrowing costs are included in cost of acquisition. Net income from disposals and unrealized gains and losses are included in Other operating result.

Other assets also include leased assets under construction and, therefore, assets not yet leased out and assets not leased any more until a new contract is signed. They are measured at cost less impairment losses.

Positive market values of derivatives are reported under this item if they do not meet the criteria for hedge accounting, but are used to hedge items in the banking book. Gains and losses are reported in Result from trading.

Notes to the Interim Consolidated Financial Statements

(26) Liabilities

Liabilities to credit institutions and customers, including those evidenced by certificates, are recognized at amortized cost unless they are designated as »at fair value through profit or loss«. Costs of issues, premiums and discounts are recognized as interest over the relevant period.

When using hedge accounting, the gain or loss on the hedged liability attributable to the hedged risk changes the carrying amount and is recognized in profit or loss.

(27) Trading liabilities

Negative market values of derivatives held for trading are recognized as trading liabilities. They are measured at fair value, which is their quoted price in the case of quoted instruments. Valuation techniques such as for example the discounted cash flow method are used to establish the fair value of financial instruments not quoted on active market.

(28) Long-term employee provisions

The Hypo Group Alpe Adria has defined contribution and defined benefit plans.

In the former case, a fixed contribution is paid to a separate entity. There are no further legal or other obligations on the part of the employer, so no provision is required.

Defined benefit plans exist in respect of retirement and severance obligations and long-service benefits. These plans are unfunded; there are no plan assets.

Provisions for long-term employee benefits are measured in accordance with IAS 19 using the projected unit credit method. Provisions are determined by independent actuaries. The present value of future payments is stated as the defined benefit obligation. Actuarial gains and losses are recognized in profit or loss.

Provisions for long-term employee benefits are measured assuming a legal retirement age of 65 years for men and 60 for women. Local rules are applied in the case of employees working abroad.

Service costs are reported in Personnel expenses and interest costs are reported in Interest and similar expense.

(29) Other provisions

Other provisions are recorded for past events causing a future, probable and determinable liability. Expected payments are discounted. Provisions are measured on a best-estimate basis in accordance with IAS 37.36 et seq.

No provisions are recorded for restructuring.

Additions and reversals of other provisions are reported in Other operating result. The changes in the item Provisions for credit commitments and guarantees are recognized in the income statement in Risk provisions on loans and advances.

(30) Other liabilities

This item includes among others deferred income and negative market values of derivatives that are used to hedge items in the banking book. Deferred income is stated at cost and liabilities at amortized cost. Changes in fair value are recognized in Other operating result.

(31) Subordinated capital

Subordinated capital includes subordinated liabilities and supplementary capital as defined by the Austrian Banking Act, but not including hybrid capital.

Subordinated liabilities may or may not be evidenced by certificates, and in the event of liquidation or insolvency, creditors are only satisfied after all other creditors.

Supplementary capital is contractually furnished for at least eight years and cannot be cancelled. It must have a remaining maturity of at least three years. Interest is only paid if it is covered by annual profit shown in separate financial statements (according to Austrian GAAP).

Notes to the Income Statement

(32) Hybrid capital

Hybrid capital is capital provided until the liquidation of the enterprise and is subordinated to all other liabilities.

Because of the contractually agreed dividend (interest) obligation and cancellation rights, hybrid capital is classified as debt in accordance with IAS 32.

(33) Equity (shareholders' equity and minorities)

Equity evidences the residual interest in the assets of an entity after deducting all liabilities.

Issued capital represents the amounts paid in by shareholders in accordance with the by-laws (Memorandum and Articles of Association). Additional paid-in capital includes premiums on shares. The directly related external costs of share offerings are deducted from additional paid-in capital.

Retained earnings include among others statutory and other reserves under Austrian law and the impact of the transition to IFRS.

The item Available for sale-reserve reflects changes in fair values less deferred taxes arising from Available for sale financial instruments.

Minority interests in accordance with IAS 1 are presented within equity.

In the first half year of 2007 in accordance with the resolution of the shareholders' meeting, a dividend totalling EUR 9,627 thousand was distributed.

Notes to the Income Statement

(34) Segment reporting

Segment reporting is made in accordance with IAS 14 and provides an overview of the relevant business segments and activities in the geographical markets of the Hypo Group Alpe Adria. It is the aim of segment reporting to explain how business results are generated from the segments.

Segments are formed by geographical markets and by business segments which differ from each other. The analysis of the segment results enables the user of financial statements to:

- Better understand the entity's past performance;
- Better assess the entity's risk and returns; and
- Make more informed judgements about the entity as a whole.

The business segments as defined by the Group's Executive Board provide the basis of the segmentation. Hypo Group Alpe Adria differentiates its activities by regional aspects (primary segment) and also by business lines such as banking, leasing and others (secondary segment).

Finance cost for acquisition of subsidiaries is allocated to the related segments. The interest rate used is that of long-term capital and amounted, in the first half of 2007, to 4.42 per cent.

The group overhead, directly relating to the steering of the group companies, is allocated on the basis of average Risk-weighted Assets (RWA).

Segment results are determined by operating profits (before taxes) of the related segment. Furthermore, return on equity (ROE) and the cost/income-ratio are used to measure the result. Return on equity is calculated by the relation of results to average allocated equity. The cost/income-ratio is administration cost divided by total interest and commission income.

Primary Segment

Primary segments are geographical because material risks and rewards come from the countries where the Group is active. Management defined the following markets:

- Austria
- Italy
- Slovenia
- Croatia
- Bosnia and Herzegovina (BiH)
- Serbia
- Other regions

Notes to the Income Statement

The allocation was made mainly based on the registered office of the entities. Some entities, whose business activities are directly dependent and controlled by a group company, were allocated to the segment to which the steering entity belongs.

The segment denominated as Austria comprises all income and expenses of entities located in Austria, of which Hypo Alpe-Adria-Bank International AG, the parent engaged in the cross-border loan business with customers in SEE, is an important part. Apart from the traditional Austrian business of the second bank, Hypo Alpe-Adria-Bank AG, there are some leasing companies. Hypo Alpe-Adria-Immobilien AG (AAI) and Carinthian tourism entities also form part of this segment. The entity HBInt Credit Management Limited, Jersey, was also included in the segment of Austria, due to the direct connection of its activities with the parent company.

Italy refers to Northern Italy, where the Group is represented by a bank and a leasing company. The latter is specialised in financing ships. The bank, which has a considerable leasing business (mainly real estate), performed very well in the first part of the year, contributing considerably to the results of the Group.

Slovenia contributes significantly to the group profits and consists mainly of two subsidiaries: Hypo Alpe-Adria-Bank d.d. Ljubljana and Hypo Leasing d.o.o. Ljubljana.

Croatia is one of the key segments for the Group. There, the Group operates two banks, one in Zagreb and one in Osijek, as well as two further subsidiaries, one of them the successful Hypo Leasing Croatia d.o.o. Before its disposal this segment also included Hypo Consultants d.o.o., a real estate developer and the largest entity of the Consultants Group.

In Bosnia and Herzegovina (BiH), the Hypo Group Alpe Adria has a very high market share. It operates two banks, namely in Mostar and Banja Luka, as well as a leasing entity in Sarajevo.

Serbia is still a new segment with banking and leasing operations in Belgrade. The operate-and-finance leasing activities are handled by two entities.

Other regions include Germany, Liechtenstein, Hungary, Montenegro and Macedonia, none of them exceeding the 10 per cent limit as established in IAS 14.35.

Secondary Segment

Operations with identical core activities are grouped together. Thus the secondary segments of the Hypo Group Alpe Adria are:

- Banking
- Leasing
- Other

Banking comprises the parent, Hypo Alpe-Adria-Bank International AG, and ten banking subsidiaries. Subsidiaries directly involved in banking activities and steered by the parent bank are also included. This includes investment companies, valuation services and insurance brokers and other related services. Banking also covers HBInt Credit Management Limited, Jersey, a subsidiary directly reporting to the parent, which makes long-term investments jointly with co-investors.

Leasing covers all leasing entities including special purpose companies. Main activities refer to real estate, movables, cross-border and ship leasing. Hypo Alpe-Adria-Bank S.p.A., Udine, which is also active in the leasing business, is shown in the Banking segment. The result of the leasing business is an important part of group's profit.

The segment denominated as Other comprises the entities that belong neither to Banking nor to Leasing. In particular, these are tourism entities (e.g. Kärntner Holding Beteiligungs AG), real estate companies (especially those of the AAI Group and the spin-off Consultants Group), the Croatian packaging enterprise Aluflexpack d.o.o. and others.

Notes to the Income Statement

Segment reporting by geographical markets

Financial period 1–6/2007	Austria	Italy
Net interest income	114,328	49,442
Net fee and commission income	14,975	3,870
Result from trading	-1,817	234
Result from hedge accounting	-2,460	12
Result from financial investments – afvtpl	-12,060	286
Result from financial investments – afs	3,061	0
Result from financial investments – htm	0	0
Result from other financial investments	-29	3
Other operating result	11,674	1,841
Operating income	127,672	55,688
Risk provisions on loans and advances	-32,778	-4,410
Operating income after risk provisions	94,893	51,279
Personnel expenses	-41,431	-13,075
Other administrative expenses	-24,734	-14,532
Depreciation and amortization of tangible and intangible assets	-3,798	-2,446
Operating expenses	-69,963	-30,053
Segment result (Operating result)	24,931	21,226
Unallocated corporate income/expenses		
Profit before tax		
Taxes on income		
Profit after tax		
Minority interests		
Consolidated net income (after minority interests)		
Average total assets	16,436,968	4,003,806
Loans and advances to credit institutions	4,596,462	25,161
Loans and advances to customers	9,566,965	3,663,041
Risk provisions on loans and advances	-179,619	-31,048
Sum of financial investments	3,568,397	5,577
Liabilities to customers	3,979,754	754,171
Average Risk-weighted assets (RWA)	8,802,786	3,608,754
Allocated average equity	417,888	171,316
Return on Equity (ROE) before tax	12.0 %	25.0 %
Cost/income-ratio	54.8 %	54.0 %
Risk/earnings-ratio	28.7 %	8.9 %
Return on assets (ROA) before tax	0.31 %	1.07 %
Average number of staff (capacity)	1,128	455

EUR '000

Slovenia	Croatia	BiH	Serbia	Other regions	Consolidation	Total
25,476	51,837	28,183	23,942	6,679	3,928	303,816
3,566	19,773	6,221	4,687	3,682	-36	56,738
3,499	13,711	2,191	2,080	321	1,139	21,359
0	-91	0	0	0	91	-2,448
0	0	4,933	0	0	0	-6,841
2,153	1,690	132	110	65	0	7,212
6	0	0	0	0	0	6
42	6,699	0	0	-2,302	0	4,412
1,866	10,913	-557	1,702	708	-8,600	19,548
36,608	104,533	41,102	32,522	9,153	-3,477	403,801
-2,669	-24,518	-9,521	-4,064	-2,010	0	-79,970
33,940	80,014	31,581	28,457	7,143	-3,477	323,830
-9,320	-30,040	-8,737	-8,583	-4,455	0	-115,641
-6,135	-24,103	-8,297	-10,701	-5,166	4,929	-88,738
-1,440	-8,807	-2,290	-2,673	-613	0	-22,068
-16,895	-62,951	-19,323	-21,958	-10,233	4,929	-226,447
17,044	17,064	12,258	6,500	-3,090	1,452	97,383
						57,569
						154,953
						-32,059
						122,895
						-3,699
						119,196
2,975,657	6,196,044	1,844,295	2,043,543	890,664	432	34,391,410
21,671	1,081,731	147,060	416,814	30,499	-32	6,319,367
2,440,846	4,393,210	1,562,748	1,054,897	664,153	0	23,345,861
-25,934	-199,763	-83,643	-29,299	-3,908	0	-553,215
517,855	624,388	22,042	147,661	87,291	-26	4,973,186
273,908	1,667,239	765,873	357,220	309,415	0	8,107,581
2,683,618	4,495,039	988,151	1,630,054	816,451	-5,697	23,019,154
127,397	213,390	46,910	77,382	38,759	-270	1,092,773
27.0 %	16.1 %	52.7 %	16.9 %	n/a		28.6 %
46.2 %	60.2 %	47.0 %	67.5 %	111.8 %		56.1 %
10.5 %	47.3 %	33.8 %	17.0 %	30.1 %		26.3 %
1.16 %	0.56 %	1.34 %	0.64 %	n/a		0.91 %
466	2,615	1,048	958	272		6,942

Notes to the Income Statement

Segment reporting by business

EUR '000

Financial period 1–6/2007	Banking	Leasing	Other	Consolidation	Total
Net interest income	255,853	56,041	-7,830	-248	303,816
Net fee and commission income	56,479	1,537	-111	-1,168	56,738
Result from trading	13,911	5,462	793	1,193	21,359
Result from hedge accounting	-2,448	0	0	0	-2,448
Result from financial investments – afvtpl	-6,841	0	0	0	-6,841
Result from financial investments – afs	8,293	-1,204	123	0	7,212
Result from financial investments – htm	6	0	0	0	6
Result from other financial investments	-34	4,446	0	0	4,412
Other operating result	7,291	6,924	16,845	-11,511	19,548
Operating income	332,509	73,206	9,820	-11,733	403,801
Risk provisions on loans and advances	-68,884	-11,093	7	0	-79,970
Operating income after risk provisions	263,625	62,113	9,827	-11,733	323,831
Personnel expenses	-90,435	-15,439	-9,767	0	-115,641
Other administrative expenses	-75,616	-15,118	-10,681	12,676	-88,738
Depreciation and amortization of tangible and intangible assets	-13,288	-5,229	-3,550	0	-22,068
Operating expenses	-179,339	-35,786	-23,998	12,676	-226,447
Segment result (Operating result)	84,286	26,326	-14,171	943	97,384
Unallocated corporate income/expenses					57,569
Profit before tax					154,953
Taxes on income					-32,058
Profit after tax					122,895
Minority interests					-3,699
Consolidated net income (after minority interests)					119,196

(35) Interest and similar income

	EUR '000
	1.1.-30.6.2007
Interest income	753,495
from loans and advances to credit institutions	106,816
from loans and advances to customer	517,684
from bonds, treasury bills and other fixed-interest securities	76,693
from derivative financial instruments, net	37,443
Other interest income	14,859
Current income	185,636
from leasing business	171,958
from shares and other not fixed income securities	2,580
from investment properties	11,097
Total	939,131

Interest income includes also interest-like income, such as the dissolution of discounts and interest-like fees and commissions. A significant part of the other interest income derives from balances with central banks.

Income from leasing business includes interest income from finance leases and receipts from operating leases less depreciation.

(36) Interest and similar expenses

	EUR '000
	1.1.-30.6.2007
Interest expenses	-622,515
for liabilities to credit institutions	-73,233
for liabilities to customers	-125,046
for liabilities evidenced by certificates	-393,577
for subordinated capital	-29,006
for other liabilities	-1,653
Other interest expenses	-12,800
cost for statutory guarantee	-12,800
Total	-635,315

Interest expenses include commissions due to the Province of Carinthia for the statutory guarantee. This commission is calculated on the actual amounts for which Carinthia is the deficiency guarantor.

Notes to the Income Statement

(37) Fee and commission income

	EUR '000
	1.1.-30.6.2007
Credit business	10,973
Securities and custodian business	25,231
Bank transfers incl. payment transactions	21,233
Other financial service business	14,632
Total	72,069

(38) Fee and commission expenses

	EUR '000
	1.1.-30.6.2007
Credit business	-733
Securities and custodian business	-4,422
Bank transfers incl. payment transactions	-5,203
Other financial service business	-4,972
Total	-15,331

(39) Result from trading

	EUR '000
	1.1.-30.6.2007
Interest related transactions	-5,827
Share and index related transactions	9,042
Foreign exchange transactions	21,014
Other trading result (credit derivatives, commodities, etc.)	-2,870
Total	21,359

(40) Result from hedge accounting

	EUR '000
	1.1.-30.6.2007
Valuation result from secured underlying transactions	410,647
Valuation result from hedging derivatives	-413,095
Total	-2,448

This item includes the results from hedge accounting in accordance with IAS 39 (measurement of hedged item and hedging instrument).

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

	EUR '000
	1.1.-30.6.2007
Loans and advances (to customers and credit institutions)	-27,680
Equity instruments	4,933
Debt instruments	-13,158
Liabilities (incl. hybrid capital)	55,051
Fair value option (FVO) derivatives	-25,988
Total	-6,841

The fair value option (FVO) covers financial assets and liabilities that include embedded derivatives. By classifying these instruments as at fair value through profit or loss, the separation of hedging instruments is avoided.

Further this category is used to avoid accounting mismatches by stating assets and economically related liabilities at fair value.

Furthermore this category is used for risk reducing hedging strategy.

Notes to the Income Statement

(42) Result from financial investments – available for sale

	EUR '000
	1.1.-30.6.2007
Income from financial investments available for sale	8,850
Capital gains	7,192
Income from write-up	1,658
Expenses from financial investments available for sale	-1,639
Losses from disposal	-1,384
Expenses from impairment	-255
Total	7,212

(43) Result from financial investments – held to maturity

	EUR '000
	1.1.-30.6.2007
Income from financial investments held to maturity	6
Total	6

(44) Result from financial investments

	EUR '000
	1.1.-30.6.2007
Result from investment properties (IP)	-294
Income	615
Expenses	-908
Other result from leases	4,748
Other income from leases	8,249
Other expenses from leases	-3,502
Remaining other result from financial investments	-42
Total	4,412

(45) Other operating result

	EUR '000
	1.1.-30.6.2007
Other rental income	1,231
Net capital gains/losses from	6,556
Sale of tangible and intangible assets	22
Sale of real estate projects (assets)	6,533
Result from allocation/release to other provisions	-577
Other tax expenses (except corporate income tax)	-1,864
Remaining other result	14,203
Remaining other income	64,206
Remaining other expenses	-50,003
Total	19,548

Remaining other result refers to income and expenses from non-bank activities. The income includes the sales revenue of production enterprise Aluflexpack d.o.o. of EUR 42,623 thousand; expenses include the related cost of sales of EUR -36,101 thousand.

Notes to the Income Statement

(46) Risk provisions on loans and advances

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

	EUR '000
	1.1.-30.6.2007
Allocation to	-129,414
Loan loss provision	-127,681
Provisions for credit commitments and guarantees	-1,733
Releases from	54,820
Loan loss provision	52,069
Provisions for credit commitments and guarantees	2,750
Recoveries of loans and advances previously written off	1,053
Direct write-offs of loans and advances	-6,428
Total	-79,970

Details on risk provisions can be found in Note 55.

(47) Personnel expenses

	EUR '000
	1.1.-30.6.2007
Personnel expenses from core business	-110,638
Personnel expenses from other business	-5,004
Total	-115,641

(48) Other administrative expenses

	EUR '000
	1.1.-30.6.2007
Premises expenses	-13,338
IT expenses	-12,132
Office costs	-5,801
Advertising costs	-11,562
Communication expenses	-4,869
Legal and advisory costs	-12,005
Other general administration expenses	-29,030
Total	-88,738

Other administrative expenses include insurance premiums, car expenses, training courses and so on.

(49) Depreciation and amortization of tangible and intangible assets

	EUR '000
	1.1.-30.6.2007
Buildings	-4,517
Plant and equipment	-13,799
Intangible assets	-3,752
Total	-22,068

(50) Result from companies accounted for at equity

	EUR '000
	1.1.-30.6.2007
Share of profit	422
Share of losses	-61
Total	361

(51) Taxes on income

	EUR '000
	1.1.-30.6.2007
Current tax	-29,713
Deferred tax	-2,345
Total	-32,058

Notes to the balance sheet

Notes to the balance sheet

(52) Cash and balances with central banks

	EUR '000
	30.6.2007
Cash on hand	88,395
Balances with central banks	1,150,543
Total	1,238,938

Balances with central banks only include those balances which are due daily. Balances which are not due daily are shown under loans and advances to credit institutions.

(53) Loans and advances to credit institutions

	EUR '000
	30.6.2007
Giro and clearing business	393,186
Money market placements	4,362,581
Loans	690,409
Finance lease receivables	1,334
Other receivables	871,857
Total	6,319,368

(54) Loans and advances to customers

(54.1) Loans and advances to customers – by type of customers

	EUR '000
	30.6.2007
Public sector	3,056,713
Corporate clients	13,811,394
Retail clients	6,477,755
Total	23,345,861

(54.2) Loans and advances to customers – by regions		EUR '000
		30.6.2007
Austria		4,689,927
Central and Eastern Europe (CEE)		12,934,984
Other countries		5,720,951
Total		23,345,861

(55) Risk provisions

(55.1) Risk provisions – movement during the year							EUR '000
	On 1.1.2007	Translation differences	Allocation	Release	Use	Other changes	On 30.6.2007
Specific provisions	-399,563	-1,000	-98,461	35,343	4,234	7,210	-452,237
Loans and advances to credit institutions	-1,819	-1	0	0	0	0	-1,820
Loans and advances to customers	-394,210	-953	-94,137	34,846	4,234	6,505	-443,716
to public sector	-1,252	-8	-269	218	0	5	-1,305
to corporate clients	-342,403	-799	-82,366	30,237	3,787	8,500	-383,044
to retail clients	-50,554	-147	-11,502	4,391	447	-2,000	-59,366
Other financial assets	-3,534	-45	-4,324	497	0	705	-6,701
Portfolio-based risk provisions	-88,672	-229	-29,220	16,480	570	93	-100,978
Subtotal	-488,235	-1,229	-127,681	51,823	4,804	7,303	-553,215
Provisions for credit commitments and guarantees	-17,981	-50	-1,733	2,432	1,318	0	-16,014
Total	-506,216	-1,279	-129,414	54,255	6,122	7,303	-569,229

(55.2) Risk provisions – by regions		EUR '000
		30.6.2007
Austria		-104,927
Central and Eastern Europe (CEE)		-398,653
Other countries		-49,635
Total		-553,215

Notes to the balance sheet

(56) Trading assets

	EUR '000
	30.6.2007
Trading receivables	972
Bonds, treasury bills and other fixed-interest securities	88,797
Shares and other non-fixed interest securities	68,035
Positive market value of derivative financial instruments (trading)	1,934
Total	159,738

(57) Positive fair values from hedge accounting derivatives

	EUR '000
	30.6.2007
Positive market values of fair value hedge instruments	161,129
Total	161,129

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

	EUR '000
	30.6.2007
Loans and advances to customers and credit institutions	513,312
Shares and other non-fixed interest securities	27,600
Bonds, treasury bills and other fixed interest securities	743,418
Positive market value of derivative financial instruments at fair value option (FVO)	200,422
Total	1,484,751

(59) Financial investments – available for sale

	EUR '000
	30.6.2007
Shares and other non-fixed interest securities	379,221
Bonds, treasury bills and other fixed interest securities	2,160,216
Other participations (associated companies 20 % – 50 %)	36,124
Shares in affiliated, non-consolidated companies (> 50 %)	48,334
Total	2,623,895

(60) Financial investments – held to maturity

	EUR '000
	30.6.2007
Bonds, treasury bills and other fixed interest securities	42,759
Total	42,759

(61) Investments in companies accounted for at equity

	EUR '000
	30.6.2007
Shares in other companies	6,470
Total	6,470

(62) Other financial investments

	EUR '000
	30.6.2007
Investment properties	580,218
Assets used for operate leases (mobiles)	235,092
Total	815,311

Investment properties include mainly land and buildings let under operating lease agreements.

Notes to the balance sheet

(63) Intangible assets

	EUR '000
	30.6.2007
Goodwill	3,502
Software	16,495
Other intangible assets	18,143
Total	38,140

The goodwill of EUR 3,502 thousand refers to »RBB Bank Aktiengesellschaft Wolfsberg«, acquired in 2001 by Hypo Alpe-Adria-Bank AG, Klagenfurt. The goodwill is allocated to the branch in Wolfsberg (Cash Generating Unit). Hypo Group Alpe Adria makes an impairment test at least once per year and whenever indicated. The annual impairment test did not result in an impairment.

(64) Tangible assets

	EUR '000
	30.6.2007
Land and buildings	501,242
Plant and equipment	135,663
Total	636,905

(65) Tax assets

	EUR '000
	30.6.2007
Current tax assets	17,219
Deferred tax assets	423,567
Total	440,786

Deferred tax assets of EUR 110 m (25 % of EUR 441 m) refer to tax losses brought forward of Hypo Alpe-Adria-Bank International AG. We refer to Note 2.

(66) Other assets

	EUR '000
	30.6.2007
Prepaid expenses	86,029
Other assets	875,224
Shares in property development companies, short term	13,423
Assets under construction (project development), short term	68,631
Finished property projects held as inventories	11,137
Leases to go (lease assets not yet leased out)	435,166
Remaining receivables and other assets, not specific to banking	346,867
Positive market values of hedging instruments of economic hedges (banking book)	53,738
Total	1,014,992

(67) Liabilities to credit institutions

	EUR '000
	30.6.2007
To central banks	4,838
To credit institutions	4,372,782
Daily due	599,520
Time deposits	361,927
Loans from banks	1,767,101
Money market liabilities	1,484,754
Other liabilities	159,481
Total	4,377,619

Notes to the balance sheet

(68) Liabilities to customers

	EUR '000
	30.6.2007
Saving deposits	1,409,568
Sight and time deposits	6,698,013
from public sector	728,534
from corporate clients	2,562,567
from retail clients	3,406,912
Total	8,107,581

Liabilities to customers designated at fair value through profit or loss amount to EUR 41,760 thousand (see also Note 78).

(69) Liabilities evidenced by certificates

	EUR '000
	30.6.2007
Issued bonds	18,647,486
Liabilities issued via »Pfandbriefstelle«	2,235,259
Other liabilities evidenced by certificates	50,003
Total	20,932,747

Liabilities evidenced by certificates designated at fair value through profit or loss amount to EUR 1,395,118 thousand (see also Note 78).

(70) Trading liabilities

	EUR '000
	30.6.2007
Negative market value of derivative financial instruments (trading)	14,248
Total	14,248

(71) Negative fair values from hedge accounting derivatives

	EUR '000
	30.6.2007
Negative market values of fair value hedge instruments	552,187
Total	552,187

(72) Provisions

	EUR '000
	30.6.2007
Pensions	10,802
Severance payment	15,000
Provisions for anniversary payment	1,455
Provisions for credit commitments and guarantees	16,014
Other provisions	16,784
Total	60,054

(73) Tax liabilities

	EUR '000
	30.6.2007
Current tax liabilities	23,644
Deferred tax liabilities	321,898
Total	345,542

Notes to the balance sheet

(74) Other liabilities

	EUR '000
	30.6.2007
Deferred income	174,332
Accruals and other obligations	398,289
Negative market values of hedging instruments	131,105
of economic hedges (banking book)	56,111
of derivatives which were designated at fair value option (FV0)	74,994
Total	703,725

(75) Subordinated capital

	EUR '000
	30.6.2007
Subordinated liabilities	949,288
Supplementary capital	225,544
Total	1,174,831

Subordinated capital and supplemental capital is designated at fair value through profit or loss in the amount of EUR 10,669 thousand and EUR 66,236 thousand (see also Note 78).

(76) Hybrid capital

	EUR '000
	30.6.2007
Hybrid capital	222,121
Accrued interest	2,595
Valuation result	-19,812
Total	204,904

Hybrid capital designated at fair value through profit or loss amounts to EUR 135,804 thousand (See also Note 78).

(77) Equity

	EUR '000
	30.6.2007
Shareholders' equity	708,904
Issued capital	38,790
Additional paid-in capital	355,720
Available for sale-reserves	24,185
Foreign currency translation	-1,609
Retained earnings (incl. net consolidated income)	291,817
Minority interests	593,486
Total	1,302,390

Issued capital refers to Hypo Alpe-Adria-Bank International AG. It is divided into 4,848,685 bearer shares with voting rights.

Minority interests refer to certain subsidiaries.

Other information

Other information

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

Financial liabilities designated at fair value through profit or loss (fair value option – FVO) refer to:

	EUR '000
	30.6.2007
FVO – Liabilities to customers	41,760
FVO – Liabilities evidenced by certificates	1,395,118
FVO – Subordinated capital	76,905
FVO – Hybrid capital	135,804
Total	1,649,588

For financial liabilities with embedded derivatives, the fair value option (FVO) was used. The liability is stated at fair value in its category, measurement results are disclosed in results from financial investments designated at fair value through profit or loss.

(79) Contingencies and commitments

At reporting date there have been the following off-balance liabilities:

	EUR '000
	30.6.2007
Contingent liabilities	1,018,715
of which arising from guarantee credits	298,752
of which arising from letters of credit	213,923
of which arising from other guarantees	273,722
of which other contingent liabilities	232,319
Commitments	2,324,468
of which arising from irrevocable loan commitments	2,127,978
of which arising from other obligations	196,490
Total	3,343,183

(80) Employees

The number of employees at closing date (headcount) and on average (in full-time equivalents) for the period amounted to:

	EUR '000
	30.6.2007
Employees at closing date	7,218
thereof in Austria	1,288
thereof abroad	5,930
Employees average	6,942
thereof in Austria	1,135
thereof abroad	5,807

(81) Statutory guarantee

The statutory guarantee of the Province of Carinthia for all liabilities of Hypo Alpe-Adria-Bank International AG is a deficiency guarantee in accordance with Art. 1356 ABGB (Austrian Civil Code).

The European Commission treated the originally unlimited guarantee by the province as a state subsidy as defined in Art. 88 EGV. Consequently, the Carinthian law was amended. The province now is the guarantor of liabilities assumed by Hypo Alpe-Adria-Bank International AG before 3 April 2003.

With respect to liabilities assumed between 3 April 2003 and 1 April 2007, the province guarantees for liabilities with a term not exceeding 30 September 2017. For liabilities assumed after 1 April 2007 there is no guarantee of the province.

(82) Events after the balance sheet date

As described above, on 22 May 2007, agreements were concluded between Bayerische Landesbank on the one hand and Kärntner Landesholding, Hypo Alpe Adria staff foundation and Berlin & Co Capital S.à.r.l. on the other for the purchase of 50 percent plus one share in Hypo Alpe-Adria-Bank International AG by Bayerische Landesbank, subject to receipt of approval by the supervisory and merger control authorities.

In a ruling of 11 July 2007 the Council of the Croatian National Bank refused Bayerische Landesbank permission to acquire indirect control of Hypo Group Alpe Adria's Croatian banking subsidiaries. Bayerische Landesbank is engaged in a detailed and constructive dialogue with the Croatian National Bank in order to establish a framework for the approval of the acquisition of the two banks. We are confident that Bayerische Landesbank will receive a favourable ruling from the Croatian National Bank – and the remaining outstanding approvals – in the course of September.

Other information

(83) Supervisory Board, Representatives of Regulatory Authorities and Executive Board

From 1 January to 30 June 2007

Supervisory Board

Chairman:

Wolfgang KULTERER, St. Veit

First Deputy Chairman:

Othmar EDERER, Graz

Second Deputy Chairman:

Hans-Jörg MEGYMOREZ, Klagenfurt-Wölfnitz,
from 31 May 2007

Members:

Karl-Heinz MOSER, Vienna, until 31 May 2007
Gerd PENKNER, Klagenfurt, until 31 May 2007
Günther PUCHTLER, Graz, until 31 May 2007
Veit SCHALLE, Vienna, until 31 May 2007
Siegfried GRIGG, Graz, from 31 May 2007
Mathias HINK, London, from 31 May 2007
Christoph SCHASCHÉ, Klagenfurt
Gert XANDER, Klagenfurt, from 13 May 2007

Appointed by the Works Council:

Erich CLIMA, Chairman, Klagenfurt
Edith ENENGEL, Klagenfurt
Mario ZOLLE, Klagenfurt
Birgit GRASCHER, Pischeldorf

Representatives of Regulatory Authorities

State Commissioner:

Sabine KANDUTH-KRISTEN, Klagenfurt,
until 30 April 2007

Deputy State Commissioner:

Monika HUTTER, Vienna

Province – Supervision:

Jörg HAIDER, Governor of Carinthia, Klagenfurt
Horst FELSNER, Klagenfurt

Mortgage bonds guarantee trustee:

Herbert PÖTZ, Judge of the Provincial Court, Klagenfurt

Deputy mortgage bond guarantee trustee:

Helmut ARBEITER, Judge of the Provincial Court,
Klagenfurt

Executive Board

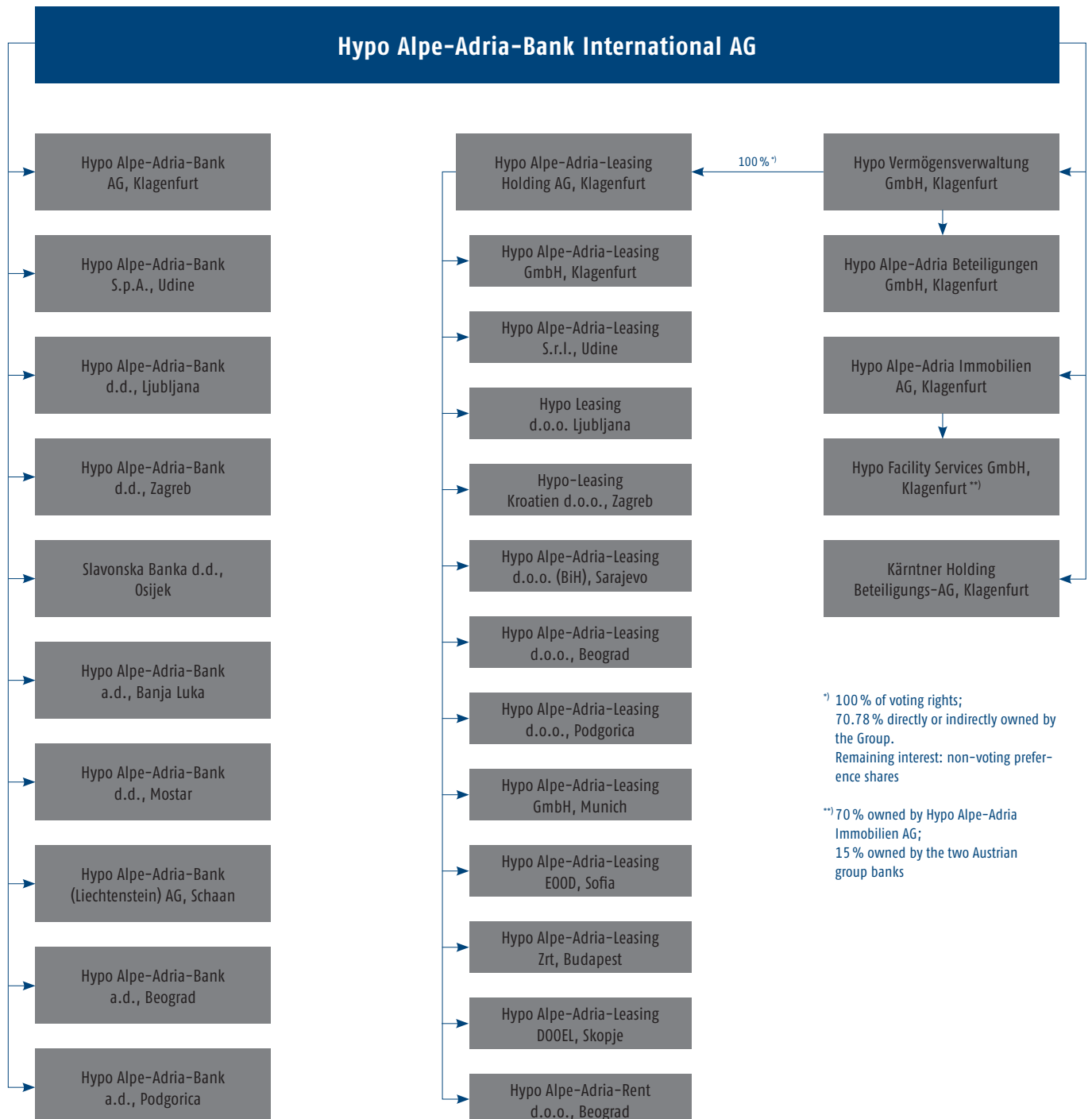
Tilo BERLIN, Chairman of the Executive Board, Maria Saal,
from 1 June 2007

Siegfried GRIGG, Chairman Executive Board, Graz,
until 31 May 2007

Thomas MORGL, Member of the Executive Board, Viktring
Josef KIRCHER, Member of the Executive Board, Liebenfels
Paul KOCHER, Member of the Executive Board, Vienna
Wolfgang PETER, Member of the Executive Board, Breitenbrunn

Material subsidiaries as of 30.06.2007

(84) Material subsidiaries



Other information

(85) Declaration of legal representatives

»To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Interim Consolidated Financial Statements for the half year ended 30 June 2007 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

The interim management report presents the operations and their results and the Group's overall position in a manner consonant with the actual circumstances.

The report for the first half of 2007 has been neither audited nor reviewed by the auditors.«

Klagenfurt, 28 August 2007



Tilo Berlin



Josef Kircher



Thomas Morgl, MBA



Wolfgang Peter



Paul A. Kocher

Headquarters

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Hypo Alpe-Adria-Leasing Holding AG

www.hypo-leasing.com

Austria

Hypo Alpe-Adria-Bank AG

www.hypo-alpe-adria.at

Hypo Alpe-Adria-Leasing GmbH

www.hypo-alpe-adria.at

Bosnia and Herzegovina

Hypo Alpe-Adria-Bank a.d.

www.hypo-alpe-adria.ba

Hypo Alpe-Adria-Bank d.d.

www.hypo-alpe-adria.ba

Hypo Alpe-Adria-Leasing d.o.o. Sarajevo

www.hypo-leasing.ba

Bulgaria

Hypo Alpe-Adria-Leasing EOOD

www.hypo-alpe-adria-leasing.bg

Germany

Hypo Alpe-Adria-Bank AG (Austria)

www.hypo-alpe-adria.de

Hypo Alpe-Adria-Leasing GmbH

www.hypo-alpe-adria.de

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www.hypo-alpe-adria.it

Hypo Alpe-Adria-Leasing S.r.l.

www.hypo-alpe-adria.it

Croatia

Hypo Alpe-Adria-Bank d.d.

www.hypo-alpe-adria.hr

Hypo-Leasing Kroatien d.o.o.

www.hypo-alpe-adria.hr

Liechtenstein

Hypo Alpe-Adria-Bank (Liechtenstein) AG

www.hypo-alpe-adria.li

Macedonia

Hypo Alpe-Adria-Leasing DOOEL

www.hypo-alpe-adria.com.mk

Montenegro

Hypo Alpe-Adria-Bank a.d. Podgorica

www.hypo-alpe-adria.cg.yu

Hypo Alpe-Adria-Leasing d.o.o. Podgorica

www.hypo-alpe-adria.cg.yu

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Hypo Alpe-Adria-Bank a.d. Beograd

www.hypo-alpe-adria.co.yu

Hypo Alpe-Adria-Leasing d.o.o. Beograd

Hypo Alpe-Adria-Rent d.o.o. Beograd

Beograd

www.hypo-alpe-adria.co.yu

Slovenia

Hypo Alpe-Adria-Bank d.d.

www.hypo-alpe-adria.si

Hypo Leasing d.o.o.

www.hypo-alpe-adria.si

Hungary

Hypo Alpe-Adria-Leasing Zrt. Hypo Alpe-Adria-Leasing Kft.

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Important Notice:

Hypo Alpe-Adria-Bank International AG is required, under Art. 245a in connection with Art. 906 para 12 UGB, to publish consolidated financial statements, prepared in accordance with IFRS, for the first time as of 31 December 2007. This Interim Report for the six months ended 30 June 2007 is unaudited and certain choices of financial reporting principles and other assumptions might be different in the first time consolidated financial statements for the year ended 31 December 2007.

This Interim Report was prepared with due care in accordance with IFRS as of 30 June 2007. Rounding, transmission, layout and printing errors cannot be ruled out. The English version is a translation. Only the German language original is authentic.

