CAPITAL BANK – GRAWE GRUPPE AG

Performance and Figures

PERFORMANCE AND FIGURES
CAPITAL BANK – GRAWE GRUPPE AG

	31.12.2010 EUR K	31.12.2009 EUR K	31.12.2008 EUR K
Balance sheet total	679,772	653,309	731,082
Receivables due from customers	110,381	121,106	143,447
Liabilities due to customers	239,897	215,326	236,553
Operating profit	10,390	9,260	11,781
Profit on ordinary activities	7,088	5,451	175
Equity capital % of the assessment basis according to section 22 para. 1 BWG (Austrian Banking Act)	33.2 %	31.0 %	24.6 %
Volume of securities accounts	6,267,453	4,676,609	3,900,318
Employees (excluding subsidiaries)	158	150	187

Statutory Bodies of Capital Bank – GRAWE Gruppe AG in the Financial Year 2010

Board of Directors

Christian Jauk, MBA
Chairman of the Board

Mag. Constantin Veyder-Malberg
Member of the Board

Supervisory Board

Mag. Dr. Othmar Ederer
Chief Executive Officer of Grazer Wechselseitige Versicherung AG
Chairman of the Supervisory Board

Dr. Siegfried Grigg
Deputy Chief Executive Officer of Grazer Wechselseitige Versicherung AG
Deputy Chairman of the Supervisory Board

DDIng. Mag. Dr. Günther Puchtler
Member of the Board of Directors of Grazer Wechselseitige Versicherung AG
Member of the Supervisory Board

Dr. Franz Hörhager
Managing Director of Mezzanine
Management GmbH
Member of the Supervisory Board

Members Nominated by the Works Council

Rudolf Laudon

Harald Greimel

Representatives of the Regulatory Authorities

Mag. Peter Maerschalk
State Commissioner
(until 31.12.2010)

For the global banking world, 2010 was characterised by a rapid recovery of the real economy coupled with strong growth in the financial markets and a flood of new regulations.

Supported by rescue packages of a size never seen before, the global economy was able to leave behind one of the most serious crises relatively quickly. While global nominal GDP fell by 2.4 % in 2009, economists expected growth of around 3.8 % in 2010. The financial markets were also able to continue the recovery in 2010, which started in the previous year, partly with double-digit growth.

Although the above figures reflect the success of the handling of the crisis, numerous countries will be reminded for a long time of the most costly crisis of all time whenever they look at their overwhelming borrowing. For example the United States, with an estimated annual deficit of more than 10 %, increased state debt to around 90 % of GDP. For the first time, voices were heard stating that the excellent credit rating of AAA could be lost over the medium term.

Despite somewhat better figures for the Euro zone (deficit 6.3 %, degree of indebtedness 84.1 % of GDP), some members of the currency union, notably Greece and Ireland, faced a terrible crisis. Only the Euro rescue package with a volume totalling EUR 750 billion, which was provided in mid-2010, was able to prevent the anticipated state bankruptcies. Whether the various national savings programmes will be sufficient to counter the debt crisis remains to be seen.

Apart from the increased uncertainty affecting the market environment, banks also had to cope with the introduction of numerous new regulations. With Basel III, stricter equity requirements and liquidity standards were approved. With the EU Directive published under CRD III, a new regulatory framework was created for the re-securitisation and banks' remuneration policies were subject to massive intervention.

With the amendment to the capital gains taxation, which entered into force on 01.01.2011, the introduction of the bank levy (stability levy), the planned harmonisation of the European deposit guarantee systems and the regulation of derivative trading, the financial economy will also have to cope with numerous challenges going forward. Additionally, the new provisions already in force will have to be implemented quickly.

In view of the challenges described above, our bank, Capital Bank – GRAWE Gruppe AG ("Capital Bank") decided its goal for 2010 should be to convince even more customers of our service approach, our products and our consistent business model, which is expressed in the headline "Fair and Honest". We were successful in this respect in 2010, as both the growth figures and the results of independent tests show. As a result, we have successfully taken a significant step towards a solid and sustained income situation.

The Private Banking division of the bank was able to increase Assets under Management over the year by more than 34 percent. The basis for this is a new distribution of market shares in Private Banking, which could be seen in 2010 and is still underway. Alongside our customers' trust in the high quality of the advice, and in the absolute commitment to more fairness, transparency and clarity, our success is also due to the expertise of the investment experts of central asset management. The security-optimised portfolio managed by the Asset & Product Management department was ranked by firstfive as one of the top five asset management portfolios in German-speaking countries. In the Fuchsbriefe Report 2010, Capital Bank was ranked in 2nd place among private banks in Austria and was named "probably the most honest bank in Austria". In the middle of 2010, Capital Bank opened a branch in Klagenfurt, where Private Banking is mainly offered.

The Family Office, which specialises in advising High Net Worth Individuals, private foundations and family companies, also succeeded in significantly expanding the Assets under Management (+39.2 %). In the 2011 financial year, the growth in other market shares segments shall also be taken forwards.

The Investment Banking business division, redimensioned since 2008, was further reduced last year. The Equity Sales department was discontinued, with the employees now working in other business divisions of the banking group. The Leveraged Finance department further reduced the risk positions held in the book. The main attention of the last financial year was given to high yield loans and to expanding the cooperation with the American fund Cardinal Point. The Corporate Finance business division was given new impetus through a cooperation agreement concluded with asp. consulting GmbH. The aim is to secure holistic customer care for small and medium-sized corporate finance projects through Capital Bank.

In 2010, the third business division of Capital Bank, the so-called "platform business", where the bank assumes the role of a depositary for customers of independent investment service companies (WPDLU), was able to achieve the best results since it started business in 2004. As at the reporting date, around 88,000 customer custodial accounts were held in the platform.

The creating of uniform staff and service divisions for the banking investments of Grazer Wechselseitige Versicherung AG was implemented as at 01 July of the year. In terms of the organisation, the staff and service divisions are now located within the parent company of Capital Bank, HYPO-BANK BURGENLAND AG, and provide services for Capital Bank and the other banks and group members. The resulting synergy potential has been increased, with support by the creation of group-wide management committees.

Capital Bank always tries to keep the training levels of its employees at a very high level. In Private Banking, therefore, the academic course "Technical and social competence in private banking" was arranged in cooperation with the "Institut für Finanzwirtschaft" of the University of Graz, which started for the first time in autumn 2008. The main focus is on topics like international financial markets, portfolio management, tax and legal aspects of private banking. Particular attention was given to social skills. Because of the high technical qualifications and performance of our employees, as well as due to a regular investment in their training and education, we are very confident in the future development of our bank, both for the coming financial year and over the longer term. As at 31.12.2010, Capital Bank had 170 employees.

Capital Bank is aware of its social responsibility as a member of society. For example, numerous free presentations on economic topics have been given. With specialist presentations at academic institutions, the primary aim was also to give the students expert knowledge and to grant them a practical insight into the world of banking. In addition, Capital Bank supports numerous social and university-related institutions.

The General Economic Environment

The global economy was characterised in 2010 by the overwhelming sovereign debts of the western industrial nations and by a massive expansion in the money supply, especially in the USA and the Euro zone.

Current forecasts by the International Monetary Fund envisage the current national deficits in the Euro zone at around 84 % and the budget deficits at around 8.0 % of economic output. The national insolvencies of Greece and Ireland could only be prevented by a gigantic rescue package provided by the EU and the IMF of EUR 750 billion. With a debt of approx. 70 % of GDP, Austria is quite well placed compared to the rest of Europe. By 2014, the debt will increase to 74.2 %, however. Although the debt crisis in 2010 was almost exclusively discussed at the European level, the USA is in an even worse position with a deficit of more than 90 % of GDP and new borrowing of 10 %.

The consequences of the debt burden are being fought on both sides of the Atlantic with even more borrowing. The European Central Bank and its American counterpart bought their own bonds big style, pumping large amounts of fresh capital into the market, the intrinsic value of which is doubted. As a result, inflation in the Euro area is increasing. In January 2011, price inflation according to Eurostat was 2.4 % in the Euro states, compared to the same month in the previous year. In December 2010 inflation was 2.2 % and is currently at its highest level for 27 months.

In view of this, in particular, stable economic growth at a sufficient level is especially important. After real GDP growth in the Euro zone accelerated to 1.0 % in the second quarter of 2010, compared to the previous quarter – the highest level for two years – it reduced to a moderate 0.4 % in the third quarter, in line with expectations. Compared to the same quarter of the previous year, the growth rate in the third quarter amounted to 1.9 %.

The largest contribution to growth was in gross asset investments and stock increases, reflecting the positive development of the business climate. Growth in the Euro zone was asymmetrical, however, and above all was supported by countries with a positive balance of trade. Exports made a crucial contribution to the growth dynamism, although net exports were reduced by the equally dynamic imports. A significant contribution to this development, with growth of real GDP of 2.2 % compared to the previous quarter, was made by Germany, whose increasing export interconnections with growing Asian economies played an important role here. For 2010 and 2011, growth of real GDP in the Euro zone is expected to be 1.7 % according to the latest OECD forecasts.

In its forecast of December 2010, the Austrian Central Bank (OeNB) assumes growth in Austrian output in 2010 of 1.9 %, after it shrank in 2009 by 3.7 %. In 2011 and 2012, growth is expected to accelerate (2.1 % and 2.3 %).

The positive development is not reflected in the labour market. According to a current study by EUROSTAT (January 2011), unemployment in the Euro zone increased slightly to 10 % in October. Recently, the unemployment rate has fallen only in Germany and the Netherlands. In Austria, the unemployment rate is currently just below 5 %.

An analysis of the international financial markets showed that the return to a recession (double dip) feared by some had been avoided. A look at the most important indices reveals a mixed picture. While the EUROSTOXX 50 Index (-5.8 %) and the Japanese NIKKEI 225 (-3.0 %) suffered losses, the Dow Jones (+11.0 %), the DAX (+16.1 %) and the ATX (+16.4 %) were able to record double-digit increases thanks to a rapid rally in the fourth quarter.

Sources:
OeNB, Konjunktur Aktuell, December 2010
EUROSTAT, European Economic Indicators 2010
OECD, World Economic Outlook November 2010
IMF, World Economic Outlook, October 2010

[1] RoE = Return on Equity = Profit on ordinary activities in relation to equity, excluding balance sheet profit and allocation to reserves.
[2] ROA = Return on Assets = Profit on ordinary activities in relation to the average balance sheet total
[3] ROCE = Return On Capital Employed = Profit on ordinary activities in relation to the equity required

Neither the Euro base rate (1.0 %) nor the US Dollar base rate (0-0.25 %) was changed by the respective central banks in 2010.

Development of the Business

The balance sheet total of Capital Bank increased by around 4.0 % compared to the previous financial year from EUR 653.3 million to EUR 679.8 million. This is mainly due to the increase of 11.4 % in liabilities due to customers from EUR 215.3 million to EUR 239.9 million, and due to the increased volume in our own issues from EUR 204.0 million to EUR 216.2 million. On the asset side, receivables due from customers fell from EUR 121.1 million to EUR 110.4 million, or 8.9 %.

The eligible equity capital according to Section 23 BWG (Austrian Banking Act) increased from EUR 125.9 million in 2009 to EUR 133.5 million in 2010. The required equity capital according to Section 22 para 1 BWG increased because of the capital guarantees represented as the position of a large trading book by around 57.0 % from EUR 38.9 million in 2009 to EUR 61.1 million in 2010. Consequently, the equity capital surplus totalled around EUR 72.5 million and fell in the reporting period by 16.7 % compared to the previous year. Capital resources as a percentage of the basis for assessment remained at an above-average level of 33.2 % (2009: 31.0 %; 2008: 24.6 %). 91.1 % of the reported equity capital of EUR 133.5 million comprises core capital.

The return on equity[1)] (ROE: 2009: 4.6 %, 2010: 6.1 %) was increased by 1.41 percentage points compared to the previous year. The return on assets[2)] was also able to be improved slightly: this increased from 0.08 % in 2009 to 1.1 % in 2010. Although the profit on ordinary activities could be increased again after 2009, the return on capital employed[3)] fell by 2.4 percentage points from 14.0 % in the 2009 financial year to 11.6 % in 2010 because of the large increase in required equity capital.

Volume of Securities Accounts

For Capital Bank, 2010 was characterised by business development. In combination with the friendly market environment, the bank's volume of securities accounts was able to be increased from EUR 4.7 billion in 2009 by around 34 % to EUR 6.3 billion in the 2010 financial year. Our subsidiary, Security KAG, was able to increase its volume of securities accounts from EUR 1.5 billion in 2009 to EUR 1.7 billion in 2010. This corresponds to an increase of 15.3 % compared to the previous year. The subgroup of Capital Bank – GRAWE Gruppe AG was therefore able to increase the total assets under management, including own issues, from EUR 6.6 billion in 2009 to the record level of EUR 8.4 billion in 2010 (+28.3 %).

Profit and Loss Account

Both Private Banking and Investment Banking divisions of Capital Bank were able to exploit the general economic conditions and increase the profit from ordinary activities by

around 30.0 % from of EUR 5.5 million in 2009 to EUR 7.1 million in the reporting year 2010. The commission and trading results fell marginally by EUR 0.3 million to EUR 20.97 million. Net interest income decreased from EUR 5.7 million to EUR 5.0 million (-11.9 %).
On the costs side there was a slight increase in personnel costs to around EUR 12.0 million, caused by the increase in staff numbers during the 2010 financial year. Material costs, by contrast, was able to be reduced considerably from EUR 10.9 million in 2009 to EUR 8.3 million in 2010 (-23.7 %). This is due to lower costs for legal and consultancy services compared to the previous year.
In 2010, Capital Bank reported an operating profit of EUR 10.4 million. This corresponds to an increase of around 12.2 % compared to the operating profit of EUR 9.3 million in 2009. The Cost Income Ratio decreased compared to the previous year from 71.2 % to 66.9 %.

No particular or noteworthy events have occurred since the reporting date.

Proposed Dividend

In the 2010 financial year, a net profit (allocation-free profit reserves of EUR 5.0 million) of EUR 0.3 million was achieved. After a successful motion at the General Meeting, Capital Bank is not expected to pay out a dividend to its owner HYPO-BANK BURGENLAND.

Outlook

In early 2011, the stock exchange climate was extraordinarily friendly, thanks to overwhelmingly positive news. Around the world, two thirds of companies, which presented their figures for the 4th quarter before this outlook was written, had been able to surpass the expectations of the analysts. In contrast to previous quarters, profit growth was increasingly supported by demand rather than by cost reductions. After a brief fall in early 2011, the ATX reached a new two-year record. The European Stoxx 600 has already achieved the highest level since September 2008 and the DAX has reached a three-year high.

But we must not be too optimistic. Politicians and the economy are worriedly watching the increase in inflation in the Euro zone, driven upwards, in particular, by increased energy and food prices. If this development were to continue, interest rates would be expected to rise during the year, resulting in a dampening of economic growth. The debt crisis also discussed in the General Economic Environment is not over yet either, and could lead to sales in the international bond markets during the year. The current political situation in the Middle East is also a cause of additional uncertainty.

The experience of the last few years has showed that a buy-and-hold strategy, i.e. buying capital market instruments as long-term investments, only rarely leads to the desired success. For the business divisions of Capital Bank, we see great market opportunities here as the needs of our customers for high quality investment advice and extensive, professional asset management increase in such a market environment.

In 2011, the Private Banking business division will continue to focus on repatriating foreign assets and on innovative answers to the new general tax situation. We at Capital Bank see our power of innovation, our advance in know-how and our progressive model of fee-based advice as an excellent basis for continuing along the growth path.

The business division Investment Banking has set itself the goal of improving the sales channels of the Cardinal Point Fund. The corporate finance business should also be advanced.

Introduction

Risk management in Capital Bank – GRAWE Gruppe AG is seen as a work-sharing process of identification, measurement, monitoring and control of defined risks at Group level. An appropriate risk management is seen as a significant factor for the success of the effectively required development of the company.

In 2010, the expansion of Group Risk Management, in particular, and the associated complete bank control represented the substantial tasks of risk management. The aim was not to implement any large methodical changes in the calculations, but to refine and expand the scenarios already applied, and to define standardised evaluation and reporting methods in the HYPO-BANK BURGENLAND AG Group. In addition, there were other significant challenges for risk management in 2010 as a result of the introduction of refined risk management activities in the Private Banking division of Capital Bank – GRAWE Gruppe AG the activities of the subsidiary Brüll Kallmus Bank AG as an investment bank.

Risk Management

The objective of risk management is to identify, quantify and actively steer all the risks of the banking business (credit, market, interest and liquidity risks and operational risks). According to the conditions of Section 30 para. 7 BWG, HYPO-BANK BURGENLAND AG as the parent bank is required to comply with the ICAAP conditions at the consolidated level. The consolidation group of HYPO-BANK BURGENLAND AG includes the Capital Bank – GRAWE Gruppe AG, Bank Burgenland Leasing and Sopron Bank as downstream bank in other EU countries.

Capital Bank – GRAWE Gruppe AG is a bank which specialises in Private Banking and Investment Banking, but which also offers services related to these areas. In addition, Capital Bank – GRAWE Gruppe AG offers a clearing platform for independent financial service providers. The aim is to maximise income for the given risk load. This is underlined by the principle that a return should be achieved for every transaction which is appropriate to the risk content. The optimisation of a balanced ratio between risk and income is the focus of Capital Bank – GRAWE Gruppe AG. The aim is to identify the risks resulting from banking operations and to manage and restrict them actively through effective risk steering. The focus of these risk steering activities is on the most efficient use of the available capital as possible, taking into account medium and long-term strategic goals and growth prospects. The further development of the instruments and processes of risk identification, quantification and steering in order to guarantee an adequate risk-opportunities ratio are considered to be effective strategic components. The assumption of risk to achieve results therefore represents a core function of the corporate activity of Capital Bank – GRAWE Gruppe AG. The risk strategy in the HYPO-BANK BURGENLAND AG Group, therefore, is to enter into usual banking risks within a defined framework and to use the resulting income potential. In this sense, a risk management has been established in the HYPO-BANK BURGENLAND AG Group, which forms the basis of a risk and income-oriented overall bank steering and this supports selective growth. Risk management represents a core function in Capital

Bank – GRAWE Gruppe AG which takes into account the type, extent and complexity of the transactions specific to the Bank and the resulting risks for the Bank, in addition to the general regulatory conditions based on the Austrian Banking Act (BWG) and various directives and guidelines. The risk management of Capital Bank – GRAWE Gruppe AG is integrated into the risk management cycle of HYPO-BANK BURGENLAND AG.

Capital Bank – GRAWE Gruppe AG interprets risk management as the working processes of identification, measurement, monitoring and steering various risks. The individual phases of the risk management process include:

– Risk identification – This includes recording, measuring and analysing all risks relevant to the Bank.

– Risk steering – Risk steering is the entirety of all risks entered into consciously within the approved limits and the selective use of measures to deal with risks. The decision-making takes place in corresponding committees / departments irrespective of the market.

– Risk documentation – This includes written documentation of the internal risk management in the form of a risk manual.

– Risk communication – The risk situation is worked out in risk reporting in a form suitable for and understandable to the respective recipients, transparently and comprehensively, and is provided at regular intervals.

– Risk monitoring – Risk monitoring takes place through an internal control system which guarantees compliance with the limits and guidelines defined in the risk manual.

Principles of Risk Management

The risks to Capital Bank – GRAWE Gruppe AG are controlled and steered through a system of risk principles, risk measuring processes, limit structures and monitoring processes.

A significant principle within the framework of the risk management process is the risk policy. Risk policy is part of corporate strategy and defines the willingness and orientation for risk of the Bank and the marginal conditions within which the operative risk policy goals have to be implemented. The risk policy in Capital Bank – GRAWE Gruppe AG is determined by the Board of Directors, subject to the Group development. It includes the planned development of the entire business in several dimensions, setting limits for relevant risks and the restriction of lump-sum risks in the form of large investment limits.

Another component of the principles of risk management is represented by the risk-policy principles. At Capital Bank – GRAWE Gruppe AG, the following risk-policy principles are defined in accordance with the Group guidelines:

– Management and all employees are subject to the risk-policy principles and also make their decisions in accordance with these guidelines.

– In order to maintain a desired risk-return ratio, the individual business divisions are limited by risk and/or volume requirements taking into account the risk-capacity of the company.

– The methods of risk evaluation and measurement are arranged and implemented according to the respective extent, complexity and risk content of the transactions. In principle, not only risks of retail business are recorded, but also those which result from an overall Bank consideration. The flexibility in the method selection should facilitate sensible developments.

– In order to guarantee a consistent and coherent risk management process, uniform methods of risk assessment and limitation are used.

– Within the framework of risk steering, a suitable limit system has to be applied and constantly monitored. Limit systems have to be derived and defined from the overall Bank limits for the various sub-risks and also for the various subsidiaries. The defined risk limits are based on the risk coverage potential. The risk coverage potential is not used up for the measured risks, and a reserve is kept for extraordinary scenarios and unmeasured risks.

– Risk steering and controlling processes correspond to the current statutory requirements and are adjusted to the changing conditions. In addition, the risk steering factors are recorded in a system for total Bank steering.

– For the main risk types which threaten existence, if applicable, a risk management is striven for at a level which corresponds to comparable institutions in terms of structure and size ("best practice").

– Risk management is performed at Group level. Additionally, each employee is required to identify risk potential and to take corresponding measures.

– The organisation of risk management is subject to the principle of separation of functions between trading and backoffice and has to guarantee that conflicts of interest are avoided at all decision-making levels.

– For the current risk steering, the Board of Directors and the decision-making committee, both at Group and individual bank levels, have to report regularly on the risk situation of the Bank. The respective organisational units are responsible for risk documentation and reporting.

New Products, New Markets

Capital Bank – GRAWE Gruppe AG is committed in principle to those business fields where the company has long been active and where there is a corresponding monitoring or the possibility to assess specific risks.

The development of new business fields or new products requires an adequate analysis of the business-specific risks. A product authorisation process has been defined for this point in Capital Bank – GRAWE Gruppe AG. This product authorisation process defines the process-organisation regulations which determine the procedures for issues or investments in new products or the inclusion or entrance into new markets. Within the framework of the product authorisation process, certain information must be provided by the applicant of the new product, which is then examined by Internal Audit, the Legal Department and the compliance officer.

Organisation and Documentation of the Risk Management

The basis for the risk management of HYPO-BANK BURGENLAND AG is the strict separation between trading and backoffice. The risk management functions are merged in the member of the Board of Directors responsible for risk management. The activities of the risk management units are performed in accordance with the guidelines on risk policy which define the risk steering and the qualified and timely monitoring of risks in conjunction with the various company divisions and the independent risk function. In accordance with the principle of proportionality, the organisation of risk management corresponds in terms of quality and quantity to the company's internal requirements, the business activities, the strategy and the risk situation. The responsibility for risk steering is located at the group level and is performed by the group parent HYPO-BANK BURGENLAND AG. The requirements of Group Risk Management are implemented through operative risk management units in the various subsidiaries. Alongside risk steering of the market, strategic credit and operational risks, the tasks of Risk Management in Capital Bank – GRAWE Gruppe AG include risk monitoring in Private Banking and risk steering for the subsidiary banks of Capital Bank – GRAWE Gruppe AG and the overall bank steering. The operating credit risk management is performed in the Credit Management department. Within the framework of the implementation of the Group Risk Management, there is close cooperation between the HYPO-BANK BURGENLAND AG risk management and Capital Bank – GRAWE Gruppe AG.

The Risk Management units are supported in their tasks by the following committees:

– Overall Banking Risk Committee
Risk steering in the HYPO-BANK BURGENLAND AG Group takes place in the overall banking risk committee held quarterly under the leadership of the Board of Directors and with the involvement of the boards of the subsidiaries and with representatives from the risk management units, the treasury and internal audit. The Overall Banking Risk Committee deals with risk policy, strategic and structural matters of principle and risk at the superordinate level, the company-wide risk policy and strategic tasks of overall bank steering. The monitoring and steering of risk capacity and the setting of risk limits

also take place the overall bank level in the Overall Banking Risk Committee.

In order to ensure a coordinated and comprehensive risk steering

- an overall banking risk strategy is defined,
- an overall banking risk manual and instructions are used as the basis for documentation, and
- risk limits are set.

The overall banking risk strategy defines, on one hand, the general principles of risk management (principles, risk steering process, organisation, etc.) and on the other hand the risk strategies for each risk category. The objective of the Risk Manual is to take into account the statutory and commercial requirements of risk management. It supports risk management in systematically dealing with risks and allows the employees and management to systematically deal with the various components of risk management. The objective of instructions, like the Risk Manual, is to bring specific risk topics and their control closer to the employees. In contrast to the Risk Manual, they have a high degree of detail and are mostly restricted to specific, individual subjects. Risk limits are defined at least once a year on the basis of the risk capacity calculation. Compliance with the risk limits is constantly monitored and regularly reported to management. When the early warning stage is reached or a limit is exceeded, measures to restrict the risk are taken in cooperation with the Board of Directors and the respective departmental director corresponding to the respective risk.

The central instrument of the overall banking risk steering of the Capital Bank Group is the risk capacity calculation. The risk figures from the various risk types are aggregated here into a total loss potential from risk assumptions and are compared in a process to the collateral (earning power, reserves and equity capital) available to cover these potential losses. The aim of this comparison is to determine to what extent the bank is able to cope with potential, unanticipated losses (risk capacity calculation). According to the risk capacity calculation, the aim is to guarantee the continued existence of the bank. The Board of Directors decides the overall risk strategy, which contains the allocation of the collateral coverage potential to the individual risk categories. The calculation of the risk capacity therefore acts as a limit for all risk activities in the Group. The risk capacity is calculated quarterly at the group level at the individual level for the banks HYPO-BANK

BURGENLAND AG, Sopron Bank and for the Capital Bank Group. In addition, the risk positions are constantly monitored in order to be able to take ad hoc risk-minimising steps if deviations occur.

The risk capacity analysis compares the economically required capital for unexpected losses against the collateral. The difference represents the equity reserve. The risk capacity is calculated using two methods: The economic method, which focuses on protecting the creditors, and the going-concern method, which defines the seamless continuation of the banking business as risk capacity. The difference between these two methods lies in the offsetting of the collateral and in the evaluation of the risks.

The capital provided by the Group for risks is equity which comprises TIER I and TIER II capital. In addition, part of the hidden reserves and the expected profit from the current financial year are taken into account when calculating the risk collateral.

The method for calculating the risks differs depending on the risk category and the perspective selected, economic or going-concern perspective. The following risk categories are taken into account in the risk capacity calculation:

- Credit risk
- Risks of the large trading portfolio
- Market risks of the banking book (interest rate and foreign currency risk)
- Capital guarantees
- Operational risk
- Investment risk
- Other risks

To calculate the total risk, the individual risk types are aggregated irrespective of correlation effects. The amount of the total risk capacity used, in % of the risk collateral, in the Capital Bank Group at the end of the year was 50 % using the economic method. By comparison, using the economic method as at 31.12.2009 it was 33 %.

The required reconciliation process between the quantified risk potential on one hand and the bank's risk collateral potential on the other was therefore constantly taken into account during the 2010 financial year. In order to be able to estimate the risks of extreme market developments, additional stress scenarios are applied to specific risk categories.

Risk Management of Specific Risk Types

Within the framework of the overall banking risk steering, a distinction is drawn in the Capital Bank Group between the following risk categories:

– Market risk
– Operational risk
– Credit risk
– Liquidity risk
– Other risks

Because of its specialisation in the areas of Private Banking and Investment Banking, the main risks arise, above all, in the area of market and operational risks, which are significant within the framework of the monitoring and steering process.

Market Risk

Market risks arise through possible changes to market price indicators such as interest rates, exchange rates and share prices, as well as from the change in credit spreads. These risky positions arise either through customer transactions or through the deliberate assumption of positions by the Bank. The most significant risk factors among the market risks are the interest rate change risks, foreign currency risks, the price risk of variable interest securities, and credit spreads caused by price risks for interest-bearing securities.

These risks are steered in the Active-Passive Committee (APK) and by the Risk Management, which are responsible for the identification, measuring, monitoring and steering of market risks in the trading and banking book. Apart from the daily monitoring of market risk and counterparty risk limits, the further development of the risk measurement system and the risk steering aspects represent the main tasks in the market risk department. A central element of market risk steering in Capital Bank – GRAWE Gruppe AG is the limit system, which is determined by the Board, taking into account the risk capacity and the Group limits. A desired degree of diversification in the portfolios, and the trading strategy, are important factors for developing the limit structure. Apart from volume and positions limits, sensitivity limits and country limits are taken into account when setting limits. In its risk strategy,

the Capital Bank Group has defined the foundation for dealing with market risks. The limit provided for entering into market risks restricts the extent of the market risks entered into to a contractual and desirable extent for the Group, and leads to a risk mix which has been optimised from a risk/return perspective.
As specified in the Austrian Banking Act, Capital Bank – GRAWE Gruppe AG keeps a 'large trading book'. The market risk of the Capital Bank – GRAWE Gruppe AG large trading book is mainly characterised by the share price risk and the interest rate change risk. Capital Bank – GRAWE Gruppe AG applies the standard method according to Section 220 para. 2 BWG to calculate the required equity capital for the trading portfolio.

A particular focus within the framework of market risk for Capital Bank – GRAWE Gruppe AG is represented by the guarantees issued in conjunction with the securities transactions. Capital Bank – GRAWE Gruppe AG has issued capital guarantees for some products designed and marketed by Capital Bank – GRAWE Gruppe AG itself and for products marketed by insurance companies. Under the terms of these guarantees, where the product loses value, the bank stands liable for the difference between the current market value and the amount invested by the customer. This amount therefore represents a risk for the bank. Within the framework of risk management, therefore, the management and performance of the capital guarantees are monitored and necessary steps to limit risks are arranged. One of the measures required under the risk management system involves monthly inspection of the sum guaranteed (cash value) against the market value and an examination of the plausibility of the data. The markets are kept under constant observation in risk management in order to be able to take measures at any time if risks arise.

With reference to the capital guarantees, particular importance is attached to the 'Prämienbegünstigte Zukunftsvorsorge' or PZV (state-aided pension provision), as Capital Bank – GRAWE Gruppe AG has furnished capital guarantees in accordance with the statutory regulations (Article 108 Paragraph 1 (3) EStG – Austrian Income Tax Act). Under the terms of this capital guarantee, the bank guarantees that the amounts paid-up plus the State subsidy will be paid out to the customer as a minimum. The PZV risk is therefore closely monitored by the Risk Management. Before furnishing the capital guarantee, therefore, an approval process was held, where the product operation was explained in more detail and problems arising were discussed and resolved both in-house and with third parties. Within the framework of the capital guarantee management of Capital Bank – GRAWE Gruppe AG, there is monthly monitoring of the development of the guarantees of the performance of the underlying fund, as well as regular PZV meetings where significant changes to the PZV and the fund are discussed with Security KAG and Grazer Wechselseitige Versicherung AG.

As at the balance sheet date, the outstanding guarantees totalled roughly EUR 293 million. This is a change compared to the previous year of +15 %. These guarantees are matched against corresponding balance sheet items with intrinsic value.

Capital Bank – GRAWE Gruppe AG defines the interest rate risk as the risk of price fluctuations of interest-bearing securities that result from changes in capital market interest rates. To measure the interest rate risk, the regulatory authorities demand quarterly interest risk statistics which are calculated on the basis of balance sheet and off-balance sheet positions and the allocation of term bands corresponding to the statutory conditions and which assumes a 200 basis points interest shift.

The interest rate risk as at 31/12/2010 calculated in this way in the Capital Bank – GRAWE Gruppe AG is 3.39 % of the available equity.

Interest rate risk 2010 – 200 BP shift in EUR K

	Previous year 31.12.2009	Max.	Average	Year's end
Interest rate risk	2,480	4,979	4,139	4,979
In % of equity capital	2.00 %	3.93 %	3.28 %	3.93 %

Interest rate risk 2009 – 200 BP shift in EUR K

	Previous year 31.12.2008	Max.	Average	Year's end
Interest rate risk	647	3,151	2,730	2,480
In % of equity capital	0.54 %	2.57 %	2.21 %	2.00 %

The table shows that the limit of 20 % of equity capital as defined by the regulatory authorities has been complied with and that there is sufficient buffer, and that the overall banking risk is less compared to the previous year. In addition, it shows that the interest rate risk of Capital Bank Group is a very small proportion of the overall banking risk.

Operational Risk

In the Capital Bank Group, operational risk is defined analogously to the statutory banking provisions as the "Risk of unanticipated losses which arise as a result of the inappropriateness or failure of internal procedures, people and systems or of external events, including legal risk". For example, failures in IT systems, material damage, incorrect processing, fraud, natural or other catastrophes and changes in the external environment should be subject to a more precise and, above all, consolidated risk assessment and steering in the future.

Management of the operational risks is the responsibility of the Risk Management. Its tasks are to categorise the risks, to create group-wide, uniform guidelines, and to be responsible for the content of the loss case database, to analyse loss events and to create reports for management and various committees. Based on the group-wide standards, loss cases from operational risks are collated in a loss case database in order, thereby, to discover weaknesses in the systems and processes on this basis so that corresponding measures can then be taken.

In order to minimise the operational risk, the Capital Bank Group also uses internal control systems, including Internal Audit, clear and documented internal guidelines ("Work Procedures"), the separation of functions ("four-eyes principle"), allocation and limitation of decision competences and a constant qualification assurance and enhancement for employees through training and development ("staff development"). These control and steering measures, which are integrated into the business processes, should ensure an appropriate and accepted risk level in the company.

Capital Bank – GRAWE Gruppe AG uses the basis indicator method for capital securitisation for the operational risk according to BASEL II.

Credit Risk

At Capital Bank – GRAWE Gruppe AG, credit risk is defined as default risks against third parties arising from non-securitised receivables and securitised receivables (securities). The risk lies in the fact that these receivables due to Capital Bank – GRAWE Gruppe AG may not be fulfilled in full or on time. This can result both from developments among individual contractual partners and from general developments which affect a large number of contractual partners. Credit risks can also result from specific forms of product arrangements or the business field. The responsibility for the competent management of all credit risks lies with credit management and risk management. The strategic credit risk management is the responsibility of the Risk Management department and concentrates on identifying, measuring, summarising, planning and steering, as well as monitoring, the credit risk. The operative credit risk management supports the active bank operations through the compliant risk and credit rating audit of all applications for financing and their accuracy, the evaluation of the compliance with the assessment guidelines and the identification of early warning indicators. The total credit exposure (customer receivables incl. securities) and the distribution of the risk categories and countries are reported to the Board of Directors regularly. In addition, stress scenarios are also defined for Lombard credits in order to highlight changes in market prices in the securities provided as collateral and to represent their effect on the collateral. In addition, there is a constant comparison of other risks and the credit risk data of Capital Bank – GRAWE Gruppe AG are included in the Group credit risk consideration and analysis.

The credit volume (before individual write-downs and Section 57 Reserve) fell in the 2010 financial year by around 5 % compared to 2009 to EUR 136 million.

Risk steering with regard to lending in the Capital Bank Group is performed according to the principles laid down in the 'Lending Guidelines' and the principles approved by the Board of Directors. These guidelines comply with the minimum lending requirements and guidelines issued by the Austrian Financial Market Authority and are adapted to changes in the business field or legal field. To steer country risks, country limits are defined both at Group and individual bank levels. To minimise counterparty risks, guidelines on counterparty approval are applied in the Capital Bank Group. The acceptance of new trading partners is therefore subject to risk management, which audits and approves the trading partner according to internal criteria.

One of the lending principles at Capital Bank Group is a clear credit and related risk policy. The keystone of this policy is that loans should be granted first and foremost in exchange for sufficient collateral. The main form of collateral used is corresponding securities whose loan-to-value ratios are differentiated according to various criteria. Apart from considering the security situation, the economic situation of the borrower is closely examined and included in the lending decision. To assign customers to various risk categories and classes, Capital Bank Group applies a 10 or 4-step system.

Liquidity Risk

The short-term liquidity risk represents the danger that the bank will not be able to fulfil its due payment obligations on time or in full. The refinancing risk represents the danger that additional refinancing funds will only be able to be procured at higher market interest rates.

The Group Treasury function and cash pooling for the entire banking group is performed by the Group Treasury department of HYPO-BANK BURGENLAND AG. The liquidity risk is steered centrally for the entire banking group in a fortnightly active-passive committee (APK).

According to regulatory requirements, the liquidity of a bank is secured if the weighted funds cover the callable weighted payment obligations for a period. In 2010, Capital Bank – GRAWE Gruppe AG was above the figures required by the regulatory authorities at all times. The provisions for an unforeseeable, increased liquidity requirement of a short-term liquidity procurement are guaranteed through the following options: Apart from using open refinancing lines from other banks, any additional liquidity requirement can be obtained at (relatively) short notice from the sale of securities on the books, which are not pledged. A statement of the current use of credit lines and of the saleable securities currently on the books is presented to the Board of Directors regularly. Within the framework of the treasury limits, a portfolio with free ECB-capable securities is held in the event of an unexpected liquidity outflow, which can be used to procure liquidity at short notice.

In 2010, Capital Bank – GRAWE Gruppe AG was in a situation of surplus liquidity.

Other Risks

Other risks are, above all, those for which there is no or only rudimentary qualification processes at present. In concrete terms, these are strategic risks, risks to reputation, equity capital and income or business risks. These risks are taken into account in the risk capacity calculation in the form of a capital buffer.

Summary and Outlook

In the Capital Bank Group, measures have been taken to limit and minimise all significant risks. A bank-wide summary of the measurable risks has been performed within the framework of the of the risk capacity analysis. In addition, measures have been taken to limit risks through an adequate limit system and by calculating various risk factors. The risk capacity calculation shows that the risk capacity of the Capital Bank Group is only partly used by risks and that there is sufficient buffer to the available risk collateral.

The Capital Bank Group will continue its business this year in accordance with its selected risk strategy. One of the focuses of the work of risk management will be the harmonisation of the risk methods, risk systems and risk steering with those of the parent bank HYPO-BANK BURGENLAND AG. In addition, the risk management methods within Brüll Kallmus Bank AG should be enhanced. Risk monitoring in the Private Banking division will also be in focus in 2011. This will primarily involve improving data quality, and devising other reports both for management and for individual Private Banking managers. The aim here is to guarantee a better representation of the risks resulting from the Private Banking business. Alongside these projects, the current ICAAP process, the modification of reporting, expanding a group-wide "data pool", and the constant improvement in existing risk management activities represent other tasks of risk management for the coming year. The expansion of steering instruments, training for the employees and the continuous improvement in internal risk quantification methods also form the focus for 2011.

Graz, 11 March 2011

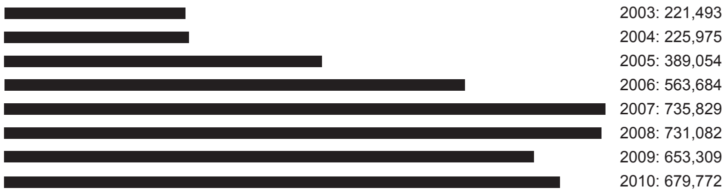
The Board of Directors

Dir. Christian Jauk, MBA

Dir. Mag. Constantin Veyder-Malberg

01. PROFIT FROM ORDINARY ACTIVITIES IN EUR K

02. BALANCE SHEET TOTAL IN EUR K



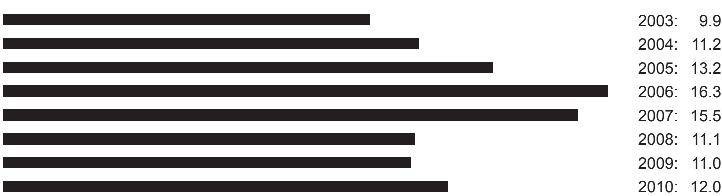
03. OPERATING PROFIT IN EUR K

04. ASSETS UNDER MANAGEMENT (INCL. SECURITY KAG) IN EUR M

05. OPERATING INCOME IN EUR M

06. NET INTEREST REVENUE IN EUR K

07. PAYROLL COSTS IN EUR M



Report by the Supervisory Board

In four ordinary meetings of the Supervisory Board in 2010, the Supervisory Board monitored reports and documents submitted by the Board of Directors, as well as through repeated contact with the management and approved their measures.

The 2010 Annual Accounts and Management Report, insofar as it refers to the Annual Accounts, have been audited by KPMG Wirtschaft-sprüfungs- und Steuerberatungs GmbH, 1090 Vienna. This audit did not give rise to any objections, and consequently an unqualified audit certificate was issued.

The Supervisory Board has acknowledged the report and the proposed profit distribution submitted by the Board of Directors and has audited and approved the Annual Accounts as at 31 December 2010, which is thereby approved according to Section 96 para. 4 Austrian Companies Act.

The Supervisory Board thanks all customers for their confidence in Capital Bank – GRAWE Gruppe AG and the Board of Directors and all employees for their work in 2010.

Graz, March 2011

Mag. Dr. Othmar Ederer
Chairman of the Supervisory Board

08. BALANCE SHEET OF CAPITAL BANK – GRAWE GRUPPE AG AS AT 31.12.2010

ASSETS		31.12.2010 EUR	31.12.2009 EUR K
1. Cash and balances at central banks		7,187,046.15	8,351
2. Public authority debt instruments, authorised for refinancing at the central bank			
Public authority debt instruments and similar securities		5,234,355.52	5,329
3. Receivables from banks		185,351,988.50	210,629
a) Due daily	26,477,187.38		128,444
b) Other receivables	158,874,801.12		82,184
4. Receivables from non-bank customers		110,381,337.69	121,106
5. Loan stock and other fixed interest securities		83,961,221.84	51,295
6. Shares and other non-fixed interest securities		113,371,442.84	99,618
7. Investments		9,318.42	9
In banks	8,575.38		9
8. Shares in affiliated companies		23,972,255.30	23,972
In banks	22,900,925.13		22,901
9. Intangible fixed assets		29,014.14	106
10. Material assets		2,197,486.00	2,435
11. Other assets		147,509,209.98	129,830
12. Accruals		567,693.58	629
TOTAL ASSETS		679,772,369.96	653,309
Positions under the balance sheet			
1. Foreign assets		326,251,777.85	289,099

LIABILITIES		31.12.2010 EUR	31.12.2009 EUR K
1. Liabilities to banks		66,008,687.77	63,346
a) Due daily	27,173,747.75		17,260
b) With agreed term or notice period	38,834,940.02		46,086
2. Liabilities to non-bank customers		239,896,821.24	215,326
a) Savings deposits	4,182,939.70		2,520
aa) Due daily	3,364,541.67		1,896
ab) With agreed term or notice period	818,398.03		624
b) Other liabilities	235,713,881.54		212,806
ba) Due daily	212,968,843.02		202,096
bb) With agreed term or notice period	22,745,038.52		10,710
3. Securitised liabilities		216,191,119.09	203,996
Other securitised liabilities	216,191,119.09		203,996
4. Other liabilities		19,702,809.00	30,952
5. Deferrals		0.00	225
6. Provisions		16,034,322.43	18,721
a) Provisions for severance payments	2,527,223.12		2,718
b) Provisions for pensions	362,862.79		343
c) Tax provisions	1,615,752.94		213
d) Other	11,528,483.58		15,447
7. Subscribed capital		10,000,000.00	10,000
Nominal amount	10,000,000.00		10,000
8. Capital reserves		55,915,661.65	55,916
a) Tied	35,082,987.22		35,083
b) Non-tied	20,832,674.43		20,833
9. Retained profit		44,596,218.77	41,897
a) Statutory reserves	1,504,504.45		1,505
b) Other reserves	43,091,714.32		40,392
10. Liability reserves according to Section 23 para. 6 BWG		11,127,000.00	8,827
11. Net profit		299,730.01	4,104
a) Profit brought forward	104,233.26		484
b) Annual profit	195,496.75		3,620
TOTAL LIABILITIES		679,772,369.96	653,309

Positions under the balance sheet			
1. Contingent liabilities			
Liabilities from bank sureties and liability from providing security		303,200,436.81	275,464
2. Credit risks		32,296,554.00	24,257
incl. liabilities from pension transactions	0.00		
3. Liabilities from trusts		32,864,825.95	18,742
4. Eligible equity according to Section 23 para. 14 BWG		133,519,055.85	125,885
5. Required equity capital according to Section 22 para. 1 BWG		61,066,472.63	38,886
incl. required equity capital according to Section 22 para. 1 nos. 1 and 4 BWG	29,339,472.63		38,493
6. Foreign liabilities		67,247,846.15	85,790

09. PROFIT AND LOSS ACCOUNT OF CAPITAL BANK – GRAWE GRUPPE AG FOR THE 2010 FINANCIAL YEAR

		31.12.2010 EUR	31.12.2009 EUR K
1. Interest and similar income		6,738,735.94	9,868
incl. from fixed interest securities	2,033,385.20		1,109
2. Interest and similar costs		-1,707,266.37	-4,158
I. NET INTEREST INCOME		5,031,469.57	5,710
3. Income from securities and investments		3,898,495.66	2,227
a) Income from shares, other equity interests and non-fixed interest securities	1,897,566.64		556
b) Income from investments	929.02		1
c) Income from shareholdings in affiliated companies	2,000,000.00		1,670
4. Commission income		50,583,010.29	34,710
5. Commission costs		-30,168,528.57	-19,099
6. Revenue/expenses from financial transactions		559,609.62	5,683
7. Other operating income		1,527,194.92	2,933
II. OPERATING INCOME		31,431,251.49	32,164
8. General administrative expenses		-20,263,412.66	-21,872
a) Payroll costs	-11,955,897.93		-10,987
aa) Wages and salaries	-9,828,414.52		-8,221
ab) Expenses for statutory social charges and for income-based charges and compulsory contributions	-1,906,815.21		-1,794
ac) Other social security expenses	-127,174.37		-139
ad) Expenses for retirement benefits and support	-181,515.69		-188
ae) Allocation to the pensions reserve	-19,406.87		101
af) Expenses for severance payments and payments to operational company pension funds	107,428.73		-746
b) Other administrative expenses (operating expenses)	-8,307,514.73		-10,885
9. Value adjustments on the assets listed under asset items 9 and 10		-748,792.18	-891
10. Other operating expenses		-29,210.79	-142
III. OPERATING COSTS		-21,041,415.63	-22,904

		31.12.2010 EUR	31.12.2009 EUR K
IV. OPERATING PROFIT		10,389,835.86	9,260
11. Value adjustments on receivables and allocation to reserves for contingent liabilities and credit risks		-11,147,929.17	-5,280
12. Revenue from the reversal of value adjustments on receivables and from reserves for contingent liabilities and credit risks		7,756,179.85	1,771
13. Value adjustments on securities evaluated as financial assets and on shareholdings in affiliated companies		-241,844.43	-306
14. Revenue from the sale of securities evaluated as financial assets and on shareholdings in affiliated companies		331,258.43	0
V. PROFIT FROM ORDINARY ACTIVITIES		7,087,500.54	5,451
15. Tax on income		-1,833,312.31	-1,766
16. Other tax, if not to be entered under item 15		-58,691.48	-65
VI. ANNUAL NET PROFIT / LOSS		5,195,496.75	3,620
17. Development of reserves		-5,000,000.00	0
incl. allocation to liability reserve	-2,300,000.00		0
VII. ANNUAL PROFIT		195,496.75	3,620
18. Profit brought forward		104,233.26	484
VIII. NET PROFIT		299,730.01	4,104

10. EQUITY AND EQUITY REQUIREMENTS IN EUR K

	Capital Bank – GRAWE Gruppe AG	
	2010	2009
Core capital (Tier 1)	121,610	116,533
Paid-up capital	10,000	10,000
Capital reserve	55,916	55,916
Retained income	44,596	41,896
Liability reserve	11,127	8,827
Consolidation according to Section 24 para. 2 BWG	0	0
Intangible fixed assets	-29	-106
Non-core elements (Tier 2)	11,909	9,352
Reserve according to Section 57 para. 1 BWG	9,210	7,540
and revaluation reserve	2,699	1,812
Deductions	0	0
Eligible equity capital	133,519	125,885
Assessment basis (non-trading portfolio)	306,219	404,250
Core capital ratio (non-trading portfolio)	39.71 %	28.83 %
Aggregated capital ratio (non-trading portfolio)	43.60 %	31.14 %
Equity requirements (non-trading portfolio)	24,498	32,340
Equity requirements (trading portfolio)	31,727	393
Equity requirement operational risk	4,841	6,153
Equity surplus	72,453	86,999

11. SCHEDULE OF ASSETS OF CAPITAL BANK AS AT 31.12.2010

in EUR	Procurement and setting up costs		
	As at 01.01.2009	Additions	Disposals
Public authority bonds	2,235,475.08	0.00	1,710,225.08
Receivables from banks (securities)	0.00	2,061,000.00	0.00
Receivables from customers (securities)	0.00	0.00	0.00
Bonds and other fixed income securities	41,144,141.63	17,384,320.20	24,097,030.00
Shares and other non-fixed income securities	16,706,923.19	262,666.65	1,999,999.95
Investments	9,334.89		0.00
Shares in affiliated companies	23,972,255.30	0.00	0.00
Intangible assets	690,288.61	25,085.43	0.00
Material assets	6,423,114.55	376,397.98	67,107.34
Low-value assets	0.00	47,821.53	47,821.53
TOTAL ASSETS	91,181,533.25	20,157,291.79	27,922,183.90

As at 31.12.2010	Depreciation cumulative	Book value 31.12.2010	Book value 31.12.2009	Depreciation 2010
525,250.00	25,250.00	500,000.00	2,181,025.08	12,625.00
2,061,000.00	49,200.00	2,011,800.00	0.00	49,200.00
0.00	0.00	0.00	0.00	0.00
34,431,431.83	486,738.74	33,944,693.09	40,982,406.96	422,034.07
14,969,589.89	1,436,212.58	13,533,377.31	14,923,401.78	0.00
9,334.89	16.47	9,318.42	9,318.42	0.00
23,972,255.30	0.00	23,972,255.30	23,972,255.30	0.00
715,374.04	686,359.90	29,014.14	105,678.70	101,749.99
6,732,405.19	4,534,919.19	2,197,486.00	2,435,204.45	599,220.66
0.00	0.00	0.00	0.00	47,821.53
83,416,641.14	7,218,696.88	76,197,944.26	84,609,290.69	1,232,651.25

Extract from the Notes on Capital Bank – GRAWE Gruppe AG Annual Accounts as at 31.12.2010

A. GENERAL INFORMATION

Capital Bank - GRAWE Gruppe Aktiengesellschaft (hereinafter referred to as "Capital Bank") is the partner for all participators in the capital market: from the private, monthly saver through the medium-sized company to the institutional investor. The offer includes both asset investment and capital procurement.

Capital Bank is a subsidiary of Bank Burgenland, which acts as the superordinate bank. The main subsidiaries of Capital Bank are the holdings in Brüll Kallmus Bank AG and Security Kapitalanlage Aktiengesellschaft.

The parent company, which prepares the consolidated Annual Accounts for the largest group of companies, is Grazer Wechselseitige Versicherung AG, Graz. The consolidated Annual Accounts are published at the parent company's place of domicile. The parent company, which prepares the consolidated Annual Accounts for the banking group of companies, is

HYPO-BANK BURGENLAND Aktiengesellschaft, Eisenstadt. The consolidated Annual Accounts of HYPO-BANK BURGENLAND Aktiengesellschaft are lodged with the Eisenstadt Provincial Court.

The comparison figures stated come from the 2009 Annual Accounts and are in brackets. The Annual Accounts of Capital Bank have been prepared in accordance with the provisions of the Austrian Banking Act in the current version and also – insofar as is applicable – the provisions of the Austrian Business Code (UGB). The balance sheet and profit and loss account are laid out corresponding to the forms contained in Annex 2 to Section 43 BWG.

Extract from the Notes on Capital Bank – GRAWE Gruppe AG Annual Accounts as at 31.12.2010

B. Accounting principles

The Annual Accounts of Capital Bank and its subsidiaries have been prepared according to the principles of proper accounting in compliance with the general standard in order to provide as true a picture of the asset, financial and income situation as possible. The principle of completeness was observed when preparing the Annual Accounts. The principle of individual valuation is applied to the assets and debts. All identifiable risks and anticipated losses, which occurred in the 2010 financial year or earlier, have been taken into account. The valuation method previous applied has been adhered to.

The precautionary principle has been duly observed through displaying only the profits realised on the balance sheet date and taking into account all recognisable risks and anticipated losses.

For foreign currency receivables and liabilities, the ECB's reference exchange rates (average exchange rates) published on 31 December 2010 are applied.

Securities are assessed at procurement costs or lower market value or, for fixed interest securities, at the lower redemption sum (strict lower-of-cost-or-market principle), irrespective of whether they are classified as fixed assets or current assets. The securities of the trading portfolio are assessed at market values. The criterion for belonging to fixed assets is the sustained attainment of income or the existence of restrictions of disposal. Short stocks of securities are reported under Other liabilities.

Receivables from banks and non-bank customers have generally been assessed at nominal values. All risks identifiable in the credit business are taken into account through the application of appropriate individual write-downs. In addition, customer receivables are hedged with derivatives and thus form a valuation unit with them. Counter transactions have been concluded by the Bank with partner banks for these hedging transactions, which together form a valuation unit.

Investments and shareholdings in affiliated companies are assessed at procurement costs or, where there was sustained value reduction, at the reduced value as at the balance sheet date.

Buildings and equipment are assessed at procurement costs, less the scheduled depreciation. The scheduled depreciation was applied on a straight-line basis. Low-value items were fully written off in the year of purchase.

The depreciation rates were 2.5 % to 10 % p. a. for immovables and 10 % to 33.3 % p.a. for movables. The full annual depreciation was offset against the receipts in the first half of the financial year, whilst half the annual depreciation was offset against the receipts in the second half of the financial year.

Intangible assets of the fixed assets exclusively include purchased software. Straight-line depreciation is applied with rates of 25 % and 33.3 % p.a.

Securitised liabilities contain items for which the redemption sum is dependent on the market value of set basic investments and which are consequently assessed at the current market value of these items. These securitised liabilities constitute a valuation unit with the assets entered under various items. The securitised liabilities are furnished in part with a capital guarantee.

The remaining liabilities have been reported at the repayment amount.

When assessing the provisions, all identifiable risks and anticipated losses, as well as the amount of the liabilities not yet determined, have been taken into account corresponding to the statutory requirements.

Provisions for severance payments are calculated according to recognised actuarial principles (in the previous year according to financial principles based on an interest rate of 4 %) using AVÖ 2008 – Pagler-Pagler P-Basis for calculating pension insurance. Claims are valued according to the Projected Unit Credit Method. Moreover, for the calculations a pension age of 65 has been assumed for men and 60 for women. A long-term capital market interest rate of 4.4 % (previous year: 4.5 %) has been assumed.

Provisions for pensions are also calculated according to recognised actuarial principles using the AVÖ 2008 – Pagler & Pagler P-calculation basis for pension insurance. Claims are valued according to the Projected Unit Credit Method. The group of beneficiaries exclusively includes pension recipients. A long-term capital market interest rate of 4.2 % (previous year: 4.5 %) has been assumed.

The option in Section 57 para. 1 BWG has been exercised in the 2010 Annual Accounts, as in the previous year.

C. Notes on the Annual Accounts

Fixed assets

The breakdown of fixed assets and their development are shown in the Schedule of Assets (cf. Annex 1 to the Notes). As in the previous year, the Bank did not have any developed or undeveloped properties as at the reporting date.

Securities

The total level of the securities portfolio (incl. prorata interest) as at the end of the year totalled EUR 344.3 million (EUR 281.5 m). Of this, a volume of EUR 222.1 million, (EUR 202.0 million) acts as the basic investment for securitised liabilities and total return swaps, with which valuation units have been formed. Of the bonds and other fixed income securities, nominals of EUR 28.6 million (EUR 26.8 million) become due on the reporting date in the following year.

The difference between the procurement costs and the higher market value on the reporting date of securities authorised for trade on the stock exchange, which are not financial assets, totals EUR 1.5 m (EUR 1.3 m).

The bank's fixed assets as at 31 December 2010 includes securities with a book value of EUR 50.0

million (EUR 58.1 million). The difference between procurement costs and higher market value totals EUR 2.6 million (EUR 2.7 million).

Securities of the fixed assets include the following positions:

- A2 public authority bonds EUR 0.5 million (EUR 2.2 million)
- A3 receivables due from banks EUR 2.0 million (EUR 0.0 million)
- A5 bonds and other fixed income securities EUR 33.9 million (EUR 41.0 million)
- A6 shares and other non-fixed income securities EUR 13.5 million (EUR 14.9 million)

We also refer to the enclosed Schedule of Assets, Annex 1.

The company maintains a trading book in accordance with Section 22n BWG. Positions of the trading book are valued at market prices. As at 31 December 2010, this totalled EUR 0.7 million (EUR 4.1 million).

The securities devoted to the trading stock are listed in the following positions:

- A4 receivables due to non-banking customer EUR 0.7 million (EUR 1.6 million)
- A5 bonds and other fixed income securities EUR 0.0 million (EUR 2.5 million)

Capital Bank – GRAWE Gruppe AG also provides guarantees in the trading book, in particular in conjunction with the state-aided pension provision (EUR 192.0 million) and the fund-based life insurance (EUR 49.5 million) for the first time as at 31.12.2010. The market risk relating to the state-aided pension provision and the fund-based life insurance is transferred to Capital Bank – GRAWE Gruppe AG by the respective insurance fund within the framework of the capital guarantee. With regard to the capital guarantee, the underlying assets are referenced in the assessment (substitute role of the guarantee). The reallocation of the respective capital guarantee was approved by the Management Board.

The securities authorised for trading comprise the following:

OBLIGATIONS FROM THE USE OF MATERIAL ASSETS NOT RECOGNISED IN THE BALANCE SHEET (WITHOUT VALUE GUARANTEE):

In EUR K	Listed	Not listed	in fixed assets	in current assets
2009				
Bonds and other fixed income securities	56,623	1,942	43,163	11,330
Shares and other non-fixed income securities	12,469	87,149	14,923	64,542
2010				
Bonds and other fixed income securities	89,196	3,047	36,456	55,082
Shares and other non-fixed income securities	21,938	92,092	13,533	100,487

Bonds include lower-ranking assets totalling EUR 8.3 million (previous year: EUR 7.4 million).

Investments

Investments and shareholdings in affiliated companies are not authorised for stock exchange trading.

As at 31 December 2010, the bank held at least a 20 % stake in the following companies[1)]

Holding	Company, cap. in EUR K	Own share	F/N	Equity capital k in EUR K[2)]	Annual results in EUR K[3)]	Accounts
Brüll Kallmus Bank AG	6,000	**100 %**	**d**	**13,471**	**877**	**2010**
Security KAG	4,362	**100 %**	**d**	**18,893**	**2,394**	**2010**
Corporate Finance – Grawe Gruppe GmbH	1,000	**100 %**	**i**	**1,216**	**129**	**2009**
CENTEC.AT Softwareentwicklungs und Dienstleistungs GmbH	35	**67 %**	**i**	**49**	**-2**	**2009**
CB Family Office Service GmbH	35	**100 %**	**i**	**36**	**-2**	**2009**

F=Full consolidation; N = Not included according to Section 249 para. 2 or Section 263 UGB (Austrian Business Code) in conjunction with Section 59 para. 6 BWG;
[1)] Section 241 para. 2 UGB applied;
[2)] The equity capital is calculated according to Section 229 UGB and includes the taxed reserves; incl. balance sheet profit.
[3)] The annual profit / loss has been applied before transactions involving reserves according to Section 231 para. 2 no. 22 UGB.

Extract from the Notes on Capital Bank – GRAWE Gruppe AG Annual Accounts as at 31.12.2010

Receivables due from banks and non-bank customers

Receivables due from banks include EUR 2.0 million (EUR 0.4 million) securitised receivables not authorised for stock exchange trading. Receivables from non-bank customers include EUR 1.0 million (EUR 1.6 million) securitised receivables not authorised for stock exchange trading.

REPRESENTATION OF THE MATURITIES

Receivables / liabilities not due daily	Receivables		Liabilities	
Total banks and non-bank customers (in EUR K)	31.12.2009	31.12.2010	31.12.2009	31.12.2010
Up to 3 months	80,592	102,596	15,249	48,015
Between 3 months and 1 year	34,392	26,302	37,708	11,862
Between 1 and 5 years	46,106	126,318	429	927
More than 5 years	8,343	11,280	1,844	2,708
Total	169,434	266,496	55,229	63,512

There is sales tax affiliation between CORPORATE FINANCE – GRAWE GRUPPE GmbH and CEN-TEC.AT SOFTWAREENTWICKLUNGS UND DIENSTLEISTUNGS GmbH.

Capital Bank is part of a group of companies according to Section 9 KStG, Group parent is HYPO-BANK BURGENLAND AG.

Publication according to Section 26 BWG is through the superordinate bank HYPO-BANK BURGENLAND AG.

Extract from the Notes on Capital Bank – GRAWE Gruppe AG Annual Accounts as at 31.12.2010

RECEIVABLES AND LIABILITIES AMONG AFFILIATED COMPANIES AND COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTERESTS

In EUR K	31.12.2010	31.12.2009
Receivables from banks		
Incl. from affiliated companies	156,418	207,110
Incl. from companies linked by virtue of participating interests	0	8
Receivables from customers		
Incl. from affiliated companies	1,288	1,082
Liabilities to banks		
Incl. to affiliated companies	39,494	55,695
Incl. to companies linked by virtue of participating interests	32	32
Liabilities to customers		
Incl. to affiliated companies	14,369	11,669

As at 31 December 2010, there were insignificant gilt-edged savings deposits.

Other assets

POSITIONS ABOVE EUR 1 MILLION (ALL FIGURES IN EUR K):

In EUR K	Residual term	31.12.2010	31.12.2009
Other shares in companies		137,514	122,253
Write-down according to s. 57 BWG		-5,501	-4,435
BW Other shares in companies	> 1 Jahr	132,013	117,818
Tax Office clearing account	< 1 Jahr	1,982	1,652
Deferred interest, securities	> 1 Jahr	1,129	1,085
Receivables due from affiliated companies	< 1 Jahr	2,565	1,612
Clearing balances on settlement accounts	< 1 Jahr	4,256	5,243
Various outgoing invoices	< 1 Jahr	5,502	1,520

Other liabilities

This item contains Tax Office liabilities of EUR 3,122 K (previous year: EUR 2,163 K) and liabilities from securities clearing of EUR 5,953 K (previous year: EUR 2,338 K). Expenditure only recorded against results after the reporting date mainly refer to personnel costs of EUR 887 K (previous year: EUR 43 K) and various material costs. Other liabilities are due within one year. Other liabilities include liabilities due to affiliated companies of EUR 1,590 K (previous year: EUR 1,242 K).

Securitised liabilities

Securitised liabilities of EUR 1.0 million (previous year: EUR 8.1 million) will become due in the next financial year.

Other provisions

Other provisions mainly include provisions for loss cases totalling EUR 3,898 K (EUR 5,321 K), for holidays not taken totalling EUR 516 K (EUR 408 K), for other personnel costs totalling EUR 1,929 K (EUR 3,869 K), and for commission payments totalling EUR 700 K (EUR 1,591 K).

Share capital

The company's share capital remains at EUR 10.0 million and is divided into 1,376,030 ordinary shares. Of these, 729,030 are bearer shares and 647,000 are registered shares.

D. Notes on the Profit and Loss Account

A breakdown of revenue by geographic market according to Section 64 (1) Z9 BWG is omitted, as the geographic markets, considered from the perspective of the organisation, do not differ significantly.

Income from securities and investments includes payouts from affiliated companies of EUR 2,000 K (previous year: EUR 1,670 K).

Income / costs from financial transactions includes profits on sales of securities of EUR 20,911 K (previous year: EUR 9,403 K) which are offset by losses from this area of EUR 20,351 K (previous year: EUR 4,411 K).

Other operating income mainly includes income from the Service Level Agreements of EUR 1,193 K (previous year: EUR 2,814 K), as well as income from the release of provisions amounting to EUR 284 K (previous year: EUR 0 K).

The expenditure for severance payments includes costs to employees’ provident funds of EUR 77 K (previous year: EUR 63 K).

Extract from the Notes on Capital Bank – GRAWE Gruppe AG Annual Accounts as at 31.12.2010

The deferred tax which was possible to capitalise according to Section 198 para. 10 UGB (Austrian Business Code) as at the reporting date totals EUR 1.1 million (previous year: EUR 2.8 million). The capitalisation option has not been applied.

OBLIGATIONS FROM THE USE OF MATERIAL ASSETS (WITHOUT INDEXING) NOT REPORTED IN THE BALANCE SHEET:

	EUR K	EUR K
Obligations 2011 (2010)	970.0	(880.0)
Obligations 2011-2015 (2010-2014)	5,350.0	(4,890.0)

The write-downs on receivables and allocations to reserves for contingent liabilities and credit risks were adjusted within the framework of the conditions of Section 57 para. 2 BWG.

The appreciations to securities, omitted for tax reasons, total EUR 1,354 K (previous year: 1,169 K). This may result in tax charges in subsequent years of up to EUR 338 K (previous year: EUR 292 K).

EUR 430 K (previous year: 1,766 K) of the tax result according to Section 237 No. 6 lit. b UGB relate to the current financial year. EUR 1,430 K (previous year: EUR 0 K) represents taxes from previous periods.

The information regarding the expenditure incurred for the financial year for auditors has been omitted, as this is carried by Bank Burgenland at Group level.

Extract from the Notes on Capital Bank – GRAWE Gruppe AG Annual Accounts as at 31.12.2010

E. Additional information

The assets on the balance sheet, which are in foreign currencies, total EUR 120.3 million as at the

THE FOLLOWING FORWARD CONTRACTS NOT YET SETTLED ARE OPEN AS AT THE REPORTING DATE:

In EUR K	Nominal value		Market value positive	
	31.12.2010	**31.12.2009**	**31.12.2010**	**31.12.2009**
1. Interest rate agreements				
OTC products				
Forward rate agreements	-	-	-	-
Interest swaps	1,000	(2,100)	-	-
Interest options	162,668	(137,099)	50	(169)
Other similar agreements	-	-	-	-
Traded products	-	-	-	-
2. Exchange rate agreements				
OTC products				
Forward exchange agreements	160,612	(171,203)	1,286	(1,511)
Currency options	1,000	-	45	-
Currency swaps	14,229	-	181	-
Other similar agreements	13,471	(14,855)	494	(557)
Traded products	-	-	-	-
3. Securities-related agreements				
OTC products				
Share options bought	1,000	(2,100)	-	-
Share options sold	103	-	-	-
Security swaps	41,160	(50,141)	2,561	(1,659)
Other similar agreements	-	-	-	-
Traded products				
Purchased share options	-	-	-	-
Sold share options	-	-	-	-
TOTAL	**395,243**	**(377,498)**	**4,617**	**(3,896)**

reporting date (previous year: EUR 137.4 million), the liabilities on the balance sheet which are in foreign currencies total EUR 20.5 million (previous year: EUR 32.3 million).

Market value negative		Book value	
31.12.2010	31.12.2009	Active	Passive
-	-	-	-
1	(13)	-	1
50	(169)	303	412
-	-		-
-	-	-	-
1,281	(3,999)	870	1,281
45	-	-	-
-	-	-	-
494	(557)	-	-
-	-	-	-
-	-	-	-
-	-	-	103
16	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,888	**(4,738)**	**1,173**	**1,797**

Currency forwards and currency swaps are valued at the ECB's valuation rate on the respective reporting date taking into account the interest rates of the currency involved and the residual terms. External valuations are applied to other derivatives.

Positive market values are only applied if derivatives are allocated to the trading stock or are in a valuation unit with own issues.

Negative market values from interest swaps are not accrued, as they are in a valuation unit with securities swaps.

Contingent liabilities

Contingent liabilities as at 31 December 2010 include capital guarantees for state-aided pension provision of EUR 192.0 million (EUR 155.3 million) and other capital guarantees of EUR 101.7 million (EUR 99.1 million).

The credit risks reported below the balance sheet are credits not yet claimed of EUR 32.3 million (EUR 24.3 million).

There is also an obligation resulting from the membership, mandatory according to Section 93 BWG, of Banken & Bankiers Gesellschaft mbH deposits guarantee scheme. If this deposit guarantee scheme is used, according to Section 93a para. 1 BWG this totals a maximum of 1.5 % of the assessment basis for the individual bank plus 12.5 times the equity capital requirement for positions of the trading book as at the last reporting date. Thus the upper limit is calculated to be EUR 10.5 million (EUR 6.0 million).

Securities with a book value of EUR 17.1 million (EUR 5.0 million) have been lodged as an arrangement deposit. There are also cash deposits of EUR 8.1 million (EUR 6.9 million). There is also collateral of EUR 269 K (EUR 269 K) for pension provisions.

F. Other information

During the 2010 financial year, the average number of employees totalled 156 (141) plus 12 (11) blue-collar workers.

Receivables due from non-bank customers as at 31 December 2010 include loans to members of the Board of Directors totalling EUR 2 K (EUR 2 K) and to members of the Supervisory Board totalling EUR 1 K (previous year: EUR 1 K). Interest rates and other conditions (term and security) are customary for this line of business.

Costs of severance payments and pensions, including allocations to provisions, total EUR 57 K (EUR 104 K) for senior employees and EUR 364 K (EUR 458 K) for other employees.

Costs of pensions to former members of the Board of Directors total EUR 46 K (EUR 45 K).
Directors' emoluments:
The provisions laid down under Article 241 (4) UGB were applied. The Members of the Supervisory Board were not remunerated for their work over the course of the financial year.

Audit Certification

The unabridged Financial Accounts for Capital Bank – GRAWE Gruppe AG as at 31.12.2010 were issued with the following unqualified audit certificate by the chosen auditor:

We have performed an audit, incorporating the company accounts, for the Annual Accounts of Capital Bank – GRAWE Gruppe AG, Graz, for the financial year from 1 January 2010 to 31 December 2010. This Annual Report includes the balance sheet as at 31 December 2010, the Profit and Loss Account for the financial year to 31 December 2010 and the Notes.

Responsibility of the statutory representatives for the Annual Report and the accounts

The statutory representatives of the company are responsible for the accounts and for preparing an Annual Report that gives a true and fair view of the net assets, financial position and results of operations of the company in accordance with UGB and BWG provisions. This responsibility includes: arranging, implementing and maintaining an internal control system, insofar as this is important for the preparation of the Annual Report and the presentation of a true and fair view of the net assets, financial position and results of operations of the company, so that this is free of major inconsistencies, whether due to intended or inadvertent mistakes; the selection and application of appropriate accounting principles; making estimates that appear appropriate given the general conditions.

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

It is our responsibility to issue an audit finding for these Annual Accounts on the basis of our audit. We have performed our audit taking into account the statutory regulations and standard commercial principles applicable in Austria. These principles require the audit to be planned and performed in such a way that a sufficiently secure finding can be drawn from the audit, declaring whether the Annual Accounts are free of major inconsistencies. An audit includes the implementation of audit procedures to obtain documentary evidence in respect of the amounts and other information in the Annual Accounts. The audit procedures are selected at the auditor's mandatory discretion, taking into account their assessment of the risk of major inconsistencies, whether due to intended or inadvertent mistakes. When assessing this risk, the bank auditor takes into account the internal control system, insofar as this is important for the preparation of the Annual Report and the presentation of a true and fair view of the net assets, financial position and results of operations of the company, in order to determine the appropriate audit procedures in consideration of the general conditions, but not in order to submit an audit finding regarding the effectiveness of the company's internal controls. The audit also includes an evaluation of the accounting principles and of significant estimates performed by the statutory representatives and an appraisal of the Annual Accounts as a whole.

We are of the view that our audit constitutes a sufficiently secure basis for our audit finding, so that our audit represents a sufficiently secure basis for our audit finding.

Audit finding

Our audit did not lead to any objections. On the basis of the findings drawn from the audit we have performed, we feel that the Annual Accounts comply with the statutory regulations and provide a true and fair view of the net assets, financial position and results of operations of the company as at 31 December 2010 and of the income situation of the company for the financial year from 01 January 2010 to 31 December 2010 in accordance with the Austrian principles of proper accounting.

Statement on the Management Report

The Management Report has to be audited on the basis of the statutory provisions as to whether it corresponds to the Annual Accounts and that the other information in the Management Report does not generate a false impression of the situation of the company. The auditor's certificate must also include information as to whether the Management Report corresponds to the Annual Accounts.

In our view, the Management Report corresponds to the Annual Accounts.

Vienna, 11 March 2011

KPMG
Wirtschaftsprüfungs- und
Steuerberatungs GmbH

KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH

Mag. Bernhard Gruber
Auditor

Mag. Thomas Smrekar
Auditor

Publication or circulation of the Annual Accounts bearing our audit certificate may only be performed using the version we have audited. Compliance with the regulations of Article 281 Paragraph 2 UGB is required for any alternative versions (e.g. abbreviated versions or translated versions). The Annual Accounts are lodged with the Commercial Register of the Graz Provincial Court for Matters under Civil Law under FN 112471z and is published in the Official Gazette of the 'Wiener Zeitung' newspaper.

SUBGROUP OF CAPITAL BANK – GRAWE GRUPPE AG

The following subgroup accounts according to UGB/BWG of Capital Bank – GRAWE Gruppe AG serves as orientation for the reader regarding the economic development of Capital Bank and its subsidiaries. The subgroup report according to UGB/BWG has been audited by the auditor within the framework of the Group audit of HYPO BANK BURGENLAND AG.

12. SUBGROUP OF CAPITAL BANK – GRAWE GRUPPE
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010

ASSETS		31.12.2010 EUR		31.12.2009 EUR K
1. Cash and balances at central banks		7,517,046.15		8,431
2. Public authority debt instruments, authorised for refinancing at the central bank				
Public authority debt instruments and similar securities		5,240,030.52		5,329
3. Receivables from banks		187,224,083.72		210,506
4. Receivables from non-bank customers		111,390,608.78		121,252
5. Loan stock and other fixed interest securities		94,028,368.32		53,331
6. Shares and other non-fixed interest securities		131,727,486.02		115,002
7. Investments		9,418.42		9
in banks	8,575.38		9	
8. Shares in affiliated companies		1,191,330.17		1,191
9. Intangible fixed assets		34,822.86		115
10. Material assets		5,393,269.62		5,743
11. Other assets		148,167,486.92		130,516
12. Accruals		718,050.55		747
TOTAL ASSETS		693,422,002.05		652,172

Positions under the balance sheet

1. Foreign assets	332,568,826.34	290,285
2. Managed capital investment fund plan	1,692,330,635.37	1,458,028

LIABILITIES		31.12.2010 EUR		31.12.2009 EUR K
1. Liabilities to banks		61,171,098.90		45,877
2. Liabilities to non-bank customers		240,295,930.34		218,120
a) Savings deposits	4,182,939.70		2,520	
b) Other liabilities	236,112,990.64		215,601	
3. Securitised liabilities		216,191,119.09		203,996
Other securitised liabilities	216,191,119.09		203,996	
4. Other liabilities		24,101,981.78		34,051
5. Deferrals		0.00		225
6. Provisions		20,126,898.03		22,968
a) Provisions for severance payments	2,786,424.11		2,990	
b) Provisions for pensions	362,862.79		343	
c) Tax provisions	1,615,752.94		213	
d) Other	15,361,858.19		19,422	
7. Subscribed capital		65,915,661.65		65,916
8. Generated capital		65,619,312.26		61,019
9. Minority interests		0.00		0
TOTAL LIABILITIES		693,422,002.05		652,172

Positions under the balance sheet				
1. Contingent liabilities Liabilities from bank sureties and liability from providing security		303,200,436.81		275,464
2. Credit risks		32,428,137.50		24,532
incl. liabilities from pension transactions	0.00		0	
3. Liabilities from trusts				
4. Eligible capital according to		32,864,825.95		18,742
Section 23 para. 14 BWG (Austrian Banking Act)		140,403,931.64		131,373
5. Required equity capital according to Section 22 para. 1 BWG		61,403,450.35		38,913
incl. required equity capital according to Section 22 para. 1 nos. 1 and 4 BWG	29,676,450.35		38,520	
6. Foreign liabilities		70,434,363.28		88,668

13. SUB-GROUP OF CAPITAL BANK – GRAWE GRUPPE
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 2010 FINANCIAL YEAR

		31.12.2010 EUR		31.12.2009 EUR K
1. Interest and similar income		6,874,731.95		9,910
incl. from fixed interest securities	2,161,506.00		1,132	
2. Interest and similar costs		-1,674,296.65		-4,099
I. NET INTEREST INCOME		5,200,435.30		5,810
3. Revenue from securities and investments		2,571,295.71		1,342
a) Income from shares, other equity interests and non-fixed interest securities	2,412,366.69		1,122	
b) Income from investments	929.02		150	
c) Income from shareholdings in affiliated companies	158,000.00		70	
4. Commission income		67,895,979.22		49,714
5. Commission costs		-38,135,670.65		-26,197
6. Revenue/expenses from financial transactions		558,250.22		5,684
7. Other operating income		1,388,662.38		3,012
II. OPERATING INCOME		39,478,952.18		39,365
8. General administrative expenses		-25,697,075.57		-27,332
a) Payroll costs	-16,269,600.77		-14,949	
aa) Wages and salaries	-13,439,796.70		-11,648	
ab) Expenses for statutory social charges and for income-based charges and compulsory contributions	-2,512,593.41		-2,271	
ac) Other social security expenses	-151,494.81		-176	
ad) Expenses for retirement benefits and support	-196,191.21		-190	
ae) Allocation to the pensions reserve	-19,406.87		101	
af) Expenses for severance payments and payments to operational company pension funds	49,882.23		-764	
b) Other administrative expenses (operating expenses)	-9,427,474.80		-12,384	
9. Value adjustments on the assets listed under asset items 9 and 10		-905,300.48		-1,056
10. Other operating expenses		-29,210.79		-147
III. OPERATING COSTS		-26,631,586.84		-28,535

	31.12.2010 EUR	31.12.2009 EUR K
IV. OPERATING PROFIT	12,847,365.34	10,830
11. Value adjustments on receivables and allocation to reserves for contingent liabilities and credit risks	-11,152,855.09	-5,280
12. Revenue from the reversal of value adjustments on receivables and from reserves for contingent liabilities and credit risks	8,487,859.13	1,780
13. Value adjustments on securities evaluated as financial assets and on shareholdings in affiliated companies	-337,541.77	-308
14. Revenue from the sale of securities evaluated as financial assets and on shareholdings in affiliated companies	973,817.75	18
V. PROFIT FROM ORDINARY ACTIVITIES	10,818,645.36	7,041
15. Tax on income	-2,148,117.70	-2,540
16. Other tax, if not to be entered under item 15	-70,254.04	-80
VI. CONSOLIDATED ANNUAL NET PROFIT/LOSS (before minority interests)	8,600,273.62	4,421
17. Minority interests‘ share of the annual profit	0.00	0
VII. CONSOLIDATED NET PROFIT	8,600,273.62	4,421

Source:

The author is founder and head of the Privat-Institut für Innovationskultur in Berlin. The complete text about innovation-supporting organisational culture can be found at:

Opus.kobv.de/tyberling/volltexte/2009/2286/

Amended excerpts of the above have been used in this text.

Contact:

Dr. Jeanette Liebeherr
Privat-Institut für Innovationskultur
Auguststr. 2
10117 Berlin
Tel: 0049-(0)176 840 20 376