CAPITAL BANK –
GRAWE GRUPPE AG

Performance and Figures

PERFORMANCE AND FIGURES OF CAPITAL BANK – GRAWE GRUPPE AG

	31.12.2012 EUR K	31.12.2011 EUR K	31.12.2010 EUR K
Total assets	833,990	704,449	679,772
Receivables from customers	140,726	133,796	110,381
Liabilities to customers	325,265	270,925	239,897
Operating profit	13,222	12,879	10,390
Profit on ordinary activities	7,181	6,905	7,088
Equity capital as a % of the assessment base according to Section 22 (1) of the Austrian Banking Act (BWG)	39.5 %	36.8 %	33.2 %
Volume of securities accounts	8,133,356	7,359,098	6,267,453
Employees (excluding subsidiaries)	160	162	158

Statutory bodies of Capital Bank – GRAWE Gruppe AG in the 2012 financial year

Board of Directors

Christian Jauk, MBA
Chairman of the Board of Directors

Mag. Constantin Veyder-Malberg
Member of the Board of Directors

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

Management Report 2012 of Capital Bank – GRAWE Gruppe AG

The main features for the global economy in 2012 were low economic growth in the industrialised countries and more stabilisation measures introduced by central banks to counter the economic and sovereign debt crisis that has now lasted for several years. The historically low level of interest rates not only means a loss in real value after inflation for savers but also presents financial service providers with great challenges. The expansion of the money supply in the European Monetary Union and its as yet unclear effects on the rate of inflation mean greater uncertainty when it comes to asset management. Accordingly, particularly in the first half of 2012, there was very strong demand for investments in material assets, real estate and equities. The tax treaties agreed by Austria in 2012 with Switzerland and in February 2013 with Liechtenstein also meant that investors needed more advice.

Capital Bank – GRAWE Gruppe AG, the specialist bank for private and investment banking, was once again a leading provider of asset management solutions in 2012. The change in strategy towards an independent basis for charging advisory fees, which we implemented four years ago, has consistently ensured that the interests of the bank and its clients are matched. All hidden commissions from product providers are disclosed by Capital Bank and passed on to our clients. This model is Capital Bank's response to the global crisis of confidence in banks and, even six years after the outbreak of the financial and debt crisis, Capital Bank is still acting as a role model both in Austria and internationally.

The bank's private banking division is our most important field of business and, despite difficult market conditions, its assets under management increased by 7.3% over the course of the year. A major reason for this increase was the leadership role played by Capital Bank in repatriating foreign assets. Under the working title of "White Money Strategy", we have created a competent network with proven tax experts to the ultimate benefit of our clients. Capital Bank held a large number of events in 2012 to provide information on this subject at our various branches; members of our staff were much in demand by the media to give interviews and their expert opinions.

Besides the top quality advice we give, the company's success is also due to the expertise of our investment experts in central asset management. The Asset, Investment & Product Management Department responsible for this is not only characterised by a solid and broadly diverse assessment, but also by innovative product solutions. This is also confirmed by the survey carried out every year internationally by First Five that compares the performance of asset managers. Two out of three portfolio management solutions in their respective risk categories made it to the First Five in their peer group.

In particular, the Family Office department, which specialises in looking after high net worth individuals, private foundations and family businesses, achieved impressive success with an 11.4% increase in assets under management. In financial year 2013, we expect to continue pursuing growth in market share, just as in private banking.

The "Plattform", a platform in which Capital Bank assumes the role of a custodial bank for clients of investment companies, again made a substantial contribution to the results in 2012. Intensifying our contacts with independent advisers, expanding our range of services and improving our internal processes had a noticeable effect in countering the trend of an annual fall in the numbers of custody accounts. Introducing the "Konto plus", an "online savings account with additional functions", was another highlight for the "Plattform".

Last year, the Investment Banking division concentrated on investments in high-yield areas, especially within the framework of the cooperation with the Cardinal Point fund, which is based in San Francisco. The first corporate finance projects were also realised, whereby the range of products offered by Capital Bank was expanded again in respect of a holistic form of customer service.

Uniform support and service departments for the bank's investment in Grazer Wechselseitige Versicherung AG had already been set up in 2010.

Since then, the support and service functions have been located in terms of organisation within the parent company of Capital Bank, HYPO-BANK BURGENLAND AG, and provide services both for Capital Bank and for the other banks and group members.

Capital Bank is constantly working to keep its employees' education and training at a very high level. Because of the high technical qualifications and performance of our employees, as well as 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 December 2012, Capital Bank had 173 employees, or 155.6 full-time equivalent 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

As early as the second half of 2011, the gloomier outlook for the global economy was becoming noticeable. And this had been expected, at least initially. The economy had recovered rapidly from its low point in 2010. So a levelling off was not a surprise, from a cyclical point of view.

In addition, one-off factors, such as the earthquake in Japan and the hit to oil supplies triggered by the "Arab Spring", had a dampening effect. But by the end of 2011, it became clear that the reasons for the economic slowdown lay deeper.

While US households were busy reducing their debts, it was the poor outlook for the economy and the ongoing sovereign debt crisis that affected consumer sentiment in Europe. According to the Keynesian model, these countries should have tried to compensate for the drop in consumption with stimulus programmes. But the high level of debt in the euro area countries, as well as in the US, left little scope for such measures. And this high level of sovereign debt had another effect: banks started to hoard liquidity and restricted their lending. Confidence within the banking industry disappeared. Those with high exposure to government bonds issued by countries on the periphery of the euro area found their access to liquidity increasingly barred. To support the functioning of the euro money market, the European Central Bank ("ECB") initiated a 3-year refinancing facility on 21 December 2011. A second was to follow on 29 February 2012 and its success proved the ECB to be right. The liquidity situation at European banks eased overnight. Moreover, banks were able to take advantage of the favourable financing offered by the ECB to buy high-yield government bonds from the euro area periphery.

With the support of central bank liquidity, capital markets had a strong start to 2012. Countries in the south of the euro area were particularly well supported and the spreads on their government bonds started to drop back for the first time in some two years. It was in this positive environment that Greece dared to restructure its government bonds. A year earlier this would undoubtedly have led to considerable turbulence on the capital markets. But, all of a sudden, it seemed as if the new situation was a relief for investors. The banks in any event had sufficient liquidity. So at least the uncertainty over what would happen to Greece next was

removed – an exit from the euro area was no longer seen as necessary.

The equity markets also had a good start to 2012. Germany's leading DAX index was one of the strongest. As an exporting nation, Germany ultimately benefited even more than Austria from intra-European trading. A breakup of the euro area would not just have been a heavy cost to the Federal Republic's economy: the guarantees that had been given would have been called immediately and have cost the German taxpayer billions. At the same time, investors viewed Germany, not only for its government bonds but also for its equities, as the safest region in Europe.

As the second quarter began, the volume of bad economic news mounted. Figures started to slide and not just in the euro area. But it was in the euro area that the contrasts within increasingly came to light again. The figures from Italy and Spain were significantly worse than those from the euro area's core countries.

At 9.8% in Italy and 24.4% in Spain, high unemployment not only showed up the economic problems in these two countries. It also demonstrated how difficult it would be to implement the required austerity and structural measures.

The situation continued to worsen over the course of the second quarter. In May, a major bank in Spain called Bankia had to be nationalised. This was to date the largest nationalisation of a bank in Spain since the financial crisis started. Following the bursting of the real estate bubble, Spanish banks are sitting on billions of non-performing loans. This resulted in nasty interlinked consequences for Spain. The state of the country's finances did not allow it to inject any money into its ailing financial system. At the same time, the current rules of the euro area's aid package only allowed the banks to be rescued via the state. There was no provision for direct injections of funds into the banks, so a special solution had to be found. In July, the euro area's finance ministers finally agreed a EUR 100 billion rescue package for the banks.

In July, it was once again the ECB that provided relief to the financial markets: on 27 July, its president, Mario Draghi, made his role clear in the struggle against the euro debt crisis. With his announcement that he would do all that it takes to save the euro, he gave a clear signal to the capital markets. At the

beginning of September, the ECB finally fulfilled all the expectations placed in it to beat the debt crisis. Although it did not drop its key lending rates, as many analysts had optimistically pencilled in for this date, the markets were able to swallow this because the ECB Council announced a new programme to purchase government bonds on the secondary market. This new programme was called ”Outright Monetary Transactions” (OMT) and replaced the ”Securities Markets Programme” (SMP). Under the terms of OMT, bonds can be purchased that have been issued by countries which have received aid from the EFSF/ESM and agreed to a restructuring programme. The ex-ante unlimited purchases are concentrated on residual terms of 1-3 years and fully covered by the ECB's liquidity-draining money-market transactions. The ECB does not claim any favoured creditor status for the bonds it purchases. The treaty setting up the European Stability Mechanism (”ESM”) also entered into force in September. This is part of the ”Euro Rescue Package” and replaces the European Financial Stabilisation Fund (EFSF).

Ratification of the ESM, together with the OMT programme introduced earlier by the ECB, restored confidence in the countries on the euro area periphery. Spreads on these countries' bonds dropped significantly, giving them access to the capital markets at acceptable conditions. Now it is up to their governments to implement the necessary austerity and structural measures in order to put their economies and budgets back on track. The conditions required by the ECB and the rescue package are now in place.

Towards the end of the year, the capital markets switched their attention from Europe to the US. This is because the United States was threatened in the new year with spending cuts and tax hikes aimed at creating savings of USD 600 billion. The Congressional Budget Office ("CBO") estimates indicated that this would have pushed the US into recession. For a long time following President Obama's re-election the negotiations between Republicans and Democrats led nowhere. Literally in the last minute the parties reached a compromise and so avoided for the time being falling off the fiscal cliff. However they have not yet come up with a solution that would last beyond the end of 2013.

Together with the policies aimed at dealing with the European crisis, the ECB has safeguarded the euro area's stability. However, uncertainty over Europe's future led

to a worldwide drop in demand. According to estimates from the CIA, global economic output grew year-on-year by 3.3% in 2012. This means a drop in the growth rate of 0.4 percentage points compared with 2011 and of 1.8% compared with 2010. Uncertainty and spending cuts pushed economic output in the European Union down by 0.2%. At 0.5%, the economic downturn was even more pronounced in the euro area. Austria stood out within Europe by growing 0.6%. China, as the world's economic engine, also had to accept lower growth. Back in 2010, its economic output had grown by 10.4% and in 2011 by 9.2%; in the year under review it had dropped to just 7.8%. By contrast, US growth accelerated: at 2.2%, the United States grew by 0.4 percentage points faster than in the previous year. The generally low economic growth also makes itself felt in the employment figures. At the end of 2012, the euro area's unemployment rate stood at 11.7%. Austria is once again a shining example here. At 4.3%, its unemployment is even lower than Germany's (5.3%). Spain fares worst in Europe. A rate there of 26.1% means that more than one in four is out of work. And for young Spaniards, the rate is twice as high. Unemployment is also at a high level in the US but it has been steadily falling since 2009. It was almost 10% three years ago but had fallen to 7.8% by the end of 2012. Despite difficult economic times, the capital markets experienced an extremely good year. Germany's leading index, the DAX, was up by 29.1%. Its Austrian equivalent, the ATX, gained 26.9%.

The gain in the US was also above its historical average: the S&P rose by 13.4%. After all the steps taken by the ECB and European politicians, the euro appreciated significantly against the US dollar. After hitting a temporary low of EUR/USD 1.20, the common currency ended 2012 at 1.36 to the dollar. European government bonds also recorded a particularly strong year. The broad government bond index, Effas Europa, gained 11.7%. Brent crude oil ended the year virtually unchanged at USD 111 per barrel, a gain of 3.7%. At the end of a turbulent year, gold was up by 7.0%.

Although the outlook for the economy in 2013 remains gloomy, consensus opinion garnered by Bloomberg shows experts nevertheless expecting improvements in the economic situation virtually everywhere. Economists expect growth to accelerate in 2014.

DEVELOPMENT OF THE BUSINESS

Balance Sheet

Capital Bank's total assets rose by around 18.4% over the last financial year, from EUR 704.4 million to EUR 834.0 million. This was mainly due to a 20.0% increase in liabilities to non-bank customers, from EUR 270.9 million to EUR 325.3 million, and to the higher volume of own issues, which rose by 33.7% from EUR 250.9 million to EUR 335.4 million. On the asset side, receivables from non-bank customers increased from EUR 133.8 million to EUR 140.7 million, or by 5.18%.

Eligible capital according to Section 23 (14) of the Austrian Banking Act (BWG) increased in the reporting period from EUR 136.7 million to EUR 138.3 million. The required equity capital fell by around 5.6% from EUR 56.1 million in 2011 to EUR 53.0 million in 2012. The equity surplus accordingly stood at around EUR 85.3 million, representing a 5.9% year-on-year increase. At 39.5%, capital as a percentage of the assessment basis was extraordinarily high by industry standards and actually increased year-on-year by 2.7 percentage points.

Of the EUR 138.3 million in capital reported, 87.8% was core capital.

Return on equity (ROE: 2011: 5.7%; 2012: 5.9%) rose year-on-year by around 0.2 percentage points. Return on assets dropped marginally over the reporting period from 1.0% in 2011 to 0.9% in financial year 2012. Owing to the slight increase in profit on ordinary activities and the lower amount of capital required, return on capital employed improved by 1.3 percentage points, from 12.3% to 13.6% in 2012.

As its focus is on commission business, changes in total assets and comparisons with conventional retail banks are not particularly important for Capital Bank. The long-term aim of Capital Bank is to earn risk-adequate returns in its shareholder's interest and thus to increase further the profitability of the company in future.

Profit and Loss Account

In view of the prevailing challenging economic conditions and the noticeable additional bureaucratic costs caused by stricter regulations, Capital Bank again managed to achieve a solid result. At EUR 7.2 million, profit on ordinary activities in 2012 was some 4.0% higher than the figure of EUR 6.9 million for the previous year. Net commission income and the financial result dropped by EUR 2.7 million to EUR 19.2 million. Net interest income fell by 8.5% over the reporting period, from EUR 8.0 million to EUR 7.3 million.

Payroll costs rose by 4.0% to EUR 13.3 million, while the bank succeeded in reducing its operating expenses for the third year in a row. At the end of financial year 2012, the profit and loss account recognised operating expenses of EUR 7.8 million, 5.7% lower than in the previous year.

In 2012, Capital Bank reported an operating profit of EUR 13.2 million, corresponding to an increase of around 2.7% over the operating profit of EUR 12.9 million for 2011. The cost income ratio improved year-on-year from 62.7% to 62.1%.

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

Volume of Securities Accounts

In financial year 2012, Capital Bank again focused on gaining market share and accordingly on expanding the volume of securities accounts. Despite the difficult market environment, the bank succeeded in expanding the volume of securities accounts by 10.5% from EUR 7.36 billion to EUR 8.13 billion. Our subsidiary, Security Kapitalanlagegesellschaft, succeeded in significantly increasing its volume of securities accounts from EUR 1.75 billion in 2011 to EUR 2.27 billion in 2012, a 29.4% year-on-year increase. The subgroup of Capital Bank – GRAWE Gruppe AG was therefore able to increase its total assets under management, including own issues, from EUR 9.63 billion to a record level of EUR 11.06 billion in 2012 (+14.8%).

Proposed Dividend

In financial year 2012, the bank generated a profit on ordinary activities of 7.2 million. Once the General Meeting has passed a resolution to that effect, Capital Bank is expected to pay out a dividend to its owner HYPO-BANK BURGENLAND AG of EUR 5.0 million.

Outlook

The International Monetary Fund (IMF) believes that the global economy bottomed out in 2012 and will now regain momentum. The prospects for 2013 nevertheless remain gloomy. Although the measures that were taken in 2012 have largely reduced the risks of the euro area and the US, the IMF's economists are once again expecting a slight (-0.2%) recession for the euro area in 2013. It will still take quite some time for the lower spreads on the bonds of its peripheral countries and the improved provision of liquidity by banks to have a positive impact on the private sector in these countries.

In the US, the fiscal policies decided in 2013 will have a crucial impact on economic developments. With modest cuts in spending, US economic activity exceeded the long-term trend for growth in the second half of the year. The recovery in the housing market sets the scene for higher consumer demand from US households.

But if the spending cuts are higher than expected, these prospects for growth will not be realised in 2013.

Growth in the emerging markets is expected to be stable in 2013, although they will probably not see the rates of growth achieved in 2010 and 2011. The weakness of the euro area and the US also weighs heavily on these countries. There is already very limited scope for most emerging markets to use monetary policies to counter this development. Finding the right balance of trade will be a core task throughout the entire region over the years to come.

Even if we may assume that market conditions will continue to be challenging, Capital Bank's solid positioning in the private banking market offers it many opportunities to continue to be successful in the future. The experience of recent years has confirmed that a buy-and-hold-strategy, i.e. purchasing capital markets instruments as long-term investments, only very rarely leads to the success desired by the investor. For the business fields of Capital Bank, we see major opportunities here, as clients need high quality investment advice and extensive, professional asset management increases in such a market environment.

In 2013, the Private Banking business division will continue to focus on expanding its asset management business and on providing innovative answers to changing tax regimes. We as Capital Bank, with our innovative power, our lead in know-how and our progressive model of charging for advice, have an excellent basis for continuing on our path of growth.

Risk Report 2012 of Capital Bank – GRAWE Gruppe AG

Introduction

Risk management at 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 required sustained development of the company.

In 2012, the further expansion of the Group risk management, along with the associated overall bank control and the implementation of current regulatory requirements represented the main tasks in 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 HYPOBANK BURGENLAND AG Group. In addition, there were other significant challenges for risk management in 2012 as a result of the introduction in recent years of refined and expanded risk management activities in the Private Banking division of Capital Bank – GRAWE Gruppe AG.

The reporting according to Section 26 and Section 26a of the Austrian Banking Act (BWG) in conjunction with the Austrian Disclosure Directive (OffV) is performed on the consolidated basis of the banking group of HYPOBANK BURGENLAND AG in the annual financial statements of HYPOBANK BURGENLAND AG on the bank's homepage.

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 of the Austrian Banking Act (BWG), HYPOBANK BURGENLAND AG as the parent bank is required to comply with the ICAAP conditions at the consolidated level. The consolidation group of HYPOBANK BURGENLAND AG includes Capital Bank – GRAWE Gruppe AG and its subsidiaries, Bank Burgenland Leasing and Sopron Bank as a downstream bank in other EU countries.

The Capital Bank – GRAWE Gruppe AG specialises in private banking and investment banking, and it also offers other business that is related to these core 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 here is to identify the risks resulting from banking operations and to manage and restrict them actively through effective risk control.

The focus of these risk control 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 control 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 HYPOBANK 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 HYPOBANK BURGENLAND AG Group, which forms the basis of a risk and income-oriented overall bank control and this supports selective growth. Risk management plays a central role at Capital Bank – GRAWE Gruppe AG, taking 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 HYPOBANK BURGENLAND AG.

The term ”risk management” is used to refer to the working processes of identification, measurement, monitoring and controlling various risks. The basis for risk management in the HYPOBANK BURGENLAND AG Group is the strict separation between trading and back office. The risk management functions are combined under the member of the Board responsible for risk management.

The risk management functions are carried out according to the risk policy guidelines specified by the Board of Directors, which define the risk control and the qualified and contemporary monitoring of the risks in interaction with the individual business divisions and the independent risk function. In accordance with the principle proportionality, the organisation of risk management corresponds in terms of quality and quantity to the internal requirements, business activities, strategy and risk situation. Risk management is located at the Group level and therefore is performed by the parent company HYPOBANK BURGENLAND AG. The requirements of the Group risk management are implemented through operative risk management units in the various subsidiaries. Apart from risk control, the tasks of risk management in Capital Bank – GRAWE Gruppe AG include market, strategic credit and operational risks, as well as risk monitoring in Private Banking and risk control for the banking subsidiaries of Capital Bank – GRAWE Gruppe AG and the overall bank control. Operational credit risk management is carried out in the Credit Management department.

As part of the implementation of the Group risk management, there is close cooperation between risk management at HYPOBANK BURGENLAND AG and Capital Bank – GRAWE Gruppe AG. Risk management is taken into consideration specifically through the creation of decision-making groups set up especially for this for the Board of Directors (”Committees”).

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. The risk policy is part of the corporate strategy and defines the bank’s willingness and orientation for risk 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 and the business strategy. 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:

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

— 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 back office and has to guarantee that conflicts of interest are avoided at all decision-making levels.

— For the current risk control, 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.

Another significant principle of risk management is the product authorisation process associated with the launch of new products or entry into new markets. Capital Bank – GRAWE Gruppe AG is committed in principle to those business fields where specialist knowledge and experts are available 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. To this end, a product authorisation process has been defined for this point in Capital Bank – GRAWE Gruppe AG which defines the process-organisation regulations which determine the procedures for issues or investments in new products or the entrance into new markets and which identifies the main opportunities and risks as the basis for a decision.

Risk Control

In order to ensure a coordinated and extensive risk control, an overall banking risk strategy is defined, an overall banking risk manual and instructions are used as documentation and risk limits are set.

The overall bank risk strategy defines, on one hand, the general principles of risk management (principles, risk control 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 control 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 contin-

ued 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.

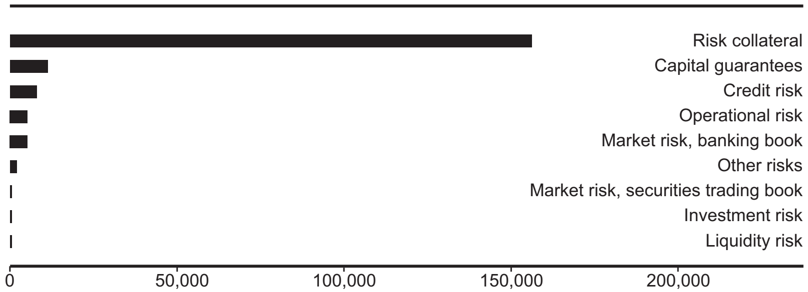
The calculation of the risk capacity therefore acts as a limit for all risk activities in the Group. The risk capacity is calculated quarterly at the group level at the individual level for the banks HYPO-BANK BURGENLAND AG, Sopron Bank and for the Capital Bank Group. In addition, the risk positions are constantly monitored in order to be able to take ad hoc risk-minimising steps if deviations occur.

Two methods are used to calculate the risk capacity: the economic perspective, which focuses on protecting the creditors, and the going-concern method, which defines the seamless continuation of the banking business as risk capacity.

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, whereby the market risks of the banking and trading book, the operating risk, the investment and other risks from capital guarantees are taken into account alongside the credit risk.

To calculate the total risk, the individual risk types are aggregated irrespective of correlation effects. The following table shows the risk and risk collateral in the economic steering group of the Capital Bank Group as at 31 Dec. 2012.

RISK CAPACITY CB GROUP AS OF 31 DEC. 2012 (IN EUR THOUSANDS)



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 2012 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 for Special Types of Risk

Within the framework of the overall banking risk control, a distinction is drawn in the Capital Bank Group between the market, credit and liquidity risk, as well as operational risks and the group of 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 describe potential losses which may arise from negative changes in market value of positions due to exchange rates (currency risks), share prices, indices and fund prices (share risk), the credit spread (spread risk) and volatilities (volatility risks). These risky positions arise either through customer transactions or through the deliberate assumption of positions in the bank's own portfolio. 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.

The market risks are managed in Group Treasury, 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. The organisation of the treasury transactions is characterised by the separation of the market and back office. Market risks can only be entered into within the framework of existing limits and only in approved products. The limits are defined annually by the Board of Directors after 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, country limits are also taken into account when setting limits.

As specified in the Austrian Banking Act, Capital Bank – GRAWE Gruppe AG keeps a "large trading portfolio". The market risk of the Capital Bank – GRAWE Gruppe AG large trading portfolio 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 (2) of the Austrian Banking Act (BWG) to calculate the required equity capital for the trading portfolio. The bank's own investments may only be made within the framework of defined limits. These limits are monitored within the framework of the risk management guidelines for investments in the treasury division. Through currency-confirm refinancing and by using FX derivatives, foreign currency risks are de facto eliminated in the Capital Bank Group. Where foreign currency positions are left open to a limited extent, narrow limits apply to these positions.

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. 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) of the Austrian Income Tax Act (EStG).

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 294 million. 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. The interest rate risk is managed Group-wide in Group Treasury and in the active-passive committee, which steers the interest structure taking into account the risks. Based on the OeNB interest risk statistics, it can be stated that compared to the regulatory limit of 20 % of the available equity, the interest rate risk is at a low level. It can also be seen that the interest rate risk in the Capital Bank Group makes up a small proportion of the overall banking risk because of the current business strategy.

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 control in the future.

For the precise identification and analysis of operational risks, a cause-oriented categorisation of risks is required. Risk categories serve the analysis of the amount, cause and impact of the operational events. The recording of risk potential is also supported by self-assessments. Damage events are logged in a dedicated database. Additional risk information can also be gained from various risk indicators such as the number and

duration of system failures (process risks) or the frequency of complaints and criticism. The primary topic of risk control is the clarification of the question as to whether and how an existing risk can be reduced. The task, therefore, is to find solutions and measures. This is done by the specialist department responsible for the risk, typically in conjunction with Internal Audit and Organisation.

In the Capital Bank Group, the management of 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 OpRisk 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 group-wide 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 addition, employee training sessions are held throughout the group on the topic of operational risk.

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 (”second set of 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.

In connection with operational risk, at Capital Bank – GRAWE Gruppe AG special attention is paid to advisory risk, which is a special risk in the business area of private banking. To manage this risk, certain risk management procedures have been developed that have been used in private banking for years, and over the course of time they have been improved and further developed. The focus of this concept is on the early recognition of possible wrong advice and incorrect trends, along with the connected advisory and reputation risks.

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. Credit management is responsible for the proper handling of all credit risks and provides operative support for the active bank operations with its compliant risk and credit rating audits of all applications for financing and their accuracy, the evaluation of their compliance with the assessment guidelines and the identification of early warning indicators. 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 total credit exposure (customer receivables incl. securities) and the distribution of the risk categories and countries are reported to the Board of Directors regularly. 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, concentrations in securities held as collateral are constantly analysed in order to highlight resulting cluster and concentration risks. The credit risk data of Capital Bank – GRAWE Gruppe AG are also included in the Group credit risk consideration and analysis.

The credit volume (before individual write-downs and Section 57 Reserve) increased in slightly 2012 compared to 2011 to EUR 158 million.

Risk control 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-step system.

Liquidity Risk

Liquidity risk includes the insolvency risk and liquidity maturity transformation risk. Controlling the liquidity risk is designed to ensure that the bank can fulfil its payments on time at all times without having to incur unreasonably high costs.

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 regular meetings of the 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 the reporting period 2012 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 liquidity situation and of the saleable securities currently on the books is presented to the Board of Directors regularly. The consideration of the liquidity potential and the liquidation period of the positions held on the books takes place for normal operations and in consideration of stress scenarios (by taking into account corresponding haircuts).

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 addition, group-wide liquidity simulations were defined for the scenarios ”normal scenarios”, ”name crisis”, ”market crisis” and ”combined crises” that are calculated on a regular basis and reported to the Board of Directors. In 2012, Capital Bank – GRAWE Gruppe AG had sufficient liquid funds at all times.

Other Risks

Other risks are, above all, those for which there is no or only rudimentary qualification processes at present. Currently there are no processes or only rudimentary processes for quantifying these risks. These risks are taken into account in the risk capacity calculation in the form of a capital buffer.

Business risks are the risks of a loss from the negative development of the economic environment and the bank's business relationships. Business risks can arise, above all, from a considerable deterioration in the market conditions and from changes in the competitive position or customer behaviour. As a result, sustained falls in the results may arise and with them a reduction in the company's value. Managing business risks is the responsibility of the business units which pursue, in particular, an increase in assets under management and the associated earning power.

Strategic risks refer to the risk of losses from decisions relating to the fundamental orientation and development of the bank's business activities. As a result, negative performance, including a total failure, can arise in respect of the long-term corporate goals. The responsibility for the strategic corporate control lies with the Board of Directors of Capital Bank – GRAWE Gruppe AG. The performance in 2012 shows the business strategy developed over the last few years in private banking, based on the motto: "Transparent, honest and fair. As Private Banking should be". This stance will accelerate the strategic alignment of the bank over the long-term as well.

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.

In 2013 as well, the Capital Bank Group will continue its business in accordance with its selected risk strategy. One of the focuses of the work of risk management will be the ongoing further development of risk methods, risk systems and risk control with those of the parent bank HYPO-BANK BURGENLAND AG. Risk monitoring in the Private Banking division will continue to be a focus in 2013. This will primarily involve improving data quality, and devising additional monitoring measures, as well as expanding 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. Attention will certainly also be paid to the dispute about the current supervisory topics. The expansion of control instruments, training for the employees and the continuous improvement in internal risk quantification methods also form the focus for 2013.

Graz, 4 March 2013

Christian Jauk, MBA m.p.
Chairman of the Board of Directors

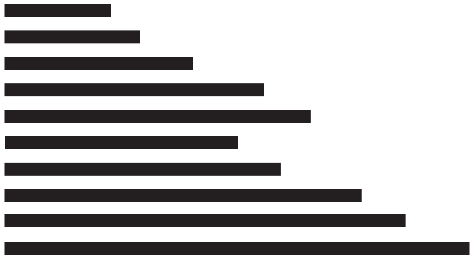
Mag. Constantin Veyder-Malberg m.p.
Member of the Board of Directors

01. PROFIT ON ORDINARY ACTIVITIES IN EUR THOUSANDS

02. TOTAL ASSETS IN EUR THOUSANDS

03. OPERATING PROFIT IN EUR THOUSANDS

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

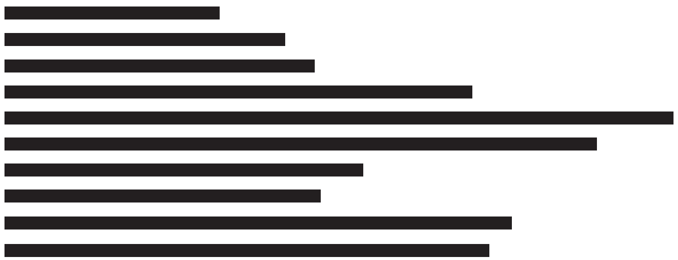


2003:	2,550
2004:	3,285
2005:	4,572
2006:	6,133
2007:	7,320
2008:	5,631
2009:	6,563
2010:	8,419
2011:	9,633
2012:	11,061

05. OPERATING INCOME IN EUR MILLIONS

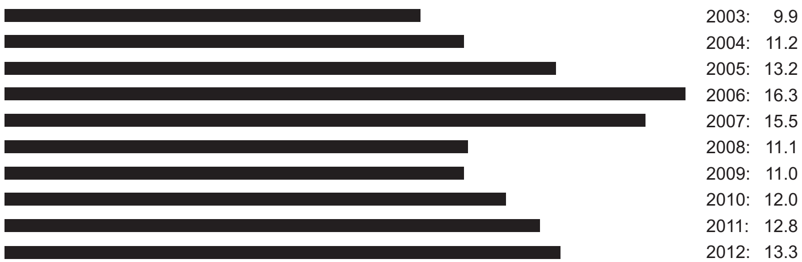
2003:	39.2
2004:	42.9
2005:	46.1
2006:	45.5
2007:	47.4
2008:	33.2
2009:	32.2
2010:	31.4
2011:	34.5
2012:	34.9

06. NET INTEREST INCOME IN EUR THOUSANDS



2003:	3,421
2004:	4,462
2005:	4,931
2006:	7,440
2007:	10,641
2008:	9,426
2009:	5,710
2010:	5,031
2011:	7,973
2012:	7,292

07. PAYROLL COSTS IN EUR MILLIONS



Report by the Supervisory Board

In four ordinary meetings of the Supervisory Board in 2012, 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 2012 Annual Accounts and Management Report, insofar as it refers to the Annual Accounts, have been audited by KPMG Wirtschaftsprüfungs- 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 2012, which is thereby approved according to Section 96 (4) Austrian Stock Corporation 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 2012.

Graz, March 2013

Mag. Dr. Othmar Ederer
Chairman of the Supervisory Board

08. BALANCE SHEET OF CAPITAL BANK - GRAWE GRUPPE AG AS AT 31 DEC. 2012

ASSETS		31.12.2012 EUR	31.12.2011 EUR K
1. Cash and balances at central banks		5,498,564.54	8,487
2. Public authority debt instruments, authorised for refinancing at the central bank			
Public authority debt instruments and similar securities		19,037,879.87	19,863
3. Receivables from banks		274,888,945.39	168,090
a) Due daily	138,263,179.10		30,908
b) Other receivables	136,625,766.29		137,182
4. Receivables from non-bank customers		140,725,807.44	133,796
5. Loan stock and other fixed interest securities		79,719,428.23	61,161
6. Shares and other non-fixed interest securities		118,950,415.50	132,302
7. Investments		9,318.42	9
in banks	8,575.38		9
8. Shares in affiliated companies		23,672,255.30	23,672
in banks	22,900,925.13		22,901
9. Intangible fixed assets		232,703.86	60
10. Material assets		1,904,749.15	1,947
11. Other assets		168,790,016.64	154,472
12. Accruals		559,619.45	590
TOTAL ASSETS		833,989,703.79	704,449
Positions under the balance sheet		373,769,100.46	
1. Foreign assets			336,080

PASSIVA		31.12.2012 EUR	31.12.2011 EUR K
1. Liabilities to banks		16,129,775.64	27,917
a) Due daily	15,376,511.37		23,876
b) With agreed term or notice period	753,264.27		4,041
2. Liabilities to customers		325,265,373.92	270,925
a) Savings deposits	9,455,908.35		7,696
aa) Due daily	4,733,943.88		3,998
ab) With agreed term or notice period	4,721,964.47		3,698
b) Other liabilities	315,809,465.57		263,229
ba) Due daily	254,681,176.16		210,516
bb) With agreed term or notice period	61,128,289.41		52,711
3. Securitised liabilities		335,440,598.61	250,861
Other securitised liabilities	335,440,598.61		250,861
4. Other liabilities		12,946,907.13	10,077
5. Deferrals		0.00	0
6. Provisions		14,925,415.21	16,271
a) Provisions for severance payments	3,348,989.01		2,639
b) Provisions for pensions	384,205.88		395
c) Tax provisions	43,277.20		0
d) Other	11,148,943.12		13,237
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	44,596
a) Statutory reserves	1,504,504.45		1,505
b) Other reserves	43,091,714.32		43,092
10. Required equity capital according to Section 23 (6) of the Austrian Banking Act (BWG)		11,127,000.00	11,127
11. Net profit		7,642,752.86	6,759
a) Profit brought forward	759,149.83		300
b) Annual profit	6,883,603.03		6,459
TOTAL LIABILITIES		833,989,703.79	704,449
Positions under the balance sheet			
1. Contingent liabilities			
Liabilities from bank sureties and liability from providing security		298,058,549.34	343,651
2. Credit risks		27,685,111.69	17,609
incl. liabilities from pension transactions	0.00		0
3. Liabilities from trusts		17,499,339.96	37,428
4. Required equity capital according to Section 23 (14) of the Austrian Banking Act (BWG)		138,336,176.56	136,721
5. Required equity capital according to Section 22 (1) of the Austrian Banking Act (BWG)		52,996,634.00	56,148
incl.: required equity capital according to Section 22 (1) lines 1 and 4 of the Austrian Banking Act (BWG)	28,009,634.00		28,620
6. Foreign liabilities		62,980,282.68	55,682

09. PROFIT AND LOSS ACCOUNT OF CAPITAL BANK – GRAWE GRUPPE AG FOR THE 2012 FINANCIAL YEAR

		31.12.2012 EUR	31.12.2011 EUR K
1. Interest and similar income		11,078,647.47	11,387
incl. from fixed interest securities	2,994,481.26		3,600
2. Interest and similar costs		-3,787,022.79	-3,414
I. NET INTEREST INCOME		7,291,644.68	7,973
3. Income from securities and investments		6,689,160.05	3,240
a) Income from shares, other equity interests	3,808,906.55		
and non-fixed interest securities	253.50		787
b) Income from investments			0
c) Income from shareholdings in			
affiliated companies	2,880,000.00		2,453
4. Commission income		38,233,420.28	40,638
5. Commission costs		-19,394,513.37	-19,770
6. Revenue/expenses from financial transactions		356,188.43	1,045
7. Other operating income		1,681,957.58	1,364
II. OPERATING INCOME		34,857,857.65	34,491
8. General administrative expenses	-13,293,418.72	-21,084,454.27	-21,044
a) Payroll costs	-10,328,059.75		-12,781
aa) Wages and salaries			-10,624
ab) Expenses for statutory social			
charges and for income-based charges and	-1,854,610.60		
compulsory contributions	-131,874.44		-1,684
ac) Other social security expenses			-132
ad) Expenses for retirement benefits	-204,054.16		
and support	10,818.05		-197
ae) Allocation to the pensions reserve			-32
af) Expenses for severance payments and			
payments to operational company	-785,637.82		
pension funds	-7,791,035.55		111
b) Other administrative expenses			
(operating expenses)			-8,263
9. Value adjustments on the assets listed under asset items 9 and 1		-537,030.89	-554
10. Other operating expenses		-14,826.86	-14
III. OPERATING COSTS		-21,636,312.02	-21,612

		31.12.2012 EUR	31.12.2011 EUR K
IV. OPERATING PROFIT		13,221,545.63	12,879
11. Value adjustments on receivables and allocation to reserves for contingent liabilities and credit risks		-31,517,528.77	-8,786
12. Revenue from the reversal of value adjustments on receivables and from reserves for contingent liabilities and credit risks		25,475,413.31	6,870
13. Value adjustments on securities evaluated as financial assets and on shareholdings in affiliated companies		0	-4,075
14. Revenue from the sale of securities evaluated as financial assets and on share-holdings in affiliated companies		1,820.00	17
V. PROFIT FROM ORDINARY ACTIVITIES		7,181,250.17	6,905
15. Tax on income		-290,534.62	-421
16. Other tax, if not to be entered under item 15		-7,112.52	-25
VI. ANNUAL NET PROFIT		6,883,603.03	6,459
17. Development of reserves		0.00	0
incl. allocation to the liability reserve	0.00		0
VII. ANNUAL PROFIT		6,883,603.03	6,459
18. Profit brought forward		759,149.83	300
VIII. NET PROFIT		7,642,752.86	6,759

10. EQUITY AND CAPITAL REQUIREMENTS IN EUR THOUSANDS

	Capital Bank – GRAWE Gruppe AG		
	2012	2011	2010
Core capital (tier 1)	121,406	121,579	121,610
Paid-up capital	10,000	10,000	10,000
Capital reserve	55,916	55,916	55,916
Retained income	44,596	44,596	44,596
Liability reserve	11,127	11,127	11,127
Consolidation according to Section 24 (2) of the Austrian Banking Act (BWG)	0	0	0
Intangible fixed assets	-233	-60	-29
Non-core elements (tier 2)	16,930	15,142	11,909
Reserves as specified in Section 57 (1) of the Austrian Banking Act (BWG)	16,930	11,800	9,210
Revaluation reserve	0	3,342	2,699
Deductions	0	0	0
Eligible equity capital	138,336	136,721	133,519
Assessment basis (non-trading portfolio)	286,745	296,438	306,219
Core capital ratio (non-trading portfolio)	42.34 %	41.01 %	39.71 %
Aggregated capital ratio (non-trading portfolio)	48.24 %	46.12 %	43.60 %
Equity requirements (non-trading portfolio)	22,940	23,716	24,498
Equity requirements (trading portfolio)	25,018	27,528	31,727
Equity requirement operational risk	5,039	4,904	4,841
Equity surplus	85,340	80,573	72,453

11. SCHEDULE OF ASSETS OF CAPITAL BANK – GRAWE GRUPPE AG AS AT 31 DEC. 2012

in EUR	Procurement and setting up costs				Depreciation	Book value	Book value	Depreciation
	As at 01.01.2012	Additions	Disposals	As at 31.12.2012	cumulative	31.12.2012	31.12.2011	2012
Public authority bonds	13,834,792.50	995,255.00	0.00	14,830,047.50	31,596.34	14,798,451.16	13,815,457.50	12,261.34
Receivables from banks (securities)	2,061,000.00	0.00	2,061,000.00	0.00	0.00	0.00	2,009,834.00	0.00
Receivables from customers (securities)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds and other fixed income securities	23,752,473.41	9,889,805.39	8,225,537.33	25,416,741.47	648,469.19	24,768,272.28	22,866,563.30	70,971.52
Shares and other non-fixed income securities	14,023,486.27			14,023,486.27	443,935.43	13,579,550.84	13,651,899.40	72,348.56
Investments	9,334.89			9,334.89	16.47	9,318.42	9,318.42	0.00
Shares in affiliated companies	23,972,255.30			23,972,255.30	300,000.00	23,672,255.30	23,672,255.30	0.00
Intangible fixed assets	765,324.44	226,480.34		991,804.78	759,100.92	232,703.86	59,940.35	53,716.83
Material assets	6,745,324.70	410,966.89	154,746.27	7,001,545.32	5,096,796.17	1,904,749.15	1,947,079.23	451,068.94
Low-value assets	0.00	32,245.12	32,245.12	0.00	0.00	0.00	0.00	32,245.12
TOTAL ASSETS	85,163,991.51	11,554,752.74	10,473,528.72	86,245,215.53	7,279,914.52	78,965,301.01	78,032,347.50	692,612.31

Extract from the Notes of Capital Bank – GRAWE Gruppe AG on the Annual Accounts as at 31 Dec. 2012

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 have been deposited at the regional court in Eisenstadt.

The comparison figures stated come from the 2011 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 company law. The balance sheet and profit and loss account are laid out corresponding to the forms contained in Annex 2 to Section 43 of the Austrian Banking Act (BWG).

B. ACCOUNTING AND VALUATION 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 2012 financial year or earlier, have been taken into account. The valuation method previously applied has been adhered to.

The principle of prudence has been duly observed by showing 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 2012 are applied.

Forward exchange agreements are valuated at the forward rate on the balance sheet date.

Securities are assessed at procurement costs or lower market value or, for fixed interest securities, at the lower redemption sum (strict or market value 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 for processing reasons. The option to apply impairment losses on a pro rata temporis basis according to Section 56 (2) of the Austrian Banking Act (BWG) has been exercised.

Receivables from banks and non-bank customers have generally been assessed at nominal value. 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.

Plant, property and equipment are assessed at procurement costs, less the scheduled depreciation. The scheduled depreciation was applied on a straight-line basis.

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 charged against acquisitions in the first half of the financial year, whilst half the annual depreciation was charged against acquisitions in the second half of the financial year.

Intangible assets in fixed assets comprise only purchased software. Straight-line depreciation is applied with rates of 10% 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 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 3.2% (previous year: 4.6%) 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 3.0% (previous year: 4.4%) has been assumed. The trend of salaries was estimated at 3.0% (previous year: 4.0).

Actuarial profits or losses from long-term personnel provisions are recognised against the results in the period in which they arise.

The option in Section 57 (1) of the Austrian Banking Code (BWG) has been exercised in the 2011 Annual Accounts, as in the previous year.

C. NOTES ON THE ANNUAL ACCOUNTS

Fixed Assets

The breakdown of fixed assets and their development in the year under review are shown in the Schedule of Assets (cf. Annex I to the Notes). As in the previous year, the Bank did not own 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 amounted to EUR 325.8 million (EUR 366.1 million). Of this, an amount of EUR 196.4 million (EUR 256.0 million) acts as the basic investment for securitised liabilities and total return swaps, with which valuation units have been formed. Basic investments of EUR 95.8 million are pledged in favour of the purchaser of the issue, with EUR 1.6 million (EUR 2.4 million) of this transferred to a securities trustee.

Bonds and other fixed income securities with a book value of EUR 17.4 million (EUR 10.9 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 and are stated in the accounts at their procurement costs, totals EUR 1.5 million (EUR 1.2 million).

The bank's fixed assets as at 31 December 2012 include securities with a book value of EUR 53.1 million (EUR 52.3 million). The difference between procurement costs and higher market value totals EUR 7.8 million (EUR 4.7 million). The difference between the book value and lower redemption sum of fixed-income securities amounts to EUR 289 thousand (EUR 124 thousand).

Securities of the fixed assets include the following items:

- in A2 public authority bonds EUR 15.2 million (EUR 13.8 million);
- in A3 receivables from banks none (EUR 2.0 million);
- in A5 bonds and other fixed income securities EUR 25.2 million (EUR 22.9 million).

- in A6 shares and other non-fixed income securities EUR 13.6 million (EUR 13.7 million).

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

The company maintains a trading book in accordance with Section 22n of the Austrian Banking Act (BWG). Items in the trading books are valued at market prices. As at 31 December 2012 this totalled securities amounting to EUR 0.4 million (EUR 0.5 million).

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

- in A4 receivables from customers EUR 0.4 million (EUR 0.4 million);
- in A6 shares and other non-fixed income securities none (EUR 0.1 million);
- in A11 other assets none (EUR 0.1 million).

Capital Bank – GRAWE Gruppe AG provides capital guarantees in the trading book, in particular in association with the reduced-premium old age pension provision of EUR 194.2 million (EUR 241.2 million) and fund-based life insurance of EUR 80.8 million (EUR 63.8 million).

The market risk relating to the reduced-premium old age 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 guarantees, the underlying assets are referenced in the assessment (substitute role of the guarantee).

The securities reported in the items Bonds and other fixed-income securities, and Shares and other non-fixed income securities comprise the following:

in EUR thousands	Listed	Not listed	in fixed assets	in current assets
2011				
Bonds and other fixed income securities	60,029	-	22,867	37,162
Shares and other non-fixed interest securities	26,978	105,324	13,652	118,592
2012				
Bonds and other fixed income securities	78,940	779	25,248	54,472
Shares and other non-fixed interest securities	23,414	97,463	13,580	107,298

Bonds include no lower-ranking assets (previous year: EUR 0.1 million).

As a result of the crisis in Greece, the developments in the Euro peripheral countries have been observed with particular care and strict risk requirements have been defined for commitments with and in these countries. At the reporting date there was no exposure to the Republic of Greece (EUR 1.4 million) or the Republic of Italy (EUR 0.8 million). As at the reporting date there were no commitments with Portugal, Ireland or Spain.

Investments

The recognised investments and shareholdings in affiliated companies are not authorised for stock exchange trading.

As at 31 December 2012, the bank held at least a 20% stake in the following companies[1)]:

REPRESENTATION OF THE INVESTMENTS

Holding	Company cap. in thousand EUR	Own share	F/N	Equity capital in EUR K[2)]	Annual results in EUR K[2)]	Balance Sheet
Brüll Kallmus Bank AG	6,000	**100 %**	**F**	**13,890**	**1,444**	**2012**
Security Kapitalanlage AG	4,362	**100 %**	**F**	**23,172**	**959**	**2012**
Corporate Finance –			**N**			
GRAWE Gruppe GmbH	1,000	**100 %**		**746**	**-241**	**2011**
CENTEC.AT						
Softwareentwicklungs und			**N**			
Dienstleistungs GmbH	35	**67 %**	**N**	**57**	**0**	**2011**
CB Family Office Service GmbH	35	**100 %**		**30**	**4**	**2011**

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

Receivables due from and liabilities to banks and non-bank customers

Receivables due from banks include EUR 1.4 million (EUR 4.1 million) securitised receivables not authorised for stock exchange trading; receivables from banks amounting to EUR 104.8 million originate from the transfer of basic investments for securitised liabilities to a securities trustee. Receivables from non-bank customers include EUR 1.3 million (EUR 0.7 million) securitised receivables not authorised for stock exchange trading.

PRESENTATION OF MATURITIES

Receivables / liabilities not due daily Total banks and non-bank customers (in EUR K)	Receivables		Liabilities	
	31.12.2011	31.12.2012	31.12.2011	31.12.2012
up to 3 months	89,511	174,785	14,483	50,711
over 3 months to 1 year	106,398	28,688	40,509	14,781
over 1 year to 5 years	33,582	44,295	1,571	2,346
over 5 years	15,579	4,309	3,888	3,034
Total	245,070	252,078	60,451	70,872

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

Capital Bank is part of a group of companies according to Section 9 of the Austrian Corporation Tax Act (KStG), Group parent is HYPOBANK BURGENLAND AG.

Publication according to Section 26 of the Austrian Banking Act (BWG) is through the superordinate bank HYPO-BANK BURGENLAND AG.

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

in EUR K	31.12.2012	31.12.2011
Receivables from banks		
incl. from affiliated companies	177,350	160,552
incl. from companies linked by virtue of participating interests	0	0
Receivables from customers		
incl. from affiliated companies	782	1,082
Liabilities to banks		
incl. to affiliated companies	11,249	7,834
incl. to companies linked by virtue of participating interests	32	32
Liabilities to customers		
incl. to affiliated companies	13,572	11,260

As at 31 December 2012, there were insignificant gilt-edged savings deposits.

Other assets

The other assets include basic investments for securitised liabilities amounting to EUR 153.2 million.

ITEMS ABOVE 1 MILLION EUR (ALL FIGURES IN THOUSAND EUR):

in EUR K	Residual term	31.12.2012	31.12.2011
Other shares in companies		157,231	148,049
Value adjustments in acc. with Section 57 of the Austrian Banking Act (BWG)		-4,137	-5,918
BV Other shares in companies	> 1 year	153,094	142,131
Tax office clearing account	< 1 year	1,404	937
Receivables from affiliated companies	< 1 year	3,534	3,372
Market values, forward exchange agreements	< 1 year	6,161	5,646
Various outgoing invoices	< 1 year	4,343	2,032

Other liabilities

This item contains Tax Office liabilities of EUR 3,393 thousand (EUR 3,197 thousand) and liabilities from securities clearing of EUR 2,750 thousand (EUR 1,682 thousand). Expenditures which only become cash items after the reporting date essentially relate to staff expenditure amounting to EUR 617 thousand (EUR 390 thousand) and miscellaneous general expenses.

The other liabilities are due within one year. The other liabilities include liabilities to affiliated companies amounting to EUR 150 thousand (EUR 312 thousand).

Securitised liabilities

Securitised liabilities of EUR 2.9 million (EUR 10.2 million) will become due in the next financial year.

Other provisions

Other provisions mainly include provisions for loss cases totalling EUR 2,540 thousand (EUR 4,380 thousand), for holidays not taken totalling EUR 624 thousand (EUR 575 thousand), for other personnel costs totalling EUR 4,086 thousand (EUR 4,040 thousand), and for commission payments totalling EUR 516 thousand (EUR 289 thousand).

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 no-par shares.

D. Notes on the Profit and Loss Account

A breakdown of revenue by geographic market according to Section 64 (1) line 9 of the Austrian Banking Act (BWG) is omitted, as the geographic markets, considered from the perspective of the bank's organisation, do not differ significantly.

Income from securities and investments includes payouts from affiliated companies of EUR 2,880 thousand (previous year: EUR 2,450 thousand).

Revenue/expenses from financial transactions includes profits on sales of securities of EUR 7,981 thousand (previous year: EUR 17,248 thousand) which are offset by exchange losses from this area of EUR 7,625 thousand (previous year: EUR 16,203).

Other operating income mainly includes income from the Service Level Agreements of EUR 1,410 thousand (previous year: EUR 1,107 thousand), as well as income from the release of provisions amounting to EUR 58 thousand (previous year: EUR 143 thousand).

The expenditure for severance payments includes costs to employees' provident funds of EUR 75 thousand (previous year: EUR 63 thousand).

The deferred tax which was possible to capitalise according to Section 198 (10) of the Austrian Business Code (UGB) as at the reporting date totals EUR 0.5 million (previous year: EUR 1.7 million). The capitalisation option has not been applied.

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

	EUR K	EUR K
Obligations 2013 (2012)	1,040.0	(1,010.0)
Obligations 2013-2017 (2012-2015)	5,780.0	(5,560.0)

The value adjustments of receivables and allocations to reserves for contingent liabilities and credit risks were made within the framework of the conditions of Section 57 (2) of the Austrian Banking Act (BWG).

The appreciations to securities, omitted for tax reasons, total EUR 1,691 thousand (previous year: EUR 898 thousand). This may result in tax charges in subsequent years of up to EUR 423 thousand (previous year: EUR 224 thousand).

EUR 300 thousand (previous year: 583 thousand) of the tax result according to Section 237 No. 6 lit. b of the Austrian Business Code (UGB) relate to the current financial year. EUR -9 thousand (previous year: EUR -162 thousand) represent taxes from previous periods.

The information regarding the expenditure incurred for the financial year for auditors has been omitted, as this is carried by HYPO-BANK BURGENLAND AG at Group level.

E. Supplementary information

As at the reporting date the balance sheet assets in a foreign currency amount to EUR 141.2 million (EUR 132.9 million), the balance sheet liabilities in a foreign currency amount to EUR 26.5 million (EUR 23.4 million).

Forward exchange agreements and currency swaps are valued at the ECB currency exchange rate on the relevant reference date with due regard to the interest rates for the relevant currency along with the residual terms. External valuations are used for the remaining derivatives.

Positive and negative market values are applied where derivatives are allocated to the trading stock or are in an evaluation unit with own issues. Negative market values which are not covered by positive market values from the underlying transactions within the framework of the evaluation unit are accounted for by forming a provision for pending losses from pending forward contracts. No such provisions had been formed as at 31 Dec. 2012 (previous year EUR 210 thousand).

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

in EUR K	Nominal value		Market value positive		Market value negative		Book value	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	Assets	Liabilities
1. Interest rate agreements								
OTC products:								
Forward rate agreements	-	-	-	-	-	-	-	-
Interest swaps	46,300	(37,200)	822	(445)	1,971	(1,324)	-	-
Interest options	168,489	(167,325)	-	-	-	-	303	412
Other similar agreements	-	-	-	-	-	-		-
Traded products	-	-	-	-	-	-	-	-
2. Exchange rate agreements								
OTC products:								
Forward exchange agreements	129,287	(254,316)	2,298	(3,457)	240	(5,948)	2,246	224
Currency options	-	(1,000)	-	(43)	-	(43)	-	-
Currency swaps	1,025	(14,629)	43	(116)	43	(231)	-	-
Other similar agreements	-	-	-	-	-	-	-	-
Traded products	-	-	-	-	-	-	-	-
3. Securities-related agreements								
OTC products:								
Share options bought	-	-	-	-	-	-	-	-
Share options sold	104	(103)	-	-	-	-	-	104
Security swaps	35,220	(35,769)	-	(55)	-	-	-	-
Other similar agreements	-	-	-	-	-	-	-	-
Traded products								
Share options bought	-	-	-	-	-	-	-	-
Share options sold	-	-	-	-	-	-	-	-
Total	**380,426**	**(510,342)**	**3,162**	**(4,115)**	**2,255**	**(7,546)**	**2,549**	**740**

Contingent liabilities

Contingent liabilities as at 31 December 2012 include capital guarantees for state-aided pension provisions of EUR 194.2 million (EUR 241.2 million) and other capital guarantees of EUR 100.3 million (EUR 96.7 million). The credit risks reported below the balance sheet are credits not yet claimed of EUR 27.7 million (EUR 17.6 million). There is also an obligation resulting from the membership, mandatory according to Section 93 of the Austrian Banking Act (BWG), of the Banken & Bankiers Gesellschaft mbH deposits guarantee scheme. If this deposits guarantee scheme is used, according to Section 93a (a) of the Austrian Banking Act (BWG) this carries 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. As a result the upper limit is calculated to be EUR 9.0 million (EUR 9.4 million). Securities with a book value of EUR 15.7 million (EUR 15.7 million) have been lodged as an arrangement deposit. There are also cash deposits of EUR 8.1 million (EUR 8.1 million). There is also collateral of EUR 269 thousand (EUR 269 thousand) for pension provisions and EUR 322 thousand (EUR 324 thousand) for gilt-edged savings deposits.

F. Other information

During the 2012 financial year there were an average 160 (160) employees plus 11 (12) blue-collar workers. Receivables due from customers as at 31 December 2012 include loans to members of the Board of Directors totalling EUR 0 thousand (EUR 0 thousand) and to members of the Supervisory Board totalling EUR 0 thousand (previous year: EUR 1 thousand). Interest rates and other conditions (term and collateral) are customary for this line of business. Costs of severance payments and pensions, including allocations to provisions, total EUR 219 thousand (EUR 217 thousand) for members of the Board of Directors and senior employees and EUR 182 thousand (EUR 180 thousand) for other employees.

Costs of pensions to former members of the Board of Directors total EUR 36 thousand (EUR 35 thousand).
Directors' emoluments: The provisions laid down under Section 241 (4) of the Austrian Business Code (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 Dec. 2012 were issued with the following unqualified audit certificate by the chosen auditor:

We have performed an audit, incorporating the company accounts, of the Annual Report of Capital Bank – GRAWE Gruppe AG, Graz, for the financial year from 1 January 2012 to 31 December 2012. This Annual Report includes the balance sheet as at 31 December 2012, the profit and loss account for the financial year to 31 December 2012 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 the provisions of Austrian company and banking law. 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 bank 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 2012 and of the income situation of the company for the financial year from 1 January 2012 to 31 December 2012 in accordance with the Austrian principles of proper accounting.

Statements 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, 4 March 2013

KPMG
Wirtschaftsprüfungs- und
Steuerberatungs GmbH

Mag. Michael Schlenk
Auditor

ppa. Mag. Klaus-Peter Schmidt
Auditor

Publication or circulation of the Annual Accounts bearing our audit certificate may only be performed using the version we have audited. This audit certificate only refers to the German and complete Annual Accounts including the Management Report. Compliance with the regulations of Section 281 Paragraph 2 UGB is required for any alternative versions. The Annual Accounts are lodged with the Commercial Register of the Graz Provincial Court for Matters under Civil Law under FN 112471z and are published in the Official Gazette of the 'Wiener Zeitung' newspaper.

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

SUBGROUP OF CAPITAL BANK – GRAWE GRUPPE AG

12. SUBGROUP OF CAPITAL BANK – GRAWE GRUPPE, CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012

ASSETS		31.12.2012 EUR		31.12.2011 EUR K
1. Cash and balances at				8,542
central banks		5,698,564.54		
2. Public authority bonds				
authorised for refinancing				
at the central bank				
Public authority bonds and				21,169
similar securities		20,832,244.83		174,655
3. Receivables from banks		295,438,703.32		134,388
4. Receivables from customers		140,762,103.72		
5. Loan stock and				68,690
other fixed interest securities		90,153,521.72		
6. Shares and other non-fixed interest				152,593
securities		143,522,218.13		10
7. Investments		9,818.42		
in banks	8,575.00		9	891
8. Shares in affiliated companies		891,330.17		
9. Intangible fixed				64
assets		426,034.73		5,125
10. Material assets		4,937,073.36		153,958
11. Other assets		168,539,506.64		717
12. Accruals		708,847.23		
				720,801
TOTAL ASSETS		871,919,966.81		
Positions under the balance sheet				341,765
1. Foreign assets		380,100,492.44		
2. Managed capital				1,751,979
investment fund plan		2,267,644,453.49		

EQUITY AND LIABILITIES		31.12.2012 EUR		31.12.2011 EUR K
1. Liabilities to				
banks		14,245,102.54		25,689
2. Liabilities to				
non-bank customers		341,569,799.75		272,419
a) Savings deposits	9,455,908.35		7,696	
b) Other liabilities	332,113,891.40		264,722	
3. Securitised liabilities		335,440,598.61		250,861
other securitised liabilities	335,440,598.61		250,861	
4. Other liabilities		18,781,833.09		14,008
5. Accruals		0.00		0
6. Provisions		21,318,930.26		20,622
a) Provisions for severance payments	3,718,066.57		2,950	
b) Provisions for pensions	384,205.88		395	
c) Tax provisions	43,277.20		0	
d) Other	17,173,380.61		17,277	
7. Paid-up capital		65,915,661.65		65,916
8. Generated capital		74,648,040.91		71,285
9. Minority interests		0.00		0
TOTAL LIABILITIES		871,919,966.81		720,801
Positions under the balance sheet				
1. Contingent liabilities				
Liabilities from bank sureties				
and liability from providing				
security		298,058,549.34		343,651
2. Credit risks		27,852,600.66		17,827
incl. liabilities from pension transactions	0.00		0	
3. Liabilities from				
trust transactions		17,499,339.96		37,528
4. Eligible equity capital according to Section 23				
(14) of the Austrian Banking Act (BWG)		149,333,530.06		145,408
5. Required equity capital according to Section 22				
(1) of the Austrian Banking Act (BWG)		53,995,122.00		56,593
incl.: required equity capital according				
to Section 22 (1) lines 1 and 4 of the				
Austrian Banking Act (BWG)	29,008,122.00		29,065	
6. Foreign liabilities		64,096,082.71		53,860

13. SUBGROUP OF CAPITAL BANK – GRAWE GRUPPE
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 2012 FINANCIAL YEAR

		31.12.2012 EUR		31.12.2011 EUR K
1. Interest and similar income		11,444,545.84		11,776
incl. from fixed interest securities	3,340,348.00		290	
2. Interest and similar costs		-3,794,723.77		-3,440
I. NET INTEREST INCOME		7,649,822.07		8,335
3. Income from securities and Investments		5,027,587.63		1,515
a) Income from shares, other equity interests and non-fixed interest securities	4,564,902.22		1,355	
b) Income from investments	24,685.41		0	
c) Income from shareholdings in affiliated companies	438,000.00		160	
4. Commission income		59,586,698.63		57,027
5. Commission costs		-28,877,751.97		-27,394
6. Revenue/expenses from financial transactions		373,545.28		1,214
7. Other operating income		2,013,147.18		1,718
II. OPERATING INCOME		45,773,048.82		42,415
8. General administrative expenses		-28,187,090.32		-26,508
a) Payroll costs	-18,527,072.64		-16,560	
aa) Wages and salaries	-14,836,237.73		-13,785	
ab) Expenses for statutory social charges and for income-based charges and compulsory contributions	-2,454,662.78		-2,183	
ac) Other social security expenses	-154,671.72		-154	
ad) Expenses for retirement benefits and support	-239,339.19		-226	
ae) Allocation to the pensions reserve	10,818.05		-32	
af) Expenses for severance payments and payments to operational company pension funds	-852,979.27		-181	
b) Other administrative expenses (operating expenses)	-9,660,017.68		-9,948	
9. Value adjustments on the assets listed under asset items 9 and 10		-703,973.36		-732
10. Other operating expenses		-14,826.86		-14
III. OPERATING COSTS		-28,905,890.54		-27,255

	31.12.2012 EUR	31.12.2011 EUR K
IV. OPERATING PROFIT	16,867,158.28	15,160
11. Value adjustments on receivables and allocation to reserves for contingent liabilities and credit risks	-6,042,115.46	-8,941
12. Revenue from the reversal of value adjustments on receivables and from reserves for contingent liabilities and credit risks	463,351.44	6,407
13. Value adjustments on securities evaluated as financial assets and on shareholdings in affiliated companies	0.00	-4,251
14. Income from value adjustments on securities evaluated as financial assets and on shareholdings in affiliated companies	0.00	183
V. PROFIT FROM ORDINARY ACTIVITIES	11,288,394.26	8,559
15. Tax on income	-1,907,639.63	-725
16. Other tax, if not to be entered under item 15	-18,078.12	-35
VI. CONSOLIDATED NET PROFIT/LOSS FOR THE YEAR	9,362,676.51	7,800
17. Development of reserves incl. allocation to the liability reserve	0.00	0
VII. ANNUAL PROFIT	9,362,676.51	7,800
18. Profit brought forward	1,205,194.78	274
VIII. NET PROFIT (before minority interests)	10,567,871.29	484
19. Minority interests' share of the annual net profit	0.00	0
IX. NET PROFIT	10,567,871.29	7,800

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