

**DEPARTURE WITH A
CAPITAL D**

CAPITAL ►► BANK

Capital Bank
Group

Graz
Salzburg
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Kitzbühel
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Annual Report
2020

TOWARDS THE FUTURE
Capital Bank 2020

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GRAWE
Bankengruppe

CHRISTIAN JAUK

CHAIRMAN OF THE MANAGEMENT BOARD

In addition to the function they serve of reporting on the past financial year, annual reports are always also an instrument for looking back and taking stock; a kind of inventory of the recent past. So when we look back at the past twelve months, we read in the cover text of last year's report that the world is saying goodbye to the reality we knew. We can all see now that this diagnosis came true. And yet we have also already become more or less accustomed to the new normality. How could we have done otherwise. We need normality – however we define it – for systems to function.

On the other hand, annual reports are also a means of looking at what is to come. So "Towards the future" is the motto of our report, because we cannot help but turn happily to what is coming, because there is no doubt: we can shape the future, and shape it responsibly. In other words, what we should take away from the COVID crisis is the question of how our current normality can be equipped for future realities in order to be able to counter future uncertainties quickly and easily.

Capital Bank has always taken this task on and continues to work on it consistently, so that we can look back on a good year even in unusual times. Our guest author Klaus-Dieter Koch provides an analysis of this and titles his article "The New Closeness" – which we are all counting on and hoping for!

Until recently, "normal" was an unspectacular word. It was only with the COVID-19 crisis that it took on a certain magic, and if you've managed to find some form of normality to navigate through these extraordinary times, you have already won half the game. At Capital Bank, we are glad to have taken the right measures in the past that make us fit to skilfully face the new normal from an economic point of view.

CONSTANTIN VEYDER-MALBERG

MEMBER OF THE MANAGEMENT BOARD

Participation is a beautiful word and an even more beautiful thought. After many months in a state of emergency, we are all longing for participation again – we are mentally and tangibly ready for a new beginning and for joint action, because what would humanity be without interaction? The fact that we never lost contact with our customers during these extraordinary past months, but rather intensified it, is part of the reason why you placed your trust in us!

WOLFGANG DORNER

MEMBER OF THE MANAGEMENT BOARD

Will everything remain different? This question has been with us for several months and it sounds negative given the circumstances. But we can also approach it in a positive way and see it as a challenge for ourselves to develop ideas early, to see the New and Different as something that we can shape positively, that encourages us to work towards solutions. This is the attitude that we at Capital Bank are happy to adopt.

BERTHOLD TROIB

MEMBER OF THE MANAGEMENT BOARD

Solutions developed in the past are stabilisers of the present – COVID made this quite clear. We can be proud to reap the rewards of our forward-looking actions and systemic changes in recent years. Thanks to these, our customers always knew they were on the safe side. We have navigated these turbulent times together – always looking towards the future.

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Performance and Key Figures

PERFORMANCE AND KEY FIGURES OF CAPITAL BANK - GRAWE GRUPPE AG

	31.12.2020 € '000	31.12.2019 € '000	31.12.2018 € '000
Total assets	1,39,362	985,386	964,741
Loans and advances to customers	407,299	413,146	336,928
Deposits from customers	640,727	497,409	476,493
Operating profit	15,960	12,041	14,746
Profit from ordinary activities	14,520	15,668	17,394
Total capital ratio pursuant to Art. 92 of EU Regulation No. 575/2013	23.4%	23,0%	26,8%
Volume of client custody accounts	12,969,032	12,456,168	11,621,560
Employees (excluding subsidiaries)	130	172	165

Management Report for the 2020 of CAPITAL BANK – GRAWE GRUPPE AG

Business performance and economic situation

The year 2020 was far from ordinary. The worldwide COVID-19 pandemic, with its numerous social and economic constraints, has led to an acceleration of global trends. In particular, digitalisation, both in the design of new working environments and in the field of education, experienced an additional surge in development.

On a political level, the United Kingdom's exit from the European Union took place in 2020 in the wake of Brexit, with negotiations around new economic cooperation proving extremely tough. In the US presidential election in November 2020, Democratic candidate Joe Biden prevailed after several days of counting the votes. Even if one may assume an improvement in the political, transatlantic tone, a retreat from US positions, especially in the global trade dispute, is not to be expected.

In any case, the two political events mentioned above must be seen in the context of broader global developments. For several years now, a shift in the geopolitical centre of power towards China and Southeast Asia has been discernible. While the USA and Europe slid into the biggest recession since the Second World War in 2020, the People's Republic of China was able to achieve economic growth, even if

only slightly. It is also the year in which China replaced the United States as the world's largest economic power. With Indonesia, another Southeast Asian country made it into the top 7 of the largest economies.

The world's largest free trade agreement was concluded at the same time with RCEP, the association of China, Japan, South Korea, Australia and eleven other Southeast Asian countries. The trade pact covers around 30% of global economic output and affects around 2.2 billion people. For companies from the USA and Europe, the competitive conditions in this region are likely to become more difficult.

On the international stock exchanges, the recession caused by the COVID-19 pandemic and the collapse of global supply chains led to massive losses in the first quarter. Largely due to positive developments in vaccine development, which gives hope that the pandemic will soon be overcome, share prices were able to recover significantly by the end of the year. The DAX recorded an annual gain of 3.55%. The Dow Jones ended the year up 9.31% in USD terms. Due to the exchange rate development, however, investors in euros are only left with a slight minus of 0.28%. The ATX was unable to recover from its losses and ended the year at minus 10.79%.

Dealing responsibly with risk in an environment of uncertainty is a core element of the banking business. The current economic crisis, the effects of which will

be felt throughout 2021, will pose challenges for Austrian credit institutions.

CAPITAL BANK – GRAWE GRUPPE AG (referred to below as Capital Bank) has always managed to adapt well to the economic environment in the past and to bring innovation to the Austrian private banking market. The fact that we again lived up to our standards last year is highlighted by the result of the renowned Private Banking Comparison by the publisher Fuchsbriefe. In a close race at the top, Capital Bank took an excellent seventh place in the overall evaluation among all private banks in the DACHL region (Germany, Austria, Switzerland and Liechtenstein) and an overall rating of "Very Good". The annual ranking thus joins a succession of excellent results in the Fuchsbriefe publications. Capital Bank worked its way up to fourth place in the "perpetual leaderboard". This is a particularly strong indication that we have been able to continuously maintain the high level of our service quality for years.

Capital Bank specialises in providing advisory services in the field of asset management. The bank's core business is private banking, where the trust between client and advisor also forms the foundation for successful cooperation at all times.

Due to the high volatility on the financial markets, the coronavirus year made the private banking business particularly advice-intensive. Despite an extensive hygiene concept and home office regula-

tions, customer relations were successfully expanded in this challenging environment.

The focus on asset management funds set in 2019 was successfully continued in the 2020 financial year. Attractive product design and solid fund performance compared with the peer group led to significant volume growth in this segment.

In addition, digitalisation in private banking experienced a significant acceleration, which will continue in the coming years.

Also noteworthy in the 2020 financial year was an increase in individual transactions, which can be attributed to high market volatility. This increase represents a counter movement to the decline in individual transactions in financial year 2019.

The Family Office specialises in client relationship management for ultra-high-net-worth individuals, private charitable foundations and family businesses. The core competency of the Family Office is specific consideration of individual customer requirements on all financial matters. This may also include the implementation of specific topics, such as support with the acquisition or sale of a company or structuring a special financing deal.

In recent years the Family Office has established itself as a centre of expertise for absolute return deals and investments in private equity funds, pro-

viding an attractive earnings component for portfolio diversification.

The Asset, Product & Quality Management (APQM) division occupies a central role at Capital Bank with various areas of responsibility. Its main role is central asset management of client funds. The focus here is on achieving an attractive risk/income ratio depending on different risk classes. APQM also provides capital market expertise to Private Banking, e.g. through preparation of investment proposals, event-driven formulation of stock and market estimates and a newsletter which is published daily and is very popular with customers and business partners. In addition to topics specific to the capital market, the APQM deals with all questions relating to securities taxation. These services have also been provided for Bankhaus Schelhammer & Schattera Aktiengesellschaft since 2016 (referred to below as Bankhaus Schelhammer). Product Management within APQM structures and manages the in-house Performance Linked Notes. Quality Management is responsible for efficiency improvement measures and numerous projects within the private banking division at Capital Bank and Bankhaus Schelhammer. Another group within the division manages custody accounts of third-party banks and insurance companies. As of 1 October 2020, the integration of the Securities Customer Trading department added another dimension to the division's securities expertise.

The topic of charitable and non-profit-making activities is additionally handled by APQM. Aside from

the administration for the Philanthropy Austria Foundation, this also includes the provision of philanthropy advisory services. As such, Capital Bank is acting as a pioneer in Austria.

“Die Plattform” is a division of Capital Bank and the leading B2B investment fund platform in Austria. As an independent custodian bank, securities transactions are processed for clients of investment firms and investment service providers. In 2020, the bank repeatedly succeeded in taking an active role in the market consolidation in the custodian bank business and further expanded the number of custody accounts and its market leadership. Digitisation and increasing the level of automation remains an ongoing priority.

The Investment Banking business area specialises in investments in the high-yield bond segment, primarily in the USA. The long-term collaboration with the Cardinal Point Fund located in San Francisco USA also continued successfully in 2020. Although the US high yield market, as measured by the High Yield Index, ended the year with a positive performance of 6.48%, the year was marked by a dramatic price decline followed by an equally dramatic recovery of 19%. Despite the generally weak state of the central bank and state-supported economy, and activity levels still severely impacted by COVID-19, the high yield market has, in our view, evolved to a historically significant and alarming overvaluation, which has led to the highest degree of caution and investment restraint for the sector and the fund.

Capital Bank recorded significant growth of 16.3% in the lending business in the 2020 financial year, more specifically in the approved exposure including granted frameworks. Lending volume was increased to €496.1 million in the past year. The focus in the financing area here has traditionally been on securities Lombard loans and selective real estate financing.

The fact that Capital Bank and its employees are recognised as a centre of excellence in the finance sector can be seen from their frequent appearances in the relevant financial and business media. With around 2.3 mentions per week on relevant specialist topics, media presence declined slightly compared to the previous year (2020: 3.9 mentions per week). Print media accounted for around 69.4%, online media for 28.9% and social media or radio/TV for 1.7%.

Capital Bank belongs to the GRAWE Banking Group. The staff and service divisions of the banking group are organised centrally and provide services for all the institutes of the GRAWE Banking Group. As a result, significant quality and cost synergies have been realised in recent years.

In 2020, an organisational restructuring of the staff and service areas took place. All settlement areas, in particular the areas of Group banking operations and Group IT, were transferred to the newly established GBG Service GmbH. GBG Service GmbH is positioning itself as a specialist in processing banking transactions and will also offer its services to third-

party institutions. The other staff and service departments remain with the parent company, HY-PO-BANK BURGENLAND Aktiengesellschaft (hereinafter referred to as Bank Burgenland). In addition to improving governance, this measure is expected to increase employee identification with the GRAWE Banking Group.

Capital Bank constantly endeavours to ensure that the standard of training and professional development for its employees is maintained at a very high level. The advanced professional skills and qualifications of our employees, together with their commitment and our regular investment in training and development, all mean that we can look forward to the performance of our bank with a great deal of confidence, both in the coming financial year and over the longer term. Capital Bank had 130 employees as at 31 December 2020 (previous year: 172 employees). The significant decline is exclusively due to the transfer of employees from Capital Bank to GBG Service GmbH within the Group.

Capital Bank is conscious of its social responsibility as a member of society. During the year under review, it offered a large number of presentations and lectures on economic issues free of charge. In the specialist lectures delivered at universities, the bank's primary aim in all cases was to provide students with expert knowledge and give them an insight into day-to-day business practice in the banking industry. Capital Bank also provides finan-

cial support for numerous social and higher education institutions.

Essential equity investments

The investment firm Security Kapitalanlage Aktiengesellschaft (referred to as Security KAG below) has gained an outstanding reputation in its more than 30-year history. As the asset manager for the GRAWE Banking Group, it currently manages 59 funds with a value of around €5.8 billion as at 31 December 2020. Security KAG has been one of the fastest growing investment companies in Austria over the last 10 years, with institutional and private investors relying on its expertise, mainly from Austria but also increasingly from Germany. The asset manager is one of the pioneers of the Austrian sustainability scene and is one of the leading providers of sustainable mutual funds.

BK Immo Vorsorge GmbH which was established in 2009 specialises in the construction of residential property specifically aimed at buy-to-let investors, the purchase and renovation of older real estate and the design of "building contractor models" in which the investor is established as the principal construction or development contractor. The company has been able to maintain a good position in all existing market phases on the real estate market and has made an encouraging contribution to comprehensive income over the last few years. In addition, the acquisition of several properties in Vienna and Graz created a promising project pipeline for the coming years.

Capital Bank took a further step towards expansion in private equity in 2020. Accordingly, GBG Private Markets GmbH was established as a registered AIFM in order to be able to offer customers optimal access to this interesting asset class. Capital Bank continues to see great potential in the private equity sector.

Capital Bank holds a 20 per cent stake in bank99 AG, while the majority shareholder with 80 per cent is Österreichische Post AG (hereinafter referred to as ÖPAG). Bank99 AG (formerly Brüll Kallmus Bank AG) is no longer part of the GRAWE Banking Group's scope of consolidation and is accounted for at equity at Group level. Bank99 AG offers a product range focused on the retail segment, consisting of current accounts, payment transactions, credit cards, debit cards and savings products. The products are distributed via ÖPAG's branch network and online.

General economic conditions

According to current estimates by the International Monetary Fund (update to the "World Economic Outlook", January 2021), global economic output in 2020 collapsed by 3.5% as a result of the coronavirus pandemic. At -4.9%, the recession was more severe in the industrialised nations than in the emerging markets, which recorded an average decline in economic output of 2.4%. According to provisional estimates, annual economic output in the eurozone fell by 7.2%, which is significantly more than the global economy. France, Italy and Spain each recorded declines of more than nine per cent. For

the Federal Republic of Germany, the IMF expects a loss of 5.4% of the gross domestic product compared to the previous year.

Unemployment in the eurozone rose relatively moderately to 8.3% at last count (November estimate), thanks in part to short-time work programmes. This was 1.2 percentage points higher than the February figure for 2020. Inflation also fell sharply during 2020. The European Central Bank (ECB) expects an overall inflation rate of 0.2% for 2020. The decline in inflation was not only due to developments in energy prices. Prices of industrial goods also fell significantly. On the other hand, prices for food, alcohol and tobacco as well as for services increased. Among the eurozone member states, inflation ranged from -2.4% in Greece to 1.6% in Slovakia. Germany recorded an inflation rate of -0.7%, Spain -0.6%, Italy -0.3%, France 0.0% and the Netherlands +0.9%. For 2021 and 2022, the ECB expects only a moderate increase in the inflation rate to 1.0% and 1.1%, respectively.

In the wake of the coronavirus pandemic, the ECB put together a comprehensive package of measures from March onwards to prevent a liquidity shock in the eurozone. In order to provide immediate liquidity support to eurozone banks, additional long-term refinancing operations (LTROs) were conducted once a week until June at a fixed rate of -0.5% with full allotment. Starting in June, the terms of the existing targeted longer-term refinancing

operations (TLTRO III) were significantly reduced for a period of one year. Up to €3 trillion will be made available to banks through this credit line at a negative interest rate of up to -0.75% to support lending in the eurozone. In addition, to enable banks to make full use of this credit line, a package of measures has been put in place to relax the criteria for loan collateral, with a focus on smaller businesses and the self-employed. On 12 March 2020, the framework of the existing asset purchase programme (APP) was also expanded to include additional net purchases in the amount of €120 billion, with a time limit until the end of the year. A few days later, on 18 March, the Pandemic Emergency Purchase Programme (PEPP) was also launched with a total volume of €750 billion. On 9 April the Eurogroup presented a financial package worth €540 billion. Agreement on the multiannual financial framework was finally reached on 10 December. At €1,074 billion, this is the largest financial package ever in the EU. A further €750 billion are to flow into the "Next Generation EU" reconstruction fund. Just one day later, the Euro Summit agreed on the reform of the ESM Treaty, which, among other things, establishes a common ultimate guarantee for the Single Resolution Fund (SRF) in the form of an ESM credit line. At its December meeting, the ECB's Governing Council decided to increase the size of the emergency pandemic purchase programme to a total of €1,850 billion. It also extended the time horizon for net purchases under the PEPP until at least the end of March 2022.

The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility remained unchanged throughout the year at 0.00%, 0.25% and -0.50% respectively. In addition, the transition period stipulated in the withdrawal agreement with the United Kingdom ended on 31 December 2020. Britain thus left the single market and the customs union of the European Union. Just before the end of the year, an agreement was reached on future trade relations, which prevented tariffs on mutual trade.

According to IMF estimates, the economic output of the United States of America will have fallen by 3.4% in 2020. Growth of 5.1% is expected for the new year. Inflation also fell significantly in the USA in the course of the year. In December, members of the Federal Reserve expected inflation to reach 1.2% in 2020. The unemployment rate (U₃) shot up from 3.5% to 14.7% in April. However, the subsequent recovery of the labour market is also noteworthy, with the unemployment rate falling to 6.7% by the end of December. The Federal Reserve (Fed) cut the federal funds rate in March from a range of 1.5% - 1.75% to 0.0% - 0.25%. In addition, the Fed resumed unlimited asset purchases. In September, the Federal Open Market Committee (FOMC) provided new guidance on monetary policy strategy. These allow the Fed to allow the inflation rate to rise above 2% if this brings the average inflation rate over a medium-term period closer to the target rate of 2%. Moreover, the goal of full employment is prioritised over the inflation goal.

Thanks to the rapid and rigorous fight against the spread of the SARS-CoV-2 virus, China recorded a rapid economic recovery after the economic slump in the first quarter. After contracting by 10.8% in the first quarter of 2020, Chinese GDP grew again by 11.7% and 2.7% in the second and third quarters, respectively. According to IMF estimates, China will achieve economic growth of 2.3% in 2020 as a whole. Growth is expected to remain strong at 8.1% in 2021. Although China also reacted with financial policy measures, at 4.5% of economic output these were significantly lower than in Europe or the USA, for example. In the wake of the pandemic, the Chinese central bank lowered the key interest rate from 4.15% to 3.85% and supported the economy with numerous liquidity facilities. In addition, interest rates on excess reserves and reserve ratios on bank deposits were reduced. However, with the increasing recovery, the central bank has already been able to return its monetary policy to a more neutral stance.

Austria's economy was hit hard by the coronavirus pandemic. The Oesterreichische Nationalbank (OeNB) is currently forecasting a GDP decline of just under 7% for 2020 as a whole. Despite the introduction of short-time work, the number of unemployed persons increased from 301 thousand in 2019 to 410 thousand in 2020, raising the national unemployment rate from 7.4% in 2019 to 9.9% in 2020. Thanks to massive government transfers, real disposable household incomes fell by a comparatively moderate -3.0%. Due to the limited consumption possibilities and increasing economic caution,

private consumption will drop significantly by 8.8%. According to OeNB estimates, the savings rate will rise in mirror image from 8.2% in 2019 to 13.7% in 2020. The Austrian federal government provided a financial package worth €50 billion. In addition, there are additional funds for the health sector. Due to the sharp economic downturn and the extensive support measures, the budget balance deteriorates to about -9.2% of GDP in 2020. The government debt ratio rises very sharply to 83.3% and 86.4% in 2020 and 2021, respectively. The deterioration in consumer confidence also had a dampening effect on inflation in Austria. At 1.0%, however, the inflation rate in Austria - as in previous years - was well above the average for the eurozone.

Capital markets

The stock markets got off to a good start in the new year. However, as the virus began to spread globally, they reacted with sharp price drops. Between mid-February and mid-March 2020, the MSCI World Index, which tracks more than 1,600 stocks from 23 developed countries, lost about a third of its value. Individual local stock markets were hit even harder. Burdened by commodity and bank stocks, the value of Austria's leading index, the ATX, was cut in half. On 16 March, the American S&P 500 Index suffered the sharpest drop in its history in terms of points. From the end of March onwards, the monetary and financial policy measures began to take effect. With the first easing measures, the

stock markets started to rally, which should last until the end of the year. At the end of the day, the MSCI World Index was up 15.9% in US dollar terms. However, sectoral and geographical differences were high. The European stock exchanges largely lagged behind the development of the US market as well as the Asian stock exchanges. Sectorally, technology stocks were in demand. On the NASDAQ, prices rose by an average of 43.6%. Energy stocks, on the other hand, were among the big losers in the pandemic. Measured by the MSCI Energy Sector Index, energy stocks lost an average of almost 36% of their share price.

On the bond markets, the global zero interest rate environment became more entrenched. The yield on 10-year US government bonds fell from 1.92% to 0.92% in the course of the year. German government bonds with a 10-year maturity yielded -0.57% at the end of the year, 0.40 percentage points lower than at the beginning of the year. And the yield on 10-year UK bonds also fell over the year, from 1.4% to 0.54%. As bond prices move inversely to their yields, this asset class performed positively in 2020.

On the international currency markets, the devaluation of the US dollar stands out in particular. While at the beginning of the year 1.12 dollars had to be paid for one euro, by the end of the year it was 1.23 dollars. In Asia, the Japanese yen and the Chinese renminbi rose by almost 5% and 7% respectively against the US dollar. Emerging market currencies were also sold off. The Turkish lira lost a quarter of

its value against the euro. Other currencies, such as the South African rand (-12%), the Russian ruble (-23%) or the Brazilian real (-29%), also lost significantly against the euro.

Gold was again in high demand in the year of the pandemic. For investors, it was not only the "safe haven" function that made the precious metal attractive. The gold price also benefited in two ways from the Fed's expansionary monetary policy. On the one hand, the US key interest rate set opportunity costs close to zero, and on the other hand, the US dollar-denominated gold price rose on the back of the weak US dollar. The price of an ounce of gold therefore rose by 25% over the course of the year to \$1,898 an ounce.

BUSINESS DEVELOPMENT

Balance sheet

Capital Bank's total assets grew significantly in 2020 by around 15.6% from €985.4 million to €1,139.4 million. In particular, the increase in liabilities to customers (non-banks), which rose by €143.3 million to €640.7 million, had the effect of increasing the total assets. On the assets side, loans and advances to customers declined slightly by €5.8 million to €407.3 million. At the same time, the volume of own issues fell slightly to €218.6 million compared with €224.7 million in the previous year.

Own funds pursuant to Part 2 of the CRR were increased by 3.3% from €170.3 million to €175.9 million in the 2020 financial year. The required capital increased slightly by 1.6% to €79.2 million. The resulting own funds surplus amounts to €96.7 million. The own funds surplus increased by €4.4 million or 4.8% compared to the previous year. The common equity Tier 1 capital ratio improved from 22.4% in 2019 to 23.0% as of 31 December 2020. Compared to the industry, this Tier 1 capital ratio is at an exceptionally high level. The total capital ratio was also increased by 0.4 percentage points in the course of the year and stood at a solid 23.4% at the end of the year. The quotas shown are calculated on the basis of the minimum own funds requirement. Of the own funds reported of €175.9 million, 98.1% was accounted for by Tier 1 capital.

The return on equity, which is the ratio of profit for the year before taxes to equity excluding distributable profit before changes in reserves, (ROE: 2020: 11.6%; 2019: 12.5%) declined slightly compared with the previous year's level. The return on assets, the ratio of profit on ordinary activities (POA) to average total assets, fell marginally from 1.6% to 1.4% in the period under review. The return on capital employed fell from 20.1% to 18.3% over the course of the year. The return on capital employed is calculated as the ratio of profit from ordinary activities to the capital requirements.

As the focus at Capital Bank is on fee and commission business, the changes in total assets and the comparison with traditional retail banking are less important in an analysis of the bank's performance. The long-term objective of the bank is to generate returns commensurate with the risks involved in the interests of the owner and thereby to continue to increase the profitability of the business in the future.

Income statement

Capital Bank generated a profit on ordinary activities in the 2020 financial year of €14.5 million, which is therefore around €1.1 million below the previous year's level of €15.7 million. At the same time, the earnings side of the operating business expanded significantly. At €28.6 million, net fee and commission income and net financial income were significantly up on the previous year, by around 13.0%. Despite the slight decline in lending volume, net interest income remained stable at €11.4 million in the period under review.

Staff costs fell slightly by €270 thousand to €16.5 million. At the same time, other administrative expenses were reduced by 6.0% or €700 thousand to €11.0 million.

Capital Bank generated an operating profit of €16.0 million for 2020. This represents an increase of 32.6% compared to the operating profit of €12.0 million from 2019. The cost income ratio improved from 70.9% to 64.2% compared to the previous year.

In the 2020 financial year, profit on ordinary activities was burdened by a negative valuation result of €1.4 million. The valuation result of Capital Bank is made up of the release of loan loss provisions of €2.0 million, income from securities valuations of €2.1 million and write-downs of investments of €5.6 million.

Volume of client custody accounts

Capital Bank also continued to focus in the 2020 financial year on gaining market share and therefore expanding its volume of client custody accounts. After a massive price slump on the global financial markets in the first quarter of 2020, the stock markets were able to largely recover by the end of the year. In the course of the year, the volume of customer custody accounts increased by 4.1% compared to the previous year and amounted to €13.0 billion as of the reporting date.

Our subsidiary, Security KAG, recorded a moderate increase in the volume of custody accounts by 1.7% to €5.8 billion. At the same time, assets under management including own issues of the Capital Bank sub-group also increased in the year by 4.0% to €19.6 billion.

Proposed dividend

The profit from ordinary activities generated in the 2020 financial year amounted to €14.5 million. Capital Bank intends to distribute a dividend of €5.0 million to its owner, Bank Burgenland, after a resolution has been passed at the Annual General Meeting. The remainder of the annual profit will be allocated to equity in order to strengthen the own funds base even further.

OUTLOOK

After the severe recession of 2020, the IMF expects a strong growth to return in 2021 and 2022 at 5.5% and 4.2%, respectively. Growth will be particularly strong in emerging and developing countries. While the IMF expects the industrialised nations to grow by 4.3% in 2021, the growth forecasts for emerging and developing countries are 6.3%. China, in particular, will significantly improve its global economic position as a result of the coronavirus pandemic. The only G-20 country to have grown in the coronavirus year, growth will remain particularly strong in 2021 at 8.1%. Despite this growth outlook, the global economy will remain below its pre-coronavirus pandemic growth path beyond 2022. Moreover, all forecasts are subject to particularly large uncertainties. The further spread of the virus and the effectiveness and availability of vaccines are unknowns that are difficult to calculate.

It can be assumed that the economic consequential damages of the COVID-19 pandemic have only occurred to a minor extent so far. For example, Creditreform calculated in December 2020 that there were 10,981 corporate and personal insolvencies in 2020, around 31.6% fewer than in the previous year. The reason was extensive state economic aid. A sharp increase in insolvencies is therefore to be expected when the state support measures expire. Creditreform puts the number of companies at risk

of insolvency at 50,000, which poses the risk of increasing non-performing loans for financing banks.

Capital Bank addresses this risk with a continued conservative risk policy in the lending process and scenario-based stress tests of the loan portfolio.

Banks should continue to prepare for a low interest rate environment amid ongoing economic uncertainty. Costs in the industry are also expected to rise at the same time due to regulatory issues. We expect pressure to increase further on the commission business, particularly in private banking.

Capital Bank's clear objective in this context is to expand business volumes even further in order to compensate for the negative effects of rising regulatory costs and declining margins. Cost-saving measures can be expected if this objective is not achieved.

Efficiency improvements are currently being evaluated in the GRAWE Banking Group, which could have a significant impact on the structure under company law. Corresponding measures could be implemented as early as 2021.

The B2B fund platform market has been on the move for about two years. Some suppliers have already withdrawn from the market. In 2020, Capital Bank's "die plattform" succeeded in taking an active role in this consolidation phase, which is still ongoing. We are convinced that we will also be able to profit in

2021 in the form of inorganic growth and further increase the number of deposits as well as our market leadership.

In 2020, the settlement areas, first and foremost Group Banking Operations and Group IT, were bundled in the newly established GBG Service GmbH. GBG Service GmbH sees itself as a specialist for the settlement of banking business, in particular securities business.

The GRAWE Banking Group is pursuing a clear outsourcing strategy and would like to increasingly offer third party banks services from GBG Service GmbH in the future. Work is currently underway on the concrete implementation of outsourcing projects. We are convinced that we will be able to continue operating successfully on the market in future with the backing of a traditional insurance group, the strength of a broad-based banking group, our sophisticated business model and the quality and commitment of Capital Bank's employees.

Events after the reporting date

There have been no significant or consequently reportable transactions or events since the reporting date.

RISK MANAGEMENT

Risk Report

At Capital Bank, risk management is defined as a process (based on a division of labour) for identifying, measuring, monitoring and managing risks defined in the GRAWE Banking Group. A risk management system with an appropriate level of quality is seen as a significant factor if the required growth of the business is to be successfully sustained over the long term. The risk-policy principles, responsibilities as well as control principles are enshrined in the GRAWE Banking Group's risk management. The responsibilities are clearly regulated in terms of content and function.

The objectives in the risk management unit are to identify, quantify and actively manage all the risks arising in connection with banking operations (credit risk, market risk, interest-rate risk, liquidity risk and operational risk). Pursuant to the statutory provisions set out in section 30 (7) of the Austrian Banking Act (BWG), Bank Burgenland, as the parent bank, is therefore responsible for satisfying the Internal Capital Adequacy Assessment Process (ICAAP) requirements at consolidated level. Bank Burgenland's ICAAP scope of consolidation includes Bankhaus Schelhammer, including subsidiaries, Capital Bank, BB Leasing and Sopron Bank as a downstream credit institution in other EU countries. The risk strategy in the GRAWE Banking Group is

to take on standard banking risks within a defined framework and to exploit the resulting potential returns. To this end, a risk management system has been set up in the GRAWE Banking Group. This system forms the foundation for strategic bank management based on risk and returns, and therefore promotes selective growth.

At Capital Bank, risk management is a central function that takes into account the regulatory framework based on the Austrian Banking Act (BWG), the CRR, as well as various policies and guidelines, along with the nature, scope and complexity of the transactions specific to the bank and the resulting risks to which the bank is exposed. The risk management system at Capital Bank is integrated into the risk management cycle managed by the GRAWE Banking Group.

The basis for risk management in the GRAWE Banking Group is a strict segregation between front office and back office functions. The various risk management functions are brought together under the member of the Management Board responsible for risk management. The activities of the risk management units are conducted in accordance with the risk policy guidelines laid down by the Management Board. These guidelines specify how risks are to be managed and how they are to be monitored competently and in a timely manner in conjunction with the individual corporate units and the independent risk function. In application of

the principle of proportionality, the organisation of risk management reflects – both qualitatively and quantitatively – internal requirements, the business activities involved, the bank's strategy and the risk situation. Organisationally, the risk management system is located at the GRAWE Banking Group level and is also implemented for the subsidiaries under the responsibility of Bank Burgenland. The responsibilities of the risk management unit at Capital Bank include the control of market risk, liquidity risk, credit risk and operational risks, risk management for the subsidiaries of Capital Bank as well as overall control over the bank. The operational management of credit risk is carried out by the credit risk management department. The implementation of risk management for the Group involves close cooperation between the risk management unit at Bank Burgenland and Capital Bank.

Basic principles of risk management

Risks at Capital Bank are controlled and managed through a system of risk principles, risk measurement procedures, limit structures and monitoring processes.

A key underlying component of the risk management process is the risk policy. The risk policy forms part of the corporate strategy, specifies the bank's risk appetite and risk focus, and sets out the framework within which the operational risk policy targets are to be pursued. At Capital Bank, the risk policy is

determined by the Management Board taking into account the Group developments and guidelines. It covers the planned development of the business as a whole from a number of different dimensions, specifies limits for relevant risks and restricts concentration risk.

The risk policy principles represent a further component of the basic principles of risk management. The following risk policy principles have been specified as applicable throughout the Group:

- The management and all employees are committed to the risk policy principles and also make their decisions in compliance with these guidelines.
- In order to achieve a desired risk/return distribution, limits are set for the individual business areas by means of risk and/or volume targets, taking into account the company's risk-bearing capacity.
- The methods of risk assessment and measurement are designed and applied in accordance with the respective scope, complexity and risk content of the transactions. The systems must cover not only the risk arising from trading business but also any risk arising from an analysis of the bank's activities as a whole. The selection of methods should be flexible to permit sensible further development in the future.

- To ensure a consistent and coherent risk management process, uniform methods are used for risk assessment and limitation.
- As part of risk management, a suitable limit system must be used and monitored on an ongoing basis. The overall bank limits must be used to derive and specify limit systems both for the individual sub-risks and also for the individual subsidiaries. The specified risk limits must be based on the potential risk cover. However, the entire potential risk cover must not be used up in connection with the measured risks; a proportion must be held in reserve for exceptional circumstances and other risks that have not been measured.
- Risk management and controlling processes comply with current legal requirements and are adapted to changing conditions. The risk management performance indicators are also included in a system for strategic bank management.
- In the case of material types of risk that may threaten the existence of the bank, the aim is to achieve a level of risk management that is at least equivalent to that of comparable institutions in terms of structure and size ("best practice principle").
- Risk management is carried out at the GRAWE Banking Group level. In addition, every employee is encouraged to identify potential risk and initiate appropriate corrective action.

- The organisation of risk management is subject to the principle of functional separation between front office and back office and must ensure the avoidance of conflicts of interest at all decision-making levels.
- For the purpose of ongoing risk management, regular reports on the risk situation are to be submitted to the Management Board or to the decision-making bodies at Group level and at the level of the individual institutions. The relevant organisational units are responsible for risk documentation and reporting.

Another key component of the risk management system is the product approval process, which is applied when the bank launches new products or ventures into new markets. Capital Bank generally only takes on exposures in those areas of business in which it has appropriate professional knowledge or relevant experts and in which it can assess the specific risks involved and carry out suitable monitoring. When moving into new business areas or products, a key prerequisite is therefore a suitable analysis of the risks specific to the business concerned. To this end, Capital Bank has set up a product approval process, which comprises defined rules and regulations for the organisation of the procedures involved. The process determines the procedures to be followed for issues, investments in new products and entry into new markets or areas of business. When the process is implemented, it identifies the main opportunities and risks, which then serve as a basis for decision-making.

Risk management

In order to ensure there is a comprehensive, coordinated risk management system, the bank has drawn up an overall bank risk strategy and uses an overall bank risk manual together with service and work instructions as a documentation basis; it has also specified risk limits.

The overall bank risk strategy first defines general principles for risk management (basic principles, risk management process, organisation, etc.) and then set out risk strategies for each risk category. The objective of the risk manual is to meet the statutory and the business management requirements in respect of risk management. It provides support in the systematic handling of risk and enables employees and managers to systematically address the individual components of risk management. The service and work instructions, like the risk manual, have the objective of informing employees about special (risk) topics and their management in greater detail. In contrast to the risk manual, they are extremely detailed and are mostly restricted to specific individual topics.

The risk limits are defined at least once a year on the basis of the risk-bearing capacity calculation. Compliance with risk limits is continuously monitored and regularly reported to senior managers. If a limit is exceeded, limitation measures are to be decided upon in cooperation with the management board

and the respective area head in accordance with the respective risk.

The main tool used for risk management at Capital Bank is the calculation of risk-bearing capacity. In this calculation, the key risk figures from the individual types of risk are aggregated into an overall potential loss from the assumption of risk and in the same process compared against the cover assets (earnings, reserves, equity) available to be set against these potential losses. The aim of this comparison is to determine the extent to which the bank is able to sustain any unexpected losses (risk-bearing capacity). According to the risk-bearing capacity calculation, the goal is to ensure the certainty of the bank's continued existence. The Management Board decides on the overall risk strategy, which includes the allocation of the potential risk cover to the individual risk categories. The calculation of the risk-bearing capacity acts as a brake on all risky activities within the GRAWE Banking Group. The risk-bearing capacity is calculated quarterly at Group level and on an individual basis for all banks in the GRAWE Banking Group. Risk positions are also constantly monitored in order to be able to take ad-hoc risk-minimising steps when discrepancies arise.

Risk-bearing capacity is calculated using two methods: the gone concern approach, which focuses on protection for creditors, and the going-concern approach, which takes as its basis the need to ensure the problem-free continuation of the bank as a going concern.

Under the gone concern approach, the capital available to the GRAWE Banking Group for dealing with risks is the equity composed of the tier I capital, reserves and the supplementary capital, including from the profit already generated by the key date. Under the going concern approach the forecast value is taken into account in determining the risk coverage potential instead of the results already achieved. The methodology used for calculating the risks varies depending on the risk category and the selected analysis method. Credit risk (incl. consideration of risks from loans in foreign currencies and country risks), market risks in the banking book (incl. credit spread risks), operational risk, liquidity risk, investment risk, real estate risk and other types of risk as well as the macroeconomic risk are all taken into account with this. To determine the overall risk, the individual types of risk are aggregated without factoring in any adjustment for the effects of correlation between the types of risk.

The Bank took into account the mandatory reconciliation process between the quantified potential risk and the risk coverage potential available to the bank at all times during 2020. Calculations based on stress scenarios are also applied in order to assess the risks that could arise from extreme market volatility.

Management of special types of risk

All risks in the GRAWE Banking Group are considered as part of the overall bank risk management for Capital Bank. Given the bank's direction, material risk arises primarily in the areas of operational risk, investment risk, legal risk and market risk. Particular attention is given to these risks in the monitoring and management process.

Market risk

Market risk refers to potential losses that could arise from adverse changes in the market value of exposures as a result of changes in exchange rates (currency risk), share prices, indices and fund prices (equity risk), credit spreads (spread risk) and volatility (volatility risk). Risk exposures affected by market risk arise either in connection with client transactions or as a result of the conscious inclusion of such exposures in the bank's own portfolio. The main risk factors within the scope of market risk include interest-rate risk, currency risk, price risk related to variable-yield securities and price risk related to interest-bearing securities caused by credit spread.

Market risks are managed by Group Treasury, the Asset Liability Committee (ALCo), the Capital Markets Committee (KMA) and by Risk Management, which is responsible for identifying, measuring, monitoring and managing market risks in the trading and banking books. A key feature of the

organisation of treasury activities is the segregation of front office and back office functions. The bank may only take on market risk within existing limits and only in respect of authorised products. These limits are specified annually by the Management Board and the Supervisory Board taking into account the risk-bearing capacity of the bank and the limits specified for the Group. Key factors used in developing the limit structure are the desired degree of diversification in the portfolio and the trading strategy. The limits include country limits in addition to volume and exposure limits.

The bank may only conduct investments on its own account within defined limits. These limits are monitored continuously in accordance with the risk management guidelines for treasury investments. To all intents and purposes, currency risk is effectively eliminated at Capital Bank by means of currency-matched funding and the use of foreign exchange derivatives. Tight limits are imposed if foreign exchange exposures are left open.

At Capital Bank, interest-rate risk is defined as the risk of fluctuations in the price of interest-bearing securities, arising in turn from changes in capital market interest rates. Interest rate risk is managed on a Group-wide basis by Group Treasury and the Asset Liability Committee, which manages the interest rate structure while taking risks into account. On the basis of interest-rate risk statistics from the Austrian National Bank (OeNB), it is

possible to state that interest-rate risk at CAPITAL BANK – GRAWE GRUPPE AG is at a low level compared with the regulatory threshold.

A particular aspect of market risk that affects Capital Bank is the risk arising from guarantees given in connection with the securities business. Capital Bank has issued capital guarantees for products distributed by insurance companies. The PZV (prämienbegünstigte Zukunftsvorsorge) product, a special pension plan product offered in Austria with a government subsidy, is especially important in this context because Capital Bank assumes responsibility for the capital guarantee in connection with this investment product in accordance with statutory requirements (section 108 (1) no. 3 of the Austrian Income Tax Act (EStG)). The Bank has also assumed guarantees for unit-linked life insurance. Under this capital guarantee, the bank guarantees with the PZV (prämienbegünstigte Zukunftsvorsorge) product, a special pension plan product offered in Austria with a government subsidy, that the client will receive a payout that is at least equivalent to the amounts paid in plus the government subsidy. Capital guarantees and maximum level guarantees are also provided in unit-linked life insurance. The risk associated with capital guarantees is subject to greater monitoring in the risk management system. For example, before capital guarantees were issued, a corresponding product approval process was carried out, in which the product process, risk management procedures and necessary framework conditions were worked

out with all the internal departments involved as well as with external specialists. Within the capital guarantee management process at Capital Bank, trends regarding the guarantees are monitored, as are the investment criteria and the performance of the underlying funds. Stress tests are also regularly carried out for the capital guarantees in order to highlight the impact of market trends on any payment that may have to be made under the guarantee. Furthermore, meetings of a specially established guarantee committee are held on a regular basis, in which significant changes concerning the capital guarantee portfolios and the underlying funds are discussed together with Security KAG and Grazer Wechselseitige Versicherung AG. In the course of the coronavirus crisis, there were distortions on the capital market, especially in the first half of 2020, which also led to a short-term increase in the negative market values of the capital guarantee positions. The Bank had sufficient risk cover funds at all times. A further reduction in risk was achieved by adjusting guarantee commissions and increasing risk provisions. The recovery on the capital markets also led to corresponding improvements in valuations. Guarantees with a total guaranteed sum of around €170.3 million (2019: around €165.5 million) were outstanding at Capital Bank as at the reporting date. The guarantees are matched by corresponding recoverable investments. Guarantees with a total guaranteed sum of around €346.3 million (2019: around €341.5 million) were outstanding in the GRAWE Banking Group as a whole.

Operational risk

At Capital Bank, operational risk is defined in the same way as in the statutory provisions as the risk of unexpected losses caused by the inadequacies or failure of internal procedures, people or systems, or by external events, and includes legal risk. A more detailed and then aggregated measurement and management of risk should therefore be applied, for example, to breakdowns in IT systems, damage to property, processing failures, fraud, natural or other disasters and changes in the external environment. Operational risk also includes cyber risks. The term cyber risk essentially describes the risk that arises when navigating in a digital and networked world (the cyberspace). On the one hand, cyber risks exist due to the possibility of deliberate, targeted IT-supported attacks on data and IT systems. These attacks are likely to have the following consequences: violation of the confidentiality of data (e.g. loss of data, spying on data), violation of the integrity of the system or data (e.g. data corruption, possibly by means of malware), fast, massive, inexpensive and far-reaching dissemination (e.g. e-mail campaigns against companies, calls for boycotts via social media) and through "social hacking".

Such risks must be classified according to the cause of the risk so that operational risk can be identified and analysed with precision. The purpose of risk categories is to help the bank to analyse the size, cause and impact of operational events that occur.

Self-assessments are also used to support the process of ascertaining the potential risk. Loss events are recorded in a separate database on an ongoing basis. Additional risk information can be obtained from various risk indicators, such as the number and duration of system breakdowns, findings from internal audits (process risks) and the frequency of complaints and claims against the bank. The principal concern of risk management is to find an answer to the question as to whether and how an existing risk can be mitigated. The task of risk management is therefore to search for solution options and possible corrective action. The task is carried out by the department responsible for the risk, generally in collaboration with the Internal Audit and Organisation units.

The management of operational risk at Capital Bank is the responsibility of the risk management unit. The duties of the unit include classifying the risks, drawing up standard guidelines for use throughout the Group, managing the operational risk database, analysing loss events and preparing reports for the Management Board and various committees. Based on the standards applicable throughout the Group, loss events related to operational risk are assembled in one database. This database can then be used as a basis for identifying weaknesses in systems and processes and then for initiating appropriate corrective action.

The systems and structures used by Capital Bank to minimise operational risk also include internal control systems (including control systems managed by Internal Audit), clearly documented internal guidelines (work instructions), segregation of functions, the principle of double-checking by a second person, allocation and limitation of decision-making authority, together with an ongoing process of training and professional development (personnel development) to ensure that employees have the requisite skills and qualifications, which they then continue to enhance. These internal management and control measures integrated into the business processes are intended to ensure that there is an appropriate, acceptable level of risk within the bank.

In the context of operational risk, Capital Bank pays special attention to the risk associated with the provision of advice, a risk that arises particularly in the private banking business. To manage this risk, the bank has developed special risk management procedures that have now been used for a number of years in the private banking business and have been refined over the course of time. The main focus of the risk strategy in this case is to discover any possible errors in advice or undesirable developments at an early stage and identify associated advisory or reputational risks. Regular meetings also take place with the market divisions and the Management Board as part of these risk management activities.

Capital Bank uses the basic indicator approach for the capital backing of operational risk in accordance with Basel III.

Credit risk

At Capital Bank, credit risk is defined as the default risk that arises in connection with loans and advances not evidenced by certificates and loans and advances evidenced by certificates (securities) to third parties. The risk is that these loans and advances may not be repaid in full or on time to Capital Bank. The situation may arise from developments at individual counterparties or from general problems affecting a large number of counterparties. Credit risk may also arise from particular types of product design or types of business. Expert management of all credit risks is the responsibility of the credit management unit. This unit carries out the banking operations on the assets side of the balance sheet at an operational level. The tasks include checking all finance applications from the perspectives of risk and credit quality in accordance with the relevant guidelines, reviewing compliance with measurement and assessment guidelines and identifying any early warning indicators. At Capital Bank, risk in the lending business is managed in accordance with the principles agreed by the Management Board and specified in the credit risk manual. These guidelines meet the minimum standards for lending business issued by the Austrian Financial Market Authority (FMA) and are updated if there are any

legal or other changes affecting this type of business. The basic principles of lending business at Capital Bank include a clear credit and associated risk policy. The detailed risk assessment for each loan commitment, in particular the customer's creditworthiness rating, is very important as part of the process for approving loans. Each loan decision is based on a thorough analysis of the loan commitment, including an assessment of all relevant influencing factors. Following the initial loan application the Bank's loan commitments are generally monitored once per year.

The risk management unit is responsible for identifying, measuring, assembling, planning, managing and monitoring the overall credit risk portfolio. The total lending exposure (loans and advances to clients including securities) and the breakdown of the risk volume by currency, risk category and country is regularly reported to the Management Board. Stress scenarios are also defined for the credit exposure which inter alia simulate a deterioration in the collateral situation. In addition, concentrations in the securities furnished as collateral are continuously analysed in order to highlight any resulting cluster or concentration risk. Credit risk data from Capital Bank is also fed into the analysis and assessment of the credit risk for the whole of the Group.

To manage country risk, country limits have been set both at Group and individual bank levels. Capital Bank has laid down guidelines for the approval of counterparties with the aim of minimising counter-

party risk. The risk management unit is responsible for vetting new trading partners. The unit carries out checks on new partners and approves them using internal criteria.

In the course of the COVID-19 crisis, deferments were granted by the bank in the credit area. These were marked accordingly in accordance with the legal and regulatory requirements. At Capital Bank, these were of minor importance in terms of number, at 5 units and with a share of 4.8% of approved customer exposure. As of the reporting date, there was still a single deferral for a volume of €0.3 million. In order to reduce credit risk, general loan loss provisions were increased from a macroeconomic perspective for sectors particularly affected by COVID-19 by adjusting the risk parameters. Reference is also made to the description of macroeconomic risk.

Investment and real estate risk

The investment risk represents a special form of credit risk and includes the risk of a need for depreciation or write down of the carrying amount of the equity investments. It describes the risk that the investments made may result in potential losses (as a result of a lack of a dividend, partial depreciation, losses made on sales or a reduction in undisclosed reserves) from equity provided, from profit-transfer agreements (assumption of losses) or from liability risks (e.g. letters of comfort). The term investment risk at Capital Bank covers risks from equity investments similar to loans on the one hand and risks from the investment in bank99 AG on the other. Risks from stocks, investment fund units and other investment securities on the other hand are stated under market risks. The real estate risk arises from fluctuations in market prices for real estate.

Capital Bank's investment commitment consists primarily of the investment in Security KAG, BK Immo GmbH and the investment in bank99 AG. The real estate risk is a subordinate risk category. The GRAWE Banking Group has set up its own department for managing equity investments and real estate.

Liquidity risk

Liquidity risk encompasses both insolvency risk and liquidity maturity transformation risk. The aim of managing liquidity risk is to ensure that the bank can meet its payment obligations by the due date at all times without having to incur unacceptably high costs.

The group treasury function together with cash pooling for the entire banking group is the responsibility of Group Treasury at Bank Burgenland. Liquidity risk is managed centrally for the entire banking group in the Asset Liability Committee (ALCo), which meets regularly.

Making provision for an unforeseeable increased need for liquidity is guaranteed through maintaining a sufficient portfolio of liquid assets which can be used for liquidity procurement at short notice. The amount of the liquidity buffer is determined based on the liquidity simulations for various scenarios which are regularly reported to the Management Board. Capital Bank had sufficient liquidity at its disposal at all times in 2020 and was above the key figures required under supervisory law at all times.

Macroeconomic risk

Macroeconomic risk arises from an economic deterioration as part of the traditional economic cycle and a potential increase in the accompanying risk parameters. Macroeconomic risk is factored into the bank's risk calculations so that it would have sufficient aggregate risk cover even after such a period of deterioration without the need for massive intervention and corrective measures. The quantification of the risk assumes a contraction in GDP which is then reflected in a deterioration in default rates. Credit risk is recalculated using these modified parameters and the difference compared with the original credit risk represents the macroeconomic risk. An adjustment of the parameters for macroeconomic risk in the risk-bearing capacity calculation due to the COVID-19 crisis was carried out for sectors that were particularly affected.

Other risks

The main risks included within other risks are business risk, strategic risk and also reputational risk. These risks are factored into the calculation of risk-bearing capacity in the form of a capital buffer. Business risk is defined as the risk of a loss from a negative trend in the economic environment and in the bank's business relationships. Business risk may arise primarily from a significant deterioration in market conditions, from changes in the competitive position or from changes in client behaviour. This

can lead to a sustained fall in earnings and thus a decrease in enterprise value.

Responsibility for strategic corporate management lies with the Management Board of Capital Bank. The management of business risk is the responsibility of those business units that focus particularly on increasing the volume of assets under management and thus on enhancing earnings capacity. Decisions on the fundamental direction and development of the Bank's business activities harbour a risk that the consequences in terms of attaining long-term corporate objectives may include a range of problems from undesirable developments to a complete failure to achieve objectives.

Summary and outlook

At Capital Bank, suitable action is taken to limit and minimise all material risks. An analysis of risk-bearing capacity is carried out in which all the measurable risks throughout the whole of the bank are aggregated. The measures to limit risk also include a suitable limit system and the calculation of different key risk indicators.

Capital Bank will continue to conduct its business activities in 2021 in line with its chosen risk strategy. One of the key areas of focus in risk management activities will be the ongoing further development of risk methods, systems and management in the GRAWE Banking Group. Given the special nature of the business model at Capital Bank, risk monitoring in the private banking business will also continue to be a focus of risk management activities. In addition to this focal area, the ongoing ICAAP and ILAAP processes, capital guarantees, the extension of documentation requirements, the internal control system and continuous improvements to existing risk management activities will all represent further tasks for risk management. Another focus in 2021 will also be the preparatory work for the implementation of CRR II in the form of a joint project in the booking community of the computing centre and the implementation of the EBA Loan Origination Guideline. Developing management tools, supporting the professional training of employees and ensuring

continuous development in internal risk quantification methods will also remain priorities for 2021.

Graz, 26 February 2021

CAPITAL BANK – GRAWE GRUPPE AG



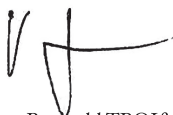
Christian JAUK, MBA MAS



Mag. Constantin VEYDER-MALBERG



Wolfgang DORNER



Mag. Berthold TROIß, LL.M.

01. PROFIT FROM ORDINARY ACTIVITIES IN € THOUSANDS

	2004: 14,830
	2005: 15,961
	2006: 16,840
	2007: 17,663
I	2008: 175
	2009: 5,451
	2010: 7,088
	2011: 6,905
	2012: 7,181
	2013: 7,661
	2014: 29,551
	2015: 10,845
	2016: 11,110
	2017: 17,301
	2018: 17,394
	2019: 15,668
	2020: 14,520

02. TOTAL ASSETS IN € THOUSANDS

	2004: 225,975
	2005: 389,054
	2006: 563,684
	2007: 735,829
	2008: 731,082
	2009: 653,309
	2010: 679,772
	2011: 704,449
	2012: 833,990
	2013: 920,513
	2014: 933,233
	2015: 882,830
	2016: 847,896
	2017: 935,480
	2018: 964,741
	2019: 985,386
	2020: 1,139,362

03. OPERATING PROFIT IN € THOUSANDS

	2004: 26,666
	2005: 25,858
	2006: 21,901
	2007: 22,558
	2008: 11,781
	2009: 9,260
	2010: 10,390
	2011: 12,879
	2012: 13,222
	2013: 14,101
	2014: 20,429
	2015: 16,725
	2016: 15,559
	2017: 14,910
	2018: 14,746
	2019: 12,041
	2020: 15,960

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

	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
	2013: 11,679
	2014: 12,932
	2015: 13,392
	2016: 15,811
	2017: 17,453
	2018: 17,270
	2019: 18,852
	2020: 19,599

05. OPERATING INCOME IN € MILLIONS

	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
	2013:	36.0
	2014:	43.9
	2015:	40.8
	2016:	40.6
	2017:	41.0
	2018:	42.8
	2019:	41.4
	2020:	44.5

06. NET INTEREST INCOME IN € THOUSANDS

	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
	2013:	6,991
	2014:	7,949
	2015:	9,854
	2016:	9,855
	2017:	9,179
	2018:	10,550
	2019:	11,365
	2020:	11,424

07. PERSONNEL EXPENSES IN € MILLIONS

	2004:	11.2
	2005:	13.2
	2006:	16.3
	2007:	15.5
	2008:	11.1
	2009:	11.0
	2010:	12.0
	2011:	12.8
	2012:	13.3
	2013:	13.6
	2014:	14.8
	2015:	14.7
	2016:	15.6
	2017:	15.9
	2018:	16.4
	2019:	16.7
	2020:	16.5

Report by the Supervisory Board

The Supervisory Board monitored the Management Board in 2020 and endorsed its activities on the basis of four meetings of the Supervisory Board to which the Management Board submitted reports and documents as well as on the basis of repeated contact between the two boards.

The annual financial statements for 2020 and the annual report, to the extent that it provides explanations for the annual financial statements, were audited by KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH, 1090 Vienna. This audit did not give cause for any reservations and the auditors issued an unqualified audit certificate.

The Supervisory Board has acknowledged the report and proposal for the appropriation of profits submitted by the Management Board and has reviewed and approved the annual financial statements for the year ended 31 December 2020. These annual financial statements have therefore been formally adopted pursuant to section 96 (4) of the Austrian Stock Corporation Act (AktG).

The Supervisory Board would like to take this opportunity to thank all customers for their confidence in Capital Bank – GRAWE Gruppe AG and to express its gratitude to the Management Board and all employees for their contributions in 2020.

Graz, April 2021



Dr. Othmar Ederer
Chairman of the Supervisory Board

**STATEMENT OF FINANCIAL POSITION
OF CAPITAL BANK – GRAWE GRUPPE AG**

08. BALANCE SHEET OF CAPITAL BANK – GRAWE GRUPPE AG
AS AT 31.12.2020

ASSETS

	31.12.2020		31.12.2019	
	€	€	€ '000	€ '000
1. Cash in hand, balances with central banks		170,428,158.97		77,756
2. Treasury bills and other bills eligible for refinancing with central banks		17,558,269.06		17,683
Treasury bills and similar securities	17,558,269.06		17,683	
3. Loans and advances to credit institutions		273,252,863.23		198,008
a) Repayable on demand	83,821,013.42		65,492	
b) Other loans and advances	189,431,849.81		132,516	
4. Loans and advances to customers		407,299,216.86		413,146
5. Debt securities including fixed-income securities		33,035,866.98		50,971
a) issued by public bodies	1,231,750.00		16,010	
b) issued by other borrowers	31,804,116.98		34,961	
6. Shares and other variable-yield securities		89,464,645.28		79,816
7. Participating interests		12,112,263.61		12,679
showing separately: Participating interests in credit institutions	11,854,215.01		12,004	
8. Shares in affiliated undertakings		11,922,255.30		11,707
showing separately: Shares in credit institutions	10,900,925.13		10,901	
9. Intangible fixed assets		126,968.22		147
10. Tangible assets		941,816.98		998
11. Other assets		111,274,639.77		111,774
12. Prepayments and accrued income		463,307.17		595
13. Deferred tax assets		11,481,478.95		10,106
TOTAL ASSETS		1,139,361,750.38		985,386
Off-balance sheet items				
1. Foreign assets		363,239,996.25		371,980

LIABILITIES

		31.12.2020		31.12.2019
	€	€	€ '000	€ '000
1. Liabilities to credit institutions		22,123,150.41		16,396
a) Repayable on demand	8,048,804.61		5,732	
b) With agreed maturity dates or periods of notice	14,074,345.80		10,664	
2. Liabilities to customers (non-banks)		640,727,285.27		497,409
a) Savings deposits	2,030,402.59		2,411	
aa) Repayable on demand	1,858,393.08		2,238	
bb) With agreed maturity or notice period	172,009.51		172	
b) Other liabilities	638,696,882.68		494,998	
aa) Repayable on demand	610,953,143.24		414,577	
bb) With agreed maturity or notice period	27,743,739.44		80,421	
3. Securitised liabilities		218,581,586.20		224,669
Other securitised liabilities	218,581,586.20		224,669	
4. Other liabilities		36,717,844.49		33,620
5. Accruals and deferred income		952,557.36		2,520
6. Provisions		35,813,664.42		32,899
a) Provisions for severance payments	8,126,886.65		8,426	
b) Provisions for pensions	865,031.00		668	
c) Provisions for taxation	0.00		0	
d) Other provisions	26,821,746.77		23,805	
7. Subscribed capital		10,000,000.00		10,000
8. Capital reserves		55,915,661.65		55,916
a) Committed	35,082,987.22		35,083	
b) Uncommitted	20,832,674.43		20,833	
9. Retained earnings		48,096,218.77		48,096
a) Legal reserve	1,504,504.45		1,505	
b) Other reserves	46,591,714.32		46,592	
10. Liability reserve pursuant to Article 57 para. 5 BWG		11,127,000.00		11,127
11. Net profit or loss for the year		59,306,781.81		52,734
a) Profit or loss brought forward	47,734,395.92		40,229	
b) Net profit for the year	11,572,385.89		12,505	
TOTAL LIABILITIES		1,139,361,750.38		985,386

	31.12.2020 €	31.12.2019 € '000
Off-balance sheet items		
1. Contingent liabilities		
Guarantees and assets pledged as collateral security	16,779,275.14	15,881
2. Commitments	51,240,662.98	53,417
3. Commitments arising from repurchase transactions	29,091,617.05	24,283
4. Eligible capital in accordance with Part Two of Regulation (EU) No 575/2013	175,948,646.30	170,300
of which Tier 2 capital pursuant to Part Two, Title I Chapter 4 of Regulation (EU) No 575/2013	3,386,000.00	5,079
5. The own funds requirements as defined in Article 92 of Regulation (EU) No 575/2013	751,723,160.00	739,049
of which: own funds requirements pursuant to Article 92(1)(a) to (c) of Regulation (EU) No 575/2013		
a) Common equity tier 1 capital ratio	22.96%	22.4%
b) Tier 1 capital ratio	22.96%	22.4%
c) Total capital ratio	23.41%	23.0%
6. Foreign liabilities	82,235,253.22	88,580

**INCOME STATEMENT
OF CAPITAL BANK – GRAWE GRUPPE AG**

9. CAPITAL BANK - GRAWE GRUPPE AG SUBGROUP
CONSOLIDATED INCOME STATEMENT FOR THE 2020 FINANCIAL YEAR

	€	2020 €	€ '000	2019 € '000
1. Interest receivable and similar income		11,928,511.18		11,960
showing separately: from fixed-income securities	898,477.53		909	
2. Interest payable and similar expenses		-505,006.35		-594
I. NET INTEREST INCOME		11,423,504.83		11,365
3. Income from securities and participating interests		1,764,329.99		2,413
a) Income from shares and other variable-yield securities	464,303.53		1,113	
b) Income from participating interests	26.46		0	
c) Income from shares in affiliated undertakings	1,300,000.00		1,300	
4. Commissions receivable		66,626,649.97		58,522
5. Commissions payable		-38,732,346.67		-32,529
6. Net profit or net loss on financial operations		742,587.76		-657
7. Other operating income		2,709,377.07		2,301
II. OPERATING INCOME		44,534,102.95		41,416
8. General administrative expenses		-27,455,982.75		-28,426
a) Staff costs	-16,475,524.02		-16,745	
aa) Wages and salaries	-13,217,995.38		-13,044	
bb) Expenses for statutory social contributions and compulsory contributions related to wages and salaries	-2,189,360.68		-2,158	
cc) Other social expenses	-118,586.78		-132	
dd) Expenses for pensions and assistance	-231,875.09		-207	
ee) Allocation to provisions for pensions	-197,009.00		-28	
ff) Expenses for severance payments and contributions to severance and retirement funds	-520,697.09		-1,175	
b) Other administrative expenses	-10,980,458.73		-11,681	
9. Value adjustments in respect of asset items 9 and 10		-536,899.51		-606
10. Other operating expenses		-580,896.30		-342
III. OPERATING EXPENSES		-28,573,778.56		-29,375

IV.	OPERATING RESULT	15,960,324.39	12,041
11./12.	Balance from the sale and the valuation of loans and securities and provisions for contingent liabilities	4,126,597.96	3,622
13./14.	Balance from the sale and the valuation of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	-5,566,427.57	5
V.	PROFIT OR LOSS ON ORDINARY ACTIVITIES	14,520,494.78	15,668
15.	Tax on profit or loss	-2,839,556.75	-3,044
16.	Other taxes not reported under item 15	-108,552.14	-119
VI.	PROFIT OR LOSS FOR THE YEAR AFTER TAX	11,572,385.89	12,505
17.	Changes in reserves	0.00	0,00
VII.	NET INCOME FOR THE YEAR	11,572,385.89	12,505
18.	Profit or loss brought forward	47,734,395.92	40,229
VIII.	NET PROFIT OR LOSS FOR THE YEAR	59,306,781.81	52,734

10. CAPITAL AND CAPITAL REQUIREMENT IN € THOUSANDS

	CAPITAL BANK – GRAWE GRUPPE AG		
	2020	2019	2018
Tier 1 capital	172,563	165,221	156,111
Subscribed capital	10,000	10,000	10,000
Capital reserves	55,916	55,916	55,916
Retained income	48,096	48,096	48,096
Retained earnings	47,734	40,229	31,294
Liability reserve	11,127	11,127	11,127
Intangible assets	-127	-147	-323
Fair Value Valuation Adjustment	-184	0	0
Supplemental elements (Tier 2)	3,386	5,079	6,772
Hidden reserves pursuant to Section 57 (1) BWG	3,386	5,079	6,772
Revaluation reserve	0	0	0
Deductions	0	0	0
Eligible capital	175,949	170,300	162,883
Risk amount for			
Credit risk	662,306	652,107	526,658
CVA risk	0	14	0
Trading book	0	0	1,363
Foreign currency risk	8,947	8,691	2,382
Operational risk	80,470	78,237	77,736
Total risk amount	751,723	739,049	608,139
Total capital ratio	23.4%	23.0%	26.8%
Tier 1 capital ratio	23.0%	22.4%	25.7%
Common equity tier 1 capital ratio	23.0%	22.4%	25.7%

**SCHEDULE OF ASSETS
OF CAPITAL BANK AS AT 31.12.2020**

11. NON-CURRENT ASSETS ACCOURDING § 226 (1) UGB OF THE FINANCIAL YEAR 2020

in €	Acquisition and production costs				
	01.01.2020	Additions	Transfers	Disposals	31.12.2020
2. Treasury bills and other bills eligible for refinancing with central banks	13,259,190.00	0.00	991,510.00	1,501,740.00	12,748,960.00
3. b) Other loans and advances to credit institutions	990,215.00	0.00	0.00	990,215.00	0.00
5. a) Debt securities including fixed-income securities issued by public bodies	497,500.00	0.00	0.00	497,500.00	0.00
b) Debt securities including fixed-income securities issued by other borrowers	8,895,142.50	1,190,976.00	-991,510.00	2,326,242.50	6,768,366.00
6. Shares and other variable-yield securities	9,963,960.65	0.00	0.00	0.00	9,963,960.65
7. Participating interests	12,788,415.65	5,000,000.00	0.00	507.00	17,787,908.65
8. Investments in participations and subsidiaries	12,007,255.30	215,000.00	0.00	0.00	12,222,255.30
9. Intangible fixed assets	1,858,209.6	90,180.00	0.00	0.00	1,948,389.60
10. Tangible assets	6,746,211.68	311,881.96	0.00	280,379.41	6,777,714.23
TOTAL NON-CURRENT ASSETS	67,006,100.38	6,808,037.96	0.00	5,596,583.91	68,217,554.43

Accumulated depreciation and amortisation						Net book values	
01.01.2020	Additions	Appre- ciation	Transfers	Disposals	31.12.2020	Book value 31.12.2020	Book value 31.12.2019
155,764.23	42,731.30	0.00	0.00	28,310.25	170,185.28	12,578,774.72	13,103,425.77
0.00	9,785.00	0.00	0.00	9,785.00	0.00	0.00	990,215.00
0.00	2,500.00	0.00	0.00	2,500.00	0.00	0.00	497,500.00
36,961.66	24,279.56	0.00	0.00	27,307.04	33,934.18	6,734,431.82	8,858,180.84
-586,488.16	0.00	376,126.89	0.00	0.00	-210,361.27	10,174,321.92	10,550,448.81
109,417.47	5,566,227.57		0.00	0.00	5,675,645.04	12,112,263.61	12,678,998.18
300,000.00	0.00	0.00	0.00	0.00	300,000.00	11,922,255.30	11,707,255.30
1,711,015.34	110,406.04	0.00	0.00	0.00	1,821,421.38	126,968.22	147,194.26
5,748,649.61	367,627.05	0.00	0.00	280,379.41	5,835,897.25	941,816.98	997,562.07
7,475,320.15	6,123,556.52	376,126.89	0.00	348,281.70	13,626,721.86	54,590,832.57	59,530,780.23

STATEMENT OF CASH FLOWS

	31.12.2020 €	31.12.2019 €
Profit from ordinary activities	14,520	15,668
Non-cash items contained in the profit for the year		
Write-downs/write-ups of assets in the investment area	6,500	544
Loss/profit from the disposal of assets in the investment area	-60	-41
Allocation/reversal of risk provisions and other provisions	11,329	11,810
Other (non-) cash expense/income items	-2,540	-2,942
Cash flow from profit or loss	29,749	25,038
Change in assets and liabilities from operations following adjustments for non-cash components		
Loans and advances to credit institutions	-76,459	30,871
Loans and advances to customers	7,844	-76,723
Securities	4,752	6,769
Other assets from operating activities	-745	-6,486
Liabilities to credit institutions	5,725	-5,918
Liabilities to customers	143,375	20,878
Securitised liabilities	-6,087	-4,092
Other liabilities from operating activities	-8,870	-9,497
Income taxes and other taxes	-155	119
Cash flow from operating activities	99,129	-19,042
Cash inflow from the sale or redemption of		
Financial assets	5,248	2,500
Intangible assets and tangible assets	61	42
Cash outflow due to investments in		
Financial assets	-6,406	-1,603
Intangible assets and tangible assets	-402	-363
Other changes	42	34
Cash flow from investing activities	-1,457	609

	31.12.2020 €	31.12.2019 €
Dividend payments	0	-5,000
Other changes ¹⁾	-5,000	0
Cash flow from financing activities	-5,000	-5,000
Cash and cash equivalents at the end of the previous period	77,756	101,189
Cash flow from operating activities	99,129	-19,042
Cash flow from investing activities	-1,457	609
Cash flow from financing activities	-5,000	-5,000
Cash and cash equivalents at the end of the period (Cash in hand, balances with central banks)	170,428	77,756

1) In accordance with the EBA and FMA regulations regarding to Covid-19 the dividend 2019 was not distributed. It was booked as a liability to the parent company HYPO-BANK BURGENLAND Aktiengesellschaft.

NOTES FOR THE 2020 FINANCIAL YEAR

I. GENERAL

CAPITAL BANK – GRAWE GRUPPE AG (referred to below as Capital Bank) operates as a partner for all capital market participants, including private monthly savers, small and medium-sized enterprises and institutional investors. Our range of services includes both investment and the procurement of capital.

Capital Bank is a subsidiary of HYPO-BANK BURGENLAND Aktiengesellschaft (referred to below as Bank Burgenland), which acts as the parent bank in the banking group. Key subsidiaries of Capital Bank include investments in Brüll Kallmus Bank AG (previously Brüll Kallmus, referred to below as bank99) and Security Kapitalanlage Aktiengesellschaft (referred to below as Security KAG).

The ultimate parent company that prepares the consolidated financial statements for the greatest number of entities is GRAWE-Vermögensverwaltung in Graz. The consolidated financial statements are published at the registered office of the ultimate parent company. The parent company that prepares the consolidated financial statements for the banking group of entities is Bank Burgenland, Eisenstadt. The consolidated financial statements of Bank Burgenland are submitted to the Eisenstadt regional court.

The previous year's figures compared to the 2020 financial year and the reporting date of 31 December 2020 are shown in brackets. The annual financial statements of Capital Bank have been prepared in accordance with the provisions of the Austrian Banking Act (BWG) as amended and also – where applicable – in accordance with the provisions of the Austrian Commercial Code (UGB). The statement of financial position and the income statement have been structured in accordance with the templates included in annex 2 to Article I of section 43 of the BWG.

Explanations on the COVID-19 pandemic and its impact on the bank's financial statements can be found under II. General Descriptions and Loans and Advances, Customers, III. and VII.

II. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with the principles of proper accounting and the general standard of providing a true and fair view of the company's assets, financial position and earnings.

In preparing the annual financial statements the principle of completeness has been observed.

The company was assumed to be a going concern for valuation purposes.

The principle of individual valuation was applied to assets and liabilities.

The principle of prudence was applied, in particular by only showing profits realised as at the balance sheet date. All identifiable risks and impending losses that arose in 2020 or in an earlier financial year have been recognised in the financial statements.

Estimates are based on a prudent assessment. If there was past experience from similar circumstances available that could be established statistically, the company took it into account when making estimates.

The accounting policies previously applied have been retained. COVID-19 impacts were considered as part of the changes in estimates. The currently assessable

effects of the fallout from the COVID-19 crisis have no negative impact on the net assets, financial position and results of operations and thus on the going concern of the company.

Currency translation

Amounts in foreign currencies are converted at middle rates (reference rates of the European Central Bank) pursuant to section 58(1) of the Austrian Banking Act (BWG). Currency forward agreements have been measured using the forward rate as at the reporting date.

Securities

Securities held as current assets are valued strictly at the lower of cost or market.

Securities permanently dedicated to business operations (financial assets) are valued at the moderate lower of cost or market principle. The difference between higher cost and a lower repayment amount is written off on a pro rata basis over the remaining term.

When repurchasing issued own bonds, they are offset against the liabilities evidenced by certificates.

Loans and advances to banks and customers

As a matter of principle, loans and advances are stated at their nominal value. At each reporting date,

the extent to which there is objective evidence of impairment of a financial asset or group of financial assets is assessed. Individual write-downs or provisions for contingent liabilities are formed for identifiable commitments.

As part of its credit monitoring activities, the Bank continuously checks whether default events exist for credit exposures and whether specific risk provisions have to be formed as a result. The Bank calculates a specific valuation allowance for defaulted and individually significant loans based on expected recoveries. For loans which are not significant on their own, the calculation of the specific loan loss provision is based on statistical assumptions and experience, taking existing collateral into account.

General loan loss provisions are established for all loans not classified as impaired, depending on their respective risk profile. The calculation takes into account historical default rates per rating level, taking into account existing collateral and parameters based on statistical assumptions and empirical values.

The current impact of the COVID-19 pandemic on the loan portfolio is taken into account accordingly in the current statistical assumptions and empirical values on which the valuation is based in accordance with section 201 (2) (7) UGB.

In calculating the allowances, the COVID-19 pandemic was taken into account and the probabilities

of default (PDs or ratings) for vulnerable sectors were adjusted and the recognition period (LIP factor) was also increased from six months to one year. In accordance with AFRAC Statement 14, contract adjustments that were not contractually agreed in advance must be reflected in the statement of financial position. Quantitative and qualitative criteria are used to assess whether the adjustment is significant or non-significant. A significant modification is determined quantitatively by a present value comparison or qualitatively by assessing the change in the risk inherent in the financial instrument. In this case, a gain or loss on disposal is recognised in profit or loss if the carrying amount of the debt instrument before the contract adjustment differs from the fair value of the debt instrument after the contract adjustment. In the case of non-significant contractual changes, the debt instruments are valued in accordance with the general valuation principles under company law.

Both voluntary and statutory moratoria were granted in the wake of the COVID-19 pandemic. In principle, significant contract adjustments result in a disposal gain or loss that must be recognised in the balance sheet. If the significant modification is for reasons of credit quality, there is usually no gain or loss on disposal because an impairment loss must first be recognised to carry the asset at its lower value. In the case of non-significant contractual changes, the debt instruments are valued in accordance with the general valuation principles under company law.

In December 2020, an amendment to the law regarding processing fees for consumer and mortgage loans was passed. This means that processing fees, if they are calculated as a function of the nominal value of the loan, must be spread over the term of the loan. The change in the law does not lead to any adjustment of business activities, but the relevant processing fees will be collected in the bank on a distributed basis in the future.

Equity investments, shares in affiliated companies

Equity investments and shares in affiliated companies are valued at cost unless there has been permanent impairment from sustained losses which makes devaluation necessary. Write-downs are implemented if the reasons for the unscheduled depreciation or amortisation no longer apply.

Participating interests are generally carried at cost unless there are reasons for a permanent impairment requiring a write-down. In order to determine any need for impairment, the discounted cash flow method or the capitalised earnings value method based on potential distributions is primarily used for participating interests in the course of the impairment test in accordance with the expert opinion KFS/BW 1. These company values are based on the internal planning and earnings expectations of the respective management.

The DCF method used is divided into two phases:

Phase 1: The cash flows based on medium-term and long-term planning are discounted using a discount rate.

Phase 2: A perpetual annuity is calculated on the basis of the last plan year, taking into account a growth discount.

The discount rate used comprises a risk-free interest rate based on long-term government bonds and an equity risk premium with a country-specific risk surcharge.

Intangible fixed assets and property and equipment

Buildings and office and operating equipment are measured at cost and reduced by depreciation. Depreciation is recognised on a straight-line basis. Low-value assets are written off in full in the year of acquisition.

It is valued at acquisition or production cost less scheduled depreciation or amortisation. Depreciation rates for immovable assets ranged from 6.67% to 10% p.a., and for movable assets from 5.00% to 50.00% p.a. A full year's depreciation is recognised for additions in the first half of the financial year, but only half of a year's depreciation for additions in the second half of the financial year.

Intangible fixed assets solely comprise purchased software. Straight-line depreciation is applied with rates from 14.29% to 33.3% per annum.

Other assets

The other assets are recognised at cost or, in the event of any permanent impairment, at the lower fair value as at the reporting date. Underlying investments included in the other assets that form a valuation unit with liabilities evidenced by certificates are measured at fair value.

Liabilities

Liabilities are generally carried at the higher of nominal value or repayment amount.

Liabilities evidenced by certificates include items for which the settlement amount depends on the price of the defined underlying instrument. Derivatives and collateral instruments were, in accordance with corporate law, balanced in valuation units that are formed between underlying investments and liabilities evidenced by certificates if the documented hedging purpose was available and the material and formal conditions were met. All risks from the underlying investments were taken into account via the calculations of the redemption amount of the liabilities evidenced by certificates and were therefore hedged. The effectiveness of the hedging relationship is measured using the dollar offset method. The formation of valuation units results in the fact that the assets and derivatives stated in various items and the liabilities evidenced by certificates with which the valuation units were formed are accounted for at their fair market value.

The remaining liabilities are recognised at their settlement amount.

Provisions

All identifiable risks and impending losses are taken into account in accordance with legal requirements when measuring the provisions.

All provisions for social capital (provisions for pensions, severance payments and anniversary bonuses) are calculated in accordance with IAS 19 – Employee Benefits – using the projected unit credit method.

The calculation of the need for provisions for severance payments and anniversary bonuses was carried out in accordance with AVÖ 2018-P Rechnungsgrundlagen für die Pensionsversicherung, taking into account the currently valid principles of the International Financial Reporting Standards.

On the basis of high-quality corporate bonds, a long-term capital market interest rate of 0.70% (0.85%) was used to value the pension provisions on the reporting date. The long-term capital market interest rate of 0.70% (0.90%) was used to calculate the provisions for severance compensation and anniversary bonuses. Future salary trends were assumed to be 4.00% (4.00%) and future pension increases 2.00% (2.00%). Deductions for fluctuations depending on the length of service were taken into account when calculating the provision for anniversary bonuses. The assumed retirement age was 60 years for women and 65 years for men. The interest expense arising when assessing the necessary

settlement amount of the provisions is included in personnel expenses.

The bank made use of the election option available under section 57 (1) BWG in the 2020 annual financial statements in the same way as in the previous year.

Derivatives

Derivatives are accounted for in accordance with the principle of the individual valuation method. Valuation units are formed if there is a documented purpose regarding the hedging of an underlying transaction (assets, liabilities along with pending transactions) and if the material and formal conditions are met with banking book derivatives.

The underlying transactions used for hedging are customer transactions on the assets side and securities in equity as well as own issues on the liabilities side. Hedges are based on the individual transactions (micro hedging relationships). The risks to be collateralised relate to the interest rate risk and the currency risk. They are managed primarily through swaps and currency forward agreements. The hedging period is essentially identical to the term of the underlying transaction.

Effectiveness is measured almost exclusively in a simplified manner (critical term match), since all parameters for the underlying transaction and the hedging transaction (in particular the term, nominal

value and interest) which determine the extent of the hedged value changes are identical but contrary with the hedging relationships used. This is seen as an indicator of a completely effective hedging relationship. For the remaining hedging relationships the effectiveness is determined using the dollar offset method.

Capital guarantees are accounted for as derivatives. With these products, the relevant beneficiary under the guarantee has the guarantee that the amount available for disbursement after the binding period has expired will not be lower than the total amount of amounts paid in by the taxpayer plus the government premiums credited for this taxpayer pursuant to section 108g of the EStG.

Products with a capital guarantee from the pension provisions and unit-linked life insurance are presented as short-put options in the relevant guaranteed fund. The three essential unobservable internal input factors are the estimated lapse rate of existing contracts, the long-term (target) volatilities of the guarantee funds and the estimated expected return of the guarantee funds. The lapse rates used in the model are estimates by the experts from Grazer Wechselseitige Versicherung AG, which are continuously validated in Group Risk Control through the development of premium sums. The lapse rate used is 5% p.a. (5% p.a.) for the products from the future pension plan, or 6% p.a. (6% p.a.) for those from unit-linked life insurance. The target volatilities

reported by the fund management are continuously reviewed by Group Risk Control using rolling historical volatilities. The range is between 5.5 and 8% (5.5 to 8%). The expected fund returns are calculated by the Xentis system and, after deduction of all costs for products from the future pension plan, lie within a range of 97 to 179 (126 - 231) base points or 14 to 108 (55 to 167) base points for those from unit-linked life insurance; calculations by Security KAG. The determination of the option values is based on a Monte Carlo simulation.

In the course of accounting, the market values for maturity ranges with equivalent criteria (closing year, contract term) are formed. Due to the imparity principle, positive fair values are not taken into account in the financial statements. Since this financial year, the guarantee fee for the capital guarantees has been provided for in full, with the exception of a lump sum.

Deferred taxes

Deferred tax assets are recognised to the extent that there is convincing substantial evidence that sufficient future earnings will be available against which the tax-deductible temporary differences and tax loss carryforwards can be offset.

III. DISCLOSURES ON THE STATEMENT OF FINANCIAL POSITION

MATURITY STRUCTURE

Breakdown of the loans and advances to customers and credit institutions non-payable on demand

in € thousand	Assets		Liabilities	
	31.12.2020	31.12.2019	31.12.2020	31.12.2020
Up to 3 months	247,061	135,694	19,808	41,353
More than 3 months up to 1 year	116,233	180,693	2,131	32,773
More than 1 year up to 5 years	147,211	152,034	20,051	17,131
More than 5 years	10,945	9,155	0	0
Total	521,449	477,575	41,990	91,257

Other assets and liabilities in € thousand	Assets		Liabilities	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Up to 1 year	8,034	7,573	32,208	29,845
More than 1 year	103,241	104,201	4,510	3,775
Total	111,275	111,774	36,718	33,620

The liabilities with a term of up to one year amount to €692.7 million (€545.9 million).

Of the debt securities and other fixed-income securities, a nominal amount of €5.9 million (€20.8 million) is due in the year following the reporting date.

Loans and advances to customers

To determine the portfolio risk provisioning in connection with the COVID-19 pandemic, several scenarios were calculated on the basis of the overall portfolio. The impact of additional provisioning

for impairment losses doubled due to changes in parameters. These were recognised in the financial statements.

Securities

The total securities portfolio including pro rata accrued interest amounted to €165.7 million (€189.1 million) at the end of the year. Of this total, an amount of €78.4 million (€88.7 million) was accounted for by underlying investments in liabilities evidenced by certificates with which valuation units were formed. Basic investments in the amount of €7.4 million (€21.0 million) are pledged in favour of the issue buyers.

The securities included in assets 5 to 8 and admitted to trading on the stock exchange are broken down as follows:

in € thousand ¹⁾		of which listed fixed assets	of which current assets
2020			
Debt securities including fixed-income securities	32,631	6,813	25,818
Shares and other variable-yield securities	22,632	0	22,632
2019			
Debt securities including fixed-income securities	50,971	9,468	41,503
Shares and other variable-yield securities	13,469	0	13,469

¹⁾ The deduction of the valuation allowance under section 57 has already been taken into account in the values of assets 5 to 8.

As in the previous year, the bonds did not include any assets of a subordinated nature.

The distinction between financial assets and current financial assets is based on section 198 (2) and (4) of the Austrian Commercial Code. Financial instruments that are intended to serve the business operations on a permanent basis are allocated to financial assets when they are first acquired.

Fixed assets include listed securities with a nominal value of €19.3 million (€22.4 million), which are valued according to the moderate lower of cost or market principle.

Fixed-income securities held as fixed assets are included in the following items:

- in A2, Treasury bills, in the amount of €12.7 million (€13.2 million);
- in A3, Loans and advances to credit institutions, in the amount of €0.0 million (€1.0 million);
- in A5, Debt securities including fixed-income securities, in the amount of €6.8 million (€9.5 million);
- in A6, Shares and other variable-yield securities, in the amount of €10.2 million (€10.6 million).

In the case of securities admitted to trading on the stock exchange and carried at cost, which are not allocated to financial assets, the difference between the higher market value and the book value is €5.4 million (€1.8 million).

The bank's fixed assets as at 31 December 2020 included securities with a carrying amount (including pro rata interest) of €29.7 million (€34.2 million). The difference between higher acquisition costs and the repayment amount is €0.1 million (€0.2 million) in accordance with section 56(2) BWG. The difference between the carrying amount and the higher repayment amount is €0.1 million (€0.1 million) in accordance with section 56(3) of the Austrian Banking Act.

The loans and advances to customers included €3.6 million (€4.1 million) relating to loans and advances evidenced by certificates but not admitted to trading on an exchange.

The loans and advances to credit institutions included €10.3 million (€10.3 million) relating to loans and advances evidenced by certificates but not admitted to trading on an exchange. Of this amount, €9.3 million of own issues are netted against liabilities evidenced by certificates. Loans and advances to credit institutions in the amount of €53.6 million (€58.7 million) stem from the assignment of basic investments for liabilities evidenced by certificates to a collateral trustee.

The company maintains a securities trading book pursuant to Part 3, Title I, Chapter 3 of EU Regulation No. 575/2013 and items in the trading book are valued at market prices.

As in the previous year, the total securities portfolio did not contain any subordinated securities as at the reporting date.

Capital Bank presents capital guarantees in the banking book as derivatives, particularly in connection with government-aided pension provision (PZV) in the amount of €102.4 million (€101.6 million) and the unit-linked life insurance in the amount of €67.9 million (€63.9 million). Under the arrangements for capital guarantees in the PZV product and fund-linked life insurance, the associated market risk is transferred from the pension or insurance provider to Capital Bank. With this the relevant beneficiary under the guarantee has the guarantee that the amount available for disbursement after the binding period has expired will not be lower than the total amount of amounts paid in by the taxpayer plus the government premiums credited for this taxpayer pursuant to section 108g of the EStG. The three essential input factors for determining the market value are the estimated cancellation rate for existing contracts, the long-term (target) volatilities of the guarantee funds and the estimated expected return from the guarantee funds. The provision was increased by €4.8 million to €9.4 million as of 31 December 2020 (€4.6 million) due to the calculation

of risk provisions of capital guarantees in connection with the government-aided pension provision (PZV) and the unit-linked life insurance. Of this amount, provisions in the amount of €2.9 million were transferred from Security KAG to Capital Bank for the reduction of possible claims including an agreement on the corresponding profit participation.

As is the previous year there were no trust fund deposits as at 31 December 2020.

Equity investments and shares in affiliated companies

As at 31 December 2020, the bank directly held at least 20% of the shares in the following companies:

LIST OF EQUITY INVESTMENTS

Participating interests		Share capital in € thousand	Share of the capital	Equity in € thousand ²⁾	Annual result in € thousand ³⁾	Annual financial statement ⁴⁾
bank99 AG, Vienna	E	30,000	20%	45,711	-30,716	2020
Security Kapitalanlage AG, Graz	V	4,362	100%	62,544	7,917	2020
Corporate Finance – Grawe Gruppe GmbH, Graz	V	1,000	100%	1,187	33	2020
CENTEC.AT Softwareentwicklungs und Dienstleistungs GmbH, Graz	V	35	100%	167	0	2020
BK Immo Vorsorge GmbH, Graz	N	35	100%	4,774	1,359	2020
GBG Private Markets GmbH, Graz (previously CB Family Office Service GmbH, Graz) ⁵⁾	V	250	100%	336	-17	2020

¹⁾ E = at equity, V = fully consolidated and N = not consolidated.

²⁾ Equity calculated in accordance with section 229 UGB including reserves after tax.

³⁾ Pursuant to section 231 (2) no. 21 UGB, net profit/loss for the year is figured before changes in reserves.

⁴⁾ The annual financial statements 2020 are provisional financial statements.

⁵⁾ By notarial deed dated 17 December 2020, the former CB Family Office Service GmbH, Graz was renamed in GBG Private Markets GmbH.

The reported equity investments and shares in affiliated companies are not admitted to trading on a stock exchange.

As at 31 December 2020, there were no reciprocal participating interests.

In the 2019 financial year, Österreichische Post AG (hereinafter referred to as ÖPAG) acquired the majority shareholding in Brüll Kallmus by way of a capital increase. Following the successful completion of the ownership control procedure on 30 September 2019 by the European Central Bank, a capital increase amounting to €24,000,000 was carried out on 25 October 2019 (closing). As a result, 80% of Brüll Kallmus was acquired by ÖPAG, and Brüll Kallmus thus became part of the Austrian Post Group. The previous sole owner of Brüll Kallmus, Capital Bank, now holds 20% of the shares. The company name was changed from Brüll Kallmus Bank AG to bank99 AG with the entry in the commercial register on 1 February 2020.

In the 2020 financial year, the carrying amount of the investment in bank99 was written down by €5.2 million to a carrying amount of €11.9 million as of 31 December 2020 on the basis of a capitalised earnings value determined in accordance with the expert opinion KFS/BW 1.

Securitised and unsecuritised loans and advances to affiliated undertakings and companies in which the bank has a participating interest are included in the following items:

According to balance sheet items in € thousand	Shares in affiliated undertakings		Participating interests	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Loans and advances to credit institutions	220,807	136,108	0	0
Loans and advances to customers	0	0	1,457	1,509
Total	220,807	136,108	1,457	1,509

Deposits from companies and affiliated undertakings in which participations are held are included in the following items:

According to balance sheet items in € thousand	Shares in affiliated undertaking		Participating interests	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Liabilities to credit institutions	3,412	1,843	0	0
Liabilities to customers	5,498	2,560	81	65
Total	8,910	4,403	81	65

There are no transactions of the Company with related companies or persons which were significant or concluded under conditions which are not customary in the market.

In 2020, an organisational restructuring of the staff and service areas took place. All settlement areas, in particular the areas of Group banking operations and

Group IT, were transferred to the newly established GBG Service GmbH. The remaining staff and service departments will remain with the parent company, HYPO-BANK BURGENLAND Aktiengesellschaft. The internal transfer of employees within the Group will lead to a reduction in the number of employees at Capital Bank to 130 employees as at 31 December 2020 (previous year: 172 employees). Since the transfer of the employees to GBG Service GmbH, the outsourced services have been purchased from Capital Bank within the framework of service level agreements.

Since 1 January 2019, there has been an extended consolidated tax group for VAT purposes between Capital Bank and Bank Burgenland.

Capital Bank is part of a corporate group as defined by section 9 of the Austrian Corporation Tax Act (KStG), the parent is Bank Burgenland.

The disclosures pursuant to section 431 ff CRR are the responsibility of the parent bank, Bank Burgenland.

Fixed assets

The breakdown of fixed assets and the changes in fixed assets during the reporting year are presented in the statement of changes in fixed assets (see Annex I to the notes). As at the reporting date, the bank held neither developed nor undeveloped land as part of its property and equipment, as was also the case in the previous year.

Obligations from the use of property and equipment not shown in the statement of financial position will amount to €1.1 million (€1.0 million) in the following year and a total of €6.3 million (€6.0 million) in the years 2021 to 2025.

Provisions

The provision for severance payments in the amount of €8.1 million (€8.4 million) is shown in the statement of financial position. The requirement for the pension provision was calculated at €0.9 million (€0.7 million).

Other provisions primarily include provisions for claims amounting to €5.6 million (€5.6 million), for capital guarantees of €9.4 million (€4.6 million), for unused holidays of €0.9 million (€1.0 million), for other staff costs of €4.7 million (€4.9 million) and for commission payments of €4.0 million (€5.0 million).

Capital Bank received distributions in the 2017 to 2020 financial years from investments made by the bank, some of which also include loans and advances to customers. Insofar as it was legally possible to allocate the amounts distributed to customer portfolios on the one hand and bank portfolios on the other, this has since been done. To what extent further distributed sums ultimately remain with the Bank or are to be allocated to customer portfolios in accordance with the agreements reached in each case, and if so, at what amount, cannot yet be precisely quantified on the reporting date. There are still legal uncertainties here, in particular proceedings at the investment level have not yet been concluded in the respective jurisdictions.

Based on the information available and taking a security discount into account for the distribution amounts not yet allocated to customer portfolios on the one hand and bank portfolios on the other, Capital Bank estimated what amount of the distribution sums are to be allocated in any event to the Bank on the reporting date. The amount in excess of this was recorded as a provision.

Long-term provisions, in particular provisions for warranty payments, are recognised and discounted at their settlement amount and using the Euro Swaps Curve.

Equity capital

The company's share capital remained unchanged at €10.0 million and was divided into 1,376,030 registered shares.

The capital reserves result from payments and deposits made by the shareholder.

The retained income of the company encompasses statutory and voluntary reserves as well as profits generated in previous years, reduced by dividend disbursements.

The Management Board proposes to distribute a dividend of €5.0 million (€5.0 million) to the owner, Bank Burgenland, from the distributable profit of €59.3 million (€52.7 million) and to carry the remaining distributable profit forward to new account.

Securitised liabilities

The liabilities evidenced by certificates are certificates of underlying investments. They form valuation units with assets and derivative transactions stated in various items on the statement of financial position (underlying investments) and have no final maturity (open end).

Deferred taxes

The deferred tax assets at the reporting date were formed for temporary differences between the tax and corporate valuation for the following items:

in € thousand	31.12.2020	31.12.2019
Tangible assets	264	247
Shares and other variable-yield securities	5,976	4,807
Write-downs	29,744	25,065
Non-current employee benefit provisions	5,945	6,054
Non-current provisions	3,996	4,251
Value of total difference	45,926	40,423
Tax losses carried forward	0	0
	45,926	40,423
Of which deferred taxes per 31 December (25%)	11,481	10,106

Deferred taxes were capitalised in full in the year under review and recognised in profit or loss. The balance of deferred tax assets existing as at 1 January 2016 was capitalised in full and will be distributed over 5 years by forming a deferred income item pursuant to section 906 (33f) UGB.

Deferred taxes developed as follows:

in € thousand	2020	2019
Net balance at 1.1.	10,106	9,471
Changes recognised in profit or loss	1,376	633
Changes recognised directly in equity	0	2
Net balance at 31.12.	11,481	10,106

IV. FURTHER INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

Other assets included underlying instruments for liabilities evidenced by certificates amounting to €102.7 million (€103.8 million).

Other liabilities include liabilities to the tax authorities of €4.6 million (€4.8 million) and securities clearing liabilities of €2.2 million (€4.8 million).

Expenses that were only payable after the reporting date largely consisted of personnel expenses of €5.6 million (€4.9 million) and various other administrative expenses. Most of the other liabilities of €36.7 million (€33.6 million) are due within one year. The other liabilities include liabilities to affiliated undertakings amounting to €21.8 million (€16.0 million).

The credit risks reported below the line on the balance sheet related to loans that had not yet been drawn amounting to €51.2 million (€53.4 million).

As in the previous year, there were no genuine repurchase agreements in the year under review.

Capital

The following table shows the eligible own funds of Capital Bank pursuant to Part 2 of EU Regulation No. 575/2013.

in € thousand	31.12.2020	31.12.2019
Paid-in capital	10,000	10,000
Open reserves	115,139	115,139
Retained earnings	47,734	40,229
Deduction	-310	-147
Common equity tier 1 capital = tier 1 capital	172,563	165,368
Total Tier 2 capital	3,386	5,079
Own funds	175,949	170,300

Assets and liabilities denominated in foreign currencies in € millions	31.12.2020	31.12.2019
Total amount of assets in foreign currency	124.4	136.0
Total amount of liabilities in foreign currency	42.0	48.7

Other

Securities with a carrying amount of €5.4 million (€5.4 million) are deposited as an arrangement deposit. Securities with a nominal value of €34.7 million (€40.5 million) were held in a blocked account as security for use of the refinancing option via the tender procedure at the ECB.

In addition, the bank held cover assets for pension provisions at the amount of €0.3 million (€0.3 million).

Collateral for transactions with derivatives was provided in the amount of €0 thousand (€0 thousand) and €1,600 thousand (€50 thousand) was taken.

The contingent liabilities include guarantees and financial commitments amounting to €16.8 million (€15.9 million).

V. EXPLANATORY NOTES TO THE INCOME STATEMENT

A breakdown of income by geographical markets as required pursuant to section 64 (1) no. 9 of the Austrian Banking Act (BWG) has not been included because the geographical markets do not differ materially from the location of the bank organisation.

The loan processing fees amounting to €1.2 million (€1.3 million) stated in the interest income were deferred as in the previous year to reflect the term of the loan.

The interest and similar expenses item includes negative interest amounting to €0.2 million (€0.2 million) from deposits at the Austrian National Bank. Income from securities and equity investments included €1.3 million (€1.3 million) relating to dividends from affiliated companies.

The net commission income is essentially composed of profit from securities transactions amounting to €26.8 million (€25.2 million). A provision for pending losses of €1.9 million (€1.0 million) was accounted for in the net commission income associated with the government-aided pension provision (PZV) and unit-linked life insurance in the 2020 financial year.

Gains from currency valuation and disposal gains from securities transactions amounting to €11.6 mil-

lion (€7.1 million) are offset in the income/expenses from financial operations item by exchange losses from this area of €10.9 million (€7.8 million).

Other operating income largely comprised income from service level agreements amounting to €1.6 million (€1.9 million) and income from the reversal of provisions amounting to €0.9 million (€0.2 million).

Expenses for severance payments and contributions to occupational pension funds included occupational pension fund expenses of €97 thousand (€90 thousand).

The allowances for losses on loans and advances and additions to provisions for contingent liabilities and credit risks were adjusted as permitted by section 57 (1) of the BWG.

The item “tax on profit or loss” comprises current income tax for the financial year and deferred taxes of €2.4 million (€1.7 million).

The total return on assets is 1.0% (1.3%) and is defined as the quotient of the annual net profit after taxes divided by the total assets as at the reporting date.

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VI. OTHER DISCLOSURES

Derivative financial instruments

As at the reporting date 31 December 2020, the following forward transactions were still outstanding:

in € thousand	Notional amount	
	Banking book	Trading book
Volume	254,798	0
OTC products	254,798	0
Organized market products	0	0
Interest rate	7,980	0
OTC products	7,980	0
Organized market products	0	0
Foreign exchange and gold	76,549	0
OTC products	76,549	0
Organized market products	0	0
Other	170,269	0
OTC products	170,269	0
Organized market products	0	0

As at the reporting date 31 December 2019, the following forward transactions were still outstanding:

in € thousand	Notional amount	
	Banking book	Trading book
Volume	297,388	0
OTC products	297,388	0
Organized market products	0	0
Interest rate	35,236	0
OTC products	35,236	0
Organized market products	0	0
Foreign exchange and gold	96,710	0
OTC products	96,710	0
Organized market products	0	0
Other	165,441	0
OTC products	165,441	0
Organized market products	0	0

Positive fair value		Negative fair value	
Banking book	Trading book	Banking book	Trading book
6,755	0	-3,045	0
6,755	0	-3,045	0
0	0	0	0
24	0	-90	0
24	0	-90	0
0	0	0	0
2,043	0	-4	0
2,043	0	-4	0
0	0	0	0
4,688	0	-2,951	0
4,688	0	-2,951	0
0	0	0	0

Positive fair value		Negative fair value	
Banking book	Trading book	Banking book	Trading book
4,026	0	-5,578	0
4,026	0	-5,578	0
0	0	0	0
141	0	-149	0
141	0	-149	0
0	0	0	0
1,060	0	-621	0
1,060	0	-621	0
0	0	0	0
2,825	0	-4,808	0
2,825	0	-4,808	0
0	0	0	0

Capital guarantees are reported in the "Other" category under banking products.

Currency forward agreements and swaps were measured using the rates published by the ECB for the reporting date taking into account the interest rates for the currencies involved and the residual maturities.

The fair value of derivatives in hedging relationships was €1.6 million (€-0.7 million) as of the reporting date 31 December 2020.

Market values in the amount of €1.4 million (€1.0 million) are recorded in the other assets and €0.0 million (€0.3 million) in the other liabilities for currency forward agreements that form part of a valuation unit with the bank's own issues or other underlying transactions.

Negative fair values that are not covered by an equivalent positive fair value from an underlying transaction in a hedging relationship are taken into account by recognising a provision pursuant to AFRAC opinion 15: "Derivatives and hedging instruments (UGB)" for imminent losses from pending forward transactions. Such a provision amounting to €0 thousand (€232 thousand) was formed as at 31 December 2020.

Accrued interest on derivative transactions is accounted for in the same way as the underlying

transactions for valuation units. Contracts are measured using recognised financial methods. The market values were calculated based on present value and from obtaining corresponding confirmations from business partners.

Statement of Cash Flows

The cash flow statement shows the composition of and changes in cash and cash equivalents during a financial year and is broken down into operating activities, investing activities and financing activities. Capital Bank has presented the cash flow from operating activities using the indirect method (see Appendix II to the Notes).

Deposit protection

Pursuant to section 8 (1) of the Deposit Guarantee Schemes and Investor Compensation Act (ESAEG), Capital Bank, as a deposit-taking institute (CRR institute) with its headquarters in Austria, belongs to the uniform protection scheme in accordance with section 1 (1) (1) of the ESAEG. On the basis of the transitional provisions of section 59 (3) of the Deposit Guarantee Schemes and Investor Compensation Act, the function of the protection scheme was to act as a deposit guarantee for Banken und Bankiers Ges.m.b.H. until 31 December 2018. Each protection scheme must set up a deposit protection fund consisting of available financial resources in the amount of at least 0.8 per cent of the sum of

the covered deposits of the member institutions as target funding. The amount to be contributed depends on the amount of the covered deposits and on previously determined risk factors (this is called a risk-based contribution calculation).

VII. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

In the period between the end of the reporting year 2020 and the preparation of the annual financial statements, no events took place on which separate reports would have to be made.

The prolonged lockdown in connection with the COVID-19 pandemic and the still very high level of uncertainty regarding the dynamics of infection and the opening steps continue to weigh on the economic environment. This means that the accounting and regulatory treatment of the pandemic also remains a challenge for companies and banks. The fourth quarter of the previous year in particular brought a significant economic downturn, and the forecasts for 2021 have also dimmed considerably compared with the last forecast. The anticipated insolvency and labour market development remains a key risk factor for 2021.

The effects of the pandemic are not yet having any discernible impact on the bank's business activities or loan portfolios. Any impact on the deterioration of the economic situation was taken into account in the financial statements as part of the adjustments to the credit risk parameters.

VIII. MANDATORY DISCLOSURES ON EXECUTIVE BODIES AND EMPLOYEES

During the 2020 financial year, the bank had an average of 142 (143) salaried and 3 (5) non-salaried employees (weighted number of part-time employees).

As in the previous year, the loans and advances to customers as at 31 December 2020 did not include any loans to members of the Management Board. There are loans to Supervisory Board members amounting to €17 thousand (€28 thousand).

The loans were granted at normal market conditions.

Expenses for severance payments and pensions, including the allocation to provisions, amount to €0.6 million (€1.1 million) for active members of the Management Board and senior executives and €0.4 thousand (€0.4 thousand) for other employees. The expense for pensions to former other employees amounts to €0 thousand (€8 thousand).

Remuneration to active members of the Management Board amounted to €1.7 million (€1.5 million). The members of the Supervisory Board did not receive any remuneration during the financial year under review.

The following persons served as members of the Management Board and the Supervisory Board during the financial year:

Management Board

Chairman:

Christian JAUK, MBA MAS

Deputy Chairman:

Mag. Constantin VEYDER-MALBERG

Member:

Wolfgang DORNER

Mag. LL.M. Berthold TROIß

(since 1 April 2020)

Supervisory Board

Chairman:

Dr. Othmar Ederer

Chairman of the Management Board of
GRAWE-Vermögensverwaltung

Deputy Chairman:

Mag. Klaus Scheitegel

Chairman of the Management Board of
Grazer Wechselseitige Versicherung AG

Members:
Dipl. Techn. Erik Venningdorf
Member of the Management Board of GRAWE
Vermögensverwaltung

Dr. Franz Hörhager

Employee representatives:

Employee representative:
Rudolf Laudon
Harald Greimel

Graz, 26 February 2021

CAPITAL BANK – GRAWE GRUPPE AG



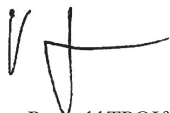
Christian JAUK, MBA MAS
Chief Executive Officer



Mag. Constantin VEYDER-MALBERG
Member of the Management Board



Wolfgang DORNER
Member of the Management Board



Mag. Berthold TROIß, LL.M.
Member of the Management Board

AUDITOR'S REPORT

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion

We have audited the consolidated financial statements of

CAPITAL BANK - GRAWE GRUPPE AG,
Graz,

which comprise the Statement of Financial Position as at 31 December 2020, the Statement of Profit or Loss and Other Comprehensive Income and the Notes to the Financial Statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with the Austrian commercial and banking law.

Basis for our Opinion

We conducted our audit in accordance with Regulation (EU) 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in

the "Auditor's Responsibilities" section of our report. We are independent of the audited Company, in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, however, we do not provide a separate opinion thereon.

We have identified the following key audit matters:

- Valuation of loans and advances to customers
- Recognition and valuation of capital guarantees
- Valuation of participating interests

Valuation of loans and advances to customers

Risk to the Financial Statements

The loans and advances to customers are presented in the financial statements in the amount of EUR 407 million (net-value after deduction of provisions). The Company mainly grants loans collateralized by securities (lombard loans) and real estate financing.

The management describes the process for monitoring credit risks and the procedure for determining risk provisions in Chapter II "Accounting and Valuation methods", section "Loans and advances" as well as in Chapter III "Comments on balance sheet items ", section "loans and advances to customers".

The bank evaluates in the context of credit risk management whether default events exist, and specific loan loss provisions need to be recognized. This includes an assessment whether customers are able to fully meet their contractual liabilities.

The calculation of the loan loss provisions for defaulted individually significant customers is based on an analysis of the estimated future recoveries. This analysis reflects the assessment of the economic situation and development of the individual customer, the valuation of collaterals and an estimate of the amount and timing of future cashflows derived thereof. For defaulted non-significant loans with an exposure of less than TEUR 500, loan loss provisions are calculated using statistical assumptions and empirical values on the basis of common risk characteristics and general loss ratios.

For all non-defaulted loans and advances to customers portfolio loan loss provisions are recognized taking into consideration the respective customer rating. The calculation is performed by use of historically rating-based probabilities of default, existing collaterals and other statistical and experience-based parameters.

Since the currently applied loan loss provisioning model cannot adequately reflect extraordinary circumstances such as the COVID-19 crisis, the Company made additional post model adjustments on the basis of internal estimates using external forecasts of economic development.

The identification of default trigger and the calculation of loan loss provisions also taking into account the post model adjustments is subject to assumptions and estimates to a significant extent. Therefore discretionary powers and estimate uncertainties arise with regard to the amount of the risk provision. For the financial statements, this results in the risk of a potential error in respect to the amount of the required loan loss provisions.

Our audit approach

We have performed the following audit procedures in respect to the recoverability of loans and advances to customers:

- We have analysed the processes of monitoring and risk provisioning for loans and advances to customers and assessed whether these are suitable to identify impairment triggers and to adequately reflect the valuation of loans and advances to customers.
- Moreover, we have investigated the processes and identified the relevant key controls, assessed their design and implementation by inspecting the IT-Systems and tested their operating effectiveness in samples.

- We have examined whether there were any indicators of default on a sample basis of different loans. The selection of the sample was performed risk-oriented with special regards to ratings, the uncollateralized exposure and granted moratorium due to the COVID-19 crisis. For defaults on individually significant loans we assessed the Company's assumptions with respect to conclusiveness and consistency of the timing and amount of the assumed recoveries on a sample basis.
- For all non-defaulted loans, for which the Company has recognized portfolio loan loss provisions applying statistical as well as experience-based assumptions about future risk development, we analysed the Company's methodological documentation for consistency with the applicable accounting standards. Further, based on the Company's validations, we examined the models and the parameters used. We hereby verified whether they are suitable for determining provisions in an appropriate amount. We have assessed the adequacy of probabilities of defaults on a twelve-month basis and loss given defaults. In particular we have assessed the suitability of the statistical models and parameters used as well as the mathematical functionality. Further, we focused on the post model adjustments as a result of the COVID-19 crisis, as well as the underlying assumptions regarding their appropriateness. We verified the mathematical accuracy of the provisions on a sample basis. For these audit procedures we have involved our financial risk management specialists.

- Finally, we assessed the accuracy of management disclosures on loan loss provisioning for loans and advances to customers in the notes to the financial statements.

Recognition and valuation of capital guarantees

Risk to the financial statements

As of 31 December 2020, the bank has issued capital guarantees for the capital guarantee products “Prämienbegünstigte Zukunftsvorsorge” (pension plan savings product) and “Fondsgebundene Lebensversicherung” (unit-linked life insurance product) with a total guarantee amount of EUR 173.3 million (present-value). These guarantees are assigned as derivative financial instruments to the banking book.

The management describes the presentation and the valuation of these instruments in chapter II of the notes “Accounting and valuation methods”, section “derivatives”, as well as in chapter III “Comments on balance sheet Items”, section “financial instruments”.

The valuation of these instruments is based on actuarial calculations and an option price model. The valuation therefore depends on the current market prices price of the underlying, early termination of the guarantee contracts and on estimates in respect to the parameters applied. These are subject to future developments on the capital markets (especially the expected long-term volatility).

The risk to the financial statements lies in the fact that the calculation of the provision for the capital guarantess requires assumptions and estimates in respect to determination of the market values and therefore includes a level of discretion and uncertainty.

Our audit approach

We have performed the following audit procedures in respect to the recognition and valuation of capital guarantees:

- We have assessed the process on monitoring, accounting and valuation of capital guarantees. In addition, we have assessed whether these processes are adequate for risk measurement and the determination of the market value.
- We have tested the design and implementation of relevant key controls and also tested their operating effectiveness on a sample basis.
- We engaged our financial risk management (FRM) specialists in the evaluation of the valuation model, the planning assumptions and the implemented parameters. We have assessed and tested the valuation model in its adequacy of appropriately measuring the risk from the capital guarantees. Further we have investigated the parameters applied in the model – primarily the cancellation rate and assumptions in respect to the interest rate and the volatility. The latter both were evaluated and benchmarked against market standards to analyze whether the

assumption on interest rate and volatility would lie within an adequate range.

- We have tested the mathematical accuracy of the calculation of the provision for negative market values and their presentation in the financial statements.
- Finally, we assessed the accuracy of management disclosures in respect to the valuation of capital guarantees in the notes to the financial statements.

Valuation of participating interests

Risk to the financial statements

As of 31 December 2020, the bank holds an interest of 20% in an Austrian bank with a book value of EUR 11.9 million.

The management describes the valuation of participating interests and investments in subsidiaries in chapter II of the notes “Accounting and valuation methods”, section “subsidiaries and other investments”, as well as in chapter III “Comments on balance sheet items”, section “subsidiaries and other investments”.

The Company assesses the fair value of the participation and evaluates whether an impairment trigger exists that indicates a potential write-off.

For determining the fair value, the Company performs a valuation of the participation. The valuation

model includes assumptions and estimates regarding the future business development including future returns (dividends) from the investment. The used discount factor is based on financial and capital markets data and therefore subject to and influenced by changing market-based, economic and legal conditions in the future.

Thus, the valuation result includes judgment in respect to those parameters and is subject to uncertainties. In consequence there is a potential risk of error in respect to the valuation of the participation in the financial statements.

Our audit approach

We have performed the following audit procedures in respect to the valuation of participating interests:

- We engaged our specialists to assess the adequacy of the applied valuation model and to determine whether the applied parameters for the calculation of the discount rates are adequate with respect to market and industry specific benchmarks.
- We reconciled the base case business plan scenario used in the valuation with the medium-term forecast approved by the participation's supervisory board.
- We have tested the mathematical accuracy of the valuation result.

- Finally, we assessed the accuracy of management disclosures in respect to the valuation of participations in the notes to the financial statements.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and other legal or regulatory requirements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole

are free from material misstatement – whether due to fraud or error – and to issue an auditor’s report that includes our audit opinion. Reasonable assurance represents a high level of assurance but provides no guarantee that an audit conducted in accordance with the EU Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation and Austrian Standards on Auditing (and therefore ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Management Report

In accordance with Austrian company law, the management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements. Management is responsible for the preparation of the management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of management reports as applied in Austria.

Opinion

In our opinion, the management report is consistent with the financial statements and has been prepared in accordance with legal requirements.

Statement

Based on our knowledge gained in the course of the audit of the financial statements and our understanding of the Company and its environment, we did not note any material misstatements in the management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 8 March 2019 and were appointed by the supervisory board on 12 March 2019 to audit the financial statements of the Company for the financial year ending 31 December 2020.

In addition, we were elected as auditors for the financial year ending 31 December 2021 at the Annual General Meeting on 6 March 2020 and appointed by the supervisory board on 6 March 2020.

We have been auditors of the Company, without interruption, since the financial statements as of 31 December 2005.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section

of our report is consistent with our additional report to the audit committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

We have performed the following services other than those disclosed in the financial statements or the management report in addition to the audit of the audited Company and the entities controlled by it:

- Preparation of tax statements (corporate tax and sales tax)

Engagement Partner

The responsible engagement partner is Mr Georg Blazek.

Vienna, 26 February 2021



Mag. Georg Blazek
Wirtschaftsprüfer
(Austrian Chartered Accountant)

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

This report is a translation of the original report in German, which is solely valid.

The consolidated financial statements, together with our auditor's opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

CAPITAL BANK – GRAWE GRUPPE AG SUB-GROUP

The following financial statements in accordance with UGB/BWG for the subgroup of CAPITAL BANK – GRAWE GRUPPE AG are intended to provide the reader with information on the financial performance of Capital Bank and its subsidiaries.

12. CAPITAL BANK – GRAWE GRUPPE AG SUBGROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31.12.2020

ASSETS	31.12.2020		31.12.2019
	€	€ '000	€ '000
1. Cash on hand and balances at central banks	170,428,505.38		77,756
2. Public-sector debt instruments eligible as collateral for central bank funding	17,558,269.06	17,683	17,683
Treasury bills and similar securities	17,558,269.06	17,683	
3. Loans and advances to banks	279,906,214.30		204,351
4. Loans and advances to customers	407,309,872.42		413,146
5. Bonds and other fixed-income securities	33,035,866.98		50,971
6. Shares and other variable-yield securities	145,340,877.88		138,692
7. Equity investments ¹⁾	12,112,263.61		12,679
of which: in banks	11,854,215.00	12,004	
8. Shares in affiliated companies	35,000.00		35
9. Intangible assets in fixed assets	184,514.26		178
10. Property and equipment	3,214,924.37		3,350
11. Other assets	115,341,226.23		114,278
12. Prepaid expenses	970,930.34		787
13. Deferred tax assets	11,835,481.15		10,766
TOTAL ASSETS	1,197,273,945.98		1,044,672
Off-balance sheet items			
1. Foreign assets	363,625,416.63		372,033
2. Fund assets of managed investment funds	5,770,695,447.86		5,674,102

¹⁾ This does not take into account the at-equity recognition of bank99 AG (formerly Brüll Kallmus Bank AG), as this is carried out at Group level for HYPO-BANK BURGENLAND Aktiengesellschaft.

EQUITY AND LIABILITIES

	31.12.2020	31.12.2019
€	€	€ '000
€ '000	€ '000	
1. Deposits from banks	21,706,449.25	16,218
2. Deposits from customers	638,814,116.37	495,509
a) Savings deposits	2,030,402.59	2,411
b) Other deposits	636,783,713.78	493,098
3. Liabilities evidenced by certificates	218,581,586.20	224,669
Other liabilities evidenced by certificates	218,581,586.20	224,669
4. Other liabilities	40,498,025.20	38,838
5. Prepaid expenses	952,557.36	2,841
6. Provisions	41,810,082.36	45,191
a) Provisions for severance payments	8,688,750.99	9,415
b) Provisions for pensions	865,031.00	668
c) Tax provisions	745.90	46
d) Other	32,255,554.47	35,061
7. Subscribed capital	65,915,661.65	65,916
8. Generated capital	168,995,467.59	155,491
9. Minority interests	0.00	0.00
TOTAL EQUITY AND LIABILITIES	1,197,273,945.98	1,044,672
Off-balance sheet items		
1. Liabilities from guarantees and liabilities from the provision of collateral	15,881,018.31	15,881
2. Credit risks	53,416,846.50	53,417
3. Liabilities from trust transactions	24,282,776.94	24,283
4. Eligible capital pursuant to part 2 of EU Regulation no. 575/2013	238,305,019.97	215,179
of which: supplementary capital pursuant to part 2 title I chapter 4 of EU Regulation no. 575/2013: €6,772,000.00 (previous year: €6,772 thousand)		
5. Capital requirements pursuant to Art. 92 of EU Regulation no. 575/2013 (Total risk amount)	788,394,780.88	777,334
of which: capital requirements pursuant to 92 (1a-c) of EU Regulation no. 575/2013:		
a) Common equity tier 1 capital ratio	29.80%	27.0%
b) Tier 1 capital ratio	29.80%	27.0%
c) Total capital ratio	30.23%	27.7%
6. Foreign liabilities	83,164,797.38	89,681

13. CAPITAL BANK – GRAWE GRUPPE AG SUB-GROUP
CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR 2020

	€	2020 €	€ '000	2019 € '000
1. Interest and similar income		11,966,347.08		12,024
of which: from fixed-income securities	898,477.53		909	
2. Interest and similar expenses		-545,256.47		-841
I. NET INTEREST INCOME		11,421,090.61		11,184
3. Income from securities and equity investments		1,575,665.60		2,327
a) Income from shares, other equity interests and variable-yield securities	1,275,639.14		2,027	
b) Income from equity investments	26.46		0	
c) Income from shares in affiliated companies	300,000.00		300	
4. Fee and commission income		97,125,981.17		93,446
5. Fee and commission expenses		-54,273,380.74		-48,669
6. Income/expenses from financial operations		742,587.76		-658
7. Other operating income		3,916,259.89		3,869
II. OPERATING INCOME		60,508,204.29		61,499
8. General and administrative expenses		-33,668,955.31		-39,831
a) Personnel expenses	-21,907,109.97		-23,995	
aa) Wages and salaries	-17,847,721.99		-19,403	
bb) Social security costs, compulsory and other contributions linked to pay	-2,888,552.65		-2,793	
cc) Other social security expenses	-146,095.92		-167	
dd) Post-employment and other employee benefit costs	-326,426.01		-320	
ee) Additions to pension provisions	-197,009.00		0	
ff) Expenses for severance payments and contributions to operational pension funds for employees	-501,304.40		-1,312	
b) Other expenses (administrative expenses)	-11,761,845.34		-15,835	
9. Write-downs of assets reported under asset items 9 and 10		-718,985.68		-800
10. Other operating expenses		-580,896.30		-344
III. OPERATING EXPENSES		-34,968,837.29		-40,975

		2020 €	2019 € '000
IV.	OPERATING PROFIT	25,539,367.00	20,524
11./12.		4,038,333.57	3,161
13./14.	Balance from the sale and the valuation of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings	-5,479,001.85	822
V.	PROFIT FROM ORDINARY ACTIVITIES	24,098,698.72	24,507
15.	Income tax	-5,461,371.00	-5,882
16.	Other taxes not reported under item 15	-132,986.85	-96
VI.	CONSOLIDATED PROFIT / LOSS FOR THE YEAR	18,504,340.87	18,529
17.	Changes in reserves of which: appropriation to the liability reserve	-6,900,000.00 0.00	-7,400 0
VII.	NET PROFIT FOR THE YEAR	11,604,340.87	11,129
18.	Profit brought forward	48,123,973.10	40,460
VIII.	DISTRIBUTABLE PROFIT (before minority interests)	59,728,313.97	51,589
19.	Minority interests' share of profit for the year	0.00	0
IX.	DISTRIBUTABLE PROFIT¹⁾	59,728,313.97	51,589

¹⁾ This does not take into account the at-equity recognition of bank99 AG (formerly Brüll Kallmus Bank AG), as this is carried out at Group level for HYPO-BANK BURGENLAND Aktiengesellschaft.

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CAPITAL BANK – GRAWE GRUPPE AG

Burgring 16

A-8010 Graz

Tel.: +43.316.8072.0

Fax: +43.316.8072.390

office@capitalbank.at

www.capitalbank.at

Vienna Branch:

Palais Esterházy

Wallnerstraße 4

A-1010 Vienna

Tel.: +43.1.31614

Fax: +43.1.31614.11

office.wien@capitalbank.at

Salzburg Branch:

Linzergergasse 4

A-5020 Salzburg

Tel.: +43.662.870810

Fax: +43.662.870810.2517

office.salzburg@capitalbank.at

Kitzbühel Branch:

Kitzbühler Hof, Franz-Reisch-Str. 1

A-6370 Kitzbühel

Tel.: +43.5356.66309

office.kitzbuehel@capitalbank.at

Klagenfurt Branch:

Kardinalschütt 9

A-9020 Klagenfurt am Wörthersee

Tel.: +43.463.908118-0

office.klagenfurt@capitalbank.at

Responsible for the content

Christian Jauk, MBA MAS,

Mag. Constantin Veyder-Malberg,

Wolfgang Dorner,

Mag. Berthold Troiß,

Thomas Ortner, MSc, Mag.(FH) Harald Hofherr

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