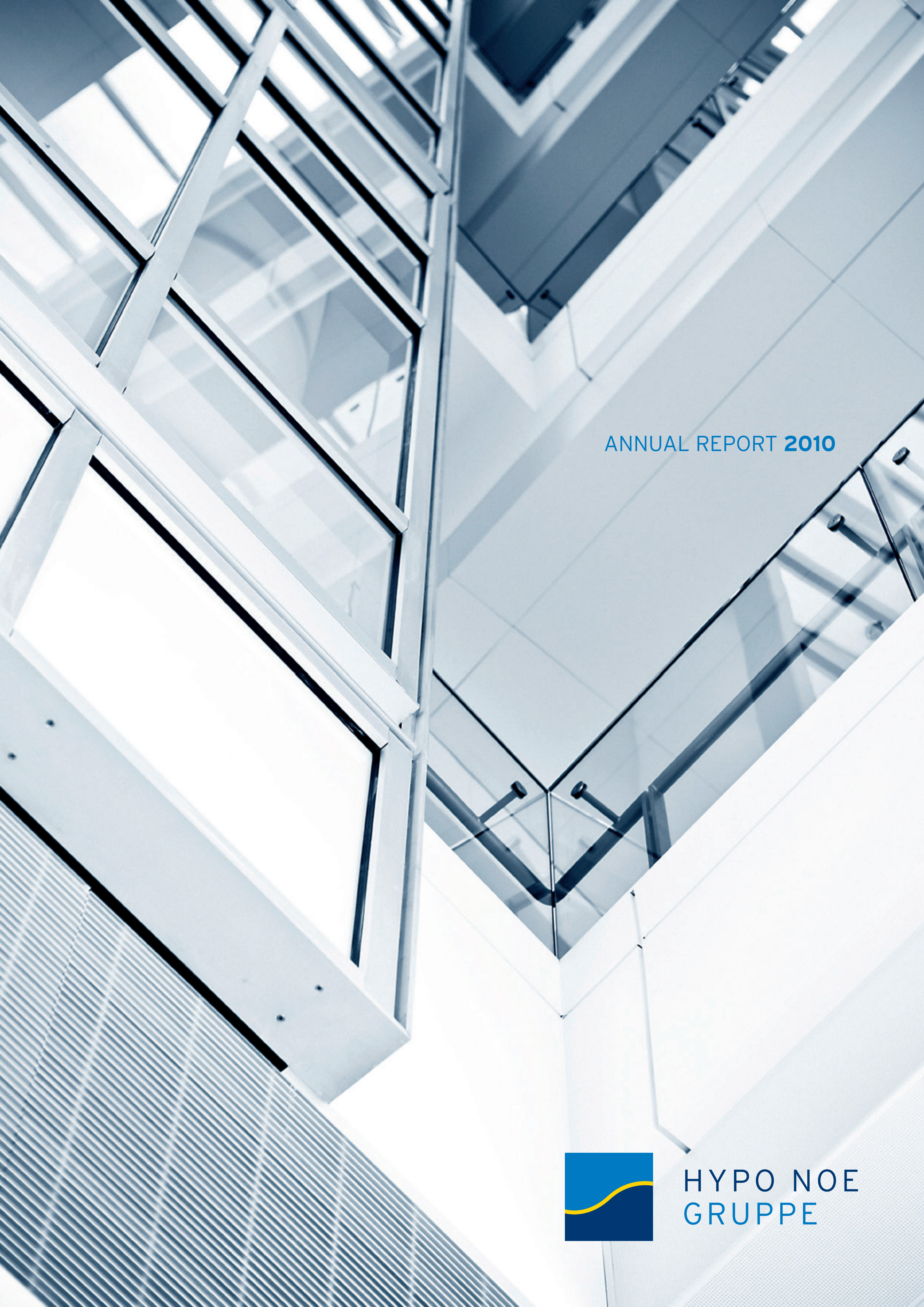


ANNUAL REPORT **2010**

HYPO NOE GRUPPE

GROUP FINANCIAL HIGHLIGHTS

€'000	2010	2009
Summary IFRS comprehensive income statement		
Net interest income	135,084	138,626
Risk provisions	-17,731	-34,096
Net fee and commission income	7,259	7,195
Net trading income	16,091	2,031
General administrative expenses	-81,930	-76,722
Net other operating expense/income	-47,622	4,085
Net gains and losses on financial assets	-3,525	-16,237
Profit before tax	**7,626**	**24,882**
Income tax	-500	-4,773
Profit after tax	**7,126**	**20,109**
Minority interests	-41	-267
Profit attributable to owners of the parent	**7,085**	**19,842**
Summary IFRS statement of financial position		
Total assets	**12,004,451**	**11,644,666**
Loans and advances to customers	8,878,928	8,580,720
Financial assets	2,094,214	2,283,048
Deposits from customers	2,326,693	2,461,059
Debts evidenced by certificates	5,945,431	5,167,462
Consolidades capital resources (Austrian Banking Act)		
Eligible core capital	452,140	437,632
Supplementary capital	231,941	221,496
Total eligible capital	682,338	657,769
Assessment basis	3,943,131	3,938,131
Surplus capital	347,901	325,430
Core capital ratio	11.47%	11.11%
Equity ratio	17.30%	16.70%
Operational information		
Average number of employees in 2010	604	582
Number of employees at end of year	638	604
Number of branches	28	28

STATEMENT BY THE MANAGEMENT BOARD

"All the companies in the HYPO NOE Group now share a single umbrella brand. This sends out a signal about our repositioning, and our close relationships with our owner and our core market."

The Management Board

A STRONG LINE-UP – IN THE INTERESTS OF CUSTOMERS

2010 was an eventful year, marked by many successes and some major challenges for the Bank. While world financial markets stabilised, the after-effects of the financial crisis on the real economy continued to be felt in our region. Thanks to our well-trained workforce, we achieved a broad-based consolidation and clear positioning with customers. We tightened our focus on our core business – financing our public sector, business and private customers' projects – and concluded more transactions of these types. We also posted a profit for the year.

True to our basic philosophy and goals, during the year we made a major effort to ensure that our entire process chain – from transaction to execution and through to risk management – is equally robust and stable. The appointment of a new risk director, Nikolai de Arnoldi, who joined us at the start of 2011, sends out a strong message about our commitment to this policy.

We began the year as HYPO Investmentbank and HYPO Landesbank, but ten months later we unveiled new brands as part of our quality offensive. All the companies in the HYPO NOE Group now share a single umbrella brand. The new blue and yellow logo communicates our evolution and repositioning, and also signals our close relationships with our owner, the state of Lower Austria, and our core markets – Lower Austria and the Danube region.

The HYPO NOE Group is fully conscious of its responsibilities to Lower Austria. We will continue to make solidity, excellence and trust our prime objectives. Together with our workforce and our customers – whose loyalty to us is undiminished – we are entering a highly promising 2011 with high hopes, and with new reserves of strength.

Dr. Peter Harold
Chairman of the Management Board

Dr. Peter Harold
Chairman of the Management Board

STRATEGY

A stronger group – with a new brand

The strong customer focus of our Group companies, with product portfolios to match, is the cornerstone of our strategy.

We pointed the way forward with the split-up of the Bank into HYPO Investmentbank AG and HYPO Landesbank AG, repositioning and restructuring in 2008, and we held our course of quality oriented growth in 2009, despite the financial crisis. In 2010 the creation of a new umbrella brand, HYPO NOE Group (in place of HYPO Investmentbank), alongside Group companies HYPO NOE Landesbank AG (instead of HYPO Landesbank), HYPO NOE Gruppe Bank AG, HYPO NOE Leasing GmbH and HYPO NOE Real Consult GmbH, drew attention to our full-line services and sharpened our common profile.

We will continue along the road taken over the past few years whilst paying attention to the anticipated impact of the changed regulatory and economic environment. Growth without sacrificing quality or courting unacceptable risks, and long-term earnings stability remain our goals as a group.

Focus on customers

Our main non-financial goal is growing the business of the Public Finance & Corporates and Real Estate Finance departments – mainly in Austria, but also in Western Europe and selected new EU members. Our long experience and specialist expertise in holistic, bespoke public finance solutions are strong sales arguments in Austria, which we can also put to use in selected West, and Central and East European markets. The Bank's Real Estate Finance Department is a well versed and reliable financing partner for clients at home and abroad. It will mainly be concentrating on financing office buildings, shopping centres, retail parks, logistics facilities and city hotels.

Private customers, small and medium-sized enterprises, doctors and other professionals are the target groups for retail subsidiary HYPO NOE Landesbank. The bank, which focuses on Lower Austria and Vienna, will be looking to optimise its customer service – especially for small and medium-sized enterprises – and its housing construction finance business line, and to expand its private banking services.

HYPO NOE Leasing is a product specialist that plays a big part in giving us a comprehensive product portfolio. It specialises in public sector real estate leasing, providing ongoing support and long-term finance for projects such as schools, kindergartens and hospitals during the construction phase.

HYPO NOE Real Consult provides highly professional end-to-end property services, from project development through to execution.

During the reporting period the HYPO NOE Gruppe Bank Treasury Department was mainly concerned with liquidity and market risk control, financial engineering and asset-liability management. Efficient treasury services also maintain the Group's liquidity and help diversify risk in the proprietary trading portfolio.

We are confident that these broad-based operations and the Group's innovative repositioning will deliver outstanding performance, maintain a high degree of financial stability, and enable us to focus squarely on customers.

Well-tried business model

Last year's strong operating performance demonstrated yet again that the HYPO NOE Group's business model remains viable and sustainable, thanks to the high level of commitment shown by the workforce. The provision for a potential interest penalty payment relating to a transaction made in 2007 impacted our profit.

HYPO NOE Landesbank's result reflects increased provisions for credit risks due to the effects of the economic crisis.

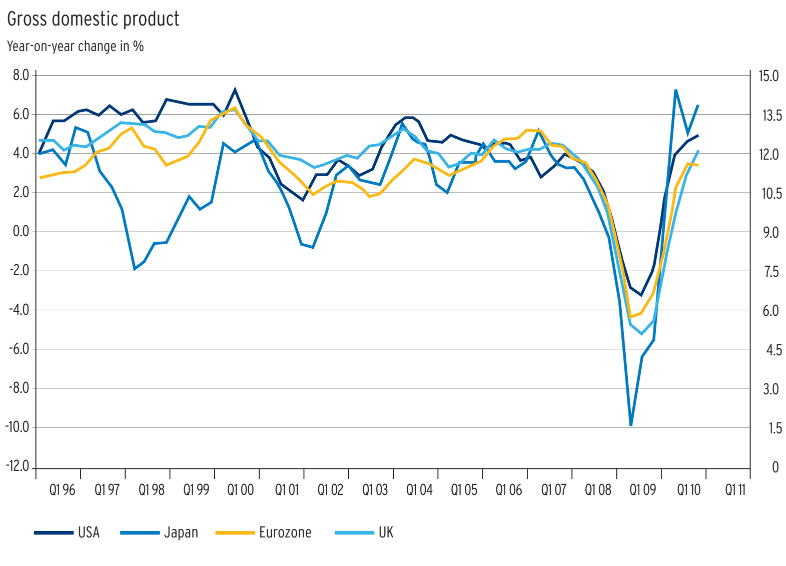
Building on our excellent operational performance in 2010, we will keep up our efforts to deliver against our goal of sustainability both on the costs (exploitation of synergies) and the business front (selective, risk aware growth).

GROUP OPERATIONAL AND FINANCIAL REVIEW

ECONOMIC CLIMATE

Global economic and financial market developments

After pulling out of the severe recession in 2009, the global economy maintained its recovery in 2010. Expansionary monetary and fiscal policies proved effective in many countries. Rising inventories and reviving world trade were the other main factors driving growth. The emerging economies of Asia and South America set the pace, with the industrial countries lagging well behind. The disparities between the Eurozone member states' growth performances have been particularly glaring. Led by Germany, which recorded its strongest growth in 20 years in 2010, output in the core Eurozone countries is already nearing pre-crisis levels. However the peripheral countries are still mired in stagnation or recession. On financial markets, sovereign debt was the big issue in 2010. What began with a loss of confidence in Greece turned into a wider liquidity crisis that spread to other countries. This process culminated in speculation about sovereign bankruptcies and the collapse of the currency union. The EU and the IMF attempted to contain the crisis by extending financial assistance to the countries at risk. Among other measures, the European Financial Stability Fund (EFSF) was set up, and provided with about EUR 750 billion (bn) in resources. The countries directly affected were already doing their bit by taking harsh measures to consolidate their budgets, so as to regain investors' trust. However, as of the end of the reporting period confidence remained brittle. The bond and foreign exchange markets were most exposed to volatility. The euro came under heavy pressure during the crisis, and the risk premiums on the debt of the countries in the firing line reached unprecedented heights. Meanwhile the core countries – especially Germany – profited from historic lows in their borrowing rates, with investors starting to look for safe havens. These patterns of market behaviour disappeared in the fourth quarter of 2010. Following positive data at the start of the year there were growing indications of a slowdown, and in the summer there were signs that the US economy might be heading for a double dip recession. However in the autumn sentiment swung round – not least because the US Federal Reserve moved to provide a further economic stimulus. Most of the equity and commodity markets benefited, whereas the bond markets suffered. While inflation had long been a secondary issue for financial markets, towards the end of the year investors began taking a closer look at it again. Although inflation in the USA and the Eurozone is still running at moderate rates, there is a clear upward trend in the single currency area, and in some booming emerging economies price rises are already giving cause for concern. In the course of 2010 some central banks began signalling more restrictive monetary policies, but with the exception of Canada no G7 country has acted yet.



GDP growth in the USA, the Eurozone, Japan and the UK
Source: Bloomberg

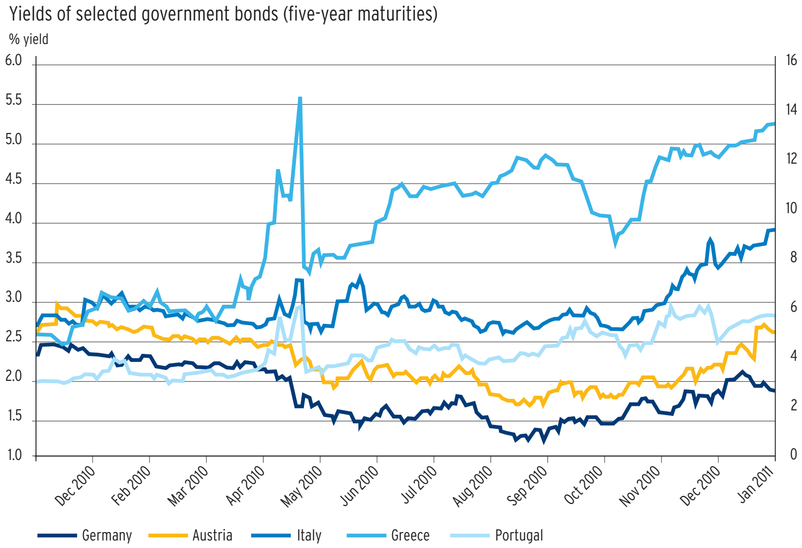
The bond market

In 2010 the dominant factor on bond markets was the debt crisis that engulfed a number of Eurozone members. Fundamental data was ignored or quickly forgotten. When the contagion spread from Greece to other countries in the spring investors ran for cover. The big winners were German government bonds, but other core Eurozone countries' paper also did well. With bond prices lifted by economic worries, yields slumped to record lows. However markets changed direction during the final quarter, mainly in response to two factors. The US central bank set the ball rolling by announcing a further easing of its expansionary monetary policy in response to the disappointing pace of recovery. At the start of the November the Fed decided to buy USD 600bn of Treasury bonds. This step rekindled the appetite for risk on the world's capital markets, and better-than-expected economic data lent support. At the same time, markets were surprised by a rise in inflation in some countries. The commodity markets were having an outstanding year.

Apart from harvest failures and natural disasters, which pushed up prices of farm products, the injection of liquidity from the US central bank triggered speculative purchases of many commodities. All this began to feed into consumer prices in many countries. Another factor behind the pick-up in prices was increases in tax and government administration charges due to the urgent need to bring budgets under control. Together these developments led to a massive sell-off on bond markets, meaning that much of the year's decline in yields was made good by the end of 2010.

Corporate bonds put in a very mixed performance. The euro crisis had a major impact on financials' credit spreads. Issues by banks based in the PIGS countries (Portugal, Ireland, Greece and Spain) were hardest hit, and Greek and Irish banks reached the point where they were virtually unable to go to the capital markets to refinance their operations. Banks domiciled in core Eurozone countries were able to refinance comparatively cheaply, especially when doing so by issuing covered bonds.

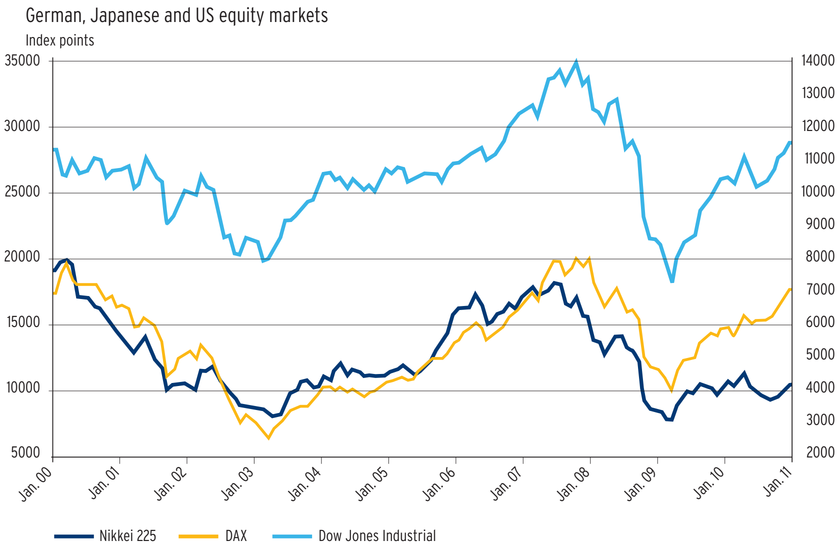
As in 2009, non-financial corporates fared better than financials. Issuers outside the financial sector were helped by climbing company profits, and the discussion of the potential fall-out from a sovereign default largely passed them by.



Yields of selected sovereign Eurobonds
Source: Bloomberg

The equity market

The previous year's rapid rebound did not carry through to the start of 2010. Despite largely upbeat company news, risk aversion was rife. Apart from the euro crisis, this mainly reflected fears that the economic recovery would lose steam. Only in September did investors' risk appetite return, mainly as a result of better economic news and the prospect of additional liquidity due the Fed's Quantitative Easing 2.0 (QE 2.0) programme. Equity markets posted a sparkling performance in the final quarter, and most ended 2010 well up on the year. In the Eurozone, the German DAX index shone, with a gain of about 16 percent, lifted by surprisingly powerful economic growth, excellent corporate profits and the country's sound public finances. Vienna was one of a number of smaller bourses that made strong showings, and the ATX index put on 20 percent for the year. Overseas, emerging country stock markets were among the big winners. The few losers included the local stock markets in the PIGS countries and – to the surprise of many – the Chinese market. Chinese shares failed to profit from the booming economy, and ended the year 10 percent down.



Stock market comparison

Source: Bloomberg

MARKETPLACE TRENDS

HYPO NOE Gruppe Bank AG

Public Finance & Corporates

Austria

Our Public Finance & Corporates Austria Department sets out to partner local authorities, Austrian state governments, and public corporations in all aspects of their finances. In 2010 the focus was on hard and social infrastructure financing, and expanding the department's corporate finance activities. Thanks to its ability to offer bespoke solutions and the Bank's strong liquidity position, the department succeeded in consolidating existing customer relationships and winning new clients for its lending business.

Business conditions in 2010 were again shaped by the changing landscape in the banking industry. Certainly, the constant shifts in access to refinancing, and the related effects on the market did not make life any easier for the banks. Many clients were in search of liquidity and tailored financing solutions. During this period of uncertainty on capital markets the HYPO NOE Group was able to offer many customers stability and a safe pair of hands. With the help of Public Finance & Corporates, our partners in the public sector were able to implement many exciting infrastructure projects. The highly proficient Corporate Finance Austria team succeeded in expanding its customer base.

HYPO NOE Gruppe Bank aims to be an expert partner that caters to corporates' financing and investment needs, and takes a long view of its customer relationships. We provide a highly professional interface for many public sector bodies. We offer a wide array of finance products, from cash advances for short-term liquidity, conventional investment finance, factoring and leasing through to private placements and syndications.

Together with Group companies HYPO NOE Real Consult and HYPO NOE Leasing, and external strategic partners, we made it possible to implement groundbreaking health and education projects in 2010.

During the year under review total lending by our Public Finance & Corporates Austria and International departments rose by 16.3 percent to EUR 4,515.2 million (m) (2009: EUR 3,881.8m). Despite the current challenging market environment HYPO NOE Gruppe Bank will continue to offer customised finance and investment products, and a variety of forms of integrated financial engineering.

In 2011 Public Finance & Corporates Austria will be looking to step up its structured project finance operations, as well as nurturing its relationships with regional and local authorities, and business customers. It will also keep up the momentum of cooperation with Austrian construction groups on a wide range of projects.

International

The Public Finance & Corporates International (PFI) Department focuses on the following types of business and clients:

- **Public finance**
  Foreign public sector clients and government-related entities in selected countries, and local authorities;

- **Hard infrastructure**
  • Transport infrastructure, e.g. railways, rapid transit systems, airports, roads and motorways;
  • Public utility infrastructure, e.g. drainage systems, and waste disposal and wastewater treatment facilities;
  • Energy suppliers, e.g. electricity generators and distribution system operators;

- **Social infrastructure**
  Health care facilities, e.g. hospitals and nursing homes; educational facilities, e.g. schools, universities and student hostels; and public sector housing;

- **Selected strategic corporate customers.**

The department's product range features bespoke solutions, from medium and long-term loans, bond related services, and factoring, through to sale and leaseback arrangements, public-private models, and structured project finance. PFI draws on its own expertise and that of a strong network of Austrian and international business promotion agencies and development banks (e.g. Oesterreichische Kontrollbank, the EIB, the EBRD and the World Bank Group including MIGA).

In 2010 the main focus of operations was on the Czech Republic and Hungary. HYPO NOE Gruppe Bank has representative offices in both countries. Further expansion will initially target Western Europe and CSE. However International will also handle projects in other countries on a selective basis.

Real Estate Finance

The liquidity situation eased further in 2010. This resulted in an immediate squeeze on interest margins, particularly in our core markets. The Real Estate Finance team succeeded in generating new business. 2010 was hallmarked by tighter risk management, unusually protracted contract negotiations, volatile liquidity costs and uncharacteristically long project implementation lead times.

The department's key goals in 2011 will be building up a profitable lending portfolio, and selectively acquiring new business from institutional investors, funds and property developers. The business model still relies on the office, shopping centre, retail park, logistics facility and city hotel asset classes, and on relatively conservative lending terms.

Property prices are bottoming out, and some asset classes are already recording increases in a number of markets. However, due to the wide regional variations it is still hard to forecast future price trends.

The successful international expansion drive launched in 2010 was mainly targeted at our core real estate markets – the Czech Republic, Germany, Hungary, Poland and Slovakia. Landmark transactions completed during the year were the financing of office buildings in Prague and Bratislava – let on a long-term basis on behalf of international property investors – and of shopping centres in the Czech Republic, Hungary and Slovakia, as well as a retail portfolio in Germany.

In 2011 the Real Estate Finance team will again be working to exploit attractive openings in core markets that offer good risk/reward ratios. Particularly in Germany – a very well balanced and transparent market – we expect to find lucrative opportunities. In its foreign operations, the department will be watching economic developments very closely, as well as local property market trends. If the economic upturn in our core markets persists, the risk-return profile of foreign business will continue to outshine domestic transactions, and offer better margins for a given level of risk.

The target customer groups abroad are international property investment and development companies, asset management companies, property funds and high net worth individuals.

Group Treasury & ALM

In 2010 the strategic and organisational focus of the Group Treasury & ALM Department was on liquidity and market risk management, and financial engineering, as well as asset liability management.

As regards liquidity risk management, the prime concern for the department was ensuring that the Group has a strong short, medium and long-term funding profile, and among other things this involved updating the debt issuance programme.

We placed a total of almost EUR 1bn on the capital market in 2010. In line with the Bank's traditions, issuance centred on public covered bonds, which attract AAA ratings from Moody's. Towards the end of 2010 HYPO NOE Gruppe Bank launched a EUR 500m Pfandbrief issue – its largest publicly offered, benchmark-sized covered bond issue to date, and its first international one. This has made us better known abroad and expanded our investor base.

The main financial engineering priority was advising on account managers on structured products and transactions with complex cash flow profiles.

Asset liability management activities mainly related to banking book and interest rate risk management. Investment was mostly channelled into bank and government bonds. Active interest risk management made a significant positive contribution to overall earnings in 2010.

Public Loan Management

The Lower Austrian state government extends preferential loans to almost 200,000 local people and businesses. The HYPO NOE Group is the first point of contact for Lower Austrian subsidy beneficiaries with queries about account management, account balances and repayments. It provides Lower Austrian owner-builders and the many housing cooperatives in the state with cheap and efficient loan management services.

The number of loan applications processed for the Lower Austrian state government rose again in 2010, to reach almost 5,000. The HYPO NOE Group now has over 293,000 direct loans, totalling over EUR 6bn, under management on behalf of the state government. Subsidised home loans account for the lion's share – over 276,000 loans worth about EUR 5.6bn. The rest of the loans administered by us are from other state funds, such as the Lower Austrian economic and tourism, school and kindergarten, water management and agricultural support funds.

The Group also maintains the accounts for many state grants, including those related to environmental protection, schools and kindergartens.

Foreign branches

HYPO NOE Gruppe Bank AG had no foreign branches in 2010, but operated representative offices in Budapest and Prague.

HYPO NOE Real Consult GmbH

End-to-end solutions are the great strength of this subsidiary, which is one of the country's largest independent property services providers and construction project managers. In 2010 the company offered a comprehensive range of services in both areas, with an emphasis on project development, project management and property management. In organisational terms, the main landmark was the rebranding of the whole Group, and in particular the renaming of HYPO NÖ Bauplan as HYPO NOE Real Consult GmbH.

As regards the company's **project development** activities, the big highlight of 2010 was the completion of preparations for the construction of the Group's new headquarters building at Benkerwiese in St. Pölten, through to the commencement of works. In addition, a start was made with developing the property at Obere Donaustrasse 61, in Vienna's second district.

A number of major **construction projects** proceeded on schedule.

The initial phase of the IST Austria project in Maria Gugging involved the construction of the institute's first laboratory building. Despite the need to appoint a new contractor before completion of the building shell, the project was finished on time, and inaugurated by Governor Pröll and Peter Bertalanffy – the donor of the Bertalanffy Foundation Building. During the year the Lower Austrian state government held a multi-stage tender procedure for project management services to be provided during the second phase. HYPO NOE Real Consult GmbH won the contract to manage the EUR 90m construction project.

The plans for the new Niederösterreich Arena football stadium in St. Pölten were approved by the construction advisory board with conditions, and the environmental impact assessment procedure took place in December. Work is expected to start in March 2011.

The Schulzentrum Krems multi-school building was completed on time, and the multi-storey car park entered service on 31 December 2010. Handover of the centre is scheduled for February 2011.

Detail planning of the Wachau river boat terminal and World Heritage centre forged ahead after the financing commitment was given in June. The groundbreaking ceremony, attended by Governor Pröll, and the mayoresses of Krems and Dürnstein, Ingeborg Rinke and Barbara Schwarz, took place on 2 October 2010.

The construction of an ultramodern hospital building for the Donauklinikum Tulln and of temporary operating theatres began in 2005. A new interdisciplinary intensive care unit at the hospital was officially opened by Deputy Governor Sobotka on 6 October 2010.

Phase 1 of the Norbertinum school renovation project in Tullnerbach was completed and handed over, and the official opening took place on 8 October 2010.

The multi-purpose hall in Perchtoldsdorf, which boasts Austria's highest indoor climbing wall, entered service in June 2010.

Planning permission for the HYPO NOE headquarters building in St. Pölten was obtained and works began in October 2010. Separate invitations to tender have been issued for the different types of work. Facility Management will also be providing project implementation support.

2010 was another year of growth for the **property management** business. HYPO NOE Real Consult GmbH took charge of five more buildings, with a total floor area of about 58,000 square metres (sqm). These are:

- The St. Pölten logistics centre;
- Gaswerkgasse, Krems;
- Sängerhofgasse, Tribuswinkel;
- The International Anti-Corruption Academy (IACA), Laxenburg;
- The Rostockvilla, Klosterneuburg.

Services provided for Kommunale Immobilien Liegenschaftsverwaltungs- und Verwertungsgesellschaft mbH (KIG), Stockerau were widened to include another 18 properties with a combined floor area of 17,200sqm.

A success for the facility management business was the contract to advise the client on the new football stadium to be built in St. Pölten. The main focus of the contract is on planning the stadium for efficient operation and minimum costs over the entire life cycle of the building.

HYPO NOE Leasing GmbH

HYPO NOE Leasing GmbH is the HYPO NOE Group's product subsidiary for speciality lending – especially leasing. Medical and non-medical equipment leasing for Lower Austrian hospitals brought HYPO NOE Leasing some EUR 35m of new business in 2010. Thanks to its lease processing expertise, and its ability to tailor transactions to the needs of NÖ Landeskliniken-Holding and the hospitals under its management, HYPO NOE Leasing again won this business for 2011 and 2012.

HYPO NOE Leasing is also taking on the financing of a new extension to the Landesklinikum Thermen-Region Mödling hospital, and alterations to the building and to the Landesklinikum Thermen-Region Neunkirchen, as part of a consortium. Its share of the financing volume is about EUR 185m. HYPO NOE Leasing GmbH structured the deals. Due to its experience with complex transactions and the related contractual work it was entrusted with structuring both deals and drawing up all the agreements.

The company's contract drafting skills were also on display in connection with building rehabilitation work at the Lower Austrian state sport school. It succeeded in simplifying the contractual situation and making it more transparent, in the interests of all the parties. And it applied this know-how to the comprehensive renovation of the Zistersdorf vocational college and construction of an extension, as well as the construction of a new building for the Waldegg vocational college. The combined volume of these transactions is EUR 33.5m.

Associates

NÖ Beteiligungsfinanzierungen GmbH
NÖ Bürgschaften GmbH

The new guarantee and equity investment products created as part of the Lower Austrian economic stimulus package, which are provided by associates NÖ Beteiligungsfinanzierungen GmbH (HYPO NOE Landesbank AG holding 21.0%) and NÖ Bürgschaften GmbH (holding 5.0%), are an important source of support for the state's businesses, as shown by the strong demand for them.

On 21 January 2010 we signed an agreement with the state government, designed to strengthen the finances of local companies. This agreement is seen as a means of assisting the local business community, and is aimed at faster processing of applications and better advice, as well as ensuring that the EUR 100m in funding provided by the state government under the stimulus package is fully used. To this end the capital of NÖ Beteiligungsfinanzierungen was increased by EUR 3.3m in late March 2010, with all the shareholders contributing. HYPO NOE Landesbank's contribution was EUR 0.7m.

HYPO Real Invest AG

On 20 January 2011 HYPO NOE Gruppe Bank sold its 30-percent interest in HYPO Real Invest AG to IVG Immobilien AG, a listed German company, at a profit. HYPO Capital Management AG, in which HYPO NOE Gruppe Bank holds 25 percent, likewise sold its 70-percent stake in HYPO Real Invest to IVG Immobilien.

HYPO NOE Landesbank AG (accounted for according to local GAAP)

For retail and business customers, and professionals in its core markets – Lower Austria and Vienna – HYPO NOE Landesbank AG is a sound partner that knows its business. 2010 was a year of improving market conditions for retail banking. The turmoil on financial markets in the previous two years had a serious impact on the business environment in Austria. The banks' liquidity needs were met either by refinancing on the interbank market (including the ECB) or by customer deposits. This led to market distortions with regard to savings products, as some banks sought to attract customers' money by offering higher interest rates. Because of the need to protect its margins, HYPO NOE Landesbank responded by reining in its efforts to attract large investments – which had mainly been aimed at non-retail customers – and relying more heavily on the interbank market.

In the wealth and securities area, the bank succeeded in arousing increased customer interest by enhancing its advisory skills, and custody business grew by 9 percent. Customer deposits were down by 6.63 percent year on year to EUR 1,137.4m, with savings deposits accounting for EUR 775.2m or 68 percent of the total. The decrease in customer deposits was due to the effects of shifting market conditions on the traditional approach to refinancing, and the resultant change in our policies with regard to competing for deposits.

Customer loans and advances climbed by 9.8 percent. A large part of this business came from retail customers and professionals, who accounted for EUR 853.3m or 46.4 percent of all lending. Growth in lending to owner-builders – a core market for Landesbank – was above the industry average despite the challenging environment.

Business customers are another major prop of the bank's lending business. HYPO NOE Landesbank is an important partner for small and medium-sized enterprises, and this area of its business generated 6.9 percent lending growth and contributed 53.6 percent of total customer loans and advances in 2010. With the impact of the global financial and economic crisis on Austrian businesses in mind, the bank has been monitoring the risks associated with its rapid growth in the SME segment closely for some time, and has made a special analysis of its lending portfolio. The loss on ordinary activities reported for 2010 reflects resultant heavy provisioning for non-performing loans in the retail and business customer segments.

Issuance of home construction bonds declined to EUR 13.3m (2009: EUR 19m). Due to the financial crisis customers tended to be wary of long-term commitments. We expect customer interest in home construction bonds – one of the few tax advantaged forms of investment – to pick up again in 2011.

HYPO NOE Landesbank stands for traditional values, solidity and expertise. With HYPO NOE Gruppe Bank as its parent and the Lower Austrian state government as its owner, the bank is well placed to nurture stable, long-term customer relationships. Experienced staff devise bespoke solutions designed to meet customers' highest expectations. Sustainability, reliability, customer focus and decisiveness are central to the bank's philosophy. During the year under review HYPO NOE Landesbank met customers' need for safety and stability, and it sees this as its mission for the future, too.

GROUP FINANCIAL PERFORMANCE

The main features of the HYPO NOE Group's profit performance in 2010 were continued high net interest income, and heavy non-recurring charges affecting HYPO NOE Gruppe Bank AG's contribution to other operating income. In consequence, profit after tax attributable to owners of the parent fell to EUR 7.1m – a year-on-year decrease of EUR 12.8m. Due to continued low interest rates during the reporting period, net interest income was again at a high level, and edged down by a mere EUR 3.5m to EUR 135.1m. The cost of risk declined from EUR 34.1m to EUR 17.7m, largely as a result of improvements in the quality of the Bank's loan portfolio.

Net fee and commission income was virtually unchanged at EUR 7.3m.

Net trading income of EUR 16.1m was largely generated by interest rate and foreign exchange transactions.

General administrative expenses were up by 6.8 percent to EUR 81.9m. Staff costs rose by 8.9 percent to EUR 47.4m, and other administrative expenses by 3.0 percent to EUR 31.4m. The change in staff costs was partly due to an increase in the head count.

Net other operating expense/income turned negative by EUR 47.6m, following net income of EUR 4.1m in 2009. This shift is largely explained by an allocation to a provision for contingent losses, up to the maximum risk associated with the ongoing investigation into the alleged transgression of limits for large exposures.

In 2010 no gains on deconsolidation were reported.

The profit before tax was EUR 7.6m – down by EUR 17.3m year on year (2009: EUR 24.9m).

The lower profit is reflected in the following **financial ratios:**

		2010	2009	2008
Return on equity before tax	Profit before tax/ ave. equity	**1.9%**	6.8%	4.4%
Return on equity after tax	Profit after tax/ ave. equity	**1.8%**	5.5%	3.6%
Cost:income ratio	Operating expenses/operating income	**76.4%**	57.3%	72.6%
Risk:earnings ratio	Credit risk provisions/net interest income	**13.1%**	24.6%	17.2%

The financial performance indicators were heavily impacted by the high non-recurring charges recognised in net other operating expense/income.

HUMAN RESOURCES MANAGEMENT

The central challenge for Human Resources in today's testing times in the banking industry is to ensure that the Group remains an attractive employer, and to make the Bank an interesting and stretching place to work.

In comparison to the past, legal and regulatory requirements are very much to the fore, and place heavier demands on both management and staff. An employer's attractiveness is not just crucial to recruiting new employees, but also to retaining existing staff. Because of this the key task of the Human Resources team is to engender an enduring sense of identification with the Company in a changing working environment.

Last year's rebranding exercise has enabled the Bank to communicate its achievements – which are largely due to our people's contribution – better to the outside world.

Facts and figures

At year-end 2010 the HYPO NOE Group had 638 employees (31 Dec. 2009: 604), of whom 306 were male and 332 female (31 Dec. 2009: 293 male and 311 female). Adjusted for full-time equivalent (FTE) this yields a figure of 603.9 employees at year end (31 Dec. 2009: 582). The breakdown by Group companies is as follows:

HYPO NOE Gruppe Bank AG	▶ 241 (122 male; 119 female); FTE 229.5 (119.2 male; 110.3 female)
HYPO NOE Landesbank AG	▶ 324 (155 male; 169 female); FTE 301.6 (153.4 male; 148.2 female)
HYPO NOE Leasing GmbH	▶ 34 (12 male; 22 female); FTE 34 (12 male; 22 female)
HYPO NOE Real Consult GmbH	▶ 39 (17 male; 22 female); FTE 38.8 (16.6 male; 22.2 female)

As in 2009, seven staff members were employed at our representative offices abroad. In 2010 we filled 132 vacancies in the Group (2009: 110).

During the reporting period employees' average age was 38.6 (2009: 39.3). The average length of service with the Company was 8.4 years (2009: 8.3 years). Days of sick leave averaged 9.0 per employee in 2010 – down by 0.4 days on the previous year.

Reorganisation

The previous year's major restructuring exercise continued into 2010. For instance, the General Secretariat and Compliance were merged into a new corporate service unit reporting directly to the Management Board, and the management of subsidiaries and associates was upgraded to a separate department. Other milestones were placing the Public Finance & Corporates Austria and International departments under a single head, and further progress with creating a second management tier (group managers). The first phase of the latter process was completed in the autumn of 2010.

The development of overall group management functions was extended to the project and process management, and product management areas. During the last quarter of 2010 these remits and the staff involved were transferred to the Business Development Department at HYPO NOE Gruppe Bank AG.

The changes in the parent company's distribution and marketing structures initiated in 2009 were solidified by dividing the 28 branches into four distribution regions, each headed up by a regional manager.

Staff development

In the current complex and rapidly changing organisational environment staff development has a particularly vital role to play. The reshaped induction process launched in 2009 is now firmly established, and a number of cycles have been successfully completed. The involvement of senior headquarters staff as speakers is particularly valuable, as it gives a practical dimension to the course content. The basic induction to HYPO NOE Gruppe Bank now takes in virtually all areas of HYPO Foundation Courses 1 and 2, and has obtained recognition as a basic training course from Hypo-Bildung, the training subsidiary of the HypoVerband (Federation of Austrian Mortgage Banks). After this basic training, which is tailored to the needs of our core business, staff can move on to specialised training for roles in the various departments, which in some cases means taking additional course modules.

One of the main thrusts of our staff development activities in 2010 was the development and introduction of staff development interviews. While the basic idea is not new, this is the first time that the interviews have been cast as staff development discussions rather than performance reviews. These discussions require managers to act as coaches who support employees along their career paths at the Bank. They began during the autumn of 2010, and the experience gained laid the groundwork for activities in 2011. The appraisal discussions held at the start of the year represent a separate system, devoted to performance assessment. These interviews are designed to comply with the new legislative requirements. During the year compliance and IT security training courses were held by the departments concerned, across the Group. Content from these courses was also included in the Group induction and training course so as to establish uniform standards. Risk management courses for operational departments will again be given by internal trainers in 2011.

Another highlight of the year was the "Captain's Dinner", held in September 2010. This staff event again made a useful contribution to internal communication, mutual understanding and teamwork. The Group Christmas party at the Palais Niederösterreich, which featured decorations that conjured up the atmosphere of Lower Austria's Wald-, Wein-, Most- and Industrieviertel regions, was another big success.

Outlook

Recent amendments to the *Bankwesengesetz* (Banking Act), passed by Parliament shortly before the end of the year to tranpose new European legislation, will face banks' human resources departments with new challenges. The new legislation affects the multi-year observation and pay-out periods for bonuses, and the related employee shareholding schemes. Its advent meant that the key issues for the coming year were already mapped out.

From the perspective of the Human Resources Department the roadmap for 2011 is:

- Development of a remuneration policy including the share ownership scheme and appropriate risk indicators, in accordance with the requirements of the Banking Act;
- Introduction of performance reviews that conform to the new remuneration policy;
- Continued development of the leadership meetings;
- Optimisation of the IT solutions used by HR;
- Individualised staff development activities based on the outcomes of the staff development discussions.

RISK REPORT

For the HYPO NOE Group risks mean unexpected, unfavourable future developments which can have adverse effects on the assets, earnings or liquidity of the Group or of individual subsidiaries.

All major business activities in pursuit of the Group's corporate strategic goals are organised in accordance with strategic risk considerations, with special attention to risk bearing capacity.

The Group attaches particular importance to ensuring that risks are incurred only where the potential rewards are commensurate. Risks are not ends in themselves, they are taken on for the purpose of increasing enterprise value: they may only be incurred where risk capacity is high enough and the return on risk capital is adequate. The ongoing development of instruments and processes to ensure an appropriate balance of risks and rewards is regarded as a permanent component of long-term strategic development.

We are also concerned to maintain an appropriate match between risk bearing capacity and the risks incurred. The eligible risk coverage capital is very carefully defined and the confidence level for risk quantification (i.e. the probability of loss) is set at a conservative level.

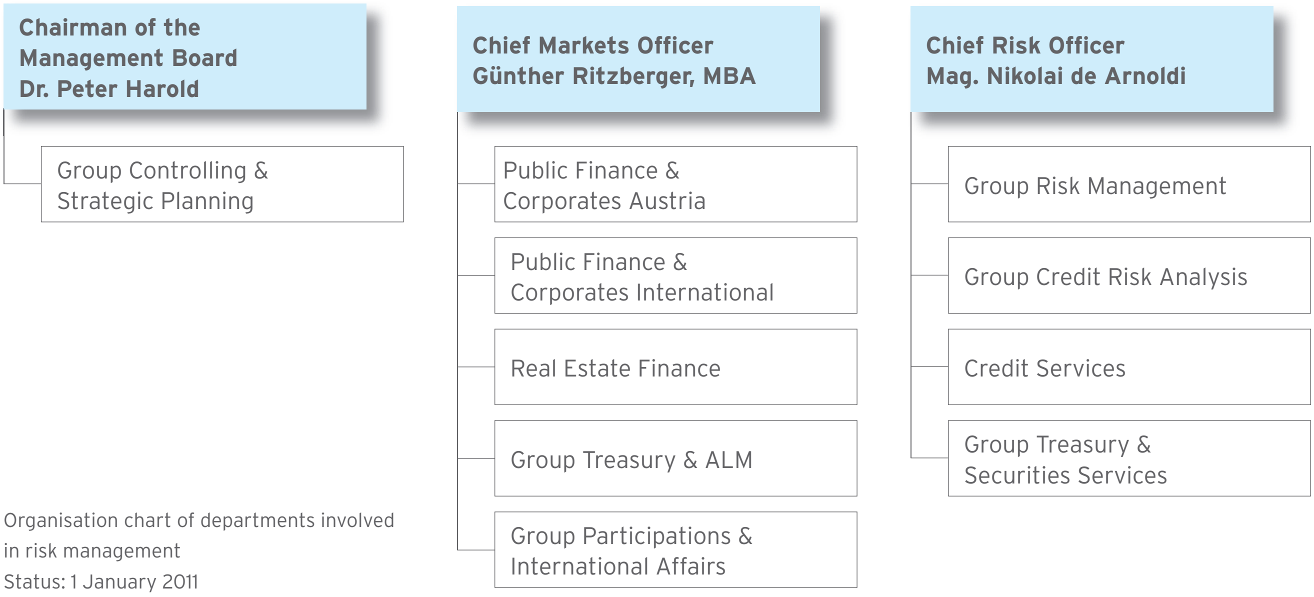
The disclosure of risks is based on the Group's internal risk management and risk reporting systems, and IFRS 7 Financial Instruments: Disclosures.

Risk management

Business success necessarily entails risk. The HYPO NOE Group practises active risk management – risks are incurred on the basis of deliberate decisions. The Group's risk management objectives are to identify, quantify and actively manage all types of banking risks (credit, interest rate, market, liquidity, operational and reputational risk).

Our organisational structure provides for a clear separation (four-eye principle) of the market and control functions at every level up to the Management Board. The market departments originate business and give the initial approval for transactions, while the control departments provide the second opinion that confers final approval. It goes without saying that this separation of functions was also present in 2010.

The risk-related section of the organisation chart for HYPO NOE Gruppe Bank for 2011 shows the market departments – Public Finance & Corporates Austria, Public Finance & Corporates International, Real Estate Finance, Group Treasury & ALM and Group Participations & International Affairs – reporting to the Management Board member responsible for markets. The Group Controlling & Strategic Planning department is closely involved in overall risk management for the HYPO NOE Group, and reports to the Chairman of the Management Board. The risk management departments, Group Risk Management and Group Credit Risk Analysis, and the processing departments, Credit Services and Group Treasury & Securities Services, report to the Management Board member responsible for risk management.



Organisation chart of departments involved in risk management
Status: 1 January 2011

The quantification and monitoring of total bank risk at portfolio level is the responsibility of the Group Risk Management Department, and consists of the measurement, aggregation and analysis of all the risks assumed.

Since the 2008 financial year the HYPO NOE Group has implemented the statutory requirements arising from Basel II.

This involves recalculation of the minimum capital requirements on the basis of the standardised approach (Pillar 1 of the Basel II regulations), and most importantly, active management of all material risks as part of the Group's internal risk management process (Pillar 2, ICAAP) and compliance with the disclosure requirements (Pillar 3 of the Basel II regulations). The risk assessment methodology was thoroughly revised in 2007 as part of the Internal Capital Adequacy Process (ICAAP) required by the supervisory review. The key elements of this ongoing process are the planning, aggregation, management and monitoring of all risks, the evaluation of the adequacy of capital resources in relation to the risk profile, and the use and refinement of appropriate risk management systems.

In the HYPO NOE Group all quantifiable risks are as a matter of principle subject to the Group-wide, uniform limit system, which is subject to constant operational supervision: all risks must have corresponding limits.

There is a Group risk reporting system in place that ensures regular, timely and comprehensive reporting of all risks. In addition to the ICAAP report, which provides an aggregated summary of all risks and their capital backing, the Management and Supervisory boards receive separate, regular risk reports for each risk category, which provide comprehensive information on current risk developments.

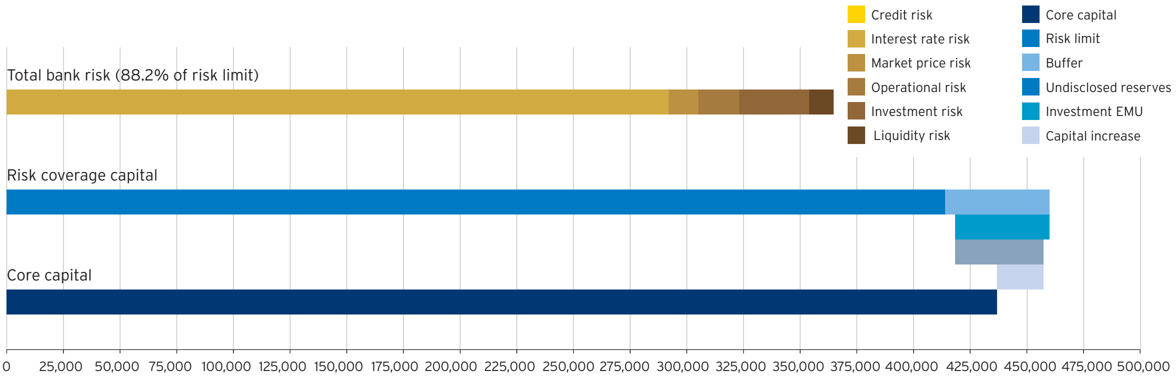
Publication as required under sections 26 and 26a Austrian Banking Act in combination with the OffV (FMA Disclosure Regulation) is on a consolidated basis for the HYPO NOE Group, in a separate document posted on the *Bank's* website.

The adequacy of risk bearing capacity is monitored and reviewed by two management groups:

1) Economic capital management serves to protect creditors from the point of view of liquidation. Risks are evaluated at a high confidence level (99.9% with a holding period of one year) and compared with the risk coverage capital available in the event of liquidation.

2) Going concern management serves to ensure that the Bank survives as a going concern. Risks are evaluated at a lower confidence level (95% with a holding period of one year) and compared with the realisable coverage capital that can be made available without endangering survival.

The HYPO NOE Group's risks and risk limits (including buffers) for the purposes of economic capital management as at 31 December 2010 are shown below:



Current risk situation

In spite of the unfavourable market environment resulting from the financial crisis and the provision for the potential imposition of an interest penalty by the Austrian Financial Market Authority (FMA) in connection with the investment in Augustus Funding Limited, the HYPO NOE Group's risk cover as at 31 December 2010 amounted to 88.2% of the risk limit (including an adequate buffer) and was thus slightly higher than at 31 December 2009 (84.3%). Credit risk continues to reflect an increase in the probability of default by borrowers – particularly on the part of small and medium-sized businesses and private customers. The liquidity position is stable. More information is contained in the detailed reports on the individual risk categories set out below.

The rules and procedures for introducing new types of business or products, or entering new markets, require detailed analysis of the relevant business risks in advance. Business activities entailing risks are without exception only permitted if the risks are explicitly covered and authorised in the Group's risk documentation. As a matter of principle, we restrict our business activities to areas in which we have the skills and expertise to evaluate and manage the specific risks involved. Where the risk situation is unclear, or where there are methodological uncertainties, the principle of prudence prevails.

In 2010 we again invested considerable sums in infrastructure and processes, methodology and staff development, in order to ensure that the risk control systems were compatible with the authorised levels of risk tolerance and the Group's business objectives.

Outlook for 2011

All major business activities in pursuit of the Group's corporate strategic goals are organised in accordance with strategic risk considerations, with particular attention to risk bearing capacity. The Group Risk Manual lays down Group-wide mandatory risk management rules which apply to all subsidiaries and departments. It details the current processes and procedures for identifying, quantifying, monitoring and managing risks throughout the Group. It is the basis of implementation of our strategy for all aspects of risk, and defines the fundamental risk objectives and limits that must be observed in business decisions in the various business areas. The Risk Manual was extensively revised last year. As part of the annual review process, it is regularly extended, adjusted in line with changes in the external environment, and adapted to reflect new developments in the HYPO NOE Group where necessary.

Our limit system has been completely revised, and was successfully implemented in 2010. It is monitored and further improved by Group Risk Management on an ongoing basis.

A comprehensive, Group-wide regular stress test system was developed in 2010. In 2011 simulations will again be employed to model the effects of economic stress scenarios on the Bank's portfolio and capital, both for the Group as a whole and for the various different risk categories.

A high priority in 2011 will be the continuing development of methods for the identification, quantification, monitoring and management of operational risks, and of the internal control system.

As a result of the changed regulatory framework, ongoing implementation of amendments to the Capital Requirements Directive (CRD II) has already entailed changes in numerous bank lines of credit and internal regulations. Another focus in 2011 will be on planned liquidity indicators and capital buffers. The amended provisions of section 39 Banking Act governing remuneration, which were already in effect in 2010, will also be implemented shortly.

Credit risk

Credit risk is the risk of deterioration in creditworthiness – ultimately, the risk of a contractual partner's defaulting. Credit risks are of various different types, depending on the products involved. Loans involve classic credit risk, derivative counterparty risk, and security issuer risk. Credit risk also includes investment risks.

- Classic credit risk is the risk of complete or partial loss as the result of the default or the deterioration of the creditworthiness of a borrower. The credit risk for the Bank lasts from the time the loan is agreed until it is repaid, i.e. for the whole term.
- Counterparty risk exists in the case of derivatives (including futures and credit derivatives), where the contract is concluded at a fixed price and the market price can change during the term of the contract. If the contractual partner defaults during the term of the contract, the Bank must then cover the remaining term with a new contract at the prevailing market price. If the market price is unfavourable to the Bank, there are additional costs or losses on the covering transaction. The Bank is exposed to counterparty risk throughout the term of the contract.
- Issuer risk is the risk of a similar deterioration in the creditworthiness of an issuer of securities. The Bank is exposed to issuer risk throughout the term of the contractual relationship.
- Investment risk is the risk of a complete or partial loss in value of capital invested in another business enterprise. The risk can crystallise if a writedown (partial or total) of the carrying amount of the investment becomes necessary, if losses are realised on disposals, or if undisclosed reserves are reduced.

The HYPO NOE Group calculates regulatory capital for credit risks using the standardised approach as required under section 22a Banking Act and the simple method for credit risk mitigation techniques.

Internal risk management uses the 25-level HYPO master scale, which is shown in condensed form below:

HYPO NOE Group master scale			Corresponding external ratings	
Grade	Rating	Rating grade	Moody´s	S&P
Invest	Top grade	1A - 1E	Aaa - Aa3	AAA – AA-
	Excellent or very good	2A - 2E	A1 - Baa3	A+ - BBB-
Non-invest	Good, medium or acceptable	3A - 3E	Ba1 - B1	BB+ - B+
	Unsatisfactory	4A – 4B	B2	B
	Watchlist	4C – 4E	B3 – C	B- - C
	Default	5A – 5E	D	D

For internal customer credit ratings, we employ the Österreichische Volksbanken AG (VBAG) rating procedures. Since 1 April 2008 VBAG has been using the F-IRB approach in accordance with section 22b Banking Act; as a result, it now has approved rating systems, which our group also uses.

For private customers, the Group is currently using an applications rating procedure together with behavioural rating for day-to-day evaluation. Business customers are assessed using different rating instruments for start-ups, businesses preparing accounts on a cash basis and those using accrual accounting. There is also an separate process for local authorities. Credit rating for specialised lending uses the slotting approach based on income-producing real estate (IPRE). Other customer categories are at present rated internally, on the basis of analyses, external ratings, etc.

In credit risk management internal ratings are generally used for credit risks and investment risks. Unrated customers are comparatively few, and they are constantly monitored. Unrated loans are generally assigned a conservative 4A rating.

Credit risk analysis

Lending is the HYPO NOE Group's core business, and taking on credit risks, managing them and keeping them within limits is one of its core competencies. Lending activities, the valuation of collateral, credit ratings and the classification of collateral are all governed by strict organisational rules and procedures, the fundamental principles of which are set out in the HYPO NOE Group Risk Manual. They define, in particular, the powers and authorities, the credit rating and collateral classification procedures, and guidelines for lending and loans management.

The Group Credit Risk Analysis Department is responsible for all activities in connection with checking, monitoring and managing all risks associated with on and off-balance-sheet lending transactions at the individual customer level.

The main emphasis is on checking both the form and content of loan applications, and providing the second opinions. The Group Credit Risk Analysis Department has the sole responsibility for rating assessments.

Group Credit Risk Analysis is also responsible for monitoring early warning indicators (principally from account administration) in order to identify potential problem customers as early as possible, so as to be able to initiate countermeasures in good time.

Its responsibilities also include the management of nonperforming loans and determining the risk provisions (recognition of individual impairment allowances). Below a certain rating level, loans are transferred for work-out and recovery.

The HYPO NOE Group applies rigorous standards as to what constitutes default – all customers meeting at least one of the following criteria are immediately treated as in default:

- Substantial loans more than 90 days overdue (regulatory definition);
- Recognition of an individual impairment allowance, or abstention from doing so if there is adequate collateral;
- Restructuring for credit rating purposes;
- Insolvency, composition or bankruptcy;
- Loan writedowns or write-offs.

Risk provisions

Individual and collective impairment adjustments or provisions are made for identifiable lending risks.

The Group Credit Risk Analysis Department is responsible for establishing the amounts of the impairment allowances on the basis of an assessment of the customer's financial situation, and taking into account in particular the current value of any securities, the repayment structure and the due dates.

Future cash flows (repayments expected) are discounted using the original effective interest rate. If there is collateral for the amount receivable under the loan (e.g. charges on real property or guarantees), in calculating the amounts of any impairments the expected proceeds of realisation of any securities net of costs of realisation must be taken into account as future cash flows (AG84 IAS 39). Since in calculating the amounts of provisions in accordance with paragraph 63 IAS 39 the discounted value of all future cash flows with their expected due dates are to be taken into account, all expected interest payments should also be included.

For losses incurred but not recognised at the end of the reporting period, the HYPO NOE Group recognises collective impairment allowances on the assumption that for a certain percentage of customers without a default rating at balance sheet date there are incurred but unreported losses.

These impairment allowances are calculated differently for HYPO NOE Gruppe Bank and HYPO NOE Landesbank, since the two banks have different risk profiles. The calculation is based on the expected loss, taking into account: (a) the unsecured balance net of the market value of any collateral; (b) the historical probability of default (PD), i.e. the results of backtesting the rating system; (c) the loss ratios for the individual portfolios (LGD, or loss given default); and (d) the period of time between occurrence of the loss and its identification (LIP, or loss identification period). For reasons of prudence there is no initial recognition of any potential recovery factor.

Collective impairment allowances are calculated for loans and advances to banks and customers with internal ratings of 2A to 4E, using the HYPO NOE Group master scale described above. For 2010, the loss identification period is assumed to be four months for all loans.

The allowances are calculated using the following formula:
Provision = (open balance - market value of security) * PD * unsecured LGD * LIP

To the extent that the provision relates to receivables shown in the balance sheet, it is disclosed separately as a deduction on the assets side of the statement of financial position, under "Loans and advances to banks" and "Loans and advances to customers". The risk provisions for off-balance sheet business are shown under "Other provisions" (Note 8.22). Allocations to and reversals of impairment allowances and provisions for lending risks are shown in the income statement, under "Credit risk provisions".

Credit risk monitoring

The Group Risk Management Department is responsible for monitoring credit risk at the portfolio level. The risk quantification required under the supervisory regulations as part of the ICAAP process has been revised, and as a first step a software application has been introduced to measure credit risk from the portfolio perspective by calculating economic capital using the IRB approach prescribed by the regulations.

Management is kept informed about changes in credit risks in the monthly credit risk report and in regular or special reports on risk related matters (transfer of accounts to the collections department, changes in overdrafts, etc). There is also a regular report to management on the Group's ten largest exposures in each department. The Group's risk situation is discussed comprehensively and selectively in detail with management at meetings of the Risk Management Committee (RICO), which are held at least six times per year.

Facilities for own investments, money market deposits and derivatives are submitted to the Supervisory Board for authorisation twice a year. Compliance with the limits imposed is monitored on an ongoing basis, and reports are regularly submitted to the Supervisory Board. Such facilities are principally requested for sovereigns, and for Austrian and international banks with good external ratings. The ratings of international rating agencies – Moody's and Standard & Poor's – are used for this purpose.

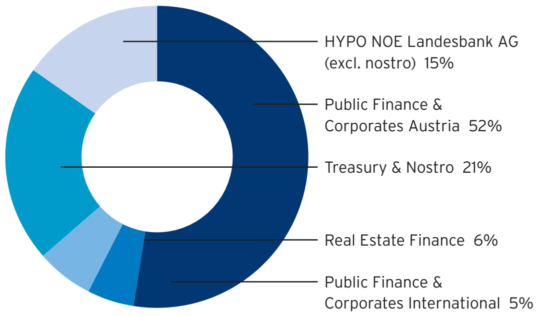
For individual customers, risk monitoring is the responsibility of the Group Credit Risk Analysis Department, which verifies the credit ratings, monitors the blacklist from accounts administration and processes risky credit applications. For customers where there is reason to doubt their creditworthiness, account managers are required – irrespective of the amount of any liabilities and of credit ratings – to prepare a review where needed, and at the least once a year. The review must contain a comprehensive summary of the current situation. The review is submitted for information to the competent manager. Customers giving cause for concern with respect to risk are monitored by Group Credit Risk Analysis. Where there is a significant deterioration in the risk situation, the exposures are transferred to the specialists in workouts, who are not part of the relevant market area.

Credit risk management

For credit risk management purposes, credit exposures are grouped as follows:

	Risk volumes (€'000)	
Financial control unit	2010	2009
Public Finance & Corporates Austria	6,980,312	5,761,221
Public Finance & Corporates International	722,408	533,986
Real Estate Finance	773,381	661,084
Treasury & Nostro	2,860,680	3,578,643
HYPO NOE Landesbank AG (excl. nostro)	2,042,237	1,860,790
Total	13,379,017	12,395,724

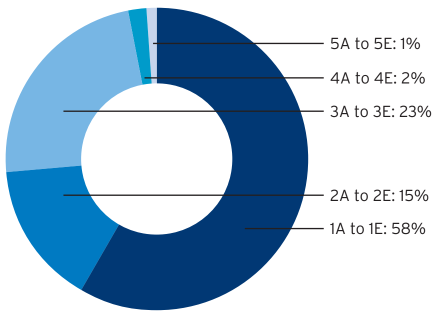
Credit risk volumes by segment 31 December 2010



Exposures are also classified by credit rating, as follows:

	Risk volumes (€'000)	
Rating	2010	2009
1A bis 1E*	7,713,921	7,231,708
2A bis 2E	2,828,018	1,899,605
3A bis 3E	2,285,910	2,866,762
4A bis 4E	335,555	215,955
5A bis 5E	215,613	181,694
Total	13,379,017	12,395,724
*Whereof 1A (PD=0.01%) EUR 5,320,347,000 (2009: EUR 4,898,442,000)		
Investment grade	1A – 2E	
Default	5A – 5E	

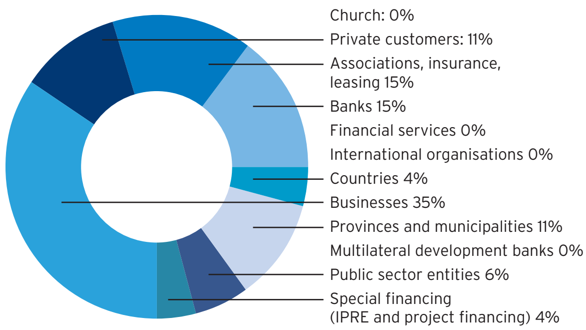
Credit risk volumes by rating 31 December 2010



Credit risk management is also divided into the following segments:

	Risk volumes (€'000)	
Segment	2010	2009
Banks	1,949,595	2,067,590
Financial services	0	6,281
Countries	505,600	506,465
Provinces and municipalities	1,528,211	1,291,973
Multilateral development banks	4,394	0
International organisations	0	0
Public sector entities	753,340	520,791
Special financing (IPRE and project financing)	545,609	348,422
Businesses	4,623,769	6,227,393
Private customers	1,523,132	1,423,572
Church	1,560	668
Associations, insurance, leasing	1,943,807	2,569
Total	13,379,017	12,395,724

Credit risk volumes by segment 31 December 2010



[1] Risk volumes represent open balances plus 50% of agreed facility. Securities are shown at market value.

Disclosure of credit risk mitigation under IFRS 7

The valuation and classification of collateral are governed by strict organisational rules and procedures, which distinguish between the fair value of collateral recognised for regulatory purposes and its economic value. As a general rule, the account manager checks the legal status and the economic value of the collaterals at the time the application is received, at least once every year when the loan or facility comes up for reapproval, and whenever circumstances require. As part of the process of credit review Group Credit Risk Analysis checks the information, the assumptions and the underlying parameters. Balance sheet and off-balance sheet netting is not applied in the HYPO NOE Group.

The principal categories of collateral admissible for Basel II purposes that are relevant to the HYPO NOE Group are guarantees (largely in the public sector), mortgages and other pledges. A considerable part of the lending is represented by the purchase of a tranche of housing construction loans made by the state of Lower Austria. Additional security for this lending is provided by a guarantee from the state of Lower Austria. The credit risk on these exposures should therefore be seen as inconsiderable.

Gross exposures in the Group for purposes of paragraph 36A IFRS 7[2]

	31 Dec. 2010	31 Dec. 2009	Change
Cash reserve	39,613	70,658	-31,045
Loans and advances to banks	432,511	376,055	56,456
Loans and advances to customers	8,878,928	8,580,720	298,208
Risk provisions	-103,164	-90,675	-12,489
Trading assets	240,174	133,406	106,768
Positive market values on hedges (hedge accounting)	276,205	168,168	108,037
Financial assets held to maturity	70,106	99,003	-28,897
Available-for-sale financial assets	2,014,702	2,174,964	-160,262
Financial assets designated as at fair value through profit or loss	9,406	9,081	325
Investments accounted for using the equity method	46,149	43,940	2,209
Investment property	24,443	24,078	365
Contingent liabilities			
Acceptances and endorsements on discounted bills of exchange	327	327	0
Liabilities under guarantees and other collateral securities	156,718	202,057	-45,339
Other loans and advances	0	48,258	-48,258
Loan exposures	1,650,398	1,025,044	625,354
Total	**13,736,516**	**12,865,084**	**871,432**

[2] Amounts are shown gross, without taking into account securities or other collateral.

Maturities, collateral, and impaired or past due financial assets

The table below shows the value of collateral as calculated for regulatory purposes. The receivables of the leasing subsidiary, amounting to some EUR 1,247,741thsd (2009: EUR 1,110,407thsd), are shown without collateral.

31 December 2010 (€'000)	Not overdue	Less than 90 days overdue	More than 90 days overdue	Total
Gross carrying amount without individual impairment allowances	8,984,385	149,826	20,423	**9,154,633**
Gross carrying amount with individual impairment allowances	64,545	9,400	102,674	**176,619**
Renegotiated terms, para. 36(d) IFRS 7	209	0	0	**209**
Collective impairment allowances	-5,601	-242	-1	**-5,844**
Individual impairment allowances	-29,836	-2,884	-64,601	**-97,320**
Net carrying amount	9,013,701	156,101	58,495	**9,228,298**

31 December 2010 (€'000)	Gross carrying amount	Fair value of collaterals received
Loans and advances to customers and banks, debt instruments and other financial assets, not overdue, without individual impairment allowances	8,984,385	3,224,335
Loans and advances to customers and banks, debt instruments and other financial assets, overdue, without individual impairment allowances	170,249	53,173
Loans and advances to customers and banks, debt instruments and other financial assets, overdue and not overdue, with individual impairment allowances	176,619	37,361
Total	**9,331,253**	**3,314,870**

31 December 2009 (€'000)	Not overdue	Less than 90 days overdue	More than 90 days overdue	Total
Gross carrying amount without individual impairment allowances	8,738,024	75,807	31,902	**8,845,734**
Gross carrying amount with individual impairment allowances	48,756	8,833	70,485	**128,074**
Renegotiated terms, para. 36(d) IFRS 7	8,289	0	0	**8,289**
Collective impairment allowances	-6,203	-924	0	**-7,127**
Individual impairment allowances	-25,083	-7,135	-51,330	**-83,548**
Net carrying amount	8,755,493	76,581	51,058	**8,883,132**

31 December 2009 (€'000)	Gross carrying amount	Fair value of collaterals received
Loans and advances to customers and banks, debt instruments and other financial assets, not overdue, without individual impairment allowances	8,738,024	4,741,377
Loans and advances to customers and banks, debt instruments and other financial assets, overdue, without individual impairment allowances	107,710	18,399
Loans and advances to customers and banks, debt instruments and other financial assets, overdue and not overdue, with individual impairment allowances	128,074	11,246
Total	**8,973,807**	**4,771,021**

The carrying amounts of financial assets for which the terms and conditions have been renegotiated because they would otherwise have become overdue or impaired totalled EUR 209thsd (2009: EUR 8,290thsd).

Collateral taken into possession in the meaning of paragraph 38 IFRS 7 represents realisations where the intention is to dispose of the asset. For HYPO NOE Landesbank the value of such assets was EUR 680thsd (2009: EUR 702thsd). At HYPO NOE Gruppe Bank there were no such cases in 2010 or 2009.

The tables below set out risk provisions grouped by the maturities of the underlying transactions, segmented as required for regulatory reporting purposes.

31 December 2010	Not overdue	Less than 90 days overdue	More than 90 days overdue	Total
Risk provisions for customers – individual impairment allowances	-29,836	-2,884	-64,601	-97,320
Non-banks	0	0	-5,272	-5,272
Corporates	-17,195	-2,059	-27,627	-46,881
Private customers	-12,641	-824	-31,701	-45,167
Risk provisions for customers – collective impairment allowances	-5,601	-242	-1	-5,844
Total risk provisions	**-35,437**	**-3,125**	**-64,601**	**-103,164**

31 December 2009	Not overdue	Less than 90 days overdue	More than 90 days overdue	Total
Risk provisions for customers – individual impairment allowances	-25,083	-7,135	-51,330	-83,548
Non-banks	0	0	-5,869	-5,869
Corporates	-14,542	-6,248	-19,893	-40,683
Private customers	-10,541	-887	-25,568	-36,996
Risk provisions for customers – collective impairment allowances	-6,203	-924	0	-7,127
Total risk provisions	**-31,286**	**-8,059**	**-51,330**	**-90,675**

Current risk situation

The HYPO NOE Group is a universal banking group. Its loans and investments portfolio consists to a large extent of low-risk loans to public sector borrowers such as sovereigns, the Austrian federal government, Austrian state governments and local authorities (and their associated enterprises), together with loans to banks with good external ratings (predominantly own investments, derivatives and money market transactions) and generally well collateralised loans to housing construction companies (both large housing associations and private sector housing). In these low-risk areas there are significant risk concentrations (unsecured lending per individual creditor) in the loan portfolio.

A considerable part of the lending is represented by the purchase of a tranche of housing construction loans made by the state of Lower Austria. Additional security for this lending is provided by a guarantee from the state of Lower Austria. The credit risk on these exposures should therefore be seen as inconsiderable.

HYPO NOE Gruppe Bank also finances property projects with excellent or good credit ratings, together with selected public sector loans, infrastructure enterprises and selected corporates internationally. HYPO NOE Landesbank specialises in retail, large-scale housing construction (both cooperative and private sector housing) and SME finance.

From a Group perspective, the lending portfolio as a whole shows no notable concentrations of risk. The bulk of business activities is represented by public sector financing in Austria.

The HYPO NOE Group has a nominal EUR 40m exposure on a loan to Greece, and a further loan of EUR 10.7m to a Greek municipality, representing 0.54% of total balance sheet loans and advances to customers and banks. As things stand, and given the political commitments, it is to be assumed that all loans placed in the capital markets to date will be serviced in the ordinary course of business. These exposures are monitored constantly, and possible risk mitigation options are being analysed.

The Group regularly calculates the statistically expected loss based on probabilities of default und the economic collateral structure for exposures relevant to credit risk. The aim is to ensure that the expected loss on the total portfolio is adequately covered by loan loss provisions, and that any shortfall in risk management is fully taken into account.

Group Risk Management regularly checks the non-performing loan (NPL) ratio and NPL coverage for individual members of the Group. The NPL ratio is defined as the total exposure on all default customers (ratings 5A-5E) divided by the total exposure on all credit risk relevant business, but not including housing construction loans, which are all fully collateralised, both by mortgages and by guarantees by the state government, and amount to EUR 1.042bn (2009: EUR 1.035bn). The ratio as at 31 December 2010 was 0.45% for HYPO NOE Gruppe Bank (2009: 0.42%) and 6.37% for HYPO NOE Landesbank (2009: 6.17%). The NPL coverage is defined as risk provisions (individual impairment allowances, collective impairment allowances and general credit risk provisions) divided by the total exposure on default customers (ratings 5A-5E). The cover at 31 December 2010 for HYPO NOE Gruppe Bank was 76.6% (2009: 69.6%) and for HYPO NOE Landesbank 50.2% (2009: 43.8%). The loan loss reserve ratio (risk provisions as a ratio of gross lending volumes, defined as loans in the lending business and not including nostro accounts) for HYPO NOE Landesbank, as at 31 December 2010 was 3.97% (2009: 3.39%).

Augustus Funding Limited

As planned, by the end of May 2010 HYPO NOE Gruppe Bank had reduced the senior finance granted to Augustus Funding Limited (Augustus) to approximately EUR 100m. The balance of senior financing outstanding at 31 December 2010 was further reduced to around EUR 92m by continuing repayments. The restructuring measures have resulted in a weighting of the total exposure which, even taken by itself, ensures compliance with the large exposure limits. However we are still of the opinion that Augustus should be considered part of the group of credit institutions.

In order to further reduce the risk, additional Augustus income notes have been taken up by third parties not forming part of the group of credit institutions.

Adequate provision for the resulting expense was already made in the annual financial statements for 2009.

At the instigation of the income note holder and in conjunction with the contracting partners, in the first quarter of 2011 all Augustus' liabilities (both senior and mezzanine financing) were in compliance with the terms (waterfall principle) transferred back to HYPO NOE Gruppe Bank in their entirety and without loss. The next step is for Augustus Funding Limited to be dissolved or liquidated.

Outlook for 2011

The refinement of our credit risk management system is seen as a long-term strategic growth driver for the HYPO NOE Group. This includes the improvement of organisational processes for the management of risk (watchlist and continuous evaluation of provisions), tighter monitoring, and active portfolio management (risk transfer and use of modern risk management techniques). In addition, we are working for further significant, long-term improvements through the development and implementation of risk-return management.

As part of a project to be implemented in 2011, the theoretical and technical requirements for the introduction of the F-IRB approach in the Group will be evaluated, a system will be designed, and the first practical measures introduced. In addition to considerations of Group-wide consistency and savings in regulatory capital requirements, this decision is justified by the need to improve credit risk management and optimise the associated processes. The process will include the use of rating procedures for project financing (slotting approach), and a rating instrument for banks and financial institutions will be introduced. For public sector financing, and in particular for sovereigns, and state governments and local authorities, we will be aiming to adopt a permanent partial use approach.

A core challenge in credit risk in the years to come will be the steady increase in borrowers' probability of default that is already apparent. Both higher risk provisions (increase in expected losses) and a markedly higher credit value at risk (unexpected loss) are likely. This factor has been taken into account in the budgetary planning process and, on the basis of an economic analysis, a conservative rating migration of existing customers, together with lower credit ratings for potential borrowers than in past years, have been assumed. The Bank's risk carrying capacity has been calculated on the basis of these conservative assumptions. In the monthly ICAAP and credit risk reporting process the changes in borrowers' credit ratings over the the year as a result of technical recalibration or migration are analysed. It was noted that – as a result of the economic and financial crisis – ratings in the retail and business segments, in particular, had deteriorated.

Interest rate risk

Interest rate risk is the risk of changes in the value of assets or liabilities resulting from changes in interest rates or discount factors.

Risk management

The management of interest rate risks is the responsibility of the Group Treasury & ALM Department. Fixed interest rate risks are by and large eliminated by the use of hedges, and strategic long-term interest positions are established as recommended by the Asset-Liability Management Committee (ALCO).

Monitoring and quantification of this risk is the responsibility of Group Risk Management, which has no involvement in markets. The calculations are made in the SAP banking system. The reports include all the information currently needed for risk management, ranging from OeNB interest rate statistics to changes in the present value of eligible capital allowing for selected shifts.

ALCO manages the interest structure and the mismatch contribution closely and actively in the light of current market conditions, taking into account limits and risks in combination with the Group's interest bearing capacity.

Current risk situation

On the basis of the OeNB's interest risk statistics, interest rate risk is at a moderate level compared with the regulatory limits (20% of eligible capital).

Derivative products are used to hedge interest rate risks on own debt issues and on nostro securities and bank loans, and to manage the Bank's interest structure. Derivatives are at present used predominantly as hedging instruments for on-balance sheet positions, and therefore generally count as micro hedges.

IFRS 7 requirements

As part of our risk monitoring activities, interest rate risk is calculated twice a month using the interest sensitivities shown in the table, based on ten selected interest scenarios and an internal interest rate forecast.

In addition to parallel shifts (100 and 200 base points), twists in the yield curve (both on money markets and on capital markets) are also modelled. The resulting effects on present value are regularly reported internally and reviewed by ALCO.

The following table shows the effects of the individual interest rate scenarios and their effect on present value for the HYPO NOE Group as at 31 December 2010 (chart on the right: 31 December 2009) in euro.

Interest scenario	Present value sensitivity 2010	Present value sensitivity 2009
No shift	0	0
Shift +100bp	-37,965	-25,989
Shift -100bp	41,732	27,659
Shift +200bp	-72,283	-50,102
Shift -200bp	83,877	55,132
Twist cm + 200bp	-12,273	-1,609
Twist cm - 200bp	13,786	-4,500
Twist mm + 100bp	-22,828	-18,183
Twist mm - 100bp	23,182	18,468
Twist mm + 100bp cm -100bp	15,751	-12,551
Twist mm - 100bp cm + 100b	6,630	6,743
Internal interest rate forecast	-15,792	-9,939

Outlook for 2011

A profit and loss simulation model was introduced in 2010. This will be evaluated as part of a project to introduce planning software for the whole bank, and extended or replaced as appropriate.

Market risk

Market risks are the potential losses that may occur with changes in the market value of exposures as a result of changes in exchange rates (currency risk), in share prices, indexes and fund prices (equity risk), credit spreads (spread risk) and volatility risk.

- Currency risk is the risk of a change in the value of a foreign currency or a financial instrument denominated in a foreign currency as a result of a change in exchange rates.
- Equity risk is the risk of a change in the value of an open securities position as a result of a change in the relevant share price, index or fund price.
- Spread risk is the potential writedown on own holdings as a result of changes in risk premiums for credit risk.

Risk management

Strategic management of the Group's market risks is the responsibility of the Group Treasury & ALM Department.

The organisation of treasury business is based on the principle of a clear separation of trading activities from processing and control: the back office provides independent verification of front office operations. Structures, competences and processes are defined in the official powers and authorities, the requirements for investment and trading activities, and the procedures for the introduction of new products.

Market risks may only be incurred within the authorised limits and with respect to authorised products.

IFRS 7 requirements

The HYPO NOE Group's conservative risk policies are supported by very strict limits on open currency positions. Exposure to currency risk is therefore negligible.

Current risk situation

We do no business that requires us to maintain a large trading book to comply with the Banking Act. The Group has maintained a small trading book in the meaning of section 22q of the Act since the third quarter of 2006.

Matching currency refinancing and the use of forex derivatives ensure that the Group's foreign exchange risks are to all intents and purposes eliminated. Where to a limited extent foreign currency exposures are left uncovered, they are subject to the strict limits.

There are additional market risks, particularly in connection with the Group's own investments, which are managed on an ongoing basis in accordance with the risk management guidelines for investments.

The Bloomberg trading platform – a state-of-the-art system – has been used to manage our proprietary securities trading since 2008.

Outlook for 2011

The existing front-end system is currently being extended and developed. It is used by Group Treasury & ALM and Group Risk Management to evaluate and manage market risks.

Liquidity risk

Liquidity risks can be divided into late payment risks, withdrawal risks and refinancing risks. Comparing payment obligations with expected receipts enables a bank to monitor its liquidity. The timing of receipts and payments can itself constitute a liquidity risk, in addition to which there are unexpected late payment and withdrawal risks.

Liquidity management

Liquidity management is the responsibility of Group Treasury & ALM. The bulk of the management of these risks forms part of issue planning carried out at the time the annual budget is prepared.

A major contribution to limiting liquidity risk is made by day-to-day market monitoring and close contacts with the banks – both in Austria and abroad – that are used for the purpose of structuring issues and taking up short-term refinancing lines.

Close cooperation with the Bank's rating agencies is also valuable in this respect.

Liquidity risk is initially evaluated ignoring growth. Receipts and payments for the period are compared, and the difference is calculated. The excess of payments over receipts, both for the period and cumulatively, should be covered by the liquidity reserve. The necessary reporting system, based on two selected liquidity ratios, is already in place. A dynamic model taking into account inflows and outflows from additional business activities is under development.

HYPO NOE Landesbank finances itself largely from savings and term deposits, and where appropriate from the parent HYPO NOE Gruppe Bank, which in turn finances itself in the money and capital markets (mainly Aaa rated covered bonds placed internationally). Short-term liquidity requirements are largely covered from money market lines inside Austria, ECB tenders and repo transactions.

Current risk situation

Despite the difficult market environment caused by the financial crisis, the HYPO NOE Group's liquidity situation gives no cause for concern. At present short-term financial instruments alone are enough to cover refinancing.

The primary focus of funding activities has been on assuring the availability of long-term finance. In order to expand the use made of international funding potential, a debt issuance program was launched and completed in 2009. It is updated every year.

The rating of the public cover funds was also completed: they received an Aaa rating from Moody's, considerably increasing the scope for placements of public covered bonds.

There are sufficient securities eligible for ECB tender available as protection in the event of any further liquidity crisis. In this connection a limit has been defined.

Group Treasury & ALM has worked with Group Risk Management to determine a worst case liquidity scenario, and to devise measures to manage it.

The remaining terms of derivatives (nominal amounts) can be summarised as follows.

Derivatives – remaining term, nominal (€'000)

	2010				
	Term to maturity				
	Total	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Interest rate risks					
Interest swaps	13,793,242	378,768	168,958	2,468,128	10,777,388
Options on interest related instruments	841,295	0	200,000	489,549	151,746
Other similar contracts	20,000	0	0	0	20,000
Total	**14,654,537**	**378,768**	**368,958**	**2,957,677**	**10,949,134**
Currency risks					
Cross-currency swaps	475,431	115,048	6,400	173,613	180,370
Forward exchange contracts	304,008	304,008	0	0	0
Total	**779,439**	**419,056**	**6,400**	**173,613**	**180,370**
Share and index related transactions					
Share and other security index related options	7,501	0	0	7,501	0
Total	**7,501**	**0**	**0**	**7,501**	**0**

	2009				
	Term to maturity				
	Total	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Interest rate risks					
Interest swaps	12,267,344	20,926	174,810	1,807,937	10,263,671
Options on interest related instruments	900,081	0	0	0	900,081
Total	**13,167,425**	**20,926**	**174,810**	**1,807,937**	**11,163,752**
Currency risks					
Cross-currency swaps	277,916	0	0	115,046	162,870
Forward exchange contracts	946,008	946,008	0	0	0
Total	**1,223,924**	**946,008**	**0**	**115,046**	**162,870**
Share and index related transactions					
Share and other security index related options	8,500	0	0	5,500	3,000
Total	**8,500**	**0**	**0**	**5,500**	**3,000**

Detailed information about the liquidity position of balance sheet items (contractually agreed or expected funds inflows and outflows) of the HYPO NOE Group is shown below in the analysis of the residual terms of liabilities.

Liabilities – remaining terms (€'000)

	31 Dec. 2010	31 Dec. 2009
Deposits from banks		
Payable on demand	71,483	29,937
Up to 3 months	1,884,414	1,551,124
From 3 months to 1 year	29,475	843,885
From 1 to 5 years	0	657
More than 5 years	638,854	639,639
Total	**2,624,226**	**3,065,241**
Deposits from customers		
Payable on demand	575,930	516,419
Up to 3 months	149,845	383,048
From 3 months to 1 year	219,261	224,441
From 1 to 5 years	392,420	389,926
More than 5 years	989,237	947,226
Total	**2,326,693**	**2,461,059**
Debt evidenced by certificates		
Payable on demand	709	749
Up to 3 months	195,896	128,534
From 3 months to 1 year	15,126	153,139
From 1 to 5 years	1,932,882	1,083,699
More than 5 years	3,800,818	3,801,340
Total	**5,945,431**	**5,167,462**
Trading book liabilities		
Payable on demand	0	0
Up to 3 months	3,275	15,903
From 3 months to 1 year	4,233	0
From 1 to 5 years	13,743	1,044
More than 5 years	131,738	45,026
Total	**152,989**	**61,974**
Negative fair value of hedges (hedge accounting, economic hedges)		
Payable on demand	0	0
Up to 3 months	95	742
From 3 months to 1 year	3,376	273
From 1 to 5 years	29,597	30,362
More than 5 years	171,815	121,299
Total	**204,884**	**152,676**
Other liabilities		
Payable on demand	8,162	10,968
Up to 3 months	12,698	14,638
From 3 months to 1 year	12,218	12,097
From 1 to 5 years	14,341	10,876
More than 5 years	9,057	9,814
Total	**56,476**	**58,393**
Subordinated capital		
Payable on demand	0	0
Up to 3 months	0	0
From 3 months to 1 year	0	0
From 1 to 5 years	0	0
More than 5 years	202,529	202,878
Total	**202,529**	**202,878**

The maturities of existing financial guarantees are shown below. Comparative figures for 2009 are not available.

Maturities of existing financial guarantees

31 December 2010 (€'000)	
Payable on demand	3.040
Up to 3 months	3.957
From 3 months to 1 year	32.284
From 1 to 5 years	81.178
More than 5 years	36.586
Total	**157.045**

Outlook for 2011

The successful policy of balanced duration management of liabilities will remain in place.

The liquidity emergency plan was revised towards the end of 2010, and the revised plan is being implemented across the Group in 2011.

Additional liquidity indicators, in particular reflecting the future regulatory measures of liquidity, are being introduced.

Operational risk

Operational risk is the danger of losses arising directly or indirectly from the inadequacy or failure of internal processes, people or systems, or from external events. Operational risk differs from market or credit risks in the following respects:

- Operational risk is not incurred deliberately.
- Operational risk cannot be diversified and is difficult to limit.
- There is no connection between risks and rewards.
- Operational risk can be mitigated, but never entirely eliminated.

The precise identification and analysis of operational risks requires classification of risks by their causes. Risk categories are used to analyse the amounts, causes and effects of operational events. The risk potential is identified using self-assessment: information on operational losses is collected in a database. Additional risk potential is identified using a variety of risk indicators, including:

- Staff turnover ratio;
- Sick leave;
- Overtime;
- Number and duration of system failures;
- Internal audit findings (process weaknesses);
- Frequency of claims and complaints;
- Accounting errors.

The information derived from the risk indicators is aggregated to give an overall view of the operational risks in question, and the risks are ranked in order of importance (from high risk and high importance to low risk and low importance).

The first objective of risk management is then to clarify whether and to what extent a risk can be mitigated, after which the task is to identify ways and means of doing so. This is the responsibility of the organisational unit responsible for the risk, generally in cooperation with internal audit or management.

There are the following options for dealing with operational risk:

Risk avoidance:	When considering unusual categories of products or customers, the risk-return relationship must also be considered – at the introductory stage – from an operational point of view.
Risk mitigation:	The most important part of managing operational risks is close analysis of the risks inherent in processes and systems, and where possible their elimination.
Risk transfer:	The transfer of risks to insurers (at least for major risks), and the sale of risks.
Risk acceptance:	Acceptable risks, for which the expense of risk reduction is relatively high in comparison with the possible loss, or where the risks are uninsurable.

Operational risks in the HYPO NOE Group are kept under control by means of regular adaptation and improvement of internal regulations, emergency plans, systems of internal checks, staff training and development, and insurance of various risks.

The Management Board is aware that complying with these requirements demands a still stronger commitment on the part of top management because the measurement of operational risks is more complex than that of market and credit risks, and is only inadequately supported by statistical data (small number of high-loss events, large number of low loss events).

Current risk situation

As part of the Basel II project, self assessment surveys were carried out in 2003, to highlight unrecognised operational risks and identify ways of keeping them within bounds, and also to create awareness inside the Group of this category of Basel II risks. In 2004 the Bank also introduced a Basel II compatible event database for recording operational loss events. The database was redesigned in 2007, following the separation from VBAG and the restructuring of the HYPO NOE Group.

In 2007 we launched a process optimisation project with an emphasis on the identification and avoidance of operational risk.

In 2010, as part of the revision of the Group risk documentation, the Operational Risk Manual was also updated, and the changes were introduced Group-wide. Loss occurrences are being documented systematically, and staff training is being organised.

A self assessment exercise was carried out at HYPO NOE Gruppe Bank in the fourth quarter of 2010. The results will be evaluated in 2011, and any necessary measures will be introduced.

Outlook for 2011

One major challenge in 2011 will be the continuing development of methods for the identification, quantification, monitoring and management of operational risks. A comprehensive operational risk assessment is planned, together with ongoing process adjustments and strengthening of the internal control system (ICS), which will be implemented as an integrated project. As part of the Business Continuity Management System (BCMS), there are plans for responding to serious emergencies (IT systems, buildings, etc.) that will be updated in the course of 2011.

Reputational risk

We attach great importance to the avoidance of reputational risks, and the latter are therefore treated in a category of their own. In making business decisions, particular care is taken with respect to the potentially damaging effects on the Group's reputation and that of the state of Lower Austria.

Reputation risk is the danger of direct or indirect damage to the reputation of the organisation, with all the associated opportunity costs. Damage to the HYPO NOE Group's reputation can occur through problems with stakeholders – customers, providers of finance, staff, business partners, or the community. The reasons may lie in failure to live up to stakeholders' expectations.

Making sure that stakeholders are satisfied is fundamentally a matter of putting smoothly functioning business processes in place, and of sound risk monitoring and management. We also take care to avoid business policies and activities associated with unusual tax or legal risks, or with major environmental risks.

In this connection attention is drawn to the investigation instituted by the Austrian Financial Market Authority (FMA) towards the end of 2009 and the submission of a report to the Public Prosecutor's Office in St. Pölten, both as a result of the findings by the Oesterreichische Nationalbank in the course of a routine audit in the second half of 2009. A detailed discussion of the relevant audit findings in connection with the Augustus issue can be found below underal "Legal risks".

Outlook for 2011

Since the start of 2010, Augustus has been the subject of media coverage that has presented a distorted and in part incorrect view of the situation. Both the Bank's Management Board and the Works Council have drawn attention to the true facts of the case, both in a press release and in an open letter. Individual inquiries by customers and business partners have been answered directly and objectively, to the extent legally possible under the circumstances. There are currently no indications that, as far as interested members of the public (providers of finance, staff, customers, etc.) are concerned, the reputation of the HYPO NOE Group for competence, integrity and reliability has been damaged.

Towards the end of 2010 a project was initiated to integrate issues relating to reputational risk more fully into our business processes.

Other risks

Other risks consist largely of business and strategic risks. Approaches to measuring these risks comparable to those employed in relation to credit or market risks are currently being developed.

Business risks

Business risk is the danger of loss as a result of deterioration in the economic environment and the Bank's business affairs. Business risks are principally a consequence of a significant worsening of market conditions and changes in competitive position or customer behaviour. The results can include long-term declines in profits and a consequent reduction in shareholder value.

Managing business risks is the responsibility of the individual business units: strict cost controls and successes in increasing profitability have been achieved. Raising fee and commission income has been adopted as a strategic business objective.

Strategic risks

Strategic risk is the danger of losses arising from decisions concerning the Bank's fundamental strategic focus and business development. Incorrect policies and decisions can have an adverse effect on overall performance and jeopardise attainment of the Group's long-term business objectives.

The Group's strategic management is the collective responsibility of the HYPO NOE Gruppe Bank Management Board. Strategic policy considerations, which include the Group's risk strategies and those of its subsidiaries, determine how risks are addressed and the overall approach to risk.

The identification of strategic risks is qualitative in approach, and the strategy adopted is the subject of annual reviews. This permits adaptation of the business model to changing business conditions.

Outlook for 2011

Business performance in the first part of 2011 demonstrates that the HYPO NOE Group's long-term strategic focus on being an expert partner for financing and financial services in the public finance and real estate finance segments is well chosen. The Group's risk policy will continue to be to remain strictly within the limits of its risk bearing capacity and to be highly selective in the new business it accepts.

Legal risks

Provision for the possible imposition of an interest penalty by the Austrian Financial Market Authority in connection with Augustus Funding Limited

Towards the end of 2009 HYPO NOE Gruppe Bank AG was subjected to a routine audit by the Oesterreichische Nationalbank (OeNB). In the course of the audit the OeNB auditors reached the conclusion that the consolidation of an investment (Augustus) was unjustified.

The Bank's belief that, in view of the legal structure chosen, the special rights conferred on HYPO NOE Gruppe Bank AG by that structure, and the company's business activities Augustus forms part of the HYPO NOE Group has been confirmed by expert legal opinions. However the OeNB contends that there were insufficient grounds for consolidating Augustus, and that the recognition of collaterals was also improper. This would mean that the investment limit under section 27(7) Banking Act had been exceeded by 6.9 times. Up to year-end 2009 the OeNB's opinion was only conveyed to HYPO NOE Gruppe Bank AG in a report on the in situ audit performed from June to October 2009, in accordance with section 70(1) Banking Act. As it was not possible to assess the probability and amount of the penalty interest at the time of the preparation of the 2009 financial statements, and the Bank's legal opinion was supported by expert opinions (meaning that in its view it was more likely than not that no interest penalty would be incurred), no provision was made for this contingency in 2009. Provisions reflecting the action initiated in consultation with Augustus to reduce the exposure and furnish additional collaterals for the remaining liabilities were recognised in the 2009 statements. These restructuring provisions included an amount of EUR 6.8m to provide for the possibility that an interest penalty would be imposed under section 97(1)(6) Banking Act.

In issuing a demand for a written response regarding its ongoing investigation, served to HYPO NOE Gruppe Bank AG on 1 December 2010, the FMA (Austrian Financial Market Authority) endorsed the legal opinion of the Oesterreichische Nationalbank. This prompted the Management Board to meet the requirements of IAS 37 by providing for the maximum litigation risk, i.e. the penalty of EUR 57,934,382.05 named in the aforementioned communication from the FMA, and to recognise a provision in that amount in 2010. As the expert opinions received by the Management Board are at variance with the position taken by the OeNB and the FMA, it will be necessary to pursue the matter through to the final court of appeal to obtain a ruling on the applicable regulations, which are unclear.

BUSINESS DEVELOPMENT

A Project and Process Management Group has been set up in the Business Development Department to deepen the Bank's project management culture, and to operate the support and management processes at both HYPO NOE Gruppe Bank AG and HYPO NOE Landesbank AG.

Near the end of 2010 the Product Management Group, which is in charge of company-wide product and service design and optimisation at HYPO NOE Gruppe Bank, also assumed responsibility for the entire banking product portfolio at HYPO NOE Landesbank. The Product Management Group will thus oversee the design and introduction of new products at both banks, with a view to leveraging synergies in the product development function.

The Sales Controlling Group also forms part of Business Development. It reports on the business performance of HYPO NOE Gruppe Bank's distribution units. During the year under review these reports were expanded and refined, in line with the Bank's strategy.

RELATIONSHIP BETWEEN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM, AND THE ACCOUNTING PROCESS

The internal control and risk management system is intended to ensure that business issues are always correctly captured, analysed and assessed, and incorporated in the Bank's accounting.

The following summary sets out the main features of the Bank's existing internal control system (ICS) and risk management system with regard to their interaction with the accounting process.

- The Management Board is responsible for the establishment and design of an internal control and risk management system that meets the Company's needs with regard to its accounting process.
- The Group Accounting Department is responsible for all accounting issues and for issuing instructions designed to maintain compliance with Group-wide standards. Directives have been drawn up to assist it in performing its duties.
- Our internal control and risk management system includes accounting related instructions and processes aimed at:
  - correct and appropriate recording of business transactions, including the employment of the Group's assets;
  - recording of all the information required to draw up the annual financial statements;
  - prevention of unauthorised purchases and sales which could have a material impact on the annual results.
- The chart of accounts is tailored to the special requirements of the Bank.
- The vouchers are stored according to systematic, chronological criteria, and provide an adequate audit trail.
- The processes involved in the preparation of the separate parent entity and consolidated financial statements, and parent and Group operational and financial reviews have been documented, as have the related risks and controls.
- The departments involved in the accounting process are adequately resourced in terms of the quantity and quality of their staff. Standardised training programmes ensure that staff have the necessary skills for their roles in the system. However the bedrock of the control system is the integrity and ethical standards of the individual employees concerned. The example set by senior executives is extremely important.
- The functions of the main departments involved in the accounting process – Accounting and Controlling – are clearly demarcated.
- Departmental responsibilities are unambiguously assigned.
- The computer systems employed are protected against unauthorised access by appropriate control mechanisms.
- Accounting data is audited for its completeness and correctness on a sample basis.
- All data entry processes related to accounting are subject to the four-eye principle; checks are carried out by Accounting, or by trained staff in the various operational departments, in accordance with internal regulations.
- The computer centre validates accounting entry lists, revenue reports, valuation lists and lists of Banking Act requirements, and corrects them where necessary on a daily and monthly basis, subjecting them to automated checks. Accounting performs plausibility checks and prepares trial balances.

- Monthly reports are sent to the Oesterreichische Nationalbank in accordance with the statutory reporting requirements for banks. These are sent via the computer centre, and Accounting performs plausibility checks and corrects any errors.
- IT security checks are one of the cornerstones of the internal control system. Sensitive activities are firewalled by taking a restrictive approach to IT authorisations.
- Monitoring of the ICS takes place at different levels. Internal organisational arrangements underpin monitoring of the ICS at the process level. Supervisors ensure that controls are actually performed, for example, by performing spot checks.
- In addition, Internal Audit reviews compliance with internal and external standards. In terms of the accounting process, this meant that audits of Group accounting and Group compliance with regulatory standards formed part of the 2010 audit plan. The internal control system and operational risk were among the issues addressed.
- The Management Board ensures that Company-wide monitoring of the ICS is in place by laying the organisational groundwork (designation of those responsible, creation of appropriate information systems, etc).
- The Supervisory Board Audit Committee exercises its oversight function by holding regular discussions on the current status of the ICS.
- This ensures that all transactions are properly recorded, processed and documented. The system also ensures that asset and liability items in the annual financial statements are recognised, reported and measured in accordance with the applicable legal and regulatory requirements.

The ICS is not set in stone, but is adapted to changed circumstances and requirements on an ongoing basis. Identification of changes required in the light of new risks, and ongoing monitoring of the system and assessment of its effectiveness is seen as a key task.

GROUP OUTLOOK FOR 2011

After a successful year, the HYPO NOE Group is looking ahead to the next reporting period with optimism, and with clear priorities. Following a period of consolidation and stabilisation, it is time to concentrate on optimising our operations. This will mean making a still greater effort to put customers at the heart of everything we do. Meanwhile, the creation of a new umbrella brand will help draw attention to our strengths as a group. We will continue to focus on quality and sustainable growth.

Thanks to the many reference projects we can point to, we believe that our public finance business has excellent prospects, despite a fiercely contested market. Our people's expertise and our customer friendly approach to project management should enable us to enhance existing relationships and forge new partnerships. In 2011 Public Finance will be targeting the infrastructure, health, education, culture and property sectors, as well as seeking direct lending business from national and state governments, and local authorities.

The Real Estate Finance Department – a specialist property financier that operates in Austria and selected countries abroad – will again be concentrating on its core markets and target groups, namely, institutional investors, funds and property developers.

The Treasury Department provides all our other departments with customised money and capital market products, as well as comprehensive active and passive management solutions. These core competencies are complemented by its experts' profound knowledge of financial engineering.

HYPO NOE Landesbank serves some 61,000 retail customers, most of whom are private and business customers, doctors and other professionals. In 2011 HYPO NOE Landesbank will continue to focus on its core Lower Austrian and Viennese markets, and in particular on its housing construction finance and private banking business lines.

HYPO NOE Real Consult provides comprehensive property services, and acts as an expert, independent partner to its customers over the entire life cycle of their properties. Its extensive experience of construction and property management ensures that it will continue to meet its customers' high expectations, and act as a trendsetter in its market.

HYPO NOE Leasing will be looking to extend its run of good results, and plans to do so by continuing to expand its health service and hospital business, and developing new products for local authorities.

We are cautiously confident about the economic climate. Downside risks are the possibility of some Asian economies' overheating, the commodity markets, and the unresolved debt problems of the peripheral euro countries. Current interest rate forecasts are based on the expectations that the yield curve will flatten, and that the ECB will shift to a more restrictive monetary policy in the course of the year. We will be adjusting our asset-liability management stance to this environment.

We will continue to pursue a selective growth strategy in our main business operations, and mount a cost reduction programme driven by process optimisation. If necessary we will make further adjustments to the Group's organisational structures.

St. Pölten, 6 April 2011

The Management Board

Dr. Peter Harold
Chairman of the Management Board

Mag. Nikolai de Arnoldi
Member of the Management Board

Günther Ritzberger, MBA
Member of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2010 ACCORDING TO IFRS

CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

Income statement €'000	Notes	2010	2009	Change against 2009
Interest and similar income	(7.1)	454,453	437,584	16,869
thereof income from investments accounted for using the equity method		*3,931*	*3,866*	*65*
Interest and similar expenses	(7.2)	-319,369	-298,958	-20,411
Net interest income		**135,084**	**138,626**	**-3,542**
Credit risk provisions	(7.4)	-17,731	-34,096	16,365
Net interest income after risk provisions		**117,353**	**104,530**	**12,823**
Fee and commission income		10,446	9,615	831
Fee and commission expenses		-3,187	-2,420	-767
Net fee and commission income	(7.5)	**7,259**	**7,195**	**64**
Net trading income	(7.6)	16,091	2,031	14,060
General administrative expenses	(7.7)	-81,930	-76,722	-5,208
Net other operating expense/income	(7.8)	-47,622	4,085	-51,707
Net gains and losses on available-for-sale financial assets	(7.9)	1,094	929	165
Net gains or losses on financial instruments designated as at fair value through profit or loss	(7.10)	336	-106	442
Loss/income from hedging activities	(7.11)	-4,939	-17,038	12,099
Loss/income from other financial investments	(7.13)	-16	-22	6
Profit before tax		**7,626**	**24,882**	**-17,256**
Income tax	(7.14)	-500	-4,773	4,273
Profit after tax		**7,126**	**20,109**	**-12,983**
Minority interests	(7.15)	-41	-267	226
Profit attributable to owners of the parent		**7,085**	**19,842**	**-12,757**

Other comprehensive income (€'000)	2010	2009
Profit attributable to owners of the parent	**7,085**	**19,842**
Change in available-for-sale financial instruments (after tax)	-28,564	27,144
Change in available-for-sale financial instruments (before tax)	*-38,085*	*36,192*
Change in deferred tax	*9,521*	*-9,048*
Change in actuarial gains and losses (after tax)	-806	1,092
Change in actuarial gains and losses (before tax)	*-1,075*	*1,456*
Changes in deferred taxes	*269*	*-364*
Change in cash flow hedge (after tax)	285	-592
Change in cash flow hedge (before tax)	*380*	*-789*
Change in deferred tax	*-95*	*197*
Other changes	-2	-144
Total other comprehensive income	**-29,087**	**27,500**
Total comprehensive income attributable to owners of the parent	**-22,002**	**47,342**

Total comprehensive income attributable to owners of the parent.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

Assets (€'000)	Notes	31 Dec. 2010	31 Dec. 2009	Change against 2009
Cash	(8.1)	39,613	70,658	-31,045
Loans and advances to banks	(8.2)	432,511	376,055	56,456
Loans and advances to customers	(8.3)	8,878,928	8,580,720	298,208
Risk provisions	(8.5)	-103,164	-90,675	-12,489
Assets held for trading	(8.6)	240,174	133,406	106,768
Positive fair value of hedges (hedge accounting)	(8.7)	276,205	168,168	108,037
Available-for-sale financial assets	(8.8)	2,014,702	2,174,964	-160,262
Financial assets designated as at fair value through profit or loss	(8.9)	9,406	9,081	325
Financial assets held to maturity	(8.10)	70,106	99,003	-28,897
Investments accounted for using the equity method	(8.12)	46,149	43,940	2,209
Investment property	(8.13)	24,443	24,078	365
Intangible assets	(8.14)	1,033	1,059	-26
Property, plant and equipment	(8.14)	27,514	23,935	3,579
Current tax assets	(8.15)	4,529		4,529
Deferred tax assets	(8.15)	21,452	12,141	9,311
Other assets	(8.16)	20,850	18,133	2,717
Total assets		**12,004,451**	**11,644,666**	**359,785**
Equity and liabilities (€'000)				
Deposits from credit institutions	(8.17)	2,624,226	3,065,241	-441,015
Deposits from customers	(8.18)	2,326,693	2,461,059	-134,366
Debts evidenced by certificates	(8.19)	5,945,431	5,167,462	777,969
Liabilities held for trading	(8.20)	152,989	61,974	91,015
Negative fair value of hedges (hedge accounting)	(8.21)	204,380	151,500	52,880
Provisions	(8.22)	98,276	59,321	38,955
Current tax liabilities	(8.23)	71	62	9
Deferred tax liabilities	(8.23)	10,890	11,229	-339
Other liabilities	(8.24)	56,478	59,498	-3,020
Subordinated capital		202,529	202,877	-348
Equity (including minority interests)*	(8.25)	382,488	404,443	-21,955
Owners' equity		382,026	404,028	-22,002
Minority interests		462	415	47
Total equity and liabilities		**12,004,451**	**11,644,666**	**359,785**

* Details in the statement of changes in equity, overleaf.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2009 (€'000)	Balance at 1 Jan. 2009	Profit / loss after tax	Allocations	Reversals	Capital increase	Dividends paid	Change in scope of consolida-tion	Income and expense recognised directly in equity	Transfers	Balance at 31 Dec. 2009
Share capital	47,619	0	0	0	0	0	0	0	0	47,619
Capital reserves	166,102	0	0	0	0	0	0	0	0	166,102
Contributions towards a capital increase	0	0	0	0	30,084	0	0	0	0	30,084
Retained earnings	229,072	0	2,516	-800	0	0	0	0	12,092	242,880
thereof leasing revaluation reserve	*170,534*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*10,432*	*180,966*
IAS 19 reserve	-1,914	0	0	0	0	0	0	1,092	0	-822
Available-for-sale reserve	-44,880	0	0	0	0	0	0	27,144	0	-17,736
Cash flow hedge reserve	1,227	0	0	0	0	0	0	-592	0	635
Consolidated profit/loss	-64,690	19,842	-2,516	800	0	-3,037	0	-144	-12,065	-61,810
Goodwill netted in equity (equity component)	-2,924	0	0	0	0	0	0	0	0	-2,924
Owners' equity	**329,612**	**19,842**	**0**	**0**	**30,084**	**-3,037**	**0**	**27,500**	**27**	**404,028**
Minority interests	221	267	0	0	0	-36	0	0	-37	415
Equity	**329,833**	**20,109**	**0**	**0**	**30,084**	**-3,073**	**0**	**27,500**	**-10**	**404,443**

2010 (€'000)	Balance at 1 Jan. 2010	Profit / loss after tax	Allocations	Reversals	Capital increase	Dividends paid	Change in scope of consolida-tion	Income and expense recognised directly in equity	Transfers	Balance at 31 Dec. 2010
Share capital	47,619	0	0	0	0	0	0	0	4,362	51,981
Capital reserves	166,102	0	0	0	0	0	0	0	25,722	191,824
Contributions towards a capital increase	30,084	0	0	0	0	0	0	0	-30,084	0
Retained Earnings	242,880	0	5,686	0	0	0	0	0	10,174	258,740
thereof leasing revaluation reserve	*180,966*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*4,334*	*185,300*
IAS 19 reserve	-822	0	0	0	0	0	0	-806	0	-1,628
Available-for-sale reserve	-17,736	0	0	0	0	0	0	-28,564	0	-46,300
Cash flow hedge reserve	635	0	0	0	0	0	0	285	0	920
Consolidated profit/loss	-61,810	7,085	-5,686	0	0	0	6	-2	-10,179	-70,586
Goodwill netted in equity (equity component)	-2,924	0	0	0	0	0	0	0	0	-2,924
Owners' equity	**404,028**	**7,085**	**0**	**0**	**0**	**0**	**6**	**-29,087**	**-5**	**382,026**
Minority interests	415	41	0	0	0	0	0	0	6	462
Equity	**404,443**	**7,126**	**0**	**0**	**0**	**0**	**6**	**-29,087**	**0**	**382,488**

See Note 4.19 for a discussion of the relevant accounting policies, and Note 8.25 for additional information.
The reason for the cumulative losses reported under "Consolidated profit/loss" is the reporting of the leasing companies.
The corresponding differences between carrying amounts and present value are recognised in "Retained earnings".

CONSOLIDATED STATEMENT OF CASH FLOWS

	31 Dec. 2010	31 Dec. 2009
Profit after tax (before minority interests) (€'000)	**7,126**	**20,109**
Non-cash comprehensive income items		
Amortisation and depreciation	5,911	6,857
Allocations to and reversals of provisions and risk provisions	52,586	60,965
Gains on disposal of financial assets, and property, plant and equipment	-2,745	-3,199
Other adjustments	-7,709	12,041
Changes in assets and liabilities due to operating activities after adjustments for non-cash components		
Loans and advances to banks	-56,687	7,980
Loans and advances to customers	-258,397	-1,091,199
Available-for-sale financial assets	99,566	-271,856
Other operating assets	-7,635	47,573
Deposits from banks	-409,888	834,883
Deposits from customers	-163,168	-165,594
Debts evidenced by certificates	685,956	565,907
Other operating liabilities	4,056	-24,732
Cash flow from operating activities	**-51,028**	**-265**
Cash inflows due to sale or redemption of:		
Financial assets held to maturity	28,945	160
Investments in associates	0	360
Property, plant and equipment, intangible assets and investment property	199	302
Cash outflows due to investments in:		
Financial assets held to maturity	0	-4,850
Investments in associates	-247	-709
Property, plant and equipment, intangible assets and investment property	-8,565	-17,004
Cash flows from investing activities	**20,331**	**-21,742**
Cash inflow from capital increase	0	30,084
Dividends paid	0	-3,037
Subordinated debts	-349	1,540
Cash flow from financing activities	**-349**	**28,587**
Cash or cash equivalents at the end of previous period	**70,658**	**64,078**
Cash flows from operating activities	-51,028	-265
Cash flows from investing activities	20,331	-21,742
Cash flows from financing activities	-349	28,587
Cash or cash equivalents at the end of period	**39,613**	**70,658**
Payments of taxes, interest and dividends		
Income tax paid	-1,006	-1,800
Interest received	308,422	273,892
Interest paid	-226,469	-171,165
Dividends received	2,934	1,845

Cash and cash equivalents consist of cash on hand and balances at central banks (Note 8.1). For an explanation of the relevant accounting principles see Note 5.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

HYPO NOE Gruppe Bank AG, domiciled at Kremser Gasse 20, 3100 St. Pölten, is the Group's parent bank. It is registered in the register of companies at the state/commercial court in St. Pölten, Austria, under FN 99073 x. HYPO NOE Gruppe Bank AG has been operating a branch at Wipplingerstrasse 4, 1010 Vienna since 2008.

HYPO NOE Gruppe Bank AG is one of Austria's largest Landesbanken (state banks), and provides a comprehensive range of financial services via its subsidiaries. As the parent company of a group that also includes **HYPO NOE Leasing GmbH** and **HYPO NOE Real Consult GmbH, HYPO NOE Gruppe Bank AG** mainly serves large state and local government clients. It specialises in providing services related to public finance, real estate finance and treasury for clients based in Austria and abroad. **HYPO NOE Landesbank AG** is a full-service bank for retail customers, professionals and business customers in Lower Austria and Vienna with 28 branches.

The consolidated financial statements have been prepared in accordance with the IFRS/IAS standards and interpretations adopted and published by the European Union up to 31 December 2010, and applicable to the business activities of the HYPO NOE Group.

The 2010 consolidated financial statements will be published in the Wiener Zeitung on 23 April 2011, and posted under Presse Corner/Publikationen on the Group's www.hyponoe.at site.

2. Accounting policies

2.1 Components of the consolidated financial statements

The consolidated financial statements of the HYPO NOE Group as at 31 December 2010 were drawn up in accordance with section 245a UGB (Austrian Business Code) and section 59a BWG (Banking Act), as well as Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002. The statements were prepared on the basis of the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), as well as the interpretations issued by the Standing Interpretations-Committee (SIC) and the International Financial Reporting Committee (IFRIC).

The consolidated financial statements of the HYPO NOE Group as at 31 December 2010 comprise the comprehensive income statement, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes. The segment information is contained in the notes.

The risk report forms part of the operational and financial review, prepared in compliance with section 267 Austrian Business Code.

2.2 Basis of preparation of the consolidated financial statements

These consolidated financial statements are based on the separate financial statements of all the consolidated Group companies as at 31 December 2010, drawn up in accordance with IFRS. The HYPO NOE Group applies uniform Group-wide accounting policies.

The consolidated financial statements have been prepared on a going concern basis.

The Group's significant accounting policies are discussed below.

The policies described are uniformly and consistently applied to these consolidated financial statements unless otherwise stated.

Income and expenses are recognised on an accrual basis. They are recorded and reported in the periods to which they are attributable. Premiums and discounts are amortised using the effective interest method; the accrued interest is included in the item under which the underlying financial instrument is carried.

All the estimates and judgements required by IFRS accounting are best estimates made in accordance with the relevant standards. The estimates are reviewed on an ongoing basis, and are based on experience and other factors including expectations regarding future events which appear reasonable under the circumstances. Particularly frequent use of estimates and assumptions was made when measuring investments, recognising deferred tax assets attributable to tax loss carry-forwards and recognising credit risk provisions (estimating recoverable amounts and calculating default probabilities), as well as performing fair value measurement (on the basis of observable market data). Where heavy reliance on estimates was necessary, the assumptions made in respect of the items concerned are detailed separately in the notes.

Disclosures required by IFRS 7 that relate to the nature and extent of risks associated with financial instruments are also discussed in the risk report (page 26 ff.). This forms part of the Group operational and financial review.

All figures are presented in thousand euro (EUR thsd/EUR '000) unless otherwise stated. The tables below may contain rounding differences.

The scope of consolidation of the HYPO NOE Group includes all the subsidiaries that are directly or indirectly controlled by the parent, and are material to the presentation of the Group's financial position and performance. All the consolidated subsidiaries are listed in Note 10.13.

Subsidiaries are included in the consolidated financial statements at the date on which control is obtained.

Consolidation is performed in accordance with IFRS 3 Business Combinations, using the purchase method. The assets acquired and liabilities assumed are recognised at their acquisition date fair values. Any excess of the cost over the fair value of the net assets acquired is reported as goodwill. Negative differences are recognised immediately in profit or loss. The carrying amount of the goodwill is tested for impairment at least once a year. Under IFRS 1, it is not necessary to apply IFRS 3 to business combinations that occurred before the effective date of IFRS 3. Because of this the consolidation method used for the Austrian Business Code consolidated financial statements was applied. The cost of the investments was netted against the share of the carrying amount of their equity held at the date of consolidation. The resultant positive and negative differences arising on consolidation were set off against the reserves and reported as a separate item, "Goodwill netted in equity", in the statement of changes in equity.

The share of the equity and profit or loss of majority-owned subsidiaries of the HYPO NOE Group attributable to minority interests is separately reported, respectively, as "Minority interests" in the statement of changes in equity on page 62, and as "Minorities", after net profit, in the comprehensive income statement (Note 7.15).

The results of subsidiaries acquired or disposed of during the year are recognised in the comprehensive income statement, in accordance with the actual acquisition or disposal dates.

All intragroup transactions are eliminated on consolidation.

The HYPO NOE Group does not apply proportionate consolidation (IAS 31).

Joint ventures (IAS 31) and associates (IAS 28) are accounted for using the equity method unless they are immaterial to the presentation of the Group's financial position and performance, are not associated with risks and rewards of ownership, or are not-for-profit organisations (Note 10.13). If an entity accounted for using the equity method applies accounting policies diverging from those of the Group adjustments are made to conform the investee's accounting policies to the Group IFRS policies. Joint ventures and associates are reported under a separate item in the statement of financial position, "Investments accounted for using the equity method", and "Income from investments accounted for using the equity method" as a sub-item of "Interest receivable and similar income" (Note 7.1).

Interests in non-consolidated subsidiaries and other investments are measured at fair value or carrying amount. Impairment is recognised immediately, and is reported under "Available-for-sale financial assets" (Notes 8.8. und 10.13).

Currency translation: In compliance with IAS 21, monetary assets and liabilities denominated in foreign currencies, non-monetary items measured at fair value, and unsettled cash transactions are translated at the mid spot rate, and unsettled forward transactions at the mid forward rate ruling at the end of the reporting period.

Non-monetary assets and liabilities carried at amortised cost are stated at the buying rate.

As all the subsidiaries present their financial statements in euro it was not necessary to translate any statements drawn up in foreign currencies into the reporting currency, the euro.

2.3 Scope of consolidation

Apart from the parent, HYPO NOE Gruppe Bank AG, a total of 47 (2009: 45) domestic subsidiaries in which the Group directly or indirectly holds over 50% of the voting rights are included in consolidation. In addition, 34 (2009: 35) domestic companies and one (2009: one) foreign entity are accounted for using the equity method. A detailed list of investments is given in Note 10.13.

Changes in 2010

Legal changes

NÖ Real-Consult GmbH was renamed as HYPO Niederösterreichische Liegenschaft GmbH on 5 February 2010.

NÖ. HYPO Bauplanungs- und Bauträgergesellschaft m.b.H. was renamed as NÖ Real-Consult Gesellschaft m.b.H. on 7 April 2010.

Sparkasse Region St. Pölten Gebäudeleasinggesellschaft m.b.H. was renamed as SATORIA Grundstückvermietung GmbH on 24 December 2010.

Legal changes due to rebranding

HYPO Investmentbank AG was renamed as HYPO NOE Gruppe Bank AG on 23 October 2010.

Niederösterreichische Landesbank-Hypothekenbank Aktiengesellschaft was renamed as HYPO NOE Landesbank AG on 23 October 2010.

NÖ Real-Consult Gesellschaft m.b.H. was renamed as HYPO NOE Real Consult GmbH on 22 October 2010.

NÖ. HYPO Leasinggesellschaft m.b.H. was renamed as HYPO NOE Leasing GmbH on 23 October 2010.

Formations

HYPO Real Estate Advisory GmbH, St. Pölten was registered on 24 April 2010. HYPO NOE Gruppe Bank AG, St. Pölten holds 90% and HYPO NOE Landesbank AG, St. Pölten 10% of this company, which was included in the consolidated financial statements for the first time in 2010.

Changes in percentages of holdings

Sparkasse Region St. Pölten Gebäudeleasinggesellschaft m.b.H. was fully acquired by HYPO NOE Leasing GmbH by way of a notarial deed. The interest in this subsidiary was previously 51%. The company was renamed as SATORIA Grundstückvermietung GmbH.

HYPO NOE Leasing GmbH fully acquired HOSPES –Grundstückverwaltungs Gesellschaft m.b.H. with effect from 3 December 2010. The company was included in the 2010 consolidated financial statements. In 2009 HYPO NOE Gruppe Bank AG accounted for this entity using the equity method, on the basis of a 25% holding.

2.4 Application of standards

Note on paragraph 25 IFRS 7: In 2009 the fair values of some financial assets and liabilities, namely, loans and advances to customers, deposits from customers and debts evidenced by certificates, were not available in time for the preparation of the financial statements. The 2010 statements are fully compliant with paragraph 25 IFRS 7.

2.4.1. New standards applied to the 2010 financial statements

Apart from the Improvements to IFRSs, the following new standards are relevant to the 2010 consolidated financial statements:

- IFRS 3 (2008) Business Combinations, effective date 1 January 2010
  IFRS 3 (2008) and the significant transition requirements were applied to business combinations during the reporting period.

- IAS 27 (2008) Consolidated and Separate Financial Statements, effective date 1 January 2010
  Application of IAS 27 (2008) has affected the Group's method of accounting for changes in ownership interests in subsidiaries. It has influenced the treatment of changes in ownership interests in subsidiaries that do not result in a loss of control.

The application of IFRS 3 (2008) and IAS 27 (2008) did not influence the accounts for the reporting period as the increases in the interests in Sparkasse Region St. Pölten Gebäudeleasinggesellschaft m.b.H. and HOSPES –Grundstückverwaltungs Gesellschaft m.b.H., and the formation of HYPO Real Estate Advisory GmbH were immaterial. Detailed information is dispensed with due to immateriality.

- IAS 24 Related Party Disclosures, endorsed on 19 July 2010 for application from 2011 onwards
  This standard is being applied early as it slightly simplifies the preparation of the notes on government related entities. The effects are discussed in Note 10.6.

2.4.2. New standards not applied to the 2010 financial statements

The following standards which entered into effect in 2010 were not applied as they were not relevant to any material transactions within the HYPO NOE Group. They might, however, affect the accounting treatment of future transactions or agreements.

- IFRS 1 First-time Adoption of International Financial Reporting Standards
  The amendments to IFRS 1 have no influence on these consolidated financial statements as the Group is not a first-time adopter.

- IIFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions

- IIFRIC 17 Distributions of Non-cash Assets to Owners, effective date 1 January 2010

- IIFRIC 18 Transfers of Assets from Customers (relevant to utilities), effective date 1 January 2010

- IIAS 39 Financial instruments: Recognition and Measurement – Eligible Hedged Items, effective date 1 January 2010
  The amendments clarify two aspects of hedge accounting: the designation of inflation as a hedged item, and the use of options as hedging instruments.

2.4.3. New standards that are not yet applicable

The following IFRS standards and interpretations which have already been issued but are not yet mandatory are relevant to the consolidated financial statements but have not been applied early:

- IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, effective date 1 July 2010

- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets, effective date 1 July 2011
- IFRS 9 (2010) Financial Instruments, effective date 1 January 2013
- IFRIC 14/IAS 19 – Prepayments of a Minimum Funding Requirement, effective date 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective date 1 July 2010
- IAS 32 – Classification of Rights Issues, effective date 1 February 2010

The new IFRS 9 Financial Instruments: Classification and Measurement will bring considerable changes for the HYPO NOE Group with regard to the accounting treatment of financial instruments. At present there are four categories of financial assets: 1. at fair value through profit or loss (held for trading and fair value option); 2. held to maturity (HTM); 3. loans and receivables (LAR); and 4. available for sale (AFS). These will be replaced by two new categories (1. amortised cost; and 2. at fair value); classification will be according to the business model for managing the assets, and their characteristics.

Measurement will be at amortised cost if an asset is held within a business model whose objective is to collect contractual cash flows, and if the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest. If it is not possible to identify these factors, the financial instruments will normally be measured at fair value through profit or loss.

It will be necessary to recognise all equity instruments subject to IFRS 9 at fair value, and recognise any subsequent gains or losses in profit or loss. Exemptions will be possible if the entity elects to recognise equity instruments at fair value through other comprehensive income. In this case dividends from the investment will have to be recognised in profit or loss.

There will no longer be an obligation to separate embedded derivatives from the hosts. Embedded derivatives will be accounted for as combined instruments, and measured at fair value through profit or loss.

2.4.4. Exposure draft

The exposure draft that will have the greatest impact on the HYPO NOE Group's consolidated financial statements is:

- IAS 17 Leases (standard expected to be issued in the second quarter of 2011)

The main proposed amendments to IAS 17 are the introduction of accounting for all leases (no distinction between operating and finance leases). The lessee would recognise its right to use the leased asset and its liability to make the lease payments. The lessor would take either: a performance obligation approach (risks and rewards, i.e. recognition of the discounted present value of the lease payments and the lease liability); or a derecognition approach (no material risks and rewards, i.e. the asset is derecognised and the lease payments receivable are recognised).

For the HYPO NOE Group, in its role as a lessee, it does not now appear that the recognition of rights of use and the corresponding liability to make lease payments would result in a significant increase in total assets and liabilities.

The derecognition approach is already applied to the Group's role as a lessor.

The effect on HYPO NOE Group companies that currently own investment properties in terms of expanding their balance sheets due to the recognition of the right to receive lease payments and the corresponding liability has not been estimated.

According to the exposure draft, a requirement to recognise the interest on the unguaranteed residual value is not planned. The ongoing income statement effect would be lower due to the postponement of the interest element of unguaranteed residual value until the final year of the lease term.

3. Accounting methods

3.1 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

IAS 39 requires the recognition of all financial assets and liabilities in the consolidated statement of financial position.

The regular way purchase or sale of derivatives and financial instruments is recognised on the trade date. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the transfer criteria established by IAS 39 are fulfilled. Financial liabilities are derecognised when they are extinguished or the obligations have expired.

Where financial instruments are accounted for at fair value, the fair value is normally determined on the basis of quoted market prices. In the absence of a market price the future cash flows of a financial instrument are discounted to present value applying the relevant interest rate. Measurement is performed using standard financial valuation techniques. Options pricing models are used to value options and other financial instruments with similar characteristics, applying current market inputs.

Amortised cost is used to measure equity instruments if the fair value is not reliably measurable.

Financial instruments are initially recognised at fair value.

Fair value is the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where market prices are available they are used to estimate fair value. In the absence of market prices, accepted, industry-standard valuation models are employed. The present value of derivatives (e.g. interest rate swaps, cross currency swaps, forex forwards and forward rate agreements) is calculated by discounting the replicating cash flows. OTC currency and interest rate options are measured using option pricing models such as the Black Scholes, Hull White or LIBOR market model (Note 10.3).

3.1.a) Financial assets

IAS 39 classifies financial assets into the following four categories:

1. **Loans and receivables (LAR)**
   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (Notes 8.2 and 8.3).

   Loans and receivables are measured at amortised cost (gross); impairments are disclosed as credit risk provisions, under Note 8.5.

2. **Assets held for trading (HFT)**
   Financial instruments acquired for the purpose of reselling them in the near term, or forming part of a portfolio that the entity intends to resell in the near term with the objective of generating a profit, must be classified as assets held for trading. This category also includes all derivatives other than those used as hedging instruments.

   In the HYPO NOE Group most of the assets classified in this way represent the positive fair value attributable to derivatives used for interest rate or foreign exchange related transactions, and other derivative transactions such as share price and index-linked transactions and credit derivatives (Note 8.6).

   Measurement is at fair value. Realised gains and losses, and unrealised valuations are recognised in profit or loss (Note 7.6).

3. Available-for-sale financial assets (AFS)

This is a residual category to which all financial assets are assigned that are not classified under another category.

In the case of the HYPO NOE Group these are shares and other variable income securities, bonds, public debt certificates and other fixed-income securities, holdings in non-consolidated subsidiaries (over 50%), holdings in associates (20–50%) and other investments (less than 20%) (see Note 8.8.).

Subsequent measurement is at fair value. Measurement gains and losses are recognised in other comprehensive income, net of deferred tax, in the revaluation reserve (AFS reserve) (statement of changes in equity, page 62 and "Other comprehensive income" in the comprehensive income statement, page 60). Market prices are applied to the determination of fair value. If fair value is not reliably measurable the existing carrying amount is employed. In the event of disposal of the asset, the difference from the carrying amount recognised in equity, under the AFS reserve (revaluation reserve), is reversed in the comprehensive income statement. Gains and losses are reversed over the remaining life of the asset using the effective interest method. In the event of credit-related impairment, an impairment loss is recognised (Note 7.9.). In the event of reversal of impairment losses, equity instruments are restated in the AFS reserve, and debt instruments in the income statement.

4. Financial assets designated as at fair value through profit or loss (FVPL)

When the fair value option (FVO) is taken, financial assets that are not held for trading are irrevocably assigned to this category, and subsequently measured at value fair through profit or loss (Note 8.9).

However, this classification may only be made if:

a.) The financial instrument contains one or more significant embedded derivatives;
b.) It eliminates or significantly reduces a measurement or recognition inconsistency;
c.) A group of financial liabilities or financial assets and financial liabilities is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

In the HYPO NOE Group this item includes debt instruments managed by the former HYPO Absolute Return fund, which management designated as at fair value through profit or loss on initial recognition.

Measurement is at fair value. Both realised and measurement gains and losses are recognised in profit or loss. In the HYPO NOE Group gains and losses on financial assets (debt instruments) are recognised under this item (Note 7.10).

5. Financial assets held to maturity (HTM)

Financial assets with fixed or determinable payments and fixed maturities normally meet the criteria for assignment to this category. In the case of the Bank it consists entirely of bonds, public debt certificates and other fixed-income securities (Note 8.10).

However, designation of investments as held to maturity requires an intention and ability to hold these financial instruments until maturity.

Measurement is at amortised cost, and gains and losses are amortised over the remaining lives of the assets using the effective interest method. Any impairment losses are recognised in profit or loss. This did not occur in 2010.

3.1.b) Financial liabilities

IAS 39 classifies financial liabilities into the following four categories:

1. Other liabilities

This category comprises the financial liabilities, including debts evidenced by certificates, for which the option of measurement at fair value through profit or loss was not taken (liabilities at cost [LAC]) (Notes 8.17, 8.18 and 8.19).

Measurement is normally at amortised cost. Gains and losses are amortised over the remaining lives of the liabilities using the effective interest method, and are taken to interest expense.

2. Liabilities held for trading (HFT)

Financial instruments purchased for the purpose of reselling them in the near term, or forming part of a portfolio that the entity intends to resell in the near term with the objective of generating a profit, must be classified as liabilities held for trading. This category also includes all derivatives other than those used as hedging instruments.

In the HYPO NOE Group most of the assets classified in this way represent the negative fair value attributable to derivatives used for interest rate or foreign exchange-related transactions and other derivative transactions such as share price and index-linked transactions, and credit derivatives (Note 8.20).

Measurement is at fair value. Realised gains and losses, and measurements are recognised in profit or loss (Note 7.6).

3. Financial liabilities designated as at fair value through profit or loss (FVPL)

When the fair value option (FVO) is taken, financial liabilities that are not held for trading are irrevocably assigned to this category, and subsequently measured at value fair through profit or loss. However, this classification may only be made if:

a.) The financial instrument contains one or more significant embedded derivatives;
b.) It eliminates or significantly reduces a measurement or recognition inconsistency;
c.) A group of financial liabilities or financial assets and financial liabilities is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Measurement is at fair value. Realised gains and losses, and measurements are recognised in profit or loss.

The Bank has no liabilities assigned to this category.

3.1.c) Embedded derivatives

Financial instruments are referred to as "structured products" where they consist of a host contract and multiple embedded derivatives, and the latter are an integral component of the contract and cannot be separately traded.

IAS 39 states that embedded derivatives must be separated from the host contracts and accounted for as independent derivatives if:

- The structured financial instrument is not measured at fair value through profit or loss;
- The economic characteristics and risks of the embedded derivative are not clearly and closely related to those of the host contract;
- The terms of the embedded derivatives meet the definition of a derivative.

Measurement gains and losses are recognised in the income statement. Derivatives that are not subject to the separation requirement are measured together with the host contract, in accordance with the general rules for the category concerned.

3.1.d) Hedge accounting

Derivatives are measured at fair value. Measurement gains and losses are recognised in profit or loss unless the derivative in question meets the criteria for IFRS cash flow hedge accounting.

The IFRS hedge accounting rules govern the measurement of derivatives that are purchased to hedge an underlying transaction. The latter is classified into one of the above categories. A hedging relationship exists where the underlying and hedging transaction, and the hedged risk are designated. The hedging relationship is regarded as highly effective if the fair value or cash flow changes in the underlying and the hedge largely offset each other (hedge ratio of 80–125%). The effectiveness of the hedge must be reliably measurable, and is monitored throughout the financial year.

- Fair value hedge: A hedge of the exposure of assets and liabilities to changes in fair value. Gains and losses on measurement of the derivative and underlying are reported in the comprehensive income statement, under "Income from hedging activities" (Note 7.11).

- Cash flow hedge: A hedge of the exposure to variability in cash flows that is attributable to an identifiable and determinable risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the change in fair value is recognised in the comprehensive income statement, under "Changes to the cash flow hedge" (page 60). The gain or loss attributable to the ineffective portion is immediately recognised in profit or loss and reported in the comprehensive income statement, under "Loss or income from hedging activities" (Note 7.11).

The HYPO NOE Group mainly uses fair value hedges. These are employed to hedge the fair value of both assets and liabilities (underlyings). The risks hedged are interest rate and currency risks. In addition, cash flow hedges are used to hedge the risk of fluctuations in cash flows (interest payments) from assets and liabilities (underlyings).

Measurement of customer swaps in the HYPO NOE Group
Customer swaps for which there are no market prices from observable current market transactions in the same instruments are measured using an internal model, taking account of credit spreads, as well as liquidity and finance costs. The credit spreads are determined according to standard risk cost at matching maturities, on the basis of the instruments' internal ratings, and taking due account of multi-year cumulative default probabilities and the supervisory loss given default, which are normally taken into consideration when pricing loans. The liquidity costs arise from the anticipated need to refinance cash collaterals associated with such transactions where these are not furnished by the customer. These costs are computed on the basis of maturity-specific rates, according to the current liquidity cost matrix for unsecured refinancing. The equity costs are computed on the basis of projected regulatory capital consumption.

Analyses of hedges by the underlying transactions hedged are shown in Notes 8.7, Positive fair value (fair value) of hedges (hedge accounting) and 8.21, Negative fair value (fair value) of hedges (hedge accounting).

3.2 Classes of financial instruments under IFRS 7

IFRS 7 applies to the categories of financial instruments established by IAS 39, as well as those recognised in accordance with other standards and unrecognised instruments. Under IFRS 7 these financial instruments must be grouped into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of the instruments concerned.

Fair value measurements must be classified using a fair value hierarchy with the following levels:

Level 1: Quoted prices in active markets
These are quoted prices in active markets for identical assets or liabilities, and mainly apply to exchange-traded equity instruments and derivatives.

Level 2: Valuation techniques based on observable inputs
Here, measurement is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This chiefly applies to OTC derivatives (assets and liabilities held for trading, and hedges) and equity instruments.

Level 3: Valuation techniques not based on observable inputs
Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In this model measurement is based on management's assumptions and assessments, which depend on the price transparency and complexity of the financial instrument. This mainly applies to asset-backed securities and investments (see Note 10.13 for a list of investments).

Readers are referred to Note 10.3 for information on the presentation of fair value disclosures.

3.3 Lease accounting

The HYPO NOE Group as a lessor
The main determinant of the classification of, and hence the method of accounting for leases is not the legal ownership of the leased property but the substance of the lease. If substantially all the risks and rewards incidental to legal ownership are transferred by the lessor, then under IAS 17 the lease is a finance lease; otherwise it is an operating lease. Most of the lease agreements concluded by the HYPO NOE Group as a lessor are classifiable as finance leases. Consequently, instead of recognising the assets, the present value of the future lease payments is reported under "Loans and advances to customers", including any residual values (Note 8.4). Lease payments received are apportioned between an interest element, recognised in profit or loss, and a capital element, recognised in equity.

The HYPO NOE Group as a lessee
All the lease agreements concluded by the HYPO NOE Group as a lessee are operating leases. This means that leased vehicles are not stated as assets in the consolidated statement of financial position. The lease instalments are recognised as general administrative expenses (Note 7.7).

3.4 Investment property

Land and buildings held to earn rentals or for capital appreciation are classified as investment properties. In cases of mixed occupation, significant parts of land and buildings used by third parties are reported as investment properties provided that the conditions for separate letting or sale are met (Note 8.13).

Investment properties are measured at cost. Depreciation is on a straight-line basis, over the normal useful lives of the assets. The following useful lives, which correspond to the actual useful lives of the properties concerned, are applied:

- Buildings and refurbishments 25–50 years

Rental income, depreciation, gains and losses on disposal, and any impairment are recognised in profit or loss (Notes 7.1 and 7.13).

Fair value is determined internally by HYPO NOE Leasing, by capitalising the future lease income on the basis of the lease agreements and comparing it with the carrying amount (Note 10.3.1). There are no independent valuations.

3.5 Impairment

Risk provisions for customer loans (impairment allowances for individual loans and advances, and collective allowances) are analysed under Note 4.3 Risk provisions. Impairment of AFS assets is discussed under Note 3.1.a Financial assets, 3. Available-for-sale financial assets.

No impairments of intangible assets or property, plant and equipment (Note 4.11) were recognised during the reporting period.

A summary of all impairment losses recognised in accordance with IFRS 7 is set out in Note 7.3.

Further information on credit risk and gross exposure is given in the risk report contained in the operational and financial review.

3.6 Repurchase agreements

Repurchase agreements are agreements under which the transferor transfers the legal title to assets to the transferee for a specified period, for consideration. At the same time it is agreed that the assets will be retransferred to the transferor at a later date, in return for agreed consideration. IAS 39 requires to transferor to continue to recognise the assets if it retains substantially all the risks and rewards of ownership. The transferor recognises a liability, and the transferee a receivable, equal to the amount received/paid. In 2010 the HYPO NOE Group entered into repurchase agreements as a transferor. The amounts concerned are detailed in Note 8.17.

4. Explanatory notes to the statement of financial position

4.1 Cash

"Cash" comprises cash and balances at central banks that are repayable on demand. The balances are stated at nominal value (Note 8.1).

Interest income is reported under "Interest and similar income". See Note 7.1. for a detailed breakdown.

4.2 Loans and advances

The "Loans and advances to banks" and "Loans and advances to customers" items largely relate to loans, lease receivables, overnight money and time deposits, and unlisted securities. This item includes accrued interest but is gross of impairments (Notes 8.2 and 8.3). Measurement is at amortised cost and the net present value of lease receivables. Interest income is reported under "Interest and similar income". See Note 7.1. for a detailed breakdown.

4.3 Risk provisions

Individual and collective impairment allowances and provisions are recognised to reflect the specific risks associated with lending business. Attention is drawn to the risk report included in the operational and financial review.

Individual impairment allowances are recognised on the basis of assessment of the borrower's financial position, paying special attention to the Group Credit Risk Analysis Department's current view of the value of the collaterals, and the repayment terms and maturities.

Future cash flows (anticipated receipts) are discounted applying the original effective interest rate. Where there are collaterals for receivables (e.g. mortgages or guarantees) the impairment charges are calculated on the basis of the recoverable amount of the collateral (collateral proceeds) as future cash flows, taking account of the disposal costs (AG84 IAS 39). As paragraph 63 IAS 39 states that the amount of an impairment loss must be measured on the basis of the present value of all future payment streams and their expected maturities, the cash flows must be adjusted for the anticipated interest payments.

Quantitative refinements were made to the model in 2010 to reflect further improvements in the processes for computing the Group's incurred but not reported losses on a collective basis, although care was taken to leave the key qualitative outputs unchanged, even when data from previous periods was applied. When calculating impairment allowances on a collective basis, a given percentage of incurred but not reported losses is applied to customers not regarded as in default at the end of the reporting period, i.e. without default ratings (5A-5E).

When calculating such impairments a differentiated approach, based on the varying risk profiles, is taken to the loans and advances of HYPO NOE Gruppe Bank AG and HYPO NOE Landesbank AG. Quantification is based on the expected loss, taking account of: (a) unsecured exposure and the economic value of collaterals; b) the historical probability of default (PD) and the results of backtesting of the rating system; c) loss given default (LGD) ratios for the various portfolios; and (d) the loss identification period (LIP). For reasons of prudence, no cure rate is applied at present.

Collective impairment allowances for loans and advances to banks and customers with internal ratings of 2A to 4E are calculated in accordance with the HYPO NOE Group master rating scale shown below. The loss identification period assumed for all loans and advances in 2010 is four months. The collective impairment allowance calculation model and the inherent premises are reviewed on an ongoing basis.

Collective impairment allowances are computed according to the following formula:
Collective impairment allowance = (exposure – economic value of collaterals) * PD * "Blanco" LGD * LIP

Total risk provision in respect of loans and advances carried as assets is disclosed on the assets side of the consolidated statement of financial position, as a deduction after "Loans and advances to banks" and "Loans and advances to customers" (Note 8.5). The risk provisions for off-balance-sheet transactions are included in the "Provisions" item (Note 8.22). Allocations to and reversals of impairment allowances and risk provisions arising from lending business are reported in the comprehensive income statement, under "Credit risk provisions" (see Note 7.4 for a detailed analysis).

4.4 Assets held for trading

Assets held for trading relate exclusively to the positive fair value of derivatives which are not used as hedges.

This item comprises the positive fair value of derivative financial instruments measured at fair value (Note 8.6).

Realised gains and losses, and unrealised gains and losses on measurement are reported under the "Net trading income" comprehensive income statement item (see Note 7.6 for a detailed analysis).

4.5 Positive and negative fair value of hedges (hedge accounting)

The positive and negative fair value of hedges is reported separately on the assets, and equity and liabilities sides of the consolidated statement of financial position, provided that they qualify for hedge accounting under IAS 39 (Notes 8.7 and 8.21). Measurement gains and losses on fair value hedges are recognised in profit or loss, under "Income from hedging activities" (see detailed presentation under Note 7.11). Current income from hedges is reported under "Interest and similar income" (see Note 7.1 for a detailed analysis).

4.6 Available-for-sale financial assets (AFS)

This item mainly relates to bonds and other fixed-income securities. It also includes AFS equities and other variable income securities, holdings in non-consolidated subsidiaries and equity interests not held for sale (Note 8.8).

Measurement gains and losses are reported under equity, net of deferred tax, as an available-for-sale reserve (Statement of changes in equity, page 62, and "Other comprehensive income" in the comprehensive income statement, page 60). Gains and losses on disposal, and measurement gains and losses are recorded under "Net gains and losses on available-for-sale assets" (see Note 7.9 for a detailed analysis).

4.7 Financial assets designated as at fair value through profit or loss

The option of classifying assets as financial assets designated as at fair value through profit or loss does not exist for equity securities if they do not have a quoted market price and fair value cannot be reliably determined. Assignment of financial instruments to this category can be used to account for economic hedges without meeting the strict requirements imposed by hedge accounting. Derivatives for which the fair value option is taken (FVO derivatives) are also reported under this item when they are used to hedge such underlying transactions. The item is confined to financial assets that were designated as at fair value through profit or loss on initial recognition (Note 8.9).

Measurement is at fair value. Realised gains and losses, and gains and losses on measurement are reported under the "Net gains or losses on financial assets designated as at fair value through profit or loss" comprehensive income statement item (see Note 7.10 for a detailed presentation). Current income (e.g. interest and dividend income) is reported under "Interest receivable and similar income" (Note 7.1).

4.8 Financial assets held to maturity

Bonds held to maturity are reported under this item. These are measured at amortised cost (Note 8.10).

Impairments are recognised in profit or loss, under "Net gains or losses on financial assets held to maturity". As in the previous year, in 2010 impairment of HTM assets had no effect on profit or loss.

4.9 Investments accounted for using the equity method

Investments in associates and joint ventures are recognised at cost, and are included in the consolidated statement of financial position at the date on which a significant influence is obtained. In subsequent periods the carrying amount of the interest is adjusted for changes in equity (see Notes 8.12. and 10.13). The Bank's share of the annual profit or loss is recorded under "Interest and similar income", as "Share of results of investments accounted for using the equity method" (Note 7.1).

4.10 Investment property

Land and buildings held to earn rentals or for capital appreciation are reported under this item (Note 8.13).

Measurement is at cost. Rental income and depreciation are reported under "Income from investment property" – a separate item under "Interest and similar income" (Note 7.1). Gains and losses on disposal of investment properties and any impairments are recorded under "Income from other financial investments" (Note 7.13).

4.11 Property, plant and equipment, and intangible assets

Intangible assets acquired for consideration with determinable useful lives are carried at cost less straight-line amortisation. As at the end of the reporting period there were no internally generated intangible assets with reliably measurable development costs that were expected to generate future economic benefits.

Land and buildings, and equipment, fixtures and fittings used by the HYPO NOE Group in the course of its own business activities are reported as property, plant and equipment. Property, plant and equipment is stated at cost less depreciation.

Note 8.14 gives a breakdown of intangible assets, and property, plant and equipment.

Depreciation and amortisation are on a straight-line basis, over the normal useful lives of the assets. The following useful lives are applied:

▶ Buildings and refurbishments	25–50 years
▶ Equipment, fixtures and furnishings	4–10 years
▶ Computer software and hardware	3–4 years

Impairment losses are recognised whenever there are indications of impairment. Depreciation and amortisation, and impairments are reported as a separate item in the income statement (see "Depreciation and amortisation" line item in Note 7.7, and Note 7.7.3 "Depreciation and amortisation" regarding impairment). Gains and losses on disposal of property, plant and equipment are recognised under "Net other operating expense/income" (Note 7.8).

4.12 Tax assets and liabilities

Since 2008 use has been made of the possibility of group taxation. HYPO NOE Gruppe Bank AG acts as the tax group parent company. To this end the parent concluded group taxation agreements, governing tax contributions, reporting duties and due dates, with each Group company.

Current and deferred tax assets and liabilities are reported under the respective items in the consolidated statement of financial position (Notes 8.15 and 8.23).

Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the current tax rates.

Deferred tax assets and liabilities are measured according to the balance sheet liability method, whereby the tax base of an asset is compared with the IFRS carrying amount, and deferred tax recognised for the temporary difference. If a tax liability is probable when the temporary difference reverses, a deferred tax liability is recognised. Deferred tax assets are recognised for temporary differences that result in tax reductions when they reverse. Offsetting of deferred tax assets and liabilities is performed on a company-by-company basis. Pursuant to IAS 12, deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised for tax loss carryforwards if it is probable that sufficient taxable profit will be available. The carrying amounts of deferred tax assets arising from tax loss carryforwards and temporary differences are reviewed at the end of each reporting period. The recognition and reversal of deferred tax assets and liabilities is either in profit or loss, under "Income tax", or in equity (Note 7.14) if the item itself is recognised outside profit or loss (e.g. the revaluation reserve for AFS financial instruments).

4.13 Other assets

"Other assets" (Note 8.16) largely relates to accruals and deferrals, other non-bank receivables (e.g. trade receivables and amounts due from the tax authorities in respect of other taxes), and derivatives used in connection with banking book management. Accruals and deferrals, and other non-bank receivables are stated at nominal value.

The positive fair value of financial instruments is reported under "Other assets" if they do not qualify for hedge accounting and instead represent economic hedges used in connection with banking book management.

Gains and losses on measurement, and disposal of hedges are reported under "Income from hedging activities" (Note 7.11) in the comprehensive income statement

4.14 Deposits from banks/customers evidenced by certificates

Liabilities to banks and customers, including debts evidenced by certificates, are carried at amortised cost (Notes 8.17, 8.18 and 8.19). Gains and losses on debts evidenced by certificates are amortised over the maturities of the liabilities.

Where hedge accounting is applied, the changes in the fair value of the underlying are recognised in profit or loss, under "Income from hedging activities" (Note 7.11).

4.15 Liabilities held for trading

The negative fair value of derivatives held for trading that are measured at fair value is disclosed under this item (Note 8.20).

Realised gains and losses, and gains and losses on measurement are reported under the "Net trading income" income statement item (see Note 7.6 for a detailed analysis).

4.16 Provisions

The following items are reported under "Provisions" (Note 8.22):

- lLong-term provisions for pensions and similar obligations; and
- lOther provisions.

4.16.1 Long-term provisions for pensions and similar obligations

There are both defined contribution and defined benefit plans in the HYPO NOE Group. Under the defined contribution schemes, defined contributions are paid to an external fund. As the employer has no legal or other obligation to make additional payments, there is no need to recognise a provision.

There are also defined benefit pension, and termination and jubilee benefit commitments. These plans are "unfunded", in that the benefits are entirely internally funded. The long-term employee benefit provisions are measured using the projected unit credit method, in accordance with IAS 19. Future obligations are measured on the basis of a report by an independent actuary. Recognition in the consolidated statement of financial position is according to the present value of the defined benefit obligation. Actuarial gains and losses on the termination benefit and pension provision are recognised in equity, under the "IAS 19 reserve", and in the comprehensive income statement, under "Other comprehensive income" (page 60). Actuarial gains and losses on the jubilee benefit provision are shown under "General administrative expenses" in the comprehensive income statement (Note 7.7).

Measurement of the long-term employee benefit provisions is based on the statutory retirement ages of 60 for women and 65 for men.

The discount rate applied to measurement at the end of the reporting period is 4.7% p.a. (2009: 5.5%). Future salary increases of 3.5% p.a. (2009: 3.5%) and future pension increases of 3.5% p.a. (2009: 3.5% p.a.) are assumed. Downward adjustments are not made for employee turnover.

Measurement is based on the biometric estimates contained in the latest Austrian actuarial table for pension insurance, the AVÖ 2008 – P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler, Angestelltenbestand.

4.16.2 Other provisions

"Other provisions" are recognised when there is a present obligation as a result of a past event, it is probable that it will be necessary to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Long-term provisions are discounted if the effect is material. The measurement of contingent liabilities and impending losses is based on best estimates in accordance with paragraphs 36 et seq. IAS 37.

Contingent liabilities are recognised in respect of off-balance-sheet liabilities such as those arising from guarantees and pledging of collaterals.

Restructuring provisions were not recognised.

Allocations to reversals of "Other provisions" are mainly shown under "Net other operating expense/income" (Note 7.8). Movements in provisions for credit risks are reported in the comprehensive income statement, under "Risk provisions for loans and advances" (Note 7.4).

4.17 Other liabilities

"Other liabilities" (Note 8.24) are stated at amortised cost where they relate to accruals and deferrals or "Sundry other liabilities". The negative fair value of financial instruments is reported under "Other liabilities" if they do not qualify for hedge accounting and instead represent economic hedges used in connection with banking book management. Gains and losses on measurement are reported under "Income from hedging activities" (Note 7.11) in the comprehensive income statement.

4.18 Subordinated capital

Subordinated liabilities as defined by Austrian banking legislation are reported as subordinated capital.

Subordinated liabilities are certificated or uncertificated liabilities which, in the event of liquidation or insolvency, are subordinated to the claims of other creditors. Interest expense is reported under "Interest payable and similar expenses" (see Note 7.2. for a detailed breakdown).

4.19 Equity (including minority interests)

"Share capital" is the capital paid in by the shareholders in accordance with the articles of association.

The "Capital reserves" contain the share premiums paid in excess of nominal value when shares are issued.

As at 31 December 2010 there were 7,150,000 (2009: 6,550,000) registered shares of no par value in issue. Of these, 70.49% or 5,040,000 shares (2009: 67.79% or 4,440,000 shares) were held by NÖ Landes-Beteiligungsholding GmbH and 29.51% or 2,110,000 shares (2009: 32.21% or 2,110,000 shares) by NÖ BET GmbH. At year-end 2010 the share capital (issued capital) of HYPO NOE Gruppe Bank AG was EUR 51,980,500 (2009: EUR 47,618,500).

The Annual General Meeting held on 24 April 2009 authorised the Management Board to increase the Company's share capital by EUR 6,906,500, from a nominal amount of EUR 47,618,500 to EUR 54,525,000, subject to the approval of the Supervisory Board not later than 31 December 2012, by issuing an additional 950,000 registered shares of no par value. The authorised capital of EUR 54,525,000 is divided into 7,500,000 registered shares. Each no par share represents an equal portion of the share capital. A capital increase, by 600,000 registered no par shares, was registered on 10 February 2010. No further capital increase was effected in 2010.

The retained earnings reserves required by statute and the articles of association, and the other retained earnings, as well as the liability reserve pursuant to section 23(6) Banking Act, the general banking risk fund, the differences between carrying amounts and present value (leasing companies), and the untaxed reserves (net of deferred tax) are reported under "Retained earnings".

The "IAS 19 reserve" item comprises the actuarial gains and losses on the long-term employee benefit provisions (pensions and termination benefits), net of deferred tax.

The "Available for sale reserve" contains the measurement gains and losses (net of deferred tax) on financial assets classified as available for sale.

The financial instruments attributable to the cash flow hedge category (net of deferred tax) are reported under the "Cash flow hedge" item.

The accumulated profit or loss brought forward, and the annual profit or loss and dividends are shown under "Group profit/loss".

The "Goodwill netted in equity" item records the differences arising on consolidation which were offset against equity prior to first-time adoption of IFRS.

Minority interests in subsidiaries are reported as a separate equity item, in accordance with IAS 1.

Note 8.25 provides disclosures on equity; the consolidated statement of changes in equity is on page 62.

5. Consolidated statement of cash flows

The consolidated statement of cash flows in accordance with IAS 7 shows the change in cash and cash equivalents held by the HYPO NOE Group due to the cash flows from operating, investing and financing activities (see page 63). It is presented according to the indirect method.

The cash flows from operating activities in the main relate to cash inflows and outflows arising from loans and advances to banks and customers, and from available-for-sale financial assets, as well as deposits from banks and customers, and debts evidenced by certificates.

The cash flows from investing activities largely concern cash inflows and outflows arising from property, plant and equipment, and financial assets held to maturity.

Cash and cash equivalents consist of cash on hand and balances at central banks repayable on demand.

6. Segment information

The bank's segment reporting is in accordance with IFRS 8.

The segment information is derived from the quarterly reports drawn up by the Management Board, which is the "chief operating decision maker" as defined by paragraph 7 IFRS 8.

All the Group's reporting segments are subject to the same accounting policies, described in Note 2 Accounting policies.

The four segments, which are based on the structure of the Group's business activities, are as follows:

Gruppe Bank
This segment aggregates the revenue and expenses derived from relationships with large customers – chiefly state and local government clients.
(Public Finance, Real Estate and Treasury departments)

Landesbank
This segment mainly serves retail and business customers, focusing on housing finance and finance for large non-profit housing associations.

Leasing
This segment groups together the subsidiaries that operate in the leasing business (see Note 3.3 Lease accounting).

Other & Consolidation
This segment is used to provide information on all non-leasing and banking subsidiaries, as well as consolidation adjustments.

The information provided on individual segments is drawn from the IFRS statements of the companies attributed to those segments. In the case of the Leasing segment, these are subgroup financial statements for 37 consolidated subsidiaries.

The Other & Consolidation segment shows the results of eight consolidated subsidiaries, as well as the consolidation adjustments. The detailed assignment of companies to segments is shown in Note 10.13.

See Note 9.1 for detailed information on segment profit or loss, and assets and liabilities, as well as descriptive information.

7. Notes to the comprehensive income statement - all amounts €'000

7.1 Interest and similar income

Interest income of EUR 4,049 thousand (thsd) (2009: EUR 4,195thsd) from individually impaired loans was recognised for the reporting period.

7.1.a Interest and similar income

€'000	2010	2009
Interest income from:		
Cash and cash balances at central banks	234	320
Loans and advances to credit institutions	10,200	13,749
Loans and advances to customers	201,544	220,017
Interest derivatives (economic hedges)	175	107
Bonds, public debt certificates and other fixed income securities	65,803	69,404
Hedges (hedge accounting)	122,466	57,981
Other interest income	38,192	46,732
thereof income from investments accounted for using the equity method	*3,931*	*3,866*
thereof income from investment property	*302*	*321*
rent receivable	*800*	*789*
depreciation and amortisation	*-498*	*-468*
Similar income from:		
Leasing	12,905	27,266
Shares and other variable income securities	970	163
Investments in associates	1,964	1,845
Total	**454,453**	**437,584**

7.1.b Interest and similar income by IAS 39 measurement categories

€'000	2010	2009
Interest income from:		
Loans and receivables (LAR)	222,833	243,190
Available-for-sale (AFS) assets	66,923	68,490
Assets held to maturity (HTM)	1,522	2,565
Fair value option	291	359
Assets held for trading	18,392	30,848
Interest rate derivatives	175	107
Impaired loans and advances (unwinding)	303	0
Hedging derivatives	122,466	57,981
Interest income attributable to other periods	283	99
Share of results of investments accounted for by the equity method	3,931	3,866
Income from investment property	302	321
Rental income	*800*	*789*
Depreciation	*-498*	*-468*
Current income from leasing business	12,905	27,266
Current origination and commitment fees (IAS 18)	4,127	2,492
Total	**454,453**	**437,584**

7.2 Interest and similar expense

7.2.a Interest and similar expense

€'000	2010	2009
Interest expense for/from:		
Liabilities to central banks	-12,640	-15,997
Deposits from banks	-7,917	-16,793
Deposits from customers	-41,901	-60,569
Debts evidenced by certificates	-154,787	-147,631
Subordinated capital	-5,106	-4,720
Interest rate derivatives (economic hedges)	-642	-147
Hedges (hedge accounting)	-76,856	-43,929
Other interest expense	-19,520	-9,172
Total	**-319,369**	**-298,958**

7.2.b Interest and similar expense by IAS 39 measurement categories

€'000	2010	2009
Interest payable for:		
Liabilities at cost	-222,549	-245,772
Liabilities at fair value	0	-90
Liabilities held for trading	-19,322	-8,683
Interest rate derivatives (economic hedges)	-642	-147
Hedging derivatives (hedge accounting)	-76,856	-43,929
Interest expense and discounting attributable to other periods	0	-337
Total	**-319,369**	**-298,958**

7.3 Summary of IFRS 7 impairment allowances

€'000			2010	
		Additions (-)	Reversals (+)	TOTAL current year
Impairment losses on financial assets not measured at fair value through profit or loss:		**-34,243**	**15,234**	**-19,009**
Available-for-sale (AFS) financial assets	(7.9)	-1,707	191	-1,516
Loans and receivables measured at amortised cost (inc. finance lease) (LAR)	(7.4)	-32,536	15,043	-17,493
Total		**-34,243**	**15,234**	**-19,009**

€'000			2009	
		Additions (-)	Reversals (+)	TOTAL current year
Impairment losses on financial assets not measured at fair value through profit or loss:		**-44,155**	**8,985**	**-35,170**
Available-for-sale (AFS) financial assets	(7.9)	-2,686	587	-2,099
Loans and receivables measured at amortised cost (inc. finance lease) (LAR)	(7.4)	-41,469	8,398	-33,071
Total		**-44,155**	**8,985**	**-35,170**

7.4 Credit risk provisions

An analysis of risk provisions for on and off-balance sheet transactions is shown below.

€'000		2010	2009
Allocations to:			
Individual impairment allowances	(7.3)	-30,274	-34,710
Collective impairment allowances	(7.3)	-1,566	-5,251
Other credit risk provisions		-395	-2,066
Reversals of provisions for:			
Individual impairment allowances	(7.3)	11,736	7,705
Collective impairment allowances	(7.3)	2,849	137
Other credit risk provisions		157	1,041
Receipts from impaired assets	(7.3)	458	556
Direct write-off		-696	-1,508
Total		**-17,731**	**-34,096**

7.5 Fee and commission income

€'000	2010	2009
Fee and commission income from:		
Loans and advances	179	74
Securities and securities account business	3,908	3,374
Payment transactions	2,453	2,388
Foreign exchange, foreign notes and coins, and precious metals	266	332
Other services	3,248	3,071
Diversification	386	369
Other fee and commission income	6	7
Total	**10,446**	**9,615**

€'000	2010	2009
Commission expenses		
Loans and advances	-74	-100
Securities and securities account business	-2,171	-1,467
Payment transactions	-560	-499
Other services	-23	-6
Diversification	-359	-348
Total	**-3,187**	**-2,420**

The diversification effect was stripped out of the "Other fee and commission income" and "Other fee and commission expense" items, and is shown in a separate item. The comparatives have been adjusted.

7.6 Net trading income

€'000	2010	2009
Interest rate transactions	7,082	6
Foreign exchange transactions	8,669	1,363
Other transactions	340	662
Total	**16,091**	**2,031**

7.7 General administrative expenses

General administrative expenses comprise staff costs, other administrative expenses, and depreciation and amortisation. These items were as follows:

€'000	2010	2009
Staff costs	-47,367	-43,495
Other administrative expenses	-31,362	-30,447
Depreciation and amortisation	-3,201	-2,782
Total	**-81,930**	**-76,722**

The following tables may contain rounding differences (see also explanory notes 2.2).

7.7.1 Staff costs

€'000	2010	2009
Wages and salaries	-35,464	-32,236
Social security costs	-7,468	-6,835
Cost of voluntary employee benefits	-1,091	-1,154
Retirement benefit costs	-2,203	-2,326
Termination benefit costs	-1,141	-944
thereof contributions to provident fund	*-324*	*-257*
Total	**-47,367**	**-43,495**

	2010	2009
Supplementary information		
Average number of employees (including staff on parental leave)	604	582
€'000		
Salaries of management board members	-585	-592
Supervisory board members' expenses	-84	-81
Supervisory board members' fees	-342	-367
Remuneration of key management personnel (other than the Management Board of the parent company)	-4,851	-1,847
thereof current remuneration	*-3,458*	*-1,189*
thereof short-term employee benefits	*-903*	*-486*
thereof post-employment benefits	*-251*	*0*
thereof other long-term benefits	*2*	*-17*
thereof provision for termination benefits	*-241*	*-155*

The following persons are considered key management personnel: the heads of department of Group functions, and the HYPO NOE Landesbank AG, HYPO NOE Leasing GmbH and HYPO NOE Real Consult GmbH management boards.
In 2010 the key management team was expanded by the creation of additional group functions. A change from the previous year's treatment is the inclusion of expenses arising from the separation of key staff members and pension fund information (post-employment benefits) in the "Remuneration of key management personnel" item. The comparatives were not adjusted. The "Supervisory board members' expenses" item is included in "Other administrative expenses", but is shown in the supplementary information on staff costs in the interests of clarity

In 1997 HYPO NOE Gruppe Bank AG and die HYPO NOE Landesbank AG concluded a works agreement on the provision of retirement, invalidity and surviving dependants' pensions by a pension fund. To this end the Bank made a pension fund agreement with Viktoria Volksbanken Pensionskassen AG. Under the latter the Bank undertook to make an employer's contribution of 2.7% (including administrative costs and insurance tax) of employees' salaries to the fund. The contribution was set at 6% or 10% for senior executives. Vesting takes place five years after the start of the contribution payments. Eligibility for employer's contributions is conditional on five years' service; eligible pre-service time is counted.

7.7.2 Other administrative expenses

€'000	2010	2009
Premises	-6,062	-5,353
Office and communication expenses	-1,751	-1,537
IT expenses	-5,937	-6,000
Legal and consultancy costs	-3,522	-5,563
Advertising and promotion	-5,979	-5,328
Liability costs	-1,509	-1,286
Sundry other administrative expenses	-6,602	-5,380
Total	**-31,362**	**-30,447**

€'000	2010	2009
Legal and consultancy costs		
Audit of the annual financial statements	-390	-371
Other auditing services	-111	-32
Tax advice	-15	-33
Other services	-309	-292
Sundry other administrative expenses:		
Cost of compliance with company law	-579	-610
Training costs	-760	-681
Vehicle and fleet expenses	-790	-710
Insurance	-242	-191
Travel expenses	-403	-492
Cost of information procurement and payment transactions	-1,341	-1,100
Sundry administrative expenses	-2,487	-1,596

Rental and lease commitments amount to EUR 1,541thsd for 2011 (2010: EUR 1,412thsd) and EUR 8,275thsd for the 2011-2015 financial years.

7.7.3 Depreciation and amortisation

€'000	2010	2009
Intangible assets	-485	-230
Buildings used by Group companies	-305	-310
Equipment, fixtures and furnishings (including low value assets)	-2,411	-2,242
Total	**-3,201**	**-2,782**

As in the previous year, it was not necessary to recognise any impairments on the above assets under IAS 36.

7.8 Net other operating expense/income

€'000	2010	2009
Other rental income	**328**	**362**
Gains/losses on		
disposal of intangible assets, and property, plant and equipment	62	91
Gains/losses on recognition and reversal of provisions	**-47,739**	**437**
Sundry other operating expenses/income		
Sundry other operating income	9,982	27,476
Sundry other operating expenses	-10,255	-24,281
Total	**-47,622**	**4,085**

The main changes in "Net other operating expense/income" as compared to 2009 arose from movements in the "Other provisions" (see Note 8.22.1). "Sundry other operating expenses/income" includes a net loss of EUR 8,782thsd (2009: EUR +19,473thsd) on income and expenses arising from foreign currency (see Note 7.12). This item also includes EUR 7,359thsd (2009: EUR 6,857thsd) in administrative and brokerage fees

7.9 Net gains and losses on available-for-sale financial assets

€'000		2010	2009
Income from financial assets			
Gains on disposal	(7.12)	7,079	4,408
Write-ups	(7.3)	191	587
Expenses arising from financial assets			
Losses on disposal	(7.12)	-4,469	-1,380
Impairment losses	(7.3)	-1,707	-2,686
Total		**1,094**	**929**

7.10 Net gains or losses on financial instruments designated as at fair value through profit or loss

€'000	2010	2009
Net gains or losses on financial assets		
Debt instruments	336	-106
Total	**336**	**-106**

7.11 Loss/income from hedging activities

Gains or losses on the hedged items attributable to the hedged risk and gains or losses from remeasuring hedging instruments at fair value (hedge accounting) are recognised under "Income from hedging activities". Gains or losses on derivative financial instruments used for economic hedging relationships in connection with banking book management are also reported under this item.

€'000	2010	2009
Hedge accounting		
Gains or losses on hedged items	-53,162	-27,908
Gains or losses on hedging derivatives	47,563	26,018
Total	**-5,599**	**-1,890**

€'000	2010	2009
Other derivative financial instruments (economic hedges)		
Interest rate transactions	0	122
Foreign exchange transactions	660	-15,270
Total	**660**	**-15,148**

The change in the foreign exchange transactions is due to the expiry of a forward forex contract acquired through an ECB CHF tender in 2009.

7.12 Realised gains and losses on financial assets and liabilities

€'000		2010	2009
Realised gains and losses on financial assets and liabilities not measured at fair value through profit or loss, net		**2,683**	**3,108**
Available-for-sale financial instruments	(7.9)	2,610	3,028
Other		73	80
Gains (losses) on financial assets and liabilities held for trading, net	(7.6)	**16,091**	**2,032**
Interest rate instruments and related derivatives		7,082	6
Foreign exchange trading		8,669	1,364
Other (including hybrid derivatives)		340	662
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(7.10)	**336**	**-106**
Gains (losses) from hedge accounting, net	(7.11)	**-4,939**	**-17,038**
Gains on currency translation, net	(7.8)	**-8,782**	**19,472**
Total		**5.389**	**7,468**

7.13 Loss/income from other financial investments

€'000	2010	2009
Investment property:	**-148**	**-147**
Proceeds from sales	724	90
Carrying amounts of disposals	-652	-10
Let investment properties	-216	-227
Vacant investment properties	-4	0
Net income from other financial investments	**132**	**125**
Other income from other financial assets	132	125
Total	**-16**	**-22**

7.14 Income tax

This item includes all taxes payable on profits for the reporting period.

€'000	2010	2009
Current income tax	-456	-777
Deferred income tax	-44	-3,996
Total	**-500**	**-4,773**

A reconciliation of the expense that would result from applying the standard rate of corporation tax to the actual reported tax expense is shown below.

€'000	2010	2009
Pre-tax profit	7,626	24,881
x income tax rate	25%	25%
= Tax at statutory rate	**-1,906**	**-6,220**
Tax deductions		
Tax-free income from investments	356	419
Other tax-free icome	379	780
Additions to tax		
Non-deductible expenses	-420	-333
Tax effects of other differences		
Adjustments to and non-recognition of deferred tax	590	541
Previous years	535	39
Prepayments	-10	1
Other adjustments	-24	0
Total	**-500**	**-4,773**

A total of EUR 9,695thsd in deferred tax credits (2009: EUR -9,215thsd) was credited directly to equity

Deferred tax recognised in equity	**2010**	**2009**
Actuarial gains/losses according to IAS 19	269	-364
Available-for-sale financial assets	9,521	-9,048
Cash flow hedge (effective portion)	-95	197
Total	**9,695**	**-9,215**

Breakdowns of deferred tax assets and liabilities are shown in Notes 8.15 and 8.23.

7.15 Minority interests

€'000	2010	2009
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	-41	-290
SATORIA Grundstückvermietung GmbH (former Sparkasse Region St. Pölten Gebäudeleasinggesellschaft m.b.H.)	0	23
Total	**-41**	**-267**

During the reporting period HYPO NOE Leasing GmbH fully acquired Sparkasse Region St. Pölten Gebäudeleasinggesellschaft m.b.H. Its interest in the latter company was previously 51%. The acquiree was renamed SATORIA Grundstückvermietung GmbH.

8. Detailed notes to the statement of financial position

8.1 Cash

€'000	31 Dec. 2010	31 Dec. 2009
Cash on hand	13,264	14,136
Balances at central banks	26,349	56,522
Total	**39,613**	**70,658**

Only amounts that are repayable on demand are reported under balances at central banks.

8.2 Loans and advances to banks

€'000	31 Dec. 2010	31 Dec. 2009
Domestic banks	114,356	204,148
Foreign banks		
Central and Eastern Europe (CEE)	52,441	3,251
Rest of the world (ROW)	265,714	168,656
Total	**432,511**	**376,055**

8.3 Loans and advances to customers

8.3.1 Customer group analysis

€'000	31 Dec. 2010	31 Dec. 2009
Public sector customers	4,515,212	3,881,809
Business customers	1,565,311	2,112,687
Housing associations	1,217,219	1,153,599
Retail customers	1,462,096	1,314,441
Professionals	119,090	118,184
Total	**8,878,928**	**8,580,720**

8.3.2 Geographical analysis

€'000	31 Dec. 2010	31 Dec. 2009
Domestic customers	7,433,058	6,714,552
Foreign customers		
Central and Eastern Europe (CEE)	524,130	397,849
Rest of the world (ROW)	921,740	1,468,319
Total	**8,878,928**	**8,580,720**

"Foreign customers" are now shown broken down into "CEE" and "ROW", and the comparatives have been restated accordingly.

8.4 Finance lease disclosures

€'000	31 Dec. 2010	31 Dec. 2009
Gross investment	**1,418,408**	**1,401,156**
Minimum lease payments	1,334,613	1,320,515
up to 1 year	72,033	72,669
from 1 year to 5 years	296,523	265,324
more than 5 years	966,058	982,522
Unguaranteed residual value	83,795	80,641
Unearned finance income	**-238,529**	**-254,208**
up to 1 year	-14,971	-25,017
from 1 year to 5 years	-72,778	-73,816
more than 5 years	-150,781	-155,375
Net investment	**1,179,879**	**1,146,947**

Net investment in finance leases is stated under "Loans and advances to customers". The Lower Austrian state government, and Lower Austrian local authorities and off-budget agencies account for approx. 99% of the finance leases written. The rest of the customers concerned are business customers, other public agencies and associations. About 95% of the lease assets in question are property but some equipment is also involved – often related to the real estate financed by the leases. Most of the leased properties are hospitals, care homes, office buildings and schools, while the equipment largely relates to furnishings treated as separate assets, and to medical equipment. No collective impairment allowances are recognised in respect of outstanding lease payments.

€'000	31 Dec. 2010	31 Dec. 2009
Minimum lease payments	1,334,613	1,320,515
Unearned finance income	-238,529	-254,208
Net present value of minimum lease payments	**1,096,084**	**1,066,307**
Unguaranteed residual value	83,795	80,641
Net Investment	**1,179,879**	**1,146,947**

8.5 Risk provisions and credit risk provisions

Default risk arising from lending business is accounted for by recognising individual and collective impairment allowances, and provisions for off balance sheet commitments. The collective impairment allowances reflect estimates of impairments affecting the loan portfolio which have occurred by the end of the reporting period but are not yet known. The loans and advances to customers include EUR 102,184thsd in interest-free loans and advances of which EUR 62,184thsd were impaired as at the end of the reporting period (2009: EUR 107,415thsd; EUR 58,861thsd in impairments).

8.5.1 Analysis of risk provisions and credit risk provisions by customer groups

€'000	As at 1 Jan. 2010	Allocations	Reversals	Utilisation	Unwinding	FX differences	Other movements	As at 31 Dec. 2010
Risk provisions for customers: individual impairment allowances	**-83,548**	**-30,274**	**11,735**	**5,108**	**303**	**-644**	**0**	**-97,320**
Public sector customers	-11,332	0	5,638	611	92	-644	0	-5,635
Business customers	-41,963	-19,121	2,119	3,470	0	0	1,745	-53,750
Housing associations	-135	-23	1	0	180	0	-180	-156
Retail customers	-27,020	-9,744	3,762	1,021	30	0	-1,431	-33,380
Professionals	-3,098	-1,386	214	6	0	0	-134	-4,399
Risk provisions for customers: collective impairment allowances	**-7,127**	**-1,566**	**2,849**	**0**	**0**	**0**	**0**	**-5,844**
Subtotal: risk provisions for customers	**-90,675**	**-31,840**	**14,585**	**5,108**	**303**	**-644**	**0**	**-103,164**
Credit risk provisions	-5,557	-395	157	0	0	0	0	-5,795
Total	**-96,232**	**-32,234**	**14,741**	**5,108**	**303**	**-644**	**0**	**-108,959**

Due to the changes in reporting by subsidiaries it is possible to present the unwinding effect in the figures for the year ended 31 December 2010.

€'000	As at 1 Jan. 2009	Allocations	Reversals	Utilisation	FX differences	Other movements	As at 31 Dec. 2009
Risk provisions for customers: individual impairment allowances	**-58,073**	**-34,710**	**7,705**	**1,529**	**0**	**0**	**-83,548**
Public sector customers	-162	-11,170	0	0	0	0	-11,332
Business customers	-33,282	-13,873	4,220	971	0	0	-41,963
Housing associations	-803	0	669	0	0	0	-135
Retail customers	-20,770	-9,038	2,272	516	0	0	-27,020
Professionals	-3,055	-629	544	42	0	0	-3,098
Risk provisions for customers: collective impairment allowances	**-2,013**	**-5,251**	**137**	**0**	**0**	**0**	**-7,127**
Subtotal: risk provisions for customers	**-60,086**	**-39,961**	**7,842**	**1,529**	**0**	**0**	**-90,675**
Credit risk provisions	-4,531	-2,066	1,041	0	0	0	-5,557
Total	**-64,617**	**-42,027**	**8,883**	**1,529**	**0**	**0**	**-96,232**

8.5.2 Risk provisions: geographical analysis

€'000	31 Dec. 2010	31 Dec. 2009
Domestic	-93,723	-82,971
Foreign		
Central and Eastern Europe (CEE)	-2,417	-6,314
Rest of the world (ROW)	-7,024	-1,390
Total risk provisions for customers	**-103,164**	**-90,675**

8.5.3 Analysis of risk provisions according to regulatory reporting segmentation

€'000	As at 1 Jan. 2010	Allocations	Releases	Used	Unwinding	FX differences	Other Changes	As at 31 Dec. 2010
Risk provisions for customers: individual impairment allowances	**-83,548**	**-30,274**	**11,735**	**5,108**	**303**	**-644**	**0**	**-97,320**
Loans to non-banks (financial service companies)	-6,032	0	483	0	113	0	163	-5,272
Loans to corporate customers	-41,251	-17,650	9,016	3,946	189	-644	-6,671	-53,065
Loans to retail customers	-36,265	-12,624	2,236	1,162	0	0	6,508	-38,983
Risk provisions for customers: collective impairment allowances	**-7,127**	**-1,566**	**2,849**	**0**	**0**	**0**	**0**	**-5,844**
Total risk provisions for customers	**-90,675**	**-31,840**	**14,585**	**5,108**	**303**	**-644**	**0**	**-103,164**

€'000	As at 1 Jan. 2009	Allocations	Releases	Used	FX differences	Other Changes	As at 31 Dec. 2009
Risk provisions for customers: individual impairment allowances	**-58,073**	**-34,710**	**7,705**	**1,530**	**0**	**0**	**-83,548**
Loans to non-banks (financial service companies)	-163	-5,869	0	0	0	0	-6,032
Loans to corporate customers	-27,458	-19,654	4,889	972	0	0	-41,251
Loans to retail customers	-30,452	-9,187	2,816	558	0	0	-36,265
Risk provisions for customers: collective impairment allowances	**-2,013**	**-5,251**	**137**	**0**	**0**	**0**	**-7,127**
Total risk provisions for customers	**-60,086**	**-39,961**	**7,842**	**1,530**	**0**	**0**	**-90,675**

8.5.4 Risk provisions for customers by maturities of underlying transactions (regulatory reporting segmentation)

31 Dec. 2010 (€'000)	Not past due	Past due between 1 < 90 days	Past due over 90 days (>=90 days)	Total
Risk provisions for customers: individual impairment allowances	**-29,836**	**-2,884**	**-64,601**	**-97,320**
Loans to non-banks (financial service companies)	0	0	-5,272	-5,272
Loans to corporate customers	-17,195	-2,059	-27,627	-46,881
Loans to retail customers	-12,641	-824	-31,701	-45,167
Risk provisions for customers: collective impairment allowances	**-5,601**	**-242**	**-1**	**-5,844**
Total risk provisions for customers	**-35,437**	**-3,125**	**-64,601**	**-103,164**

31 Dec. 2009 (€'000)	Not past due	Past due between 1 < 90 days	Past due over 90 days (>=90 days)	Total
Risk provisions for customers: individual impairment allowances	**-25,083**	**-7,135**	**-51,330**	**-83,548**
Loans to non-banks (financial service companies)	0	0	-5,869	-5,869
Loans to corporate customers	-14,542	-6,248	-19,893	-40,683
Loans to retail customers	-10,541	-887	-25,568	-36,996
Risk provisions for customers: collective impairment allowances				

8.5.5 Disclosures of maturities and collaterals in accordance with IFRS 7

The table below sets out the eligible collaterals for regulatory purposes. The receivables of the leasing sub-group, totally EUR 1,247.741thsd (2009: EUR 1,110.407thsd), are shown without collaterals. The maturities and collaterals are also discussed in the risk report which forms part of the operational and financial review.

31 Dec. 2010 (€'000)	Gross carrying amount Not individually impaired	Gross carrying amount Individually impaired	Renegotiated terms (para. 36(d) IFRS 7)	Collective impairment allowances	Individual impairment allowances	Net carrying amount
Not past due	8,984,385	64,545	209	-5,601	-29,836	9,013,701
Less than 90 days overdue	149,826	9,400	0	-242	-2,884	156,101
90 or more days overdue	20,423	102,674	0	-1	-64,601	58,495
Total	**9,154,633**	**176,619**	**209**	**-5,844**	**-97,320**	**9,228,298**

31 Dec. 2010 (€'000)	Gross carrying amount	Fair value of collateral received
Loans and advances to customers and banks, debt instruments and other financial assets not past due or individually impaired	8,984,385	3,224,335
Loans and advances to customers and banks, debt instruments and other financial assets overdue but not individually impaired	170,249	53,173
Loans and advances to customers and banks, debt instruments and other financial assets individually impaired (overdue and not past due)	176,619	37,361
Total	**9,331,253**	**3,314,870**

31 Dec. 2009 (€'000)	Gross carrying amount Not individually impaired	Gross carrying amount Individually impaired	Renegotiated terms (para. 36(d) IFRS 7)	Collective impairment allowances	Individual impairment allowances	Net carrying amount
Not past due	8,738,024	48,756	8,289	-6,203	-25,083	8,755,493
Less than 90 days overdue	75,807	8,833	0	-924	-7,135	76,581
90 or more days overdue	31,902	70,485	0	0	-51,330	51,058
Total	**8,845,734**	**128,074**	**8,289**	**-7,127**	**-83,548**	**8,883,132**

31 Dec. 2009 (€'000)	Gross carrying amount	Fair value of collateral received
Loans and advances to customers and banks, debt instruments and other financial assets not past due or individually impaired	8,738,024	4,741,377
Loans and advances to customers and banks, debt instruments and other financial assets overdue but not individually impaired	107,710	18,399
Loans and advances to customers and banks, debt instruments and other financial assets individually impaired (overdue and not past due)	128,074	11,246
Total	**8,973,807**	**4,771,021**

8.6 Assets held for trading

€'000	31 Dec. 2010	31 Dec. 2009
Positive fair value of derivatives held for trading (banking book)		
Interest rate derivatives	214,949	115,312
Foreign exchange derivatives	11,880	2,633
Other assets held for trading	13,345	15,461
Total	**240,174**	**133,406**

8.7 Positive fair value of hedges (hedge accounting)

An analysis of the positive fair value of hedges eligible for hedge accounting under IAS 39, according to the hedged items, is shown below.

€'000	31 Dec. 2010	31 Dec. 2009
Assets		
Loans and advances to banks	355	331
Loans and advances to customers	6,368	851
Financial assets	6,450	6,078
Liabilities		
Deposits from banks	3,947	7,217
Deposits from customers	66,238	37,668
Debts evidenced by certificates	192,847	116,023
Total	**276,205**	**168,168**

8.8 Available-for-sale financial assets

€'000	31 Dec. 2010	31 Dec. 2009
Shares and other variable income securities	24,878	32,462
Bonds, public debt certificates and other fixed income securities	1,966,909	2,118,492
Interests in non-consolidated subsidiaries (over 50%)	226	231
Interests in associates (20-50%)	465	459
Other investments	22,224	23,320
Total	**2,014,702**	**2,174,964**

8.9 Financial assets designated as at fair value through profit or loss

€'000	31 Dec. 2010	31 Dec. 2009
Bonds, public debt certificates and other fixed income securities	9,406	9,081
Total	**9,406**	**9,081**

8.10 Financial assets held to maturity

€'000	31 Dec. 2010	31 Dec. 2009
Bonds, public debt certificates and other fixed income securities	70,106	99,003
Total	**70,106**	**99,003**

8.11 Analysis of financial assets according to the classification of the BWG (Austrian Banking Act)

Listed securities:	31 Dec. 2010	31 Dec. 2009
Bonds, public debt certificates and other fixed income securities	1,398,859	1,660,849
Shares and other variable income securities	247	1,245

8.12 Investments accounted for using the equity method

€'000	31 Dec. 2010	31 Dec. 2009
Banks	2,543	1,787
Other	43,606	42,153
Total	**46,149**	**43,940**

No associate accounted for using the equity method made an annual or cumulative loss that the Bank was obliged to recognise under paragraph 30 IAS 28. As in 2009, none of the associates accounted for using the equity method was a listed company at the end of the reporting period. The Group's shares of the total assets and liabilities, and the operating income and expenses arising from its investments in joint ventures are disclosed in accordance with paragraph 56 IAS 31 (companies and holdings in them shown in Note 10.13).

€'000	31 Dec. 2010	31 Dec. 2009
Loans and advances to customers and banks	154,799	154,581
Liabilities	133,586	138,326
Operating income	1,803	1,800
Operating expense	-1,036	-777

8.13 Investment property

Rental income during the reporting period was EUR 800thsd (2009: EUR 789thsd).

	Cost											Carrying amount	
€'000	At 1 Jan. 2010	Additions	Subsequent acquisition costs	Disposals	Reclassifications	At 31 Dec. 2010	At 1 Jan. 2010	Depreciation	Disposals	Reclassifications	At 31 Dec. 2010	1 Jan. 2010	**31 Dec. 2010**
Investment property	27,367	2,455	42	-1,547	0	28,317	-3,289	-498	-86	0	-3,874	24,078	24,443

	Cost										Carrying amount	
€'000	At 1 Jan. 2009	Additions	Disposals	Reclassifications	At 31 Dec. 2009	At 1 Jan. 2009	Depreciation	Disposals	Reclassifications	At 31 Dec. 2009	1 Jan. 2009	**31 Dec. 2009**
Investment property	11,665	13,456	-15	2,261	27,367	-1,739	-468	5	-1,086	-3,289	9,926	24,078

8.14 Property, plant and equipment, and intangible assets

€'000	31 Dec. 2010	31 Dec. 2009
Intangible assets		
Software	1,033	1,059
Total intangible assets	**1,033**	**1,059**
Property, plant and equipment		
Land and buildings	19,181	15,483
IT equipment	495	603
Equipment	7,838	7,848
Total property, plant and equipment	**27,514**	**23,935**

	Cost										Carrying amount	
€'000	Additions 1 Jan. 2010	Additions	Disposals	Reclassifi-cations	At 31 Dec. 2010	At 1 Jan. 2010	Depre-ciation and amortisation	Disposals	Reclassifi-cations	At 31 Dec. 2010	1 Jan. 2010	**31 Dec. 2010**
Intangible assets												
Software	3,613	463	-11	0	4,065	-2,553	-485	6	0	-3,032	1,059	1,033
Other intangible assets	32	0	0	0	32	-32	0	0	0	-32	0	0
Total intangible assets	**3,645**	**463**	**-11**	**0**	**4,097**	**-2,586**	**-485**	**6**	**0**	**-3,064**	**1,059**	**1,033**
Property, plant and equipment												
Land and buildings	24,488	4,004	0	0	28,492	-9,005	-305	0	0	-9,310	15,483	19,181
IT equipment	3,864	320	-75	58	4,167	-3,261	-404	50	-57	-3,672	603	495
Equipment	22,662	2,645	-724	-3	24,580	-14,814	-1,993	63	2	-16,742	7,848	7,838
Other property, plant and equipment	57	0	0	0	57	-57	0	0	0	-57	0	0
Total property, plant and equipment	**51,071**	**6,968**	**-800**	**55**	**57,295**	**-27,136**	**-2,703**	**113**	**-55**	**-29,781**	**23,935**	**27,514**

The carrying amount of the land was EUR 9,306,000 (2009: EUR 9,306,000).

	Cost										Carrying amount	
€'000	Additions 1 Jan. 2009	Additions	Disposals	Reclassifi-cations	At 31 Dec. 2009	At 1 Jan. 2009	Depre-ciation and amortisation	Disposals	Reclassifi-cations	At 31 Dec. 2009	1 Jan. 2009	**31 Dec. 2009**
Intangible assets												
Software	2,387	1,227	0	-2	3,613	-2,324	-230	0	1	-2,553	63	1,059
Other intangible assets	32	0	0	0	32	-32	0	0	0	-32	0	0
Total intangible assets	**2,420**	**1,227**	**0**	**-2**	**3,645**	**-2,357**	**-230**	**0**	**1**	**-2,586**	**63**	**1,059**
Property, plant and equipment												
Land and buildings	24,382	130	-11	-12	24,488	-9,111	-309	0	416	-9,005	15,270	15,483
IT equipment	3,562	354	-52	0	3,864	-2,995	-318	52	0	-3,261	567	603
Equipment	21,816	1,802	-961	5	22,662	-13,746	-1,918	854	-4	-14,814	8,070	7,848
Other property, plant and equipment	2,305	0	0	-2,248	57	-727	0	0	670	-57	1,578	0
Total property, plant and equipment	**52,065**	**2,285**	**-1,023**	**-2,255**	**51,071**	**-26,579**	**-2,545**	**906**	**1,082**	**-27,136**	**25,485**	**23,935**

8.15 Tax assets

€'000	**31 Dec. 2010**	**31 Dec. 2009**
Current tax assets	4,529	0
Deferred tax assets	21,452	12,141
Total	**25,981**	**12,141**

In 2009 current tax assets were reported under "Other assets" (EUR 2,954thsd). In the latest reporting period they are carried under "Tax assets"; the comparatives have not been adjusted. The deferred tax assets are the potential tax reductions due to temporary differences between the IFRS carrying amounts of assets and liabilities, and the tax bases.

Deferred tax assets (€'000) were recognised in respect of the following items	**31 Dec. 2010**	**31 Dec. 2009**
Loans and advances to banks	141	111
Risk provisions	1,477	2,190
Financial investments	7,471	179
Property, plant and equipment	101	265
Deposits from banks	693	1,730
Deposits from customers	16,588	9,388
Debts evidenced by certificates	45,106	22,098
Liabilities held for trading	38,328	15,588
Negative fair value of hedges (hedge accounting)	52,636	38,109
Provisions	3,171	4,001
Other liabilities	2,890	1,038
Subordinated capital	383	398
Tax loss carryforwards	5,467	6,028
Deferred tax assets before offsetting	**174,453**	**101,123**
less deferred tax liabilities	-153,001	-88,983
Net deferred tax assets	**21,452**	**12,141**

Deferred tax assets are only set off against deferred tax liabilities of the same entities. No deferred tax assets were recognised in respect of the tax loss carryforwards, which amounted to EUR 12,708thsd (2009: EUR 12,696thsd).

8.16 Other assets

€'000	**31 Dec. 2010**	**31 Dec. 2009**
Deferred items	1.791	5,189
Other receivables and assets:	18,023	11,843
thereof VAT and other taxes (except for corporation tax)	*3,820*	*4,601*
thereof emergency acquisition held for sale	*680*	*702*
Positive fair value of derivatives	1,036	1,101
Total	**20,850**	**18,133**

The positive fair value relates to derivatives used as economic hedges in connection with banking book management; these do not qualify for hedge accounting.

8.17 Deposits from banks

€'000	**31 Dec. 2010**	**31 Dec. 2009**
Domestic banks	1,689,734	2,281,722
Foreign banks		
Central and Eastern Europe (CEE)	0	657
Rest of the world (ROW)	934,492	782,862
Total	**2,624,226**	**3,065,241**

The deposits from banks include repurchase agreements entered into by the Bank as a transferor.

Repurchase agreements entered into as a transferor
The repurchase agreements were of the type described by AG51(a) IAS 39, in that the assets sold under them were loaned, and the Bank, as the transferor, retained substantially all the risks and rewards of ownership. These transactions were largely tri-party repos and collateralised loans from the ECB and the Oesterreichische Nationalbank.

€'000	**31 Dec. 2010**	**31 Dec. 2009**
Liabilities to banks under repo agreements	1,354,987	1,400,000

8.18 Deposits from customers

8.18.1 Customer group analysis

€'000	**31 Dec. 2010**	**31 Dec. 2009**
Savings deposits	775,156	854,268
Demand and time deposits		
Public sector customers	167,628	210,890
Business customers	1,088,157	1,114,340
Housing associations	50,326	49,969
Retail customers	203,825	191,417
Professionals	41,601	40,175
Total	**2,326,693**	**2,461,059**

8.18.2 Geographical analysis

€'000	31 Dec. 2010	31 Dec. 2009
Domestic customers	1,398,564	1,550,775
Foreign customers		
Central and Eastern Europe (CEE)	9,433	8,991
Rest of the world (ROW)	918,696	901,293
Total	**2,326,693**	**2,461,059**

"Foreign customers" are now shown broken down into "CEE" and "ROW", and the comparatives have been restated accordingly.

8.19 Debts evidenced by certificates

€'000	31 Dec. 2010	31 Dec. 2009
Covered and municipal bonds	1,812,519	1,175,474
Other bonds	4,131,159	3,988,941
Profit-sharing certificates	1,753	3,047
Total	**5,945,431**	**5,167,462**

8.20 Liabilities held for trading

€'000	31 Dec. 2010	31 Dec. 2009
Negative fair value of derivative financial instruments (banking book)		
Interest rate derivatives	128,935	43,880
Foreign exchange derivatives	10,648	2,633
Other trading liabilities	13,406	15,461
Total	**152,989**	**61,974**

8.21 Negative fair value of hedges (hedge accounting)

An analysis of the negative fair value of hedges eligible for hedge accounting under IAS 39, according to the hedged items, is shown below.

€'000	31 Dec. 2010	31 Dec. 2009
Assets		
Loans and advances to customers	142,047	93,859
Available-for-sale financial assets	38,714	30,512
Liabilities		
Deposits from banks	932	298
Deposits from customers	0	116
Debts evidenced by certificates	22,687	26,715
Total	**204,380**	**151,500**

8.22 Provisions

€'000	31 Dec. 2010	31 Dec. 2009
Long-term employee benefit provisions:	**33,819**	**32,800**
Provisions for pensions	24,328	24,451
Provisions for termination benefits	8,305	7,423
Provisions for jubilee benefits	1,186	926
Credit risk provision	**5,795**	**5,557**
Other provisions	**58,662**	**20,964**
Total	**98,276**	**59,321**

8.22.1. Movements in provisions

Provision is made in the "Provisions" item for obligations which will probably need to be settled by an outflow of resources.

€'000	At 1 Jan. 2010	Utilisation	Reversals	Allocations	Discount unwinding effect	At 31 Dec. 2010
Long-term employee benefit provisions:	**32,800**	**-2,559**	**0**	**514**	**3,065**	**33,819**
Provisions for pensions	24,451	-1,826	0	24	1,679	24,328
Provisions for termination benefits	7,423	-719	0	426	1,174	8,305
Provisions for jubilee benefits	926	-15	0	63	212	1,186
Risk provisions for loans and advances	**5,557**	**0**	**-157**	**395**	**0**	**5,795**
Other provisions	**20,964**	**-10,511**	**-3,200**	**51,409**	**0**	**58,662**
Total	**59,321**	**-13,071**	**-3,357**	**52,318**	**3,065**	**98,276**

"Other provisions" rose to EUR 58,662thsd. Movements in the provisions were mainly due to the following reasons: 1.) In issuing a demand for a written response regarding its ongoing investigation, served to HYPO NOE Gruppe Bank AG on 1 December 2010, the Austrian Financial Market Authority (FMA) endorsed the legal opinion of the Oesterreichische Nationalbank. This prompted the Management Board to meet the requirements of IAS 37 by providing for the maximum litigation risk, i.e. the penalty of EUR 57,934,382.05 named in the communication from the FMA, and to recognise a provision in that amount in 2010. 2.) The reduction in the provision for impending losses arising from the restructuring of the investment in Augustus Funding Limited comprises the utilisation of the provision in accordance with its designated purpose (EUR 10,500thsd) and reversals (EUR 3,200thsd).

€'000	At 1 Jan. 2009	Utilisation	Reversals	Allocations	Discount unwinding effect	At 31 Dec. 2009
Long-term employee benefit provisions:	**34,213**	**-2,572**	**0**	**518**	**640**	**32,800**
Provisions for pensions	26,270	-1,887	0	31	37	24,451
Provisions for termination benefits	7,143	-593	0	420	453	7,423
Provisions for jubilee benefits	800	-92	0	67	150	926
Risk provisions for loans and advances	**4,531**	**0**	**-1,041**	**2,066**	**0**	**5,557**
Other provisions	**3,748**	**-3,662**	**-86**	**20,964**	**0**	**20,964**
Total	**42,492**	**-6,234**	**-1,127**	**23,549**	**640**	**59,321**

Of the allocations to the "Other provisions" in 2009, EUR 20,500thsd related to a provision for impending losses recognised as a result of the decision to restructure the investment in Augustus.

8.22.2 Disclosures on employee benefit obligation

Defined benefit obligation (DBO) is the present value of the benefit entitlements earned by employees up to the end of the reporting period.

€'000	Provisions for pensions	Provisions for termination benefits	Provisions for jubilee benefits	Total
Present value of DBO at 1 Jan. 2006	**23,267**	**10,621**	**1,051**	**34,939**
Current service cost	162	734	83	979
Interest costs	995	490	48	1,533
Payments	-2,074	-682	-110	-2,866
Actuarial gains and losses recognised in profit or loss	0	0	-43	-43
Actuarial gains and losses not recognised in profit or loss	1,247	-2,296	0	-1,049
Present value of DBO at 31 Dec. 2006	**23,597**	**8,867**	**1,029**	**33,493**
change in scope of consolidation	0	-830	-143	-973
Current service cost	40	516	60	616
Interest costs	1,124	415	45	1,584
Payments	-2,098	-556	-37	-2,691
Actuarial gains and losses recognised in profit or loss	0	0	-91	-91
Actuarial gains and losses not recognised in profit or loss	1,795	722	0	2,517
Present value of DBO at 31 Dec. 2007	**24,458**	**9,134**	**863**	**34,455**
Current service cost	51	547	65	663
Interest costs	1,267	490	46	1,804
Payments	-1,936	-1,465	-63	-3,464
Actuarial gains and losses recognised in profit or loss	0	0	-112	-112
Actuarial gains and losses not recognised in profit or loss	2,430	-1,563	0	867
Present value of DBO at 31 Dec. 2008	**26,270**	**7,143**	**800**	**34,213**

€'000	Provisions for pensions	Provisions for termination benefits	Provisions for jubilee benefits	Total
Present value of DBO at 31 Dec. 2008	**26,270**	**7,143**	**800**	**34,213**
Current service cost	31	420	67	517
Interest cost	1,512	435	52	1,999
Payments	-1,887	-593	-92	-2,572
Actuarial gains and losses recognised in profit or loss	0	0	100	100
Actuarial gains and losses not recognised in profit or loss	-1,475	18	0	-1,457
Present value of DBO at 31 Dec. 2009	**24,451**	**7,423**	**926**	**32,800**
Current service cost	24	426	63	514
Interest cost	1,346	432	50	1,828
Payments	-1,826	-719	-15	-2,559
Actuarial gains and losses recognised in profit or loss	0	0	162	162
Actuarial gains and losses not recognised in profit or loss	333	742	0	1,075
Present value of DBO at 31 Dec. 2010	**24,328**	**8,305**	**1,187**	**33,819**

Assumptions underlying employee benefit obligation calculations

€'000	Provisions for pensions	Provisions for termination benefits	Provisions for jubilee benefits	Total
Benefit obligation at 31 Dec. 2010: 4.7% interest				
DBO	24,328	8,305	1,186	33,819
Current service cost (2011e)	31	445	95	571
Interest cost (2011e)	1,145	411	60	1,616
thereof members of supervisory and management boards				
DBO	*367*	*383*	*41*	*792*
Current service cost	*10*	*11*	*1*	*23*
Interest cost	*18*	*19*	*2*	*38*
Benefit obligation at 31 Dec. 2010: 5.7% interest				
DBO	22,091	7,455	1,075	30,621
Current service cost (2011e)	26	392	81	500
Interest cost (2011e)	1,261	447	66	1,774
Benefit obligation at 31 Dec. 2010: 3.7% interest				
DBO	26,994	9,309	1,318	37,622
Current service cost (2011e)	37	508	113	658
Interest cost (2011e)	1,000	363	53	1,416
Benefit obligation at 31 Dec. 2010: 5.5% interest				
DBO	23,532	7,614	1,095	32,242
Current service cost (2011e)	27	402	84	513
Interest cost (2011e)	1,296	441	65	1,802

IAS 19.120A(q) non-applicable because no plan-assets are existing.

8.23 Tax liabilities

€'000	31 Dec. 2010	31 Dec. 2009
Current tax liabilities	71	62
Deferred tax liabilities	10,890	11,229
Total	**10,961**	**11,291**

The deferred tax liabilities are the potential additional tax burden due to temporary differences between the IFRS carrying amounts of assets and liabilities, and the tax bases.

Deferred tax liabilities were recognised in respect of the following statement of financial position items:

€'000	31 Dec. 2010	31 Dec. 2009
Loans and advances to customers	14,617	14,537
Deferred tax liabilties before offsetting	**14,617**	**14,537**
Offsetting against deferred tax assets	-3,728	-3,307
Net tax liabilities	**10,890**	**11,230**

Deferred tax assets are only set off against deferred tax liabilities of the same entities.

8.24 Other liabilities

€'000	31 Dec. 2010	31 Dec. 2009
Accrued and deferred liabilities	10,548	7,037
Sundry other liabilities	45,426	51,285
thereof outstanding bills	*6,611*	*8,412*
thereof VAT and other tax liabilities except for income tax	*4,505*	*6,042*
thereof legal and consultancy expenses	*1,594*	*2,798*
Negative fair value of derivatives	504	1,176
Total	**56,478**	**59,498**

The negative fair value relates to derivatives used as economic hedges in connection with banking book management; these do not qualify for hedge accounting.

8.25 Equity

€'000	31 Dec. 2010	31 Dec. 2009
Share capital	51,981	47,619
Capital reserves	191,824	166,102
Contributions towards a capital increase	0	30,084
Other profit reserves	-47,008	-17,923
Retained earnings	185,229	178,146
Owners' equity	**382,026**	**404,028**
Minority interests	462	415
Total	**382,488**	**404,443**

The share capital of EUR 51,981thsd (2009: EUR 47,619thsd) is divided into 7,150,000 no par registered voting shares. The capital reserves consist of:

- The appropriated reserve: EUR 94,624thsd (2009: EUR 68,900thsd);
- The unappropriated capital reserves: EUR 97,200thsd (2009: EUR 97,200thsd).

The "Contributions towards a capital increase" item relates to the contributions, made on 23 December 2009, towards a capital increase authorised by the Annual General Meeting on 24 April 2009. The capital increase, consisting of 600,000 no par registered shares, was registered on 10 February 2010. No further capital increase was effected in 2010.

8.26 Capital resources of the HYPO NOE Group, calculated in accordance with the requirements of the Austrian Banking Act:

€'000	31 Dec. 2010	31 Dec. 2009
Share capital	51,981	47,619
Paid-up capital not yet registered	0	30,084
Reserves, differences and minority interests	402,929	362,337
Intangible assets	-1,027	-1,049
Core capital (tier I capital)	**453,883**	**438,991**
Deductions pursuant to sections 23(13) and 29 (1-2) Banking Act	-1,743	-1,359
Eligible core capital	**452,140**	**437,632**
Reserves according to section 57(2) Banking Act	5,000	2,000
Qualifying subordinated debt according to section 23(8) Banking Act	226,941	219,496
Supplementary capital (tier II capital)	**231,941**	**221,496**
Deductions pursuant to sections 23(13) and 29 (1-2) Banking Act	-1,743	-1,359
Qualifying supplementary capital (after deductions)	**230,198**	**220,137**
Total qualifying core capital	**682,338**	**657,769**
Capital requirement	**334,437**	**332,339**
Surplus capital	**347,901**	**325,430**
Coverage ratio	204.03%	197.92%
Core capital ratio	11.47%	11.11%
Equity ratio	17.30%	16.70%

Movements in the risk weighted assessment base as defined by the Banking Act and capital requirements were as follows:

€'000	31 Dec. 2010	31 Dec. 2009
Risk weighted assessment base according to section 22(2) Banking Act	3,943,131	3,938,131
thereof minimum capital requirement of 8%	315,450	315,050
Capital requirement for operational risk	18,987	17,289
Total	**334,437**	**332,339**

9. Segment information

Reference is made to Note 6 for the explanation of the relevant accounting policies.

9.1 Business segment information

9.1.1 Segment profit or loss

31 Dec. 2010 (€'000)	Gruppe Bank	Landesbank	Leasing	Other & Consolidation	Total
Interest and similar income	390,854	76,795	15,780	-28,976	454,453
thereof investments accounted for using the equity method	*3,545*	*161*	*224*	*0*	*3,931*
Interest and and similar expenses	-303,515	-31,440	-11,214	26,800	-319,369
Credit risk provisions	1,581	-19,103	-209	0	-17,731
Interest income after risk provisions	**88,919**	**26,253**	**4,357**	**-2,176**	**117,353**
Net fee and commission income	1,911	5,380	-32	0	7,259
Net trading income	15,675	416	0	0	16,091
General administrative expenses	-40,717	-37,959	-4,163	909	-81,930
Other operating income	-52,239	1,175	3,568	-127	-47,622
Expenses/income arising from financial assets	1,493	-48	0	-15	1,430
Expenses/income arising from hedging activities	-5,406	467	0	0	-4,939
Income from other investments	0	0	73	-89	-16
Income tax	**9,636**	**-4,315**	**3,803**	**-1,498**	**7,626**
Income tax	326	-293	-456	-77	-500
Net profit	**9,962**	**-4,609**	**3,348**	**-1,575**	**7,126**
Minority interests	0	0	-41	0	-41
Profit attributable to owners of the parent	**9,962**	**-4,609**	**3,306**	**-1,575**	**7,085**

Gruppe Bank
The main features of the Gruppe Bank segment's profit performance in 2010 were continued high net interest income, and high non-recurring charges affecting other operating income which chiefly reflected an allocation to a provision for contingent losses, up to the maximum risk associated with the ongoing investigation into the alleged transgression of limits for major investments.

Landesbank
In line with the focus on credit risk in 2010, increased provisions for retail and business customer risk were recognised in the Landesbank segment. This ultimately led to the extension of a EUR 16m Group guarantee by the parent HYPO NOE Gruppe Bank AG to HYPO NOE Landesbank AG (this includes the existing EUR 5m guarantee of which EUR 4.985m had been utilised by 31 December 2009).
NOE Landesbank had recourse to a further EUR 3.765m of this guarantee in 2010. Elimination of this intragroup guarantee results in a corresponding reduction in the profit of the Landesbank segment.

NOE Leasing
Prevailing interest rates have a major influence on the POA of the Leasing segment, as the interest rate effect alters the capital and interest components of the annuities. Other factors that affected POA were currency translation, changes in employee benefit obligation and final settlements in respect of properties. Additional information on leases is contained in explanatory Note 3.3 on accounting policies and Note 8.4 on finance leases.

31 Dec. 2009 (€'000)	Gruppe Bank	Landesbank	Leasing	Other & Consolidation	Total
Interest and similar income	365,971	80,368	32,471	-41,225	437,585
thereof investments accounted for using the equity method	*3,461*	*80*	*325*	*0*	*3,866*
Interest and and similar expenses	-273,171	-42,714	-23,481	40,407	-298,959
Risk provision for loans and advances	-25,567	-8,529	0	0	-34,096
Interest income after risk provision	**67,233**	**29,125**	**8,990**	**-818**	**104,530**
Net fee and commission income	2,532	4,643	20	0	7,195
Net trading income	-12	662	0	1,382	2,031
General administrative expenses	-35,379	-37,546	-3,852	53	-76,724
Other operating income	-2,727	2,592	3,831	389	4,085
Expenses/income arising from financial assets	945	-122	3	-3	823
Expenses/income arising from hedging activities	-13,449	-3,589	0	0	-17,038
Income from other investments	0	-137	0	115	-22
Profit before tax	**19,143**	**-4,371**	**8,991**	**1,119**	**24,881**
Income tax	-1,075	1,291	-597	-4,392	-4,773
Net profit	**18,068**	**-3,080**	**8,394**	**-3,273**	**20,109**
Minority interests	0	0	-267	0	-267
Profit attributable to owners of the parent	**18,068**	**-3,080**	**8,127**	**-3,273**	**19,842**

Interest income is no longer aggregated in the segmental profit or loss statement, but is shown under separate "Interest and similar income" and "Interest and similar expense" items. The comparatives were adjusted to this presentation.

9.1.2 Segment assets and liabilities

The previous year's summarised presentation of segment assets and liabilities has been replaced by a full segmental statement of financial position. The previous year's figures are shown at the same level of detail.

31 Dec. 2010 (€'000)	Gruppe Bank	Landesbank	Leasing	Other & Consolidation	Total
Assets					
Cash	147	39,466	0	0	39,613
Loans and advances to banks	1,049,106	55,128	64,169	-735,892	432,511
Loans and advances to customers	6,956,855	1,915,094	1,247,741	-1,240,763	8,878,928
Risk provisions	-22,938	-79,435	-790	0	-103,164
Financial assets held for trading	240,172	324	0	-323	240,174
Positive fair value of hedges (hedge accounting)	272,022	10,346	0	-6,163	276,205
Available-for-sale financial assets	2,122,322	367,802	6,251	-481,672	2,014,702
Financial assets designated as at fair value through profit or loss	9,406	0	0	0	9,406
Financial assets held to maturity	55,083	15,023	0	0	70,106
Investments accounted for using the equity method	31,077	1,357	13,715	1	46,149
Investment property	0	0	2,123	22,320	24,443
Intangible assets	888	20	119	6	1,033
Property, plant and equipment	6,607	5,180	593	15,134	27,514
Tax assets	20,090	3,298	2,490	103	25,981
Other assets	20,313	5,854	43,740	-49,058	20,850
Total assets	**10,761,149**	**2,339,457**	**1,380,151**	**-2,476,306**	**12,004,451**
Equity and liabilities					
Deposits from banks	2,592,571	675,350	1,228,073	-1,871,768	2,624,226
Deposits from customers	1,259,556	1,137,378	396	-70,637	2,326,693
Debts evidenced by certificates	5,933,668	352,071	1,753	-342,060	5,945,431
Liabilities held for trading	152,991	321	0	-323	152,989
Negative fair value of hedges (hedge accounting)	196,556	13,988	0	-6,163	204,380
Provisions	90,052	7,408	500	316	98,276
Tax liabilities	0	0	10,890	71	10,961
Other liabilities	29,173	9,076	21,635	-3,405	56,478
Subordinated capital	190,703	51,826	0	-40,000	202,529
Equity (including minorities)	315,879	92,040	116,903	-142,334	382,488
Owners' equity	315,879	92,040	116,441	-142,334	382,026
Minority interests	0	0	462	0	462
Total equity and liabilities	**10,761,149**	**2,339,457**	**1,380,151**	**-2,476,306**	**12,004,451**

31 Dec. 2009 (€'000)	Gruppe Bank	Landesbank	Leasing	Other & Consolidation	Total
Assets					
Cash	33,487	37,171	0	0	70,658
Loans and advances to banks	703,256	60,352	66,421	-453,974	376,055
Loans and advances to customers	6,872,607	1,736,105	1,110,407	-1,138,400	8,580,720
Risk provisions	-30,090	-59,795	-790	0	-90,675
Financial assets held for trading	133,404	382	0	-380	133,406
Positive fair value of hedges (hedge accounting)	164,716	6,190	0	-2,737	168,168
Available-for-sale financial assets	2,279,876	340,522	35,246	-480,679	2,174,964
Financial assets designated as at fair value through profit or loss	9,081	0	0	0	9,081
Financial assets held to maturity	78,989	20,014	0	0	99,003
Investments accounted for by the equity method	28,852	738	14,350	1	43,940
Investment property	0	0	2,869	21,208	24,078
Intangible assets	1,022	25	1	11	1,059
Property, plant and equipment	6,357	5,729	565	11,284	23,935
Tax assets	6,373	2,659	3,004	105	12,141
Other assets	16,456	7,351	44,294	-49,968	18,133
Total assets	**10,304,385**	**2,157,444**	**1,276,366**	**-2,093,529**	**11,644,666**
Equity and liabilities					
Deposits from banks	3,013,546	416,393	1,123,699	-1,488,398	3,065,241
Deposits from customers	1,328,556	1,218,166	819	-86,481	2,461,059
Debts evidenced by certificates	5,164,410	341,085	3,047	-341,080	5,167,462
Liabilities held for trading	61,972	382	0	-380	61,974
Negative fair value of hedges (hedge accounting)	140,066	14,172	0	-2,737	151,500
Provisions	51,612	7,115	289	304	59,321
Tax liabilities	0	0	11,230	61	11,291
Other liabilities	21,248	8,683	21,147	8,420	59,498
Subordinated capital	190,934	51,943	0	-40,000	202,878
Equity (including minority interests)	332,041	99,505	116,134	-143,238	404,443
Owners' equity	332,041	99,505	115,719	-143,238	404,027
Minority interests	0	0	415	0	415
Total equity and liabilities	**10,304,385**	**2,157,444**	**1,276,366**	**-2,093,529**	**11,644,666**

9.2 Geographical information

The table below presents a geographical analysis of the main asset and liability items.

	31 Dec. 2010		**31 Dec. 2009**	
€'000	Domestic	Foreign	Domestic	Foreign
Loans and advances to banks	114.356	318.155	204.148	171.907
Loans and advances to customers	7.433.058	1.445.870	6.714.552	1.866.168
Available-for-sale financial assets	1.028.499	986.203	1.198.022	976.942
Financial assets designated as at fair value through profit or loss	4.095	5.310	3.836	5.245
Financial assets held to maturity	0	70.106	4.930	94.073
Deposits from banks	1.689.734	934.492	2.281.722	783.519
Deposits from customers	1.398.564	928.129	1.550.775	910.284
Debts evidenced by certificates	1.997.413	3.948.019	2.212.739	2.954.723

The debts evidenced by certificates that relate to listed securities are categorised according to the country of issue.

10 Supplementary information

10.1 Analysis of assets by maturities

€'000	31 Dec. 2010	31 Dec. 2009
Loans and advances to banks:		
Repayable on demand	143,490	51,867
Up to 3 months	109,975	193,455
3 months to 1 year	21,469	1,302
1 year to 5 years	30,561	2,020
Over five years	127,016	127,410
Total	**432,511**	**376,055**
Loans and advances to customers:		
Repayable on demand or no fixed term	185,407	409,941
Up to 3 months	303,593	213,334
3 months to 1 year	555,908	516,590
1 year to 5 years	2,431,489	1,883,684
Over five years	5,402,530	5,557,171
Total	**8,878,928**	**8,580,720**
Financial assets held for trading:		
Repayable on demand	0	0
Up to 3 months	4,115	15,905
3 months to 1 year	4,173	0
1 year to 5 years	14,687	1,058
Over five years	217,199	116,442
Total	**240,174**	**133,406**
Financial assets (held to maturity, available for sale or designated as at fair value through profit or loss):		
Repayable on demand or no fixed term	128,089	88,567
Up to 3 months	135,901	55,666
3 months to 1 year	234,181	88,925
1 year to 5 years	598,616	890,942
Over five years	997,427	1,158,947
Total	**2,094,214**	**2,283,048**
Positive fair value of hedges (hedge accounting and economic hedges):		
Repayable on demand	0	0
Up to 3 months	977	652
3 months to 1 year	244	397
1 year to 5 years	35,353	22,371
Over five years	240,666	145,850
Total	**277,240**	**169,269**
Other assets:		
Repayable on demand	5,137	6,122
Up to 3 months	11,132	4,283
3 months to 1 year	1,267	222
1 year to 5 years	2,583	2,055
Over five years	732	4,350
Total	**20,850**	**17,033**

10.2 Analysis of liabilities by maturities

€'000	31 Dec. 2010	31 Dec. 2009
Deposits from banks:		
Repayable on demand	71,483	29,937
Up to 3 months	1,884,414	1,551,124
3 months to 1 year	29,475	843,885
1 year to 5 years	0	657
Over five years	638,854	639,639
Total	**2,624,226**	**3,065,241**
Deposits from customers:		
Repayable on demand	575,930	516,419
Up to 3 months	149,845	383,048
3 months to 1 year	219,261	224,441
1 year to 5 years	392,420	389,926
Over five years	989,237	947,226
Total	**2,326,693**	**2,461,059**
Debts evidenced by certificates:		
Repayable on demand	709	749
Up to 3 months	195,896	128,534
3 months to 1 year	15,126	153,139
1 year to 5 years	1,932,882	1,083,699
Over five years	3,800,818	3,801,340
Total	**5,945,431**	**5,167,462**
Liabilities held for trading:		
Repayable on demand	0	0
Up to 3 months	3,275	15,903
3 months to 1 year	4,233	0
1 year to 5 years	13,743	1,044
Over five years	131,738	45,026
Total	**152,989**	**61,974**
Negative fair value of hedges (hedge accounting and economic hedges):		
Repayable on demand	0	0
Up to 3 months	95	742
3 months to 1 year	3,376	273
1 year to 5 years	29,597	30,362
Over five years	171,815	121,299
Total	**204,884**	**152,676**
Other liabilities:		
Repayable on demand	8,162	10,968
Up to 3 months	12,698	14,638
3 months to 1 year	12,218	12,097
1 year to 5 years	14,341	10,876
Over five years	9,057	9,814
Total	**56,476**	**58,393**
Subordinated capital:		
Repayable on demand	0	0
Up to 3 months	0	0
3 months to 1 year	0	0
1 year to 5 years	0	0
Over five years	202,529	202,878
Total	**202,529**	**202,878**

10.3 Fair value disclosures according to IFRS 7

The disclosures regarding the nature and extent of the risks associated with financial instruments (paragraphs 31–42 IFRS 7), the sensitivity analysis and the other disclosures required by IFRS 7 form part of the risk report contained in the operational and financial review. All the obligations to pay principal and interest were met during the reporting period, and there were no indications of defaults as at the end of the reporting period.

10.3.1 Fair value of financial instruments

Fair value is the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. Where market prices are available they are used to estimate fair value. In the absence of market prices, accepted, industry-standard valuation models are employed. The present value of derivatives (e.g. interest rate swaps, cross currency swaps, forex forwards and forward rate agreements) is calculated by discounting the replicating cash flows. OTC currency and interest rate options are measured using option pricing models such as the Black Scholes, Hull White or LIBOR market models.

	31 Dec. 2010		31 Dec. 2009	
€'000	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Loans and advances to banks	456,337	432,511	376,055	376,055
Loans and advances to customers	9,468,493	8,878,928	8,497,172	8,580,720
Risk provisions for customers - individual loans and advances		-97,320		-83,548
Assets held for trading	240,174	240,174	133,406	133,406
Positive fair value of hedges	276,205	276,205	168,168	168,168
Financial assets designated as at fair value through profit or loss	9,406	9,406	9,081	9,081
Available-for-sale financial assets	2,014,702	2,014,702	2,174,964	2,174,964
Financial assets held to maturity	70,589	70,106	99,613	99,003
Investments accounted for using the equity method	46,149	46,149	43,940	43,940
Investment property	25,455	24,443	24,697	24,078
Property, plant and equipment: land and buildings (excluding assets in the course of construction)	15,066	15,066	15,335	15,335
Other assets	20,850	20,850	18,133	18,133
Total assets	**12,643,426**	**11,931,220**	**11,560,564**	**11,642,883**
Liabilities				
Deposits from banks	2,624,978	2,624,226	3,054,583	3,065,241
Deposits from customers	2,377,983	2,326,693	2,434,503	2,461,059
Debts evidenced by certificates	6,215,997	5,945,431	5,076,499	5,167,462
Liabilities held for trading	152,989	152,989	61,974	61,974
Negative fair value of hedges	204,380	204,380	151,500	151,500
Other liabilities	56,476	56,478	59,498	59,498
Subordinated capital	202,529	202,529	202,878	202,878
Total liabilities	**11,835,332**	**11,512,726**	**11,041,435**	**11,169,612**

In 2009 paragraph 25 IFRS 7 was not fully complied with because the fair values of the loans and advances to banks and customers, and of deposits from banks and customers were not available. In 2010 all fair values were available on time, resulting in full compliance. Reference is made to explanatory Note 3.4 with regard to the method used to measure the fair value of investment property (IAS 40).

10.3.2 Fair value hierarchy

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Total	Fair value measurement			Fair value of
31 Dec. 2010 (€'000)	Fair value	Level 1	Level 2	Level 3	items at cost
Assets					
Loans and advances to banks	456,337	0	0	0	456,337
Loans and advances to customers	9,468,493	0	0	0	9,468,493
Assets held for trading	240,174	0	18,001	222,173	0
Positive fair value of hedges	276,205	0	276,205	0	0
Financial assets designated as at fair value through profit or loss	9,406	0	9,406	0	0
Available-for-sale financial assets	2,014,702	836,657	1,143,735	34,310	0
Financial assets held to maturity	70,589	0	0	0	70,589
Investments accounted for using the equity method	46,149	0	0	0	46,149
Investment property	25,455	0	0	0	25,455
Property, plant and equipment: land and buildings (excluding assets in the course of construction)	15,066	0	0	0	15,066
Other assets	20,850	0	1,036	0	19,814
Total assets	**12,643,426**	**836,657**	**1,448,382**	**256,483**	**10,101,904**
Liabilities					
Deposits from banks	2,624,978	0	0	0	2,624,978
Deposits from customers	2,377,983	0	0	0	2,377,983
Debts evidenced by certificates	6,215,997	0	0	0	6,215,997
Liabilities held for trading	152,989	0	139,583	13,406	0
Negative fair value of hedges	204,380	0	204,380	0	0
Other liabilities	56,476	0	504	0	55,973
Subordinated capital	202,529	0	0	0	202,529
Total liabilities	**11,835,332**	**0**	**344,466**	**13,406**	**11,477,459**

In 2010 there were no material reclassifications from Level 1 to Level 2, or from Level 2 to Level 1. The changes in the amounts at Level 1 and Level 2 largely relate to new business. The reclassifications to Level 3 are shown in the disclosures on Level 3.

	Total	Fair value measurement			Fair value of
31 Dec. 2009 (€'000)	Fair value	Level 1	Level 2	Level 3	items at cost
Assets					
Loans and advances to banks	376,055	0	0	0	376,055
Loans and advances to customers	8,497,172	0	0	0	8,497,172
Assets held for trading	133,406	0	133,406	0	0
Positive fair value of hedges	168,168	0	168,168	0	0
Financial assets designated as at fair value through profit or loss	9,081	0	9,081	0	0
Available-for-sale financial assets	2,174,964	769,305	1,365,907	39,751	0
Financial assets held to maturity	99,613	0	0	0	99,613
Investments accounted for using the equity method	43,940	0	0	0	43,940
Investment Property	24,697	0	0	0	24,697
Property, plant and equipment: land and buildings (excluding assets in the course of construction)	15,335	0	0	0	15,335
Other assets	18,133	0	1,101	0	17,033
Total assets	**11,560,564**	**769,305**	**1,677,663**	**39,751**	**9,073,844**
Liabilities					
Deposits from banks	3,054,583	0	0	0	3,054,583
Deposits from customers	2,434,503	0	0	0	2,434,503
Debts evidenced by certificates	5,076,499	0	0	0	5,076,499
Liabilities held for trading	61,974	0	61,974	0	0
Negative fair value of hedges	151,500	0	151,500	0	0
Other liabilities	59,498	0	1,176	0	58,322
Subordinated capital	202,878	0	0	0	202,878
Total liabilities	**11,041,435**	**0**	**214,650**	**0**	**10,826,785**

10.3.3 Fair value hierarchy: Level 3

€'000	At 1 Jan. 2010	Gains or losses: In profit or loss	Gains or losses: In other comprehensive income	Purchases	Issues	Settlements	Transfers out of Level 3	**At 31 Dec. 2010**	Gains/losses recognised in profit or loss for assets held at end of period
Assets									
Assets held for trading	0	90,137	0	0	0	0	132,036	222,173	105,598
Available-for-sale financial assets	39,751	1,476	797	0	247	-7,961	0	34,310	-342
Total assets	**39,751**	**91,613**	**797**	**0**	**247**	**-7,961**	**132,036**	**256,483**	**105,256**
Liabilities									
Liabilities held for trading	0	-2,055	0	0	0	0	15,461	13,406	-13,406
Total liabilities	**0**	**-2,055**	**0**	**0**	**0**	**0**	**15,461**	**13,406**	**-13,406**

The loss on existing Level 3 assets, at EUR 342thsd, is shown under "Net gains and losses on available-for-sale financial assets" (Note 7.9). The gain of EUR 105,598thsd on assets held for trading and the loss of EUR 13,406thsd on liabilities held for trading are reported under "Net trading income" (Note 7.6). The existing Level 2 customer swaps were remeasured, using an internal model which takes account of credit spreads, and the cost of liquidity and equity (see explanatory Note 3.1.d), to a total fair value of EUR 209m; EUR 222m was reclassified to assets and EUR 13m to liabilities at Level 3. The resultant profit or loss effect, which is immaterial, is reported under the "Net trading income" item in the comprehensive income statement. The introduction of sensitivity analyses to comply with IFRS 7 is planned.

€'000	At 1 Jan. 2009	Gains or losses: In profit or loss	Gains or losses: In other comprehensive income	Purchases	Issues	Settlements	Transfers out of Level 3	**At 31 Dec. 2009**	Gains/losses recognised in profit or loss for assets held at end of period
Assets									
Available-for-sale financial assets	42,524	-927	1,339	1	569	-3,754	0	39,751	-932
Total assets	**42,524**	**-927**	**1,339**	**1**	**569**	**-3,754**	**0**	**39,751**	**-932**

10.4 Derivatives

10.4.1 Derivatives: nominal and fair value

€'000	2010 Nominal value	2010 Fair value Positive	2010 Fair value Negative	2009 Nominal value	2009 Fair value Positive	2009 Fair value Negative
Interest rate transactions						
Interest rate swaps	13,793,242	437,134	326,031	12,267,344	271,477	183,647
Options on interest rate transactions	841,295	16,108	16,166	900,081	17,666	17,666
Other similar contracts	20,000	7,640	0			
Total	**14,654,537**	**460,881**	**342,197**	**13,167,425**	**289,143**	**201,312**
Foreign exchange related transactions						
Cross currency (interest rate) swaps	475,431	52,676	12,905	277,916	12,044	12,091
Forward exchange operations	304,008	3,261	2,693	946,008	1,043	1,171
Total	**779,439**	**55,937**	**15,598**	**1,223,924**	**13,087**	**13,262**
Share prices and index-linked transactions						
Share index linked options	7,501	596	78	8,500	445	76
Total	**7,501**	**596**	**78**	**8,500**	**445**	**76**

10.4.2 Derivatives: nominal value by maturities

2010 (€'000)	Total	Maturities Up to 3 months	Between 3 months and 1 year	1-5 years	Over 5 years
Interest rate transactions					
Interest rate swaps	13,793,242	378,768	168,958	2,468,128	10,777,388
Options on interest rate transactions	841,295	0	200,000	489,549	151,746
Other similar contracts	20,000	0	0	0	20,000
Total	**14,654,537**	**378,768**	**368,958**	**2,957,677**	**10,949,134**
Foreign exchange related transactions					
Cross currency (interest rate) swaps	475,431	115,048	6,400	173,613	180,370
Forward exchange operations	304,008	304,008	0	0	0
Total	**779,439**	**419,056**	**6,400**	**173,613**	**180,370**
Share prices and index-linked transactions					
Share index linked options	7,501	0	0	7,501	0
Total	**7,501**	**0**	**0**	**7,501**	**0**

2009 (€'000)	Total	Maturities Up to 3 months	Between 3 months and 1 year	1-5 years	Over 5 years
Interest rate transactions					
Interest rate swaps	12,267,344	20,926	174,810	1,807,937	10,263,671
Options on interest rate transactions	900,081	0	0	0	900,081
Total	**13,167,425**	**20,926**	**174,810**	**1,807,937**	**11,163,752**
Foreign exchange related transactions					
Cross currency (interest rate) swaps	277,916	0	0	115,046	162,870
Forward exchange operations	946,008	946,008	0	0	0
Total	**1,223,924**	**946,008**	**0**	**115,046**	**162,870**
Share prices and index-linked transactions					
Share index linked options	8,500	0	0	5,500	3,000
Total	**8,500**	**0**	**0**	**5,500**	**3,000**

10.5 Analyses of assets and liabilities by IAS 39 measurement categories and currencies

10.5.1 Analysis of assets and liabilities by IAS 39 measurement categories

31 Dec. 2010 (€'000)	Loans and receivables (LAR)	Liabilities at cost (LAC)	Held for trading (HFT)	Designated as at fair value through profit or loss (FVO)	Available for sale (AFS)	Held to maturity (HTM)	Fair value hedge	Cash flow hedge	Financial assets/liabilites at cost (at amortised cost)	Total
Cash	0	0	0	0	0	0	0	0	39,613	39,613
Loans and advances to banks	432,511	0	0	0	0	0	0	0	0	432,511
Loans and advances to customers	8,878,928	0	0	0	0	0	0	0	0	8,878,928
Risk provisions	-103,164	0	0	0	0	0	0	0	0	-103,164
Assets held for trading	0	0	240,174	0	0	0	0	0	0	240,174
Positive fair value of hedges	0	0	0	0	0	0	274,978	1,227	0	276,205
Available-for-sale financial assets	0	0	0	0	2,014,702	0	0	0	0	2,014,702
Financial assets designated as at fair value through profit or loss	0	0	0	9,406	0	0	0	0	0	9,406
Financial assets held to maturity	0	0	0	0	0	70,106	0	0	0	70,106
Investments accounted for using the equity method	0	0	0	0	0	0	0	0	46,149	46,149
Investment Property	0	0	0	0	0	0	0	0	24,443	24,443
Positive fair value of banking book derivatives [1]	0	0	1,036	0	0	0	0	0	0	1,036
Other financial assets [1]	18,023	0	0	0	0	0	0	0	0	18,023
Total financial assets	**9,226,298**	**0**	**241,210**	**9,406**	**2,014,702**	**70,106**	**274,978**	**1,227**	**110,205**	**11,948,132**
Deposits from banks	0	2,624,226	0	0	0	0	0	0	0	2,624,226
Deposits from customers	0	2,326,693	0	0	0	0	0	0	0	2,326,693
Debts evidenced by certificates	0	5,945,431	0	0	0	0	0	0	0	5,945,431
Liabilities held for trading	0	0	152,989	0	0	0	0	0	0	152,989
Negative fair value of hedges	0	0	0	0	0	0	204,380	0	0	204,380
Subordinated capital	0	202,529	0	0	0	0	0	0	0	202,529
Negative fair value of banking book derivatives [1]	0	0	504	0	0	0	0	0	0	504
Other financial liabilities [1]	0	45,424	0	0	0	0	0	0	0	45,424
Total financial liabilities	**0**	**11,144,303**	**153,493**	**0**	**0**	**0**	**204,380**	**0**	**0**	**11,502,176**

31 Dec. 2009 (€'000)	Loans and receivables (LAR)	Liabilities at cost (LAC)	Held for trading (HFT)	Designated as at fair value through profit or loss (FVO)	Available for sale (AFS)	Held to maturity (HTM)	Fair value hedge	Cash flow hedge	Financial assets/liabilites at cost (at amortised cost)	Total
Cash	0	0	0	0	0	0	0	0	70,658	70,658
Loans and advances to banks	376,055	0	0	0	0	0	0	0	0	376,055
Loans and advances to customers	8,580,720	0	0	0	0	0	0	0	0	8,580,720
Risk provisions	-90,675	0	0	0	0	0	0	0	0	-90,675
Assets held for trading	0	0	133,406	0	0	0	0	0	0	133,406
Positive fair value of hedges	0	0	0	0	0	0	167,737	431	0	168,168
Available-for-sale financial assets	0	0	0	0	2,174,964	0	0	0	0	2,174,964
Financial assets designated as at fair value through profit or loss	0	0	0	9,081	0	0	0	0	0	9,081
Financial assets held to maturity	0	0	0	0	0	99,003	0	0	0	99,003
Investments accounted for using the equity method	0	0	0	0	0	0	0	0	43,940	43,940
Investment Property	0	0	0	0	0	0	0	0	24,078	24,078
Positive fair value of banking book derivatives [1]	0	0	1,101	0	0	0	0	0	0	1,101
Other financial assets [1]	11,844	0	0	0	0	0	0	0	0	11,844
Total financial assets	**8,877,944**	**0**	**134,507**	**9,081**	**2,174,964**	**99,003**	**167,737**	**431**	**138,676**	**11,602,343**
Deposits from banks	0	3,065,241	0	0	0	0	0	0	0	3,065,241
Deposits from customers	0	2,461,059	0	0	0	0	0	0	0	2,461,059
Debts evidenced by certificates	0	5,167,462	0	0	0	0	0	0	0	5,167,462
Liabilities held for trading	0	0	61,974	0	0	0	0	0	0	61,974
Negative fair value of hedges	0	0	0	0	0	0	151,500	0	0	151,500
Subordinated capital	0	202,877	0	0	0	0	0	0	0	202,877
Negative fair value of banking book derivatives [1]	0	0	1,176	0	0	0	0	0	0	1,176
Other financial liabilities [1]	0	51,285	0	0	0	0	0	0	0	51,285
Total financial liabilities	**0**	**10,947,925**	**63,150**	**0**	**0**	**0**	**151,500**	**0**	**0**	**11,162,574**

[1] Shown under "Other assets" or "Other liabilities" in the statement of financial position.

10.5.2 Analysis of assets and liabilities by currencies

31 Dec. 2010 (€'000)	CHF	USD	JPY	CZK	PLN	SEK	HUF	GBP	EUR	Other currencies	Total
Cash	28	37	0	5	2	1	3	8	39,498	30	39,613
Loans and advances to banks	64,838	2,521	3,286	933	300	192	284	194	359,762	200	432,511
Loans and advances to customers	840,794	2,179	15,152	8,714	0	9,799	0	34,535	7,967,754	0	8,878,928
Risk provisions	-9,212	0	-2,224	0	0	0	0	0	-91,728	0	-103,164
Assets held for trading	7,951	2,691	1,985	0	1,209	0	0	0	226,338	0	240,174
Positive fair value of hedges (hedge accounting)	78,718	797	36,693	0	0	0	0	0	159,997	0	276,205
Available-for-sale financial assets	0	29,784	45,911	0	0	0	76	0	1,938,931	0	2,014,702
Financial assets designated as at fair value through profit or loss	0	0	0	0	0	0	0	0	9,406	0	9,406
Financial assets held to maturity	0	0	0	0	0	0	0	0	70,106	0	70,106
Investments accounted for using the equity method	0	0	0	0	0	0	0	0	46,149	0	46,149
Investment property	2,936	0	0	0	0	0	0	0	21,507	0	24,443
Intangible assets	0	0	0	0	0	0	0	0	1,033	0	1,033
Tangible assets	0	0	0	0	0	0	0	0	27,514	0	27,514
Tax assets	0	0	0	0	0	0	0	0	25,981	0	25,981
Other assets	2,021	2,818	21	0	0	0	51	307	15,631	0	20,850
Total assets	**988,073**	**40,827**	**100,825**	**9,653**	**1,511**	**9,993**	**415**	**35,045**	**10,817,879**	**230**	**12,004,451**
Deposits from banks	40,197	5	-17	0	0	0	0	0	2,584,038	3	2,624,226
Deposits from customers	66,564	1,514	70,457	613	0	0	3,250	7	2,184,211	78	2,326,693
Debts evidenced by certificates	1,542,356	8,461	226,486	0	12,222	0	0	0	4,155,907	0	5,945,431
Trading liabilities	1,245	0	619	0	0	0	0	0	151,125	0	152,989
Negative market value of hedges (hedge accounting)	381	912	0	0	0	0	0	0	203,087	0	204,380
Provisions	0	0	0	0	0	0	0	0	98,276	0	98,276
Tax liabilities	0	0	0	0	0	0	0	0	10,961	0	10,961
Other liabilities	5,843	2,644	0	11	0	45	7	1	47,925	2	56,478
Subordinated capital	0	0	0	0	0	0	0	0	202,529	0	202,529
Equity (including minorities)	0	0	0	0	0	0	0	0	382,488	0	382,488
Total liabilities and equity	**1,656,586**	**13,536**	**297,545**	**623**	**12,222**	**45**	**3,257**	**8**	**10,020,547**	**83**	**12,004,451**

31 Dec. 2009 (€'000)	CHF	USD	JPY	CZK	PLN	SEK	HUF	GBP	EUR	Other currencies	Total
Cash	21	38	1	2	0	1	3	16	70,548	30	70,658
Loans and advances banks	19,280	785	2,053	188	279	79	186	23	352,912	270	376,055
Loans and advances to customers	642,649	1,797	14,436	1,560	0	8,570	0	0	7,911,707	0	8,580,720
Risk provisions	-5,065	-5,553	-457	0	0	0	0	0	-79,599	0	-90,675
Assets held for trading	2,191	442	0	0	0	0	0	0	130,773	0	133,406
Positive fair value of hedges (hedge accounting)	28,882	936	11,608	0	725	0	0	0	126,017	0	168,168
Available-for-sale financial assets	0	10,181	37,485	0	0	0	0	0	2,127,297	0	2,174,964
Financial assets designated as at fair value through profit or loss	0	0	0	0	0	0	0	0	9,081	0	9,081
Financial assets held to maturity	0	0	0	0	0	0	0	0	99,003	0	99,003
Investments accounted for using the equity method	0	0	0	0	0	0	0	0	43,940	0	43,940
Investment property	3,011	0	0	0	0	0	0	0	21,066	0	24,078
Intangible assets	0	0	0	0	0	0	0	0	1,059	0	1,059
Tangible assets	0	0	0	0	0	0	0	0	23,935	0	23,935
Tax assets	0	0	0	0	0	0	0	0	12,141	0	12,141
Other assets	4,968	367	541	12	0	0	110	7	12,128	0	18,133
Total assets	**695,938**	**8,994**	**65,667**	**1,762**	**1,004**	**8,649**	**299**	**46**	**10,862,008**	**301**	**11,644,666**
Deposits from banks	679	10,419	4,346	0	0	0	0	0	3,049,797	1	3,065,241
Deposits from customers	74	33,559	79,529	57	0	0	4,678	6	2,342,958	198	2,461,059
Debts evidenced by certificates	1,171,159	7,937	174,252	0	11,912	0	0	0	3,802,202	0	5,167,462
Trading liabilities	1,823	442	0	0	0	0	0	0	59,708	0	61,974
Negative market value of hedges (hedge accounting)	811	1,454	8,480	0	0	0	0	0	140,755	0	151,500
Provisions	0	0	0	0	0	0	0	0	59,321	0	59,321
Tax liabilities	0	0	0	0	0	0	0	0	11,291	0	11,291
Other liabilities	1,565	1,305	0	11	0	223	7	0	56,387	0	59,498
Subordinated capital	0	0	0	0	0	0	0	0	202,878	0	202,878
Equity (including minorities)	0	0	0	0	0	0	0	0	404,443	0	404,443
Total liabilities and equity	**1,176,111**	**55,116**	**266,607**	**68**	**11,912**	**223**	**4,685**	**6**	**10,129,739**	**198**	**11,644,666**

10.6 Disclosures on related party relationships

31 Dec. 2010 (€'000)	Non-consolidated subsidiaries	Associates	Investments accounted for using the equity method	Key management personnel	Shareholders with a significant influence over the parent
Loans and advances to banks	0	0	0	0	0
Loans and advances to customers	98,777	15,474	245,798	1,055	0
Equity instruments (equity investments, shares, etc.)	226	465	46,149	0	0
Deposits from banks	0	0	216	0	0
Deposits from customers	2,976	292	9,048	1,986	0
31 Dec. 2009 (€'000)					
Loans and advances to banks	0	0	918	0	0
Loans and advances to customers	87,716	13,775	952,398	143	1,030,082
Equity instruments (equity investments, shares, etc.)	101	435	42,707	0	0
Deposits from banks	0	0	564	0	0
Deposits from customers	2,725	539	0	936	2

The transfer prices charged to each other by HYPO NOE Gruppe AG and related parties are at normal market levels. The non-consolidated subsidiaries and equity method investments are set out in the list of investments (Note 10.13). Prior to registration of the capital increase the Lower Austrian state government held a direct interest of 67.79% in HYPO NOE Gruppe Bank AG via NÖ Landes-Beteiligungsholding GmbH, and an indirect interest of 32.21% via NÖ BET GmbH. Since registration of the capital increase NÖ BET GmbH has held 29.51% and NÖ Landes-Beteilligungsholding GmbH 70.49%. Early application of the amendments to IAS 24 regarding government related entities has resulted in a reduction in the amounts shown in the column headed "Shareholders with a significant influence over the parent", as both of the entities with direct shareholdings in the Company – NÖ BET GmbH und NÖ Landes-Beteiligungsholding GmbH – fall into this category. The comparatives have not been adjusted.

Relationships with non-consolidated subsidiaries and associates
The Chairman of the Management Board Dr. Peter Harold is a member of the supervisory board of NÖ Kulturwirtschaft GesmbH, St. Pölten. Members of the Company's key management personnel hold office in the following companies: Castellum Schallaburg Grundstücksvermietungs Gesellschaft m.b.H., VIA DOMINORUM Grundstückverwertungs Gesellschaft m.b.H., WPS-Wirtschaftspark Sieghartskirchen Gesellschaft m.b.H., Liegenschaftsverwertung Felixdorf GmbH, Wilax Wien-Laxenburg NÖ Veranstaltungs Gesellschaft mbH, NÖ Kulturwirtschaft GesmbH, Schwarzauer Kommunalimmobilienverwaltungs Gesellschaft m.b.H., NÖ., Landes-Sportschulanlagenbetriebsgesellschaft m.b.H. and Melker Kommunalimmobilienverwaltungs Gesellschaft m.b.H. – all domiciled in St. Pölten – as well as Pöchlarner Kommunalimmobilienverwaltungs Gesellschaft m.b.H., Pöchlarn, Loosdorfer Kommunalimmobilien Gesellschaft m.b.H., Loosdorf and Schwarzauer Kommunalimmobilienverwaltungs Gesellschaft m.b.H., Schwarzau am Steinfelde.

Relationships with entities accounted for using the equity method
The Chairman of the Management Board Dr. Peter Harold is a member of the supervisory board of EWU Wohnbau Unternehmensbeteiligungs-Aktiengesellschaft, Vienna, and its subsidiaries "Wohnungseigentümer" Gemeinnütziger Wohnbaugesellschaft m.b.H., Mödling, GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H., Maria Enzersdorf am Gebirge, and Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft, Mödling. Dr. Harold is also a member of the supervisory boards of HYPO Capital Management AG, Vienna and Niederösterreichische Vorsorgekasse AG, St. Pölten. Günther Ritzberger, MBA, also a member of the Company's Management Board, holds office on the supervisory board of NÖ Beteiligungsfinanzierungen GmbH, Vienna. A member of the Supervisory Board is the deputy chairman of the supervisory board of EWU Wohnbau Unternehmensbeteiligungs-Aktiengesellschaft, Vienna, and its subsidiaries "Wohnungseigentümer" Gemeinnütziger Wohnbaugesellschaft m.b.H., Mödling, GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H., Maria Enzersdorf am Gebirge and Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft, Mödling. A member of the Supervisory Board is a member of the supervisory board of NÖ Beteiligungsfinanzierungen GmbH, Vienna.

Relationships with subsidiaries of the Lower Austrian state government
A member of the Supervisory Board is a member of the supervisory boards of EVN AG, Maria Enzersdorf and Flughafen Wien AG (the operator of Vienna International Airport). A member of the Supervisory Board is a member of the supervisory boards of EBG MedAustron GmbH, Wiener Neustadt, N.vest Unternehmensfinanzierungen des Landes Niederösterreich GmbH, St. Pölten, RIZ Niederösterreichs Gründeragentur Ges.m.b.H., Wiener Neustadt and ecoplus.Niederösterreichs Wirtschaftsagentur GmbH, St. Pölten. A supervisory commissioner on the Company's Supervisory Board is the chief executive officer of NÖ BET GmbH, St. Pölten, NÖ Holding GmbH, St. Pölten, NÖ Immobilien Holding GmbH, St. Pölten and NÖ Landes-Beteiligungsholding GmbH, St. Pölten. He is also a member of the supervisory boards of EBG MedAustron GmbH, Wiener Neustadt, EVN AG, Maria Enzersdorf, Land Niederösterreich Finanz- und Beteiligungsmanagement GmbH, St. Pölten and tecnet equity NÖ Technologiebeteiligungs-Invest GmbH, St. Pölten.

Additional disclosures
A member of the key management personnel rents an apartment from HYPO NOE Gruppe Bank AG.
Due to his office as a mayor, a member of the Supervisory Board has business dealings with the HYPO NOE Group regarding loans to his local authority.
The Company's key management personnel comprises: all members of the management and supervisory boards of HYPO NOE Gruppe Bank AG, heads of departments that carry out Group functions, and the management boards of HYPO NOE Landesbank AG, HYPO NOE Leasing GmbH and HYPO NOE Real Consult GmbH.

10.7 Assets pledged as collateral

Assets have been pledged as collateral for liabilities and contingent liabilities in the amounts shown below:

€'000	31 Dec. 2010	31 Dec. 2009
Debts evidenced by certificates	3,453,395	3,507,961
Total	**3,453,395**	**3,507,961**

Pledged assets are held as hedging items for the above liabilities:

€'000	31 Dec. 2010	31 Dec. 2009
Loans and advances to customers	3,453,395	3,507,961
Total	**3,453,395**	**3,507,961**

10.8 Trust transactions

In accordance with IFRS, trust transactions entered into by the HYPO NOE Group in its own name but for the account of third parties are not shown in the statement of financial position. Any commissions are reported under "Net fee and commission income" in the comprehensive income statement (Note 7.5: "Other fee and commission income" and "Other fee and commission expense"). An analysis of trust transactions not disclosed in the statement of financial position is shown below.

€'000	31 Dec. 2010	31 Dec. 2009
Assets held in trust		
Loans and advances to customers	2,392	2,117
Total	**2,392**	**2,117**
Deposits from banks		
Deposits from banks	2,392	2,117
Total	**2,392**	**2,117**

10.9 Contingent liabilities, credit risk and latent legal risk

10.9.1 Contingent liabilities

€'000	31 Dec. 2010	31 Dec. 2009
Acceptances and endorsements	327	327
Liabilities arising from guarantees and furnishing of collateral	156,718	202,057
Other liablities	0	48,258

Comments on other liabilities regarding HYPO NOE Gruppe Bank AG
Towards the end of 2009 HYPO NOE Gruppe Bank AG was subjected to a routine audit by the Oesterreichische Nationalbank (OeNB). In the course of the audit the OeNB auditors reached the conclusion that the consolidation of an investment (Augustus) was unjustified.

The Bank's belief that, in terms of the legal structure chosen, the special rights conferred on HYPO NOE Gruppe Bank AG by that structure, and the company's business activities Augustus forms part of the HYPO NOE Group has been confirmed by expert legal opinions. However the OeNB contends that there were insufficient grounds for consolidating Augustus, and that the recognition of collaterals would also be improper. This would mean that the investment limit under section 27(7) Banking Act had been exceeded by 6.9 times. Up to year-end 2009 the OeNB's opinion was only conveyed to HYPO NOE Gruppe Bank AG in a report on the in situ audit performed from June to October 2009, in accordance with section 70(1) Banking Act. As it was not possible to assess the probability and amount of the penalty interest at the time of the preparation of the 2009 financial statements, and the Bank's legal opinion was supported by expert opinions (meaning that in its view it was more likely than not that no interest penalty would be incurred), no provision was made for this contingency in 2009. In the light of the action initiated in consultation with Augustus to reduce the exposure and furnish additional collaterals for the remaining liabilities, provisions were recognised in the 2009 statements. These restructuring provisions included an amount of EUR 6.8m to provide for the possibility that an interest penalty would be imposed under section 97(1)(6) Banking Act.

In issuing demand for a written response regarding its ongoing investigation, served to HYPO NOE Gruppe Bank AG on 1 Deceber 2010, the regulator, the Austrian Financial Market Authority (FMA), endorsed the legal opinion of the OeNB. This prompted the Management Board to meet the requirements of IAS 37 by providing for the maximum litigation risk, i.e. the penalty of EUR 57,934,382.05 named in the aforementioned communication from the FMA, and to recognise a provision in that amount in 2010. As all the expert opinions received by the Management Board are at variance with the position taken by the OeNB and the FMA, it will be necessary to pursue the matter through to the final court of appeal to obtain a ruling on the applicable regulations, which are unclear.

10.9.2 Credit risk

€'000	31 Dec. 2010	31 Dec. 2009
Credit risks	1,650,398	1,025,044

10.10 Mortgage banking in accordance with the Pfandbriefgesetz (Covered Bond Act)

31 Dec. 2010 (€'000)	Amount required to cover debt evidenced by certificates	Coverage of: Loans	Coverage of: Financial instruments	Surplus coverage
Mortgage bonds	38,576	843,810	1,000	806,234
Public sector covered bonds	1,785,642	2,647,161	262,533	1,124,052
Total	**1,824,218**	**3,490,971**	**263,533**	**1,930,286**

31 Dec. 2009 (€'000)	Amount required to cover debt evidenced by certificates	Coverage of: Loans	Coverage of: Financial instruments	Surplus coverage
Mortgage bonds	29,431	789,160	1,000	760,729
Public sector covered bonds	1,357,646	2,718,801	189,135	1,550,291
Total	**1,387,077**	**3,507,961**	**190,135**	**2,311,020**

10.11 Supplementary disclosure pursuant to section 237(8a) Austrian Business Code in conjunction with section 64(1) Banking Act

Joint and several liability for Pfandbriefstelle issuance
Under section 2(1) Pfandbriefstelle-Gesetz (Pfandbriefstelle Act), as a member bank of Pfandbriefstelle der österreichischen Landes-Hypothekenbanken HYPO NOE Gruppe Bank AG is jointly and severally liable, together with the other members, for all the liabilities of Pfandbriefstelle. This liability is the same for all the member banks listed in section 1(2) of Pfandbriefstelle's articles of association and their universal successors. Under section 2(2) Pfandbriefstelle Act the members' guarantors (the respective state governments) are likewise jointly and severally liable for all liabilities incurred up to 2 April 2003, and for all liabilities incurred after 2 April 2003 where the maturities do not extend beyond 30 September 2017. According to Pfandbriefstelle's statutory audit report the guarantors' liabilities as at year-end 2010 were EUR 10,280,452thsd (2009: EUR 9,652,671thsd). This is approximately equal to the entire liabilities of Pfandbriefstelle as at 31 December 2010. Taking into account the funds raised by Pfandbriefstelle and lent on to HYPO NOE Gruppe Bank AG, which totalled EUR 1,081,982thsd at the end of the reporting period (2009: EUR 1,007,945thsd), this yields an amount of EUR 9,198,469thsd (2009: 8,644,726thsd) which must be disclosed pursuant to section 237(8a) Austrian Business Code.

Under section 2(1) Pfandbriefstelle-Gesetz (Pfandbriefstelle Act), as a member bank of Pfandbriefstelle der österreichischen Landes-Hypothekenbanken HYPO NOE Landesbank AG is jointly and severally liable, together with the other members, for all the liabilities of Pfandbriefstelle. This liability is the same for all the member banks listed in section 1(2) of Pfandbriefstelle's articles of association and their universal successors. Under section 2(2) Pfandbriefstelle Act the members' guarantors (the respective state governments) are likewise jointly and severally liable for all liabilities incurred up to 2 April 2003, and for all liabilities incurred after 2 April 2003 where the maturities do not extend beyond 30 September 2017. According to Pfandbrief stelle's statutory audit report the guarantors' liabilities as at year-end 2010 were EUR 10,280,452thsd (2009: EUR 9,652,672thsd). This is approximately equal to the entire liabilities of Pfandbriefstelle as at 31 December 2010.

Contingent liability of the state of Lower Austria
Under section 1356 ABGB (Civil Code), the Province of Lower Austria is liable, as the deficiency guarantor, for all the liabilities incurred by HYPO NOE Gruppe Bank AG up to and including 2 April 2003. Liabilities incurred between 3 April 2003 and 1 April 2007 are covered by the state government guarantee unless their maturities extend beyond 30 September 2017. The guarantee does not cover liabilities incurred after 1 April 2007 or falling due after 30 September 2017. As at 31 December 2010 state government guarantees of issues, deposits and other liabilities such as subordinated and supplementary capital totalled EUR 5,550,100thsd (2009: EUR 5,418,565thsd).

10.12 Events after the reporting period

No events specific to the Group which could have a material influence on its earnings took place after the reporting period.

10.13 Group investments

Changes in the scope of consolidation
Changes in the scope of consolidation are discussed in Note 2.3.

The following consolidated, directly or indirectly held Group companies were included in the IFRS consolidated financial statements of HYPO NOE Gruppe Bank AG as at 31 December 2010:

Company name	Domicile	Holding	thereof indirect interest	End of reporting period	Segment
47 fully consolidated subsidiaries					
HYPO NOE Gruppe Bank AG (former HYPO Investmentbank AG)	St. Pölten			31.12.2010	Gruppe Bank
HYPO NOE Landesbank AG (former Niederösterreichische Landesbank-Hypothekenbank Aktiengesellschaft)	St. Pölten	100.00%	-	31.12.2010	Landesbank
HYPO NOE Leasing GmbH (former NÖ. HYPO Leasinggesellschaft m.b.H.)	St. Pölten	100.00%	-	31.12.2010	Leasing
CALCULATOR Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	75.00%	31.12.2010	Leasing
CURIA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	75.00%	31.12.2010	Leasing
FAVIA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
NÖ. Verwaltungszentrum- Verwertungsgesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
PROVENTUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
Sana Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
Telos Mobilien – Leasinggesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
Treisma Grundstücksverwaltungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
VIA-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
HYPO Niederösterreich-Immobilienleasinggesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
HYPO Niederösterreichische Liegenschaft GmbH (former NÖ Real-Consult GmbH)	St. Pölten	100.00%	100.00%	31.12.2010	Other
NEUROM Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
NÖ. HYPO LEASING URBANITAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
AELIUM Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
NÖ. HYPO LEASING Landesklinken Equipment GmbH	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
Obere Donaustrasse 61 Liegenschaftserrichtungs- und -verwertungs GmbH	St. Pölten	100.00%	100.00%	31.12.2010	Other
NÖ. HYPO LEASING AGILITAS Grundstücksvermietung Gesellschaft m.b.H.	St. Pölten	100.00%	75.00%	31.12.2010	Leasing
ALARIS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	75.00%	31.12.2010	Leasing
CALLIDUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
CLIVUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
COMITAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
NÖ. HYPO LEASING FIRMITAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
NÖ. HYPO LEASING GERUSIA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	75.00%	31.12.2010	Leasing
PINUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	99.00%	99.00%	31.12.2010	Leasing
NÖ. HYPO LEASING STRUCTOR Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	75.00%	31.12.2010	Leasing
VIRTUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	65.00%	65.00%	31.12.2010	Leasing
VESCUM Grundstücksvermietungs GmbH	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
SATORIA Grundstückvermietung GmbH (former Sparkasse Region St. Pölten Gebäudeleasinggesellschaft m.b.H.)	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
Landeskrankenhaus Tulln-Immobilienvermietung Gesellschaft m.b.H.	St. Pölten	100.00%	56.42%	31.12.2010	Leasing
HYPO-REAL 93 Mobilien-Leasinggesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
NÖ. HYPO LEASING DECUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	-	31.12.2010	Other
NÖ. HYPO LEASING MENTIO Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
NÖ. HYPO LEASING NITOR Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
NÖ. HYPO LEASING MEATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	75.00%	31.12.2010	Leasing
NÖ. HYPO LEASING ASTEWOG Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	75.00%	31.12.2010	Leasing
NEMUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	75.00%	31.12.2010	Leasing
HYPO NOE Real Consult GmbH (former NÖ. Hypo Bauplanungs- und Bauträgergesellschaft m.b.H.)	St. Pölten	100.00%	100.00%	31.12.2010	Other
HBV Beteiligungs-GmbH	St. Pölten	100.00%	-	31.12.2010	Other
ZELUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Leasing
Benkerwiese Verwaltungs-und Verwertungsgesellschaft m.b.H.	St. Pölten	100.00%	100.00%	31.12.2010	Other
HYPO Real Estate Advisory GmbH	St. Pölten	100.00%	10.00%	31.12.2010	Other
NÖ Hypo Beteiligungsholding GmbH	St. Pölten	100.00%	-	31.12.2010	Other

The following Group investments were accounted for using the equity method:

(€'000) Company name	Domicile	Holding	thereof indirect interest	IFRS share of equity	Share of profit or loss	End of reporting period
21 joint ventures accounted for using the equity method in accordance with IAS 31						
CULINA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	50.00%	25.00%	507	81	31.12.2010
FACILITAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	50.00%	25.00%	74	-4	31.12.2009
FORIS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	50.00%	25.00%	910	26	31.12.2009
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	Vienna	50.00%	50.00%	1,112	-681	31.12.2010
NÖ. HYPO LEASING – Sparkasse Region St. Pölten Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	50.00%	50.00%	183	90	31.12.2010
LITUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	50.00%	25.00%	1,257	111	31.12.2010
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Vienna	50.00%	25.00%	274	-29	31.12.2009
Adoria Grundstückvermietungs Gesellschaft m.b.H.	Vienna	50.00%	25.00%	569	17	31.12.2009
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	50.00%	25.00%	251	-9	31.12.2009
UNDA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	50.00%	25.00%	50	1	31.12.2009
Aventin Grundstückverwaltungs Gesellschaft m.b.H.	Horn	50.00%	50.00%	1,385	102	31.12.2009
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	50.00%	50.00%	1,191	55	31.12.2009
Palatin Grundstückverwaltungs Gesellschaft m.b.H.	Stockerau	50.00%	50.00%	1,580	447	31.12.2010
Purge Grundstücksverwaltungs-Gesellschaft m.b.H.	Vienna	50.00%	50.00%	57	24	31.12.2009
Viminal Grundstückverwaltungs Gesellschaft m.b.H.	Vienna	50.00%	50.00%	1,081	98	31.12.2009
NÖ Raiffeisen Kommunalprojekte Service Gesellschaft m.b.H. & NÖ.HYPO Leasinggesellschaft m.b.H. – Strahlentherapie OG	Vienna	50.00%	50.00%	42	18	31.12.2009
N.Ö. Gemeindegebäudeleasing Gesellschaft m.b.H.	Vienna	33.30%	-	322	-10	31.12.2009
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	33.30%	-	296	-29	31.12.2009
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	33.30%	-	512	-150	31.12.2009
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	33.33%	-	208	19	31.12.2009
NÖ. HYPO Leasing und Raiffeisen-Immobilien-Leasing Traisenhaus GesmbH & Co OG	St. Pölten	50.00%	50.00%	1,003	74	31.12.2009
14 investments accounted for using the equity method in accordance with IAS 28						
Hotel- und Sportstätten- Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	45.41%	45.41%	577	5	31.12.2010
NÖ Beteiligungsfinanzierungen GmbH	Vienna	21.00%	21.00%	1,357	8	31.12.2009
Niederösterreichische Vorsorgekasse AG	St. Pölten	49.00%	-	1,186	61	31.12.2009
Gemeinnützige Wohnungsgesellschaft „Austria“ Aktiengesellschaft	Mödling	44.39%	44.39%	Included in EWU consolidated statements		31.12.2010
„Wohnungseigentümer“ Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	44.75%	44.75%			31.12.2010
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Mödling	42.60%	42.60%			31.12.2010
EWU Wohnbau Unternehmensbeteiligungs-Aktiengesellschaft (Consolidated financial statement)	Vienna	44.79%	-	25,929	2,245	31.12.2010
HYPO Capital Management AG	Vienna	25.00%	-	2,400	375	31.03.2010
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Korneuburg	32.50%	-	946	507	31.12.2009
Bonitas Versicherungsservice Gesellschaft m.b.H.	St. Pölten	50.00%	50.00%	0	152	31.12.2009
KASERNEN Projektentwicklungs- und Beteiligungs AG	Vienna	25.00%	-	120	126	31.12.2009
Augustus Funding Limited	Dublin	20.00%	20.00%	1	0	31.12.2010
NÖ. Landeshauptstadt – Planungsgesellschaft m.b.H.	St. Pölten	39.00%	39.00%	520	51	31.12.2009
HYPO Real Invest AG	Vienna	30.00%	-	251	196	31.12.2010
Total				**46,149**	**3,977**	
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H. Change from equity method accounting to consolidation					-46	
			(Note 8.12)	**46,149**	**3,931**	**(Note 7.1)**

The following companies were recognised in the consolidated financial statements as AFS investments (holdings of more than 50%).
The reasons for non-consolidation were the fact that the entities are non-profit organisations, the absence of risks or rewards of ownership, and immateriality.

(€'000) Company name	Domicile	Holding	thereof indirect interest	Registered capital	Profit/loss reported in register of companies	End of reporting period
Non-consolidated AFS investments (interest > 50%)						
Castellum Schallaburg Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	-53	-77	31.12.2009
VIA DOMINORUM Grundstückverwertungs Gesellschaft m.b.H.	St. Pölten	95.00%	95.00%	683	765	31.12.2009
WPS-Wirtschaftspark Sieghartskirchen Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	-991	-224	31.12.2009
Liegenschaftsverwertung Felixdorf GmbH	St. Pölten	100.00%	100.00%	-1,102	-917	31.12.2009
Wilax Wien-Laxenburg NÖ Veranstaltungs Gesellschaft mbH	St. Pölten	100.00%	100.00%	15	-9	31.12.2009
NÖ Kulturwirtschaft GesmbH (Consolidated financial statement)	St. Pölten	52.52%	52.52%	3,735	949	31.12.2009
Wohnpark Schrems Liegenschaftsverwertungs Gesellschaft m.b.H.	St. Pölten	100.00%	100.00%	-56	-30	31.12.2009

The following companies were recognised in the consolidated financial statements as AFS investments (holdings of 20-50%):

(€'000) Company name	Domicile	Holding	thereof indirect interest	Registered capital	Profit/loss reported in register of companies	End of reporting period
Non-consolidated AFS investments (holding 20–50%)						
Psychosoziales Zentrum Schiltern Gesellschaft m.b.H.	Langenlois-Schiltern	26.67%	-	864	32	31.12.2009
EFH-Beteiligungsgesellschaft m.b.H.	Wien	50.00%	-	15	-2	31.12.2009
NÖ. Landes-Sportschulanlagenbetriebsgesellschaft m.b.H.	St.Pölten	49.00%	49.00%	59	1	31.12.2009
Pöchlarner Kommunalimmobilienverwaltungs Gesellschaft m.b.H.	Pöchlarn	20.00%	20.00%	30	17	31.12.2009
Melker Kommunalimmobilienverwaltungs Gesellschaft m.b.H.	St.Pölten	20.00%	20.00%	-67	31	31.12.2009
Loosdorfer Kommunalimmobilien Gesellschaft m.b.H.	Loosdorf	20.00%	20.00%	471	-87	31.12.2009
Schwarzauer Kommunalimmobilienverwaltungs Gesellschaft m.b.H.	Schwarzau am Steinfelde	20.00%	20.00%	2,162	11	31.12.2009

10.14 Governing bodies of HYPO NOE Gruppe Bank AG

Management Board
Dr. Peter Harold, Chairman
Mag. Richard Juill, member (until 28 April 2010)
Günther Ritzberger, MBA, member (since 29 April 2010)
Mag. Nikolai de Arnoldi, member (since 1 January 2011)

Supervisory Board
Präsident Gen.Dir. KommR Herbert Fichta, Chairman
Dr. Burkhard Hofer, Deputy Chairman
Dkfm. Herbert Höck (until 28 April 2010)
Dr. Michael Lentsch (since 28 April 2010)
LAbg. Dipl.-Ing. Willibald Eigner
Klubobmann LAbg. Mag. Klaus Schneeberger
Bürgermeister Mag. Karl Schlögl
Bürgermeister Karl Sonnweber

Delegated by the Works Council
Hermann Haitzer
Peter Böhm
Franz Gyöngyösi
Franz Siegl

State commissioners
Dipl.-Kfm Dipl.Soz. Michael Svoboda, Federal Ministry of Finance
Amtsdirektor RegR Franz Ternyak, Federal Accounting Agency

Supervisory commissioners
Hofrat Dr. Reinhard Meissl, office of the Lower Austrian state government
Hofrat Mag. Helmut Frank, office of the Lower Austrian state government

St. Pölten, 6 April 2011

The Management Board

Dr. Peter Harold
Chairman of the Management Board

Mag. Nikolai de Arnoldi
Member of the Management Board

Günther Ritzberger, MBA
Member of the Management Board

DECLARATION BY THE COMPANY'S LEGAL REPRESENTATIVES

We hereby confirm that to the best of our knowledge the consolidated financial statements to the maximum extent possible give a true and fair view of the Group's assets, finances and earnings, in conformity with the relevant accounting standards, and that the Group operational and financial review gives a true and fair view of the course of the Group's business, and its results and financial condition, such that that review to the maximum extent possible gives a true and fair view of the Group's assets, finances and earnings, and describes the principal risks and uncertainties to which the Group is exposed.

St. Pölten, 6 April 2011

Dr. Peter Harold
Chairman of the Management Board

Responsible for IT/Organisation, Business Development, Human Resources, Controlling, Legal, Communications and Audit

Mag. Nikolai de Arnoldi
Member of the Management Board

Responsible for Risk, Accounting, Credit and Treasury Services

Günther Ritzberger, MBA
Member of the Management Board

Responsible for Public Finance & Corporates, Treasury, Real Estate, Participations and Investor Relations

AUDITORS' REPORT

Report on the consolidated financial statements.

We have audited the accompanying consolidated financial statements of

HYPO NOE Gruppe Bank AG (formerly HYPO Investmentbank AG),St. Pölten,

for the fiscal year from January 1, 2010 to December 31, 2010. These consolidated financial statements comprise the consolidated statement of financial position as of December 31, 2010, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2010 and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2010 and of its financial performance and its cash flows for the fiscal year from January 1, 2010 to December 31, 2010, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to section 243a para 2 UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to section 243a para 2 UGB (Austrian Commercial Code) are appropriate.

Vienna, 7 April 2011

Deloitte Audit Wirtschaftsprüfungs GmbH

Bruno Moritz m.p.
Tax Consultant

ppa. Dr. Brigitte Stuiber m.p.
Certified Public Accountant

Dr. Peter Bitzyk m.p.
Certified Public Accountant

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 can only be published if the financial statements and the Report of the board of Management are identical with the audited version attached to this report. Section 281 para 2 UGB (Austrian Commercial Code) applies for differing versions.

REPORT OF THE SUPERVISORY BOARD

In 2010 the Supervisory Board discharged the duties incumbent upon it by virtue of the law and the articles of association, and was kept regularly informed by the Management Board on the course of business and of the state of the Bank's affairs.

The accounts and records, and the annual financial statements, as well as the annual report to the extent that it refers to the financial statements, have been audited by the independent auditors Deloitte Audit Wirtschaftsprüfungs GmbH, and gave rise to no objections. The annual financial statements for the year ended 31 December 2010 have therefore been given an unqualified audit opinion, as complying with the statutory provisions.

The Supervisory Board is in agreement with the annual report submitted to it by the Management Board, and hereby approves the 2010 annual financial statements.

St. Pölten, 13 April 2011

The Supervisory Board

Gen.Dir. KommR Herbert Fichta
Chairman

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