

Committed
to
Responsible
Growth.

The BKS Bank Group at a glance

Income account, €m	Q1–Q3 2009	Q1–Q3 2008	Q1–Q3 2007
Net interest income	97.6	92.1	79.9
Charge for impairment losses on loans and advances	(29.1)	(17.6)	(18.4)
Net fee and commission income	28.9	30.9	33.0
General administrative expenses	(65.6)	(63.8)	(59.4)
Profit for the period before tax	32.0	41.6	42.6
Consolidated net profit	29.2	38.3	37.8
Balance sheet data, €m	30/9/2009	31/12/2008	31/12/2007
Assets	5,945.1	5,975.7	5,752.7
Receivables from customers after allowance for impairment losses on loans and advances	4,355.8	4,186.1	3,561.6
Primary funds	3,594.9	3,945.1	3,781.8
— Of which savings deposit balances	1,800.8	1,677.5	1,443.7
— Of which liabilities evidenced by paper, including subordinated debt capital	556.5	452.0	451.8
Equity	488.9	464.7	450.5
Customer funds under management	8,940.3	8,739.3	10,057.9
— Of which in customers' securities accounts	5,345.4	4,794.2	6,276.1
Own funds within the meaning of BWG, €m	30/9/2009	31/12/2008	31/12/2007
Risk-weighted assets	4,263.9	4,087.7	4,039.2
Own funds	442.7	450.9	405.1
— Of which Tier 1 capital	280.5	281.9	235.9
Surplus own funds before operational risk	101.5	123.9	82.0
Surplus own funds after operational risk	78.4	102.7	82.0
Tier 1 ratio, %	6.58	6.90	5.84
Own funds ratio, %	10.38	11.03	10.03
Performance, %	Q1–Q3 2009	2008	2007
Return on equity before tax	7.6	9.7	13.7
Return on equity after tax	6.6	9.2	11.7
Cost:income ratio	50.3	50.1	52.6
Risk:earnings ratio (credit risk in per cent of net interest income)	29.8	15.4	17.7
Resources	Q1 – Q3 2009	2008	2007
Average number of staff	873	860	803
Branches	56	54	51
BKS Bank's shares	Q1 – Q3 2009	2008	2007
No. of ordinary no-par shares (ISIN AT0000624705), 1/1 – 4/6/2009	4,380,000	4,380,000	4,380,000
No. of ordinary no-par shares (ISIN AT0000624705), 5/6 – 30/9/2009 ¹	26,280,000 ¹	—	—
No. of no-par preference shares (ISIN AT0000624739), 1/1 – 4/6/2009 ¹	300,000	300,000	300,000
No. of no-par preference shares (ISIN AT0000624739), 5/6 – 30/9/2009 ¹	1,800,000 ¹	—	—
High: ordinary/preference share, € ¹	18.33/15.33 ¹	113.5/101.0	125.0/110.0
Low: ordinary/preference share, € ¹	17.33/14.0 ¹	110.0/92.0	97.01/73.62
Close: ordinary/preference share, € ¹	17.58/14.10 ¹	110.0/92.0	113.5/100.0
Market capitalization, €m (at end of period under review)	487.4	509.4	527.1

¹ Taking into account the six-for-one stock split on 5 June 2009.

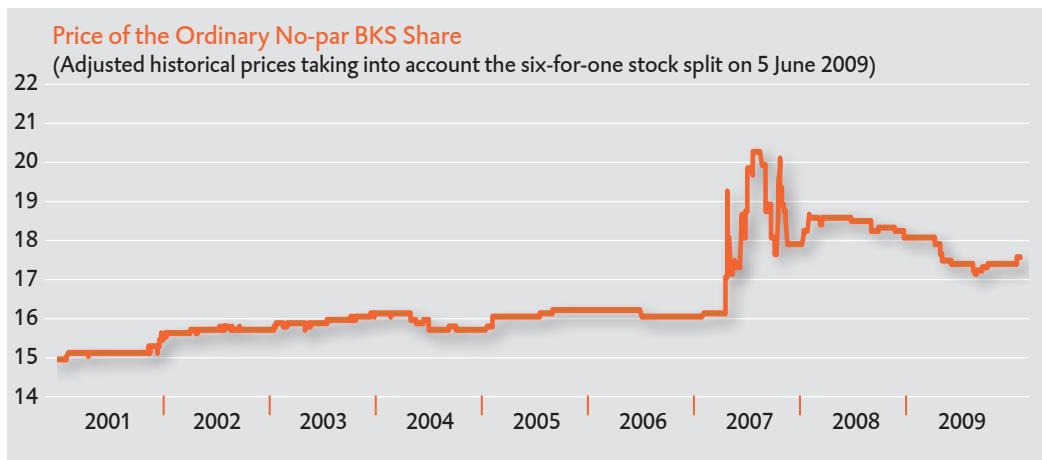
The 3 Banken Group at a glance

Income account, €m	BKS Bank Group		Oberbank Group		BTV Group	
	Q1–Q3 09	Q1–Q3 08	Q1–Q3 09	Q1–Q3 08	Q1–Q3 09	Q1–Q3 08
Net interest income	97.6	92.1	197.4	213.9	98.3	105.1
Charges for impairment losses on loans and advances	(29.1)	(17.6)	(73.9)	(46.2)	(29.8)	(18.6)
Net fee and commission income	28.9	30.9	66.1	72.6	30.0	31.6
General administrative expenses	(65.6)	(63.8)	(154.7)	(153.3)	(70.9)	(68.5)
Profit for the period before tax	32.0	41.6	68.7	88.2	42.2	41.0
Consolidated net profit	29.2	38.3	57.4	81.1	37.4	35.7
Balance sheet data, €m	30/9/09	31/12/08	30/9/09	31/12/08	30/9/09	31/12/08
Assets	5,945.1	5,975.7	15,901.6	15,314.0	8,482.4	8,495.6
Receivables from customers after allowance for impairment losses on loans and advances	4,355.8	4,186.1	9,558.0	9,248.6	5,420.7	5,750.4
Primary funds	3,594.9	3,945.1	10,516.1	10,016.7	6,179.5	6,352.8
— Of which savings deposit balances	1,800.8	1,677.5	3,411.9	3,301.9	1,415.7	1,245.9
— Of which liabilities evidenced by paper, including subordinated debt capital	556.5	452.0	1,992.1	1,897.4	1,227.7	1,289.7
Equity	488.9	464.7	959.7	894.1	596.4	553.6
Customer funds under management	8,940.3	8,739.3	18,017.9	17,039.1	10,174.2	10,258.4
— Of which in customers' securities accounts	5,345.4	4,794.2	7,501.8	7,022.4	3,994.7	3,905.6
Own funds within the meaning of BWG, €m	30/9/09	31/12/08	30/9/09	31/12/08	30/9/09	31/12/08
Risk-weighted assets	4,263.9	4,087.7	10,337.0	9,970.2	5,457.6	5,613.7
Own funds	442.7	450.9	1,381.9	1,286.1	764.2	670.6
— Of which Tier 1 capital	280.5	281.9	833.4	824.7	463.1	429.2
Surplus own funds before operational risk	101.5	123.9	553.1	487.1	327.6	221.5
Surplus own funds after operational risk	78.4	102.7	502.5	436.5	307.0	201.0
Tier 1 ratio, %	6.58	6.90	8.06	8.27	8.46	7.61
Own funds ratio, %	10.38	11.03	13.37	12.90	13.99	11.93
Performance, %	Q1–Q3 09	2008	Q1–Q3 09	2008	Q1–Q3 09	2008
Return on equity before tax	7.6	9.7	10.0	12.8	9.8	9.2
Return on equity after tax	6.6	9.2	8.4	11.8	8.7	9.2
Cost:income ratio	50.3	50.1	52.1	52.4	53.6	48.9
Risk:earnings ratio	29.8	15.4	37.4	22.5	30.3	20.0
Resources	Q1–Q3 09	2008	Q1–Q3 09	2008	Q1–Q3 09	2008
Average number of staff	873	860	1,968	1,983	873	879
Branches	56	54	133	134	43	44

**Dear shareholder,
Dear customer,
Dear business associate of BKS Bank,**

We warmly welcome you — including, above all, the many new shareholders among you — to this report. We would like to take this third letter to our shareholders as an opportunity to thank you again for the trust you have shown in our bank following the successful completion of our capital increase in October.

During the capital increase, we were able to place a total of 4,680,000 new ordinary no-par shares at an issue price of €15.75 each. The invitation to subscribe for new ordinary no-par shares (so-called “Young Shares”) expired on 23 October 2009. It met with great interest, particularly among BKS Bank’s existing shareholders. 86.3 per cent of all subscription rights were exercised. The Young Shares that were not purchased under subscription rights were subscribed for by private and institutional investors in Austria within the scope of a public offering. As a result, numerous investors, including above all private Austrian investors, joined the ranks of our bank’s shareholders. *BKS Bank AG* now has €65,520,000 of share capital, compared with €56,160,000 at the end of September 2009. The gross proceeds from the capital increase came to roughly €73.7 million. Consequently, as things stand at the moment, we expect our Tier 1 ratio at the close of the third quarter to have grown from 6.6 to roughly 8.2 per cent. Our chances of strengthening our long-term competitiveness in the international marketplace are therefore good, spurring us on to continue purposefully and judiciously on our bank’s growth path.



Stock exchange trading in the Young Shares commenced on 30 October 2009. The Young Shares will carry full dividend rights as of the current 2009 financial year. At the time of writing (18 November), the BKS ordinary no-par share was trading in the *Standard Market Auction* segment on the Vienna stock exchange at a price of €17.40. On the same day, the no-par preference share was worth €13.90.

One year after the collapse of US investment bank *Lehman Brothers*, the situation in the financial sector has to some extent restabilized. However, it is too early to sound the all-clear. Since the Pittsburgh G-20 summit in September, the core points of the new regulatory standards that banks will have to get used to once the crisis is over have been taking shape. Fundamental reform of the global financial system has yet to take place. Nonetheless, one of the most important truths to have emerged from the financial crisis is that banks will have to meet much more stringent capital requirements if they are to be better prepared to cope with any future shocks. In addition, salary and bonus systems will be an added focus of new regulatory standards. We expressly welcome both cornerstones of reform.

The default risks caused by the economic depression are and will remain high. For example, the US financial system is currently suffering the biggest bank failure since the collapse of *Lehman Brothers*, namely the insolvency of major middle market lender CIT.

As for us, we are proud to be able to report that *BKS Bank AG* has mastered every difficult market phase to date with panache and will emerge from this subsiding crisis stronger than before. Consequently, we are also able to present a solid profit for the third quarter in the pages of this Interim Report. At the same time, we can tell you about important steps taken to expand our operations, which remained stable and robust during the period under review. Third-quarter consolidated net profit was only slightly down on the same quarter of 2008 to €10.8 million, even if consolidated net profit in the period from 1 January to 30 September was still roughly one fifth down on our record 2008 figure of €38.3 million. This was because we increased our allowance for impairment losses on loans and advances to reflect the state of the economy. As we maintained rigorous accounting and risk discipline, the growth in our assets was driven mainly by our robust customer operations. In particular, receivables from customers grew, and there was a brisk inflow of primary funds in the form of savings deposits and the proceeds from our bank's own issuances.

The economic setting in which banks are operating

After a massive slump in the winter half-year, the global recession seems to have ended at the beginning of autumn 2009. Nonetheless, averaged over 2009, real global GDP appears to have fallen by 2.5 per cent. Key economic indicators like new orders and industrial output have improved significantly in recent months. This has been particularly evident in the major industrial and emerging economies, including, above all, the United States — whose growth still depends heavily on monetary and financial policy stimulus — and the economies of Southeast Asia. However, so far, the North American property market — one of the factors that sparked off the global systemic crisis — has remained as weak as before. In its latest forecast, the OECD said that US GDP would

shrink by 2.8 per cent in 2009, and it is only predicting modest growth of a little under 1 per cent in 2010. The available survey results in the eurozone point to fragile stabilization of the economy. On the one hand, we have seen a slight recovery of exports, extensive general economic programmes (which are still ongoing) and action to restore the financial system to health. On the other, budget deficits in the different regions of the eurozone have increased drastically. Given the economy's weak growth and the cost of financial stimulus, the ECB believes that the eurozone countries will be compelled to increase their budget deficits from 1.7 to 4 per cent of GDP this year. The situation in the eurozone labour markets has continued to deteriorate in recent months, with the jobless rate lately hitting about 10 per cent. This is its highest level since the beginning of 1999. Although a slight recovery is expected, averaged over 2009, real GDP in the eurozone will probably fall by about 4 per cent.

Thanks to upbeat signals from the exports market, the economic downside in Austria came to a halt towards the end of the first half. However, real GDP was still about 3.5 per cent down on the first half of 2008, significantly denting the country's post-war economic growth. In the light of faster global economic recovery and strengthening investment and private consumption, WIFO is predicting a definite economic recovery in the second half of 2009. Nonetheless, it expects Austria's real GDP to shrink by 3.6 per cent over 2009 as a whole because, above all, of the worrying developments in the labour market.

The central banks have maintained their expansionary monetary policies in recent weeks and months. Key rates are still close to zero. For instance, at its latest meeting from 3–4 November 2009, the Federal Reserve in the US left its Federal Funds Rate unchanged in a corridor between zero and 0.25 per cent. In parallel with this long-term interest rates strategy, the Mortgage-Backed Securities Purchase Program was extended to support the ailing property market. The ECB too has continued its pragmatic, price stability-orientated policy of monetary easing. At its meeting on 5 November 2009, the ECB Council decided to leave its minimum bid rate on its main refinancing operations in euros and its peak refinancing and deposit facility rates unchanged at 1.00, 1.75 and 0.25 per cent, respectively. Money market rates went on falling in the third quarter as a result. At the end of September, the 3-month Euribor rate was 0.753 per cent, compared with 2.892 per cent at the end of 2008; at the time of writing, it is 0.715 per cent.

The capital markets have continued to settle down in recent months, with the amplitudes of market fluctuations becoming perceptibly smaller. Prices on the major international stock markets have crossed back above their 200-day averages. Driven by hopes of an end to the global recession, the significant rise in share prices that has been ongoing since March has continued in the eurozone and the United States as investors have become more willing to take risks. The markets' good performance has only been dented by brief periods of consolidation in June, at the end of September and, most recently, in October. By the end of September, prices in the eurozone (Euro Stoxx 50) and in the United States (Dow Jones Industrial) had risen by 17.2 and 7.5 per cent, respectively (at time of writing: Euro Stoxx 50 and DJI at 2,908.53 and 10,426.31, respectively). In the first three quarters, the US\$-based MSCI World Equity Index, which covers all the key stock markets, rose by 22.5 per cent to 1,126.984 points (at the time of writing: 1,171.542 points). In the commodity markets, crude oil prices continued to rise during the third quarter. At the end of September, benchmark Brent crude was trading at US\$69.07 a barrel (at the time of writing: US\$79.47), or about 47 per cent more than at the beginning of the year. At the time of writing, benchmark WTI Cushing crude in the United States, for which contracts for October 2010 delivery already cost over US\$85, is trading at US\$79.58.

Having stood at US\$1.3866 at the beginning of the year, the euro returned to rates of above US\$1.45 from September. The stronger euro is mainly being attributed to scepticism about the sustainability of the United States' financial policy, inflationary fears triggered by the glut of liquidity and growing doubts about the dollar's status as the world's reserve currency. On the other hand, having been worth SFr1.4874 at the beginning of the year, the euro was, as expected, trading at over SFr1.5 at the end of September, at SFr1.5078. However, targeted currency market intervention by the Swiss national bank has braked the upside potential of this crisis currency, limiting it to SFr1.5112/€ at the time of writing.

Scope of Consolidation of BKS Bank: Banks and Other Financial Service Providers

BKS Bank AG, Klagenfurt	BKS-Leasing GmbH, Klagenfurt	BKS-Immobilienleasing GmbH, Klagenfurt	BKS-leasing d.o.o., Ljubljana
BKS-leasing Croatia d.o.o., Zagreb	BKS-Leasing a.s., Bratislava ¹	BKS Bank d.d., Rijeka ²	
Alpenländische Garantie GmbH, Linz	Oberbank AG, Linz	Bank für Tirol und Vorarlberg AG, Innsbruck	Drei-Banken Versicherungs-AG, Linz

Scope of Consolidation of BKS Bank: Other Consolidated Entities

BKS Zentrale-Errichtungs- u. Vermietungs GmbH, Klagenfurt	IEV Immobilien GmbH, Klagenfurt	Immobilien Errichtungs- u. Ver-mietungs GmbH & Co. KG, Klagenfurt	BKS Hybrid alpha GmbH, Klagenfurt
VBG-CH Verwaltungs- und Beteiligungs GmbH, Klagenfurt	LVM Beteiligungs Gesellschaft m.b.H., Vienna		

■ Consolidated ■ Accounted for using the equity method

¹ BKS Leasing a.s. and BKS Finance s.r.o. make up a subgroup.

² In June 2009, BKS Bank AG's stake increased by 0.21 per cent to 100 per cent.

The BKS Bank Group's development between 1 January and 30 September 2009

How did BKS Bank perform financially in the first three quarters? For the sake of greater clarity, let us start with a look at the scope of consolidation on which these Interim Financial Statements are based. As shown above, it currently encompasses 11 banks and other financial service providers. They include our leasing subsidiaries in Austria and abroad as well as *Alpenländische Garantie Gesellschaft mbH* and *Drei-Banken Versicherungs-Aktiengesellschaft*. Given the sizes of the various companies in the Group, its financial statements are dominated by the profits of BKS Bank AG. Our investments in our sister banks *Oberbank AG* and *Bank für Tirol und Vorarlberg AG* (BTV) are also accounted for in the Consolidated Financial Statements, using the equity method. This is because even though BKS Bank controls less than 20 per cent of the voting power in these banks, it can exert a significant influence as the result of a long-term syndicate agreement. Consequently, the Consolidated Financial Statements as at and for the nine months ended 30 September 2009 include BKS Bank's interest in their profit for the period. The other consolidated entities, most of which are designated as real estate companies, render banking-related ancillary services.

Assets and financial position

Assets

At 30 September 2009, our assets fell just short of €6 billion, totalling €5.95 billion. As a result of our particular focus on customer proximity and our service orientation in our core business segments, receivables from customers, which grew by 4.3 per cent to €4.47 billion between the beginning of the year and the end of the period under review, was the biggest item on the assets side of the Balance Sheet. In a market environment that was, as a whole, still vulnerable, the unbroken increase of €183.4 million in this line item was evidence of our customers' sustained confidence in BKS Bank even in economically more difficult times.

Although most of the increase was generated by lending to BKS Bank AG's customers in Austria, our cross-border activities also picked up, increasing that portfolio to roughly €456 million. In Slovenia, our branches in Ljubljana, Maribor and Celje already had customer receivables of approximately €430 million. At the end of September, loan balances reported in the Consolidated Financial Statements that had been generated by BKS Bank d.d. in Croatia came to nearly €56 million. Regulators are still imposing strict growth ceilings of 1 per cent a month or 12 per cent a year on banks in Croatia. Group subsidiaries in Austria and abroad have held their ground well in the leasing segment in generally weaker economic terrain. BKS-Leasing GmbH and BKS-Immobilienleasing GmbH in Austria acquired over €30 million of new business and were able to close the period under review with the same

high total of customer receivables of roughly €180 million as at the end of 2008. At the same time, customer receivables at *BKS Leasing a.s.* in Slovakia, *BKS-leasing d.o.o.* in Slovenia and *BKS-leasing Croatia d.o.o.* grew by 4.5 per cent to over €164 million during the period under review.

So far this year, the bulk of the increase in receivables from customers has been euro based. In the period under review, it went hand in hand with an increase of €13.7 million in our impairment allowance balance, which came to €109.9 million on 30 September. Appeals by OeNB and the Austrian Financial Market Authority to restrict new foreign-currency lending reduced the foreign-currency portion of the total loan portfolio to just over 20 per cent. We withdrew altogether from the foreign-currency personal loans market.

Receivables from other banks were reduced to an all-time low of €150.2 million, as against €406.1 million at the end of 2008. This reflected our cautious, rating-based investment policy in the interbank market. At the end of September, these receivables compared with payables to other banks of €1.71 billion.

At the close of the period under review, financial assets—comprising financial assets designated as at fair value through profit or loss, available-for-sale (AfS) financial assets, held-to-maturity (HtM) items and investments in entities accounted for using the equity method—came to €1.19 billion, as against €1.16 billion at 31 December 2008. During the period under review, our holdings of financial assets designated as at fair value through profit or loss fell by 1.3 per cent to €125.8 million. In the third quarter, receivables from customers totalling €5.0 million were hedged against possible fluctuations in returns using the fair value option. €81 million of redemptions of government bonds and foreign bank bonds reduced the portfolio of available-for-sale (AfS) financial assets to €304.7 million. Because interest rates were low, the bulk of new acquisitions and top-ups were assigned to the held-to-maturity (HtM) portfolio. Most of the growth in this portfolio, which increased by €65.0 million to €525.1 million, was accounted for by state-guaranteed bonds. As presented in note (18) on page 29, BKS Bank's investments in entities accounted for using the equity method came to €238.8 million at the end of September, compared with €231.9 million at the end of 2008.

Equity and liabilities

Despite the recovery in the capital markets that set in during the second quarter, the effects of the financial crisis on the real economy are now being felt more intensively with a slight time lag. In view of the insolvency figures and the worrying numbers coming in from the labour market, we believe that the Austrian banking industry can expect another challenging financial year or two. In addition, market interest rates are likely to stay low in the near future, so credit interest rates for savers and investors will also stay low. This means that competition for deposits from institutional investors has been tough, visibly weakening terms and conditions. Nonetheless, to defend our profits, we have been very careful with our pricing. As a result, time deposit balances have fallen significantly. Having been unusually high at the end of the previous year, at €1.34 billion, these customer deposit balances had dwindled back to about €746 million by the end of September. On the other hand, we achieved an increase in savings deposit balances and the value of the bank's own securities in circulation, taking savings deposit balances to an all-time high of €1.8 billion. At the moment, our bank has a so-called "growth passbook" (*Wachstumssparbuch*) in its product line that offers savers committed to a four-year term graduated interest rates rising up to 6 per cent.

During the period under review, we also put special emphasis on placing our own securities. They took the form of securities evidenced by paper and issuances of subordinated debt capital. Up to the end of September, BKS Bank was able to carry out six issuances totalling approximately €120 million. These were continuously issued securities. As a result, the items presented in note (26) on page 30 and note (31) on page 31 increased by a total of more than one fifth to €556.5 million. Since investors' interest has remained keen, we have offered three more attractive securities for subscription in recent weeks, namely the 4.75 per cent *BKS Bank Ergänzungskapital-Obligation 2009-2017/8* supplementary capital note, the 4 per cent *BKS Bank Obligation 2009-2014/7* bond and the *BKS Bank InflationsGarant 2009-2016*. These issuances will have a total volume of not more than €55 million.

BKS Bank's equity is detailed in the Statement of Changes in Equity on page 21. Because of new mark-to-market valuation requirements, the international stock markets' improved performance since the spring has significantly increased our consolidated equity, which grew from €445.8 million to €488.9 million in the 12 months up to the end of the period under review.

Own funds

Let us look at our own funds. As you can see, the cut-off date for the table below was 30 September. As a result, it does not yet include the sizeable inflow of own funds of roughly €73.7 million caused by our latest capital increase.

Since the beginning of 2008, BKS Bank has been calculating its own funds requirement in accordance with the EU Solvency Directive, which takes its bearings from *Basel II*. We use the standardized approach. At the end of September, we had eligible own funds of €442.7 million. Allowing for this year's capital increase out of internal funds (i.e. carried out without issuing new shares), our share capital increased by €6.2 million to €56.2 million. As a result of the big increase in receivables from customers, the basis of assessment for the banking book increased by €176.2 million to approximately €4.26 billion. Both our own funds ratio and our Tier 1 ratio weakened marginally during the first three quarters, falling by 65 and 32 basis points to 10.38 and 6.58 per cent, respectively. The increase in our own funds requirement to €341.1 million left us with surplus own funds of €101.5 million, compared with €123.9 million at the end of 2008. Even taking account of capital charges for operational risk, we still had a respectable surplus of €78.4 million.

Own Funds of BKS Bank Kreditinstitutsgruppe			
€m	30/9/2009	31/12/2008	31/12/2007
(method of calculation in 2008 and 2009: <i>Basel II</i> ; in 2007: <i>Basel I</i>)			
Share capital	56.2	50.0	50.0
Hybrid capital	20.0	20.0	—
Disclosed reserves net of treasury shares and intangible assets	204.3	211.9	185.9
Tier 1 capital	280.5	281.9	235.9
Tier 1 ratio	6.58%	6.90%	5.84%
Hidden reserves	5.6	5.6	5.6
Eligible supplementary capital	147.6	154.9	155.8
Balance of gains and losses taken to equity	64.0	61.3	60.7
Eligible subordinated liabilities	16.4	13.8	14.0
Supplementary own funds (Tier 2)¹	233.6	235.7	236.1
Deductions from Tier 1 and Tier 2	71.4	66.6	66.6
Eligible own funds	442.7	450.9	405.1
Own funds ratio	10.38%	11.03%	10.03%
Basis of assessment for the banking book	4,263.9	4,087.7	4,039.2
Own funds requirement	341.1	327.0	323.1
Own funds requirement for the trading book	1.0	3.3	2.9
— Of which arising from open currency positions	1.1	2.3	0.9
Own funds requirement for operational risk	23.2	21.2	—
Surplus own funds (disregarding operational risk)	101.5	123.9	82.0
Surplus own funds (taking account of operational risk)	78.4	102.7	82.0

¹ Pursuant to § 23 BwG, supplementary own funds can only be recognized up to the amount of Tier 1 capital.

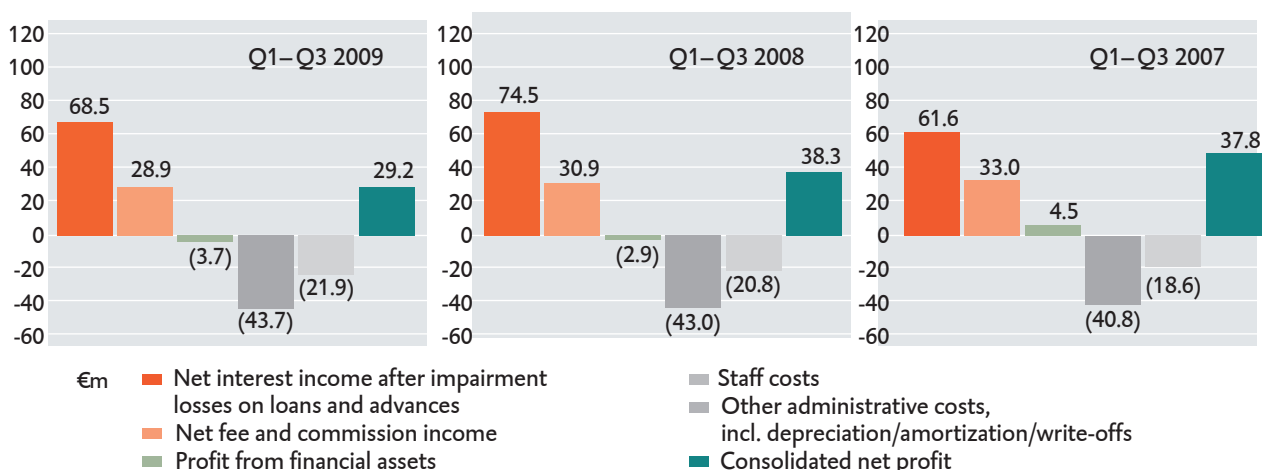
The capital increase referred to above will greatly improve BKS Bank's future own funds position. We must again stress that we always had sufficient own funds, even when the market was toughest after the collapse of investment bank *Lehman Brothers*, without capital injections from the government.

Performance

The BKS Bank Group's consolidated net profit between 1 January and 30 September came to €29.2 million. Moreover, the trend so far this year has been very satisfactory. The decline in earnings versus 2008 continued to flatten off in the course of the third quarter. Having still been 31.3 per cent up to the end of the first half, it was already down to 23.9 per cent or €9.2 million up to the end of the third quarter. Looked at in isolation and as reported in the quarterly overview on page 19, the consolidated net profit of €10.8 million recorded by BKS Bank in the third quarter was its best quarterly result in the 2009 financial year, building on a very good third quarter in 2008. Net interest income before impairment losses on loans and advances—a key gauge of our profitability—came to €97.6 million, which was €5.5 million or 6.0 per cent up on the same period of 2008. One of our top priorities was to consistently carry out clearly defined margin adjustments to match our risks. In addition, we increased our allowance for the turbulence in the markets, which was particularly noticeable in the first quarter, by recognizing a charge of €29.1 million for impairment losses on loans and advances. This compared with €17.6 million in the same period of 2008. The charge had another decisive impact on our profit in the third quarter, and it will continue to do so in quarters to come. It meant that our net interest income after impairment losses on loans and advances, most of which was generated by *BKS Bank AG*, came to €68.5 million, as against €74.5 million in the same period of 2008. Roughly 7 per cent of our profit was accounted for by our leasing subsidiaries in Austria and abroad and by *BKS Bank d.d.* in Croatia. The contribution made by entities accounted for using the equity method—which depended mainly on the business performance of our sister banks *Oberbank* and *BTV AG*—came to €11.8 million, which was already €1.1 million up on the same period of the previous year. Our profits benefited mainly from the fall in money market rates, which are reflected by the interest costs of funds.

The pressure on earnings that had dented our results in prior quarters also eased in the fee and commission segment. Net fee and commission income came to €28.9 million. This was close to the good result recorded in the same period of the previous year, falling short of it by just €2.1 million or 6.7 per cent. Above all, investors were noticeably less active until the end of March, but commission business in securities then picked up. Net fee and commission income on securities operations improved significantly, especially compared with the first half, resulting in a total of €7.7 million in the first three quarters. In the third quarter, it came to €2.9 million, which was the year's best quarterly result, achieved against the backdrop of the growing impetus to sell securities and the rising market values of securities holdings. At the end of September, our customers' securities accounts were worth €5.35 billion, compared with €4.79 billion 12 months earlier. Net fee and commission income on lending operations and net fee and commission income from payment services were also up on the same period of the previous year to €7.1 million and €11.3 million, respectively.

Components of the Income Statement



Profit from financial assets in the first three quarters fell from negative €2.9 million to negative €3.7 million. Profit from movements in the market values of financial instruments hedged by interest rate swaps using the fair value option were €1.1 million up on the first half of 2009 to negative €1.2 million in the third quarter as the opposing movements of rates on government bonds and interest rate swaps became less pronounced. During the third quarter, our cautious risk policy led to another impairment allowance of €1.3 million in our portfolio of available-for-sale assets, resulting in a total impairment allowance of €2.8 million in the first three quarters of 2009. On the other hand, we recorded realized gains and receipts of premiums on options, resulting in a net total of €1.1 million.

General administrative expenses were just 3.0 per cent up on the first nine months of 2008 to €65.6 million. In view of their impact on our results, we looked particularly closely at staff costs in our efforts to continue to cut spending. We forged ahead with the rapid reduction of unused vacation time and flexitime credits and the application of restrictive paid overtime policies. We were thus able to keep the increase in staff costs within a narrow corridor, resulting in a rise of just 1.7 per cent to €43.7 million. This was in part possible because pay rises under collective agreements, which averaged 3.2 per cent, did not take effect until 1 March. Group-wide, the number of people working for us during the first nine months of 2009 averaged 873.

Our rigorous cost-cutting was also mirrored by our other administrative costs and depreciation/amortization/write-offs of non-current assets. Other administrative costs increased by €1.1 million to €21.9 million. Our priorities were clear as we streamlined the product line at *DREI-BANKEN-EDV GmbH*, economized when it came to discretionary costs in areas that included marketing, travel expenses and internal transportation, postponed investments and appealed to staff to make careful use of the bank resources allocated to them. In addition, everybody with overall responsibility for individual cost categories was routinely asked not, under any circumstances, to spend all of their budgets for 2009. As a consequence, other administrative costs were just €0.8 million up on the same period of the previous year and depreciation/amortization/write-offs increased by just €0.4 million, the respective totals in the first nine months of 2008 having been €16.6 million and €4.1 million.

Ratios

Per cent	Q1–Q3 2009	2008	2007
Cost:income ratio	50.3	50.1	52.6
ROE (before tax)	7.6	9.7	13.7
ROE (after tax)	6.6	9.2	11.7
ROA (after tax)	0.6	0.7	0.9
Risk:earnings ratio	29.8	15.4	17.7

To date, BKS Bank has coped very well with the turbulence associated with the subprime crisis and all its negative side-effects, remaining crisis-proof in a market environment that is still weakened. As comparisons with the same period of the previous year show, the BKS Bank Group's operations have also developed well. However, every bank is still under threat from the Damocles sword of severe, recession-related loan losses. This situation has

affected every industrial nation and the severity of its impact was totally unexpected. BKS Bank too has not been immune. Since the most common performance ratios are calculated on the basis of profit for the period, assets and equity, changes in valuation standards have had a profound effect.

Our cost:income ratio stayed well below our internal 55 per cent benchmark during the first three quarters at just 50.3 per cent, underscoring the solid development of our operations. However, both our return on equity before tax and our return on assets after tax calculated on the basis of the results we have reported here failed to live up to our expectations—at 7.6 and 0.6 per cent, respectively—and did not match their levels in prior periods. This year, we can no longer achieve the 9.7 per cent return on equity before tax recorded in 2008. So far in 2009, our risk:earnings ratio has also been off-target, coming to 29.8 per cent in the first three quarters. This is because the impairment losses on loans and advances prudently deducted from net interest income as part of our rigorous impairment policies increased sharply during the period under review. At the moment, we see no signs that the risk situation will improve during the fourth quarter.

Segment Report

To provide our customers with the best possible support and help us optimally manage our investments, our bank has three Group-wide business segments, namely *Corporate and Business Banking*, *Retail Banking* and *Financial Markets*. Our segment reports are therefore based on this organizational structure and on the Group's internal management reporting systems. We measure the performance of each segment on the basis of its profit before tax, return on equity and cost:income ratio.

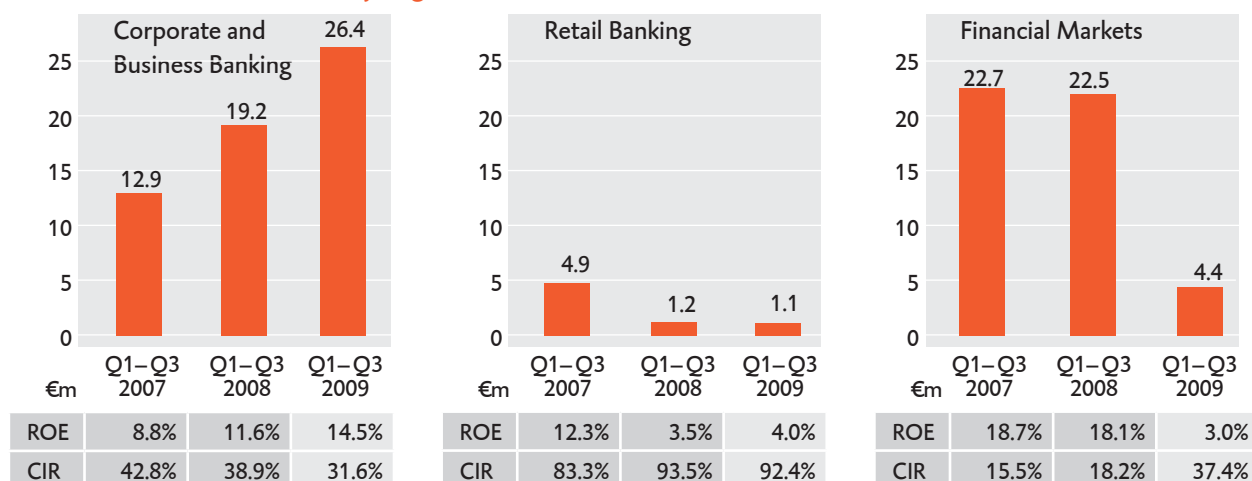
Corporate and Business Banking

The *Corporate and Business Banking* segment encompasses the income and expenses that arise from the corporate and business banking activities of *BKS Bank AG*, *BKS Bank d.d.* in Croatia and our leasing companies in Austria and abroad. Despite a substantial increase in the charge for impairment losses on loans and advances of €10.9 million to €27.3 million, the corporate and business banking segment was able to continue the steady uptrend of prior periods during the third quarter. Group-wide, BKS Bank's portfolio of loans to corporate and business banking customers grew by 5.0 per cent to approximately €3.59 billion during the first three quarters. At the same time, the corporate and business banking customer base grew to over 17,800. Profit for the period in this segment grew by €7.2 million to €26.4 million, making an essential contribution to consolidated net profit and accounting for about 83 per cent thereof. Net interest income grew particularly strongly, increasing by over 50 per cent to €60.5 million. This reflected the robust development of new business and ratings-based adjustments to terms and conditions and it more than made up for the requisite increase in our allowance for impairment losses on loans and advances. This segment's risk:earnings ratio went up to 45.2 per cent, having been 40.8 per cent in the same period of 2008. The general administrative expenses charged to this segment increased by just €2.1 million to €24.8 million, reducing its cost:income ratio from 38.9 per cent to 31.6 per cent. This segment's return on equity based on the €241.8 million of equity allocated to it increased sharply, to 14.5 per cent, having still been 11.6 per cent in the first three quarters of 2008.

Retail Banking

The *Retail Banking* segment encompasses the income and expenses that arise from the retail banking activities of *BKS Bank AG*, *BKS Bank d.d.*, *BKS-Leasing GmbH* and our leasing subsidiaries abroad. Net interest income in the first three quarters grew by €2.6 million to €25.9 million. This made up for the charge for impairment losses on loans and advances in this segment, which increased from €0.6 million to €1.8 million. On the other hand, we were confronted with another drop in net fee and commission income, which fell by roughly €1.0 million to €12.0 million. Whereas fee and commission income from lending operations developed satisfactorily, fee and commission earnings from securities operations were still weak. Despite a small 0.5 percentage point increase in this segment's return on equity, which took it to 4.0 per cent, and notwithstanding an improvement in its cost:income

Profit for the Period before Tax, by Segment



A detailed segment breakdown is presented in the Notes to the Consolidated Financial Statements from page 31.

ratio from 93.5 to 92.4 per cent, these ratios were still unsatisfactory and remained under severe pressure. The only upside was the retail banking segment's risk:earnings ratio, which came to an outstanding 6.8 per cent. We are currently developing measures within the scope of two ambitious projects in the retail banking segment to bring about a sustainable increase in earning power and make greater use of cross-selling opportunities.

Financial Markets

The *Financial Markets* segment encompasses profits from BKS Bank AG's proprietary trading activities and the Group's earnings from equity investments, financial assets and maturity transformation (so-called *structural income*). Following a sharp drop in earnings in previous quarters, this segment closed the third quarter with profit for the period of €4.4 million. However, given the relative absence of structural income, it will still be impossible to make up for the big year-on-year fall in profit of roughly €18.1 million in the fourth quarter. To date this year, BKS Bank has adjusted its terms and conditions to reflect the downtrend in reference rates, especially in the credit market, rapidly bringing them into line with the market in accordance with arrangements pegging rates to indicators. However, decreases in the corresponding rates paid on savings deposit balances could only take place with a time lag under the regulations governing consumer services. At the same time, with the intense competition for customer money centring mainly on interest rates, we had to offer our customers favourable terms in order to attract so-called *primary funds*. Consequently, net interest income in this segment was over 60 per cent down on the same period of the previous year to €10.9 million. The impairment losses on financial assets of €3.7 million described above were also charged to the financial markets segment. On the upside, we have not yet had to recognize any impairment losses on bank stocks. This segment's return on equity before tax fell from 18.1 per cent in the first three quarters of 2008 to 3.0 per cent in the period under review. Although it proved possible to cut general administrative expenses by about one sixth to €4.8 million, the segment's cost:income ratio worsened from 18.2 to 37.4 per cent.

Risk Report

It is generally impossible to make money in banking without taking risks. Although BKS Bank's risk policy has always been to consistently avoid risks that it cannot bear without outside help, the systemic crisis has been slow to ease. This has made it clear how important it is for us to deal with banking risks in a planned and targeted way and to limit and manage them professionally if we are to ensure our corporate success

Our risk management activities aim primarily to ensure that we remain liquid, that we can repay the customer funds entrusted to us and that invested capital remains unimpaired. As a result, every time we accept a risk, we must check whether it is viable in the light of our risk bearing capacity and worthwhile from a risk/return point of view. The large loan risks incurred by BKS Bank and the 3 Banken Group are secured by *Alpenländische Garantie-Gesellschaft mbH*, which is a consolidated member of the BKS Bank Group. Our bank did not have to draw on the reserves of this 3 Banken subsidiary in 2008 and has not had to do so in this challenging reporting year. BKS Bank's risk monitoring and risk management processes differentiate between credit risk (which includes equity investment risk), market risk, liquidity risk and operational risk. Central responsibility for risk management at BKS Bank is based on regulatory recommendations. A Management Board member who is not involved in front-office operations has this central responsibility.

Credit risk

We define credit risk (also called default risk) as the risk of partial or total non-payment of contractually agreed payments on loans. Non-payment may be the result of a counterparty's poor credit standing or arise indirectly from country risk as a consequence of a counterparty's domicile.

Our management of the loan portfolio has always been strict. We have therefore continued to make allowance for the economic slump on a systematic basis during 2009 by recognizing appropriate impairment losses. So far this year, we have recognized impairment losses on loans and advances of €29.1 million, compared with €17.7 million in the same period of last year. Looked at in isolation, impairment allowances in the third quarter came to €10.3 million, with BKS Bank's foreign subsidiaries accounting for roughly €2.8 million of that total. Our internal

Impairment Losses on Loans and Advances		
€m	30/9/2009	30/9/2008
Direct write-offs	3.6	0.7
Impairment allowances	29.1	20.4
Impairment reversals	(3.2)	(3.1)
Subsequent recoveries	(0.4)	(0.3)
Charge for impairment losses	29.1	17.7

rating system, which applies best practice standards, has proved to be an effective management instrument. In the corporate and business banking segment, migration into the weaker rating classes has to date stayed within reasonable bounds. In the retail banking segment, well-secured residential construction loans accounted for most of the personal loan portfolio, so our risk profile changed little between the period under review and the first three quarters of 2008.

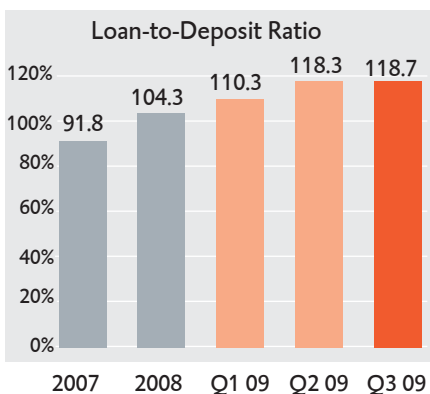
Market risk

In this risk category, we differentiate between interest rate risk, currency risk and equity price risk. We manage these risks using value-at-risk (VaR) and volume limits. The VaR method measures maximum possible loss based on a predefined confidence interval. Asset Liability Management (the ALM Committee) analyzes the various present value, duration and VaR reports on a monthly basis. At the end of the third quarter of 2009, the ratio of our interest rate risk to our eligible own funds assuming a rate shift of 200 basis points, as reported in the interest rate risk statistics prepared for OeNB, came to 6.6 per cent, as against 9.5 per cent at the end of 2008. This kept BKS Bank's ratio well below the 20 per cent mark. The financial markets were still volatile, especially in the first quarter of 2009, affecting our figures for equity price risk, which is expressed in terms of VaR.

Having still been €8.1 million at the end of 2008, our VaR at the end of the period under review was just €6.1 million thanks to a rise in market prices and subsiding stock market volatilities. Moreover, we substantially improved our currency risk position, reducing our currency risks from €25.9 million to €12.8 million. We did so by cutting back on fund positions whose foreign-currency components require recognition as open currency positions.

Liquidity risk

BKS Bank defines liquidity risk as comprising both the risk that it may not be possible to meet current or future financial obligations in full or in time and the risk that it may not be possible to raise sufficient quantities of urgently needed funds or may only be possible to raise funds at significantly above normal market rates, for instance in the event of a general liquidity crisis. Throughout the period under review, BKS Bank satisfied the minimum liquidity standards laid down in § 25 BWG, and at the same time, our surplus liquidity increased to an average of about €160 million.



The relationship between receivables from customers and primary deposit balances (the loan-to-deposit ratio) has become an important gauge of the success of liquidity management activities. Because of a significant outflow from institutional time deposits in the course of the year, this ratio was again up on the previous year in the third quarter of 2009 to 118.7 per cent.

Operational risk

BKS Bank defines *operational risk* as the risk of loss arising primarily within the scope of the bank's operating activities as a result of inadequate or failed internal processes, people and systems or from external events. The management of operational risk is the responsibility of the relevant risk-taking units. The operational risk losses reported across the Group in the period under review cost a relatively small total of roughly €292 thousand. The principal risk events during the first nine months of the year were again processing errors in our business dealings with our customers and in processes within the bank, which cost a total of approximately €180 thousand.

Activities and focuses of our work during the period under review

We will remember 2009—and, presumably, also 2010—not just as a year of appalling economic conditions but also as the year of radical organizational shake-ups inside banks. Regardless of the adverse side effects of the financial and economic crisis, which is only slowly receding, we have never lost sight of our business policy goals, the most important of which are local customer proximity, sustainable growth and enhanced efficiency in internal and external system structures. Instead, we have used the past few quarters to implement far-reaching reforms.

Concentrating the management of lending to corporate and business banking customers

One of this year's focuses has been on our *Concentration of the Management of Lending to Corporate and Business Banking Customers* project. It is not just directed at meeting legislative requirements. We also want to relieve customer care staff of time-consuming administrative work. Amalgamating the management of corporate and business loans and risk assessment within a central analysis and risk assessment unit—a unit that is also responsible for processing credit applications and assessing the corresponding collateral—has been very important to us. This ambitious project has led to radical changes. Apart from concentrating the management of lending to corporate and business banking customers, it also aims to restructure the entire lending process. Our new *Zentrale Marktfolge* or Central Back Office department now has over 80 skilled members recruited from within the bank. It officially began operating on 16 November. Our head offices in Klagenfurt, Villach and Spittal have already been connected to the central risk analysis system, and the migration of our head offices in Graz, Vienna and Mattersburg should be completed by mid-2010.

Refining liquidity management processes

Ahead of the expected changes to the relevant minimum liquidity standards within the EU and in view of our bank's participation in the ECB's tender operations, we already began working on further improving the quality of our liquidity management processes at the beginning of 2009. In a first, conceptual phase of this project, we agreed, with professional support, the model assumptions for the preparation of our capital commitment analyses and for our liquidity pricing processes. The project's second stage will involve the technical implementation of these processes in a new system sourced from a major supplier.

Our “New Branch Organization” and “Retail” projects

We launched our “New Branch Organization” project in September with the aim of creating the “administration-free” branch. This project looks at the processes that are currently prevalent to find ways of rationalizing them and making them more efficient. The concept has been in place since the end of October and will be implemented by the middle of 2010. In parallel, our “Retail” project will extend the responsibilities of Retail Banking Sales to include self-employed and smaller business customers.

Activities in Austria

Following the successful opening of our branch in Perchtoldsdorf in May, BKS Bank will be continuing to redesign branches in line with the lounge concept developed by architect Jana Revedin in quarters to come. For instance, the branch in *Sparbersbachgasse* in Graz, opened 24 years ago, now has a modern new design. The Bruck/Leitha branch will be moving to new, attractive premises in Neusiedl am See on 23 November.

Activities abroad

Having speedily completed our project work in preparation for the launch of securities operations, we will be able to offer our Slovenian customers a comprehensive range of securities products and services from March 2010. The enlargement of our branch network in Slovenia is also proceeding apace, and we opened a branch in Celje this year. Expansion will continue with the opening of a branch in South Ljubljana and another branch in Kranj or Koper.

Under the leadership of Christian Pettinger und Goran Rameša, our Croatian banking subsidiary *BKS Bank d.d.* is pressing ahead with the development of its retail banking operations. The goals of this project are to introduce and professionally deliver an attractive line of products and services. Appropriate account management, payment service, online banking and construction loan application modules are already being tested, and we have also obtained an insurance licence.

Outlook for the year as a whole

Assuming that the slight uptrend in the Austrian economy that has become apparent in recent weeks and months continues to solidify, WIFO's latest forecast for 2010 is of moderate, 1.0 per cent real GDP growth. Looking at 2009 as a whole, the deepest recession since World War II has severely affected foreign trade, virtually every branch of industry and the labour market. As a result, Austria's real GDP will have shrunk by about 3.4 per cent this year. The recent, sharp correction in the international stock markets has harmed the outlook for the current fourth quarter of 2009 and the start of 2010. The economic environment remains in a delicate state. Nonetheless, since key interest rates in the United States and the eurozone are still very low, a renewed economic relapse seems unlikely.

The Austrian and international banking industries are still under severe regulatory and political pressures. Even if the global recession has—as now seems likely—eased earlier than expected, the significant, time-lagged rise in unemployment and company bankruptcies is likely to continue in months to come. We assume that the problems will peak in the next few quarters, especially in the classical credit market, so caution continues to dominate our short-term outlook.

BKS Bank is strategically excellently armed to cope with future challenges. In this recessionary reporting year, we have carried out a series of important organizational reforms and have faced up to the new challenges presented by changing conditions affecting the competitive situation, bank supervision and our operations. We will therefore remain uncompromising in the pursuit of our growth strategy. Our books take meticulous account of risks as they develop, and we have continued to cut the costs of our banking operations.

As we compete for customer deposits, we have been able to demonstrate the strength of our funding base thanks, above all, to a robust inflow of savings deposits and our attractive issuances in the capital markets. Our declared goal for 2009 is to present to our shareholders another balance sheet free from unwelcome surprises and a dividend recommendation to match our results. We are confident that BKS Bank will—thanks to its proven business model, outstanding and stable capital base and good market position in its core business segments—emerge from the crisis stronger than ever to remain a reliable partner to its customers and shareholders.

The 3 Banken Group

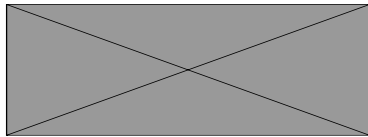
Finally, we draw your attention to the *3 Banken Group's* core numbers. As the overview on page 3 shows, BKS Bank, *Oberbank* and *Bank für Tirol und Vorarlberg* have proven crisis-proof in the turbulent market environment that has prevailed during the 2009 financial year. Both BTV and BKS Bank were able to stabilize their assets at a high level during the period under review, and the *Oberbank* actually increased its assets to €15.9 billion. Together, these three banks now have unconsolidated assets of over €30 billion.

As these banks' aggregate loan portfolio of over €19 billion shows, the much-cited credit squeeze has not been an issue for the *3 Banken Group*. Their so-called *primary deposits* still exceed €20 billion. Thanks to their sound business practices, the *3 Banken Group* has yet to suffer any liquidity bottlenecks, and the three banks have ample own funds. Both BKS Bank and the *Oberbank* carried out a capital increase in October, and their issuances sold

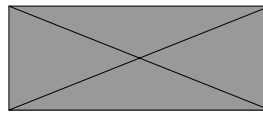
out. Although the environment remained difficult, the three banks still recorded returns on equity in a range of between 7.6 and 10.0 per cent. The success of the cost cutting programmes carried out by all three banks was mirrored by their cost:income ratios, which remained at a respectable level of just over 50 per cent.

We remain,

Yours faithfully,



Heimo Penker (CEO)



Herta Stockbauer

Consolidated Financial Statements

as at and for the Nine Months Ended 30 September 2009

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Income Statement of the BKS Bank Group for the First Three Quarters of 2009 (Statement of Comprehensive Income)

€k	Note	Q1–Q3 2009	Q1–Q3 2008	+(-) Change, %
Interest income		181,351	249,183	(27.2)
Interest expenses		(95,594)	(167,764)	(43.0)
Profit from investments in entities accounted for using the equity method		11,850	10,702	10.7
Net interest income	(1)	97,607	92,121	6.0
Charge for impairment losses on loans and advances	(2)	(29,076)	(17,636)	64.9
Net interest income after impairment losses on loans and advances		68,531	74,485	(8.0)
Fee and commission income		31,526	35,252	(10.6)
Fee and commission expenses		(2,654)	(4,322)	(38.6)
Net fee and commission income	(3)	28,872	30,930	(6.7)
Net trading income	(4)	1,405	1,030	36.4
General administrative expenses	(5)	(65,632)	(63,751)	3.0
Other operating income net of other operating expenses	(6)	2,493	1,818	37.1
Profit from financial assets (FV)	(7)	(2,573)	(184)	> 100
Profit from financial assets (AfS)	(8)	(1,143)	(2,739)	(58.3)
Profit for the period before tax		31,953	41,589	(23.2)
Income tax expense	(9)	(2,768)	(3,246)	(14.7)
Profit for the period		29,185	38,343	(23.9)
Minority interests in profit for the period		0	(2)	100
Consolidated net profit for the period		29,185	38,341	(23.9)

GAINS AND LOSSES TAKEN DIRECTLY TO EQUITY

Profit for the period		29,185	38,341	(23.9)
Gains and losses not recognized in profit or loss				
– Exchange differences		(551)	996	> 100
– Available-for-sale reserve		13,710	(27,811)	> 100
– Arising from investments in entities accounted for using the equity method		(2,528)	(4,145)	(39.0)
– Deferred taxes on items taken directly to equity		(3,635)	5,307	> 100
Total		36,181	12,688	> 100

QUARTERLY REVIEW

€k	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Interest income	53,856	58,800	68,695	92,486	88,542
Interest expenses	(24,333)	(29,926)	(41,335)	(58,006)	(59,821)
Profit from investments in entities accounted for using the equity method	4,278	3,192	4,380	3,606	3,410
Net interest income	33,801	32,066	31,740	38,086	32,131
Charge for impairment losses on loans and advances	(10,325)	(9,463)	(9,288)	(2,360)	(5,936)
Net interest income after impairment losses on loans and advances	23,476	22,603	22,452	35,726	26,195
Net fee and commission income	9,669	9,554	9,649	9,877	9,986
Net trading income	555	488	362	378	(360)
General administrative expenses	(22,344)	(22,084)	(21,204)	(24,112)	(21,904)
Other operating income net of other operating expenses	637	1,020	836	1,112	250
Profit from financial assets (FV)	653	245	(3,471)	(4,879)	(1,424)
Profit from financial assets (AfS)	(357)	(250)	(536)	(15,250)	(1,229)
Profit for the period before tax	12,289	11,576	8,088	2,852	11,514
Income tax expense	(1,522)	(1,523)	277	720	8
Profit for the period	10,767	10,053	8,365	3,572	11,522
Minority interests in profit for the period	0	0	0	(1)	0
Consolidated net profit for the period	10,767	10,053	8,365	3,571	11,522

Balance Sheet of the BKS Bank Group as at 30 September 2009 (Statement of Financial Position)

ASSETS

€k	Note	30/9/2009	31/12/2008	+(-) Change, %
Cash and balances with the central bank	(10)	87,286	69,235	26.1
Receivables from other banks	(11)	150,222	406,073	(63.0)
Receivables from customers	(12)	4,465,731	4,282,276	4.3
– Impairment allowance balance	(13)	(109,950)	(96,178)	14.3
Trading assets	(14)	6,864	7,310	(6.1)
Financial assets designated as at fair value through profit or loss	(15)	125,788	127,462	(1.3)
Available-for-sale financial assets	(16)	304,684	344,021	(11.4)
Held-to-maturity financial assets	(17)	525,135	460,115	14.1
Investments in entities accounted for using the equity method	(18)	238,822	231,907	3.0
Intangible assets	(19)	14,629	14,730	(0.7)
Property and equipment	(20)	70,022	73,143	(4.3)
Investment property	(21)	16,876	17,589	(4.1)
Deferred tax assets	(22)	16,804	14,311	17.4
Other assets	(23)	32,223	23,701	36.0
Total assets		5,945,136	5,975,695	(0.5)

EQUITY AND LIABILITIES

€k	Note	30/9/2009	31/12/2008	+(-) Change, %
Payables to other banks	(24)	1,707,739	1,415,975	20.6
Payables to customers	(25)	3,038,408	3,493,121	(13.0)
Liabilities evidenced by paper	(26)	315,694	211,683	49.1
Trading liabilities	(27)	1,130	1,658	(31.8)
Provisions	(28)	80,373	82,738	(2.9)
Deferred tax liabilities	(29)	10,972	7,407	48.1
Other liabilities	(30)	61,119	58,141	5.1
Subordinated debt capital	(31)	240,799	240,301	0.2
Equity		488,902	464,671	5.2
Total minority interests and equity		488,911	464,660	5.2
Minority interests in equity	(9)	11	11	(181.8)
Total equity and liabilities		5,945,136	5,975,695	(0.5)

EARNINGS PER SHARE

	30/9/2009	30/9/2008
Average number of shares in issue	27,944,005	27,352,236 ¹
Earnings per share, € (diluted and undiluted)	1.39	1.87

¹ Allowing for the six-for-one stock split carried out on the Vienna stock exchange on 5 June 2009.

Earnings per share compares consolidated net profit for the period with the average number of no-par shares (*Stückaktien*) in issue based on a full year projection. In the period under review, earnings per share and diluted earnings per share were the same because no financial instruments with a dilution effect on the shares were outstanding.

Statement of Changes in Equity for the Period

TOTAL MINORITY INTERESTS AND EQUITY

€k	Subscribed Capital	Capital Reserves	Retained Earnings	Profit for the Year	Equity
At 1 January 2009	50,000	40,736	332,009	41,915	464,660
Distribution				(6,984)	(6,984)
Taken to retained earnings			34,931	(34,931)	0
Profit for the year				29,185	29,185
Gains and losses taken directly to equity			6,996		6,996
Capital increase					
Other changes	6,160	(6,160)	(4,946)		(4,946)
– Arising from use of the equity method			(4,553)		
– Arising from changes in treasury shares			(655)		
At 30 September 2009	56,160	34,576	368,990	29,185	488,911
Available-for-sale reserve					
Deferred tax reserve					

TOTAL MINORITY INTERESTS AND EQUITY

€k	Subscribed Capital	Capital Reserves	Retained Earnings	Profit for the Year	Equity
At 1 January 2008	50,000	40,736	309,011	50,762	450,509
Distribution				(6,835)	(6,835)
Taken to retained earnings			43,927	(43,927)	0
Profit for the year				38,341	38,341
Gains and losses taken directly to equity			(25,653)		(25,653)
Capital increase					
Other changes			(10,608)		(10,608)
– Arising from use of the equity method			(10,357)		
– Arising from changes in treasury shares			(81)		
At 30 September 2008	50,000	40,736	316,677	38,341	445,754
Available-for-sale reserve					
Deferred tax reserve					

Cash Flow Statement (Statement of Cash Flows)

CASH FLOWS

	€k	1/1–30/9/2009	1/1–30/9/2008
Cash and cash equivalents at end of previous period		69,235	80,822
Net cash from operating activities		54,570	74,810
Net cash from (used in) investing activities		(29,379)	(120,479)
Net cash from (used in) financing activities		(7,140)	23,332
Cash and cash equivalents at end of period		87,286	58,485

Cash and cash equivalents are recognized in the line item *Cash and balances with the central bank*.

Notes to the Consolidated Financial Statements of BKS Bank

Principal accounting policies

I. General information

The Interim Financial Statements of the BKS Bank Group as at and for the nine months ended 30 September 2009 were prepared in accordance with the provisions of the IFRS standards (IFRSs) published by the IASB (International Accounting Standards Board) applicable as at the reporting date and as adopted by the EU pursuant to IAS 34. Account was also taken of the relevant interpretations by the International Financial Reporting Interpretations Committee (IFRIC/SIC).

II. Recognition and measurement

Scope of consolidation

Consolidated:

- BKS Bank AG, Klagenfurt
- BKS Bank d.d., Rijeka
- BKS-Leasing Gesellschaft m.b.H., Klagenfurt
- BKS-Immobilienleasing Gesellschaft m.b.H., Klagenfurt
- BKS-leasing d.o.o., Ljubljana
- BKS-leasing Croatia d.o.o., Zagreb
- BKS-Leasing a.s., Bratislava¹
- IEV Immobilien GmbH, Klagenfurt
- Immobilien Errichtungs- u. Vermietungsgesellschaft m.b.H. & Co. KG, Klagenfurt
- BKS Zentrale-Errichtungs- u. Vermietungsgesellschaft m.b.H., Klagenfurt
- BKS Hybrid alpha GmbH, Klagenfurt
- VBG-CH Verwaltungs- und Beteiligungs GmbH, Klagenfurt (first included as of 1 January 2009)²
- LVM Beteiligungs Gesellschaft m.b.H., Vienna (first included as of 1 January 2009)²

Investments accounted for using the equity method:

- Oberbank AG, Linz
- Bank für Tirol und Vorarlberg AG, Innsbruck
- Alpenländische Garantie-Gesellschaft m.b.H., Linz
- Drei-Banken Versicherungs-Aktiengesellschaft, Linz

¹ BKS-Leasing a.s. makes up a subgroup together with BKS-Finance s.r.o.

² BKS Bank AG holds 100 per cent of the shares in VBG-CH Verwaltungs- und Beteiligungs GmbH, which, in turn, holds 100 per cent of the shares in LVM Beteiligungs Gesellschaft m.b.H. Its assets arise from the granting of funds to foreign subsidiaries in the Group. Both VBG-CH Verwaltungs- und Beteiligungs GmbH and LVM Beteiligungs Gesellschaft m.b.H. were included in the Consolidated Financial Statements for the first time as of 1 January 2009.

Consolidation policies

All material subsidiaries directly or indirectly under the control of BKS Bank were included in the Consolidated Financial Statements. During the elimination of investments in and equity of subsidiaries on consolidation, an entity's cost was compared with (the Group's interest in) the entity's remeasured equity. Materiality was judged applying common, Group-wide criteria. The principal criteria of materiality were the assets, earnings and size of workforce of the entity concerned. These Consolidated Financial Statements are thus based on the separate financial statements of all the consolidated entities, which were prepared applying common, Group-wide policies. Investments in material associates were accounted for using the equity method. All other equity investments were classified as available-for-sale financial assets and, if their fair value could not be reliably measured, recognized at cost.

Foreign currency translation

These Interim Financial Statements were prepared in euros. Assets and liabilities denominated in foreign currencies were generally translated at the market exchange rates ruling at the reporting date. The financial statements of subsidiaries that were not prepared in euros were translated using the *modified closing rate method*. Assets and liabilities were translated at the closing rate on the reporting date. Expenses and income were translated applying average rates of exchange. Exchange differences were recognized as a separate component of equity.

Impairment allowance balance

Account was taken of risks identifiable at the time of the Balance Sheet's preparation by recognizing item-by-item charges for impairment losses and creating provisions. The total impairment allowance balance is disclosed as a deduction on the assets side of the Balance Sheet. We recognized charges for individual risk positions on an item-by-item basis applying classification-specific criteria. Provisions for contingent liabilities were recognized on the equity and liabilities side of the Balance Sheet in the line item *Provisions*. In addition, a collective assessment of impairment of the portfolio was carried out in accordance with IAS 39.64.

Trading assets and liabilities

Within the line item *Trading assets*, primary financial instruments were measured at fair value. Derivative financial instruments were measured at fair value. Financial instruments with negative fair values were recognized on the Balance Sheet in the line item *Trading liabilities*. Revaluation gains and losses on this item were recognized in the Income Statement in the line item *Net trading income*. Interest expenses incurred in the financing of trading assets were reported in the line item *Net interest income*.

Derivatives

Derivative financial instruments were measured at fair value. Changes in value were generally recognized in the Income Statement.

Receivables

Receivables were recognized on the Balance Sheet at amortized cost before impairment allowances.

Property, equipment, intangible assets (non-current) and investment property

Property, equipment and intangible assets (non-current) and investment property were recognized at cost of acquisition or conversion less ordinary depreciation or amortization. Annual depreciation and amortization lay within the following bands:

- immovable assets: 1.5 to 3.0 per cent;
- office furniture and equipment: 10 to 25 per cent;
- software: 25 per cent.

Impairments are allowed for by recognizing extraordinary depreciation or amortization. If an impairment no longer exists, a write-back is made up to the asset's amortized cost. No extraordinary depreciation or amortization was recognized during the period under review.

Leasing

The leased assets within the Group required recognition as assets leased under finance leases (the risks and rewards incident to ownership of an asset remaining with the lessee for the purposes of IAS 17). Leased assets were recognized as receivables in the amount of the present values of the agreed payments taking into account any residual values.

Financial assets designated as at fair value through profit or loss

The measurement of certain positions took place under the collective designation *as at fair value through profit or loss (FV)* using the fair value option. They were thus measured at fair value through profit or loss and the revaluation gain or loss was recognized in the Income Statement in the line item *Profit from financial assets designated as at fair value through profit or loss*.

Available-for-sale financial assets

Available-for-sale (AfS) securities are a separate category of financial instrument. They were generally measured applying stock exchange prices. If these were not available, values of interest rate products were estimated using present value techniques. Revaluation gains and losses were recognized in the AfS reserve and not through profit or loss. If such securities were sold, the corresponding part of the AfS reserve was released through profit or loss. In the event of impairment (e.g. a debtor in severe financial difficulties or a measurable diminution of the expected cash flows), a charge for the impairment was recognized in the Income Statement. If the reason for such a charge no longer existed, a write-back was made. In the case of equity capital instruments, it was made to equity through the AfS reserve. In the case of debt instruments, it was made to income. Investments in entities that were neither consolidated nor accounted for using the equity method were deemed to be part of the AfS portfolio.

Held-to-maturity financial assets

This line item comprises financial instruments that are to be held to maturity (HtM). Premiums and discounts are spread over their term using the *effective interest rate method*. Impairment losses were recognized in the Income Statement.

Investment property

This line item encompasses property intended for letting to third parties. It was measured at amortized cost (*cost method*). The fair values of investment properties are disclosed in the Notes. They are, for the most part, based on estimates (external expertises).

Other assets

The line item *Other assets* accounts for receivables not arising directly from banking business.

Payables

Payables were recognized at the amounts payable.

Deferred tax

The reporting and calculation of income tax expense took place in accordance with IAS 12. The calculation for each taxed entity was carried out applying the tax rates that, according to current tax legislation, were expected to be applied in the tax period in which a temporary difference was going to reverse. Deferred taxes were computed on the basis of differences between the measured values of assets or liabilities and the relevant tax base. These were expected to cause additional tax burdens or reduce tax burdens in the future.

Equity

Equity consists of paid-in and earned capital (retained earnings, gains and losses taken to equity in accordance with IAS 39 and profit for the year).

Provisions

Provisions were created if there was a reliably determinable legal or actual obligation to a third party arising from an event in the past likely to cause a drain of assets.

“Social capital” provisions (*Sozialkapitalrückstellungen*) were calculated in accordance with the provisions of IAS 19.

An interest rate of 4.75 per cent was applied when calculating provisions for post-employment, termination and jubilee benefits (31 December 2008: 4.75 per cent). Other parameters were applied as follows:

- salary trend: 2.75 per cent (31 December 2008: 2.75 per cent);
- career trend: 0.25 per cent.

The “corridor” method was not applied.

The provision for mortality benefits was also calculated in compliance with the principles of IFRSs.

Net interest income

Interest income and interest expenses were accounted for on an accrual basis. This line item also includes profit from equity investments. Profit from investments in entities accounted for using the equity method was disclosed net of the associated financing costs in the line item *Net interest income*.

Charge for impairment losses on loans and advances

This line item captures impairment allowances and impairment reversals and transfers to and releases from impairment provisions. Recoveries on receivables previously written off were also accounted for in this line item.

Net fee and commission income

This line item comprises income from services rendered to third parties net of expenses attributed to such services.

Net trading income

This line item contains income from items in the trading book and expenses arising from our proprietary trading activities inclusive of gains and losses resulting from mark-to-market valuations.

Other notes

Forward-looking assumptions and estimates regarding yield curves and foreign exchange rates were made as required.

The assumptions and estimates made for the purposes of the Consolidated Financial Statements were made on the basis of the knowledge and information available at the reporting date.

(1) NET INTEREST INCOME

	€k	Q1–Q3 2009	Q1–Q3 2008	+(-) Change, %
Interest income from:				
Credit operations		139,735	204,496	(31.7)
Fixed-interest securities		23,265	21,655	7.4
Lease receivables		11,716	13,525	(13.4)
Shares and investments in subsidiaries		5,877	8,942	(34.3)
Investment property		758	565	34.2
Total interest income		181,351	249,183	(27.2)
Interest expenses on:				
Deposits from other banks and customers ¹		79,294	151,379	(47.6)
Liabilities evidenced by paper		16,032	16,175	(0.9)
Investment property		268	210	27.6
Total interest expenses		95,594	167,764	(43.0)
Profit from investments in entities accounted for using the equity method				
Income from investments in entities accounted for using the equity method		13,681	16,699	(18.1)
Financing costs of investments in entities accounted for using the equity method ²		(1,831)	(5,997)	(69.5)
Profit from investments in entities accounted for using the equity method		11,850	10,702	10.7
Net interest income		97,607	92,121	6.0

¹ Net of financing costs of investments in entities accounted for using the equity method. ² Based on the average 3-month Euribor.

(2) CHARGE FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	€k	Q1–Q3 2009	Q1–Q3 2008	+(-) Change, %
Impairment allowances		29,116	20,354	43.0
Impairment reversals		(3,226)	(3,148)	2.5
Direct write-offs		3,595	730	> 100
Recoveries on receivables previously written off		(409)	(300)	36.3
Charge for impairment losses on loans and advances		29,076	17,636	64.9

(3) NET FEE AND COMMISSION INCOME

	€k	Q1–Q3 2009	Q1–Q3 2008	+(-) Change, %
Fee and commission income from:				
Payment services		12,198	11,794	3.4
Securities business		8,219	10,449	(21.3)
Credit operations		7,462	7,352	1.5
International business		2,762	4,816	(42.6)
Other services		885	841	5.2
Total fee and commission income		31,526	35,252	(10.6)
Fee and commission expenses arising from:				
Payment services		852	850	0.2
Securities business		503	853	(41.0)
Credit operations		381	700	(45.6)
International business		616	1,664	(63.0)
Other services		302	255	18.4
Total fee and commission expenses		2,654	4,322	(38.6)
Net fee and commission income		28,872	30,930	(6.7)

(4) NET TRADING INCOME

	€k	Q1–Q3 2009	Q1–Q3 2008	+(-) Change, %
Price-based contracts		51	(49)	> 100
Interest rate and currency contracts		1,354	1,079	25.5
Net trading income		1,405	1,030	36.4

(5) GENERAL ADMINISTRATIVE EXPENSES

	€k	Q1–Q3 2009	Q1–Q3 2008	+(-) Change, %
Staff costs		43,713	42,991	1.7
– Wages and salaries		31,945	30,785	3.8
– Social security costs		7,965	7,882	1.1
– Costs of retirement benefits		3,803	4,324	(12.0)
Other administrative costs		17,404	16,643	4.6
Depreciation		4,515	4,117	9.7
General administrative expenses		65,632	63,751	3.0

(6) OTHER OPERATING INCOME NET OF OTHER OPERATING EXPENSES

	€k	Q1–Q3 2009	Q1–Q3 2008	+(-) Change, %
Other operating income		3,711	2,940	26.2
Other operating expenses		(1,218)	(1,122)	8.6
Other operating income net of other operating expenses		2,493	1,818	37.1

(7) PROFIT FROM FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	€k	Q1–Q3 2009	Q1–Q3 2008	+(-) Change, %
Revaluation gains and losses on derivatives		(1,378)	(313)	> 100
Profit from use of the fair value option		(1,195)	129	> 100
Profit from financial assets designated as at fair value through profit or loss		(2,573)	(184)	> 100

(8) PROFIT FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

	€k	Q1–Q3 2009	Q1–Q3 2008	+(-) Change, %
Unrealized and realized gains and losses		(1,143)	(2,739)	(58.3)
Profit from available-for-sale financial assets		(1,143)	(2,739)	(58.3)

(9) TAX EXPENSE

	€k	Q1–Q3 2009	Q1–Q3 2008	+(-) Change, %
Current tax		(5,330)	(4,351)	22.5
Deferred tax		2,562	1,105	> 100
Tax expense		(2,768)	(3,246)	(14.7)

(10) CASH AND BALANCES WITH THE CENTRAL BANK

	€k	30/9/2009	31/12/2008	+(-) Change, %
Cash in hand		24,688	34,136	(27.7)
Credit balances with central banks of issue		62,598	35,099	78.3
Cash and balances with the central bank		87,286	69,235	26.1

(11) RECEIVABLES FROM OTHER BANKS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Receivables from Austrian banks		31,991	94,034	(66.0)
Receivables from foreign banks		118,231	312,039	(62.1)
Receivables from other banks		150,222	406,073	(63.0)

(12) RECEIVABLES FROM CUSTOMERS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Corporate and business banking customers		3,589,361	3,417,478	5.0
Retail banking customers		876,370	864,798	1.3
Receivables from customers		4,465,731	4,282,276	4.3

(13) IMPAIRMENT ALLOWANCE BALANCE

	€k	30/9/2009	31/12/2008
At beginning of period under review		96,178	96,281
+ Added		25,359	19,950
– Released		(3,226)	(4,833)
– Used		(8,361)	(15,391)
+ Exchange differences		—	171
At end of period under review		109,950	96,178

(14) TRADING ASSETS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Bonds and other fixed-interest securities		169	168	0.6
Shares and other variable-yield securities		64	6	> 100
Positive fair values of derivative financial instruments				
– Currency contracts		0	15	(100.0)
– Interest rate contracts		1,094	1,584	(30.9)
Other contracts		5,537	5,537	—
Trading assets		6,864	7,310	(6.1)

(15) FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Bonds and other fixed-interest securities		82,780	82,044	0.9
Loans		43,008	45,418	(5.3)
Financial assets designated as at fair value through profit or loss		125,788	127,462	(1.3)

(16) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Bonds and other fixed-interest securities		175,595	220,758	(20.5)
Shares and other variable-yield securities		85,094	77,322	10.1
Investments in subsidiaries		29,805	31,755	(6.1)
Other equity investments		14,190	14,186	0.0
Available-for-sale financial assets		304,684	344,021	(11.4)

(17) HELD-TO-MATURITY FINANCIAL ASSETS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Bonds and other fixed-interest securities		525,135	460,115	14.1
Held-to-maturity financial assets		525,135	460,115	14.1

(18) INVESTMENTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

	€k	30/9/2009	31/12/2008	+(-) Change, %
Oberbank AG		155,990	154,941	0.7
Bank für Tirol und Vorarlberg AG		77,977	72,640	7.3
Alpenländische Garantie-GmbH		938	643	45.9
Drei-Banken Versicherungs-AG		3,917	3,683	6.4
Investments in entities accounted for using the equity method		238,822	231,907	3.0

(19) INTANGIBLE ASSETS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Goodwill		12,197	12,181	0.1
Other intangible assets		2,432	2,549	(4.6)
Intangible assets		14,629	14,730	(0.7)

(20) PROPERTY AND EQUIPMENT

	€k	30/9/2009	31/12/2008	+(-) Change, %
Land		2,626	2,364	11.1
Buildings		46,162	48,375	(4.6)
Other		21,234	22,404	(5.2)
Property and equipment		70,022	73,143	(4.3)

(21) INVESTMENT PROPERTY

	€k	30/9/2009	31/12/2008	+(-) Change, %
Land		8,247	8,508	(3.1)
Buildings		8,629	9,081	(5.0)
Investment property		16,876	17,589	(4.1)

(22) DEFERRED TAX ASSETS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Deferred tax assets		16,804	14,311	17.4

(23) OTHER ASSETS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Positive fair values of derivative financial instruments		8,204	5,570	47.3
Other items		21,939	15,984	37.3
Deferred items		2,080	2,147	(3.1)
Other assets		32,223	23,701	36.0

(24) PAYABLES TO OTHER BANKS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Payables to Austrian banks		1,302,605	1,010,716	28.9
Payables to foreign banks		405,134	405,259	—
Payables to other banks		1,707,739	1,415,975	20.6

(25) PAYABLES TO CUSTOMERS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Savings deposit balances		1,800,763	1,677,549	7.3
Corporate and business banking customers		338,380	270,876	24.9
Retail banking customers		1,462,383	1,406,673	4.0
Other payables		1,237,645	1,815,572	(31.8)
Corporate and business banking customers		745,549	1,336,443	(44.2)
Retail banking customers		492,096	479,129	2.7
Payables to customers		3,038,408	3,493,121	(13.0)

(26) LIABILITIES EVIDENCED BY PAPER

	€k	30/9/2009	31/12/2008	+(-) Change, %
Issued bonds		226,965	125,929	80.2
Other liabilities evidenced by paper		88,729	85,754	3.5
Liabilities evidenced by paper		315,694	211,683	49.1

(27) TRADING LIABILITIES

	€k	30/9/2009	31/12/2008	+(-) Change, %
Interest rate contracts		1,130	1,658	(31.8)
Trading liabilities		1,130	1,658	(31.8)

(28) PROVISIONS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Provisions for post-employment benefits and similar obligations		71,699	71,093	0.9
Provisions for taxes (current tax)		598	196	> 100
Other provisions		8,076	11,449	(29.5)
Provisions		80,373	82,738	(2.9)

(29) DEFERRED TAX LIABILITIES

	€k	30/9/2009	31/12/2008	+(-) Change, %
Deferred tax liabilities		10,972	7,407	48.1

(30) OTHER LIABILITIES

	€k	30/9/2009	31/12/2008	+(-) Change, %
Negative fair values of derivative financial instruments		28,903	37,922	(23.8)
Other items		31,367	18,962	65.4
Deferred items		849	1,257	(32.5)
Other liabilities		61,119	58,141	5.1

(31) SUBORDINATED DEBT CAPITAL

	€k	30/9/2009	31/12/2008	+(-) Change, %
Supplementary capital		220,799	220,301	0.2
Hybrid capital		20,000	20,000	—
Subordinated debt capital		240,799	240,301	0.2

(32) SEGMENT REPORTING

Method: Net interest income was allocated using the *market interest rate method*. Incurred costs were allocated to individual business segments on a cost-by-cause basis. Structural income was allocated to the financial markets segment. Capital was allocated according to regulatory criteria. Average allocated equity was measured applying an interest rate of 5 per cent and the result was recognized as profit from investing equity in the line item *Net interest income*. The performance of each business segment was measured in terms of the profit before tax recorded by that segment. Alongside the cost:income ratio, the return on equity was also one of the principal benchmarks for managing business segments.

CORPORATE AND BUSINESS BANKING AND RETAIL BANKING SEGMENTS

	€k	Corporate and Business Banking		Retail Banking	
		Q1–Q3 2009	Q1–Q3 2008	Q1–Q3 2009	Q1–Q3 2008
Net interest income		60,472	40,265	25,913	23,305
Charge for impairment losses on loans and advances		(27,313)	(16,434)	(1,763)	(1,202)
Net fee and commission income		16,305	17,081	12,004	13,018
Net trading income		—	—	—	—
General administrative expenses		(24,815)	(22,692)	(35,357)	(34,675)
Other operating income net of other operating expenses		1,712	940	334	763
Profit from financial assets		—	—	—	—
Profit for the period before tax		26,361	19,160	1,131	1,209
Average risk-weighted assets		3,022,409	2,747,308	472,198	583,806
Average allocated equity		241,793	219,785	37,776	46,705
ROE based on profit for the period		14.5%	11.6%	4.0%	3.5%
Cost:income ratio		31.6%	38.9%	92.4%	93.5%

FINANCIAL MARKETS AND OTHER SEGMENTS

	€k	Financial Markets		Other	
		Q1–Q3 2009	Q1–Q3 2008	Q1–Q3 2009	Q1–Q3 2008
Net interest income		10,902	28,788	320	(237)
Charge for impairment losses on loans and advances		—	—	—	—
Net fee and commission income		425	1,361	138	(530)
Net trading income		1,405	1,030	—	—
General administrative expenses		(4,836)	(5,683)	(624)	(701)
Other operating income net of other operating expenses		187	(36)	260	151
Profit from financial assets		(3,716)	(2,923)	—	—
Profit for the period before tax		4,367	22,537	94.0	(1,317)
Average risk-weighted assets		632,094	593,397	49,075	142,898
Average allocated equity		191,614	165,646	5,603	15,996
ROE based on profit for the period		3.0%	18.1%	—	—
Cost:income ratio		37.4%	18.2%	—	—

ALL SEGMENTS

	€k	Total	
		Q1–Q3 2009	Q1–Q3 2008
Net interest income		97,607	92,121
Charge for impairment losses on loans and advances		(29,076)	(17,636)
Net fee and commission income		28,872	30,930
Net trading income		1,405	1,030
General administrative expenses		(65,632)	(63,751)
Other operating income net of other operating expenses		2,493	1,818
Profit from financial assets		(3,716)	(2,923)
Profit for the period before tax		31,953	41,589
Average risk-weighted assets		4,175,776	4,067,409
Average allocated equity		476,786	448,132
ROE based on profit for the period		7.6%	12.9%
Cost:income ratio		50.3%	50.6%

(33) CONTINGENT LIABILITIES AND COMMITMENTS

	€k	30/9/2009	31/12/2008	+(-) Change, %
Guarantees		367,872	371,404	(1.0)
Letters of credit		1,564	2,211	(29.3)
Contingent liabilities		369,436	373,615	(1.1)
“Non-genuine” or “pseudo” repos (<i>unechte Pensionsgeschäfte</i>)		5,537	5,537	—
Other commitments		826,058	767,480	7.6
Commitments		831,595	773,017	7.6

(34) EVENTS AFTER THE INTERIM REPORTING DATE

On 27 October 2009, the Management Board of BKS Bank AG decided, with the consent of the Supervisory Board, to issue a total of 4,680,000 new ordinary no-par shares in the course of a capital increase carried out in October, increasing the company's capital stock from €56,160,000 to €65,520,000. The invitation to subscribe for the new ordinary no-par shares (so-called “Young Shares”) commenced on 5 October and expired on 23 October 2009. All the new shares on offer were placed in the market. Based on an issue price of €15.75 per new share, the gross proceeds from the capital increase came to €73,710,000.

(35) BALANCE OF DERIVATIVES OUTSTANDING

The nominal and fair values of the derivative contracts outstanding (banking and trading books) were as follows:

30/9/2009	€k	Nominal, by term to maturity				Fair values	
		< 1 Year	1–5 Years	> 5 Years	Total	Positive	Negative
Currency contracts		796,879	933,304	—	1,730,183	606	3,179
– Of which in trading book		—	—	—	—	—	—
Interest rate contracts		257,190	537,902	288,676	1,083,768	6,810	23,009
– Of which in trading book		120,360	1,920	1,800	124,080	491	510
Securities contracts		1,045	—	—	1,045	—	50
– Of which in trading book		—	—	—	—	—	—
Total		1,055,115	1,971,206	288,676	2,814,996	7,416	26,238
– Of which in trading book		120,360	1,920	1,800	124,080	491	510

31/12/2008	€k	Nominal, by term to maturity			Total	Fair values	
		< 1 Year	1 – 5 Years	> 5 Years		Positive	Negative
Currency contracts		904,756	1,044,409	—	1,949,165	2,460	16,120
– Of which in trading book		1,000	—	—	1,000	16	—
Interest rate contracts		188,814	822,248	269,304	1,280,366	3,627	21,881
– Of which in trading book		120,360	122,400	1,680	244,440	471	523
Securities contracts		—	—	—	—	—	—
– Of which in trading book		—	—	—	—	—	—
Total		1,093,570	1,866,657	269,304	3,229,531	6,087	37,801
– Of which traded on an exchange		—	—	—	—	—	—

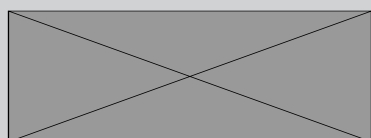
This Interim Report does not require auditing and, therefore, has not been fully audited or examined by an auditor.

Statement by BKS Bank's Management on the Interim Report

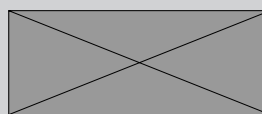
“We confirm that, to the best of our knowledge, the Consolidated Interim Financial Statements as at and for the nine months ended 30 September 2009 prepared in accordance with the applicable financial reporting standards present fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the BKS Bank Group and that the Group Management Report on the first three quarters presents fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the BKS Bank Group with respect to important events occurring during the first nine months of the financial year and their impact on the Consolidated Interim Financial Statements and with respect to the material risks and uncertainties for the remaining three months of the financial year.”

Klagenfurt

18 November 2009



Heimo Penker (CEO)



Herta Stockbauer

Forward-looking statements

This Interim Report as at and for the nine months ended 30 September 2009 contains statements and forecasts concerning the future performance and development of the BKS Bank Group. These forecasts are estimates made by us on the basis of all the information available to us on the copy deadline date of 19 November 2009. If the assumptions upon which such forecasts were based prove wrong or if risk events transpire, actual results may differ from those that are currently expected. This Interim Report does not constitute a recommendation to buy or sell shares of *BKS Bank AG*.

This is an unaudited translation of the original Interim Report published in German in November 2009.

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Internet: www.bks.at.

e-mail: bks@bks.at, investor.relations@bks.at.

Photo of the Management Board: Gernot Gleiss.

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Translated by Adrian Weisweiller MA (Oxon), London.