

Committed
to responsible
Growth.

The BKS Bank Group at a glance

Income account, €m	H1 2009	H1 2008	H1 2007
Net interest income	63.8	60.0	51.8
Charge for impairment losses on loans and advances	(18.8)	(11.7)	(12.1)
Net fee and commission income	19.2	20.9	22.3
General administrative expenses	(43.3)	(41.8)	(39.0)
Profit for the period before tax	19.7	30.1	28.7
Consolidated net profit	18.4	26.8	25.4
Balance sheet data, €m	30/6/2009	31/12/2008	31/12/2007
Assets	6,068.6	5,975.7	5,752.7
Receivables from customers after allowance for impairment losses on loans and advances	4,318.5	4,186.1	3,561.6
Primary funds	3,573.7	3,945.1	3,781.8
— Of which savings deposit balances	1,747.3	1,677.5	1,443.7
— Of which liabilities evidenced by paper, including subordinated debt capital	528.2	452.0	451.8
Equity	473.6	464.7	450.5
Customer funds under management	8,595.7	8,739.3	10,057.9
— Of which in customers' securities accounts	5,022.0	4,794.2	6,276.1
Own funds within the meaning of BWG, €m	30/6/2009	31/12/2008	31/12/2007
Risk-weighted assets	4,232.4	4,087.7	4,039.2
Own funds	453.3	450.9	405.1
— Of which Tier 1 capital	280.9	281.9	235.9
Surplus own funds before operational risk	114.8	123.9	82.0
Surplus own funds after operational risk	91.6	102.7	82.0
Tier 1 ratio, %	6.64	6.90	5.84
Own funds ratio, %	10.71	11.03	10.03
Performance, %	H1 2009	2008	2007
Return on equity before tax	7.6	9.7	13.7
Return on equity after tax	6.9	9.2	11.7
Cost:income ratio	50.5	50.1	52.6
Risk:earnings ratio (credit risk in per cent of net interest income)	29.4	15.4	17.7
Resources	H1 2009	2008	2007
Average number of staff	876	860	803
Branches	56	54	51
BKS Bank's shares	H1 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), 5/6–30/6/2009 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), 5/6–30/6/2009 ¹	1,800,000 ¹	—	—
High: ordinary/preference share, € ¹	18.17/15.33 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	17.51/14.13 ¹	110.0/92.0	113.5/100.0
Market capitalization, €m (at end of period under review)	485.6	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	
	H1 2009	H1 2008	H1 2009	H1 2008	H1 2009	H1 2008
Net interest income	63.8	60.0	134.0	139.7	66.6	71.5
Charges for impairment losses on loans and advances	(18.8)	(11.7)	(49.6)	(31.3)	(15.0)	(12.3)
Net fee and commission income	19.2	20.9	43.5	49.1	20.4	21.6
General administrative expenses	(43.3)	(41.8)	(102.6)	(102.4)	(47.6)	(47.2)
Profit for the period before tax	19.7	30.1	43.7	57.8	30.3	30.1
Consolidated net profit	18.4	26.8	38.3	52.7	26.1	25.6
Balance sheet data, €m	30/6/09	31/12/08	30/6/09	31/12/08	30/6/09	31/12/08
Assets	6,068.6	5,975.7	15,866.2	15,314.0	8,555.9	8,495.6
Receivables from customers after allowance for impairment losses on loans and advances	4,318.5	4,186.1	9,544.7	9,248.6	5,527.3	5,750.4
Primary funds	3,573.7	3,945.1	10,298.3	10,016.7	6,269.1	6,352.8
— Of which savings deposit balances	1,747.3	1,677.5	3,410.9	3,301.9	1,360.4	1,245.9
— Of which liabilities evidenced by paper, including subordinated debt capital	528.2	452.0	1,903.2	1,897.4	1,249.6	1,289.7
Equity	473.6	464.7	921.6	894.1	573.8	553.6
Customer funds under management	8,595.7	8,739.3	17,300.6	17,039.1	10,176.3	10,258.4
— Of which in customers' securities accounts	5,022.0	4,794.2	7,002.3	7,022.4	3,907.2	3,905.6
Own funds within the meaning of BWG, €m	30/6/09	31/12/08	30/6/09	31/12/08	30/06/09	31/12/08
Risk-weighted assets	4,232.4	4,087.7	10,274.4	9,970.2	5,536.1	5,613.7
Own funds	453.3	450.9	1,274.5	1,286.1	735.2	670.6
— Of which Tier 1 capital	280.9	281.9	822.5	824.7	464.2	429.2
Surplus own funds before operational risk	114.8	123.9	450.3	487.1	292.3	221.5
Surplus own funds after operational risk	91.6	102.7	399.7	436.5	271.8	201.0
Tier 1 ratio, %	6.64	6.90	8.01	8.27	8.37	7.61
Own funds ratio, %	10.71	11.03	12.40	12.90	13.27	11.93
Performance, %	H1 2009	2008	H1 2009	2008	H1 2009	2008
Return on equity before tax	7.6	9.7	9.7	12.8	10.8	9.2
Return on equity after tax	6.9	9.2	8.5	11.8	9.3	9.2
Cost:income ratio	50.5	50.1	52.4	52.4	52.5	48.9
Risk:earnings ratio	29.4	15.4	37.0	22.5	22.5	20.0
Resources	H1 2009	2008	H1 2009	2008	H1 2009	2008
Average number of staff	876	860	1,977	1,983	882	879
Branches	56	54	133	134	43	44



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

We welcome you warmly to our second letter to our shareholders in 2009. Please join us for an online look at the BKS Bank Group's business performance during the first half of 2009. As you can see from these financial statements as at and for the six months ended 30 June 2009, BKS Bank recorded another satisfactory overall result in an environment that was still very difficult while at the same time maintaining strict cost and risk discipline. We were pleased with both our net interest income and our general administrative expenses. In addition, BKS Bank has a solid capital base. Our assets grew by 1.6 per cent to roughly €6.07 billion in the first six months on this year. As in prior periods, growth was driven mainly by our robust customer operations, the principal features of which were an increase in receivables from customers to €4.42 billion and inflows of primary funds in the form of savings deposits and the proceeds from the bank's own issuances. On the other hand, the Income Statement was affected by a sharp increase in the charge for impairment losses on loans and advances as a result of the recessionary economic environment. Although profit for the period increased significantly from €8.4 million in the first three months of the year to €10.1 million in the second half, our first-half profit from operating activities, which came to €18.4 million, was down on the record total of €26.8 million recorded in the same period of 2008.

Let us review our 70th AGM, which took place on 29 May at BKS Bank's registered headquarters in Klagenfurt. Over 91 per cent of the bank's voting capital was represented at this meeting of our shareholders, as was more than 26 per cent of our free float. We were delighted to be able to welcome many of our shareholders in person. All motions were carried unanimously. Among other things, besides formal approval of the actions of the Management Board and Supervisory Board in the 2008 financial year and motions on the appropriation of net profit in the 2008 financial year and on increasing the company's capital stock out of internal funds by €6.16 million to €56.16 million, the shareholders' meeting also approved a six-for-one stock split. It took place on the Vienna stock exchange on 5 June 2009. During the stock split, the number of ordinary shares increased by a factor of six from 4,380,000 to 26,280,000, and the number of preference shares increased from 300,000 to 1,800,000. The prices of both share classes were adjusted to one sixth of their current prices on 5 June 2009. Since our ordinary no-par share had been trading in the three-digit range for some time, we believe that this change will greatly increase the tradability of BKS shares and, therefore, their attractiveness to investors. The BKS Bank ordinary is listed in the *Standard Market Auction* segment. At the time of writing (20 August), it was trading at €17.59, and on the same day, the no-par preference share was worth €14.20.

In addition, the AGM voted to re-elect the Supervisory Board members Josef Korak (Chief Executive Officer of *Omya Central Europe*), Maximilian Meran (former CEO of *BKS Bank AG*) and Robert Zadrazil (chairman of the management board of *Schöllerbank AG*).

The economic setting in which banks are operating

In recent months, the world economic outlook has brightened for the first time since the start of the global financial crisis. The central banks' concerted monetary and fiscal policies and accompanying governmental stability programmes have succeeded in largely defusing the stubborn recession. However, even if the downtrend slowed considerably, especially in the second quarter, the world economy has yet to emerge from the economic shadows. The annualized real GDP decline in the United States slowed to just 1 per cent in the period between April and June 2009, following 6.4 per cent shrinkage in the world's biggest economy at the beginning of 2009. This year, WIFO expects America's real GDP to decline by 2.7 per cent, following growth of 1.1 per cent in 2008. The pace of economic decline also slowed outside the OECD and in most of the emerging economies in Asia.

Germany and France—the eurozone's two biggest economies—having managed to exit the recession in the second quarter of 2009 thanks to economic growth of 0.3 per cent, the economic situation in the remainder of the eurozone also appears at least to have stabilized. However, import demand from the United States and from the countries of Eastern Central Europe—where the rapid catch-up process has come virtually to a standstill—is still too weak to permanently revive exports. The utilization of production capacities is at a historic low in virtually every country in the eurozone. Although the latest company surveys and key indicators like new orders and industrial output suggest that the economic horizon will brighten from the third quarter of 2009, numerous branches of the economy, including in particular the material goods and service industries, are still in an economic trough. On the other hand, rigorous restructuring and cost-cutting are already helping generate a perceptible rise in profits in a number of sectors. In the wake of the recession, the difficult situation in labour markets worsened throughout the eurozone. The jobless rate having risen to 9.4 per cent, *Eurostat* estimated that the number of people unable to find a job had already reached about 14.9 million at the end of June 2009. On the other hand, some inflation rates have fallen to below zero in recent weeks because, above all, of substantially lower energy prices than a year ago.

WIFO has now revised its real GDP growth forecast for the eurozone in 2009 as a whole to negative 4.2 per cent, following positive growth of 0.8 per cent in the 2008. In Austria, there have been massive annualized declines in exports and investment of 15.1 and 5.9 per cent, respectively, and consumer demand has only grown by a marginal 0.2 per cent. As a result, Austria's real GDP is likely to decline by 3.4 per cent in 2009. However, WIFO expects both the eurozone and Austria to achieve modest real GDP growth of 0.3 and 0.5 per cent, respectively, in 2010.

The central banks continued their expansionary monetary policies in the first half of 2009. Even after the latest interest rate adjustments, key rates in the major currency zones are still close to zero. The Federal Reserve's Open Market Committee has so far left its target rate for overnight money unchanged in a corridor from zero to 0.25 per cent while underscoring its intention to use every available tool to promote economic recovery and preserve price stability. The ECB too has continued its pragmatic, price stability-orientated policy of monetary easing. On 13 May, it cut its minimum bid rate on its main refinancing operations to just 1 per cent, and in addition, it has to date lent roughly €900 billion in the interbank market. The package of €442 billion of repo financing offered to 1,121 banks has also attracted a great deal of attention because of the facility's 12-month duration. Moreover, the ECB has presented a programme for the gradual purchasing of covered bonds that is provisionally in place until June 2010.

Signs of an approaching end to the economic crisis have led to a palpable easing of tension in the money and capital markets. Both share prices and yields on long-term government bonds have risen significantly. However, one cannot yet say for certain whether the rise in the key indices (Dow Jones to 9,350.05 points at the time of writing; Euro Stoxx 50 to 2,663.67 points) on the back of important technical indicators (P/E, dividend yield) after the lows in March is already the hoped-for sustainable trend reversal in the world's stock markets. Numerous factors that are hard to gauge—including, above all, serious budget deficits, the increasingly negative state of job markets, stagnant consumer spending, continuing volatility in the prices of oil and other raw materials and, not least, burgeoning protectionism in a number of countries—could put renewed pressure on the stock markets. For instance, at the time of writing, benchmark WTI crude oil was already trading at US\$72.54 a barrel, so it had got roughly 57 per cent more expensive since the beginning of the year. As we can see from contracts for delivery in December 2011—which are currently trading at about US\$81.38 a barrel—market players are already anticipating higher prices.

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

Join us for a look at the scope of consolidation on which these Consolidated Financial Statements are based. Given the sizes of the various companies in the Group, its financial statements are dominated by BKS Bank AG. The consolidated group currently consists of 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*. Moreover, 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 entities, it can exert a significant influence as the result of a syndicate agreement. Most of the other consolidated entities are designated as real estate companies. They render banking-related ancillary services. *BKS Hybrid alpha GmbH* was founded in September 2008 in order to issue a hybrid bond.

Scope of Consolidation of the BKS Bank Group: 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 the BKS Bank Group: Other Consolidated Entities

BKS Zentrale-Errichtungs- u. Vermietungs GmbH, Klagenfurt	IEV Immobilien GmbH, Klagenfurt	Immobilien Errichtungs- u. Vermietungs GmbH & Co. KG, Klagenfurt	BKS Hybrid alpha GmbH, Klagenfurt
VBC-CH Verwaltungs- und Be-teiligungs 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 increased its stake by 0.21 per cent to 100 per cent.

Assets and financial position

Assets

Despite recessionary developments in its catchment area and the generally difficult situation in the money and capital markets, BKS Bank was able to increase its assets by 1.6 per cent to roughly €6.07 billion during the first half of this year. Thanks to our focus on classical customer business, receivables from customers remained the biggest item on the assets side of the Balance Sheet, increasing by €141.9 million to €4.42 billion between the beginning of the year and the reporting date. We see the unbroken, 3.3 per cent increase in receivables from customers as a clear sign that BKS Bank is also perceived and valued as a reliable partner in a troubled market environment. As a result, for us at least, the much-cited credit squeeze has yet to become an issue. However, we did allow for the persistently weak economy by increasing our charge for impairment losses on loans and advances by €9.5 million to €105.7 million. Most of the increase in receivables from customers was euro-based, BKS Bank having taken very seriously appeals by OeNB and the Austrian Financial Market Authority to stop granting new foreign-currency loans and having withdrawn completely from the foreign-currency loans market in the retail banking segment. The foreign-currency portion of the total loan portfolio is now only just over 20 per cent.

As in prior periods, business segments at Group parent *BKS Bank AG* contributed most to the risk-aware expansion of our credit operations. With demand for capital goods falling, we helped support the Austrian economy by granting credit lines. Above all, we did so as part of the process of acquiring new creditworthy customers. Our cross-border activities were also rewarded with success, especially in Croatia. Our Slovenian branches focused mainly on acquiring new business in the local authorities market. While our leasing companies in Austria—*BKS-Leasing GmbH* and *BKS-Immobilienleasing GmbH*—were able to build on their good progress in 2008, recording customer lease portfolio receivables of roughly €178.7 million at the end of the period under review, our foreign leasing subsidiaries based in Slovenia, Croatia and Slovakia continued on their sustained growth path to end the period under review with lease portfolio receivables of approximately €161 million. *BKS Bank d.d.* in Croatia increased its receivables from customers by over a third to €54.5 million thanks, above all, to customer purchases of low-risk treasury bills.

Receivables from other banks were comparatively low, ending June at just €319.1 million. This was a reflection of the still difficult situation in the interbank market. They compared with payables to other banks of €1.87 billion at the end of June, €546.3 million of this total being owed to the European Central Bank.

At the end 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 €1.23 billion, as against €1.16 billion at the beginning of the year. Redemptions reduced our holdings of financial assets designated as at fair value through profit or loss by €8.2 million to €119.3 million. The portfolio of available-for-sale (AFS) financial assets grew to a total of €375.9 million as a result of investments in government bonds and state guaranteed bank bonds. Finally, there was a net increase of €36.1 million in our holdings of held-to-maturity (HtM) financial assets, which came to €496.2 million at the end of the period under review, the principal emphasis having been on purchasing low-risk government bonds. As presented in Note (18) on page 27, BKS Bank's investments in entities accounted for using the equity method came to €237.4 million at the end of June.

Equity and liabilities

Although the capital markets began to recover in the second quarter, the environment in which BKS Bank was operating during the period under review was still strained. On the funding side of the equation, we mainly felt the volatility of the markets when it came to time deposits from institutional investors, which are included in the line item *Other payables to customers*. They dropped back from an unusually high level of €1.34 billion at the close of 2008 to roughly €786 million at the end of June. This makes us all the more pleased to report that we recorded a big increase in the so-called *primary funds* entrusted to us by our customers in the form of savings deposits and their purchases of BKS Bank securities. When competing for customer deposits, we combined intensive

advisory support with additional cross-selling activities. This increased deposit balances with us—most of which were held in passbook and *Sparcard* saving card accounts—to an all-time high of roughly €1.75 billion. Focusing on the development of a broad funding base, we offered our corporate and business and retail banking customers attractive investment products covering every maturity range on normal market terms. In view of the perceptible flattening off of market interest rates, we also pressed ahead with placements of our own securities, comprising liabilities evidenced by paper and subordinated debt capital. We saw the sharp, 16.9 per cent increase to a total of €528.2 million in issue as a clear signal of investors' broad interest in these securities, having carried out five issuances totalling approximately €100 million during the first half. These were continuously issued securities. €20.0 million of the total was eligible as supplementary capital, permanently strengthening our own funds. Including subordinate debt capital, our primary funds sufficed to fund a large part of our lending to customers.

BKS Bank's equity is detailed in the Statement of Changes in Equity on page 19. Thanks to the recovery in the international stock markets that has begun in recent months, the requisite mark-to-market revaluations of our financial assets and generally more favourable movements in interest spreads gave us an equity balance of €473.6 million at the end of June. This compared with €447.2 million at the end of June 2008.

Own funds

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. As the table on the next page shows, our eligible own funds increased by €2.4 million to €453.3 million between the beginning of the year and the reporting date. Allowing for our recent capital increase out of internal funds (i.e. without issuing new shares), our capital stock increased by €6.2 million to €56.2 million. The basis of assessment for the banking book increased by €144.7 million to approximately €4.23 billion. Our own funds ratio flattened off a little in the six months up to the end of June, namely from 11.03 to 10.71 per cent, and our Tier 1 ratio fell by 26 basis points to 6.64 per cent. Because of the increase in our own funds requirement to €338.6 million, our surplus own funds fell to €114.8 million, as against €123.9 million at the end of 2008. However, even after taking account of capital charges for operational risk, we still had a solid surplus of €91.6 million.

As a result of our margin-aware focus on our core business and our balanced funding base, the continuing recessionary scenario in the real economy—rising insolvency and unemployment rates and volatility in the financial markets—has yet to affect our liquidity position. Although we have always had sufficient own funds, even in the hardest of times after the collapse of investment bank *Lehman Brothers*, we still want to carry out a capital increase within the scope of our authorized capital as approved by the 68th AGM on 15 May 2007 and modified by the AGM on 29 May 2009 so as to stay on our growth path. The latter AGM empowered us to increase *BKS Bank AG*'s share capital by another €10.0 million from the present total of €56.2 million by not later than 21 June 2012 and with the consent of the Supervisory Board by issuing up to 5,000,000 ordinary no-par bearer shares and to set the issue price and terms and conditions of issue in consultation with the Supervisory Board. Following our stock split and encouraging exploratory talks with our core shareholders and given the considerable progress already made in our preparations for essential stages of the process (e.g. the preparation of the prospectus), a first tranche of the capital increase could be issued before the end of this year, significantly strengthening our Tier 1 ratio from its present level of 6.64 per cent.

Performance

The BKS Bank Group's consolidated net profit in the first half of 2009 came to €18.4 million, compared with €26.8 million in the same period of the previous year. As the Income Statement on page 17 shows, the increase in business volumes led to net interest income before impairment losses on loans and advances of €63.8 million, which was 6.4 per cent up on the first half of 2008. This made it an important source of earning power. However, because of distortions in the market that were particularly noticeable in the first quarter, the charge for impairment losses on loans and advances took a bigger toll than in the same period of 2008, increasing from €11.7

Own Funds of BKS Bank Kreditinstitutsgruppe			
€m (calculation in 2008 and 2009: <i>Basel II</i> ; in 2007: <i>Basel I</i>)	30/6/2009	31/12/2008	31/12/2007
Share capital	56.2	50.0	50.0
Hybrid capital	20.0	20.0	—
Disclosed reserves net of treasury shares and intangible assets	204.8	211.9	185.9
Tier 1 capital	280.9	281.9	235.9
Tier 1 ratio	6.64%	6.90%	5.84%
Hidden reserves	5.6	5.6	5.6
Eligible supplementary capital	159.7	154.9	155.8
Balance of gains and losses taken to equity	63.5	61.3	60.7
Eligible subordinated liabilities	15.1	13.8	14.0
Supplementary own funds (Tier 2)¹	243.8	235.7	236.1
Deductions from Tier 1 and Tier 2	71.4	66.6	66.6
Eligible own funds	453.3	450.9	405.1
Own funds ratio	10.71%	11.03%	10.03%
Basis of assessment for the banking book	4,232.4	4,087.7	4,039.2
Own funds requirement	338.6	327.0	323.1
Own funds requirement for the trading book	2.1	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)	114.8	123.9	82.0
Surplus own funds (taking account of operational risk)	91.6	102.7	82.0

million to €18.8 million. As a result, our net interest income after impairment losses on loans and advances, most of which was generated by *BKS Bank AG*, grew to €45.1 million, compared with €48.3 million in the same period of 2008. Roughly 8 per cent of the total was accounted for by our leasing subsidiaries in Austria and abroad and by *BKS Bank d.d.* in Croatia. The contribution made by our investments in entities accounted for using the equity method—which depended mainly on the business performance of our sister banks *Oberbank* and *BTV AG*—came to €7.6 million, as against €7.3 million in the same period of the previous year.

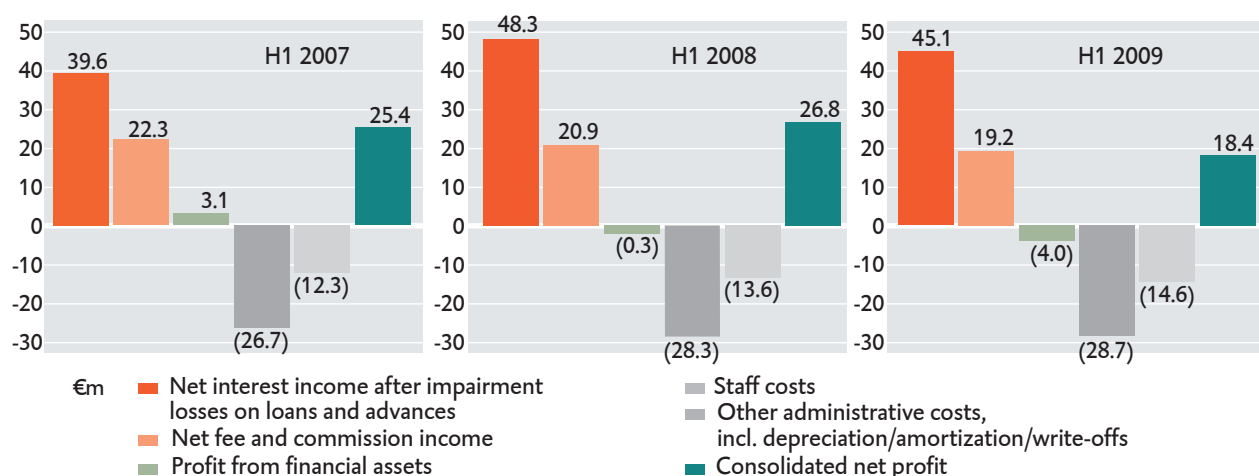
The pressure on fee and commission earnings, which had already been palpable and persistent in prior periods, led to another fall in fee and commission income. Securities trading was much more restrained than in prior periods, reducing our net fee and commission income on securities operations by 29.0 per cent to €4.9 million. However, the market values of the investments held in our customers' securities accounts recovered from a low of €4.74 billion in March to total €5.02 billion at the end of June. Our fee and commission earnings from credit operations and payment services were much more satisfactory, at €4.9 million and €7.5 million, respectively, improving on our already good results in 2008.

First-half profit from financial assets weakened to negative €4.0 million. Whereas the market values of financial instruments hedged by interest rate swaps using the fair value option did not give rise to any additional valuation gap compared with the first quarter of 2009 that required recognition in the Income Statement, our portfolio of available-for-sale assets suffered a further impairment of €0.7 million, following an impairment of €0.8 million in the first quarter of 2009. On the other hand, we recorded corresponding realized gains and receipts of premiums on options.

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

General administrative expenses were 3.4 per cent up on the first six months of 2009 to €43.3 million. In view of their considerable impact on our results, staff costs were a particular focus of our efforts to cut costs. Thanks to our determined reduction of unused vacation time and flexitime credits and restrictive overtime policies, we were able to keep the increase in staff costs within a narrow corridor, resulting in a rise of just 1.5 per cent to €28.7 million. 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 BKS Bank during the half year under review averaged 876. Our strict cost controls were also mirrored by our other general administrative expenses, namely other administrative costs and depreciation/amortization/write-offs of non-current assets. The streamlining of the product line at DREI-BANKEN-EDV GmbH so as to limit the rise in costs, savings of discretionary costs in areas including marketing and an urgent appeal to everybody with overall responsibility for individual cost categories not, under any circumstances, to use all of their budgets for 2009 were as much a part of our economies as deliberately not carrying out non-essential investments. As a consequence, other administrative costs were just €0.7 million up on the same period of the previous year, and depreciation/amortization/write-offs was up just €0.3 million. The figures in the same period of the previous year were €10.9 million and €2.7 million, respectively.

Components of the Income Statement



Ratios

Per cent	H1 2009	2008	2007
Cost:income ratio	50.5	50.1	52.6
ROE (before tax)	7.6	9.7	13.7
ROE (after tax)	6.9	9.2	11.7
ROA (after tax)	0.6	0.7	0.9
Risk:earnings ratio	29.4	15.4	17.7

As all of the corporate ratios calculated on the basis of our half-year numbers show, the BKS Bank Group was still crisis-proof despite the highly volatile market environment. We had a cost:income ratio of just 50.5 per cent, which means that it stayed below our internal 55 per cent benchmark during the first half, underscoring the solid development of our operations. Nonetheless, because of the recession,

both our return on equity before tax and our return on assets after tax were still below our expectations, coming to 7.6 and 0.6 per cent, respectively, and failing to match their levels in prior periods. Our risk:earnings ratio was also off-target, at 29.4 per cent, as the impairment losses on loans and advances deducted from net interest income within the scope of our consistent impairment policies increased accordingly during the period under review.

Segment Report

Segment reporting by BKS Bank is based on the Group’s organizational structure, which corresponds to its internal management reporting systems. To provide our customers with the best possible support and optimally manage our investments, our bank has three business segments, namely *Corporate and Business Banking*, *Retail Banking* and *Financial Markets*. We measure the performance of each segment on the basis of its profit before tax, return on equity and cost:income ratio. A detailed segment breakdown is presented from page 29.

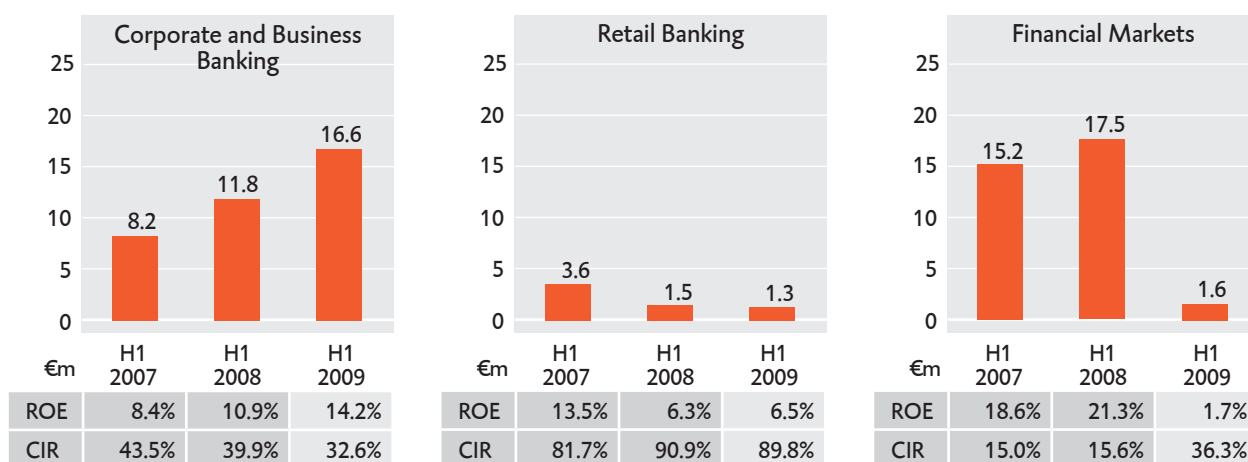
Corporate and Business Banking

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 subsidiaries in Austria and abroad. Despite a substantial increase of €6.5 million in the charge for impairment losses on loans and advances, the corporate and business banking segment was able to continue the steady uptrend of prior periods during the half year under review. It thus made an essential contribution of €16.6 million to consolidated profit for the period, compared with €11.8 million in the same period of the previous year. The robust increase in net interest income, which grew by €12.9 million to €38.5 million, more than made up for the requisite increase in the charge for impairment losses on loans and advances. Group-wide, BKS Bank’s portfolio of loans to corporate and business banking customers grew by 4.1 per cent to approximately €3.56 billion, and the corporate and business banking customer base grew to over 17,700. Thanks to a generally satisfactory balance between risks and net interest income, the segment’s risk:earnings ratio was only marginally higher than in the same period of the previous year, at 45.0 per cent. Similarly, the general administrative expenses charged to this segment increased by just €1.4 million to €16.5 million. As a result, its cost:income ratio fell to 32.6 per cent. There was also a substantial increase in the return on equity in this segment based on the average equity employed in it, that is €234.3 million, taking it to 14.2 per cent. This compared with 10.9 per cent in the first half 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. In the second quarter, net interest income in this segment grew by €2.1 million to €17.6 million. Profit growth was braked by an increase in the charge for impairment losses on loans and advances to €1.4 million, and net fee and commission income continued to decline, falling by €0.8 million to €8.2 million. Whereas fee and commission income from classical on-balance-sheet lending and deposit operations was satisfactory, fees and commission from securities operations and custody fees were still disappointing. Both the segment’s return on equity and its cost:income ratio remained under heavy pressure at 6.5 and 89.8 per cent, respectively, compared with 6.3 and 90.9 per cent in the same period of the previous year, failing to live up to our expectations. The only satisfactory ratio in this segment was its risk:earnings ratio, which came to 8.0 per cent.

Profit for the period before tax, by segment



A detailed segment breakdown is presented in the Notes to the Consolidated Financial Statements from page 29.

Financial Markets

The *Financial Markets* segment encompasses profits from BKS Bank AG's proprietary trading activities and our earnings from equity investments, financial instruments and maturity transformation (so-called *structural income*). Having hit a low in the first quarter of 2009, this segment's profit for the period before tax increased in the three months that followed. However, it was still substantially down on prior periods to just €1.6 million. This was, above all, because structural income was low. Segment profits were particularly hard hit by the volatility of interest rates at the beginning of the period under review. We promptly adjusted our credit interest rates as required in line with the indicators at the beginning of 2009, echoing the downtrend in reference rates, but changes in the corresponding rates paid on savings deposit balances only took place with a time lag in conformity with the regulations governing consumer savings. We were no longer able to make up for this loss of income. Consequently, net interest income in this segment was roughly 60 per cent down on the first half of 2008 to €7.4 million. Since the total of €4.0 million of impairment losses on financial assets that required recognition in the period under review was charged to the financial markets segment, this segment's return on equity before tax fell from 21.3 per cent in the first half of 2008 to 1.7 per cent in the period under review. As general administrative expenses were virtually unchanged, at €3.2 million, this segment's cost:income ratio also worsened, from 15.6 to 36.3 per cent.

Risk Report

Our risk management activities are directed mainly at making sure that customer funds under management are secure, that we remain liquid and that we have sufficient own funds. BKS Bank's risk policy has always been based on unspectacular but confidence-inspiring principles that have proved their value even in the tempest of the financial markets crisis. Although the deliberate assumption of calculable risks is an essential element of sustainable profit development, BKS Bank has to date only accepted risks that it is able to bear without outside help. 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 to date this 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. A Management Board member who is not involved in front-office operations has central responsibility for risk management at BKS Bank based on regulatory recommendations. This Management Board member lays down risk policy, approves risk management principles and specifies limits for all the relevant risks as well as procedures for monitoring banking risks. One of our core focuses is on employing our own funds efficiently from a risk and return point of view.

Credit risk

We define credit risk (also referred to as default risk) as the risk of partial or total non-payment of contractually agreed payments on loans. This risk 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 therefore continued to make advance provisions for the recessionary economic environment as the financial crisis worsened during the half year under review. We recognized impairment losses on loans of advances of €18.8 million, compared with €11.7 million in the same period of last year. Our foreign subsidiaries accounted for €1.6 million of the impairment allowances.

Impairment Losses on Loans and Advances		
€m	30/6/2009	30/6/2008
Direct write-offs	3.4	0.5
Impairment allowances	17.5	14.3
Impairment reversals	(1.8)	(2.9)
Subsequent recoveries	(0.3)	(0.2)
Charge for impairment losses	18.8	11.7

Group-wide, our risk:earnings ratio—the ratio of the charge for impairment losses on loans and advances to net interest income—deteriorated from 15.4 to 29.4 per cent. Since the strong rise in net interest income worked against the negative trend, the risk:earnings ratio in the corporate and business banking segment weakened just marginally, to 45.0 per cent. The risk:earnings ratio in the retail banking segment was just 8.0 per cent.

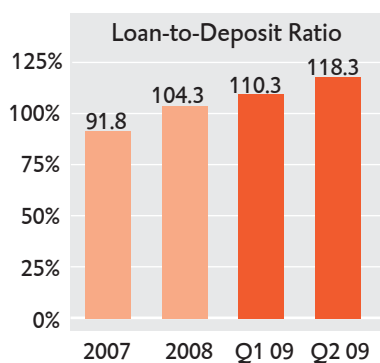
Our internal rating system applies best practice principles. It confirms to us that the distribution of our exposures, which is still very healthy, has remained highly crisis resistant despite the worsened market situation. Roughly 93 per cent of our lending in the corporate and business banking and retail banking segments still lies in the “non-default” rating range from AA to C1. Moreover, we are also combating the effects of the persistently difficult situation on a precautionary basis with the help of our risk mitigation project initiated back in the fourth quarter of 2008.

Market risk

As for market risk, BKS Bank differentiates between interest rate risk, currency risk and equity price risk. These risks are managed within the bank using value-at-risk (VaR) and volume limits. The risk gauge VaR expresses the maximum loss that, with a specific probability and within a specific time horizon, will be incurred on, for instance, a financial asset. Each month, the various present value, duration and VaR reports are analyzed by Asset Liability Management (the ALM Committee). At the end of the first half 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 7.3 per cent (31/12/2008: 9.5 per cent), keeping BKS Bank’s ratio well below the 20 per cent mark. The financial markets were particularly volatile in the first quarter of 2009, affecting our figures for equity price risk, which is expressed in terms of VaR. Having been €8.1 million at the end of 2008, our VaR at the end of the period under review was €9.1 million following a rise in market values. On the other hand, currency risk has diminished considerably this year to date.

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 funds or may only be possible to raise funds at above normal market rates, for instance in the event of a general liquidity crisis.



During the period under review, BKS Bank’s extensive liquidity management activities again ensured unbroken adherence to the minimum liquidity standards laid down in § 25 BWG. Our surplus liquidity increased to an average of about €153 million. However, the comparatively high level of €196 million recorded at the end of the second quarter must be seen in the context of the gradual reduction of interbank positions. 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 the outflow from institutional time deposits that we have already mentioned, this ratio was 118.3 per cent at the end of the second quarter of 2009.

Operational risk

BKS Bank groups together the risks of losses 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 under the heading *operational risk*. The management of operational risk is the responsibility of the relevant operational departments, designated internally as *risk-taking units*. In the period under review, they reported relatively small operational risk losses of approximately €238 thousand distributed across the Group. The most frequent risk events were processing errors in our business dealings with our customers and in processes within the bank

Activities and focuses of our work during the period under review

Regardless of the severity of the financial and economic crisis, which is easing only slowly, our business policy targets remain focused on local customer proximity, sustainable growth and efficiency in our systemic structures in Austria and abroad. Let us now look at two resource-intensive projects and focuses of our work in recent months.

Refining our liquidity management processes

Ahead of the foreseeable modification of the relevant minimum liquidity standards within the EU and in view of our bank's participation in the ECB's tender operations, we have been focusing on continuing to improve the quality of our liquidity management processes since the beginning of 2009. The key stages in this project, which is being carried out with outside support, have included the extension of our maturity-orientated liquidity pricing and collateral management procedures, refining our capital commitment analyses and, in a further stage, integrating these processes into the software modules of a major supplier.

Concentrating the management of lending to corporate and business banking customers

This project has been running since the beginning of May 2009. Its purpose is to amalgamate the management of corporate and business loans and risk assessment within a central analysis and risk assessment unit that is also to be responsible for credit applications and assessing the corresponding collateral. According to the project's ambitious timetable, it will be rapidly put into effect, the goals being to achieve another reduction in operational risk, comprehensively monitor adherence to loan disbursement guidelines and contractual arrangements, separate front-office and back-office activities, improve data and processing quality and strengthen our sales organization. Our head offices in Klagenfurt, Villach and Spittal having already been connected to the central risk analysis system, the migration of our head offices in Graz, Vienna and Mattersburg should have been completed by mid-2010.

Activities in Austria

This financial year, we have continued to prioritize enhancing our image and extending our branch network, which now consists of 56 branches. Customer response to the renovation of our *Hauptplatz* branch in Villach and the branch in *Sparbersbachgasse* in Graz to create space for our successful lounge concept has been very positive. At the beginning of May, a new branch in Perchtoldsdorf opened its doors to strengthen our Vienna Region.

Activities abroad

Having speedily completed our project work in preparation for the launch of securities operations, we will soon be able to offer our Slovenian customers a comprehensive range of securities products and services. The enlargement of our branch network in Slovenia is also proceeding apace. Our branch in Celje began banking operations at the end of April, and the project to open another branch in the centre of Ljubljana has also received the go-ahead. Our plans for this year in Croatia focus on expanding our retail banking segment and developing suitably attractive banking products. Milivoj Debelić, previously a member of the Management Board of *BKS Bank d.d.* in Croatia, has left banking. We are pleased to have been able to recruit Christian Pettinger to succeed him. Christian Pettinger is an expert with considerable international experience. For some weeks, he has been managing our banking subsidiary in Croatia together with Management Board member Goran Rameša. Even though the project was already at a very advanced stage, we decided, after careful consideration and in view of a profit outlook that is, at present, poor, to postpone for the time being the foundation of an Italian banking subsidiary based in Padova. As things stand at the moment, we intend to review the situation in two years at the earliest.

Outlook for the year as a whole

The outlook for the rest of 2009 will depend greatly on whether or not the decline in the world economy has already ended. According to recent estimates by the Federal Reserve in the United States, published on 12 August, the US economy has recently re-stabilized sooner than expected after a recession lasting 20 months. In the eurozone too, the recession has unexpectedly lost its edge, the economy having shrunk by just 0.1 per cent in the second quarter of 2009.

We therefore view the next few quarters with caution but not pessimism. We will continue to pursue our responsible growth strategy. Even if the global recession does, as now seems likely, ease earlier than expected, the significant, time-lagged rise in unemployment and company bankruptcies is likely to continue in months to come. We therefore anticipate further problems in the credit market and a corresponding increase in charges

for impairment losses on loans and advances. However and above all, we still see many market opportunities, especially in the corporate and business sector, and intend to exploit them with the help of risk-conscious margin management. Interest rate operations will remain a key pillar of profit growth in the next few quarters. On the other hand, fee and commission income is likely to remain weak over the rest of the year, even if (as is being signalled by the broad uptrend in the international stock markets) a stable base is developing in the securities segment. Given the brighter outlook in the financial markets, we do not anticipate any significant damage to our own liquidity position.

Our declared goal for 2009 is to present to our shareholders another balance sheet free from unwelcome surprises and to recommend a dividend to match our results. We have now reduced our costs to an acceptable minimum and have made careful allowance for the potential risks in our books. 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 attractive issuances in the capital markets. This has reduced our sensitivity to developments in the interbank market, which have sometimes been irrational — even if we have already seen a flattening off of funding spreads compared with their high level at the beginning of the period under review. Thanks to the actions we have taken, we are now well equipped to master future challenges. Moreover, in the absence of serious negative surprises in the second half, we should be able to build on our profit performance in the past two quarters.

The 3 Banken Group

Finally, we draw your attention to the *3 Banken Group's* core numbers. As the overview on page 3 shows, the three banks in this group — BKS Bank, Oberbank, Bank für Tirol und Vorarlberg — performed well thanks to their responsible, risk-adverse business policies and gained in stature even in the recessionary market environment that prevailed during the first half of 2009. The assets of all three banks grew, giving them aggregate unconsolidated assets of nearly €30 billion at the end of June. Their aggregate loan portfolio expanded to €19.4 billion, and their primary deposit balances recently topped €20 billion. Thanks to their sound business practices, the *3 Banken Group* has yet to suffer any liquidity bottlenecks, and the three banks have sufficient own funds that they have been able to strengthen without outside help. The productivity of the 3,735 people employed in the group is demonstrated by the returns on equity recorded by the three banks — which ranged between 7.6 and 10.8 per cent — and by their cost:income ratios, which have remained very respectable at just over 50 per cent.

We remain,

Yours faithfully,



Heimo Penker (CEO)



Herta Stockbauer

Consolidated Financial Statements

as at and for the Six Months Ended 30 June 2009

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

€k	Note	1/1–30/6/2009	1/1–30/6/2008	+(-) Change, %
Interest income		127,495	160,641	(20.6)
Interest expenses		(71,261)	(107,943)	(34.0)
Profit from investments in entities accounted for using the equity method		7,572	7,292	3.8
Net interest income	(1)	63,806	59,990	6.4
Charge for impairment losses on loans and advances	(2)	(18,751)	(11,700)	60.3
Net interest income after impairment losses on loans and advances		45,055	48,290	(6.7)
Fee and commission income		21,502	23,759	(9.5)
Fee and commission expenses		(2,299)	(2,815)	(18.3)
Net fee and commission income	(3)	19,203	20,944	(8.3)
Net trading income	(4)	850	1,390	(38.8)
General administrative expenses	(5)	(43,288)	(41,847)	3.4
Other operating income net of other operating expenses	(6)	1,856	1,568	18.4
Profit from financial assets (FV)	(7)	(3,226)	1,240	(360.2)
Profit from financial assets (AfS)	(8)	(786)	(1,510)	(47.9)
Profit for the period before tax		19,664	30,075	(34.6)
Income tax expense	(9)	(1,246)	(3,254)	(61.7)
Profit for the period		18,418	26,821	(31.3)
Minority interests in profit for the period		0	0	0
Consolidated net profit for the period		18,418	26,821	(31.3)
GAINS AND LOSSES TAKEN DIRECTLY TO EQUITY				
Profit for the period		18,418	26,821	(31.3)
Gains and losses not recognized in profit or loss				
– Exchange differences		(574)	812	(170.7)
– Available-for-sale reserve		3,327	(18,272)	(118.2)
– Arising from investments in entities accounted for using the equity method		(5,074)	(3,428)	48.0
– Deferred taxes on items taken directly to equity		(1,177)	4,208	(128.0)
Total		14,920	10,141	47.1

QUARTERLY REVIEW

€k	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
Interest income	58,800	68,695	92,486	88,542	81,815
Interest expenses	(29,926)	(41,335)	(58,006)	(59,821)	(54,268)
Profit from investments in entities accounted for using the equity method	3,192	4,380	3,606	3,410	3,332
Net interest income	32,066	31,740	38,086	32,131	30,879
Charge for impairment losses on loans and advances	(9,463)	(9,288)	(2,360)	(5,936)	(7,336)
Net interest income after impairment losses on loans and advances	22,603	22,452	35,726	26,195	23,543
Net fee and commission income	9,554	9,649	9,877	9,986	9,651
Net trading income	488	362	378	(360)	836
General administrative expenses	(22,084)	(21,204)	(24,112)	(21,904)	(20,942)
Other operating income net of other operating expenses	1,020	836	1,112	250	802
Profit from financial assets (FV)	245	(3,471)	(4,879)	(1,424)	2,639
Profit from financial assets (AfS)	(250)	(536)	(15,250)	(1,229)	(710)
Profit for the period before tax	11,576	8,088	2,852	11,514	15,819
Income tax expense	(1,523)	277	720	8	(1,700)
Profit for the period	10,053	8,365	3,572	11,522	14,119
Minority interests in profit for the period	0	0	(1)	0	0
Consolidated net profit for the period	10,053	8,365	3,571	11,522	14,119

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

ASSETS

€k	Note	30/6/2009	31/12/2008	+(-) Change, %
Cash and balances with the central bank	(10)	49,610	69,235	(28.3)
Receivables from other banks	(11)	319,077	406,073	(21.4)
Receivables from customers	(12)	4,424,162	4,282,276	3.3
– Impairment allowance balance	(13)	(105,718)	(96,178)	9.9
Trading assets	(14)	6,681	7,310	(8.6)
Financial assets designated as at fair value through profit or loss	(15)	119,344	127,462	(6.4)
Available-for-sale financial assets	(16)	375,900	344,021	9.3
Held-to-maturity financial assets	(17)	496,186	460,115	7.8
Investments in entities accounted for using the equity method	(18)	237,382	231,907	2.4
Intangible assets	(19)	14,537	14,730	(1.3)
Property and equipment	(20)	67,831	73,143	(7.3)
Investment property	(21)	17,078	17,589	(2.9)
Deferred tax assets	(22)	15,887	14,311	11.0
Other assets	(23)	30,655	23,701	29.3
Total assets		6,068,612	5,975,695	1.6

EQUITY AND LIABILITIES

€k	Note	30/6/2009	31/12/2008	+(-) Change, %
Payables to other banks	(24)	1,873,433	1,415,975	32.3
Payables to customers	(25)	3,045,432	3,493,121	(12.8)
Liabilities evidenced by paper	(26)	285,181	211,683	34.7
Trading liabilities	(27)	928	1,658	(44.0)
Provisions	(28)	80,025	82,738	(3.3)
Deferred tax liabilities	(29)	8,316	7,407	12.3
Other liabilities	(30)	58,726	58,141	1.0
Subordinated debt capital	(31)	242,994	240,301	1.1
Equity		473,577	464,671	1.9
Equity after minorities		473,586	464,660	1.9
Minority interests in equity	(9)	11	11	(181.8)
Total equity and liabilities		6,068,612	5,975,695	1.6

EARNINGS PER SHARE

	30/6/2009	30/6/2008
Average number of shares in issue ¹	27,948,671 ¹	4,556,242
Earnings per share, € (diluted and undiluted)	1.32 ¹	11.77

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

EQUITY AFTER MINORITIES

€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				18,418	18,418
Gains and losses taken directly to equity			(3,498)		(3,498)
Capital increase					
Other changes	6,160	(6,160)	990		990
– Arising from use of the equity method			1,237		
– Arising from changes in treasury shares			(511)		
At 30 June 2009	56,160	34,576	364,432	18,418	473,586
Available-for-sale reserve					(9,747)
Deferred tax reserve					1,369

EQUITY AFTER MINORITIES

€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				26,821	26,821
Gains and losses taken directly to equity			(16,680)		(16,680)
Capital increase					
Other changes			(6,636)		(6,636)
– Arising from use of the equity method			(6,154)		
– Arising from changes in treasury shares			(321)		
At 30 June 2008	50,000	40,736	329,622	26,821	447,179
Available-for-sale reserve					(1,983)
Deferred tax reserve					3,286

In view of the €10,000,000.00 of capital authorized by the 68th AGM on 15 May 2007, the 70th AGM on 29 May 2009 authorized the Management Board to increase the Company's share capital by €10,000,000.00 from €56,160,000.00 by not later than 21 June 2012 and with the consent of the Supervisory Board through the issuance of 5,000,000 ordinary no-par bearer shares.

Cash Flow Statement (Statement of Cash Flows)

CASH FLOWS

	€k	1/1–30/6/2009	1/1–30/6/2008
Cash and cash equivalents at end of previous period		69,235	80,822
Net cash from operating activities		53,870	124,554
Net cash from (used in) investing activities		(68,694)	(118,824)
Net cash from (used in) financing activities		(4,801)	9,111
Cash and cash equivalents at end of period		49,610	95,663

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 six months ended 30 June 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 annual 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 at 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 recognized 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 encompasses 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 the net allowance for impairment losses 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 on the reporting date.

(1) NET INTEREST INCOME

	€k	H1 2009	H1 2008	+(-) Change, %
Interest income from:				
Credit operations		99,471	132,160	(24.7)
Fixed-interest securities		15,498	13,644	13.6
Lease receivables		8,269	8,525	(3.0)
Shares and investments in subsidiaries		3,752	5,897	(36.4)
Investment property		505	415	21.7
Total interest income		127,495	160,641	(20.6)
Interest expenses on:				
Deposits from other banks and customers ¹		60,301	97,168	(37.9)
Liabilities evidenced by paper		10,773	10,595	1.7
Investment property		187	180	3.9
Total interest expenses		71,261	107,943	(34.0)
Profit from investments in entities accounted for using the equity method				
Income from investments in entities accounted for using the equity method		9,017	11,200	(19.5)
Financing costs arising from investments in entities accounted for using the equity method ²		(1,445)	(3,908)	(63.0)
Profit from investments in entities accounted for using the equity method		7,572	7,292	3.8
Net interest income		63,806	59,990	6.4

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

(2) IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	€k	H1 2009	H1 2008	+(-) Change, %
Impairment allowances		17,480	14,351	21.8
Impairment reversals		(1,819)	(2,916)	(37.6)
Direct write-offs		3,361	487	> 100
Recoveries of written-off receivables		(271)	(222)	22.1
Impairment losses on loans and advances		18,751	11,700	60.3

(3) NET FEE AND COMMISSION INCOME

	€k	H1 2009	H1 2008	+(-) Change, %
Fee and commission income from:				
Payment services		8,095	7,860	3.0
Securities business		5,184	7,427	(30.2)
Credit operations		4,926	4,746	3.8
International business		2,573	3,029	(15.1)
Other services		724	697	3.9
Total fee and commission income		21,502	23,759	(9.5)
Fee and commission expenses arising from:				
Payment services		553	525	5.3
Securities business		336	595	(43.5)
Credit operations		320	477	(32.9)
International business		905	1,045	(13.4)
Other services		185	173	6.9
Total fee and commission expenses		2,299	2,815	(18.3)
Net fee and commission income		19,203	20,944	(8.3)

(4) NET TRADING INCOME

	€k	H1 2009	H1 2008	+(-) Change, %
Price-based contracts		(54)	649	(108.3)
Interest rate and currency contracts		904	741	22.0
Net trading income		850	1,390	(38.8)

(5) GENERAL ADMINISTRATIVE EXPENSES

	€k	H1 2009	H1 2008	+(-) Change, %
Staff costs		28,709	28,274	1.5
– Wages and salaries		20,569	19,974	3.0
– Social security costs		5,489	5,243	4.7
– Costs of retirement benefits		2,651	3,057	(13.3)
Other administrative costs		11,620	10,905	6.6
Depreciation/amortization/write-offs		2,959	2,668	10.9
General administrative expenses		43,288	41,847	3.4

(6) OTHER OPERATING INCOME NET OF OTHER OPERATING EXPENSES

	€k	H1 2009	H1 2008	+(-) Change, %
Other operating income		2,574	2,333	10.3
Other operating expenses		(718)	(765)	(6.1)
Other operating income net of other operating expenses		1,856	1,568	18.4

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

	€k	H1 2009	H1 2008	+(-) Change, %
Revaluation gains and losses on derivatives		(918)	1,173	(178.3)
Profit from application of the fair value option		(2,308)	67	> 100
Profit from financial assets designated as at fair value through profit or loss		(3,226)	1,240	(360.2)

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

	€k	H1 2009	H1 2008	+(-) Change, %
Unrealized and realized gains and losses		(786)	(1,510)	(47.9)
Profit from available-for-sale financial assets		(786)	(1,510)	(47.9)

(9) TAX EXPENSE

	€k	H1 2009	H1 2008	+(-) Change, %
Current tax		(3,090)	(3,421)	(9.7)
Deferred tax		1,844	167	> 100
Tax expense		(1,246)	(3,254)	(61.7)

(10) CASH AND BALANCES WITH THE CENTRAL BANK

	€k	30/6/2009	31/12/2008	+(-) Change, %
Cash in hand		27,676	34,136	(18.9)
Credit balances with central banks of issue		21,934	35,099	(37.5)
Cash and balances with the central bank		49,610	69,235	(28.3)

(11) RECEIVABLES FROM OTHER BANKS

	€k	30/6/2009	31/12/2008	+(-) Change, %
Receivables from Austrian banks		75,218	94,034	(20.0)
Receivables from foreign banks		243,859	312,039	(21.8)
Receivables from other banks		319,077	406,073	(21.4)

(12) RECEIVABLES FROM CUSTOMERS

	€k	30/6/2009	31/12/2008	+(-) Change, %
Corporate and business banking customers		3,557,989	3,417,478	4.1
Retail banking customers		866,173	864,798	0.2
Receivables from customers		4,424,162	4,282,276	3.3

(13) IMPAIRMENT ALLOWANCE BALANCE

	€k	30/6/2009	31/12/2008
At beginning of period under review		96,178	96,281
+ Added		15,024	19,950
– Released		(1,819)	(4,833)
– Used		(3,665)	(15,391)
+ Exchange differences		0	171
At end of period under review		105,718	96,178

(14) TRADING ASSETS

	€k	30/6/2009	31/12/2008	+(-) Change, %
Bonds and other fixed-interest securities		246	168	46.4
Shares and other variable-yield securities		0	6	(100.0)
Positive fair values of derivative financial instruments				
– Currency contracts		6	15	(60.0)
– Interest rate contracts		892	1,584	(43.7)
Other contracts		5,537	5,537	0.0
Trading assets		6,681	7,310	(8.6)

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

	€k	30/6/2009	31/12/2008	+(-) Change, %
Bonds and other fixed-interest securities		81,139	82,044	(1.1)
Loans		38,205	45,418	(15.9)
Financial assets designated as at fair value through profit or loss		119,344	127,462	(6.4)

(16) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	€k	30/6/2009	31/12/2008	+(-) Change, %
Bonds and other fixed-interest securities		250,540	220,758	13.5
Shares and other variable-yield securities		80,800	77,322	4.5
Investments in subsidiaries		30,371	31,755	(4.4)
Other equity investments		14,189	14,186	0.0
Available-for-sale financial assets		375,900	344,021	9.3

(17) HELD-TO-MATURITY FINANCIAL ASSETS

	€k	30/6/2009	31/12/2008	+(-) Change, %
Bonds and other fixed-interest securities		496,186	460,115	7.8
Held-to-maturity financial assets		496,186	460,115	7.8

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

	€k	30/6/2009	31/12/2008	+(-) Change, %
Oberbank AG		156,274	154,941	0.9
Bank für Tirol und Vorarlberg AG		76,324	72,640	5.1
Alpenländische Garantie-GmbH		938	643	45.9
Drei-Banken Versicherungs-AG		3,846	3,683	4.4
Investments in entities accounted for using the equity method		237,382	231,907	2.4

(19) INTANGIBLE ASSETS

	€k	30/6/2009	31/12/2008	+(-) Change, %
Goodwill		12,195	12,181	0.1
Other intangible assets		2,342	2,549	(8.1)
Intangible assets		14,537	14,730	(1.3)

(20) PROPERTY AND EQUIPMENT

	€k	30/6/2009	31/12/2008	+(-) Change, %
Land		2,631	2,364	11.3
Buildings		47,334	48,375	(2.2)
Other		17,866	22,404	(20.3)
Property and equipment		67,831	73,143	(7.3)

(21) INVESTMENT PROPERTY

	€k	30/6/2009	31/12/2008	+(-) Change, %
Land		8,247	8,508	(3.1)
Buildings		8,831	9,081	(2.8)
Investment property		17,078	17,589	(2.9)

(22) DEFERRED TAX ASSETS

	€k	30/6/2009	31/12/2008	+(-) Change, %
Deferred tax assets		15,887	14,311	11.0

(23) OTHER ASSETS

	€k	30/6/2009	31/12/2008	+(-) Change, %
Positive fair values of derivative financial instruments		7,974	5,570	43.2
Other items		20,171	15,984	26.2
Deferred items		2,510	2,147	16.9
Other assets		30,655	23,701	29.3

(24) PAYABLES TO OTHER BANKS

	€k	30/6/2009	31/12/2008	+(-) Change, %
Payables to Austrian banks		1,404,309	1,010,716	38.9
Payables to foreign banks		469,124	405,259	15.8
Payables to other banks		1,873,433	1,415,975	32.3

(25) PAYABLES TO CUSTOMERS

	€k	30/6/2009	31/12/2008	+(-) Change, %
Savings deposit balances		1,747,267	1,677,549	4.2
Corporate and business banking customers		335,192	270,876	23.7
Retail banking customers		1,412,075	1,406,673	0.4
Other payables		1,298,165	1,815,572	(28.5)
Corporate and business banking customers		786,092	1,336,443	(41.2)
Retail banking customers		512,073	479,129	6.9
Payables to customers		3,045,432	3,493,121	(12.8)

(26) LIABILITIES EVIDENCED BY PAPER

	€k	30/6/2009	31/12/2008	+(-) Change, %
Issued bonds		200,136	125,929	58.9
Other liabilities evidenced by paper		85,045	85,754	(0.8)
Liabilities evidenced by paper		285,181	211,683	34.7

(27) TRADING LIABILITIES

	€k	30/6/2009	31/12/2008	+(-) Change, %
Interest rate contracts		928	1,658	(44.0)
Trading liabilities		928	1,658	(44.0)

(28) PROVISIONS

	€k	30/6/2009	31/12/2008	+(-) Change, %
Provisions for post-employment benefits and similar obligations		71,491	71,093	0.6
Provisions for taxes (current tax)		454	196	131.6
Other provisions		8,080	11,449	(29.4)
Provisions		80,025	82,738	(3.3)

(29) DEFERRED TAX LIABILITIES

	€k	30/6/2009	31/12/2008	+(-) Change, %
Deferred tax liabilities		8,316	7,407	12.3

(30) OTHER LIABILITIES

	€k	30/6/2009	31/12/2008	+(-) Change, %
Negative fair values of derivative financial instruments		29,358	37,922	(22.6)
Other items		28,440	18,962	50.0
Deferred items		928	1,257	(26.2)
Other liabilities		58,726	58,141	1.0

(31) SUBORDINATED DEBT CAPITAL

	€k	30/6/2009	31/12/2008	+(-) Change, %
Supplementary capital		222,994	220,301	1.2
Hybrid capital		20,000	20,000	0
Subordinated debt capital		242,994	240,301	1.1

(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 income 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, return on equity was also one of the principal benchmarks for managing business segments.

RETAIL BANKING AND CORPORATE AND BUSINESS BANKING SEGMENTS

€k	Retail Banking		Corporate and Business Banking	
	30/6/2009	30/6/2008	30/6/2009	30/6/2008
Net interest income	17,603	15,471	38,546	25,664
Impairment losses on loans and advances	(1,401)	(801)	(17,350)	(10,900)
Net fee and commission income	8,156	9,003	10,650	11,337
Net trading income	—	—	—	—
General administrative expenses	(23,325)	(22,833)	(16,450)	(15,066)
Other operating income net of other operating expenses	216	632	1,224	799
Profit from financial assets	—	—	—	—
Profit for the period before tax	1,249	1,472	16,620	11,834
Average risk-weighted assets	480,192	587,539	2,928,342	2,706,703
Average allocated equity	38,415	47,003	234,268	216,536
ROE based on profit for the period	6.5%	6.3%	14.2%	10.9%
Cost:income ratio	89.8%	90.9%	32.6%	39.9%

FINANCIAL MARKETS AND OTHER SEGMENTS

€k	Financial Markets		Other	
	30/6/2009	30/6/2008	30/6/2009	30/6/2008
Net interest income	7,400	18,892	257	(38)
Impairment losses on loans and advances	—	—	—	—
Net fee and commission income	305	764	92	(160)
Net trading income	850	1,390	—	—
General administrative expenses	(3,220)	(3,282)	(293)	(666)
Other operating income net of other operating expenses	325	(6)	91	144
Profit from financial assets	(4,012)	(270)	—	—
Profit for the period before tax	1,648	17,488	147	(720)
Average risk-weighted assets	701,230	552,034	50,247	138,519
Average allocated equity	190,775	164,166	5,665	21,139
ROE based on profit for the period	1.7%	21.3%	—	—
Cost:income ratio	36.3%	15.6%	—	—

ALL SEGMENTS

	€k	Total	
		30/6/2009	30/6/2008
Net interest income		63,806	59,990
Impairment losses on loans and advances		(18,751)	(11,700)
Net fee and commission income		19,203	20,944
Net trading income		850	1,390
General administrative expenses		(43,288)	(41,847)
Other operating income net of other operating expenses		1,856	1,568
Profit from financial assets		(4,012)	(270)
Profit for the period before tax		19,664	30,075
Average risk-weighted assets		4,160,011	3,984,795
Average allocated equity		469,123	448,844
ROE based on profit for the period		7.6%	12.9%
Cost:income ratio		50.5%	49.9%

(33) CONTINGENT LIABILITIES AND COMMITMENTS

	30/6/2009	31/12/2008	+(-) Change, %
Guarantees	371,930	371,404	0.1
Letters of credit	1,950	2,211	(11.8)
Contingent liabilities	373,880	373,615	0.1
“Non-genuine” or “pseudo” repos (<i>unechte Pensionsgeschäfte</i>)	5,537	5,537	—
Other commitments	803,949	767,480	4.8
Commitments	809,486	773,017	4.7

(34) EVENTS AFTER THE INTERIM REPORTING DATE

No activities or events that were exceptional in either form or nature took place at BKS Bank after the interim reporting date (30 June 2009) affecting the assets, liabilities, financial position and profit or loss presented in this report.

(35) BALANCE OF DERIVATIVES OUTSTANDING

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

30/6/2009	€k	Nominal, by term to maturity			Total	Fair values	
		< 1 Year	1 – 5 Years	> 5 Years		Positive	Negative
Currency contracts	472,134	1,218,515			1,690,649	548	2,562
– Of which in trading book	500				500	6	
Interest rate contracts	265,869	453,666	385,232		1,104,767	6,286	23,846
– Of which in trading book	120,360	1,920	1,920		124,200	635	664
Securities contracts	1,141				1,141		64
– Of which in trading book							
Total	739,144	1,672,181	385,232		2,796,557	6,834	26,442
– Of which traded on an exchange							

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 Condensed Consolidated Interim Financial Statements of BKS Bank 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 Group and that the Semi-Annual Group Management Report presents fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the Group with respect to important events occurring during the first six months of the financial year and their impact on the Condensed Consolidated Interim Financial Statements and with respect to the material risks and uncertainties for the remaining six months of the financial year and with respect to the material transactions with related parties and persons requiring disclosure.”

Klagenfurt
20 August 2009



Heimo Penker (CEO)



Herta Stockbauer

Forward-looking statements

This Interim Report as at and for the three months ended 30 June 2009 contains statements and forecasts concerning the future performance and development of the BKS Bank Group. The forecasts are estimates made by us on the basis of all the information available to us on the copy deadline date of 20 August 2009. If the assumptions upon which such forecasts are 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*.

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