Committed to Responsible Action

Interim Report to 31 March 2013

BKS Bank
3 Banken Gruppe

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Forward-looking statements
This Interim Report as at and for the three months ended 31 March 2013 contains statements and forecasts concerning the future performance and development of the BKS Bank Group. Such forecasts are estimates made by us on the basis of all the information available to us on the copy deadline date, which was 21 May 2013. If the assumptions upon which these 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*.

Disclaimer
This Interim Report does not require auditing and, therefore, has not been audited or examined in full by an auditor. The German version of this report is the authentic version for all legal purposes. Interim reports in English are translations.

OVERVIEW OF THE BKS BANK GROUP

Income account, €m	Q1 2011	Q1 2012	Q1 2013
Net interest income	33.8	34.5	32.5
Impairment charge on loans and advances	(12.4)	(8.9)	(9.7)
Net fee and commission income	10.9	11.2	11.5
General administrative expenses	(22.8)	(24.4)	(24.8)
Profit for the period before tax	12.6	11.8	11.8
Profit for the period after tax	10.7	10.1	10.4

Balance sheet data, €m	31/12/2011	31/12/2012	31/3/2013
Assets	6,456.0	6,654.4	6,718.5
Receivables from customers after impairment charge	4,647.8	4,794.2	4,817.4
Primary deposit balances	4,251.4	4,362.4	4,395.6
– Of which savings deposit balances	1,786.3	1,797.9	1,778.6
– Of which liabilities evidenced by paper, including subordinated debt capital	715.7	816.5	824.5
Equity	644.9	688.3	692.3
Customer assets under management	10,025.5	10,674.9	10,817.4
– Of which in customers' securities accounts	5,774.1	6,312.5	6,421.8

Own funds within the meaning of BWG, €m	31/12/2011	31/12/2012	31/3/2013
Risk-weighted assets	4,415.2	4,457.9	4,444.5
Own funds	681.9	709.5	703.0
– Of which Tier 1 capital	599.5	630.7	630.5
Surplus own funds before operational risk	328.7	352.9	347.4
Surplus own funds after operational risk	301.9	325.8	320.5
Tier 1 ratio, per cent	12.46	13.10	13.13
Own funds ratio, per cent	15.44	15.92	15.82

Performance, per cent	2011	2012	Q1 2013
Return on equity before tax	6.1	6.9	6.5
Return on assets before tax	0.6	0.7	0.7
Cost:income ratio	46.7	56.3	56.0
Risk:earnings ratio (credit risk in per cent of net interest income)	22.1	27.0	29.8

Resources	2011	2012	Q1 2013
Average number of staff	901	930	922
Branches	55	55	56

BKS Bank's shares	2011	2012	Q1 2013
No. of ordinary no-par shares	30,960,000	30,960,000	30,960,000
No. of no-par preference shares	1,800,000	1,800,000	1,800,000
High: ordinary/preference share, €	18.6/15.6	17.6/15.5	17.5/15.0
Low: ordinary/preference share, €	17.6/14.8	17.2/14.9	17.3/14.5
Close: ordinary/preference share, €	17.6/15.5	17.3/15.0	17.5/15.0
Market capitalization, €m	572.8	562.6	568.8

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

2012 was an eventful and challenging banking year during which BKS Bank continued to demonstrate its resilience to crises. That year having passed, we welcome you very warmly to our first Shareholders Letter in 2013. We are pleased to be able to report our operating profit in the first three months of this year. It was both satisfactory and in line with our expectations.

Debate about the rescue package for the crippled banking system in Cyprus and the gambling that has been going on with the highly sensitive confidence of European savers, emotive revelations about massive tax evasion using offshore tax havens, accusations of corruption against members of the Spanish government, uncertainty regarding the outcome of the parliamentary elections in Italy, the drastic general cuts in the United States budget (the sequester) that have taken place since 1 March of this year and, not least, recent discussion regarding the international exchange of information about interest earnings have underscored the dimensions of the upheaval that the banking environment is going through. Consequently, given the backdrop of the European financial crisis, we have readied BKS Bank for stricter regulation by the banking supervisors, continuing historically low interest rates and customer behaviour marred by growing uncertainty. We will therefore go on systematically reducing our operational banking risks and optimizing BKS Bank's capital resources as well as continuing rigorously with the strict management of costs.

Our business model is now even more closely geared to the needs of our corporate and business banking and retail customers. Having totalled €6.65 billion at the end of the previous year, our assets increased slightly, by 1.0 per cent, to roughly €6.72 billion in the period under review. Profit for the period before tax was just above the good profit recorded in 2012, at €11.8 million. Whereas profits in the corporate and business banking and retail banking segments fell, our earnings in the financial markets segment increased considerably. At 31 March, we had a comfortable Tier 1 ratio of 13.13 per cent, a total capital ratio of 15.82 per cent and €320.5 million of surplus own funds. BKS Bank is thus excellently equipped to continue on the growth path that it has followed in recent years.

All the resolutions passed at the 74th Annual General Meeting on 15 May 2013 have been published on BKS Bank's website. Click on Investor Relations » Hauptversammlung. Nonetheless, please allow us to give you some news that will please you as a shareholder. As it did last year, *BKS Bank AG* distributed to its ordinary and preference shareholders €8.19 million out of its net profit at 31 December 2012 in respect of a total of 32,760,000 shares. Because of our good overall performance in 2012, you as one of our bank's equity holders thus received another dividend of €0.25 per share (ex-dividend date: 17 May; dividend payment date: 21 May). Based on profit for the year before tax, this translates into a payout ratio of 40.4 per cent, so BKS Bank was once again one of the strongest dividend payers in the Austrian banking industry.

Reinhard Iro and Christina Fromme-Knoch were re-elected to the Supervisory Board for the maximum permitted period. *KPMG Austria AG, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Zweigstelle Klagenfurt*, Krassniggstrasse 36, A-9020 Klagenfurt, Austria, was tasked with auditing the conduct of business at *BKS Bank AG* and its group for the year 2014.

Group Management Report for the Three Months Ended 31 March 2013

The Economic Setting in which Banks are Operating

Although the world economy has been firming up in recent months, it was still fragile at the end of the first quarter of 2013. The unsatisfactory state of labour markets and the sustained pressure on the public sector and private households to balance their budgets continued to hamper growth. After the hard restructuring undertaken to deal with the crisis in Cyprus, a great deal of uncertainty was still being created by the political stalemate that followed the parliamentary elections in Italy and, above all, the runaway deficit in the United States. Meanwhile, the emerging economies continued to strengthen. However, given the Chinese government's recently announced plans to slow the country's comparatively rapid growth in a controlled manner to a target rate of 7.5 per cent, the world economy's medium-term outlook remains bleak.

Positive economic signals finally came from the United States, whose economy slowly picked up speed again and where property and labour markets continued to recover in the first quarter. Real GDP growth of 2.0 per cent is expected over 2013 as a whole, compared with 2.2 per cent in 2012. So far, the Federal Reserve — the central bank in the United States — has kept to its monetary policy course and, as expected, has left its headline rate at between zero and 0.25 per cent. According to the Fed, the rate is to stay this low until unemployment has fallen to 6.5 per cent. In addition, purchasing of government and property bonds will also continue until there has been a substantial improvement in the labour market.

In Europe, business climate indicators in particular are signalling that the eurozone might gradually free itself from the recession in the course of 2013. However, recovery is likely to be slow at first because the economic divide between the expanding, export orientated core countries (above all Germany) and Greece, Ireland, Portugal, Italy and Spain — peripheral countries affected by rigorous austerity programmes and high structural unemployment — has tended to get even wider. The fact that the financial markets have continued to settle down since the beginning of the year has done nothing to change this. As a result, we expect GDP in the eurozone to fall by 0.2 per cent overall in 2013, and it could then grow by about 1 per cent in 2014. In addition, since the economic recovery will be modest, the precarious situation in the labour market will initially go on deteriorating and will only stabilize, with unemployment at a high level, towards the end of 2013. Whereas the seasonally adjusted jobless rates in Germany and Austria (*Eurostat* figures) reached many-year lows of 5.4 per cent and 4.7 per cent, respectively, at the end of March, ailing economic structures in the PIIGS countries were reflected by worrying rates of between 17.5 per cent (Portugal) and 27.2 per cent (Greece). The eurozone rate having been 12.1 per cent in March, an average of about 12 per cent of the working population in the eurozone, or some 19.2 million men and women, will probably be jobless in 2013.

The ECB's headline rate stayed at 0.75 per cent between the time it was cut in July 2012 and the ECB Council's most recent meeting on 2 May, so that rate applied throughout the first quarter of 2013. In its struggle against the obstinate recession, the European Central Bank has now cut its headline rate for the 17 members of the European Monetary Union for the first time in 10 months, reducing it by another 0.25 percentage points to 0.5 per cent. Moreover, it has cut the peak refinancing rate from 1.5 per cent to 1.0 per cent. On the other hand, the deposit facility rate on commercial banks' overnight deposits with the central bank has stayed at zero.

The Austrian economy returned to a growth path in the first quarter of 2013, albeit a flat one for the time being. According to the latest WIFO forecast, after total GDP growth of 0.8 per cent in 2012, growth should accelerate minimally to 1.0 per cent in 2013 and to 1.8 per cent in 2014. So far, demand in the eurozone — to which more than half of Austria's exports go — being weak, export growth has remained slow, but it should accelerate to about 3.8 per cent in the course of this year. In addition to the restrained but solid real growth of 0.6 per cent in private household consumption, there are growing signs that investment will revive by about 1.5 per cent. Whereas the labour supply has gone on growing rapidly, the increase in the number of jobholders has so far been modest.

As for bilateral exchange rates, Europe's single currency continued to hold its own well against the currencies of the eurozone's main trading partners in the first quarter of 2013, having already been relatively stable in 2012. Expansionary monetary policy action taken by the Japanese central bank in order to drive the recovery of a Japanese economy suffering from structural problems already strengthened the euro by over 14 per cent versus the yen in 2012, and the euro continued to gain significant ground against the yen in the first three months of 2013, strengthening by 6.5 per cent to €¢1.2087/¥. However, it fell by 2.9 per cent versus the US dollar to a rate of US$1.2805/€. On the other hand, Switzerland's minimum exchange rate kept the euro virtually unchanged versus the Swiss franc, and it appreciated by 1.1 per cent to SFr1.2195. The euro fell slightly versus China's renminbi yuan (CNY) and the currencies of the big raw material exporters but strengthened versus the currencies of the EU Member States in Central and Eastern Europe.

Interest rates in the unsecured money market stayed largely stable until the end of March 2013, when the EURIBOR rates for one-month, three-month, six-month and 12-month money were 0.12 per cent, 0.21 per cent, 0.33 per cent and 0.54 per cent, respectively. Yields on long-term AAA rated government bonds fell to about 1.7 per cent during the first quarter, and yields on long-term U.S. Treasury bonds also fell slightly to end March at about 1.8 per cent.

Despite temporary price swings to 2,749.27 and 2,570.52 points, prices on Europe's equity markets expressed in terms of the broad Dow Jones Euro STOXX index had only dropped marginally to 2,624.02 points by the end of March. There were big gains in the telecom, consumer goods and health segments but some significant price losses in a financial sector hit, above all, by the crisis in Cyprus. On the other hand, in the same period, signs of sustained economic stabilization in the United States driven by surprisingly good corporate profits pushed the Standard & Poor's 500 index up by over 10 per pent to 1,569.19 points, with the utilities, consumer goods and health segments delivering robust price gains. The ATX stood at 2,352.01 points at the end of March, having weakened by 2.0 per cent since the beginning of the year. The BKS Bank ordinary no-par share, which is listed on the Vienna Stock Exchange, was trading at €17.5 at the end of March, and the BKS Bank no-par preference share was trading at €15.0. BKS Bank had market capitalization of €568.8 million at the end of the first quarter. This was slightly up on the end of 2012.

Sentiment in the international commodity markets was still being shaped by movements in crude oil and precious metal prices during the first quarter. Benchmark Brent crude was trading at US$110.10 a barrel at the end of March, as against US$110.88 at the beginning of the year. In the longer term, market participants expect economic conditions to cause another drop in oil prices. This is based on the prices of futures for delivery in December 2014, which were trading at US$90.38 a barrel at NYMEX at the time of writing. The most striking development in the precious metals market was that the crisis metal, gold, suffered a severe price drop accelerated by the major market players after a 12-year rise that took it to a record high of US$1,923.70 a fine ounce in September 2011. Having started the year at US$1,675.20, a fine ounce was trading at US$1,596.73 at the end of March and bottomed out (for the time being) at US$1,321.96 on 16 April.

Notes on the Scope of Consolidation

THE MEMBERS OF THE GROUP

Consolidated
Accounted for using the equity method

Banks and Other Financial Service Providers

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

[1] *BKS-Leasing a.s.* makes up a subgroup with *BKS Finance s.r.o.*

Other Consolidated Entities

BKS Zentrale-Errichtungs- u. Vermietungsgesellschaft mbH, Klagenfurt	*Immobilien Errichtungs- u. Vermietungsgesellschaft mbH & Co. KG*, Klagenfurt	*IEV Immobilien GmbH*, Klagenfurt	*VBG-CH Verwaltungs- und Beteiligungs GmbH*, Klagenfurt
LVM Beteiligungs Gesellschaft mbH, Vienna	*BKS Hybrid alpha GmbH*, Klagenfurt	*BKS Hybrid beta GmbH*, Klagenfurt	

The overview above lists the entities whose assignment to the BKS Bank Group was required by IFRSs in the first quarter of 2013. The scope of consolidation did not change during the 2012 financial year or in the first quarter of 2013. It meets the requirements of *§§ 59a BWG* and *245a UGB* regarding exempting consolidated financial statements prepared according to internationally accepted financial reporting standards. The consolidated group on which Group analyses are based consisted of 18 banks and other financial service providers and entities rendering banking-related ancillary services. Those entities included our leasing companies in Austria and abroad as well as *Alpenländische Garantie-Gesellschaft mbH* and *Drei-Banken Versicherungs-Aktiengesellschaft*. Given the sizes of the various entities in the Group, its consolidated net profit was predominantly generated by *BKS Bank AG*. The consolidated members of the BKS Bank Group comprised the banks and other financial service providers and entities rendering banking-related ancillary services that were controlled by *BKS Bank AG*. During the elimination of investments in and equity of subsidiaries upon consolidation, an entity's cost was compared with the Group's interest in an entity's measured equity, materiality being judged applying common, Group-wide criteria. The principal criteria of materiality were the assets, profit for the year, revenues and size of workforce of the entity in question. 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. The carrying amount of an equity investment was adjusted according to the change in the net assets of the entity in question.

Our investments in our sister banks *Oberbank AG* and *Bank für Tirol und Vorarlberg AG*—which make up the *3 Banken Group* together with *BKS Bank AG*—were also accounted for in the Consolidated Financial Statements, using the equity method. Although BKS Bank controlled less than 20 per cent of the voting power in each of these banks, holding stakes of 18.51 per cent and 15.10 per cent, respectively, the exercise of voting rights is regulated by syndicate agreements. This allows participation in those two banks' financial and business policy decisions within the scope of the *3 Banken Group* without having control of them. Consolidated net profit for the three months ended 31 March 2013 includes BKS Bank's interests in those banks' profit for the period. The other consolidated entities, most of which are designated as real estate companies, render banking-related ancillary services.

Assets, Liabilities, Financial Position

Assets

The BKS Bank Group had assets of €6.72 billion at 31 March 2013. The biggest increases on the assets side of the Balance Sheet were in receivables from customers, which grew by 0.6 per cent to €4.99 billion in the three months ended 31 March, and in receivables from other banks, which grew by €55.7 million or 43.4 per cent to €184.1 million. The latter resulted from the short-term investment of liquidity peaks. IFRSs require an impairment allowance to be deducted from receivables from customers. In the first quarter, impairment allowances increased the impairment allowance balance by €7.5 million to €175.6 million. On the other hand, the line item *Financial assets* decreased by €14.9 million or 1.0 per cent to €1.50 billion during the quarter under review.

The portfolio of loans to corporate and business banking and retail banking customers was worth a total of €4.99 billion at 31 March 2013. This was €30.8 million or 0.6 per cent more than at the end of 2012. After the elimination of intragroup balances, *BKS Bank AG*, the Group parent, accounted for €4.59 billion of the Group's consolidated assets. This translates into an increase of €37.5 million during the quarter under review. Whereas assets in the corporate and business banking segment increased by €40.5 million, there was a small decrease of €3.0 million in the retail banking segment. Generating new business in the Austrian market on reasonable terms and conditions was still challenging. Historically low interest rates (the yield on 10-year Austrian benchmark bonds was about 1.7 per cent in March) depressed loan terms and conditions in the new business market and, increasingly, in the existing portfolio. The growth in our Slovakian loan portfolio was marginal, with new business during the first quarter totalling just €13.7 million in the corporate and business banking segment and €9.7 million in the retail banking segment.

The development of the foreign currency loan portfolio remained dominated by a steady reduction of Swiss franc receivables during the quarter under review. The decrease has thus continued this financial year, shrinking the portfolio by 123 loans or SFr23.4 million to SFr689.6 million by the end of March. The proportion of foreign currency loans in relation to total loans in the portfolio fell from 13.0 per cent at the end of 2012 to 12.4 per cent at 31 March 2013.

Our Austrian lease portfolio shrank by €7.7 million compared with the end of 2012 to total €144.9 million. This was due to a reduction of €10.9 million in the portfolio of *BKS Immobilienleasing GmbH* caused by the expiry of a large property lease. On the other hand, the portfolio at *BKS Leasing GmbH* grew by €3.2 million.

Our leasing subsidiaries abroad — *BKS Leasing a.s.* in Bratislava, *BKS-leasing d.o.o.* in Ljubljana and *BKS-leasing Croatia d.o.o.* in Zagreb — ended the first quarter of 2013 with lease portfolios worth a total of €150.8 million, having managed to keep their receivables at the same level as at the end of last year despite the difficult environment.

BKS Bank d.d. also developed satisfactorily, increasing its receivables by €4.6 million to €111.0 million during the period under review. Particular attention was paid to enlarging the loan portfolio in the retail customer segment.

The line item *Financial assets* consists of the sub-items financial assets designated as at fair value through profit or loss, available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets and investments in other entities accounted for using the equity method. Financial assets designated as at fair value through profit or loss totalled €203.0 million at the end of the first quarter of 2013. This was just down on the end of 2012. Hedges of issuances totalling €45.2 million matured as planned during the first quarter. The portfolio of held-to-maturity (HTM) financial assets totalled €690.4 million at the end of March. New investments came to €15.5 million, while redemptions came to €25.0 million. The new investments undertaken to stabilize the liquidity buffer at its present high level were predominantly in European government bonds. Investments in entities accounted for using the equity method, most of which comprised the carrying amount of our interests in *Oberbank AG* and *BTV AG*, came to €347.1 million at 31 March 2013. This was €5.9 million up on the end of 2012.

Equity and liabilities

Most of the increase on the equity and liabilities side of the Balance Sheet took place in payables to other banks and payables to customers. So-called *primary funds* increased to €4.40 billion in the three months ended 31 March 2013. This was €33.3 million more than at the end of 2012. However, savings deposit balances fell slightly during the first quarter of 2013, decreasing by €19.3 million or 1.1 per cent to €1.78 billion. Despite our attractive offerings, we were unable to maintain these balances at the same level as at the end of 2012, as extremely low interest rates also motivated growing numbers of BKS customers to put their money in alternative investments. This was a trend that had already reduced savings deposit balances in the Austrian banking sector by 2.8 per cent during the 2012 financial year, and property investments were still playing a big role. On the other hand, sight and time deposit balances developed positively. The line item *Other liabilities* grew by €44.6 million to €1.79 billion. There was, above all, an increase in the deposit balances of institutional customers. Here, we were also able sign agreements for longer-term time deposits for periods extending beyond the end of 2013. In contrast, payables to other banks increased only slightly, growing by 1.5 per cent to €1.47 billion. Among other things, this significantly improved our loan:deposit ratio, which advanced to 107.5 per cent.

During the first quarter of 2013, we continued to focus particularly closely on raising long-term liquidity by issuing our own securities. Our new issuances during the first three months of this reporting year totalled €78.6 million, while redemptions came to €85.6 million. Despite the increase in redemptions, total own issuances accounted for in the line items *Liabilities evidenced by paper* and *Subordinated debt capital* grew. This was thanks to successful sales of positions held in our own portfolio, especially in March.

Our equity increased by €4.0 million to €692.3 million during the first quarter of 2013. This increase was primarily attributable to profit for the period and the components of our earnings from entities accounted for using the equity method that were taken directly to equity rather than being recognized in profit or loss. We refer you to the table entitled *Statement of Changes in Equity* on page 22 for details of BKS Bank's equity.

Own Funds

BKS Bank calculated its own funds ratio and basis of assessment in accordance with the solvency regime established by Basel II. The own funds requirement was calculated using the standardized approach. Despite the 1 per cent increase in our balance sheet total, the basis for assessment fell slightly compared with the end of 2012, decreasing by €13.3 million to €4.44 billion. This was due to the recognition of additional commercial property collateral in the corporate and business banking segment.

Eligible own funds also fell slightly, decreasing by €6.5 million to €703.0 million. This was due to a reduction in the amount of subordinated debt capital recognized as part of our eligible supplementary own funds. Our Tier 1 ratio calculated on this basis came to 13.1 per cent at 31 March 2013. The own funds ratio was 15.8 per cent, as against 15.9 per cent at 31 December 2012.

Surplus own funds came to a solid €347.4 million. Surplus own funds after taking account of operational risk came to €320.5 million, providing the basis for a corresponding amount of lending growth requiring capital charges during the rest of the year.

In recent weeks, we have seen crucial progress towards the implementation of Basel III. The Capital Requirement Regulation (CRR) and the Capital Requirement Directive (CRD) 4 were ratified by the EU parliament on 17 April. The next steps will be ratification by the Council of Ministers followed by publication in the European Union's Official Journal. This should happen by 30 June 2013. If there are no more delays, the CRR and CRD 4 should enter into force at the beginning of 2014, so, subject to transitional arrangements, their application should be mandatory from that time. If their publication in the European Union's Official Journal is delayed and does not take place until after 30 June 2013, the CRR and CRD 4 are only likely to enter into force on 1 July 2014.

OWN FUNDS OF BKS BANK KREDITINSTITUTSGRUPPE

€m	31/12/2011	31/12/2012	31/3/2013
Share capital	65.5	65.5	65.5
Hybrid capital	40.0	40.0	40.0
Reserves net of intangible assets	494.0	525.2	525.0
Tier 1 capital	**599.5**	**630.7**	**630.5**
Tier 1 ratio [1]	12.46%	13.10%	13.13%
Hidden reserves within the meaning of § 57 *BWG*	5.6	5.6	5.6
Eligible supplementary capital	134.6	109.6	109.6
Balance of gains and losses taken to equity	19.9	38.9	36.8
Eligible subordinated liabilities	20.7	18.4	14.1
Supplementary own funds (Tier 2)	**180.8**	**172.5**	**166.2**
Deductions from Tier 1 and Tier 2	98.4	93.7	93.7
Eligible own funds	**681.9**	**709.5**	**703.0**
Own funds ratio	15.44%	15.92%	15.82%
Basis of assessment for the banking book	4,415.2	4,457.9	4,444.5
Own funds requirement	**353.2**	**356.6**	**355.6**
Own funds requirement for market risk	2.4	2.0	2.6
– Of which arising from open currency positions	1.4	1.2	1.7
Own funds requirement for operational risk	26.8	27.1	26.9
Surplus own funds (disregarding operational risk)	**328.7**	**352.9**	**347.4**
Surplus own funds (taking account of operational risk)	**301.9**	**325.8**	**320.5**

Performance

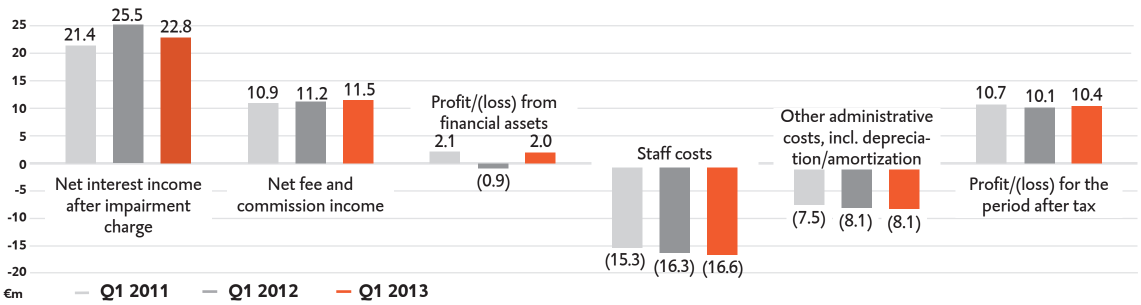
On the whole, the uncertainty being felt by our customers and by participants in the money and capital markets has eased a little this year. In what was still a difficult environment for the banking industry, BKS Bank recorded solid net interest income after the impairment charge on loans and advances of €22.8 million, as against €25.5 million in the same period of 2012. Net fee and commission income came to €11.5 million, which was roughly static on the same period of 2012.

The underlying features of this subdued development were even lower interest rates than in 2012 and restrained lending growth. Our bank's minimum interest rate calculator provides us with a well developed instrument for calculating lending rates that adequately take account of risks. Our sales units consistently make use of it when setting terms and conditions. This makes it all the more incomprehensible to us that some of our competitors are operating so frivolously in the market by offering borrowers absurdly low rates.

Impairment allowances on loans and advances recognized on an item-by-item basis increased the impairment allowance balance by €9.7 million in the first quarter of 2013, as against €8.9 million in the first quarter of 2012. We do not expect the impairment situation to ease permanently during the rest of this year.

We felt a little tail wind in our fee and commission earnings from securities operations. Net fee and commission income was €0.2 million up on the same period of 2012 to €2.8 million. The budding demand for capital market products also increased the value of our customers' securities deposit accounts by roughly 7 per cent to €6.42 billion. The positive mood of the market also had an impact on our private banking activities. We were able to develop them into another important pillar of our efforts to strengthen securities operations at our various regional head offices.

Components of the Income Statement



The balanced but consistent billing of loan commission was another building block of the pleasing increase in our earnings from fee and commission operations. Our credit commission income was €0.4 million up on the three months up to the end of March 2012 to €3.1 million. Earnings from payment services rounded off this good growth, coming to €4.6 million and thus remaining the biggest source of profit from service operations in the first quarter of 2013. The other components of our operating earnings were affected by the temporary volatility of sentiment in the financial markets.

Profit/(loss) from financial assets, which consists of the sub-items *Profit/(loss) from financial assets designated as at fair value through profit or loss*, *Profit/(loss) from available-for-sale financial assets* and *Profit/(loss) from held-to-maturity financial assets*, came to €2.0 million in the three months up to the end of March, compared with negative €0.9 million in the same period of 2012. The increase of €2.9 million made up for the drop in net interest income. Revaluation gains on derivatives led to a profit on financial assets designated as at fair value through profit or loss of €0.8 million, as against €0.5 million in the same period of 2012. *Profit/(loss) from available-for-sale financial assets* also increased following minor regrouping in the portfolio, growing by €1.1 million to €1.2 million. However, the held-to-maturity portfolio made the biggest contribution to the improvement in profit from financial assets. Last year, the held-to-maturity portfolio was still affected by restructuring losses on Greek government bonds that cost us €1.5 million in the three months ended 31 March 2012. No impairment allowances were required in this asset category in the first reporting quarter of 2013.

We are pleased to report that staff costs were significantly lower than expected, at €16.6 million. This was just 2.1 per cent or €0.3 million up on the same period of 2012. Looking at this line item in detail, the average size of the Group's workforce fell from 930 staff years in 2012 to 922 staff years in the period under review. We took action to reduce the workforce back in the fourth quarter of 2012, and this was already being mirrored by our staff costs in the first quarter of 2013. We will continue to focus on the efficient use of our human resources in the coming three quarters.

Furthermore, we point out that our staff costs in 2013 were calculated assuming a 2.8 per cent adjustment to salaries under collective agreements. The actual adjustment averaged 2.5 per cent. It took place as of April 2013.

Other administrative expenses were also below budget. Both *Other administrative costs* and *Depreciation/amortization* were kept at the same level as in the first quarter of 2012, at €6.6 million and €1.6 million, respectively. During our most recent Management Meeting—which was attended by all our management personnel in Austria and abroad—it was made clear that everybody responsible for costs within his or her sphere of influence must identify new ways of saving costs and putting those savings into effect within the scope of his or her responsibilities.

As a result of the developments we have described, the BKS Bank Group posted a profit for the period before tax in the first three months of the year of €11.8 million. Profit for the period after tax came to €10.4 million, which was 3.2 per cent more than in January–March 2012.

Ratios

CORPORATE PERFORMANCE RATIOS

Per cent	2011	2012	Q1 2013
Tier 1 ratio	12.5	13.1	13.1
Own funds ratio	15.4	15.9	15.8
ROE (before tax)	6.1	6.9	6.5
ROA (before tax)	0.6	0.7	0.7
Cost:income ratio	46.7	56.3	56.0
Risk:earnings ratio	22.1	27.0	29.8

The BKS Bank Group's key performance ratios during the first quarter of 2013 lay within the same ranges as in the previous two financial years. Our return on equity was driven by our good earnings from financial assets, coming to 6.5 per cent, as against 6.9 per cent in the same period of 2012. The return on assets—the gauge of the total return on the Group's assets—was static on the same period of 2012 at 0.7 per cent. The cost:income ratio in the three months ended 31 March 2013 was 56.0 per cent, which was slightly better than in the same period of 2012. A marked improvement during the first three months of the year was prevented less by costs than by the development of earnings. In particular, as we have already described in the section on our performance, net interest income before the impairment charge was €2.0 million down on the same period of 2012 to €32.5 million. The risk:earnings ratio of 29.8 per cent was above our internal benchmark of 20.0 per cent. This was due to item-by-item impairment allowances. On the other hand, the requisite increase in collective risk allowances for incurred but not reported losses and country risks was negligible in the first quarter of 2013 because there were neither big changes in volumes nor rating migrations.

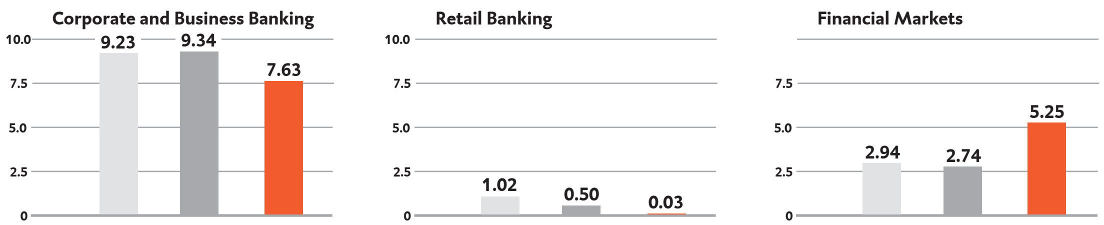
Segmental Reports

Our segmental reporting is based on the organizational structure of the Group underlying its internal management reporting system. BKS Bank thus focuses its activities on three large business divisions, namely *Corporate and Business Banking*, *Retail Banking* and *Financial Markets*. We measure the performance of each of those segments on the basis of its profit before tax, return on equity (ROE), cost:income ratio (CIR) and risk:earnings ratio (RER).

Corporate and Business Banking

Roughly 13,100 customers were being serviced in the corporate and business banking segment. Besides all the income and expenses of *BKS Bank AG* that arose from business done with corporate and business banking customers, this segment also encompassed the income and expenses of *BKS Bank d.d.* in Croatia and the Group's leasing companies insofar as they arose from customer business done with companies. The corporate and business banking segment is the most important operating business unit by far within the BKS Bank Group. Despite an economic environment that was increasingly hard hit by the eurozone's weakness, this segment's business

PROFIT FOR THE PERIOD BEFORE TAX, BY SEGMENT



	Q1 2011	Q1 2012	Q1 2013
ROE	14.7%	14.9%	11.6%
CIR	33.2%	34.9%	35.7%
RER	42.3%	39.4%	46.8%

	Q1 2011	Q1 2012	Q1 2013
ROE	8.9%	4.5%	0.3%
CIR	89.0%	95.2%	98.2%
RER	5.5%	1.8%	2.6%

	Q1 2011	Q1 2012	Q1 2013
ROE	3.6%	3.1%	5.6%
CIR	26.7%	25.2%	33.1%
RER	16.3	6.7%	0.2%

A detailed segmental breakdown is presented in the Notes from page 31.

development was well balanced during the first quarter. The most important target groups in our corporate and business banking segment are small and medium-sized export-orientated enterprises in the industrial, business and trading sectors. The portfolio of loans to corporate and business banking customers was worth €3.90 billion at the end of March 2013 (31 December 2012: €3.87 billion). In other words, about 78.2 per cent of all lending by the BKS Bank Group had taken place in this segment, clearly demonstrating our strong position in the market.

Whereas net interest income fell from €21.5 million to €20.2 million because of the low margins associated with the prevailing market interest rates, earnings from services increased by €0.5 million to €6.1 million. Against the backdrop of a persistently tough economic environment, the impairment charge on loans and advances in this segment was increased from €8.5 million €9.5 million. As a result, its first quarter profit for the period before tax fell by €1.7 million to €7.6 million. However, this was well above the profits recorded in the other segments. It is noteworthy that collective assessments of impairments were static compared with the same period 2012 and that most of the increase was due to item-by-item impairment allowances. General administrative expenses charged to this segment were static on the first quarter of 2012 at €9.5 million. Its return on equity and cost:income ratio came to 11.6 per cent and 35.7 per cent, respectively. Its risk:earnings ratio climbed from 39.4 per cent in the first quarter of 2012 to 46.8 per cent in the period under review. It remains to be seen whether the same level of new lending to corporate and business banking customers can be sustained until year-end. In any event, we will continue to keep a close eye on the development of margins and risks in the coming quarters.

Retail Banking

Approximately 128,000 customers of *BKS Bank AG*, *BKS Bank d.d.* and the leasing companies within the Group (*BKS-Leasing GmbH*, *BKS-leasing d.o.o.*, *BKS-leasing Croatia d.o.o.*, *BKS-Leasing a.s.*) were being serviced in the retail banking segment. In addition to personal banking customers and jobholders, the retail banking segment also encompasses small business owners, doctors and self-employed customers. Because it is highly dependent on branch operations, this segment is very resource and cost intensive. However, it is also indispensable to us as our most important source of funds. At the end of March, about 86.3 per cent of savings deposits and nearly a third of sight and time deposits (31.1 per cent) — that is, roughly 60 per cent of our payables to customers — had been generated by retail banking operations. In addition, our retail customers accounted for over one fifth of the loan portfolio, namely 21.8 per cent.

Although first-quarter profit for the period before tax in our broadly diversified retail customer segment fell from €497.4 thousand to €29.5 thousand, profit in the first quarter of 2013 was slightly better than in 2012 as a whole. Net interest income before the impairment charge came to €7.7 million, which was nearly as much as in the first quarter of 2012. The small decline was due to a fall in margins, especially on deposits. Earnings from services were static on the three months ended 31 March 2012 at €5.2 million. As for costs, intensifying our efforts to improve the segment's cost:income ratio had a positive impact. Costs were static on the same period of the previous year, at €12.9 million. The segment's cost:income ratio was still unsatisfactory, at 98.2 per cent. For us, this clearly signalled the need to step up efforts already initiated to acquire new customers and effectively manage costs in this segment. The segment's return on equity (ROE) based on average allocated equity of €46.2 million was 0.3 per cent.

Credits risk continued to develop relatively favourably in the first three months of this financial year. Thanks to a risk:earnings ratio of 2.6 per cent, the loan losses that had to be covered by earnings were small. This was the fruit both of our risk-aware management of new business and of the high level of collateralization in the retail banking segment.

Financial Markets

The financial markets segment encompassed profits from equity investments, securities held in our own portfolios and receivables from and payables to other banks as well as earnings from our interest rate term structure management activities. The responsibility for and forward-looking management of so-called *structural income* earned in the financial markets segment were in the hands of BKS Bank's Asset Liability Management (ALM) Committee, which performed well during the consolidation of the financial markets that took place in mid-March and up to mid-April. Structural income includes earnings from interbank trading, securities trading, derivatives in the banking book and the bank's internal reference interest rate settlements. Terms and conditions mirrored the downtrend in reference interest rates, especially in the loans segment. This phenomenon has been with us since the beginning of the 2012 financial year. Savings deposit balances already hit a trough in the middle of 2012, and the sliding rate of interest clauses that apply in the consumer credit segment accelerated the drop in customer interest rates and, as a consequence, exacerbated the pressure on earnings. At the same time, our rivals were mainly competing for customer funds on interest rates, so we had to offer our customers interest rates in line with the market if we were to raise funds.

Nonetheless, profit for the period before tax in the financial markets segment was €2.5 million up on the same period of 2012 to €5.2 million. Net interest income fell marginally, namely by €0.5 million to €4.4 million. It consisted mainly of the structural income we earned during the quarter under review. This segment delivered a profit from financial assets of €2.0 million, compared with a loss of €0.9 million in the three months ended 31 March 2012. As we have already mentioned, we suffered restructuring losses in the amount of €1.5 million on Greek government bonds in the first quarter of 2012. In contrast, we recorded revaluation gains on the portfolio of assets designated as at fair value through profit or loss in the quarter under review

Looking at this segment's ratios, its return on equity based on average allocated equity of €374.8 million was 5.6 per cent, compared with 3.1 per cent in the first quarter of 2012. Its cost: income ratio increased from 25.2 per cent in the first quarter of 2012 to 33.1 per cent in the period under review because, above all, of the small drop in net interest income. Since there was very little need for impairment allowances, the segment's risk:earnings ratio fell to 0.2 per cent (Q1 2012: 6.7 per cent).

Risk Report

BKS Bank defines risk as the possibility of losses or profits foregone which may be caused by internal or external factors. The goal of our risk policy is to detect, at the outset, the types of operational and other banking risks that are quantifiable (e.g. normally measurable in annual (periodic) financial statements or caused by capital commitments) or not quantifiable (e.g. reputational and compliance risks) and to manage and limit them using effective risk management techniques. Making as efficient use as possible of available capital in the light of medium-term and long-term strategic goals remained at the centre of our risk management activities during the quarter under review. The aim was to optimize the trade-off between risk and return and only to enter into risks that BKS Bank can bear without outside help. Another goal was to ensure that BKS Bank always has adequate capital to support its risk profile.

The areas of risk of most importance to BKS Bank are credit risk (which includes equity investment risk), market risk, liquidity risk and operational risk. Based on official regulatory recommendations, a Management Board member who is not involved in front office operations has central responsibility for risk management. The large loan risks incurred by BKS Bank and the *3 Banken Group* are secured by *Alpenländische Garantie-Gesellschaft mbH*, which is accounted for in the Consolidated Financial Statements of the BKS Bank Group.

Credit risk

Credit risk (also called default risk) affects not only classical banking products (e.g. credit products und guarantees) but also certain trades (e.g. forwards, futures, swaps and options). Credit risk is the risk of partial or total non-payment of contractually agreed payments. It may result, among other things, from a counterparty's poor credit standing or may arise indirectly from country risk as a consequence of a counterparty's domicile. Throughout the BKS Bank Group, credit risk is monitored and analyzed at the product and single customer level, at the level of groups of related customers and at the portfolio level.

CHARGE FOR IMPAIRMENT LOSSES

€m	31/3/2012	31/3/2013
Direct write-offs	0.2	0.3
Impairment allowances	10.3	11.3
Impairment reversals	(1.5)	(1.8)
Subsequent recoveries	(0.1)	(0.1)
Charge for impairment losses	**8.9**	**9.7**

Our bank employs a 13-class rating system based on the use of statistical methods. On the reporting date of 31 March 2013, roughly 70 per cent of all loans to corporate and business banking customers and roughly 90 per cent of all loans to retail banking customers were in the classes AA – 3b, which means that they combined a good credit standing with a very low default risk. The net charge for impairment losses in the first quarter was €9.7 million, as against €8.9 million in the same period of 2012. This translates into an increase of 8.1 per cent. Impairment allowances were increased by 1.0 million or 9.6 per cent to €11.3 million. They comprised impairment allowances recognized on an item-by-item basis, commission payments to ALGAR, collective assessments of impairments carried out in accordance with IAS 39 and the allowance for country risk exposure. Since the distribution of ratings stayed stable, the risk allowance for incurred but not reported losses was small. The requisite charge for the risks of our foreign subsidiaries was still low during the first quarter, at €0.2 million. Looking at our credit risk in terms of non-performing loans, such loans accounted for just 5.6 per cent of the total exposure at 31 March 2013. This figure was calculated on the basis of the non-performing loans contained in the classes 5a – 5c of BKS Bank's rating system. The divisor was gross customer loan receivables inclusive of corporate bonds, guarantees and unused credit lines.

Market risk

Market risk is the risk of financial losses that might be caused by fluctuations in market prices and rates (e.g. interest rates, commodity prices, credit spreads, foreign exchange rates, equity prices) or other parameters that influence prices (e.g. volatilities, correlations). We combine a variety of proven ways of gauging risk (value at risk, modified duration, volumes and stress testing) to effectively manage and limit market risks. We were able to reduce our interest rate risk, which is measured using modified duration, to just 0.11 per cent during the first quarter, compared with 0.17 per cent at the end of 2012. The ratio of our interest rate risk to our eligible own funds assuming an interest rate shift of 200 basis points as reportable to *OeNB* increased marginally to 1.63 per cent, compared with 0.91 per cent at the end of 2012. It was again well below the critical 20 per cent mark. As for currency risk, we were able to keep the value of our open currency positions down to €18.6 million, which was only just above the levels recorded at the end of prior periods (€18.1 million at year-end 2011; €14.5 million at year-end 2012). After targeted disinvestments in equity positions, our portfolio of shares and similar financial instruments shrank by €3.9 million to €36.9 million. The equity value at risk, which was calculated using a historical simulation model, was €2.5 million at the end of March, compared with €1.4 million at the end of 2012.

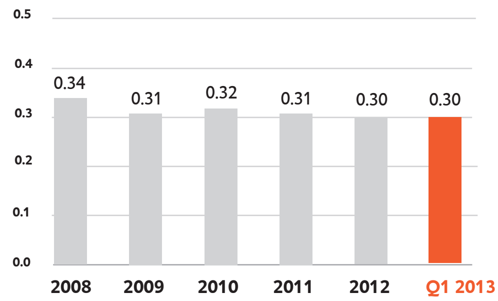
Liquidity risk

We define liquidity risk as the risk that BKS Bank might not be able to meet its future financial obligations to a sufficient extent or in time or in the right currency and/or that it might only be able to raise funds at higher than usual market rates (funding risk) or liquidate assets at significantly below normal market rates or prices (market liquidity risk) in a crisis situation. We must begin by pointing out that BKS Bank continued to have unrestricted access to the money and capital markets during the period under review. In addition, BKS Bank was always able to raise the funds needed to achieve a balanced funding mix. BKS Bank always had the liquidity and solvency required by *§ 25 BWG*.

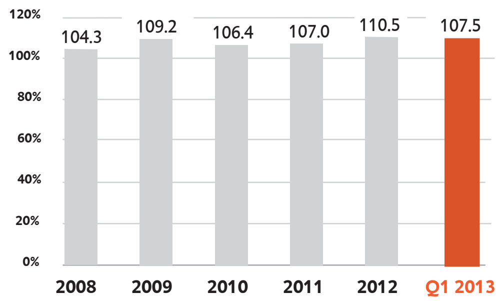
At BKS Bank, the liquidity management carried out to ensure the bank's solvency at all times is done with the help of a daily maturity gap analysis for each main currency. Limits have been defined at the short end to set boundaries to liquidity risks. We mainly hold as a liquidity buffer highly liquid securities that are eligible for refinancing by the ECB and eligible customer receivables. Material liquidity risk management decisions are made and liquidity risk monitoring is carried out by the Asset Liability Management Committee, which meets regularly. Its decisions are then ratified by the Management Board. As a result of these measures, our liquidity buffer at 31 March 2013 came to a solid €939.1 million, compared with €945.2 million at year-end 2012.

To quantify the deposit withdrawal risk caused by the possibility of a run on deposits, including, in particular, the risk associated with large deposits, all customer deposit balances are broken down into predefined size classes and the relative amounts thereof and weighting factors of between 0 and 1 are applied to them. The resulting overall figure, which plays an important part in our liquidity management activities, stayed at the acceptable level of 0.30 during the first quarter of 2013. The loan:deposit ratio is another useful liquidity management indicator, showing the relationship between receivables from customers and primary deposit balances. It stood at 107.5 per cent at the end of March, compared with 110.5 per cent at the end of 2012. Our medium-term benchmark is a balanced ratio of 100 per cent.

DEPOSIT CONCENTRATION



LOAN:DEPOSIT RATIO



Operational risk

BKS Bank defines operational risk as the risk of losses resulting from inadequate or failed internal processes, people or systems or from external events. Such risks can increase costs or reduce profits. A total of 69 loss events were reported between January and March 2013. Allowing for reimbursed losses, the effective risk loss was substantially down on the first quarter of 2012 to €77 thousand.

Outlook for the Year as a Whole

The eurozone's medium-term outlook will depend to a large degree on the success achieved dealing with the sovereign debt crisis, which is still smouldering. If the calming of the crisis that we have been seeing since the summer of 2012 proves to be permanent despite recent talk about Italy, Slovenia, Portugal and Cyprus (among other things, the strengthening of the euro in recent months suggests that this will be the case), the eurozone economy could exit the recession in the course of this year. Both export-orientated Germany and the Austrian economy are already benefiting from the growth momentum coming from outside Europe.

In the financial markets, the brighter economic horizon has for the moment greatly increased investors' risk appetite. For instance, as of the time of writing, the DAX has reached an all-time high of 8,362.14 points, the euro has strengthened versus the US dollar and the yen, and risk premiums on peripheral bonds have continued to fall. Central banks, including, above all, the Fed, the ECB and the Bank of Japan, have eased their monetary policies even more and have prolonged their highly expansionary strategies. This should allow economies to grow more rapidly again in 2013 and 2014, especially in the emerging markets. The recovery in the United States should also pick up momentum now that most of the private household debt and property market excesses of the past have been corrected.

Nonetheless, it is too early to sound the all-clear when it comes to the difficult environment in which banks are operating. Profits are likely to suffer from a number of negative factors in the months to come. Above all, these include the margin eroding low level of interest rates and the persistently aggressive competition for primary deposits — the bedrock of funding without resorting to the interbank market — as well as the noticeable restraint of our customers when it comes to taking out new loans. However, at this point, we can assure you that BKS Bank is excellently prepared to cope with the difficult market conditions. Our strategy of gradually extending our line of products and services as our customers' creditworthiness and the risks permit has served us very well so far. Alongside low interest rates, further regulation too will be affecting the environment in which banks operate. Above all, strain will be put on the industry by the higher capital and liquidity requirements imposed by the stricter Basel III regime. In addition, fiscal policy will become more restrictive and unemployment in general will be high, imposing narrower limits on deposit operations and the demand for credit.

As for our bank's outlook, we will continue to consistently apply our customer-orientated strategy — a strategy based on risk discipline, capital efficiency, earnings diversification and cost discipline. We are aware that the competition for primary deposits will continue to toughen in the quarters to come and that margins will remain unsatisfactory for the time being. Given our business results in the first quarter, growth in new lending, leasing operations and savings deposit operations is likely to be rather weak. However, our bank's liquidity position is much better than that of most of our competitors, so we are well positioned to grasp future opportunities for growth in our core business segments, namely corporate and business and retail banking. In the light of our generally pleasing performance in the first quarter and assuming that the market environment will not get any worse, we remain cautiously optimistic. We expect our profit for the year 2013 to enable us to continue to augment our reserves, further increasing our enterprise value.

We remain,

Yours faithfully,

Heimo Penker
CEO

Herta Stockbauer
Member of the Management Board

Dieter Krassnitzer
Member of the Management Board

Wolfgang Mandl
Member of the Management Board

Overview of the 3 Banken Group

	BKS Bank Group		Oberbank Group		BTV Group	
Income account, €m	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013
Net interest income	34.5	32.5	77.0	80.4	38.3	40.1
Impairment charge on loans and advances	(8.9)	(9.7)	(19.4)	(14.8)	(9.8)	(9.5)
Net fee and commission income	11.2	11.5	27.7	28.8	11.2	11.4
General administrative expenses	(24.4)	(24.8)	(57.6)	(59.1)	(23.4)	(23.5)
Profit for the period before tax	11.8	11.8	40.5	40.9	19.0	20.7
Profit for the period after tax	10.1	10.4	33.2	33.3	15.0	16.3
Balance sheet data, €m	31/12/2012	31/3/2013	31/12/2012	31/3/2013	31/12/2012	31/3/2013
Assets	6,654.4	6,718.5	17,675.1	17,436.7	9,496.4	9,495.7
Receivables from customers after impairment charge	4,794.2	4,817.4	10,877.0	10,980.2	6,193.0	6,084.3
Primary deposit balances	4,362.4	4,395.6	11,607.9	11,705.4	6,582.9	6,546.1
– Of which savings deposit balances	1,797.9	1,778.6	3,380.1	3,372.9	1,272.9	1,261.4
– Of which liabilities evidenced by paper	816.6	824.5	2,208.8	2,175.3	1,187.8	1,223.8
Equity	688.3	692.3	1,342.4	1,378.3	845.5	860.6
Customer assets under management	10,674.9	10,817.4	21,558.0	21,845.5	11,368.8	11,466.3
– Of which in customers' securities accounts	6,312.5	6,421.8	9,950.1	10,140.1	4,785.9	4,920.2
Own funds within the meaning of BWG, €m	31/12/2012	31/3/2013	31/12/2012	31/3/2013	31/12/2012	31/3/2013
Risk-weighted assets	4,457.9	4,444.5	10,481.9	10,562.0	5,665.0	5,533.2
Own funds	709.5	703.0	1,762.5	1,758.9	995.4	975.4
– Of which Tier 1 capital	630.7	630.5	1,245.4	1,241.6	806.0	805.9
Surplus own funds before operational risk	352.9	347.4	922.8	912.8	542.1	532.7
Surplus own funds after operational risk	325.8	320.5	857.9	847.8	516.0	506.6
Tier 1 ratio, %	13.10	13.13	11.88	11.76	13.17	13.49
Own funds ratio, %	15.92	15.82	16.81	16.65	17.57	17.63
Performance, %	2012	Q1 2013	2012	Q1 2013	2012	Q1 2013
Return on equity before tax	6.88	6.52	10.32	12.10	8.32	9.82
Return on equity after tax	6.02	5.78	8.47	9.86	7.25	7.75
Cost:income ratio	56.27	55.95	55.44	51.49	45.70	45.28
Risk:earnings ratio	26.98	29.76	19.11	18.43	24.30	23.64
Resources	2012	Q1 2013	2012	Q1 2013	2012	Q1 2013
Average number of staff	930	922	2,020	1,996	779	768
Branches and other business units	55	56	147	149	37	37

Consolidated Financial Statements as at and for the Three Months Ended 31 March 2013

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Income Statement of the BKS Bank Group for the Period from 1 January to 31 March 2013

INCOME STATEMENT

€k	Note	1/1–31/3/2012	1/1–31/3/2013	+/(-) Change, %
Interest income		56,181	47,872	(14.8)
Interest expenses		(25,333)	(19,437)	(23.3)
Profit/(loss) from investments in entities accounted for using the equity method		3,613	4,058	12.3
Net interest income	(1)	**34,461**	**32,493**	**(5.7)**
Impairment charge on loans and advances	(2)	(8,948)	(9,670)	8.1
Net interest income after impairment charge		**25,513**	**22,823**	**(10.5)**
Fee and commission income		11,954	12,242	2.4
Fee and commission expenses		(749)	(764)	2.0
Net fee and commission income	(3)	11,205	11,478	2.4
Net trading income	(4)	326	391	19.9
General administrative expenses	(5)	(24,430)	(24,774)	1.4
Other operating income net of other operating expenses	(6)	87	(86)	(>100)
Profit/(loss) from financial assets (FV)	(7)	528	808	53.0
Profit/(loss) from financial assets (AFS)	(8)	100	1,198	>100
Profit/(loss) from financial assets (HTM)	(9)	(1,519)	0	(100)
Profit for the period before tax		**11,810**	**11,838**	**0.2**
Income tax expense	(10)	(1,750)	(1,457)	(16.7)
Profit for the period after tax		**10,060**	**10,381**	**3.2**
Minority interests in profit for the period		(1)	(1)	0
Profit for the period after minority interests		**10,059**	**10,380**	**3.2**

GAINS AND LOSSES TAKEN DIRECTLY TO EQUITY

Profit for the period after minority interests	10,060	10,381	3.2
Gains and losses not recognized in profit or loss			
– Exchange differences	64	(145)	(>100)
– Available-for-sale reserve	6,269	808	(87.1)
– Arising from investments in entities accounted for using the equity method	3,893	2,652	(31.9)
– Deferred taxes on items taken directly to equity	(1,327)	(188)	(85.8)
Comprehensive income before minority interests	**18,959**	**13,508**	**(28.8)**
Less minority interests	(1)	(1)	0
Comprehensive income after minority interests	**18,958**	**13,507**	**(28.8)**

QUARTERLY REVIEW

€k	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Interest income	56,181	55,055	52,871	51,237	47,872
Interest expenses	(25,333)	(24,347)	(23,950)	(20,876)	(19,437)
Profit/(loss) from investments in entities accounted for using the equity method	3,613	6,490	6,178	5,978	4,058
Net interest income	**34,461**	**37,198**	**35,099**	**36,339**	**32,493**
Impairment charge on loans and advances	(8,948)	(9,663)	(8,799)	(11,192)	(9,670)
Net interest income after impairment charge	**25,513**	**27,535**	**26,300**	**25,147**	**22,823**
Net fee and commission income	11,205	10,808	10,872	11,545	11,478
Net trading income	326	743	60	1,219	391
General administrative expenses	(24,430)	(25,061)	(26,059)	(29,264)	(24,774)
Other operating income net of other operating expenses	87	70	(2,325)	(1,445)	(86)
Profit/(loss) from financial assets (FV)	528	1,214	424	240	808
Profit/(loss) from financial assets (AFS)	100	(318)	105	2,897	1,198
Profit/(loss) from financial assets (HTM)	(1,519)	(1,466)	338	493	0
Profit for the period before tax	**11,810**	**13,525**	**9,715**	**10,832**	**11,838**
Income tax expense	(1,750)	(1,528)	(1,337)	(1,135)	(1,457)
Profit for the period	**10,060**	**11,997**	**8,378**	**9,697**	**10,381**
Minority interests in profit for the period	(1)	(2)	0	0	(1)
Profit for the period after minority interests	**10,059**	**11,995**	**8,378**	**9,697**	**10,380**

Balance Sheet of the BKS Bank Group as at 31 March 2013

ASSETS

€k	Note	31/12/2012	31/3/2013	+/(-) Change, %
Cash and balances with the central bank	(11)	81,749	80,024	(2.1)
Receivables from other banks	(12)	128,417	184,105	43.4
Receivables from customers	(13)	4,962,336	4,993,069	0.6
– Impairment allowance balance	(14)	(168,101)	(175,646)	4.5
Trading assets	(15)	237	291	22.8
Financial assets designated as at fair value through profit or loss	(16)	205,713	203,032	(1.3)
Available-for-sale financial assets	(17)	265,224	259,147	(2.3)
Held-to-maturity financial assets	(18)	702,314	690,354	(1.7)
Investments in entities accounted for using the equity method	(19)	341,176	347,072	1.7
Intangible assets	(20)	7,959	7,733	(2.8)
Property and equipment	(21)	62,176	60,537	(2.6)
Investment property	(22)	16,492	17,283	4.8
Deferred tax assets	(23)	19,825	19,922	0.5
Other assets	(24)	28,898	31,580	9.3
Total assets		**6,654,415**	**6,718,503**	**1.0**

EQUITY AND LIABILITIES

€k	Note	31/12/2012	31/3/2013	+/(-) Change, %
Payables to other banks	(25)	1,446,411	1,467,997	1.5
Payables to customers	(26)	3,545,790	3,571,064	0.7
Liabilities evidenced by paper	(27)	579,944	577,484	(0.4)
Trading liabilities	(28)	282	354	25.5
Provisions	(29)	81,289	81,887	0.7
Deferred tax liabilities	(30)	10,871	11,344	4.4
Other liabilities	(31)	64,880	68,976	6.3
Subordinated debt capital	(32)	236,655	247,059	4.4
Equity		688,293	692,338	0.6
Of which total minority interests and equity		688,286	692,331	0.6
Of which minority interests in equity		7	7	0.0
Total equity and liabilities		**6,654,415**	**6,718,503**	**1.0**

EARNINGS AND DIVIDEND PER SHARE

	31/3/2012	31/3/2013
Average number of shares in issue	32,130,133	32,275,388
Dividend per share, €	0.25	0.25
Earnings per share, € (diluted and undiluted)	1.25	1.29

Earnings per share compares consolidated net profit for the period with the average number of no-par shares (*Stückaktie*) in issue. 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

TOTAL MINORITY INTERESTS AND EQUITY

€k	Subscribed Capital	Capital Reserves	Exchange Differences	Revaluation Reserve	Retained Earnings	Profit/(loss) for the Period	Equity
At 1 January 2013	65,520	97,929	(714)	14,701	470,718	40,132	688,286
Planned distribution						(8,190)	(8,190)
Taken to retained earnings					31,942	(31,942)	0
Profit/(loss) for the period						10,381	10,381
Gains and losses taken directly to equity			(145)	3,195	77		3,127
Increase in share capital							
Other changes					(1,273)		(1,273)
– Arising from use of the equity method					(1,102)		
– Arising from changes in treasury shares					(274)		
At 31 March 2013	**65,520**	**97,929**	**(859)**	**17,896**	**501,464**	**10,381**	**692,331**
Available-for-sale reserve							18,477
Deferred tax reserve							(581)

TOTAL MINORITY INTERESTS AND EQUITY

€k	Subscribed Capital	Capital Reserves	Exchange Differences	Revaluation Reserve	Retained Earnings	Profit/(loss) for the Period	Equity
At 1 January 2012	65,520	97,929	(661)	5,987	439,702	36,445	644,922
Planned distribution						(8,190)	(8,190)
Taken to retained earnings					28,255	(28,255)	0
Profit/(loss) for the period						10,059	10,059
Gains and losses taken directly to equity			64	8,972	(137)		8,899
Increase in share capital							
Other changes					(419)		(419)
– Arising from use of the equity method					(1,757)		
– Arising from changes in treasury shares					(321)		
At 31 March 2012	**65,520**	**97,929**	**(597)**	**14,959**	**467,401**	**10,059**	**655,271**
Available-for-sale reserve							15,826
Deferred tax reserve							(867)

Cash Flow Statement

CASH FLOWS

€k	Q1 2012	Q1 2013
Cash and cash equivalents at end of previous period	**85,819**	**81,749**
Net cash from/(used in) operating activities	22,976	(28,502)
Net cash from/(used in) investing activities	(29,956)	16,610
Net cash from/(used in) financing activities	(811)	10,127
Effect of exchange rate changes on cash and cash equivalents	37	40
Cash and cash equivalents at end of period	**78,065**	**80,024**

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 — Material Accounting Policies

I. General information

The Interim Financial Statements of the BKS Bank Group as at and for the three months ended 31 March 2013 were prepared in accordance with the provisions of the IFRS standards published by the IASB (International Accounting Standards Board) effective at the reporting date and as adopted by the EU. Account was also taken of the relevant interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

II. Recognition and measurement

Scope of consolidation

Consolidated:
- *BKS Bank AG*, Klagenfurt
- *BKS Bank d.d.*, Rijeka
- *BKS-Leasing Gesellschaft mbH*, Klagenfurt
- *BKS-Immobilienleasing Gesellschaft mbH*, Klagenfurt
- *BKS-leasing d.o.o.*, Ljubljana
- *BKS-leasing Croatia d.o.o.*, Zagreb
- *BKS-Leasing a.s.*, Bratislava [1]
- *IEV Immobilien GmbH*, Klagenfurt
- *Immobilien Errichtungs- u. Vermietungsgesellschaft mbH & Co. KG*, Klagenfurt
- *BKS Zentrale-Errichtungs- u. Vermietungsgesellschaft mbH*, Klagenfurt
- *BKS Hybrid alpha GmbH*, Klagenfurt
- *VBG-CH Verwaltungs- und Beteiligungs GmbH*, Klagenfurt
- *LVM Beteiligungs Gesellschaft mbH*, Vienna
- *BKS Hybrid beta GmbH*, Klagenfurt

Accounted for using the equity method:
- *Oberbank AG*, Linz
- *Bank für Tirol und Vorarlberg AG*, Innsbruck
- *Alpenländische Garantie-Gesellschaft mbH*, Linz
- *Drei-Banken Versicherungs-Aktiengesellschaft*, Linz

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

Consolidation policies

All material subsidiaries directly or indirectly under the control of BKS Bank were included in the Interim Consolidated Financial Statements. During first-time 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 Interim Consolidated Financial Statements are thus based on the separate interim 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 quarterly financial statements were prepared in euros (the functional currency). Assets and liabilities denominated in foreign currencies were generally translated at the market exchange rates ruling at the balance sheet 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 reporting date exchange rates. Expenses and income were translated applying average rates of exchange in the respective financial year. Exchange differences were recognized as a component of equity.

Impairment allowance balance

Account was taken of the risks identifiable at the time of the Balance Sheet's preparation by recognizing impairment charges on an item-by-item basis (in the case of material exposures, these were calculated on the basis of the *discounted cash flow method*), by recognizing impairment charges on an item-by-item basis applying class-specific criteria and by carrying out collective portfolio impairment assessments in accordance with IAS 39 para. 64. The latter captured incurred but not yet identified losses. Provisions for contingent liabilities were made in accordance with IAS 37. A portfolio impairment assessment for country risks was carried out as at the reporting date, with the exposures outstanding in each country being broken down into risk classes. The total impairment allowance balance is disclosed as a deduction on the assets side of the Balance Sheet (impairment account).

Trading assets and trading 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 line 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*. Spot transactions were accounted for and charged off at their settlement date.

Derivatives

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

Receivables

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

Property, equipment and intangible assets (non-current)

Property, equipment and intangible assets (non-current) were recognized at cost of acquisition or conversion less ordinary depreciation or amortization. Depreciation and amortization rates 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.

Ordinary depreciation and amortization are linear based on an asset's estimated useful life. 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.

Measurement of goodwill

A goodwill impairment test is performed periodically. When goodwill on the Balance Sheet is tested for impairment, its carrying amount is compared with the present value of the company's interest in all future cash flows (value in use). Present value is measured on the basis of a discounted cash flow model. A two-phase mathematical model is used.

Phase 1: In phase 1, cash flows in the ensuing five years are calculated and discounted on the basis of the company's budgets.

Phase 2: In phase 2, a perpetual annuity is calculated on the basis of the cash flow in the most recent plan year. The parameters used for discounting purposes are the yield on 10-year government bonds in the eurozone, a premium for equity risk and an extra premium for country risk.

Leasing

The leased assets within the Group required recognition as assets leased under finance leases (the risks and rewards being 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 and liabilities 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* using the fair value option (FV). Their inclusion in this category was decided by the Asset Liability Management Committee. These positions (asset or liability and associated derivative) were thus measured at fair value through profit or loss and any revaluation gains or losses were recognized in the Income Statement in the line item *Profit/(loss) 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 are what remains when a financial asset is recognized neither as a held-to-maturity asset nor as an asset designated as at fair value through profit or loss. They were generally measured applying stock exchange prices. If these were not available, values of interest rate products were measured 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 decline in the expected future 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 recorded. 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. Where market prices were unavailable, equity investments were valued on a cost basis.

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 through profit or loss.

Investments in entities accounted for using the equity method

If there was objective evidence of impairment of an investment accounted for using the equity method, a value in use was calculated on the basis of the estimated future cash flows that were to be expected from the associate. Present value was measured on the basis of a discounted cash flow model. A two-phase mathematical model was used. No impairment losses were incurred in the year under review.

Investment property

This line item encompasses property intended for letting to third parties. It was measured at amortized cost (*cost method*). The fair value of our investment properties is disclosed in the Notes. It was mainly based on estimates (external expert reports). Depreciation rates lay between 1.5 per cent and 3.0 per cent.

Other assets

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

Payables

Payables were mainly recognized at the amounts payable. This did not apply to payables measured in the same way as assets or derivatives measured at fair value using the fair value option.

Tax

The reporting and calculation of income taxes 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 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 tax base and the carrying amounts of assets or liabilities for the purposes of IFRSs. These would cause additional tax burdens or reduce tax burdens in the future.

Equity
Equity consists of paid-in capital and earned capital (retained earnings, reserves made in accordance with IAS 39 and profit for the period). BKS Bank strives to strengthen its capital base on a sustainable basis by ploughing back its profits.

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.

Provisions for so-called 'social capital' (*Sozialkapitalrückstellung*) were calculated in accordance with the requirements of IAS 19. The calculation parameters were unchanged compared with the end of 2012.

Actuarial gains and losses were recognized immediately through profit or loss in the Income Statement.

The provision for mortality benefits was also calculated in accordance with IFRS principles. In the 2012 financial year, provisions for post-employment, termination, jubilee and mortality benefits were calculated applying IFRS principles according to the *AVÖ 2008* table using the *projected unit credit method*.

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/(loss) from investments in entities accounted for using the equity method was disclosed in the line item *Net interest income* net of financing costs.

Impairment charge on loans and advances
This line item captures impairment allowances, impairment reversals and direct write-offs (additions to and deductions from the impairment allowance balance). 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 the expenses attributed to such services.

Net trading income
This line item comprises income and expenses arising from our proprietary trading activities. Positions in the trading book were marked to market. *Net trading income* also includes revaluation gains and losses.

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

The Consolidated Financial Statements of *BKS Bank AG* for the 2012 financial year and for the first quarter of 2013 were prepared in accordance with the effective provisions of the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the EU. The assumptions and estimates made for the purposes of the Interim Consolidated Financial Statements were made on the basis of the knowledge and information available at the copy deadline date.

Standards and interpretations effective in the EU for annual periods beginning on or after 1 January 2013 were applied in these Interim Consolidated Financial Statements. In particular, the application of IFRS 13: Fair Value Measurement greatly extended the disclosures regarding fair value measurement.

Details of the Income Statement

(1) NET INTEREST INCOME

€k	1/1–31/3/2012	1/1–31/3/2013	+/(-) Change, %
Interest income from:			
Credit operations	42,721	36,565	(14.4)
Fixed-interest securities	8,831	7,475	(15.4)
Lease receivables	2,707	1,994	(26.3)
Shares and investments in other entities	1,591	1,545	(2.9)
Investment property	331	293	(11.5)
Total interest income	56,181	47,872	(14.8)
Interest expenses on:			
Deposits from customers and other banks [1]	18,346	12,582	(31.4)
Liabilities evidenced by paper	6,864	6,748	(1.7)
Investment property	123	107	(13.0)
Total interest expenses	25,333	19,437	(23.3)
Profit/(loss) from investments in entities accounted for using the equity method			
Income from investments in entities accounted for using the equity method	4,082	4,347	6.5
Financing costs of investments in entities accounted for using the equity method [2]	(469)	(289)	(38.4)
Profit/(loss) from investments in entities accounted for using the equity method	**3,613**	**4,058**	**12.3**
Net interest income	**34,461**	**32,493**	**(5.7)**

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

(2) IMPAIRMENT CHARGE ON LOANS AND ADVANCES

€k	1/1–31/3/2012	1/1–31/3/2013	+/(-) Change, %
Impairment allowances	10,283	11,268	9.6
Impairment reversals	(1,442)	(1,785)	23.8
Direct write-offs	231	282	22.1
Recoveries on receivables previously written off	(124)	(95)	(23.4)
Impairment charge on loans and advances	**8,948**	**9,670**	**8.1**

(3) NET FEE AND COMMISSION INCOME

€k	1/1–31/3/2012	1/1–31/3/2013	+/(-) Change, %
Fee and commission income from:			
Payment services	4,975	4,945	(0.6)
Securities operations	2,761	3,003	8.8
Credit operations	2,839	3,230	13.8
International operations	723	532	(26.4)
Other services	656	532	(18.9)
Total fee and commission income	11,954	12,242	2.4
Fee and commission expenses arising from:			
Payment services	346	363	4.9
Securities operations	225	229	1.8
Credit operations	90	122	35.6
International operations	29	5	(82.8)
Other services	59	45	(23.7)
Total fee and commission expenses	749	764	2.0
Net fee and commission income	**11,205**	**11,478**	**2.4**

(4) NET TRADING INCOME

€k	1/1–31/3/2012	1/1–31/3/2013	+/(-) Change, %
Price-based contracts	4	(68)	(>100)
Interest rate and currency contracts	322	459	42.5
Net trading income	**326**	**391**	**19.9**

(5) GENERAL ADMINISTRATIVE EXPENSES

€k	1/1–31/3/2012	1/1–31/3/2013	+/(-) Change, %
Staff costs	16,281	16,625	2.1
– Wages and salaries	12,342	12,500	1.3
– Social security costs	2,634	2,728	3.6
– Costs of retirement benefits	1,305	1,397	7.0
Other administrative costs	6,572	6,591	0.3
Depreciation/amortization	1,577	1,558	(1.2)
General administrative expenses	**24,430**	**24,774**	**1.4**

(6) OTHER OPERATING INCOME NET OF OTHER OPERATING EXPENSES

€k	1/1–31/3/2012	1/1–31/3/2013	+/(-) Change, %
Other operating income	810	829	2.3
Other operating expenses	(723)	(915)	26.6
Other operating income net of other operating expenses	**87**	**(86)**	**(>100)**

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

€k	1/1–31/3/2012	1/1–31/3/2013	+/(-) Change, %
Revaluation gains and losses on derivatives	(218)	1,084	(>100)
Gain/(loss) as a result of using the fair value option	746	(276)	(>100)
Profit/(loss) from financial assets designated as at fair value through profit or loss	**528**	**808**	**53.0**

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

€k	1/1–31/3/2012	1/1–31/3/2013	+/(-) Change, %
Revaluation gains and losses and realized gains and losses	100	1,198	>100
Profit/(loss) from available-for-sale financial assets	**100**	**1,198**	**>100**

(9) PROFIT/(LOSS) FROM HELD-TO-MATURITY FINANCIAL ASSETS

€k	1/1–31/3/2012	1/1–31/3/2013	+/(-) Change, %
Revaluation gains and losses and realized gains and losses	(1.519)	0	(100)
Profit/(loss) from held-to-maturity financial assets	**(1.519)**	**0**	**(100)**

(10) INCOME TAX EXPENSE

€k	1/1–31/3/2012	1/1–31/3/2013	+/(-) Change, %
Current tax	(1,878)	(1,381)	(26.5)
Deferred tax	128	(76)	(>100)
Income tax expense	**(1,750)**	**(1,457)**	**(16.7)**

Details of the Balance Sheet

(11) CASH AND BALANCES WITH THE CENTRAL BANK

€k	31/12/2012	31/3/2013	+/(-) Change, %
Cash in hand	34,537	29,738	(13.9)
Credit balances with central banks of issue	47,212	50,286	6.5
Cash and balances with the central bank	**81,749**	**80,024**	**(2.1)**

(12) RECEIVABLES FROM OTHER BANKS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Receivables from Austrian banks	66,377	103,855	56.5
Receivables from foreign banks	62,040	80,250	29.4
Receivables from other banks	**128,417**	**184,105**	**43.4**

(13) RECEIVABLES FROM CUSTOMERS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Corporate and business banking customers	3,871,029	3,904,787	0.9
Retail banking customers	1,091,307	1,088,282	(0.3)
Receivables from customers	**4,962,336**	**4,993,069**	**0.6**

(14) IMPAIRMENT ALLOWANCE BALANCE

€k	31/12/2012	31/3/2013	+/(-) Change, %
At beginning of period under review	153,246	168,101	9.7
+ Added	42,348	9,911	(76.6)
– Reversed	(7,079)	(1,398)	(80.3)
– Used	(20,392)	(924)	(95.5)
+/(–) Exchange differences	(22)	(44)	100
At end of period under review	**168,101**	**175,646**	**4.5**

(15) TRADING ASSETS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Bonds and other fixed-interest securities	0	0	0
Shares and other variable-yield securities	0	0	0
Positive fair values of derivative financial instruments			
– Currency contracts	237	291	22.8
Trading assets	**237**	**291**	**22.8**

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

€k	31/12/2012	31/3/2013	+/(-) Change, %
Bonds and other fixed-interest securities	92,735	92,499	(0.3)
Loans	112,978	110,533	(2.2)
Financial assets designated as at fair value through profit or loss	**205,713**	**203,032**	**(1.3)**

(17) AVAILABLE-FOR-SALE FINANCIAL ASSETS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Bonds and other fixed-interest securities	131,325	131,622	0.2
Shares and other variable-yield securities	87,222	80,792	(7.4)
Investments in subsidiaries and associates	31,869	31,926	0.2
Other equity investments	14,808	14,807	0.0
Available-for-sale financial assets	**265,224**	**259,147**	**(2.3)**

(18) HELD-TO-MATURITY FINANCIAL ASSETS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Bonds and other fixed-interest securities	702,314	690,354	(1.7)
Held-to-maturity financial assets	**702,314**	**690,354**	**(1.7)**

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

€k	31/12/2012	31/3/2013	+/(-) Change, %
Oberbank AG	224,167	227,048	1.3
Bank für Tirol und Vorarlberg AG	111,892	114,907	2.7
Alpenländische Garantie-GmbH	964	964	0.0
Drei-Banken Versicherungs-AG	4,153	4,153	0.0
Investments in entities accounted for using the equity method	**341,176**	**347,072**	**1.7**

(20) INTANGIBLE ASSETS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Goodwill	5,414	5,414	0.0
Other intangible assets	2,545	2,319	(8.9)
Intangible assets	**7,959**	**7,733**	**(2.8)**

(21) PROPERTY AND EQUIPMENT

€k	31/12/2012	31/3/2013	+/(-) Change, %
Land	2,774	2,642	(4.8)
Buildings	48,093	48,025	(0.1)
Other	11,309	9,870	(12.7)
Property and equipment	**62,176**	**60,537**	**(2.6)**

(22) INVESTMENT PROPERTY

€k	31/12/2012	31/3/2013	+/(-) Change, %
Land	8,167	8,293	1.5
Buildings	8,325	8,990	8.0
Investment property	**16,492**	**17,283**	**4.8**

(23) DEFERRED TAX ASSETS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Deferred tax assets	**19,825**	**19,922**	**0.5**

(24) OTHER ASSETS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Positive fair values of derivative financial instruments	8,737	8,846	1.2
Other items	17,548	19,954	13.7
Deferred items	2,613	2,780	6.4
Other assets	**28,898**	**31,580**	**9.3**

(25) PAYABLES TO OTHER BANKS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Payables to Austrian banks	1,111,156	1,134,286	2.1
Payables to foreign banks	335,255	333,711	(0.5)
Payables to other banks	**1,446,411**	**1,467,997**	**1.5**

(26) PAYABLES TO CUSTOMERS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Savings deposit balances	**1,797,864**	**1,778,622**	**(1.1)**
Corporate and business banking customers	244,645	243,224	(0.6)
Retail banking customers	1,553,219	1,535,398	(1.1)
Other payables	**1,747,926**	**1,792,442**	**2.5**
Corporate and business banking customers	1,205,649	1,235,467	2.5
Retail banking customers	542,277	556,975	2.7
Payables to customers	**3,545,790**	**3,571,064**	**0.7**

(27) LIABILITIES EVIDENCED BY PAPER

€k	31/12/2012	31/3/2013	+/(-) Change, %
Issued bonds	402,398	459,535	14.2
Other liabilities evidenced by paper	177,546	117,949	(33.6)
Liabilities evidenced by paper	**579,944**	**577,484**	**(0.4)**

(28) TRADING LIABILITIES

€k	31/12/2012	31/3/2013	+/(-) Change, %
Interest rate contracts	282	354	25.5
Trading liabilities	**282**	**354**	**25.5**

(29) PROVISIONS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Provisions for post-employment benefits and similar obligations	70,359	70,792	0.6
Provisions for taxes (current tax)	129	241	86.8
Other provisions	10,801	10,854	0.5
Provisions	**81,289**	**81,887**	**0.7**

(30) DEFERRED TAX LIABILITIES

€k	31/12/2012	31/3/2013	+/(-) Change, %
Deferred tax liabilities	**10,871**	**11,344**	**4.4**

(31) OTHER LIABILITIES

€k	31/12/2012	31/3/2013	+/(-) Change, %
Negative fair values of derivative financial instruments	47,620	38,993	(18.1)
Other items	15,641	29,208	86.7
Deferred items	1,619	775	(52.1)
Other liabilities	**64,880**	**68,976**	**6.3**

(32) SUBORDINATED DEBT CAPITAL

€k	31/12/2012	31/3/2013	+/(-) Change, %
Supplementary capital	196,655	207,059	5.3
Hybrid capital	40,000	40,000	0.0
Subordinated debt capital	**236,655**	**247,059**	**4.4**

(33) SEGMENTAL REPORTING

Method: Net interest income was subdivided using the *market interest rate method*. Incurred costs were allocated to the individual business segments on a cost-by-cause basis. So-called *structural income* was allocated to the financial markets segment. Capital was allocated according to regulatory criteria. Average allocated equity was valued 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 gauged in terms of the profit before tax recorded in that segment. Alongside the cost:income ratio, return on equity was one of the principal benchmarks for managing business segments. Our segmental reporting is based on our internal management processes.

SEGMENTAL BREAKDOWN

€k	Retail Banking		Corporate and Business Banking		Financial Markets	
	Q1 2012	Q1 2013	Q1 2012	Q1 2013	Q1 2012	Q1 2013
Net interest income	7,954	7,693	21,515	20,212	4,845	4,392
Impairment charge on loans and advances	(146)	(200)	(8,475)	(9,462)	(327)	(8)
Net fee and commission income	5,322	5,243	5,617	6,068	119	76
Net trading income	0	0	0	0	326	391
General administrative expenses	(12,789)	(12,866)	(9,557)	(9,473)	(1,331)	(1,607)
Other operating income net of other operating expenses	156	159	243	280	(3)	(4)
Profit/(loss) from financial assets	0	0	0	0	(891)	2,006
Profit for the period before tax	**497**	**29**	**9,343**	**7,625**	**2,738**	**5,246**
Average risk-weighted assets	547,429	564,040	3,143,199	3,288,386	704,073	558,283
Average allocated equity	43,794	46,199	251,456	263,071	348,481	374,765
ROE based on profit for the period	**4.5%**	**0.3%**	**14.9%**	**11.6%**	**3.1%**	**5.6%**
Cost:income ratio	**95.2%**	**98.2%**	**34.9%**	**35.7%**	**25.2%**	**33.1%**
Risk:earnings ratio	**1.8%**	**2.6%**	**39.4%**	**46.8%**	**6.7%**	**0.2%**

€k	Other		Total	
	Q1 2012	Q1 2013	Q1 2012	Q1 2013
Net interest income	147	196	34,461	32,493
Impairment charge on loans and advances	0	0	(8,948)	(9,670)
Net fee and commission income	147	91	11,205	11,478
Net trading income	0	0	326	391
General administrative expenses	(753)	(828)	(24,430)	(24,774)
Other operating income net of other operating expenses	(309)	(521)	87	(86)
Profit/(loss) from financial assets	0	0	(891)	2,006
Profit/(loss) for the period before tax	**(768)**	**(1,062)**	**11,810**	**11,838**
Average risk-weighted assets	43,462	40,500	4,438,163	4,451,209
Average allocated equity	6,365	6,281	650,096	690,316
ROE based on profit for the period	**—**	**—**	**7.3%**	**6.5%**
Cost:income ratio	**—**	**—**	**53.0%**	**56.0%**
Risk:earnings ratio	**—**	**—**	**26.0%**	**29.8%**

(34) CONSOLIDATED EQUITY

€k	31/12/2012	31/3/2013	+/(-) Change, %
Subscribed capital	65,520	65,520	0.0
– Share capital	65,520	65,520	0.0
Capital reserves	97,929	97,929	0.0
Retained earnings and other reserves	524,844	528,889	0.8
Equity before minority interests	688,293	692,338	0.6
Minority interests	(7)	(7)	0.0
Consolidated equity	**688,286**	**692,331**	**0.6**

The share capital was represented by 30,960,000 ordinary no-par voting shares and 1,800,000 non-voting no-par preference shares. The line item *Capital reserves* contains premiums arising from the issuance of shares. *Retained earnings and other reserves* consists essentially of ploughed back profits. At the end of the quarter, eligible own funds came to €703.0 million (31 December 2012: €709.5 million). Surplus own funds came to €347.4 million (31 December 2012: €352.9 million). The external capital adequacy requirements were met throughout 2012 and the quarter under review.

(35) CONTINGENT LIABILITIES AND COMMITMENTS

€k	31/12/2012	31/3/2013	+/(-) Change, %
Guarantees	391,831	394,619	0.7
Letters of credit	3,122	720	(76.9)
Contingent liabilities	**394,953**	**395,339**	**0.1**
Other commitments	588,249	562,283	(4.4)
Commitments	**588,249**	**562,283**	**(4.4)**

(36) RELATED PARTY DISCLOSURES IN ACCORDANCE WITH IAS 24

€k	31/12/2012	31/3/2013	+/(-) Change, %
Advances and loans granted to members of the Management Board and Supervisory Board and close relatives	478	682	42.7
Deposit balances of members of the Management Board and Supervisory Board and close relatives	2,123	2,291	7.9

(37) 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 (31 March 2013) affecting the assets, liabilities, financial position or profit or loss as presented in this report.

(38) FAIR VALUES

31/3/2013 €k	LEVEL 1 Market Value	LEVEL 2 Based on Market Data	LEVEL 3 Internal Valuation Methodology	Total Fair Value	Carrying Amount 31/3/2013	Difference Between Fair Value and Carrying Amount
Assets						
Receivables from other banks	0	184,200	0	184,200	184,105	94
Receivables from customers	0	5,055,066	0	5,055,066	4,993,069	61,997
Financial assets designated as at fair value through profit or loss	92,499	110,533	0	203,032	203,032	0
Available-for-sale financial assets	241,413	0	17,734	259,147	259,147	0
Held-to-maturity financial assets	756,565	0	0	756,565	690,354	66,211
Investments in entities accounted for using the equity method	291,563	0	5,117	296,680	347,072	(50,392)
Equity and liabilities						
Payables to other banks	0	1,471,470	0	1,471,470	1,467,997	3,473
Payables to customers	0	3,604,054	0	3,604,054	3,571,064	32,991
Liabilities evidenced by paper	463,380	117,735	0	581,115	577,484	3,631
Subordinated debt capital	245,259	2,350	0	247,609	247,059	550

31/12/2012 €k	LEVEL 1 Market Value	LEVEL 2 Based on Market Data	LEVEL 3 Internal Valuation Methodology	Total Fair Value	Carrying Amount 31/12/2012	Difference Between Fair Value and Carrying Amount
Assets						
Receivables from other banks	0	128,500	0	128,500	128,417	83
Receivables from customers	0	5,029,388	0	5,029,388	4,962,336	67,052
Financial assets designated as at fair value through profit or loss	92,735	112,978	0	205,713	205,713	0
Available-for-sale financial assets	247,489	0	17,735	265,224	265,224	0
Held-to-maturity financial assets	773,600	0	0	773,600	702,314	71,286
Investments in entities accounted for using the equity method	290,899	0	5,117	296,016	341,176	(45,160)
Equity and liabilities						
Payables to other banks	0	1,450,209	0	1,450,209	1,446,411	3,798
Payables to customers	0	3,576,223	0	3,576,223	3,545,790	30,433
Liabilities evidenced by paper	404,736	176,729	0	581,465	579,944	1,521
Subordinated debt capital	234,013	2,350	0	236,363	236,655	(292)

These two tables present the fair values of the respective balance sheet items. Fair values are the amounts for which financial instruments could be exchanged between knowledgeable, willing parties in an arm's length transaction on the balance sheet date. The fair values shown in the *Market Value* column were determined by prices quoted on active markets (stock exchange). If market values were unavailable, fair value was ascertained using customary valuation models and observable input factors and market data and presented in the category *Level 2 Based on Market Data* (e.g. by discounting future cash flows from financial instruments). In general, the fair values shown in this category were measured using market data that were observable for the asset or liability (e.g. yield curve, foreign exchange rates). In general, items in the category Level 2 were measured using present value techniques. In the category *Level 3 Internal Valuation Methodology*, the values of individual financial instruments were measured on the basis of generally accepted valuation methods. If their fair value could not be reliably ascertained, available-for-sale equity investments were recognized at their carrying amounts.

During the period under review, liabilities evidenced by paper worth roughly €40 million were reclassified from Level 2 to the category Level 1. Reclassifications between the individual categories were carried out if market values (Level 1) or reliable input factors (Level 2) were no longer available or if market values (Level 1) became newly available for individual financial instruments (e.g. because of an IPO). There were no changes to the valuation models.

Level 3: Movements in Q1 2013

€k	At 31/12/2012	Income Statement	Other Gains/(Losses)	Purchased	Sold	At 31/3/2013
Available-for-sale financial assets	17,735	0	(1)	0	0	17,734
Investments in entities accounted for using the equity method	5,117	0	0	0	0	5,117
Total	**22,852**	**0**	**(1)**	**0**	**0**	**22,851**

(39) BALANCE OF DERIVATIVES OUTSTANDING

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

31/3/2013	Nominal, by Term to Maturity				Fair Value	
€k	< 1 Year	1–5 Years	> 5 Years	Total	Positive	Negative
Currency contracts	**919,986**	**943,934**	**—**	**1,863,920**	**3,883**	**17,298**
– Of which in trading book	—	—	—	—	—	—
Interest rate contracts	**170,000**	**527,414**	**165,424**	**862,838**	**4,079**	**18,236**
– Of which in trading book	—	17,726	18,894	36,620	76	76
Securities contracts	—	—	—	—	—	—
– Of which in trading book	—	—	—	—	—	—
Total	**1,089,986**	**1,471,348**	**165,424**	**2,726,758**	**7,962**	**35,534**
– Of which in trading book	—	17,726	18,894	36,620	76	76

31/12/2012	Nominal, by Term to Maturity				Fair Value	
€k	< 1 Year	1–5 Years	> 5 Years	Total	Positive	Negative
Currency contracts	**907,708**	**951,000**	**—**	**1,858,708**	**1,747**	**19,657**
– Of which in trading book	—	—	—	—	—	—
Interest rate contracts	**182,170**	**710,726**	**134,744**	**1,027,640**	**6,707**	**24,481**
– Of which in trading book		19,602	6,404	26,006	80	79
Securities contracts	—	—	—	—	—	—
– Of which in trading book	—	—	—	—	—	—
Total	**1,089,878**	**1,661,726**	**134,744**	**2,886,348**	**8,454**	**44,138**
– Of which in trading book		19,602	6,404	26,006	80	79

(40) MATERIAL TRANSACTIONS WITH RELATED PARTIES AND PERSONS

No transactions took place during the first three months of this financial year with related parties or persons that materially affected the enterprise's financial position or business profit or loss in that period.

Statement by BKS Bank's Management

"We confirm that, to the best of our knowledge, the Consolidated Interim Financial Statements as at and for the three months ended 31 March 2013 prepared in accordance with the effective 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 for the period from 1 January to 31 March 2013 presents fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the BKS Bank Group with respect to the important events occurring during the first three months of the financial year and their impact on the Consolidated Interim Financial Statements with respect to the material risks and uncertainties for the remaining nine months of the financial year."

Klagenfurt am Wörthersee
21 May 2013

The Management Board

Heimo Penker
CEO

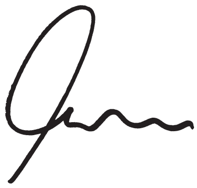
Member of the Management Board responsible for the Corporate and Business Banking Segment, Human Resources, Public Relations, Marketing and Investor Relations.
Regional responsibility for the Carinthia and Styria regions and for Italy

Herta Stockbauer
Member of the Management Board

Member of the Management Board responsible for International Operations, Accounts and Sales Controlling, Treasury/Proprietary Trading, Capital Markets Law, Construction, Subsidiaries and Equity Investments. Within Austria, she is responsible for the Burgenland and Vienna regions; abroad, she is responsible for the Slovenia, Croatia, Hungary and Slovakia regions

Dieter Krassnitzer
Member of the Management Board

Member of the Management Board responsible for Risk Management, Risk Controlling, the Credit Back Office, Business Organization and IT and *3-Banken-EDV Gesellschaft*.



Wolfgang Mandl
Member of the Management Board

Member of the Management Board jointly responsible with Heimo Penker for Retail Banking and Private Banking.

Financial Calendar for 2013

29 March 2013:	Publication of the Annual Financial Statements and Consolidated Financial Statements for 2012 in the Internet and in the official *Wiener Zeitung* gazette
15 May 2013:	74th Ordinary General Meeting (AGM)
17 May 2013:	Ex-dividend date
21 May 2013:	Dividend payment date

BKS Bank's Interim Reports

24 May 2013:	Interim Report as at and for the 3 months ended 31 March 2013
23 August 2013:	Semi-Annual Report as at and for the 6 months ended 30 June 2013
29 November 2013:	Interim Report as at and for the 9 months ended 30 September 2013

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