Living Responsibility

Interim Report to 31 March 2012

BKS Bank
3 Banken Gruppe

Contents

OVERVIEW OF THE BKS BANK GROUP

Income account, €m	Q1 2010	Q1 2011	Q1 2012
Net interest income	33.2	33.8	34.5
Impairment charge on loans and advances	(16.0)	(12.4)	(8.9)
Net fee and commission income	11.2	10.9	11.2
General administrative expenses	(22.1)	(22.8)	(24.4)
Profit for the period before tax	10.7	12.6	11.8
Profit for the period after tax	8.8	10.7	10.1

Balance sheet data, €m	31/12/2010	31/12/2011	31/3/2012
Assets	6,238.2	6,456.0	6,624.9
Receivables from customers after impairment charge	4,498.2	4,647.8	4,676.7
Primary deposit balances	4,158.5	4,251.4	4,288.9
– Of which savings deposit balances	1,847.2	1,786.3	1,838.0
– Of which liabilities evidenced by paper, including subordinated debt capital	667.6	715.7	727.5
Equity	627.8	644.9	655.3
Customer assets under management	10,023.5	10,025.5	10,292.1
– Of which in customers' securities accounts	5,865.0	5,774.1	6,003.2

Own funds within the meaning of BWG, €m	31/12/2010	31/12/2011	31/3/2012
Risk-weighted assets	4,345.1	4,415.2	4,460.9
Own funds	567.4	681.9	679.7
– Of which Tier 1 capital	416.6	599.5	599.4
Surplus own funds before operational risk	219.8	328.7	322.9
Surplus own funds after operational risk	194.8	301.9	295.7
Tier 1 ratio, per cent	9.59	12.46	12.34
Own funds ratio, per cent	13.06	15.44	15.24

Performance, per cent	2010	2011	Q1 2012
Return on equity before tax	8.9	6.1	7.3
Return on assets before tax	0.9	0.6	0.7
Cost:income ratio	48.8	46.7	53.0
Risk:earnings ratio (credit risk in per cent of net interest income)	33.1	22.1	26.0

Resources	2010	2011	Q1 2012
Average number of staff	872	901	939
Branches	55	55	55

BKS Bank's shares	2010	2011	Q1 2012
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, €	18.4/15.4	18.6/15.6	17.6/15.5
Low: ordinary/preference share, €	15.9/13.7	17.6/14.8	17.6/15.5
Close: ordinary/preference share, €	18.4/15.4	17.6/15.5	17.6/15.5
Market capitalization, €m	595.8	572.8	572.8

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

We welcome you very warmly to our first Shareholders Letter in 2012. Let us begin by saying that BKS Bank continued to demonstrate its profitability and dynamism in the retail banking segment as well as its resilience in a setting plagued by high market volatility.

The BKS Bank Group went on developing robustly during the first quarter of this financial year. Its assets grew slightly, increasing by 2.6 per cent to roughly €6.62 billion. Profit for the period before tax came to €11.8 million, which was 6.5 per cent down on the good profit recorded in the same period of the previous year. Although there was a pleasing increase in profit in the corporate and business banking segment, profit fell in the retail banking and financial markets segments. BKS Bank had a comfortable Tier 1 ratio of 12.3 per cent, which was well above European Banking Authority's requirement. In addition, it had a total capital ratio of 15.2 per cent and surplus own funds of nearly €300 million. In other words, it is not just excellently placed to operate in a stricter regulatory environment. It is also ready for further carefully targeted expansion in the medium term that will create value-added for its shareholders.

As a follow-up to the 73rd Ordinary General Meeting (AGM) held on 15 May 2012, we would like to begin by giving our shareholders a piece of good news. As it did last year, *BKS Bank AG* distributed €8.19 million to its ordinary and preference shareholders out of its net profit at 31 December 2011 in respect of a total of 32,760,000 shares. Based on profit for the year before tax, this gave us a payout ratio of 34.7 per cent, so we were once again one of the strongest dividend payers in the Austrian banking industry. Because of our good overall performance in 2011, you as one of the equity holders of our bank thus received another dividend of €0.25 per share (ex-dividend date: 18 May; dividend payment date: 23 May).

Hermann Bell and Michael Kastner were re-elected to the Supervisory Board. Furthermore, Christina Fromme-Knoch succeeded Wolf Klammerth, a long-standing member of the Supervisory Board, as a representative of the equity holders. All the resolutions passed at the latest Annual General Meeting have been published on BKS Bank's website. Click on Investor Relations » Hauptversammlung.

Group Management Report for the Three Months Ended 31 March 2012

The Economic Setting in which Banks are Operating

The international economy has been picking up steadily since the beginning of 2012, supported by stable and high rates of growth in the emerging markets. The international financial markets have also recovered perceptibly as the US economic outlook has brightened and concerted action has been taken by European governments and central banks to deal with debt crises in a number of European peripheral countries.

However, when one looks ahead to the rest of the year, the global economic outlook remains gloomy. Although the Federal Reserve as the US central bank has recently expressed a slightly more optimistic assessment of the future, it continues to place its faith in historically low interest rates and is leaving the federal funds rate at an exceptionally low level of between zero and 0.25 per cent until at least 2014. Following annualized GDP growth of about 2.2 per cent in the first quarter, the current economic situation is one of recovery in private consumption, fresh lending to companies and individuals and gradual inventory accumulation in the corporate sector. On the other hand, the improvement in the troubled property and labour markets has been modest. While there are growing signs that the US economy is accelerating, China seems to be facing a temporary weakening of its economy at a high level. The Chinese government has lowered its real GDP growth target for 2012 to 7.5 per cent in response, above all, to rising raw material prices.

The eurozone is heading for a mild economic recession in 2012. Governments, central banks and regulators have so far proven very willing to try to stem the debt crisis in the PIIGS countries, which is still smouldering. Above all, the ECB's two three-year loan offers to commercial banks of about €1 trillion helped improve the finances of Italy and Spain. The resulting reduction in the pressure on private funding markets has made it possible to increase sales of bonds to investors on favourable terms. The agreement of a new rescue package for Greece and the forced restructuring of Greek government debt with private sector participation also helped calm government bond markets. The yield differentials between the 10-year government bonds of most eurozone countries and German *bunds* have tended to continue to narrow, and in mid-March, the yield spread on Spanish and Italian government bonds over the German equivalents was only about 300 basis points, albeit briefly. Nonetheless, these signs of strength could not prevent the economies of the eurozone from drifting further and further apart. We saw recession and deflationary tendencies in Southern and Southeastern Europe, but economies were robust and prices rose in northern zones. In addition, labour markets within the eurozone diverged strongly. According to *Eurostat*, the German and Austrian jobless rates at the end of March were 5.6 per cent and 4.0 per cent, respectively, which were multi-year lows. However, the ailing economic structures of Greece, Spain and Portugal were now being reflected by worrying jobless rates of between 14 per cent and 24 per cent.

Austrian GDP forecasts have not changed much. Although WIFO expects real growth to slow significantly from 3.1 per cent in 2011 to 0.4 per cent in 2012 as the stimulus for growth from abroad weakens, it is not predicting a recession. The slowdown in export growth in the period under review was mainly attributable to the subdued development of exports to Italy, Slovenia, Hungary, Spain, Romania and Croatia. On the other hand, exports to Germany — Austria's most important trading partner by far — increased substantially. As a result of the Austrian economy's poorer overall performance and efforts to consolidate public budgets, gross capital expenditure on equipment and buildings was still down on the same period of the previous year. So far, the renewed rise in crude oil prices since the beginning of the year set off by geopolitical tension in the Middle East has delayed a rapid return of inflation. According to WIFO, inflation should slow to 2.4 per cent this year, compared with 3.3 per cent in 2011.

Brent crude was trading at US$123.00 a barrel at the end of March, compared with US$112.13 a barrel at the beginning of the year. However, given the economic situation, the market players expect oil prices to drop in the medium term. This is reflected by the prices of futures for delivery in December 2013, which were trading at US$101.36 a barrel at NYMEX at the time of writing. As for bilateral exchange rates, the euro gained ground versus most major currencies in the first quarter of 2012. Between 2 January 2012 and 3 April 2012, the euro rose 3.3 per cent versus the US dollar and 10.5 per cent versus the Japanese yen. Because the SNB had set a minimum exchange rate, the Swiss franc was virtually unchanged versus the euro.

Like the bond markets, share prices on both sides of the Atlantic developed unevenly during the quarter under review. Although sentiment in the equity markets was much improved — especially after the agreement on the restructuring of Greek debt had been finalized — in that market players felt that the likelihood of further bad news from the eurozone had diminished, reports suggesting that the economic outlook in Italy and Spain was unstable led to a renewed increase in risk aversion. The prices of bank stocks were still being affected by concern that banks' continuing capital needs might also force the big European banks to resort to the capital markets again. In the eurozone, prices expressed in terms of the broad Dow Jones Euro STOXX index only rose by about 4.5 per cent compared with the beginning of the year, to 2,477.28 points. On the other hand, in the same period, signs of a sustained economic recovery in the United States (i.e. good corporate numbers) lifted the Standard & Poor's 500 index by more than 10 per cent to 1,408.47 points. The ATX stood at 2,159 points at the end of March, having increased by 14 per cent. The BKS Bank ordinary no-par share, which is listed on the Vienna Stock Exchange, was trading at €17.6 at the end of March, and the BKS Bank no-par preference share was trading at €15.5. BKS Bank's market capitalization at the end of the first quarter was virtually unchanged versus the end of 2011 at €573 million.

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]	[1] *BKS-Leasing a.s.* makes up a subgroup with *BKS Finance s.r.o.*
Oberbank AG, **Linz**	*Bank für Tirol und Vorarlberg AG*, **Innsbruck**	*Alpenländische Garantie-Gesellschaft mbH*, **Linz**	*Drei-Banken Versicherungs-Aktiengesellschaft*, **Linz**

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 consolidated members of the BKS Bank Group did not change in the first quarter of 2012. They comprise the banks and other financial service providers and entities rendering banking-related services that are controlled by *BKS Bank AG*. They currently consist of 18 banks and other financial service providers and entities rendering banking-related ancillary services. These entities include our leasing companies in Austria and abroad as well as *Alpenländische Garantie-Gesellschaft* and *Drei-Banken Versicherungs-Aktiengesellschaft*. Minority interests in profit for the period were deducted when calculating consolidated net profit for the period. 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*—are also accounted for in the Consolidated Financial Statements, using the equity method. Although BKS Bank controls 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, it exerts a significant influence as the result of long-term syndicate agreements. Consolidated net profit for the three months ended 31 March 2012 includes BKS Bank's interests in these 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

BKS Bank's consolidated assets grew by 2.6 per cent to €6.62 billion in the first three months of 2012. Reflecting the state of the market, receivables from customers increased little, advancing by 0.7 per cent to €4.83 billion. IFRSs require an impairment charge to be deducted from receivables from customers. In the first quarter, the impairment allowance balance increased by €3.0 million to €156.2 million as a result of new impairment allowances. Receivables from other banks increased by 85.6 per cent to total €216.2 million at 31 March 2012. In the same period, payables to other banks increased by €106.8 million to €1.49 billion, indicating that activity in the interbank market was picking up again. The line item *Financial assets* also increased, growing by €52.0 million or 3.6 per cent to total €1.52 billion at the end of March.

As in prior periods, *BKS Bank AG* accounted for the lion's share of receivables from customers in both the corporate and business banking and retail banking segment, namely €4.42 billion. In both those segments, customer demand for the loan offerings of our regional head offices in Austria strengthened. Close to the border in countries that neighbour Austria, our branches in Slovenia reported robust increases in volumes in both the corporate and business banking and retail banking segment, but new business volumes at our recently opened branch in Slovakia were still unsatisfactory. We continued to consistently reduce the foreign currency loan portfolio. This loan category has become a major risk factor in recent years, especially in the retail banking segment, as, above all, the exchange rate of the euro versus the Swiss franc has rapidly become more unfavourable. In the first quarter alone, receivables from customers in this area were reduced by another SFr25.5 million to SFr887.9 million. By the end of March, the proportion of foreign currency loans in relation to BKS Bank's total Group-wide loan portfolio had fallen to 16.7 per cent, compared with 17.3 per cent at the end of 2011.

Market conditions were still harming the business environment. As a result, the lease finance operations carried on through our Austrian and foreign leasing subsidiaries located in Klagenfurt, Ljubljana, Zagreb and Bratislava failed to live up to our high expectations. However, there was a significant increase in the number of new contracts in the motor vehicle leasing segment. The assets of our Croatian banking subsidiary *BKS Bank d.d.*, which is headquartered in Rijeka, continued to grow during the first three months of 2012. Once again, the focus was on corporate and business banking.

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. Because of new fair value hedges, the line item *Financial assets designated as at fair value through profit or loss* increased by 10.2 per cent to €131.8 million. The stabilization of our liquidity buffer at its present high level was primarily ensured by investing in investment grade fixed interest government securities. As a result, the held-to-maturity portfolio grew by 3.2 per cent to €762.2 million, with new investments in securities eligible for refinancing by the ECB totalling €56.8 million and redemptions and disposals coming to €30.3 million. The portfolio of available-for-sale financial assets and the line item *Investments in entities accounted for using the equity method*, most of which comprised the carrying amounts of our interests in *Oberbank AG* and *BTV AG*, were only slightly up on the end of the previous year to €305.2 million and €316.1 million, respectively.

Equity and liabilities

On the equity and liabilities side of the Balance Sheet, we were able to sustain the high level of our so-called *primary deposit balances*, which are the key pillar of our sustainable liquidity management activities. They increased by slightly more than receivables from customers, namely by 0.9 per cent, and accounted for roughly 65 per cent of our balance sheet total at the end of March. Despite the stiff competition for additional funds in the retail banking segment, the inflow of savings deposits at BKS Bank came to €51.8 million, resulting in total savings deposit balances of €1.84 billion at the end of March. Once again, customers were particularly interested in our attractive fixed-term, fixed-rate savings deposit products. The steady inflow of deposits in Slovenia was likewise striking.

The growth in sight and time deposit balances was also generally satisfactory, resulting in a total balance of €1.72 billion at the end of March. Our own securities in issue — comprising liabilities evidenced by paper and subordinated debt capital — which are an essential part of liquidity planning on a matched maturity basis, increased by 1.6 per cent to €0.73 billion. It should be noted that the extremely low capital market rates — at the end of March, the yield on 10-year German *bunds* was just 1.8 per cent — and renewed upsets caused by the sovereign debt crisis seriously affected sales of long-term securities. We issued new securities with a nominal value of €13.3 million during the quarter under review. Covered bonds accounted for €3.0 million thereof.

The line item *Equity* on our Consolidated Balance Sheet as at 31 March 2012 was €10.4 million or 1.6 per cent up on the beginning of the year to €655.3 million. BKS Bank's equity is detailed in the Statement of Changes in Equity on page 20.

Own funds

BKS Bank calculates its own funds ratio and basis of assessment in accordance with the Solvency Directive, which takes its bearings from Basel II. BKS Bank uses the *standardized approach* to calculate its own funds requirement. The basis of assessment increased by €45.7 million to roughly €4.46 billion during the first quarter. This was, above all, due to the increase in receivables from customers. BKS Bank's eligible own funds were slightly down on the end of 2011 to €679.7 million. We consciously put up with the drain of supplementary own funds caused by maturing supplementary capital in the light of the fact that this class of own funds will no longer have an important role to play in the new Basel III regime. In future, there will be a clear focus on core Tier 1 capital. Based on the new parameters, BKS Bank's Tier 1 ratio at the end of the first quarter was 12.3 per cent, which was only just down on the figure of 12.5 per cent recorded at the end of 2011. Its total capital ratio was 15.2 per cent, compared with 15.4 per cent at the end of 2011. In both cases, BKS Bank significantly exceeded the statutory minima, which were 8.0 per cent (own funds) and 4.0 per cent (Tier 1). BKS Bank's surplus own funds were also high, at €322.9 million. Own funds after taking account of operational risk still came to €295.7 million, providing an adequate basis for future lending growth for which capital charges will be required.

In April, BKS Bank took part in a Quantitative Impact Study (QIS) on the basis of the draft Capital Requirements Directive (CRD) 4 and draft Capital Requirements Regulation (CRR) 1 published by the European Commission in July 2011 to implement the rules of Basel III in the Member States of the European Union. During this study, the new liquidity management regulations were subjected to feasibility testing.

OWN FUNDS OF BKS BANK KREDITINSTITUTSGRUPPE

€m	31/12/2010	31/12/2011	31/3/2012
Share capital	65.5	65.5	65.5
Hybrid capital	40.0	40.0	40.0
Reserves net of intangible assets	311.1	494.0	493.9
Tier 1 capital	**416.6**	**599.5**	**599.4**
Tier 1 ratio[1]	9.59%	12.46%	12.34%
Hidden reserves within the meaning of § 57 *BWG*	10.3	5.6	**5.6**
Eligible supplementary capital	155.8	134.6	124.6
Balance of gains and losses taken to equity	65.2	19.9	27.6
Eligible subordinated liabilities	12.9	20.7	20.8
Supplementary own funds (Tier 2)	**244.2**	**180.8**	**178.6**
Deductions from Tier I and Tier II	93.3	98.4	98.3
Eligible own funds	**567.4**	**681.9**	**679.7**
Own funds ratio	13.06%	15.44%	15.24%
Basis of assessment for the banking book	4,345.1	4,415.2	4,460.9
Own funds requirement	**347.6**	**353.2**	**356.9**
Own funds requirement for the trading book	2.9	2.4	2.8
– Of which arising from open currency positions	2.2	1.4	1.8
Own funds requirement for operational risk	25.0	26.8	27.2
Surplus own funds (disregarding operational risk)	**219.8**	**328.7**	**322.9**
Surplus own funds (taking account of operational risk)	**194.8**	**301.9**	**295.7**

[1] In 2011 und 2012, 50 per cent of the stakes held in banks was deducted when calculating this ratio.

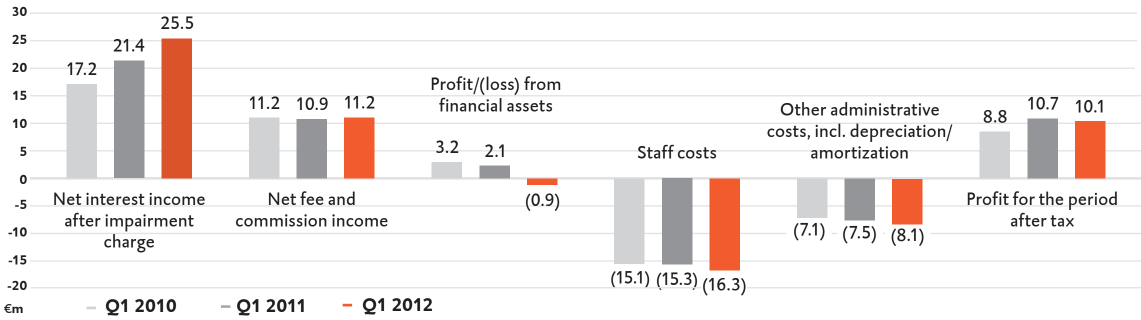
Performance

In an environment that was still difficult for the banking industry, the development of both our interest rate operations and our service operations was balanced and solid. BKS Bank was already able to build on its good results in the first three months of 2011 with profit for the period after tax of €10.1 million. However, as we will be describing in more detail in the segmental reports, the different business segments still varied in their profit performance. Net interest income after the impairment charge on loans and advances was nearly one fifth up on the same period of the previous year to €25.5 million. It should be noted that this good growth was the net result both of increases in interest expenses and interest income and of stable income from our investments in our sister banks, which were accounted for using the equity method. Although it was 27.9 per cent less than in the first quarter of 2011, the impairment charge on loans and advances was still, as had been expected, too high at €8.9 million.

Earnings from services were even up on the pleasing total recorded in the same period of 2011. Net fee and commission income increased by 2.6 per cent to €11.2 million, with both earnings from payments services and earnings from credit operations making important contributions and accounting for net fee and commission income of €4.6 million and €2.7 million, respectively. On the other hand, fee and commission earnings from securities operations were still below our expectations during the first quarter, at €2.5 million, as a result of developments in the stock market. The other components of our operating earnings were also affected by the volatility of the financial markets at times.

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*, fell to negative €0.9 million, compared with positive €2.1 million in the first three months of 2011. In the portfolio of financial assets designated as at fair value through profit or loss,

Components of the Income Statement



revaluations made necessary by the renewed drop in rates on payer interest rate swaps and revaluation gains on assets and liabilities hedged in fair value hedges resulted, on balance, in a gain of €0.5 million. While profit from available-for-sale financial assets was slightly up on the same period of the previous year, to €0.1 million, the forced exchange of Greek government bonds cost €1.5 million in the held-to-maturity portfolio. At the time of the exchange, BKS Bank held in its held-to-maturity portfolio relevant government bonds with a nominal value of €45 million at a carrying amount of €11.8 million. These bonds were exchanged for one-year and two-year EFSF bonds with a nominal value of €3.6 million in each case and for 20 new tranches of Greek government bonds with a nominal value of €14.2 million and staggered maturities ranging from 2023 to 2042. After the end of the quarter, sales reduced the carrying amount of our portfolio of Greek government bonds to just €2.7 million.

Our general administrative expenses during the first three months of this year were 7.0 per cent up on the same period of 2011 to €24.4 million. Staff costs increased by 6.6 per cent. This was the result both of an increase in regular salary payments caused by a bigger workforce and of an increase in our expenditure on so-called *social capital*. The BKS Bank Group employed an average of 939 people during the period under review, compared with 890 in the first quarter of 2011. Pay rises under collective agreements did not take effect until 1 April in 2012. They were set at an average of 3.5 per cent. Our other general administrative expenses (other administrative costs and depreciation or amortization of capital assets) were 8.0 per cent up on the same period of 2011 to €8.1 million. We are pleased to report that they were well below the costs that we had budgeted for despite substantial outlay on *3 Banken EDV Gesellschaft mbH* and a number of pioneering projects. Most notably, other operating income net of other operating expenses included the cost of the stability levy (bank tax) in the first quarter, which came to €415 thousand.

As a result of the developments we have described, the BKS Bank Group recorded profit for the period before tax in the first three months of this year of €11.8 million, as against €12.6 million in the same period of 2011. Profit for the period after tax came to €10.1 million, which was 6.4 per cent down on January to March 2011.

Ratios

CORPORATE PERFORMANCE RATIOS

Per cent	2010	2011	Q1 2012
Tier 1 ratio	9.6	12.5	12.3
Own funds ratio	13.1	15.4	15.2
ROE (before tax)	8.9	6.1	7.3
ROA (before tax)	0.9	0.6	0.7
Cost:income ratio	48.8	46.7	53.0
Risk:earnings ratio	33.1	22.1	26.0

The BKS Bank Group's key performance ratios suffered slightly from the small fall in profit in the first quarter of 2012 compared with the same period of 2011. Although the Group's return on equity increased by 120 basis points from 6.1 per cent in the first quarter of 2011 to 7.3 per cent in the period under review, it was still substantially down on the pre-crisis years. The first-quarter total return on assets was unchanged on the previous year at 0.7 per cent. The Group's cost:income ratio has consistently stayed below its internal 50 per cent benchmark in recent years. However, even though costs developed as planned, profits were still unsatisfactory because of the way the market was developing, pushing this ratio up to 53 per cent. Since net interest income was still growing unusually slowly, the Group's risk:earnings ratio—the measure of the proportion of net interest income used to cover credit risk—increased to 26 per cent during the quarter under review. In the long term, our management target for the BKS Bank Group is a risk:earnings ratio of 20 per cent.

Segmental Reports

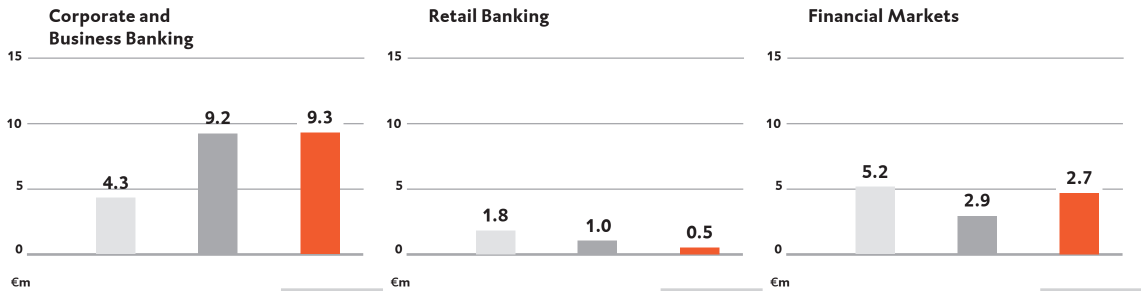
Our segmental reporting is based on the organizational structure of the Group underlying its internal management reporting system, which has not changed since the end of 2011. BKS Bank focuses its activities on three large business segments, namely *Corporate and Business Banking*, *Retail Banking* and *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 12,800 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 corporates and businesses.

The corporate and business banking segment remained the predominant operating unit by far within the BKS Bank Group. Against the backdrop of a market environment that was stable, especially in our operating territories inside Austria, business developed as planned. Among other things, this was also thanks to a slight fall in risk costs. While deposits made a smaller contribution to net interest income as margins shrank in line with market interest rates, loan volumes increased. Here too, margins were slightly down on the previous year. The consequence was that net interest income increased to €21.5 million. This segment's profit for the period before tax was 1.3 per cent up on the same period of the previous year to €9.3 million. The increase in earnings from payment services in this segment also made a contribution, helping increase first-quarter net fee and commission income by €0.1 million to €5.6 million. It proved possible to reduce the impairment charge on loans and advances by €0.6 million to €8.5 million. The segment's risk:earnings ratio (RER) fell accordingly versus the first quarter of 2011, improving by 290 basis points to 39.4 per cent. General administrative expenses charged to the corporate and business banking segment increased by 5.2 per cent to €9.6 million. Its return on equity (ROE in relation to profit for the period) calculated on the basis of capital employed of €251.5 million improved by 20 basis points to 14.9 per cent. Its cost:income ratio increased

PROFIT FOR THE PERIOD BEFORE TAX, BY SEGMENT



Corporate and Business Banking	Q1 2010	Q1 2011	Q1 2012
ROE	6.8%	14.7%	14.9%
CIR	29.7%	33.2%	34.9%
RER	70.2%	42.3%	39.4%

Retail Banking	Q1 2010	Q1 2011	Q1 2012
ROE	17.2%	8.9%	4.5%
CIR	84.2%	89.0%	95.2%
RER	5.7%	5.5%	1.8%

Financial Markets	Q1 2010	Q1 2011	Q1 2012
ROE	7.3%	3.6%	3.1%
CIR	44.3%	26.7%	25.2%
RER	—	16.3%	6.7%

A detailed segmental breakdown is presented in the Notes to the Interim Financial Statements from page 29.

slightly from 33.2 per cent to 34.9 per cent. It remains to be seen whether new lending to corporate and business banking customers will permanently pick up by year-end. We will continue to carefully monitor how margins and risks develop in the coming quarters.

Retail Banking

Approximately 126,000 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, this 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. Nonetheless, it is also indispensable to us as our most important source of funds. Roughly 85 per cent of BKS Bank's savings deposit balances and over a quarter of its sight and time deposit balances — that is, roughly two thirds of its payables to customers — are currently generated by its retail banking operations. In addition, retail customers account for over one fifth of its loan portfolio.

Retail customer operations continued to expand gradually despite the problems caused by historically low interest rates, persistent latent risk aversion and customers' restraint when it came to capital market transactions, with loan and deposit operations growing by 0.5 per cent and 1.9 per cent, respectively. Because of the pressure on loan and deposit margins, profit for the period before tax was €1.0 down on the same quarter of the previous year to €0.5 million. Net interest income came to €8.0 million, and net fee and commission income increased to €5.3 million. This segment's risk position developed in a positive direction. The impairment charge on loans and advances was just €0.1 million, compared with €0.4 million in the same period of the previous year. General administrative expenses stayed within our expectations at €12.8 million, although the segment's cost:income ratio was still unsatisfactory at 95.2 per cent. Equity employed in this segment averaged €43.8 million, giving it a return on equity (ROE) of 4.5 per cent. Its risk:earnings ratio came down from 5.5 per cent in the first quarter of 2011 to an excellent 1.8 per cent in the period under review. This was the result of both risk-aware new business management and an increase in the collateralization ratio on retail customers' borrowings.

Financial Markets

The financial markets segment encompassed profits from equity investments, from securities held in our own portfolios and from receivables from and payables to other banks as well as earnings from our interest rate term structure management activities.

During the first quarter of 2012, profit for the period before tax in the financial markets segment came to €2.7 million, compared with €2.9 million in the first three months of 2011. This segment's earnings reflected the cost of the forced exchange of Greek government bonds described above, which came to €1.5 million. We point out that BKS Bank has reduced its holdings of PIIGS sovereign debt to a minimum this financial year. Our exposure to Portuguese, Irish, Italian, Greek and Spanish government bonds was just €3.6 million at the end of March, and it will be reduced further to a mere €2.7 million by the end of April. As a result, a renewed escalation of the European sovereign debt crisis will not do us any more financial harm. It proved possible to limit the portfolio impairment charge for country risk to €0.3 million. This was much less than the charge in the first quarter of 2011, which was still inflated by an allowance of €2.5 million for Greek government securities. Based on equity employed in this segment of €348.5 million, its return on equity before tax remained slightly down on the first quarter of 2011 to 3.1 per cent. The segment's cost:income ratio improved slightly,

PIIGS EXPOSURES

Carrying Amounts, €m	Government Bonds at 31/3/2012
Portugal	—
Ireland	—
Italy	—
Greece	3.6
Spain	—
Total	**3.6**

to 25.2 per cent, and its annualized risk:earnings ratio up to the end of March (including the charge for country risk) was a very good 6.7 per cent. This compared with 16.3 per cent in the first quarter of 2011.

Risk Report

The goal of BKS Bank's risk policy is to detect operational and other banking risks early and to actively 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 is at the centre of such risk management activities. The aim is 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 is to ensure that BKS Bank always has adequate capital given its risk profile.

BKS Bank's risk management strategy centres on the conservative handling of risks. Risks at BKS Bank are analyzed, measured, controlled and managed by means of a comprehensive system of risk principles and risk measurement and monitoring procedures and appropriate organizational structures. We have made it a rule to constantly review the appropriateness and reliability of our monitoring procedures so as to be able to adapt them as necessary to changing market conditions. The risk management process differentiates between quantifiable types of risk and non-quantifiable types of risk such as reputational and compliance risk. 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 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.

At the beginning of 2012, our old 10-class rating system, which was based on ratings by experts, was replaced by a 13-class system that employs statistical methods. On the reporting date of 31 March, roughly 70 per cent of all corporate and business banking customers and roughly 88 per cent of all retail banking customers were in the classes AA – 3b, which means that they had a good credit standing and a very low default risk. Impairment allowances in the first three months of the year came to €10.3 million, which was 26.0 per cent or €3.6 million less than in the same period of the previous year. These impairment allowances comprised impairment allowances recognized on an item-by-item basis, commission payments to ALGAR and collective assessments of impairments of customer portfolios carried out in accordance with IAS 39. The consistent management of risk cases enabled us to carry out reversals of previously recognized impairment expenses in the amount of €1.5 million. Similarly, the requisite allowance for the credit risks of our foreign subsidiaries came to €0.2 million, which was €0.3 million down on the same quarter of

CHARGE FOR IMPAIRMENT LOSSES

€m	31/3/2011	31/3/2012
Direct write-offs	0.2	0.2
Impairment allowances	13.9	10.3
Impairment reversals	(1.6)	(1.5)
Subsequent recoveries	(0.1)	(0.1)
Charge for impairment losses	**12.4**	**8.9**

2011. Looking at our credit risk in terms of non-performing or problem loans, such loans accounted for just 5.7 per cent of the total at 31 March 2012. 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.

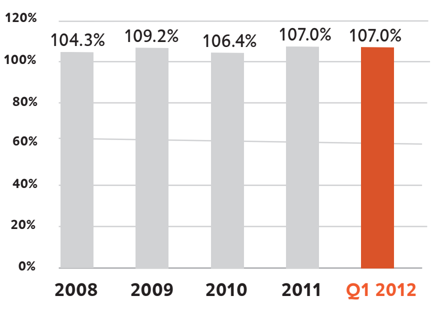
Market risk

Market risk includes interest rate risk, currency risk and equity price risk. It is the risk of financial losses caused by fluctuations in market prices and rates (e.g. interest rates, commodity prices, foreign exchange rates, equity prices, credit spreads) 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 market risks and set market risk limits. We were able to reduce our interest rate risk, which is measured using modified duration, to 0.33 per cent in the first quarter, compared with 0.47 per cent at the end of 2011. In absolute terms, our duration risk fell from €22.9 million to €16.0 million in the same period, Asset Liability Management having been instructed not to undertake any longer-term investments in fixed-interest products given the persistently low interest rates. During the first quarter, the ratio of our interest rate risks to our eligible own funds assuming a rate shift of 200 basis points as reportable to *OeNB* fell by 50 basis points to 3.42 per cent and thus stayed well below the critical 20 per cent mark. As for currency risk, we were able to keep the value of our open currency positions at the same level as at the end of the first quarter of 2010 and 2011, at €21.6 million. Because of targeted disinvestments in equity positions, our portfolio of shares and similar financial instruments shrank by €6.1 million to €45.9 million. The equity value at risk, which was calculated using an historical simulation model, was €4.6 million at the end of March 2012. However, the still-unresolved European debt crisis is likely to become more apparent again in months to come, leading to further big fluctuations in the markets.

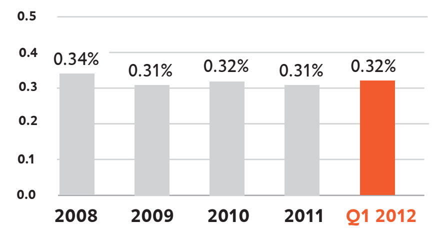
Liquidity risk

We define liquidity risk as including 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 might only be able to raise funds at higher than usual market rates (funding risk) or liquidate assets at massively below normal market rates or prices (market liquidity risk) in a crisis situation. Liquidity management at BKS Bank (i.e. ensuring the bank's solvency at all times) is performed with the help of a daily liquidity projection for each main currency. Limits have been defined at the short end to set boundaries to our liquidity risk. We mainly hold highly-liquid securities that are eligible for refinancing by the ECB and eligible customer receivables as a liquidity buffer.

LOAN:DEPOSIT RATIO



DEPOSIT CONCENTRATION



Our bank had a solid liquidity buffer of €825.6 million at 31 March 2012, compared with €775.4 million at the end of 2011. 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 figure, which plays an important part in our liquidity management activities, stayed at the acceptable level of 0.32 in the first quarter of 2012. 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 per cent at the end of March, our medium-term target being parity. We met the minimum liquidity requirements laid down in §25 *BWG* throughout the period under review. BKS Bank's access to the money and capital markets remained unrestricted during the first three months of this financial year.

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 42 loss events were reported in the period from January to March 2012. Allowing for reimbursed losses, the actual operational risk loss was just €144 thousand. We are pleased to report that there were fewer loss events than in the first quarter of 2011 and that the amount of the losses was also smaller.

Outlook for the Year as a Whole

The recent chaotic formation of a government in Greece — the newest episode in the Greek tragedy — was accompanied by massive distortions in the international financial markets. This added fuel to fears among Europe's euro partners and international money sources that the Greek government could go bankrupt and Greece could leave the euro. The sovereign debt crisis and, above all, the risk that it could spread to other crisis regions therefore remained the biggest burden on the European economy, which is currently going through a mild recession. It is unlikely to pick up again before the middle of 2012. This means that the only beacon of hope remains the gradual recovery of the global economy that is being driven by the threshold countries and the United States. Both the export-orientated German economy and Austria are already benefiting from the growth momentum coming from outside Europe. However, both countries are feeling the slow pace of growth in the eurozone.

At the same time, despite the brighter economic horizon, it is still too early to sound the all-clear when it comes to the setting in which banks are operating. Increased volatility in the money and capital markets, persistently low interest rates and further regulation will continue to take their toll on the banking environment in quarters to come. Above all, rising capital adequacy and liquidity requirements will put a strain on the industry under the even stricter Basel III regime. In addition, fiscal policy will be restrictive and unemployment generally high, greatly limiting deposits and borrowing.

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. However, we are aware that the competition for so-called *primary deposits* will continue to get tougher in the quarters to come and that margins will remain unsatisfactory for the time being. In view of our numbers for the first quarter, the growth in new lending and our leasing and securities operations is also likely to be rather weak. Nonetheless, based on the foundations provided by our excellent equity base, we will, in general, apply our proven business model as before. Given a reasonably stable market environment, we expect BKS Bank's profit for the year 2012 to be up on 2011. We therefore believe at the moment that our profit for the year 2012 will enable us to further increase BKS Bank's enterprise value by augmenting its reserves at the same time as distributing an appropriate dividend.

We remain,

Yours faithfully,

Heimo Penker	Herta Stockbauer	Dieter Krassnitzer
CEO	Member of the Management Board	Member of the Management Board

Overview of the 3 Banken Group

	BKS Bank Group		Oberbank Group		BTV Group	
Income account, €m	Q1 2012	Q1 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Net interest income	34.5	33.8	77.0	81.6	38.3	37.2
Impairment charge on loans and advances	(8.9)	(12.4)	(19.4)	(24.6)	(9.8)	(9.8)
Net fee and commission income	11.2	10.9	27.7	27.2	11.2	11.5
General administrative expenses	(24.4)	(22.8)	(57.6)	(55.4)	(23.4)	(23.1)
Profit for the period before tax	11.8	12.6	40.5	32.9	19.0	16.5
Profit for the period after tax	10.1	10.7	33.2	28.1	15.0	13.1
Balance sheet data, €m	31/3/2012	31/12/2011	31/3/2012	31/12/2011	31/3/2012	31/12/2011
Assets	6,624.9	6,456.0	17,617.8	17,483.7	9,278.6	9,214.7
Receivables from customers after impairment charge	4,676.7	4,647.8	10,560.0	10,563.9	6,010.2	6,030.1
Primary deposit balances	4,288.9	4,251.4	11,453.6	11,315.2	6,317.2	6,627.8
– Of which savings deposit balances	1,838.0	1,786.3	3,490.9	3,407.6	1,262.9	1,260.0
– Of which liabilities evidenced by paper	727.5	715.7	2,185.0	2,250.9	1,159.4	1,255.0
Equity	655.3	644.9	1,289.1	1,222.0	791.6	767.4
Customer assets under management	10,292.1	10,025.5	20,361.4	19,764.5	10,813.9	10,970.6
– Of which in customers' securities accounts	6,003.2	5,774,1	8,907.8	8,449.3	4,496.7	4,342.8
Own funds within the meaning of BWG, €m	31/3/2012	31/12/2011	31/3/2012	31/12/2011	31/3/2012	31/12/2011
Risk-weighted assets	4,460.9	4,415.2	10,351.7	10,146.2	6,297.0	6,077.9
Own funds	679.7	681.9	1,656.1	1,673.1	958.2	934.7
– Of which Tier 1	599.4	599.5	1,167.1	1,167.6	776.2	776.1
Surplus own funds before operational risk	322.9	328.7	827.3	860.2	453.8	448.0
Surplus own funds after operational risk	295.7	301.9	765.1	798.0	429.6	423.8
Tier 1 ratio, %	12.34	12.46	11.27	11.51	12.33	12.77
Own funds ratio, %	15.24	15.44	16.00	16.49	15.22	15.38
Performance, %	Q1 2012	2011	Q1 2012	2011	Q1 2012	2011
Return on equity before tax	7.3	6.1	13.0	10.6	9.8	9.0
Return on equity after tax	6.2	5.7	10.7	9.3	7.7	7.4
Cost:income ratio	53.0	46.7	49.0	50.6	46.5	45.7
Risk:earnings ratio	26.0	22.1	25.2	28.6	25.6	22.5
Resources	Q1 2012	2011	Q1 2012	2011	Q1 2012	2011
Average number of staff	939	901	2,030	2,054	786	790
Branches and other business units	55	55	149	150	39	40

Consolidated Financial Statements as at and for the Three Months Ended 31 March 2012

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Income Statement of the BKS Bank Group for the Period from 1 January to 31 March 2012

1 JANUARY – 31 MARCH 2012

€k	Note	1/1–31/3/2012	1/1–31/3/2011	+/(-) Change, %
Interest income		56,181	50,924	10.3
Interest expenses		(25,333)	(20,665)	22.6
Profit from investments in entities accounted for using the equity method		3,613	3,547	1.9
Net interest income	(1)	**34,461**	**33,806**	**1.9**
Impairment charge on loans and advances	(2)	(8,948)	(12,407)	(27.9)
Net interest income after impairment charge		**25,513**	**21,399**	**19.2**
Fee and commission income		11,954	11,663	2.5
Fee and commission expenses		(749)	(742)	0.9
Net fee and commission income	(3)	11,205	10,921	2.6
Net trading income	(4)	326	387	(15.8)
General administrative expenses	(5)	(24,430)	(22,823)	7.0
Other operating income net of other operating expenses	(6)	87	600	(85.5)
Profit from financial assets (FV)	(7)	528	2,048	(74.2)
Profit from financial assets (AFS)	(8)	100	93	7.5
Profit/(loss) from financial assets (HTM)	(9)	(1,519)	—	>100
Profit for the period before tax		**11,810**	**12,625**	**(6.5)**
Income tax expense	(10)	(1,750)	(1,881)	(7.0)
Profit for the period after tax		**10,060**	**10,744**	**(6.4)**
Minority interests in profit for the period		(1)	(1)	—
Consolidated net profit for the period after minority interests		**10,059**	**10,743**	**(6.4)**

GAINS AND LOSSES TAKEN DIRECTLY TO EQUITY

Consolidated net profit for the period after minority interests	10,059	10,743	
Gains and losses not recognized in profit or loss			
– Exchange differences	64	13	>100
– Available-for-sale reserve	6,269	(4,161)	(>100)
– Arising from investments in entities accounted for using the equity method	(1,327)	3,159	(>100)
– Deferred taxes on items taken directly to equity	3,893	1,044	>100
Comprehensive income	**18,958**	**10,798**	**75.6**

QUARTERLY REVIEW

€k	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Interest income	56,181	60,101	57,300	54,528	50,924
Interest expenses	(25,333)	(24,809)	(24,068)	(22,191)	(20,665)
Profit from investments in entities accounted for using the equity method	3,613	4,991	6,124	4,639	3,547
Net interest income	**34,461**	**40,283**	**39,356**	**36,976**	**33,806**
Impairment charge on loans and advances	(8,948)	(4,423)	(6,279)	(10,095)	(12,407)
Net interest income after impairment charge	**25,513**	**35,860**	**33,077**	**26,881**	**21,399**
Net fee and commission income	11,205	10,659	10,628	10,096	10,921
Net trading income	326	(71)	471	538	387
General administrative expenses	(24,430)	(22,250)	(22,621)	(23,766)	(22,823)
Other operating income net of other operating expenses	87	(61)	849	349	600
Profit/(loss) from financial assets (FV)	528	(322)	(3,286)	(1,170)	2,048
Profit/(loss) from financial assets (AFS)	100	4,447	64	(1,205)	93
Profit/(loss) from financial assets (HTM)	(1,519)	(16,035)	(17,150)	0	0
Profit for the period before tax	**11,810**	**12,227**	**2,032**	**11,723**	**12,625**
Income tax expense	(1,750)	(1,633)	1,949	(597)	(1,881)
Profit for the period after tax	**10,060**	**10,594**	**3,981**	**11,126**	**10,744**
Minority interests in profit for the period	(1)	(1)	(1)	(1)	(1)
Consolidated net profit for the period after minority interests	**10,059**	**10,593**	**3,980**	**11,125**	**10,743**

Balance Sheet of the BKS Bank Group as at 31 March 2012

ASSETS

€k	Note	31/3/2012	31/12/2011	+/(-) Change, %
Cash and balances with the central bank	(11)	78,065	85,819	(9.0)
Receivables from other banks	(12)	216,215	116,503	85.6
Receivables from customers	(13)	4,832,969	4,801,095	0.7
– Impairment allowance balance	(14)	(156,231)	(153,246)	1.9
Trading assets	(15)	559	344	62.5
Financial assets designated as at fair value through profit or loss	(16)	131,822	119,614	10.2
Available-for-sale financial assets	(17)	305,207	295,115	3.4
Held-to-maturity financial assets	(18)	762,192	738,732	3.2
Investments in entities accounted for using the equity method	(19)	316,148	309,929	2.0
Intangible assets	(20)	11,822	12,022	(1.7)
Property and equipment	(21)	62,205	62,610	(0.6)
Investment property	(22)	16,853	16,978	(0.7)
Deferred tax assets	(23)	17,422	17,104	1.9
Other assets	(24)	29,684	33,374	(11.1)
Total assets		**6,624,932**	**6,455,993**	**2.6**

EQUITY AND LIABILITIES

€k	Note	31/3/2012	31/12/2011	+/(-) Change, %
Payables to other banks	(25)	1,493,074	1,386,250	7.7
Payables to customers	(26)	3,561,374	3,535,614	0.7
Liabilities evidenced by paper	(27)	467,286	455,016	2.7
Trading liabilities	(28)	343	391	(12.3)
Provisions	(29)	78,316	77,444	1.1
Deferred tax liabilities	(30)	10,748	9,274	15.9
Other liabilities	(31)	98,275	86,349	13.8
Subordinated debt capital	(32)	260,241	260,730	(0.2)
Equity		655,275	644,925	1.6
Of which total minority interests and equity		655,271	644,922	1.6
Of which minority interests in equity		4	3	33.3
Total equity and liabilities		**6,624,932**	**6,455,993**	**2.6**

EARNINGS AND DIVIDEND PER SHARE

	Q1 2012	2011
Average number of shares in issue	32,130,133	32,214,469
Dividend per share, €	0.25	0.25
Earnings per share, € (diluted and undiluted)	1.25	1.13

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 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
Consolidated net profit 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)

TOTAL MINORITY INTERESTS AND EQUITY

€k	Subscribed Capital	Capital Reserves	Exchange Differences	Revaluation Reserve	Retained Earnings	Profit for the Period	Equity
At 1 January 2011	65,520	97,929	(259)	16,571	401,628	46,429	627,818
Planned distribution						(8,190)	(8,190)
Taken to retained earnings					38,239	(38,239)	0
Consolidated net profit for the period						10,744	10,744
Gains and losses taken directly to equity			13	(399)	441		55
Increase in share capital							
Other changes					(1,182)		(1,182)
– Arising from use of the equity method					492		
– Arising from changes in treasury shares					1,668		
At 31 March 2011	**65,520**	**97,929**	**(246)**	**16,172**	**439,126**	**10,744**	**629,245**
Available-for-sale reserve							17,847
Deferred tax reserve							(1,675)

Cash Flow Statement

CASH FLOWS

€k	Q1 2012	Q1 2011
Cash and cash equivalents at end of previous period	**85,819**	**114,922**
Net cash from operating activities	23,013	45,070
Net cash from/(used in) investing activities	(29,956)	(59,729)
Net cash from/(used in) financing activities	(811)	698
Cash and cash equivalents at end of period	**78,065**	**100,961**

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 2012 were prepared in accordance with the provisions of the IFRS standards published by the IASB (International Accounting Standards Board) applicable as 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

Entities 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 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 Consolidated Financial Statements are thus based on the separate financial statements of all the consolidated entities, which were prepared applying common, Group-wide policies. Investments in material associates were accounted for using the equity method. All other equity investments were classified as available-for-sale financial assets and, if their fair value could not be reliably measured, recognized at cost.

Foreign currency translation

These 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 the closing exchange rates ruling at their balance sheet dates. 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 and creating provisions. The total impairment allowance balance is disclosed as a deduction on the assets side of the Balance Sheet. We made allowances for individual risk positions on an item-by-item basis applying class-specific criteria. Provisions for contingent liabilities were recognized on the equity and liabilities side of the Balance Sheet in the line item *Provisions*. A collective assessment of impairment of the portfolio was likewise carried out in accordance with IAS 39 para. 64, a collective assessment of impairment of the portfolio for country risks being recognized as well for the first time in 2011. In order to calculate the provision for country risk, the exposures outstanding at the reporting date were broken down into risk classes and appropriate risk weights were applied.

Trading assets and liabilities
Within the line item *Trading assets*, primary financial instruments were measured at fair value. Derivative financial instruments were measured at fair value. Financial instruments with negative fair values were recognized on the Balance Sheet in the line item *Trading liabilities*. Revaluation gains and losses on this 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*.

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, 'other' intangible assets
Property, equipment and 'other' intangible assets 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.

Calculation of goodwill
A goodwill impairment test is performed annually. 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 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 incident to ownership of an asset 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 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 were generally measured applying 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.

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.

Investment property
This line item encompasses property intended for letting to third parties. It was measured at amortized cost (*cost method*). The fair values of our investment properties are disclosed in the Notes. They were, for the most part, based on estimates (external expert reports). Depreciation rates vary 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, with the exception of payables valued at fair value through profit or loss, were on the whole recognized at the amounts payable.

Tax
The reporting and calculation of income tax expense took place in accordance with IAS 12. The calculation for each taxed entity was carried out applying the tax rates that, according to current tax legislation, were 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 were expected to cause additional tax burdens or reduce tax burdens in the future.

Equity
Equity consists of paid-in capital and earned capital (retained earnings, gains and losses taken to equity in accordance with IAS 39 and profit for the year or 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. An interest rate of 4.75 per cent was applied when calculating provisions for post-employment, termination and jubilee benefits (31 December 2011: 4.75 per cent). Other parameters were applied as follows:
– salary trend: 2.25 per cent (31 December 2011: 2.25 per cent);
– career trend: 0.25 per cent (31 December 2011: 0.25 per cent).

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 2011 financial year, the 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 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 2011 financial year and for the first quarter of 2012 were prepared in accordance with the applicable International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board as adopted by the EU. Standards, interpretations and revisions and amendments already published and adopted by the EU whose application was not yet mandatory (IFRS 9; IFRS 10 and IFRS 13) were not applied ahead of time.

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

Details of the Income Statement

(1) NET INTEREST INCOME

€k	1/1–31/3/2012	1/1–31/3/2011	+/(-) Change, %
Interest income from:			
Credit operations	42,721	37,913	12.7
Fixed-interest securities	8,831	8,094	9.1
Lease receivables	2,707	2,893	(6.4)
Shares and investments in other entities	1,591	1,715	(7.2)
Investment property	331	309	7.1
Total interest income	56,181	50,924	10.3
Interest expenses on:			
Deposits from customers and other banks [1]	18,346	14,310	28.2
Liabilities evidenced by paper	6,864	6,263	9.6
Investment property	123	92	33.7
Total interest expenses	25,333	20,665	22.6
Profit from investments in entities accounted for using the equity method			
Income from investments in entities accounted for using the equity method	4,082	4,188	(2.5)
Financing costs of investments in entities accounted for using the equity method [2]	(469)	(641)	(26.8)
Profit from investments in entities accounted for using the equity method	**3,613**	**3,547**	**1.9**
Net interest income	**34,461**	**33,806**	**1.9**

[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	1/1–31/3/2011	+/(-) Change, %
Impairment allowances	10,283	13,904	(26.0)
Impairment reversals	(1,442)	(1,615)	(10.7)
Direct write-offs	231	196	17.9
Recoveries on receivables previously written off	(124)	(78)	59.0
Impairment charge on loans and advances	**8,948**	**12,407**	**(27.9)**

(3) NET FEE AND COMMISSION INCOME

€k	1/1–31/3/2012	1/1–31/3/2011	+/(-) Change, %
Fee and commission income from:			
Payment services	4,975	4,588	8.4
Securities operations	2,761	3,279	(15.8)
Credit operations	2,839	2,658	6.8
International operations	723	518	39.6
Other services	656	620	5.8
Total fee and commission income	11,954	11,663	2.5
Fee and commission expenses arising from:			
Payment services	346	316	9.5
Securities operations	225	247	(8.9)
Credit operations	90	70	28.6
International operations	29	44	(34.1)
Other services	59	65	(9.2)
Total fee and commission expenses	749	742	0.9
Net fee and commission income	**11,205**	**10,921**	**2.6**

(4) NET TRADING INCOME

€k	1/1–31/3/2012	1/1–31/3/2011	+/(-) Change, %
Price-based contracts	4	37	(89.2)
Interest rate and currency contracts	322	350	(8.0)
Net trading income	**326**	**387**	**(15.8)**

(5) GENERAL ADMINISTRATIVE EXPENSES

€k	1/1–31/3/2012	1/1–31/3/2011	+/(-) Change, %
Staff costs	16,281	15,276	6.6
– Wages and salaries	12,342	11,592	6.5
– Social security costs	2,634	2,491	5.7
– Costs of old-age benefits	1,305	1,193	9.4
Other administrative costs	6,572	6,068	8.3
Depreciation/amortization	1,577	1,479	6.6
General administrative expenses	**24,430**	**22,823**	**7.0**

(6) OTHER OPERATING INCOME NET OF OTHER OPERATING EXPENSES

€k	1/1–31/3/2012	1/1–31/3/2011	+/(-) Change, %
Other operating income	810	1,338	(39.5)
Other operating expenses	(723)	(738)	(2.0)
Other operating income net of other operating expenses	**87**	**600**	**(85.5)**

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

€k	1/1–31/3/2012	1/1–31/3/2011	+/(-) Change, %
Revaluation gains and losses on derivatives	(218)	1,972	(>100)
Gain/(loss) as a result of using the fair value option	746	76	>100
Profit/(loss) from financial assets designated as at fair value through profit or loss	**528**	**2,048**	**(74.2)**

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

€k	1/1–31/3/2012	1/1–31/3/2011	+/(-) Change, %
Revaluation gains and losses and realized gains and losses	100	93	7.5
Profit/(loss) from available-for-sale financial assets	**100**	**93**	**7.5**

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

€k	1/1–31/3/2012	1/1–31/3/2011	+/(-) Change, %
Revaluation gains and losses and realized gains and losses	(1,519)	—	>100
Profit/(loss) from held-to-maturity financial assets	**(1,519)**	**—**	**>100**

(10) TAX

€k	1/1–31/3/2012	1/1–31/3/2011	+/(-) Change, %
Current tax	(1,878)	(2,409)	(22.0)
Deferred tax	128	528	(75.8)
Tax	**(1,750)**	**(1,881)**	**(7.0)**

Details of the Balance Sheet

(11) CASH AND BALANCES WITH THE CENTRAL BANK

€k	31/3/2012	31/12/2011	+/(-) Change, %
Cash in hand	27,793	31,453	(11.6)
Credit balances with central banks of issue	50,272	54,366	(7.5)
Cash and balances with the central bank	**78,065**	**85,819**	**(9.0)**

(12) RECEIVABLES FROM OTHER BANKS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Receivables from Austrian banks	70,702	22,505	>100
Receivables from foreign banks	145,513	93,998	54.8
Receivables from other banks	**216,215**	**116,503**	**85.6**

(13) RECEIVABLES FROM CUSTOMERS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Corporate and business banking customers	3,752,314	3,726,078	0.7
Retail banking customers	1,080,655	1,075,017	0.5
Receivables from customers	**4,832,969**	**4,801,095**	**0.7**

(14) IMPAIRMENT ALLOWANCE BALANCE

€k	31/3/2012	31/12/2011	+/(-) Change, %
At beginning of period under review	153,246	149,149	2.7
+ Added	9,495	36,796	(74.2)
– Reversed	(1,431)	(6,893)	(79.2)
– Used	(5,105)	(25,664)	(80.1)
+ Exchange differences	26	(142)	(>100)
At end of period under review	**156,231**	**153,246**	**1.9**

(15) TRADING ASSETS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Bonds and other fixed-interest securities	0	0	—
Shares and other variable-yield securities	264	0	100.0
Positive fair values of derivative financial instruments	295	344	(14,2)
– Interest rate contracts	0	0	—
Trading assets	**559**	**344**	**62.5**

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

€k	31/3/2012	31/12/2011	+/(-) Change, %
Bonds and other fixed-interest securities	71,500	58,722	21.8
Loans	60,322	60,892	(0.9)
Financial assets designated as at fair value through profit or loss	**131,822**	**119,614**	**10.2**

(17) AVAILABLE-FOR-SALE FINANCIAL ASSETS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Bonds and other fixed-interest securities	169,400	158,765	6.7
Shares and other variable-yield securities	86,590	88,096	(1.7)
Investments in other associates and in subsidiaries	34,067	33,105	2.9
Other equity investments	15,150	15,149	0.0
Available-for-sale financial assets	**305,207**	**295,115**	**3.4**

(18) HELD-TO-MATURITY FINANCIAL ASSETS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Bonds and other fixed-interest securities	762,192	738,732	3.2
Held-to-maturity financial assets	**762,192**	**738,732**	**3.2**

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

€k	31/3/2012	31/12/2011	+/(-) Change, %
Oberbank AG	206,897	207,699	(0.4)
Bank für Tirol und Vorarlberg AG	104,288	97,267	7.2
Alpenländische Garantie-GmbH	964	964	—
Drei-Banken Versicherungs-AG	3,999	3,999	—
Investments in entities accounted for using the equity method	**316,148**	309,929	**2.0**

(20) INTANGIBLE ASSETS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Goodwill	8,888	8,888	—
Other intangible assets	2,934	3,134	(6.4)
Intangible assets	**11,822**	**12,022**	**(1.7)**

(21) PROPERTY AND EQUIPMENT

€k	31/3/2012	31/12/2011	+/(-) Change, %
Land	2,795	2,802	(0.2)
Buildings	49,223	49,805	(1.2)
Other	10,187	10,003	1.8
Property and equipment	**62,205**	**62,610**	**(0.6)**

(22) INVESTMENT PROPERTY

€k	31/3/2012	31/12/2011	+/(-) Change, %
Land	8,167	8,167	0.0
Buildings	8,686	8,811	(1.4)
Investment property	**16,853**	**16,978**	**(0.7)**

(23) DEFERRED TAX ASSETS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Deferred tax assets	**17,422**	**17,104**	**1.9**

(24) OTHER ASSETS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Positive fair values of derivative financial instruments	11,483	14,521	(20.9)
Other items	15,538	16,296	(4.7)
Deferred items	2,663	2,557	4.1
Other assets	**29,684**	**33,374**	**(11.1)**

(25) PAYABLES TO OTHER BANKS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Payables to Austrian banks	1,152,215	1,011,595	13.9
Payables to foreign banks	340,859	374,655	(9.0)
Payables to other banks	**1,493,074**	**1,386,250**	**7.7**

(26) PAYABLES TO CUSTOMERS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Savings deposit balances	**1,838,034**	**1,786,344**	**2.9**
Corporate and business banking customers	270,242	260,189	3.9
Retail banking customers	1,567,792	1,526,155	2.7
Other payables	**1,723,340**	**1,749,270**	**(1.5)**
Corporate and business banking customers	1,238,289	1,261,040	(1.8)
Retail banking customers	485,051	488,230	(0.7)
Payables to customers	**3,561,374**	**3,535,614**	**0.7**

(27) LIABILITIES EVIDENCED BY PAPER

€k	31/3/2012	31/12/2011	+/(-) Change, %
Issued bonds	327,663	316,926	3.4
Other liabilities evidenced by paper	139,623	138,090	1.1
Liabilities evidenced by paper	**467,286**	**455,016**	**2.7**

(28) TRADING LIABILITIES

€k	31/3/2012	31/12/2011	+/(-) Change, %
Interest rate contracts	343	391	(12.3)
Trading liabilities	**343**	**391**	**(12.3)**

(29) PROVISIONS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Provisions for post-employment benefits and similar obligations	66,627	66,238	0.6
Provisions for taxes (current tax)	1,056	958	10.2
Other provisions	10,633	10,248	3.8
Provisions	**78,316**	**77,444**	**1.1**

(30) DEFERRED TAX LIABILITIES

€k	31/3/2012	31/12/2011	+/(-) Change, %
Deferred tax liabilities	**10,748**	**9,274**	**15.9**

(31) OTHER LIABILITIES

€k	31/3/2012	31/12/2011	+/(-) Change, %
Negative fair values of derivative financial instruments	69,257	70,497	(1.8)
Other items	28,241	14,379	>100
Deferred items	777	1,473	(47.3)
Other liabilities	**98,275**	**86,349**	**14.5**

(32) SUBORDINATED DEBT CAPITAL

€k	31/3/2012	31/12/2011	+/(-) Change, %
Supplementary capital	220,241	220,730	(0.2)
Hybrid capital	40,000	40,000	—
Subordinated debt capital	**260,241**	**260,730**	**(0.2)**

(33) SEGMENTAL REPORTING

Method: Net interest income was allocated using the *market interest rate method*. Incurred costs were allocated to individual business segments on a cost-by-cause basis. 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 2011	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Net interest income	7,954	7,746	21,515	21,481	4,845	4,426
Impairment charge on loans and advances	(146)	(426)	(8,475)	(9,093)	(327)	(2,888)
Net fee and commission income	5,322	5,134	5,617	5,485	119	178
Net trading income	0	0	0	0	326	387
General administrative expenses	(12,789)	(11,736)	(9,557)	(9,086)	(1,331)	(1,339)
Other operating income net of other operating expenses	156	300	243	438	(3)	31
Profit/(loss) from financial assets	0	0	0	0	(891)	2,141
Profit/(loss) for the period before tax	**497**	**1,018**	**9,343**	**9,225**	**2,738**	**2,936**
Average risk-weighted assets	547,429	573,165	3,143,199	3,145,771	704,073	572,905
Average allocated equity	43,794	45,853	251,456	251,662	348,481	323,074
ROE based on profit for the period	**4.5%**	**8.9%**	**14.9%**	**14.7%**	**3.1%**	**3.6%**
Cost:income ratio	**95.2%**	**89.0%**	**34.9%**	**33.2%**	**25.2%**	**26.7%**
Risk:earnings ratio	**1.8%**	**5.5%**	**39.4%**	**42.3%**	**6.7%**	**16.3%**

€k	Other		Total	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Net interest income	147	153	34,461	33,806
Impairment charge on loans and advances	0	0	(8,948)	(12,407)
Net fee and commission income	147	124	11,205	10,921
Net trading income	0	0	326	387
General administrative expenses	(753)	(662)	(24,430)	(22,823)
Other operating income net of other operating expenses	(309)	(169)	87	600
Profit/(loss) from financial assets	0	0	(891)	2,141
Profit/(loss) for the period before tax	**(768)**	**(554)**	**11,810**	**12,625**
Average risk-weighted assets	43,462	54,931	4,438,163	4,346,773
Average allocated equity	6,365	7,942	650,096	628,532
ROE based on profit for the period	**—**	**—**	**7.3%**	**8.1%**
Cost:income ratio	**—**	**—**	**53.0%**	**49.9%**
Risk:earnings ratio [1]	**—**	**—**	**26.0%**	**28.2**

(34) CONTINGENT LIABILITIES AND COMMITMENTS

€k	31/3/2012	31/12/2011	+/(-) Change, %
Guarantees	404,375	407,658	(0.8)
Letters of credit	1,146	3,235	(64.6)
Contingent liabilities	**405,521**	**410,893**	**(1.3)**
Other commitments	639,625	634,395	0.8
Commitments	**639,625**	**634,395**	**0.8**

(35) RELATED PARTY DISCLOSURES IN ACCORDANCE WITH IAS 24

€k	31/3/2012	31/12/2011	+/(-) Change, %
Advances and loans granted to members of the Management Board and Supervisory Board and close relatives	199	218	(8.7)
Deposit balances of members of the Management Board and Supervisory Board and close relatives	5,316	5,256	1.1

(36) 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 2012) affecting the assets, liabilities, financial position or profit or loss as presented in this report.

(37) BALANCE OF DERIVATIVES OUTSTANDING

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

31/3/2012 €k	Nominal, by Term to Maturity				Fair Value	
	To 1 Year	1–5 Years	Over 5 Years	Total	Positive	Negative
Currency contracts	**721,518**	**1,190,070**	**—**	**1,911,588**	**3,497**	**43,285**
– Of which in trading book	—	—	—	—	—	—
Interest rate contracts	**207,710**	**669,210**	**153,884**	**1,030,804**	**6,901**	**22,845**
– Of which in trading book	22,500	13,210	16,542	52,252	121	114
Securities contracts	—	—	—	—	—	—
– Of which in trading book	—	—	—	—	—	—
Total	**929,228**	**1,859,280**	**153,884**	**2,942,392**	**10,398**	**66,130**
– Of which in trading book	22,500	13,210	16,542	52,252	121	114

31/12/2011 €k	Nominal, by Term to Maturity				Fair Value	
	To 1 Year	1–5 Years	Over 5 Years	Total	Positive	Negative
Currency contracts	**1,168,457**	**1,177,354**	**—**	**2,345,811**	**7,613**	**45,386**
– Of which in trading book	—	—	—	—	—	—
Interest rate contracts	**120,000**	**742,124**	**156,370**	**1,018,494**	**6,673**	**22,943**
– Of which in trading book	30,000	13,900	17,190	61,090	161	150
Securities contracts	**—**	**—**	**—**	**—**	**—**	**—**
– Of which in trading book	—	—	—	—	—	—
Total	**1,288,457**	**1,919,478**	**156,370**	**3,364,305**	**14,286**	**68,329**
– Of which in trading book	30,000	13,900	17,190	61,090	161	150

(38) 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.

Forward-looking statements

This Interim Report as at and for the three months ended 31 March 2012 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 22 May 2012. 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.

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 2012 prepared in accordance with the applicable financial reporting standards present fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the BKS Bank Group and that the Group Management Report for the period from 1 January to 31 March 2012 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 and with respect to the material risks and uncertainties for the remaining nine months of the financial year."

Klagenfurt am Wörthersee
22 May 2012

The Management Board

Heimo Penker (CEO)

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

Herta Stockbauer (Member)

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)

Member of the Management Board responsible for Risk Management, Risk Controlling, the Loan Back Office, Business Organization and IT and *3BEG*.

Financial Calendar for 2012

4 April 2012:	Publication of the Annual Financial Statements and Consolidated Financial Statements for 2011 in the Internet and in the official *Wiener Zeitung* gazette
15 May 2012:	73rd Ordinary General Meeting (AGM)
18 May 2012:	Ex-dividend date
23 May 2012:	Dividend payment date

BKS Bank's Interim Reports

25 May 2012:	Interim Report as at and for the 3 months ended 31 March 2012
24 August 2012:	Interim Report as at and for the 6 months ended 30 June 2012
30 November 2012:	Interim Report as at and for the 9 months ended 30 September 2012

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