



**invest  
KREDIT**

# **INTERIM REPORT**

**1<sup>st</sup> QUARTER**

# **2010**

**INVESTKREDIT GROUP**

# KEY FIGURES OF INVESTKREDIT GROUP

Euro million	31 Mar 2010	31 Dec 2009	31 Dec 2008
<b>Statement of financial position</b>			
<b>Total assets</b>	<b>12,449</b>	<b>12,644</b>	<b>14,335</b>
Loans and advances to customers	9,429	9,583	10,548
Amounts owed to customers	1,004	1,104	1,621
Debts evidenced by certificates	3,349	3,353	2,541
Subordinated liabilities	729	675	683
<b>Own funds</b>			
Core capital (tier I) after deductions	775	782	730
Supplementary capital (tier II, tier III) after deductions	559	577	479
Eligible qualifying capital	1,333	1,358	1,209
Assessment base credit risk	10,954	10,438	11,131
Capital requirement operational risk	36	38	34
Surplus capital	420	486	284
<b>Core capital ratio in % <sup>1)</sup></b>	<b>7.1</b>	<b>7.5</b>	<b>6.6</b>
<b>Equity ratio in % <sup>2)</sup></b>	<b>11.7</b>	<b>12.5</b>	<b>10.5</b>
	<b>1-3/2010</b>	<b>1-3/2009</b>	<b>1-3/2008</b>
<b>Income statement</b>			
Net interest income	49.3	48.4	56.9
Risk provisions	-37.5	-43.0	-9.9
Net fee and commission income	2.0	2.8	4.1
Net trading income	-0.6	0.2	-0.1
General administrative expenses	-19.9	-20.9	-20.9
Other operating result	1.4	-0.7	-1.5
Income from financial investments	4.9	-19.3	-0.7
<b>Result before taxes</b>	<b>-0.4</b>	<b>-32.5</b>	<b>28.0</b>
Income taxes	1.5	7.3	-5.4
<b>Result after taxes</b>	<b>1.1</b>	<b>-25.3</b>	<b>22.6</b>
Non-controlling interest	-0.3	-0.8	-0.9
<b>Consolidated net income</b>	<b>0.8</b>	<b>-26.1</b>	<b>21.7</b>
<b>Key ratios</b>			
Cost-income-ratio <sup>3)</sup>	34.9 %	63.3 %	37.1 %
ROE before taxes	-0.2 %	-17.8 %	14.9 %
ROE after taxes	0.6 %	-13.8 %	12.1 %
ROE consolidated net income	0.5 %	-15.5 %	12.6 %
ROE before taxes (regulatory)	-0.2 %	-14.7 %	11.0 %
<b>Ressources</b>			
Staff average	483	569	559
of which domestic	437	498	496
of which foreign	46	71	63
	<b>31 Mar 2010</b>	<b>31 Dec 2009</b>	<b>31 Dec 2008</b>
Staff at end of period	479	495	576
of which domestic	435	445	510
of which foreign	44	50	66

<sup>1)</sup> In relation to credit risk

<sup>2)</sup> In relation to total risk

<sup>3)</sup> The cost-income-ratio was calculated without taking into account impairment of financial investments and of goodwill but including revaluation of investment properties.

Any role descriptions in this interim report that are used only in the masculine form apply analogously to the feminine form.

# MANAGEMENT REPORT

## Economic conditions in the first quarter of 2010

In 2009, the year of global recession, economic output in the **USA** fell by 2.4 %. An upturn set in by mid-2009, which continued in the first quarter of 2010. According to an initial estimate, the annualised growth rate in the first three months reached 3.2 % and it was driven above all by renewed consumer spending. Following disappointing figures at the beginning of the year, the residential real estate market showed signs of a revival towards the end of the quarter. The number of new residential units sold in March was up 26.9 % on the previous month, after the first increase in house prices for over three years was recorded in February.

The economic output in the **euro zone** declined by -4.1 % in 2009, the contraction was considerably more dramatic than in the USA. At the middle of the year, however, it came to a stop. As in the United States, there was a recovery in the European currency area in the first quarter of 2010, albeit a moderate one. The unemployment rate of 10 % has placed a considerable burden on private consumption. Accordingly, retail sales have declined or stagnated since the beginning of the year, while industrial production has increased again. In **Austria**, the situation of private households was more robust than in the euro zone as a whole. Austria had an unemployment rate of 4.9 % according to the EU definition in March 2010; within the euro zone, only the Netherlands had a lower rate. Retail sales were 2 % to 3 % higher than in the first quarter of the previous year, while consumer price inflation was slightly higher than in the euro zone as a whole. Industrial production stood at the average euro zone level, although incoming orders saw an above-average recovery at the end of 2009/beginning of 2010.

The euro zone has to overcome a major challenge in the form of the **Greek debt crisis**. Fears grew in the first quarter that Greece would not be able to refinance its existing debts or borrow more funds on the market, particularly as there was an unusually high refinancing volume to be dealt with in May 2010. Risk premiums for Greek government bonds rose sharply. Although the other euro countries stated that they were willing in principle to provide support, and the International Monetary Fund consented to its involvement, no concrete measures were arranged in the first quarter. The shield for countries that are at risk and the conditions for budget consolidation associated with its use were not agreed on until the second quarter (on 9 May).

Owing to the financial problems in Greece, the **euro** depreciated by 6.3 % in the first quarter; up to the first week of May the depreciation exceeded 13 %. Nevertheless, the **stock markets**, including the Vienna stock exchange, closed the quarter with noticeable gains. **Money market interest rates** remained at a low level in the euro zone during the first quarter and even showed a slight downward trend. This is primarily due to ECB refinancing transactions with unusually long maturities. In the meantime, however, as in the USA, signs have emerged of a turnaround in interest rates, as extraordinary refinancing transactions expire and the long-term tenders carried out up to March fall due in the second half of the year.

In view of the overall economic situation of the leading industrialised nations, the situation appears mixed for the economies of **Central and South-Eastern Europe** (CEE and SEE). The comparatively lively recovery in the German economy had a fundamentally positive effect, owing to the close trading links. This trend is also confirmed in the most recent GDP data for the CEE/SEE countries in the fourth quarter of 2009 and the data available to date for the first quarter of 2010. Positive annual growth rates in industrial production were recorded in all core markets in the region in February and March, with the exception of Croatia. Growth rates in March ranged from almost 20 % in Slovakia to 10 % in the Czech Republic, 5 % in Romania and just under 3 % in Hungary and Serbia. Data relating to industrial production show among other things that the Czech Republic and Slovakia are developing almost in synchrony with the euro zone, while the South-Eastern European countries and Hungary are lagging behind economically. This is primarily due to lacking scope in terms of fiscal policy. Domestic demand was generally weak. The tense situation on the employment market and/or government cost-cutting programmes put pressure on private households. Apart from the Czech data for March, retail sales were lower than in the first quarter of 2009. The fact that the acceleration in prices was mitigated by weak consumer demand enabled many central banks in the region to lower their prime interest rates in the first few months of this year.

## Business development in the first quarter of 2010

The ongoing stabilisation of the economy in the first quarter of 2010 also had a positive effect on the result of the Investkredit Group. Consolidated net income is marginally positive and amounts to euro 0.8 million, initiating a reversal of the trend.

### Income statement

With euro 49.3 million, net interest income is slightly higher compared to the same period in previous year. Owing to the adjustment of the loan portfolio carried out in previous year, risk provision was slightly reduced by euro 5.5 million in comparison to previous year and amounts to euro -37.5 million. In the period under review, net fee and commission income amounts to euro 2 million, which is a decrease of euro 0.7 million compared to previous year. As Investkredit does not have its own trading book since 2009, the trading result only contains a measurement of the open foreign exchange position, which amounts to euro -0.6 million.

Due to the cost reduction and efficiency programmes initiated last year, general administrative expenses were reduced by 4.7 % amounting to euro -19.9 million. The number of staff compared to 31 December 2009 marginally declined. As at 31 March 2010, the number of staff employed in Investkredit Group amounts to 479, the average number of staff (full-time equivalent) is 483. As at 31 March 2010 the cost-income-ratio of 34.9 % is comparatively favourable. Due to the favourable trend on the financial markets, a result of euro 4.9 million was recognised in income from financial investments. In the comparable period of the previous year, a loss of euro -19.3 million was reported as a result of negative developments of the fair values of securities and derivatives.

Despite of this positive performance, the result before taxes is amounting to euro -0.4 million. The positive tax result of euro 1.5 million is chiefly attributable to VBAG's assumption of the tax result based on Group taxation in accordance with section 9 of the Austrian Corporation Tax Act as well as to a tax credit of euro 0.5 million from previous years. As a result, the result after taxes amounts to euro 1.1 million. After deducting non-controlling interest of euro 0.3 million, consolidated net income totalled euro 0.8 million.

### Statement of financial position and own funds

As at 31 March 2010, total assets decreased slightly by -1.5 % amounting to euro 12.4 billion compared to 31 December 2009. Loans and advances to customers also declined marginally, totalling euro 9.4 billion at reporting period date.

As at 31 March 2010, Investkredit Group's eligible own funds amount to euro 1.3 billion. Risk-weighted assets increased by euro 0.5 billion compared to 31 December 2009, totalling almost euro 11 billion as at 31 March 2010. Tier I ratio (ratio of core capital to the assessment base for credit risk) is 7.1 %, while the equity ratio in relation to total risk comes to 11.7 %. Own funds now exceed the regulatory requirements by euro 420 million.

## Outlook

It is likely that the slight positive growth will continue in the euro zone and the CEE countries in 2010. South-Eastern Europe is expected to stabilise. Measures to consolidate state budgets are necessary in the long term in all regions, although they will have a negative impact on growth prospects in the short to medium term. The agreement reached on 9 May to set up a "shield" for government bond markets on the periphery of the euro zone that are at risk is thought to have prevented a further burden on the credit market. The monetary policy measures included in the programmes of the EU, the euro countries, the IMF and the ECB mean that the rise in interest rates on the money markets that recently began will drag on for longer than initially expected.

Investkredit Group is working hard in all of its segments to achieve a turnaround leading to a positive result. However, as the Bank's corporate customers continue to face a challenging economic environment, further risk provisions could be necessary. Nevertheless, Investkredit is optimistic in achieving its defined targets of improving the result, not at least due to the positive indications in operating business. From a present-day perspective, however, there is still no prospect of a dividend distribution in 2011 on profit-related capital instruments for business year 2010.

## CORPORATES SEGMENT

Corporate customers are offered a diverse range of services by Investkredit Bank AG, Investkredit Investmentbank AG, Invest Mezzanine Capital Management GmbH and Investkredit International Bank p.l.c.

As a bank for companies and entrepreneurs, Investkredit provides services in **Austria** mainly to **medium-sized companies**, with the aim of becoming their main bank. In addition, it acts as a **funding partner to regional Volksbanks** through syndicated financing. Key product areas are the lending business, subsidies, structured export and trade finance, cash management, interest rate and exchange rate hedging and support with capital market activities, the development of new markets, corporate acquisitions and the implementation of succession solutions. Investkredit offers customers throughout **German-speaking countries and adjacent Central European markets** (Slovakia, Poland, Czech Republic) special corporate finance services such as M&A consulting, private equity arrangements, LBO finance and project finance.

The year-on-year improvement in the results for the Corporates segment is essentially due to the valuation of securities. In contrast to the previous year, no impairments were necessary, and the income from financial investments showed a profit of euro 4.0 million. The result before taxes was once again negative at euro -8.5 million, as there was a decline in the net fee and commission income, mainly due to the limited new business. Credit risk provisions fell but were still above the long-term average, with euro -30.0 million.

The key topics for **Austrian companies** remain the **securing of liquidity and risk management** in an economic environment that is difficult to assess. The bank's consulting activities also focus on these areas. As the main focus of Investkredit is still on long-term financing and subsidies and as there is little demand for investment at Austrian companies due to excess capacities, the volume of loans and advances to customers fell by around euro 144 million compared with 31 December 2009. The major challenge is to assess the credit ratings of companies accurately before the corporate balance sheets for 2009 are available.

The **syndicate business** with Austrian Volksbanks remained stable. Here, the volume even increased slightly compared with the end of 2009.

**Subsidies** remain another focal point of services to Austrian companies. In the period under review, Investkredit implemented 15 new financing agreements involving ERP programmes.

In the field of **structured export finance**, the focus was particularly on customer financing in the form of transaction-linked loans and on soft loans. In the area of foreign direct investments, a large Austrian manufacturing company was supported in its plans to expand to Slovakia and Russia. Through concentration on Austrian core customers and a restrictive risk policy, Investkredit cut back its business with letters of credit and guarantees by more than a third compared with the first quarter of the previous year.

In the first quarter of 2010, the quality of the deal flow in the field of **structured finance** further improved in **Austria and the CEE countries**. Investkredit was involved in one financing agreement as the lead arranger. A revival in the deal flow was also seen in **Germany**. In terms of customers, the focus in the first quarter was once again on medium-sized companies and professional financial investors.

**Project finance** proved to be a stable form of financing in the crisis. The public sector throughout the EU is making an effort to maintain its investing activities.

The experience from financing of **international private schools** shows that the schools – most of which are associations – are financially very robust. The financing of a German school in the USA was a success.

**Investkredit Investmentbank AG (IKIB)** won new M&A consulting contracts from Austrian medium-sized companies and continued internal consultations in connection with the sale of retail banks, which have now been concluded.

The **cash management** division increased the volume of demand deposits and short-term deposits in the first quarter of 2010. Corporate customers have been offered a new e-banking software program since March that can be used by multiple banks and that enables bookings to be processed in real time.

The **Treasury Sales** division took advantage of the favourable market environment with low capital market interest rates and hedged interest rate risks, in order to secure low interest costs for corporate customers in the long term.

## Outlook

In 2010, the focus will be on exploiting the potential for cross-selling. There is also to be increased dialogue with Volksbanks, with joint operations on the market.

By optimising processes in derivative transactions, Investkredit expects an increase in Treasury Sales activities.

Overall, the outlook for 2010 is generally optimistic. Investkredit is, however, still anticipating a negative result, at the planned level.

## REAL ESTATE SEGMENT

In the Real Estate segment, the Investkredit Group offers its customers and partners expertise and a broad range of services for all areas relating to commercial real estate: under the motto "excellence in real estate", real estate loans are provided by Investkredit, lease financing by Immoconsult and real estate development by Premiumred. The core markets for the extensive product and consulting services are Austria and Central and Eastern Europe.

The segment result showed a year-on-year improvement in the first quarter, which can be attributed to increases in net interest income, net fee and commission income and the income from financial investments and to lower administrative expenses. This compensated for the credit risk provisions of euro 7.5 million, resulting in a result before taxes for the period of euro 8.1 million. The good results were underlined by an improved interest margin and a cost-income-ratio of 26.1 %.

The first quarter of 2010 was marked by the resumption of investing activities in Central and Eastern Europe, even if these activities remained very cautious and varied across the regions. In particular, investment was noted in Poland and the Czech Republic. The **real estate financing business** developed accordingly.

Financing involves primarily supplementary and follow-up financing for existing projects. Despite the low volume of new business, the portfolio of around euro 3.6 billion is maturing only slowly. This is due above all to the long-term repayment structures of real estate financing, repayment deferrals owing to the economy and the business cycle and the very cautious refinancing activities of competitors.

As a specialist in real estate leasing, **Immoconsult** will continue to concentrate on business in Austria in 2010, cooperating increasingly with Volksbanks on the basis of syndicates. In the core markets in Central and Eastern Europe, business activities will be concentrated on major international customers who are serviced both from Vienna and by local subsidiaries. Moreover, Immoconsult will focus on cross-selling activities and support measures for existing customers.

In the successful and profitable niche product of large-volume equipment leasing, as a consequence of risk considerations, the focus will be on customers who have remained economically successful even in the current difficult market environment.

**Premiumred**, the centre of excellence for international real estate project development at the Investkredit Group, currently holds in its portfolio the office buildings "North Gate" in Warsaw and "Premium Plaza" and "Premium Point" in Bucharest, which were completed in 2008 and 2009. Of the total usable space of around 44,500 m<sup>2</sup>, approximately 95 % has already been rented out, despite the difficult economic environment. Premiumred expects to obtain valid planning permission during the course of the year for the projects under development "Horizon Offices" in Prague (rentable space around 23,000 m<sup>2</sup>) and "Salomea Business Park" in Warsaw (rentable space around 28,000 m<sup>2</sup>).



## Outlook

Overall, the business volume in the Real Estate segment is expected to stagnate, as the market environment remains difficult. Investkredit will focus on the following factors: the defensive maintenance of the existing portfolio geared towards the avoidance of risk costs, new business on a selective basis and adaptation of strategic guidelines to the changes in market conditions.

Immoconsult will focus on exhausting the potential for cross-selling with existing customers and on selective new customer business.

Premiumred will concentrate more on its role as a special management unit for impaired real estate financing agreements of Investkredit.

If the lower valuation expenses in the first quarter continue throughout the year 2010, an improvement in results can be expected in the Real Estate segment.

## Income Statement

	<b>1-3/2010</b>	<b>1-3/2009</b>	<b>Changes</b>	
	<b>in euro</b>	<b>in euro</b>	<b>in euro</b>	<b>%</b>
	<b>thousand</b>	<b>thousand</b>	<b>thousand</b>	
Interest and similar income and expenses	48,881	47,929	952	1.99 %
Income from companies measured at equity	447	512	-64	-12.58 %
Net interest income	49,328	48,441	887	1.83 %
Risk provisions	-37,519	-43,023	5,504	-12.79 %
Net fee and commission income	2,035	2,767	-732	-26.45 %
Net trading income	-611	168	-779	< -200.00 %
General administrative expenses	-19,904	-20,877	973	-4.66 %
Other operating result	1,364	-696	2,061	< -200.00 %
Income from financial investments	4,904	-19,316	24,220	-125.39 %
<b>Result for the period before taxes</b>	<b>-403</b>	<b>-32,537</b>	<b>32,134</b>	<b>-98.76 %</b>
Income taxes	1,499	7,254	-5,755	-79.33 %
<b>Result for the period after taxes</b>	<b>1,096</b>	<b>-25,283</b>	<b>26,379</b>	<b>-104.34 %</b>
Result attributable to shareholders of the parent company (Consolidated net income/loss)	787	-26,103	26,890	-103.01 %
Result attributable to non-controlling interest (Non-controlling interest)	310	820	-510	-62.24 %

## Statement of financial position

	<b>31 Mar 2010</b>	31 Dec 2009	Changes	
	in euro thousand	in euro thousand	in euro thousand	%
<b>Assets</b>				
Liquid funds	46,616	254	46,362	> 200.00 %
Loans and advances to credit institutions (gross)	960,012	935,916	24,096	2.57 %
Loans and advances to customers (gross)	9,428,566	9,583,093	-154,526	-1.61 %
Risk provisions (-)	-697,733	-667,664	-30,070	4.50 %
Financial investments	1,608,005	1,679,838	-71,833	-4.28 %
Assets for operating lease	185,094	185,095	0	0.00 %
Companies measured at equity	26,413	25,966	447	1.72 %
Participations	211,730	211,197	533	0.25 %
Intangible assets	1,733	1,781	-47	-2.66 %
Tangible fixed assets	51,688	51,988	-300	-0.58 %
Tax assets	19,324	20,057	-733	-3.65 %
Other assets	607,275	616,306	-9,031	-1.47 %
<b>TOTAL ASSETS</b>	<b>12,448,725</b>	<b>12,643,826</b>	<b>-195,101</b>	<b>-1.54 %</b>
<b>Liabilities and equity</b>				
Amounts owed to credit institutions	6,260,547	6,431,702	-171,155	-2.66 %
Amounts owed to customers	1,004,241	1,103,523	-99,282	-9.00 %
Debts evidenced by certificates	3,348,917	3,353,488	-4,571	-0.14 %
Provisions	57,135	66,731	-9,596	-14.38 %
Tax liabilities	24,212	23,034	1,179	5.12 %
Other liabilities	308,048	275,247	32,801	11.92 %
Subordinated liabilities	728,918	674,523	54,396	8.06 %
Equity	716,706	715,577	1,129	0.16 %
Shareholders' equity	658,383	657,564	819	0.12 %
Non-controlling interest	58,323	58,014	310	0.53 %
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>12,448,725</b>	<b>12,643,826</b>	<b>-195,101</b>	<b>-1.54 %</b>

## Changes in the Group's equity

Euro thousand	Subscribed capital <sup>1)</sup>	Capital reserves	Retained earnings	Currency reserve	IAS 39 valuation reserves <sup>2)</sup>		Shareholders' equity	Non-controlling interest	Equity
					Available for sale reserve	Hedging reserve			
As at 1 January 2009	46,000	336,142	283,449	1,863	0	4,567	672,020	58,470	730,490
Comprehensive income *			-26,103	1,057		1,317	-23,729	791	-22,938
As at 31 March 2009	46,000	336,142	257,346	2,921	0	5,883	648,292	59,261	707,553
As at 1 January 2010	46,000	336,142	275,260	162	0	0	657,564	58,014	715,577
Comprehensive income *			787	33			819	310	1,129
<b>As at 31 March 2010</b>	<b>46,000</b>	<b>336,142</b>	<b>276,046</b>	<b>195</b>	<b>0</b>	<b>0</b>	<b>658,383</b>	<b>58,323</b>	<b>716,706</b>

\* Comprehensive income (Income and changes in reserves)

	1-3/2010			1-3/2009		
	Shareholders' equity	Non-controlling interest	Equity	Shareholders' equity	Non-controlling interest	Equity
Consolidated net income	787	310	1,096	-26,103	820	-25,283
Currency reserve	33	0	33	1,057	-29	1,029
thereof from application of the average rates of exchange in income statement	4	0	4	0	0	0
Hedging reserve (incl. deferred taxes) <sup>3)</sup>	0	0	0	1,317	0	1,317
<b>Comprehensive income</b>	<b>819</b>	<b>310</b>	<b>1,129</b>	<b>-23,729</b>	<b>791</b>	<b>-22,938</b>

<sup>1)</sup> Subscribed capital corresponds to the figures reported in the financial statements of Investkredit Bank AG.

<sup>2)</sup> As at 31 March 2009 the hedging reserve contained deferred taxes in the amount of euro -439 thousand.

<sup>3)</sup> In the first quarter 2010 no changes in value in the hedging reserve were recognised (1-3/2009: euro 179 thousand).

## Cash flow statement

Euro thousand	1-3/2010	1-3/2009
<b>Cash and cash equivalents at the end of previous period (= liquid funds)</b>	<b>254</b>	<b>43,293</b>
Cash flow from operating activities	-70,171	-52,781
Cash flow from investing activities	65,005	39,434
Cash flow from financing activities	51,528	-2,974
<b>Cash and cash equivalents at the end of period (= liquid funds)</b>	<b>46,616</b>	<b>26,972</b>

# NOTES

Interim Financial Statements as at 31 March 2010

## 1) General

The interim report as at 31 March 2010 of Investkredit Bank AG (Investkredit) has been prepared in accordance with all IFRS/IAS published by the International Accounting Standards Board (IASB) as well as all interpretations (IFRIC/SIC) issued by the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee respectively as adopted for use in the European Union. These interim financial statements comply with IAS 34 Interim financial reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at 31 December 2009.

These condensed consolidated interim financial statements have not been audited or reviewed.

In preparing this interim report the estimates and assumptions were the same as those applied to the consolidated financial statements as at 31 December 2009.

In the first quarter 2010, there were no events or changes in circumstances for the goodwill that would indicate an impairment, therefore no impairment tests were carried out for these goodwill.

Investkredit's interim consolidated financial statements have been drawn up in euro as this is the Group's functional currency. All figures are indicated in thousands of euros, unless specified otherwise. The following tables may contain rounding differences.

## 2) Changes in the Group structure

There were no changes in the group structure in the first quarter 2010.

## 3) Subsequent events

The process of the evaluation of strategic partnerships and of options and measures concerning the reorientation of the VBAG Group, which also includes Investkredit Group, is still in progress.

No other events took place during the period of the interim report that had any significant effect on the interim financial statements as at 31 March 2010.

## 4) Notes to the income statement

Net interest income

<b>Euro thousand</b>	<b>1-3/2010</b>	<b>1-3/2009</b>
Interest and similar income	110,351	187,030
Interest and similar income from	105,455	182,774
liquid funds	77	378
credit and money market transactions with credit institutions	8,178	12,035
credit and money market transactions with customers	67,926	124,196
debt securities	12,973	21,106
derivatives in the investment book	16,301	25,059
Current income from	985	2,030
equities and other variable-yield securities	0	500
other affiliates	538	143
companies measured at equity	447	512
investments in other companies	0	875
Operating lease operations (including investment property)	3,911	2,227
rental income	3,911	2,227
Interest and similar expenses of	-61,023	-138,590
deposits from credit institutions (including central banks)	-21,142	-64,163
deposits from customers	-4,518	-15,436
debts evidenced by certificates	-14,816	-22,295
subordinated liabilities	-4,067	-8,742
derivatives in the investment book	-16,480	-27,953
<b>Net interest income</b>	<b>49,328</b>	<b>48,441</b>

#### Net interest income according to IAS 39 in categories

<b>Euro thousand</b>	<b>1-3/2010</b>	<b>1-3/2009</b>
Interest receivable and similar income	110,351	187,030
Interest receivable and similar income from	105,455	182,774
financial investments at fair value through profit or loss	8,720	11,647
derivatives in the investment book	16,301	25,059
financial investments at amortised cost	76,181	136,609
of which financial lease	4,558	7,499
financial investments held to maturity	4,253	9,459
Current income from	985	2,030
financial investments at fair value through profit or loss	0	500
financial investments available for sale	538	1,018
companies measured at equity	447	512
Operating lease operations (including investment property)	3,911	2,227
Interest and similar expenses of	-61,023	-138,590
derivatives in the investment book	-16,480	-27,953
financial investments at amortised cost	-44,543	-110,637
<b>Net interest income</b>	<b>49,328</b>	<b>48,441</b>

#### Risk provisions

<b>Euro thousand</b>	<b>1-3/2010</b>	<b>1-3/2009</b>
Allocation to risk provisions	-57,178	-40,643
Release of risk provisions	16,293	302
Allocation to provisions for risks	-211	-2,221
Release of provisions for risks	3,577	0
Direct write-offs of loans and advances	0	-462
Income from loans and advances previously written off	1	2
<b>Risk provisions</b>	<b>-37,519</b>	<b>-43,023</b>

#### Net fee and commission income

<b>Euro thousand</b>	<b>1-3/2010</b>	<b>1-3/2009</b>
Fee and commission income from	3,597	4,569
lending operations	2,241	2,587
securities businesses	102	85
payment transactions	351	399
other banking services	904	1,499
Fee and commission expenses from	-1,562	-1,803
lending operations	-1,464	-1,650
securities businesses	-44	-119
payment transactions	-40	-26
other banking services	-14	-8
<b>Net fee and commission income</b>	<b>2,035</b>	<b>2,767</b>

#### Net trading income

<b>Euro thousand</b>	<b>1-3/2010</b>	<b>1-3/2009</b>
Exchange rate related transactions	-611	103
Interest rate related transactions	0	65
<b>Net trading income</b>	<b>-611</b>	<b>168</b>

## General administrative expenses

Euro thousand	1-3/2010	1-3/2009
Staff expenses	-14,007	-14,456
Other administrative expenses	-4,997	-5,490
Depreciation of fixed tangible and intangible assets	-900	-931
<b>General administrative expenses</b>	<b>-19,904</b>	<b>-20,877</b>

## Income from financial investments

Euro thousand	1-3/2010	1-3/2009
<b>Result from financial investments at fair value through profit or loss</b>	<b>10,527</b>	<b>-9,567</b>
<b>Result from fair value hedges</b>	<b>0</b>	<b>30</b>
Result from revaluation of underlying instruments	2,003	-12,581
Result from revaluation of derivatives	-2,003	12,611
<b>Result from valuation of other derivatives in the investment book</b>	<b>-7,368</b>	<b>-9,619</b>
Exchange rate related transactions	287	0
Interest rate related transactions	-7,654	-9,621
Credit related transactions	0	2
<b>Result from loans &amp; receivables financial investments</b>	<b>222</b>	<b>0</b>
Income from revaluation	222	0
<b>Result from held to maturity financial investments</b>	<b>620</b>	<b>0</b>
Realised gains/losses	622	0
Income from revaluation	1	0
Impairments	-3	0
<b>Result from participations, assets for operating lease and other financial investments</b>	<b>904</b>	<b>-160</b>
Realised gains/losses	904	0
Impairments	0	-160
<b>Income from financial investments</b>	<b>4,904</b>	<b>-19,316</b>

## 5) Notes to the consolidated statement of financial position

### Loans and advances to credit institutions and customers

Euro thousand	31 Mar 2010	31 Dec 2009
Loans and advances to credit institutions	960,012	935,916
Loans and advances to customers	9,428,566	9,583,093
<b>Loans and advances to credit institutions and customers</b>	<b>10,388,579</b>	<b>10,519,009</b>

Loans and advances to credit institutions and customers are measured at amortised cost.

### Risk provisions

Euro thousand	Individual impairment customers	Portfolio-based allowance	Total
As at 1 Jan 2009	195,938	0	195,938
Reclassification	569	0	569
Utilisation	-10,134	0	-10,134
Release	-302	0	-302
Addition	40,643	0	40,643
As at 31 Mar 2009	226,714	0	226,714



Euro thousand	Individual impairment customers	Portfolio-based allowance	Total
As at 1 Jan 2010	632,664	35,000	667,664
Currency translation	3,592	0	3,592
Reclassification	6,998	0	6,998
Utilisation	-21,406	0	-21,406
Release	-16,293	0	-16,293
Addition	57,178	0	57,178
<b>As at 31 Mar 2010</b>	<b>662,733</b>	<b>35,000</b>	<b>697,733</b>

Loans and advances to credit institutions and customers include non-interest-bearing receivables amounting to euro 75,550 thousand (31 December 2009: euro 59,856 thousand).

#### Financial investments

Euro thousand	31 Mar 2010	31 Dec 2009
Financial investments at fair value through profit or loss	745,769	788,720
Debt securities	698,562	744,380
Equity and other variable-yield securities	47,207	44,340
Financial investments loans & receivables	168,894	159,173
Financial investments held to maturity	693,343	731,945
<b>Financial investments</b>	<b>1,608,005</b>	<b>1,679,838</b>

#### Participations

Euro thousand	31 Mar 2010	31 Dec 2009
Investments in unconsolidated affiliates	160,435	160,332
Participating interests	11,342	11,056
Investments in other companies	39,953	39,809
<b>Participations</b>	<b>211,730</b>	<b>211,197</b>

All participations are measured at amortised cost. None of the Group's participations are listed on a stock exchange.

#### Other assets

Euro thousand	31 Mar 2010	31 Dec 2009
Deferred items	21,437	7,889
Other receivables and assets	455,424	462,127
Positive fair value from derivatives in the investment book	130,414	146,290
<b>Other assets</b>	<b>607,275</b>	<b>616,306</b>

#### Amounts owed to credit institutions

Amounts owed to credit institutions amounting to euro 6,260,547 thousand (31 December 2009: euro 6,431,702 thousand) are measured at amortised cost.

#### Amounts owed to customers

Amounts owed to customers amounting to euro 1,004,241 thousand (31 December 2009: euro 1,103,523 thousand) are measured at amortised cost.

#### Debts evidenced by certificates

Debts evidenced by certificates amounting to euro 3,348,917 thousand (31 December 2009: euro 3,353,488 thousand) are measured at amortised cost.

## Other liabilities

Euro thousand	31 Mar 2010	31 Dec 2009
Deferred items	15,538	6,314
Other liabilities	147,550	134,500
Negative fair value from derivatives in the investment book	144,960	134,433
<b>Other liabilities</b>	<b>308,048</b>	<b>275,247</b>

## Subordinated liabilities

Euro thousand	31 Mar 2010	31 Dec 2009
Subordinated liabilities	286,866	286,417
Supplementary capital	442,052	388,105
<b>Subordinated liabilities</b>	<b>728,918</b>	<b>674,523</b>

Subordinated liabilities are all measured at amortised cost.

Subordinated liabilities comprise hybrid tier I capital in the amount of euro 105,586 thousand (31 December 2009: euro 103,123 thousand).

## 6) Own funds

The Investkredit Group is a member of the VBAG Group of credit institutions as defined in the Austrian Banking Act.

The own funds of the Investkredit Group calculated in accordance with the Austrian Banking Act can be broken down as follows

Euro thousand	31 Mar 2010	31 Dec 2009
Subscribed capital (less treasury stocks)	46,000	46,000
Open reserves (including differential amounts and minority interest)	740,493	752,584
Intangible assets	-950	-1,003
Net loss	-209	-11,845
Core capital (tier I capital) before deductions	785,334	785,736
Deductions from core capital (50 % deduction pursuant to section 23 (13) Austrian Banking Act)	-10,666	-4,086
Core capital (tier I capital) after deductions	774,668	781,651
Supplementary capital	416,505	367,915
Eligible subordinated liabilities	152,721	158,576
IRB risk provision surplus	0	54,279
Supplementary capital (tier II capital) before deductions	569,226	580,770
Deductions from supplementary capital (50 % deduction pursuant to section 23 (13) Austrian Banking Act)	-10,666	-4,086
Supplementary capital (tier II capital) after deductions	558,560	576,684
<b>Eligible qualifying capital</b>	<b>1,333,228</b>	<b>1,358,335</b>
Capital requirement	912,769	872,797
Surplus capital	420,459	485,538
Core capital ratio (tier I) (in relation to the assessment base pursuant to section 22 Austrian Banking Act – credit risk)	7.07 %	7.49 %
Equity ratio (solvency ratio) (in relation to credit risk after deduction of capital requirements for market and operational risk)	11.84 %	12.65 %
Core capital ratio (in relation to the risks pursuant to section 22 (1) no. 1-5 Austrian Banking Act)	6.79 %	7.16 %
Equity ratio (in relation to the risks pursuant to section 22 (1) no. 1-5 Austrian Banking Act)	11.69 %	12.45 %

The item open reserves includes the hybrid tier I capital totalling euro 105,586 thousand (31 December 2009: euro 103,123 thousand).

The risk-weighted assessment base as defined in the Austrian Banking Act and the ensuing equity requirement showed the following changes

Euro thousand	31 Mar 2010	31 Dec 2009
Risk-weighted assessment base pursuant to section 22 Austrian Banking Act - credit risk	10,954,413	10,437,772
Of which 8 % minimum capital requirement for credit risk	876,353	835,022
Capital requirement for operational risk	36,416	37,775
<b>Total capital requirement</b>	<b>912,769</b>	<b>872,797</b>

In accordance with IFRS reporting, the scope of consolidation differs from the group of consolidated companies under the Austrian Banking Act as the IFRS provides for the inclusion of other entities not belonging to the banking sector. According to the Austrian Banking Act, credit institutions, financial institutions and subsidiaries providing banking-related auxiliary services that are under the control of the parent are fully consolidated. The carrying amount of financial institutions that are controlled by the parent but that are not significant for the presentation of the group of credit institutions according to section 24 (3a) of the Austrian Banking Act is deducted from own funds. Subsidiaries providing banking-related auxiliary services that are controlled by the parent but that are not consolidated in accordance with section 24 (3a) of the Austrian Banking Act are included in the assessment base at their carrying amounts. Subsidiaries which are managed jointly with non-Group companies are proportionately consolidated. Investments in credit and financial institutions with a share of between 10 % and 50 % that are not jointly managed are also deducted from own funds unless they are voluntarily consolidated on a pro rata basis. Investments in credit and financial institutions of less than 10 % are deducted from own funds only if the exemption threshold is exceeded. All other participating interests are included in the assessment base at their carrying amounts.

All credit institutions under control are considered in the scope of consolidation according to the Austrian Banking Act.

In the first quarter of 2010, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the senior institution and institutions subordinated to the former.

## 7) Financial assets and liabilities

The table below shows a classification of financial assets and liabilities in accordance with their individual categories and their fair values.

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Amortised cost	Carrying amount - total	Fair value
<b>31 Mar 2010</b>						
Liquid funds	0	0	0	46,616	46,616	46,616
Loans and advances to credit institutions	0	0	0	960,012	960,012	959,999
Loans and advances to customers	0	0	0	9,428,566	9,428,566	8,765,833
Financial investments	0	745,769	693,343	168,894	1,608,005	1,637,559
Assets for operating lease	0	0	0	185,094	185,094	185,094
Companies measured at equity and participations	0	0	0	238,143	238,143	238,143
Derivatives – investment book	130,414	0	0	0	130,414	130,414
<b>Financial assets – total</b>	<b>130,414</b>	<b>745,769</b>	<b>693,343</b>	<b>11,027,326</b>	<b>12,596,851</b>	<b>11,963,658</b>
Amounts owed to credit institutions	0	0	0	6,260,547	6,260,547	6,260,547
Amounts owed to customers	0	0	0	1,004,241	1,004,241	1,004,241
Debts evidenced by certificates	0	0	0	3,348,917	3,348,917	3,247,383
Derivatives – investment book	144,960	0	0	0	144,960	144,960
Subordinated liabilities	0	0	0	728,918	728,918	686,233
<b>Financial liabilities – total</b>	<b>144,960</b>	<b>0</b>	<b>0</b>	<b>11,342,623</b>	<b>11,487,584</b>	<b>11,343,365</b>

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Amortised cost	Carrying amount - total	Fair value
<b>31 Dec 2009</b>						
Liquid funds	0	0	0	254	254	254
Loans and advances to credit institutions	0	0	0	935,916	935,916	935,916
Loans and advances to customers	0	0	0	9,583,093	9,583,093	8,985,429
Financial investments	0	788,720	731,945	159,173	1,679,838	1,696,088
Assets for operating lease	0	0	0	185,095	185,095	185,095
Companies measured at equity and participations	0	0	0	237,163	237,163	237,163
Derivatives – investment book	146,290	0	0	0	146,290	146,290
<b>Financial assets – total</b>	<b>146,290</b>	<b>788,720</b>	<b>731,945</b>	<b>11,100,693</b>	<b>12,767,648</b>	<b>12,186,235</b>
Amounts owed to credit institutions	0	0	0	6,431,702	6,431,702	6,431,702
Amounts owed to customers	0	0	0	1,103,523	1,103,523	1,103,526
Debts evidenced by certificates	0	0	0	3,353,488	3,353,488	3,311,768
Derivatives – investment book	134,433	0	0	0	134,433	134,433
Subordinated liabilities	0	0	0	674,523	674,523	627,724
<b>Financial liabilities – total</b>	<b>134,433</b>	<b>0</b>	<b>0</b>	<b>11,563,236</b>	<b>11,697,670</b>	<b>11,609,154</b>

The table below shows all assets and liabilities which are measured at fair value classified according to their fair value hierarchy.

Euro thousand	Level 1	Level 2	Total
<b>31 Mar 2010</b>			
<b>Financial assets</b>			
Financial investments at fair value through profit or loss	566,920	178,849	745,769
Derivatives – investment book	0	130,414	130,414
<b>Total</b>	<b>566,920</b>	<b>309,263</b>	<b>876,183</b>
<b>Financial liabilities</b>			
Derivatives – investment book	0	144,960	144,960
<b>Total</b>	<b>0</b>	<b>144,960</b>	<b>144,960</b>
<b>31 Dec 2009</b>			
<b>Financial assets</b>			
Financial investments at fair value through profit or loss	588,783	199,937	788,720
Derivatives – investment book	0	146,290	146,290
<b>Total</b>	<b>588,783</b>	<b>346,228</b>	<b>935,011</b>
<b>Financial liabilities</b>			
Derivatives – investment book	0	134,433	134,433
<b>Total</b>	<b>0</b>	<b>134,433</b>	<b>134,433</b>

In 2009 and 2010 there have not been any reclassifications between the levels.

Investkredit only uses market data which are from observable markets. If the system delivers prices for inactive traded positions, these prices are checked with prices based on secondary available market data, like credit spreads or transactions which are done on active markets in similar products. If necessary, the prices of the system are adopted.

## 8) Number of staff

Number of staff employed during the business year

	Average number of staff		Number of staff at end of period	
	1-3/2010	1-3/2009	31 Mar 2010	31 Dec 2009
Domestic	437	498	435	445
Foreign	46	71	44	50
<b>Total</b>	<b>483</b>	<b>569</b>	<b>479</b>	<b>495</b>

## 9) Segment reporting

Segment reporting by business segments

Euro thousand	Corporates		Real Estate		Total	
	1-3/2010	1-3/2009	1-3/2010	1-3/2009	1-3/2010	1-3/2009
Net interest income	30,555	32,033	18,773	16,408	49,328	48,441
Risk provisions	-30,004	-38,583	-7,515	-4,440	-37,519	-43,023
Net fee and commission income	1,458	4,069	577	-1,303	2,035	2,767
Net trading income	-663	-394	52	562	-611	168
General administrative expenses	-14,371	-13,169	-5,534	-7,709	-19,904	-20,877
Other operating result	482	-1,039	882	343	1,364	-696
Income from financial investments	4,000	-18,711	904	-605	4,904	-19,316
<b>Result for the period before taxes</b>	<b>-8,542</b>	<b>-35,794</b>	<b>8,140</b>	<b>3,257</b>	<b>-403</b>	<b>-32,537</b>
Income taxes	3,925	7,052	-2,426	202	1,499	7,254
<b>Result for the period after taxes</b>	<b>-4,617</b>	<b>-28,742</b>	<b>5,714</b>	<b>3,458</b>	<b>1,096</b>	<b>-25,283</b>
Non-controlling interest	-258	-752	-51	-68	-310	-820
<b>Consolidated net income/loss</b>	<b>-4,876</b>	<b>-29,494</b>	<b>5,663</b>	<b>3,391</b>	<b>787</b>	<b>-26,103</b>
Cost-income-ratio	40.1 %	74.6 %	26.1 %	50.0 %	34.9 %	63.3 %
Interest margin Ø Total assets	1.62 %	1.37 %	1.51 %	1.32 %	1.57 %	1.36 %
	<b>31 Mar 2010</b>	<b>31 Dec 2009</b>	<b>31 Mar 2010</b>	<b>31 Dec 2009</b>	<b>31 Mar 2010</b>	<b>31 Dec 2009</b>
Total assets	7,418,089	7,699,873	5,030,636	4,943,953	12,448,725	12,643,826
Loans and advances to customers	5,194,309	5,338,142	4,234,257	4,244,951	9,428,566	9,583,093
Amounts owed to customers	690,944	486,757	313,297	616,767	1,004,241	1,103,523
RWA (credit risk)	7,035,002	6,723,811	3,919,411	3,713,962	10,954,413	10,437,772
Number of employees as at ultimo	329	340	150	154	479	495

## Segment reporting by geographical markets

Euro thousand	Austria	Major foreign markets	Other foreign markets	Total
Net interest income				
1-3/2010	37,302	2,113	9,914	49,328
1-3/2009	38,138	1,208	9,095	48,441
Risk provisions				
1-3/2010	-34,890	0	-2,629	-37,519
1-3/2009	-21,696	0	-21,327	-43,023
Net fee and commission income				
1-3/2010	1,660	-1	376	2,035
1-3/2009	6,060	199	-3,493	2,767
Net trading income				
1-3/2010	-97	-321	-192	-611
1-3/2009	623	34	-488	168
General administrative expenses				
1-3/2010	-16,697	-389	-2,819	-19,904
1-3/2009	-18,373	-863	-1,642	-20,877
Other operating result				
1-3/2010	760	604	0	1,364
1-3/2009	-1,148	-145	596	-696
Income from financial investments				
1-3/2010	3,329	0	1,575	4,904
1-3/2009	-15,684	0	-3,632	-19,316
<b>Result for the period before taxes</b>				
1-3/2010	-8,633	2,006	6,224	-403
1-3/2009	-12,080	433	-20,890	-32,537

## 10) Quarterly financial data

Euro thousand	1-3/2010	10-12/2009	7-9/2009	4-6/2009	1-3/2009
Net interest income	49,328	50,778	66,949	54,253	48,441
Risk provisions	-37,519	-218,392	-222,691	-55,798	-43,023
Net fee and commission income	2,035	1,695	2,062	4,200	2,767
Net trading income	-611	-639	170	-1,505	168
General administrative expenses	-19,904	-16,980	-20,752	-17,007	-20,877
Other operating result	1,364	4,941	-873	251	-696
Income from financial investments	4,904	-30,268	7,718	29,292	-19,316
<b>Result for the period before taxes</b>	<b>-403</b>	<b>-208,864</b>	<b>-167,418</b>	<b>13,686</b>	<b>-32,537</b>
Income taxes	1,499	47,770	40,691	3,607	7,254
<b>Result for the period after taxes</b>	<b>1,096</b>	<b>-161,094</b>	<b>-126,728</b>	<b>17,293</b>	<b>-25,283</b>
Result attributable to shareholders of the parent company	787	-158,515	-127,542	16,695	-26,103
Result attributable to non-controlling interest	310	-2,579	814	598	820

# STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first three months of the financial year and their impact on the condensed interim financial statements and of the principal risks and uncertainties for the remaining nine months of the financial year.

Vienna, 27 May 2010



**Michael Mendel**  
Chairman of the Managing Board  
General Secretary, Internal Audit, Legal



**Klaus Gugglberger**  
Member of the Managing Board  
Real Estate



**Stefan Rensinghoff**  
Member of the Managing Board  
Corporate Banking



**Monika Fürsinn**  
Member of the Managing Board  
Risk