1922–2022

Annual Report
on a very special year

BKS Bank

BKS Bank

100 years of accountability and support

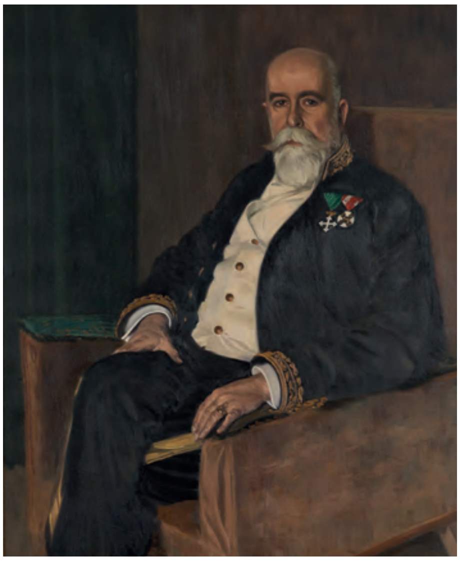
100 years of accountability and support

1922 was the founding year of today's BKS Bank. Soon after World War I, the reputed Carinthian private banker Wilhelm von Ehrfeld started talks on cooperation with the Bavarian Hypotheken- und Wechsel-Bank.
The talks resulted in the establishment of Kärntner Kredit- und Wechselbank Ehrfeld & Co. Throughout the eventful history of the Bank over the past decades, there has been a common thread: responsibility towards employees, customers and society as well as geographical proximity and an interest in our customers.
The jubilee year 2022 was about these values. We produced a comprehensive commemorative publication for the first time to document the entire history of the Bank. Time and again it became necessary to take responsible decisions during difficult periods to secure the bank's existence and lead it to independence.

A gala event for customers at Stadttheater Klagenfurt was held at which we expressed our appreciation to those the closest to us and without whom we would have never achieved so much: to our customers.
In September 2022, a representative selection of BKS's art collection was presented to the general public at an exhibition for the first time. Promoting art and culture is an important element of our social mission and a common thread in our Bank's history.
And when we talk about responsibility and commitment to customers, we are talking mainly about our employees. We closed the jubilee year with a big festivity for our staff.
A history going back 100 years is only possible if you never lose sight of the big picture and are willing to adapt and develop. With this in mind, we look forward to our next hundred years.

1922

Founding



Leopold Karl Wilhelm von Ehrfeld

The year 1922 was the founding year of today's BKS Bank. Soon after World War I, the reputed Carinthian private banker Wilhelm von Ehrfeld started talks on cooperation with the Bavarian Hypotheken- und Wechsel-Bank. The talks resulted in the establishment of Kärntner Kredit- und Wechselbank Ehrfeld & Co.

Advertisement in “Arbeiterwille” on the founding of the Bank.

1928

Bank für Kärnten

Years of work to obtain a national license as a joint-stock banking company were rewarded in 1928. The Federal Chancellery granted the license to establish Bank für Kärnten. While the company had previously been limited to the lending business, now it was able to issue the first savings passbooks.

This is what savings passbooks looked like at the time.

1929

Creditanstalt as new shareholder

The period of economic crisis was highly challenging for all banks. In the year 1929, Wiener Creditanstalt became a new shareholder. This relationship has shaped the history of BKS Bank to this very day.

Building at Neuer Platz 14 around 1929. The main branch of Bank für Kärnten was located there from 1928 to 1943.

1938

BfK stays independent

Despite the “annexation” of Austria into the German Reich and World War II, Bank für Kärnten managed to preserve its regional identity and successfully build its business after the war.

1943

In 1943, the Bank became established with a strong logo. The initial letters of the company's name played a decisive role even at the time. After the war, the Bank developed into a strong partner in the region in the following decades. The name Bank für Kärnten remains a constant until the 1970s. Only with the expansion into another province is the name called into question for the first time.

1953

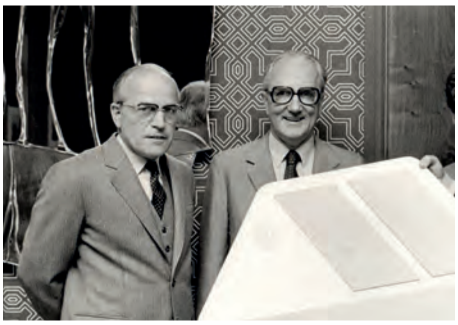
3-Banken Group

The major investments by Creditanstalt in three regional banks in Austria under a syndicate agreement in 1953 reorganized the shareholding structure. With the backing of Creditanstalt the 3-Banken Group was born.

1983

Bank für Kärnten und Steiermark

Meanwhile, the Bank für Kärnten had opened numerous branches in Carinthia and expanded massively. In 1983, the next logical step was taken by expanding outside the borders of Carinthia. Bank für Kärnten und Steiermark came into being. In the 1980s, the 3-Banken Group gradually reduced the influence of Creditanstalt and secured its independence by going public in 1986.



Kurt Steinberger and Herbert Kaiser present the new logo of Bank für Kärnten und Steiermark.

1998

International expansion

The Bank began its international expansion in 1998 with the acquisition of a leasing company in Slovenia and the opening of a representation office in Croatia. The following years were ones of expansion in all directions.

2004

Herta Stockbauer, Heimo Penker, Josef Morak and Boštjan Dežman at the opening of the Ljubljana branch in 2004

With Slovenia's accession to the EU on the horizon at the end of the 1990s, work to establish a branch in Slovenia was started. On 10 November 2004, the first foreign branch opened its doors for business in Ljubljana.

2005

BKS Bank AG

Under the motto “Moving into new markets with a new brand name”, the decision was taken in April 2005 to change the company's name. Since then, the bank has been called "BKS Bank AG". This placed BKS Bank firmly in the 20th century.

BKS Bank

BKS Bank's Head Office today on St.Veiter-Ring

2020

The new brand that makes a difference

BKS Bank is a strong brand and highly appreciated by its stakeholders. Since its foundation, BKS Bank's business volume has been growing and total assets have increased to over EUR 10 billion. The former regional Carinthian bank has become an international credit institution within one century.

BKS Bank

2022

BKS Bank's eventful 100-year history was in the spotlight throughout the anniversary year. Looking back at our achievements and milestones gives us confidence and optimism about the future.

100 years of accountability and support

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Minimal deviations of the values in the tables and charts are due to rounding differences. This Annual Report is an unaudited translation from German into English. In the event of any discrepancies, the German version shall prevail.

Three-year performance comparison

Income Statement in €m	2020	2021*	2022
Net interest income	136.5	138.9	156.6
Impairment charges	-25.0	-32.4	-25.9
Net fee and commission income	64.3	67.1	68.2
General administrative expenses	-123.2	-124.0	-136.0
Profit for the year before tax	84.9	96.2	78.6
Profit for the year after tax	74.8	83.3	63.6
Balance Sheet in €m			
Total assets	9,856.5	10,602.5	10,533.0
Receivables from customers after impairment charges	6,570.0	6,958.6	7,175.3
Primary deposits	7,399.3	8,116.0	7,872.1
• thereof savings deposits	1,401.7	1,351.2	1,258.9
• thereof securitised liabilities incl. subordinated debt capital	857.0	973.5	1,048.3
Shareholders' equity	1,362.7	1,480.0	1,543.8
Customer funds under management	18,958.5	21,222.8	19,397.2
• thereof on custody accounts	11,559.2	13,106.9	11,525.1
Own funds pursuant to CRR in €m			
Total risk exposure amount	5,664.1	5,980.1	6,213.5
Own funds	916.1	1,009.2	1,058.1
• thereof common equity tier 1 (CET1) capital	669.3	734.9	778.3
• thereof total tier 1 capital (CET1-AT1)	725.2	800.1	843.4
Common equity tier 1 ratio	11.8	12.3	12.5
Tier 1 capital ratio (in %)	12.8	13.4	13.6
Total capital ratio (in %)	16.2	16.9	17.0
Performance ratios			
Return on equity after tax	5.6	5.9	4.2
Return on assets after tax	0.8	0.8	0.6
Cost/income ratio (expenses/income coefficient)	53.9	50.2	54.7
Risk/earnings ratio (credit risk/net interest income)	18.3	23.3	16.5
Non-performing loan ratio (NPL ratio)	1.7	2.2	2.1
Leverage ratio	8.0	8.4	7.9
Liquidity coverage ratio (LCR)	158.1	208.9	190.4
Net stable funding ratio (NSFR)	117.2	122.9	118.7
Resources			
Average number of staff	963	986	986
Number of branches	64	64	64
BKS Bank's Shares			
Number of no-par ordinary shares (ISIN AT0000624705)	41,142,900	42,942,900	42,942,900
Number of ordinary no-par shares (ISIN AT0000A2HQD1)	1,800,000	-	-
High (ordinary/ordinary-conversion/preference share) in €	16.0/13.6/15.0	16.7/13.8/-	15.9/-/-
Low (ordinary/ordinary-conversion/preference share) in €	11.3/11.8/10.3	11.3/13.5/-	13.2/-/-
Close (ordinary/ordinary-conversion/preference share) in €	12.5/13.6/-	15.3/-/-	14.0/-/-
Market capitalisation in €m as at 31/12	538.8	657.0	601.2
Dividend per share in EUR	0.12	0.23	0.25[1)]
Price/earnings ratio ordinary/preference share	7.3/7.9/-	8.0/-/-	9.7/-/-

*) The accounting policy for investment property was changed in the financial year 2022. The figures for the preceding year were adjusted pursuant to IAS 8. The changes implemented are described in the section "Change in accounting policy for investment property" on page 156 et seq. in this report.

1) Includes profit for the year 2022. Formal adoption is still outstanding.

01.
Preface

BKS Bank

A woman at the helm for the first time in our history

100 years of accountability and support

Herta Stockbauer
Chairwoman of the Management Board

Dear Readers,

The year began with strong momentum and optimism. Our total assets exceeded EUR 10 billion for the first time, thus strengthening our market position as the largest bank in Carinthia. Overcoming the pandemic also seemed right around the corner. After two years of living under the shadow of the coronavirus pandemic, we were hoping for a return to normalcy in 2022. We were also looking forward to our 100th anniversary: BKS Bank was founded in 1922 as a regional bank and has developed into a bank with international operations today.

Just a weeks into the new year, we were confronted with a harsh new reality. Russia's invasion of Ukraine and war of aggression marks an inflection point for people and for the economy. The war triggered EU sanctions and embargoes against Russia, resulting in supply shortages, rising energy prices and inflation, as well as dampening sentiment and fuelling volatility on stock markets.

Focus on sustainability

Despite the difficult setting, BKS Bank achieved solid operating results in 2022. A key factor behind this achievement is our long-standing commitment to sustainability. The oil and natural gas supply shortages heightened the focus on sustainable investments, while at the same time, causing demand for sustainable financial products to rise. In this situation, we benefited enormously from the extensive know-how we have acquired over the years as well as from the excellent quality of our advisory services. We received wide recognition for our achievements as shown by the Recommender Award 2022 for outstanding customer services and exceptionally high recommendation rates. I am very pleased to report that the volume of our sustainable products increased to EUR 1.1 billion in the reporting year. Our past history of success continues to this very day.

BKS Bank was one of the first banks in Austria to issue social and green bonds. The proceeds from these bond issues were used to finance sustainable projects including a centre for persons afflicted by dementia, photovoltaic systems, a small hydropower plant, a biomass power plant for generating process heat, and a green building project, the BKS Holzquartier. Additionally, as a sustainable bank we also started using renewable energy. We now cover 64% of our total energy consumption from renewable sources such as from our photovoltaic systems, which generated around 541 MWh of solar power in the past few years and cut CO2 emissions by 101 t.

Lasting success

One of our key goals at the beginning of the year was to strengthen our position as a pioneer in sustainability within the Austrian banking industry. Several awards are evidence of our achievements and also confirm that we are on the right path with our work.

- We received the Sustainability Award of the Vienna Stock Exchange for a second time in a row.
- The magazine "Der Börsianer" designated BKS Bank “Austria’s Most Sustainable Bank”.
- We were conferred the EU "Green Brand" warranty mark.
- Our Sustainability Report 2021 received the ASRA Award (Austrian Sustainability Reporting Award) in the category "Capital Market-oriented Companies – Financial Services".
- We again received the seal of approval for workplace health promotion and were recertified under the "berufundfamilie" ("workandfamily”) programme.
- Our “Natur&Zukunft” account was conferred the Austrian Ecolabel for Sustainable Financial Products.

We also joined the Green Finance Alliance in 2022. The Green Finance Alliance has defined its main objective to align loan and investment portfolios with the goals of the Paris Climate Accord.

Digital transformation on track

Digital transformation remains a key focus of our work, as in previous years. The transformation affects all areas of our work, both at the process and product levels. One ambition is always at the heart of our efforts: we want to use the transformation to develop more services for our customers to make their day-to-day banking tasks easier. We have launched a number of major projects including new functions on our customer portal and have equipped our sales staff with mobile devices. For online product transactions, our app offers the "Sign D" photo identification method to authenticate users. In the leasing business, we expanded our services to permit customers to apply online for lease contracts for movables. The automation of processes and the use of software robots also play an increasingly important role and help to significantly improve efficiency and shorten throughput times.

Solid performance in a difficult year

The year 2022 was a year we will remember – and also one in which the exceptional resilience of BKS Bank to crises was once again tested and proven. We have faced major challenges several times in our hundred-year history, and have always managed to steer our company safely and with a steady hand through stormy times. In this context, I would like to express my appreciation to all employees for their unflagging hard work and strong team effort. In 2022, we won first place in Austria for the best retirement advisory services.

This award sums up what BKS Bank stands for: excellent advisory services, financing concepts that fit customer needs, and a cordial, respectful relationship with customers.

Operating income in the 2022 financial year was excellent. We achieved significant growth in net interest income, recording a gain of 12.7% before impairment charges, and with respect to fee and commission income also developed positively at a rise of 1.6%. Loans and advances to customers increased by 3.1% to EUR 7.2 billion. As of 31 December 2022, consolidated net profit after tax was EUR 63.6 million, which, due to special factors, fell short of the preceding year's result. Total assets were EUR 10.5 billion, which is unchanged compared to the preceding year. We were also very pleased to have acquired many new customers again.

For 2023, we have lots of projects to be implemented. We look forward to achieving our goals together with our customers, shareholders and partners.
I would like to express my heartfelt thanks to everyone for their trust and for our many years of successful cooperation.

Sincerely,

Herta Stockbauer,
Chairwoman of the Management Board

Members of BKS Bank's Supervisory and Management Board:
1st row: Reinhard Iro, Hannes Bogner, Christina Fromme-Knoch, Heimo Penker;
2nd row: Gerhard Burtscher, Andrea Medic, Klaus Wallner;
3rd row: Herta Pobaschig, Herta Stockbauer, Alexander Novak;
4th row Sandro Colazzo, Dieter Kraßnitzer, Nikolaus Juhász.

The members of BKS Bank's Management Board in the anniversary year: Alexander Novak, Nikolaus Juhász, Herta Stockbauer and Dieter Kraßnitzer.

02. Corporate Governance

BKS Bank

Thinking sustainably and acting responsibly translates into 100 years of success

100 years of accountability and support

The building located at Dr.-Arthur-Lemisch-Platz 5 once served as head office and has been in use since 1943. Today, it is the location of the Main Branch for Carinthia and our largest banking branch premises, namely, the Neuer Platz branch.

Corporate Governance at BKS Bank

At BKS Bank, we are committed to the principles of good and responsible corporate governance as defined in the Austrian Code of Corporate Governance (ÖCGK). We are also committed to social and environmental responsibility towards our shareholders, customers, employees and the general public. Our sustainability strategy defines the principles of our highly responsible business policy.

Austrian Code of Corporate Governance (ÖCGK)

The Austrian Code of Corporate Governance (ÖCGK) provides listed companies with a self-regulatory framework for the governance of their companies, supplementing existing legislation regarding joint-stock companies, stock exchanges and capital markets. The aim of ÖCGK is to establish responsible corporate management and controls guided by the aspiration to create long-term value. The Code is designed to create a high level of transparency for all stakeholders: shareholders, business partners, customers and employees alike.

Principles such as the equal treatment of all shareholders, transparency, independence of supervisory board members, open communication between supervisory board and management board, avoidance of conflicts of interest as well as monitoring by the supervisory board and auditors have the aim of strengthening the confidence of investors and customers in the bank and in Austria as a centre of finance.

The standards for responsible corporate governance are grouped into three categories: The L Rules (Legal Requirements) – these rules are based on mandatory legal requirements. The C Rules (Comply or Explain) permits departures from a rule, but require an explanation for them. The Code also contains R Rules (Recommendations) that are only recommendations.

Commitment to ÖCGK

The members of the Supervisory Board and of the Management Board of BKS Bank explicitly declare themselves committed to complying with the principles, objectives and purposes of the ÖCGK. The Supervisory Board renewed its commitment to the ÖCGK at the first meeting of the Supervisory Board on 29 March 2022.

In the year under review, BKS Bank complied with all L rules. There was only one departure from a C rule, specifically C rule 45. Because of the way our shareholder structure has evolved, representatives of the largest shareholders have been elected to the Supervisory Board. As the major shareholders are also banks, their representatives also hold positions in governing bodies of other banks which are competitors of BKS Bank. These persons have declared their independence in individual statements.

The Code of Corporate Governance, the Guidelines on the Independence of Supervisory Board Members, the BKS Bank Corporate Governance Report and the Articles of Association of BKS Bank are available for downloading at www.bks.at/investor-relations/corporate-governance.

The report has been prepared in accordance with § 243c and § 267b Austrian Business Code and meets the requirements of the Sustainability and Diversity Improvement Act (NaDiVeG).

The report takes guidance from the provisions in Annex 2a of ÖCGK. Further topics of relevance for the Code of Corporate Governance such as shareholder structure and annual general meetings, corporate communications and the forwarding of information are described in the Group Management Report, in the chapter Investor Relations as well as in the Notes to the consolidated financial statements.

The Rules of the Code of Corporate Governance apply to all companies of the BKS Bank Group. All Group companies are included in the reporting of the BKS Bank Group. Additionally, the directors of these subsidiaries report regularly to their supervisory boards and to the management board of the parent company. They are integrated in the risk and compliance management systems of the BKS Bank Group. The remuneration principles as adopted by the Supervisory Board of BKS Bank AG also apply to the management staff. Regular reports are given to the Supervisory Board of the parent company on developments at significant subsidiaries with business operations.

The rules set out in the FMA circular "Principles of Remuneration Policies and Practices" dated 15 June 2022, which is based on the “EBA Guidelines on Sound Remuneration Policies of Directive 2013/36/EU" (EBA/GL/2021/04), have been implemented at BKS Bank.

The Bank has also implemented the Guidelines on Internal Governance (EBA/GL/2021/05) as required by the Comply Statement issued by the FMA.

External evaluation pursuant to C Rule 62

C Rule 62 of ÖCGK states that compliance with the C Rules must be evaluated externally on a regular basis at least every three years. In 2022, Deloitte Audit Wirtschaftsprüfungs GmbH audited compliance with the C Rules – with the exception of Rules 77 to 83 – on the basis of the Corporate Governance Report from financial year 2021. The external audit revealed that BKS Bank fully meets the requirements of ÖCGK.

Information on the internet on ÖCGK and BKS Bank

The current version of the Austrian Corporate Governance Code is available at www.corporate-governance.at. We publish further information on the BKS Bank website at www.bks.at/investor-relations. Press releases of BKS Bank are available at www.bks.at/news-presse.

Management Board and Supervisory Board

Working Procedures of the Management Board

The Management Board runs the business operations of the company in accordance with the law, the Articles of Association and the Internal Rules of Procedure adopted by the Supervisory Board. The Management Board determines the strategic orientation of the bank, sets the corporate goals and coordinates the corporate strategy with the Supervisory Board. It also ensures efficient risk management and risk controlling.

The Management Board member assigned to a specific business area is directly responsible for it. However, the other members of the Management Board are always kept fully informed about the enterprise as a whole, and fundamental decisions are submitted to the full Management Board for approval. In their own areas of responsibility, the Management Board members are involved in day-to-day business and are kept informed of the business situation and of major transactions. Events of relevance for the company, strategic issues and measures are discussed at regular meetings for implementation by the Management Board member responsible or by the full Board.

Resolutions of the Management Board related to business obligations and risks assumed by the Bank require a unanimous vote of all votes cast. An extensive internal reporting system accompanied the careful preparation of Management Board decisions.

Members of the Management Board

In the reporting year, there were four persons on the Management Board of BKS Bank with joint responsibility.

Ms Herta Stockbauer

Chairwoman of the Management Board, born 1960; date of initial appointment: 1 July 2004; end of the period of office: 30 June 2024

Ms Herta Stockbauer studied commercial science at Vienna's University of Economics and Business Administration and then worked as an assistant professor and lecturer at the Institute of Commercial Science of the Alpen-Adria University in Klagenfurt. In 1992, she joined BKS Bank and worked in corporate customers and securities before she switched to the controlling and accounting department. In 1996, she was appointed head of department; in 2004 she became member of the Management Board and in March 2014 Chairwoman of the Management Board.

Mandates in companies included in the group of consolidated companies:
- Member of the Supervisory Board of Oberbank AG
- Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft

Mandates in other Austrian companies not included in the group of consolidated companies:
- Member of the Supervisory Board of Porsche Bank Aktiengesellschaft
- Member of the Supervisory Board of Oesterreichische Kontrollbank Aktiengesellschaft
- Member of the Supervisory Board of Einlagensicherung AUSTRIA Ges.m.b.H

Further positions:
- Member of the Board of Directors of the Austrian Bankers' Association
- Member of the Management Board of the Federation of Austrian Industries for Carinthia
- Member of the Board of the Austrian Society for Banking Research

- Spokeswoman of the Banking and Insurance Section of the Chamber of Commerce of Carinthia
- Vice President of respACT – Austrian Business Council for Sustainable Development
- Honorary Consul for Sweden

Mr Dieter Kraßnitzer
Member of the Management Board, born 1959; date of initial appointment: 1 September 2010; end of the period of office: 31 August 2023

After completing his study of business administration, Mr Dieter Kraßnitzer worked for the publication "Börsenkurier" as a journalist and completed several internships at auditing and tax advisory firms. He has worked at BKS Bank since 1987. He became the bank's Head of Internal Audit in 1992. In 2006, he qualified as a Certified Internal Auditor (CIA©) at the Institute of Internal Auditors in the United States.

Mandates in companies included in the group of consolidated companies:
- Chairman of the Supervisory Board of BKS-leasing Croatia d.o.o. until 27 September 2022

Further positions:
- President of the Carinthian Economics Society
- Member of the Expert Advisory Council of 3 Banken IT GmbH

Mr Alexander Novak
Member of the Management Board, born 1971; date of initial appointment: 1 September 2018; end of the period of office: 31 August 2026

Mr Alexander Novak was born in Bad Eisenkappel in 1971. He studied business administration at the University of Economics and Business Administration of Vienna. After his studies, he first worked as a tax advisor and in international commodity trading before he started his career at BKS Bank in 2000 as a team member of accounting and controlling. From 2004 on, he worked to establish the Slovenia Branch. He headed the branch from its establishment until he was appointed to the Management Board in 2018.

Mandates in companies included in the group of consolidated companies:
- Member of the Management Board of BKS-leasing Croatia d.o.o.

Mr Nikolaus Juhász
Member of the Management Board, born 1965; Date of initial appointment: 1 July 2021; end of the period of office: 30 June 2024

Mr Nikolaus Juhász was born in Vienna in 1965. He studied business administration at the Karl-Franzens University in Graz. After graduating, he first completed a trainee programme at Creditanstalt and began his career in key account management, rising to the position of Head of the Central Credit Department, before continuing his career in 1999 as head of the Villach Branch for corporate and business banking at BKS Bank. In 2007, he was put in charge of the Styria Branch, and in 2021, he was appointed to the Management Board.

Mandates in companies included in the group of consolidated companies: none

Further positions:
- Member of the Banking Section and of the Business Parliament of the Styrian Chamber of Commerce

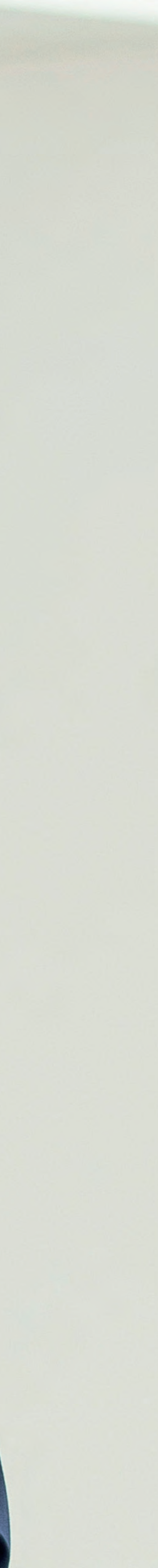
The number and nature of all additional mandates held by the members of the Management Board are in conformity with the guidelines of C Rule 26 of the Code of Corporate Governance and the provisions of § 28a Austrian Banking Act.

BKS Bank

“For us, our 100-hundred year tradition means we are proud of what we have achieved and are open to new ideas.”

Herta Stockbauer

100 years of accountability and support



BKS Bank

“On the occasion of our hundredth anniversary, we would like to express our special thanks to our loyal customers.”

Nikolaus Juhász

100 years of accountability and support

BKS Bank

"Only by pursuing a prudent and sustainable growth strategy have we survived on the market for 100 years."

Alexander Novak

100 years of accountability and support

BKS Bank

“When you have the privilege of being able to look back on 100 years of banking history, you really appreciate what responsible risk management means.”

Dieter Kraßnitzer

100 years of accountability and support

Remits of the Management Board

As Chairwoman of the Management Board, **Ms Herta Stockbauer** is responsible for Corporate Strategy, Sustainability, Corporate Banking, Customer Payments and Funds Transfer Services, Digital Solutions, Accounting and Sales Controlling, Human Resources, Public Relations and Marketing, Investor Relations, Subsidiaries and Investments in Austria and investees.

Mr Dieter Kraßnitzer is responsible on the Management Board for Risk Management, Risk Controlling, Credit Risk Office, BKS Service GmbH, ICT and Business Organisation, 3 Banken IT GmbH, Treasury Back Office and Securities Service Back Office and Risk Management International.

Mr Alexander Novak is responsible for Sales International, Treasury and Banking Support, BCS Fiduciaria, Leasing and Real Estate Subsidiaries International, ICT International.

Mr Nikolaus Juhász is responsible for Sales at Austrian Branches, Private Banking, Customer Lending and Investing as well as Investments and Retirement Planning.

The areas of joint responsibility are
- Due diligence and risk responsibility as defined by internal business rules, ÖCGK, internal governance and supervisory law
- Internal audit
- Compliance and the prevention of money laundering and terrorist financing
- Mr Dieter Kraßnitzer is the member of the management body responsible for disciplinary matters within the meaning of RZ 60 of the FMA Circular pursuant to the Securities Supervision Act 2018
- Mr Nikolaus Juhász is the competent member of the governing body pursuant to § 23 (4) FM-GWG (Financial Markets – Anti-money Laundering Act)

Working Procedures of the Supervisory Board

The Supervisory Board monitors the management in accordance with the requirements of the law, the articles of association and the internal business rules and reaches decisions in the matters assigned to it. The Supervisory Board and the Management Board coordinate the strategic orientation of the BKS Bank Group. The Supervisory Board receives regular reports from the Management Board on the situation of the company, including the risk situation, and on the implementation of the corporate strategy.

The Supervisory Board deals with the audit of the financial statements of BKS Bank AG and of the BKS Bank Group and is also indirectly involved in decisions on the proposal of dividend distributions to the annual general meeting.

In addition, the Supervisory Board may request reports from the Management Board on matters concerning the BKS Bank Group at any time and may conduct its own audit activities. If necessary, it may call in experts such as lawyers or auditors for advice.

The Supervisory Board is also responsible for appointing members of the Management Board and determining the chair of the Management Board. The appointments are prepared by long-term succession planning with the aim of having qualified candidates when positions on the Management Board become vacant. In the 2022 financial year, important decisions were taken regarding the composition of the Management Board and succession planning.

The Chairwoman of the Supervisory Board chairs the Annual General Meeting of BKS Bank and the meetings of the Supervisory Board.

The work of takes place in both the plenary meetings and in the Committees.

All members of the Supervisory Board are under the obligation to meet the statutory and regulatory requirements, must comply with them on their own responsibility, and must stay up to date with current applicable laws.

If a member of the Supervisory Board recognizes a possible personal conflict of interest, he or she must disclose this to the Chairwoman of the Supervisory Board without delay. The Supervisory Board then determines how such a conflict of interest is to be resolved and what accompanying measures are required.

In the reporting year, no member of the Supervisory Board disclosed the existence of a conflict of interest that must be reported pursuant to C Rule 46 of ÖCGK (see also "Meetings and main activities of the Supervisory Board").

Members of the supervisory board of BKS Bank AG

The Supervisory Board of BKS Bank consists of ten shareholder representatives and four members delegated by the Works Council.

Honorary President
Mr Hermann Bell
Austrian citizen
Hermann Bell was elected honorary president of the Supervisory Board for life at the meeting of 15 May 2014.

Shareholder Representatives
Mr Hannes Bogner
Independent*, born 1959
Austrian citizen, initially elected:
29 May 2020, appointed until the 87th Annual General Meeting (2026)

Supervisory board mandates and similar functions at domestic and international listed companies:

- Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft
- Member of the Supervisory Board of Oberbank AG
- Member of the Supervisory Board PALFINGER AG

Mr Gerhard Burtscher
Independent*, born 1967
Austrian citizen, initially elected:
19 May 2016, appointed until the 87th Annual General Meeting (2026)

Supervisory board mandates and similar functions at domestic and international listed companies:

- Member of the Supervisory Board of Oberbank AG

Ms Christina Fromme-Knoch
Independent*, born 1970
Austrian citizen, initially elected:
15 May 2012, appointed until the 87th Annual General Meeting (2027)

Mr Franz Gasselsberger
Independent*, born 1959
Austrian citizen, initially elected:
19 April 2002, appointed until the 85th Annual General Meeting (2024)

Supervisory board mandates and similar functions at domestic and international listed companies:

- Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft
- Member of the Supervisory Board of Lenzing Aktiengesellschaft
- Member of the Supervisory Board of voestalpine AG

Mr Reinhard Iro
Independent*, born 1949
Austrian citizen, initially elected:
26 April 2000; appointed until the 84th Annual General Meeting (2023).

Supervisory board mandates and similar functions at domestic and international listed companies:
- Chairman of the Supervisory Board of SW-Umwelttechnik Stoiser & Wolschner AG

Ms Susanne Kalss
Independent*, born 1966
Austrian citizen, initially elected:
29 May 2020, appointed until the 86th Annual General Meeting (2025)

Ms Stefanie Lindstaedt
Independent*, born 1968
German citizen, initially elected:
9 May 2018, appointed until the 84th Annual General Meeting (2023)

Mr Heimo Penker
Independent*, born 1947
Austrian citizen, initially elected:
15 May 2014 appointed until the 85th Annual General Meeting (2024)

Sabine Urnik
Chairwoman
Independent*, born 1967
Austrian citizen, initially elected:
15 May 2014, appointed until the 88th Annual General Meeting (2027)

Mr Klaus Wallner
Vice Chairwoman, independent*, born 1966 Austrian citizen initially elected:
20 May 2015, appointed until the 86th Annual General Meeting (2025)

Representatives delegated by the Works Council

Mr Sandro Colazzo, born 1979
Austrian citizen, initially delegated:
13 May 2020

Ms Andrea Medic, born 1993
Croatian citizen, initially delegated:
18 May 2022

Mr Maximilian Medwed, born 1963
Austrian citizen, initially delegated:
1 December 2012

Ms Herta Pobaschnig, born 1960
Austrian citizen, initially delegated:
1 June 2007

The number and type of all additional mandates of the Supervisory Board comply with the mandate restrictions for all members pursuant to § 28a (5) Banking Act.

No member of the Supervisory Board, including the Chairwoman of the Supervisory Board, holds an executive position at BKS Bank at the same time. The Supervisory Board meets the selection criteria set out on page 42.

Representatives of the Supervisory Authority

Mr Wolfgang Eder born 1964
Austrian citizen
Date of initial appointment:
1 September 2017

Mr Dietmar Klanatsky born 1971,
Austrian citizen
Date of initial appointment:
1 January 2018

*Guidelines of the Supervisory Board of BKS Bank on independence

Independence of the Supervisory Board

The majority of the members of the Supervisory Board must be independent as specified in C Rule 53 of the Code of Corporate Governance. A member of the Supervisory Board shall be deemed independent if the member does not have any business or personal relations with the company or its management board that constitute a material conflict of interests and would therefore be suitable for influencing the behaviour of the member.

Each of the members of the Supervisory Board elected at the Annual General Meeting have declared their independence in accordance with the guidelines below in an individual declaration. Moreover, with the exception of Gerhard Burtscher and Franz Gasselsberger, there were no members of governing bodies of shareholders with an interest of more than 10% represented on the Supervisory Board in the financial year 2022.

Outside the scope of its ordinary banking activities, BKS Bank has no business relationships with subsidiaries or individuals (including Supervisory Board members) that could jeopardize the Bank's independence.

The Supervisory Board defined the criteria below for assessing the independence of the members of the Supervisory Board:

Guidelines of the Supervisory Board of BKS Bank on Independence

A Supervisory Board member is not permitted to have been a member of the Management Board or have held a management position at the company or a subsidiary of BKS Bank in the preceding three years. A previous position on a management board does not disqualify a member on the grounds of lacking independence, especially when there is no doubt that the mandate will be exercised independently based on all relevant circumstances as defined in § 87 (2) Stock Corporation Act.

The Supervisory Board member is not permitted to have, or to have had, a business relationship with BKS Bank or one of its subsidiaries to an extent of relevance for the Supervisory Board member in the past year. This also applies to business relationships with companies in which the Supervisory Board member has a significant business interest. The approval of individual business transactions by the Supervisory Board in accordance with L Rule 48 does not automatically mean qualification as lacking independence. The conclusion or existence of agreements with the company that are customary in the banking business shall not be deemed to prejudice independence.

The Supervisory Board member is not permitted to have served as an auditor of BKS Bank or have been a shareholder or employee of the auditing firm in the preceding three years.

The Supervisory Board member is not permitted to be on the Management Board of another company that has a member of the Management Board of BKS Bank on its Supervisory Board unless the one company is related to the other within a company group or holds an economic interest in it.

The Supervisory Board member is not permitted to be a close relative (child, spouse, life partner, parent, uncle, aunt, brother or sister, nephew, niece) of a member of the Management Board or of a person who holds one of the positions described above.

In addition to the independence criteria of these Guidelines, the Banking Act includes further, in some cases, more restrictive independence criteria for shareholder representatives on the individual committees of the Supervisory Board. The independence criteria are presented in the descriptions of the respective committees. The full Supervisory Board must include at least two shareholder representatives that are completely in compliance with the independence criteria pursuant to § 28a (5a) 2 Banking Act. The full Supervisory Board completely complies with these criteria.

Committees of the Supervisory Board, their decision-making powers, meetings and focus of activities

The Supervisory Board takes care of its business as a rule at its plenary meetings, but delegates individual matters to seven qualified committees. These serve to increase the efficiency of the Supervisory Board's work and to deal with complex issues. The Supervisory Board thus follows the C Rule 39 ÖCGK. The establishment of these committees and their decision-making powers are defined in the internal business rules for the Supervisory Board or are defined separately by the Supervisory Board. The nomination of members to the committees from the Works Council is done in accordance with the provisions of the Austrian Labour Act (*Arbeitsverfassungsgesetz*). The chairperson of a committee reports regularly to the plenary meeting of the Supervisory Board on the work of the respective committee. In line with the objectives of the ÖCGK, the Supervisory Board appoints the committees in such a way that the professional qualifications of the committee members serve to increase the efficiency of the committee and thus of the Supervisory Board itself. The specified number of committee members is based on the minimum regulatory requirements. When determining the number of committee members, the Supervisory Board also takes into account the need to deal with significant issues in a larger governing body and, if necessary, also determines a number of committee members that exceeds the minimum requirement.

Audit Committee

The Audit Committee met twice in the reporting year and, in accordance with statutory requirements, dealt in particular with the audit of the annual financial statements and the preparation of their approval, the audit of the consolidated financial statements and the Group management report, the audit of the proposal for the distribution of profits, the management report and the corporate governance report. Moreover, the Audit Committee monitored the financial reporting processes, audited the effectiveness of the internal control system (ICS), the internal auditing system and the risk management system. Furthermore, the Audit Committee monitored the audits of the single-entity financial statements and consolidated financial statements. The case of fraud at the Croatia Branch was also discussed in detail. The Committees monitored the independence of the auditor, in particular, as to whether the independence criteria pursuant to § 63a (4) Banking Act are met.

Working Committee

The Working Committee reaches decisions usually by circular vote on matters of urgency requested by the Management Board, but which exceed the competence of the Management Board. The Internal Rules of Procedure of the Supervisory Board specify other matters in which the Management Board is subject to the approval of the Supervisory Board, and which are decided by the Working Committee. The proposals made and the outcomes of the vote are reported afterwards to the full Supervisory Board. During the fiscal year, the Working Committee approved four resolutions.

Risk Committee

The main tasks of the Risk Committee pursuant to § 39d Banking Act include advising the management on the bank's current and future risk appetite and risk strategy, and in respect of monitoring implementation of the risk strategy. Furthermore, the Risk Committee reviews the pricing policy to determine if it is appropriate for the business model and the risk strategy of the credit institution. At the meeting of 1 December 2022, the Committee discussed these topics in detail and ascertained that the risk management procedures applied by the bank are effective and appropriate, and risk monitoring is conducted in an orderly manner. The risk limits defined by law were essentially complied with. Furthermore, the Risk Committee ascertained that the remuneration system of BKS Bank does not create any incentives that would negatively influence the risk, capital, liquidity or profit situation of BKS Bank. The independence criteria of § 39d (3) Banking Act are complied with.

Credit Committee

The Credit Committee decides on the granting of new loans and loan prolongations, and on leasing and guarantee transactions as of a certain volume of debt. A number of 75 resolutions were passed by circular resolution. These were reported on in detail at the following plenary meeting of the Supervisory Board.

Nominations Committee

The tasks of the Nominations Committee is to present proposals to the Supervisory Board for filling vacant mandates on the Management Board and Supervisory Board, and to deal with succession planning. Furthermore, the Nominations Committee is responsible for issues relating to diversity and also reviews the fit and proper status of the members of the Management Board and Supervisory Board. It also evaluates the management's policies for the selection and appointment of persons to top management positions.

At its meeting of 28 March 2022, the Nominations Committee conducted the fit & proper evaluation of all members of the Management Board and of the Supervisory Board as well as of the respective governing body in its entirety and also dealt with the evaluation of any conflicts of interest. The updated Fit & Proper Guidelines of BKS Bank were unanimously approved by the Nominations Committee. The Committee passed the resolution to propose to the Annual General Meeting to re-elect Christina Fromme-Knoch and Sabine Urnik to the Supervisory Board. One important item on the agenda of the meeting was succession planning for mandates on the Management Board that become vacant in the future. The target profile for candidates was defined and it was decided to commission a consulting agency to prepare a list of suitable candidates.

At the second meeting of 19 October 2022, the selection process applied to date was discussed. Furthermore, the seven candidates who were shortlisted presented themselves to the Committee. Another internal candidate was also preselected.

At the third meeting on 29 November 2022, the Nominations Committee decided to propose to the Supervisory Board Claudia Höller and Dietmar Böckmann as candidates for mandates on the Management Board. Both were judged by the Committee to meet the fit & proper criteria.

The law does not define any standardized independence criteria for the members of this Committee.

Remuneration Committee
The Remuneration Committee held two meetings in the financial year 2022. The Remuneration Committee's defined tasks are reviewing the content of the employment contracts of Management Board members, and also monitoring remuneration policy, the practices applied and the remuneration-linked incentives pursuant to § 39b Banking Act and the related annexes. The Committee prepared amendments to the remuneration policy guidelines of BKS Bank and submitted them to the Supervisory Board for approval.

The Committee also dealt with the annual remuneration report that must be prepared by the Management Board and the Supervisory Board. The measurement of the amount of variable remuneration for the members of the Management Board for the financial year 2021 was also discussed at the meeting, as well as the performance criteria applicable from 2022. The members of the Remuneration Committee meet the independence criteria of § 39c (4) Banking Act.

Committees established by the Supervisory Board

Name	Audit Committee	Working Committee	Risk Committee	Nominations Committee	Remuneration Committee	Credit Committee	Legal Committee
Gerhard Burtscher				✓	✓	✓	✓
Hannes Bogner			✓				
Susanne Kalss	✓						
Christina Fromme-Knoch				✓			✓
Franz Gasselsberger	✓	✓	✓			✓	
Reinhard Iro		✓			✓		✓
Stefanie Lindstaedt							
Heimo Penker		✓		✓	✓	✓	
Sabine Urnik	✓		✓	✓	✓		✓
Klaus Wallner	✓		✓				
Maximilian Medwed	✓	✓	✓		✓	✓	
Andrea Medic							
Herta Pobaschnig							
Sandro Colazzo	✓						✓

As at 31/12/2022

Legal Committee
This Committee was set up to deal with the disputes with the two minority shareholders UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H., which have been ongoing since mid-March 2019 and are also pending in court. The tasks of the Legal Committee are defined as follows: "Dealing with the legal dispute with the UniCredit Group and the Generali 3Banken Holding AG including all related proceedings" and also covers the related tasks of the Supervisory Board. These powers include the commissioning of external service providers, in particular lawyers, with the representation of the company by the Supervisory Board externally, making any required statements of the Supervisory Board in court proceedings or proceedings before authorities as well as taking decisions in these matters (decision-making power) unless it is mandatory for the full Supervisory Board itself to reach a decision. The chairperson of the Legal Committee reports regularly to the plenary meeting of the Supervisory Board on the work of this Committee.

At the three meetings held in the financial year, the Legal Committee was concerned in particular with the proceedings to contest resolutions of the Annual General Meeting in 2020 and the action for declaratory judgment and injunction brought by the aforementioned minority shareholders in 2021. The review proceedings still pending before the Takeover Commission were also discussed in detail.

Meetings and main activities of the Supervisory Board
Four regular meetings of the Supervisory Board were held in the financial year 2022. At each of these meetings, the members of the Management Board reported on the current development of the financial position, financial performance, and cash flows of the company and on the risk situation of BKS Bank and its subsidiaries. Furthermore, current regulatory requirements and their impact on BKS Bank were discussed at every meeting. The Management Board discussed business, risk, IT and sustainability strategies in detail. It submitted all matters requiring approval to the Supervisory Board in a timely manner. Other important topics discussed at the meetings included:

- The impact of the Ukraine war on the risk situation
- The results of audits conducted by supervisory authorities
- The processing of the fraud case in Croatia
- BKS Bank's progress in digital products and processes.

A topic discussed at an extraordinary meeting of the Supervisory Board was the acquisition and sale of BTV shares in connection with the exit of a syndicate partner from the BTV syndicate.

Other work priorities are summarized in the Supervisory Board's report to the Annual General Meeting.

Several meetings were held as video conferences due to the coronavirus pandemic that was still partially impacting the situation in the financial year 2022. The meetings were held in conformity with rules imposed for the coronavirus pandemic, specifically by Covid-19 Act applicable to Companies (COVID-19 GesG) and the relevant implementing decrees. The Financial Market Authority also approved this mode of procedure from a regulatory standpoint.

Self-evaluation pursuant to C Rule 36

In the reporting year, the Supervisory Board conducted a self-evaluation of its activities in accordance with C Rule 36 ÖCGK. At its meeting of 29 March 2022, the Supervisory Board discussed the efficiency of its work, in particular, regarding organisation and working methods, and invited all members of the Board to present their views in a multi-paged structured questionnaire ahead of the meeting. The evaluation of the questionnaires during the meeting revealed a very positive perception of the work and self-image of the Supervisory Board as a governing body. The resolution was passed to retain the current organisation and the work procedures assessed as efficient and effective.

Remuneration of the Bank Auditor

At the 82nd Annual General Meeting, Deloitte Audit Wirtschaftsprüfungs GmbH was charged with the audit of the financial statements and conduct of business of BKS Bank AG and the Group for the financial year 2022.

The bank auditor presented an overview of all income received in the preceding financial year broken down by category of service to the Supervisory Board Deloitte Audit Wirtschaftsprüfungs GmbH also informed the Supervisory Board of its involvement in a quality assurance system and conclusively declared itself to be impartial and confirmed the absence of grounds for exclusion.

The APRÄG 2016 Abschlussprüfungsrechts-Änderungsgesetz 2016 (Austrian Act Amending Audit Rules of 2016) prescribes a strict separation of audit and non-audit services that an auditor is permitted to provide. The Audit Committee approved the budget for permissible non-audit services and checked compliance with the budget limit.

Information on fees paid to the bank auditor

in €k	*2021*	*2022*
Fees for mandatory audits of the single-entity and consolidated financial statements	547,8	400,3
Fees for other auditing services	26,4	26,2
Fees for advisory services, including tax advice	106,1	0,0
Total	**680,3**	**426,5**

Diversity Policy

Diversity – unites! At BKS Bank, we live diversity every day as standard practice. We recognize that diversity is what gives our company innovative strength, resilience and the drive to look forward. Because only when differences come together is discourse, progress and change possible – a source of inspiration for every company.

BKS Bank believes that honest and genuine diversity management is the best way to ensure that all employees work to their best abilities. Differences in background, world view, gender, education and language are opportunities to learn new perspectives and develop new business ideas. We ensure all employees equal opportunities and rights, but also demand from all compliance employees with their duties. This is how we avoid discrimination as best possible. When selecting candidates for staff positions, management board mandates, management positions and members of the supervisory board, we pay special attention to the professional and personal qualifications of applicants and diversity aspects.

Equal opportunity from the very start

We take firm action to prevent any form of prejudice or discrimination of employees. When selecting staff, we always opt for the person with the best qualifications, regardless of gender, age or socio-cultural background. When filling management positions, the same career opportunities are open to all employees. We invite all employees to apply for management positions that match their qualifications.

We give priority to filling top management and management positions with persons from our own ranks. A number of promotion and development programmes have been developed to attain the target ratio defined for this purpose. All interested employees may apply to participate in these programmes at any time without the need to be nominated by their superiors. In this manner, we ensure equal opportunity.

Additionally, we have adopted a Code of Conduct several year ago that we updated at the beginning of 2022. The Code presents our position on equal opportunity, equal treatment and diversity, and also states what we demand of all employees in return – openness and impartiality.

Our Diversity Officer ensures the development of diversity management in accordance with international standards and is available to all employees to answer any questions and concerns in this regard.

Diversity for success

We used the Diversity Check survey to ask our employees what they think is necessary to make BKS Bank an even more open company. The ample feedback received was the basis for the following measures we have implemented since 2020:

- The topics of diversity and diversity management are part of the curriculum of all key training programmes such as the BKS Bank College, the branch manager training course, the management development programme and the excellence programme.
- We have optimized our recruiting processes: We explicitly invite people with disabilities to apply.

- Our recruiting training courses include sensitivity training for all managers to encourage diversity when filling new positions.
- We actively promote a respectful workplace and have joined the initiative “#positivarbeiten”.
- Our campaign “Unser Herz schlägt für die Vielfalt“ (Our heart beats for diversity) has been communicating the diversity of our workforce internally through the employee portal and employee magazine, and externally on LinkedIn, Instagram and Facebook since April 2022.
- In November 2022, the first meeting of the "LGBTI Business Resource Group" took place. Employees discussed the further development of our organisation with regard to sexual orientation and gender diversity. The goal: to work together to create an even more respectful workplace environment and advise our customers in their diversity by providing the best services.

Criteria for the selection of Management Board and Supervisory Board Members

When preparing proposals to the Annual General Meeting for potential candidates to fill Supervisory Board mandates, the Nominations Committee and the entire Supervisory Board pay special attention to the appropriate representation of both genders, international composition, age structure, education and professional background. The criteria for the selection of Management Board and Supervisory Board members are defined in the Fit & Proper Policy of BKS Bank, which was updated at the beginning of 2022. The Policy clearly states the requirement to further strengthen diversity by ensuring adequate representation of all genders on the Supervisory and Management Boards.

The criteria for the selection of Management Board and Supervisory Board members include a relevant education in the theory of management, practical knowledge, and several years of experience in management positions. Furthermore, the suitability for a mandate on the Management or Supervisory Board requires personal qualifications such as integrity and impartiality, personal reliability, a good reputation and the fulfilment of governance criteria.

The shareholder representatives on the Supervisory Board of BKS Bank are highly qualified banking and business experts with relevant experience in strategic issues and have excellent knowledge of accounting and financing, risk management and digitalisation.

Three female members of the Supervisory Board, including the Chairwoman, are also university professors and teach in the fields of law and computer science. The employee representatives on the Supervisory Board are long-time employees and profoundly knowledgeable about BKS Bank.

The Management Board members and the shareholder representatives on the Supervisory Board have a broad range of experience at national and international companies and research institutions. They are very familiar with the special situations that result from different cultural practices or other legal systems. Management Board and Supervisory Board members have good foreign language skills.

Age plays a role when assessing the suitability of potential candidates, as a balanced age distribution is of relevance when assessing facts and for reasons of succession.

We do not want to discriminate against anyone due to a specific age, however, we take care to ensure an age mix that also corresponds to the distribution in the working population and in the respective professions. Therefore, the age range of shareholder representatives on the Supervisory Board is between 52 and 75 years, and on the Management Board between 51 and 63 years.

Employees by country

Individuals	*2021*	*2022*
Austria	797	785
Slovenia	165	161
Croatia	100	111
Slovakia	46	48
Germany	12	14
Italy	7	5
Hungary	3	3
Bosnia-Herzegovina	7	9
Canada	1	1
Bulgaria	1	1
Georgia	1	0
Turkey	2	2
Ukraine	1	2
Armenia	1	1
Syria	1	1
Afghanistan	-	1

Measures to Promote Women

The many different measures taken to give women the same career opportunities as men were successful in 2022 as well.

All employees have great potential and should have the same opportunities to develop this potential. We therefore encourage our female employees to pursue professional goals and take on challenging tasks.

We support our employees with a wide range of offers to help them achieve a good work-life balance. Flexible working hour models, numerous further education and training opportunities, care services for small children, support for childcare during holiday periods are just a few examples of measures for which funding is made available. These initiatives have been recognized by the Federal Ministry of Economy, Family and Youth. Since 2010, we have been certified under the "berufundfamilie" audit. In Slovenia, BKS Bank has held the local certificate since 2015. In Croatia, we have been certified since 2017 under the “MAMFORCE© Standard” certification programme for family-friendly companies.

Our women's career development programme is an important contribution to increase the ratio of female managers. The programme was initiated in 2012 and since then 72 participants have completed a total of five training courses. The programme includes an analysis of typical women's roles and women's communication as well as behavioural forms and team dynamics. Additionally, mentors accompany mentees throughout the entire course whose overarching goals are empowerment and visibility for women.

In 2022, this programme will be organized for the first time for our international female employees. Fourteen female employees from Slovakia, Slovenia, Croatia and Austria are participating in the "BKS Bank International Women's Career Programme," which runs until May 2023.

Target ratio attained and exceeded

181 persons were employed in management positions at BKS Bank at year-end 2022. The majority of these persons, namely 56.3%, were between 30 and 50 years old. 43.6% were over 50 years old.

One goal of our sustainability strategy is to raise the share of women in management positions to 35% by 2025. We are pleased that this goal was achieved already in 2021. The ratio was again above 35% at year-end 2022.

Narrowing the gender pay gap

"Equal pay for equal work" (Equal Pay) is one of our principal goals. We are committed to narrowing the gender pay gap further. Income differences between men and women still exist in all countries of the European Union, and there are some considerable disparities.

The Federal Chancellery publishes the annual report "Equal Pay Day"[1)], which compares the incomes of women and men employed throughout the year in Austria. By 30 October 2022, men in Austria had already reached the level of income for which women have to work until the end of the year. By way of comparison: at BKS Bank, Equal Pay Day 2022 is at the end of November.

[1)] https://www.bundeskanzleramt.gv.at/frauenserviceportal/aktuell/equalpay-day-2022-in-oesterreich.html (retrieved 16 Jan. 2023)

We are committed to reducing the gender pay gap at BKS Bank to 12% by 2025. Good news is that the gender pay gap at BKS Bank in Austria has narrowed since 2016 from 19.23% to 16,68%.

In 2021, we consulted an outside consulting institution under the heading "100 percent equality pays off." The consultants analyzed the causes of the pay gap and, among other things, developed measures to close the gender pay gap. For example, we offer home office options to women who still work part-time for family reasons, depending on the specific job and their private situation. This measure is combined with the willingness to assume a management or expert position in the next three years and also to increase the number of hours worked.

We also want to encourage older female employees to develop their careers and take advantage of opportunities to further improve their income situation. Therefore, we point out career paths and inform women about the negative financial effects of long periods of part-time employment.

The Nominations Committee defined the target ratio for the underrepresented gender on the Management and Supervisory Boards at 30% in 2014. The members of the Nominations Committee monitor compliance with the target ratio and review the effectiveness of the measures decided to promote women.

At the end of 2022, the proportion of women on the Management Board was 25%, and on the Supervisory Board, including the members delegated by the Works Council, 42.9%.

Women in management positions

As at 31 December 2022	Number female	Ratio	Number male	Ratio
Management Board	1	25%	3	75%
Supervisory Board (shareholder representatives)	4	40%	6	60%
Supervisory Board (staff representatives)	2	50%	2	50%
Other management positions	65	36%	116	64%

Compliance Management System

Establishing and continuously developing up-to-date compliance measures is the most important goal of the compliance management system at BKS Bank. It is the "second line of defence," and is a supportive pillar of corporate monitoring. The aim is to prevent violations of laws and regulations or to minimize their likelihood. The purpose is to protect the BKS Bank Group, its employees, the management and the governing bodies as well as the shareholders from compliance risks.

Capital market and securities compliance, prevention of money laundering and terrorist financing, compliance with financial sanctions, anti-corruption measures and professional handling of potential conflicts of interest are core compliance tasks.

There are extensive sets of rules for all areas, which must be strictly followed by our employees and managers. These regulations are communicated to all BKS Bank employees in regular and ad hoc training sessions that include hands-on exercises. Refresher training serves to deepen and update the level of knowledge.

The Anti-money Laundering Officer and the Compliance Officer ensure regular reviews, adaptations and updates of the compliance management system and take account of legal developments in these areas and consider findings and experiences. Together with their teams, they are also the point of contact for all employees and managers. In the reporting year, the Anti-money Laundering Officer submitted 56 suspicious action reports (SARs) to the Austrian Financial Intelligence Unit of the Federal Criminal Police Office. A total of 60 reports were submitted in our foreign markets.

In order not to lose track of the constantly changing legal framework applicable to BKS Bank AG, the Compliance Officer (purs. to Banking Act) ensures that the responsible managers are informed in a timely manner about upcoming changes to standards so that any necessary adjustments to processes and rules can be made in time. The legal framework comprises the core standards of banking supervision law such as the Austrian Banking Act (BWG) and the Capital Requirements Regulation (CRR) as well as numerous other rules and guidelines of importance in banking operations. In 2022, some 1,500 topics were discussed in connection with new laws and regulations. The Compliance Officer (purs. to the Banking Act) reports directly to the full Management Board, which also applies to all compliance positions.

Directors‘ dealings

BKS Bank is under the obligation to disclose directors' dealings reports relating to financial instruments of BKS Bank. On the last day of exchange trading in 2022, the members of the Management Board held a total of 14,042 ordinary shares on their securities accounts with BKS Bank; Supervisory Board members held 8,815 ordinary shares. In total, this is a percentage of around 0.05% of shares issued. Purchases and sales by members of the Management Board and the Supervisory Board as well by related parties are reported to the Financial Market Authority (FMA) in accordance with the EU Market Abuse Regulation and are published throughout Europe by news agencies and disclosed on the website of BKS Bank. This notification is sent when the value of the respective transactions for own account reaches or exceeds a total of EUR 5,000 in a calendar year. In the past financial year, there were five directors' dealings notifications.

Independent Assessment of the Functionality of Risk Management

Deloitte Audit Wirtschaftsprüfungs GmbH assessed the functionality of risk management at BKS Bank pursuant to ÖCGK.

The risk management framework of BKS Bank AG is applicable to the entire BKS Bank Group and complies with internationally recognized standards. Risk governance is based on the "three lines of defence model" and the risk-based internal control system.

In the "three lines of defence model", operational staff are the "first line of defence". They identify and manage risks they encounter in their activities within the defined risk framework. The active management of risk positions in the first line of defence is of particular importance.

Risk management functions as the second line of defence identify, measure, monitor and report on risks across the business units. These functions include risk controlling, credit risk analysis, credit management, and ICT security responsibility. Compliance functions are also especially relevant in the second line of defence.

As a third line of defence, Internal Audit bases its activities on an audit plan approved by the Management Board and agreed with the Audit Committee and/or the plenary meeting of the Supervisory Board. Internal Audit assesses the risks of all corporate activities and operational processes, identifies potential for increasing efficiency, and monitors compliance with legal requirements and internal guidelines.

The Management Board – in particular the Chief Risk Officer – is responsible for risk management and its implementation, for monitoring and for risk control for the entire Group.

During the audit in accordance with C Rule 83, the auditor assessed the design of the risk management system, the implementation of the measures, and the organisational structure of the system.

The COSO II framework served as the reference model for this assessment. The auditor confirmed that it was not aware of any relevant facts according to which the risk management established by BKS Bank did not comply with the reference model described above.

The auditor submitted its report on the functioning of the risk management system to the Chairwoman of the Supervisory Board.

At the meeting of 15 September 2022 of the Audit Committee, the findings of the audit pursuant to C Rule 83 ÖCGK were discussed, and in accordance with the provisions of § 63a (4) Banking Act, the risk management and its current further development were discussed in detail. The Chairwoman of the Supervisory Board reported to the full Supervisory Board that the audit pursuant to C Rule 83 did not result in any objections and that BKS Bank has a functioning risk management system in place.

At the meeting of the Risk Committee on 1 December 2022, the objectives and status of implementation of the risk strategy were discussed, compliance with the risk limits was reviewed, and the further development of the risk strategy was discussed.

BKS Bank's risk management is described in detail in the Risk Report chapter of the Annual Report 2022, starting on page 191.

A key element of the monitoring system at our bank is the internal control system (ICS) that is embedded in all three lines of defence. The ICS is risk-based and comprises a large number of control measures that ensure efficient and correct working procedures. Findings on risks that have actually occurred or potential risks identified on the basis of risk analyses are considered in the ongoing improvements to the ICS. The core of the ICS is a risk-control matrix in which the controls are linked to the risks identified and assessed per business and support process.

Additionally, the quality of the controls is assessed regularly based on a maturity level model. The organisational structure and responsibilities in ICS are clearly regulated. The ICS coordinators continuously develop the internal control system and report to the Management Board in regular intervals. In this manner, we constantly improve monitoring at the company and ensure the protection of assets and also greater efficiency.

To limit IT and cyber risk, we take a large number of precautionary and control measures jointly with our IT service provider, 3Banken IT GmbH. These measures include ongoing awareness programmes for all employees, security notices in our online portals, state-of-the-art server architecture that is regularly subjected to penetration and contingency tests, and special training courses for IT staff. In 2022, we successfully conducted a tabletop exercise in which the Chief Risk Officer simulated cyber threat scenarios together with key employees of BKS Bank and with representatives of 3Banken IT GmbH in order to test the effectiveness of protective measures and to further streamline cooperation in a time-critical environment. The year 2022 also saw the start of preparatory work for the implementation of the Digital Operational Resilience Act (DORA), an EU regulatory framework designed, among other things, to ensure that the European financial industry is able to preserve operational stability in the event of a serious disruption, in particular, to withstand cyberattacks.

Accounting and Disclosure

As a listed company, BKS Bank AG prepares the consolidated financial statements and condensed interim financial statements, which are part of the mid-year financial report pursuant to International Financial Reporting Standards (IFRS) as adopted by the EU. We publish the annual financial statements at the latest four months after the end of the reporting period, the mid-year financial statements and the interim reports at the latest three months after the end of the reporting period. The reports have been available to the public for at least ten years. We use the services of the Issuer Information Center of Oesterreichische Kontrollbank AG (OeKB), which is the officially appointed system for the central storage of mandatory disclosures. The financial reports are published on the website of BKS Bank in German and in English. In accordance with the ESEF standard, BKS Bank publishes its financial reports in XHTML format. The IFRS consolidated financial statements are tagged in accordance with the ESEF taxonomy.

The financial reporting of the BKS Bank Group presents a true and fair view of the financial position, financial performance, risk situation and cash flows of the company. In the Group management report, the bank presents a relevant analysis of the development of business and describes the key financial and non-financial risks and uncertainties it is exposed to.

The key features of the internal control system are described as well as the risk management system with respect to the financial reporting process. The Notes contain information on how the company deals responsibly with the various types of risks. We publish a separate sustainability report that meets the requirements for non-financial disclosures.

The single-entity financial statements of BKS Bank AG were prepared in accordance with the provisions of the Austrian Business Code. The consolidated financial statements and single-entity financial statements are prepared by the company and audited by the auditor elected at the Annual General Meeting, and are approved and confirmed by the Supervisory Board.

A financial calendar is published in the financial reports and on the website for the current year and for the subsequent year. We publish inside information immediately on our website and leave this information online for five years.

Klagenfurt am Wörthersee, 10 March 2023

Ms Herta Stockbauer
Chairwoman of the Management Board

Mr Dieter Kraßnitzer
Member of the
Management Board

Mr Alexander Novak
Member of the
Management Board

Mr Nikolaus Juhász
Member of the
Management Board

Report of the Chairwoman of the Supervisory Board

Dear Readers,
The first century of BKS Bank is over, and we are looking forward with enthusiasm to the next 100 years.

The 2022 was dominated by our celebrations of the 100th anniversary of BKS Bank. And as if to mirror an entire century, there were many great achievements in this financial year that make us proud, but also some events that cast a shadow. But we also saw the incredible creative power of all employees and managers who provided customers, shareholders and business partners with services that make us what we are: a warm-hearted bank working to secure a livable future.

In 2022, we again proved that we succeeded in setting the course to master this future:

We were able to significantly expand our market share in the Vienna region and in almost all foreign markets. The number of customers using our digital products surged and this year we have already exceeded our target for 2026. We also reduced the carbon footprint to less than 1 t per employee. And this list can be continued.

Last but not least, the Supervisory Board took important decisions on the composition of the Management Board:

Ms Claudia Höller, previously a member of the Management Board of Tiroler Sparkasse, will join the Management Board of BKS Bank as of September 2023. She will be responsible for the risk management function. She succeeds Mr Dieter Kraßnitzer, whose Board mandate expires at the end of August 2023.

Mr Dietmar Böckmann, previously CEO of Erste Digital GmbH and Head of IT and Portfolio Management at Erste Bank der österreichischen Sparkassen AG, will take over the position of CIO/COO at BKS Bank as of June 2023, thereby shifting the focus to the digital transformation, which is already far advanced at BKS Bank.

Together with Mr Alexander Novak, Mr Nikolaus Juhász and CEO Ms Herta Stockbauer, the new Management Board team will be ready to keep BKS Bank on a sustainable path of success.

We look forward to welcoming two dedicated persons to our team with great enthusiasm for their new roles.

Supervisory Board and Management Board: professional cooperation, joint commitment to BKS Bank

The Supervisory Board monitored the work of the Management Board and provided support to it with the management of BKS Bank and its Group companies. Four meetings and one extraordinary meeting were held, at which the members of the Supervisory Board discussed the economic situation, including the risk situation and risk management, as well as strategic development and other events relevant to the bank, together with the Management Board. Due to the pandemic, some of these meetings were held as virtual meetings in accordance with legal and regulatory requirements.

The Supervisory Board received extensive written and oral reports from the Management Board in a timely manner. I communicated regularly with the Chairwoman of the Management Board and discussed and analyzed the development of business, the risk management and the strategy jointly with her. The Supervisory Board was therefore involved all in key decisions taken by BKS Bank. The Supervisory Board met all of its responsibilities stipulated by law, the articles of association and the rules of the Austrian Code of Corporate Governance. The professionalism of the cooperation was also evident in the handling of the case of fraud in Croatia – the Supervisory Board was kept informed on an ongoing basis and was able to satisfy itself that this incident was managed professionally. The Supervisory Board confirmed the correctness, expediency and proper conduct of the company's management.

The Supervisory Board pools its areas of expertise in seven committees. This report provides a description of the main areas of work of these committees starting on page 36. The composition and independence of the Supervisory Board, the criteria for its independence, its working procedures and decision-making powers are explained in detail from page 32. I fully agree with the information presented.

Changes to the Supervisory Board

In the reporting year, Ms Andrea Medic was delegated to the Supervisory Board of BKS Bank AG by the Works Council. The Supervisory Board therefore again consisted of four employee representatives. We are very pleased about Ms Andrea Medic joining the Supervisory Board and the start of very agreeable and constructive cooperation.

At the 83rd Annual General Meeting, Ms Christina Fromme-Knoch and I, Ms Sabine Urnik, were re-elected as members to the Supervisory Board. The re-elected members have declared their independence in individual statements. The relevant statements were made in accordance with § 87 (2) Stock Corporation Act.

In accordance with statutory requirements, the Nominations Committee reviewed the qualifications of the candidates.

At the plenary meeting of the Supervisory Board held immediately after the 83rd Annual General Meeting, I was elected Chairwoman and Mr Klaus Wallner was elected Vice Chairman. The members of the seven committees were also appointed at this meeting.

Diversity

In the past financial year, 40% of shareholder representatives and half of staff representatives were women, which corresponds to a total ratio of 43%. The ratio of 30% for women and men on the Supervisory Board defined in the Stock Corporation Act is complied with both by the shareholder representatives as well as by the employee representatives delegated pursuant to § 110 Austrian Labour Act (Arbeitsverfassungsgesetz, ArbVG). The Nominations Committee makes every effort to take into account all aspects of diversity such as age, gender, educational background as well as internationality when making proposals for the composition of the Supervisory Board. The shareholder representatives on the Supervisory Board are experienced leaders from the financial and IT sectors, industry and universities. They help steer the course of BKS Bank with prudence and entrepreneurial foresight. No member of the Supervisory Board failed to take part in more than half of the meetings. The attendance rate of Supervisory Board members at Supervisory Board meetings was approximately 86%.

Audit of the financial statements

The accounting records, the financial statements and the management report of BKS Bank AG for 2022 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH. The audit was conducted in accordance with statutory provisions and did not give rise to any objections. The auditors confirmed this by awarding an unqualified audit certificate.

The following topics were identified as key audit matters in the audit of the financial statements for 2022, and the audit opinion presented the resultant risk as well as the relevant audit approach in detail:

- Recoverability of receivables from customers
- Recoverability from entities accounted for using the equity method

BKS Bank will propose to the Annual General Meeting to distribute a dividend in the amount of EUR 0.25 per share from the net profit for the year 2022 and to carry forward the remaining profit to new account.

The IFRS consolidated financial statements for the year ended on 31 December 2022 and the group management report prepared in accordance with Austrian company law were audited by Deloitte Audit Wirtschaftsprüfungs GmbH. All statutory requirements were met, and this audit did not give rise to any objections either. In the opinion of the bank auditors, the consolidated financial statements present a true and fair view of the financial position of the BKS Bank Group for the year ended on 31 December 2022 as well as of the financial performance and cash flows for the period from 1 January to 31 December 2022.

The auditors confirmed that the group management report is consistent with the consolidated financial statements and that the prerequisites for exemption from the obligation to prepare consolidated financial statements in accordance with Austrian law have been satisfied. All materials relating to the audit of the financial statements, the proposal for profit distribution and the audit reports of the auditor were discussed in detail by the Audit Committee and presented to the Supervisory Board.

The Supervisory Board concurred with the findings of the audit and declared its agreement with the financial statements including the management report presented by the Management Board, thereby approving the financial statements 2022 of the company in accordance with § 96 (4) Stock Corporation Act. The consolidated financial statements, the Group management report, the annual risk report, the non-financial information report and the corporate governance report were also reviewed and approved by the Supervisory Board.

I would like to express my sincere appreciation to all of you; to our employees, managers, Supervisory Board colleagues, customers, shareholders and everyone who cares about the sustainable business success of our company. We are excited and look forward to starting a new financial year together with you – a year that is also the beginning of a new century for BKS Bank.

Klagenfurt am Wörthersee, March 2023

Sabine Urnik
Chairwoman of the Supervisory Board

Not only were the first shares issued in 1928, but the company name was also changed to "Bank für Kärnten".

In the year 1928, the Bank issued its first own savings passbook.

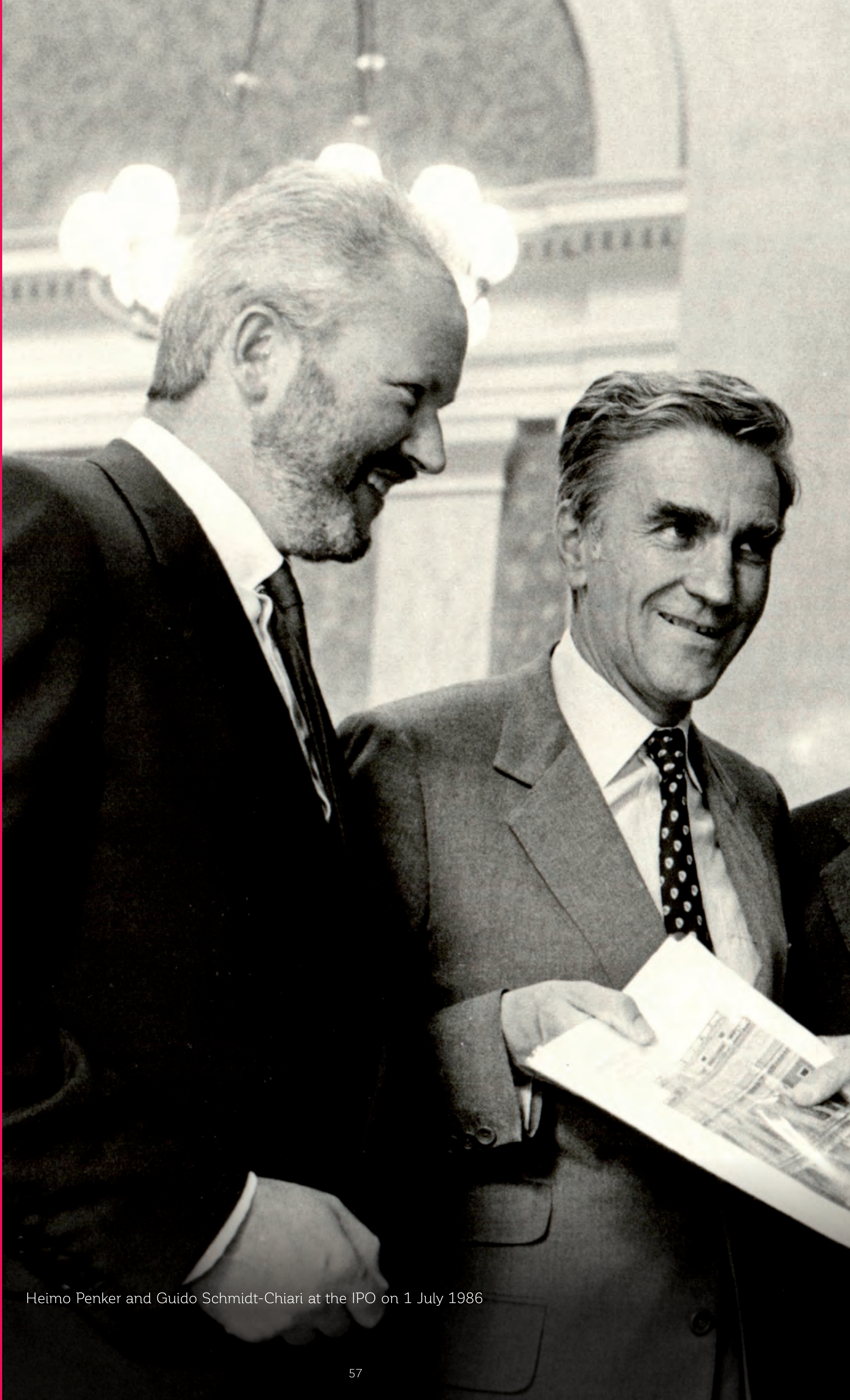
100 years of accountability and support

03. Investor Relations

BKS Bank

100 years of tradition confirms our strategy and defines our mission

100 years of accountability and support



Heimo Penker and Guido Schmidt-Chiari at the IPO on 1 July 1986

Investor Relations

Stable throughout an eventful year

Many will remember the year 2022 as the year of record inflation and the reversal of interest rate policy. The Russian war of aggression against Ukraine has also shown that stability and security are values we have to defend every day, because they are far from being a matter of course.

The negative performance of capital markets and the sluggish economy as well as the dilution of the shares in BTV weighed on results, while the interest rate reversal eased the pressure on interest income.

We were satisfied with the development of the operating business considering the economic environment. Also in the year 2022, BKS Bank was a warm-hearted bank for a liveable future – and for a steadily growing number of customers. We are particularly pleased about the solid increase in the number of customers who use our digital products and gave us feedback – we are strong in relationships, also in digital banking.

We were also very pleased about the numerous awards we received: the Sustainability Award of the Vienna Stock Exchange, the Austrian Ecolabel for our "Natur & Zukunft" account, the Austrian Sustainability Reporting Award for the best sustainability report in the category "Capital Market-oriented Companies – Banks and Insurance Companies" (ASRA Award) to mention just a few.

Dividends

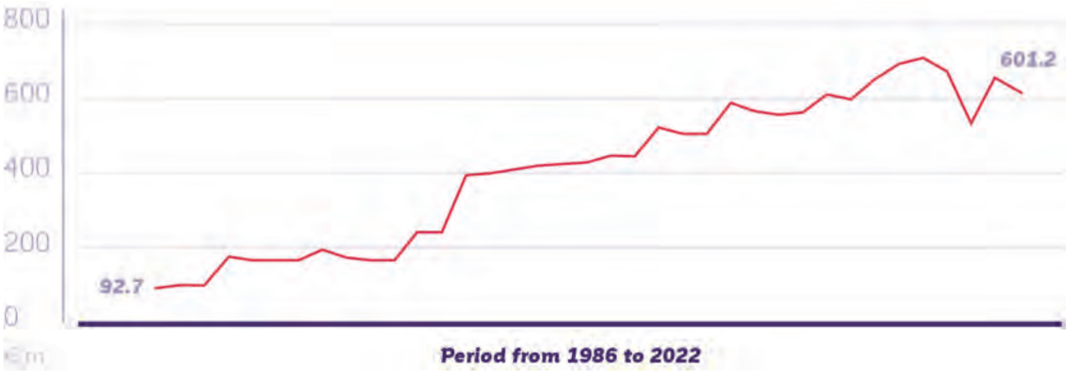
Unlike the pandemic year 2020, no regulatory expectations were explicitly communicated regarding dividend payments in the year 2022. However, in a press release from December 2022, the FMA urged companies to pursue a "prudent and sound dividend distribution policy".[2)]

Development of dividends

[1)] Proposal to the 84th Annual General Meeting

[2)] www.fma.gv.at/fma-veroeffentlicht-die-aufsichts-und-pruefschwerpunkte-2023-und-praesentiert-die-publikation-fakten-trends-und-strategien-2023/

Market capitalization of BKS Bank



The Management Board and Supervisory Board will propose to the 84th Annual General Meeting the distribution of a dividend of EUR 10,735,725.00. This corresponds to EUR 0.25 per share and, on the basis of the year-end price in 2022, a dividend yield of 1.8%. We have paid a dividend to our shareholders every year since our IPO in 1986.

Information on the shareholder structure of BKS Bank can be found in the Group Management Report starting on page 87 and on our website at www.bks.at » Investor Relations » Aktionärsstruktur.

Annual General Meeting 2022

In the financial year 2022, the Annual General Meeting was held on 25 May. To protect participants, the meeting was held as a virtual meeting in accordance with the rules of the Covid-19 Act amending the Companies Act and the related implementing regulation.

The entire annual general meeting was broadcast live on the internet. The livestream was available to the public. The rights of shareholders at the general shareholders' meetings were exercised by persons holding special proxies. These were four persons independent of BKS Bank that had been determined by BKS Bank.

The costs incurred by the persons holding the special proxies were paid by BKS Bank.

The FMA approved virtual shareholders' meetings on the basis of the aforementioned statutory provisions.

Ongoing legal proceedings

UniCredit Bank Austria AG und CABO Beteiligungsgesellschaft m.b.H. had filed an action as minority shareholders to challenge the resolutions adopted at the Annual General Meeting of 29 May 2020 with the Klagenfurt Regional Court (Landesgericht Klagenfurt).

The lawsuit contests the discharge of the members of the Management Board and the (non-)discharge of individual members of the Supervisory Board as well as the rejected motion to conduct various special audits. Furthermore, the plaintiffs are seeking a declaratory judgment ascertaining that no discharge be granted to the members of the Management Board and to individual members of the Supervisory Board, and granting the discharge of one member of the Supervisory Board as well as a declaratory judgment granting the abovementioned special audits. The proceedings continued to be interrupted in the reporting year and the file has been forwarded to the Takeover Commission for a decision.

Furthermore, in March 2020, at the request of the aforementioned minority shareholders, the Takeover Commission initiated proceedings pursuant to § 33 Takeover Act. The subject of the investigation in these review proceedings is to clarify the preliminary matter underlying the aforementioned proceedings to contest resolutions, specifically to ascertain if the obligation to make a mandatory bid had been breached pursuant to § 22a no 3 or § 22 (4) Takeover Act by BKS Bank and its affiliated entities. Likewise at the request of the aforementioned minority shareholders, the Takeover Commission initiated review proceedings pursuant to § 33 Takeover Act regarding Oberbank AG and Bank für Tirol und Vorarlberg.

The Takeover Commission combined these proceedings and held oral hearings. In the reporting year, the plaintiffs submitted several petitions which BKS Bank responded to accordingly. A decision in these proceedings is still pending. Given the relationships between the members of the three banks, a breach of the obligation to make a mandatory bid by one of them may also affect the other two banks.

In the financial year 2021, BKS Bank was served a legal action for an injunctive ruling and declaratory judgment by the aforementioned minority shareholders. The plaintiffs petitioned that the Bank für Tirol und Vorarlberg Aktiengesellschaft, Oberbank AG and Generali 3Banken Holding AG (hereinafter G3B Holding AG) be prohibited from participating in future capital increases of BKS Bank or from allocating fewer shares to these shareholders in the case of capital increases; the plaintiffs based their petition on the applicability of the “excessive allocation theory".

Furthermore, they are seeking a ruling rejecting the validity of the resolutions of the Management Board and Supervisory Board in connection with the capital increases carried out in the years 2009, 2014, 2016 and 2018.

After a careful review of the matter jointly with external experts, the Management Board is still of the opinion that the allegations made by the abovementioned minority shareholders are unfounded. The course of the proceedings to date and several decisions and procedural rulings in favour of BKS Bank confirm our view.

The FMA conducted proceedings against the Bank in two separate cases due to allegations that the Bank had not complied with all duties of due diligence defined in Financial Markets Anti-Money Laundering Act (FM-GWG); these proceedings were terminated with legally binding force in the reporting year under the procedure "accelerated termination of proceedings”.

In December 2022, the Croatian tax authority imposed an order for an additional tax payment on the local branch of BKS Bank. The additional payment was justified by a revocation of a tax decision issued in 2017 in connection with the merger of BKS Bank d.d. with BKS Bank AG. BKS Bank made a conditional payment and in January 2023 filed an appeal within the defined period. Our legal counsel and tax advisors believe that the appeal is highly likely to be successful.

Furthermore, there are also ongoing proceedings in connection with the case of malversation in Croatia. In our assessment, it is very probable that these proceedings will be ruled in our favour.

Investor relations communications

We are strongly committed to best practices for press conferences and in financial reporting to ensure transparency and the fair dissemination of information to all market participants.

Our website www.bks.at, » Über uns » Investor Relations contains extensive information on our company and ensures regular newsflows. We publish press releases on the website of BKS Bank under » Über uns » News & Presse.

Since 2012, we have been producing an annual sustainability report, which is prepared in accordance with this year’s updated "GRI Universal Standards" of the Global Reporting Initiative and complies with the requirements of the Sustainability and Diversity Improvement Act (NaDiVeG) and the applicable EU legal standards.

We report in detail on our sustainability strategy as well as on measures to protect the environment, mitigate climate change, our social engagement activities, and governance and risk management aspects. This year we structured our sustainability report even more transparently to make it easier for readers to find the information they are looking for. We publish the Sustainability Report 2022 and the report on non-financial performance indicators in the Group Management Report on our website at www.bks.at » Über uns » Investor Relations » Berichte und Veröffentlichungen.

Financial Calendar 2023

Date	Content
4 April 2023	Publication of the single-entity financial statements and the consolidated financial statements 2022 on the website and in the Official Gazette of the Republic of Austria “Wiener Zeitung”
24 May 2023	84th Annual General Meeting
30 May 2023	ex dividend day
31 May 2023	Record date
31 May 2023	Interim report for the period ended 31 March 2023
1 June 2023	Dividend payout day
25 August 2023	Half-year financial report 2023
24 November 2023	Interim report for the period ended 30 September 2023

Investor Relations Contact

Dieter Kohl
Head of Investor Relations
e-mail: investor.relations@bks.at

Selected works from BKS Bank's prominent art collection were exhibited at Stadtgalerie Klagenfurt in the anniversary year.

Herta Stockbauer with Renate Freimüller, curator of the exhibition, and Beatrix Obernosterer, director of Stadtgalerie Klagenfurt.

04.
Corporate Strategy

BKS Bank

Responsibility and sustainability means caring about art and culture. Our art collection contributes to the diversity of cultural life.

100 years of accountability and support

The exhibition “Kunst-Depot” was on display from 30 September 2022 to 5 February 2023. Due to the enormous interest in the exhibition, it was extended by three weeks.

About us

Kärntner Kredit- und Wechselbank Ehrfeld & Co was founded in 1922 to meet demand for the growing financial and credit needs of the Carinthian timber and sawmill industry. This was the founding year of today's BKS Bank. In the first decades, business concentrated in Carinthia. At the beginning of 1980s, the foundation was laid for the successful expansion into other markets. Today, we have operations in Austria, Slovenia, Croatia, Slovakia and Italy with 64 bank branches and four leasing companies. We employ 1,145 persons throughout the Group.

Since its foundation, BKS Bank's business has expanded exponentially. In the initial phase of the business, the focus was on corporate customers, while retail customers were acquired as a new segment in the mid-1960s. With the acquisition of new markets in Austria and abroad, the number of customers increased steeply. Today, our customer base includes some 196,200 retail and corporate and business customers. BKS Bank's ordinary shares have been listed on the Vienna Stock Exchange since 1986.

Our customers

In the segment of business and corporate banking, we focus mainly on industrial, commercial and trade customers as well as on non-profit housing construction companies, property developers, municipalities and self-employed professionals. Our advisory services and products include traditional banking products such as working capital loans, investment and export finance as well as advisory services for government lending schemes. We also offer payment services including e-commerce solutions as well as account and card services. We are continuously expanding our range of digital solutions.

We also offer different types of deposit accounts as well as products for investing surplus liquidity and for wealth accumulation. We serve some 27,100 corporate and business customers.

In the retail banking segment, our customer groups include private sector and public sector employees and members of the healthcare professions. Over the past years, we have digitized our range of products and services for retail customers and have defined sustainable priorities. Today, all banking transactions can be completed online. Additionally, we offer a "green" option in all product segments – loans, investments and payment services. With BKS Bank Connect, we address digitally savvy customer groups. The excellent quality of our advisory services for retail customers remains a core area of competence. We always offer the possibility of personally consulting advisors at branches and online. We serve around 169,100 retail customers throughout the Group.

Our markets

Austria is our principal market and includes the regions of Carinthia, Styria, Vienna, Lower Austria and Burgenland. Apart from Austria, we are also represented in Slovenia, Croatia and Slovakia with bank branches and leasing companies. In Italy, we operate a BKS Bank representative office and the company BCS Fiduciaria Srl.

Our partners

There are cross-shareholdings with Oberbank AG and Bank für Tirol und Vorarlberg AG. These cross-holdings secure our independence and the jointly-held subsidiaries create synergy effects. Our many years of partnership with the building society Wüstenrot and with Generali Versicherung completes our range of offers.

What we stand for

As a bank that cares about people and has strong regional roots, our aim is to ensure the prosperity of our customers. We offer excellent advisory services and products, and promote networks that foster the values we stand for. Together, we work to shape the future and assure a high quality of life.

Our mission

Our strong regional roots give us stability and permit us to grow in our regions.

We see ourselves as a commercial bank, independent and autonomous in its decisions.

Being part of the 3 Banken Group and the equal standing within the alliance gives us the strength of a major bank.

We pursue a self-determined path. We are progressing one step at a time towards the goal of becoming one of the ten most important banks in Austria.

We take risks only when we are able to master them on our own strength. This helps us retain our independence and autonomy.

We understand the individual needs of our customers. We are the first choice for discerning customers and combine advisory excellence with modern digital solutions.

Living sustainably means assuming responsibility for our region and our future.

Our employees act responsibly and strive to provide high quality. We offer our employees an attractive workplace and career prospects. We invest in their further training and promote a good work-life balance.

We offer shareholders long-term value appreciation and reasonable annual returns. This makes us appealing to investors and strengthens our capital base.

Our values

Warm-hearted We foster personal relationships and treat our customers as equals: respectfully and with empathy.

Strong in relationships We develop employees, customers and partners into real supporters and create networks that foster the values we stand for.

Future-oriented We are curious, recognize trends that fit our mission early on, and take advantage of these with a view to future benefits without losing sight of what is essential.

Responsible We are a flagship and multiplier for social responsibility; we work and invest to achieve healthy and long-term growth.

Excellent We only do what we are really good at, but better than our competitors and exceed the expectations of our partners and customers.

Regionally-committed We are proud of our origins, we work across regions and contribute to our local communities.

Vision

What we are proud of

Our corporate strategy of sustainable growth has proven its worth many times over in the past years. Our earnings are stable, our own funds ratio is solid, and we are gaining new customers. We are one of the best in sustainability in our industry. We are very proud of these achievements.

Liquidity Coverage Ratio

190.4%

NPL-Ratio

2.1%

Brand excellence

We do only what we are really good at, but better than our competitors and surpass partners' and customers' expectations.

Target groups

Corporate and business customers, industry, commerce, non-profit residential construction companies, property developers, municipalities, public institutions, self-employed professionals, healthcare professionals

Markets

Austria, Slovenia, Croatia, Slovakia, Italy, Serbia

Quality

Awards

and Mission

Risk

Net Stable Funding Ratio

118.7%

IT systems availability

99.9%

Digital transformation

8,400
BizzNet Users

65,200
MyNet Users

BKS App rating
Android-User: **4.7** of 5
IOS-User: **4.7** of 5

Performance

78.6 Mio. EUR
Profit for the year

196,200
Number of customers

3.1%
Credit volume growth

Shareholders' equity

1,543.8 €m
Consolidated shareholders' equity

Solid equity base
13.6% Tier 1 ratio
17.0% Total capital ratio

7.9%
Leverage Ratio

and Sustainability

Customer Satisfaction

89% Customer Satisfaction
74% Net Promoter Score (NPS)

Volume of sustainable products

1,113 €m

Our strategy

Acting responsibly in challenging times

Today's BKS Bank was founded in 1922 as Kärntner Kredit- und Wechselbank Ehrfeld & Co. In the difficult interwar period, a Carinthian private banker and a Bavarian bank joined forces to offer financing for Carinthian businesses. The starting conditions were anything but easy, but the courageous step was rewarded. The former small bank with four branches developed into an international credit institution within one century.

There were many hurdles to overcome along the way and major challenges to master. Even though it is difficult to compare the challenges of the time with those of today, there are some parallels. At the time, just like today, people in positions of responsibility are needed who are capable of making the right decisions with foresight and courage to keep the company safely on course.

Experienced crisis managers are in high demand, because as a look at the recent past reveals, crisis management has become a routine part of business today. It seems that the world can no longer find its way out of crisis mode. After the coronavirus pandemic significantly impacted social and economic life, the subsequent economic upswing was abruptly halted by the war in Ukraine. Higher energy prices, soaring inflation rates and unstable supply chains were the result.

Apart from these difficult framework conditions, banks came under additional pressure, as the entire industry is in a state of upheaval. New competitors are entering the market, the pricing war is fierce, and margins are shrinking.

The digital transformation requires not only major investments, but is also changing customer behaviour and expectations in the bank as a service provider. Additionally, the implementation of regulatory requirements are resource-intensive and costly. All of these major changes require proven tools to actively manage future challenges.

BKS Bank has a well-thought-out strategy process. The process helps make sures that challenges are identified, analysed and addressed in a timely manner. Once a year, the entire management goes on a retreat for several days to evaluate the Bank's strategy, discuss forecasts, and define joint fields of action to keep BKS Bank on the path to success.

We pursue a growth strategy oriented on sustainability. This strategy has been the basis of our success for many years, with growth now focused less on expanding the branch network and more on acquiring new areas of business. We believe there are new opportunities in the two topics of tomorrow: digitalization and sustainability. Banks play a key role in climate change mitigation, and we are resolutely committed to this goal. Therefore, BKS Bank joined the Green Finance Alliance in 2022. One of the main goals of the initiative is to align loan and investment portfolios with the goals of the Paris Climate Accord. We believe that to secure a liveable future we need to focus on the big issues. Therefore, we have also defined important sustainability targets as part of our key strategic goals.

Our key strategy goals

We are **profitable**, **productive** and continuously achieve **solid earnigns**.

We adequately **limit (credit) risks**.

Our (common) **equity tier 1 capital ratio is strong**.

We place the **needs of our customers** at the focus of our activities. This helps us win new retail and corporate customers.

We are **expanding our markets shares** in Vienna and in foreign markets.

We are profitable in the **retail segment**.

We **focus** our growth in **non-lending business** areas.

We are **transforming** our organisation for the **digital age**.

Quality is an **integral part** of our daily work.

We **value and respect** our **employees**.

We are **Austria's most sustainable bank**.

We aim for **climate neutrality**.

We have **managers** who take **responsibility**, act **independently** and **professionally**.

We see sustainability as an **innovation driver for sustainable banking products**.

How we aim to achieve our goals

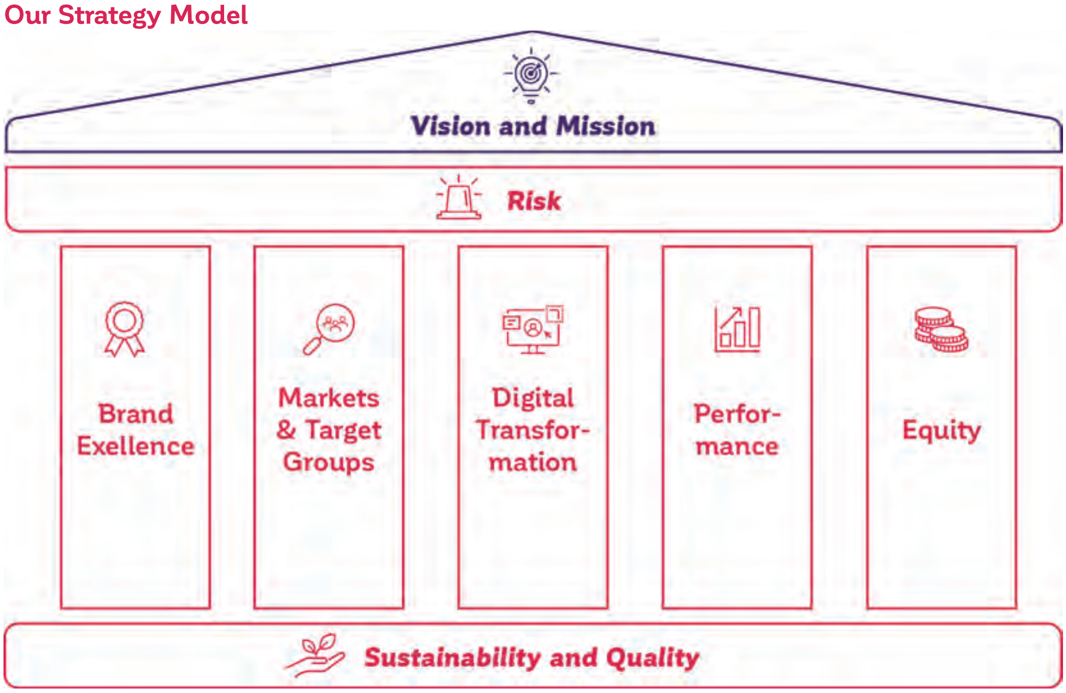
We have modelled our corporate strategy on a Greek temple to achieve the defined corporate goals. The image of a building has been selected intentionally to illustrate the interdependence of the individual components. The stronger the foundation, the more stable the structure and the greater the resilience to changes in market conditions. The stronger the columns, the better they can carry the load on the roof. The long-term vision of BKS Bank's future is depicted above the image of the building. Each of the elements represents a strategic field of action on which we plan to focus in the coming years.

Brand excellence: turning customers and employees into fans

We live in a society of overabundance in which the range of goods and services is so vast that we lose track of them and they become interchangeable in many respects. This makes it harder for customers to reach purchasing decisions. Brands can be an important factor to help people recognize products and services.

BKS Bank is a strong brand and been highly successful on the market for over 100 years. This pillar bundles strategic initiatives that help strengthen the BKS Bank brand.

Our Strategy Model



Markets and target groups: organic growth
We want to grow one step at a time on our own strength. To achieve this goal, we are making every effort to acquire new customers in all regions, enlarge our market shares and enter new business fields. In this field of action, we create projects that help us keep our appeal to customers and improve the interaction between branch and online distribution channels. The focus is on the hybrid sales model.

Digital transformation: increasing innovative strength
Technological change has been part of our lives for many years. The potential of digitalization has not yet been exhausted and is still enormous. We subsume all initiatives under digital transformation that aim to digitize processes, products and ways of working.

Performance: ready for the future
High inflation rates have highlighted the importance of keeping costs well under control. In the strategy field Performance, we deal primarily with projects that address issues relating to improving efficiency and cost optimization.

Equity: securing independence
A strong equity base guarantees future growth and increases resilience. Measures to strengthen capital ratios, especially the common equity tier 1 capital ratio, is one of our key strategic goals and are addressed in this pillar.

Sustainability and quality: the foundation of our success story
Our strategy is based on two key topics: sustainability and quality.

We are one of the best with respect to sustainability, and there are good reasons for this. We have been dedicated to sustainability and have established the topic in our corporate strategy.

Long before sustainability became a pressing issue in politics, we were looking closely into the topics of environmental protection and climate change mitigation, and worked on the development of "green" investment and finance products.

Quality has always enjoyed high priority at our Bank. Our activities to increase quality at our company are evaluated regularly by Quality Austria. We are proud to have been awarded the international distinction “EFQM Recognised for Excellence 5 Star”.

Risk: effective risk management as a guarantee for strategic success

A key element of our business is knowingly assuming risks. Important in this respect is the early recognition of all relevant banking and operational risks as well as their active management and mitigation by taking effective risk management measures.

We have established a solid risk culture. Our solid risk culture is the framework for our daily work and our top priority is to only take risks that we can master on our own strength.

In recent years, cybersecurity has become enormously important. Together with 3Banken IT Gesellschaft, we are implementing awareness measures among customers and staff, and have taken precautions to counter ICT crime.

Success in our anniversary year

In 2022, we celebrated BKS Bank’s 100th anniversary. We organized numerous festivities to celebrate our anniversary.
We are especially happy about our achievements in this special financial year and worked intensely to implement our corporate strategy. Below is an overview of our achievements:

Activities during the anniversary year bolstered the BKS Bank brand

There were many opportunities during the anniversary year to recharge our core brand values – warm-hearted, regionally committed, responsible, future-oriented, excellent and strong in relationships. We organized numerous festivities to celebrate our 100-year anniversary. The starting point for the anniversary festivities was the commemorative publication "100 Years of BKS Bank – the Art of Sustainable Banking" which is a thorough academic review of our history. The pivotal points of our history and key events are recounted in five thematic strands. The historical analysis proves impressively that our defined core brand values have been of central importance from the very beginning and also hold up in retrospect.
The commemorative publication was presented to the public at the big anniversary gala event held at Stadttheater Klagenfurt for customers, shareholders and business partners.

As a responsible credit institution, the promotion of art and culture is very close to our hearts. As early as the 1960s, Maximilian Meran, Chairman of the Management Board, began supporting regional artists. Over the decades, the works collected created an impressive art collection, including diverse art styles and methods, and the works of renowned artists.

On the occasion of the 100th anniversary, some 100 works were made accessible to the public in cooperation with Stadtgalerie Klagenfurt at the exhibition "Kunst Depot".

The grand finale of the 100-year anniversary celebrations was the staff party held in the modernized foyer at the head office in Klagenfurt. The activities during the anniversary year were very well received.

The positive energy gives us the strength and confidence to keep BKS Bank fit for the future and a reliable partner for customers, businesses, employees and the public. Today and in the future.

Highly satisfied customers

We use several instruments to measure and improve customer satisfaction with our products and advisory services. We conduct this customer satisfaction survey every two years. The outcome of the latest survey conducted in the fourth quarter of 2021 indicates a very pleasing overall satisfaction rating of 1.5.

To obtain feedback on our performance during the year as well, BKS Bank introduced a contact form for feedback some time ago. This ensures the high quality of our customer services. We invite customers who contacted us at a branch or through another channel to complete an online evaluation. The survey measures satisfaction about their experience with advisory services and service and the likelihood of recommendation. In 2022, we were pleased about the continuously good ratings. A share of 89% of our customers rated the overall satisfaction as "very good" or "good". The Net Promotor Score – the recommendation rate – was also a pleasing 74%.

Excellent advisory services

BKS Bank also performed excellently in external assessments of the quality of banking services in the year under review. We were very pleased to receive the distinction "Recommender for outstanding customer orientation" and named winner of the test for retirement advisory services. The BKS App was named "Top App" by ÖGVS at the "ÖGVS App Award 2022/23".

New customers acquired

Selling the advantages of BKS Bank to new customers was on the strategic agenda also in the reporting year. We are happy to state that we made good progress in achieving this goal. New customers were acquired in both segments. Additionally, we have taken measures to expand our market share.

On international markets, we focus on advancing the projects launched in 2022. The establishment of a leasing company in Serbia is close to finalization. Shortly before Christmas, we attained important milestones, and it is planned to open for business in the first quarter of 2023. The introduction of investment advisory services in Slovenia progressed very well in the last financial year. At the core of this strategic initiative is the implementation of the advisory portal, which makes it possible for our customer advisors to provide investment advice using an IT-aided process. This also means expanding our product range in the securities business to reinforce our number one ranking as the largest securities services provider in Slovenia.

At the Croatia Branch, the introduction of the euro was also a topic we dealt with. We are very proud that the changeover from the kuna to euro went smoothly and BKS Bank was one of the first banks to go "live" again immediately after the changeover.

Digital transformation on course

The project portfolio for the digitalisation strategy is full to bursting every year. We introduced many digital products and services in the past few years. In 2022, we focused on developing and optimizing these products and services. For example, we launched the “Mein Geld-Konto” account in time before the interest rate reversal. The new savings product can be opened digitally via “MyNET” and offers many advantages over the classic savings passbook such as higher interest rates and easier handling. Additionally, work on the development of new digital products and services continued at full pace. These products and services are planned to be launched on the market in the course of 2023. These include the opening of securities accounts online, the launch of a financial planner as a new feature in the BKS app, and the digitisation of initial application steps for business loans.

EU Action Plan on track

In the reporting year, we worked intensely on the requirements of the EU Action Plan. The objectives include:

- the definition of a uniform taxonomy of what may be considered environmentally sustainable,
- more transparency in sustainable investments through new disclosure requirements, and
- the integration of sustainability risks into banks' risk management.

A large work package of our implementation project for the EU Action Plan consists of determining the so-called green asset ratio, which we will disclose in full for the financial year 2023.

The share of Taxonomy-eligible risk items was 17.3% based on the indicator "Taxonomy-eligible revenues of our business partners“ and 17.4% based on the indicator “Taxonomy-eligible capex“. As the cooperation project we started with “Verband Öffentlicher Banken in Deutschland” (Association of Public Sector Banks in Germany) and Dydon to develop taxonomy testing software did not progress as desired, at the end of the year, we decided to use the tool Climcycle developed by KPMG to test taxonomy compliance in the future.

We already use this software for ESG risk scoring for individual clients and portfolios. We refined our stress testing procedures used in the management of ESG risks. For example, we conducted a stress test for the first time in accordance with the methodology of the ECB's Climate Stress Test 2022.

We achieved good progress with the integration of ESG factors into collateral management.

The query function for sustainability preferences in the investment process was an important milestone. We expect this to increase demand for sustainable investment products. Initial surveys reveal that some 43.6% of our customers show a preference for sustainable investments when asked. We also published all required disclosures pursuant to the Disclosure Regulation in time, thereby making sustainable investment products even more transparent for our customers.

By joining the Green Finance Alliance, BKS Bank has committed to making its loan and investment portfolio climate-neutral by 2040. Among other things, this entails – compared to our competitors – an earlier phasing out from the coal, oil and natural gas business. We achieved further progress in decarbonizing our investment portfolios in the reporting year. For example, CO_2 emissions in our nostro fund portfolio decreased to 43.6 t CO_2/1 million EUR invested.

Climate neutrality with green buildings

Real estate is one of the largest consumers of energy, as shown by calculations by the European Union. Therefore, energy-efficient construction plays an important role in climate change mitigation. BKS Bank's long-term goal is to become climate-neutral. The company's own real estate portfolio plays a key role for achieving this. Therefore, we have resolved to place the focus on sustainability in at least five construction activities per year, and to certify new construction projects as green buildings ÖGNI – Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft (Austrian Society for Sustainable Real Estate Management). Green buildings consider ecological, economic and socio-cultural aspects throughout the entire life-cycle and are certified under ÖGNI.

BKS Immobilien-Service Gesellschaft mbH is responsible for the management and development of BKS real estate properties.

In the reporting year, we successfully completed ÖGNI certification for the two green buildings "BKS Holzquartier" and the "Urban Living" residential park and received the DGNB gold certificate for both properties for their particularly sustainable construction. Furthermore, taxonomy-eligibility was certified for the two buildings. The green building project "Lebenswert" in Eisenstadt, which includes a residential park and commercial space, is currently in the ÖGNI certification process. We expect completion in the spring of 2023. In the past fiscal year, we also commissioned two new photovoltaic plants and ordered the construction of three more plants.

In Villach, Carinthia's second-largest city, BKS Bank started construction of two more green buildings. In both cases, branch locations are being renewed and the space used for own business operations reduced, thus making room for residential construction.

Sustainable excellence

We are pleased to report that in the financial year 2022 we again won important industry awards. BKS Bank received major awards, especially in the area of sustainability. The awards fills us with pride and encourage us to stay on our growth path guided by sustainability goals.

We were pleased to receive the **Sustainability Award of the Vienna Stock Exchange** in the category “Financial Services” in June 2022 for a second time in a row for responsible business policy and for our firm engagement in the area of sustainability.

In November, we defended the distinction of "Best Sustainability Report". After the Sustainability Report 2020 was selected as the best in the preceding year, the Sustainability Report 2021 was awarded the coveted **ASRA Trophy**.

We have a fixed place in the **VÖNIX Sustainability Index** on the Vienna Stock Exchange. BKS Bank ordinary shares were included again – for the seventh time in a row. Shortly before Christmas, we received the next piece of good news: The magazine "Der Börsianer" named us the "**Most Sustainable Bank**" in Austria. This is the third time we have received this honour.

Our range of sustainability products was also very popular and widely recognized in the past financial year. The “Natur- und Zukunfts-Konto” account was awarded the **Austrian Ecolabel for Sustainable Financial Products in 2022**.*) This environmental seal is awarded to products and services that meet high standards of quality and have a **long-term perspective** apart from meeting numerous environmental criteria.

Companies with a strong environmental orientation are permitted to carry the EU "**Green Brand**" warranty mark. BKS Bank is one of these companies, and at the end of November, we were recertified. The decisive factor for the latest award was, among other things, the sustainable product range BKS Bank has been offering its customers for the past ten years – and in which BKS Bank has played a pioneering role.

Our excellent advisory service quality is an important differentiating factor. We are pleased that this achievement important to us is also confirmed by external studies. In the reporting year, we received no less than two major industry awards highlighting our core brand values: strength in relationships, excellence and warm-heartedness.

*) The Austrian Ecolabel was awarded by the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology for the “Natur&Zukunft” account.

In May 2022, we received the **Recommender Award 2022** from the "Finanz-Marketing Verband Österreich (FMVÖ)" (Austrian Financial Marketing Association) for outstanding customer service. Also in May, BKS Bank was named the **test winner** for **retirement advisory services**. Gesellschaft für Verbraucherstudien (ÖGVS) (Society for Consumer Studies, ÖGVS) and the magazine "trend" conducted test purchases, in which our employees won over the mystery shoppers with their excellent advisory services.

We also regularly achieve top results in evaluations of our products. The two investment products "**BKS Strategie Anleihen-Dachfonds**" and the **"BKS Anlagemix konservativ"** each achieved third place in a ranking by the magazine "Geld".

As an attractive employer, we have also implemented many measures for our employees. A work-life balance is important to us, for example. In Austria and Slovenia we successfully passed the recertification by the national certifying bodies awarding the seal **family-friendly company**.

Our committed employees make a valuable contribution to the long-term success of the company. The health of our team is very important to us and we have had an extensive health promotion programme in place for many years. In the reporting year, our commitment in this area was again awarded the "**Gütesiegel für Betriebliche Gesundheitsförderung"** (quality label for workplace health promotion). We have been a bearer of this quality seal since 2010. On the initiative of "Frau in der Wirtschaft Kärnten" (Women in Business Carinthia of the Chamber of Commerce), BKS Bank was named the "**familienfreundlichsten Betrieb 2021"** (Most family-friendly business 2021) from among 32 companies from different industries.

*The Austrian Ecolabel was awarded by the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology for the "Natur & Zukunft" account.

On the occasion of its 100th anniversary, BKS Bank invited guests to a commemorative ceremony at Stadttheater Klagenfurt under the motto "The art of sustainable banking".

Many customers and guests of honour accepted the invitation. At the ceremony, we also presented our commemorative publication, straight from the press.

100 years of accountability and support

05. Group Management Report

BKS Bank

All our decisions and strategies of the past 100 years have been guided by our commitment to customers.

100 years of accountability and support

The wind ensemble of the Gustav Mahler Private University played the European anthem at the close of our anniversary gala event.

Economic Environment

Growth achieved despite crises

Economically, the year 2022 developed surprisingly well despite several crises and a war no one had in any way expected. The **US economy** slipped into a technical recession at the beginning of the year and economic output contracted in both the first and second quarters of 2022. In the second half of the year, growth in the US economy picked up again, and over the entire year the US economy grew by 2.1%.

In **China**, real gross domestic product (GDP) in the fourth quarter did not change versus the preceding quarter and gained 2.9% compared to the same quarter of the preceding year. In 2022, China suffered primarily from its self-imposed zero-Covid policy.

In contrast to the US, the **euro area** started the year 2022 surprisingly strong, while growth slowed in the second half. It was mainly Germany's economy that turned out to be the laggard in the fourth quarter: its economy contracted by 0.2%. Italy also reported negative growth at minus 0.1%. Spain and Portugal stood out positively with growth rates of 0.2% each, as did France and Belgium, each with an increase of 0.1%. Overall, the economy in the euro area grew by 1.9% for the full year 2022.

In **Austria** – after three quarters of positive economic performance – developments were even worse than in Germany. In the fourth quarter, Austria's economic output decreased by 0.7% quarter on quarter. Rising consumer prices and the lacking propensity of private households to spend weighed on economic development.

Soaring inflation

In 2022, the ever-increasing inflation rates gave cause for concern. At 10.0%, inflation in the euro area reached double-digit territory for the first time in September. In Austria, the inflation rate even climbed to 11.1% in October, and therefore, the highest since the energy crisis in the early 1970s. In the US, inflation peaked at 9.1% in June, but has since declined steadily to "only" 6.5% in December, with a forward tendency of continued decline.

In the euro area, the peak of 10.6% seemed to have been reached in October 2022. By January 2023, the inflation rate had dropped back to 8.5%. For 2023, rates are expected to remain high but move steadily downwards. However, a noticeable decline in inflation is not expected until 2024. Also causing some unease is the persistent core inflation rate, i.e., the inflation rate excluding energy and food prices that rose again slightly from 5.0% to 5.2% in the euro area at the beginning of 2023.

Interest policy reversal starts

The US Federal Reserve raised the key lending rate seven times in 2022. Expectations see the key lending rates moving upwards towards 5.00% and the Fed taking a wait-and-see stance before possibly making the first rate cuts at the end of 2023. The ECB raised key lending rates four times in 2022. As at 31 December 2022, the main refinancing rate was 2.5% and the deposit rate was 2.0%. At the beginning of February 2023, the ECB raised the key lending rates by a further 0.5%. Another 0.5% rate hike was announced for March 2023. In the first half of the year, the ECB is likely to raise the key lending rate in several steps to 3.5 to 4.0%. Euro money market interest rates are expected to continue rising for some time to come.

In the summer months, the ECB is likely to adopt a wait-and-see stance similar to that of the US Fed before the euro area sees a first interest rate cut at the end of the year.

2022 sluggish year for investments

With double-digit losses in equity investments, but also in many bond segments, the year 2022 went down as one of the weakest investment years in recent history. Globally, stock market lost some 13% in 2022 calculated in euro. Euro corporate bonds lost around 14%; euro government bonds even more at around -18%. Shares in growth companies sensitive to interest rate fluctuations were the most severely affected. The mega-capitalisation stocks like Apple, Meta, Microsoft, Alphabet and Amazon lost a combined USD 4.6 trillion in market value, accounting for nearly half of the total loss of the US S&P 500 Index. The key lending rate hikes also resulted in a significant rise in bond yields and therefore substantial price losses.

The performance on commodity markets was mixed. Energy commodities gained ground especially after the start of the Ukraine war on 24 February 2022, with prices consolidating in the second half of the year. However, at the end of 2022 prices were in some cases significantly higher year on year.

Appreciation of the euro

The euro appreciated versus the US dollar from USD 0.980 to USD 1.071 per EUR by the end of December, which is an increase of around 9.2%. The euro gained 2.3% versus the Swiss franc. The EUR/CHF exchange rate moved from 0.967 to 0.990 CHF per euro. The EUR/JPY exchange rate declined from 141.88 to 140.41, which meant that the euro lost around -1.0% versus the Japanese yen. Versus the British pound, the euro gained roughly 0.9% (GBP 0.878 to GBP 0.885 per EUR). The exchange rate of the Chinese renminbi versus the euro rose by approximately 5.5% from CNY 6.997 to CNY 7.363 per euro.

Performance of European stock indices

Impact of the war in Ukraine

The year 2022 was dominated by the consequences of the Russian war of aggression in Ukraine. The finances of BKS Bank and its customers were not directly affected in a major way by the war. But the higher energy and commodity prices triggered by the war have had a generally negative impact on economic development.

After two years dominated by Covid-19, 2022 began with a great deal of optimism also globally. There were many signs pointing to a robust economic development in the year ahead. A few weeks later, however, these forecasts had to be revised and adjusted to the sobering fact of the start of the war in Ukraine. Ever since, we have been following the dramatic developments chilled to the marrow and extremely shocked by the immeasurable suffering caused by this war. In an initial response, we launched a fundraising campaign together with our employees to help the people in Ukraine with donations in kind and money. At the same time, we had to provide our customers with the best possible support in this challenging situation.

In response to the invasion of Ukraine by Russian troops, the EU imposed far-reaching economic sanctions against Russia in February 2022. In line with our social responsibility, we of course implemented the requirements relating to our banking business rigorously and without delay. Among the new requirements were the notification obligations for Russian and Belarusian nationals with deposits of more than EUR 100,000, and the obligation to check whether our customers complied with economic sanctions.

A small number of corporate customers have business relationships with Russian companies or have business locations in Russia. The volume of business directly affected was therefore limited and did not affect the business development of BKS Bank.

Systematic analysis of indirect effects

As an indirect consequence of the war, energy prices increased massively, and inflation rates rose exorbitantly. Volatility was high and prices plunged on international stock markets.

To assess the extent of the indirect effects of the war and respond accordingly, BKS Bank undertook a systematic analysis of customers affected by the war and in September 2022 adjusted risk classifications. Based on these ratings, a sample of corporate customers suspected of being affected were selected and interviewed to obtain more details. The evaluation revealed that more than one third of customers surveyed were significantly affected by higher energy and commodity costs and inflationary trends. Although the impact did not have any direct effect on the economic development of the companies concerned for the most part in the reporting year, this was due mainly to easing energy prices and abating supply chain problems in the fourth quarter. Close monitoring was introduced to keep track of the development of business of customers experiencing a severe impact.

Management and Organisational Structure

Developing responsible managers is an important step to ensure the future of our bank. Therefore, we are engaged in active succession planning. To fill vacancies in management and key staff positions from within the bank's own ranks, we have created a number of promotion and development programmes. Persons interested in such positions may apply at any time – also without consulting their superiors. This ensures equal opportunity.

Living diversity in management

At the end of the year 2022, 181 people were employed in management positions. One goal of our sustainability strategy is to raise the percentage of women in management positions to 35% by 2025. We exceeded the target already in the preceding year, and in the reporting year, we attained 35.9% also surpassing the target ratio for female managers. Our measures to promote women played a major role in this positive development. Up to now, 72 female employees have completed the women's career programme in Austria. In 2022, it was organised as an international programme for the first time. The 14 participants from all market areas starting training for management and specialist functions.

Regardless of gender, our management staff is very loyal to our company. Many staff members have been part of our management team for many years. This is also reflected in the age structure: 56% of managers are 30 to 50 years old, and 44% over 50 years old. Around half of the over 50-year-olds have already reached the age of 55. Therefore, we are prudently preparing for the generation change.

Changes to the Management Board and the organisation

In December 2022, the Supervisory Board of BKS Bank appointed two new members to the Management Board, who will start in their positions in 2023. Claudia Höller will succeed Dieter Kraßnitzer with responsibility for risk management after the expiry of his term. Dietmar Böckmann will continue the digital transformation at BKS Bank as CIO/COO as of June 2023.

At mid-year, Christian Derler was placed in charge of the department "Investments and Retirement Planning" with responsibility for savings, investment and retirement planning products, asset management and the insurance business in addition to private banking. The previous head of department, Georg Svetnik, joined the management team of BKS Service GmbH as of 1 July 2022.

There was a change in management at the Croatia Branch in the reporting year: Bahrudin Kovačević took over as director for the business area "Sales" in February 2022. In September 2022, Ivana Biga was appointed deputy director. She succeeds Juray Pezelj who left BKS Bank at the end of 2022. Ivana Biga is responsible for the business areas "Back Office" and "Risk Management".

New authorized signatories

On the proposal of the Management Board and with the approval of the Supervisory Board, Bahrudin Kovačević was appointed authorized signatory in the financial year 2022.

Fit & Proper training

In the reporting year, several Fit & Proper training courses were held again to ensure the suitability and fitness for office of Supervisory Board members, Management Board members and persons in key positions. The range of topics included internal governance, DORA and KIM-V, anti-money laundering as well as priority topics of the supervisory authorities. ESG, sustainability and sustainable finance were also on the agenda.

Organisational structure of BKS Bank AG

Management Board
Herta Stockbauer, Chairwoman
Dieter Kraßnitzer
Alexander Novak
Nikolaus Juhász

Head Office - Central Staff Units

Office of the Management Board and Investees
Dieter Kohl

Securities Supervision Act and Banking Act - Compliance
Christoph Pinter

AML
Fabia Orlandini

Accounts and Controlling
Hubert Cuder

Risk Controlling
Gerald Auer

Personnel Management
Werner Laure, MBA

Internal Audit
Robert Raunig

Head Office

Investments and Savings
Christian Derler

Payment Services
Günther Offner

Finance and Investment
Ronald Hassler

Sales
Viktor König

Digital Sales
DI Gudrun Matitz

Sales International
Renata Maurer-Nikolic

Risk Analysis and Services
Sigrid Zoff

Credit Risk
Andreas Kritzer

Treasury and International Operations
Ferdinand Pinkelnig

Operations
Klaus Patterer

Regional Head Offices

Carinthia
Bernd Berger
Sabine Lax
Diethmar Wölle

Styria
Manfred Geiger

Vienna-Lower Austria-Burgenland
Martin Gratzer
Anton Seebacher

International Head Offices*

Slovenia
Damjan Hempt
Dimitrij Pregelj

Croatia
Bahrudin Kovačević
Ivana Biga

Slovakia
Ladislav Fülöp
Peter Chovanec

Service Companies in Austria

BKS Immobilien-Service GmbH
Manfred Isopp
Hubert Cuder

BKS Service GmbH
Jaroslav Zvolensky
Georg Svetnik

Leasing in Austria

BKS-Leasing GmbH
Michael Meschnark
Silvia Gaber

International

Subsidiaries
BKS-Leasing s.r.o. (Bratislava)
BKS-leasing d.o.o. (Ljubljana)
BKS-leasing Croatia d.o.o. (Zagreb)

Representation Offices
Italy (Padua)

Shareholder Structure

BKS Bank shares are traded in the market segment Standard Market Auction of the Vienna Stock Exchange.

The share capital of BKS Bank is EUR 85,885,800 and divided into 42,942,900 ordinary bearer shares.

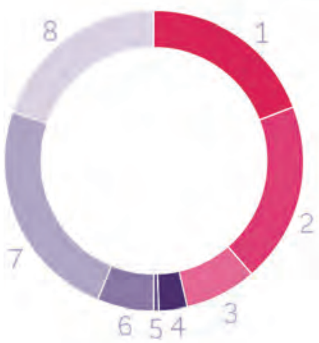
Authorised capital

The Management Board was authorised according to § 4 Articles of Association of BKS Bank to increase, within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register pursuant to § 169 Stock Corporation Act and subject to approval by the Supervisory Board, the share capital by up to EUR 16,000,000 by issuing up to 8,000,000 ordinary no-par bearer shares and to determine the issue price and terms of issue in consultation with the Supervisory Board. The amendment to the Articles of Association was adopted by resolution of the 79th Annual General Meeting of 12 June 2018 and entered in the commercial register.

Composition of the capital

As at 31 December 2022, Oberbank AG, including the sub-syndicate with Beteiligungsverwaltung Gesellschaft m.b.H., held 19.2% of voting rights. Bank für Tirol und Vorarlberg Aktiengesellschaft held 18.9% of voting rights as at 31 December 2022. G3B Holding AG held 7.4% of voting rights on the reporting date 31 December 2022. These investors are linked to each other by a syndicate agreement. The purpose of the syndicate agreement is to ensure the independence of BKS Bank by the joint exercise of voting rights at general shareholder meetings and by mutual pre-emption rights and right of acquisition of the syndicate partners. The share of voting rights of all syndicate partners, including the sub-syndicate of Oberbank AG with Beteiligungsverwaltung Gesellschaft m.b.H., was 45.5% at year-end. As at 31 December 2022, treasury shares amounted to 610,936 ordinary no-par value shares, representing a ratio of approximately 1.4%.

Shareholder structure of BKS Bank AG as at 31 December 2022



		in %
1	Oberbank AG (incl. sub-syndicate with Beteiligungsverwaltung Gesellschaft m.b.H.)	19.2
2	Bank für Tirol und Vorarlberg Aktiengesellschaft	18.9
3	G3B Holding AG	7.4
4	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H.	3.0
5	BKS-Belegschaftsbeteiligungsprivatstiftung	1.7
6	UniCredit Bank Austria AG	6.6
7	CABO Beteiligungsgesellschaft m.b.H.	23.2
8	Free float	20.0

Key facts on BKS Bank's shares

	2021	2022
Number of ordinary no-par shares ISIN (AT0000624705)	42,942,900	42,942,900
High (ordinary/ordinary-conversion share) in €	16.7/13.8	15.9/-
Low (ordinary/ordinary-conversion share) in €	11.3/13.5	13.2/-
Close (ordinary/ordinary-conversion share) in €	15.3/-	14.0/-
Market capitalisation in €m	657.0	601.2
IFRS result per share outstanding in €	1.9	1.4
Dividend per ordinary share	0.23	0.25[1)]
P/E ratio ordinary/ordinary-conversion share	8.0/-/-	9.7/-/-
Dividend yield ordinary share	1.5	1.8

[1)] Proposal to the 84th Annual General Meeting on 24 May 2023

Share buyback

In the year 2022, a share buyback programme was successfully completed. From 14 February 2022 to 25 February 2022, we repurchased some 100,000 ordinary shares on the stock exchange and over the counter at an average price of around EUR 15.00 per share. The repurchase was carried out under the authorisation given at the 81st Annual General Meeting pursuant to § 65 (1) (4) and (8) Stock Corporation Act.

There were two employee participation schemes in the reporting year 2022: during the period from 6 April to 15 April 2022, a number of 21,691 shares at a market price of EUR 14.40 were used for the employee participation scheme. The shares were allocated to employees under defined conditions as part of bonus payments to employees. Furthermore, eligible employees received a jubilee bonus on the occasion of the 100th anniversary of BKS Bank's founding. To this end, 7,091 shares were issued free of charge for a further employee participation scheme. The Management Board received 4,867 shares as part of its variable remuneration in accordance with the remuneration policy of BKS Bank.

At the end of 2022, a number of 109,063 ordinary shares were attributable to the employee participation scheme.

Ongoing legal proceedings

UniCredit Bank Austria AG und CABO Beteiligungsgesellschaft m.b.H. as minority shareholders filed legal action in June 2020 with the Klagenfurt Regional Court (Landesgericht Klagenfurt) to challenge the resolutions adopted at the Annual General Meeting of 29 May 2020. The lawsuit contests the discharge of the members of the Management Board and the (non-)discharge of individual members of the Supervisory Board as well as the rejected motion to conduct various special audits. Furthermore, the plaintiffs sought a declaratory judgment ascertaining that no discharge be granted to the members of the Management Board and to individual members of the Supervisory Board, and granting the discharge of one member of the Supervisory Board as well as a declaratory judgment granting the abovementioned special audits. The proceedings regarding the action for annulment continued to be paused and the file has been forwarded to the Takeover Commission for a decision.

Furthermore, in March 2020, at the request of the aforementioned minority shareholders, the Takeover Commission initiated proceedings pursuant to § 33 Takeover Act. The subject of the investigation in these review proceedings was to clarify the preliminary issue underlying the aforementioned action for annulment, namely, to ascertain if the obligation to make a mandatory bid had been breached, in particular, pursuant to § 22a no 3 or § 22 para 4 Takeover Act by BKS Bank and its affiliated entities. Likewise at the request of the aforementioned minority shareholders, the Takeover Commission initiated review proceedings pursuant to § 33 Takeover Act regarding Oberbank AG and Bank für Tirol und Vorarlberg. The Takeover Commission combined these proceedings and held an oral hearing. In the reporting year, the plaintiffs submitted several petitions which BKS Bank responded to accordingly. A decision in these proceedings is still pending. Given the relationships between the members of 3 Banken Group, a breach of the obligation to make a mandatory bid by one of the three banks may also affect the other two banks.

In the financial year 2021, BKS Bank was served a legal action for an injunctive ruling and declaratory judgment by the aforementioned minority shareholders. The plaintiffs petitioned that the Bank für Tirol und Vorarlberg Aktiengesellschaft, Oberbank AG and Generali 3Banken Holding AG be prohibited from participating in future capital increases of BKS Bank or from allocating fewer shares to these shareholders in the event of capital increases and based their petition on the "excessive allocation theory" in their allegations. Furthermore, they are seeking a ruling rejecting the validity of the resolutions of the Management Board and Supervisory Board in connection with the capital increases carried out in the years 2009, 2014, 2016 and 2018.

After a careful review of the matter jointly with external experts, the Management Board is of the opinion that the allegations made by the abovementioned minority shareholders are unfounded. The course of the proceedings to date and several decisions and procedural rulings in favour of BKS Bank confirm our view.

The FMA conducted proceedings against the Bank in two separate cases due to allegations that the Bank had not complied with all duties of due diligence defined in the Financial Markets Anti-Money Laundering Act (FM-GWG); these proceedings were terminated with legally binding force in the reporting year under the procedure "accelerated termination of proceedings".

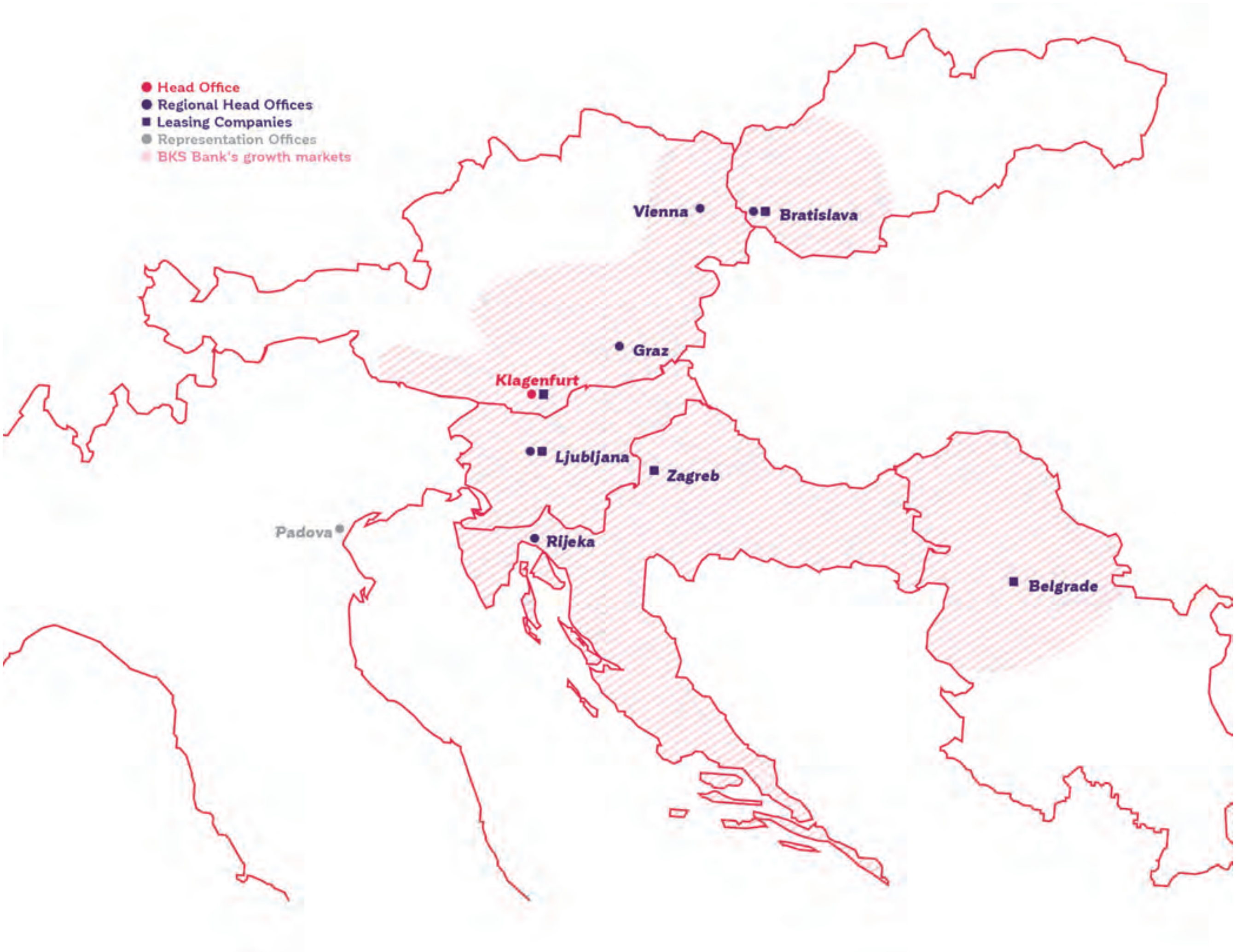
In December 2022, the Croatian tax authority imposed an order for an additional tax payment on the local branch of BKS Bank. The additional payment was justified by a revocation of a tax decision issued in 2017 in connection with the merger of BKS Bank d.d. with BKS Bank AG. BKS Bank made a conditional payment and in January 2023 filed an appeal within the defined period. Our legal counsel and tax advisors believe that the appeal is highly likely to be successful.

Furthermore, there are also ongoing proceedings in connection with one case of malversation in Croatia. In our assessment, it is very probable that these proceedings will be ruled in our favour.

Markets and Target Groups

In 1922, Kärntner Kredit- und Wechselbank Ehrfeld & Co opened for business and laid the foundation for today's BKS Bank. Over the next 100 years, BKS Bank's markets have expanded steadily. Driven by the conviction that growth should be achieved on one's own strength, and with courage and foresight, the bank has developed into a credit institution with international operations and branches in five countries.

Our core regions



Bank	Number of branches	Number of employees
Austria	**49**	**723.1**
Carinthia incl. Corporate Banking	20	586.5
Styria	12	57.6
Vienna-Lower Austria-Burgenland	17	79.0
Foreign markets	**15**	**227.8**
Slovenia	8	132.0
Croatia	4	66.3
Slovakia	3	29.5

Leasing entities	Volume	Number of employees
BKS Leasing GmbH	292,525	10.0
BKS-leasing d.o.o., Ljubljana	180,787	19.5
BKS-leasing Croatia d.o.o., Zagreb	94,517	14.9
BKS-Leasing s.r.o., Bratislava	49,888	14.1

Austria

The origins of BKS Bank are in Carinthia and today the headquarters are still in Klagenfurt. Until 1983, we operated exclusively on the Carinthian market. After this, we ventured beyond our province for the first time and established a branch in Graz. Seven years later, we opened a branch in Vienna. The expansion in the southeast of Austria was completed in 2003 with the acquisition of "Die Burgenländische Anlage & Kreditbank AG". We concentrated our operations in regional capitals so that our network of branches is not excessively large.

Slovenia

Our international expansion started in the 1990s with the acquisition of a leasing company in Slovenia. In 2004, the first foreign branch of BKS Bank opened for business in Ljubljana. Since then, Slovenia has become our most important foreign market. We achieved market leadership in the securities business with our successful acquisition policy. Our leasing business is also doing very well in the Slovenian market.

Croatia

The company entered the Croatian market in 1998 with the establishment of a representation office. The next step was the establishment of the Croatian leasing company, BKS-leasing Croatia d.o.o. This was followed in 2007 by the acquisition of Kvarner banka d.d. based in Rijeka. Since then, our branch network was expanded to four locations. In the reporting year, a case of fraud was discovered at the Croatia Branch and we worked intensely to investigate the case.

On 1 January 2023, Croatia became the 20th EU country to join the euro area. By joining the euro area, the Croatian kuna was replaced by the euro. The Croatia Branch, together with the head office and 3 Banken IT GmbH, spent one year preparing and successfully implementing the changeover to the euro. We were one of the first banks in Croatia to go online right after the euro changeover.

Slovakia

With the acquisition of a Slovakian leasing company, we entered a third foreign market: Slovakia. This was done in the year 2007. Four years later, the first branch was established in Slovakia. The bank and the leasing company are both based in Bratislava. We operate two other bank branches and leasing locations in Banská Bystrica and in Žilina.

Other markets

Our customers also include persons who live outside our defined foreign markets, including Italy, Hungary and Germany. These customers are served exclusively cross-border by our Austrian branches. We operate one representation office in Italy.

Our target groups

Our diverse range of products and services is appealing to both retail and corporate customers. We have had a strong presence in corporate and business banking since the founding days, especially in industry and commerce. Additionally, we also serve a large number of non-profit residential construction companies and property developers.

In recent years, we have also started working more frequently with municipalities and public institutions. We are a reliable banking partner also for customers from the liberal professions. In the retail segment, we concentrate on high net-worth individuals and members of the healthcare professions.

A milestone in retail banking was the development of BKS Bank Connect. Our digital bank offers customers all products online: accounts, home financing, investment fund savings plans and securities purchases. The principal difference to pure online banking is that BKS Bank Connect customers can also take advantage of the extensive know-how of our experts at any time. We are also investing in the modernization of our branches. The success of our business over the long term is based on the best of both worlds: digital availability at all times combined with excellent personal advisory services. For this reason, we focus on respectful communication and bespoke solutions for our customers through both channels. Our bank features personal and digital proximity.

Consolidated Companies and Equity Investments

The relevant group of consolidated companies of BKS Bank includes 15 credit and financial institutions as well as companies that provide banking services, including domestic and foreign leasing companies. The scope of consolidation did not change. The overview below presents the companies that belong to the BKS Bank Group pursuant to the International Financial Reporting Standards. The inclusion of affiliated companies and associates in the consolidated financial statements is based on the application of uniform materiality principles for the entire Group as well as quantitative and qualitative parameters.

Group of consolidated companies

Credit and financial institutions	Consoli-dation	Accounted for using the equity method	Proportionate consolidation
BKS Bank AG, Klagenfurt	✓		
BKS-Leasing Gesellschaft m.b.H., Klagenfurt	✓		
BKS-leasing d.o.o., Ljubljana	✓		
BKS-leasing Croatia d.o.o., Zagreb	✓		
BKS-Leasing s.r.o., Bratislava	✓		
Oberbank AG, Linz		✓	
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck		✓	
ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H., Linz			✓
Other consolidated companies			
BKS Zentrale-Errichtungs- u. Vermietungsgesellschaft m.b.H., Klagenfurt	✓		
Immobilien Errichtungs- u. Vermietungsgesellschaft m.b.H. & Co. KG, Klagenfurt	✓		
IEV Immobilien GmbH, Klagenfurt	✓		
BKS Service GmbH, Klagenfurt	✓		
BKS Immobilien-Service Gesellschaft m.b.H., Klagenfurt	✓		
E 2000 Liegenschaftsverwertung GmbH	✓		
BKS 2000 - Beteiligungsverwaltungsgesellschaft mbH, Klagenfurt	✓		

Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft are accounted for using the equity method in accordance with IAS 28. For these companies, the carrying amounts of the investments are adjusted for the changes in the net assets of the respective entities. On 31 December 2022, BKS Bank held 14.15% voting shares in Oberbank AG directly, and if one includes the sub-ordination syndicate with Beteiligungs-verwaltungs Gesellschaft m.b.H., a stake of 14.74%. With respect to Bank für Tirol und Vorarlberg Aktiengesellschaft, it held 12.83% voting shares directly, and including the subordination syndicate with BTV Privatstiftung, Doppelmayr Seilbahnen GmbH and VORARLBERGER LANDES-VERSICHERUNG V.a.G, a stake of 16.35% voting rights; thus less than 20% of voting rights in each case. However, the voting rights are exercised under a syndicate agreement. This agreement makes it possible to participate in the financial and business policy decisions of these credit institutions, without exercising a controlling interest. ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H. (ALGAR) is recognised on a proportionate basis. This investment is classified as a joint arrangement pursuant to IFRS 11.

Credit and financial institutions

BKS Bank AG

Object of business	Credit institution
Head office	Klagenfurt
Year of foundation	1922
Total assets	EUR 9.8 billion
Number of branches	64
Number of employees in FTE	950.9

BKS-Leasing Gesellschaft m.b.H.

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	direct 99.75%, indirect 0.25%
Head office	Klagenfurt
Share capital	€k 40.0
Year of foundation	1989
Leasing volume	EUR 292.5 million
Number of employees in FTE	10.0

BKS-leasing d.o.o. Ljubljana

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	100%
Head office	Ljubljana
Share capital	€k 260
Year of acquisition	1998
Leasing volume	EUR 180.8 million
Number of employees in FTE	19.5

BKS-leasing Croatia d.o.o.

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	100%
Head office	Zagreb
Share capital	EUR 1.2 million
Year of foundation	2002
Leasing volume	EUR 94.5 million
Number of employees in FTE	14.9

BKS-Leasing s.r.o.

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	100%
Head office	Bratislava
Share capital	EUR 15 million
Year of foundation	2007
Leasing and credit volume	EUR 74.3 million
Number of employees in FTE	14.1

Oberbank AG

Object of business	Credit institution
Share in the capital	14.16%
Head office	Linz
Year of foundation	1869
Total assets on 30/09/2022	EUR 26.7 billion
Number of branches on 30/09/2022	180
Average number of staff on 30/09/2022	2,032

Bank für Tirol und Vorarlberg AG

Object of business	Credit institution
Share in the capital	12.83%
Head office	Innsbruck
Year of foundation	1904
Total assets on 30/09/2022	EUR 13.4 billion
Number of branches on 30/09/2022	35
Average number of staff on 30/09/2022	796

ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H.

Object of business	Hedging of large credit risks
Share in the capital	25%
Share capital	10.0 million
Head office	Linz
Year of foundation	1984

Other consolidated companies

BKS Zentrale-Errichtungs- u. Vermietungsgesellschaft m.b.H.

Object of business	Real estate construction and management
Share in the capital	indirect 100%
Head office	Klagenfurt
Share capital	€k 36.4
Year of foundation	1990

Immobilien Errichtungs- u. Vermietungsgesellschaft m.b.H. & Co. KG

Object of business	Acquisition, construction, rental and leasing of real estate
Share in the capital	100% limited partner[1)]
Head office	Klagenfurt
Capital contribution	€k 750
Year of foundation	1988

[1)] IEV Immobilien GmbH is the general partner, a 100% subsidiary of BKS Bank AG.

IEV Immobilien GmbH

Object of business	General partner of IEV GmbH & Co KG
Share in the capital	100%
Head office	Klagenfurt
Share capital	€k 35
Year of foundation	2007

BKS Service GmbH

Object of business	Service company for banking-related activities
Share in the capital	100%
Head office	Klagenfurt
Share capital	€k 35
Year of foundation	2011
Number of employees in FTE	53.9

BKS Immobilien-Service Gesellschaft m.b.H.

Object of business	Acquisition, construction, rental of real estate, and building management
Share in the capital	100%
Head office	Klagenfurt
Share capital	€k 40.0
Year of foundation	1973
Number of employees in FTE	14.5

BKS 2000 - Beteiligungsverwaltungsgesellschaft mbH

Object of business	Investment company
Share in the capital	100%
Head office	Klagenfurt
Share capital	€k 40.0
Year of foundation	1995

E 2000 Liegenschaftsverwertungs GmbH

Object of business	Property realization
Share in the capital	direct 99%, indirect 1%
Head office	Klagenfurt
Share capital	€k 37.0
Year of foundation	2001

Other equity investments

Investments in credit and financial institutions

	Share in the capital in %
3 Banken-Generali Investment-Gesellschaft m.b.H.	15.43
Oesterreichische Kontrollbank Aktiengesellschaft	3.06
Bausparkasse Wüstenrot Aktiengesellschaft	0.84
3-Banken Wohnbaubank AG	10.00
3 Banken Kfz-Leasing GmbH	10.00

Other shares in affiliated companies

	Share in the capital in %
VBG Verwaltungs- und Beteiligungs GmbH	100.00
Pekra Holding GmbH	100.00

Other investments in non-banks

	Share in the capital in %
3 Banken IT GmbH	30.00
3 Banken Versicherungsmakler Gesellschaft m.b.H.	30.00
Einlagensicherung AUSTRIA Ges.m.b.H.	1.00
Wiener Börse AG	0.38
PSA Payment Services Austria GmbH	1.46

Financial Position

Total assets of BKS Bank amounted to EUR 10.5 billion as at 31 December 2022, remaining at the preceding year's level. Receivables from customers increased by 3.1% to EUR 7.2 billion, while primary deposits were 3.0% lower at EUR 7.9 billion.

Assets

Solid credit growth despite uncertain economic situation

At the beginning of the financial year 2022 sentiment was bullish. The economy was recovering after the coronavirus pandemic and everything was pointing to economic recovery. Companies were investing heavily and consumption among private households was on the rise. But the economic recovery came to an abrupt halt with the Russian invasion of the Ukraine. As the year progressed, the economic outlook became increasingly gloomier in view of the high level of uncertainty. Demand for loans decreased noticeably, especially in the fourth quarter of 2022. This trend also affected us, but we are nonetheless satisfied with the volume of new business in lending. In the reporting year, we granted a total volume of EUR 1.9 billion in new loans throughout the Group, with the majority of new loans (around 86%) going to corporate and business customers. Around one in five new loans were granted to customers in our markets outside Austria.

There was a significant decline in home loans to retail customers as of mid-year. In the summer, the Austrian Financial Market Authority issued a regulation limiting systemic risk in debt-based financing for residential real estate extended by credit institutions (*Kreditinstitute-Immobilien-finanzierungsmaßnahmen-Verordnung, KIM-V*). This Regulation introduced stringent rules for home loans. The newly established loan-to-value and debt service ratios make it more difficult to obtain home loans.

In Slovenia, we also granted fewer loans to home builders and home buyers than in previous years. In total, receivables from customers amounted to EUR 7.2 billion as at 31 December 2022, representing a 3.1% increase in lending volume. The item receivables from customers includes lending by the parent company BKS Bank AG as well as lending by domestic and foreign leasing companies.

The European Central Bank (ECB) raised key lending rates in July 2022 for the first time in eleven years. The hike in interest rates normalized interbank business to a certain degree so that loans and advances to credit institutions rose significantly compared to the beginning of the year, reaching EUR 253.6 million at year-end 2022. In the interbank business, we also make sure to cooperate only with banking partners with investment grade ratings – AA to A3 – preferably located in the German-speaking region.

The interest rate policy reversal is also seen in the level of the cash reserves which consist of cash in hand and balances held with central banks. Compared to year-end 2021, the cash reserve recorded an outflow of just under EUR 0.6 billion compared to year-end 2021 and was EUR 0.8 billion at the end of December. This means that cash reserves are slowly returning to normal levels.

The cash reserves represents an important part of our counterbalancing capacity. As at 31 December 2022, it amounted to EUR 1.73 billion, an excellent level – despite the decline in the cash reserves.

The non-performing loans (NPL) ratio dropped from 2.2% to 2.1%. The NPL ratio is an important indicator for assessing the quality of a loan portfolio. This NPL ratio puts us at a very good level in a peer comparison.

Development of receivables from customers

All NPL ratios reported in the EBA Risk Dashboard that are below 3% are assigned to the green zone and are considered excellent ratios.

We have only a very small ratio of foreign currency loans in our loan portfolio. In the past years, we have worked constantly to reduce loans denominated in Swiss francs. As at 31 December 2022, the volume of Swiss franc loans was only EUR 74.8 million, and the foreign currency ratio was correspondingly low at 1.1%.

Popularity of lease financing still high

Lease financing is an attractive alternative to the classic loans. In Austria as well as on our foreign markets, leasing is often used to purchase vehicles, real estate and machinery.

In Austria, the leasing company extended a volume of EUR 103.6 million in new lease financing in the reporting year. The leasing companies in Slovenia, Croatia, and Slovakia also recorded satisfactory growth rates. In total, the value of receivables of domestic and foreign leasing companies was EUR 617.7 million, which is an increase of 7.0% compared to year-end 2021.

As a measure to strengthen liquidity reserves, we increased the portfolio of debt securities and other fixed-income securities by 12.4% to almost EUR 1.1 billion through investments. In the reporting year, we made investments of EUR 327.7 million, which were offset by repayments and sales of EUR 199.0 million.

The shares in companies accounted for using the equity method increased from EUR 709.3 million to EUR 727.3 million on 31 December 2022. The increase was due to the allocation of net profits for the period on a proportionate basis from our partner banks Oberbank AG and Bank für Tirol and Vorarlberg.

Investment property has been measured at amortised cost up to now (cost method). In 2022, the measurement was changed to the fair value model to report property values more reliably and appropriately in accordance with IAS 40 than possible using the cost method. The item Investment property was EUR 93.0 million as at 31 December 2022. Prior-year values were adjusted.

Green buildings for climate neutrality

BKS Bank owns 68 real estate properties with a total surface area of almost 105,000 m^2. Approximately 41,000 m^2 are used for banking operations and 54,000 m^2 are leased to third parties.

Real estate is one of the sectors that uses the most energy, as shown by calculations by the European Union. Therefore, energy-efficient construction plays an important role in climate change mitigation.

BKS Bank's long-term goal is to become climate-neutral. The company's own real estate portfolio plays a key role to attain this end. Therefore, we have made it our policy to advance "green" initiatives in the real estate sector. We engage in at least five construction activities per year with a focus on sustainability. Additionally, we pursue green building certification for our new construction projects from ÖGNI – Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft (Austrian Society for Sustainable Real Estate).

Overview of real estate in Austria

	2020	2021	2022
Number of properties	60	58	55
Total surface area of properties managed (m^2)	69,464	69,884	73,095
– thereof for banking operations (m^2)	37,122	37,452	36,812
– thereof rented to third parties	24,700	26,955	30,131
Rental occupancy ratio (in %)	89	92.2	91.6
Net rental income from third party rentals (in EUR m)	2.7	3.0	3.8

Overview of real estate abroad[1)]

	Slovenia 2021	Slovenia 2022	Croatia 2021	Croatia 2022
Number of properties	9	9	2	4
Total surface area of properties managed (m^2)	32,790	30,220	1,685	2,116
– thereof for banking operations (m^2)	3,182	3,183	1,429	1,429
– thereof rented to third parties	24,264	23,790	91	187.1
Rental occupancy ratio (in %)	83.7	89.3	92.2	76.4
Net rental income from third party rentals in EUR m	2.1	2.4	-	-

1) BKS Bank does not own any real estate in Slovakia .

In the reporting year, we completed the certification process for the projects “BKS Holzquartier” and “Urban Living” in Klagenfurt. We are pleased to report that both properties were awarded the DGNB Gold Standard and their Taxonomy compliance was confirmed. A third project, "BKS-Lebenswert", which we built in Eisenstadt, will soon be certified. In this case as well, we aim to obtain ÖGNI certification with the DGNB Gold standard.

In the financial year 2022, BKS Bank started two further building refurbishment and construction projects in Villach. The two projects concern the refurbishment of branches and the construction of new urban living space. These projects are also designed as green buildings.

Shareholders' equity and liabilities

High volume of primary deposits as a stable refinancing base

For several years, we had been breaking new records in volumes of primary deposits. This trend ended in the reporting year. Primary deposits decreased slightly by 3.0% versus year-end 2021, and stood at EUR 7.9 billion.

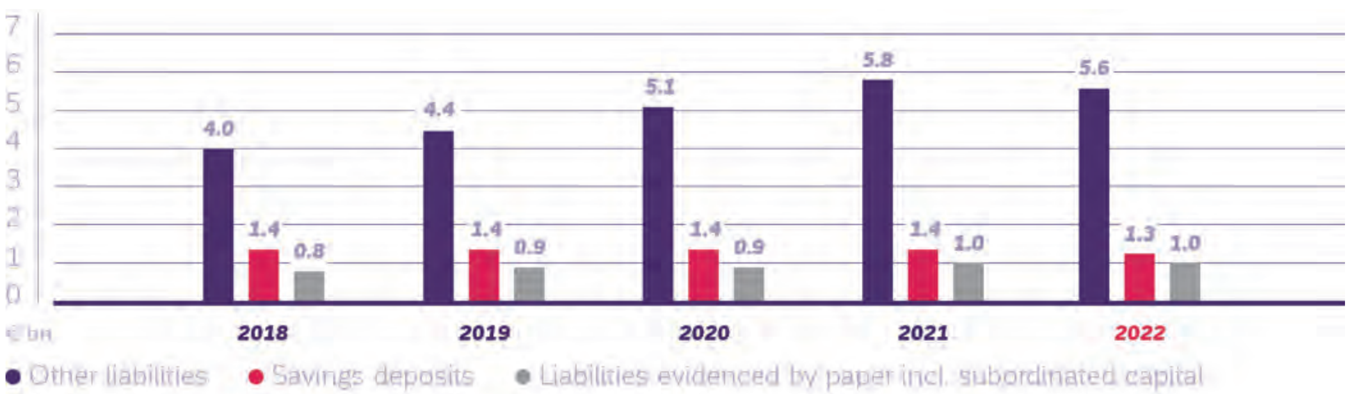
Demand deposits and time deposits account for the larger part of the item Amounts owed to customers. As at 31 December 2022, this item recorded a slight decrease of 3.9% for the first time in a long time, and was EUR 5.6 billion. The breakdown by customer segment shows that a large share of the demand and time deposits (EUR 3.7 billion) are from corporate and business customers, with demand deposits accounting for the largest share at EUR 2.8 billion. We saw outflows in both categories as at 31 December 2022.

This development suggests a somewhat tighter liquidity situation in the business sector.

Oesterreichische Nationalbank (OeNB) recently presented a survey of financial assets of Austrian households. The savings ratio, which was very high in the last three years due to the pandemic and ranged between 12% to 13%, is slowly returning to normal levels and according to WIFO estimates will reach 7.2% in 2022. A longer lasting trend in recent years has been the more frequent use of overnight deposits by retail customers as a consequence of the extended period of low interest rates. We continued to see an inflow into demand deposits in the reporting year. This is a trend that will not continue in 2023.

Demand deposits in the retail customer segment increased in the reporting year by 6.5% to EUR 1.4 billion. Due to the low interest rates, deposits with fixed terms remained unattractive until the summer. This changed when the key lending rates were raised. Just in time for the interest policy reversal, we launched the "Mein Geld-Konto fix" account, which has since become very popular. Overall, we recorded a 14.8% increase in term deposits in retail banking to EUR 453.0 million.

Development of primary deposits



The situation is different for traditional savings passbooks, which continue to lose significance. We also observed this trend in the reporting year. The volume on savings passbooks decreased to EUR 1.3 billion, a decline of 6.8%.

Refinancing through tender transactions
We participated in a long-term refinancing operation (LTRO) of EUR 200.0 million in the reporting year. Together with the TLTRO III refinancing deals concluded in previous years, the volumes of the two programmes was EUR 600.0 million.

Issuance business developing well
Demand for our issues was excellent in the financial year 2022. We are perceived as a reliable and responsible issuer. An indicator is the volume of private placements with institutional investors. In the reporting year, we placed just under EUR 80.0 million with this group of customers. We also finalised seven issues for the retail market.

Securitized liabilities totalled EUR 783.6 million, which is a very satisfactory rise of 7.0% versus year-end 2021. Subordinated capital increased by 9.9% to EUR 264.7 million. Overall, the refinancing structure has shifted towards longer-term commitments, which is a very positive development. For investors seeking sustainable investments, we issued a sustainable bond whose proceeds will be used, among other things, to build an energy-efficient healthcare centre in St. Pölten.

Increase in consolidated shareholders' equity
Consolidated shareholders' equity rose by a gratifying 4.4% to EUR 1.5 billion on 31 December 2022. The increase in shareholders' equity is documented in detail in the consolidated statement of changes in equity in the Notes on page 147 and shows that it resulted in particular from the addition of the net profit for the year. Subscribed capital remained unchanged at EUR 85.9 million.

BKS Bank debt securities issued in 2022

ISIN	Designation	Nominal amount in €
AT0000A2UWS0	1.05% BKS Bank Obligation 2022-2031/1/PP	10,000,000
AT0000A2UXS8	0.91% BKS Bank Obligation 2022-2027/2/PP	30,000,000
AT0000A2V012	1.39% BKS Bank Obligation 2022-2032/3/PP	10,000,000
AT0000A2XMM8	1.70% BKS Bank Obligation 2022-2025/4/PP	3,000,000
AT0000A30AU0	4.20% BKS Bank Obligation 2022-2028/5/PP	15,000,000
AT0000A30SZ1	Variable BKS Bank Obligation 2022-2027/6/PP	4,900,000
AT0000A31E26	3.95% BKS Bank Obligation 2022-2025/7/PP	3,200,000
AT0000A31FY9	3.85% BKS Bank Obligation 2022-2025/8/PP	3,000,000
AT0000A2VE28	2.10% BKS Bank Nachrangige Obligation 2022-2032/1	1,229,000
AT0000A2X307	3.00% BKS Bank Nachrangige Obligation 2022-2032/2	12,000,000
AT0000A2XLC1	2.15% BKS Bank Obligation 2022-2029/3	5,000,000
AT0000A306T3	3.25% BKS Bank Obligation 2022-2027/4	15,000,000
AT0000A306V9	BKS Bank Sustainability Bond Variabel 2022-2029/5	6,203,000
AT0000A30749	5.00% BKS Bank Nachrangige Obligation 2022-2032/6	11,539,000
AT0000A321C8	3.00% BKS Bank Obligation 2022-2027/7	7,000,000

Result of Operations

The indicators pointed to a generally positive trend for 2022 and the economy was expected to develop well. Sentiment changed abruptly when Russia invaded Ukraine at the end of February. The consequences were EU sanctions, rising energy and commodity prices as well as high inflation rates and high volatility on stock markets. Despite the difficult market environment, BKS Bank reported solid operating income. Pleasing was also the interest rate policy reversal that had a positive effect on earnings.

Consolidated net profit after tax was EUR 63.6 million as at 31 December 2022. Earnings were 23.7% or EUR 19.7 million lower year on year. The decline resulted from the decrease in net profit for the period of the companies accounted for using the equity method – Oberbank and BTV – and from the weak capital market. A positive aspect was income growth from operating activities.

Interest rate policy finally reversed to fight inflation

The year was dominated by exceptional geopolitical events and economic uncertainty. It was, above all, the steep rise in energy and commodity prices that caused inflation to rise. In October, inflation temporarily peaked at 10.6% in the euro area. This development prompted central banks to review their interest rate policies. The US Federal Reserve raised key lending rates seven times during the reporting year, with a last hike of 4.5%. In Europe, the moves were more moderate: at mid-year, the ECB raised the key lending rate for the first time from 0.0% to 0.5%. The next hike followed in September, with a more substantial increase of 0.75%. In October, the ECB repeated this move and raised the key lending rate by a further 0.75%. In December, the fourth interest rate hike of 0.5% was carried out. By 21 December 2022, the interest rate for the ECB's main refinancing operations was 2.50%, the interest rate for the marginal lending facility 2.75%, and the interest rate for the deposit facility 2.00%.

Considering the changed interest rate situation, the lending business developed quite well in the reporting year. Net interest income was EUR 160.7 million on 31 December 2022, which is an increase of 11.1% year on year. While income from the lending business widened significantly, income from the securities portfolio continued to decline due to the redemption of high-yield bonds. Other interest income increased by 15.8% to EUR 25.7 million. Interest income contrasted with interest expenses of EUR 29.9 million. This resulted in net interest income before risk provisions of EUR 156.6 million on 31 December 2022, which is an increase of 12.7% or EUR 17.7 million compared to the financial year 2021.

Impairment charges moderate despite worry over economy

The economy is on a downtrend and we have taken the gloomier macroeconomic prospects into account in the allocation of impairment charges. Furthermore, the collective stage transfers pursuant to IFRS 9B5.5.1 made in the second quarter of 2020 due to the coronavirus pandemic were reversed. The pandemic resulted in hardly any extraordinary impairments to risk positions. New business combined with the reversal of the collective stage transfers and the adjustment of macroeconomic estimates to current economic conditions, resulted in a net increase in the expected credit loss of EUR 13.7 million for stage 1 and stage 2 exposures. In 2022, impairment charges for losses on loans and advances totalled EUR 25.9 million. Compared to the preceding year, this is a decrease by EUR 6.5 million. Therefore, net interest income after impairment charges was EUR 130.7 million, which is a very pleasing increase of 22.7%.

Stable trend in fee and commission income

The fee and commission business is the second key pillar of our operating business. In the reporting year, net fee and commission income was higher year on year by +1.6% rising to EUR 68.2 million. A look at the trends of the individual product segments shows that some developed excellently and achieved better-than-satisfactory growth rates.

Payment services is one of these segments. As in previous years, we achieved a highly satisfactory result in payment services and these amounted to EUR 24.9 million, which is an increase of 6.9%.

This also shows that we have once again succeeded in identifying customer needs and providing the right solutions. The strategic focus in this business area is on digitisation and the promotion of modern payment service solutions.

Since the outbreak of the coronavirus pandemic, the use of cash has declined, while digital payment methods have experienced massive growth. Smart and contactless payments using cards, watches and smartphones has boomed in the past three years – as well has online banking in general.

Growth trend in digital products

In the past few years, our customer portals "MyNet" and "BizzNet" have registered a double-digit rise in the number of users. This upward trend also continued last year with a gain of 9.7%. The BKS app we offer our Austrian customers was used by around 30,800 customers last year, which is an increase of 18%.

Key items of the income statement*

in € m	2021	2022	± in %
Net interest income	138.9	156.6	12.7
Impairment charges	-32.4	-25.9	-20.0
Net fee and commission income	67.1	68.2	1.6
Profit/loss from investments accounted for using the equity method	45.0	20.7	-54.0
Net trading income	0.8	-1.2	>-100
Other administrative income/expenses	-4.7	4.3	>100
Profit/loss from financial assets/liabilities	5.5	-8.1	>-100
General administrative expenses	-124.0	-136.0	9.7
Profit for the year before tax	96.2	78.6	-18.3
Income tax	-12.9	-15.0	16.0
Profit for the year after tax	83.3	63.6	-23.7

*) The accounting policy for investment property was changed in the financial year 2022. In accordance with IAS 8, the prior-year figures have been adjusted accordingly. A presentation of the changes is given in chapter "Changes to accounting policy for investment property" as of page 156..

Since the autumn of 2022, every new customer has been automatically granted access to our online portals to increase the level of usage. Generally, demand is increasing for products that can be purchased online. For example, 87% more product requests were processed through the digital bank "BKS Bank Connect" in the reporting year 2022 than in the year before.

A key factor for the success of our digital products is the continuous expansion of our range of services and the introduction of new functions on our customer portals. These functions include the integration of accounts from other banks into the customer portal as well as new online transaction services such as online guarantees for corporate customers and online lease contracts.

To ensure continued growth rates in this area, we launched further digitisation projects with completion due for 2023, including new products and new features in the BKS Bank app that make it easier to use.

Difficult year for investments

Volatility on international stock markets as well as losses of over 10% on many stocks and bonds created an extremely challenging environment for investments. Thus, the development of net fee and commission income was mixed in the **securities business**, resulting in a decline of 10.9% to EUR 18.7 million. This was attributable mainly to the weakness on the capital markets. Investors were extremely cautious, and engaged in far fewer transactions.

Net fee and commission income on loans increased on the back of new business in lending with volumes up from EUR 18.4 million to EUR 20.3 million.

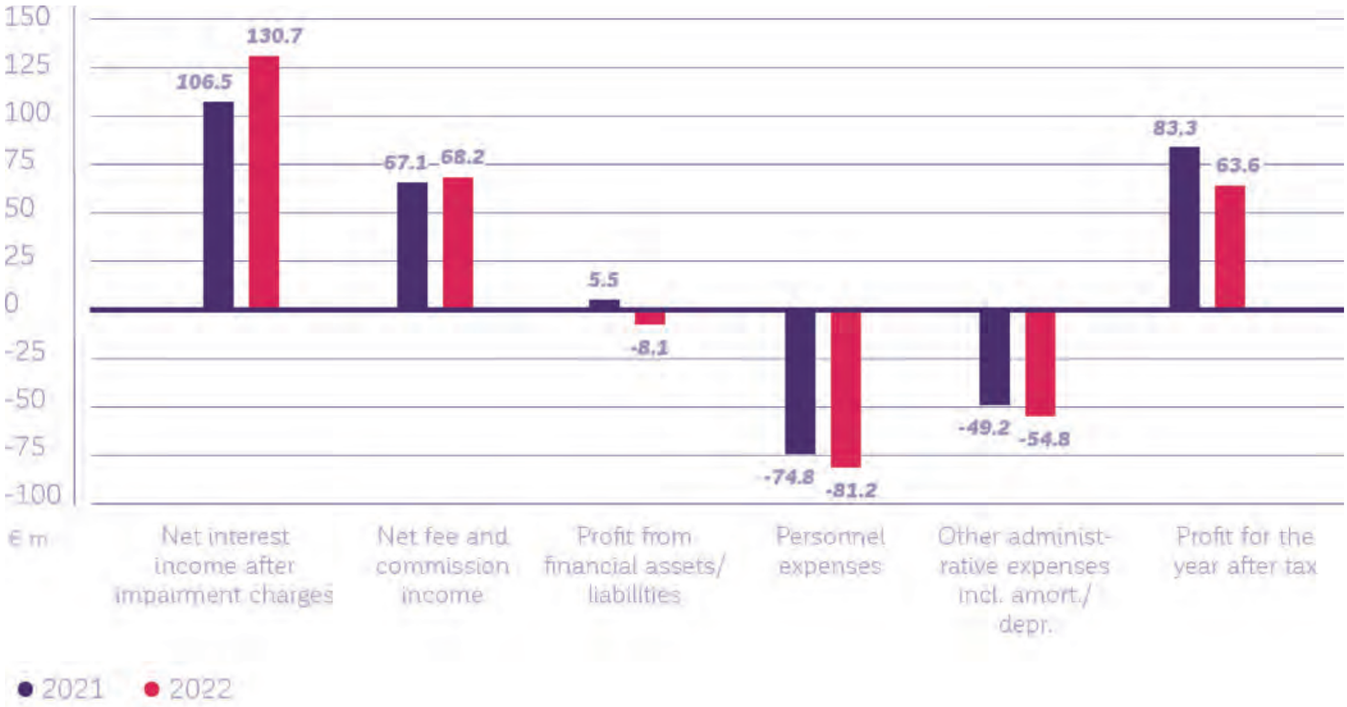
Decline in income from companies accounted for using the equity method

Income from companies accounted for using the equity method decreased by 54% or EUR 24.3 million to EUR 20.7 million. BKS Bank AG did not participate in the capital increase of Bank für Tirol und Vorarlberg Aktiengesellschaft in December 2022, and transferred its subscription rights to syndicate partner. As a result, the direct stake of BKS Bank AG in Bank für Tirol und Vorarlberg Aktiengesellschaft decreased from 14.00% to 12.83%, resulting in a dilution loss of EUR 9.3 million and, in addition to other factors, was a decisive factor for the decline in this item.

Lower income from financial assets/liabilities

The past year was not a good one on stock markets. All asset classes – except for commodities – recorded losses. This development was also seen in income from financial assets/liabilities. It decreased by EUR 13.5 million to EUR -8.1 million year on year. Development of the individual items: The item "Profit/loss from financial instruments designated at fair value" increased by EUR 1.8 million to EUR 2.0 million. By contrast, the item Profit/loss from financial assets/liabilities (mandatory) developed less satisfactorily. As at 31 December 2022, the result was EUR -8.9 million. The decrease of EUR 13.1 million is due to losses in the fund portfolio.

Components of the income statement



The "Profit/loss from derecognition of financial assets measured at amortised cost" decreased by EUR 2.0 million to EUR -0.6 million. The item "Other profit/loss from financial assets/liabilities" was EUR -0.5 million).

Massive investment in digitisation

Considering the challenging market situation, we focused on strict cost discipline. One of the reasons for the higher administrative expenses of 9.7% or EUR 12.1 million were the substantial investments in the digital transformation of our company. Total administrative expenses in 2022 were EUR 136.0 million.

The largest item under administrative expenses were staff costs. At year-end 2022, these costs amounted to EUR 81.2 million, which is an increase of 8.7%.

This rise was triggered by the 3.25% increase in wages and salaries in Austria under the collective agreement. Another reason for the increase were higher endowments to the existing and new employee participation schemes *BKS Belegschaftsbeteiligungsprivatstiftung* and *BKS Mitarbeiterbeteiligungsprivatstiftung*, respectively.

The item Other administrative costs increased by 14.2% to EUR 44.1 million. The main expenses in this item are expenses for information and communications technology and for our IT service provider, 3 Banken IT GmbH.

This company is jointly owned by Oberbank AG, Bank für Tirol und Vorarlberg AG and BKS Bank AG. It is responsible for implementing digitisation projects and for maintaining ICT operations. Its headquarters are located in Linz. Competence centers are operated in Klagenfurt and Innsbruck.

Higher operating income due to special effects

Other operating income was EUR 4.3 million as at 31 December 2022, and thus much improved year on year (EUR +9.0 million). The significantly higher result was also due to insurance compensation payments. Additionally, contributions to the deposit insurance scheme were considerably lower than in 2021. Nonetheless, we contributed a total of EUR 6.9 million to the resolution mechanism and deposit insurance scheme, and paid EUR 1.3 million in stability tax.

Profit for the year on decline

In the reporting year, BKS Bank's consolidated net income before tax was EUR 78.6 million. After deducting taxes of EUR 15.0 million, consolidated net profit after tax was EUR 63.6 million. The decrease in profit was due mainly to the weaker result from entities accounted for using the equity method and the development on capital markets, while the operating result developed very well.

Solid key performance indicators

The key performance indicators developed as follows at the end of the year: return on equity (ROE) after tax was 4.2%, while return on assets (ROA) after tax was 0.6%.

The cost/income ratio, which measures the operating cost/income ratio of banks, increased by 4.5 percentage points to 54.7% due to declining at results from entities recognised using the equity method. The risk/earnings ratio, which is an indicator of risk in lending decreased significantly and stood at a satisfactory 16.5% and is a decline of 6.8 percentage points. The NPL ratio also decreased slightly to an excellent 2.1% at year-end 2022, which is significantly better than the industry average.

The leverage ratio was 7.9% as at 31 December 2022 compared to 8.4% in the preceding year. The liquidity coverage ratio (LCR ratio) was excellent at 190.4%. Thus, the leverage ratio and the LCR ratio exceeded the regulatory requirements of 3.0% and 100%, respectively.

The preceding financial year illustrated once again the importance of a strong equity base. The tier 1 capital ratio of BKS Bank increased from 13.4% to 13.6% and the total capital ratio rose from 16.9% to 17.0%. IFRS earnings per share was EUR 1.4 as at 31 December 2022.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as set out in Regulation (EC) No. 1606/2002 as amended by Regulation (EC) No. 297/2008 and the requirements of banking and commercial law pursuant to § 59a Banking Act.

Key performance indicators*

in %	2021	2022	± in %-points
ROE after tax[1)]	5.9	4.2	-1.7
RoA after tax	0.8	0.6	-0.2
Cost/income ratio [2)]	50.2	54.7	4.5
Risk/earnings ratio [3)]	23.3	16.5	-6.8
NPL ratio	2.2	2.1	-0.1
Leverage ratio	8.4	7.9	-0.5
Liquidity coverage ratio (LCR ratio)	208.9	190.4	-18.5
Net stable funding ratio (NSFR)	122.9	118.7	-4.2
Tier 1 capital ratio	13.4	13.6	0.2
Total capital ratio	16.9	17.0	0.1
			in %
IFRS result per share outstanding in €	1.9	1.4	26.3

*) The accounting policy for investment property was changed in the financial year 2022. In accordance with IAS 8, the prior-year figures have been adjusted accordingly. A presentation of the changes is given in the "Changes to the accounting policy for investment property" as of page 156.

1) Return on equity (ROE) after tax shows the return on equity within an accounting period. The calculation is based on the ratio of net income (after tax) to the average shareholders' equity on the annual or quarterly reporting dates in the financial year.

2) The cost/income ratio measures the operating cost/income ratio of banks. In this context, the general administrative expenses of a financial year are compared with the operating income of the bank. Operating income is the sum of net interest and commission income, net trading income, income from companies accounted for using the equity method, and other operating income. This indicator states the percentage of operating profit used for general administrative expenses and provides information on cost management and cost efficiency.

3) The risk/earnings ratio is a risk indicator for the lending business and is the ratio of credit risk expense to net interest income. The percentage shows the ratio of net interest income used to cover credit risk. The credit loss expense is calculated as a ratio of net interest income.

Profit distribution proposal

The distributable profit is based on the net profit of the parent company BKS Bank AG. From 1 January to 31 December 2022, BKS Bank AG earned a net profit of EUR 41.0 million. An amount of EUR 30.9 million from the net profit was allocated to reserves.

Taking into account a profit carried forward of EUR 0.9 million, BKS Bank AG reported retained earnings of EUR 11.0 million. We will propose to the 84th Annual General Meeting on 24 May 2023 to distribute a dividend of EUR 0.25 per share or EUR 10,735,725, and to carry forward the remaining amount of approximately EUR 0.2 million to new account.

Segment Report

The segment report has four parts: Corporate and Business Banking, Retail Banking, Financial Markets and Other. Within the BKS Bank Group, the Corporate and Business Banking segment is the most successful one and achieved excellent profits in the anniversary year. The change in interest policy boosted segment results in Retail Banking. By contrast, results in the Financial Markets segment were mixed. Volatility on stock markets and lower earnings from entities recognised using the equity method depressed the segment result.

Corporate and Business Banking

We achieved great success in acquiring new corporate customers in our anniversary year. Compared to year-end 2021, the number of corporate customers rose by 2.6% to 27,100. The customers include industrial companies as well as small and medium-sized businesses from commerce, trade and crafts, construction and ancillary trades, as well as the liberal professions, agriculture and forestry, non-profit housing developers, institutional customers and the public sector.

“Supporting Business” was the motto of our founding fathers, and since 1922, our primary task has been to provide support to our customers for their economic activities. Our customers – some of which have been with our bank for generations – appreciate our reliability, innovative power and the personal support we provide. We are constantly working to widen our range of products and services, with a focus on digitisation and sustainability.

Up until today, Corporate and Business Banking has been our most important operating business unit. The larger part of our lending business is with corporate and business banking customers.

Excellent development of business despite adverse market conditions

Corporate and Business Banking developed very positively in the past year despite the slowing economy. The profit for the segment increased to a gratifying EUR 86.7 million, which is a considerable gain of 13.9%. The excellent earnings were supported by the solid trend in the lending business and higher net fee and commission income.

In the lending business, the hike in key lending rates had a positive impact on earnings. Moreover, in the first half of the year, many corporate customers inquired about new loans and demand for lending increased substantially. Net interest income increased from EUR 110.1 million to EUR 125.5 million, which is an increase of 14.0%.

We are working to expand our non-lending lines of business. The results of our efforts are reflected in the higher net fee and commission income, which rose 9.8% to EUR 40.2 million year on year. The segment of payment services contributed again substantially to profits with EUR 14.7 million. The securities business performed slightly better than in the preceding year at EUR 6.4 million, while fee and commission income from lending increased by 11.9% to EUR 16.8 million.

Due to the economic slowdown and worsening macroeconomic outlook as well as growth in new business, we increased impairment charges for losses on loans and advances by almost EUR 5.0 million more than in the preceding financial year. Impairment charges increased from EUR 19.2 million to EUR 24.2 million. Administrative expenses increased from EUR 53.5 million to EUR 56.5 million due to inflation and investments in the digital transformation.

Corporate and Business Banking

in € m	2021	2022
Net interest income	110.1	125.5
Impairment charges	-19.2	-24.2
Net fee and commission income	36.6	40.2
General administrative expenses	-53.5	-56.5
Other operating income/expenses	0.9	1.3
Profit from financial assets	1.2	0.4
Profit for the year before tax	76.1	86.7
RoE before tax	17.4%	19.0%
Cost/income ratio	36.2%	33.9%
Risk/earnings ratio	17.4%	19.2%

The segment-specific key performance indicators changed as follows due to the good segment results. Return on equity increased from 17.4% to 19.0%. The cost/income ratio decreased by 2.3 percentage points year on year, and stood at an excellent 33.9%. The risk/earnings ratio rose from 17.4% to 19.2% due to the rise in impairment charges for losses on loans and advances.

Solid credit growth despite economic uncertainty

Finance and investment are the most sought-after services in corporate and business banking. We offer a comprehensive range of conventional finance options, including working capital loans, finance for investments and exports, lease finance and advisory services for subsidised loan schemes. In this context, it is important to us to find customized solutions for our customers and to address individual concerns. Our approach of full support for our customers helped us achieve solid performance in the anniversary year.

The general macroeconomic environment was highly challenging in the financial year 2022. At the beginning of the year, all signals pointed to a recovery, with the economic upturn starting out with a great deal of optimism.

There was a backlog in demand after the hardships of the pandemic and demand for business loans flourished. However, the war of aggression against Ukraine and its economic consequences caused demand for loans to flatten noticeably, especially in real estate as of the second half of the year. Despite the uncertain economic situation, we granted EUR 1.6 billion in new lines of credit to corporate customers throughout the Group from January to December 2022. As only few of our corporate customers have business relationships with Russian companies or locations in Russia, the direct impact of the Ukraine war and sanctions on their economic development was low.

Demand was strong for lease finance both in Austria and in our foreign markets. In total, loans and advances to corporate customers, including lease finance, amounted to EUR 5.7 billion, which is a gratifying increase by 5.0%.

Transition to green energy creates opportunities

Sustainability is gaining importance also in Corporate and Business Banking. The European Union (EU) launched a diverse range of programmes such as the Green Deal and the EU Action Plan: Financing Sustainable Growth, which all serve the purpose of paving the way to a low-carbon economy. Climate transition requires huge investments. Austria aims to achieve climate neutrality by 2040. To achieve this, the Environment Agency Austria (*Umweltbundesamt*) has identified an additional investment volume needed for the energy, industry, construction and transportation sectors of EUR 145 billion by 2030. This translates into an annual investment volume of EUR 13.9 to 18.5 billion. The estimates for all of Europe state that over EUR 1 trillion in investments are required to implement the Green Deal. This is an impressive figure and illustrates that there are enormous market opportunities in the green transition. We hope to take advantage of these opportunities based on our expertise in the field of sustainability. We have been categorising green loans in our databases for some time now. We are pleased to report that in the reporting year we increased the volume of loans for environmental or social purposes significantly by EUR 304.4 million to EUR 640.9 million.

Advisory services for loan subsidy schemes and exports

Export finance and related advisory services have become well established at our bank in recent years. We help our customers with their business activities and internationalisation. Our corporate customers appreciate our know-how and competent advice, especially in such challenging times.

In the financial year 2022, we provided support for 18 new export projects and extended a total of EUR 32.9 million in new loans. In total, we transacted a volume EUR 244.5 million in export finance as at year-end.

The documentary business and international bank guarantees also performed positively. We recorded significant growth with respect to both volumes and earnings, although the challenges for international business in the reporting year were great. A shortage of employees, the tense situation on commodity and energy markets, and the lack of sufficient container capacities prevailed in the export business in the preceding year.

Success in corporate banking

Corporate banking is another key line of business. In this segment we serve large customers with sales revenues of over EUR 75 million, institutional customers and larger municipalities. In the reporting year, we extended loans in the segment of Corporate Banking with a volume of EUR 174.7 million. In corporate banking, we also transact syndicated loans and borrower’s notes. In the reporting year, we also introduced the paying agent function for borrower’s notes.

Downtrend in deposits from corporate customers

For the first time in a long time, we saw a decline in demand and time deposits from corporate customers. Outflows amounted to around EUR 370.3 million, and other liabilities to EUR 3.7 billion at year-end, which is a decrease of 9.1%.

The previously good liquidity situation of businesses worsened over the course of the year, and this was reflected in the volume of deposits.

Diversified range of services

In the past years, we have worked to expand the range of services we offer. The priorities defined helped us achieve solid growth in the financial year 2022 (9.8%; EUR 40.2 million), especially in payment services. Although this business area is highly competitive and dynamic, it still offers great growth potential. During the year under review, we acquired many new customers by offering an attractive range of accounts that meet the needs of companies and feature transparent pricing. In total, we increased the portfolio of corporate accounts by 750. Many also use our modern online banking services developed specifically for corporate customers. The number of users is constantly growing, also in the past financial year. The number of active “BizzNet” and “Bizz Net Plus” users at the end of the year was around 8,400, which is an increase of 16.4%.

Slight rise in income from securities

The year 2022 was a difficult one for investments. All asset classes experienced losses and investors needed strong nerves throughout the year. Despite the adverse developments on the capital markets, we increased profits slightly in the securities business for corporate banking customers, achieving EUR 6.4 million year on year.

In the insurance business, we provide corporate customers with advisory services especially with company pension plans. This is an important instrument for personnel policy, as it offers employees an additional benefit and also supports employee loyalty and provides security for family members of employees of the company. In total, we sold policies for company pension plans with a total premium volume of EUR 7.5 million in 2022.

Outlook for Corporate and Business Banking

One hundred years ago, a Carinthian entrepreneur laid the foundation for today's BKS Bank. Since then, we have supported corporate customers with their entrepreneurial ventures. We view our customers in their entirety and offer solutions tailored to their needs also in difficult times, we serve as competent partners and provide support.

We have always been and remain an advisory bank that offers our customers a wide range of innovative digital products and services. Offering a combination of personal advice, reliability and excellent digital services has proven the right strategy.

In 2023, we plan to advance the project “Redesign of the corporate customer lending process". The project is more extensive than previously anticipated, but the first applications should be available to our customers in the coming months. We also want to work to acquire new target groups based on our expertise such as municipalities and the public sector.

Another major topic to which we devote a great deal of passion and commitment is helping our corporate customers make the transition to a low-carbon economy. The loan transactions and the funds made available are to be channelled into projects that support sustainability and help mitigate climate change.

Retail Banking

In the 1960s, we expanded our range of services to cover retail customers. This was a major step on the way to becoming a universal bank. Continuous development – this is one of the success factors in the retail business. We are very proud of the wide range of products and services we offer, which we have also been digitizing over the past few years and moving towards sustainability. Today, retail customers can conduct banking transactions completely digitally. Furthermore, we now offer a “green” alternative product in every segment – loans, investments and payment services.

With BKS Bank Connect, we launched a digital bank tailored to the needs of digital-savvy customers. This constant endeavour to improve is also appreciated by our customers. As at 31 December 2022, we served 169,100 retail customers who placed their trust in us. In retail banking we provide services to private individuals and members of the healthcare professions.

Best segment result since start of segment reporting in 2004

In our anniversary year, we achieved excellent results in retail banking of EUR 12.1 million. Compared to the prior-year period, this means results were nearly three times as high (2021: EUR 4.2 million). This is the highest pre-tax profit ever reported for Retail Banking. The significant increase in earnings is primarily attributable to the policy reversal in interest rates. Net interest income improved by EUR 10.2 million to EUR 38.4 million compared to 2021.

With respect to fee and commission income, the result was EUR 28.8 million, which is a decrease of EUR 0.8 million versus the preceding year's figure. The reasons are lower fees and commissions from securities transactions, as the reporting year was a very difficult one for investments. At EUR 12.9 million, net income from securities was lower year on year by around 12.5% (2021: EUR 14.7 million). On a positive note, payment services performed well again, with income increasing by EUR 0.8 million from EUR 10.6 million to EUR 11.4 million.

Retail Banking

in € m	2021	2022
Net interest income	28.2	38.4
Impairment charges	-0.6	-1.3
Net fee and commission income	29.6	28.8
General administrative expenses	-54.7	-55.9
Other operating income/expenses	1.5	1.9
Profit from financial assets	0.2	0.2
Profit for the year before tax	4.2	12.1
RoE before tax	3.4%	9.5%
Cost/income ratio	92.3%	80.9%
Risk/earnings ratio	2.0%	3.4%

Administrative expenses increased by EUR 1.2 million to EUR 55.9 million, due mainly to the high inflation rates. Impairment charges on losses on loans and advances remained at a low level of EUR 1.3 million. Although the risk situation for retail loans is less tense than for corporate loans, the adjustments to macroeconomic forecasts also have the effect of increasing expenses in the retail segment.

The segment-specific indicators improved as follows supported by the excellent segment result: return on equity was up by 6.1 percentage points from 3.4% to 9.5%. The cost/income ratio changed by 11.4 percentage points and dropped to 80.9%, and the risk/earnings ratio reached an excellent level of 3.4%.

Top marks in customer surveys and test purchases

We attach great importance to excellent quality in advisory services and products. We are very pleased with the excellent feedback from our customers regarding satisfaction with us as a banking partner. The majority of our customers gave us top marks in the surveys. 89% of the customers surveyed rated our performance very good to good. The competence of our account managers and the speed of decisions and the services provided were also awarded top marks.

The advisory skills of our employees are also regularly tested by independent third parties. In the reporting year, the Österreichische Gesellschaft für Verbraucherstudien (Austrian Society for Consumer Studies) tested our branches anonymously. We won first place in Austria for retirement advisory services at our branches. We also received the Recommender Award 2022 for outstanding customer services.

This prestigious award recognizes Austrian banks and insurance companies that achieve a particularly high recommendation rate.

These achievements are recognition of the excellent work of our employees and serve as incentive to continue doing our best to satisfy customers.

Stagnating demand for home loans

Demand for home loans declined substantially as of the third quarter 2022. The main reasons for the downturn in demand are rising interest rates, high real estate prices and the high degree of uncertainty regarding the future development of the economy. Another important reason was tighter lending standards for real estate loans that make it more difficult for homebuyers and homebuilders to access financing. In the summer, the Austrian Financial Market Authority issued a regulation limiting systemic risk in debt-based financing for residential real estate extended by credit institutions (*Kreditinstitute-Immobilienfinanzierungs-maßnahmen-Verordnung, KIM-V*). Pursuant to this regulation, the maximum loan/value ratio must be 90%, the debt/service ratio cannot exceed 40%, and the maximum term of the loan is limited to 35 years. The terms were eased for loan amounts lower than EUR 50,000 for renovations and refurbishments. Demand for retail loans also declined steeply at BKS Bank, and the portfolio of loans for residential construction shrunk in the reporting year. Loans and advances to retail customers decreased by 3.7% from EUR 1.5 billion to EUR 1.4 billion.

The situation is different with respect to demand for sustainable credit products, which we have been offering for several years. In the reporting year, we increased the share of finance products dedicated to environmental and social purposes.

In total, a volume of EUR 283.9 million in green loans are outstanding in the retail segment, which is 29.2% higher than at year-end 2021.

Interest policy reversal raises appeal of deposits for investors

Starting in the summer of the reporting year, the European Central Bank (ECB) raised key lending rates four times as a measure to fight inflation. The zero and negative interest rate phase had lasted more than a decade. Interest rates on deposits rose more slowly than rates on loans. Irrespective of this, growth in other liabilities rose by 8.4% in the retail segment. This item comprises demand deposits and time deposits, and was EUR 1.9 billion at year-end. The larger portion of the funds were on demand deposits and amounted to EUR 1.4 billion which is an increase of 6.5%. Demand for term deposits was strong after the interest policy reversal and grew from EUR 394.3 million to EUR 452.6 million (+14.8%). Traditional savings passbooks lost further ground in the past financial year. We recorded outflows of EUR 90.0 million in the retail customer segment. Household savings were EUR 1.1 billion, a decrease by 7.4%. An alternative to savings passbooks is the "Mein Geld" account. This type of account gives retail customers access to their savings regardless of location and time. Just in time before the change in interest rate policy, we added a fixed-rate account variant, which has enjoyed great popularity since it was launched. As at year-end 2022, we recorded customer deposits totalling EUR 0.6 million on "Mein Geld" accounts.

2022 was a difficult year for investments

Looking back, the year 2022 was globally one of the worst ones for investments in over a decade. The securities business was overshadowed by double-digit losses in many stocks and in the bond segment. In the past, it has rarely been the case that both equities and bonds lost considerable ground. The main reasons for the turmoil were the geopolitical and economic uncertainties, high inflation rates and rising interest rates. These developments were also reflected in the results of the securities business. At year-end 2022, the surplus from securities fees and commissions in retail banking was EUR 12.9 million, which is a decrease of 12.6%.

BKS Vermögensverwaltung was also impacted by the negative development on capital markets. Volumes shrunk from EUR 273.1 million to EUR 250.0 million in the reporting year due to the decline on stock markets.

Strong demand for ecologically sustainable investments[1)]

Sustainable investments are not only very popular at present, but also make valuable contributions to the financing of forward-looking projects. We very much welcome this trend, as we were early supporters of the movement towards greater sustainability. We have been offering green investment products to sustainably-oriented investors for several years. We are very proud to have been the first to issue a social bond in Austria. A lot has happened since then.

[1)] Disclaimer: The information provided in this chapter serves only as non-binding information and does not replace in any way advisory services for the purchase or sale of securities. It is neither an offer or a solicitation to buy or sell the products mentioned, and neither does it constitute a recommendation to buy or sell.

Since the beginning of 2023, 78 sustainable bonds including six green bonds, one social bond and one sustainability bond of BKS Bank have been listed on the ESG segment of the Vienna Stock Exchange.

In the reporting year, we once again demonstrated our strength for innovation. We were the second credit institution in Austria to issue a sustainability bond on the Vienna Stock Exchange. The proceeds of this bond issue will be used to finance an energy-efficient health centre in St. Pölten. In its second-party opinion, the rfu - Mag. Reinhard Friesenbichler Unternehmensberatung gave the sustainability bond an above-average rating.

In order to be able to offer many small investors the opportunity to invest in sustainability projects, we deliberately keep the denomination of the issues small.

We also offer our customers opportunities to invest sustainably within our asset management services. The "BKS Portfolio-Strategie nachhaltig" bears the Austrian Ecolabel for Sustainable Financial Products. The portfolio is actively managed and invests exclusively in sustainable, ethical and environmental funds that bear the Austrian Ecolabel for Sustainable Financial Products or meet the Ecolabel's high ESG requirements. At year-end 2022, a volume of EUR 21.3 million was invested in the "BKS Portfolio-Strategie nachhaltig". The decrease of EUR 3.4 million is due mainly to price changes on the market.

We offer our customers additional sustainable investment opportunities in the form of investment funds managed by 3 Banken-Generali Investment-Gesellschaft m.b.H.[2)], the joint investment management company of the 3 Banken Group and Generali Versicherung. The shortlist of sustainable funds includes seven investment funds that bear the Austrian Ecolabel for Sustainable Financial Products.

In the reporting year, a volume EUR 89.3 million were on the securities accounts of BKS Bank customers in sustainable products of 3 Banken-Generali Investment-Gesellschaft m.b.H.

"Natur&Zukunft" account awarded Austrian Ecolabel

Payment services play a strategically important role also in retail banking. We are pleased to report that we achieved a growth rate of 7.5% in this business segment in the past financial year. The income from payment services was EUR 11.4 million.

The most important product in payment services is the bank account. We are proud to offer a green alternative also for bank accounts. Several years ago, we launched the "Natur&Zukunft" account designed for environmentally-aware customers. This account supports the reforestation of protection forests in Austria.

In the reporting year, we launched another reforestation project to plant a further 10,000 trees by the spring of 2023. The reforestation project is a joint project with Carinthian Chamber of Agriculture. The trees planted under the "Natur&Zukunft" account will help protect the habitat from mudflows and avalanches, and act as a carbon sink to mitigate climate change. A calculation made by c7-consult shows a CO_2 absorption of around 9,400 t CO_2 during the entire lifecycle of the trees.

[2)] Disclaimer for the products of 3 Banken-Generali Investment-Gesellschaft m.b.H.: Information on the products of 3 Banken-Generali Investment-Gesellschaft m.b.H. is not binding and constitutes neither an offer nor an invitation to buy or sell, and in no way replaces an advisory talk on the purchase or sale of investment fund units. The only legally-binding basis for the purchase of investment fund units is the key information document (KID) and the respective prospectus made available in the currently valid version in German on the website www.3bg.at, as well as at the Austrian paying agent for the investment fund.

To ensure that the sustainability of the "Natur&Zukunft" account is also externally verifiable, the account was certified in the reporting year in accordance with the Guidelines of the Austrian Ecolabel for Sustainable Financial Products UZ 49.

Access to our accounts is simple and secure via the modern and user-friendly customer portal "MyNet". In the reporting year, we introduced new features and improvements to "MyNet" such as a function to link accounts from other banks. The number of "MyNet" users has been increasing from year to year and this was also the case last year. The number of activated "MyNet" portals increased by 5,300 to 65,200 customers, and the number of transactions is also rising rapidly (53.2%). The BKS app enables customers to keep track of their finances wherever they are at all times. The number of users of the BKS app is also rising strongly. In 2022, the BKS app was actively used by around 30,800 customers.

BKS Bank Connect - a hybrid business model

Online transactions are booming and acceptance of digital applications has increased massively since the coronavirus pandemic. We established our digital bank "BKS Bank Connect" in 2020 with a view to attracting digitally-inclined customers. Retail and corporate customers use BKS Bank Connect to conduct all routine banking transactions online. When customers need advice, a team of well-trained advisors at BKS Bank Connect are available to assist them. It is important to us that we are close and accessible to customers also through our digital channels. In the reporting year 2022, 87% more product requests were processed in the digital bank than in the previous year. Only one third of online requests are forwarded to the branches of our network. BKS Bank Connect has developed into an optimal supplement to our branches.

Our customer service centre, which we have developed into a competence centre that answers customer inquiries by phone, e-mail or chat, is an important sales channel. On average, over 30,000 inquiries are handled professionally every month.

25 years of working with Generali Versicherung

As a responsible bank, we offer our retail customers a broad range of insurance products. We act as a sales channel for our long-year insurance partner, Generali Versicherung AG. In our anniversary year, we celebrated 25 years of cooperation. We take great pride in our long-term business relations with our business partners.

We broker mainly endowment insurance policies with regular premium payments, unit-linked life insurance plans, also with single premium payments, as well as risk and accident insurance.

The development of the insurance business in the reporting year was satisfactory. Endowment insurance policies increased by 1.1% in terms of total premiums. Sales of accident insurance developed better, increasing by 10.5%.

Outlook for Retail Banking

In the past few years, we have succeeded in returning the retail banking segment to profitability. We will continue our efforts to stay on this successful path. We plan to focus on the acquisition of new customers. The high degree of satisfaction and the readiness of our customers to actively recommend our bank to others is a solid basis for further acquisitions.

The return of interest rates to normal levels will also strengthen earnings in this segment.

One of the success factor in retail banking is the constant development of our range of products. We will soon be launching a number of new services and products, including the option of opening custody accounts online, a financial planner in the BKS app and a new photo identification process for online transactions. We are also investing in new communication channels. We aim to boost sales by a combination of customized offers and improved contact management across all digital channels.

We also aim to expand our market shares in our foreign markets. In Slovenia, we are already one of largest securities services providers. We plan to reinforce our number one position the securities business and will introduce investment advisory services in mid-year, thereby substantially enlarging our range of services in this business area. In Croatia and Slovakia, we have started initiatives to acquire new customers and increase up-selling and cross-selling in 2023.

We are one of Austria's most sustainable banks. In the financial year 2023, we hope to expand our strong position in sustainability and attract new target groups with our sustainable products.

Financial Markets

Apart from income earned on the management of term structures, the main sources of earnings in Financial Markets are income from returns on the treasury portfolio, contributions from entities accounted for using the equity method as well as income from investment property. Proprietary trading is not a focus of our business activities.

Net profit before tax in the Financial Markets segment was only EUR 0.4 million. The significant decline in the segment result (-EUR 43.0 million) was due to the lower income from entities recognised using the equity method and the weak performance on capital markets. Net interest income including income from entities accounted for using the equity method decreased to EUR 13.4 million. The reason was a dilution loss of EUR 9.3 million, because we did not participate in the capital increase of Bank für Tirol und Vorarlberg Aktiengesellschaft in December 2022. As a result, the direct shareholding of BKS Bank AG in Bank für Tirol und Vorarlberg Aktiengesellschaft decreased from 14.00% to 12.83%. The result from financial assets/liabilities was negative at EUR 4.9 million. The item net interest income also includes income from investees.

BKS Bank's securities portfolio consists largely of government bonds issued by solid European countries. Mortgage-backed bank bonds (covered bonds) with the highest credit ratings are added to the portfolio. Our aim is to increase the share of sustainable investments in our treasury portfolio. In the reporting year, we invested mainly in securities with excellent ESG ratings.

Financial Markets*

in € m	2021	2022
Net interest income incl. profit/loss from investments accounted for using the equity method	45.6	13.4
Impairment charges	0.1	-0.5
Net fee and commission income	-0.2	-0.4
Net trading income	0.8	-1.2
General administrative expenses	-8.7	-8.7
Other operating income/expenses	1.8	2.7
Profit/loss from financial assets/liabilities	4.0	-4.9
Profit for the year before tax	43.4	0.4
RoE before tax	5.3%	-
Cost/income ratio	18.1%	60.2%
Risk/earnings ratio	-	-

*) The accounting policy for investment property was changed in the financial year 2022. In accordance with IAS 8, the prior-year figures have been adjusted accordingly. A presentation of the changes is given in the "Changes to the accounting policy for investment property" on page 156.

The investment portfolio has a low risk exposure. We hold only few investments outside the financial sector. Our most important shareholdings include 3 Banken-Generali Investment GmbH (3BG) in which we hold 15.43%. 3BG is an investment management company based in Linz and employs 60 people. Its assets under management are around EUR 11.3 billion, spread across 61 retail funds and 158 special and institutional investor funds with a clear focus on Austria as the home market. This investment generated income from its custodian bank function of EUR 2.0 million. We also hold equity interests in Oesterreichische Kontrollbank (OeKB), 3 Banken KFZ-Leasing and Wiener Börse AG.

In the reporting year 2022, we recorded a total of EUR 1.9 million in income from equity investments, including EUR 1.0 million in distributions from OeKB. The 10% investment in 3 Banken KFZ-Leasing yielded income of EUR 0.7 million. With this stake, we participate in the entire Austrian vehicle leasing market.

Administrative expenses remained at a constant level of EUR 8.7 million.

The ALM Committee manages long-term and structural liquidity. The net stable funding ratio (NSFR) is an important liquidity indicator for long-term liquidity. In the reporting year, the NSFR reached a value of 118.7%. We issued long-term bonds in an amount of EUR 144.9 million to strengthen the NSFR, and also have deposits totalling EUR 400.0 million in the form of Targeted Longer-Term Refinancing Operations.

The management indicators for the Financial Markets segment developed as follows: The cost/income ratio was 60.2% compared to 18.1% in the preceding year.

Outlook for Financial Markets

The return of interest rates to normal levels will significantly strengthen income from the management of term structures. Additionally, we expect an improvement in income from entities recognised using the equity method. The issuance business remains on the strategic agenda to secure our long-term liquidity and to offer our customers attractive investment opportunities. Our investment activities in 2023 will continue to be guided by the avoidance of market risks. We have no plans to change our conservative investment strategy and will continue to invest primarily in high quality liquid assets. We will also continue our cooperation with our strategic partners, Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft.

Other

The segment Other includes items of income and expenses that cannot be clearly allocated to the other segments and those contributions to profit that cannot be attributed to any one segment.

In our segment accounting, we take great care to allocate only those income and expense items to the business segments in which they originate.

Net profit/loss before tax for the year for the segment Other was EUR -20.7 million compared to EUR -27.6 million in the preceding year. The segment result was also impacted by regulatory costs. These included contributions to the deposit insurance scheme of EUR 1.9 million and contributions to the resolution mechanism of EUR 5.0 million. General administrative expenses rose from EUR 7.1 million to EUR 14.8 million. The increase is attributable primarily to the allocation of funds to BKS Belegschaftsbeteiligungsprivatstiftung and BKS Mitarbeiterbeteiligungsprivatstiftung (the employee participation schemes).

Consolidated Own Funds

BKS Bank calculates the own funds ratio and total risk exposure in accordance with the provisions of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD). The calculation of own funds requirements for credit risk, for market risk and for operational risk is done using the standardised approach.

The Supervisory Review and Evaluation Process (SREP) conducted by the Austrian Financial Market Authority (FMA) specified that BKS Bank had to meet the following minimum requirements excluding a capital conservation buffer as a percentage of the total risk exposure effective as of 31 December 2022:

- 5.4% for common equity tier 1 capital (CET1)
- 7.2% for tier 1 capital, and
- 9.6% for the total capital ratio

Solid equity base

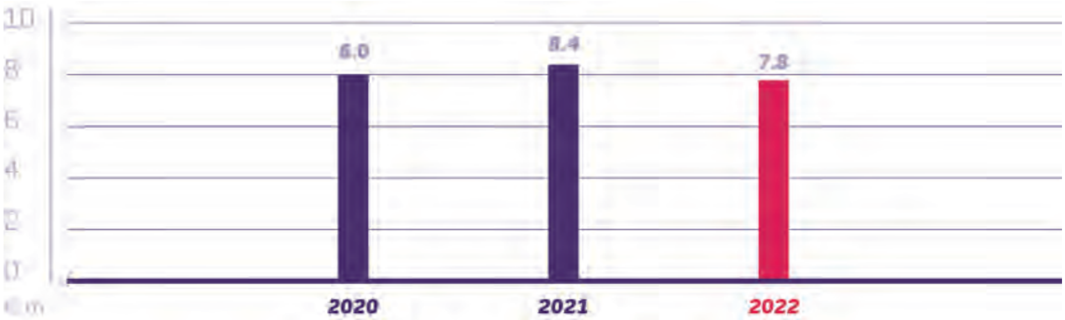
Common equity tier 1 capital increased in the year by EUR 43.4 million to EUR 778.3 million, an increase of 5.9%. The common equity tier 1 ratio increased from 12.3% to 12.5%. The additional tier 1 capital amounted to EUR 65.1 million as at 31 December 2022. Including supplementary capital of EUR 214.7 million, the bank's own funds came to EUR 1,058.1 million, which is an increase of 4.8%. The total capital ratio was 17.0%.

BKS Bank Group of Credit Institutions: Own funds pursuant to CRR*

in € m	31/12/2021	31/12/2022
Share capital	85.9	85.9
Reserves net of intangible assets	1,298.3	1,360.6
Deductions	-649.3	-668.2
Common equity tier 1 capital (CET1)	734.9	778.3[1)]
Common equity tier 1 ratio	12.3%	12.5%
AT1 note	65.2	65.1
Additional tier 1 capital	65.2	65.1
Tier 1 capital (CET1 + AT1)	800.1	843.4
Tier 1 capital ratio	13.4%	13.6%
Supplementary capital (tier 2)	209.1	214.7
Total own funds	1,009.2	1,058.1
Total capital ratio	16.9%	17.0%
Total risk exposure amount	5,980.1	6,213.5

1) In the reporting year 2022, the accounting method for investment property was changed. Pursuant to IAS 8 the figures for the preceding year were adjusted accordingly. A presentation of the changes is given in chapter "Change to accounting method for investment property" as of page 156 of this report.
2) Includes profit for the year 2022. Formal adoption is still outstanding.

Leverage ratio



Leverage ratio significantly above regulatory minimum requirement

The leverage ratio is the ratio of tier 1 capital to the unweighted exposure of BKS Bank including off-balance sheet risk exposure. The leverage ratio was 7.9% at year-end 2022. Therefore, we were well above the regulatory minimum ratio of 3.0%.

BKS Bank meets MREL ratio requirements

The MREL ratio stands for the minimum requirement for own funds and eligible liabilities and its purpose is to ensure the proper winding up of banks should this become necessary.

The minimum requirement for the MREL ratio is made up of the loss-absorbing amount (LAA) and the recapitalisation amount (RCA), and is supplemented by the premium for maintaining market confidence (MCC).

Since January 2022, it has been mandatory to determine the MREL ratio on the basis of the Total Risk Exposure Amount (TREA). As at 31 December 2022, the MREL ratio was 28.7%. We substantially exceeded the regulatory minimum ratio of 20.1%.

Risk Management

The description of the risk management objectives and methods as well as explanations on the material risks are contained in the chapter Risk Report in the Notes (as of page 191).

Financial reporting and the internal control system

This chapter discusses the material disclosures required pursuant to § 243a (2) Austrian Business Code on the internal control and risk management system (ICS) in connection with BKS Bank's financial reporting process.

The ICS ensures that the corporate reporting processes, in particular, financial reporting is carried out correctly, reliably and is complete. We meet these requirements through a documented and transparent organisational structure, a suitable risk orientation and risk analysis, and control activities. To support professional corporate reporting, we use the reporting software firesys. The software permits changes and adjustments to figures in a secure and audit-compliant manner. The software also comprehensively supports the European Single Electronic Format (ESEF).

All ICS measures relating to financial reporting processes are covered in a Group Manual as well as in internal guidelines for the recognition of impairment charges. Financial reporting is an important element of the internal control system in place throughout the Group and is evaluated annually.

The Management Board is responsible for setting up and designing a control and risk management system that meets the needs of the Group's financial reporting process. Accounting with the associated processes and Group consolidation are the responsibility of the Controlling and Accounts department.

There are job descriptions for every position that precisely define the skills required and areas of responsibility. All areas of responsibility are defined in a task matrix.

The foreign branches and subsidiaries transmit their data on a daily basis via interfaces to the General Ledger, which is maintained in SAP. Centrally responsible employees are also on site, if necessary, to check the data and information required for consolidation. The appropriate training of employees is ensured through internal and external seminars.

Control activities

The risks and controls in the areas of financial accounting, plant and equipment management, financial statements preparation, taxes and budgeting were systematically recorded, evaluated and linked to each other in a risk-control matrix. The proper calculation and payment of business taxes are verifiably checked on a monthly basis by Controlling and Accounts with the respective responsible employees. Controls that cover high risks are at the core of ICS reporting and are allocated to the category 'main controls'.

The quality of the main controls are classified according to the maturity grade model. Depending on the category assigned in the risk-control matrix, the individual work activities and positions are allocated to specific mandatory control activities. In this context, several different control procedures are applied. Recurring systemic controls were implemented together with IT users and external auditors to monitor the IT systems employed (SAP, GEOS, etc.). Accuracy, completeness and precision of the data were audited.

In addition, authorisations are monitored, plausibility checks are performed, checklists are used, and the dual control principle is consistently applied.

In financial accounting, checks were carried out to ensure that outgoing payments had also been authorised by the responsible parties and that no boundaries of authority had been overstepped. Payments are authorised for execution only after dual control. Coordination processes are in place for synchronising the data between the organisational units Accounts/Financial Reporting and Controlling. This ensures data consistency for internal reporting, notifications to authorities and external reporting. An important control procedure concerns the restrictive granting and monitoring of IT authorisations for SAP. Authorisations are documented and their approval is reviewed by the Internal Audit within the scope of a separate authorisation administration system.

These extensive control procedures are regulated by internal manuals, guidelines, checklists and process descriptions.

Information and communication

The Management Board is informed regularly and promptly in monthly reports about every aspect of the financial reporting process and the financial results.

Each quarter, the Supervisory Board and Audit Committee as well as the shareholders of BKS Bank receive an interim report containing notes on departures from the budget, material changes and changes over time. Shareholders receive quarterly interim reports that are published on the website www.bks.at under » Investor Relations » Berichte und Veröffentlichungen.

Monitoring effectiveness of the measures

The monitoring of the financial reporting process is done in several stages. On the one hand, we conduct a self-assessment every year, and on the other, a critical review of ICS is conducted within the scope of process management with respect to financial reporting. Moreover, independent reviews are conducted by the Internal Audit department of BKS Bank that reports directly to the Management Board. The department heads and the responsible heads of groups perform the primary monitoring and supervisory tasks in the financial reporting process in accordance with their role descriptions.

To ensure the reliability and orderliness of the financial reporting process and the relevant reports, additional monitoring procedures are carried out by the statutory auditors of the consolidated financial statements and by the Audit Committee. Audit obligations also apply to our subsidiaries in Slovakia and Croatia, as well as to all leasing companies.

Non-financial report

BKS Bank publishes non-financial information in accordance with § 243b Business Code (Unternehmens-gesetzbuch, UGB) and § 267a Sustainability and Diversity Improvement Act (NaDiVeG (Nachhaltigkeits- und Diversitätsverbesserungs-gesetz) once a year in a separate Sustainability Report. This report is made available on our homepage at www.bks.at/Nachhaltigkeit. The information provided on the following pages is a selection of non-financial performance indicators and their development. The disclosures required pursuant to Article 8 Regulation (EU) 2020/852 are also reported in the Sustainability Report.

G - Governance

BKS Bank has been committed to a holistic sustainability strategy for many years. In 2020, under the motto "With accountability into a livable future", we defined the strategic sustainability goals we want to achieve by 2025. Several changes were made in the reporting year. We expanded the SDGs we aim to achieve to include Goal 7 "Affordable and Clean Energy" and Goal 11 "Sustainable Cities and Communities." We also realigned our sustainability strategy to match the fields of action

- E - Environmental and climate protection,
- S - Social commitment, and
- G - Governance

We will focus more strongly on the social aspects of ESG in the future. We want to use the many opportunities to strengthen the focus on people, and thus on the social aspects of ESG. In this manner we want to contribute to fair social change and the prevention of discrimination. We plan to focus efforts on people who feel left behind by social change and those who want to make a strong contribution to sustainability. In 2023, we will intensify our work to reinforce this positioning.

We will retain our tried-and-tested methods such as using measurable indicators to track the progress of our strategic sustainability goals. We aim to maintain our status as leader in sustainability in the banking industry and keep our Prime rating awarded by ISS ESG. We also want to achieve climate neutrality over the long term and expand the share of our sustainable products to 15% of total assets.

Sustainability management

Sustainability is designated an area of responsibility of the chair of the management board due to its high level of importance. The chair reports regularly to the supervisory board on the progress of the sustainability strategy. The CSR officer develops and coordinates the CSR programme together with the Austrian and international CSR teams based on the strategic sustainability goals. Regular quarterly CSR meetings are held with several members of the management at which the progress of the sustainability strategy and further measures are discussed. Reporting on the progress achieved with respect to the EU Action Plan and the Eco-Management and Audit Scheme (EMAS) takes place at separate meetings with the Management Board.

Management of ESG factors

ESG factors include environmental, climate, social and labour aspects, respect for human rights, and the fight against corruption and bribery. These aspects entail both opportunities and risks. BKS Bank's goal is to take advantage as best as possible of opportunities and to mitigate the risks resulting from climate change and governance. ESG risks and opportunities are evaluated in the risk assessment, defined in the risk strategy and assessed at the individual customer level based on soft facts. These topics are discussed and evaluated in detail at the regular credit risk meetings and ALM Committee meetings with the Management Board and are taken into account when reaching business decisions. Overall responsibility for ESG risk management lies with the Management Board. Sustainability risks are managed within the individual risk types.

ESG risk well under control

We defined sustainability or ESG risks as follows: environmental (E), social (S), or governance (G) events or conditions that may actually or potentially have a materially adverse effect on the financial position, financial performance and cash flows or reputation of our company. We categorize ESG factors from the perspective of dual materiality. Inside-out factors refer to our activities that may have consequences for the environment and society. The outside-in perspective covers factors of influence that affect us from outside and may impact our business model.

Consideration of interactions between ESG and financial risks also plays an essential role in our ESG risk management process.

We use a variety of due diligence processes to identify, assess and manage ESG risks and opportunities. One example is the annual risk assessment, which is an analysis of the vulnerability of our customer portfolios to climate risks. Other examples are regular employee and customer surveys, as well as our compliance, anti-corruption and AML management. In 2022, we conducted several risk assessments of customers and portfolios. These included for the first time a stress test using the methodology of the ECB's climate stress test. Overall, the findings show that only a very small share of our customers have a higher exposure to ESG risks. The highest risk is given at customers from the tourism sector, followed by the construction and trade sectors. We derive mitigation measures to minimize risk based on the results of the due diligence process.

ESG risk management process

Risk identification and analysis	Risk management ex ante	Risk management ex post	Risk control
• Quantify ESG risks • Perform ESG risk assessment • Cerate vulnerability analysis of customers • Analyze impact of ESG risks on bank-specific risks • Assess probability of occurrence and level of damage of ESG risks • Integrate ESG risks into ICAAP	• Define risk appetite for ESG risks • Define risk policy principles for managing ESG risks • Agree target values and risk limits in affected risk types • Perform ESG stress testing and impact analysis • Create technical database • Establish controls • Train employees	• Evaluate risk hedging • Create buffer • Evaluate impact of ESG risk event/ back-testing • Create and analyze heatmap/scoring for current portfolio	• Monitor risk appetite for ESG risks • Analyze target attainment and deviations from limits • Standardize assessements • Establish reviews by internal audit • Perform standardized monitoring cycles

These include
- the exclusion and positive criteria for agent and own transactions, rules defining with whom we do business and with whom we do not,
- education and training on ESG matters for members of the Management Board, Supervisory Board members and staff,
- widening the range of our sustainable products,
- use of management systems pursuant to EFQM and EMAS,
- governance, anti-corruption and AML measures presented in the Corporate Governance Report as of page 46.

Focus on ESG opportunities

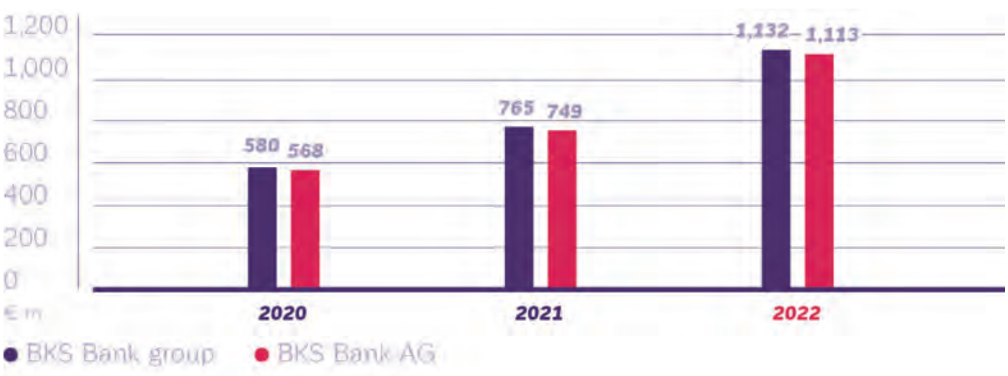
Opportunities created by ESG factors are a key driver of innovation at our company. We now have a wide range of sustainable products. As a result of vigorous demand, the volume of sustainable products exceeded one billion euro for the first time in 2022 and accounted for 10.6% of total assets. The numerous benefits we offer our employees create a positive employer branding. Good governance strengthens our reputation and helps us to avoid fines.

Engagement with stakeholders is an important way of identifying opportunities. In 2022, we invited our stakeholders to engage with us under the motto "My Bank of Tomorrow". The purpose was to identify the demands these stakeholders have on a responsibly operating bank.

E - Environment and climate change mitigation

The EU Green Deal entails far-reaching changes for companies in general and for credit institutions specifically. BKS Bank is well-prepared to achieve success together with its customers in this respect. Along with eight other financial institutions, BKS Bank has been a member of the Green Finance Alliance since 2022, which is an initiative of the Ministry for Climate Action for sustainability pioneers among financial institutions. Being part of this Alliance means we have made strong commitments to objectives such as aligning our loan and investment portfolio with the goals of the Paris Climate Accord by 2040 and achieving climate neutrality by 2050. We view this Alliance as an opportunity to strengthen our positioning as a pioneer in sustainability.

Volume of sustainable products



The list includes the volumes under management on "BKS Portfolio-Strategie nachhaltig" accounts, our green and social bonds, the sustainable investment components of the "BKS Portfolio-Strategie" variants, volumes on "Öko-Sparbuch" savings accounts, the "Grünes Sparbuch" (green savings passbooks), sustainable loans, the "Green Loan" product in Slovenia, and since 2021, also the "Green Leasing" contracts in Croatia.

Growing number of green products
We are now able to offer our customers at least one green alternative in every product group: ecologically-sustainable loans, investment products, as well as green savings passbooks, and our "Natur&Zukunft" account variant.

We are pleased to report an increase in the volume of green loans from EUR 408 million to EUR 508 million. Green loans are in high demand among corporate clients to finance climate-friendly technologies and achieve the transformation to a low-carbon economy. As regards our green investment products, we started the reporting year with the issuance of a green bond. BKS Bank is the financier of a major investment by Stadtwerke Klagenfurt for the construction of 59 photovoltaic installations. This investment is being financed partially with the help of the green bond issue. We also offer our customers sustainable alternatives in asset management mandates. In this context, our goal is to achieve a 30% sustainability ratio in our investment components.

We are proud to have achieved this goal for the first time at the end of the year 2022. Therefore, we attained a milestone of our sustainability strategy much earlier than defined in our plan (by 2025).

Ecolabel for our "Natur&Zukunft" account
Our "Natur&Zukunft" account contributes to the reforestation of protection forests in Austria. In 2020, 4,680 trees were planted to reforest parts of a protection forest in Bad Eisenkappel/Železna Kapla that had been destroyed by a natural disaster. We also initiated the planting of 10,000 additional trees in a protection forest in Mallnitz in the reporting year. Half of the trees were planted in the autumn of 2022, with the second 5,000 to be planted in the spring. These trees will serve as a valuable carbon sink and store up to 9,400 t of CO_2. To make the sustainable nature of the "Natur&Zukunft" account more transparent to customers, we obtained certification with the Austrian Ecolabel for Sustainable Financial Products.

Total value of finance emissions

Asset class	Sum of loans and investments recognized in €k	Scope 1 and 2 emissions in t CO2 equ.	Scope 3 emissions in t CO2 equ.	Issuance intensity in t CO2 equ./million EUR invested[1)]
Scope 3.15				
Loans	3.576.941	173.349	809.412	275
Car loans[2)]	18.745	2.469	n.a.	132
Asset management	209.531	8.773	57.512	316
Treasury portfolio	221.237	13.836	23.315	168
Interim sum	**4.026.454**	**198.427**	**890.239**	**270**
Scope 3.13				
Vehicle lease finance[3)]	n.a.	168.597	n.a.	
Total	**n.a.**	**365.584**	**n.a.**	

[1] The emissions intensity of 282 t CCO_2 equiv./EUR m invested is not obtained by adding up the values above, but is calculated using the following formula: Scope 1, 2 and 3 emissions / sum of loans recognised* 1,000
[2)] For vehicle loans, only Scope 1 and 2 data were used. This is also in line with PCAF's recommendation for vehicles with combustion engines.
[3)] The calculation for the leasing portfolio was done in accordance with the Guidelines of the GHG Protocol on downstream leased assets, as these are not covered by the PCAF methodology.

Progress in decarbonisation

BKS Bank has been calculating its carbon footprint for Scope 1, 2 and smaller parts of Scope 3 since 2012. However, the majority of the emissions we cause are generated indirectly through loans and investment products. The emissions data computed in accordance with the standard of the Partnership for Carbon Accounting Financials (PCAF) for corporate loans and vehicle finance, for our asset management variants and our treasury portfolio include indirect emissions and was around 1.4 million t CO2 equiv. (Scope 1, 2 and 3).

We are very satisfied with the progress of decarbonisation in our treasury portfolio. In this case, we have defined the goal of reducing emissions by 7% annually in accordance with the Paris Alignment goal. In 2022, a look at Scope 1 and 2 shows that we were quite successful in reducing emissions from 55.4 to 43.5 t/million invested and in maintaining the weighted MSCI ESG Quality Score of AA we aimed for.

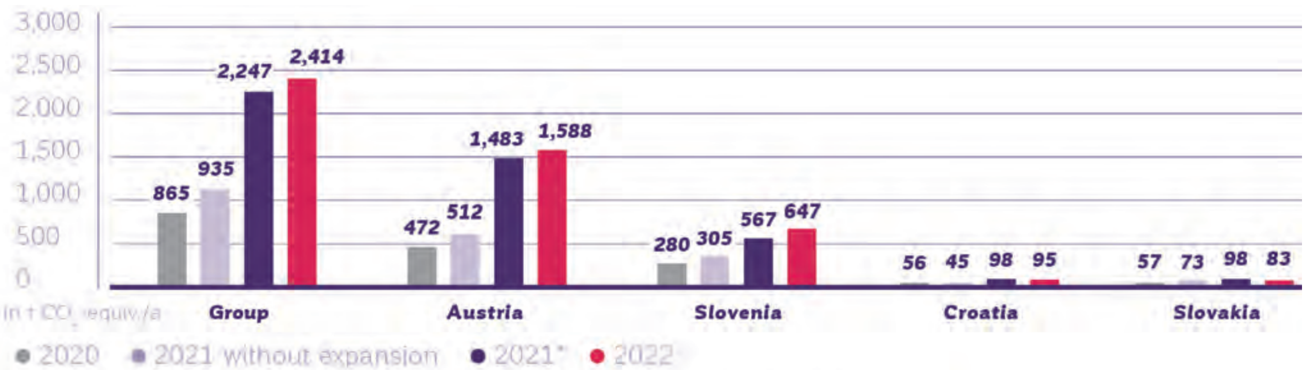
In terms of the carbon footprint caused by our direct business activities, we recorded an increase to 2,414 t CO_2 equivalents. This was due primarily to the return to travel activity and the higher consumption of electricity and natural gas.

The largest source of emissions is employee travel to and from work with 1,216 t CO_2 equivalents, followed by electricity with 279 t CO_2 equivalents and district heating with 204 t CO_2 equivalents.

S - Social commitment

In the “S - Social commitment” field of action of our sustainability strategy, we address employee and social concerns as well as human rights. Products that solve socially relevant concerns also play a central role. These include, for example, financing for retirement and nursing homes as well as health and educational facilities. The “Silberkredit” lending product was created in 2016 specifically for seniors who have very limited access to financing, thereby we contribute to the prevention of age discrimination, as do the advisory services provided at our branches.

Carbon footprint



*In 2021, the database was significantly expanded, which entailed an increase in the carbon footprint.

The lively demand shows the need for this type of product. In 2022, the volume of sustainable loans with a social purpose was EUR 417.2 million.

We offer our customers various opportunities to invest in socially sustainable ways. In the reporting year, we issued a sustainability bond for the first time. This type of bond features high social and environmental sustainability. The proceeds of this bond will be used to finance an energy-efficient health centre in St. Pölten for the daily care of up to 2,350 patients.

Attractive employer

The BKS Bank Group employs 1,145 persons from 15 nations, including 605 women. One area of focus of our sustainability strategy is to increase the ratio of female managers. We are pleased to report that we exceeded our target ratio of 35% for the second time in succession, with women making up 35.9% of the workforce. The women's career programme, which 72 female employees have completed to date, plays a major role in this achievement.

In the reporting year, it was organized for the first time as an international programme and held in English. The numerous measures to reconcile work and family life also have a positive effect on women's careers. We successfully completed the re-audits as a family-friendly business under the certification schemes in Austria and Slovenia in 2022.

Well trained staff

Excellent advisory services calls for a high level of expertise on the part of our employees. We offer them a comprehensive training and development programme, which is always well attended. In the year 2022, our employees spent nearly 41,900 hours in training and development activities. A “green day” event was newly introduced to prepare participants for the requirements of the EU Action Plan.

Health promotion scheme

The health of our employees was again at the focus of our health promotion activities. The annual workplace health programme “Durch die Bank gesund” concentrated on lung health in 2022 and 202 employees took part.

Overview of employees

Employees	2020	2021	2022
Total	1.133	1.145	1.145
• thereof in Austria	851	856	854
• thereof in Slovenia	154	158	152
• thereof in Croatia	79	82	90
• thereof in Slovakia	45	45	47
• thereof in Italy	4	4	2
• thereof women	641	663	664
• thereof men	492	482	481
• thereof employees with disabilities	25	24	27

Please note that the employee figures given in the other parts of this Annual Report are in full-time equivalents unless specifically pointed out otherwise. The table also includes employees of non-consolidated companies.

Social commitment
The motto of our anniversary year was "100 years of accountability and support". BKS Bank is a reliable partner for many institutions in arts and culture. We have been a partner of the event "Carinthian Summer" since 1975. In the reporting year, we sponsored this highlight of cultural events in Carinthia again with over EUR 20,000. We also continued our cooperation with Stadttheater Klagenfurt and the event "Tage der deutschsprachigen Literatur" (German Literature Days). Elias Hirschl won the BKS Bank Audience Award, which is endowed with EUR 7,000.

"Kunstdepot" exhibition
We made our art collection accessible to the general public for the first time in the reporting year. Under the title "Kunstdepot" (Art Depot), Stadtgalerie Klagenfurt showed an exhibition curated by Renate Freimüller with almost 140 works by 46 artists. The exhibition showed the diversity of the collection, the development of art and society, as well as developments and changes over a period of 70 years of BKS Bank's art collection activities: from the initial focus on classical art with almost exclusively male artists, to contemporary art, and to today's focus on socially critical art with a large share of female artists.

Socially active
The elimination of social inequalities is also a matter close to our hearts. Therefore, we were again one of the main sponsors of "Kärntner in Not" and donated EUR 30,000. In a fundraising campaign for the Ukraine, our employees donated EUR 9,300. This amount was doubled by BKS Bank to EUR 20,000 and handed over to Caritas and the Slovak aid organization"Človek v ohrození - People in need".

Non-financial performance indicators

Strategic CSR goal	Indicator[1]	Starting value 31/12/2019	As at 31/12/2021	As at 31/12/2022
We are Austria's most sustainable bank	Best-in-class in sustainability:			
	ISS ESG Prime	✓	✓	✓
	VÖNIX index member	✓	✓	✓
	EMAS certified	✓	✓	✓
	Green brand	✓	✓	✓
Good governance is part of our daily operations	No significant fines have been imposed on BKS Bank by the supervisory authorities	0 fines	1 fine	1 fine
	No substantiated complaints to data protection authorities	✓	✓	✓

[1] The indicator refers in each case to 2025. If there is an annual target, this is indicated separately in the indicator.

Strategic CSR goal	Indicator[1]	Starting value **31/12/2019**	As at **31/12/2021**	As at **31/12/2022**
We value and respect our employees, and are proud of them	Employee survey: overall satisfaction rate at least 1.9	2.0 (2017 survey)	2.0 (Survey 2021)	2.0 (Survey 2021)
	Share of women in management positions rises to 35%	31.6%	36.5%	35.9%
	At least 25% of employees participate in health promotion scheme every year	27.7%	22.4%	17.6%
	The gender pay gap reduced to 12%	16.5%	16.2%	16.7%
Our employees are multipliers for sustainability and social responsibility	At least 10% of all employees participate in corporate volunteering once a year	10.4%	3.5%	5.2%
	90% of our employees have completed at least one CSR training course	40.5%	64.1%	79.0%
We inspire our customers with excellent advisory services	EFQM-Recognized for Excellence 7 Star[2]	EFQM–Recognized for Excellence 5 Star	EFQM–Recognized for Excellence 5 Star	EFQM–Recognized for Excellence 5 Star
	Overall satisfaction rating of 1.5 in our customer survey	1.5	1.5	1.5
We believe sustainability is as an innovation driver for sustainable banking products	Our sustainable products account for 15% of total assets	4.5%	7.2%	10.7%
	Volume of new sustainable loans EUR 200 million p.a.[3]	131.5	143.0	255.6
	The share of ESG investment components in asset management increased to over 30%	n.a.	28.5%	29.8%

[1] The indicator refers in each case to 2025. If there is an annual target, this is indicated separately in the indicator.
[2] The EFQM assessment system was redefined as of 2020 and supplemented by additional excellence levels, with the assessment of BKS Bank being based on the previously valid model.
[3] The values for 2020 and 2021 are derived from the difference between the volume at the beginning and at end of the year. This does not correspond to the entire volume of new business, as there are repayments of existing loans during the year. Therefore, we changed the calculation in 2022 to include the actual volume of new business.

Strategic CSR goal	Indicator[1]	Starting value **31/12/2019**	As at **31/12/2021**	As at **31/12/2022**
We aim for climate neutrality	Reduction of the carbon footprint per employee to 2.0 t CO_2 equivalents[4]	0.9 t CO_2 equivalents	0.9 and/or 2.3 t CO_2 equivalents[2]	2.4 t CO_2 equivalents
	Total energy consumption decreases to 7.2 GWh by 2025	7.6 GWh	7.2 GWh	8.3 GWh
We develop our properties into green buildings	At least five green building structural measures p.a.	✓	✓	✓
We are members of ESG networks	UN Global Compact	✓	✓	✓
	respACT – austrian business council for sustainable development	✓	✓	✓
	Verantwortung zeigen!	✓	✓	✓
	WWF Climate Group	✓	✓	✓
We contribute to equal opportunity in society	At least five financial literacy measures per year	✓	✓	✓

[1] The indicator refers in each case to 2025. If there is an annual target, this is indicated separately in the indicator.
[2] In 2021, the database for the calculation was significantly enlarged. The CO_2 footprint per employee of 0.9 t CO2 equivalents is the one we would have achieved without enlarging the database. 2.3 t CO_2 equivalents is the new total value. We therefore defined a new target of 2.0 t CO2 equivalents per employee in 2022.

Research and development

BKS Bank AG does not engage in own research and development within the meaning of § 243 Business Code.

Outlook

Recession unlikely

In the fourth quarter of 2022, the forecasts for 2023 were still quite gloomy: fears of a global recession prevailed. At the start of the year, the prospects for the economy brightened somewhat. In its most recent publication, the International Monetary Fund (IMF) assumed a global economic growth rate of 2.9% for 2023. Support for the global economy was expected to also come from China's departure from its strict zero-Covid policy.

While the IMF expects the Chinese economy to grow by 5.2%, the growth forecasts for the US (1.4%) and Europe (0.7%) are much more subdued. The UK is likely to slip into recession.

Stagflation was forecast for Austria, with growth rates of 0.3% (WKO) and 0.4% (IHS). The domestic economy is likely to be held back by high energy costs and high inflation rates. The situation is not expected to ease before 2024. One encouraging indicator is that the unemployment rate in Austria is expected to remain low in 2023.

Calmer stock markets

Volatility on stock markets is expected to ease in 2023. Although market forecasts do not radiate optimism, it is precisely the low level of expectations that may create market opportunities in the event of good news. Investments in bonds are expected to see a broad recovery in the course of the year. As regards corporate bonds, the significant widening of risk premiums are expected to narrow and support prices. In the case of government bonds, especially European bonds, we expect yields to rise slightly in the first half of the year and therefore see declining prices. However, we expect to see a recovery later in the year in this segment as well. Industrial metals may rise steeply again in 2023, after having lost value, in some cases significantly, in the previous year due to recessionary fears.

Economic downturn dims growth prospects

After two years overshadowed by Covid-19 and lockdowns, the year 2022 was dominated by the Ukraine war. The very challenging past three years have had an impact on Austria's domestic economy which is also reflected in insolvency statistics. Therefore, the number of corporate bankruptcies more than doubled in the preceding year.

The signs are also pointing to a difficult economic year for 2023 marked by higher energy and commodity prices, high inflation and low consumption. Nonetheless, we started into the new financial year with optimism and will continue to work intensely to advance our corporate strategy in 2023. Overall, we are well prepared to meet the challenges of the coming months.

Impairment charges for losses on loans and advances key topic also in 2023

The budgets of Austrian businesses will continue to be burdened by rising costs in 2023. Therefore, we expect higher impairment charges for losses on loans and advances, and subdued demand for loans. As regards home loans, we expect to see the stringent lending guidelines to be relaxed in Austria.

The lending business has gained traction as a consequence of the ECB's hike in key lending rates. Interest rate hikes are expected to continue until the summer months, but after this the ceiling should be reached. As interest rate levels change, the challenge will be to closely monitor margins in the lending and deposit business.

We also believe there is growth potential in the services business. Payment services will be a reliable source of income in 2023, as in preceding years. This achievement results from our solid planning and our innovative products. In the securities business we expect a trend reversal – following the turmoil of the year 2022 – and an overall improvement in earnings. With the introduction of investment advisory services in Slovenia, we hope to see earnings growth in this business area too.

Investments in digital transformation

For 2023, we will continue to work on our digital transformation and have made great progress with a number of projects in recent months such as the standardisation of the IT landscape throughout the Group. We are working intensely on the preparations to finalize the migration of Slovenia's IT landscape to the core systems of 3Banken-IT in 2024. This enormous task is one of the largest IT projects we have ever implemented. Part of this project involves an overhaul of processes and their standardisation. The aim is to reduce redundancies, lower costs and enable more efficient processes.

Greater efficiency is also the aim in the case of the digitisation of the high cost corporate lending process. The challenge is to introduce a high degree of automation to a highly complex process. Since there are many factors to consider, especially in corporate banking, we are approaching this issue with great care and following our proven step-by-step approach. The goal is to considerably simplify the process and become generally more efficient and faster.

Another digitisation project is in the process of finalisation in the securities business: retail customers will soon be able to open securities accounts online. New and current customers now have the option of opening a securities account and furnishing proof of identity on our innovative platform BKS Interact.

We are also setting new standards in the leasing business: Soon almost all of our offers, from vehicles to production equipment, will be available online. Current and new customers will be able to conclude lease contracts completely online.

We finalised one strategic project at the beginning of the year, namely the launch of our leasing company in Serbia. We believe there is enormous potential in this market and plan to gradually strengthen and expand our leasing business in the coming months.

Strengthen pioneering role in sustainability

Sustainability remains one of our core topics. We have long since established sustainability in all of its facets in our corporate culture and are proud to have been named Austria's most sustainable bank in the preceding year and to have received the Green Brand label. We believe these achievements are confirmation of our work as well as an incentive to continue to strive for top performance.

In 2023, we plan to continue to develop in many areas of sustainability. This year, for example, we announced the issuance of additional green bonds and the launch of a new green savings product. We also plan to offer new, socially sustainable lending products and develop further properties into green buildings with ÖGNI certification.

Internally, we also have a lot of work to do to meet the Green Finance Alliance's 2023 targets and develop a roadmap to decarbonization including the policies needed to achieve this objective. We consider it enormously important to increase the volume of ESG financial products in BKS Bank's asset management in Austria and Slovenia and to move the decarbonisation of our products forward and align our treasury portfolio with the goals of the Paris Accord.

Optimistic outlook for full year 2023

Business performance in the first two months of the new financial year was excellent. We are well aware that the achievement of our corporate strategy may be impacted by turmoil on markets, economic downturns, regulatory changes, geopolitical events and also competition.

Still, we are optimistic that our tried-and-tested business model, solid equity base and strong market position will enable us to continue our expansion geared to the goal of sustainability.

We expect to see another year of solid earnings in 2023. In conjunction with the capital increase planned for the first half of the year, we will strengthen our equity base and be well prepared for further growth.

Klagenfurt am Wörthersee, 10 March 2023

Herta Stockbauer
Chairwoman of the Management Board

Dieter Kraßnitzer
Member of the
Management Board

Alexander Novak
Member of the
Management Board

Nikolaus Juhász
Member of the
Management Board

The 1970s were a period of expansion: Within ten years, 21 branches and branch offices of BKS Bank were opened in Carinthia.

To offer our banking services before the new branches were completed, buses were converted into mobile branches.

100 years of accountability and support

06. Consolidated Financial Statements

BKS Bank

A comprehensive commemorative publication documents the entire history of BKS Bank for the first time.

100 years of accountability and support

The Graz branch at Kaiserfeldgasse 15 was the first BKS Bank branch outside of Carinthia.

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Consolidated Statement of Comprehensive Income for the Financial Year 2022

Income Statement

in €k	Notes	2021	2022	± in %
Interest income applying the effective interest rate method		144,685	160,711	11.1
Other interest income and other similar income		22,222	25,743	15.8
Interest expenses and other similar expenses		-27,989	-29,866	6.7
Net interest income	**(1)**	**138,918**	**156,588**	**12.7**
Impairment charges	(2)	-32,389	-25,898	-20.0
Net interest income after impairment charges		**106,529**	**130,690**	**22.7**
Fee and commission income		73,216	74,948	2.4
Fee and commission expenses		-6,113	-6,775	10.8
Net fee and commission income	**(3)**	**67,103**	**68,173**	**1.6**
Profit/loss from investments accounted for using the equity method	(4)	44,959	20,676	-54.0
Net trading income	(5)	785	-1,178	>-100
General administrative expenses	(6)	-123,956	-136,013	9.7
Other operating income	(7)	10,312	15,909	54.3
Other operating expenses	(7)	-14,996	-11,639	-22.4
Profit/loss from financial assets/liabilities		**5,454**	**-8,051**	**>-100**
•Profit/loss from financial instruments designated at fair value	(8)	170	1,977	>100
• Profit/loss from financial assets measured at fair value through profit/loss (mandatory)	(9)	4,168	-8,885	>-100
• Profit/loss from derecognition of financial assets measured at amortised cost	(10)	1,404	-626	>-100
• Other profit/loss from financial assets/liabilities	(11)	-288	-517	-79.7
Profit/loss for the year before tax		**96,190**	**78,567**	**-18.3**
Income tax	(12)	-12,931	-15,006	16.0
Profit/loss for the year		**83,259**	**63,561**	**-23.7**

The accounting policy for investment property was changed in the financial year 2022. The figures for the preceding year were adjusted pursuant to IAS 8. The changes implemented in accordance with IAS 8 are described in the chapter “Changes in accounting policy for investment property”.

Other comprehensive income

in €k	2021	2022	± in %
Profit/loss for the year	**83,259**	**63,561**	**-23.7**
Other comprehensive income	**11,316**	**9,435**	**-16.6**
Items not reclassified to profit or loss for the year	**11,369**	**17,551**	**54.4**
± Actuarial gains/losses in conformity with IAS 19	2,959	851	-71.2
± Deferred taxes on actuarial gains/losses in conformity with IAS 19	-737	-617	16.4
± Changes in the fair value of equity instruments measured at fair value	7,060	10,879	54.1
± Deferred taxes on changes in fair value of equity instruments measured at fair value	-1,765	-1,991	-12.8
± Fair value changes due to the default risk of financial liabilities measured at fair value through profit/loss (designated)	388	985	>100
± Deferred taxes on fair value changes of financial liabilities designated at FV PL attributable to own credit risk (designated)	-97	-199	>-100
± Share of income and expenses of associates in OCI and accounted for using the equity method	3,561	7,643	>100
Items reclassified to profit or loss for the year	**-53**	**-8,116**	**>-100**
± Exchange differences	23	-13	>-100
± Changes in the fair value of debt instruments measured at fair value	-1,230	-5,544	>-100
± Net change in fair value	-1,230	-5,544	>-100
± Reclassified to profit or loss	-	-	-
± Deferred taxes on changes to the fair value of debt instruments measured at fair value	308	1,310	>100
± Share of income and expenses of associates reported in OCI and accounted for using the equity method	847	-3,869	>-100
Total comprehensive income	**94,575**	**72,996**	**-22.8**

Earnings and dividend per share

	2021	2022
Average number of shares in issue	42,076,156	42,174,033
Dividend per share in euro	0.23	0.25
Earnings per share in EUR (undiluted)	1.91	1.44
Earnings per share in EUR (diluted)	1.91	1.44

The indicator 'earnings per share' compares consolidated profit for the year with the average number of no-par shares in issue. In the reporting period, earnings per share and diluted earnings per share were the same, because no financial instruments with a dilution effect on the shares were issued. To calculate earnings per share, the coupon payment on the tier 1 bonds issued in an amount of EUR 4.0 million (pr. yr.: EUR 4.0 million) is deducted from the net profit for the year of EUR 63.6 million (pr. yr.: EUR 83.3 million) taking into account the tax effects, therefore, the calculation of the indicator is based on a net profit for the year of EUR 60.6 million (pr. yr.: EUR 80.3 million).

Consolidated balance sheet for the period ended 31 December 2022

Assets

in €k	Notes	01/01/2021	31/12/2021	31/12/2022	± in %
Cash and balances with the central bank	(13)	1,102,688	1,479,418	849,015	-42.6
Receivables from other banks	(14)	282,770	94,582	253,618	>100
Receivables from customers	(15)	6,569,965	6,958,625	7,175,340	3.1
Trading assets	(16)	10,526	8,561	13,946	62.9
Debt securities and other fixed-interest securities	(17)	917,599	999,561	1,123,812	12.4
Shares and other non-interest-bearing securities	(18)	153,426	154,548	150,240	-2.8
Investments in entities accounted for using the equity method	(19)	661,538	709,256	727,275	2.5
Intangible assets	(20)	10,153	9,655	9,319	-3.5
Property, plant and equipment	(21)	80,022	81,692	75,676	-7.4
Investment property	(22)	62,975	78,367	92,974	18.6
Deferred tax assets	(23)	5,583	6,209	6,010	-3.2
Non-current assets held for sale	(24)	-	-	29,458	-
Other assets	(25)	17,391	22,026	26,365	19.7
Total assets		**9,874,636**	**10,602,500**	**10,533,048**	**-0.7**

Shareholders’ equity and liabilities

in €k	Notes	01/01/2021	31/12/2021	31/12/2022	± in %
Payables to other banks	(26)	899,929	826,912	930,977	12.6
Payables to customers	(27)	6,542,245	7,142,532	6,823,793	-4.5
• thereof savings deposits		1,401,674	1,351,180	1,258,886	-6.8
• of which other payables		5,140,571	5,791,352	5,564,907	-3.9
Liabilities evidenced by paper	(28)	647,463	732,523	783,616	7.0
• of which at fair value through profit or loss		63,429	56,999	35,336	-38.0
Trading liabilities	(29)	13,711	7,886	5,250	-33.4
Provisions	(30)	129,434	119,385	122,281	2.4
Deferred tax liabilities	(23)	-	3,872	7,565	95.4
Other liabilities	(31)	51,440	48,442	51,034	5.4
Subordinated debt capital	(32)	209,583	240,942	264,719	9.9
Equity	(33)	1,380,831	1,480,006	1,543,813	4.3
Total shareholders' equity and liabilities		**9,874,636**	**10,602,500**	**10,533,048**	**-0.7**

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity 2022

in €k	Subscribed capital	Capital reserves	Exchange differences	Fair value reserves	Retained earnings	Profit/loss for the year	Additional equity instruments [1]	Equity
As at 01/01/2022	**85,886**	**241,416**	**-351**	**34,327**	**970,270**	**83,259**	**65,200**	**1,480,006**
Distribution						-9,700		-9,700
Coupon payments on additional equity instruments						-3,971		-3,971
Taken to retained earnings					69,587	-69,587		-
Profit/loss for the year						63,561		63,561
Other comprehensive income			77	4,260	5,098			9,435
Capital increase								-
Effect of the equity method					2,012			2,012
Change in treasury shares					2,487			2,487
Issuance of additional equity instruments								-
Reclassification				-399	399			-
Other changes					-16			-16
As at 31/12/2022	**85,886**	**241,416**	**-274**	**38,188**	**1,049,836**	**63,561**	**65,200**	**1,543,813**

Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method)	31,863
Deferred tax reserve	-7,329

[1] All additional tier 1 notes issued were classified as equity in conformity with IAS 32.

Consolidated statement of changes in equity 2021

in €k	Subscribed capital	Capital reserves	Exchange differences	Fair value reserves	Retained earnings	Profit/loss for the year	Additional equity instruments[1]	Equity
As at 31/12/2020	**85,886**	**241,416**	**-752**	**26,022**	**879,451**	**74,748**	**55,900**	**1,362,671**
Effects of IAS 40 amendment					18,160			18,160
As at 01/01/2021 after IAS 40 amendment	**85,886**	**241,416**	**-752**	**26,022**	**897,611**	**74,748**	**55,900**	**1,380,831**
Distribution						-5,047		-5,047
Coupon payments on additional equity instruments						-3,971		-3,971
Allocation to retained earnings					65,730	-65,730		-
Profit/loss for the year						83,259		83,259
Other comprehensive income			401	7,486	3,429			11,316
Capital increase								-
Effect of the equity method					2,685			2,685
Change in treasury shares					1,289			1,289
Issuance of additional equity instruments							9,300	9,300
Reclassification				820	-820			-
Other changes					345			345
As at 31/12/2021	**85,886**	**241,416**	**-351**	**34,327**	**970,270**	**83,259**	**65,200**	**1,480,006**

Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method)	27,147
Deferred tax reserve	-6,787

1) The additional tier 1 bonds issued were classified as equity in conformity with IAS 32.

For more details, please refer to Note (33) Shareholders' equity.

Consolidated Statement of Cash Flows

Cash flows

in €k	2021	2022
Profit/loss for the year	**83,259**	**63,561**
Non-cash items in profit/loss for the year and reconciliation to net cash flow from operating activities		
• Depreciation, amortisation and impairment charge on receivables, and property, plant and equipment	39,639	33,314
• Changes in provisions	4,175	11,158
• Gains and losses on disposals	-118	-2,856
• Changes to fair value of investment property	-1,852	-2,688
• Changes in other non-cash items	-18,028	6,053
• Profit/loss shares in entities accounted for using the equity method	-44,959	-20,676
Net interest income	-138,918	-156,588
Tax expenses	12,932	15,006
Subtotal	**-63,870**	**-53,716**
Change in assets and liabilities from operating business activities after correction for non-cash items		
• Receivables from banks and customers	-227,985	-435,227
• Other assets	-5,181	-1,641
• Payables to banks and customers	528,540	-218,864
• Provisions and other liabilities	-8,764	-10,729
Interest received	162,971	182,669
Interest paid	-33,509	-24,703
Dividends received	3,532	3,482
Income tax paid	-14,796	-13,969
Cash flow from operating activities	**340,938**	**-572,698**
Cash inflow from sales and repayment of:		
• Debt securities and other fixed-interest securities	70,461	198,966
• Shares and other non-interest-bearing securities	48,882	27,350
• Fixed assets owned	353	864
• Entities accounted for using the equity method	-	1,998
Cash outflow for purchases of:		
• Debt securities and other fixed-interest securities	-154,689	-327,743
• Shares and other non-interest-bearing securities	-37,737	-19,285
• Fixed assets owned	-5,659	-10,585
• Investment property	-8,134	-3,743
Dividends from entities accounted for using the equity method	4,335	6,447
Cash flow from investing activities	**-82,188**	**-125,731**
Dividend distributions	-5,047	-9,700
Proceeds from issues of additional equity components	9,300	-
Coupon payments on additional equity instruments	-3,971	-3,971
Repurchased treasury shares	-284	-1,500
Inflows from the sale of treasury shares	1,573	3,987
Cash inflow from subordinated liabilities and liabilities evidenced by paper	208,727	146,220
Cash outflow on subordinated liabilities and liabilities evidenced by paper	-89,750	-64,300
Payouts for lease liabilities	-2,674	-2,711
Cash flow from financing activities	**117,873**	**68,025**
Cash and cash equivalents at close of preceding year	**1,102,688**	**1,479,418**
Cash flow from operating activities	340,938	-572,698
Cash flow from investing activities	-82,188	-125,731
Cash flow from financing activities	117,873	68,025
Effect of exchange rates on cash and cash equivalents	106	1
Cash and cash equivalents at end of reporting year	**1,479,418**	**849,015**

Notes to the Consolidated Financial Statements of BKS Bank

Material Accounting Policies

I. General information
BKS Bank AG is headquartered at St. Veiter Ring 43, 9020 Klagenfurt am Wörthersee, Austria. As the parent of the BKS Bank Group, it prepares its consolidated financial statements in accordance with the principles of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU for the 2022 financial year as exempting consolidated financial statements within the meaning of § 59a Banking Act. Furthermore, the requirements of § 245a para 1 Business Code are met.

BKS Bank was founded in Klagenfurt in 1922 as Kärntner Kredit- und Wechsel-Bankgesellschaft Ehrfeld & Co. After years of preparation, the limited partnership was transformed into the stock corporation, "Bank für Kärnten", in 1928. The decision to enter the Styrian market was taken in 1983. BKS Bank AG's ordinary no-par shares have been listed on the Vienna Stock Exchange since 1986 and are traded on the segment 'standard market auction'. BKS Bank has had branches in Vienna since 1990. In 2003, it began developing the markets in Burgenland and Lower Austria. Outside of Austria, it also operates in Slovenia, Croatia, Slovakia, and northern Italy. BKS Bank AG together with Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV AG) form the 3 Banken Group. The alliance in the 3 Banken Group gives the banks the strength of a major bank combined with the flexibility and market presence of a regional bank.

As a credit institution based in Austria, our purpose is to support entrepreneurs and private individuals in their financial transactions and thus be a reliable partner for the business sector and society. As a regional bank with local ties that cares about people, we offer excellent advice, services and products, and a network based on common values.

The Management Board of BKS Bank AG signed the consolidated financial statements on 10 March 2023 and approved them for submittal to the Supervisory Board. The Supervisory Board has the task of examining the consolidated financial statements and stating whether it approves these. Up to the time of sign-off, there were no reasons to doubt that the company would continue as a going concern.

II. Effects of new and amended standards
The accounting policy for investment property was changed in the financial year 2022. The changes implemented are described in the section "Changes in accounting policy for investment property". With the exception of the revised standards and interpretations effective for the financial year under review, the financial reporting policies applied in the 2021 financial year were retained in 2022. The figures of comparison for the previous year are based on the corresponding requirements. Standards announced but not yet effective for the financial year under review were not applied.

Applicable standards/amendments from 01/01/2022

Standard/Amendment	Effective for financial years beginning on or after this date	Endorsement by the EU
IAS 16 – Property, plant and equipment (Amendment)	01/01/2022	July 2021
IAS 37 – Provisions (Amendment)	01/01/2022	July 2021
IFRS 3 – Business Combinations (Amendment)	01/01/2022	July 2021
Annual improvements to IFRS standards - 2018-2020 cycle	01/01/2022	July 2021

IAS 16 - Proceeds before Intended Use

The amendments to IAS 16 relate to the treatment of revenue arising before an item of property, plant and equipment is ready for use. Accordingly, it is not permitted to deduct from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract

The amendments to IAS 37 specify which costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Costs of fulfilling a contract are those that relate directly to the contract. This means costs of fulfilling that would not be incurred without the contract (incremental costs) as well costs that relate directly to fulfilling contracts.

IFRS 3 – Business Combinations

The amendment to IFRS 3 updates a reference to the Conceptual Framework, but does not significantly change the requirements in the standard.

Annual improvements to IFRS standards - 2018-2020 cycle

The annual improvements to IFRSs include amendments to the following standards:
- IAS 41 Agriculture - Consistency of fair value measurement with IFRS 13 Fair value measurement
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Treatment of Cumulative Exchange Differences on First-time Adoption of IFRS by a Subsidiary
- IFRS 9 Financial Instruments - Determination of Fees to be Included in the 10% Test for Assessing Derecognition of Financial Liabilities
- IFRS 16 Leases - Amendment to IE: 13 Lease Incentives

These amendments do not have any material effects on the consolidated financial statements.

Standards/amendments applicable from 01/01/2023

Standard/Amendment	Effective for financial years beginning on or after this date	Endorsement by the EU
IAS 1 - Presentation of financial statements (Amendment)	01/01/2023	March 2022
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)	01/01/2023	March 2022
AS 12 – Income Taxes (Amendments)	01/01/2023	August 2022
IFRS 17 – Insurance Contracts and Amendments	01/01/2023	November 2021
IFRS 17 – Insurance Contracts and Amendments	01/01/2023	September 2022

IAS 1 - Presentation of Financial Statements: Disclosure of Accounting Policies (Amendments)

In February 2021, the IASB issued Disclosure of Accounting Policies. These amendments to IAS 1, plus the additional guidance provided in the accompanying material, specify in more detail to what extent accounting policies have to be explained in financial statements. In the future, entities will be required to disclose only material accounting policies instead of significant accounting policies. The new criteria set out in IAS 1.117 define when an accounting policy has to be considered material. We do not expect these changes, which will be effective for annual reporting periods beginning on or after 1 January 2023, to have any effects on the consolidated financial statements. However, adjustments might be required with respect to the accounting policies published so far in the Notes.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments to IAS 8 clarify how to distinguish changes in accounting policies from changes in accounting estimates. These amendments were published by the IASB in February 2021 and will be effective for annual reporting periods beginning on or after 1 January 2023. We do not expect these amendments to have any effects on the consolidated financial statements.

IAS 12 – Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments)

This amendment results in the initial recognition exemption set out in paragraphs 15(b) and 24 of IAS 12 no longer applying to transactions that give rise to both an asset and liability on initial recognition and may result in temporary differences of the same amount. We do not expect this amendment, which will become effective as of 1 January 2023, to have any material effects.

IFRS 17 - Insurance Contracts

The new standard IFRS 17, which was issued by the IASB already back in May 2017, enters into force as of 1 January 2023, replacing the “transition standard” IFRS 4, which had been in effect so far. The new standard provides comprehensive regulations concerning the principles for identification, recognition, measurement, disclosure and presentation of insurance contracts in the Notes, eliminating the lack of uniformity regarding the rules for the accounting of insurance contracts. A first analysis of existing contracts showed that these contracts do not fall within the scope of application of IFRS 17. For this reason, we do not expect the coming into effect of IFRS 17 to have any material effects on the consolidated financial statements.

IFRS 17 - Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments)

1 January 2023 also marked the coming into effect of an amendment to IFRS 17. This amendment enables entities to resolve mismatches in the presentation of comparative information on initial application of IFRS 17 and IFRS 9. We do not expect this amendment to have any effects.

Standards/amendments to be applied from 01/01/2024 or later

Standard/Amendments	Effective for financial years beginning on or after this date	Endorsement by the EU
IAS 1 - Presentation of financial statements (Amendment)	01/01/2024	Outstanding
IFRS 16 – Leases (Amendments)	01/01/2024	Outstanding

The amendments mentioned above are not expected to result in any material changes to the consolidated financial statements.

III. Recognition and Measurement

General

The financial statements were prepared in euro (functional currency). All figures in the following Notes to the consolidated financial statements are rounded to thousand euro unless otherwise specified. The balance sheet is arranged in descending order of liquidity. A going concern was assumed in the preparation of the financial statements.

Group of consolidated companies

Besides BKS Bank AG, the consolidated financial statements account for a total of 14 entities (11 consolidated, two accounted for using the equity method and one accounted for on a proportionate basis). Consolidation applies to all entities, which, pursuant to IFRS 10 Consolidated Financial Statements, are included in the consolidated financial statements and controlled by BKS Bank AG, provided the influence on an entity’s assets, financial position and profit and loss is not of minor significance.

A controlling interest is deemed given when BKS Bank AG is exposed to variable returns from its share in the investee and/or holds rights to returns and is able to exert an influence over these returns by using its power over the investee. Materiality is judged based on, among other aspects, the total assets and number of employees, and in the case of associates, based on the proportionate equity held. Pursuant to IFRS 3 Business Combinations, initial consolidation is based on the purchase method.

There were no changes to the group of consolidated companies as compared to the preceding year.

Consolidated entities

BKS Bank AG as the parent company has the decision-making power to affect the variable returns in respect of the companies listed below.

Consolidated entities

Company	Head office	Direct equity interest	Indirect equity interest	Date of financial statements
BKS-Leasing Gesellschaft m.b.H.	Klagenfurt	99.75%	0.25%	31/12/2022
BKS-leasing d.o.o.	Ljubljana	100.00%	-	31/12/2022
BKS-leasing Croatia d.o.o.	Zagreb	100.00%	-	31/12/2022
BKS-Leasing s.r.o.	Bratislava	100.00%	-	31/12/2022
IEV Immobilien GmbH	Klagenfurt	100.00%	-	31/12/2022
Immobilien Errichtungs- u. Vermietungsgesellschaft m.b.H. & Co. KG	Klagenfurt	100.00%	-	31/12/2022
BKS 2000 - Beteiligungsverwaltungsgesellschaft mbH	Klagenfurt	100.00%		31/12/2022
BKS Zentrale-Errichtungs- u. Vermietungsgesellschaft m.b.H.	Klagenfurt	-	100.00%	31/12/2022
BKS Immobilien-Service Gesellschaft m.b.H.	Klagenfurt	100.00%	-	31/12/2022
BKS Service GmbH	Klagenfurt	100.00%	-	31/12/2022
E 2000 Liegenschaftsverwertungs GmbH	Klagenfurt	99.00%	1.00%	31/12/2022

Entities accounted for using the equity method

The following entities were classified as associates within the meaning of IAS 28, because we exercise a significant influence on those entities' financial and business policy decisions:

Entities accounted for using the equity method

Company	Head office	Direct equity interest	Date of financial statements
Oberbank AG	Linz	14.2%	30/09/2022
Bank für Tirol und Vorarlberg Aktiengesellschaft	Innsbruck	12.8%	30/09/2022

With respect to Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, we would like to point out that although BKS Bank had equity and voting interests of less than 20% in those banks, namely 14.2% and 12.8%, respectively, the exercise of voting rights was governed by syndicate agreements. These agreements allow participation in the two banks' financial and business policy decisions without having a controlling interest in them. Because of the circular shareholdings between BKS Bank AG, Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, and also considering that the consolidated financial statements of the partner banks are prepared simultaneously, the reporting date 30 September 2022 applies when considering these reports in the consolidated financial statements of BKS Bank. The financial statements of the associates are adjusted for the effects of material transactions or events between the reporting date of the associated companies on 30 September and the reporting date of the Group on 31 December. In December 2022, Bank für Tirol und Vorarlberg Aktiengesellschaft carried out a capital increase. BKS Bank AG did not participate in this capital increase, a fact which gave rise to a dilutive effect in the amount of EUR -9.4 million.

Entities accounted for on a proportionate basis

Pursuant to the provisions of IFRS 11, the investment in ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT M.B.H. (ALGAR) required classification as a joint operation and was, therefore, accounted for on a proportionate basis.

Entities accounted for on a proportionate basis

Company	Head office	Direct equity interest	Date of financial statements
ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H.	Linz	25.0%	31/12/2022

Other entities not included in the consolidation

Based on our own discretion, the following entities in which BKS Bank held stakes of over 20% were not included in the consolidated financial statements on the grounds of the aforementioned immateriality provisions.

Other entities not included in the consolidation

Company	Head office	Direct equity interest	Indirect equity interest	Date of financial statements
3 Banken IT GmbH	Linz	30.00%	-	31/12/2022
VBG Verwaltungs- und Beteiligungs GmbH	Klagenfurt	100.00%	-	31/12/2022
PEKRA Holding GmbH	Klagenfurt	100.00%	-	31/12/2022
3 Banken Versicherungsmakler Gesellschaft m.b.H.	Innsbruck	30.00%	-	31/12/2022

Performance of the foreign subsidiaries and branches

Foreign subsidiaries and branches as at 31 December 2022

in €k	Net interest income	Operating income	Number of employees (FTE)	Profit/loss for the year before tax	Income tax
Branches abroad					
Slovenia Branch (banking branch)	15,299	24,238	131.3	8,402	-1,892
Croatia Branch (banking branch)	7,857	13,627	68.0	2,982	-2,133
Slovakia Branch (banking branch)	2,900	3,386	31.3	-150	-417
Subsidiaries					
BKS-leasing d.o.o., Ljubljana	6,327	6,936	19.5	2,858	-535
BKS-leasing Croatia d.o.o., Zagreb	3,215	3,523	14.9	1,055	-193
BKS-Leasing s.r.o., Bratislava	2,318	2,532	14.1	612	-124

Foreign subsidiaries and branches as at 31 December 2021

in €k	Net interest income	Operating income	Number of employees (FTE)	Profit/loss for the year before tax	Income tax
Branches abroad					
Slovenia Branch (banking branch)	10,745	19,536	129.7	5,338	-1,571
Croatia Branch (banking branch)	9,873	11,109	65.2	-11,523	2,065
Slovakia Branch (banking branch)	2,711	3,448	28.8	560	-375
Subsidiaries					
BKS-leasing d.o.o., Ljubljana	5,454	6,339	19.5	3,210	-606
BKS-leasing Croatia d.o.o., Zagreb	2,767	3,135	14.6	944	-172
BKS-Leasing s.r.o., Bratislava	1,971	1,994	13.8	664	-150

Foreign currency translation

Assets and liabilities denominated in foreign currencies were generally translated at the ECB exchange rates valid at the balance sheet date. The financial statements of subsidiaries that were not prepared in euro were translated using the closing rate method. Within the Group, there is just one Croatian company that did not prepare its financial statements in euro, but in Croatian kuna (HRK). Its assets and liabilities were translated at the exchange rates valid at the balance sheet date, while expenses and income were translated applying the average exchange rate for the respective period. The resulting exchange differences were recognised in Other comprehensive income and exchange differences were recognised as a component of equity.

Impact of the coronavirus pandemic on recognition and measurement

Statutory moratoria and voluntary deferrals

The measures imposed by the government during the pandemic have expired, and no more private moratoria are currently being granted in Austria and abroad. Of the loan deferrals granted in 2020, the credit volume affected by EBA-compliant deferrals since year-end 2021 dropped from EUR 21.7 million to EUR 8.9 million (31 December 2020: EUR 282.5 million). Furthermore, bridge loans backed by government guarantees amounted to EUR 73.1 million at the end of 2022 (31 December 2021: EUR 99.7 million). BKS Bank did not suffer any significant losses on account of these measures.

Expected credit loss

In the past two years, the coronavirus pandemic caused us to subject the sectors most severely hit by the crisis to a collective stage transfer, migrating the respective portfolios to stage 2. Following in-depth analysis, we began, in the third quarter of 2021, to cease the collective stage transfer for certain sectors, and no sector was migrated to stage 2 after the second quarter of 2022.

In the second quarter of 2022, the forward-looking information was updated based on forecasts published by Bloomberg and used as the basis for the ECL calculation as of June 2022. In an effort to map the expected economic downturn overall in expected credit loss, we adjusted the probabilities of default in the Corporate and Business Banking segment as of the end of September 2022.

To be able to assess the extent of the indirect effects of the war and to respond accordingly, BKS Bank, in September 2022, carried out a systematic analysis of specific customers affected by the crisis. The analysis showed that more than a third of the customers surveyed were significantly affected by the hike in energy and commodity prices and rising inflation. While, in most cases, this did not have any immediate impact on the respective companies' business in the reporting period, this was due mainly to the easing of energy price trends and energy supply problems witnessed in the fourth quarter. BKS Bank introduced close-meshed monitoring to keep abreast of how the business of customers severely affected by the crisis developed. Furthermore, the forward-looking information was updated once again in December 2022 based on forecasts published by Bloomberg.

Impact of the climate crisis on recognition and measurement

The issue of climate change has had a strong influence on our business model in recent years, as we focus on businesses that contribute positively to the further development of our society, the preservation of the environment, climate protection or adaptation to climate change. Financing investments with an environmental or social purpose is an important contribution to climate change mitigation, which is why BKS Bank seeks to expand the volume of financing with a sustainable purpose, just as much as the volume of green social and sustainability bonds it issues. BKS Bank joined the Green Finance Alliance in 2022. One of the main goals of the initiative is to align loan and investment portfolios with the goals of the Paris Climate Accord. However, in the coming years, the issue of climate change will not only be reflected in our business model, but the resulting risks and opportunities may also have an impact on BKS Bank's financial position, financial performance, and cash flows. 2022 once again saw ESG risks and opportunities being evaluated within the scope of the risk assessment process, being included in the risk strategy and assessed at customer and portfolio level using soft facts and an ESG risk scoring tool. At Credit Risk jour fixe and ALM Management Committee meetings, ESG risks and opportunities were broadly discussed with the Management Board, assessed and taken into account in business decisions.

The integration of ESG factors into collateral management was still ongoing in 2022. However, no significant risks due to climate change had to be taken into account for the preparation of the 2022 financial statements.

Changes in accounting policy for investment property

In the financial year 2022, BKS Bank decided to change its accounting policy for investment property. Until then, such property had been measured using the cost method. BKS Bank decided to adopt the fair value model in order to be able to disclose, in accordance with IAS 40, more reliable and pertinent property information on its balance sheet than can be provided using the cost method.

In accordance with IAS 8, the changes in accounting policy were applied retrospectively. The difference, after taxes, between the carrying value and the fair value of investment property, in the amount of EUR 18.2 million, was recognised through other comprehensive income in retained earnings as at 1 January 2021. Retrospective application resulted in changes in the comparative figures for 2021: the depreciation previously recognised on the basis of the cost model was replaced by measurement at fair value and recognition in other comprehensive income. Consequently, the following adjustments were necessary in the relevant items of the consolidated statement of comprehensive income and the consolidated balance sheet for the financial year 2021:

General administrative expenses

in €k	*2021*	*2021 adjusted*	± in %
Staff costs	74,750	74,750	-
• Wages and salaries	54,526	54,526	-
• Social insurance costs	13,538	13,538	-
• Costs of retirement benefits	3,472	3,472	-
• Other social expenses	3,214	3,214	-
Other administrative costs	38,640	38,640	-
Depreciation/amortisation	11,956	10,566	-11.6
General administrative expenses	**125,346**	**123,956**	**-1.1**

Other operating income/expenses

in €k	2021	2021 adjusted	± in %
Other operating income	8,460	10,312	21.9
Other operating expenses	-14,996	-14,996	-
Other operating income/expenses	**-6,536**	**-4,684**	**-28.3**

Income tax

in €k	2021	2021 adjusted	± in %
Current taxes	-12,012	-12,012	-
Deferred taxes	-178	-920	>-100
Income tax	**-12,189**	**-12,931**	**6.1**

Investment property

in €k	31/12/2021	2021 adjusted	± in %
Investment property	**52,557**	**78,367**	**49.1**

Deferred tax assets

in €k	31/12/2021	2021 adjusted	± in %
Deferred tax assets	**8,484**	**6,209**	**-26.8**

Deferred tax liabilities

in €k	31/12/2021	2021 adjusted	± in %
Deferred tax liabilities	**-**	**3,872**	**-**

Equity

in €k	31/12/2021	2021 adjusted	± in %
Subscribed capital	85,886	85,886	-
• Share capital	85,886	85,886	-
Capital reserves	241,416	241,416	-
Retained earnings and other reserves	1,066,845	1,087,504	1.9
Additional equity instruments (AT 1 bond)	65,200	65,200	-
Equity	**1,459,346**	**1,480,006**	**1.4**

The changes in accounting policy resulted in earnings per share (both diluted and undiluted) for the financial year 2021 changing from EUR 1.85 to EUR 1.91.

As at 31 December 2021, the changes in accounting policy resulted in an increase in shareholder's equity of EUR 20.7 million (EUR 18.2 million as at 1 January 2021, and EUR 2.5 million as at 31 December 2021). The common equity tier 1 capital ratio thus rose from 13.0% to 13.4%.

Notes on individual items of the balance sheet

Cash and balances with the central bank

These items consist of cash and balances with the central bank. They were measured at amortised cost.

Financial instruments pursuant to IFRS 9

A financial instrument is a contract, which for the one contractual partner gives rise to a financial asset, and for the other contractual partner, a financial liability or equity. Cash transactions are recognised and derecognised at their settlement dates.

Financial assets and liabilities must be classified at the time of recognition. They are initially measured at fair value, which, as a rule, is at cost. The classification is the basis for the subsequent measurement on the assets side and on the liabilities side of the balance sheet.

Pursuant to IFRS 9, **financial assets** are measured as follows on initial recognition:
- at amortised cost
- designated at fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVPL)

The classification of financial assets is based first, on the business model under which the financial assets are managed, and second, on the characteristics of the contractual cash flows relating to the financial assets (cash flow terms - SPPI test).

BKS Bank uses a benchmark test to ascertain if a contractual cash flow consists only of interest and principal payments, and therefore, passes the SPPI test. All new contracts and all amendments to existing contracts are reviewed to see if the contract contains components (covenants) that fail to pass the SPPI test (qualitative benchmark test). BKS Bank uses a quantitative benchmark test to check compliance with the SPPI criteria for new contracts with mismatching interest rate components. A mismatch occurs when the tenor of the reference rate does not coincide with the frequency of interest rate adjustments. However, this does not necessarily result in a failure to pass the SPPI test.

Based on the quantitative benchmark test, the contractual cash flows at the time of inflow of the financial instrument to be classified are compared with the cash flows of a benchmark instrument. The terms of the benchmark instrument correspond to those of the financial instrument to be classified, except for contracts with mismatching interest rate components. If this comparison reveals a significant deviation in cash flows (>10%), the SPPI test is deemed failed, and the financial instrument is measured at fair value through profit or loss.

Financial instruments measured at amortised cost

Classification at amortised cost means that the financial assets are held within a business model whose objective is to hold the financial assets to collect their contractual cash flows. Furthermore, the SPPI test requires the contractual cash flows to consist only of principal and interest payments. Subsequent measurement at amortised cost is applied to debt instruments. At BKS Bank, this measurement class applies to receivables from other banks, receivables from customers and debt securities. Under IFRS 9, impairments are recognised as impairment charges. Premiums and discounts are distributed across the life of the instrument and recognised in profit or loss using the effective interest rate method.

Financial instruments designated at fair value through other comprehensive income (FVOCI)
A financial asset is classified as at fair value through other comprehensive income (FVOCI) when the following conditions are met: The financial assets are held within a business model whose objective is to hold the financial assets to collect their contractual cash flows or sell the financial assets. In this case as well, the SPPI test requires that when financial assets are designated as FVOCI (mandatory), the contractual cash flows consist only of principal and interest payments. Subsequent measurement in other comprehensive income (OCI) may therefore apply to **debt instruments**. They are generally measured by applying stock exchange prices. If these are not available, the present value method is used. Changes in the fair value of these instruments are recognised in other comprehensive income with no effect on profit/loss. Only when a financial asset is sold is the cumulated gain or loss in other comprehensive income reclassified to profit or loss (FVOCI with recycling). At BKS Bank, debt instruments are reported in this category.

Under IFRS 9,**equity instruments** must generally be recognised at fair value through profit or loss (FVPL), as these do not meet the SPPI test. Upon initial recognition, an entity may irrevocably elect to recognise changes in the fair value of equity instruments not designated as held for trading in other comprehensive income (fair value OCI option). The BKS Bank Group uses this option and designates equity instruments (shares and other equity) as at fair value through other comprehensive income (FVOCI without recycling). If there is no market price, the main method applied to determine the fair value is the discounted cash flow method. For equity instruments that are designated at fair value through other comprehensive income (FVOCI) based on the election of the fair value OCI option, the fair value changes that occur over the life of the instrument are recognised in other comprehensive income (OCI). When an equity instrument is sold, the cumulated gain or loss recognised in other comprehensive income is not permitted to be reclassified to profit or loss (no recycling); reclassification to another equity item is permitted.

Financial instruments recognised at fair value through profit or loss (FVPL)
Financial assets that cannot be assigned to one of the abovementioned business models or that do not pass the SPPI test are recognised at fair value through profit or loss. As derivatives generally do not meet the SPPI test, these instruments must be measured as at fair value through profit or loss (FV PL mandatory). They are reported in the line item Trading assets/trading liabilities on the balance sheet. Revaluation gains and losses on the line item Trading assets and trading liabilities are recognised in the income statement under Net trading income. Apart from derivatives, BKS Bank also recognises loans and debt securities in this measurement class that do not meet the SPPI test, as well as equity instruments for which the fair value OCI option is not elected.

Irrespective of this, IFRS 9 offers the option of electing to irrevocably designate a financial asset upon initial recognition as at fair value through profit or loss (**fair value option**). A condition for such designation is that it must help eliminate or significantly lower measurement or recognition mismatches.

At BKS Bank, the fair value option is applied in individual cases for loans and debt securities. The designated instruments are recognised in the measurement class FVPL. The designation for the items is selected by the Asset/Liability Management Committee (ALM). These items are taken to profit or loss at their fair value (asset or liability and related derivative). The valuation result is reflected in the income statement under the item Net income from financial assets/liabilities in the sub-item Net income from financial instruments designated at fair value in the income statement.

The presentation of balance sheet items, measurement benchmark and category pursuant to IFRS 9 for the assets side is presented below for BKS Bank AG:

Assets

	Fair value	Amortised cost	Other	Category
Cash and balances with the central bank		✓	-	At amortised cost
Receivables from other banks		✓	-	At amortised cost
Receivables from customers		✓	-	At amortised cost
	✓		-	Designated at FVPL (fair value option)
	✓		-	FVPL mandatory
Trading assets	✓		-	FVPL mandatory
Debt securities and other fixed-interest securities		✓	-	At amortised cost
	✓		-	FVOCI mandatory (with recycling)
	✓		-	Designated at FVPL (fair value option)
	✓		-	FVPL mandatory
Shares and other non-interest-bearing securities	✓		-	Designated at FVOCI (without recycling)
	✓		-	FVPL mandatory

Pursuant to IFRS 9 **financial assets** are measured as follows upon initial recognition:
- at amortised cost
- At fair value through profit or loss (FVPL)

Financial liabilities in the trading portfolio (held for trading) are measured at fair value through profit or loss. At BKS Bank, negative market values from derivatives are reported in the item Trading liabilities. Furthermore, this measurement includes financial liabilities that are irrevocably designated as at fair value through profit or loss upon initial recognition (fair value option). The explanations on the fair value option for the assets side apply correspondingly to the liabilities side. Gains or losses from changes in the credit spread for own liabilities at fair value through profit or loss (designated) are shown in other comprehensive income (OCI).

Shareholders’ equity and liabilities

	Fair value	Amortised cost	Other	Category
Payables to other banks		✓	-	At amortised cost
Payables to customers		✓	-	At amortised cost
Liabilities evidenced by paper		✓	-	At amortised cost
	✓		-	Designated at FVPL (fair value option)
Trading liabilities	✓		-	FVPL mandatory
Subordinated debt capital		✓	-	At amortised cost

Impairment charges for financial instruments pursuant to IFRS 9

BKS Bank recognises impairment charges for debt securities measured at amortised at cost or designated at fair value through other comprehensive income (FV OCI mandatory) as well as for loan commitments and financial guarantees. The impairment model used pursuant to IFRS 9 is an expected loss model.

The amount of impairment charges to be allocated depends on the change in a financial instrument's default risk after its acquisition. On the basis of this approach, IFRS 9 distinguishes three different stages, with the amount of impairment charges depending on which of these stages the financial instrument in question is assigned to.

- Stage 1: For financial instruments classified in stage 1, an impairment charge equivalent to the 12-month expected credit loss (ECL) is recognised. The 12-month expected credit loss corresponds to the expected credit loss a financial instrument might incur during the 12 months following the balance sheet date. Upon acquisition, all financial instruments must be assigned to stage 1; this assignment must then be reviewed at every balance sheet date.
- Stage 2: For financial instruments classified in stage 2, it is mandatory to recognise a lifetime expected credit loss (ECL), which corresponds to the losses expected over the instrument's remaining life.
- Stage 3: For financial instruments classified in stage 3, the discounted cash flow method is used to determine the impairment charges for significant liabilities, and in the case of non-significant liabilities, lump sum criteria are used (the basis being the exposures not covered by collateral).

Instruments are reclassified from stage 1 to stage 2 as soon as the default risk increases significantly. Assignment to a stage is governed by an automated stage assessment process based on a number of factors. Both quantitative (rating downgrade) and qualitative criteria are used to decide on reclassification from one stage to another. BKS Bank has elected to use the low credit risk exemption for the stage assessment. This means that financial instruments with a low credit risk are measured on a 12-month ECL basis. We assess credit risk as low when the rating stage is in the investment grade range from AA to 1b.

An instrument is classified in stage 3 if the financial instrument is credit-impaired. Where there is objective evidence on the balance sheet date that a financial instrument is impaired, it is classified in stage 3.

At BKS Bank, receivables are deemed to be in default if they are more than 90 days overdue and the overdue amount is at least 1.0% of the agreed credit line and at least EUR 100. Furthermore, BKS Bank also classified receivables as in default if it assumed that the debtor will not be able to repay the full amount of the loan to the bank. This is assumed when one of the following applies:

- a new impairment charge (individual allowance);
- restructuring of the credit exposure combined with deterioration in the quality of the receivable;
- Initiation of collection procedures because of inability or unwillingness to pay or fraud or for other reasons
- receivable only collectable at a loss for BKS Bank;
- sale of the receivable at a significant credit standing related loss for BKS Bank;
- the debtor's insolvency;
- credit exposures unlikely to be fully repaid for other reasons.

Additionally, the provisions of the EBA/GL2016/07 Guidelines on the application of the definition of default, which provide further indications on unlikeliness to pay, entered into force on 1 January 2021.

Stage allocation criteria

Criterion	Stage
Initial recognition of the contract	1
30-days overdue	2
Foreign currency loans	2
Rating corresponds to investment grade	1
No initial risk rating or current rating can be determined	2
Credit downgrade from investment grade by 3 or more rating stages	2
Credit downgrade from a good rating by 2 or more rating stages	2
Credit downgrade from a medium or poor rating stage by at least 1 rating stage	2
Forbearance regarding performing loans	2
Non-performing loans	3

Financial instruments can be retransferred to stage 1 when there are no more indications of any significant increase in credit risk, as already described in the criteria for stage allocation.

The determination of the ECL is based on forward-looking information.

Key parameters of the ECL model for stage 1 and stage 2

Parameter in the ECL model	Explanations
Exposure at default (EAD)	The amount of the loan at the time of credit default is the sum of all future contractual cash flows. Off-balance sheet transactions such as guarantees and unused lines of credit of customers are converted into an EAD taking into account a cash conversion feature (CCF).
Probability of default (PD)	The probability of default is determined for each customer on the basis of statistical estimates and follows the life-time concept. This means that the calculation of future probabilities of default also takes into account an assessment of future economic conditions in the form of a point-in-time calibration. Specific migration matrixes are used in the ECL model.
Forward-looking information (FLI)	Based on relevant macroeconomic forecasts, the forward-looking information weighted by BKS Bank's target market is factored into the adjusted contingent default probability applying a straight-line regression analysis.
Loss given default (LGD)	LGD designates the relative loss amount at the time of the credit default. The loss ratio is measured by the unsecured portion of the EAD, which, should the amount of the liability be irrecoverable, is written off. LGD is determined based on the customer portfolios of BKS Bank.
Discount rate (D)	Discounting is based on the effective interest rate.

When calculating the ECL in stages 1 and 2, the EAD, the PD and the LGD are modified and discounted to the contractually agreed duration (D). The calculation is explained as follows (m=marginal):

$$ECL = \sum_{t=1}^{T} ECL_t = \sum_{t=1}^{T} mPD_t^{PIT} \cdot LGD_t \cdot EAD_t \cdot D_t$$

The potential loss from the open risk position is expressed in the loss given default ratio (LGD). The risk report gives information on the collateral, on the default risk excluding collateral held, as well as a description of the collateral held and quantitative information.

Expected credit loss is calculated on the basis of several scenarios. BKS Bank uses three rating scenarios: The base scenario is the initial scenario. There is also an upside and a downside scenario for calculating the ECL. These scenarios are combined based on weighting factors. The weighting is used to arrive at a risk-adequate, probability-weighted expected credit loss in line with expectations that is neither a best-case (15% weighting), a worst-case (30% weighting) or a most-likely-case scenario (55% weighting). When calculating the expected credit loss (ECL), probability of default (PD) as well as loss given default (LGD) take into account not only historic information, but also forecasts of macroeconomic factors. BKS Bank uses the following factors as indicators for forecasts: GDP (gross domestic product), inflation rate, unemployment rate, current account balance and interest rate.

Loss ratios are used to determine the average payments from financial assets after the default event. LGD are calculated separately per segment, just like for PD. The portfolio segments are retail customers, corporate customers, banks, and sovereigns.

In stage 3, significant receivables, i.e. receivables exceeding EUR 1.0 million per customer in Austria and EUR 0.5 million in foreign markets, give rise to impairment charges for the respective group of customers which are determined using the discounted cash flow method. In this case, impairment losses result from the difference between the carrying value of the receivable and the present value of future expected cash flows from the receivables and the collateral to be realised. If there are objective indications for allocating impairment losses in stage 3 and the debt is not significant (debt < EUR 1.0 million in Austria and < EUR 0.5 million in foreign markets), the customers are allocated to a separate portfolio for corporate customers and/or retail customers and impaired pursuant to lump sum criteria. The pEWB is based on the following formula: pEWB (specific impairment allowances calculated on a portfolio basis) = shortfall x pEWB factor. The pEWB factor corresponds to a loss rate equalling default and is applied separately for each customer segment.

Impairment charges are generally recognised through profit or loss in the income statement. For financial assets designated at FVOCI, any impairment triggered by a change in credit rating is recognised in profit or loss. Impairment charges for loan commitments and financial guarantees are recognised under the item Provisions.

Impairment policy

Receivables deemed irrecoverable will be derecognised or written off when they can no longer be collected and when all the collateral for these receivables has been finally realised. Generally, no financial assets subject to enforcement measures are derecognised. A receivable is derecognised when attempts to collect the receivable on the basis of an enforcement title have failed for a period of two years, enforcement failed at least twice, no funds are expected to be received for the remaining debt or it is no longer possible to obtain an enforcement title. All derecognised receivables that do not entail release from the remaining debt are handed over to third parties (e.g. collection agency) for collection.

Modifications to contracts

In the lending business, BKS Bank may have to modify loan contracts for existing loans. Reasons may be changed market conditions, on the one hand, or a borrower experiencing difficulties in making payments, on the other. A difference is made between significant and non-significant amendments to a contract. At BKS Bank, significant contract modifications include, for instance, a product switch, change in ownership, change in currency, increase in loan amount or an extension of the term of contract. This may result in derecognition of the financial asset prior to contract modification in recognition of the modified value of the financial asset at the time of recognition. The resultant difference is reported in the income statement as the profit/loss from derecognition.

However, if the contract modification is not significant, i.e. if there is no derecognition and/or recognition, the amount of the difference between the gross carrying amount before contract modification and the gross carrying amount after contract modification is reported as a change to profit or loss in net interest income.

Investments in entities accounted for using the equity method

Entities in which BKS Bank holds a stake of over 20%, but which are not under its control, are accounted for in the consolidated financial statements using the equity method. In addition, Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft are also accounted for in the consolidated financial statements using the equity method, although our stakes in Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft are below 20%. Syndicate agreements are in place that allow participation in those banks' financial and business policy decisions without requiring a controlling interest in these entities. If there is objective evidence (triggering events) for impairment of an investment accounted for using the equity method, a value-in-use is calculated on the basis of the estimated future cash flows that are to be expected from the associate. The present value (value-in-use) is calculated on the basis of the equity method/dividend discount model. The impairment test performed did not indicate a need for impairment.

Investment property
This line item encompasses property intended for renting to third parties. BKS Bank measures such property using the fair value model under IAS 40. The market value is determined by court-certified experts. Any changes in value are recorded in profit or loss under Other operating income/expenses. Changes in use category are reclassified in other comprehensive income.

Property, plant and equipment
Property, plant and equipment consists of land, buildings and other property and equipment comprising primarily office furniture and business equipment, and the rights of use under lease contracts. They are measured at amortised cost. Depreciation of property, plant and equipment was linear based on an asset's usual useful life and lay within the following bands: 1.5% to 2.5% for immovable goods (i.e. 66.7 to 40 years), and 10% to 20% (i.e. 10 to 5 years) for business equipment and furnishings.

Under IAS 36, impairments were recorded by recognising extraordinary depreciation in the line item General administrative expenses in the income statement. If an impairment no longer existed, a write-back was made up to the asset's amortised cost. No extraordinary depreciation or write-backs were recognised during the period under review.

Government grants
Government grants are recognised only when there is reasonable certainty that the requirements will be met and the funds will be granted. Government grants are recognised in profit or loss in the period in which BKS Bank recognises expenses for the related costs for which the government grants are intended to compensate. Similarly, grants for depreciable assets are recognised in profit or loss over the periods for which depreciation on those assets is recognised.

The benefit of a government loan at a below-market rate of interest is likewise treated as a government grant provided the conditions of IAS 20 are met. The interest benefit gained is recognised in accordance with IAS 20 as the difference in amount between the payment received and the carrying amount (fair value) of the loan pursuant to IFRS 9.

Intangible assets
Intangible assets have all been purchased and have limited useful lives. Essentially, this item consists of acquired customer bases and software. Amortisation of intangible assets was linear based on an asset's usual useful life. The amortisation rate for software is usually 25% (i.e. four years); the amortisation rate for acquired customer bases was determined at 10% (i.e. 10 years) after detailed analysis.

Leasing
Leased assets within the Group are recognised as assets leased under finance leases (the risks and rewards belong to the lessee for the purposes of IAS 16). Leased assets were recognised as receivables in the amount of the present values of the agreed payments taking into account any residual values.

For contracts under which BKS Bank Group companies have the role of lessee, a right of use and corresponding lease liability is recognised. Upon initial recognition, lease liabilities are recognised at the present value of lease payments to be made over the life of the lease contract and not yet made as at the start of the lease. These payments are discounted at the interest rate used as basis of the lease contract. If this interest rate cannot be ascertained, an incremental borrowing rate will be used. The subsequent measurement of lease liabilities is done by raising the carrying value by the interest on lease liabilities (constant effective interest) and by reducing the carrying value by the lease instalments paid. Upon initial recognition, the right of use corresponds to the lease liability. Additionally, lease payments already made at the time of initial recognition and initial direct costs must be taken into account. The subsequent measurement of rights of use is done at cost less cumulated amortisation and impairment. Rights of use to real estate are amortised over the term of the lease. Lease liabilities are recognised under Other liabilities, and rights of use under Property, plant and equipment.

Non-current assets held for sale

An asset held for sale is an asset the carrying amount of which will be recovered principally through a sale transaction rather than through continuing use. To be classified as held for sale, an asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. In addition, its sale must be highly probable. Where these classification criteria are met, the asset must be measured at the lower of its carrying amount and fair market value less costs to sell. Non-current assets held for sale were shown in a separate line item in the consolidated balance sheet, while changes in value were recorded in profit or loss under Other operating income/expenses.

Other assets and other liabilities

Deferred items and other assets/other liabilities are reported in Other assets/liabilities. They are measured at amortised cost. Furthermore, lease liabilities are reported under Other liabilities; for details on measurement, please refer to the section “Leasing”.

Liabilities evidenced by paper

Liabilities evidenced by paper comprise bonds in circulation, debt securities and other liabilities evidenced by paper (own issues). Generally, liabilities evidenced by paper are recognised at amortised cost. However, based on decisions by the ALM Committee, the fair value option is also used for liabilities evidenced by paper and measurement is at fair value.

Subordinated debt capital

Subordinated debt capital and subordinated obligations are liabilities that, by contractual arrangement, will, in the event of BKS Bank’s liquidation or bankruptcy, only be settled after the claims of other creditors. Generally, subordinated debt capital is recognised at amortised cost.

Deferred tax assets and deferred tax liabilities

Income tax is reported and calculated in accordance with IAS 12. The calculation for each taxed entity is carried out applying the tax rates that, under applicable legislation, are to be applied in the tax period in which a temporary difference is 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 will probably give rise to additional tax burdens or reduce tax burdens in the future. The Eco-Social Tax Reform 2022 in Austria entailed a reduction of the tax rate in the year under review. In the event that the timing of the realisation of the temporary differences is not sufficiently foreseeable, a best estimate must be made. With this principle in mind, we opted for a tax rate of 23% throughout the Group, with application becoming mandatory as of 2024, and consequently wrote down the deferred tax assets.

Provisions

Under IAS 37, provisions are recognised if there is a reliably determinable current obligation to a third party arising from an event in the past likely to cause an outflow of resources. BKS Bank set aside provisions mainly for post-employment benefits and similar employee benefit obligations (IAS 19). The provision for death benefits was also calculated in accordance with the IFRS principles contained in IAS 19. The AVÖ 2018-P mortality table published in August 2018 was used for the actuarial calculation of the social capital provision. BKS Bank also recognised provisions for taxes. Additionally, the calculated ECL for financial guarantees and for the undrawn portion of a loan commitment was recognised in the balance sheet as a provision.

Shareholders’ equity

Equity consists of paid-in and earned capital (retained earnings, fair value reserves, foreign exchange differences and profit for the period). BKS Bank strives to strengthen its capital base on a sustainable basis by reinvesting its profits. Additional tier 1 notes were issued in 2015 and from 2017 to 2021. Under IAS 32, such notes must be classified as equity.

Notes to individual line items in the income statement

Net interest income

The line item Net interest income contains interest income from credit operations, from securities in the treasury portfolio, from equity investments (in the form of dividend payments), from lease receivables and from investment property less interest expenses on deposits from other banks and from customers, liabilities evidenced by paper and investment property. Interest income and interest expenses were accounted for on an accrual basis. The historically low interest rates led to negative interest earnings. According to the IFRIC Interpretations Committee (IC), these must be presented in an 'appropriate expense item'. As a result, negative interest income is presented as interest expense. Likewise, positive interest expenses are presented as interest income. Modification gains/losses from changes to contractual terms that do not trigger derecognition of an asset are reported in net interest income.

Impairment charges

This line item reports income and expenses from recognising and reversing impairment charges in the amount of the 12-month expected credit loss (stage 1) or lifetime expected credit loss (stages 2 and 3). BKS Bank recognises such charges for financial assets measured at amortised cost or designated at fair value through other comprehensive income (FVOCI mandatory) as well as for loans commitments and financial guarantee contracts. See also note 2 for details.

Net fee and commission income

Net fee and commission income comprises income and expenses incurred in connection with services provided presented on an accrual basis. Fees and commissions received for services provided over a certain period are recognised over the corresponding period. These include fees and commissions earned in the lending business. However, in the case of commissions for transaction-linked services, the amounts are recognised only when the service has been completed. These are mainly fees and commissions from payment services and the securities business.

General administrative expenses

General administrative expenses include staff costs, other administrative costs and depreciation and amortisation. They are accounted for on an accrual basis.

Net trading income

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

Other operating expenses/income

This item includes fees, charges, damage incidents, damage compensation, proceeds from the sale of properties and similar items and is accounted for on an accrual basis. In addition, this item includes the changes in value of investment property.

Profit/loss from financial assets/liabilities

This item reports – apart from profit/loss on financial instruments designated at fair value – also the profit/loss from financial assets measured at fair value through profit/loss (mandatory). This comprises net profits/losses from equity instruments for which the fair value OCI option was not used as well as financial assets whose contractual cash flows are not exclusively interest and redemption payments on outstanding principal. Furthermore, this item reports profits/losses from the derecognition of financial assets measured at amortised cost. Direct write-offs and recoveries on receivables previously written off are accounted for in this line item. Modification gains/losses from changes to contractual terms that do not trigger derecognition of an asset as well as profit/loss from the derecognition of financial assets recognised at fair value through other comprehensive income (FVOCI) are reported in Other comprehensive income from financial assets/liabilities.

Discretionary decisions and estimates

Estimates and assumptions are required to account for some of the items on the balance sheet. Such estimates and assumptions are based on historical experience, plans, expectations and forecasts regarding future events that are likely to occur from our current perspective. The assumptions upon which the estimates were based were regularly reviewed. Potential uncertainties in the estimates mean that adjustments to the carrying amounts of assets and liabilities may be necessary in future periods. The war in Ukraine and the resultant far-reaching economic sanctions, as well as climate change, are making the situation even more uncertain. The further development of the situation in Russia and the Ukraine and the effects of the climate crisis may have a significant impact on the assets, liabilities, financial position and result of operations of the BKS Bank Group. The recoverability of financial assets may be negatively affected by these factors in the future. Ongoing legal proceedings also involve estimation uncertainties. When preparing the financial statements for 2022, we considered all effects that can be estimated. Details on the calculation of impairment charges in connection with current economic developments are given in the section “Impact of the COVID-19 and current macroeconomic developments”. The effects of climate change are explained in the chapter “Effects of climate change on recognition and measurement methods”.

Furthermore, BKS Bank has a market presence in Austria, Croatia, Slovenia, northern Italy and Slovakia, with subsidiaries and one representation office. In areas in which discretionary decisions, assumptions and estimates are made, a precise analysis of the economic environment is made in the aforementioned markets and considered in the decision-making process. Material discretionary decisions, assumptions and estimates were made in the following areas:

Ongoing legal proceedings

UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. had filed an action as minority shareholders to challenge the resolutions adopted at the Annual General Meeting of 29 May 2020 with the Klagenfurt Regional Court (Landesgericht Klagenfurt).

The lawsuit contests the discharge of the members of the Management Board and the (non-) discharge of individual members of the Supervisory Board as well as the rejected motion to conduct various special audits. Furthermore, the plaintiffs are seeking a declaratory judgment ascertaining that no discharge be granted to the members of the Management Board and to individual members of the Supervisory Board, and granting the discharge of one member of the Supervisory Board as well as a declaratory judgment granting the abovementioned special audits. The proceedings continue to be interrupted in the reporting year and the file has been forwarded to the Takeover Commission for a decision.

Furthermore, in March 2020, at the request of the aforementioned minority shareholders, the Takeover Commission initiated proceedings pursuant to § 33 Takeover Act. The subject of the investigation in these review proceedings is to clarify the preliminary matter underlying the aforementioned proceedings to contest resolutions, specifically to ascertain if the obligation to make a mandatory bid had been breached pursuant to § 22a no 3 or § 22 (4) Takeover Act by BKS Bank and its affiliated entities. Likewise at the request of the aforementioned minority shareholders, the Takeover Commission initiated review proceedings pursuant to § 33 Takeover Act regarding Oberbank AG and Bank für Tirol und Vorarlberg.

The Takeover Commission combined these proceedings and held oral hearings. In the reporting year, the plaintiffs submitted several petitions which BKS Bank responded to accordingly. A decision in these proceedings is still pending. Given the relationships between the members of the three banks, a breach of the obligation to make a mandatory bid by one of them may also affect the other two banks.

In the financial year 2021, BKS Bank was served notice of a legal action for an injunctive ruling and declaratory judgment by the aforementioned minority shareholders. The plaintiffs petitioned that the Bank für Tirol und Vorarlberg Aktiengesellschaft, Oberbank AG and Generali 3Banken Holding AG (now G3B Holding AG) be prohibited from participating in future capital increases of BKS Bank or from allocating fewer shares to these shareholders in the event of capital increases; the plaintiffs based their petition on the applicability of the “excessive allocation theory”. Furthermore, they are seeking a ruling rejecting the validity of resolutions of the Management

Board and Supervisory Board in connection with the capital increases carried out in the years 2009, 2014, 2016 and 2018.

After having carefully reviewed the matter together with external experts, the Management Board is of the opinion that the allegations made by the abovementioned minority shareholders are unfounded. The course of the proceedings to date and several decisions and procedural rulings in favour of BKS Bank confirm our view.

The FMA conducted proceedings against the BKS Bank based on allegations that the Bank had, in two separate cases, failed to comply with all the duties of due diligence as defined in the Financial Markets Anti-Money Laundering Act (FM-GWG); these proceedings were terminated with legally binding force in the reporting year under the "accelerated termination of proceedings" procedure.

In December 2022, the Croatian tax authority imposed an order for an additional tax payment on the local branch of BKS Bank. The reason given for such additional payment was the revocation of a tax decision issued in 2017 in connection with the merger of BKS Bank d.d. with BKS Bank AG. BKS Bank made a conditional payment and in January 2023 filed an appeal within the defined period. Our legal counsel and tax advisors believe that the appeal is highly likely to succeed.

Furthermore, there are also ongoing proceedings in connection with the case of malversation in Croatia. In our assessment, it is very probable that the rulings in these proceedings will be in our favour.

These proceedings are not expected to have any relevant effects on the balance sheet.
A provision was recognised for the cost of legal advice and counsel in the proceedings still pending.

Impairment of financial assets: impairment charges
The identification of an impairment trigger and the determination of the need to recognise impairments come with substantial assessment uncertainties and room for discretion resulting from the economic situation and development of the borrower, and entail effects on the amount and point in time of expected future cash flows. Impairment charges on loans and advances for which no impairment has yet been identified are calculated using statistical methods and based on models and parameters such as probability of default, loss given default, and scenarios for the development of the economy. These also leave room for discretion and assessment uncertainties. Furthermore financial assets recognised at amortised cost are tested for objective evidence of potential impairment at each balance sheet date. This requires estimates of the amounts and times of future cash flows.

Sensitivity analysis

Sensitivity scenario in €k	*Explanations*	**2021**	**2022**
Staging: negative scenario	Financial instruments in the “investment grade” rating class are transferred from stage 1 to stage 2. This is a changeover from the 12-month ECL view to the lifetime concept.	-29,233	-32,220
Staging: positive scenario	Financial instruments that were assigned to stage 2 due a historic credit downgrade are transferred from stage 2 to stage 1. This is a changeover from the lifetime concept to the 12-month ECL view.	5,661	4,064
Macroeconomic assessment: negative scenario	The weighting factors with respect to future economic developments deteriorate and the worst-case scenario is weighted 5% higher, while the best-case-scenario is weighted 5% lower.	-3,068	-5,268
Macroeconomic assessment: positive scenario	The weighting factors with respect to future economic developments on the target markets improve and the best-case scenario is weighted 5% higher, while the worst-case-scenario is weighted 5% lower.	3,068	5,268
Macroeconomic assessment: negative scenario	The weighting factors with respect to future economic developments deteriorate and the worst-case scenario is weighted 5% higher, while the normal scenario is weighted 5% lower.	-2,268	-3,253
Macroeconomic assessment: positive scenario	The weighting factors with respect to future economic developments on the target markets improve and the best-case scenario is weighted 5% higher, while the base scenario is weighted 5% lower.	800	2,015
Probability of default: negative scenario	The probability of default in the migration matrix increases by a factor of 1.1.	-2,992	-5,524
Probability of default: positive scenario	The probability of default in the migration matrix decreases by a divisor of 1.1.	5,418	5,105

Instruments are reclassified from stage 1 to stage 2 as soon as the default risk increases significantly. The assessment of such an increase is a discretionary decision.

Measuring the fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13regulates the measurement to fair value, with validity for all standards, of financial assets and liabilities that must or may be measured at fair value as well as the disclosures that are required regarding fair value measurements.

Recoverability of shares in entities accounted for using the equity method

The dividend discount model (DDM) is used for company valuation purposes: It determines the company value as the present value of potential future company earnings, taking into account the necessary regulatory own funds requirements. Estimates of future earnings are based on plausible and justifiable assumptions. Forecasts are based on approved five-year business plans. When the market risk premium increases by 0.25%, this reduces the value in use for the shares held in Oberbank AG und Bank für Tirol and Vorarlberg Aktiengesellschaft by 2.2% or EUR 17.9 million. When the market risk premium decreases by 0.25%, the value in use rises by 2.4% or EUR 18.9 million. The sensitivity calculation based on the market risk premium would not result in any accounting effects.

Provisions for social capital

Estimates regarding discount rate, salary growth, career trend and retirement age are required to calculate provisions for post-employment, termination, jubilee and death benefits. The discount rate is particularly important because a change in interest rates materially affects the amount of the provision. See note 30 for further details.

Other provisions

The amounts of other provisions were calculated on the basis of experience and expert assessments.

Details of the Consolidated Statement of Cash Flows

The cash and cash equivalents shown in the Consolidated Statement of Cash Flows equal cash and balances with the central bank.

Financial liabilities under cash flows from financing activities showed the following changes:

2022	01/01	Cash outflow	Cash inflow	Non-cash accrued interest and other changes	31/12
Subordinated liabilities and liabilities evidenced by certificates	**973,466**	**-64,300**	**146,220**	**-7,050**	**1,048,336**
• Liabilities evidenced by paper	732,523	-64,300	121,452	-6,059	783,616
• Subordinated debt capital	240,942	-	24,768	-991	264,719
Lease liabilities	**19,907**	**-2,837**	**-**	**2,536**	**19,607**

2021	01/01	Cash outflow	Cash inflow	Non-cash accrued interest and other changes	31/12
Subordinated liabilities and liabilities evidenced by certificates	**857,047**	**-89,750**	**208,727**	**-2,558**	**973,466**
• Liabilities evidenced by paper	647,463	-87,400	175,466	-3,006	732,523
• Subordinated debt capital	209,583	-2,350	33,261	448	240,942
Lease liabilities	**21,588**	**-2,674**	**-**	**993**	**19,907**

Details of the Income Statement

(1) Net interest income

in €k	2021	2022	± in %
Lending operations measured at amortised cost	118,898	140,720	18.4
Fixed-interest securities measured at amortised cost	11,594	9,299	-19.8
Fixed-interest securities measured at FV OCI	525	489	-6.8
Modification gains	421	285	-32.3
Positive interest expenses[1)]	13,246	9,918	-25.1
Total interest income applying the effective interest rate method	**144,685**	**160,711**	**11.1**
Lending operations measured at fair value	2,113	2,928	38.6
Fixed-interest securities at fair value through profit or loss	451	355	-21.2
Lease receivables	12,381	14,653	18.4
Shares and other non-interest-bearing securities	3,532	3,482	-1.4
Investment property	3,746	4,325	15.5
Total other interest income and other similar income	**22,222**	**25,743**	**15.8**
Total interest income	**166,908**	**186,454**	**11.7**
Interest expenses and other similar expenses:			
Deposits from customers and other banks	3,496	7,175	>100
Liabilities evidenced by paper	16,777	19,039	13.5
Modification losses	470	291	-38.1
Negative interest income[1)]	6,117	2,301	-62.4
Investment property	993	934	-5.9
Lease liabilities	137	126	-8.1
Total interest expenses and other similar expenses	**27,989**	**29,866**	**6.7**
Net interest income	**138,918**	**156,588**	**12.7**

[1)] This consists of interest expenses that are positive or interest income that is negative as a result of the historically low interest rates.

Contract amendments reported in net interest income resulted in a gain of EUR 0.3 million (pr. yr.: EUR 0.4 million) and a loss of EUR 0.3 million (pr. yr.: EUR 0.5 million). Amortised cost before contract amendments amount to EUR 54.7 million (pr. yr.: EUR 72.1 million).

(2) Impairment charges

in €k	2021	2022	± in %
Financial instruments measured at amortised cost			
• Allocation (+)/reversal (-) of impairment charges (net)	33,543	26,666	-20.5
Financial instruments measured at fair value OCI			
• Allocation (+)/reversal (-) of impairment charges (net)	17	100	>100
Loan commitments and financial guarantee contracts			
• Allocation (+)/reversal (-) of provisions (net)	-1,171	-868	25.9
Impairment charges	**32,389**	**25,898**	**-20.0**

For lease receivables, impairment charges contain an allocation to impairment charges of EUR 1.7 million (pr. yr.: allocation EUR 1.0 million).

(3) Net fee and commission income

in €k	2021	2022	± in %
Fee and commission income:			
Payment services	26,056	28,020	7.5
Securities operations	23,033	20,912	-9.2
Lending operations	19,563	21,605	10.4
Foreign exchange operations	3,419	3,181	-7.0
Other services	1,146	1,229	7.3
Total fee and commission income	**73,216**	**74,948**	**2.4**
Net fee and commission expenses:			
Payment services	2,788	3,150	13.0
Securities operations	2,003	2,179	8.8
Lending operations	1,135	1,335	17.6
Foreign exchange operations	144	83	-42.2
Other services	43	28	-33.2
Total fee and commission expenses	**6,113**	**6,775**	**10.8**
Net fee and commission income	**67,103**	**68,173**	**1.6**

(4) Profit/loss from investments accounted for using the equity method

in €k	2021	2022	± in %
Profit/loss from investments accounted for using the equity method	44,959	20,676	-54.0
Profit/loss from investments accounted for using the equity method	**44,959**	**20,676**	**-54.0**

Apart from current profit/loss from Oberbank and Bank für Tirol und Vorarlberg Aktiengesellschaft in the financial year 2022, profit/loss from investments accounted for using the equity method includes a dilutive effect in the amount of EUR -9.4 million arising from the fact that BKS Bank AG did not participate in the capital increase of Bank für Tirol und Vorarlberg Aktiengesellschaft. Furthermore, it contains profit in the amount of EUR 0.2 million from the sale of shares in the Oberbank investment.

(5) Net trading income

in €k	2021	2022	± in %
Price-based transactions	7	-3,123	>-100
Interest rate and currency contracts	777	1,945	>100
Net trading income	**785**	**-1,178**	**>-100**

(6) General administrative expenses

in €k	2021	2022	± in %
Staff costs	74,750	81,222	8.7
• Wages and salaries	54,526	57,970	6.3
• Social insurance costs	13,538	13,415	-0.9
• Costs of retirement benefits	3,472	3,607	3.9
• Other social expenses	3,214	6,229	93.8
Other administrative costs	38,640	44,116	14.2
Depreciation/amortisation	10,566	10,675	1.0
General administrative expenses	**123,956**	**136,013**	**9.7**

The expenses for post-retirement benefits contain defined contributions to a pension fund of EUR 1.5 million (pr. yr.: EUR 1.4 million).

(7) Other operating income/expenses

in €k	2021	2022	± in %
Other operating income	10,312	15,909	54.3
Other operating expenses	-14,996	-11,639	-22.4
Other operating income/expenses	**-4,684**	**4,270**	**>100**

The main sources of other operating income are non-interest-bearing lease income of EUR 3.6 million (pr. yr.: EUR 3.7 million), fee and commission income from the insurance business of EUR 1.7 million (pr. yr.: EUR 1.2 million) as well as ab insurance compensation of EUR 5.0 million. Furthermore, this item includes the changes in fair value of investment properties in the amount of EUR 2.7 million (pr. yr.: EUR 1.9 million). The expenses include the payment of EUR 1.3 million for the stability tax (pr. yr.: EUR 1.2 million), the contributions to the resolution fund of EUR 5.0 million (pr. yr.: EUR 3.8 million) and the contributions to the deposit insurance scheme of EUR 1.9 million (pr. yr.: EUR 6.6 million).

(8) Profit/loss from financial instruments designated at fair value

in €k	2021	2022	± in %
Profit/loss from the fair value option	170	1,977	>100
Profit/loss from financial instruments designated at fair value	**170**	**1,977**	**>100**

Fixed-interest loans to customers of EUR 135.4 million (pr. yr.: EUR 89.9 million) and own issues of EUR 35.3 million (pr. yr.: EUR 57.0 million) were hedged by interest rate swaps under the fair value option. Profit/loss from the fair value option principally reflects the net income from interest rate swaps and instrument to be hedged.

(9) Profit/loss from financial assets measured at fair value through profit or loss (mandatory)

in €k	2021	2022	± in %
Profit/loss from measurement	4,267	-8,904	>-100
Profit/loss on disposal	-100	19	>100
Profit/loss from financial assets measured at fair value through profit or loss (mandatory)	**4,168**	**-8,885**	**>-100**

(10) Profit/loss from the derecognition of financial assets measured at amortised cost

in €k	2021	2022	± in %
Receivables from other banks	-	-	-
• thereof profit	-	-	-
• thereof loss	-	-	-
Receivables from customers	1,404	-3,339	>-100
• thereof profit	1,836	1,073	-41.6
• thereof loss	-432	-4,413	>100
Debt securities	-	2,714	-
• thereof profit	-	2,714	-
• thereof loss	-	-	-
Profit/loss from derecognition of financial assets measured at amortised cost	**1,404**	**-626**	**>-100**

Profit/loss from the derecognition of receivables from customers measured at amortised cost included gains/losses on disposal due to material changes in terms of contract. Direct write-offs and recoveries on receivables previously written off are accounted for in this line item as well. In 2022, the sale of debt securities resulted in a profit of EUR 2.7 million.

(11) Other profit/loss from financial assets/liabilities

in €k	2021	2022	± in %
Derecognition gains/losses	-288	-517	-79.7
• from financial assets measured through OCI	-	-	-
• from financial liabilities measured at amortised cost	-288	-517	-79.7
Other profit/loss from financial assets/liabilities	**-288**	**-517**	**-79.7**

(12) Income tax expense

in €k	2021	2022	± in %
Current taxes	-12,012	-12,642	5.2
Deferred taxes	-920	-2,364	>-100
Income tax	**-12,931**	**-15,006**	**16.0**

Reconciliation

in €k	2021	2022
Profit/loss for the year before tax	96,190	78,567
Applicable tax rate	25%	25%
Computed tax expense	24,048	19,642
Effect of differing tax rates	-64	-1,325
Tax savings		
• from tax-exempt income from investments	-700	-601
• effects of investments in entities accounted for using the equity method	-11,240	-5,169
• from other tax-exempt income	-6	-9
• from other valuation adjustments	-1,000	-381
Additional tax incurred		
• as a result of non-deductible expenses	428	581
• from other tax effects	239	100
Change in tax rate	-	-177
Aperiodic tax expenses/income	1,226	2,345
Income tax expense in period	**12,931**	**15,006**
Effective tax rate	13.4%	19.1%

Details of the balance sheet

(13) Cash and balances with the central bank

in €k	31/12/2021	31/12/2022	± in %
Cash in hand	138,336	39,212	-71.7
Credit balances with central banks	1,341,081	809,803	-39.6
Cash and balances with the central bank	**1,479,418**	**849,015**	**-42.6**

(14) Receivables from other banks

in €k	31/12/2021	31/12/2022	± in %
Receivables from domestic banks	45,211	45,126	-0.2
Receivables from foreign banks	49,372	208,492	>100
Receivables from other banks	**94,582**	**253,618**	**>100**

Receivables from other banks by remaining time to maturity

in €k	31/12/2021	31/12/2022	± in %
Due on demand	29,673	33,107	11.6
Up to 3 months	34,919	187,045	>100
From 3 months to 1 year	29,990	33,466	11.6
From 1 to 5 years	-	-	-
From 5 years	-	-	-
Receivables from other banks by remaining time to maturity	**94,582**	**253,618**	**>100**

Impairment charges on receivables from other banks measured at amortised cost

in €k	Stage 1	Stage 2	Stage 3	2022
As at 01/01/2022	54	1	-	55
Additions due to new business	86		-	86
Change within stage				
• Allocation/reversal	-1	-1	-	-2
• Disposals due to usage	-	-	-	-
Reclassification from one stage to another:				
• Decrease due to credit risk				
- Reclassification from stage 2 to stage 1	-	-	-	-
- Reclassification from stage 3 to stage 1	-	-	-	-
- Reclassification from stage 3 to stage 2	-	-	-	-
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	-	-	-	–
- Reclassification from stage 1 to stage 3	-	-	-	-
- Reclassification from stage 2 to stage 3	-	-	-	-
Disposals due to repayment	-32	-	-	-32
As at 31/12/2022	**107**	**–**	**-**	**107**

Gross carrying amounts changed as follows in the reporting year 2022:

Gross carrying amounts for receivables from other banks measured at amortised cost

in €k	Stage 1	Stage 2	Stage 3	2022
As at 01/01/2022	94,497	141	-	94,638
Additions due to new business	226,051	-	-	226,051
Change within stage				
• Increase/reduction of receivables	-8,643	-117	-	-8,760
• Disposals due to usage	-	-	-	-
Reclassification from one stage to another:				
• Decrease due to default risk				
- Reclassification from stage 2 to stage 1	-	-	-	-
- Reclassification from stage 3 to stage 1	-	-	-	-
- Reclassification from stage 3 to stage 2	-	-	-	-
• Increase due to default risk				
- Reclassification from stage 1 to stage 2			-	–
- Reclassification from stage 1 to stage 3	-	-	-	-
- Reclassification from stage 2 to stage 3	-	-	-	-
Disposals due to repayment	-58,183	-21	-	-58,204
At the end of the reporting period	**253,722**	**3**	**-**	**253,725**

(15) Receivables from customers

(15.1) Receivables from customers by customer group

in €k	31/12/2021	31/12/2022	± in %
Corporate and Business Banking	5,472,015	5,744,289	5.0
Retail Banking	1,486,610	1,431,051	-3.7
Receivables from customers by customer group	**6,958,625**	**7,175,340**	**3.1**

(15.2) Receivables from customers by measurement category

in €k	31/12/2021	31/12/2022	± in %
Financial assets measured at amortised cost	6,815,067	7,000,547	2.7
Financial assets measured at fair value through profit or loss (designated)	89,927	135,413	50.6
Financial assets measured at fair value through profit or loss (mandatory)	53,631	39,381	-26.6
Receivables from customers by measurement category	**6,958,625**	**7,175,340**	**3.1**

The item Receivables from customers includes receivables from lease transactions of EUR 617.7 million (pr. yr. EUR 577.2 million). In the reporting year there were no sale-and-lease-back transactions of material significance.

Receivables from customers by remaining time to maturity

in €k	31/12/2021	31/12/2022	± in %
Due on demand	135,496	105,226	-22.3
Up to 3 months	973,860	1,042,445	7.0
From 3 months to 1 year	508,427	474,586	-6.7
From 1 to 5 years	1,559,599	1,401,662	-10.1
From 5 years	3,781,243	4,151,421	9.8
Receivables from customers by remaining time to maturity	**6,958,625**	**7,175,340**	**3.1**

Non-discounted lease receivables by remaining time to maturity - IFRS 16

in €k	31/12/2021	31/12/2022
< 1 year	153,469	166,912
One to two years	130,911	147,992
Two to three years	110,296	141,843
Three to four years	81,100	83,201
Four to five years	52,635	58,931
Over five years	78,739	71,019
Total amount of non-discounted lease receivables	**607,150**	**669,896**
Unearned finance income	29,959	52,179
Net investment in lease contracts	**577,192**	**617,718**

There were no guaranteed residual values on 31 December 2021.

Impairment charges on receivables from customers measured at amortised cost

in €k	Stage 1	Stage 2	Stage 3	2022
As at 01/01/2022	17,332	26,018	63,884	107,234
Additions due to new business	9,006	1,468		10,474
Change within stage				
• Allocation/reversal	7,980	2,325	-7,337	2,968
• Disposals due to usage	-	-	-8,504	-8,504
Reclassification from one stage to another:				
• Decrease due to default risk				
- Reclassification from stage 2 to stage 1	4,645	-14,572	-	-9,927
- Reclassification from stage 3 to stage 1	6	-	-169	-163
- Reclassification from stage 3 to stage 2	-	19	-203	-184
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	-716	7,500	-	6,784
- Reclassification from stage 1 to stage 3	-128	-	5,433	5,305
- Reclassification from stage 2 to stage 3	-	-925	15,690	14,764
Disposals due to repayment	-1,510	-1,708	-4,493	-7,711
As at 31/12/2022	**36,615**	**20,125**	**64,301**	**121,040**

Impairment charges includes loan loss provisions for lease receivables of EUR 7.8 million (pr. yr.: EUR[6.2 million). Gross carrying amounts changed as follows in the reporting year 2022:

Gross carrying amounts of receivables from customers measured at amortised cost

in €k	Stage 1	Stage 2	Stage 3	2022
As at 01/01/2022	5,451,900	1,279,856	190,545	6,922,301
Additions due to new business	1,305,503	32,607	3,326	1,341,436
Change within stage				
• Increase/reduction of receivables	-284,198	-38,195	-9,196	-331,589
• Disposals due to usage/direct write-off	-	-	-	-
Reclassification from one stage to another:				
• Decrease due to default risk				
- Reclassification from stage 2 to stage 1	582,715	-644,688	-	-61,973
- Reclassification from stage 3 to stage 1	9,520	-	-11,629	-2,109
- Reclassification from stage 3 to stage 2	-	896	-1,071	-175
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	-179,374	164,657	-	-14,717
- Reclassification from stage 1 to stage 3	-11,232	-	10,950	-282
- Reclassification from stage 2 to stage 3	-	-42,887	39,901	-2,986
Disposals due to repayment	-540,454	-137,315	-50,550	-728,319
At the end of the reporting period	**6,334,380**	**614,931**	**172,276**	**7,121,587**

(16) Trading assets

in €k	31/12/2021	31/12/2022	± in %
Positive fair values of derivative financial products	8,561	13,946	62.9
• Currency contracts	3,546	1,424	-59.8
• Interest rate contracts	1	36	>100
• Fair value option	5,014	12,487	>100
Trading assets	**8,561**	**13,946**	**62.9**

(17) Debt securities and other fixed-interest securities

in €k	31/12/2021	31/12/2022	± in %
Financial assets measured at amortised cost	917,463	1,067,861	16.4
Financial assets measured at fair value through profit or loss (designated)	20,551	-	-
Financial assets measured at fair value OCI	61,536	55,920	-9.1
Financial assets measured at fair value through profit or loss (mandatory)	11	31	>100
Debt securities and other fixed-interest securities	**999,561**	**1,123,812**	**12.4**

Debt securities and other fixed-interest securities by remaining time to maturity

in €k	31/12/2021	31/12/2022	± in %
Up to 3 months	50,758	15,542	-69.4
From 3 months to 1 year	91,435	77,845	-14.9
From 1 to 5 years	518,053	588,226	13.5
From 5 years	339,315	442,200	30.3
Debt securities and other fixed-interest securities by remaining time to maturity	**999,561**	**1,123,812**	**12.4**

Debt securities and other fixed-interest securities in the amount of EUR 88.9 million (pr. yr.: EUR 136.5 million) will fall due in 2023.

Impairment charges on debt securities measured at amortised cost

in €k	Stage 1	Stage 2	Stage 3	*2022*
As at 01/01/2022	679	-	-	679
Additions due to new business	189	-	-	189
Change within stage				
• Allocation/reversal	158	-	-	158
• Disposals due to usage	-	-	-	-
Reclassification from one stage to another:				
• Decrease due to default risk				
- Reclassification from stage 2 to stage 1	-	-	-	-
- Reclassification from stage 3 to stage 1	-	-	-	-
- Reclassification from stage 3 to stage 2	-	-	-	-
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	-	-	-	-
- Reclassification from stage 1 to stage 3	-	-	-	-
- Reclassification from stage 2 to stage 3	-	-	-	-
Disposals due to repayment	-70	-	-	-70
As at 31/12/2022	**956**	**-**	**-**	**956**

Gross carrying amounts changed as follows in the reporting year 2022:

Gross carrying amounts for debt securities measured at amortised cost

in €k	Stage 1	Stage 2	Stage 3	*2022*
As at 01/01/2022	918,142	-	-	918,142
Additions due to new business	270,311	-	-	270,311
Change within stage				
• Increase/reduction of receivables	19,368	-	-	19,368
• Disposals due to usage/direct write-off	-	-	-	-
Reclassification from one stage to another:				
• Decrease due to default risk				
- Reclassification from stage 2 to stage 1			-	-
- Reclassification from stage 3 to stage 1	-	-	-	-
- Reclassification from stage 3 to stage 2	-	-	-	-
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	-	-	-	-
- Reclassification from stage 1 to stage 3	-	-	-	-
- Reclassification from stage 2 to stage 3	-	-	-	-
Disposals due to repayment	-139,004		-	-139,004
At the end of the reporting period	**1,068,817**	**-**	**-**	**1,068,817**

(18) Shares and other non-interest-bearing securities

in €k	***31/12/2021***	***31/12/2022***	± in %
Financial assets measured at fair value through profit or loss (mandatory)	50,616	36,334	-28.2
Financial assets measured at fair value OCI	103,931	113,907	9.6
Shares and other non-interest-bearing securities	**154,548**	**150,240**	**-2.8**

The Group's investment fund assets are recognised in the measurement category at fair value through profit or loss (mandatory).

(19) Investments in entities accounted for using the equity method

in €k	31/12/2021	31/12/2022	± in %
Oberbank AG	453,678	466,723	2.9
Bank für Tirol und Vorarlberg AG	255,578	260,551	1.9
Investments in entities accounted for using the equity method	**709,256**	**727,275**	**2.5**

(20) Intangible assets

in €k	31/12/2021	31/12/2022	± in %
Intangible assets	9,655	9,319	-3.5
Intangible assets	**9,655**	**9,319**	**-3.5**

(21) Property, plant and equipment

in €k	31/12/2021	31/12/2022	± in %
Land	9,015	6,106	-32.3
Buildings	38,877	37,711	-3.0
Other property, plant and equipment	14,201	12,628	-11.1
Right-of-use assets	19,598	19,232	-1.9
Property, plant and equipment	**81,692**	**75,676**	**-7.4**

The right-of-use assets reported refer mainly to rental contracts for branches and office space in Austria and abroad. Depreciation/amortisation of capitalised right-of-use assets was EUR 2.8 million in financial year 2022 (pr. yr.: EUR 2.7 million). Additionally, an interest expense of EUR 0.1 million (pr. yr.: EUR 0.1 million) was recognised for lease liabilities. In the financial year 2022, there was an addition of EUR 0.1 million (pr. yr.: EUR 0.4 million EUR) in right of use assets. Total cash outflow for lease contracts was EUR 2.8 million (pr. yr.: EUR 2.8 million).

(22) Investment property

in €k	31/12/2021	31/12/2022	± in %
Investment property	**78,367**	**92,974**	**18.6**

Rental income in the year under review was EUR 4.3 million (pr. yr.: EUR 3.7 million). Expenses incurred to attain this rental income came to EUR 0.9 million (pr. yr.: EUR 1.0 million).

Property, plant and equipment owned, intangible assets and investment property 2022

in €k	Property, plant and equipment	Assets[1]	Property[2]	Total
Carrying amount at 01/01/2022	**62,093**	**9,655**	**78,367**	**150,116**
Additions	8,734	1,867	3,743	14,344
Disposals	512	-	-	512
Exchange differences	-	-	-	-
Change in fair value	-	-	2,688	2,688
Depreciation/amortisation	5,695	2,203	-	7,898
Reclassification	-8,176	-	8,176	-
Carrying amount at 31/12/2022	**56,444**	**9,319**	**92,974**	**158,738**

1) Intangible assets
2) Investment property

Property, plant and equipment owned, intangible assets and investment property 2021

in €k	Property, plant and equipment	Assets[1]	Property[2]	Total
Carrying amount at 01/01/2021	**57,070**	**10,235**	**62,975**	**130,280**
Additions	14,551	1,708	10,651	26,910
Disposals	1,030	21	76	1,127
Exchange differences	-	-	-	-
Change in fair value	-	-	1,852	1,852
Depreciation/amortisation	5,371	2,429		7,800
Reclassification	-3,127	162	2,965	-
Carrying amount at 31/12/2021	**62,093**	**9,655**	**78,367**	**150,116**

1) Intangible assets
2) Investment property

(23) Deferred tax assets/deferred tax liabilities 2022

in €k	***As at 31/12/2021***	***As at 31/12/2022***	Deferred tax assets	Deferred tax liabilities
Receivables from customers	3,385	6,293	6,366	73
Impairment charges	11,627	10,205	10,205	-
Trading assets/trading liabilities	-10	-2,660	159	2,818
Debt securities and other fixed-interest securities	-1,232	-726	-	726
Shares and other non-interest-bearing securities	-12,140	-12,279	-	12,279
Property, plant and equipment	-4,535	-4,777	25	4,801
Investment property	-6,147	-6,746		6,746
Non-current assets held for sale	-	11	11	-
Other assets and liabilities	4,118	3,757	3,794	37
Payables to customers	-209	-	-	-
Liabilities evidenced by paper	1,549	-100	-	100
Provisions/social capital	6,148	5,665	5,665	-
Equity - issues	-217	-199	-	199
Tax assets (liabilities) before netting	**2,338**	**-1,556**	**26,225**	**27,780**
Netting of taxes	-	-	-20,215	-20,215
Net deferred tax assets/liabilities	**-**	**-**	**6,010**	**7,565**

Deferred tax assets/deferred tax liabilities 2021

in €k	**As at 30/12/2020**	**As at 31/12/2021**	Deferred tax assets	Deferred tax liabilities
Receivables from customers	2,569	3,385	3,509	124
Impairment charges	10,226	11,627	11,627	-
Trading assets/trading liabilities	219	-10	1,047	1,057
Debt securities and other fixed-interest securities	-1,589	-1,232	-	1,232
Shares and other non-interest-bearing securities	-10,230	-12,140	-	12,140
Property, plant and equipment	-4,719	-4,535	32	4,567
Investment property	-	-6,147	-	6,147
Other assets and liabilities	4,548	4,118	4,143	24
Payables to customers	-	-209	-	209
Liabilities evidenced by paper	2,041	1,549	1,549	-
Provisions/social capital	8,136	6,148	6,148	-
Equity - issues	-213	-217	-	217
Tax assets (liabilities) before netting	**10,988**	**2,338**	**28,054**	**25,717**
Netting of taxes	-	-	-21,845	-21,845
Net deferred tax assets/liabilities	**-**	**-**	**6,209**	**3,872**

Deferred tax assets and liabilities are netted pursuant to IAS 12.74.

Deferred tax assets were mainly the result of impairment allowances recognised in accordance with IFRS 9, derivatives in the banking book with negative fair values, use of the fair value option for own debt securities, deferrals of the upfront fees contained in receivables from customers and valuations of 'social capital' in accordance with IAS 19 that differed from the tax base. Deferred taxes taken directly to equity in conformity with IAS 19 came to EUR -0.6 million (pr. yr.: EUR -0.7 million).

Deferred tax liabilities were mainly attributable to the fair value measurement of investment property, the measurement of financial investments at fair value, the application of the effective interest rate method for securities measured at amortised cost, the positive fair value of securities designated under the fair value option, as well as derivatives in the banking book with positive fair values.

The application of IFRS 16 results in both deferred tax assets/liabilities that offset each other almost completely.

There are no losses carried forward that are subject to deferred taxes assets.

(24) Non-current assets held for sale

in €k	**31/12/2021**	**31/12/2022**	± in %
Land	-	27,087	-
Buildings	-	2,371	-
Non-current assets held for sale	**-**	**29,458**	**-**

Up until 31 December 2022, this item presented two properties provided as collateral for loans. BKS Bank AG initiated measures to realise these properties. BKS Bank AG will handle the sale for one property itself, while a real estate agent will be commissioned to handle the sale of the other property.

(25) Other assets

in €k	31/12/2021	31/12/2022	± in %
Other assets	12,433	16,260	30.8
Deferred items	9,593	10,105	5.3
Other assets	**22,026**	**26,365**	**19.7**

Other assets include, among other things, receivables from tax authorities.

(26) Payables to other banks

in €k	31/12/2021	31/12/2022	± in %
Payables to Austrian banks	806,982	895,298	10.9
Payables to foreign banks	19,930	35,679	79.0
Payables to other banks	**826,912**	**930,977**	**12.6**

BKS Bank takes part in the TLTRO III programme (Targeted Longer-Term Refinancing Operations) of the European Central Bank (ECB). This programme makes longer-term financing available to banks at attractive terms, with the interest rate for individual banks depending on the extent to which lending targets have been met in the relevant reference periods. With regard to the accounting treatment of this type of financing, BKS Bank concluded on the basis of a final assessment that the TLTRO III program does not constitute a government grant within the meaning of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance and that IAS 20 therefore does not apply. A government grant is only deemed to exist if the grantor is classified as a "government" entity in accordance with IAS 20.3, the interest rate charged under the TLTRO III programme is below the market rate and, in addition, the transactions carried out under the programme can be distinguished from the normal trading transactions of the entity. Since BKS Bank does not regard the ECB, which offers this favourable-term refinancing, as a "government" entity, not all three criteria are met, and IAS 20 therefore does not apply.

In the financial year 2022, a tranche of EUR 150 million was repaid as scheduled, no prepayments were made. As of the reporting date, liabilities of EUR 400 million from the TLTRO III programme were reported under Payables to other banks and accounted for in accordance with IFRS 9. Under IFRS 9.B5.4.5, the gradual raising of the interest rate by the ECB in the second half of 2022 led to a change in the effective interest rate. The Deposit Facility Rate (DFR) applicable at any given time will be used to determine interest as of 23 November 2022. The remaining total positive effect in the financial year 2022 will be EUR 1.6 million from the use of the TLTRO III programme, which will be reported as a positive interest expense in net interest income. At year-end 2022, BKS Bank took part in the LTRO programme with a new volume of EUR 200 million, the interest payable on which will be tied to the Main Refinancing Operations (MRO) rate applicable at any given time.

Payables to other banks by remaining time to maturity

in €k	31/12/2021	31/12/2022	± in %
Due on demand	118,435	225,582	90.5
Up to 3 months	122,498	9,172	-92.5
From 3 months to 1 year	62,498	223,844	>100
From 1 to 5 years	456,678	421,140	-7.8
From 5 years	66,802	51,239	-23.3
Payables to other banks by remaining time to maturity	**826,912**	**930,977**	**12.6**

(27) Payables to customers

in €k	31/12/2021	31/12/2022	± in %
Savings deposits	**1,351,180**	**1,258,886**	**-6.8**
• Corporate and business banking customers	131,819	128,936	-2.2
• Retail banking customers	1,219,361	1,129,949	-7.3
Other liabilities	**5,791,352**	**5,564,907**	**-3.9**
• Corporate and business banking customers	4,067,067	3,696,251	-9.1
• Retail banking customers	1,724,285	1,868,657	8.4
Payables to customers	**7,142,532**	**6,823,793**	**-4.5**

Payables to customers by remaining time to maturity

in €k	31/12/2021	31/12/2022	± in %
Due on demand	5,716,656	6,011,477	5.2
Up to 3 months	162,049	68,451	-57.8
From 3 months to 1 year	541,125	201,468	-62.8
From 1 to 5 years	687,355	503,858	-26.7
From 5 years	35,347	38,539	9.0
Payables to customers by remaining time to maturity	**7,142,532**	**6,823,793**	**-4.5**

(28) Liabilities evidenced by paper

in €k	31/12/2021	31/12/2022	± in %
Bonds issued	677,645	731,788	8.0
Other liabilities evidenced by paper	54,878	51,828	-5.6
Liabilities evidenced by paper	**732,523**	**783,616**	**7.0**

Liabilities evidenced by paper include bonds issued in an amount of EUR 35.3 million (pr. yr.: EUR 57.0 million) measured at fair value (use of fair value option). The carrying amount of liabilities evidenced by paper measured at fair value is EUR 0.3 million (pr. yr.: EUR 7.0 million) above the repayment amount.

Liabilities evidenced by paper by remaining time to maturity

in €k	31/12/2021	31/12/2022	± in %
Up to 3 months	9,225	6,253	-32.2
From 3 months to 1 year	59,532	41,477	-30.3
From 1 to 5 years	321,328	431,257	34.2
From 5 years	342,437	304,628	-11.0
Liabilities evidenced by paper by remaining time to maturity	**732,523**	**783,616**	**7.0**

(29) Trading liabilities

in €k	31/12/2021	31/12/2022	± in %
Negative fair values of derivative financial instruments	7,886	5,250	-33.4
• Currency contracts	3,121	4,278	37.1
• Interest rate contracts	1	7	>100
• Fair value option	4,764	965	-79.7
Trading liabilities	**7,886**	**5,250**	**-33.4**

(30) Provisions

in €k	31/12/2021	31/12/2022	± in %
Provisions for post-employment benefits and similar obligations	61,329	58,207	-5.1
Provisions for taxes (current taxes)	2,943	4,260	44.8
Provision for guarantees and credit facilities	1,623	755	-53.5
Other provisions	53,491	59,059	10.4
Provisions	**119,385**	**122,281**	**2.4**

The line item Provisions for post-employment benefits and similar obligations contains provisions for termination benefits in the amount of EUR 21.7 million (pr. yr.: EUR 21.4 million), provisions for post-employment benefits in the amount of EUR 30.4 million (pr. yr.: EUR 34.0 million) and provisions for jubilee benefits in the amount of EUR 6.1 million (pr. yr.: EUR 6.0 million). Other provisions contain a provision in the amount of EUR 44.9 million (pr. yr.: EUR 39.9 million) resulting from the proportionate consolidation of ALGAR. Other material provisions include provisions for death benefits of EUR 4.1 million (pr. yr.: EUR 4.0 million) and provisions for remuneration in the amount of EUR 2.4 million (pr. yr.: EUR 2.1 million).

Changes in provisions

in €k	Total 2021	Provisions for post-employment benefits and similar obligations	Taxes	Other	Total 2022	± in %
Provisions as at 01/01	129,434	61,329	2,943	55,113	119,385	-7.8
± Currency change	-	-	-	-	-	-
+ Additions	11,104	1,983	3,341	13,561	18,885	70.1
- Usage	-14,047	-1,280	-2,024	-4,108	-7,412	-47.2
- Reversal	-7,106	-3,825	-	-4,752	-8,577	20.7
Provisions as at 31/12	**119,385**	**58,207**	**4,260**	**59,814**	**122,281**	**2.4**

Provisions for termination benefits

According to the requirements of the Austrian Salaried Employees Act and the Austrian Termination Benefits Act, Austrian employees of BKS Bank whose employment began before 1 January 2003 are entitled to termination benefits provided applicable grounds for the termination are given. Moreover, the collective agreement for employees of banks and bankers generally gives people who have been in service for more than 5 years the right to two additional months' salary as severance payment if it is the employer that gives notice. Employees who have a service record of at least 15 eligible years of service also have this right in connection with taking statutory retirement. These additional monthly salaries are not covered by the contributions to the employee pension and severance payments fund ('old' termination benefits system).

Provisions for post-employment benefits

Post-employment benefit obligations existed on the basis of the collective agreement revising post-employment benefit law as amended on 23 December 1996. Essentially, the post-employment benefit promises embraced old-age pensions, occupational disability pensions and widow(er)s' and orphans' pensions. In the 2000 financial year, the existing benefit promises were transferred to VBV-Pensionkassen AG as the legal successor to BVP-Pensionskassen AG. BKS Bank's benefit obligations result from post-employment benefits already being paid to former employees or their surviving dependents and also from disability pension payments for still active employees.

Actuarial assumptions

in %	31/12/2021	31/12/2022
Financial assumptions		
Interest rate post-employment benefits	1.06%	4.14%
Interest rate other social capital provisions	1.31%	4.21%
Salary trend of active staff	1.40%	4.60%
Pensions trends	1.40%	4.15%
Career trends	0.25%	0.25%
Demographic assumptions		
Retirement age	65 years	65 years
Mortality table	AVÖ 2018	AVÖ 2018

The interest rate was determined pursuant to IAS 19.83 on the basis of yields for first-ranking fixed interest industrial bonds. As in the preceding year, the table published by Mercer (Austria) GmbH was used. The calculation of provisions for pensions as of 30 June 2021 was based on a duration of 10 years.

Changes in provisions for post-employment benefits and similar obligations

in €k	31/12/2021	31/12/2022	± in %
Provisions as at 01/01	68,885	61,329	-11.0
+ Interest expense	668	683	2.2
+ Service costs	1,399	1,679	20.0
- Payments during the reporting year	-5,931	-4,330	-27.0
± Actuarial profit/loss[1)]	-2,959	-851	-71.3
± Profit/loss on disposals	-733	-303	-58.7
Provisions as at 31/12	**61,329**	**58,207**	**-5.1**

[1)] Based on changed financial assumptions

Sensitivity analysis for post-employment benefits and similar obligations

Sensitivity analysis of DBO/present value of obligations in €k	Termination benefits 31/12/2021	Post-employment benefits 31/12/2021	Termination benefits 31/12/2022	Post-employment benefits 31/12/2022
Discount rate +0.5%	-810	-1,576	-991	-1,291
Discount rate -0.5%	797	1,723	495	1,402
Wage increase +0.5%	790	101	488	84
Wage increase -0.5%	-811	-97	-990	-81
Pension increase +0.5%	-	1,436	-	1,198
Pension increase -0.5%	-	-1,345	-	-1,126
Increase in life expectancy by around 1 year	-	2,241	-	2,028

This sensitivity analysis shows the influence a change in the parameters for the major actuarial assumptions would have on the provisions for termination benefits and post-employment benefits as at 31 December 2022.

Maturity analysis

Cash flows in €k	Termination benefits 31/12/2022	Post-employment benefits 31/12/2022
Expected payments 2023	2,043	2,691
Expected payments 2024	2,452	2,536
Expected payments 2025	1,421	2,384
Expected payments 2026	1,906	2,229
Expected payments 2027	2,616	2,075
Total expected payments 2023 to 2027	**10,438**	**11,916**
Weighted average maturity	7.12	9.01

The maturity analysis shows the expected termination and post-employment benefit payments in the coming five financial years as calculated by an actuary. Payments in the financial year 2022 amounted to EUR 4.1 million (pr. yr.: EUR 5.5 million).

(31) Other liabilities

in €k	31/12/2021	31/12/2022	± in %
Other liabilities	23,637	26,363	11.5
Deferred items	4,897	5,064	3.4
Lease liabilities	19,907	19,607	-1.5
Other liabilities	**48,442**	**51,034**	**5.4**

Other liabilities include, among other things, liabilities to tax authorities.

The lease liabilities reported pursuant to IFRS 16 are mostly rental contracts for branches and office premises and fall due as follows:

in €k	31/12/2021	31/12/2022	± in %
Up to 1 year	2,625	2,779	5.8
From 1 to 5 years	8,962	9,124	1.8
From 5 years	8,319	7,705	-7.4
Lease liabilities	**19,907**	**19,607**	**-1.5**

(32) Subordinated debt capital

in €k	31/12/2021	31/12/2022	± in %
Supplementary capital	240,942	264,719	9.9
Subordinated debt capital	**240,942**	**264,719**	**9.9**

Subordinated debt capital is reported with accrued interest. The nominal value was EUR 262.2 million (pr. yr.: EUR 237.4 million).

Subordinated debt capital by remaining time to maturity

in €k	31/12/2021	31/12/2022	± in %
Up to 3 months	3,603	24,008	>100
From 3 months to 1 year	-	-	-
From 1 to 5 years	77,306	77,296	-
From 5 years	160,033	163,416	2.1
Subordinated debt capital by remaining time to maturity	**240,942**	**264,719**	**9.9**

Supplementary capital notes in the amount of EUR 20.0 million (pr. yr.: EUR 0.0 million) will fall due in 2023.

Details on subordinated debt capital (nominal values)

in €k	31/12/2021	31/12/2022	Full term
5% Nachrangige Obligation 2014-2023/2	20,000	20,000	9 years
4% Nachrangige Obligation 2015-2025/2	20,000	20,000	10 years
2 ¾% Nachrangige Obligation 2016-2024/2	20,000	20,000	8 years
3% Nachrangige Obligation 2017-2027/4	20,000	20,000	10 years
3.43% Nachrangige Obligation 2018-2028/3/PP	13,000	13,000	10 years
2 1/4% Nachrangige Obligation 2018-2026/3	17,287	17,287	8 years
4.54% Nachrangige Obligation 2019-2034/2/PP	8,000	8,000	15 years
3% Nachrangige Obligation 2019-2029/3	20,000	20,000	10 years
3% Nachrangige Obligation 2019-2030/4	20,000	20,000	11 years
3.85% Nachrangige Obligation 2019-2034/4/PP	3,400	3,400	15 years
3% Nachrangige Obligation 2019-2031/5	20,000	20,000	11.5 years
2 3/4% Nachrangige Obligation 2020-2032/1	8,433	8,433	12 years
3% Nachrangige Obligation 2020-2030/2	4,289	4,289	10 years
3% Nachrangige Obligation 2020-2030/3	20,000	20,000	10 years
3.25% Nachrangige Obligation 2021-2031/4/PP	20,000	20,000	10 years
3.03% Nachrangiges Schuldscheindarlehen 2021-2032	3,000	3,000	10 years
2.1% Nachrangige Obligation 2022-2032/1	-	1,229	10 years
3% Nachrangige Obligation 2022-2032/2	-	12,000	10 years
5% Nachrangige Obligation 2022-2032/6	-	11,539	10 years
Total subordinated capital (tier 2)	**237,409**	**262,177**	

Expenditure on subordinated obligations in the financial year came to EUR 8.1 million (pr. yr.: EUR 7.6 million).

(33) Equity

in €k	31/12/2021	31/12/2022	± in %
Subscribed capital	85,886	85,886	-
• Share capital	85,886	85,886	-
Capital reserves	241,416	241,416	-
Retained earnings and other reserves	1,087,504	1,151,312	5.9
Additional equity instruments (AT 1 bond)	65,200	65,200	-
Equity	**1,480,006**	**1,543,813**	**4.3**

The share capital consists of 42,942,900 ordinary voting shares, the par value per share is EUR 2.0. The authorised capital for increasing the share capital amounts to EUR 16.0 million (up to 8.0 million ordinary no-par bearer shares). Capital reserves contains premiums from the issuance of shares. Retained earnings and other reserves consist essentially of reinvested profits.

Additional equity instruments refer to the additional tier 1 notes: BKS TIER 1 ANL 2015 (nominal amount EUR 23.4 million), BKS TIER 1 ANL 2017 (nominal amount EUR 14.5 million), BKS TIER 1 ANL 2018 (nominal amount EUR 17.3 million) and BKS TIER 1 ANL 2020 (nominal amount EUR 10.0 million), which are classified as equity under IAS 32.

Shares in issue 2022

Number of shares	no-par ordinary shares
As at 01/01/2022	**42,150,529**
Change in treasury shares	181,435
As at 31/12/2022	**42,331,964**
Treasury shares in the Group's portfolio	**610,936**
Shares issued	**42,942,900**

Shares in issue 2021

Number of shares	no-par ordinary shares
As at 01/01/2021	**42,060,932**
Change in treasury shares	89,597
As at 31/12/2021	**42,150,529**
Treasury shares in the Group's portfolio	**792,371**
Shares issued	**42,942,900**

The item Other comprehensive income in retained earnings is due to the following changes to reserves:

	2021		***2022***	
in €k	Remeasurement from defined-benefit plans	Reserves for own credit risk	Remeasurement from defined-benefit plans	Reserves for own credit risk
As at 01/01	**-29,219**	**704**	**-26,081**	**1,044**
Other comprehensive income	3,138	291	4,312	786
• Change from remeasurement pursuant to IAS 19	2,222	-	235	-
• Reserves for own credit risk	-	291	-	786
• Effect of the equity method (IAS 19)	917	-	4,077	-
Reclassification	-	49	-	-490
As at 31/12	**-26,081**	**1,044**	**-21,770**	**1,340**

Capital management

(34) Own funds

Capital management at BKS Bank consists of two elements of equal importance, namely management within the scope of the regulatory minimum capital ratio requirements and internal management within the scope of ICAAP (the Internal Capital Adequacy Assessment Process). A distinction is made between the normative perspective and the economic perspective.

The aim is to maintain the regulatory minimum capital ratios required by CRR at all times, also in the event of stress, and to hold sufficient assets to cover risks within the scope of ICAAP under the economic perspective. The main focus of our capital management activities is on limiting and controlling the risks assumed by the bank as part of the overall bank risk management process.

To achieve these goals, the degree of utilisation of all risk limits is checked and reported within the management information process. The core variables used for analysis and management purposes in the capital management process were the own funds ratio, the tier 1 ratio, the degree of utilization of the assets available to cover risks and, additionally, the leverage ratio.

BKS Bank calculates the own funds ratio and total risk exposure amount in accordance with the provisions of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD). The calculation of own funds requirements for credit risk, for market risk and for operational risk is done using the standardised approach.

The Supervisory Review and Evaluation Process (SREP) conducted by the Austrian Financial Market Authority (FMA) came to the conclusion that BKS Bank was to meet the following minimum requirements without a capital conservation buffer as a percentage of the total risk exposure amount as at 31 December 2022: 5.4% for common equity tier 1 capital, and 9.6% for total capital ratio. The capital ratios at the end of December 2022 exceeded these requirements.

BKS Bank group of credit institutions: own funds pursuant to CRR[1]

in € m	31/12/2021	31/12/2022
Share capital	85.9	85.9
Reserves net of intangible assets	1,298.3	1,360.6
Deductions	-649.3	-668.2
Common equity tier 1 capital (CET1)	734.9	778.3[1]
Common equity tier 1 ratio	12.3%	12.5%
AT1 note	65.2	65.1
Additional tier 1 capital	65.2	65.1
Tier 1 capital (CET1 + AT1)	800.1	843.4
Tier 1 capital ratio	13.4%	13.6%
Supplementary capital (tier 2)	209.1	214.7
Total own funds	1,009.2	1,058.1
Total capital ratio	16.9%	17.0%
Total risk exposure amount	5,980.1	6,213.5

[1] In the reporting year 2022, the accounting method for investment property was changed. Pursuant to IAS 8 the figures for the preceding year were adjusted accordingly. A presentation of the changes is given in chapter "Change to accounting method for investment property" as of page 156 of this report.
[2] Includes profit for the year 2022. Formal adoption is still outstanding.

Risk Report

(35) Risk policy and risk strategy

Our business policy motto is to secure autonomy and independence by increasing profits within the scope of a sustainable growth strategy. A key element of our business is to specifically assume risk based on the premise of recognising all relevant risks early that may result from the banking business and banking operations, and to actively manage and mitigate risk through effective risk management. All individual risks are recorded, evaluated and analysed. The capital available is used as efficiently as possible taking into account the medium to long-term strategic goals, with the risk/profit ratio being constantly optimised.

At BKS Bank, a solid risk culture is established throughout the Group based on a comprehensive understanding of our risks based on the values of BKS Bank. The risk culture is described at the top level by the mission statement and the risk strategy of BKS Bank and represents how management staff and employees are to deal with risk within the scope of their work. A central element in the risk culture is the integration of individual key figures from the Risk Appetite Framework into the compensation policy. This ensures a risk-adequate assessment of compensation in line with risk appetite. Another important cornerstone of the risk culture is the handling of sustainability risks. Therefore, the risk policy principles for managing sustainability risks and especially climate risks refer to the diverse management levels and risk categories, with management taking place within the specific risk types.

ICAAP

In accordance with the provisions of §39 and §39a Banking Act, banks must have effective plans and procedures in place to determine the amount, the composition and the distribution of the capital available for the quantitative and qualitative hedging of all material risks relating to the banking business and banking operations. Based on these factors, banks must maintain capital in the required volumes. These processes are summarised in ICAAP and presented by BKS Bank under the risk-bearing capacity calculation. The risk-bearing capacity calculation follows the dual approach recommended by the supervisory authorities and has been prepared according to the normative perspective and the economic perspective since 2021.

ILAAP

ILAAP is the process that must be established by BKS Bank pursuant to § 39 para 3 Banking Act for the purpose of identifying, measuring, managing and monitoring liquidity. BKS Bank uses several established methods and ratios to measure liquidity and liquidity risk (e.g. capital flow statement, LCR, NSFR…) and monitors compliance with liquidity goals by producing timely and extensive risk reports.

BASAG

The provisions of the Austrian Federal Act on the Recovery and Resolution of Banks (BaSAG) require banks to prepare recovery and resolution plans. The key elements within the framework of overall bank management under the Recovery and Resolution Act are
- the recovery plan,
- the resolution plan, and
- the MREL ratio.

(36) Structure and organisation of risk management

The risk strategy of BKS Bank is characterised by a conservative handling of the risks involved in the banking business and in banking operations. A comprehensive system of risk principles, risk measurement and monitoring procedures as well as an appropriate organisational structure is in place for risk monitoring and management. Central responsibility for risk management lies with a member of the Management Board whose remit does not include front office activities.

The risk strategy is revised annually, approved by the Management Board and discussed and evaluated by the members of the Risk Committee of the Supervisory Board. The Management Board decides on the risk management principles, the limits for all relevant risks, and the procedures for monitoring and managing risks.

In accordance with § 39 para 5 Banking Act, risk controlling is a central unit independent of operations at BKS Bank that is responsible for identifying, measuring and analysing risks as well as for the continuous development and fine-tuning of the risk management instruments. This unit reports regularly to the Management Board and to the operational units responsible for risk, and evaluates the current risk situation taking into account the corresponding risk limits and risk-bearing capacity. As an independent unit, it measures if the risks remain within the limits defined by the Management Board.
At the annual review of the risk strategy, BKS Bank takes an inventory of all risks. The identification of risks and the assessment of their threat potential is based on a risk analysis by the risk controlling unit in the form of a risk matrix created by the ICAAP Committee.

The limits and targets defined in the risk strategy are evaluated annually and amended as required.
As an independent internal unit, the internal audit department of BKS Bank reviews all operating and business procedures, the appropriateness and efficacy of the measures taken by management and risk controlling as well as the internal control systems.

A number of committees have been established for the management of the overall banking risks. The vast knowledge that the individual members of the committees contribute to the management process guarantees a comprehensive treatment of each type of risk.

Risk committees

ICAAP Committee
The ICAAP Committee meets four times a year and discusses the risk-bearing capacity by analysing the economic capital requirement and the assets available to cover risks.

ALM - Asset/Liability Management
The Asset/Liability Management Committee meets monthly, analyses and manages the balance sheet structure with regard to interest rate risk in the banking book, share price risk and liquidity risk. In this context, the Committee also is responsible for the important tasks of planning for funding, funds transfer pricing and the management of concentration risks.

Operational Risk Committee
The Operational Risk Committee meets four times a year. The members of the OR Committee analyse the loss events, support the risk-taking units and the management with the active management of operational risk, monitor measures taken and develop the OR risk management system. A key part of the committee's tasks is to monitor and further develop ICT risk management.

Credit Risk jour fixe meetings

At the weekly jour fixe meetings on credit risk, the main topics discussed relate to day-to-day lending operations, prolongations and other current topics in the corporate and retail business. Besides the weekly Jour fixes, an extended credit risk committee meets quarterly. This Committee manages credit risk at the portfolio level, engages in the continuous further development of the credit risk management process, and facilitates the swift deployment of steering instruments.

(37) Internal Capital Adequacy and Risk-bearing Capacity (ICAAP)

An analysis of the risk-bearing capacity based on the internal capital adequacy assessment process (ICAAP) is an essential component of the overall bank risk management at BKS Bank. Since 2021, we have been pursuing a dual approach in overall bank management. The purpose of the normative perspective is to assess the bank's ability to meet quantitative regulatory and supervisory requirements over a period of several years. The goal here is to ensure compliance with regulatory requirements. Under the economic perspective, we identify and quantify all material capital-relevant risks and compare them with the risk cover amount, the aim being to ensure adequate internal capital.

At BKS Bank, unexpected losses in the liquidation approach are calculated for a period of observation of one year with a confidence level of 99.9%. As at 31 December 2022, the economic capital requirement was determined at EUR 498.2 million after EUR 521.4 million in the preceding year. The corresponding assets available to cover risks came to EUR 1,326.3 million, compared with EUR 1,326.3 million at the end of 2021.

Risk-bearing capacity by economic perspective

Breakdown of risks by economic perspective

in %	31/12/2021	31/12/2022
1 Credit risk	65.7	67.4
2 Interest rate risk in the banking book	11.2	10.4
3 Equity price risk	5.6	5.2
4 Foreign currency risk	0.1	0.2
5 Credit spread risk	6.7	5.5
6 Operational risk and ICT-risk	5.7	6.2
7 Liquidity risk	2.0	2.0
9 Model errors	0.4	0.4
10 Other risks	2.7	2.8

As in the preceding year, the economic capital requirement for credit risk was the largest risk capital requirement within the group of credit institutions. Credit risks account for about 67.4% (2021: 65.7%) of the total loss potential.

The **normative perspective** of risk-bearing capacity focuses on the regulatory capital ratios, liquidity ratios and credit risk ratios. The normative perspective is subject to a planning horizon of at least 3 years. The first step is to check whether the regulatory ratios and the internal limits derived from the risk appetite can be complied with over the planning period. In a second step, a review is conducted to ascertain whether the limits and minimum sizes required by supervisory law can also be met in the event of stress. The stress parameters are derived from the EBA stress tests and reconciled with the stress tests in the economic perspective.

The risk-bearing capacity calculation in the normative perspective shows that the limits defined in the risk appetite framework are complied with in both the base scenario and the stress scenario, and that the quantitative legal requirements are therefore also met.

(38) Credit risk

We define credit risk as the risk of a partial or complete default on contractually-agreed repayments on loan. This risk may be grounded in a counterparty's creditworthiness or indirectly in the country risk of a counterparty's domicile. Credit risk is by far BKS Bank's most important risk category. The monitoring and analysis is done at the product and individual customer level, at the level of groups of related customers and on a portfolio basis.

Managing credit risk

The management of credit risk is based on the principle of granting loans only a know-your-customer basis. Therefore, loans are granted only after a thorough check of the person and creditworthiness and – if relevant – in compliance with the dual control principle (front office and back office). Collateral requirements for relevant transactions are derived from the rating class and the product.

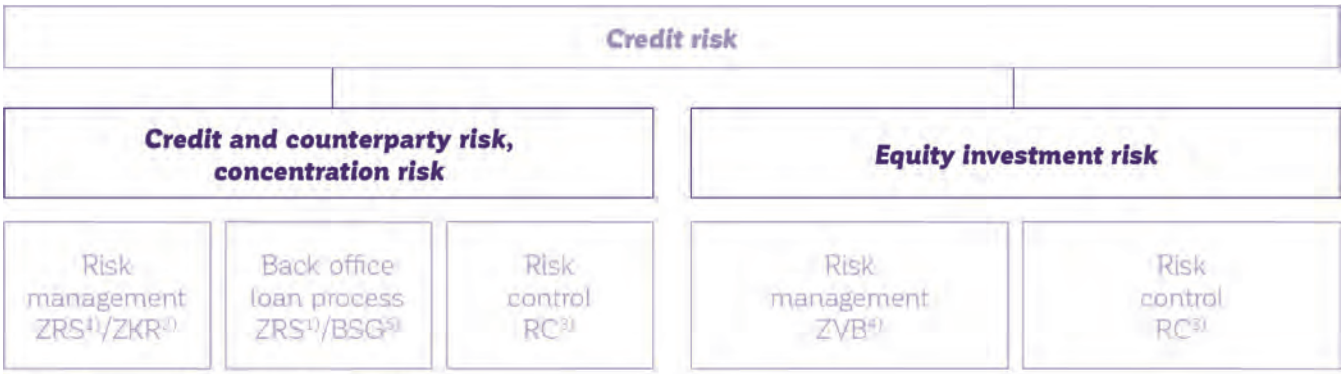
The valuations at fair value of the collateral are oriented on the average liquidation proceeds obtained in the past. Real estate collateral is appraised and regularly reviewed by an independent expert from Credit Management. Lending in markets outside of Austria is governed by special guidelines that are specific to the features of the country concerned, in particular, the economic environment and the higher realisation risk of the collateral.

The Risk Analysis and Service Department is responsible for risk analysis and management at the level of the individual customer. At portfolio level, the extended credit risk jour fixe is responsible for the management of risk on the basis of reports prepared by Risk Controlling. The main goals when assuming new risk positions concern the rating structure, which means that new business is acquired only if certain rating classes are met and the collateral provided is sufficient. In addition, a list of exclusion criteria specifies which businesses will not be granted financing by BKS Bank.

Concentrations of credit risk are managed at the portfolio level, with the aim being to achieve a balanced distribution of credit exposures by size, and limits for individual geographical regions, sectors and industries, as well as the foreign currency portion of the loan portfolio. BKS Bank holds a 25% stake in ALGAR, which has the purpose of securing large exposures.

Equity investment risk includes the risk of lost dividends, impairments and realised losses, and the risk of a decline in the value of hidden reserves caused by poor financial performance on the part of entities in which BKS Bank holds equity investments. The acquisition of equity investments is not a strategic focus of BKS Bank. In the case of affiliated companies, our focus is on strategic partners from the banking and financial sector as well as from banking-related service industries.

Credit risk management



[1] Central Department Risk Analysis and Services
[2] Central Department Credit Risk
[3] Group Risk Controlling
[4] Office of the Management Board
[5] BKS Service GmbH

To manage and control individual financial risks, we prepare annual budgets for subsidiaries as well as budgets and projections for the returns on investees. Monthly reports on operating subsidiaries are an integral part of our Group reporting system.

The quantitative information included in this report pursuant to IFRS 7.31 to 7.42 is based on the internal reporting for overall bank risk management.

Internal risk management is done at portfolio level and the risk positions are presented below.

(38.1) Credit risk volumes pursuant to internal risk management

in €k	***31/12/2021***	***31/12/2022***
Receivables from customers	7,065,859	7,296,381
Receivables from other banks	94,638	253,724
Credit risk from derivatives and contingent liabilities	2,321,446	2,359,749
Securities and funds	1,056,361	1,162,949
Equity investments	807,683	839,334
Exposure volume	**11,345,985**	**11,912,137**

The presentation of credit risk exposure was aligned with the balance sheet structure in 2022, and the preceding year's values were adjusted accordingly.

(38.2) Reconciliation of IFRS positions to internal credit risk items

in €k	31.12.2021	31/12/2022
Receivables from customers pursuant to Note (15.1)	6,958,625	7,175,340
+Impairment charges on receivables from customers pursuant to Note (15.1)	107,234	121,040
Receivables from customers	**7,065,859**	**7,296,381**
Receivables from other banks pursuant to Note (14)	94,582	253,618
+ Impairment charges on receivables from other banks purs. to Note (14)	55	107
Receivables from other banks	**94,638**	**253,724**
Contingent liabilities pursuant to note (60)	610,804	638,877
Other exposures pursuant to Note (60)	1,702,081	1,706,925
+ Positive fair values from derivative products pursuant to Note (16)	8,561	13,947
Credit risk from derivatives and contingent liabilities	**2,321,446**	**2,359,749**
Debt securities and other fixed-interest securities pursuant to Note (17)	999,561	1,123,812
+ Impairment charges on debt securities pursuant to Note (17)	679	956
+ Shares from the item Shares and other non-interest-bearing securities purs. to Note (18)	56,121	38,181
Securities and funds	**1,056,361**	**1,162,949**
Investments in entities accounted for using the equity method pursuant to Note (19)	709,256	727,275
Shares from the item Shares and other non-interest-bearing securities pursuant to Note (18)	98,427	112,059
Equity investments	**807,683**	**839,334**
Risk exposure	**11,345,985**	**11,912,137**

Credit ratings in credit risk

A major component of the risk assessment process is our comprehensive rating system, which serves as the basis for risk management within the BKS Bank Group. The bank's internal rating models are validated every year.

Rating classes

AA	First-class, best credit standing
A1	First-class, excellent credit standing
1a	First-class credit standing
1b	Very good credit standing
2a	Good credit standing
2b	Still good credit standing
3a	Acceptable credit standing
3b	Still acceptable credit standing
4a	Inadequate credit standing
4b	Poor credit standing
5a	In default – performing
5b	In default – non-performing
5c	In default – irrecoverable

(38.3) Loan quality by class of receivable 2022

Risk items by rating in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating
Receivables from customers	98,315	1,905,975	2,660,478	2,222,310	235,755	172,442	1,106
Receivables from other banks	188,995	52,279	12,448	1	1	–	–
Credit risk from derivatives and contingent liabilities	69,201	706,814	1,042,763	518,170	20,010	2,705	85
Securities and funds	858,911	283,997	18,990	1,018	31	–	–
Equity investments	747,617	90,659	1,058	–	–	–	–
Total	**1,963,040**	**3,039,725**	**3,735,738**	**2,741,500**	**255,797**	**175,146**	**1,191**

Loan quality by class of receivable 2021

Risk items by rating in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating
Receivables from customers	95,046	1,681,031	2,521,963	2,264,702	308,534	191,578	3,005
Receivables from other banks	48,138	39,253	3,954	3,290	2	–	–
Credit risk from derivatives and contingent liabilities	70,461	647,972	949,362	607,352	41,777	4,315	205
Securities and funds	758,554	245,549	52,246	–	11	–	–
Equity investments	727,060	65,859	1,478	13,286	–	–	–
Total	**1,699,259**	**2,679,665**	**3,529,003**	**2,888,631**	**350,324**	**195,893**	**3,210**

At year-end, the non-performing loan ratio was 2.1% (2021: 2.2%). The calculation is based on non-performing loans in the rating classes 5a to 5c of the BKS Bank rating system (default classes) and the accounting receivables from sovereigns, central banks, credit institutions and customers. Cover for the loss potential of non-performing loans is indicated by the coverage ratio. Coverage ratio I is the relation between risk provisions to the total risk position and was 37.3% on 31 December 2022 (2021: 33.7%). Additionally, we use coverage ratio III as an internal benchmark which also includes existing collateral in the calculation. The cover ratio was 86.0% at year-end (2021: 86.0%).

(38.4) Exposures classified as forborne 2022

in €k	Corporate and Business Banking	Retail banking	Total
Performing exposure	49,646	5,385	55,031
• thereof with concessions regarding instalments	42,512	5,237	47,749
• thereof rescheduled	7,134	148	7,282
Non-performing exposures	34,658	22,267	56,925
• thereof with concessions regarding instalments	31,825	15,341	47,166
• thereof rescheduled	2,833	6,926	9,759
Total	**84,304**	**27,652**	**111,956**

Exposures classified as forborne 2021

in €k	Corporate and Business Banking	Retail banking	Total
Performing exposure	69,818	20,084	89,902
• thereof with concessions regarding instalments	60,548	19,437	79,985
• thereof rescheduled	9,270	647	9,917
Non-performing exposures	35,222	17,338	52,560
• thereof with concessions regarding instalments	32,689	10,669	43,358
• thereof rescheduled	2,533	6,669	9,202
Total	**105,040**	**37,422**	**142,462**

The concept of 'forbearance' plays an important role in the management of problematic exposures. This term covers all agreements that must be redrafted because a borrower has fallen into financial difficulties. Financial difficulties were deemed given if repayment from cash flows could no longer be assured within a realistic period or due to the outcome of an assessment of creditworthiness. Pursuant to CRR, these business cases must be specifically tagged. Such forbearance may, for instance, involve

- extending the term of the loan
- concessions compared with the loan instalments originally agreed
- concessions regarding the terms and conditions of the loan
- complete reconfiguring of the loan (restructuring)

(38.5) Credit risk volumes relating to the coronavirus crisis

A number of forbearance measures were triggered as well as loan deferrals and bridging loans granted due to the outbreak of the coronavirus pandemic in the financial year 2020. The following table shows the relevant credit volumes affected by these measures, broken down by economic activity.

in €k	Other loans and advances with COVID-19-related forbearance	Loans and advances with government guarantees granted in connection with COVID-19	Government guarantees granted in connection with COVID-19
Retail banking	619	32	32
Real estate activities	13,035	10	8
Construction	1,307	3,766	3,491
Manufacturing	1,087	26,195	23,258
Wholesale and retail trade; repair of motor vehicles and motorcycles	584	12,976	12,012
Professional, scientific and technical activities	2,246	17,371	15,858
Financial and insurance activities	288	363	363
Transport and storage	–	1,244	1,133
Accommodation and food service activities	11,480	4,402	4,125
Human health and social work activities	–	400	389
Administrative and support service activities	–	3,398	3,185
Public administration and defence; compulsory social security	–	–	–
Agriculture and forestry, fishery	106	758	758
Electricity, gas, steam and air conditioning supply	–	12	12
Mining and quarrying	–	–	–
Other service activities	103	230	218
Information and communication	3,805	1,582	1,549
Water supply; sewerage, waste management and remediation activities	2,832	–	–
Arts, entertainment and recreation	783	165	164
Education and instruction	–	204	204
Total	**38,275**	**73,108**	**66,759**

Deferrals for loans and advances with EBA-compliant moratoria expired and were thus no longer separately presented.

The following table shows the credit volumes of still active moratoria and remaining times to maturity of loans deferred in the financial year 2020 due to the coronavirus pandemic.

in €k	Carrying amount loans	thereof loans with active moratoria	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 12 months <= 18 months	> 18 months
Other loans and advances with COVID-19-related forbearance	38,275	8,909	8,754	–	–	–	155	–

(38.6) Risk positions measured at amortised cost by rating class and stage/ on-balance 2022

	Carrying amounts				Impairment			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	968,403	–	–	968,403	313	–	–	313
A1	135,216	–	–	135,216	105	–	–	105
1a	967,325	26,363	–	993,688	623	158	–	781
1b	1,108,127	20,224	–	1,128,351	2,924	261	–	3,185
2a	1,081,173	23,211	–	1,104,384	4,232	564	–	4,796
2b	1,487,013	29,464	–	1,516,477	9,593	997	–	10,590
3a	1,354,463	174,736	–	1,529,199	10,301	5,222	–	15,523
3b	466,627	193,087	–	659,714	6,604	6,023	–	12,627
4a	64,590	106,445	–	171,035	1,770	4,449	–	6,219
4b	22,956	41,323	–	64,279	1,008	2,449	–	3,457
5a – 5c	–	–	172,276	172,276	–	–	64,301	64,301
OR	1,026	81	–	1,107	205	1	–	206
Total	**7,656,919**	**614,934**	**172,276**	**8,444,129**	**37,678**	**20,124**	**64,301**	**122,103**

Risk positions measured at amortised cost by rating class and stage/ on-balance 2021

	Carrying amounts				Impairment			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	716,016	–	–	716,016	173	–	–	173
A1	90,086	–	–	90,086	42	–	–	42
1a	897,258	30,906	-	928,164	408	129	-	537
1b	924,601	38,783	-	963,384	1,221	902	-	2,123
2a	1,176,423	13,267	-	1,189,690	2,712	255	-	2,967
2b	1,158,965	171,474	-	1,330,439	4,181	1,573	-	5,754
3a	1,030,507	427,165	-	1,457,672	4,706	7,932	-	12,638
3b	403,480	352,540	-	756,020	3,233	6,620	-	9,853
4a	47,527	169,025	-	216,552	552	4,358	-	4,910
4b	16,933	76,144	-	93,077	616	4,215	-	4,831
5a – 5c	–	-	190,545	190,545	–	-	63,884	63,884
OR	2,743	693	-	3,436	221	35	-	256
Total	**6,464,539**	**1,279,997**	**190,545**	**7,935,081**	**18,065**	**26,019**	**63,884**	**107,968**

The risk positions include receivables from other banks pursuant to Note 14, receivables from customers measured at amortised cost pursuant to Note 15.2, debt securities and other fixed-interest securities measured at amortised cost pursuant to Note 17, as well as the corresponding impairment charges pursuant to Note 38.2

(38.7) Off-balance risk positions by rating class and stage 2022

	Carrying amounts				Provisions			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	69,171	–	–	69,171	–	–	–	–
A1	30	–	–	30	–	–	–	–
1a	243,087	3,257	–	246,344	46	1	-	47
1b	459,126	1,026	–	460,152	57	1	-	58
2a	485,826	6,357	–	492,183	94	1	-	95
2b	524,681	12,400	–	537,081	128	4	-	132
3a	364,259	26,833	–	391,092	101	20	-	121
3b	66,286	60,699	–	126,985	72	44	-	116
4a	1,768	11,950	–	13,718	4	13	-	17
4b	2,275	3,981	–	6,256	18	29	-	47
5a – 5c	–	–	2,705	2,705	-	-	121	121
OR	70	15	–	85	1	–	-	1
Total	**2,216,579**	**126,518**	**2,705**	**2,345,802**	**521**	**113**	**121**	**755**

Off-balance risk positions by rating class and stage 2021

	Carrying amounts				Provisions			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	51,814	–	–	51,814	–	–	–	–
A1	18,150	–	–	18,150	–	–	–	–
1a	243,474	7,612	-	251,086	50	15	-	65
1b	429,386	9,493	-	438,879	68	5	-	73
2a	460,939	4,915	-	465,854	104	4	-	108
2b	360,059	36,333	-	396,392	154	95	-	249
3a	317,226	99,057	-	416,283	156	324	-	480
3b	98,581	91,191	-	189,772	104	272	-	376
4a	3,930	16,491	-	20,421	8	34	-	42
4b	3,611	10,424	-	14,035	22	60	-	82
5a – 5c	–	-	3,862	3,862	-	-	143	143
OR	282	86	-	368	1	4	-	5
Total	**1,987,452**	**275,602**	**3,862**	**2,266,916**	**667**	**813**	**143**	**1,623**

Risk positions include contingent liabilities and exposure pursuant to Note 60.

(38.8) Loan collateral 2022[1)]

in €k	Credit exposure/max. default risk	Collateral in total	thereof financial collateral	thereof personal collateral	thereof real estate collateral	thereof other	Risk position[2)]
Receivables from customers	7,296,381	4,746,750	100,858	198,585	3,730,048	717,258	2,549,631
• thereof at fair value through profit or loss (designated)	135,413	57,120	1,991	13,454	41,675	–	78,292
• thereof at fair value through profit or loss (mandatory)	39,381	31,561	503	5	30,387	666	7,820
Receivables from other banks	253,724	3,297	–	–	–	3,297	250,427
Credit risk from derivatives and contingent liabilities	2,359,749	511,458	41,046	7,985	329,658	132,769	1,848,291
Securities and funds	1,162,949	224,339	–	103,374	–	120,965	938,610
• thereof at fair value through profit or loss (designated)	–	–	–	–	–	–	–
• thereof at fair value through profit or loss (mandatory)	34,732	–	–	–	–	–	34,732
• thereof at fair value OCI	59,399	40,919	–	–	–	40,919	18,480
Equity investments	839,334	–	–	–	–	–	839,334
• thereof at fair value OCI	110,427	–	–	–	–	–	110,427
• thereof investments at fair value (mandatory)	1,632	–	–	–	–	–	1,632
• thereof investments in entities accounted for using the equity method	727,275	–	–	–	–	–	727,275
Total	**11,912,137**	**5,485,844**	**141,904**	**309,945**	**4,059,706**	**974,289**	**6,426,293**

1) Lending value of the loan collateral measured pursuant to internal rules
2) Exposure less collateral

Loan collateral 2021[1)]

in €k	Credit exposure/max. default risk	Collateral in total	thereof financial collateral	thereof personal collateral	thereof real estate collateral	thereof other	Risk position[2)]
Receivables from customers	7,065,859	4,499,356	94,994	220,605	3,478,709	705,047	2,566,503
• thereof at fair value through profit or loss (designated)	89,927	56,476	–	16,636	39,840	–	33,451
• thereof at fair value through profit or loss (mandatory)	53,631	35,523	564	7	33,699	1,253	18,108
Receivables from other banks	94,638	13,340	–	10,188	–	3,152	81,298
Credit risk from derivatives and contingent liabilities	2,321,446	484,069	31,168	21,657	294,950	136,294	1,837,377
Securities and funds	1,056,361	150,441	–	59,721	–	90,720	905,920
• thereof at fair value through profit or loss (designated)	20,551	–	–	–	–	–	20,551
• thereof at fair value through profit or loss (mandatory)	50,375	–	–	–	–	–	50,375
• thereof at fair value OCI	67,393	34,907	–	–	–	34,907	32,486
Equity investments	807,683	–	–	–	–	–	807,683
• thereof at fair value OCI	98,176	–	–	–	–	–	98,176
• thereof investments in entities accounted for using the equity method	252	–	–	–	–	–	252
• thereof investments in entities accounted for by the equity method	709,256	–	–	–	–	–	709,256
Total	**11,345,985**	**5,147,206**	**126,162**	**312,171**	**3,773,659**	**935,213**	**6,198,780**

1) Lending value of the loan collateral measured pursuant to internal rules
2) Exposure less collateral

(38.9) Receivables from customers by economic activity

Economic activity classification in conformity with ÖNACE (Statistik Austria)	2021 in €k	2021 in %	2022 in €k	2022 in %
Retail banking	1,402,892	17.9	1,353,827	18.6
Real estate activities	1,436,613	19.2	1,564,530	21.4
Construction	717,689	10.5	788,415	10.8
Manufacturing	739,866	12.2	714,083	9.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	456,240	7.3	486,429	6.7
Professional, scientific and technical activities	444,799	5.6	457,368	6.3
Financial and insurance activities	388,483	5.9	386,019	5.3
Human health and social work activities	260,014	3.6	256,921	3.5
Accommodation and food service activities	230,967	3.1	235,556	3.2
Transport and storage	201,484	3.6	213,811	2.9
Administrative and support service activities	199,946	2.3	190,855	2.6
Public administration and defence; compulsory social security	165,912	2.2	168,039	2.3
Agriculture and forestry, fishery	116,833	1.1	142,587	2.0
Electricity, gas, steam and air conditioning supply	81,719	1.9	123,006	1.7
Information and communication	62,644	0.8	62,428	0.9
Water supply; sewerage, waste management and remediation activities	56,567	0.8	54,596	0.7
Other service activities	43,646	0.7	42,872	0.6
Mining and quarrying	27,721	0.5	25,612	0.4
Arts, entertainment and recreation	20,772	0.5	20,099	0.3
Education and instruction	11,052	0.3	9,329	0.1
Total	**7,065,859**	**1.0**	**7,296,381**	**100.0**

(38.10) Receivables from customers in foreign currencies by country and currency 2022

in €k	EUR[1]	CHF	USD	JPY	Other	Total
Austria	2,029	70,685	2,201	151	3,283	78,350
Slovenia	–	1,572	–	–	–	1,572
Croatia	546,701	351	22	–	–	547,073
Germany	–	786	–	–	–	786
Hungary	4,332	–	0	–	–	4,332
Switzerland	17,441	–	0	–	–	17,441
Other	14,625	1,373	2	–	–	16,001
Total	**585,129**	**74,768**	**2,226**	**151**	**3,283**	**665,556**

[1] EUR loans to customers from non-euro states

Receivables from customers in foreign currencies by country and currency 2021

in €k	EUR[1]	CHF	USD	JPY	Other	Total
Austria	313	80,229	3,592	228	723	85,085
Slovenia	-	2,387	-	-	-	2,387
Croatia	561,987	330	-	-	-	562,348
Germany	-	750	-	-	-	750
Hungary	5,102	-	-	-	-	5,102
Switzerland	18,583	-	-	-	-	18,583
Other	11,211	1,325	-	-	-	12,537
Total	**597,196**	**84,271**	**3,624**	**228**	**723**	**686,791**

[1] EUR loans to customers from non-euro states

(38.11) Receivables from customers by country 2022

in €k	Receivables[1]	Past due[2]	Specific impairment allowance[3]	Collateral for past due receivables
Austria	5,255,720	100,285	33,120	57,095
Slovenia	923,938	9,885	3,247	6,252
Croatia	584,639	51,737	22,112	22,072
Slovakia	272,474	5,370	2,465	2,797
Germany	167,410	43	39	–
Hungary	21,956	2,066	838	1,174
Other	70,243	3,037	2,318	12
Total	**7,296,381**	**172,423**	**64,139**	**89,402**

[1] See table Risk Volumes purs. to ICAAP page 161
[2] Past due purs. to BKS Bank's default definition
[3] Stage 3 Impairment charges

For all financial instruments recognised in default categories (rating 5a, 5b or 5c), no impairment charge is made for the collateralised portion.

Receivables from customers by country 2021

in €k	Receivables[1]	Past due[2]	Specific impairment allowance[3]	Collateral for past due receivables
Austria	5,034,640	99,361	29,751	61,671
Slovenia	904,033	12,825	4,082	8,381
Croatia	613,922	71,278	26,382	43,202
Slovakia	249,338	5,698	2,626	2,379
Germany	176,674	39	13	25
Hungary	20,705	2,350	1,004	1,279
Other	66,546	2	–	–
Total	**7,065,859**	**191,578**	**63,883**	**116,937**

[1] Risk volumes purs. to internal risk management
[2] Past due purs. to BKS Bank's default definition
[3] Stage 3 Impairment charges

(38.12) Securities and funds by domicile of issuer

in €k	At amortised cost		Carrying amount purs. to IFRS[1]	
Regions	2021	2022	2021	2022
Austria	467,765	482,974	473,724	479,592
Germany	102,535	152,627	103,592	151,520
Supranational, EU	114,867	146,958	116,535	147,451
Norway	54,903	54,903	55,356	54,395
France	43,433	46,748	43,606	46,965
Slovenia	29,887	44,848	30,093	45,148
Belgium	34,727	39,641	35,123	40,089
Spain	24,928	30,474	25,171	30,609
Slovakia	29,932	29,932	30,332	30,336
Ireland	29,012	29,070	29,317	29,334
Sweden	20,000	20,000	20,348	19,297
Portugal	15,187	15,187	15,200	15,179
Finland	15,137	15,137	15,116	15,101
Netherlands	14,946	14,946	15,008	15,014
Luxembourg	12,307	11,127	13,775	10,718
Croatia	10,122	10,122	10,210	10,195
Other	23,729	22,056	23,856	22,006
Total	**1,043,415**	**1,166,748**	**1,056,360**	**1,162,949**

[1] Including accrued interest

(39) Investment risk

Investment positions

in €k	31/12/2021	31/12/2022
Listed banks	709,256	727,275
Unlisted banks	18,429	25,955
Other unlisted equity investments	79,998	86,104
Total	**807,683**	**839,334**

(40) Interest rate risk

Interest rate risk refers to the risk of a negative development in positions sensitive to interest rate fluctuations or in net interest income.

Divergent maturities and interest adjustment periods may create the risk of changes to interest rates for both the assets and liabilities sides of the balance sheet. These risks may be generally hedged by a combination of on-balance sheet and off-balance sheet transactions. BKS Bank does not engage excessively in maturity transformation transactions. Therefore, we do not focus on maturity arbitrage with significant volumes of open positions to generate income by applying the “riding the yield curve” method.

The management of interest rate risk and the setting of the relevant limits is based on a combination of indicators and methods such as modified duration, volume analysis, scenario analysis pursuant to the rules for determining interest rate risk in the banking book (IRRBB) from an economic perspective as well as the NII perspective and stress tests of the economic capital. Managing interest rate risk in the banking book, which is the important risk category within market risk, is the responsibility of the Asset/Liability Management Committee. The Treasury and Financial Institutions department is responsible for managing interest rate risk in the trading book. Risk is monitored by Risk Controlling.

Managing interest rate risk

BKS Bank pursues a conservative strategy regarding interest rates risk and as a general rule does not engage in any significant speculative derivative transactions. BKS Bank engages in derivative transactions almost exclusively to hedge against market risks, using only instruments whose characteristics and related risks are known and for which experience-based data is available. Interest rate swaps are BKS Bank's key interest rate management instrument.

In October 2022, EBA issued new guidelines on the management of IRRBB and CSRBB, which, among other things, contained a new Supervisory Outlier Test (SOT). We are conducting an implementation project to meet the new requirements. The new rules for the management of interest rate risk are to be implemented by mid-2023, those for the management of credit spread risk by year-end 2023.

(40.1) Regulatory interest rate risk in % of own funds

Currency	31/12/2021	31/12/2022
EUR	2.69%	6.57%
CHF	0.08%	-0.02%
USD	-0.04%	-0.06%
JPY		–
Other		–
Total	**2.73%**	**5.49%**

(40.2) Changes in present value due to an interest rate shift of 200 basis points

in €k	31/12/2021	31/12/2022
EUR	26,467	69,473
CHF	734	-599
USD	-373	-169
JPY	–	–
Other	–	–
Total	**26,828**	**68,705**

(40.3) Interest rate gaps (EUR and FX)

in €k	31/12/2021	31/12/2022
< 1 month	75,726	-398,522
1 to 3 months	471,092	827,662
3 to 6 months	782,352	901,369
6 to 12 months	-2,088,705	-1,695,548
1 to 2 years	18,034	-109,604
2 to 3 years	-691,931	-764,204
3 to 4 years	214,596	246,333
4 to 5 years	-126,769	183,496
>5 years	502,944	631,021

Positive values in the fixed-interest gaps represent an asset surplus, while negative values represent a liability surplus of the volume that comes up for interest rate adjustment in the corresponding maturity bands.

(40.4) Interest rate risk

in €k	2021	2022
Minimum values	43,100	52,623
Maximum values	58,521	64,220
Average values	52,424	59,423
Value at year-end	**58,521**	**64,220**

The interest rate risk determined according to internal criteria is calculated on the basis of a worst-case scenario from the 6 economic EVE (Economic Value of Equity) IRRBB shocks and the management-relevant "APM duration risk" (+100BP shock). The suitability of the method and the confidence level of 99.9% and the holding period of one year are reviewed at least once a year and adjusted as necessary.

(41) Credit spread risk

in €k	2021	2022
Minimum values	35,086	27,265
Maximum values	41,669	33,884
Average values	38,314	30,352
Value at year-end	**35,086**	**27,265**

The credit spread risk is the risk of changes to the creditworthiness and/or risk premium-induced changes in the market price of the securities portfolio with a reference to the interest rate. BKS Bank quantifies the credit spread risk for the bond portfolio in the banking book. Generally, BKS Bank Group applies a conservative strategy to avoid credit spread risks.

Credit spread risk is managed at the monthly APM Committee meeting. Risk is monitored by Risk Controlling.

(42) Equity price risk

Equity price risk is the risk of changes in stock market prices that result from the interaction of supply and demand. Most of the investments in equities in our treasury portfolio were in highly liquid European and Austrian listed securities. Once a month, equity price risk is quantified using a historical simulation as value-at-risk.

The management of the equity price risk in the banking book is done by the ALM Committee. There was no proprietary trading in shares in the reporting year. Long-term investments in shares and assets in the banking book are generally in investment funds; we invest in individual stocks only to a minor extent. Risk is monitored by Risk Controlling.

Managing equity price risk

Value-at-risk values, equity price risk

in €k	*2021*	*2022*
Minimum values	22,554	17,458
Maximum values	28,977	25,686
Average values	26,092	23,334
Value at year-end	**28,977**	**25,686**

[1] The confidence interval of the preceding year of 95% was adjusted to 99.9% (economic perspective)

The value-at-risk presented for equity price risk is calculated using historical simulation based on market price changes observed over the last 1,000 days with a holding period of 250 days and a confidence level of 99.9%.

(43) Risks from foreign currency positions

These risks result from entering into foreign currency positions on the assets and liabilities side that are not closed out by a matching opposite position or a derivatives transaction. An adverse movement in exchange rates may lead to losses as a result. To assess the foreign exchange risk, open currency positions are evaluated daily and compared with the corresponding limits. Traditionally exposure to currency risks is kept low at BKS Bank, because making profits on open foreign exchange positions is not the focus of our business policy. The management of foreign currency positions is the responsibility of Treasury and Financial Institutions. Foreign exchange positions are monitored by Risk Controlling.

Value-at-risk from foreign currency positions

in €k	*2021*	*2022*
Minimum values	706	703
Maximum values	1,355	1,276
Average values	1,011	993
Value at year-end	**706**	**983**

[1] The confidence interval of the preceding year of 95% was adjusted to 99.9% (economic perspective)

The value-at-risk presented for foreign currency risk is calculated using historical simulation based on market price changes observed over the last 1,000 days with a holding period of 250 days and a confidence level of 99.9%.

(43.1) Exchange rate risk (open FX positions)

in €k	31/12/2021	31/12/2022
HRK	80	-57
USD	930	-945
GBP	120	142
JPY	-53	17
CHF	169	401

Positive values represent net long positions, negative values represent net short positions at the respective cut-off date.

(44) Liquidity risk and liquidity risk management (ILAAP)

Liquidity risk is the risk of not being able to meet present or future financial obligations in full or in time. This also includes the risk of only being able to raise funds at higher-than-usual market rates (refinancing risk) or that assets have to be liquidated at lower-than-usual market prices (market liquidity risk).

Managing liquidity risk

Liquidity management principles

ILAAP is a fundamental component of the supervisory review and evaluation process (SREP) and has the purpose of ensuring adequate liquidity and effective liquidity risk management. BKS Bank has clearly defined principles for the management of liquidity risk that are set out in the risk strategy and in the ILAAP framework.

Essential for liquidity management is a diversification of the refinancing profile by investor category, product and maturity. The policy for loan terms and conditions is managed on the basis of the "Risikomanagement-verordnung" (Austrian Decree on Risk Management) and the EBA Guidelines on which it is based.

The costs of refinancing financial products are determined within the scope of a sophisticated funds transfer pricing model. These costs are allocated in the product and profit centre calculations. Intraday liquidity management is done by managing daily deposits and withdrawals.
This is based on information on transactions with an effect on liquidity. Such transactions include dispositions regarding payment transfers, advance information from Sales on pending customer transactions, information on cash flows resulting from the bank's own issues supplied by the securities back office, and information on securities and money market transactions by Treasury. Liquidity peaks are balanced out by borrowing or investing money with the Austrian central bank, OeNB, or on the interbank market. Intraday liquidity management is done within the limits defined and utilisation is determined, analysed and reported daily.

Medium-term and longer-term liquidity and the liquidity buffer are managed by the ALM Committee. The Risk Controlling Group was responsible for liquidity risk control, ensuring adherence to the principles, procedures and limits established. Reporting is done on a daily, weekly, monthly and quarterly basis. In the event of extraordinary developments or when certain early warning stages or limits are reached, an ad hoc report is sent to the Management Board.

Moreover, BKS Bank has a comprehensive system of limits (limits per maturity band, time-to-wall limits) is in place that provides a quick overview of the current situation. The analyses are supplemented by stress tests, which we categorise as general macroeconomic scenarios, bank-specific scenarios or combined stress scenarios.

Most of our funds were raised in euro. As regards foreign currencies, our main focus is on securing funding for Swiss franc loans through medium-term to long-term capital market swaps.

Indicators for managing liquidity risk

	31/12/2021	31/12/2022
Deposit concentration	0.36	0.35
Loan/Deposit ratio (LDR)	83.0%	88.2%
Liquidity coverage ratio (LCR)	208.9%	190.4%
Net stable funding ratio (NSFR)	122.9%	118.7%

(44.1) Collateral eligible for refinancing

in €k	31/12/2021	31/12/2022
Securities deposited with OeNB	799,774	839,437
Securities deposited with Clearstream	45,567	–
Securities deposited with Euroclear	96,885	89,534
Credit claims ceded to OeNB	562,146	604,795
Credit claims ceded to the Slovenian national bank	26,138	22,411
Total collateral eligible with the ECB	**1,530,510**	**1,556,177**
Minus OeNB tender block	-544,983	-595,128
Minus EUREX repo	-3,094	–
Total available ESCB-eligible collateral	**982,433**	**961,049**
Cash and cash equivalents	135,914	35,943
Credit balance with OeNB	1,235,012	713,931
Liquidity buffer	**2,353,359**	**1,710,923**
Other securities	40,187	23,159
Counterbalancing capacity	**2,393,546**	**1,734,082**

(44.2) Development of refinancing structures

in €k	31/12/2021	31/12/2022
Savings deposits	1,351,180	1,258,885
Other payables	5,791,352	5,564,907
Liabilities evidenced by paper	732,523	783,616
Subordinated debt capital	240,942	264,719
Payables to other banks	826,912	930,977

(44.3) Derivative and non-derivative liabilities 2022 (cash flow basis)

in €k	Carrying amounts	Contractual cash flows[1)]	< 1 month	1 month to 1 year	1 to 5 years	>5 years
Non-derivative liabilities	**8,803,105**	**8,972,714**	**841,433**	**2,696,463**	**1,199,844**	**4,234,973**
• Deposits from banks	930,977	947,909	242,231	431,604	234,736	39,339
• Deposits from customers 2)	6,823,793	6,890,905	596,780	2,183,233	424,417	3,686,476
• Liabilities evidenced by paper	783,616	814,084	2,422	52,825	435,616	323,220
• Subordinated liabilities	264,719	319,815	–	28,801	105,076	185,938
Derivative liabilities	**5,250**	**-74,216**	**212**	**-63,106**	**-7,284**	**-4,038**
• Derivatives in the banking book	5,250	-74,216	212	-63,106	-7,284	-4,038
Total	**8,808,355**	**8,898,498**	**841,645**	**2,633,357**	**1,192,560**	**4,230,935**

1) Not discounted
[2)] Cash flows of customer deposits due on demand are modelled using maturity profiles.

Derivative and non-derivative liabilities 2021 (cash flow basis)

in €k	Carrying amounts	Contractual cash flows[1)]	< 1 month	1 month to 1 year	1 to 5 years	>5 years
Non-derivative liabilities	**8,942,909**	**8,969,876**	**825,436**	**2,461,213**	**1,769,640**	**3,913,588**
• Deposits from banks	826,912	830,675	213,489	166,008	432,343	18,835
• Deposits from customers 2)	7,142,532	7,114,394	609,960	2,226,172	804,964	3,473,298
• Liabilities evidenced by paper	732,523	732,350	1,987	61,239	403,655	265,469
• Subordinated liabilities	240,942	292,457	0	7,794	128,678	155,985
Derivative liabilities	**7,886**	**-1,181**	**3,445**	**-1,818**	**-2,383**	**-425**
• Derivatives in the banking book	7,886	-1,181	3,445	-1,818	-2,383	-425
Total	**8,950,795**	**8,968,695**	**828,881**	**2,459,395**	**1,767,257**	**3,913,163**

1) Not discounted
2) Cash flows of customer deposits due on demand are modelled using maturity profiles.

(45) Operational risk and ICT risks by event category

As set out in the CRR, we define operational risk as the risk of losses arising primarily in BKS Bank's operations that may result from inadequate or failed internal processes, people or systems errors or from external factors. Further types of risks closely related to operational risk are reputational risks, conduct risks, model risks and information and communications technology risks (ICT risks).

A risk assessment is conducted every three years. In this process, more than 100 management staff members throughout the Group are interviewed about their risk assessment for operational risk.

At BKS Bank AG and at all Austrian and foreign subsidiaries, operational risks are limited by means of an appropriate control system that is continually being developed. The system features a number of organisational measures that include the separation of functions within business processes (separation of front office from back office activities, dual-control principle) as well as extensive internal rules and regulations, regular checks and contingency plans and also self-auditing systems.

We deal with information and communications technology risks (ICT risks) by means of professional IT security management run by 3 Banken IT GmbH, a company held jointly with our partner banks, and by extensive data protection and security measures and professional business continuity management. These measures are regularly reviewed for adequacy by Internal Audit.

All enterprise processes are related to information and communication technology, and therefore, ICT governance is of enormous importance. ICT governance is understood to be all principles, procedures and measures in place to ensure that the ICT strategy supports the business targets, that resources are responsibly used, and risks are adequately monitored with the aid of the hardware and software in use at the bank.

An OR Committee has been established for the overall management of operational risk throughout the bank that meets once every quarter. Risk Controlling is responsible for operational risk measurements and for defining the operational risk framework. The implementation of risk mitigating measures is the responsibility of the risk-taking units.

Operational risk and ICT risks

[1] Group Risk Controlling
[2] Operational Risk Committee

As in past years, we applied the standardised approach to measure regulatory capital requirement for operational risk. In the year under review, the regulatory own funds requirement was EUR 31.0 million (pr. yr.: EUR 29.6 million). This compared with actual operational risk losses net of amounts recovered of EUR -0.9 million (2021: EUR 1.8 million). The negative value results from the reversal of provisions from preceding years.

Operational risk and ICT risks by event category

in €k	31/12/2021	31/12/2022
Fraud	3	368
Employment practices and workplace safety	62	7
Customers, products, business practices	1,684	-1,471
Property damage	10	11
System failures	36	6
Settlement, sales and process management	45	200

(46) Macroeconomic risk

Macroeconomic risk describes the risk of adverse negative macroeconomic changes and the resulting risks that may arise for BKS Bank. The development of macroeconomic conditions is continuously monitored based on a set of indicators, discussed by the committees and incorporated into our risk models.

(47) Risk of over-indebtedness

The risk of excessive borrowing indicates the threat of a high level of indebtedness that could have a negative impact on BKS Bank’s business operations. Apart from any change that may be required to the business plan, refinancing bottlenecks may occur that could make it necessary to sell assets in an emergency situation and, therefore, cause losses or the impairment of the remaining assets.

The risk of excessive borrowing is measured by the leverage ratio. The leverage ratio is the quotient of the unit of capital measured (tier 1 capital) and overall risk and was 7.9% at year-end (pr. yr.: 8.4%). Therefore, the leverage ratio is much better than the regulatory minimum ratio of 3%.

(48) ESG risks

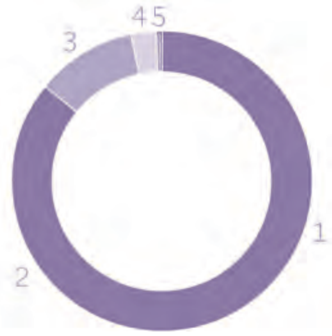
At BKS Bank we define sustainability and ESG risks as events or conditions from the areas of environment (E), social matters (S) or governance (G) which may - in fact or potentially - have negative effects on the financial position, financial performance and cash flows or on the reputation of our company.

Accordingly, BKS Bank must avoid and actively manage ESG and sustainability risks. The management of sustainability risks is done within the management of the individual risk types. Therefore, the risk policy principles for managing sustainability risks and especially climate risks refer to the diverse management levels and risk categories at BKS Bank. The management of sustainability risks, the due diligence process for identifying ESG risks and opportunities, the impact of ESG factors on BKS Bank with regard to the customer portfolio and the business model are explained in detail in the sustainability section in the chapter "Management of ESG factors".

We use an externally sourced module to measure the exposure of our client portfolio to ESG risks. The degree of the effect is measured in score values from 0 for insignificant risks to 100 for extremely high risks.

Distribution of loan portfolio pursuant to Climcycle ESG Risk Scores

	ESG-Score	in %
1	10-20	0.1
2	20-30	86.0
3	30-40	10.6
4	40-50	3.2
5	>50	0.1



(49) Other risks

Further risk types that BKS Bank does not currently assess as material are summarised in the category Other risks. These include:

- Risks from new types of business and major structural changes
- Reputational risks
- Risks associated with residual values in leasing operations
- Risks of money laundering and terrorist financing
- Risks from the bank's business model
- Systemic risks and risks from the financing of shadow banks
- Equity risks
- Conduct risks
- Model risks from the application of models to quantify market price risks and credit risks

An organisational unit set up specifically within the ZVB/Compliance & AML Group at BKS Bank monitors the risk arising from the implementation of measures to prevent money laundering and terrorist financing The management of risks associated with money laundering and terrorist financing is laid down in manuals, in the AML risk analysis and in the risk strategy. The rules thus defined apply to all employees, managers, boards and officers of BKS Bank. In 2022, AML Monitoring reviewed 20,727 transactions, and 57 reports were submitted to the Austrian Federal Criminal Police Office.

Supplementary Information

(50) Fair Values

Financial assets and liabilities measured at fair value

31/12/2022

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value
Assets				
Receivables from customers				
• at fair value through profit or loss (mandatory)	-	-	39,381	39,381
• at fair value through profit or loss (designated)	-	-	135,413	135,413
Trading assets (derivatives)	-	13,947	-	13,947
Debt securities and other fixed-interest securities				
• at fair value through profit or loss (mandatory)	31	-	-	31
• at fair value through profit or loss (designated)	-	-	-	-
• at fair value OCI	54,901	-	1,018	55,920
Shares and other non-interest-bearing securities				
• at fair value through profit or loss (mandatory)	34,701	-	1,632	36,334
• at fair value OCI	3,480	4,988	105,440	113,907
Equity and liabilities				
Liabilities evidenced by paper - at fair value through profit or loss (designated)	-	35,336	-	35,336
Trading liabilities	-	5,250	-	5,250

In the reporting year, liabilities evidenced by paper were reclassified from level 3 to level 2, as an external data source is now being used to supply observable input parameters. Based on the input factors used in measurement, investment property remained allocated to level 2, as in the preceding year.

31/12/2021

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value
Assets				
Receivables from customers				
• at fair value through profit or loss (mandatory)	-	-	53,631	53,631
• at fair value through profit or loss (designated)	-	-	89,927	89,927
Trading assets (derivatives)	-	8,561	-	8,561
Debt securities and other fixed-interest securities				
• at fair value through profit or loss (mandatory)	11	-	-	11
• at fair value through profit or loss (designated)	20,551	-	-	20,551
• at fair value OCI	60,518	-	1,018	61,536
Shares and other non-interest-bearing securities				
• at fair value through profit or loss (mandatory)	50,364	-	252	50,616
• at fair value OCI	5,756	3,942	94,233	103,931
Equity and liabilities				
Liabilities evidenced by paper - at fair value through profit or loss (designated)	-	-	56,999	56,999
Trading liabilities	-	7,886	-	7,886

There were no reclassifications between the individual levels in the previous year.

Level 3: Movements in financial assets and debt measured at fair value 2022

in €k	Receivables from customers at fair value through profit or loss (designated)	Receivables from customers at fair value through profit or loss (mandatory)	Debt securities and other interest-bearing securities at fair value through OCI	Shares and other non-interest-bearing securities at fair value through OCI	Liabilities evidenced by paper - at fair value through profit or loss	Shares and other non-interest-bearing securities at fair value through profit or loss (mandatory)
As at 01/01/2022	89,927	53,631	1,018	94,233	56,999	252
Income statement[1)]	-14,123	-1,887		-	-	-
Reclassification	-	-	-	-	-56,999	-
Other comprehensive income	-	-	-	9,757	-	-
Purchased/added	68,500	3,079	-	1,450	-	1,632
Sold/redeemed	-8,891	-15,442	-	-	-	-252
As at 31/12/2022	**135,413**	**39,381**	**1,018**	**105,440**	**-**	**1,632**

1) Measurement changes in profit/loss; financial instruments reported in the item Profit/loss from financial instruments designated at fair value and in the item Profit/loss from financial assets measured at fair value through profit or loss (mandatory)

in €k	Receivables from customers at fair value through profit or loss (designated)	Receivables from customers at fair value through profit or loss (mandatory)	Debt securities and other interest-bearing securities at fair value through OCI	Shares and other non-interest-bearing securities at fair value through OCI	Liabilities evidenced by paper - at fair value through profit or loss	Shares and other non-interest-bearing securities at fair value through profit or loss (mandatory)
As at 01/01/2021	75,650	56,730	1,018	87,036	63,429	356
Income statement[1)]	-2,176	-654	-	-	-1,042	-104
Reclassification	-	-	-	-	-	-
Other comprehensive income	-	-	-	5,853	-388	-
Purchased/added	20,532	4,421	-	1,683	-	-
Sold/redeemed	-4,079	-6,866	-	-339	-5,000	-
As at 31/12/2021	**89,927**	**53,631**	**1,018**	**94,233**	**56,999**	**252**

1) Measurement changes in profit/loss; financial instruments reported in the item Profit/loss from financial instruments designated at fair value and in the item Profit/loss from financial assets measured at fair value through profit or loss (mandatory)

Fair values – measurement policies and classification

The fair values shown in the category Level 1 'Market Values' were determined using prices quoted on active markets (stock exchange).

If market values are unavailable, fair value was ascertained using customary valuation models based on observable input factors and market data and presented in the category Level 2 'Based on Market Data' (e.g. by discounting future cash flows from financial instruments). In general, fair values shown in this category were ascertained on the basis of market data that were observable for the assets or liabilities (e.g. yield curves, foreign exchange rates). Generally, items in Level 2 were measured using the DCF method. In the case of investment property, expected rent increases were discounted, and the location of real estate was also taken into account.

In the category Level 3 'Internal Valuation Methodology', the values of individual financial instruments were measured on the basis of special generally accepted valuation methods. In general, liabilities evidenced by paper in the category Level 3 were measured on the basis of market data that were observable for the assets or liabilities (e.g. yield curves, foreign exchange rates).

The factors affecting the values of positions in the category level 3 that were not observable in the market were adjustments on the basis of internal rating procedures to the credit ratings of customers and of BKS Bank itself with respect to liabilities evidenced by paper and the credit spreads derived from them. Generally, items in Level 3 were measured using the DCF method.

Reclassification
Reclassifications between the individual categories were carried out if market values (Level 1) or reliable input factors (Level 2) were no longer available or if market values (Level 1) became newly available for individual financial instruments (e.g. IPO).

Changes in the credit ratings of assets and liabilities measured at fair value
Changes in the fair values of securities and loans designated as at fair value through profit or loss arising from default risk were calculated on the basis of the internal ratings of the financial instrument and the remaining time to maturity. The change in the credit risk associated with liabilities measured at fair value in the period under review was calculated in particular on the basis of a funding curve specific to BKS Bank and a financial instrument's remaining term to maturity. In the reporting year, the changes in the credit ratings of the receivables from customers measured at fair value had an effect on the fair value of EUR -0.9 million (pr. yr.: EUR 0.5 million). In the 2022 reporting year, the change in BKS Bank's credit standing had an effect on the fair value of the liabilities evidenced by paper of EUR -1.0 million (pr. yr.: EUR -0.4 million).

Sensitivity analysis
The sensitivity analysis of receivables from customers measured at fair value resulted in an accumulated change in value of EUR 0.7 million (pr. yr.: EUR 0.4 million), assuming an improvement or deterioration in the credit rating of 10 basis points in the credit spread. An analysis assuming an improvement or deterioration in BKS Bank's rating of 10 basis points in the credit spread would result in an accumulated change in the fair value of the liabilities evidenced by paper designated at fair value of EUR 0.1 million (pr. yr.: EUR 0.2 million).

Of the level 3 equity instruments of EUR 32.6 million (pr. yr.: EUR 30.1 million), the interest rate is the material non-observable parameter. An increase in the interest rate by 50 basis points reduces the fair value by EUR 1.8 million (pr. yr.: EUR 1.9 million). An interest rate decrease by 50 basis points raises the fair value by EUR 2.0 million (pr. yr.: EUR 2.2 million). In the case of level 3 shares (investments) of EUR 60.2 million (pr. yr.: 53.5 million), a change in external price information of 10% results in a change to the fair value by EUR 5.3 million (pr. yr.: EUR 4.5 million). For level 3 equity instruments in an amount of EUR 10.7 million (pr. yr.: EUR 9.7 million), the material non-observable parameter is the carrying amount of equity. The remainder refers to immaterial minority investments for which no fair value measurement was applied.

Financial assets and debt not measured at fair value

31/12/2022

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value	Carrying amount 31/12/2022
Assets					
Receivables from other banks	-	-	253,413	253,413	253,618
Receivables from customers	-	-	6,882,816	6,882,816	7,000,547
Debt securities and other fixed-interest securities	968,745	-	-	968,745	1,067,861
Equity and liabilities					
Payables to other banks	-	-	906,672	906,672	930,977
Payables to customers	-	-	6,693,932	6,693,932	6,823,793
Liabilities evidenced by paper	39,761	647,601	-	687,362	748,280
Subordinated debt capital	103,499	130,290	-	233,789	264,719

31.12.2021

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value	Carrying amount 31/12/2021
Assets					
Receivables from other banks	-	-	94,593	94,593	94,582
Receivables from customers	-	-	6,863,025	6,863,025	6,815,067
Debt securities and other fixed-interest securities	949,456	-	-	949,456	917,463
Equity and liabilities					
Payables to other banks	-	-	820,874	820,874	826,912
Payables to customers	-	-	7,146,637	7,146,637	7,142,532
Liabilities evidenced by paper	161,307	461,663	62,477	685,448	675,524
Subordinated debt capital	190,335	23,965	29,098	243,398	240,942

(51) Financial investments in equity instruments

In accordance with IFRS 9, all equity instruments not designated as held for trading are measured at fair value through other comprehensive income (FV OCI), as the fair value OCI option is exercised for these instruments. Apart from a small number of equities with a carrying value on the balance sheet date of EUR 3.5 million (pr. yr.: EUR 5.8 million), these are mainly other investments and shares in subsidiaries that are not consolidated due to immateriality.

The fair value OCI option was chosen because these equity instruments are financial investments for which there is the intention is to hold them for the long term.

There were no significant effects from the sale of shares or the disposal of other investments in the financial year 2022.

Other material equity investments

in €k	Fair value at 31/12/2021	Dividend income recognized in 2021	***Fair value at 31/12/2022***	***Dividend income recognized in 2022***
Beteiligungsverwaltung Gesellschaft m.b.H.	8,813	-	9,550	21
G3B Holding AG	42,289	-	48,554	-
Wienerberger AG	1,258	23	878	29
3-Banken Beteiligung Gesellschaft mbH	1,139	-	1,203	-
Oesterreichische Kontrollbank AG	17,043	1,000	19,582	1,000
BWA Beteiligungs- und Verwaltungs-Aktienge-	3,942	-	-	-
Bausparkasse Wüstenrot Aktiengesellschaft	-	-	4,988	-
PEKRA Holding GmbH	13,034	-	13,034	-
PEKRA Holding GmbH	5,227	-	5,760	-
3 Banken Kfz-Leasing GmbH	2,251	737	2,701	645
3 Banken IT GmbH	1,050	-	1,050	-
Other strategic investments	2,130	201	3,130	269
Total	**98,176**	**1,961**	**110,427**	**1,964**

(52) Gains/losses by measurement category

in €k	2021	2022
Interest income	1,931	1,404
Profit/loss recognised in the income statement	4,952	-10,063
Profit/loss from financial assets[1] measured at fair value through profit or loss (mandatory)	**6,883**	**-8,659**
Interest income	1,846	2,562
Interest expense	-1,500	-1,454
Profit/loss recognised in the income statement	170	1,977
Profit/loss recognised in other comprehensive income	388	985
Profit/loss from FI[2] measured at fair value through profit or loss (designated)	**904**	**4,070**
Interest income	156,509	174,588
Net fee and commission income	44,971	48,238
Profit/loss recognised in the income statement	1,404	-626
Profit/loss from FA measured at amortised cost	**202,883**	**222,200**
Interest income	1,961	2,404
Profit/loss recognised in other comprehensive income	7,060	10,879
Profit/loss from FA measured at fair value in other comprehensive income (designated)	**9,020**	**13,283**
Interest income	525	489
Profit/loss recognised in the income statement	-	-
Profit/loss recognised in other comprehensive income	-1,247	-5,644
Profit/loss from FA measured at fair value in other comprehensive income	**-722**	**-5,155**
Interest expense	-24,969	-26,669
Profit/loss recognised in the income statement	-288	-517
Profit/loss from financial liabilities measured at amortised cost	**-25,257**	**-27,187**

1) FA = financial assets
2) FI = financial instruments

(53) Information on shares in other entities

Under “Investments in entities accounted for using the equity method”, Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft were accounted for in the consolidated financial statements even though the stake held did not reach the 20% threshold for the following reasons: For the investment in Oberbank AG, there is a syndicate agreement between BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, and for the investment in Bank für Tirol und Vorarlberg Aktiengesellschaft, there is a syndicate agreement between BKS Bank AG, Oberbank AG, Generali 3Banken Holding AG (now G3B Holding AG). These agreements allow participation in the two banks’ financial and business policy decisions without having a controlling interest in them.

Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft were included in the consolidated financial statements as of 30 September 2022, because the figures in the IFRS consolidated financial statements for year-end are not available due to the short time frame. The financial statements of the associates were adjusted for the effects of material transactions or events between the reporting date of the associated companies on 30 September and the reporting date of the Group on 31 December. In December 2022, Bank für Tirol und Vorarlberg Aktiengesellschaft carried out a capital increase. BKS Bank AG did not participate in this capital increase, a fact which gave rise to a dilutive effect in the amount of EUR -9.4 million which reduced the carrying amount accordingly.

Associated companies

Values as at 31/12	Type of relationship with the company	Head office	Direct voting rights in % 2021	Direct voting rights in % 2022	Direct equity interests in % 2021	Direct equity interests in % 2022	Fair value of the share 2021	Fair value of the share 2022
Oberbank AG	Strategic investment to secure autonomy	Linz	14.2	14.2	14.2	14.2	458,569	512,450
Bank für Tirol und Vorarlberg Aktiengesellschaft	Strategic investment to secure autonomy	Innsbruck	14.0	12.8	14.0	12.8	150,554	178,141

Financial information about material associates

in € m	Oberbank 30/09/2021	Oberbank 30/09/2022	BTV 30/09/2021	BTV 30/09/2022
Net interest income	256.2	285.3	102.4	112.3
Net fee and commission income	143.1	156.4	40.3	42.5
Consolidated profit for the year after tax	189.8	74.1	79.0	95.6
Total assets	26,851.1	27,910.7	13,953.8	14,249.5
Receivables from customers after impairment charges	18,220.9	19,359.8	7,971.1	8,560.4
Shareholders' equity	3,256.1	3,355.8	1,871.6	1,978.8
Primary funds	16,631.0	17,377.0	9,145.1	9,274.6
• thereof savings deposits	2,579.4	2,309.5	1,451.0	1,231.4
• thereof liabilities evidenced by paper incl. subordinated capital	2,701.7	2,759.8	1,369.9	1,296.3
Dividends received (in €k)	2,910	5,017	572	1,429

Joint arrangement, joint operation

Oberbank AG holds a share of 50% and BKS AG and Bank für Tirol und Vorarlberg Aktiengesellschaft each hold a share of 25% in Alpenländische Garantie-Gesellschaft m.b.H. (hereinafter referred to as "ALGAR"). The business purpose of ALGAR, which holds a limited banking licence, is to assume default risk for defined loans and advances of its shareholder banks. The extent of potential utilisation is limited to the assets held by ALGAR which are not reserved for guarantees already claimed (maximum provision amount for expected future utilisation). The term of the guarantee is unlimited in time. The shareholder banks are required to pay guarantee fees on an ongoing basis, which will be raised accordingly if funds are drawn down (penalty rule).

As at 31 December 2022, the volume reported by the shareholder banks and covered by the guarantee was offset by a provision for expected future utilisation of EURk 179,640. As the expected credit loss determined for the guarantee volume by far exceeded the maximum provision amount for expected future utilisation, the limitation rule described above came into effect as at 31 December 2022.

Given the special provisions in the articles of association and the syndicate agreement concluded with Bank für Tirol und Vorarlberg Aktiengesellschaft and with Oberbank AG, ALGAR was classified as a joint operation within the meaning of IFRS 11 and was included in the consolidation of BKS Bank AG.

To the extent that the shareholder banks had already utilised ALGAR guarantees due to an event of default, the provisions recognised for such purpose by ALGAR were allocated to the respective shareholder bank in consolidated accounting. The same applied to the credit exposures reported under preliminary guarantees, for which ALGAR had already recognised impairment charges.

The shareholder banks included the provisions recognised by ALGAR for expected credit losses for the guarantee volume not yet having defaulted in the consolidation in line with their respective shareholding ratios as these provisions could not be unambiguously attributed to specific guaranteed loans and advances. For BKS Bank AG, this results in provisions in the amount of EURk 44,910 for expected credit losses of exposures not unambiguously attributable.

Financial information on ALGAR is of minor importance.

(54) Related party disclosures

The following tables contain the mandatory disclosures of BKS Bank's relations with related entities and persons as required by the Austrian Business Code § 245a and IAS 24. Entities and persons are deemed to be related parties if they are able to exercise a controlling or significant influence over the enterprise. IAS 24.9 defines key management staff as those persons having authority and responsibility for planning, directing and supervising the activities of the entity, whether directly or indirectly, and these must be taken to include the members of the Management Board and Supervisory Board as well as the management of the subsidiaries.

Related party disclosures

	Outstanding balances as at		guarantees received		guarantees received	
in €k	**31/12/2021**	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**	**31/12/2022**
Non-consolidated subsidiaries						
· Receivables	28,584	28,879	-	-	-	-
· Liabilities	3,584	3,879	-	-	-	-
Associates						
· Receivables	869	246	-	-	-	-
· Liabilities	1,600	2,531	-	-	-	-
Members of the Management Board						
· Receivables	1,301	1,586	-	-	-	-
· Liabilities	3,197	3,214	-	-	-	-
Other related parties						
· Receivables	672	628	-	-	-	-
· Liabilities	479	623	-	-	-	-

Transactions with related entities and persons were conducted on arm's length terms. During the reporting period, no provisions for doubtful receivables and no expenses on irrecoverable or doubtful receivables were recognised in connection with related parties. In the financial year 2022, banking transactions with associated entities resulted in interest expenses of EUR 0.1 million (pr. yr.: EUR 0.2 million), and transactions with non-consolidated subsidiaries in interest income of EUR 0.4 million (pr. yr.: EUR 0.4 million).

Related party disclosures

in €k	31/12/2021	31/12/2022
Average number of staff	**1,006**	**1,007**
• thereof blue collar	8	10
• thereof white collar	998	997
Average number of people employed by entities accounted for on a proportionate basis	**3,414**	**3,606**
Remuneration paid to the Management Board		
• Remuneration paid to active members of the Management Board	1,892	2,333
•Remuneration paid to former members of the Management Board and their surviving dependents	829	850
Remuneration paid to Supervisory Board members		
• Remuneration paid to active members of the Supervisory Board	276	277
•Remuneration paid to former members of the Supervisory Board and their surviving dependents	-	-
Management compensation pursuant to IAS 24	**2,169**	**2,647**
• Short-term employee benefits	1,915	2,361
• Post-employment benefits	254	286
• Other long-term benefits	-	-
• Termination benefits	-	-
• Share-based payment benefits	-	-
Loans and advances granted		
• Loans and advances granted to members of the Management Board	180	144
• Loans and advances granted to members of the Supervisory Board	320	597
Expenditure on termination and post-employment benefits		
• Expenditure on termination and post-employment benefits for management board members	256	-24
• Expenditure on termination and post-employment benefits for other employees	5,384	6,185

All loans and advances to and deposits from members of the Management Board and Supervisory Board were granted or taken on arm's length terms. Pursuant to Article 94 (1) lit. l and m of Directive 2013/36/EU and paragraph 260 et seq of the EBA Guidelines on sound remuneration policies (EBA/GL/2021/04) and pursuant to no. 11 of the Annex to § 39 Austrian Banking Act, the payout of the variable remuneration components to members of management boards is to be done at 50% in cash and at 50% in BKS Bank's ordinary shares. The shares are subject to a three-year retention or blocking period.

(55) Segment Report

Segment reporting is based on the organisational structure of the Group that underlies its internal management reporting system.

Segment results 2022

in €k	Retail Banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	38,411	125,498	13,355	-	177,265
• thereof profit/loss from investments accounted for using the equity method	-	-	20,676	-	20,676
Impairment charges	-1,289	-24,157	-452	-	-25,898
Net fee and commission income	28,813	40,169	-356	-454	68,172
Net trading income	-	-	-1,178		-1,178
General administrative expenses	-55,935	-56,539	-8,727	-14,811	-136,013
Other operating income/expenses	1,898	1,297	2,667	-1,592	4,270
Profit/loss from financial assets/liabilities	210	439	-4,906	-3,794	-8,051
Profit/loss for the year before tax	**12,107**	**86,708**	**403**	**-20,651**	**78,567**
Average risk-weighted assets	1,047,797	3,754,092	682,579	205,625	5,690,094
Average allocated equity	127,307	456,079	873,875	54,649	1,511,910
Segment liabilities	3,448,192	5,015,275	1,826,578	243,003	10,533,048
ROE based on profit for the year before tax	**9.5%**	**19.0%**	**-**	**-**	**5.2%**
Cost/income ratio	**80.9%**	**33.9%**	**60.2%**	**-**	**54.7%**
Risk/earnings ratio	**3.4%**	**19.2%**	**-**	**-**	**16.5%**

Segment results 2021

in €k	Retail Banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	28,191	110,120	45,567	-	183,878
• thereof profit/loss from investments accounted for using the equity method	-	-	44,959	-	44,959
Impairment charges	-570	-19,177	93	-12,734	-32,389
Net fee and commission income	29,589	36,578	-194	1,131	67,103
Net trading income	-	-	785	-	785
General administrative expenses	-54,696	-53,497	-8,697	-7,066	-123,956
Other operating income/expenses	1,492	895	1,836	-8,908	-4,684
Profit/loss from financial assets/liabilities	241	1,208	4,005	-	5,454
Profit/loss for the year before tax	**4,248**	**76,126**	**43,394**	**-27,578**	**96,190**
Average risk-weighted assets	1,028,266	3,577,702	663,814	171,152	5,440,934
Average allocated equity	125,448	436,480	814,691	44,720	1,421,338
Segment liabilities	3,458,190	5,231,719	1,693,718	218,873	10,602,500
ROE based on profit for the year before tax	**3.4%**	**17.4%**	**5.3%**	**-**	**6.8%**
Cost/income ratio	**92.3%**	**36.2%**	**18.1%**	**-**	**50.2%**
Risk/earnings ratio	**2.0%**	**17.4%**	**-**	**-**	**23.3%**

Method: Net interest income is broken down using the market interest rate method. The costs incurred are allocated to the business areas in which these costs originate.

Returns on maturity transformation are allocated to the Financial Markets segment. Capital is allocated based on regulatory parameters. The average allocated equity carries 5% interest and is recognized as return on equity invested in net interest income. The profit for the respective segment is measured on the profit before tax earned in the segment. Apart from the cost/income ratio, return on equity is one of the principal benchmarks for managing the business segments. Segment reporting is based on our internal management processes. The Management Board as a whole is responsible for the enterprise's management. The reports used for internal management purposes comprised monthly reporting of results at the profit centre level, quarterly reports on all relevant risk types, and ad-hoc reports for exceptional events.

Corporate and Business Banking
In Corporate and Business Banking, there were roughly 27,100 customers in 2022. As BKS Bank was originally conceived as a bank to serve the business sector, this business segment is still the bank's most important source of income. Corporate and business banking customers still account for the larger part of the loan portfolio and contribute substantially to profit for the period. Also reported in this segment – apart from all income and expense components of BKS Bank AG from Corporate and Business Banking – are income and expenses of the leasing companies provided they relate to transactions with corporate and business customers.

Retail Banking
All income and expense components of BKS Bank AG, BKS-Leasing Gesellschaft m.b.H., BKS-leasing d.o.o., BKS-leasing Croatia d.o.o. and BKS-Leasing s.r.o. from business with retail customers, wage and salary earners, and members of the health professions are reported in Retail Banking. Some 169,100 customers were served in this segment at the end of December 2022.

Financial Markets
The Financial Markets segment includes the profits from BKS Bank AG's proprietary trading activities, from treasury securities, from equity investments, from derivatives in the banking book and from interbank transactions as well as from income from interest-rate term structure management.

The segment **Other** includes items of income and expenses that cannot be allocated to the other segments and those contributions to profit that cannot be attributed to any other operation.

(56) Non-interest-bearing assets

in €k	*31/12/2021*	*31/12/2022*	±- in %
Non-interest bearing assets	**218,975**	**160,105**	**-26.9**

Non-interest receivables from customers adjusted for impairment came to EUR 1.4 million (pr. yr.: EUR 1.7 million).

(57) Total return on equity

The total return on equity was 0.60% as at 31 December 2022 (pr. yr.: 0.81%).

(58) Foreign currency balances

in €k	*31/12/2021*	*31/12/2022*	± in %
Assets	285,508	320,199	12.2
Liabilities	171,227	219,124	28.0

(59) Breakdown of securities admitted to exchange trading

in €k	31/12/2021 listed	31/12/2021 unlisted	31/12/2022 listed	31/12/2022 unlisted
Debt securities and other fixed-interest securities	990,529	9,712	1,123,718	1,050
Shares and other non-interest-bearing securities	5,756	148,792	3,480	146,761

(60) Contingent liabilities and commitments

in €k	31/12/2021	31/12/2022	± in %
Guarantees	607,637	635,006	4.5
Letters of credit	3,166	3,871	22.3
Contingent liabilities	**610,804**	**638,877**	**4.6**
Other commitments	1,702,081	1,706,925	0.3
Commitments	**1,702,081**	**1,706,925**	**0.3**

Other commitments consists mainly of credit lines already promised but not yet used. The likelihood of these credit lines being used is monitored continuously and the probability of use is reviewed regularly.

(61) Netting of financial instruments

31/12/2022

in €k	Financial instruments (gross)	Netted amounts (gross)	Recognised financial instruments (net)	Effects of netting arrangements[1]	Cash collateral received/ given[1]	Net
Assets						
Trading assets	13,947	-	13,947	-1,563	-11,821	563
Total assets	**13,947**	**-**	**13,947**	**-1,563**	**-11,821**	**563**
Equity and liabilities						
Trading liabilities	5,250	-	5,250	-1,563	-1,824	1,863
Total shareholders' equity and liabilities	**5,250**	**-**	**5,250**	**-1,563**	**-1,824**	**1,863**

[1] Current netting possibilities which were not netted in the current balance sheet item.

31/12/2021

in €k	Financial instruments (gross)	Netted amounts (gross)	Recognised financial instruments (net)	Effects of netting arrangements[1]	Cash collateral received/ given[1]	Net
Assets						
Trading assets	8,561	-	8,561	-4,633	-	3,927
Total assets	**8,561**	**-**	**8,561**	**-4,633**	**-**	**3,927**
Equity and liabilities						
Trading liabilities	7,886	-	7,886	-4,633	-2,432	820
Total shareholders' equity and liabilities	**7,886**	**-**	**7,886**	**-4,633**	**-2,432**	**820**

[1] Current netting possibilities which were not netted in the current balance sheet item.

BKS Bank uses master netting agreements for derivatives to reduce credit risks. These contracts qualify as potential netting arrangements. Master netting agreements are relevant for counterparties with multiple derivative contracts. When one counterparty defaults, these contracts ensure netting across all contracts. If additional hedging is provided in the form of cash collateral, this is reported in the corresponding column "Cash collateral received/provided". Such cash collateral is recorded under Receivables from other banks or Payables to other banks.

(62) Events after the balance sheet date

In early March 2023, the Management Board of BKS Bank AG resolved to carry out a capital increase in the first half of 2023. This resolution, which requires the approval of BKS Bank's Supervisory Board, provides for an increase in share capital from currently approximately EUR 8.0 million to approximately EUR 9.0 million.

There were no business transactions of material relevance or of relevance for reporting purposes between the end of the financial year and the preparation of the financial statements.

(63) Assets serving as collateral for liabilities

Liabilities	Assets	**31/12/2021**	**31/12/2022**
Money held in trust pursuant to § 230a Austrian Civil Code	Securities	11,932	11,922
Collateral deposit for clearing system of the Vienna Stock Exchange	Securities	1,563	1,551
Deposit for trading through EUREX	Receivables from other banks	1,556	8,054
Collateral for trading through Xetra	Securities	3,908	3,937
Euroclear pledge	Securities	10,051	10,000
Eurox Repo (GC Pooling)	Securities	3,178	-
Margin for futures contracts	Receivables from other banks	6,063	9,740
Accounts receivable assigned to Oesterreichische Kontrollbank (OeKB)	Loans	102,600	101,806
Collateral for OeNB funding	Loans	544,960	595,128
Cover pool of mortgage loans for covered bonds	Loans	375,637	425,555
Pledge for OeKB CCPA clearing pool	Receivables from other banks	110	110

Trust money savings deposits were secured in conformity with the legal requirements set out in § 68 Banking Act. The cover pool for covered bonds is governed by the Austrian Covered Bonds Act (FBSchVG). In addition, the Group has pledged assets as collateral for liabilities arising from derivative transactions.

(64) Information on fees paid to the bank auditor

in €k	**31/12/2021**	**31/12/2022**	± in %
Fees for mandatory audits of the single-entity and consolidated financial statements	548	400	-26.9
Fees for other auditing services	26	26	-0.8
Fees for advisory services	106	-	-
Total fees	**680**	**427**	**-37.3**

In 2022, Deloitte Audit Wirtschaftsprüfungs GmbH provided auditing services for the first time; BKS Bank's auditor up to and including 2021 had been KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft.

(65) Derivatives transaction volume: banking book

in €k	Nominal amount by time to maturity < 1 year	1-5 years	> 5 years
Interest rate contracts	**0**	**88,176**	**280,790**
Interest rate swaps	0	88,176	280,790
• Calls	0	44,088	140,395
• Puts	0	44,088	140,395
Interest rate options	-	-	-
• Calls	-	-	-
• Puts	-	-	-
Currency contracts	**601,240**	**99,250**	**-**
Currency forwards	355,054	-	-
• Calls	177,046	-	-
• Puts	178,008	-	-
Capital market swaps	-	99,250	-
• Calls	-	48,473	-
• Puts	-	50,777	-
Money market swaps (currency swaps)	246,186	-	-
• Calls	123,272	-	-
• Puts	122,914	-	-
Securities contracts	**-**	**-**	**-**
Stock options	-	-	-
• Calls	-	-	-
• Puts	-	-	-

Derivatives transaction volume: trading book

in €k	Nominal amount by time to maturity < 1 year	1-5 years	> 5 years
Interest rate contracts	**-**	**470**	**-**
Interest rate swaps	-	-	-
• Calls	-	-	-
• Puts	-	-	-
Interest rate options	-	470	-
• Calls	-	235	-
• Puts	-	235	-
Currency contracts	-	-	-
Currency options	-	-	-
• Calls	-	-	-
• Puts	-	-	-

Nominal amount		Fair value (positive)		Fair value (negative)	
31/12/2021	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**	**31/12/2022**
313,384	**368,966**	**4,400**	**12,768**	**4,338**	**1,392**
313,384	368,966	4,400	12,768	4,338	1,392
156,692	184,483	196	12,768	4,338	-
156,692	184,483	4,204	-	-	1,392
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,167,827	**700,490**	**3,546**	**1,424**	**3,121**	**4,278**
540,970	355,054	3,431	377	214	1,791
272,159	177,046	3,401	339	194	1,791
268,811	178,008	30	38	20	-
96,605	99,250	-	-	224	2,116
48,207	48,473	-	-	-	-
48,398	50,777	-	-	224	2,116
530,252	246,186	115	1,047	2,683	371
263,796	123,272	0	101	265	82
266,456	122,914	115	946	2,418	289
-	**-**	**-**	**-**	**-**	**-**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

Nominal amount		Fair value (positive)		Fair value (negative)	
31/12/2021	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**	**31/12/2022**
603	**470**	**1**	**7**	**1**	**7**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
603	470	1	7	1	7
302	235	1	7	-	-
302	235	-	-	1	7
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

Positions (securities and derivatives) entered into by the Money, Foreign Exchange and Securities Trading unit to achieve price gains or take advantage of interest rate fluctuations were reported in the trading book. Market value is the amount that can be obtained on the sale of a financial instrument in an active market or that would have to be paid to purchase it. If a market price was available, it was taken to be a position's fair value. Where market prices were unavailable, we used internal valuation models, including the present value method.

Profit Distribution Proposal

The Management Board proposes to the Annual General Meeting to distribute a dividend for the financial year 2022 of EUR 0.25 per eligible share on the net profit of EUR 10,973,706.98 reported in the financial statements for the financial year ended on 31 December 2022, which is a total of EUR 10,735,725, and to carry the remaining amount of EUR 237,981.98 to new account.

Klagenfurt am Wörthersee, 10 March 2023

Management Board

Herta Stockbauer
Chairwoman of the Management Board

Dieter Kraßnitzer
Member of the
Management Board

Alexander Novak
Member of the
Management Board

Nikolaus Juhász
Member of the
Management Board

The Company's Boards and Officers

Management Board
Herta Stockbauer, Chairwoman of the Management Board
Dieter Kraßnitzer, Member of the Management Board
Alexander Novak, Member of the Management Board
Nikolaus Juhász, Member of the Management Board

Shareholder representatives on the Supervisory Board
Hannes Bogner
Gerhard Burtscher
Christina Fromme-Knoch
Franz Gasselsberger
Reinhard Iro
Susanne Kalss
Stefanie Lindstaedt
Heimo Penker
Sabine Urnik, Chairwoman of the Supervisory Board
Klaus Wallner, Vice Chairman of the Supervisory Board

Staff representatives on the Supervisory Board
Sandro Colazzo
Maximilian Medwed
Herta Pobaschnig
Andrea Medic, from 18 May 2022

Klagenfurt am Wörthersee, 10 March 2023

Herta Stockbauer
Chairwoman of the Management Board

Dieter Kraßnitzer
Member of the
Management Board

Alexander Novak
Member of the
Management Board

Nikolaus Juhász
Member of the
Management Board

Closing Remarks by the Management Board

Management Board's Statement Pursuant to § 124 Stock Exchange Act

The Management Board of BKS Bank AG states that these annual financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as effective and as adopted by the EU including the interpretations by the International Financial Reporting Interpretations Committee (IFRIC), and that they present a true and fair view of the financial position, financial performance, and cash flows of the BKS Bank Group. The Management Board furthermore states that the Report of the Management Board presents the development of business, profit or loss, and situation of the BKS Bank Group in such a way so as to give a true and fair view of the the financial position, financial performance, and cash flows as well as of the material risks and uncertainties to which the Group is exposed.

Klagenfurt am Wörthersee, 10 March 2023

Management Board

Herta Stockbauer, Chairwoman of the Management Board

Chairwoman of the Management Board with responsibility for Corporate Strategy, Sustainability, Corporate Banking, Customer Payments and Funds Transfers Services and Digital Solutions, Accounting and Sales Controlling, Human Resources, Public Relations and Marketing, Investor Relations, Subsidiaries in Austria and Investments

Dieter Kraßnitzer, Member of the Management Board

Member of the Management Board with responsibility for Risk Management, Risk Controlling, Credit Back Office, BKS Service GmbH, ICT and Business Organisation, 3 Banken IT GmbH, Treasury Back Office, Securities Services, Back Office and Risk Management International

Alexander Novak, Member of the Management Board

Member of the Management Board with responsibility for Sales International, Treasury and Banking Support, Leasing and Real Estate Subsidiaries International, ICT International

Nikolaus Juhász, Member of the Management Board

Member of the Management Board with responsibility for Sales at Austria, Private Banking, Customer Lending and Investing as well as Investments and Retirement Planning and BKS-Leasing GmbH

Independent Auditors' Report

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **BKS Bank AG, Klagenfurt**, and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the financial year 2022, the consolidated balance sheet as of 31 December 2022, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal require¬ments and give a true and fair view of the financial position of the Group as of 31 December 2022, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a UGB (Austrian Commercial Code) and the Austrian Banking Act.

Basis for Opinion

We conducted our audit in accordance with the Regulation (EU) No. 537/2014 and the Austrian Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with laws and regulations applicable in Austria and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Recoverability receivables from customers

Description and Issue

As of December 31, 2022, receivables from customers in the amount of EUR 7.175 million are reported in the consolidated financial statements.

The Executive Board describes the process for monitoring credit risk and the processes for determining the impairments in the notes in the section Material accounting policies/Impairment charges for financial instruments pursuant to IFRS 9 and in the section Risk Report/Credit Risk.

The Bank has implemented processes to identify default events and significant credit risk increases to determine expected credit losses. The calculation of the impairment allowance for defaulted individually significant loans is based on the expected cash flows according to weighted scenarios. These are influenced by the assessment of the economic situation and development of the respective customer, the valuation of loan collateral and the estimation of the amount and timing of the resulting cash flows. The impairment for defaulted individually non-significant receivables is calculated as a percentage of the unsecured amount of receivables based on experience.

For non-defaulted receivables, the expected credit loss for the next twelve months or – in case of a significant increase in credit risk since initial recognition – the expected credit loss for the entire remaining lifetime is recognized (level 1 and level 2).

Significant estimates and assumptions are required in determining the expected credit loss. These include the identification of default events, probabilities of default, loss given default and exposure at default. The determination considers ratings, current and forward-looking information, as well as expected future repayments.

The assessment of the recoverability of receivables from customers is associated with considerable uncertainties and discretion in all of the above forms. These arise from the identification of a default event or a significant increase in credit risk as well as from the estimation of the expected cash flows or from the determination and updating of calculation parameters that reflect them.

Therefore, we have determined the recoverability of receivables from customers as a key audit matter.

Our response
In auditing the recoverability of receivables from customers, we performed the following audit procedures in particular:

- We assessed the methodologies used to determine expected credit losses and their compliance with accounting standards.

- We analyzed the documentation of the processes for monitoring loans and risk provisioning, and critically questioned whether these processes are suitable for identifying loan losses in a timely manner and adequately reflecting the recoverability of customer receivables. We also assessed the processes and tested key controls regarding their design and implementation, including the relevant IT systems, and tested their effectiveness on a sample basis.

- We tested individual exposures selected on the basis of a sample determined according to risk criteria. For defaulted loans, we assessed the Bank's estimates of the amount of expected cash flows taking into account collateral and examined whether the assumptions used in the calculation were appropriate and derivable from internal or external evidence. For non-defaulted loans, we examined whether indicators of default exist.

- In order to assess the appropriateness of the expected credit losses for non-defaulted loans (level 1 and level 2), we examined the plausibility of assumptions and the statistical-mathematical appropriateness of the models used, as well as the proper application of these models with the assistance of specialists. In particular, we examined the assumptions in connection with forward-looking information. Furthermore, we examined the appropriateness of the assumptions of the parameters probability of default, loss given default and exposure at default as well as the staging model considering the results of the bank's internal validations and reperformed selected calculation steps.

- To assess the appropriateness of the expected credit losses for defaulted individually non-significant receivables, we have collected and evaluated the process and methodology of calculation and monitoring of the appropriateness of the percentages.

- Finally, we assessed whether the disclosures in the notes to the consolidated financial statements regarding the calculation of expected credit losses and the significant assumptions and estimation uncertainties are appropriate.

2. Valuation of investments in entities accounted for using the equity method

Description and Issue
Entities accounted for using the equity method are reported in the consolidated financial statements in the amount of EUR 727 million.

The investments in entities accounted for using the equity method are listed on the stock exchange. In accordance with IAS 36 it has been checked if there were any indications of impairment ("impairment test") for these investments.

If an indication of impairment is identified, the entity shall estimate the recoverable amount of that asset.

For this purpose, value-in-use values were determined based on expected future cash flows, see notes in the section Material accounting policies / investments in entities accounted for using the equity method. The parameters used in these calculations are based on assumptions that are subject to high uncertainties and judgements. Minor changes in these assumptions or in the discount rate determined may lead to significantly different results.

Due to the discretion in the assumptions and the associated sensitivity of the valuation result, we have determined the valuation of investments in entities accounted for using the equity method as a key audit matter.

Our response
- We examined the processes for testing the recoverability of investments in entities accounted for using the equity method and evaluated the design and implementation of the identified material control.

- We reviewed the appropriateness of the annual planning used by the Executive Board for the value-in-use calculations, the reconciliation to the maximum annual distributable amount and the discount rate applied, with the assistance of specialists, based on the requirements of IAS 36 and current capital market data, as well as the mathematical correctness of the calculation.

- We critically assessed the assumptions made by the Executive Board and the backtesting of the historical plans with the results achieved. The figures used and the selected scenarios were discussed with the Management Board and the responsible employees, also considering the current market uncertainty, and checked for plausibility based on internal and external forecasts.

Other information

- The legal representatives are responsible for the other information. Other information includes all information in the annual report, except for the consolidated financial statements, group management report and the auditor's report. We received the Annual Report (except the report of the supervisory board in the Corporate Governance Report) before the date of the auditor's report, and the report of the supervisory board in the Corporate Governance Report is expected to be made available to us after this date.

- Our opinion on the consolidated financial statements does not cover this other information, and we do not and will not express any form of assurance conclusion thereon. Regarding the information in the management report, we refer to the section "Report on the management report".

- In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and consider whether it is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears misleading.

- If, based on the work we have done on other information received prior to the date of this audit report, we conclude that such other information is materially misrepresented, we must report this. We have nothing to report in this regard.

Reference to other facts - previous year's Consolidated Financial Statements

The Company's consolidated financial statements as of 31 December 2021 were audited by another auditor who issued an unqualified opinion on these consolidated financial statements on 11 March 2022.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the additional requirements under section 245a UGB and the Austrian Banking Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with EU rules and Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Regulation (EU) 537/2014 and with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Consolidated Management Report

Pursuant to Austrian Commercial Code, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the consolidated management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the consolidated management report.

Opinion

In our opinion, the consolidated management report attached is prepared in accordance with the applicable legal requirements, the disclosures pursuant to section 243a UGB are appropriate, and it is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the consolidated management report came to our attention.

Additional Information in Accordance with Article 10 of EU Regulation (EU) 537/2014

We were elected as auditor of the Group at the annual general shareholders' meeting on 17 May 2021 for the fiscal year ending on 31 December 2022 and mandated by the chairman of the Supervisory Board on 16 June 2021. Furthermore, we were elected as auditor at the annual general shareholders' meeting on 25 May 2022 for the subsequent fiscal year and mandated by the chairman of the Supervisory Board on 12 July 2022. We are the auditor of the Company since the financial year ending 31 December 2022.

We confirm that the audit opinion in the section "Report on the Consolidated Financial Statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent from the Group in conducting the audit.

Engagement Partner

The engagement partner responsible for the audit is Wolfgang Wurm.

Vienna, 10 March 2023

Deloitte Audit Wirtschaftsprüfungs GmbH

(signed by:) Mag. Wolfgang Wurm
Certified Public Accountant

(signed by:) ppa. Mag. Christoph Tiefenböck
Certified Public Accountant

The festivities for the staff also included a tour of Carinthia's highlights featuring a nostalgic trip on Lake Wörthersee on a historic ship.

Employees from Austria, Slovenia, Croatia and Slovakia met at our 100th anniversary celebration at the Head Office in Klagenfurt. It was a great celebration.

100 years of accountability and support

07. Supplementary Information

BKS Bank

The crowning event of our anniversary year was the huge and successful party for our employees.

100 years of accountability and support

Many employees accepted the invitation to attend the staff festivity. The mood was very cheerful.

Shareholder Structure of the 3 Banken Group

Shareholders of BKS Bank AG

in %	by voting shares
1 Oberbank AG (incl. subordination syndicate with BVG)	19,2
2 Bank für Tirol und Vorarlberg Aktiengesellschaft	18,9
3 G3B Holding AG	7,4
4 Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H.	3,0
5 BKS-Belegschaftsbeteiligungsprivatstiftung	1,7
6 UniCredit Bank Austria AG	6,6
7 CABO Beteiligungsgesellschaft m.b.H.	23,2
8 Free float	20,0

Share capital in EUR	85,885,800
Number of ordinary no-par shares	42,942,900

The red highlighting indicates shareholders who have signed sydicate agreements.

Shareholders of Oberbank AG

in %	by voting shares
1 Bank für Tirol und Vorarlberg Aktiengesellschaft (incl. BTV 2000)	16,5
2 BKS Bank AG (incl. subordination syndicate with BVG)	14,7
3 G3B Holding AG	1,6
4 Mitarbeiterbeteiligung (employee participation foundation)	4,5
5 CABO Beteiligungsgesellschaft m.b.H.	23,8
6 UniCredit Bank Austria AG	3,4
7 Free float	35,5

Share capital in EUR	105,921,900
Number of ordinary no-par shares	35,307,300

Shareholders of Bank für Tirol und Vorarlberg AG

in %	by voting shares
1 Oberbank AG*	17,2
2 BKS Bank AG (incl. subordination syndicate with BTV Privatstiftung, Doppelmayr Seilbahnen GmbH, Vorarlberger Landes-Versicherung V.a.G.)	16,4
3 G3B Holding AG	16,3
4 UniCredit Bank Austria AG	9,9
5 CABO Beteiligungsgesellschaft m.b.H.	37,5
6 Free float	2,8

Share capital in EUR	74,250,000
Number of ordinary no-par shares	37,125,000

Stand 31.12.2022

* incl. subordination syndicate with 3C-Carbon Group GmbH & Co KG; 3SI Invest GmbH; BFI Beteiligungsgesellschaft für Industrieunternehmen mbH; DHB Grundstücks GmbH & Co. KG; Enzian AG; Knapp Schmid FDS GmbH; Nußbaumer Beteiligungs GmbH; PRIMEPULSE SE; RCM GmbH; Schilifte Gampe, Ötztaler Gletscherbahn, Kommanditgesellschaft; Skiliftgesellschaft Sölden - Hochsölden GmbH

History of Our Company

1922 A. v. Ehrfeld enters into a limited partnership with Bayerische Hypotheken- und Wechselbank called Kärntner Kredit- und Wechsel-Bankgesellschaft Ehrfeld & Co.

1928 The efforts to transform the limited partnership into a stock corporation result in the establishment of “Bank für Kärnten”.

1939 The company’s name is changed from “Bank für Kärnten” to “Bank für Kärnten Aktiengesellschaft”.

1964 Work on the branch network commences.

1983 With the expansion into Styria, the company name is changed to “Bank für Kärnten und Steiermark Aktiengesellschaft“ (abbreviation: BKS).

1986 BKS Bank goes public and its ordinary share is listed on the Official Market of the Vienna Stock Exchange.

1990 First branch opens in Vienna.

1998 Start of international expansion with the establishment of a representation office in Croatia and the acquisition of a leasing company in Slovenia.

2000 First joint appearance of BKS Bank with the partner banks as the 3 Banken Group.

2003 Acquisition of a majority stake in Die Burgenländische Anlage & Kredit Bank AG (Die BAnk).

2004 First branch opens in Slovenia and representation office established in Italy.

2005 A representation office is opened in Hungary. The company name is adapted to the expansion of the past years and is renamed BKS Bank AG.

2007 Acquisition of Kvarner banka d.d. and entry into the Croatian banking market. Acquisition of “KOFIS Leasing” in Slovakia.

2011 Market entry into the Slovak banking market.

2015 The renowned rating agency oekom research AG confirms BKS Bank’s “prime” status for the first time

2016 BKS Bank ordinary shares are added to the sustainability index, VÖNIX, of the Vienna Stock Exchange. The Croatian BKS Bank d.d. is merged with BKS Bank AG.

2017 We are the first bank in Austria to issue a social bond. BKS Bank nominated for the first time for the state award for Business Excellence.

2018 The rating agency ISS-ESG (formerly: oekom research AG) reconfirms BKS Bank’s “prime” status. This ranks us among the top companies worldwide with respect to sustainability.

2019 BKS Bank is the first bank in Austria to receive the State Award for Business Excellence. In Slovenia, we become the largest investment services company after the acquisition of another brokerage firm.

2020 BKS Bank Connect – the digital bank within the Bank – goes live in the summer. In Croatia, we receive the state award for “family-friendly enterprises” in the category of small and medium-sized businesses.

2021 Our total assets exceed the EUR 10 billion threshold for the first time.
We receive the Sustainability Award from the Vienna Stock Exchange for our sustainable corporate policy. Our sustainability report 2021 wins the Austrian Sustainability Reporting Award (ASRA).

2022 BKS Bank celebrates its 100-year anniversary. The festivities are complemented by the commemorative publication "100 Years of BKS Bank – the Art of Sustainable Banking”. BKS Bank joins the Green Finance Alliance and receives the Sustainability Award of the Vienna Stock Exchange for a second time in a row for its strong commitment to sustainability. The magazine "Der Börsianer" names BKS Bank the Most Sustainable Bank in Austria.

Glossary

Amendment: When changes, additions or improvements are made to existing IFRS standards, they are issued in the form of so-called amendments.

ALM Committee: The Asset/Liability Management Committee is an internal committee of BKS Bank responsible for managing the structure of the balance sheet, the interest rate risk and liquidity.

The **banking book** contains all on-balance sheet and off-balance sheet items recognized in a bank's financial statements that are not assigned to the trading book.

Business model pursuant to IFRS 9: Pursuant to IFRS 9, financial instruments must be assigned to a business model. The business model defines how financial instruments are managed and measured.

The **Capital Requirements Directive** (CRD IV) prepared the ground for a more solid and secure European financial system. The Member States were required to enact this Directive into national law by 31 December 2013. In Austria, this entailed amendments to the Banking Act and related supervisory legislation.

The **Capital Requirements Regulation (CRR I)**, which is directly effective in Austria's legal system, introduced a common minimum set of instruments for national supervisory authorities and, therefore, binding regulations for all Member States, including provisions on equity components, capital requirements, large loans (large investments), liquidity, debt (leverage) and disclosure regulations.

Consolidated entities are material, controlled entities whose assets, equity, liabilities, income and expenses net of consolidation items are accounted for in their entirety in consolidated financial statements.

Corporate Social Responsibility (CSR) is an entrepreneurial practice that combines social justice and ecological responsibility with economic goals: systematic, verifiable, transparent and voluntary.

Corporate volunteering refers to the voluntary work of employees in social projects as well as support for the volunteer work employees already engage in.

The **cost-income-ratio** measures the relation between operating expenses and operating income of banks. In this context, the general administrative expenses of a financial year are compared with the operating income of the bank. Operating income is the total of net interest income, net fee and commission income, net trading income and other operating profit or loss. This indicator states the percentage of operating profit used for general administrative expenses and provides information on cost management and cost efficiency. The lower the ratio, the more economically a company operates.

Counterbalancing capacity (CBC) is the name of the liquidity buffer made up of assets that are easily liquidated.

Credit spread: The credit spread is the risk premium and the difference in yield between an interest-bearing security and a risk-free reference interest rate with the same maturity. The credit spread risk is the risk of changes to the creditworthiness and/or risk premium-induced changes in the market price of the securities portfolio with a reference to the interest rate.

DBO stands for defined benefit obligation, which is the value of an obligation under a company pension plan based on the projected unit credit method.

The **deposit concentration** is an indicator used to estimate the withdrawal risk associated with a run on deposits and indicates, above all, the risk of being dependent on large deposits.

The **Deposit Facility Rate (DFR)** is the interest rate of the deposit facility. This interest rate is set by the ECB and defines the interest banks receive for depositing money the central bank overnight.

Derivates are financial instruments whose own value changes in response to changes in the market prices or expected prices of other financial instruments. They can therefore be used both to hedge against a drop in value or to speculate on gains in the value of the underlying. Options, futures and swaps are the most common types of derivatives.

Endorsement: An endorsement by the EU is required for new International Financial Reporting Standards to be applicable in Austria. This endorsement refers to the process by which the European Union adopts International Financial Reporting Standards.

Entities accounted for using the equity method: These are entities in which no controlling interest is held, but in which it is possible to exert a significant influence on financial and business policy decisions. They are recognised in the consolidated financial statements on a proportionate basis with the share of equity held in the entity. In the consolidated income statement, the group's interest in the net profit is recognised in accordance with the equity interest held.

ESG – Environmental, Social and Corporate Governance – are the three central factors of comprehensive sustainability management. The social impact of investments in companies or of financing by banks is measured against this.

Expected Credit Loss model: Expected credit losses that may occur in a financial instrument within 12 months of the date of the transaction or throughout the entire life (lifetime expected credit loss).

The **fair value** corresponds to the price at which an asset can be sold or a liability settled by market participants in an orderly transaction under market conditions on the balance sheet date.

The United States Congress enacted **FATCA** (the Foreign Account Tax Compliance Act) on 18 March 2010 to ensure that US subjects with accounts abroad meet their tax obligations. Under the act, all banks are obliged to identify customers with US ties and, if they consent, to report their names to the US tax authorities.

FATF (Financial Action Task Force on Money Laundering) is an international anti-money laundering body based at the OECD in Paris. Its task is to analyse money laundering and terrorism financing methods and develop measures to combat them.

Forbearance is the term for concessions made to debtors (e.g. modifications of agreements) if they are in danger of no longer being able to meet their payment obligations. The term encompasses loans, bonds and revocable and irrevocable loan commitments with the exception of held-for-trading exposures. According to the European Banking Authority (EBA) guidance, forbearance status must be reported on a quarterly basis.

GDP: Gross domestic product (GDP) is the total value of all goods (i.e. goods and services) produced in an economy in a year after deducting all inputs. In order to view GDP without the effect of changes in prices, 'real' GDP is used in which all good and services are valued at the prevailing prices in a base year.

The **going concern principle** is the principle according to which financial statements and risk assessments view the entity as continuing in business unless actual or legislative circumstances dictate otherwise. Among other things, this is important when measuring assets.

The **Green Asset Ratio (GAR)** indicates what proportion of a bank's transactions is eligible to be classified as sustainable under Regulation (EU) 2020/852 (Taxonomy Regulation).

Green bonds are bonds for which proceeds of the issue are used exclusively for the pro rata or full financing or refinancing of eligible green projects and that meet all four core components of the Green Bond Principles. These may be new and/or already existing projects. The green projects selected must aim to create a clear benefit for the environment, which can be evaluated, and where feasible, quantified.

Hedging is used to protect existing or future positions against the exposure to risks such as currency and interest rate risks. It involves taking a counter-position to another position so as to completely or partially offset risk.

Historical simulation is a statistical method for measuring value at risk using historical time series data.

ICAAP (the Internal Capital Adequacy Assessment Process) is the name of the extensive process and associated strategy by which banks decide the amount, composition and distribution of their (internal) capital resources. The distribution of economic capital steers and limits all the material operational and other banking risks.

IFRS earnings per share are consolidated profit for the year after tax divided by the average number of an entity's shares in issue.

ILAAP (Internal Liquidity Adequacy Assessment Process) is, apart from ICAAP, a procedure for assessing the adequacy of internal liquidity pursuant to pillar 2 and thus an important risk management instrument for a credit institution.

The **International Financial Reporting Standards** (IFRSs) are the financial reporting standards issued by the International Accounting Standards Board

(IASB) in the form of individual standards. The purpose of IFRS-compliant annual financial statements is to give investors information of relevance to their decisions regarding an entity's financial position, financial performance, and cash flows as well as changes therein over time. By contrast, annual financial statements prepared in accordance with the Austrian Business Code (Unternehmensgesetzbuch) are primarily geared to protecting creditors.

The **International Standards on Auditing** (ISAs) are internationally accepted standards for carrying out annual audits that must be adhered to in accordance with the International Financial Reporting Standards (IFRSs). They are published in the annual manual of the International Federation of Accountants (IFAC).

ISIN stands for International Securities Identification Number. The ISIN is used for the unique global identification of securities and replaced the national system of securities identification in 2003. An ISIN is a 12-character alphanumerical code comprising a two-character international country ID (e.g. AT for Austria), a nine-character national code and a one-digit control key. The ISIN of the ordinary BKS Bank AG share is AT0000624705; that of the preference share is AT0000624739.

ISS-ESG (formerly oekom research AG) is a leading global rating agency in the segment of sustainable investments. Its registered office is located in Munich. It rates companies and countries. Additionally, it also provides strategy consulting on the most diverse sustainability themes.

Key audit matters are the most important audit matters that in the view of the auditor pose the greatest risk of containing a material misstatement.

The "**Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung (KIM-V)"** (Regulation for sustainable lending standards for residential real estate financing) was issued by the FMA to limit systemic risk in residential real estate financing. Having taken legal effect as of 1 August 2022 and being applicable to newly agreed private real estate financing, the KIM-V stipulates a strict regime for loan-to-value or debt service ratios.

The **leverage ratio** measures the relationship between common equity tier 1 capital and non-risk weighted assets inclusive of off-balance sheet items. Its purpose is to restrain business models that are based on lending large amounts to prime borrowers while keeping capital charges to a minimum.

Lifetime Expected Loss: The expected credit losses caused by all possible default events over the expected life of a financial instrument.

The **liquidity coverage ratio** (LCR) tests whether a bank is in a position to remain liquid for the next 30 days in the event of simultaneous market and bank-specific stress situations. It compares highly liquid assets with the expected net cash outflow (cash inflow less cash outflow) in the coming 30 days.

Loan-to-deposit ratio is the relationship between loans and primary deposits. This indicator describes the percentage at which loans can be refinanced by primary deposits.

The **Main Refinancing Operations Interest Rate (MRO)** is one of the key interest rates set by the ECB. It is the interest rate banks pay when they borrow money from the ECB for one week.

Market capitalisation is the stock market value of an entity on a particular date. It is calculated by multiplying the number of shares in issue by the current stock market price of one share.

MiFID II/MiFIR (Markets in Financial Instruments Directives) lay down uniform rules for investment services provided within the European Economic Area. The main objectives of MiFID are to heighten market transparency, to strengthen competition among providers of financial services and in this manner improve investor protection. MiFID II/MiFIR aims to improve the current rules and regulations. It focuses on trade on regulated platforms and on increasing the transparency of high frequency trading.

Minimum Requirement for Eligible Liabilities (MREL): Minimum requirement for own funds and eligible liabilities pursuant to Art. 45 BRRD (Bank Recovery and Resolution Directive). EU Member States must ensure that credit institutions at all times meet the minimum requirements for own funds and eligible liabilities in the event of winding up.

Modified duration is a measure of the sensitivity of a financial investment to interest rates. It provides a means of approximating future changes in market value.

Net Stable Funding Ratio (NSFR): This structural ratio gauges the stability of funding over a horizon of more than one year. The NSFR is intended to ensure that the amount of longer-term (stable) funding is at least sufficient relative to the liquidity profiles of the assets funded. The aim is to reduce banks' dependence on the functioning and liquidity of the inter-bank market.

The calculation of the **NPL ratio** is based on nonperforming loans in the rating classes 5a to 5c of the BKS Bank rating system (default classes), which are compared to gross receivables from loans to customers, contingent liabilities, loans to banks and fixed-interest securities.

ÖGNI (Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft): The Austrian Society for Sustainable Real Estate is a non-governmental organisation for the promotion of sustainability in all aspects of the construction and real estate industry in Austria.

ÖNACE is the Austrian version of the European system for the industrial classification of economic activities called NACE (Nomenclature statistique des activités économiques dans la Communauté européenne). The current NACE-compatible nomenclature is called ÖNACE 2008.

Payment Services Directive: The Payment Services Directive (PSD, PSD 2) provides the legal basis for creating a single market for payments in the EU.

The **price/earnings ratio** (P/E) is important to investors when assessing shares. To calculate it, the share's stock market price is divided by the per-share earnings recorded or expected in the respective period. If the P/E ratio is relatively low, the stock is felt to be cheaply priced; if it is relatively high, it is seen as expensive.

Primary deposit balances consist of the customer assets made available to a bank in the form of savings, sight and time deposit balances, liabilities evidenced by paper and subordinated debt capital.

The **projected unit credit method** is an actuarial valuation method used to measure obligations under company retirement benefit schemes stipulated in the international financial reporting standard IAS 19 and in many foreign accounting standards. On each valuation date, only the part of the obligation that has already been earned is measured. The present value of the earned part of the obligation is known as the defined benefit obligation.

Return on assets (ROA) is profit (net profit for the year after minority interests) expressed as a percentage of the average total assets.

Return on equity (ROE) before or after tax expresses the relationship between profit before or after tax and average equity. This indicator describes the returns earned on equity by a company. The higher the indicator, the more profit the company has made in relation to its equity.

Risk/earnings ratio (RER): The ratio indicates the credit risk expenses in relation to net interest income. This percentage states what proportion of net interest income has been used to cover credit risk.

Social bonds are bonds for which proceeds of the issue are used exclusively for the proportionate or full financing or refinancing of eligible social projects and that meet all four core components of the Social Bond Principles. The projects selected should aim to create a clear benefit for society, which can be evaluated, and where feasible, quantified.

The term **solvency** expresses the relationship between the own funds requirement arising from a bank's (weighted) balance sheet assets and off-balance sheet items and its eligible own funds within the meaning of the CRR. Solvency is regulated in the CRR.

SPPI criterion: The SPPI criterion is used for the classification and assessment of financial instruments. SPPI stands for "solely payment of principal and interest" and is used to determine the contractually-agreed payment flows of a financial asset. SPPI conformity means that the interest reflects the charge for the time value of money, for the default risk and for other fundamental risks, for the costs of the loan transaction and the profit margin. The details of the SPPI criterion in combination with the business model result in a specific classification and assessment pursuant to IFRS 9.

Supervisory Review and Evaluation Process (SREP): Under the Pillar 2 framework of the New Basel Capital Accord (bank supervision review process), the Supervisory Review and Evaluation Process is part of the process of reviewing and evaluating a bank's risk management and the adequacy of its ICAAP alongside the internal capital adequacy assessment process itself. In Austria, it is carried out by the Financial Market Authority (FMA) acting as the competent supervisory authority for less significant banks. It also includes reviewing adherence to all the relevant regulations, identifying breaches and imposing regulatory sanctions.

Swap is the short term for a swap transaction. Parties to a swap exchange financial obligations, fixed-interest obligations being exchanged for variable ones (interest rate swap) or amounts in different currencies being exchanged for one another (currency swap). Interest rate swaps make it possible to hedge against interest rate risks, resulting in a fixed interest rate that provides a solid foundation for calculations. Currency swaps make it possible to hedge against foreign exchange risks by swapping amounts denominated in different currencies together with the associated interest payments.

Tier 1 capital is divided into common equity and additional tier 1 capital. Common equity tier 1 capital consists of share capital, retained earnings and other reserves. The additional components of tier 1 capital include liabilities evidenced by paper that meet the requirements of CRR Article 52.

Total risk exposure amount is the sum of the assets weighted for counterparty risk including the requirements for operational risk, off-balance sheet items and special off-balance sheet items in the banking books determined in accordance with Austrian bank regulators' rules.

The **trading book** contains all positions held by a bank within the scope of its proprietary trading in financial instruments that it holds for re-sale or has acquired so as to exploit, on a short-term basis, existing or expected differences between buying and selling prices or movements in prices or interest rates. Positions not included in the trading book are assigned to the banking book.

Value-at-risk analysis is one means of quantifying risk. It measures the potential future loss that, within a specified holding period and with a specific probability, will not be exceeded.

List of Abbreviations

ABGB	Allgemeines Bürgerliches Gesetzbuch (Austrian Civil Code)
AktG	Aktiengesetz (Austrian Stock Corporation Act)
ALGAR	ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H.
ALM	Asset/liability management
AML	Anti-Money Laundering
APRÄG 2016	AbschlussprüfungsrechtsÄnderungsgesetz 2016 (Austrian Act Amending Audit Regulations of 2016)
ArbVG	Arbeitsverfassungsgesetz (Austrian Labour Act)
ASRA	Austrian Sustainability Reporting Award
AT1	Additional Tier 1 Capital
AVÖ	Aktuarvereinigung Österreichs (Actuarial Association of Austria)
BaSAG	Bundesgesetz über die Sanierung und Abwicklung von Banken (Austrian Federal Act on the Recovery and Resolution of Banks)
BP	Basis point
BRRD	Bank Recovery and Resolution Directive
BSG	BKS Service GmbH
BTV AG	Bank für Tirol und Vorarlberg Aktiengesellschaft
BVG	Beteiligungsverwaltung Gesellschaft m.b.H.
BWG	Bankwesengesetz (Austrian Banking Act)
CBC	Counterbalancing Capacity
CCF	Credit Conversion Factor
CCPA	California Consumer Privacy Act
CET1	Common Equity Tier 1 Capital
CHF/SFr	Swiss franc
CIA	Certified Internal Auditor
CIO	Chief Information Officer
CNY	International currency symbol for the Chinese renminbi (yuán)
CO_2	Carbon dioxide
CO2 equiv.	Carbon dioxide equivalents
COO	Chief Operating Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
C-Rules	"Comply or explain" rules (Austrian Code of Corporate Governance)
CSR	Corporate Social Responsibility
D	Diskontsatz (discount rate)
DBO	Defined Benefit Obligation
DCF method	Discounted Cash Flow method
EAD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
EMAS	Eco-Management and Audit Scheme
ESCB	European System of Central Banks
ESG	Environmental, Social, Governance
EUREX	European Exchange (financial derivatives exchange)
EVE	Economic Value of Equity
FA	Financial Assets
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force on Money Laundering
FBSchVG	Gesetz für fundierte Bankschuldverschreibungen (Austrian act on covered bonds issued by Banks)
FI	Financial Instrument
FLI	Forward-Looking Information
FMA	Finanzmarktaufsicht (Austrian Financial Market Authority)
FM-GwG	Finanzmarkt-Geldwäschegesetz (Financial Market Money Laundering Act)
FV OCI	Fair Value Through Other Comprehensive Income
FV PL	Fair Value Through Profit or Loss
FX	Foreign Exchange
GAR	Green Asset Ratio
GBP	British pound
GHG Protocol	Greenhouse Gas Protocol
GL	Guidelines
GRI	Global Reporting Initiative
GWh	Gigawatt hours
HRK	Croatian kuna
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
ICS	Internal Control System
ICT	Information and Communication Technology
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMF	International Monetary Fund
IRRBB	Interest Rate Risk in the Banking Book
ISAs	International Standards on Auditing

ISIN	International Securities Identification Number
JPY	Japanese yen
LAA	Loss Absorption Amount
LCR	Liquidity Coverage Ratio
LDR	Loan-Deposit-Ratio
LGD	Loss Given Default
L-Rules	”Legal Requirements” rules (Code of Corporate Governance)
m	marginal
MCC	Market Confidence Charge (premium for maintaining market confidence)
MiFID II	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MREL	Minimum Requirement for Eligible Liabilities
n/a	not applicable
NaDiVeg	Nachhaltigkeits- und Diversitätsverbesserungsgesetz (Sustainability and Diversity Improvement Act)
NGOs	Non-Governmental Organisations
NII	Net Interest Income
NPL	Non-Performing Loan
NSFR	Net Stable Funding Ratio
ÖCGK	Österreichischer Corporate Governance Kodex (Austrian Code of Corporate Governance)
OCI	Other Comprehensive Income
OECD	Organisation for Economic Cooperation and Development
OeKB	Oesterreichische Kontrollbank AG
OeNB	Oesterreichische Nationalbank (Austria’s Central Bank)
OGH	Oberster Gerichtshof (Supreme Court)
ÖGNI	Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft (Austrian Society for Sustainable Real Estate Management)
ÖGVS	Österreichische Gesellschaft für Verbraucherstudien (Austrian Society for Consumer Studies)
ÖNACE	Austrian version of NACE (Nomenclature statistique des activités économiques dans la Communauté européenne)
OR	Operational Risk
PCAF	The Partnership for Carbon Accounting Financials
PD	Probability of Default
pr. yr.	preceding year
RCA	Recapitalisation Amount
RER	Risk/Earnings Ratio
ROA	Return on Assets
ROE	Return on Equity
R-Rules	“Recommendation” rules (Austrian Code of Corporate Governance)
SIC	Standing Interpretations Committee
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
t	tonnes
TLTRO	Targeted Longer-Term Refinancing Operation
ÜbG	Übernahmegesetz (Takeover Act)
UGB	Unternehmensgesetzbuch (Austrian Business Code)
USD	US dollar
VAR	Value-at-Risk
WAG	Wertpapieraufsichtsgesetz (Austrian Securities Supervision Act)
WIFO	Österreichisches Institut für Wirtschaftsforschung (Austrian Institute of Economic Research)
WTO	World Trade Organisation
Xetra	Exchange Electronic Trading (automated trading system used on the Vienna Stock Exchange))
XHTLM	Extensible Hypertext Markup Language

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This annual report contains statements and forecasts that refer to the future development of the BKS Bank Group. The forecasts are our estimates based on the information at our disposal on the copy deadline 10 March 2023. Should the assumptions on which the forecasts are based fail to materialize or the risks described in the Risk Report occur, the actual results may differ from those currently expected. This Annual Report does not constitute a recommendation to buy or sell shares of BKS Bank AG.

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