

7492618095791

2 Half-Year Financial 5

9 Report 2022 41928

3285928371209

4145278295121

Table of Contents

BKS Bank at a Glance 3

Highlights of the First Half-Year 2022 4

Preface by the Chairwoman of the Management Board 6

Group Management Report	9
Economic Environment	10
Assets, Equity and Liabilities	11
Result of Operations	13
Segment Report	16
Consolidated Own Funds	18
Risk Management	19
Outlook	20

Consolidated Financial Statements pursuant to IFRS

Statement of Comprehensive Income for the Period 01 January to 30 June 2022	26
Consolidated Balance Sheet for the Period Ended 30 June 2022	29
Consolidated Statement of Changes in Equity	30
Consolidated statement of Cash Flows	32
Notes to the Consolidated Financial Statements of BKS Bank	33

Management's Responsibility for the Financial Statements 52

Financial Calendar 2022 53

Forward-looking statements

This half-year financial 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 24 August 2022. Should the assumptions regarding such forward-looking statements prove incorrect or should risks materialise to an extent not anticipated, the actual results may vary from those currently expected. This half-year financial report does not constitute a recommendation to buy or sell shares of BKS Bank AG.

Disclaimer

As auditing is not mandatory for this interim report, it has not been audited or reviewed by an auditor.

Any minimal deviations of the values in the tables and charts are due to rounding differences. This half-year financial report is an unaudited translation from the German into English for the convenience of readers.

BKS Bank at a Glance

Income Statement in €m	HY1 2021	HY1 2022	± in %
Net interest income	67.5	69.6	3.2
Impairment charges	-9.5	-13.4	41.2
Net fee and commission income	33.3	35.4	6.1
General administrative expenses	-64.4	-66.5	3.3
Profit for the period before tax	43.5	32.4	-25.5
Profit for the period after tax	36.6	30.7	-16.2
Balance Sheet in €m	31/12/2021	30/06/2022	± in %
Total assets	10,578.0	10,700.3	1.2
Receivables from customers after impairment charges	6,958.6	7,150.8	2.8
Primary deposits	8,116.0	8,173.9	0.7
• thereof savings deposits	1,351.2	1,311.2	-3.0
• thereof securitised liabilities incl. subordinated debt capital	973.5	1,032.0	6.0
Shareholders' equity	1,459.3	1,483.0	1.6
Customer funds under management	21,222.8	19,978.2	-5.9
• thereof on custody accounts	13,106.9	11,804.3	-9.9
Own Funds pursuant to CRR in €m	31/06/2021	30/06/2022	± in % (ppt)
Total risk exposure amount	5,786.5	6,164.0	3.7
Own funds	952.3	963.2	-2.1
• thereof common equity tier 1 (CET1) capital	674.1	692.6	-2.4
• thereof total tier 1 capital (CET1-AT1)	739.3	757.8	-2.2
Tier 1 capital ratio (in %)	12.8	12.3	-0.7
Total capital ratio (in %)	16.5	15.6	-1.0
Performance ratios	30/06/2021	30/06/2022	± in % (ppt)
Return on equity after tax	5.3	5.6	0.3
Return on assets after tax	0.7	0.8	0.1
Cost/income ratio (expenses/income coefficient)	57.4	56.5	-0.9
Risk/earnings ratio (credit risk/net interest income)	14.0	19.2	5.2
Non-performing loan ratio (NPL ratio)	1.7	2.1	0.4
Net stable funding ratio (NSFR)	121.8	117.5	-4.3
Liquidity coverage ratio (LCR)	196.5	185.9	-10.6
Leverage ratio	8.0	7.0	-1.0
Resources	31/12/2021	30/06/2022	
Average number of staff	986	988	
Number of branches	64	64	
BKS Bank's Shares	31/12/2021	30/06/2022	
Number of no-par ordinary shares (ISIN AT0000624705)	42,942,900	42,942,900	
High (ordinary share) in €	16.7	15.9	
Low (ordinary share) in €	11.3	14.4	
Close (ordinary share) in €	15.3	15.9	
Market capitalisation in €m	657.0	682.8	

Highlights – HY1 2022



100 Years of BKS Bank

The year 2022 marks BKS Bank's 100th anniversary. The Bank's success story and eventful history started in 1922 in Klagenfurt when it was founded as Kärnten Kredit- und Wechsel-Bankgesellschaft Ehrfeld & Co. The forward-looking business policy pursued by the bank proved highly successful and helped turn many challenges into opportunities.

Growth also in Anniversary Year

We have been committed to a sustainable growth strategy for the past 100 years and have increased business volumes also in our anniversary year. The highest growth rates were seen in lending, the treasury portfolio, sight deposits, and own issues. For the first time, the outstanding volume of own issues exceeded EUR 1 billion.



Member of the Green Finance Alliance

In May 2022 we became a founding member of the Green Finance Alliance. The Alliance is an initiative of the Ministry for Climate Action created for financial institutions that care about the future.

Recommender Award

We received the Recommender Award 2022 for outstanding customer services. This prestigious award is conferred to Austrian banks and insurance companies that attain excellent ratings in a customer survey.



Sustainability Award of the Vienna Stock Exchange

The award conferred by the Vienna Stock Exchange is recognition of our commitment, holistic sustainability strategy and our pioneering role for sustainability. BKS Bank received the Sustainability Award of the Vienna Stock Exchange for a second time in a row in 2022.

Best Advisory Services for Retirement Planning

By providing excellent advisory services, our employees won the mystery test conducted by the magazine "trend" and Gesellschaft für Verbraucherstudien (Austrian Society for Consumer Studies). We attained first place in Austria for the advisory services provided at our branches on the topic of retirement planning.



"Most Family-Friendly Business"

32 companies from a wide range of different sectors took part in the competition for the prestigious award "Most family-friendly business 2021" organized by "Frau in der Wirtschaft Kärnten". The jury gave BKS Bank the award in the category of "Corporates".

Dear Readers,



The first half of 2022 was dominated by extraordinary geopolitical events and economic uncertainty. The war in Ukraine and related sanctions, the coronavirus pandemic, and worsening supply shortages were the factors behind the uncertainty on markets.

The situation was aggravated by sharply rising energy prices and high inflation rates. In this context, the ECB's delay in raising interest rates – a step finally taken in July 2022 – was not supportive.

Focus on sustainability

Current developments also show the importance of our activities for the advancement of sustainability. Dependence on fossil fuels weakens Europe and makes it vulnerable to coercion. In this difficult situation, we benefit from our many years of experience in working towards sustainability. We are able to provide customers with comprehensive support for the transformation to a low-carbon economy. To this end, we offer a wide range of very popular products.

The total volume of our sustainable products now amounts to around EUR 780.0 million, with a rising tendency.

We have been engaged in sustainability for a long time and will continue to pursue this strategy.

For this reason, joined the Green Finance Alliance as a founding member. The Alliance is an initiative of the Ministry for Climate Action created for financial institutions that care about the future. The members commit to aligning their lending and investment portfolios to the 1.5°C goal of the Paris Agreement. The Green Finance Alliance gives us a platform to share ideas with other companies interested in climate change mitigation and to work together for the environment and society.

Membership in the Green Finance Alliance is just one of many activities of BKS Bank illustrating our pioneering role for sustainability.

We are proud that our efforts are regularly recognised by external experts and were very pleased about the Sustainability Award received from the Vienna Stock Exchange in June for a second time in a row.

Positive trend in business operations

Despite the difficult general conditions, business developed well in the first half of 2022. Net fee and commission income rose by 6.1% to a gratifying EUR 35.4 million. Payment services recorded robust growth (EUR 12.3 million; +8.1%) and commissions on loans also went up (EUR 10.7 million; +13.4%). Despite the solid result of operations, net profit for the period decreased by 16.2% to EUR 30.7 million year on year. The main reasons were higher allocations to impairment charges due to deteriorating macro-economic factors and lower income from financial assets/liabilities caused by the decline on capital markets.

Digitalisation – a good investment

Our focus on strict cost management continues, as this is a decisive factor especially in times of rapidly rising inflation and adverse market conditions. However, it is just as important to make strategically important investments. In the past months, we have invested in digitalisation and expanded our online range of products and services.

We believe that constant development creates a solid foundation for future success. Also in difficult times, it is important not to lose sight of topics crucial for the future.

Reliable and close – for the past 100 years

The year 2022 is a special one for us as a company. This year is BKS Bank's 100th anniversary. We have been a reliable and competent banking partner for our customers, employees and business partners for one hundred years. We are proud to have successfully and responsibly continued the legacy of our founding fathers. However, our success story is not over yet. We still have major challenges ahead of us: climate change, sustainability and the digital transformation.

In this context, I am pleased to report that we obtained ÖGNI certification for the BKS Holzquartier project. Our first green construction project was certified as an ecological and sustainable building by the DGNB certificate awarded in gold. This certification acknowledges our contribution to sustainability.

Cordially,



Herta Stockbauer
Chairwoman of the Management Board

14

90

58

03

86

05

72

45

37

69

66

18

Group Management Report

Economic Environment	10
Assets, Equity and Liabilities	11
Result of Operations	13
Segment Report	16
Consolidated Own Funds	18
Risk Management	19
Outlook	20

Economic Environment

Growth in euro area more robust, US slips into technical recession

Economic output in the **US** declined in the second quarter of 2022 as well. Having already shrunk by an annualised 1.6% in the first quarter, gross domestic product contracted again by 0.9% (annualised). The US economy is sliding into what is referred to as a "technical recession". Despite a robust labour market, consumer confidence and business sentiment deteriorated substantially in recent weeks.

In the second quarter of 2022, growth in the **euro area** was a positive surprise. Economic output in the 19 euro countries expanded by 0.7%. Market participants had expected only 0.2%. Spain (1.1%) and Italy (1.0%) benefited from the tourism boom, and France and Austria also posted positive growth of 0.5% in each case. In Germany, GDP stagnated in the second quarter, which makes an economic recession in Germany more likely. German industry is being adversely affected by global supply chain problems.

In **China**, growth slowed significantly in the second quarter. The strict coronavirus measures in the People's Republic of China resulted in a growth rate of only 0.4% from April to June 2022 compared to the same period of the preceding year.

Inflation rates at record highs

Inflation rates continued to rise. In the US, inflation rose to 9.1% in June, after having appeared to peak in April when it declined from 8.5% to 8.3%. In the euro area, the inflation rate continued to rise in the last quarter and climbed to 8.9% in June. In Austria, a rough estimate published by Statistik Austria for July 2022 stated an inflation rate of 9.2% – the highest since March 1975.

Central banks tighten interest rates further

The **US Federal Reserve** raised key lending rates for the fourth time in a row by a further 0.75% in July. The interest rate spread is now in the range of 2.25% to 2.5%. US Federal Reserve Chairman Jerome Powell did not rule out further interest rate hikes in September. The **European Central Bank (ECB)** made a move to fight excessive inflation and raised key lending rates in the euro area for the first time in eleven years. In July, the negative interest on deposits of -0.5%, the main refinancing rate of 0.0%, and the 0.25% rate on the marginal lending facility were raised by 0.5% each. Additional interest rate hikes of this magnitude may follow in September. Furthermore, the ECB created a new bond instrument, the "Transmission Protection Instrument" (TPI). This instrument is to be used in certain situations to enable the "flexible reinvestment" of bonds. The principal aim is to protect the euro countries of the South from distortions caused by interest rates.

Bear market after weak start into year

In the first quarter, capital markets were negatively affected by interest rate fears, which weighed chiefly on bonds. In the second quarter, markets increasingly started pricing in "recession". European equities, therefore, fell by around 9.1% between March and June. German stocks (DAX) lost around 11.3%, and Austrian stocks (ATX) around 10.6%. US equities (S&P 500) dropped by around 11.3% in euro.

Most bond segments also saw a downtrend: euro bonds lost 7.2% in the second quarter and corporate bonds 7.3%. High-yield bonds declined by 9.7%. Emerging market bonds denominated in hard currencies also fell 6% despite the appreciation of the US dollar.

Assets, Equity and Liabilities

On 30 June 2022, total assets of the BKS Bank Group amounted to EUR 10.7 billion, slightly higher than at year-end 2021. Lending volume grew by 2.8% in the first half of the year, while primary deposits widened by 0.7%.

Assets

Satisfactory credit growth

As at 30 June 2022, loans and advances to customers increased from almost EUR 7.0 billion to EUR 7.2 billion, which is an increase of 2.8%. Considering the worsening economic outlook, we are satisfied with the growth trend in lending. The economic consequences of the war in Ukraine and the related supply chain problems as well as high inflation rates are already making corporate customers and private households more cautious in their investment decisions. Despite slightly subdued demand for loans, we extended a volume of EUR 1.1 billion in new loans in our markets. The item Loans and advances to customers includes the credit volumes of the BKS Bank AG Group and receivables from domestic and foreign leasing companies.

Unlike loans and advances to customers, the volume of loans and advances to banks have more than doubled since the beginning of the year – starting out from a very low level – and stood at EUR 224.8 million on 30 June. The reason for the increase was the rise in money market rates that rendered short-term investments on the interbank market more attractive. As a result, cash reserves declined again after a longer period, but were still at the high level of EUR 1.2 billion at the end of June.

The cash reserve also includes balances held at central banks and plays an important role in liquidity management.

We only have a very small ratio of foreign currency loans in our loan portfolio. In the past years, we have worked steadily to reduce receivables denominated in Swiss francs. On 30 June 2022, the volume of loans in Swiss franc was only EUR 89.7 million and the foreign currency ratio in the portfolio was very low at 1.2%.

Solid demand for lease financing

Lease finance is an attractive alternative to traditional loan financing. We operate four leasing companies in Slovenia, Croatia, Slovakia and Austria. Demand for lease financing in the first half of the year in all markets was encouraging, with the value of receivables throughout the Group rising from EUR 577.2 million to EUR 607.8 million or +5.3%. The volume of new lease contracts for all markets was EUR 154.0 million.

Adequate liquidity buffer

The portfolio of debt securities and other fixed-income securities rose 5.1% in the reporting period to EUR 1.05 billion. In addition to the cash reserve, this item is an important component of our liquidity reserves. At the end of June, we held liquidity reserves in the form of high-quality liquid assets amounting to EUR 1.9 billion, which corresponds to some 18.0% of total assets.

Shares in companies accounted for using the equity method increased in the first half-year to EUR 723.0 million (+1.9%).

The results for the period of the partner banks, Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, are reported in this item.

Shareholders' equity and liabilities
Primary deposits stagnated at high level

On 30 June 2022, the balance of primary deposits of BKS Bank Group was EUR 8.2 billion, which was slightly higher than at year-end 2021.

Primary deposits break down into several items, with sight and time deposits accounting for the largest volume. Sight and time deposits increased again compared to year-end, albeit less dynamically than in previous years, and were EUR 5.8 billion (+0.7%).

The second largest item comprises savings deposits, which have been declining for many years due to unattractive interest rates. This trend also continued in the first half of 2022. Savings deposits on traditional savings passbooks amounted to EUR 1.3 billion at the end of June, a further decrease by 3.0%.

The situation is different for "Mein Geld" accounts, which are sight deposit accounts. Retail customers want to be able to access their savings conveniently, flexibly and also online. The volume on "Mein Geld" accounts increased from EUR 546.0 million to EUR 572.8 million, an increase of 4.9% compared to year-end 2021. To commemorate our 100th anniversary, we offered the product "Mein Geld" account with a competitive interest rate for a four-year capital commitment.

The issuing business developed very satisfactorily in the first half of the year. The volume of own issues including subordinated capital exceeded EUR 1.0 billion for the first time, which is an increase of 6.0%. The positive development in the securities issuance business shows that our customers appreciate our work as a responsible issuer.

Our business policy based on accountability and our numerous sustainability activities are also highly appreciated by our business partners. In June 2022, we were awarded a special distinction and were very pleased to receive the Sustainability Award of the Vienna Stock Exchange for a second time in a row.

This award strengthens us in our belief and efforts to include sustainability in our product range. In the area of investment, we are pioneers in Austria and have started focusing on green investment very early. The issuance of social bonds and green bonds is already one of our core competences, and in the first quarter we floated the sixth green bond on the market raising proceeds of EUR 10.0 million. We plan to float further issues in the coming six months.

As at 30 June 2022, consolidated shareholders' equity rose by 1.6% to EUR 1.5 billion compared to 31 December 2021. Subscribed capital remained unchanged at EUR 85.9 million.

Result of Operations

The very satisfactory development of operations was overshadowed by the difficult market conditions. While net interest income and net fee and commission income increased, net income from financial assets/liabilities was negative due to turmoil on international stock markets.

Net profit for the period was affected by the downturn on stock markets and the dim outlook for the economy

As at 30 June 2022, BKS Bank reported a net profit after tax of EUR 30.7 million. Although earnings were 16.2% lower than in the same period of the preceding year, the decline by nearly EUR 6.0 million was attributable primarily to the turbulence on capital markets. The steady decline of stock prices and the general instability of global economic developments impacted the financial assets and liabilities, which posted a negative result of EUR 5.4 million on the reporting date. Valuation losses were recognised for individual securities in the fund portfolio. Higher impairment charges also had a negative impact on results.

Solid growth in operating business

Operating business performed very well in the first half of the year. Net interest income and net fee and commission income attained impressive earnings growth.

Despite the ECB's long-year policy of zero interest and negative interest, which was continued in the first half of 2022, we attained satisfactory net interest income. Interest income including other interest income, increased to EUR 84.1 million, thus 3.8% higher. Interest expenses were

EUR 14.5 million or 6.8% higher. Net interest income before impairment charges was EUR 69.6 million, which is an increase of 3.2%.

As at 30 June 2022, fees and commissions developed well and net fee and commission income climbed to EUR 35.4 million, a gratifying increase of 6.1%. Significant growth was seen mostly in the segments of payment services (EUR 12.3 million; +8.1%) and commissions on loans (EUR 10.7 million; +13.4%). The trend in the securities business, however, was disappointing. The volatile markets unsettled many investors resulting in fewer securities transactions. In total, the result in the securities business was EUR 10.1 million, a slight decrease of 0.8% year on year.

Impairment charges adjusted to economic expectations

The economy is contracting before the backdrop of the Ukraine war, disrupted supply chains, and the rising prices of energy and commodities. These negative macroeconomic developments are taken into account when calculating impairment charges. Moreover, the collective stage transfer carried out in accordance with the provisions of IFRS 9B5.5.1 et seq as of Q2 2020 due to the coronavirus pandemic was suspended in Q2 2022. Up to now, the pandemic has not caused any unexpected adverse impacts on exposures. After suspending collective stage transfers and adjusting the forward-looking information to the current economic circumstances, the result was an increase in the expected credit loss of EUR 7.3 million for receivables in Stage 1 and Stage 2.

Key items of the income statement

in € m	HY1 2021	HY1 2022	± in %
Net interest income	67.5	69.6	3.2
Impairment charges	-9.5	-13.4	41.2
Net fee and commission income	33.3	35.4	6.1
Profit/loss from investments accounted for using the equity method	17.0	18.1	6.4
Net trading income	0.2	1.1	>100
Profit/loss from financial assets/liabilities	5.1	-5.4	>-100
General administrative expenses	-64.4	-66.5	3.3
Profit for the period before tax	43.5	32.4	-25.5
Income tax expense	-6.9	-1.8	-74.7
Profit for the period after tax	36.6	30.7	-16.2

The total volume of newly allocated impairment charges was EUR 13.4 million at the end of June, which is an increase of EUR 3.9 million compared to the end of June 2021.

Net interest income after impairment charges decreased due to the need for higher provisions and was 3.0% lower than in the period of comparison at EUR 56.3 million.

On 30 June 2022, equity was EUR 18.1 million, an increase of 6.4%.

Higher administrative expenses

Administrative expenses were 3.3% higher versus 30 June 2021 at EUR 66.5 million. The item that rose the most was Other administrative costs. The reason for the increase was the strict implementation of our digitalisation strategy and the entailing rise in IT costs. The generally higher prices due to rising inflation also affected costs in this area.

Staff costs by contrast decreased by 2.1% to EUR 38.7 million, as changes in interest rate indicators made it possible to reverse provisions for staff benefits. The average number of employees was 988 in full-time equivalents.

Net other operating income was EUR -6.5 million thus down by 12.5% compared to the same period of the preceding year.

This item includes regulatory costs. The amounts required for the resolution mechanism and deposit guarantee scheme went up significantly based on the current calculations by the regulatory authorities and was EUR 8.1 million EUR; the costs of the stability charge were EUR 0.7 million. These amounts must be paid in the first quarter of every year.

Key performance indicators

The key performance indicators at mid-year were as follows: At HY1 2022, return on equity (ROE) after taxes was 5.6% and return on assets after taxes (ROA) was 0.8%, with both ratios remaining at the level of year-end 2021.

At 56.5%, the cost/income ratio was 0.9% ppt lower year on year. By contrast, the risk/earnings ratio increased to 19.2% due to higher risk costs.

The ratio of non-performing loans was 2.1% on 30 June 2022. The leverage ratio was 7.0% and thus much higher than the mandatory ratio of 3.0%. The liquidity coverage ratio (LCR) was 185.9% and also clearly exceeded the regulatory requirement of 100%.

BKS Bank has a solid capital base, which is an important mainstay of our success in business especially during these challenging times. On 30 June 2022, the tier 1 capital ratio – excluding the profit for the period – was 12.3% and the total capital ratio was 15.6%.

Segment Report

The segment report covers the four business segments: Corporate and Business Banking, Retail Banking, Financial Markets and Other. Corporate and Business banking is the most important business segment of the BKS Bank Group. In the first half of the year, business operations in the segment developed excellently. The situation was different for Financial Markets segment. Due the downturn on financial markets, earnings in this segment decreased. The result of operations in the Retail Banking segment was satisfactory.

Corporate and Business Banking

Since 1922, it has been our mission to support corporate and business customers with their business activities. Our customers – some of which have been with our bank for generations – appreciate our reliability, our innovative power and the personal support. We are constantly enlarging our range of products and services, and are working on digitalisation and sustainability. We are also very pleased with the acquisition of many new businesses customers in our anniversary year. As at 30 June 2022, some 26,900 corporate and business customers relied on the traditional high quality services of BKS Bank.

Robust business despite difficult market conditions

The development of business in the corporate and business banking segment has been highly satisfactory in the past six months. On 30 June 2022, profit before tax for the segment was EUR 40.8 million, a substantial increase of 8.0% compared to the same period of 2021. The two key earnings components of income on interest, fees and commissions increased steeply. Net interest income rose by 9.4% to EUR 59.1 million, while net fee and commission income went up by a pleasing 11.0% to EUR 20.1 million. Since economic prospects have become gloomier due to

the war in Ukraine, supply chain problems and surging inflation, we have modified the parameters for calculating the expected credit loss and also allocated higher impairment charges. Compared to the same period of the preceding year, we increased impairment charges for losses on loans and advances by one third from EUR 9.3 million to EUR 12.3 million. Administrative expenses increased by 5.0% to EUR 27.5 million.

The segment-specific performance ratios developed as follows: Return on equity stayed slightly higher than in the preceding year at 17.8%. The cost/income ratio improved by 1.8% ppt to 34.2%, which is a good level. The risk/earnings ratio increased by 3.5% ppt to 20.8% due to higher impairment charges allocated.

Retail Banking

In the 1960s we enlarged our business to include services and products for retail customers. This was a major step towards becoming a universal bank. One of the key factors for success in Retail Banking is to continuously work on the further development of products and services. We are very proud of our extensive range of products and services that we have been digitizing and shifting towards sustainability over the past few years. Today, retail customers can carry out all banking transactions digitally. Additionally, we offer a “green” alternative in all product segments – loans, investments and payment services. With BKS Bank Connect, we have created a separate digital bank designed for digitally-savvy customers. This constant work on improvement is also appreciated by our customers. As at 30 June 2022, we served a total of 168,900 retail customers.

Inflation weighs down segment result

In Retail Banking, profit before tax was EUR 0.8 million, which is lower than in the preceding year (EUR 1.3 million). This decline was caused primarily by higher prices driven by rising inflation rates and the larger volumes allocated to impairment charges for losses on loans and advances. Administrative expenses increased year on year by 3.3% or EUR 0.9 million to EUR 28.5 million. We increased allocations to impairment charges for losses on loans and advances significantly at mid-year 2022 to EUR 1.4 million. Although the risk situation for loans to retail customers tends to be better than for loans to businesses, the adjustment to the forward-looking information also raised risk costs. On the other hand, income from operations developed very well. Both net interest income (EUR 14.6 million, +7.0%) and net fee and commission income (EUR 15.0 million, +3.7%) recorded solid growth rates. Payment services were once again a stable and important source of income in the services business. Compared to 30 June 2021, commissions on payment services rose by 12.3% to EUR 5.5 million. The segment-specific indicators developed as follows before a backdrop of decreasing income in the segment: return on equity was 1.2% and the cost/income ratio was 93.3%.

Financial Markets

In the segment Financial Markets, the principal sources of income are term structure management, income from the securities portfolio and contributions from entities accounted for using the equity method. Proprietary trading is not at the focus of our business activities.

Segment results decline steeply due to downturn on financial markets

The segment Financial Markets was especially affected by the continuous downslide on markets over the past few weeks. Profit for the period before tax was EUR 1.3 million on 30 June 2022. The result from financial assets/liabilities was negative due to the necessary impairments in the fund portfolio and was EUR -5.8 million. Net interest income, which contains entities accounted for using the equity method, declined by one-quarter from EUR 14.4 to EUR 11.0. Returns from the bond portfolio were negative again, because high-interest securities are now maturing successively and it was not possible to find adequate replacements despite rising interest rates. Administrative expenses were EUR 5.2 million at the end of June, which is an increase of 5.4% versus 30 June 2021.

Other

The segment Other includes items of income and expenses that cannot be clearly allocated to other segments. In our segment reporting, we believe it is important to allocate only income and expense items to the business segments in which these have been earned or incurred. The segment result before tax on 30 June 2022 was EUR -10.5 million, which is decline of 12.3% compared to mid-year 2021.

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 total risk exposure as of 30 June 2022:

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

At the end of June, common equity tier 1 capital was EUR 692.6 million and the CET1 ratio was 11.2%. Additional tier 1 capital was EUR 65.2 million on 30 June 2022. Including supplementary capital (tier 2) of EUR 205.4 million, and total own funds came to EUR 963.2 million. The total capital ratio was 15.6%.

Please note that as auditing is not mandatory for this half-year report, it has not been audited or reviewed by an auditor. Therefore, the proportionate share of the profit for the period in the first half of the year has not been allocated to own funds.

BKS Bank group of credit institutions: Own funds pursuant to CRR

in € m	31/12/2021	30/06/2022
Share capital	85.9	85.9
Reserves net of intangible assets	1,279.0	1,281.8
Deductions	-655.3	-675.1
Common equity tier 1 capital (CET1)	709.5 ¹⁾	692.6
Common equity tier 1 ratio	11.9%	11.2%
AT1 note	65.2	65.2
Additional tier 1 capital	65.2	65.2
Tier 1 capital (CET1 + AT1)	774.7	757.8
Tier 1 capital ratio	13.0%	12.3%
Supplementary capital (tier 2)	209.1	205.4
Total own funds	983.8	963.2
Total capital ratio	16.6%	15.6%
Total risk exposure amount	5,943.8	6,164.0

1) Includes profit for the year 2021.

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 recalculate the MREL ratio on the basis of the Total Risk Exposure Amounts (TREA). The newly calculated MREL ratio was 29.3% as at 30 June 2022. Therefore, we were substantially above the regulatory minimum ratio of 20.1%.

Risk Management

Current quantitative information on risk management based on the internal report regarding overall risk management is presented in the Notes starting on page 43. Qualitative information is available in the Annual Report for the period ended 31 December 2021.

Outlook

Economic Environment

The economic outlook for the coming months has become gloomier since the last quarter. In its latest growth forecast, the International Monetary Fund (IMF) revised its expectations for the global economy downwards again. The heading of the IMF's latest outlook contains the wording "Gloomy and More Uncertain" and the report estimates a growth rate of only 3.2%. This is 0.4% ppt lower than its April estimate. The IMF believes there are several crises about to hit the global economy which is already shaken by the coronavirus pandemic. These include the government-imposed restrictions in China which are massively disrupting global supply chains as well as the war in the Ukraine which is driving up energy commodity prices and thereby fuelling inflation. Soaring inflation is posing an enormous challenge to central banks around the world which are moving to take the necessary monetary policy measures. This negative spiral is severely affecting industrialised countries such as Germany whose growth forecast has been drastically revised downwards by the IMF.

Forecasts have been revised downwards also for other parts of the world. The 2022 growth rate for China is estimated at only 3.3%, but should rise again in 2023. The IMF forecasts a growth rate for 2022 of around 2.3% for the US and 2.6% for the euro area. Moreover, the IMF forecasts that growth in the two economies is likely to shrink further in 2023.

As regards the inflation trend, the IMF currently estimates a global inflation rate of 7.7%. In the coming year, a further 4.8% will probably be added.

In June, the Institute of Economic Research (WIFO) revised its growth estimate for Austria's economy for the year 2022 upwards to 4.3% (+0.4%). The Institute for Advanced Studies (IHS) forecasts the growth rate at 3.8% (+0.2%).

The two organisations state as reason the surprisingly strong economic recovery in the first quarter of 2022. It was especially exports as well as consumption by private households that developed better than expected. In the second half of the year, the economy is expected to lose momentum, with the industrial sector being particularly affected by the downturn. By contrast, the service sector should see a strong recovery in summer.

The current summer forecast of the European Commission for our major foreign markets – Slovenia, Croatia and Slovakia – states a growth rate for 2022 for the Slovenian and Croatian economies of 5.4% and 3.4%, respectively, which is higher than the average for the euro area (2.7%). The economy in Slovakia by contrast is expected to grow less dynamically and stay below the average of the euro area at an estimated GDP growth rate of around 1.9%.

Expectations for capital markets

This year, stock market performance was depressed by the war in the Ukraine and the entailing rise in energy costs as well as by disruptions to global supply chains. Strongly rising bond yields are also detracting from the appeal of the asset class. In the coming months, sentiment on stock markets might become friendlier due to sinking inflation rates and the normalisation of supply chains, and this is likely to support stock market trends. However, volatility will probably remain very high due to geopolitical factors and monetary uncertainties.

Returns on bonds increased further in the second quarter and this is enhancing their attractiveness. Corporate bonds are attractively priced at levels not seen for the past ten years. The steep increase in yields, especially at the short end, and the resultant relatively flat interest rate curve have created good opportunities.

Further course of business highly uncertain

The times ahead are very challenging. The high degree of uncertainty about the further course of geopolitical and overall economic developments is making it very hard to forecast business trends for the second half of the year 2022. The slowing pace of the economy will probably hamper our profitability, and the high inflation rates that are likely to remain with us for some time will drive up costs.

We expect demand for loans to be slightly subdued for the remainder of the business year. As regards deposits, we expect stable volumes at a high level, even though the savings ratio of private households is likely to decrease and companies will be able to gradually to reduce their high liquidity volumes. Furthermore, higher impairment charges for losses on loans and advances may have a negative effect on profits due to the further deterioration of macro-economic prospects.

We believe there may be some easing from the long overdue discontinuation of the policy of zero interest and negative interest. The end of negative interest and the gradual normalisation of interest rates will have a positive effect on our earnings capacity. Net fee and commission income is expected to develop stably in the coming months, although investors will continue to need strong nerves in the light of the high volatility on stock markets. In any case, our attention will be on the development of costs.

Even though we will be facing challenging months ahead, we will continue to work unwaveringly on the implementation of our corporate strategy and with great enthusiasm on sustainability.

The digital transformation is a key strategic goal. We have a full portfolio of many different digitalisation projects. In the coming months, we plan to digitise the highly complex process for corporate loans and create the option of opening securities accounts. We believe that costs will be hugely reduced by the integration of the core banking systems of our foreign markets into the Austrian systems. This project will take several years to complete and is progressing well.

As regards sustainability, we will continue to work to strengthen our strong market position. We are now preparing the issuance of a new social bond and the Austrian ecolabel certification for sustainable financial products for the Natur & Zukunft account. This account promotes the reforestation of Austrian protective forests and is very popular with customers. We are planning further tree plantings for the autumn.

The activities relating to our 100th anniversary also continue. In September, we will make the BKS art collection, which has been collected over decades with great enthusiasm, available for viewing to the public in cooperation with Stadtgalerie Klagenfurt.

The knowledge of our 100-year history and our innovative power permits us to look at the remainder of the business year with confidence. We have experienced many ups and downs over the course of our 100-year history.

We have always served our customers as competent and reliable partners – as is our tradition – and will master the challenges of the coming months

together with our customers, employees and business partners.

Klagenfurt am Wörthersee, 24 August 2022



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

55

14

04

12

37

06

46

90

21

34

56

64

Consolidated Financial Statements pursuant to IFRS

Statement of Comprehensive Income for the Period January 1 to 30 June 2022	26
Consolidated Balance Sheet for the Period ended 30 June 2022	29
Consolidated Statement of Changes in Equity	30
Consolidated Statement of Cash Flows	32
Notes to the Consolidated Financial Statements of BKS Bank	33
Management's Responsibility for the Financial Statements	52
Financial Calendar 2022	53

Statement of Comprehensive Income for the Period 1 January to 30 June 2022

Income Statement

in €k	Notes	HY1 2021	HY1 2022	± in %
Interest income applying the effective interest rate method		69,739	71,829	3.0
Other interest income and other similar income		11,305	12,261	8.5
Interest expenses and other similar expenses		-13,550	-14,468	6.8
Net interest income	(1)	67,494	69,622	3.2
Impairment charges	(2)	-9,465	-13,360	41.2
Net interest income after impairment charges		58,029	56,263	-3.0
Fee and commission income		36,289	38,791	6.9
Fee and commission expenses		-2,946	-3,409	15.7
Net fee and commission income	(3)	33,343	35,382	6.1
Profit/loss from investments accounted for using the equity method	(4)	16,971	18,052	6.4
Net trading income	(5)	207	1,127	>100
General administrative expenses	(6)	-64,373	-66,478	3.3
Other administrative expenses	(7)	3,962	3,901	-1.5
Other operating expenses	(7)	-9,768	-10,431	6.8
Profit/loss from financial assets/liabilities		5,136	-5,400	>-100
• Profit/loss from financial instruments designated at fair value	(8)	-315	266	>100
• Profit/loss from financial assets measured at fair value through profit/loss (mandatory)	(9)	4,238	-8,618	>-100
• Profit/loss from derecognition of financial assets measured at amortised cost	(10)	1,199	2,949	>100
• Other profit/loss from financial assets/liabilities	(11)	14	3	-79.8
Profit for the period before tax		43,507	32,415	-25.5
Income tax expense	(12)	-6,935	-1,752	-74.7
Profit for the period		36,572	30,663	-16.2

Other comprehensive income

in €k	HY1 2021	HY1 2022	± in %
Profit for the period	36,572	30,663	-16.2
Other comprehensive income	7,646	1,814	-76.3
Items not reclassified to profit or loss for the period	7,778	6,071	-21.9
± Actuarial gains/losses in conformity with IAS 19	5,852	4,057	-30.7
± Deferred taxes on actuarial gains/losses in conformity with IAS 19	-1,465	-1,366	6.8
± Changes in the fair value of equity instruments measured at fair value	4,307	457	-89.4
± Deferred taxes on changes in fair value of equity instruments measured at fair value	-1,077	407	>100
± Fair value changes due to the default risk of financial liabilities measured at fair value through profit/loss (designated)	151	371	>100
± Deferred taxes on fair value changes of financial liabilities designated at FV PL attributable to own credit risk	-38	-57	-52.3
± Share of income and expenses of associates in OCI and accounted for using the equity method	48	2,203	>100
Items reclassified to profit or loss for the period	-132	-4,258	>-100
± Exchange differences	39	-10	>-100
± Changes in the fair value of debt instruments measured at fair value	-707	-3,702	>-100
± Net change in fair value	-707	-3,702	>-100
± Reclassified to profit or loss	-	-	-
± Deferred taxes on changes to the fair value of debt instruments measured at fair value	182	880	>100
± Share of income and expenses of associates reported in OCI and accounted for using the equity method	353	-1,426	>-100
Total comprehensive income	44,218	32,477	-26.6

Earnings and Dividend per Share

	30/06/2021	30/06/2022
Average number of shares in issue	42,066,096	42,160,337
Earnings per ordinary share in EUR (period)	0.85	0.71
Earnings per ordinary share in EUR (annualised)	1.71	1.42

The indicator “earnings per share” compares consolidated net income for the period with the average number of no-par shares in issue. In the period under review, earnings per share and diluted earnings per share were the same because no financial instruments with a dilution effect on the shares were in circulation.

Quarterly Review

in €k	Q2/2021	Q3/2021	Q4/2021	Q1/2022	Q2/2022
Interest income and similar income	41,199	42,718	43,145	41,621	42,469
Interest expenses and similar expenses	-6,720	-7,254	-7,185	-7,220	-7,248
Net interest income	34,479	35,464	35,960	34,401	35,221
Impairment charges	-3,309	-2,669	-20,254	-4,016	-9,344
Net interest income after impairment charges	31,170	32,794	15,706	30,385	25,877
Fee and commission income	17,913	17,913	19,015	19,303	19,488
Fee and commission expenses	-1,412	-1,175	-1,993	-1,793	-1,616
Net fee and commission income	16,501	16,738	17,022	17,509	17,873
Profit/loss from investments accounted for using the equity method	9,606	14,713	13,275	6,848	11,204
Net trading income	167	352	226	547	581
General administrative expenses	-31,700	-31,573	-29,400	-35,006	-31,472
Other operating income	2,227	2,456	2,042	1,976	1,926
Other operating expenses	-1,442	-1,423	-3,805	-8,560	-1,871
Profit/loss from financial assets/liabilities	2,836	-1,374	1,692	-752	-4,649
• Profit/loss from financial instruments designated at fair value	-322	-1,165	1,649	443	-177
• Profit/loss from financial assets measured at fair value through profit/ loss (mandatory)	1,998	-588	518	-4,435	-4,183
• Profit/loss from derecognition of financial assets measured at amortised cost	1,149	340	-135	3,236	-287
• Other profit/loss from financial assets/liabilities	11	39	-341	4	-1
Profit for the period before tax	29,365	32,684	16,757	12,946	19,469
Income tax	-3,731	-3,253	-2,001	-1,495	-257
Profit for the period	25,634	29,430	14,756	11,451	19,212

Consolidated Balance Sheet for the Period Ended 30 June 2022

Assets

in €k	Notes	31/12/2021	30/06/2022	± in %
Cash and balances with the central bank	(13)	1,479,418	1,191,041	-19.5
Receivables from other banks	(14)	94,582	224,811	>100
Receivables from customers	(15)	6,958,625	7,150,808	2.8
Trading assets	(16)	8,561	10,502	22.7
Debt securities and other fixed-interest securities	(17)	999,561	1,050,222	5.1
Shares and other non-interest-bearing securities	(18)	154,548	138,639	-10.3
Investments in entities accounted for using the equity method	(19)	709,256	723,031	1.9
Intangible assets	(20)	9,655	9,408	-2.6
Property, plant and equipment	(21)	80,695	104,254	29.2
Investment property	(22)	52,557	59,557	13.3
Deferred tax assets	(23)	8,484	9,655	13.8
Other assets	(24)	22,026	28,401	28.9
Total assets		10,577,968	10,700,329	1.2

Equity and liabilities

in €k	Notes	31/12/2021	30/06/2022	± in %
Payables to other banks	(25)	826,912	870,117	5.2
Payables to customers	(26)	7,142,532	7,141,921	0.0
• thereof savings deposits		1,351,180	1,311,163	-3.0
• thereof other payables		5,791,352	5,830,758	0.7
Liabilities evidenced by paper	(27)	732,523	785,523	7.2
• thereof at fair value through profit or loss		56,999	53,269	-6.5
Trading liabilities	(28)	7,886	7,329	-7.1
Provisions	(29)	119,385	113,004	-5.3
Other liabilities	(30)	48,442	53,002	9.4
Subordinated debt capital	(31)	240,942	246,472	2.3
Shareholders' equity	(32)	1,459,346	1,482,962	1.6
Total equity and liabilities		10,577,968	10,700,329	1.2

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity

in €k	Subscribed capital	Capital reserves	Exchange differences	Fair value reserves	Retained earnings	Profit/loss for the period	Additional equity instruments ¹⁾	Equity
As at 01/01/2022	85,886	241,416	-351	34,327	952,109	80,759	65,200	1,459,346
Distribution						-9,700		-9,700
Coupon payments on additional equity instruments					-870			-870
Taken to retained earnings					71,058	-71,058		-
Profit for the period						30,663		30,663
Other comprehensive income			157	-1,480	3,136			1,814
Capital increase								-
Effect of the equity method					1,394			1,394
Change in treasury shares					365			365
Issuance of additional equity instruments								-
Reclassification				-167	167			-
Other changes					-50			-50
As at 30/06/2022	85,886	241,416	-194	32,681	1,027,310	30,663	65,200	1,482,962
Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method)								23,759
Deferred tax reserve								-5,464

Changes in equity

in €k	Subscribed capital	Capital reserves	Exchange differences	Fair value reserves	Retained earnings	Profit/loss for the period	Additional equity instruments ¹⁾	Equity
As at 01/01/2021	85,886	241,416	-752	26,022	879,420	74,748	55,900	1,362,640
Distribution						-5,047		-5,047
Coupon payments on additional equity instruments					-870			-870
Allocation to retained earnings ¹⁾					69,701	-69,701		-
Profit for the period						36,572		36,572
Other comprehensive income			118	3,996	3,533			7,646
Capital increase								-
Effect of the equity method					645			645
Change in treasury shares					38			38
Issuance of additional equity instruments							9,300	9,300
Reclassification				-107	107			-
Other changes					56			56
As at 30/06/2021	85,886	241,416	-634	29,911	952,630	36,572	65,200	1,410,980
Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method)								23,677
Deferred tax reserve								-5,919

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

For more details, please refer to Note (32) Shareholders' equity.

Consolidated statement of cash flows

in €k

	HY1 2021	HY1 2022
Cash and cash equivalents at end of preceding period	1,102,688	1,479,418
Profit for the period	36,572	30,663
Non-cash items in profit for the period and other valuation adjustments	-63,225	-55,678
Change in assets and liabilities from operating business activities after correction for non-cash items	209,658	-270,192
Cash flow from operating activities	183,005	-295,207
Cash inflow from sales and redemptions	38,675	165,107
Cash outflow for capital expenditure	-122,508	-217,064
Dividends from entities accounted for using the equity method	3,482	6,447
Cash flow from investing activities	-80,351	-45,510
Capital increase	-	-
Other deposits	9,300	-
Dividend distributions	-5,047	-9,700
Subordinated liabilities, liabilities evidenced by paper and other financing activities	80,178	61,952
Cash flow from financing activities	84,431	52,252
Effect of exchange rates on cash and cash equivalents	-64	88
Cash and cash equivalents at end of preceding period	1,289,709	1,191,041

Notes to the Consolidated Financial Statements of BKS Bank

Material Accounting Policies

I. General information

The interim financial statements of the BKS Bank Group for the period ended 30 June 2022 were prepared in accordance with the applicable IFRS Standards published by the International Accounting Standards Board (IASB) as adopted by the EU effective on the reporting date. The relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC) were taken into account. This condensed interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

II. Effects of new and amended standards

The accounting policies applied in the financial year 2021 were also applied in the first half of the year 2022. All amendments to standards that became effective as of 1 January 2022 do not have any material effects on the BKS Bank Group.

III. Recognition and Measurement

Group of consolidated companies

In addition to BKS Bank AG, the consolidated financial statements accounted for a total of 14 entities: 11 consolidated entities, two accounted for using the equity method and one entity accounted for on a proportionate basis. The group of consolidated companies did not change compared to 31 December 2021.

Effects of the Covid-19 measures

In 2020, the Austrian government and the governments of the countries in which BKS Bank operates – Slovenia, Croatia and Slovakia – took action to contain the negative effects of the coronavirus crisis on the economy. Apart from statutory moratoria, voluntary deferrals were also offered in some cases to customers from the Corporates and Retail segments, both in Austria and abroad. At present, government-mandated or private payment deferrals are no longer being granted in Austria or abroad. All deferrals currently granted by BKS Bank Group are individual agreements with customers. 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 15.0 million (31 December 2020: EUR 282.5 million). Furthermore, bridge loans backed by government guarantees amounted to EUR 88.7 million as at 30 June 2022 (31 December 2021: EUR 99.7 million).

Expected Credit Loss

In the second quarter of 2020, BKS Bank conducted an analysis by sector of corporate and business customers to assess how they were being affected by the coronavirus crisis. The sectors affected the most by the pandemic, namely hospitality businesses, restaurants, arts and entertainment as well as other services, and also the entire Croatian corporate customer portfolio as well as the transport sector were collectively transferred to a different stage. A collective evaluation of the stage transfer was conducted again at the end of March 2021. All loans in the corporate and business banking segment that were subject to a government-mandated or voluntary moratoria were migrated to stage 2. In the third quarter of 2021, we reassessed the situation and excluded customers from the affected industries with a rating grade of up to 2a from the collective grade transfer. In March 2022, we analysed the situation again and removed the Croatian corporate portfolio and the transport sector from the collective stage transfer. In Q2 2022, based on a reassessment of the current Covid-19 situation,

we decided to remove the remaining sectors – hospitality businesses and restaurants, arts and entertainment, and other services – from the collective stage transfer. Furthermore, 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 HY1 2022, after suspending collective stage transfers and adjusting the forward-looking information to the current economic situation, the result was an increase in the expected credit loss of EUR 7.3 million.

IV. Other explanatory notes

Forward-looking assumptions and estimates such as yield curves and exchange rates were made to the extent required, and the financial statements were prepared on the basis of the state of knowledge and information at our disposal on the reporting date. The assumptions and estimates used in the financial statements for the period were made on the basis of the state of knowledge and information at our disposal on the reporting date 30 June 2022.

Details of the Income Statement

(1) Net interest income

in €k	HY1 2021	HY1 2022	± in %
Lending operations measured at amortised cost	59,133	60,361	2.1
Fixed-interest securities measured at amortised cost	6,122	4,468	-27.0
Fixed-interest securities measured at FV OCI	279	243	-12.8
Modification gains	247	209	-15.2
Positive interest expenses ¹⁾	3,958	6,547	65.4
Total interest income applying the effective interest rate method	69,739	71,829	3.0
Lending operations measured at fair value	1,013	1,029	1.6
Fixed-interest securities at fair value through profit or loss	223	223	0.2
Leasing receivables	6,077	6,511	7.1
Shares and other non-interest-bearing securities	2,109	2,356	11.7
Investment property	1,883	2,142	13.7
Total other interest income and other similar income	11,305	12,261	8.5
Total interest income	81,045	84,090	3.8
Interest expenses and other similar expenses:			
Deposits from customers and other banks	1,789	1,685	-5.8
Liabilities evidenced by paper	8,123	8,936	10.0
Modification losses	173	238	37.5
Negative interest income ¹⁾	2,953	3,000	1.6
Investment property	441	545	23.4
Lease liabilities	70	63	-9.3
Total interest expenses and other similar expenses	13,550	14,468	6.8
Net interest income	67,494	69,622	3.2

1) This consists of interest expenses that are positive or interest income that is negative as a result of the historically low interest rates.

(2) Impairment charges

in €k	HY1 2021	HY1 2022	± in %
Financial instruments measured at amortised cost			
– Allocation (+)/reversal (-) of impairment charges (net)	10,635	14,021	31.8
Financial instruments measured at fair value OCI			
– Allocation (+)/reversal (-) of impairment charges (net)	22	-30	>-100
Loan commitments and financial guarantee contracts			
– Allocation (+)/reversal (-) of provisions (net)	-1,192	-632	47.0
Impairment charges	9,465	13,360	41.2

(3) Net fee and commission income

in €k	HY1 2021	HY1 2022	± in %
Net fee and commission income:			
Payment services	12,575	13,716	9.1
Securities operations	11,331	11,364	0.3
Lending operations	9,900	11,338	14.5
Foreign exchange operations	1,736	1,612	-7.1
Other services	746	760	1.9
Total fee and commission income	36,289	38,791	6.9
Net fee and commission expenses:			
Payment services	1,246	1,465	17.5
Securities operations	1,113	1,232	10.7
Lending operations	486	660	35.9
Foreign exchange operations	79	36	-54.9
Other services	21	16	-25.3
Total fee and commission expenses	2,946	3,409	15.7
Net fee and commission income	33,343	35,382	6.1

(4) Profit/loss from investments accounted for using the equity method

in €k	HY1 2021	HY1 2022	± in %
Profit/loss from investments accounted for using the equity method	16,971	18,052	6.4
Profit/loss from investments accounted for using the equity method	16,971	18,052	6.4

(5) Net trading income

in €k	HY1 2021	HY1 2022	± in %
Price-based transactions	9	-20	>-100
Interest rate and currency contracts	197	1,148	>100
Net trading income	207	1,127	>100

(6) Administrative expenses

in €k	HY1 2021	HY1 2022	± in %
Staff costs	39,519	38,670	-2.1
• Wages and salaries	26,408	28,492	7.9
• Social insurance costs	6,620	6,668	0.7
• Costs of retirement benefits	3,601	1,943	-46.0
• Other social expenses	2,891	1,567	-45.8
Other administrative costs	19,172	21,666	13.0
Depreciation/amortisation	5,682	6,142	8.1
General administrative expenses	64,373	66,478	3.3

(7) Other operating income and expenses

in €k	HY1 2021	HY1 2022	± in %
Other operating income	3,962	3,901	-1.5
Other operating expenses ¹⁾	-9,768	-10,431	6.8
Other operating income/expenses	-5,806	-6,530	12.5

¹⁾ This includes mainly expenses for the resolution mechanism and deposit guarantee scheme.

(8) Profit/loss from financial instruments designated at fair value

in €k	HY1 2021	HY1 2022	± in %
Profit/loss from the fair value option	-315	266	>100
Profit/loss from financial instruments designated at fair value	-315	266	>100

(9) Profit/loss from financial assets measured at fair value through profit or loss (mandatory)

in €k	HY1 2021	HY1 2022	± in %
Profit/loss from measurement	4,158	-8,112	>-100
Profit/loss on disposal	80	-506	>-100
Profit/loss from financial assets measured at fair value through profit or loss (mandatory)	4,238	-8,618	>-100

(10) Profit/loss from the derecognition of financial assets measured at amortised cost (FV)

in €k	HY1 2021	HY1 2022	± in %
Receivables from other banks	-	-	-
• thereof profit	-	-	-
• thereof loss	-	-	-
Receivables from customers	1,199	235	-80.4
• thereof profit	1,404	531	-62.2
• thereof loss	-205	-296	44.5
Debt securities	-	2,714	-
• thereof profit	-	2,714	-
• thereof loss	-	-	-
Profit/loss from derecognition of financial assets measured at amortised cost	1,199	2,949	>100

(11) Other profit/loss from financial assets/liabilities

in €k	HY1 2021	HY1 2022	± in %
Derecognition gains/losses	14	3	-79.8
• from financial assets measured through OCI	-	-	-
• from financial liabilities measured at amortised cost	14	3	-79.8
Other profit/loss from financial assets/liabilities	14	3	-79.8

(12) Income tax expense

in €k	HY1 2021	HY1 2022	± in %
Current taxes	-4,637	-3,059	-34.0
Deferred taxes	-2,298	1,308	>-100
Income tax expense	-6,935	-1,752	-74.7

Details of the balance sheet**(13) Cash and balances at central banks**

in €k	31/12/2021	30/06/2022	± in %
Cash in hand	138,336	140,267	1.4
Credit balances with central banks	1,341,081	1,050,774	-21.6
Cash and balances with the central bank	1,479,418	1,191,041	-19.5

(14) Receivables from other banks

in €k	31/12/2021	30/06/2022	± in %
Receivables from domestic banks	45,211	49,955	10.5
Receivables from foreign banks	49,372	174,857	>100
Receivables from other banks	94,582	224,811	>100

The impairment charges included in receivables from other banks developed as follows in the first half-year 2022:

in €k	Stage 1	Stage 2	Stage 3	2022
As at 01/01/2022	54	1	-	55
Additions due to new business	28	-	-	28
Change within stage				
- Allocation/reversal	-18	-1	-	-19
• 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 30/06/2022	32	-	-	32

(15) Receivables from customers**(15.1) Receivables from customers by customer group**

in €k	31/12/2021	30/06/2022	± in %
Corporate and Business Banking	5,472,015	5,677,436	3.8
Retail Banking	1,486,610	1,473,372	-0.9
Receivables from customers by customer group	6,958,625	7,150,808	2.8

(15.2) Receivables from customers by measurement category

in €k	31/12/2021	30/06/2022	± in %
Financial assets measured at amortised cost	6,815,067	6,986,163	2.5
Financial assets measured at fair value through profit or loss (designated)	89,927	122,208	35.9
Financial assets measured at fair value through profit or loss (mandatory)	53,631	42,437	-20.9
Receivables from customers by measurement category	6,958,625	7,150,808	2.8

The impairment charges included in receivables from customers was as follows in the first half-year 2022:

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	4,571	1,054	-	5,625
Change within stage				
• Allocation/reversal	6,000	4,205	-6,353	3,852
• Disposals due to usage	-	-	-5,917	-5,917
Reclassification from one stage to another:				
• Decrease due to default risk				
- Reclassification from stage 2 to stage 1	4,615	-13,378	-	-8,763
- Reclassification from stage 3 to stage 1	18	-	-130	-112
- Reclassification from stage 3 to stage 2	-	15	-48	-33
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	-362	3,231	-	2,869
- Reclassification from stage 1 to stage 3	-11	-	325	314
- Reclassification from stage 2 to stage 3	-	-619	12,077	11,458
Disposals due to repayment	-789	-951	-1,410	-3,150
As at 30/06/2022	31,374	19,575	62,428	113,377

(16) Trading assets

in €k	31/12/2021	30/06/2022	± in %
Positive fair values of derivative financial products	8,561	10,502	22.7
• Currency contracts	3,546	4,440	25.2
• Interest rate contracts	1	3	>100
• Fair value option	5,014	6,058	20.8
Trading assets	8,561	10,502	22.7

(17) Debt securities and other fixed-interest securities

in €k	31/12/2021	30/06/2022	± in %
Financial assets measured at amortised cost	917,463	972,017	5.9
Financial assets measured at fair value through profit or loss (designated)	20,551	20,457	-0.5
Financial assets measured at fair value OCI	61,536	57,727	-6.2
Financial assets measured at fair value through profit or loss (mandatory)	11	20	72.8
Debt securities and other fixed-interest securities	999,561	1,050,222	5.1

The impairment charges included in debt securities and other fixed-income securities developed as follows in the first half-year 2022:

in €k	Stage 1	Stage 2	Stage 3	2022
As at 01/01/2022	679	-	-	679
Additions due to new business	40	-	-	40
Change within stage				
- Allocation/reversal	-211	-	-	-211
- 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	-56	-	-	-56
As at 30/06/2022	452	-	-	452

(18) Shares and other non-interest bearing securities

in €k	31/12/2021	30/06/2022	± in %
Financial assets measured at fair value through profit or loss (mandatory)	50,616	33,671	-33.5
Financial assets measured at fair value OCI	103,931	104,968	1.0
Shares and other non-interest-bearing securities	154,548	138,639	-10.3

(19) Investments in entities accounted for using the equity method

in €k	31/12/2021	30/06/2022	± in %
Oberbank AG	453,678	462,983	2.1
Bank für Tirol und Vorarlberg AG	255,578	260,049	1.7
Investments in entities accounted for using the equity method	709,256	723,031	1.9

(20) Intangible assets

in €k	31/12/2021	30/06/2022	± in %
Intangible assets	9,655	9,408	-2.6
Intangible assets	9,655	9,408	-2.6

(21) Property, plant and equipment

in €k	31/12/2021	30/06/2022	± in %
Land	8,316	35,028	>100
Buildings	38,579	38,602	0.1
Other property, plant and equipment	14,201	11,211	-21.1
Right-of-use assets	19,598	19,413	-0.9
Property, plant and equipment	80,695	104,254	29.2

(22) Investment property

in €k	31/12/2021	30/06/2022	± in %
Land	8,895	8,838	-0.6
Buildings	43,662	50,719	16.2
Investment property	52,557	59,557	13.3

(23) Deferred tax assets

in €k	31/12/2021	30/06/2022	± in %
Deferred tax assets	8,484	9,655	13.8

(24) Other assets

in €k	31/12/2021	30/06/2022	± in %
Other assets	12,433	23,720	90.8
Deferred items	9,593	4,681	-51.2
Other assets	22,026	28,401	28.9

(25) Payables to other banks

in €k	31/12/2021	30/06/2022	± in %
Payables to domestic banks	806,982	844,062	4.6
Payables to foreign banks	19,930	26,055	30.7
Payables to other banks	826,912	870,117	5.2

As of the reporting date, liabilities of EUR 550 million from the TLTRO III programme (Targeted Longer-Term Refinancing Operation) were reported under payables to other banks and recognised in accordance with IFRS 9. In HY1 2022, a positive interest expense of EUR 1.5 million resulted from the utilization of the TLTRO III programme.

(26) Payables to customers

in €k	31/12/2021	30/06/2022	± in %
Savings deposits	1,351,180	1,311,163	-3.0
• Corporate and business banking customers	131,819	127,229	-3.5
• Retail banking customers	1,219,361	1,183,933	-2.9
Other liabilities	5,791,352	5,830,758	0.7
• Corporate and business banking customers	4,067,067	4,031,681	-0.9
• Retail banking customers	1,724,285	1,799,077	4.3
Payables to customers	7,142,532	7,141,921	0.0

(27) Liabilities evidenced by paper

in €k	31/12/2021	30/06/2022	± in %
Bonds issued	677,645	731,012	7.9
Other liabilities evidenced by paper	54,878	54,510	-0.7
Liabilities evidenced by paper	732,523	785,523	7.2

(28) Trading liabilities

in €k	31/12/2021	30/06/2022	± in %
Negative fair values of derivative financial instruments	7,886	7,329	-7.1
• Currency contracts	3,121	5,864	87.9
• Interest rate contracts	1	3	>100
• Fair value option	4,764	1,462	-69.3
Trading liabilities	7,886	7,329	-7.1

(29) Provisions

in €k	31/12/2021	30/06/2022	± in %
Provisions for post-employment benefits and similar obligations	61,329	56,781	-7.4
Provisions for taxes (current taxes)	2,943	919	-68.8
Provision for guarantees and credit facilities	1,623	991	-38.9
Other provisions	53,491	54,313	1.5
Provisions	119,385	113,004	-5.3

Actuarial assumptions

in %	31/12/2021	30/06/2022
Financial assumptions		
Interest rate post-employment benefits	1.06%	3.21%
Interest rate other social capital provisions	1.31%	3.39%
Salary trend of active staff	1.40%	3.25%
Pensions trends	1.40%	2.80%
Career trends	0.25%	0.25%
Demographic assumptions		
Retirement age	65 Jahre	65 years
Mortality table	AVÖ 2018	AVÖ 2018

The calculation of provisions for pensions as of 30 June 2021 was based on a duration of 10 years.

(30) Other liabilities

in €k	31/12/2021	30/06/2022	± in %
Other liabilities	23,637	29,111	23.2
Deferred items	4,897	4,210	-14.0
Leasing liabilities	19,907	19,682	-1.1
Other liabilities	48,442	53,002	9.4

(31) Subordinated debt capital

in €k	31/12/2021	30/06/2022	± in %
Supplementary capital	240,942	246,472	2.3
Subordinated debt capital	240,942	246,472	2.3

Subordinated debt capital is reported with accrued interest. The nominal value was EUR 243.4 million (pr.yr. EUR 237.4 million).

(32) Shareholders' equity

in €k	31/12/2021	30/06/2022	± in %
Subscribed capital	85,886	85,886	-
• Share capital	85,886	85,886	-
Capital reserves	241,416	241,416	-
Retained earnings and other reserves	1,066,845	1,090,460	2.2
Additional equity instruments (AT 1 bond)	65,200	65,200	-
Shareholders' equity	1,459,346	1,482,962	1.6

The share capital consists of 42,942,900 ordinary voting shares, the par value per share is EUR 2.0. Capital reserves contains premiums from the issuance of shares. Retained earnings and other reserves consist essentially of reinvested profits. Additional equity instruments consist of the additional tier 1 notes classified as equity under IAS 32.

Risk Report

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. Corporate bonds and positive market values from derivatives are allocated to the respective customer category in accordance with internal management guidelines (receivables from customers and receivables from banks).

(33) Loan quality by class of receivable as at 30/6/2022

in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating
Receivables from customers ¹⁾	98,768	1,894,178	2,578,788	2,257,365	275,250	179,058	2,132
Receivables from banks	164,651	58,769	3,261	3,316	9	–	–
Securities and funds	803,922	198,490	37,346	1,700	20	–	–
Equity investments	781,845	29,537	1,058	252	–	–	1,181
Off-balance sheet risk positions ²⁾	39,992	723,348	805,083	522,191	29,563	6,998	483
Total	1,889,178	2,904,321	3,425,536	2,784,823	304,842	186,056	3,795

¹⁾ The off-balance sheet risk positions comprise guarantees and open credit lines and will be reported separately as of the reporting date 30 June 2022.

Loan quality by class of receivable as at 31 December 2021

in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating
Receivables from customers ¹⁾	95,588	1,737,002	2,518,573	2,259,797	308,526	191,578	2,248
Receivables from banks	53,975	45,706	3,718	3,381	2	–	–
Securities and funds	778,921	184,819	47,158	–	11	–	–
Equity investments	776,460	28,313	1,478	252	–	–	1,181
Off-balance sheet risk positions ²⁾	69,964	689,964	862,246	606,054	34,456	3,862	368
Total	1,774,909	2,685,805	3,433,173	2,869,484	342,995	195,440	3,797

¹⁾ The off-balance sheet risk positions comprise guarantees and open credit lines and are reported separately as of the reporting date 30 June 2022; the values as at 31 December 2021 have been adjusted.

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.

The ratio of non-performing loans was 2.1% at the end of June (31/12/2021: 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 total exposure and was 34.9% on 30 June 2022 (31/12/2021: 33.7%). Additionally, we use Coverage Ratio III as an internal benchmark which also includes internal collateral in the calculation. It was 88.0% on 30 June 2022 (31/12/2021: 91.0%).

(34) Regulatory interest rate risk in % of own funds

Currency	31/12/2021	30/06/2022
EUR	2.69%	4.44%
CHF	0.08%	0.03%
USD	-0.04%	-0.01%
JPY	-	-
Other	-	-
Total	2.73%	4.46%

(34.1) Interest rate risk

in €k	31/12/2021	30/06/2022
Interest rate risk	58,521	52,623

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.

(35) Value-at-risk figures - Credit spread risk

in €k	31/12/2021	30/06/2022
Value-at-risk figures - Credit spread risk	35,086	33,884

Value-at-risk with respect to the credit spread risk is measured on the basis of a historical simulation of the changes in market prices observed in the preceding 1,000 days and computed on a holding period of 250 days with a confidence level of 99.9%.

(36) Value-at-risk values, equity price risk

in €k	31/12/2021	30/06/2022
Value-at-risk figures - Equity price risk	28,977	24,558

Value-at-risk with respect to equity positions is measured on the basis of a historical simulation of the changes in market prices observed in the preceding 1,000 days and computed on a holding period of 250 days with a confidence level of 99.9%.

(37) Value-at-risk figures - Foreign currency price risk

in €k	31/12/2021	30/06/2022
Value-at-risk figures - Foreign currency risk	706	1,276

Value-at-risk with respect to foreign currency positions is measured on the basis of a historical simulation of the changes in market prices observed in the preceding 1,000 days and computed on a holding period of 250 days with a confidence level of 99.9%.

(38) Indicators for managing liquidity risk

	31/12/2021	30/06/2022
Deposit concentration	0.36	0.36
Loan-to-deposit ratio (LDR)	83.2%	84.7%
Liquidity coverage ratio (LCR)	208.9%	185.9%
Net stable funding ratio (NSFR)	122.9%	117.5%

(39) Operational risk and ICT risks by event category*

in €k	31/12/2021	30/06/2022
Fraud	3	399
Employment practices and workplace safety	62	7
Customers, products, business practices	1,684	762
Property damage	10	14
System failures	36	2
Settlement, sales and process management	45	80

*after deduction of recoveries

Additional Information**(40) Segment Report**

Segment reporting is based on the organizational structure of the Group that underlies its internal management reporting system.

Segment result HY1 2022

in €k	Retail Banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	14,610	59,075	10,955	3,034	87,674
• thereof profit/loss from investments accounted for using the equity method	-	-	18,052	-	18,052
Impairment charges	-1,420	-12,310	371	-	-13,360
Net fee and commission income	14,991	20,137	-89	343	35,382
Net trading income	-	-	1,127	-	1,127
General administrative expenses	-28,547	-27,457	-5,239	-5,235	-66,478
Other operating income/expenses	1,002	1,087	-21	-8,598	-6,530
Profit/loss from financial assets/liabilities	154	264	-5,818	-	-5,400
Profit for the period before tax	789	40,795	1,286	-10,456	32,415
Average risk-weighted assets	1,043,506	3,761,231	656,835	196,089	5,657,661
Average allocated equity	127,308	458,870	834,032	50,944	1,471,154
ROE based on profit for the period before tax	1.2%	17.8%	0.3%	-	6.1%
Cost/income ratio	93.3%	34.2%	43.8%	-	56.5%
Risk/earnings ratio	9.7%	20.8%	-	-	19.2%

Segment result HY1 2021

in €k	Retail Banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	13,658	53,993	14,424	2,390	84,465
• thereof profit/loss from investments accounted for using the equity method	-	-	16,971	-	16,971
Impairment charges	-16	-9,320	-129	-	-9,465
Net fee and commission income	14,449	18,135	-152	911	33,343
Net trading income	-	-	207	-	207
General administrative expenses	-27,629	-26,149	-4,969	-5,626	-64,373
Other operating income/expenses	727	443	10	-6,985	-5,806
Profit/loss from financial assets/liabilities	104	661	4,371	-	5,136
Profit for the period before tax	1,294	37,761	13,762	-9,310	43,507
Average risk-weighted assets	1,015,434	3,515,433	653,890	163,356	5,348,112
Average allocated equity	123,883	428,883	791,705	42,354	1,386,825
ROE based on profit for the period before tax	2.1%	17.6%	3.5%	-	6.3%
Cost/income ratio	95.8%	36.0%	34.3%	-	57.4%
Risk/earnings ratio	0.1%	17.3%	-	-	14.0%

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 recognised 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 comprise the following:

- Monthly reporting of results at the profit centre level
- Quarterly reports for all relevant risk types
- Ad-hoc reports for exceptional events

Corporate and Business Banking

In Corporate and Business Banking, there were roughly 26,920 corporate and business banking customers as at 30 June 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 168,930 customers belonged to this segment at the end of June 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 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.

(41) Related party disclosures

in €k	Outstanding balances as at		guarantees received		guarantees received	
	31/12/2021	30/06/2022	31/12/2021	30/06/2022	31/12/2021	30/06/2022
Non-consolidated subsidiaries						
• Receivables	28,584	27,429	-	-	-	-
• Liabilities	3,584	3,865	-	-	-	-
Associates						
• Receivables	869	5,037	-	-	-	-
• Liabilities	1,600	3,830	-	-	-	-
Members of the Management Board						
• Receivables	1,301	1,454	-	-	-	-
• Liabilities	3,197	3,295	-	-	-	-
Other related parties						
• Receivables	672	660	-	-	-	-
• Liabilities	479	560	-	-	-	-

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.

Loans and advances granted

in €k	31/12/2021	30/06/2022
• Loans and advances granted to members of the Management Board	180	158
• Loans and advances granted to members of the Supervisory Board	320	536
Loans and advances granted	500	694

(42) Contingent liabilities and commitments

in €k	31/12/2021	30/06/2022	± in %
Guarantees	607,637	656,936	8.1
Letters of credit	3,166	6,143	94.0
Contingent liabilities and commitments	610,804	663,079	8.6
Other commitments	1,702,081	1,677,772	-1.4
Commitments	1,702,081	1,677,772	-1.4

(43) Events after the balance sheet date

After the reporting date of this interim report as at 30 June 2022, BKS Bank witnessed no activities or events unusual in terms of form or content with an impact on the assets, financial position or result of operations as presented in this report.

(44) Fair Values**Financial assets and liabilities measured at fair value****30/06/2022**

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Fair value, total
Assets				
Receivables from customers				
• at fair value through profit or loss (mandatory)	-	-	42,437	42,437
• at fair value through profit or loss (designated)	-	-	122,208	122,208
Trading assets (derivatives)	-	10,502	-	10,502
Debt securities and other fixed-interest securities				
• at fair value through profit or loss (mandatory)	20	-	-	20
• at fair value through profit or loss (designated)	20,457	-	-	20,457
• at fair value OCI	56,720	-	1,007	57,727
Shares and other non-interest-bearing securities				
• at fair value through profit or loss (mandatory)	33,419	-	252	33,671
• at fair value OCI	6,242	4,092	94,633	104,968
Shareholders' equity and liabilities				
Liabilities evidenced by paper - at fair value through profit or loss (designated)	-	-	53,269	53,269
Trading liabilities	-	7,329	-	7,329

There were no transfers between the levels in the reporting period.

31/12/2021

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Fair value, total
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
Shareholders' equity and liabilities				
(designated)	-	-	56,999	56,999
Trading liabilities	-	7,886	-	7,886

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)
At 01/01/2022	89,927	53,631	1,018	94,233	56,999	252
Income statement ¹⁾	-7,285	-1,460	-11	-	-3,359	-
Reclassification	-	-	-	-	-	-
Other comprehensive income	-	-	-	400	-371	-
Purchased/added	42,500	2,606	-	-	-	-
Sold/redeemed	-2,934	-12,340	-	-	-	-
At 30/06/2022	122,208	42,437	1,007	94,633	53,269	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/loss (mandatory).

Level 3: Movements in financial assets and debt measured at fair value 2021

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 noninterest bearing securities at fair value through profit or loss (mandatory)
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	-
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/loss (mandatory).

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 present value method.

In Level 3 'Internal measurement method', 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 liabilities (e.g. yield curves, foreign exchange rates). In general, items in the category Level 3 were measured using the present value 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 on the basis of a funding curve specific to BKS Bank and a financial instrument's remaining term to maturity. In the HY1 2022 reporting period, the change in the ratings of receivables from customers measured at fair value had an effect on the fair value of EUR 0.0 million (31/12/2021: EUR 0.5 million). In the HY1 2022 reporting period, the change in BKS Bank's credit rating had an effect on the fair value of the liabilities evidenced by paper of EUR -0.4 million (31/12/2021: EUR -0.4 million).

Sensitivity analysis

The sensitivity analysis of receivables from customers measured at fair value results in an accumulated change in value of EUR 0.6 million (31/12/2021: EUR 0.4 million), assuming an improvement or deterioration in the credit rating of 10 basis points in the credit spread (31/12/2021: EUR 0.4 million). 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 0.2 million (31/12/2021: EUR 0.2 million).

For level 3 equity instruments in an amount of EUR 27.5 million, the material non-observable parameter is the interest rate. An interest rate increase by 50 basis points reduces the fair value by EUR 1.5 million (31/12/2021: EUR 1.9 million). An interest rate decrease by 50 basis points raises the fair value by EUR 1.7 million (31/12/2021: EUR 2.2 million). For level 3 equity instruments (investees) in an amount of EUR 55.8 million, a change to external prices by 10% results in a change in fair value by EUR 4.6 million (31/12/2021: EUR 4.5 million). For level 3 equity instruments (investees) in an amount of EUR 10.3 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 30/06/2022

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value	Carrying amount 30/06/2022
Assets					
Receivables from other banks	-	-	224,790	224,790	224,811
Receivables from customers	-	-	6,867,685	6,867,685	6,986,163
Debt securities and other fixed-interest securities	925,671	-	-	925,671	972,017
Equity and liabilities					
Payables to other banks	-	-	854,701	854,701	870,117
Payables to customers	-	-	7,133,004	7,133,004	7,141,921
Liabilities evidenced by paper	74,859	619,603	-	694,462	732,253
Subordinated debt capital	139,249	88,384	-	227,633	246,472

31/12/2021

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Fair value, total	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

Management's Responsibility for the Financial Statements

"We state to the best of our knowledge that the interim consolidated financial statements as at 30 June 2022 prepared in accordance with the relevant financial reporting standards provide a true and fair view of the assets, financial position and result of operations of the BKS Bank Group, and that the Group management report for the period from 1 January to 30 June 2022 provides a true and fair view of the assets, financial position and result of operations of the BKS Bank Group with respect to the key events having taken place during the first half of the financial year and their effects on the interim consolidated financial statements in terms of material risks and uncertainties over the course of the remaining six months of the financial year."

Klagenfurt am Wörthersee, 24 August 2022

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

Financial Calendar 2022

Date	Content
4 April 2022	Publication of the single-entity financial statements and the consolidated financial statements 2021 on the website and in the Official Gazette of the Republic of Austria "Wiener Zeitung"
25 May 2022	83rd Annual General Meeting
27 May 2022	Interim report for the period ended 31 March 2022
31 May 2022	Ex dividend day
1 June 2022	Record date
1 June 2022	Dividend payout day
26 August 2022	Half-year financial report 2022
25 November 2022	Interim report for the period ended 30 September 2022 (German version)

Investor Relations Contact

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

Publication Details

Published by: BKS Bank AG
St. Veiter Ring 43, 9020 Klagenfurt am Wörthersee
Phone: +43(0)463 5858-0
VAT ID: ATU25231503
FN: 91810s
Internet: www.bks.at
e-mail: bks@bks.at, investor.relations@bks.at

Edited by BKS Bank AG, Office of the Management Board/Communication, Strategy & PR
Sub-editor: Andreas Hartl (German version)
Translation: Edith Vanghelof
Copy deadline: 24 August 2022

This interim report was created using software developed by firesys GmbH.

7492618095791

47902612013758

03887219041928

53285928371209

4145278295121