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INTERIM REPORT FOR THE PERIOD ENDED 31 MARCH 2019

BKS Bank
3 Banken Gruppe

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FORWARD-LOOKING STATEMENTS

This interim financial report as at 31 March 2019 contains statements and forecasts that refer to the future development of the BKS Bank Group. Such forecasts are estimates made by us on the basis of all the information available to us on the copy deadline date, which was 22 May 2019. Should the assumptions on which the forecasts are based fail to materialize or the risks described in the Risk Report occur, the actual results may differ from those currently expected. This interim 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. The German version of this report is the authentic version and is relevant in all legal aspects. Interim financial reports in English are translations for the convenience of readers.

Minimal deviations of the values in the tables and charts are due to rounding differences.

BKS BANK AT A GLANCE

INCOME STATEMENT in €m	Q1 2018	Q1 2019	± in %
Net interest income	30.6	35.8	17.2
Impairment charges	-2.9	-8.2	>100
Net fee and commission income	12.5	14.2	13.9
General administrative expenses	-27.6	-29.3	6.2
Profit for the period before tax	15.3	19.9	29.7
Profit for the period year after tax	13.4	17.3	29.0

BALANCE SHEET in €m	31/12/2018	31/03/2019	± in %
Total assets	8,434.9	8,504.4	0.8
Receivables from customers after impairment charges	5,918.0	5,952.2	0.6
Primary deposits	6,218.2	6,270.2	0.8
– thereof savings deposits	1,429.4	1,431.9	0.2
– thereof liabilities evidenced by paper incl. subordinated debt capital	750.7	754.1	0.5
Equity	1,210.7	1,234.4	2.0
Customer funds under management	14,518.4	18,505.8	27.5
– thereof on custody accounts	8,300.2	12,235.6	47.4

OWN FUNDS PURSUANT TO CRR in € m	31/12/2018	31/03/2019	± in % (ppt)
Total risk exposure amount	5,283.1	5,317.5	0.7
Own funds	779.2	771.2	-1.0
– thereof common equity tier 1 (CET1) capital	593.7	578.6	-2.5
– thereof total tier 1 capital (CET1+AT1)	645.2	637.4	-1.2
Common equity tier 1 capital ratio (in %)	12.2	12.0	-0.2
Total capital ratio (in %)	14.8	14.5	-0.3

PERFORMANCE RATIOS	31/12/2018	31/03/2019	± in %
Return on equity after tax	6.8	6.0	-0.8
Return on assets after tax	1.0	0.9	-0.1
Cost/income ratio	50.3	53.9	3.6
Risk/earnings ratio	10.5	18.4	7.9
Non-performing loan ratio (NPL ratio)	2.5	2.5	-
Net stable funding ratio (NSFR)	110.2	109.9	-0.3
Liquidity coverage ratio (LCR)	137.7	144.5	6.8
Leverage ratio	8.0	7.4	-0.6

RESOURCES	31/12/2018	31/03/2019
Average number of staff	932	953
Number of branches	63	63

THE BKS BANK'S SHARE		
Number of no-par ordinary shares (ISIN AT0000624705)	41,142,900	41,142,900
Number of no-par preference shares (ISIN AT0000624739)	1,800,000	1,800,000
High (ordinary/preference share) in €	19.8/18.2	17.1/17.0
Low (ordinary/preference share) in €	16.5/16.9	16.4/16.5
Close (ordinary/preference share) in €	16.8/17.0	17.0/16.5
Market capitalisation in €m	721.8	729.1

DEAR SHAREHOLDERS,

I would like to extend my special appreciation to all those who supported and backed us at our 80th Annual General Meeting on 8 May 2019. We are very pleased that the motion of a minority shareholder requesting a special audit of all capital increases carried out since 1994 was rejected by such a large majority.

The mutual shareholdings within the 3 Banken Group have been confirmed to be unobjectionable and have been regularly and extensively audited for decades by well-known legal experts, most recently within the implementation of the Basel III banking regulations. Our lack of understanding for this action also results from the circumstance that UniCredit and its predecessor banks participated in almost all capital increases and the fact that this mutual shareholding structure has also been well-known to UniCredit for decades. This dispute is costing us money and time that we, of course, would prefer to invest in our customers and business operations.

PROFIT FOR THE PERIOD UP BY 29.0%

Despite the disagreeable situation in the past few weeks, we can look back at a very successful first quarter in this interim report. I am extremely pleased to report a profit for the period of EUR 17.3 million (+29.0%). The total assets of EUR 8.5 billion were slightly higher than at year-end 2018. The increase in lending volumes since the end of the year has been moderate at +0.7% compared to the financial year 2018. Primary deposits reached a very high level again of EUR 6.3 billion as at 31 March 2019.

EXCELLENT QUALITY AND OUTSTANDING BRANCH SERVICES

The excellent development of business is based on the high quality of the services we have been offering with great success for many years. Therefore, I was eminently pleased about the notification I received just a few days ago from Quality Austria naming BKS Bank again among the finalists for the state prize for business excellence. BKS Bank is the only bank in Austria that takes part in this competition and participates in the several-day assessment. Österreichische Gesellschaft für Verbraucherstudien (ÖGVS) also distinguished us for excellence, awarding us the ÖGVS Service Award in the category of branch services.

We are very pleased with the progress of the acquisition of some 25,000 customers of ALTA Invest, investicijske storitve, d.d., which is scheduled to be completed in March. This transaction makes BKS Bank the largest investment services provider in Slovenia.

PROGRESS IN DIGITAL HOME LOANS

The success of our internet banking portal, MyNet, and of our portal for corporate customers has given us courage. We will soon be finalising two further milestones of our digitalisation strategy: an application for guarantee transactions with corporate customers and an application for home loans. The latter features not only a modern frontend, but also includes many unique functionalities for the swift filing and handling of home loan applications. A core element of the application is that customers and advisors can work together and communicate with each other when processing finance projects. These digitalisation applications are only two of the many projects that we intend to finalise in the coming months. We are also planning another green bond issue shortly and are working on a new environmental savings passbook to enlarge our range of sustainable digital products.

I am already looking forward to presenting these projects in the half-year report. Our employees accomplish great achievements every day. The record earnings of 2018 are evidence of their commitment and hard work that we intend to achieve also in 2019.

Herta Stockbauer
Chairwoman of the Management Board

GROUP MANAGEMENT REPORT

ECONOMIC ENVIRONMENT

SURPRISINGLY STABLE ECONOMIC DEVELOPMENT

At the beginning of the year, the trend of deteriorating sentiment – which had started in Q4 2018 – continued. Meanwhile though, some first estimates are pointing to a surprisingly good development in the first quarter of 2019. The euro area doubled its growth rate at the beginning of the year. Gross domestic product (GDP) increased from January to March by 0.4% quarter on quarter according to Eurostat. France fared well too, posting a growth rate of 0.3%. Austria's economy also expanded by 0.3%. Although foreign trade hardly contributed to growth, consumption and investment activity by Austrian consumers and enterprises created positive impulses. Activity in the construction sector was also very lively.

The US economy also surprised everyone by growing very robustly at the beginning of the year. From January to March, GDP increased at an annualised rate of 3.2% according to the US Department of Commerce. Growth was driven especially by private consumption as well as by higher government spending.

CENTRAL BANKS BACKTRACK ON INTEREST RATE TREND REVERSAL

The European Central Bank (ECB) made a surprising announcement at its March meeting by presenting an adjusted forward guidance and announcing new long-term refinancing transactions. The ECB expects to leave key lending rates at their current level at least until the end of the year. This means a possibly even longer phase of low interest rates. The US Fed detoured from its interest rate path and postponed the next interest rate hike.

FINANCIAL MARKETS MAKE VIGOUROUS COMEBACK

In the first quarter of 2019, financial markets recovered, posting double-digit rates of increase for global stocks and higher bond prices. The recovery was driven mainly by the following factors: A correction of exaggerated recessionary fears, the retreat of central banks from announced interest rate policy reversals, and a positive assessment of the conflict between the US and China. Global stocks in euro advanced in the first quarter by around 15%, while German and Austrian stocks were up by around 9% and 11%, respectively. US stocks (S&P 500) rose – computed in euro – by some 17%.

Bond markets also recovered. Driven by declining yields, euro government bonds appreciated in the first quarter by around 2%, while corporate bonds rose on average by 3%.

ASSETS, EQUITY AND LIABILITIES

On 31 March 2019, total assets of the BKS Bank Group were EUR 8.5 billion, which is slightly higher than at year-end 2018. Receivables from customers increased moderately and primary deposits exceeded the record level of the preceding year again.

ASSETS

Demand for loans was not as robust in the first quarter of 2019 as in the year 2018. In total, the portfolio of loans before impairment charges was EUR 6.1 billion as at 31 March 2019. Compared to the end of December 2018, this was a moderate increase in lending volume of 0.7%. The item Receivables from customers contains the loan volumes of the parent company, BKS Bank AG, and the receivables due to domestic and foreign leasing companies.

As the economic outlook became gloomier, we tightened the macro-economic criteria for the calculation of the expected credit loss. Therefore, impairment charges for credit losses rose from EUR 107.9 million to EUR 114.3 million. At 2.5%, the ratio of non-performing loans (NPL ratio) remained the same as at year-end 2018.

The volume of loans in Swiss franc also declined further in the first three months. After EUR 132.7 million at year-end, it was only EUR 126.7 million.

SUSTAINED HIGH DEMAND FOR LEASING

Demand for lease finance remained at an unwavering high level in the first quarter of 2019 as well. The leasing volume of BKS-Leasing GmbH rose to EUR 214.6 million as at 31 March 2019, which is an increase of 2.5% versus year-end 2018. The Slovenian leasing company attained a pleasing increase of 8.6% in the first quarter and the leasing volume was EUR 148.5 million. In Croatia, the leasing business also developed very satisfactorily and expanded by 7.2% to EUR 53.7 million. In Slovakia, the leasing volume increased by 4.6% to EUR 44.9 million.

HIGHER LIQUIDITY BUFFER

The volume of debt securities and other fixed-income securities decreased by 3.8% to EUR 870.2 million due to redemptions. This position includes high quality liquid assets to meet the regulatory liquidity standards.

The shares of companies accounted for using the equity method increased slightly in Q1 to EUR 606.7 million (+1.2%). The addition of the pro rata net profits for the period from our partner banks Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft is reported in this item.

The initial application of IFRS 16 required the capitalisation of right-of-use assets for all rental contracts. These were calculated at EUR 27.0 million and recognised in the item Property, plant and equipment; this is also the reason for the steep rise in volume in this item of 50.8%.

LIABILITIES

HIGH LEVEL OF PRIMARY DEPOSITS

Primary deposits reached a very high level once again at EUR 6.3 billion on 31 March 2019. The rise in Q1 was 0.8%. The excellent volume of primary deposits is evidence of the enormous trust our customers place in BKS Bank.

The dominant position within primary deposits was again sight and term deposits, which increased steeply to EUR 4.1 billion or by 1.1%. Especially retail customers want to be able to access their savings conveniently, flexibly, and also online. Therefore, deposits on the account type 'Mein-Geld-Konto' recorded a significant rise, also in the first quarter. These deposits expanded to EUR 362.7 million or by 11.0%. The volume on classical savings passbooks remained stable at EUR 1.4 billion in Q1 after several years of a declining trend.

The issuance business in the first quarter was more subdued than in the preceding year. Own issues including subordinated debt capital increased slightly by 0.5% to EUR 754.1 million. We issued an AT 1 note at the end of 2018 to strengthen our equity. In the first quarter of 2019, we successfully placed EUR 9.3 million on the market.

The item Other liabilities includes leasing liabilities in an amount of EUR 27.0 million resulting from the first-time application of IFRS 16.

Group equity was supported by the addition of the profit for the period and the issuance of the AT 1 note, thus reaching EUR 1.2 billion. Subscribed capital was unchanged at EUR 85.9 million.

RESULT OF OPERATIONS

BKS Bank achieved a significant gain in profits as at 31 March 2019. The excellent development of profit was backed by the substantial rise in interest income and in fee and commission income. Furthermore, the recovery on financial markets helped us achieve a positive result on financial assets/liabilities.

BKS BANK CONTINUED GOOD PERFORMANCE IN FIRST QUARTER

Group profit for the period was EUR 17.3 million as at 31 March 2019, which is a significant increase of 29% versus Q1 2018. The two most important earnings components – net interest income and net fee and commission income – posted double-digit growth rates. Net interest income rose by a remarkable 17.2% and reached EUR 35.8 million despite sustained low interest rates. The excellent net interest income was achieved mainly on the back of lending growth in the year 2018. Receivables from customers increased year on year by 8.5%.

In the first quarter, EUR 8.2 million were allocated to impairment charges for credit losses (> 100%). The need for higher impairment charges is due to the changed macroeconomic factors of influence in the application of the expected credit loss model. At EUR 27.6 million, net interest income after impairment charges stayed at the level of the prior year.

The expansion in the non-lending business fields is a strategic goal we will continue to focus on. In the first quarter of 2019, we posted significant gains in net fee and commission income (+13.9%) again and attained a profit of EUR 14.2 million in this line of business. The increase was made possible by securities operations that performed very well in the first quarter (+9.6% to EUR 3.5 million) and also by the payment services business that achieved solid results in the new year. Fees and commissions from payment services rose to EUR 5.4 million, a gain of 3.8% year on year.

Business at our partner banks, Oberbank and Bank für Tirol und Vorarlberg, also developed excellently. The profits of companies accounted for using the equity method increased by 17.2% to EUR 8.7 million

RECOVERY ON STOCK MARKETS BOOSTED PROFIT FOR THE PERIOD

In the first quarter of 2019, financial markets recovered from the turbulence of the last days of December and posted strong gains. The excellent performance was also driven by the greatly improved profit from financial assets/liabilities that improved from EUR -0.9 million to a pleasing EUR 3.0 million.

HIGHER GENERAL ADMINISTRATIVE EXPENSES DUE TO INCREASE IN STAFF

General administrative expenses went up by 6.2% to EUR 29.3 million year on year. A major portion of administrative expenses is attributable to personnel expenses which increased by 5% to EUR 18.3 million. The acquisition of the Slovenian investment firms ALTA Invest and GBD were the cause of the higher expenses. With a view to our growth plans, we hired some 20 new employees within the scope of these transactions to take care of the new investment customers. Therefore, the number of employees – in full-time equivalents – increased to 953 persons throughout the Group. Depreciation increased due to the first-time application of IFRS 16 to EUR 2.8 million, because the right-of-use assets under lease contracts were capitalised and depreciated over the corresponding remaining terms.

REGULATORY COSTS WEIGH ON OTHER OPERATING INCOME

Other operating income was impacted mainly by regulatory costs. Other operating income/expenses amounted to EUR -4.6 million as at 31 March 2019. This includes expenses for contributions to the resolution fund and deposit insurance scheme of EUR 2.9 million and EUR 2.2 million, respectively, as well as the stability charge of EUR 0.7 million.

GOOD PERFORMANCE RATIOS

The key performance ratios developed as follows in the first quarter of 2019: Return on equity (RoE) after tax slipped from 6.8% to 6.0% due to the higher average group equity. Return on assets (RoA) after tax also decreased from 1.0% to 0.9%.

The cost/income ratio increased to 53.9% in Q1 due to higher administrative expenses. The risk/earnings ratio also increased; it was 18.4% at the end of the first quarter. On the other hand, the ratio of non-performing loans stayed at a low level of 2.5%.

As at 31 March 2019, the leverage ratio was 7.4%, and therefore, clearly above the required statutory ratio of 3.0%. The liquidity coverage ratio (LCR) increased to 144.5% due to large volume of cash and balances with the central bank. In this case as well, we exceeded the regulatory requirement of 100%.

Capital adequacy at BKS Bank is solid. Both the tier 1 capital ratio of 12.0% as well as the total capital ratio of 14.5% were at good levels at the end of March and above statutory requirements.

SEGMENT REPORT

The segment report has three parts: Corporate and Business Banking, Retail Banking and Financial Markets. Within the BKS Bank Group, the Corporate and Business Banking segment is the most successful one. The segment Financial Markets has developed into a reliable source of earnings despite the volatile markets, while retail banking is still struggling with profitability.

CORPORATE AND BUSINESS BANKING

HIGHER IMPAIRMENT CHARGES FOR CREDIT LOSSES LOWER SEGMENT PROFIT

The profit for the period before tax was much lower than in the same quarter of the preceding year at EUR 14.1 million (-16.1%). Even though interest income and fee and commission income developed satisfactorily, the need for significantly higher impairment charges for credit losses weighed down segment results. Net interest income rose by 5.6% to EUR 26.0 million and net fee and commission income went up substantially by 24.2% to EUR 8.1 million. The gloomier economic data motivated us to allocated more funds than in the first quarter of 2018 for impairment charges for credit losses with an amount of EUR 7.4 million. General administrative expenses rose from EUR 11.8 million to EUR 12.7 million.

The acquisition of new corporate customers went very well. The number of customers rose by 4.9% as compared to the fourth quarter. The strong acquisition performance of our domestic and foreign customer relationship managers and the successful takeover of ALTA were the drivers behind this increase. In total, we served some 22,500 customers throughout the Group at the end of March.

In the first quarter of 2019, the segment-specific performance ratios developed as follows: Return on equity decreased to 13.6%, the cost/income ratio stayed at the same level as in the preceding year at 37.1% and the risk/earnings ratio went up to 28.5% due to the higher impairment charges for credit losses.

RETAIL BANKING

NUMBER OF RETAIL CUSTOMERS UP

In retail banking, we achieved a major milestone in the implementation of our growth strategy in the first quarter of 2019. The acquisition of some 23,700 retail customers from the Slovenian investment firm ALTA Invest, investicijske storitve, d.d. was completed successfully in mid-March. This transaction made BKS Bank the largest investment services provider in Slovenia. The number of retail customers increased throughout the Group to 166,800, which is rise by 16.8%.

Despite this remarkable achievement, the retail banking segment lagged behind our expectations in the first quarter. The segment result turned negative again and was EUR -0.6 million. The reason for the disappointing result was due, on the one hand, to the lower net interest income (-5.5% to EUR 6.5 million) caused by fierce competition in the lending business regarding terms and conditions.

On the other hand, the higher expenses for impairment charges for credit losses, which rose to EUR 0.5 million, had a negative effect on segment results.

By contrast, net fee and commission income developed very well. Net fee and commission income was EUR 6.1 million. The increase of 9.0% is due, among other things, to the higher fee and commission income from the Slovenia Branch that was generated by the takeover of around 9,000 investment customers of GBD in the preceding year. General administrative expenses rose to EUR 13.3 million.

The segment-specific performance indicators were as follows as at 31 March 2019: Return on equity (RoE) was -3.4%. while the cost/income ratio of 100.7% remained more or less unchanged at the prior year's level. The risk/earnings ratio rose to 8.2%.

FINANCIAL MARKETS

The main sources of earnings in the Financial Markets segment are income earned on the management of term structures, returns on the treasury portfolio, and contributions from entities consolidated using the equity method. Proprietary trading is not at the focus of our business activities.

The segment Financial Markets achieved a significant rise in income in the first quarter of 2019 at EUR 12.6 million. The increase results from stronger net interest income which at EUR 11.4 million nearly doubled over the preceding year. The higher profit contains the dividend distribution by a subsidiary of EUR 3.9 million. Furthermore, the pleasing result from financial assets/liabilities of EUR 3.2 million and the higher income from companies accounted for using the equity method (EUR 8.8 million; +17.2%) also contributed to the good segment result.

The allocation for expected credit loss for receivables from banks and securities was EUR 0.2 million. Administrative expenses were almost unchanged year on year at EUR 1.8 million.

The performance indicators for the Financial Markets segment developed as follows: Return on equity improved from 2.1% to 7.1%. The cost/income ratio decreased to 16.0% and the risk/earnings ratio reached 2.2%.

CONSOLIDATED OWN FUNDS

BKS Bank calculates the own funds ratio and total risk exposure according to 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.

As a result of the Supervisory Review and Evaluation Process (SREP) conducted by the Austrian Financial Market Authority (FMA), BKS Bank was required to meet a minimum requirement for common equity tier 1 capital (CET1) of 5.7% and of 10.1% for the total capital ratio as at 31 March 2019. The capital ratios attained at the end of March 2019 were clearly higher than these requirements.

Common equity tier 1 capital decreased to EUR 578.6 million due to higher deductions from shares in banks. Therefore, the common equity tier 1 capital ratio dropped from 11.2% to 10.9%. Including tier 2 capital in an amount of EUR 133.7 million, the bank's own funds came to EUR 771.2. The total capital ratio was 14.5% as at 31 March 2019.

We would like to point out in this context that the interim report for the period ended on 31 March 2019 has not be audited by an auditor. Therefore, profit for the period is not allocated to own funds.

BKS BANK GROUP OF CREDIT INSTITUTIONS: OWN FUNDS PURSUANT TO CRR

in Mio. EUR	31.12.2018	31.03.2019
Share capital	83,7	83,4
Reserves net of intangible assets	1.061,8	1.057,5
Deductions	-551,8	-562,2
Common equity tier 1 capital (CET1)	**593,7**	**578,6**
Common equity tier 1 capital ratio	11,2 %	10,9 %
Hybrid capital	8,0	6,0
AT1 note	43,5	52,8
Additional tier 1 capital	**51,5**	**58,8**
Tier 1 capital (CET1 + AT1)	**645,2**	**637,4**
Tier 1 capital ratio	12,2 %	12,0 %
Tier 2 capital	134,0	133,7
Total own funds	**779,2**	**771,2**
Total capital ratio	14,8 %	14,5 %
Total risk exposure amount	5.283,1	5.317,5

RISK MANAGEMENT

Our business policy motto is to secure autonomy and independence by increasing profits within the scope of a sustainable growth strategy. A key element of our business is to specifically assume risk based on the premise of recognising all relevant risks early that may result from the banking business and banking operations, and to actively manage and mitigate risk through effective risk management. All individual risks are recorded, evaluated and analysed. As a general principle of our risk strategy, we only assume such risks that we can bear on our own strength. The risk strategy of BKS Bank is updated every year and discussed and agreed with the Supervisory Board.

INTERNAL CAPITAL ADEQUACY

An analysis of the risk-bearing capacity based on the internal capital adequacy assessment process (ICAAP) is an essential component. An assessment of the appropriateness of the internal capital adequacy is done on a quarterly basis. The aim is to ensure that BKS Bank always has sufficient assets to cover its risks and is able to absorb the risks taken also in the case of unexpected events. All identified and quantified unexpected risks are aggregated into an overall bank risk.

At BKS Bank, unexpected losses in the liquidation approach are calculated for a period of observation of one year with a confidence level of 99.9%. As at 31 March 2019, the economic capital requirement was determined at EUR 508.5 million after EUR 513.2 million in the preceding year. The corresponding cover assets were EUR 1,289.1 million compared with EUR 1,256.0 million at year-end 2018.

LIQUIDITY MANAGEMENT PRINCIPLES

BKS Bank has clearly defined principles for the management of liquidity risk that are set out in the risk strategy and in the ILAAP framework. The main principle of our holistic liquidity management is to ensure sufficient liquidity reserves. The minimum amount of the liquidity buffer is defined in the risk strategy and is under permanent monitoring.

Furthermore, the quantitative information on risk management based on the internal report regarding overall risk management is presented in the Notes starting on page 36.

Details on the establishment and further development of our risk management system is presented in the Annual Report 2018 and in the CRR Report.

OUTLOOK

ECONOMIC OUTLOOK STAYS SUBDUED FOR 2019

Although the economy fared surprisingly well in the first quarter of 2019, we are still on an economic downswing. The European Central Bank (ECB) lowered its growth forecast for the euro zone from 1.7% to 1.1%. The International Monetary Fund (IMF) also lowered its growth forecasts for the coming months. For 2019, the IMF expects a growth rate of 1.3% for the euro area and of 3.3% for global growth. The estimates for Austria's economic development were also more pessimistic and were revised downwards by 0.2%-points to 2.0%.

GOOD STOCK MARKET YEAR BUT HIGHLY VOLATILE

Stock markets started the first quarter very robustly. Due to the moderately positive outlook for the medium term, we still expect the year 2019 to be a good one for stock investments. Nonetheless, we expect to see a lot of volatility. The coming months will remain challenging for bond investors. Corporate bonds and sovereigns issued by emerging market countries are expected to gain appeal though. Because of the sustained low interest rates, the appeal of euro bonds will remain low.

CHALLENGES FOR BANKS REMAIN ENORMOUS

The year started out very well and developments in the first quarter were encouraging on the whole. However, the market environment remains enormously challenging in the light of sustained low interest rates, the advance of digitalisation and the tight earnings and costs situation. We also expect business to be influenced by the weaker economic development. Therefore, we estimate only moderate demand for loans. In the non-lending lines of business, we expect to see a more dynamic pace. We believe we will achieve higher profits in the investment business especially due to our stronger market position in Slovenia.

One of our goals is to swiftly implement our digitalisation strategy in order to strengthen our earnings capacity. We will soon be launching our digital services for guarantee transactions for corporate customers. In retail banking, we will present a platform for customers in summer that offers a quick and convenient way for obtaining home loans. The housing theme is also at the core of another of our strategic projects. The construction of BKS-Wohnpark (residential complex) at an excellent location in the centre of Klagenfurt is progressing on schedule. By the end of the year, 50 flats including 23 assisted-living units will be ready for moving in.

We feel optimistic about the current business year, as we are working with unwavering dedication to implement our strategic projects. We plan to continue our dividend policy bearing the capital requirements in mind.

Klagenfurt am Wörthersee, 22. May 2019

Herta Stockbauer
Chairwoman of the Management Board

Dieter Kraßnitzer, CIA
Member of the Management Board

Alexander Novak
Member of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO IFRS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY TO 31 MARCH 2019

INCOME STATEMENT

in €k	Notes	Q1 2018	Q1 2019	± in %
Interest income applying the effective interest rate method		33,989	34,552	1.7
Other interest income and other similar income		5,052	8,831	74.8
Interest expenses and other similar expenses		-8,466	-7,554	-10.8
Net interest income	**(1)**	**30,575**	**35,829**	**17.2**
Impairment charges	(2)	-2,867	-8,194	>100
Net interest income after impairment charges		**27,708**	**27,635**	**-0.3**
Fee and commission income		13,506	15,225	12.7
Fee and commission expenses		-1,042	-1,029	-1.2
Net fee and commission income	**(3)**	**12,464**	**14,196**	**13.9**
Profit/loss from investments accounted for using the equity method	(4)	7,488	8,773	17.2
Net trading income	(5)	-13	229	>100
General administrative expenses	(6)	-27,607	-29,324	6.2
Other operating income	(7)	1,271	1,471	15.7
Other operating expenses	(7)	-5,075	-6,108	20.3
Profit/loss from financial assets/liabilities		**-932**	**2,985**	**>100**
– Profit/loss from financial instruments designated at fair value through profit/loss	(8)	-203	-206	1.7
– Profit/loss from financial assets measured at fair value through profit/loss (mandatory)	(9)	-1,819	3,238	>100
– Profit/loss from derecognition of financial assets measured at amortised cost	(10)	-143	-38	-73.7
– Other profit/loss from financial assets/liabilities	(11)	1,233	-9	>-100
Profit for the period before tax		**15,305**	**19,857**	**29.7**
Income tax expense	(12)	-1,889	-2,544	34.7
Profit for the period		**13,416**	**17,312**	**29.0**
Non-controlling interests		-1	-2	28.8
Profit for the period after non-controlling interests		**13,414**	**17,311**	**29.0**

OTHER COMPREHENSIVE INCOME

in €k	Q1 2018	Q1 2019	± in %
Profit for the period	**13,416**	**17,312**	**29.0**
Other comprehensive income	**-2,130**	**-1,385**	**-35.0**
Items not reclassified to profit for the period	**-1,808**	**-2,430**	**34.4**
± Actuarial gains/losses in conformity with IAS 19	-239	-	-
± Deferred taxes on actuarial gains/losses in conformity with IAS 19	60	-	-
± Changes in the fair value of equity instruments measured at fair value	-955	-2,280	>100
± Deferred taxes on changes in fair value of equity instruments measured at fair value	239	539	>100
± Fair value changes of financial liabilities designated at FV PL attributable to own credit risk	-207	8	>100
± Deferred taxes on fair value changes of financial liabilities designated at FV PL attributable to own credit risk	52	-2	>-100
± Share of income and expenses of associates accounted for using the equity method taken directly to equity	-758	-696	-8.2
Items reclassified to profit or loss for the period	**-321**	**1,045**	**>100**
± Exchange differences	5	-15	>-100
± Changes in the fair value of debt instruments measured at fair value	-289	1,363	>100
± Net change in fair value	-289	1,363	>100
± Reclassified to profit or loss	-	-	-
± Deferred taxes on changes to the fair value of debt instruments measured at fair value	70	-342	>-100
± Share of income and expenses of associates accounted for using the equity method taken directly to equity	-107	39	>100
Total comprehensive income	**11,286**	**15,927**	**41.1**
Non-controlling interests	-1	-2	54.3
Total comprehensive income after non-controlling interests	**11,285**	**15,926**	**41.1**

EARNINGS AND DIVIDEND PER SHARE

	31/03/2018	31/03/2019
Average number of shares in issue (ordinary and preference shares)	39,525,671	42,078,581
Earnings per ordinary and preference share in EUR (adjusted for the period)	0.34	0.41
Earnings per ordinary and preference share in EUR (annualised)	1.36	1.65

The indicator ‘earnings per share’ compares consolidated profit 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	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019
Interest income and other similar income	39,041	42,560	38,606	39,940	43,383
Interest expenses and other similar expenses	-8,466	-7,422	-7,599	-6,968	-7,554
Net interest income	**30,575**	**35,137**	**31,007**	**32,973**	**35,829**
Impairment charges	-2,867	-6,208	-5,098	-4,119	-8,194
Net interest income after impairment charges	**27,708**	**28,929**	**25,909**	**28,853**	**27,635**
Fee and commission income	13,506	15,999	13,906	16,494	15,225
Fee and commission expenses	-1,042	-1,113	-1,130	-1,155	-1,029
Net fee and commission income	**12,464**	**14,886**	**12,776**	**15,339**	**14,196**
Profit/loss from investments accounted for using the equity method	7,488	11,329	12,826	13,205	8,773
Net trading income	-13	-192	913	-429	229
General administrative expenses	-27,607	-30,353	-27,044	-29,573	-29,324
Other operating income	1,271	1,844	1,126	2,226	1,471
Other operating expenses	-5,075	-1,504	-1,383	-1,030	-6,108
Profit/loss from financial assets/liabilities	**-932**	**-3,641**	**1,725**	**-5,004**	**2,985**
–Profit/loss from financial instruments designated at fair value through profit/loss	-203	-2,909	315	-44	-206
– Profit/loss from financial assets measured at fair value through profit/loss (mandatory)	-1,819	561	826	-4,693	3,238
– Profit/loss from derecognition of financial assets measured at amortised cost	-143	49	501	-228	-38
– Other profit/loss from financial assets/liabilities	1,233	-1,341	82	-39	-9
Profit for the period before tax	**15,305**	**21,299**	**26,849**	**23,588**	**19,857**
Income tax expense	-1,889	-2,091	-3,663	-1,979	-2,544
Profit for the period	**13,416**	**19,209**	**23,186**	**21,609**	**17,312**
Non-controlling interests	-1	-1	-1	-	-2
Profit for the period after non-controlling interests	**13,414**	**19,208**	**23,185**	**21,609**	**17,311**

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2019

ASSETS

in €k	Notes	31/12/2018	31/03/2019	± in %
Cash and balances with the central bank	(13)	571,963	469,179	-18.0
Receivables from other banks	(14)	177,248	301,883	70.3
– Impairment charges on receivables from other banks	(15)	-322	-318	-1.2
Receivables from customers	(16)	6,025,858	6,066,470	0.7
– Impairment charges on receivables from customers	(17)	-107,879	-114,279	5.9
Trading assets	(18)	8,045	9,588	19.2
Debt securities and other fixed-interest securities	(19)	904,421	870,243	-3.8
– Impairment charges on debt securities	(20)	-258	-258	-0.1
Shares and other non-interest bearing securities	(21)	135,609	140,335	3.5
Investments in entities accounted for using the equity method	(22)	599,668	606,702	1.2
Intangible assets	(23)	3,859	4,169	8.0
Property, plant and equipment	(24)	53,336	80,452	50.8
Investment property	(25)	34,530	35,099	1.6
Deferred tax assets	(26)	6,363	5,874	-7.7
Other assets	(27)	22,497	29,245	30.0
Total assets		**8,434,938**	**8,504,385**	**0.8**

EQUITY AND LIABILITIES

in €k	Notes	31/12/2018	31/03/2019	± in %
Payables to other banks	(28)	836,489	790,800	-5.5
Payables to customers	(29)	5,467,463	5,516,087	0.9
– thereof savings deposits		1,429,395	1,431,852	0.2
– thereof other payables		4,038,068	4,084,235	1.1
Liabilities evidenced by paper	(30)	571,052	571,121	0.0
– thereof at fair value through profit or loss		84,744	85,029	0.3
Trading liabilities	(31)	8,362	9,396	12.4
Provisions	(32)	134,485	134,920	0.3
Other liabilities	(33)	26,699	64,638	>100
Subordinated debt capital	(34)	179,667	182,994	1.9
Equity		1,210,721	1,234,429	2.0
– Shareholders' equity	(35)	1,210,696	1,234,403	2.0
– Non-controlling interests		25	26	6.3
Total equity and liabilities		**8,434,938**	**8,504,385**	**0.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in €k	Subscribed capital	Capital reserves	Exchange differences	Revaluation reserve	Retained earnings	Profit for the period	Additional equity instruments[1]	Equity
As at 01/01/2019	**85,886**	**241,416**	**-335**	**21,338**	**741,475**	**77,417**	**43,500**	**1,210,696**
Distribution								-
Coupon payments on additional equity instruments								-
Taken to retained earnings					77,417	-77,417		-
Profit for the period						17,311		17,311
Other comprehensive income			114	-740	-759			-1,385
Capital increase								-
Effect of the equity method					-1,081			-1,081
Change in treasury shares					-437			-437
Issuance of additional equity instruments							9,300	9,300
Other changes								-
As at 31/03/2019	**85,886**	**241,416**	**-221**	**20,598**	**816,614**	**17,311**	**52,800**	**1,234,403**

Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method)	11,267
Deferred tax reserve	-2,847

[1] The additional tier 1 bonds issued in the past few years are classified as equity in conformity with IAS 32.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in €k	Subscribed capital	Capital reserves	Exchange differences	Revaluation reserve	Retained earnings	Profit for the period	Additional equity instruments[1]	Equity
As at 01/01/2018	**79,279**	**193,032**	**-168**	**31,956**	**638,184**	**68,035**	**36,200**	**1,046,518**
Effects of adoption of IFRS 9				-589	10,103			9,513
As at 01/01/2018 after adoption of IFRS 9	**79,279**	**193,032**	**-168**	**31,367**	**648,287**	**68,035**	**36,200**	**1,056,031**
Distribution								-
Coupon payments on additional equity instruments								-
Taken to retained earnings					68,035	-68,035		-
Profit for the period						13,414		13,414
Other comprehensive income			-102	-1,220	-807			-2,130
Capital increase	6,607	48,391						54,998
Effect of the equity method					-2,098			-2,098
Change in treasury shares					-837			-837
Issuance of additional equity instruments							2,327	2,327
Other changes					-74			-74
As at 31/03/2018	**85,886**	**241,423**	**-270**	**30,147**	**712,506**	**13,414**	**38,527**	**1,121,633**

Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method)	20,838
Deferred tax reserve	-5,209

[1] The additional tier 1 bonds issued in the past few years are classified as equity in conformity with IAS 32.

The capital increase carried out in the preceding year raised the share capital to EUR 85,885,800. Based on the offer price of EUR 16.70 per new share, the gross proceeds of the capital increase were EUR 55.2 million. The transaction costs of EUR 0.2 million were deducted from equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS

in €k	Q1 2018	Q1 2019
Cash and cash equivalents at the end of previous period	**476,589**	**571,963**
Profit for the period before non-controlling interests	13,416	17,312
Non-cash positions in profit for the period other adjustments	2,409	-34,770
Change in assets and liabilities from operating business activities after correction for non-cash items:	132,560	-126,136
Cash flow from operating activities	**148,385**	**-143,594**
Cash inflow from sales and redemptions	25,794	35,793
Cash outflow for capital expenditure	-68,979	-7,638
Cash flow from investing activities	**-43,184**	**28,155**
Capital increase	54,998	-
Other deposits	-	9,300
Dividend distributions	-	-
Subordinated liabilities and other finance activities	24,986	3,293
Cash flow from financing activities	**79,983**	**12,593**
Effect of exchange rate changes on cash and cash equivalents	-4	62
Cash and cash equivalents at the end of reporting period	**661,769**	**469,179**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BKS BANK

MATERIAL ACCOUNTING POLICIES

I. GENERAL INFORMATION

BKS Bank's interim financial statements for the period ended on 31 March 2019 were prepared in accordance with the principles of the International Financial Reporting Standards (IFRS) effective on the reporting date and published by the IASB (International Accounting Standards Board) as adopted by the EU. The relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC) were taken into account.

II. EFFECTS OF NEW AND AMENDED STANDARDS

The accounting methods used for the financial year 2018 were also used in the first quarter of 2019 with the exception of the new standard IFRS 16 "Leases" which took effect on 1 January 2019.

The BKS Bank Group applied IFRS 16 for the first time as of 1 January 2019. IFRS 16 specifies how lessors and lessees must recognise and measure the information given in the Notes regarding lease contracts. The introduction of IFRS 16 comes with numerous new rules especially for lessees. As regards accounting for lease contracts by the lessor, the regulations applicable to date under IAS 17 remain in force and are now contained in IFRS 16.

The differentiation under IAS 17 between finance leases and operating leases has been abolished; IFRS 16 only specifies the 'right-of-use' model. Therefore, the lessee must recognise upon lease commencement an asset for the right of use and the related lease liability at their present value.

However, IFRS 16 grants the option of waiving mandatory recognition in the case of short-term lease contracts (term <1 year) and lease contracts for low-value assets (<5,000 EUR). BKS Bank uses both options.

IFRS 16 furthermore includes several options that can only be applied during the transition period. With respect to the option granted by IFRS 16 regarding the definition of lease contracts, the BKS Bank Group takes advantage of the so-called grandfathering option for legacy contracts. This means that the assessment of legacy contracts made in the past under IAS 17 will be retained. At the BKS Bank Group, most right-of-use assets to be recognised on the balance sheet refer to right-of-use assets under real estate leases. The number of capitalised right-of-use assets for movables is low. The application of the new definition of leases pursuant to IFRS 16 therefore only applies to new contracts entered into after the date of initial application.

At the time of transition, lessees can also elect the method of transition to IFRS 16 to apply. IFRS 16 differentiates between the retrospective method and the modified retrospective method. While the first approach requires full retrospective application to all prior reporting periods that were presented in accordance with IAS 8, the second method requires retroactive application from the time of initial application with recognition of the changeover effects in equity at the beginning of the current period. Prior-year figures are therefore not adjusted. The BKS Bank Group uses the modified retrospective approach for the transition.

This also includes electing how to measure the right of use to be recognised at the time of initial application. The right of use is recognised either at the carrying amount, i.e. as if IFRS 16 had been applied since the start of the lease contract, discounted at the incremental borrowing interest rate at the date of initial application, or in the amount of the lease liability adjusted for lease payments made in advance or deferred lease payments. BKS Bank has opted to recognise right-of-use assets in the same amounts as the corresponding lease liabilities at the time of initial application of IFRS 16. Therefore, there are no transition effects in equity upon initial application.

Furthermore, IFRS 16 permits applying a uniform discount rate to similar lease portfolios and also classifying lease contracts as short-term based on their remaining time to maturity at the time of transition. BKS Bank makes use of both options. The other options available under IFRS 16 during transition are not of relevance for the BKS Bank Group.

The right-of-use assets are recognised under Property, plant and equipment, and lease liabilities are reported under Other liabilities.

All other IFRIC Interpretations and Improvements as well as Amendments to Standards that entered into force on 1 January 2019 do not have any material effects on the BKS Bank Group.

III. RECOGNITION AND MEASUREMENT

Group of consolidated companies

Besides 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 remained unchanged versus 31 December 2018.

FOREIGN SUBSIDIARIES AND BRANCHES AS AT 31 MARCH 2019

in €k	Net interest income	Operating income	Number of employees (FTE)	Net profit/loss for the period before tax
Branches abroad				
Slovenia Branch	2,839	4,299	129.2	2,029
Croatia Branch	2,595	2,615	59.5	1,587
Slovakia Branch	615	784	27.3	31
Subsidiaries				
BKS-leasing d.o.o., Ljubljana	1,167	1,240	19.2	702
BKS-leasing Croatia d.o.o., Zagreb	548	624	13.3	180
BKS-Leasing s.r.o., Bratislava	397	545	12.3	99

FOREIGN SUBSIDIARIES AND BRANCHES AS AT 31 MARCH 2018

in €k	Net interest income	Operating income	Number of employees (FTE)	Net profit/loss for the period before tax
Branches abroad				
Slovenia Branch	2,730	3,447	100.5	517
Croatia Branch	1,913	2,311	58.5	1,341
Slovakia Branch	396	437	26.5	-248
Subsidiaries				
BKS-leasing d.o.o., Ljubljana	854	942	15.9	687
BKS-leasing Croatia d.o.o., Zagreb	761	838	11.3	478
BKS-Leasing s.r.o., Bratislava	219	282	8.3	-64

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 for the interim financial statements were made on the basis of the state of knowledge and information at our disposal as at 31 March 2019.

DETAILS OF THE INCOME STATEMENT

(1) NET INTEREST INCOME

in €k	Q1 2018	Q1 2019	± in %
Interest income applying the effective interest rate method:			
Lending operations measured at amortised cost	28,042	28,700	2.3
Fixed-interest securities measured at amortised cost	3,729	3,502	-6.1
Fixed-income securities measured at FV OCI	177	145	-17.7
Positive interest expenses[1)]	2,041	2,204	8.0
Total interest income applying the effective interest rate method	**33,989**	**34,552**	**1.7**
Other interest income and other similar income:			
Lending operations measured at fair value	731	1,099	50.4
Fixed-interest securities at fair value through profit or loss	111	111	-
Leasing receivables	2,431	2,628	8.1
Shares and other non-interest bearing securities	944	4,216	>100
Investment property	836	778	-7.0
Total other interest income and other similar income	**5,052**	**8,831**	**74.8**
Total interest income	**39,041**	**43,383**	**11.1**
Interest expenses and other similar expenses:			
Deposits from customers and other banks	1,458	1,515	3.9
Liabilities evidenced by paper	5,214	4,390	-15.8
Negative interest income[1)]	1,399	1,396	-0.2
Investment property	394	191	-51.6
Lease liabilities	n/a	61	-
Total interest expenses and other similar expenses	**8,466**	**7,554**	**-10.8**
Net interest income	**30,575**	**35,829**	**17.2**

[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	Q1 2018	Q1 2019	± in %
Financial instruments measured at amortised cost	3,676	8,126	>100
– Allocation (+)/reversal (-) of impairment charges (net)	3,676	8,126	>100
Financial instruments measured at fair value OCI	-9	-5	-45.7
– Allocation (+)/reversal (-) of impairment charges (net)	-9	-5	-45.7
Loan commitments and financial guarantee contracts	-800	72	>100
– Allocation (+)/reversal (-) of provisions (net)	-800	72	>100
Impairment charges	**2,867**	**8,194**	**>100**

(3) NET FEE AND COMMISSION INCOME

in €k	Q1 2018	Q1 2019	± in %
Fee and commission income:			
Payment services	5,663	5,922	4.6
Securities operations	3,514	3,810	8.4
Lending operations	3,025	4,656	53.9
Foreign exchange operations	758	293	-61.4
Other services	546	545	-0.2
Total fee and commission income	**13,506**	**15,225**	**12.7**
Fee and commission expenses:			
Payment services	502	562	12.1
Securities operations	341	332	-2.9
Lending operations	143	73	-48.6
Foreign exchange operations	45	43	-4.3
Other services	11	20	76.0
Total fee and commission expenses	**1,042**	**1,029**	**-1.2**
Net fee and commission income	**12,464**	**14,196**	**13.9**

(4) PROFIT/LOSS FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

in €k	Q1 2018	Q1 2019	± in %
Profit/loss from investments accounted for using the equity method	7,488	8,773	17.2
Profit/loss from investments accounted for using the equity method	**7,488**	**8,773**	**17.2**

(5) NET TRADING INCOME

in €k	Q1 2018	Q1 2019	± in %
Price-based transactions	-5	-5	-0.5
Interest rate and currency contracts	-7	234	>100
Net trading income	**-13**	**229**	**>100**

(6) GENERAL ADMINISTRATIVE EXPENSES

in €k	Q1 2018	Q1 2019	± in %
Staff costs	17,462	18,332	5.0
– Wages and salaries	12,947	13,508	4.3
– Social security costs	3,043	3,173	4.3
– Costs of retirement benefits	1,148	1,281	11.6
– Other social expenses	324	371	14.6
Other administrative costs	8,537	8,178	-4.2
Depreciation/amortisation	1,608	2,814	75.1
General administrative expenses	**27,607**	**29,324**	**6.2**

Depreciation/amortisation increased by EUR 0.7 million due to the first-time application of IFRS 16, while other administrative expenses decreased accordingly.

(7) OTHER OPERATING INCOME/EXPENSES

in €k	Q1 2018	Q1 2019	± in %
Other operating income	1,271	1,471	15.7
Other operating expenses[1)]	-5,075	-6,108	20.3
Other operating income/expenses	**-3,804**	**-4,637**	**21.9**

[1)] This includes mainly expenses for the resolution fund and deposit insurance scheme.

(8) PROFIT/LOSS FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

in €k	Q1 2018	Q1 2019	± in %
Profit/loss from the using the fair value option	-203	-206	1.7
Profit/loss from financial instruments designated at fair value through profit or loss	**-203**	**-206**	**1.7**

(9) PROFIT/LOSS FROM FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (MANDATORY)

in €k	Q1 2018	Q1 2019	± in %
Profit/loss from measurement	-1,852	3,271	>100
Profit/loss on disposal	33	-33	>-100
Profit/loss from financial assets measured at fair value through profit or loss (mandatory)	**-1,819**	**3,238**	**>100**

(10) PROFIT/LOSS FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

in €k	Q1 2018	Q1 2019	± in %
Receivables from other banks	-	-	-
– thereof profit	-	-	-
– thereof loss	-	-	-
Receivables from customers	-143	-38	-73.7
– thereof profit	226	301	33.6
– thereof loss	-369	-339	-8.1
Debt securities	-	-	-
– thereof profit	-	-	-
– thereof loss	-	-	-
Profit/loss from the derecognition of financial assets measured at amortised cost	**-143**	**-38**	**-73.7**

(11) OTHER PROFIT/LOSS FROM FINANCIAL ASSETS/LIABILITIES

in €k	Q1 2018	Q1 2019	± in %
Modification gains/losses	1,233	-9	>-100
– from financial assets measured at amortised cost	1,233	-9	>-100
– from financial assets measured at FV OCI	-	-	-
– from financial liabilities measured at amortised cost	-	-	-
Derecognition gains/losses	-	-	-
– from financial assets measured through FV OCI	-	-	-
– from financial liabilities measured at amortised cost	-	-	-
Other profit/loss from financial assets/liabilities	**1,233**	**-9**	**>-100**

(12) INCOME TAX EXPENSE

in €k	Q1 2018	Q1 2019	± in %
Current taxes	-1,765	-1,868	5.8
Deferred taxes	-124	-676	>100
Income tax expense	**-1,889**	**-2,544**	**34.7**

DETAILS OF THE BALANCE SHEET

(13) CASH AND BALANCES WITH THE CENTRAL BANK

in €k	31/12/2018	31/03/2019	± in %
Cash in hand	85,576	82,663	-3.4
Credit balances with central banks	486,387	386,515	-20.5
Cash and balances with the central bank	**571,963**	**469,179**	**-18.0**

(14) RECEIVABLES FROM OTHER BANKS

in €k	31/12/2018	31/03/2019	± in %
Receivables from domestic banks	123,532	117,316	-5.0
Receivables from foreign banks	53,716	184,567	>100
Receivables from other banks	**177,248**	**301,883**	**70.3**

(15) IMPAIRMENT CHARGES ON RECEIVABLES FROM OTHER BANKS

in €k	31/12/2018	Stage 1	Stage 2	Stage 3	31/03/2019
At the start of the reporting period	152	318	4	-	322
Additions due to new business	20	23	-	-	23
Change within stage:					
– Allocation/reversal	155	-13	-	-	-13
– 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 credit 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	-5	-14	-	-	-14
At the end of the reporting period	**322**	**314**	**4**	**0**	**318**

(16) RECEIVABLES FROM CUSTOMERS

(16.1) RECEIVABLES FROM CUSTOMERS BY CUSTOMER GROUP

in €k	31/12/2018	31/03/2019	± in %
Corporate and business banking	4,727,697	4,754,734	0.6
Retail banking	1,298,161	1,311,735	1.0
Receivables from customers by customer group	**6,025,858**	**6,066,470**	**0.7**

(16.2) RECEIVABLES FROM CUSTOMERS BY MEASUREMENT CATEGORY

in €k	31/12/2018	31/03/2019	± in %
Financial assets measured at amortised cost	5,885,821	5,926,484	0.7
Financial assets measured at fair value through profit or loss (designated)	85,287	84,592	-0.8
Financial assets measured at fair value through profit or loss (mandatory)	54,750	55,394	1.2
Receivables from customers by measurement category	**6,025,858**	**6,066,470**	**0.7**

(17) IMPAIRMENT CHARGES ON RECEIVABLES FROM CUSTOMERS

in €k	31/12/2018	Stage 1	Stage 2	Stage 3	31/03/2019
At the start of the reporting period	122,582	8,670	13,763	85,445	107,879
Additions due to new business	4,445	1,027	155	-	1,182
Change within stage					
– Allocation/reversal	11,315	614	485	1,726	2,825
– Disposals due to usage	-30,019	-	-	-1,136	-1,136
Reclassification from one stage to another:					
– Decrease due to credit risk					
– Reclassification from stage 2 to stage 1	-4,320	359	-2,133	-	-1,774
– Reclassification from stage 3 to stage 1	-1,246	-	-	-40	-40
– Reclassification from stage 3 to stage 2	-1,280	-	26	-139	-113
– Increase due to credit risk					
– Reclassification from stage 1 to stage 2	4,341	-185	1,770	-	1,585
– Reclassification from stage 1 to stage 3	3,099	-30	-	876	846
– Reclassification from stage 2 to stage 3	4,665		-371	4,219	3,848
Disposals due to repayment	-5,704	-294	-246	-283	-823
At the end of the reporting period	**107,879**	**10,161**	**13,449**	**90,668**	**114,279**

18) TRADING ASSETS

in €k	31/12/2018	31/03/2019	± in %
Positive fair values of derivative financial instruments	8,045	9,588	19.2
– Currency contracts	1,464	2,401	64.1
– Interest rate contracts	2	1	-68.2
– Fair value option	6,580	7,186	9.2
Trading assets	**8,045**	**9,588**	**19.2**

(19) DEBT SECURITIES AND OTHER FIXED-INTEREST SECURITIES

in €k	31/12/2018	31/03/2019	± in %
Financial assets measured at amortised cost	813,421	777,530	-4.4
Financial assets measured at fair value through profit or loss (designated)	21,978	22,053	0.3
Financial assets measured at fair value OCI	68,977	70,610	2.4
Financial assets measured at fair value through profit or loss (mandatory)	45	50	12.1
Debt securities and other fixed-interest securities	**904,421**	**870,243**	**-3.8**

(20) IMPAIRMENT CHARGES ON DEBT SECURITIES

in €k	31/12/2018	Stage 1	Stage 2	Stage 3	31/03/2019
At the start of the reporting period	453	258	-	-	258
Additions due to new business	97	-	-	-	-
Change within stage	-218	-	-	-	-
Reclassification from one stage to another:					
– Allocation/reversal	-	-	-	-	-
– Disposals due to usage	-	-	-	-	-
– 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 credit 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	-74	-	-	-	-
At the end of the reporting period	**258**	**258**	**-**	**-**	**258**

(21) SHARES AND OTHER NON-INTEREST BEARING SECURITIES

in €k	31/12/2018	31/03/2019	± in %
Financial assets measured at fair value through profit or loss (mandatory)	45,780	49,241	7.6
Financial assets measured at fair value OCI	89,829	91,094	1.4
Shares and other non-interest bearing securities	**135,609**	**140,335**	**3.5**

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

in €k	31/12/2018	31/03/2019	± in %
Oberbank AG	385,277	389,561	1.1
Bank für Tirol und Vorarlberg AG	214,391	217,141	1.3
Investments in entities accounted for using the equity method	**599,668**	**606,702**	**1.2**

(23) INTANGIBLE ASSETS

in €k	31/12/2018	31/03/2019	± in %
Intangible assets	3,859	4,169	8.0
Intangible assets	**3,859**	**4,169**	**8.0**

(24) PROPERTY, PLANT AND EQUIPMENT

in €k	31/12/2018	31/03/2019	± in %
Property	8,024	8,024	-
Buildings	37,647	36,731	-2.4
Other property, plant and equipment	7,665	8,745	14.1
Right-of-use assets	n/a	26,952	-
Property, plant and equipment	**53,336**	**80,452**	**50.8**

(25) INVESTMENT PROPERTY

in €k	31/12/2018	31/03/2019	± in %
Property	8,422	8,422	-
Buildings	26,108	26,677	2.2
Investment property	**34,530**	**35,099**	**1.6**

(26) DEFERRED TAX ASSETS

in €k	31/12/2018	31/03/2019	± in %
Deferred tax assets	**6,363**	**5,874**	**-7.7**

(27) OTHER ASSETS

in €k	31/12/2018	31/03/2019	± in %
Other items	19,037	26,436	38.9
Deferred items	3,459	2,809	-18.8
Other assets	**22,497**	**29,245**	**30.0**

(28) PAYABLES TO OTHER BANKS

in €k	31/12/2018	31/03/2019	± in %
Payables to domestic banks	732,544	692,933	-5.4
Payables to foreign banks	103,945	97,867	-5.8
Payables to other banks	**836,489**	**790,800**	**-5.5**

(29) PAYABLES TO CUSTOMERS

in €k	31/12/2018	31/03/2019	± in %
Savings deposit balances	**1,429,395**	**1,431,852**	**0.2**
– Corporate and business banking customers	178,506	178,691	0.1
– Retail banking customers	1,250,889	1,253,161	0.2
Other payables	**4,038,068**	**4,084,235**	**1.1**
– Corporate and business banking customers	2,940,119	2,942,390	0.1
– Retail banking customers	1,097,949	1,141,845	4.0
Payables to customers	**5,467,463**	**5,516,087**	**0.9**

(30) LIABILITIES EVIDENCED BY PAPER

in €k	31/12/2018	31/03/2019	± in %
Bonds issued	499,690	499,418	-0.1
Other liabilities evidenced by paper	71,362	71,702	0.5
Liabilities evidenced by paper	**571,052**	**571,121**	**0.0**

(31) TRADING LIABILITIES

in €k	31/12/2018	31/03/2019	± in %
Negative fair values of derivative financial instruments	8,362	9,396	12.4
– Currency contracts	2,369	1,905	-19.6
– Interest rate contracts	2	1	-68.6
– Fair value option	5,991	7,489	25.0
Trading liabilities	**8,362**	**9,396**	**12.4**

(32) PROVISIONS

in €k	31/12/2018	31/03/2019	± in %
Provisions for post-employment benefits and similar obligations	72,702	72,702	0.0
Provisions for taxes (current taxes)	5,233	5,361	2.4
Provision for guarantees and credit facilities	1,384	1,456	5.2
Other provisions	55,166	55,402	0.4
Provisions	**134,485**	**134,920**	**0.3**

(33) OTHER LIABILITIES

in €k	31/12/2018	31/03/2019	± in %
Other liabilities	21,960	33,982	54.7
Deferred items	4,739	3,700	-21.9
Lease liabilities	n/a	26,956	-
Other liabilities	**26,699**	**64,638**	**>100**

(34) SUBORDINATED DEBT CAPITAL

in €k	31/12/2018	31/03/2019	± in %
Supplementary capital	159,667	162,994	2.1
Hybrid capital	20,000	20,000	0.0
Subordinated debt capital	**179,667**	**182,994**	**1.9**

Subordinated debt capital is reported with accrued interest. The nominal value is EUR 180.0 million after EUR 176.9 million on 31 December 2018.

(35) SHAREHOLDERS' EQUITY

in €k	31/12/2018	31/03/2019	± in %
Subscribed capital	85,886	85,886	0.0
– Share capital	85,886	85,886	0.0
Capital reserves	241,416	241,416	0.0
Retained earnings and other reserves	839,919	854,328	1.7
Additional equity instruments (AT 1 note)	43,500	52,800	21.4
Shareholders' equity before non-controlling interests	**1,210,721**	**1,234,429**	**2.0**
Non-controlling interests	-25	-26	6.3
Shareholders' equity	**1,210,696**	**1,234,403**	**2.0**

The share capital is represented by 41,142,900 ordinary no-par voting shares and 1,800,000 non-voting no-par preference shares. Each share has a nominal value of EUR 2.0. Capital reserves contain 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.

(36) LOAN QUALITY BY CLASS OF RECEIVABLE AS AT 31/03/2019

Risk position by rating in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating	Total
Receivables from customers	51,195	1,664,528	2,077,501	2,095,346	369,818	222,092	1,180	**6,481,661**
Promised credit lines	6,358	54,668	56,258	35,978	4,631	2,355	8	**160,255**
Receivables from banks	147,100	138,262	22,561	7,755	1	-	-	**315,679**
Securities and funds	742,221	93,589	17,066	5,232	-	-	2,037	**860,144**
Equity investments	664,359	13,637	8,571	281	50	-	3,063	**689,962**
Total	**1,611,233**	**1,964,683**	**2,181,958**	**2,144,592**	**374,500**	**224,447**	**6,288**	**8,507,701**

LOAN QUALITY BY CLASS OF RECEIVABLE AS AT 31/12/2018

Risk position by rating in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating	Total
Receivables from customers	51,945	1,692,770	2,031,945	2,082,867	372,246	221,890	850	**6,454,514**
Promised credit lines	7,058	54,424	59,944	30,569	4,751	2,068	9	**158,822**
Receivables from banks	99,264	60,997	22,318	7,457	1	-	-	**190,037**
Securities and funds	762,805	103,579	16,525	-	-	-	4,904	**887,814**
Equity investments	663,800	11,373	6,804	281	45	-	3,005	**685,307**
Total	**1,584,873**	**1,923,142**	**2,137,536**	**2,121,174**	**377,042**	**223,959**	**8,768**	**8,376,493**

BKS Bank's default definition corresponds to the definition given in CRR Article 178. Accordingly, receivables are deemed to be in default if they are more than 90 days overdue and the overdue amount is at least 2.5% of the agreed credit line and at least EUR 250. Furthermore, BKS Bank also classifies receivables as in default if it assumes that the debtor will not be able to repay the full amount of the loan to the bank.

At the end of March, the non-performing loan ratio was 2.5% (pr. yr.: 2.5%). The calculation is based on non-performing loans in the rating classes 5a to 5c of the BKS Bank rating system (default classes), which are compared to gross receivables from loans to customers, credit lines promised, loans to banks and fixed-interest securities. The cover for the loss potential of non-performing loans is represented by the coverage ratio.

Coverage Ratio I is the relation between risk provisions to the total risk position. It was 40.2% on 31 March 2019 (31/03/2018: 39.8%). Additionally, we use Coverage Ratio III which also includes internal collateral in the calculation, as an internal management measure. It was 85.7% at the close of the quarter (31/03/2018: 85.3%).

(37) REGULATORY INTEREST RATE RISK IN % OF OWN FUNDS

Currency	31/12/2018	31/03/2019
EUR	3.43%	3.86%
CHF	0.02%	0.05%
USD	0.00%	0.02%
JPY	0.00%	0.00%
Other	0.03%	0.03%
Total	**3.48%**	**3.96%**

(37.1) VALUE-AT-RISK FIGURES - INTEREST RATE RISK[1)]

IN €K	31/12/2018	31/03/2019
Value-at-risk figures - interest rate risk	**24,944**	**28,430**

[1)] incl. credit spread risks

Value-at-risk with respect to interest rate 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 90 days with a confidence level of 95%.

(38) VALUE-AT-RISK FIGURES - EQUITY PRICE RISK

IN €K	31/12/2018	31/03/2019
Value-at-risk figures - Equity price risk	**1,366**	**3,104**

Value-at-risk with respect to equity price 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 90 days with a confidence level of 95%.

(39) VALUE-AT-RISK FIGURES - FOREIGN CURRENCY PRICE RISK

IN €K	31/12/2018	31/03/2019
Value-at-risk figures - Foreign currency price risk	**673**	**731**

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 90 days with a confidence level of 95%.

(40) INDICATORS FOR MANAGING LIQUIDITY RISK

	31/12/2018	31/03/2019
Deposit concentration	0.38	0.38
Loan/deposit ratio (LDR)	91.7%	92.2%
Liquidity coverage ratio (LCR)	137.8%	144.5%
Net stable funding ratio (NSFR)	110.2%	109.9%

(41) OPERATIONAL RISK AND ICT RISKS BY EVENT CATEGORY

in €k	31/03/2018	31/03/2019
Fraud	3	3
Employment practices and workplace safety	7	4
Customers, products, business practices	-	510
Property damage	1	19
System failures	3	1
Settlement, sales and process management	73	52

ADDITIONAL NOTES

(42) SEGMENT REPORT

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

SEGMENT RESULTS Q1 2019

in €k	Retail Banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	6,459	26,006	11,358	779	44,602
– thereof investments in entities accounted for using the equity method	-	-	8,773	-	8,773
Impairment charges	-532	-7,415	-246	-	-8,194
Net fee and commission income	6,103	8,140	-54	7	14,196
Net trading income	-	-	229	-	229
General administrative expenses	-13,313	-12,665	-1,842	-1,505	-29,324
Other operating income/expenses	658	27	-5	-5,317	-4,637
Profit/loss from financial assets/liabilities	-	-	3,207	-221	2,985
Profit/loss for the period before tax	**-626**	**14,094**	**12,647**	**-6,257**	**19,857**
Average risk-weighted assets	595,885	3,361,274	876,635	110,119	4,943,914
Average allocated equity	73,322	413,066	708,890	27,296	1,222,574
ROE based on profit for the period before tax	**-3.4%**	**13.6%**	**7.1%**	**-**	7.0%
Cost/income ratio	**100.7%**	**37.1%**	**16.0%**	**-**	**53.9%**
Risk/earnings ratio	**8.2%**	**28.5%**	**2.2%**	**-**	**18.4%**

SEGMENT RESULTS Q1 2018

in €k	Retail Banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	6,833	24,634	5,898	698	38,063
– thereof investments in entities accounted for using the equity method	-	-	7,488	-	7,488
Impairment charges	-326	-2,655	114	-	-2,867
Net fee and commission income	5,598	6,554	34	278	12,464
Net trading income	-	-	-12	-	-12
General administrative expenses	-12,958	-11,842	-1,841	-966	-27,607
Other operating income/expenses	518	273	-26	-4,569	-3,804
Profit/loss from financial assets/liabilities	29	-172	-789	-	-932
Profit/loss for the period before tax	**-306**	**16,792**	**3,378**	**-4,559**	**15,305**
Average risk-weighted assets	508,333	3,075,723	1,014,612	53,540	4,652,208
Average allocated equity	59,068	358,880	653,646	12,492	1,084,086
ROE based on profit for the period before tax	**-2.1%**	**18.7%**	**2.1%**	**-**	**6.8%**
Cost/income ratio	**100.1%**	**37.6%**	**31.2%**	**-**	**59.1%**
Risk/earnings ratio	**4.8%**	**10.8%**	**-**	**-**	**7.5%**

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 in net interest income as return on equity invested.

The profit for the respective segment is measured based 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
At the end of March 2019, a number of 22,500 corporate and business banking customers were served in this segment. BKS Bank was originally conceived as a bank to serve corporate and business customers, and this business segment is still the bank's most important mainstay. Corporate and business banking customers still account for the larger part of the loan portfolio and make an essential contribution to profit for the period. Besides income and expenses of BKS Bank AG relating to business with corporate and business banking customers, income and expenses of the leasing companies are also allocated to this segment if they are from business with corporate 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 summarised in the retail banking segment. Some 166,800 customers belonged to this segment at the end of March 2019.

Financial Markets
The Financial Markets segment includes the profits from BKS Bank AG's proprietary trading activities, from treasury securities, from equity investments, from derivatives in the banking book and from interbank transactions as well as from income from interest-rate term structure management.

Other segment encompasses 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.

(43) RELATED PARTY DISCLOSURES

	Outstanding balances		Guarantees received		Guarantees provided	
in €k	At 31/12/2018	At 31/03/2019	At 31/12/2018	At 31/03/2019	At 31/12/2018	At 31/03/2019
Non-consolidated subsidiaries			-	-	-	-
Receivables	2,927	24,362				
Liabilities	2,287	5,224				
Associates and joint arrangements			-	-	-	-
Receivables	2,451	4,914				
Liabilities	669	2,895				
Key management staff			-	-	-	-
Receivables	235	229				
Liabilities	1,417	1,086				
Other related parties			-	-	-	-
Receivables	117	119				
Liabilities	827	748				

LOANS AND ADVANCES GRANTED

in €k	31/12/2018	31/03/2019	± in %
Loans and advances granted to members of the Management Board	25	23	-7.4
Loans and advances granted to members of the Supervisory Board	210	207	-1.8
Loans and advances granted	**235**	**229**	**-2.4**

Transactions with related parties were on arm's length terms. During the reporting period, no provisions for doubtful receivables and no expenses for irrecoverable or doubtful receivables were recognised in connection with related parties.

(44) CONTINGENT LIABILITIES AND COMMITMENTS

in €k	31/12/2018	31/03/2019	± in %
Guarantees	426,642	430,187	0.8
Letters of credit	1,381	7,155	>100
Contingent liabilities	**428,023**	**437,342**	**2.2**
Other commitments	1,337,235	1,340,965	0.3
Commitments	**1,337,235**	**1,340,965**	**0.3**

(45) EVENTS AFTER THE BALANCE SHEET DATE

After the reporting date of this interim report as at 31 March 2019, 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.

(46) FAIR VALUES

Financial assets and liabilities measured at fair value

31/03/2019

in €k	LEVEL 1 'Market value'	LEVEL 2 'Based on market data'	Level 3 'Internal measurement method'	Total fair value
Assets				
Receivables from customers				
– at fair value through profit or loss (mandatory)	-	-	55,394	55,394
– at fair value through profit or loss (designated)	-	-	84,592	84,592
Trading assets (derivatives)	-	9,588	-	9,588
Debt securities and other fixed-interest securities				
– at fair value through profit or loss (mandatory)	50	-	-	50
– at fair value through profit or loss (designated)	22,053	-	-	22,053
– at fair value OCI	70,610	-	-	70,610
Shares and other non-interest bearing securities				
– at fair value through profit or loss (mandatory)	49,241	-	-	49,241
– at fair value OCI	7,885	3,665	79,544	91,094
Equity and liabilities				
Liabilities evidenced by paper - at fair value through profit or loss	-	-	85,029	85,029
Trading liabilities	-	9,396	-	9,396

31/12/2018

in €k	LEVEL 1 'Market value'	LEVEL 2 'Based on market data'	Level 3 'Internal measurement method'	Total fair value
Assets				
Receivables from customers				
– at fair value through profit or loss (mandatory)	-	-	54,750	54,750
– at fair value through profit or loss (designated)	-	-	85,287	85,287
Trading assets (derivatives)	-	8,045	-	8,045
Debt securities and other fixed-interest securities				
– at fair value through profit or loss (mandatory)	45	-	-	45
– at fair value through profit or loss (designated)	21,978	-	-	21,978
– at fair value OCI	68,977	-	-	68,977
Shares and other non-interest bearing securities				
– at fair value through profit or loss (mandatory)	45,780	-	-	45,780
– at fair value OCI	4,191	3,665	81,973	89,829
Equity and liabilities				
Liabilities evidenced by paper - at fair value through profit or loss (designated)	-	-	84,744	84,744
Trading liabilities	-	8,362	-	8,362

LEVEL 3: MOVEMENTS IN FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

in €k	Receivables from customers - at fair value through profit or loss (designated)	Receivables from customers - at fair value through profit or loss (mandatory)	Shares and other non-interest bearing securities at fair value through OCI	Liabilities evidenced by paper at fair value through profit or loss
As at 1 January 2019	85,287	54,750	81,973	84,744
Income statement[1]	1,211	-228	-	285
Reclassification	-	-	-	-
Other comprehensive income	-	-	-2,429	-
Purchased/added	-	2,430	-	-
Sold/redeemed	-1,906	-1,558	-	-
As at 31/03/2019	**84,592**	**55,394**	**79,544**	**85,029**

[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 LIABILITIES MEASURED AT FAIR VALUE

in €k	Receivables from customers - at fair value through profit or loss (designated)	Receivables from customers - at fair value through profit or loss (mandatory)	Shares and other non-interest bearing securities at fair value through OCI	Liabilities evidenced by paper at fair value through profit or loss
As at 1 January 2018	55,805	48,138	29,662	84,688
Income statement[1]	-1,515	181	-	56
Reclassification	-	-	50,309	-
Other comprehensive income	-	-	-1,788	-
Purchased/added	35,391	15,821	4,115	-
Sold/redeemed	-4,394	-9,390	-325	-
As at 31/12/2018	**85,287**	**54,750**	**81,973**	**84,744**

[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 principles and classification

The fair values shown in Level 1 'Market values' were determined using prices quoted on active markets (stock exchange). If market values are unavailable, fair value is ascertained using customary valuation models based on observable input factors and market data, and are presented in the category Level 2 'Based on market data' (e.g. by discounting future cash flows of 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 Level 3 were measured on the basis of market data that were observable for these liabilities (e.g. yield curves, foreign exchange rates). The factors affecting the values of positions in Level 3 that were not observable in the market were adjustments on the basis of internal rating procedures to the credit ratings of customers and of BKS Bank itself with respect to liabilities evidenced by paper and the credit spreads derived from them. 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. because of an IPO).

Changes in the 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 default risk associated with liabilities measured at fair value in the reporting period was calculated on the basis of a funding curve specific to BKS Bank and a financial instrument's remaining time to maturity. In the reporting period Q1 2019, the changes to the credit ratings of receivables from customers measured at fair value had an effect on their fair value in the amount of EUR 0.0 million (31/12/2018: EUR -1.1 million). In the reporting period Q1 2019, the changes to BKS Bank's credit rating had an effect on the fair value of the liabilities evidenced by paper in the amount of EUR 0.0 million (31/12/2018: EUR 0.1 million).

Sensitivity analysis

The sensitivity analysis of receivables from customers measured at fair value results in an accumulated change in value of EUR 0.4 million (31/12/2018: EUR 0.5 million), assuming an improvement or deterioration in the credit rating of 10 basis points in the credit spread. An analysis assuming an improvement or deterioration of BKS Bank's credit rating by 10 basis points in the credit spread would result in an accumulated change in the value of the liabilities evidenced by paper designated at fair value of EUR 0.4 million (31/12/2018: EUR 0.4 million).

For level 3 equity instruments in an amount of EUR 18.9 million, the material non-observable parameter is the interest rate. An interest rate increase by 50 basis points reduces the fair value by EUR 1.2 million. An interest rate decrease by 50 basis points raises the fair value by EUR 1.4 million. For level 3 equity instruments in an amount of EUR 50.0 million, the material, non-observable parameters are prices. A change in the price by 10% changes the fair value by EUR 3.8 million. For level 3 equity instruments in an amount of EUR 9.2 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 LIABILITIES NOT RECOGNISED AT FAIR VALUE

31/03/2019

in €k	LEVEL 1 'Market value'	LEVEL 2 'Based on market data'	LEVEL 3 'Internal measurement method'	Total fair value	Carrying amount 31/03/2019
Assets					
Receivables from other banks[1)]	-	-	301,697	301,697	301,565
Receivables from customers[1)]	-	-	5,899,433	5,899,433	5,812,205
Debt securities and other fixed-interest securities	836,362	-	-	836,362	777,530
Equity and liabilities					
Payables to other banks	-	-	788,058	788,058	790,800
Payables to customers	-	-	5,517,754	5,517,754	5,516,087
Liabilities evidenced by paper	170,707	249,568	81,451	501,727	486,091
Subordinated debt capital	170,792	13,018	2,344	186,155	182,994

[1)] reduced by spec. impair. allow./ECL

31/12/2018

in €k	LEVEL 1 'Market value'	LEVEL 2 'Based on market data'	LEVEL 3 'Internal measurement method'	Total fair value	Carrying amount 31/12/2018
Assets					
Receivables from other banks[1)]	-	-	177,116	177,116	176,926
Receivables from customers[1)]	-	-	5,850,304	5,850,304	5,777,942
Debt securities and other fixed-interest securities	861,721	-	-	861,721	813,421
Equity and liabilities					
Payables to other banks	-	-	833,011	833,011	836,489
Payables to customers	-	-	5,467,571	5,467,571	5,467,463
Liabilities evidenced by paper	169,344	251,349	79,874	500,566	486,308
Subordinated debt capital	167,178	13,354	2,340	182,872	179,667

[1)] reduced by spec. impair. allow./ECL

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

"We state to the best of our knowledge that the interim consolidated financial statements as at 31 March 2019 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 ended 31 March 2019 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 three months 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 nine months of the financial year."

Klagenfurt am Wörthersee, 22 May 2019

The Management Board

Herta Stockbauer
Chairwoman of the Management Board

Dieter Kraßnitzer
Member of the Management Board

Alexander Novak
Member of the Management Board

FINANCIAL CALENDAR 2019

Date	Content of the notification
2 April 2019	Publication of the single-entity financial statements and the consolidated financial statements 2018 on the website and in the Official Gazette of the Republic of Austria "Wiener Zeitung"
8 May 2019	80th annual general meeting
14 May 2019	Dividend ex-day
15 May 2019	Record date
16 May 2019	Dividend payout day
24 May 2019	Interim report for the period ended 31 March 2019
30 August 2019	Half-year financial report 2019
29 November 2019	Interim report for the period ended 30 September 2019

INVESTOR RELATIONS CONTACT

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