

# ***Half-Year Financial Report 2023***

**BKS Bank**



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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 23 August 2023. Should the assumptions regarding such forward-looking statements prove incorrect or should risks materialize 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**

This half-year financial report is an unaudited translation from the German into English for the convenience of readers. 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.

# BKS Bank at a Glance

<b>Income Statement</b> in €m	<b>HY1/2022</b>	<b>HY1/2023</b>	<b>± in %</b>
Net interest income	69.6	120.7	73.4
Impairment charges	-13.4	-28.8	>100
Net fee and commission income	35.4	31.5	-10.9
General administrative expenses	-65.7	-80.3	22.2
Profit for the period before tax	33.2	89.6	>100
Profit for the period after tax	31.2	82.1	>100
<b>Balance sheet</b> in €m	<b>31/12/2022</b>	<b>30/06/2023</b>	
Total assets	10,533.0	10,511.3	-0.2
Receivables from customers	7,175.3	7,243.2	0.9
Primary deposits	7,872.1	7,809.3	-0.8
• thereof savings deposits	1,258.9	1,092.0	-13.3
• thereof securitised liabilities incl. subordinated debt capital	1,048.3	1,056.2	0.7
Shareholders' equity	1,543.8	1,665.0	7.8
Customer funds under management	19,397.2	20,014.1	3.2
• thereof on custody accounts	11,525.1	12,204.8	5.9
<b>Own funds pursuant to CRR</b> in €m	<b>31/12/2022</b>	<b>30/06/2023</b>	
Total risk exposure amount	6,213.5	6,387.8	2.8
Own funds	1,058.1	1,136.9	7.4
• thereof common equity tier 1 (CET1) capital	778.3	853.1	9.6
• thereof total tier 1 capital (CET1-AT1)	843.4	918.3	8.9
Common equity tier 1 ratio	12.5	13.4	0.9
Tier 1 capital ratio (in %)	13.6	14.4	0.8
Total capital ratio (in %)	17.0	17.8	0.8
<b>Performance ratios</b>	<b>30/06/2022</b>	<b>30/06/2023</b>	
Return on equity after tax	5.6	9.7	4.1
Return on assets after tax	0.8	1.5	0.7
Cost/income ratio (expenses/income coefficient)	55.9	40.3	-15.6
Risk/earnings ratio (credit risk/net interest income)	19.2	23.8	4.6
Non-performing loan ratio (NPL ratio)	2.1	2.3	0.2
Leverage ratio	7.0	8.7	1.7
Liquidity coverage ratio (LCR)	185.9	197.0	11.1
Net stable funding ratio (NSFR)	117.5	122.4	4.9
<b>Resources</b>	<b>31.12.2022</b>	<b>30/06/2023</b>	
Average number of staff	986	991	
Number of branches	64	64	
<b>BKS Bank's Shares</b>	<b>31.12.2022</b>	<b>30/06/2023</b>	
Number of no-par ordinary shares (ISIN AT0000624705)	42,942,900	45,805,760	
High ordinary share in €	15.9	14.4	
Low ordinary share in €	13.2	13.0	
Close ordinary share in €	14.0	13.1	
Market capitalisation in €m	601.2	600.1	

<sup>1)</sup> The accounting policy for investment property was changed in the financial year 2022. The figures for the preceding year were adjusted pursuant to IAS 8. The changes implemented are described in the Annual Report 2022 in chapter "Changes to accounting policy for investment property" starting as of page 156.

# Highlights of the HY1 2023



## **Capital increase completed successfully**

In May 2023, we completed our capital increase, placing 2,862,860 newly issued shares. The capital increase gives us the scope needed to address key strategic goals – including digitization and sustainability – more ambitiously.

## **Member of the VÖNIX Sustainability Index**

We are proud to be part of one of the world's first sustainability indices. BKS Bank's ordinary shares were included in the VÖNIX Sustainability Index of the Vienna Stock Exchange for a seventh time in a row.





## **Sustainability Award of the Vienna Stock Exchange**

Our many years of activity and engagement for sustainability were recognized by the Vienna Stock Exchange. BKS Bank was conferred the Sustainability Award of the Vienna Stock Exchange for a third consecutive year.

## **EMAS recertification**

BKS Bank is very pleased to have completed the EMAS recertification. The ambitious environmental management system ensures the continued improvement of environmental protection in our operations. This certification brings us one step closer to our sustainability goals.



## **Gold standard for sustainable buildings**

The portfolio of Taxonomy-compliant properties we own is continuously expanding and we achieved a major milestone in HY1 2023. The ÖGNI certification “DGNB Gold Standard” was conferred to our project “BKS-Lebenswert”. In this project, we built 26 rental apartments, some 1,600 m<sup>2</sup> of commercial space and a BKS Bank branch in Eisenstadt.

## Dear Readers,



The past six months have been very demanding. The challenge was to reach responsible decisions and define a path for future growth in a setting of a faltering economy. I am pleased to say we did very well on both counts.

One milestone was the successful placement of new issues during our capital increase in May. The capital increase is of great strategic importance to our company. The fresh capital will help fund future growth, investments in the digital transformation and safeguard our independence. A principal goal is to serve our customers, employees and business partners, and remain a reliable and competent banking partner for the next one hundred years. To achieve this goal, we have embarked a several ambitious projects. Our focus today and for the future is on the key topics of digitization and sustainability

In this context, I was particularly pleased to welcome a new member to the Management Board in June: Dietmar Böckmann will be responsible for the digital transformation.

The key success factors of a bank include being able to offer customers a modern digital range of services and products, as well as stable and resilient core banking systems, and a high degree of automation for simple processes. The appointment of a member to the Management Board with specific responsibility for this area was the logical next step and shows how important it is to us.

### **Sustainability strategy with additional priorities**

We are also very much engaged in sustainability activities. We plan to continue in our pioneering role for the Austrian banking industry. The focus will be on both the ecological and the social aspects. This summer's extreme weather events show how important climate mitigation measures are. For this reason, we have defined a clear exit scenario from transactions involving coal, oil and natural gas. We are also working on science-based climate goals to better steer our course to decarbonization. This year we have already issued two green bonds whose proceeds will be used to finance a project to generate renewable energy.

For us, meeting our social responsibility to society is just as important as reducing global warming. No one should feel left behind by the changes in our society or be excluded or discriminated. We work to foster social inclusion and prosperity through our retirement and investment products and by providing funding for the construction of affordable housing.

### **Expansion outside of Austria**

We have been operating in Serbia with a newly established leasing company since April 2023. Having successfully gained a foothold in the markets of Slovenia, Croatia and Slovakia, we believe the entry into the Serbian market was a major step and the right way to continue our gradual expansion into foreign markets.

### **Significant increase in earnings in HY1**

Over the past months, the ECB has hiked interest rates several times in a setting of persistently high inflation. In this challenging market environment, we succeeded in closing the first half of 2023 with significant earnings growth. Net profit after tax for the period was EUR 82.1 million.

Receivables from customers have increased by 0.9% to EUR 7.2 billion since year-end. At EUR 7.8 billion, primary deposits stayed at a high level.

### **Recognition of engagement for sustainability**

BKS Bank received the Vienna Stock Exchange's VÖNIX Sustainability Award in the category "Financials" for a third consecutive year.

This award is recognition of our many years of activity and engagement for sustainability. We believe it will take a joint effort by all companies and civil society to cope with the challenges of climate change. We are also proud of our successful EMAS recertification and our sustained membership in the VÖNIX Austrian sustainability index. EMAS is an ambitious environmental management system. Our aspiration is to continue to act as a multiplier for social responsibility.

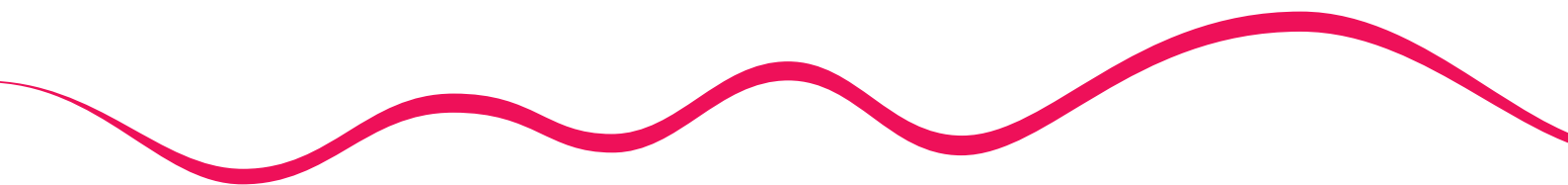
Shortly before the copy deadline, a landmark ruling was handed down by Austria's Supreme Court (Oberster Gerichtshof) in favour of BTV in the legal dispute with UniCredit Bank Austria (UCBA). The decision ruled against all points of the legal action filed by UCBA. Immediately afterwards, UCBA withdrew an identical legal action against BKS Bank due to the lacking prospects of success.

Finally, I would like to thank our shareholders who participated in the capital increase in April 2023. In the first year after our 100th anniversary, it is very pleasing to see that our responsible business philosophy is appreciated by our shareholders.

**Cordially,**



Herta Stockbauer, Chairwoman of the Management Board





# **Group Management Report**

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# Economic Environment

## Economy remains sluggish

The economy in the euro area expanded slightly by 0.3% in the second quarter of 2023 after stagnating in the first quarter. However, the trends differed from country to country. While economic performance in France and Spain surprised on the upside with gains of 0.5% and 0.4%, respectively, Italian GDP contracted by -0.3%. Germany's economy is also rather weak. The former "locomotive of Europe" has been in a technical recession since the fourth quarter of 2022. The contraction in the preceding quarter has been revised upwards from -0.3% to -0.1%, while the German economy stagnated in the second quarter of 2023.

The situation in **Austria** is different. Austria's domestic economy contracted by -0.4% quarter on quarter. However, economic activity in the first quarter was better than initially expected. The indicators were revised upwards from -0.3% to 0.1%. Therefore, Austria is not (yet) in recession. The key economic sectors of industry and construction are increasingly weakening, and consumption of private households is also declining.

A look at the major international economies shows that the **US economy** is very robust. Although the US Federal Reserve took drastic measures by raising interest rates by a total of 5.25 percentage points in eleven rate hikes over the past 17 months, the US economy has yet to show any signs of fatigue. The US economy grew by an annualized 2.4% in the second quarter of 2023, following growth of 2.0% in the preceding quarter.

By contrast, **China's economic output** clearly lost momentum in the past quarter. Growth slowed from 2.2% to 0.8%. It seems as if the boom phase following the coronavirus pandemic is over.

## Fighting inflation: central banks keep tightening interest rates

Central banks slowed the pace of interest rate hikes markedly, but the next adjustment took place in July. The ECB increased key lending rates by 0.25 percentage points. The key lending rate for the main refinancing operations is currently 4.25%. This was the ninth rate hike within a year. Another rate hike in September is not unlikely at present, as core inflation remains stubbornly high. In the US, the Fed raised the key lending rate by a further 0.25% points at the end of July. The US federal funds rate is currently within a bandwidth of 5.25% to 5.5%, thus reaching the highest level in 22 years.

## Capital markets continue rally in Q2

The upwards movements on capital markets continued in the second quarter. The month of June performed particularly well. Global stock markets in euro posted gains of around 12.6% as at 30 June 2023. The performance of European stocks was slightly lower in euro at 11.8%. Austrian stocks lagged behind at around 5.3%. A significant recovery seen in US stocks. The broad S&P 500 index rose by around 16.9% in USD in the first half of the year. Nasdaq 100 stocks, which had come under heavy pressure the year before, recovered strongly gaining some 39.4%.

Bond markets recorded a positive development in the first half of 2023, even though only minor gains were seen in the second quarter.

## Financial Position

**Total assets of the BKS Bank Group were EUR 10.5 billion at the close of the half-year, which is around the level at year-end. Receivables from customers increased slightly by 0.9% to EUR 7.2 billion. Primary deposits decreased by 0.8% to EUR 7.8 billion.**

### Assets

#### **Moderate rise in lending volume despite sluggish economy**

The year 2023 began with very subdued momentum in global economic development. Austria's economy was unable to move out of the phase of stagnation that started in the summer of 2022. According to WIFO estimates, there will be no recession. The persistently high inflation rates were behind the restraint in spending seen in consumers and companies in the first half of the year.

As a result, demand for loans was slow in the first half of the year. We have granted some EUR 809 million in new loans in our domestic and foreign markets since the beginning of the year. Most loans were for customers in Austria: they accounted for around 78% of new loans. We were also satisfied with growth in Slovenia.

Receivables from customers increased slightly since the beginning of the year: Credit volume growth was 0.9%. Most new loans went to corporate and business customers, with a certain reluctance being noticed due to the higher interest. Private customers were even more cautious. Since the third quarter of 2022, a decline in new loans for residential construction has been observed. Apart from higher interest rates and a surge in construction prices, a key reason for this trend was an Austrian regulation issued that limits systemic risk in debt-based financing for residential real estate by credit institutions (Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung, KIM-V).

This regulation has been in force since August 2022 and governs lending for real estate and defines fixed loan-to-value and debt service ratios. As at 30 June 2023, loans to retail customers decreased by 4.4% as a result of the new rules.

The trend reversal in interest rates had an impact on cash reserves. Compared to year-end 2022, cash reserves recorded an outflow of around EUR 139.1 billion and stood at EUR 709.9 billion at the end of June. Therefore, cash reserves are back to conventional levels.

Receivables from other banks decreased on the reporting date by 40.7% to EUR 150.4 million.

The share of foreign currency loans in the total loan portfolio has declined significantly in the past few years. The systematic reduction of loans in Swiss franc helped lower the outstanding volume to EUR 70 million. On 30 June 2023, the foreign exchange ratio was 1.0%.

#### **Demand for lease finance at high level**

The development of business in the leasing business was again highly satisfactory in the past six months. The total value of receivables throughout the Group was EUR 628.0 million as at 30 June. The volume of new lease contracts since the start of the year amounts to EUR 146.4 million. In contrast to the lending business, foreign markets accounted for the larger share as expected, with new business amounting to around EUR 90.0 million. We operate leasing companies in Austria, Slovenia, Croatia, Slovakia, and since the second quarter of 2023, also in Serbia.

### **Liquidity reserves remain stable**

The portfolio of debt securities and other fixed-income securities rose 7.0% in the reporting period to EUR 1.2 billion. The liquidity reserve held in the form of high quality liquid assets to meet regulatory liquidity requirements reached a volume of EUR 1.7 billion, which is 15.8% of total assets.

The value of shares in companies accounted for using the equity method has increased since the start of the year from EUR 727.3 million to EUR 775.4 million, which is a rise of 6.6%. The addition of the period results of the partner banks Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft are reported in this item.

### **Shareholders' equity and liabilities Slight decline in primary deposits**

Primary deposits stood at EUR 7.8 billion at the end of March, down 0.8% versus year-end 2022. It was mainly sight deposits on accounts and savings passbooks that decreased, while the volume on term deposits increased by 35.3%. Background: On the one hand, surplus liquidity was frequently used to repay loans due to the changed interest rate situation. On the other hand, the changed interest rate situation also having an effect on the structure of deposits. Deposits with longer terms are becoming attractive again. Term deposits were in high demand especially in the retail segment (+37.8%).

Excellent volume growth was achieved with the online account "Mein Geld-Konto fix".

### **Own issues attain solid gains**

Demand for our own issues was lively in the first half-year 2023. Since the start of the year, two green bonds have been successfully floated to support the regional supply of sustainably generated energy. Securitized liabilities totalled EUR 798.1 million, which is an increase of 1.8% since the beginning of the year. Subordinated capital decreased due to redemptions by 2.5% to EUR 258.1 million.

Overall, the refinancing structure has shifted towards long-term commitments, which is a very positive development.

As at 30 June 2023, consolidated shareholders' equity rose 7.8% to EUR 1.7 billion compared to 31 December 2022. Subscribed capital increased in the second quarter of 2023 to EUR 91.6 million. To enable further growth in the Bank's core business, the Management Board of BKS Bank AG – with the approval of the Supervisory Board – took the decision in March to increase the share capital from EUR 85,885,800 to up to EUR 91,611,520 by issuing up to 2,862,860 new ordinary bearer shares. The capital increase was successfully completed, and trading in the new shares began in on the Official Market of the Vienna Stock Exchange on 22 May 2023.

# Result of Operations

**BKS Bank achieved significantly higher profits for the period ended 30 June 2023. The main drivers of this increase were higher operating income and income from entities accounted for using the equity method.**

## **Significant increase in net profit for HY1**

As at 30 June 2023, BKS Bank reported a net profit after tax for the period of EUR 82.1 million, which is a gain of EUR 50.8 million compared to 30 June 2022. The excellent earnings are due partly to the reversal of interest rate policies. The changed interest rate policy has resulted in a normalization of earnings, and therefore, in higher net interest income of EUR 120.7 million. Income from entities accounted for using the equity method also contributed substantially to higher earnings and rose from EUR 18.1 million to EUR 49.5 million.

Compared to the first half-year 2022, we increased impairment charges for losses on loans and advances (+EUR 15.4 million) so as to be well prepared for any potential negative effects of an economic downturn such as an increasing number of insolvencies.

## **Excellent result in payment services**

Income from payment services rose significantly at the end of June 2023. This business area has developed very well in recent years as a result of forward-looking decisions. This trend also continued in the first half of 2023. At a growth rate of 11.7% and net income of EUR 13.7 million, payment services is the most profitable area of the fee and commission business.

The securities business performed below expectations due to the volatility on financial markets and the associated uncertainty prevailing among investors. Income from fees and commissions in the securities business decreased from EUR 10.1 million to EUR 9.1 million.

Demand for loans was subdued in the first six months due to a generally more cautious stance among investors. Therefore, income from fees and commissions in the securities business dropped from EUR 10.7 million to EUR 6.5 million.

Overall, we saw income from fees and commissions decrease by 10.9% to EUR 31.5 million as at 30 June 2023.

With respect to income interest, the eight successive increases in key lending rates by the ECB since the summer of 2022 have had a positive impact. After more than a decade of a zero interest rate policy, this was a return to the fundamental principles of the banking business. After four hikes in 2022, the ECB raised the interest rate on main refinancing operations four more times in the first half of 2023. The interest rate on main refinancing operations reached 4.0% after the 0.25-percentage point hikes in February, March, May and June. Compared to the same period of the preceding year, net interest income increased to EUR 143.1 million. Other interest income increased by almost EUR 9 million to 21.3 million. Interest expenses also rose, of course, from EUR 14.5 million to EUR 43.8 million. Therefore, on 30 June 2023, net interest income was EUR 120.7 million, which is an increase of 73.4% or EUR 51.1 million compared to the same period of the preceding year.

### Significantly higher impairment charges for losses on loans and advances

High inflation rates and a global economic downturn checked GDP growth in Austria and our core markets in the first half of 2023. In its latest forecast, the Austrian Institute of Economic Research (WIFO) expects the economy to regain traction only as of 2024. It expects stagnation and a growth rate of just 0.3% for Austria for this year; the forecasts for our foreign core markets are a bit more encouraging. Thus, considering a backdrop a growing number of insolvencies and legal risks, impairment charges for losses on loans and advances were increased: On 30 June 2023, the volume was EUR 28.8 million, an increase of 15.4%. Overall, net interest income after impairment charges increased from EUR 56.3 million to EUR 91.9 million, which is an increase of 63.4%.

### Surge in inflation impacts administrative expenses

General administrative expenses went up by 22.2% to EUR 80.3 million year on year.

This was due to an increase in staff expenses, as the collective agreement on wages was very high, with an average wage increase of 9.48%. Furthermore, the employee foundations were endowed with EUR 4.7 million. The number of employees – calculated in FTE – was 991 and increased slightly during the year. A major portion of administrative expenses is attributable to staff costs which increased by 21.7% to EUR 26.4 million. The reasons for the cost increase included the effects of inflation, constantly rising IT costs, and provisions for legal and litigation risks.

Other net operating income was EUR -2.7% million and improved by 58.7% compared to the same period of the preceding year, especially income from real estate sales. This item also reports regulatory costs which includes contributions to the deposit insurance scheme and the resolution mechanism. The contributions to the resolution mechanism and deposit insurance scheme amounted to EUR 6.3 million, and for the stability charge to EUR 0.7 million.

### Key items of the income statement

in € m	HY1/2022	HY1/2023	± in %
Net interest income	69.6	120.7	73.4
Impairment charges	-13.4	-28.8	>100
Net fee and commission income	35.4	31.5	-10.9
Profit/loss from investments accounted for using the equity method	18.1	49.5	>100
Net trading income	1.1	0.1	-92.1
Other administrative income/expenses	-6.5	-2.7	58.7
Profit/loss from financial assets/liabilities	-5.4	-0.4	91.7
General administrative expenses	-65.7	-80.3	22.2
Profit for the period before tax	33.2	89.6	>100
Income tax	-1.9	-7.5	>100
Profit for the period after tax	31.2	82.1	>100

**Key performance indicators**

The key performance ratios developed very well due to the excellent results in the first half-year. Return on equity (RoE) after tax rose versus the same period of the preceding year from 5.6% to 9.7%, while return on assets (RoA) after tax increased to 1.5%.

The cost/income ratio decreased compared to the same period of the preceding year by 15.6%-points to an excellent 40.3%. Due to higher charges for impairment losses, the risk/earnings ratio rose by 4.6%-points to 23.8%.

The ratio of non-performing loans was 2.3% – an indicator of our very good credit quality.

As at 30 June 2023, the leverage ratio rose 1.7%-points to 8.7% which was much higher than the mandatory ratio of 3.0%. The liquidity coverage ratio (LCR) was an excellent 197.0% and also clearly exceeds the regulatory requirement of 100%.

BKS Bank has a very solid capital base, which is an important factor for business success in challenging times. The tier 1 capital ratio was 14.4% on 30 June 2023. The total capital ratio increased by 0.8%-points from 17.0% to 17.8% as at 31 December 2022.

# 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 field of the BKS Bank Group. Earnings slipped slightly in this segment in the first half of the year. In Retail Banking we achieved significant growth, and earnings in Financial Markets also developed very well in the first half of 2023.**

## **Corporate and Business Banking**

Corporate and Business Banking has the longest tradition at BKS Bank and is still our most important source of business. Our extensive know-how and wide range of products and services make us an important partner for the local economy. Our customers appreciate our reliability, our innovative power and the personal support. We are constantly working to widen our range of products and services, with a focus on digitisation and sustainability. As at 30 June 2023, 27,360 corporate and business customers relied on the dependable quality services of BKS Bank.

## **Inflation weighs on segment results**

Business in the corporate and business banking segment developed more subdued in the past few months due to the weak economy. On 30 June 2023, profit before tax for the segment was EUR 35.2 million, which is a decrease of EUR 5.6 million versus the excellent result of same period in 2022. While net interest income rose by 30.6% to EUR 77.2 million, net fee and commission income decreased by 11.6% to EUR 17.8 million. The decline in net fee and commission income is attributable, among other things, to slower demand in the lending business and the related decrease in fees and commissions on loans.

Due to a number of uncertainties, we set aside higher impairment charges for losses on loans and advances. Compared to the same period of the preceding year, these increased from EUR 12.3 million to EUR 29.7 million. Administrative expenses increased by 17.5% to EUR 32.2 million.

The segment-specific performance ratios developed as follows: return on equity decreased to 14.8%, the cost/income ratio dropped from 34.2% to 33.1% and is thus at a very good level. The risk/earnings ratio increased to 38.4% due to the higher impairment charges.

## **Retail Banking**

In the 1960s, we expanded our business to include services and products for retail customers. This was a major step towards becoming a universal bank. Constant work on development – this is one of the key factors for success in Retail Banking. We are very proud of our extensive range of products and services, which we have been digitizing over the past few years and also designing to be more sustainable. Today, retail customers can conduct all of their banking transactions digitally. Additionally, we offer a “green” option 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 drive to improve is also appreciated by our customers. As at 30 June 2023, we served 168,740 retail customers.



**Segment achieves significant growth**

In Retail Banking, we achieved profit before tax of EUR 24.4 million, thus much higher than in the preceding year (EUR 0.8 million). The increase in profits is also due to the development of interest rates in the past months. Administrative expenses increased year on year by 15.6% or EUR 4.5 million to EUR 33 million. Due to the low risk in the retail loan portfolio, it was even possible to release risk provisions. Similar to the development in Corporate and Business Banking, net fee and commission income dropped 9.0% to EUR 13.6 million, while net interest income increased by EUR 27.0 million to EUR 41.6 million. Payment services were once again a stable and important source of income in the services business area. Compared to 30 June 2022, income from commissions on payment services rose by 7.4% to EUR 5.9 million.

The segment-specific indicators developed as follows at significantly increasing profits: return on equity was 38.8% and the cost/income ratio dropped to 58.7%.

**Financial Markets**

In the segment of 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.

**Excellent results from entities accounted for by the equity method**

We look back at a very satisfactory performance in the first half of 2023 in the Financial Markets segment. The profit before tax for the segment was EUR 45.4 million, which is an increase of EUR 40.3 million. Income from entities accounted for using the equity method increased from EUR 18.1 million to EUR 49.5 million. Developments on financial markets had little impact on our portfolios. Administrative expenses were EUR 5.5 million at the end of June, which is an increase of EUR 1.0 million compared to 30 June 2022. Profit/loss from financial assets/liabilities was neutral at EUR -0.3 million.

**Other**

The segment Other includes items of income and expenses that cannot be clearly allocated to other segments. In our segment accounting, we take great care to allocate only those income and expense items to the business segments in which they are earned or originate. The segment result before tax was EUR -15.4 million, which is decline of -14.2% compared to mid-year 2022.

## Consolidated Own Funds

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

The Supervisory Review and Evaluation Process (SREP) conducted by the Austrian Financial Market Authority (FMA) specified that BKS Bank had to meet the following minimum requirements excluding a capital conservation buffer as a percentage of the total risk exposure effective as of 30 June 2023:

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

The consolidated interim profit has been allocated to own funds in accordance with Article 26 (2) CRR. The conditions stipulated have been met. At the end of June, common equity tier 1 capital was EUR 853.1 million and the CET1 ratio was 13.4%. Additional tier 1 capital was EUR 65.2 million on 30 June 2023. Including supplementary capital (tier 2) of EUR 218.6 million, total own funds came to EUR 1,136.9 million. The total capital ratio was an excellent 17.8%.

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

in € m	31/12/2022	30/06/2023
Share capital	85.9	89.6
Reserves net of intangible assets	1,360.6	1,479.3
Deductions	-668.2	-715.8
Common equity tier 1 capital (CET1)	778.3	853.1
Common equity tier 1 ratio	12.5%	13.4%
AT1 note	65.1	65.2
Additional tier 1 capital	65.1	65.2
Tier 1 capital (CET1 + AT1)	843.4	918.3
Tier 1 capital ratio	13.6%	14.4%
Supplementary capital (tier 2)	214.7	218.6
Total own funds	1,058.1	1,136.9
Total capital ratio	17.0%	17.8%
Total risk exposure amount	6,213.5	6,387.8

**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 30 June 2023, it has been mandatory to determine the MREL ratio on the basis of the Total Risk Exposure Amount (TREA) of 28.4%. We substantially exceeded 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 40. Qualitative information is available in the Annual Report for the period ended 31 December 2022.

# Outlook

## Economic prospects

In its latest forecast, the International Monetary Fund (IMF) painted a somewhat more positive picture of the development of the **global economy** than in April. Global growth of 3.0% is expected for the year 2023. The signals for the **US economy** are mixed. The IMF expects global growth of 1.8% for the year 2023. Growth is currently being driven by robust consumption by private households, which has recently flattened somewhat though. The **Chinese economy** is expected to grow this year by 5.2%, before it starts to shrink in the People's Republic to 4.5% next year.

The growth forecast for the whole **euro area** was raised slightly to 0.9%. Growth is expected to pick up and reach 1.5% in 2024. Countries with a strong focus on tourism are currently performing better than countries with a heavy weighting on industry. For example, the IMF expects the Spanish economy to expand by 2.5% and in Italy by 1.1% in 2023. Both forecasts were recently raised significantly. The German economy is likely to contract this year. Germany is suffering from the current sluggishness in the industrial sector and the relative weakness in world trade.

WIFO published a study for **Austria** that estimates average economic growth of 1.4% annually for the period 2023 to 2027. It is especially, the high energy prices that are hampering growth of Austria's economy. According to WIFO, prices in Austria are still significantly higher than in the US and other industrialized countries.

In the **foreign markets** important to our business, the European Commission's forecasts only minor growth. The Slovenian economy is expected to expand by 1.7% and the Croatian economy by 1.2%. In Slovakia, the growth rate is expected to be below average at 0.6%.

The principal topic of concern continues to be **inflation**. In the euro area, the inflation rate decreased from 6.1% to 5.5% in June. In October 2022, the inflation rate was still 10.6%. The core inflation rate excluding energy and food prices is more persistent. It rose from 5.3% to 5.5% in June.

## Solid earnings expected despite economic slowdown

The overall economic outlook remains subdued: Private households are holding back on consumer goods, and companies are spending less on investments. Against this backdrop, we expect lower demand for loans for the remainder of the financial year. In the deposit business, the trend to fixed-term deposits will continue due to higher interest rates and will raise interest expenses. We expect to maintain primary deposits at stable levels.

A look at the general risk situation shows that the first storm clouds are gathering on the horizon. In line with our responsible business philosophy, we expect impairment charges to increase in the further course of the year.

The lending business is currently developing very dynamically and the rise in interest rates is improving our earnings capacity, which has suffered for years from the low interest rate policy. However, we expect net interest income to grow less strongly in the next six months than recently, as deposit rates will continue to rise.

The normalized interest rate environment is reopening investment opportunities not restricted to capital markets. Many investors are therefore mixing savings products into their portfolio, resulting in less investment in securities. The high volatility on markets is also having a dampening effect on investor sentiment. Therefore, we do not expect income from the securities business to match the

preceding year's results. The situation is different in payment services where earnings are steadily growing. Therefore, we expect growth rates to remain satisfactory until the end of the year.

Inflation is also affecting our costs. However, we have been practicing tight cost discipline for many years, and are confident we will be able to keep costs within limits, apart from strategically important IT investments.

We are systematically following our strategic initiatives to achieve the goals we have defined for our company.

We have many goals we hope to achieve by the end of year. In a few weeks, we will present our new financial planner for the BKS app, which will make it easier for customers to manage their finances. Another service we will soon offer in our

app is the possibility of buying and selling securities. We plan to release this feature in the fall.

As a pioneer in sustainability, the transformation to a green economy is close to heart for us. We are strongly engaged in expanding our green activities in our core business areas. We are increasingly focusing on corporate and business customers, as it is necessary for companies to be on board if the green transformation is to succeed.

We will continue to pursue our growth strategy, which is based on the principles of sustainability. The success achieved in HY1 2023 proves us right. We expect earnings to perform well also in the remainder of the year, even though the outlook is overshadowed by many uncertainties.

Klagenfurt am Wörthersee, 23 August 2023

Management Board



Herta Stockbauer

Chairwoman of the Management Board



Dieter Kraßnitzer  
Member of the Board



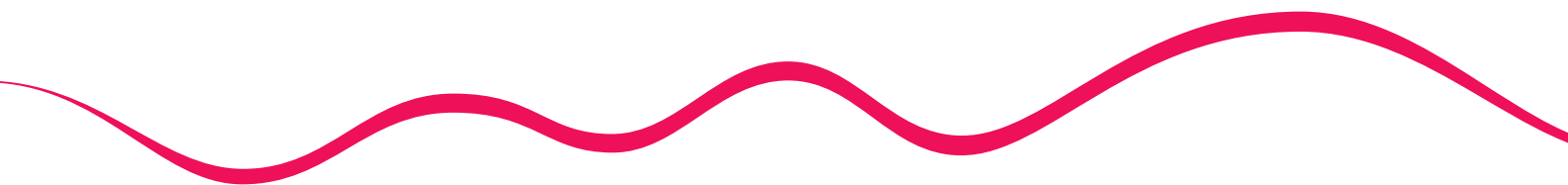
Nikolaus Juhász  
Member of the Board



Alexander Novak  
Member of the Board



Dietmar Böckmann  
Member of the Board



# **Consolidated Financial Statements pursuant to IFRS**

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# Statement of Comprehensive Income for the Period 1 January to 30 June 2023

## Income Statement

in €k	Notes	HY1-2022 <sup>1)</sup>	HY1-2023	± in %
Interest income applying the effective interest rate method		71,829	143,139	99.3
Other interest income and other similar income		12,261	21,383	74.4
Interest expenses and other similar expenses		-14,468	-43,806	>100
<b>Net interest income</b>	<b>(1)</b>	<b>69,622</b>	<b>120,716</b>	<b>73.4</b>
Impairment charges	(2)	-13,360	-28,780	>100
<b>Net interest income after impairment charges</b>		<b>56,263</b>	<b>91,936</b>	<b>63.4</b>
Fee and commission income		38,791	35,087	-9.5
Fee and commission expenses		-3,409	-3,575	4.9
<b>Net fee and commission income</b>	<b>(3)</b>	<b>35,382</b>	<b>31,512</b>	<b>-10.9</b>
Profit/loss from investments accounted for using the equity method	(4)	18,052	49,472	>100
Net trading income	(5)	1,127	89	-92.1
General administrative expenses	(6)	-65,738	-80,312	22.2
Other administrative expenses	(7)	3,901	6,849	75.5
Other operating expenses	(7)	-10,431	-9,546	-8.5
<b>Profit/loss from financial assets/liabilities</b>		<b>-5,400</b>	<b>-447</b>	<b>91.7</b>
• Profit/loss from financial instruments designated at fair value	(8)	266	-1,995	>-100
• Profit/loss from financial assets measured at fair value through profit/loss (mandatory)	(9)	-8,618	1,493	>100
• Profit/loss from derecognition of financial assets measured at amortised cost	(10)	2,949	35	-98.8
• Other profit/loss from financial assets/liabilities	(11)	3	19	>100
<b>Profit for the period before tax</b>		<b>33,156</b>	<b>89,552</b>	<b>&gt;100</b>
Income tax expense	(12)	-1,918	-7,483	>100
<b>Profit for the period</b>		<b>31,238</b>	<b>82,069</b>	<b>&gt;100</b>

<sup>1)</sup> In the financial year 2022, the accounting method for investment property changed. Individual prior-year figures have been adjusted accordingly.



**Other comprehensive income**

in €k	HY1-2022	HY1-2023	± in %
<b>Profit for the period</b>	<b>31,238</b>	<b>82,069</b>	<b>&gt;100</b>
<b>Other comprehensive income</b>	<b>1,814</b>	<b>11,154</b>	<b>&gt;100</b>
<b>Items not reclassified to profit or loss for the period</b>	<b>6,071</b>	<b>11,334</b>	<b>86.7</b>
± Actuarial gains/losses in conformity with IAS 19	4,057	-2,887	>-100
± Deferred taxes on actuarial gains/losses in conformity with IAS 19	-1,366	710	>100
± Changes in the fair value of equity instruments measured at fair value	457	7,711	>100
± Deferred taxes on changes in fair value of equity instruments measured at fair value	407	-1,773	>-100
± Fair value changes due to the default risk of financial liabilities measured at fair value through profit/loss (designated)	371	274	-26.1
± Deferred taxes on fair value changes of financial liabilities designated at FV PL attributable to own credit risk	-57	-63	-9.8
± Share of income and expenses of associates in OCI and accounted for using the equity method	2,203	7,362	>100
<b>Items reclassified to profit or loss for the period</b>	<b>-4,258</b>	<b>-180</b>	<b>&gt;100</b>
± Exchange differences	-10	0	-
± Changes in the fair value of debt instruments measured at fair value	-3,702	524	>100
± Net change in fair value	-3,702	524	>100
± Reclassified to profit or loss	-	-	-
± Deferred taxes on changes to the fair value of debt instruments measured at fair value	880	-126	>-100
± Share of income and expenses of associates reported in OCI and accounted for using the equity method	-1,426	-578	59.5
<b>Total comprehensive income</b>	<b>33,052</b>	<b>93,223</b>	<b>&gt;100</b>

**Earnings and dividend per share**

	30/06/2022	30/06/2023
Average number of shares in issue	42,160,337	43,112,452
Earnings per ordinary share in EUR (period)	0.73	1.89
Earnings per ordinary share in EUR (annualised)	1.45	3.78

The indicator 'earnings per share' compares consolidated profit for the year with the average number of no-par shares in issue. In the reporting period, earnings per share and diluted earnings per share were the same, because no financial instruments with a dilution effect on the shares were issued.

# Consolidated Balance Sheet for the Period ended 30 June 2023

## Assets

in €k	Notes	31/12/2022	30/06/2023	± in %
Cash and balances with the central bank	(13)	849,015	709,869	-16.4
Receivables from other banks	(14)	253,618	150,420	-40.7
Receivables from customers	(15)	7,175,340	7,243,211	0.9
Trading assets	(16)	13,946	12,641	-9.4
Debt securities and other fixed-interest securities	(17)	1,123,812	1,202,077	7.0
Shares and other non-interest-bearing securities	(18)	150,240	162,642	8.3
Investments in entities accounted for using the equity method	(19)	727,275	775,382	6.6
Intangible assets	(20)	9,319	9,011	-3.3
Property, plant and equipment	(21)	75,676	77,211	2.0
Investment property	(22)	92,974	92,859	-0.1
Deferred tax assets	(23)	6,010	9,345	55.5
Non-current assets held for sale	(24)	29,458	29,458	-
Other assets	(25)	26,365	37,145	40.9
<b>Total assets</b>		<b>10,533,048</b>	<b>10,511,270</b>	<b>-0.2</b>

## Equity and liabilities

in €k	Notes	31/12/2022	30/06/2023	± in %
Payables to other banks	(26)	930,977	810,078	-13.0
Payables to customers	(27)	6,823,793	6,753,098	-1.0
• thereof savings deposits		1,258,886	1,092,045	-13.3
• thereof other payables		5,564,907	5,661,053	1.7
Liabilities evidenced by paper	(28)	783,616	798,080	1.8
• thereof at fair value through profit or loss		35,336	34,710	-1.8
Trading liabilities	(29)	5,250	5,336	1.6
Provisions	(30)	122,281	155,326	27.0
Deferred tax assets	(31)	7,565	9,535	26.0
Other liabilities	(32)	51,034	56,706	11.1
Subordinated debt capital	(33)	264,719	258,112	-2.5
Equity	(34)	1,543,813	1,664,999	7.8
<b>Total equity and liabilities</b>		<b>10,533,048</b>	<b>10,511,270</b>	<b>-0.2</b>

# 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 for the period	Additional equity instruments <sup>1)</sup>	Equity
As at 01/01/2023	85,886	241,416	-274	38,188	1,049,836	63,561	65,200	1,543,813
Distribution						-10,612		-10,612
Coupon payments on additional equity instruments					-870			-870
Taken to retained earnings					52,949	-52,949		-
Profit for the period						82,069		82,069
Other comprehensive income			373	9,459	1,321			11,154
Capital increase	5,726	31,614						37,340
Effect of the equity method					670			670
Change in treasury shares					1,627			1,627
Issuance of additional equity instruments								-
Reclassification				60	-60			-
Other changes					-192			-192
<b>As at 30/06/2023</b>	<b>91,612</b>	<b>273,030</b>	<b>99</b>	<b>47,707</b>	<b>1,105,282</b>	<b>82,069</b>	<b>65,200</b>	<b>1,664,999</b>
Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method)								40,202
Deferred tax reserve								-9,246

<sup>1)</sup> All additional tier 1 notes issued were classified as equity in conformity with IAS 32.

**Changes in equity**

in €k	Subscribed capital	Capital-reserves	Exchange differences	Fair value reserves	Retained earnings	Profit for the period	Additional equity instruments <sup>1)</sup>	Equity
As at 01/01/2022	85,886	241,416	-351	34,327	970,270	83,259	65,200	1,480,006
Distribution						-9,700		-9,700
Coupon payments on allocation to retained earnings					-870			-870
Allocation to retained earnings					73,558	-73,558		-
Profit for the period						31,238		31,238
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
<b>As at 30/06/2022</b>	<b>85,886</b>	<b>241,416</b>	<b>-194</b>	<b>32,681</b>	<b>1,047,971</b>	<b>31,238</b>	<b>65,200</b>	<b>1,504,197</b>
Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method)								23,759
Deferred tax reserve								-5,464

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

<sup>2)</sup> In the financial year 2022, the accounting method for investment property changed. Individual prior-year figures have been adjusted accordingly.

For more details, please refer to Note (34) Shareholders' equity.

## Consolidated Statement of Cash Flows

in €k	<b>HY1 2022</b>	<b>HY1-2023</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>1,479,418</b>	<b>849,015</b>
Profit for the period	31,238	82,069
Non-cash items in profit for the period and other valuation adjustments	-56,419	-121,268
Change in assets and liabilities from operating business activities after correction for non-cash items	-270,026	-59,463
<b>Cash flow from operating activities</b>	<b>-295,207</b>	<b>-98,662</b>
Cash inflow from sales and redemptions	165,107	28,254
Cash outflow for capital expenditure	-217,064	-112,074
Dividends from entities accounted for using the equity method	6,447	8,819
<b>Cash flow from investing activities</b>	<b>-45,510</b>	<b>-75,001</b>
Capital increase	-	37,340
Other deposits	-	-
Dividend distributions	-9,700	-10,612
Subordinated liabilities, liabilities evidenced by paper and other financing activities	61,952	7,761
<b>Cash flow from financing activities</b>	<b>52,252</b>	<b>34,489</b>
Effect of exchange rates on cash and cash equivalents	88	29
<b>Cash and cash equivalents at end of preceding period</b>	<b>1,191,041</b>	<b>709,869</b>

# 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 2023 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 Reports".

### II. Effects of new and amended standards

The accounting policies applied in the financial year 2022 were also applied in the first half of the year 2023. All standards and amendments to standards that became effective as of 1 January 2023 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 15 entities: 12 consolidated entities, two accounted for using the equity method and one entity accounted for on a proportionate basis. BKS Leasing d.o.o., Beograd was included in the group of consolidated companies for the first time as of the end of June 2023.

#### Impact of current economic developments on accounting and measurement methods

In 2022, BKS Bank joined the Green Finance Alliance. One of the main goals of the initiative is to align loan and investment portfolios with the goals of the Paris Climate Agreement. BKS Bank's sustainable product volume exceeded the EUR 1 billion threshold for the first time in 2022. BKS Bank aims to expand the volume of sustainable financing as well as the issuing volume of green bonds, social bonds and sustainability bonds in 2023. In the first half of 2023, BKS Bank successfully floated two green bonds. The proceeds from the emissions will be used to finance a biomass power plant.

Furthermore, the forward-looking information was updated based on forecasts published by Bloomberg and used as the basis for the ECL calculation as of the end of June 2023.

### 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 2023.

## Details of the Income Statement

### (1) Net interest income

in €k	HY1 2022	HY1-2023	± in %
Lending operations measured at amortised cost	60,361	136,889	>100
Fixed-interest securities measured at amortised cost	4,468	5,607	25.5
Fixed-interest securities measured at FV OCI	243	313	28.8
Modification gains	209	298	42.1
Positive interest expenses <sup>1)</sup>	6,547	32	-99.5
<b>Total interest income applying the effective interest rate method</b>	<b>71,829</b>	<b>143,139</b>	<b>99.3</b>
Lending operations measured at fair value	1,029	4,029	>100
Fixed-interest securities at fair value through profit or loss	223	-	-
Leasing receivables	6,511	12,715	95.3
Shares and other non-interest-bearing securities	2,356	2,116	-10.2
Investment property	2,142	2,523	17.8
<b>Total other interest income and other similar income</b>	<b>12,261</b>	<b>21,383</b>	<b>74.4</b>
<b>Total interest income</b>	<b>84,090</b>	<b>164,522</b>	<b>95.6</b>
<b>Interest expenses and other similar expenses for:</b>			
Deposits from customers and other banks	1,685	31,419	>100
Liabilities evidenced by paper	8,936	11,636	30.2
Modification losses	238	99	-58.5
Negative interest income <sup>1)</sup>	3,000	-	-
Investment property	545	592	8.7
Lease liabilities	63	61	-3.1
<b>Total interest expenses and other similar expenses</b>	<b>14,468</b>	<b>43,806</b>	<b>&gt;100</b>
<b>Net interest income</b>	<b>69,622</b>	<b>120,716</b>	<b>73.4</b>

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	HY1-2022	HY1-2023	± in %
Financial instruments measured at amortised cost			
– Allocation (+)/reversal (-) of impairment charges (net)	14,021	7,984	-43.1
Financial instruments measured at fair value OCI			
– Allocation (+)/reversal (-) of impairment charges (net)	-30	-26	13.7
Loan commitments and financial guarantee contracts			
– Allocation (+)/reversal (-) of provisions (net)	-632	20,821	>100
<b>Impairment charges</b>	<b>13,360</b>	<b>28,780</b>	<b>&gt;100</b>

**(3) Net fee and commission income**

in €k	HY1-2022	HY1-2023	± in %
<b>Net fee and commission income:</b>			
Payment services	13,716	15,241	11.1
Securities operations	11,364	10,286	-9.5
Lending operations	11,338	7,272	-35.9
Foreign exchange operations	1,612	1,567	-2.8
Other services	760	720	-5.3
<b>Total fee and commission income</b>	<b>38,791</b>	<b>35,087</b>	<b>-9.5</b>
<b>Net fee and commission expenses:</b>			
Payment services	1,465	1,560	6.5
Securities operations	1,232	1,199	-2.7
Lending operations	660	732	10.9
Foreign exchange operations	36	69	93.4
Other services	16	14	-10.0
<b>Total fee and commission expenses</b>	<b>3,409</b>	<b>3,575</b>	<b>4.9</b>
<b>Net fee and commission income</b>	<b>35,382</b>	<b>31,512</b>	<b>-10.9</b>

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

in €k	HY1-2022	HY1-2023	± in %
Profit/loss from investments accounted for using the equity method	18,052	49,472	>100
<b>Profit/loss from investments accounted for using the equity method</b>	<b>18,052</b>	<b>49,472</b>	<b>&gt;100</b>

**(5) Net trading income**

in €k	HY1-2022	HY1-2023	± in %
Price-based transactions	-20	-12	42.4
Interest rate and currency contracts	1,148	100	-91.2
<b>Net trading income</b>	<b>1,127</b>	<b>89</b>	<b>-92.1</b>

**(6) General Administrative expenses**

in €k	HY1-2022	HY1-2023	± in %
Staff costs	38,670	48,503	25.4
• Wages and salaries	28,492	31,644	11.1
• Social insurance costs	6,668	6,951	4.2
• Costs of retirement benefits	1,943	4,481	>100
• Other social expenses	1,567	5,427	>100
Other administrative costs	21,666	26,367	21.7
Depreciation/amortisation	5,401	5,442	0.8
<b>General administrative expenses</b>	<b>65,738</b>	<b>80,312</b>	<b>22.2</b>

**(7) Other operating income and expenses**

in €k	HY1-2022	HY1-2023	± in %
Other administrative expenses	3,901	6,849	75.5
Other operating expenses	-10,431	-9,546	-8.5
<b>Other operating income/expenses</b>	<b>-6,530</b>	<b>-2,697</b>	<b>58.7</b>

<sup>1)</sup> This includes mainly expenses for the resolution mechanism and deposit guarantee scheme.



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

in €k	HY1-2022	HY1-2023	± in %
Profit/loss from the fair value option	266	-1,995	>-100
<b>Profit/loss from financial instruments designated at fair value</b>	<b>266</b>	<b>-1,995</b>	<b>&gt;-100</b>

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

in €k	HY1-2022	HY1-2023	± in %
Profit/loss from measurement	-8,112	1,343	>100
Profit/loss on disposal	-506	150	>100
<b>Profit/loss from financial assets measured at fair value through profit or loss (mandatory)</b>	<b>-8,618</b>	<b>1,493</b>	<b>&gt;100</b>

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

in €k	HY1-2022	HY1-2023	± in %
Receivables from other banks	-	-	-
• thereof profit	-	-	-
• thereof loss	-	-	-
Receivables from customers	235	35	-85.0
• thereof profit	531	639	20.4
• thereof loss	-296	-604	>100
Debt securities	2,714	-	-
• thereof profit	2,714	-	-
• thereof loss	-	-	-
<b>Profit/loss from derecognition of financial assets measured at amortised cost</b>	<b>2,949</b>	<b>35</b>	<b>-98.8</b>

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

in €k	HY1-2022	HY1-2023	± in %
Derecognition gains/losses	3	19	>100
• from financial assets measured through OCI	-	-	-
• from financial liabilities measured at amortised cost	3	19	>100
<b>Other profit/loss from financial assets/liabilities</b>	<b>3</b>	<b>19</b>	<b>&gt;100</b>

**(12) Income tax expense**

in €k	HY1-2022	HY1-2023	± in %
Current taxes	-3,059	-10,101	>100
Deferred taxes	1,142	2,618	>-100
<b>Income tax expense</b>	<b>-1,918</b>	<b>-7,483</b>	<b>&gt;100</b>

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

in €k	31/12/2022	30/06/2023	± in %
Cash in hand	39,212	37,332	-4.8
Credit balances with central banks	809,803	672,537	-17.0
<b>Cash and balances with the central bank</b>	<b>849,015</b>	<b>709,869</b>	<b>-16.4</b>

**(14) Receivables from other banks**

in €k	31/12/2022	30/06/2023	± in %
Receivables from domestic banks	45,126	41,890	-7.2
Receivables from foreign banks	208,492	108,530	-47.9
<b>Receivables from other banks</b>	<b>253,618</b>	<b>150,420</b>	<b>-40.7</b>

The impairment charges included in receivables from other banks developed as follows in HY1 2023:

in €k	Stage 1	Stage 2	Stage 3	2023
As at 01/01/2023	107	-	-	107
Additions due to new business	18	-	-	18
Change within stage				
• Allocation/reversal	-10	1	-	-9
• 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	-44	-	-	-44
<b>As at 30/06/2023</b>	<b>71</b>	<b>1</b>	<b>-</b>	<b>72</b>

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

in €k	31/12/2022	30/06/2023	± in %
Corporate and Business Banking	5,744,289	5,875,579	2.3
Retail Banking	1,431,051	1,367,631	-4.4
<b>Receivables from customers by customer group</b>	<b>7,175,340</b>	<b>7,243,211</b>	<b>0.9</b>

**(15.2) Receivables from customers by measurement category**

in €k	31/12/2022	30/06/2023	± in %
Financial assets measured at amortised cost	7,000,547	7,046,525	0.7
Financial assets measured at fair value through profit or loss (designated)	135,413	154,927	14.4
Financial assets measured at fair value through profit or loss (mandatory)	39,381	41,760	6.0
<b>Receivables from customers by measurement category</b>	<b>7,175,340</b>	<b>7,243,211</b>	<b>0.9</b>

The impairment charges included in receivables from customers developed as follows in HY1 2023:

in €k	Stage 1	Stage 2	Stage 3	2023
As at 01/01/2023	36,615	20,125	64,301	121,040
Additions due to new business	4,435	654	-	5,089
Change within stage				
• Allocation/reversal	-3,891	-3,956	8,036	189
• Disposals due to usage	-	-	-8,723	-8,723
Reclassification from one stage to another:				
• Decrease due to default risk				
- Reclassification from stage 2 to stage 1	747	-4,021	-	-3,274
- Reclassification from stage 3 to stage 1	-	-	-43	-43
- Reclassification from stage 3 to stage 2	-	21	-85	-64
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	-1,844	10,323	-	8,479
- Reclassification from stage 1 to stage 3	-510	-	1,994	1,484
- Reclassification from stage 2 to stage 3	-	-1,299	1,082	-217
Disposals due to repayment	-1,414	-1,116	-2,670	-5,200
<b>As at 30/06/2023</b>	<b>34,138</b>	<b>20,731</b>	<b>63,892</b>	<b>118,761</b>

**(16) Trading assets**

in €k	31/12/2022	30/06/2023	± in %
Positive fair values of derivative financial products	13,946	12,641	-9.4
• Currency contracts	1,424	1,068	-25.0
• Interest rate contracts	36	7	-80.3
• Fair value option	12,487	11,566	-7.4
<b>Trading assets</b>	<b>13,946</b>	<b>12,641</b>	<b>-9.4</b>

**(17) Debt securities and other fixed-interest securities**

in €k	31/12/2022	30/06/2023	± in %
Financial assets measured at amortised cost	1,067,861	1,139,402	6.7
Financial assets measured at fair value OCI	55,920	62,621	12.0
Financial assets measured at fair value through profit or loss (mandatory)	31	55	74.2
<b>Debt securities and other fixed-interest securities</b>	<b>1,123,812</b>	<b>1,202,077</b>	<b>7.0</b>

The impairment charges included in debt securities and other fixed-income securities developed as follows in HY 2023:

in €k	Stage 1	Stage 2	Stage 3	<b>2023</b>
As at 01/01/2023	956	-	-	956
Additions due to new business	177	-	-	177
Change within stage				
- Allocation/reversal	-5	-	-	-5
- 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	-1	-	-	-1
<b>As at 30/06/2023</b>	<b>1,127</b>	<b>-</b>	<b>-</b>	<b>1,127</b>

### (18) Shares and other non-interest bearing securities

in €k	<b>31/12/2022</b>	<b>30/06/2023</b>	± in %
Financial assets measured at fair value through profit or loss (mandatory)	36,334	40,424	11.3
Financial assets measured at fair value OCI	113,907	122,218	7.3
<b>Shares and other non-interest-bearing securities</b>	<b>150,240</b>	<b>162,642</b>	<b>8.3</b>

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

in €k	<b>31/12/2022</b>	<b>30/06/2023</b>	± in %
Oberbank AG	466,723	506,986	8.6
Bank für Tirol und Vorarlberg AG	260,551	268,397	3.0
<b>Investments in entities accounted for using the equity method</b>	<b>727,275</b>	<b>775,382</b>	<b>6.6</b>

### (20) Intangible assets

in €k	<b>31/12/2022</b>	<b>30/06/2023</b>	± in %
<b>Intangible assets</b>	<b>9,319</b>	<b>9,011</b>	<b>-3.3</b>

### (21) Property, plant and equipment

in €k	<b>31/12/2022</b>	<b>30/06/2023</b>	± in %
Land	6,106	6,100	-0.1
Buildings	37,711	36,634	-2.9
Other property, plant and equipment	12,628	15,828	25.3
Right-of-use assets for rented property	19,232	18,649	-3.0
<b>Property, plant and equipment</b>	<b>75,676</b>	<b>77,211</b>	<b>2.0</b>

**(22) Investment property**

in €k	31/12/2022	30/06/2023	± in %
<b>Investment property</b>	<b>92,974</b>	<b>92,859</b>	<b>-0.1</b>

**(23) Deferred tax assets**

in €k	31/12/2022	30/06/2023	± in %
<b>Deferred tax assets</b>	<b>6,010</b>	<b>9,345</b>	<b>55.5</b>

**(24) Non-current assets held for sale**

in €k	31/12/2022	30/06/2023	± in %
Land	27,087	27,087	-
Buildings	2,371	2,371	-
<b>Non-current assets held for sale</b>	<b>29,458</b>	<b>29,458</b>	<b>-</b>

**(25) Other assets**

in €k	31/12/2022	30/06/2023	± in %
Other assets	16,260	28,199	73.4
Deferred items	10,105	8,946	-11.5
<b>Other assets</b>	<b>26,365</b>	<b>37,145</b>	<b>40.9</b>

**(26) Payables to other banks**

in €k	31/12/2022	30/06/2023	± in %
Payables to domestic banks	895,298	745,690	-16.7
Payables to foreign banks	35,679	64,387	80.5
<b>Payables to other banks</b>	<b>930,977</b>	<b>810,078</b>	<b>-13.0</b>

As of the reporting date, liabilities of EUR 200 million from the TLTRO III programme (Targeted Longer-Term Refinancing Operations) of the European Central Bank (ECB) were reported under payables to other banks and recognized in accordance with IFRS 9. The interest rate is based on the applicable deposit facility rate (DFR).

**(27) Payables to customers**

in €k	31/12/2022	30/06/2023	± in %
<b>Savings deposits</b>	<b>1,258,886</b>	<b>1,092,045</b>	<b>-13.3</b>
• Corporate and business banking customers	128,936	88,162	-31.6
• Retail banking customers	1,129,949	1,003,884	-11.2
<b>Other liabilities</b>	<b>5,564,907</b>	<b>5,661,052</b>	<b>1.7</b>
• Corporate and business banking customers	3,696,251	3,725,052	0.8
• Retail banking customers	1,868,657	1,936,001	3.6
<b>Payables to customers</b>	<b>6,823,793</b>	<b>6,753,098</b>	<b>-1.0</b>

**(28) Liabilities evidenced by paper**

in €k	31/12/2022	30/06/2023	± in %
Bonds issued	731,788	745,620	1.9
Other liabilities evidenced by paper	51,828	52,460	1.2
<b>Liabilities evidenced by paper</b>	<b>783,616</b>	<b>798,080</b>	<b>1.8</b>

**(29) Trading liabilities**

in €k	31/12/2022	30/06/2023	± in %
Negative fair values of derivative financial instruments	5,250	5,336	1.6
• Currency contracts	4,278	3,878	-9.3
• Interest rate contracts	7	18	>100
• Equity-link transactions	-	36	-
• Fair value option	965	1,404	45.6
<b>Trading liabilities</b>	<b>5,250</b>	<b>5,336</b>	<b>1.6</b>

**(30) Provisions**

in €k	31/12/2022	30/06/2023	± in %
Provisions for post-employment benefits and similar obligations	58,207	62,326	7.1
Provisions for taxes (current taxes)	4,260	5,256	23.4
Provision for guarantees and credit facilities	755	21,576	>100
Other provisions	59,059	66,169	12.0
<b>Provisions</b>	<b>122,281</b>	<b>155,326</b>	<b>27.0</b>

**Actuarial assumptions**

in %	31/12/2022	30/06/2023
<b>Financial assumptions</b>		
Interest rate post-employment benefits	4.14%	4.01%
Interest rate other social capital provisions	4.21%	4.03%
Salary trend of active staff	4.60%	4.90%
Pensions trends	4.15%	4.45%
Career trends	0.25%	0.25%
<b>Demographic assumptions</b>		
Retirement age	65 years	65 years
Mortality table	AVÖ 2018	AVÖ 2018

**(31) Deferred tax liabilities**

in €k	31/12/2022	30/06/2023	± in %
<b>Deferred tax assets</b>	<b>7,565</b>	<b>9,535</b>	<b>26.0</b>

**(32) Other liabilities**

in €k	31/12/2022	30/06/2023	± in %
Other liabilities	26,363	33,503	27.1
Deferred items	5,064	4,161	-17.8
Leasing liabilities	19,607	19,043	-2.9
<b>Other liabilities</b>	<b>51,034</b>	<b>56,706</b>	<b>11.1</b>

**(33) Subordinated debt capital**

in €k	31/12/2022	30/06/2023	± in %
Supplementary capital	264,719	258,112	-2.5
<b>Subordinated debt capital</b>	<b>264,719</b>	<b>258,112</b>	<b>-2.5</b>

Subordinated debt capital is reported with accrued interest. The nominal value was EUR 255.6 million (pr. yr. EUR 262.2 million).

**(34) Equity**

in €k	31/12/2022	30/06/2023	± in %
Subscribed capital	85,886	91,612	6.7
• Share capital	85,886	91,612	6.7
Capital reserves	241,416	273,030	13.1
Retained earnings and other reserves	1,151,312	1,235,157	7.3
Additional equity instruments (AT 1 bond)	65,200	65,200	-
<b>Equity</b>	<b>1,543,813</b>	<b>1,664,999</b>	<b>7.8</b>

The capital increase carried out in May 2023 raised the share capital of the company from EUR 85,885,800 to EUR 91,611,520. The share capital now consists of 45,805,760 ordinary voting shares (pr. yr.: 42,942,900). 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 fair values from derivatives are allocated to the respective customer categories (receivables from customers and/or receivables from other banks) in accordance with internal risk management rules.

### (35) Loan quality by class of receivable as at 30 June 2023

Risk items by rating in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating
Receivables from customers	100,955	1,684,813	2,850,800	2,234,217	299,849	184,977	2,559
Receivables from other banks	53,854	60,149	7,775	8	4	-	-
Credit risk from derivatives and contingent liabilities	62,414	692,102	1,111,001	475,175	30,685	5,703	73
Securities and funds	946,323	257,279	38,797	3,394	55	-	0
Equity investments	796,879	94,577	1,058	0	-	-	-
<b>Total</b>	<b>1,960,425</b>	<b>2,788,919</b>	<b>4,009,431</b>	<b>2,712,794</b>	<b>330,593</b>	<b>190,680</b>	<b>2,632</b>

### Loan quality by class of receivable as at 31 December 2022

Risk items by rating in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating
Receivables from customers	98,315	1,905,975	2,660,478	2,222,310	235,755	172,442	1,106
Receivables from other banks	188,995	52,279	12,448	1	1	-	-
Credit risk from derivatives and contingent liabilities	69,201	706,814	1,042,763	518,170	20,010	2,705	85
Securities and funds	858,911	283,997	18,990	1,018	31	-	-
Equity investments	747,617	90,659	1,058	-	-	-	-
<b>Total</b>	<b>1,963,040</b>	<b>3,039,725</b>	<b>3,735,738</b>	<b>2,741,500</b>	<b>255,797</b>	<b>175,146</b>	<b>1,191</b>

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 2.3% at the end of June (31/12/2022: 2.1%). 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 in the default classes and was 34.4% on 30 June 2023 (31/12/2022: 37.3%). Additionally, we use Coverage Ratio III as an internal benchmark which also includes existing collateral in the calculation. It was 85.3% on 30 June 2023 (31/12/2022: 86.0%).

### (36) Regulatory interest rate risk in % of own funds

Currency	31/12/2022	30/06/2023
EUR	6.57%	5.67%
CHF	-0.02%	-0.01%
USD	-0.06%	-0.03%
<b>Total</b>	<b>6.49%</b>	<b>5.63%</b>



**(36.1) Interest rate risk**

in €k	31/12/2022	30/06/2023
<b>Interest rate risk</b>	<b>64,220</b>	<b>59,811</b>

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" (+100 bp shock).

**(37) Credit spread risk**

in €k	31/12/2022	30/06/2023
<b>Value-at-risk figures - Credit spread risk</b>	<b>27,265</b>	<b>24,651</b>

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%.

**(38) Equity price risk**

in €k	31/12/2022	30/06/2023
<b>Value-at-risk figures - equity price risk</b>	<b>25,686</b>	<b>18,229</b>

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%.

**(39) Foreign currency price risk**

in €k	31/12/2022	30/06/2023
<b>Value-at-risk figures - Foreign currency price risk</b>	<b>983</b>	<b>1,206</b>

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%.

**(40) Indicators for managing liquidity risk**

	31/12/2022	30/06/2023
Deposit concentration	0.35	0.34
Loan/Deposit ratio (LDR)	88.2%	89.8%
Liquidity coverage ratio (LCR)	190.4%	197.0%
Net stable funding ratio (NSFR)	118.7%	122.4%

**(41) Operational risk and ICT risks by event category\***

in €k	31/12/2022	30/06/2023
Fraud	368	2,036
Employment practices and workplace safety	7	-
Customers, products, business practices	-1,471	1,237
Property damage	11	6
System failures	6	3
Settlement, sales and process management	200	61

\*) after deduction of recoveries

**Additional Information****(42) Segment Report**

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

**Segment result HY1 2023**

in €k	Retail Banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	41,584	77,180	51,424	0.0	170,187
Impairment charges	1,034	-29,665	-149	-	-28,780
Net fee and commission income	13,642	17,800	-182	252	31,512
Profit/loss from investments accounted for using the equity method	-	-	49,472	-	49,472
Net trading income	-	-	89	-	89
General administrative expenses	-33,010	-32,248	-5,499	-9,556	-80,312
Other operating income/expenses	1,006	2,430	-33	-6,100	-2,697
Profit/loss from financial assets/liabilities	108	-274	-282	-	-447
<b>Profit for the period before tax</b>	<b>24,365</b>	<b>35,223</b>	<b>45,367</b>	<b>-15,403</b>	<b>89,552</b>
Average risk-weighted assets	1,036,991	3,930,975	677,651	240,770	5,886,386
Average allocated equity	125,476	475,648	937,633	65,649	1,604,406
<b>RoE based on profit for the period before tax</b>	<b>38.8%</b>	<b>14.8%</b>	<b>9.7%</b>	<b>-</b>	<b>10.6%</b>
<b>Cost/income ratio</b>	<b>58.7%</b>	<b>33.1%</b>	<b>10.7%</b>	<b>-</b>	<b>40.3%</b>
<b>Risk/earnings ratio</b>	<b>-</b>	<b>38.4%</b>	<b>-</b>	<b>-</b>	<b>23.8%</b>

**Segment result HY1 2022**

in €k	Retail Banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	14,610	59,075	13,989	0	87,674
Impairment charges	-1,420	-12,310	371	-	-13,360
Net fee and commission income	14,991	20,137	-89	343	35,382
Profit/loss from investments accounted for using the equity method	-	-	18,052	-	18,052
Net trading income	-	-	1,127	-	1,127
General administrative expenses	-28,547	-27,457	-4,499	-5,235	-65,737
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
<b>Profit for the period before tax</b>	<b>789</b>	<b>40,795</b>	<b>5,061</b>	<b>-13,490</b>	<b>33,156</b>
Average risk-weighted assets	1,043,506	3,761,231	656,835	196,089	5,657,661
Average allocated equity	127,308	458,870	844,256	51,338	1,481,772
<b>RoE based on profit for the period before tax</b>	<b>1.2%</b>	<b>17.8%</b>	<b>1.2%</b>	<b>-</b>	<b>6.1%</b>
<b>Cost/income ratio</b>	<b>93.3%</b>	<b>34.2%</b>	<b>30.0%</b>	<b>-</b>	<b>55.9%</b>
<b>Risk/earnings ratio</b>	<b>9.7%</b>	<b>20.8%</b>	<b>-</b>	<b>-</b>	<b>19.2%</b>

Method: Net interest income is broken down using the market interest rate method. The costs incurred are allocated to the business areas in which these costs originate. Returns on maturity transformation are allocated to the Financial Markets segment. Capital is allocated based on regulatory parameters. The average allocated equity carries 5% interest and is recognized as return on equity invested in net interest income. The profit for the respective segment is measured on the profit before tax earned in the segment. Apart from the cost/income ratio, return on equity is one of the principal benchmarks for managing the business segments. Segment reporting is based on our internal management processes. The Management Board as a whole is responsible for the enterprise's management.

In detail, the reports used for internal management purposes comprised 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 approximately 27,400 corporate and business banking customers as at 30 June 2023. As BKS Bank was originally conceived as a corporate and business bank, this business segment is still the company's most important pillar. Corporate and business banking customers continue to 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 168,700 customers belonged to this segment at the end of June 2023.

## Financial Markets

The financial markets segment includes the profits from BKS Bank AG's proprietary trading activities, from securities held in its own portfolios, from equity investments, from derivatives in the banking book and from interbank transactions as well as from income from interest-rate term structure management.

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

### (43) Related party disclosures

in €k	Outstanding balances as at		guarantees received		guarantees granted	
	31/12/2022	30/06/2023	31/12/2022	30/06/2023	31/12/2022	30/06/2023
<b>Non-consolidated subsidiaries</b>						
• Receivables	28,879	28,092	-	-	-	-
• Liabilities	3,879	8,696	-	-	-	-
<b>Associates</b>						
• Receivables	246	1,966	-	-	-	-
• Liabilities	2,531	17,212	-	-	-	-
<b>Members of the Management Board</b>						
• Receivables	1,586	1,719	-	-	-	-
• Liabilities	3,214	4,028	-	-	-	-
<b>Other related parties</b>						
• Receivables	628	621	-	-	-	-
• Liabilities	623	560	-	-	-	-

There are receivables of EUR 3.5 million (31/12/2022: EUR 0.3 million) from companies with a significant influence on BKS Bank AG, and payables of EUR 30 million (31/12/2022: EUR 0.0 million) to these companies. 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	31/12/2022	30/06/2023
• Loans and advances granted to members of the Management Board	144	118
• Loans and advances granted to members of the Supervisory Board	597	801
<b>Loans and advances granted</b>	<b>741</b>	<b>919</b>

### (44) Contingent liabilities and commitments

in €k	31/12/2022	30/06/2023	± in %
Guarantees	635,006	654,306	3.0
Letters of credit	3,871	81	-97.9
<b>Contingent liabilities and commitments</b>	<b>638,877</b>	<b>654,387</b>	<b>2.4</b>
Other commitments	1,706,925	1,676,820	-1.8
<b>Commitments</b>	<b>1,706,925</b>	<b>1,676,820</b>	<b>-1.8</b>

**(45) Events after the balance sheet date**

On 22 August 2023, the plaintiffs UniCredit Bank Austria AG and CABO Beteiligung GmbH withdrew their action for a declaratory judgment against BKS Bank (GZ 23 Cg 24/21 k), expressly waiving their claims, after the Austrian Supreme Court (OGH) denied all claims of the same plaintiffs in parallel proceedings (case GZ 6 Ob 178/22b).

At the beginning of August, there were severe storms in our core markets, causing massive damage to buildings and infrastructure. We were not significantly affected by the storms; there were no serious disruptions to banking operations. Moreover, based on an initial analysis, the effects on our customers were minor.

**(46) Fair Values****Financial assets and liabilities measured at fair value****30/06/2023**

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value
<b>Assets</b>				
Receivables from customers				
• at fair value through profit or loss (mandatory)	0	0	41,760	41,760
• at fair value through profit or loss (designated)	0	0	154,927	154,927
Trading assets (derivatives)	0	12,641	0	12,641
Debt securities and other fixed-interest securities				
• at fair value through profit or loss (mandatory)	55	0	0	55
• at fair value through profit or loss (designated)	0	0	0	0
• at fair value OCI	61,605	0	1,016	62,621
Shares and other non-interest-bearing securities				
• at fair value through profit or loss (mandatory)	38,370	0	2,054	40,424
• at fair value OCI	5,086	4,777	112,355	122,218
<b>Equity and liabilities</b>				
Liabilities evidenced by paper - at fair value through profit or loss (designated)	0	34,710	0	34,710
Trading liabilities	0	5,336	0	5,336

Based on the input factors used in the measurement methods, investment property is assigned to Level 2 as in the preceding year.

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

**31/12/2022**

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value
<b>Assets</b>				
Receivables from customers				
• at fair value through profit or loss (mandatory)	0	0	39,381	39,381
• at fair value through profit or loss (designated)	0	0	135,413	135,413
Trading assets (derivatives)	0	13,947	0	13,947
Debt securities and other fixed-interest securities				
• at fair value through profit or loss (mandatory)	31	0	0	31
• at fair value through profit or loss (designated)	0	0	0	0
• at fair value OCI	54,901	0	1,018	55,920
Shares and other non-interest-bearing securities				
• at fair value through profit or loss (mandatory)	34,701	0	1,632	36,334
• at fair value OCI	3,480	4,988	105,440	113,907
<b>Equity and liabilities</b>				
Liabilities evidenced by paper - at fair value through profit or loss (designated)				
	0	35,336	0	35,336
Trading liabilities	0	5,250	0	5,250

**Level 3: Movements in financial assets and debt measured at fair value 2023**

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 01/01/2023	135,413	39,381	1,018	105,440	-	1,632
Income statement <sup>1)</sup>	-782	846	-2	-	-	422
Reclassification	-	-	-	-	-	-
Other comprehensive income	-	-	-	7,915	-	-
Purchased/added	22,975	4,546	-	-	-	-
Sold/redeemed	-2,679	-3,013	-	-1,000	-	-
<b>At 30/06/2023</b>	<b>154,927</b>	<b>41,760</b>	<b>1,016</b>	<b>112,355</b>	<b>-</b>	<b>2,054</b>

<sup>1)</sup> 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 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 noninterest 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 <sup>1)</sup>	-14,123	-1,887	-	-	-	-
Reclassification	-	-	-	-	-56,999	-
Other comprehensive income	-	-	-	9,757	-	-
Purchased/added	68,500	3,079	-	1,450	-	1,632
Sold/redeemed	-8,891	-15,442	-	-	-	-252
<b>At 31/12/2022</b>	<b>135,413</b>	<b>39,381</b>	<b>1,018</b>	<b>105,440</b>	<b>-</b>	<b>1,632</b>

<sup>1)</sup> 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 generally ascertained on the basis of market data observable for the assets or liabilities (e.g. yield curves, foreign exchange rates). Generally, items in Level 2 were measured using the DCF method. In the case of investment property, the expected rental income is discounted, and the location of the property is also taken into account.

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, securitized liabilities in the category Level 3 were measured on the basis of market data observable for the liabilities (e.g. yield curves, foreign exchange rates). The factors affecting the values of items in Level 3 not observable in the market were adjustments made on the basis of internal rating procedures to the credit ratings of customers and of BKS Bank itself with respect to securitised liabilities and the credit spreads derived from them. In general, items in the category Level 3 were measured using the DCF method.

**Reclassification**

Reclassifications between the individual categories were carried out if market values (Level 1) or reliable input factors (Level 2) were no longer available or if market values (Level 1) became newly available for individual financial instruments (e.g. IPO).

**Changes in the credit ratings of assets and liabilities measured at fair value**

Changes in the fair values of securities and loans designated as at fair value through profit or loss arising from default risk were calculated on the basis of the internal ratings of the financial instrument and the remaining time to maturity. The change in the credit risk associated with liabilities measured at fair value in the reporting period is calculated on the basis of a funding curve specific to BKS Bank and a financial instrument's remaining term to maturity. In the HY1 2023 reporting period, the change in the credit ratings of receivables from customers measured at fair value had an effect on the fair value of EUR -0.1 million (31/12/2022: EUR -0.9 million). In the HY1 2023 reporting period, the change in BKS Bank's credit rating had an effect on the fair value of the securitized liabilities of EUR -0.3 million (31/12/2022: EUR -1.0 million).

**Sensitivity analysis**

The sensitivity analysis of receivables from customers measured at fair value results in an accumulated change in value of EUR 0.9 million (31/12/2022: EUR 0.7 million), assuming an improvement or deterioration in the credit rating of 10 basis points in the credit spread. An analysis of an assumed improvement or deterioration in BKS Bank's rating by 10 basis points in the credit spread would result in an accumulated change in the fair value of the securitized liabilities designated at fair value of EUR 0.1 million (31/12/2022: EUR 0.1 million).

For level 3 equity instruments of EUR 32.8 million (31/12/2022: EUR 32.6 million), the material non-observable parameter is the cost of equity used for the calculation. An interest rate increase by 50 basis points reduces the fair value by EUR 1.9 million (31/12/2022: EUR 1.8 million). An interest rate decrease by 50 basis points raises the fair value by EUR 2.1 million (31/12/2022: EUR 2.0 million). For level 3 equity instruments of EUR 69.8 million (31/12/2022: EUR 60.2 million), a change in external prices by 10% results in a change in fair value by EUR 6.0 million (31/12/2022: EUR 5.3 million). For level 3 equity instruments in an amount of EUR 10.9 million (31/12/2022: EUR 10.7 million), the material non-observable parameter is the carrying amount of equity. The remainder refers to immaterial minority investments for which no fair value measurement was applied.

**Financial assets and debt not measured at fair value  
30/06/2023**

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value	Carrying amount 30/06/2023
<b>Assets</b>					
Receivables from other banks	-	-	150,464	150,464	150,420
Receivables from customers	-	-	7,007,919	7,007,919	7,046,525
Debt securities and other fixed-interest securities	1,044,232	-	-	1,044,232	1,139,402
<b>Equity and liabilities</b>					
Payables to other banks	-	-	795,625	795,625	810,078
Payables to customers	-	-	6,628,635	6,628,635	6,753,098
Liabilities evidenced by paper	13,635	692,332	-	705,967	763,370
Subordinated debt capital	135,844	99,458	-	235,302	258,112

**31/12/2022**

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value	Carrying amount 31/12/2022
<b>Assets</b>					
Receivables from other banks	-	-	253,413	253,413	253,618
Receivables from customers	-	-	6,882,816	6,882,816	7,000,547
Debt securities and other fixed-interest securities	968,745	-	-	968,745	1,067,861
<b>Equity and liabilities</b>					
Payables to other banks	-	-	906,672	906,672	930,977
Payables to customers	-	-	6,693,932	6,693,932	6,823,793
Liabilities evidenced by paper	39,761	647,601	-	687,362	748,280
Subordinated debt capital	103,499	130,290	-	233,789	264,719



# 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 2023 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 2023 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 six 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 six months of the financial year."

Klagenfurt am Wörthersee, 23 August 2023

Management Board



Herta Stockbauer  
Chairwoman of the Management Board



Dieter Kraßnitzer  
Member of the Management Board



Alexander Novak  
Member of the Management Board



Nikolaus Juhász  
Member of the Management Board



Dietmar Böckmann  
Member of the Management Board

## Financial Calendar 2023

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

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