Success comes from Excellence

BKS Bank

Annual Report 2023

BKS Bank

Success comes from excellence

BKS Bank follows the excellence model of EFQM, the European Foundation for Quality Management. The model is based on a total quality management approach which is the foundation of our success. This approach makes it possible for us to achieve excellent results in all business areas. Excellence in management, innovation and processes clearly sets us apart from our peers.

Our aspiration to deliver excellence is more than achieving top performance indicators, it also gives due attention to stakeholder satisfaction, sustainability in business practices and creating value for society. We believe that lasting success is the outcome of balancing corporate goals with the aim of meeting the needs of all stakeholders.

We constantly work to improve quality and advance innovation, and in this way continually improve processes and services. Our commitment to excellence means delivering high quality products and services, resulting in satisfied customers.

Our focus on quality shows that working to achieve success for the long term is the key to securing our future and yields benefits customers, employees and society.

Living our values

Our ideal of serving as a "warm-hearted bank for a livable future" is based on our key values of warm-heartedness, strength in relationships and accountability. These values guide the actions of our management and employees, and creates a stable foundation that helps us gain the trust of our customers, employees and business partners.

People who experience BKS Bank know that it is a credit institution that lives its values: warm-heartedness, strong in relationships, accountability, future-oriented and excellence.

Customers are at the core of our activities, with a strong focus on individual needs and providing personal advisory services. Even in an increasingly digital world, BKS Bank has kept its focus on personal relationships and works to ensure that all customers – regardless of whether digital natives or traditional banking customers – are served well and reliably.

Our values and focus on customers make BKS Bank a reliable partner, outstanding for its close relations with customers and excellent understanding of their needs.

Proven excellence

BKS Bank is one of just a few banks that voluntarily submits its business to an assessment under the EFQM Excellence Model. The last EFQM assessment awarded BKS Bank a 6-star rating.

The findings: "BKS Bank's business is very balanced and of high quality across all criteria of the EFQM Model. The topic of sustainability is firmly established at BKS Bank."

The European Foundation for Quality Management (EFQM) provides a globally recognised assessment model that helps organisations manage change and improve their performance.

Three topics are at the core of the assessment.

1. Priority of customers and their needs ahead of other objectives.
2. The necessity of a long-term perspective that focuses on stakeholders.
3. The causal relationships between what an organisation does, how it does it and what it achieves by its actions.

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Minimal deviations in tables and charts are due to rounding differences. The masculine form was chosen to make the text easier to read.
All genders are addressed equally in the texts.

Three-year performance comparison

Income Statement in €m	*2021**	*2022*	*2023*
Net interest income	138,9	156,6	248,6
Impairment charges	-32,4	-25,9	-38,4
Net fee and commission income	67,1	68,2	64,9
General administrative expenses	-124,0	-136,0	-153,3
Profit for the year before tax	96,2	78,6	206,3
Profit for the year after tax	83,3	63,6	179,1
Balance sheet in €m			
Total assets	10.602,5	10.533,0	10.673,1
Receivables from customers after impairment charges	6.958,6	7.175,3	7.411,7
Primary deposits	8.116,0	7.872,1	7.832,3
• thereof savings deposits	1.351,2	1.258,9	922,5
• thereof securitised liabilities incl. subordinated debt capital	973,5	1.048,3	1.087,8
Shareholders' equity	1.480,0	1.543,8	1.768,8
Customer funds under management	21.222,8	19.397,2	19.952,5
• thereof on custody accounts	13.106,9	11.525,1	12.120,3
Own funds pursuant to CRR in €m			
Total risk exposure amount	5.980,1	6.213,5	6.664,3
Own funds	1.009,2	1.058,1	1.189,5
• thereof common equity tier 1 (CET1) capital	734,9	778,3	907,5
• thereof total tier 1 capital (CET1+AT1)	800,1	843,4	972,7
Common equity tier 1 ratio	12,3	12,5	13,6
Tier 1 capital ratio (in %)	13,4	13,6	14,6
Total capital ratio (in %)	16,9	17,0	17,9
Performance ratios			
Return on equity after tax	5,9	4,2	10,8
Return on assets after tax	0,8	0,6	1,7
Cost/income ratio (expenses/income coefficient)	50,2	54,7	38,7
Risk/earnings ratio (credit risk/net interest income)	23,3	16,5	15,4
Non-performing loan ratio (NPL ratio)	2,2	2,1	2,9
Leverage ratio	8,4	7,9	9,1
Liquidity coverage ratio (LCR)	208,9	190,4	223,2
Net stable funding ratio (NSFR)	122,9	118,7	123,3
Resources			
Average number of staff	986	986	994
Number of branches	64	64	64
BKS Bank's Shares			
Number of no-par ordinary shares (ISIN AT0000624705)	42.942.900	42.942.900	45.805.760
High in €	16,7	15,9	16,6
Low in €	11,3	13,2	12,5
Close in €	15,3	14,0	16,3
Market capitalisation in €m as at 31/12	657,0	601,2	746,6
Dividend per share in EUR	0,23	0,25	0,35[1)]
P/E ratio ordinary shares	8,0	9,7	4,1

*) In the 2022 financial year, the accounting method for investment property was changed. In accordance with IAS 8 the previous year's figures were adjusted accordingly.

[1)] Proposal to the 85th Annual General Meeting of BKS Bank AG on May 8, 2024

Our commitments to innovation and excellence are the guiding lights on our journey to sustainable success.

1. Preface by the Chairwoman of the Management Board

Dear Shareholders, Dear Readers,

We look back at a year of hard work, with both challenges and great achievements. Our ability to react quickly to changes proved more important than ever in a setting of geopolitical tension and economic uncertainty. It makes me very proud to say that we not only successfully mastered the challenges, but also achieved excellent results and laid the ground for future success.

Paving the way to new growth

One of the most important milestones in 2023 was the successful capital increase carried out in May in which 2,862,860 new shares were successfully placed on the market. A few weeks earlier, we had founded a new leasing company in Serbia. Having successfully gained a foothold in the markets of Slovenia, Croatia and Slovakia, we believe the entry into the Serbian market is an important and effective next step for the continuation of our expansion into foreign markets.

An important topic during the summer months was the enlargement of the Management Board team. The appointment of Claudia Höller and Dietmar Böckmann brought new perspectives and expertise to our management team. The two experienced experts bring vast experience and innovative ideas to the bank that will help it achieve its strategic goals and strengthen BKS Bank's position in the market.

Digital transformation progressing well

The focus of our corporate strategy in the past financial year has been on the topics of digitalisation and sustainability – two key areas of crucial importance not only for the future of our bank, but also for our customers and society.

We are using the digital transformation to make banking transactions even more convenient for our customers and to steadily improve service quality. Among other things, a financial planner was added to the BKS app last year, giving customers a much improved overview of their receipts and expenses. It is now also possible to integrate giro accounts at other banks into the customer portal, and based on data analysis, we can provide individualised digital services to customers. A number of projects are currently under way such as the digitalisation of the highly complex corporate lending process. We have successfully completed numerous digital products in 2023 – and many more are currently in the process of being implemented.

Engaged for the future of our society

Sustainability is a central element of our identity. With every decision we take, and every project we support, we want to make a positive contribution to a sustainable future. Our customers support us in this endeavour with demand and appreciation of our sustainable products. Today, we offer green alternatives for retail customers in all product categories: savings, investments, financing and accounts. Our "Natur&Zukunft" account is extremely popular, with the number of users growing strongly again. The balances on these accounts are used exclusively for ecologically sustainable loans, and every new account contributes to the reforestation of a protection forest in Austria. At the end of the year, we also issued a green bond to promote solar power: Investors had an opportunity to invest in the erection of photovoltaic installations in Carinthia by Kärntner Elektrizitäts-Aktiengesellschaft (Kelag).

Successful new focus in our sustainability strategy

In the past financial year, we enlarged our sustainability strategy to include additional activities in the areas of corporate and social responsibility. With retirement and investment products, and by financing affordable housing projects, we are increasing our activities to address groups that were previously less at the focus of attention. One new lending product is the “Bildungs- & Zukunft-Kredit” designed for young people as a solution for funding education and training. We have been offering the lending product “Silberkredit” for some time now that helps reduce age discrimination: there are no age limits for our bank. We work to bring about positive change in the community and leave a sustainable social footprint. In line with this goal, we set up the foundation "Du & Wir-Stiftung" under the umbrella of the non-profit organisation “Caritas Stiftung Austria” in the reporting year. We plan to use the returns earned to support people in need and people with care and nursing requirements.

BKS Bank received several awards for its commitment to sustainability in 2023. One of the highlights was the sustainability award in the category of "Financial Services". We received this award for a third time in a row, as well as the ASRA award in the category "Mandatory Reporting (excl. ATX prime)” for our Sustainability Report. We also received the Environmental Management Award in the category "Best Strategy for Sustainable Corporate Development” for the first time in the reporting year. We are also proud to have completed the European certification “Recognised for Excellence 6 Star by EFQM" and our inclusion once again in the VÖNIX Sustainability Index of the Vienna Stock Exchange.

Pole position for future success

Despite the adverse economic situation, geopolitical uncertainty, interest rate hikes by central banks and persistently high inflation, we achieved significant earnings growth in 2023. Profit after tax was EUR 179.1 million. At year-end, receivables from customers increased by 3.3% to EUR 7.4 billion.

BKS Bank has repeatedly demonstrated its innovation capabilities and stability, especially in challenging times. Current earnings are an excellent basis for continuing on our path to success.

We have a well-filled agenda with many projects in the pipeline for 2024. We look forward to another year of working together and growing with our customers, shareholders and partners. I would like to express my great appreciation to everyone for their trust and many years of successful collaboration.

Cordially,

Herta Stockbauer,
Chairwoman of the Management Board

2. Corporate Governance

Excellence is based on good corporate governance guided by firm criteria and a clear organisational framework.

Corporate Governance at BKS Bank

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

Austrian Code of Corporate Governance (ÖCGK)

The Austrian Code of Corporate Governance (ÖCGK) is a voluntary code for Austrian listed companies established in 2002 that defines rules of good governance, thereby supplementing existing legislation on joint-stock companies, stock markets and capital markets. The aim of the Code is to establish responsible corporate management and controls that aim to achieve sustainable long-term value. The Code is designed to create a high level of transparency for all stakeholders: shareholders, business partners, customers and employees.

Key principles such as the equal treatment of all shareholders, transparency, independence of supervisory board members, open communication between the supervisory board and the management board, avoidance of conflicts of interest and supervision by the supervisory board and auditors have the aim of strengthening investor confidence in both the company and in Austria as a financial centre. The standards for responsible corporate governance are grouped into three categories: The L Rules (Legal Requirements) – these rules are based on mandatory legal requirements. The C Rules (Comply or Explain) permits departures from a rule, but require an explanation. Additionally, the Code also contains R Rules (Recommendations) that are only recommendations.

Commitment to the Code of Corporate Governance (ÖCGK)

The members of the Supervisory Board and of the Management Board of BKS Bank explicitly declare themselves committed to comply with the principles, objectives and purposes of ÖCGK. The Supervisory Board renewed its commitment to the ÖCGK at the first meeting of the Supervisory Board on 29 March 2023.

In the reporting year, BKS Bank complied with all L Rules. There was only one departure from a C Rule, specifically C Rule 45: Because of the way our shareholder structure has evolved, representatives of the largest shareholders have been elected to the Supervisory Board. As the major shareholders are also banks, their representatives also hold positions in the governing bodies of other banks which are competitors of BKS Bank. These Supervisory Board members have declared their independence in individual statements. BKS Bank also attaches special importance to the newly added C Rule 16a according to which the Management Board must take into account the aspects of sustainability and the associated opportunities and risks relating to the environment, social issues and corporate governance when developing and implementing the corporate strategy. This Rule was also complied with.

The Code of Corporate Governance (ÖCGK), the Guidelines on the Independence of Supervisory Board Members, BKS Bank's Corporate Governance Report and the Articles of Association of BKS Bank are available for downloading at www.bks.at/investor-relations/corporate-governance. The report has been prepared in accordance with § 243c and § 267b of the Austrian Business Code (UGB) and meets the requirements of the Austrian Sustainability and Diversity Improvement Act (NaDiVeG).

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

The Rules of the Code of Corporate Governance apply to all companies of the BKS Bank Group. All group companies are included in the reporting of the BKS Bank group. Additionally, the management of these subsidiaries report regularly to their supervisory boards and to the management board of the parent company. The remuneration principles as adopted by the Supervisory Board of BKS Bank AG also apply to these management staffs. These companies are fully integrated into the risk, compliance and anti-corruption management systems of the BKS Bank Group. Regular reports are sent to the Supervisory Board of the parent company on the development of significant subsidiaries with business operations.

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

The bank likewise complies with the FMA circular of 18 March 2023 on the suitability assessment of managing directors, supervisory board members and holders of key functions.

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

External evaluation pursuant to C Rule 62

C Rule 62 of the Code of Corporate Governance states that compliance with the C Rules must be evaluated externally on a regular basis, but at least every three years. In 2023, Deloitte Audit Wirtschaftsprüfungs GmbH audited compliance with the C Rules – with the exception of Rules 77 to 83 – on the basis of the Corporate Governance Report from financial year 2022. The external audit revealed that BKS Bank fully meets the requirements of ÖCGK.

Information on the internet on ÖCGK and BKS Bank

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

Management Team of BKS Bank

Mr Alexander Novak
Mr Nikolaus Juhász
Ms Herta Stockbauer
Mr Dietmar Böckmann
Ms Claudia Höller

Management Board and Supervisory Board

Working Procedures of the Management Board

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

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

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

Members of the Management Board

In the reporting year, there were five persons on the Management Board of BKS Bank with joint responsibility. During the year under review, two new members joined the Management Board. One member of the Management Board retired.

Herta Stockbauer
Chairwoman of the Management Board, born 1960
Date of initial appointment: 1 July 2004
End of the period of office: 30 June 2024

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

Herta Stockbauer stated that she would no longer be available for reappointment as a member of the Management Board. Her period of office ends on 30 June 2024.

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

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

Further functions:
- Member of the Board of Directors of the Austrian Bankers' Association (Verband österreichischer Banken und Bankiers)
- Member of the Management Board of the Federation of Austrian Industries for Carinthia
- Member of the Board of the Austrian Society for Banking Research (Österreichische Bankwissenschaftliche Gesellschaft)
- Spokeswoman of the Banking and Insurance Section of the Chamber of Commerce of Carinthia
- Honorary Consul for Sweden

Nikolas Juhász

Member of the Management Board, born 1965
Date of initial appointment:
1 July 2021
End of the period of office:
30 June 2029

Mr Nikolaus Juhász was born in Vienna in 1965. After studying business administration at the Karl-Franzens University of Graz, he dedicated himself to the banking business and gained professional experience in key account management positions, in particular, in the lending business before taking over as head of corporate banking at BKS Bank's Villach main branch in 1999. In 2007, he was put in charge of the Regional Head Office Styria, and in 2021, he was appointed to the Management Board.

The Supervisory Board appointed Nikolaus Juhász effective as of 1 July 2024 as a new member of the Management Board. Nikolaus Juhász succeeds Herta Stockbauer in this function.

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

Functions in other Austrian companies and foreign companies not included in the group of consolidated companies: none

Other functions:
- Member of the Banking Section and of the Business Parliament of the Styrian Chamber of Commerce

Dieter Kraßnitzer

Member of the Management Board, born 1959
Date of initial appointment:
1 September 2010
End of the period of office:
31 August 2023

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

Functions in companies included in the group of consolidated companies: none
Functions in other Austrian companies and foreign companies not included in the group of consolidated companies: none

Other functions:
- President of the Carinthian Economics Society (Volkswirtschaftliche Gesellschaft) until 11 May 2023
- Member of the Expert Advisory Council of 3 Banken IT GmbH until 5 June 2023

Dieter Kraßnitzer retired at the end of the period of office from his function as a member of the Management Board effective 1 September 2023.

Alexander Novak
Member of the Management Board,
born 1971
Date of initial appointment:
1 September 2018
End of the period of office:
31 August 2026

Mr Alexander Novak was born in Bad Eisenkappel in 1971. He studied business administration at the University of Economics and Business Administration of Vienna. After his studies, he first worked as a tax advisor and in international commodity trading before he started his career at BKS Bank in 2000 as a team member of accounting and controlling.

From 2004 on, he worked to establish the Regional Head Office Slovenia. He headed the Regional Head Office from its establishment until he was appointed to the Management Board in 2018.

Functions in companies included in the group of consolidated companies:
- Members of the Supervisory Board of BKS-leasing Croatia d.o.o.
- Chairman of the Supervisory Board of BKS Leasing d.o.o., Belgrade

Functions in other Austrian companies and foreign companies not included in the group of consolidated companies: none

Dietmar Böckmann
Member of the Management Board,
born 1978
Date of initial appointment:
1 June 2023
End of the period of office:
31 May 2026

Mr Dietmar Böckmann was born in Vienna in 1978. He studied business informatics at the University of Vienna. After completing his studies, he initially worked in management consultancy and later joined the IT subsidiary of an Austrian banking group, where he was responsible for IT and portfolio management as Managing Director and Head of Division, among other things, before being appointed to the Management Board of BKS Bank AG.

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

Other functions:
- Member of the Expert Advisory Council of 3 Banken IT GmbH

Functions in other Austrian companies and foreign companies not included in the group of consolidated companies: none

Claudia Höller
Member of the Management Board,
born 1968
Date of initial appointment:
1 September 2023
End of the period of office:
31 August 2026

Ms Claudia Höller was born in St. Johann in Tirol in 1968. She began her career in 1991 in the international business unit of an Austrian bank and then joined the strategy department. She completed the MBA programme of the University of Minnesota and the WU Executive Academy while working at her job.
In 2015, she was appointed Chief Risk and Financial Officer at Erste Bank der österreichischen Sparkassen AG. In October 2019, Ms Höller switched to Tiroler Sparkassen Bankaktiengesellschaft as Chief Risk and Financial Officer before being appointed to the Management Board of BKS Bank.

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

Functions in other Austrian companies and foreign companies not included in the group of consolidated companies: none

Other functions:
- Vice-President of the Carinthian Economics Society (Volkswirtschaftliche Gesellschaft)

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

Management Board Remits

As Chairwoman of the Management Board, **Ms Herta Stockbauer** is responsible for Corporate Strategy, Sustainability, Corporate Banking, Payments and Funds Transfers, Digital Sales, Controlling and Accounting, Human Resources, Public Relations and Marketing, Investor Relations as well as Real Estate and Investees.

Mr Nikolaus Juhász is responsible for Sales in Austria including Private Banking, Sales Management, Lending and Investing as well as Investments and Retirement Planning and for BKS-Leasing GmbH. Mr Nikolaus Juhász is the member of the governing body responsible pursuant to § 23 (4) FM-GWG (Financial Markets – Anti-money Laundering Act)

Mr Alexander Novak is responsible for Sales at foreign branches and foreign leasing companies, Sales International, and Treasury and Financial Institutions.

Mr Dietmar Böckmann is responsible for Digital Solutions, Operations and 3Banken IT Gesellschaft, ICT at foreign subsidiaries and for BKS Service GmbH including Securities Services and Backoffice Treasury.

Ms Claudia Höller is responsible for Risk Analysis, Credit Risk Management, Back Office at Foreign Branches and Risk Controlling. She is the member of the management body responsible for disciplinary matters within the meaning of RZ 60 of the FMA Circular pursuant to the Securities Supervision Act 2018.

The **joint responsibility** includes
- due diligence and risk management as defined in the internal business rules, ÖCGK and supervisory law
- internal audit
- compliance under the Banking Act and under the Securities Supervision Act
- prevention of money laundering and terrorism financing

GRI 2-10 (as amended 2021): General Disclosures on the Management Board

The Stock Corporation Act regulates appointments and removals of members of the Management Board by the Supervisory Board. The Articles of Association of BKS Bank include supplementary provisions in this context.

The Supervisory Board approved a Fit & Proper Policy, which was updated in the reporting year in accordance with the FMA's provisions for Fit & Proper compliance. The Policy defines the principles for the selection and appointment of members to the Management Board. The individual suitability of a person for a specific function and the collective suitability of the management board as a whole must be assessed. It also sets out the key technical requirements including training, professional experience and knowledge of standards. Furthermore, the Policy lists the personal skills required of a member of the Management Board. These include authenticity, determination, soundness of judgement and communication skills. The requirements for personal reliability are also specified in detail as well as the necessity of having sufficient time to perform the management board function. Strict requirements are placed on impartiality and independence of mind.

The Nominations Committee presents proposals to the Supervisory Board for filling vacant positions on the Management Board and Supervisory Board, and deals with succession planning. Diversity considerations are important when selecting new members for the Management Board. The Supervisory Board applies the principles set out in BKS Bank's Diversity Policy to ensure excellent governance. Gender aspects play a role as well as relevant specialist knowledge, professional experience, seniority, industry knowledge and many other factors. As shareholder representatives on the Supervisory Board are elected by the Annual General Meeting and employee representatives are delegated by the bank's Works Council, the views of these stakeholders are taken into account when nominating members to the Management Board.

Working Procedures of the Supervisory Board

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

The Supervisory Board deals with the audit of financial statements of BKS Bank AG and of the BKS Bank Group and is also indirectly involved in decisions on the proposal to the Annual General Meeting with respect to dividend distributions.

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

The Supervisory Board is also responsible for appointing members to the Management Board and determining the person to chair the Management Board. The appointments are prepared by long-term succession planning with the aim of having qualified candidates when positions on the Management Board become vacant. In the 2023 financial year, the Supervisory Board took decisions on the future chairperson of the Management Board: At the end of the period of office of Herta Stockbauer, Nikolas Juhász will take over as Chairman of the Management Board of BKS Bank as of 1 July 2024.

The chair of the Supervisory Board directs the Annual General Meeting of BKS Bank and the meetings of the Supervisory Board.

The work takes place at the plenary meetings as well as in the Committees.

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

If a member of the Supervisory Board recognizes a possible personal conflict of interest, the member must disclose this to the chair of the Supervisory Board without delay. The Supervisory Board subsequently determines how to resolve such a conflict of interest and what accompanying measures are required. The measures taken are documented.

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

Members of the Supervisory Board of BKS Bank AG

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

Honorary President

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

Shareholder representatives

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

Supervisory Board functions and comparable functions at Austrian and foreign listed companies:

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

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

Supervisory Board functions and comparable functions at Austrian and foreign listed companies:

- Member of the Supervisory Board of Oberbank AG

Ms Christina Fromme-Knoch
Independent*, born 1970
Austrian citizen
Initially elected: 15 May 2012
appointed until the 88th Annual General Meeting (2027)

Mr Franz Gasselsberger
independent*, born 1959
Austrian citizen
Initially elected: 19 April 2002
appointed until the 85th Annual General Meeting (2024)
Supervisory Board functions and comparable functions at Austrian and foreign listed companies:

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

Mr Reinhard Iro
Independent*, born 1949
Austrian citizen
Initially elected: 26 April 2000, appointed until the 89th Annual General Meeting (2028)
Supervisory board mandates and similar functions at domestic and international listed companies:

- Chairman of the Supervisory Board of SW-Umwelttechnik Stoiser & Wolschner AG

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

Ms Stefanie Lindstaedt
Independent*, born 1968
German citizen
Initially elected: 9 May 2018
appointed until the 89th Annual General Meeting (2028)

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

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

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

Employee Representatives

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

Ms Andrea Medic, born 1993
German citizen
Initially delegated: 18 May 2022

Ms Corinna Doraponti, born 1985
Austrian citizen
Initially delegated: 3 May 2023

Ms Marion Dovjak, born 1982
Austrian citizen
Initially delegated: 3 May 2023

Mr Roland Igumnov, born 1968
Austrian citizen
Initially delegated: 3 May 2023

Mr Maximilian Medwed, born 1963
Austrian citizen
delegated until 5 May 2023

Ms Herta Pobaschnig, born 1960
Austrian citizen
delegated until 5 May 2023

The number and type of all additional functions of Supervisory Board members comply with the restrictions on functions pursuant to § 28a (5) Banking Act. The Supervisory Board meets the selection criteria set out on page 27.

GRI 2-10 (as amended 2021): General Disclosures on the Supervisory Board

The Stock Corporation Act defines the rules on the appointment and removal of members of the supervisory board. The Supervisory Board members are elected directly at the Annual General Meeting. Nominations may be submitted by the supervisory board and by shareholders whose shares together amount to 1% of the share capital. The Articles of Association of BKS Bank do not include any delegation rights for shareholders.

Candidates for the election to the Supervisory Board must submit to the Annual General Meeting their professional qualifications, professional or similar functions, and any potential grounds for conflicts of interest. When selecting Supervisory Board members, the Annual General Meeting must carefully scrutinize the professional and personal qualifications of the members and also pay attention to a well-balanced know-how mix of the members with respect to company's structure and business. Moreover, aspects of diversity on the Supervisory Board such as the representation of both genders and the age structure and, in the case of listed companies, the internationality of the members must also be taken adequately into account. A legally binding conviction for a criminal offense that calls into question the professional reliability constitutes grounds for disqualification from election to the Supervisory Board.

The comments under "GRI 2-10 (as amended 2021) General Disclosures on the Management Board" regarding the

* Guidelines of the Supervisory Board of BKS Bank on independence

detailed requirements of the Fit & Proper Policy also apply to the selection of members to the Supervisory Board.

GRI 2-11 (as amended 2021)

No member of the Supervisory Board, including the Chairwoman of the Supervisory Board, holds a management position at BKS Bank at the same time. The Stock Corporation Act prohibits holding a Management Board and Supervisory Board function at the same time at the same company.

Representatives of the Supervisory Authority

Mr Stefan Trittner, born 1985
Austrian citizen
Date of initial appointment:
1 January 2023

Mr Jakob Köhler born 1978
Austrian citizen
Date of initial appointment:
1 January 2023

Independence of the Supervisory Board

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

Each of the members of the Supervisory Board elected at the Annual General Meeting have declared their independence in accordance with the guidelines below in an individual statement. Additionally, with the exception of Gerhard Burtscher and Franz Gasselsberger, there were no members of governing bodies of shareholders with an interest of more than 10% represented on the Supervisory Board in the financial year 2023.

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

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

Guidelines on Independence of the Supervisory Board of BKS Bank

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

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

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

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

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

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

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

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

The specified number of committee members is based on the minimum regulatory requirements.

When determining the number of committee members, the Supervisory Board also takes into account the need to deal with significant issues in a larger governing body and, if necessary, also determines a number of committee members that exceeds the minimum requirement.

Audit Committee
The Audit Committee met twice in the reporting year and, in accordance with statutory requirements, dealt with the audit of the annual financial statements and the preparation of their approval, the audit of the consolidated financial statements and the group management report, the audit of the proposal for the distribution of profits, the management report and the corporate governance report and the audit of compliance with the C Rules of ÖCGK by an external institution. Moreover, the Audit Committee monitored the financial reporting processes, audited the effectiveness of the internal control system (ICS), the internal auditing system and the risk management system. Furthermore, the Audit Committee monitored the audits of the single-entity financial statements and consolidated financial statements. The Committee monitored the independence of the auditor, in particular, as to whether the independence criteria pursuant to § 63a (4) Banking Act are met.

Working Committee
The Working Committee reaches decisions usually by circular vote on matters of urgency requested by the Management Board, but which exceed the competence of the Management Board.

The Internal Rules of Procedure of the Supervisory Board specify other matters in which the Management Board is subject to the approval of the Supervisory Board and which are decided by the Working Committee.

The proposals made and the outcomes of the vote are reported afterwards to the full Supervisory Board. During the financial year, the Working Committee approved four resolutions.

Risk Committee
The main tasks of the Risk Committee pursuant to § 39d Banking Act include advising the management on the bank’s current and future risk appetite and risk strategy, and the monitoring of implementation of the risk strategy. Furthermore, the Risk Committee reviews the pricing policy to determine if it is appropriate for the business model and the risk strategy of the credit institution. At the meeting of 1 December 2023, the Committee discussed these topics in detail and ascertained that the risk management procedures applied by the bank are effective and appropriate, and risk monitoring is conducted in an orderly manner. The risk limits defined by law were essentially complied with. Furthermore, the Risk Committee ascertained that the remuneration system of BKS Bank does not create any incentives that would negatively influence the risk, capital, liquidity or profit situation of BKS Bank. The reports on the internal control functions revealed neither an increase in the risk profile nor any detrimental changes to the risk profile of the company or tendencies that could pose a threat to the risk situation of the company. We comply with the independence criteria of § 39d (3) Banking Act.

Credit Committee
The Credit Committee decides on the granting of new loans and on prolongations of loans, and on leasing and guarantee transactions as of a certain volume of debt. A number of 65 resolutions were

passed by written vote. These were reported on in detail at the following plenary meeting of the Supervisory Board.

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

At its meeting of 28 March 2023, the Nominations Committee conducted the Fit & Proper evaluation of all members of the Management Board and of the Supervisory Board as well as of the respective governing body in its entirety and also dealt with the evaluation of any conflicts of interest. The updated Fit & Proper Guidelines of BKS Bank were unanimously approved by the Nominations Committee.

The Committee passed the resolution to propose to the Annual General Meeting to re-elect Mr Reinhard Iro and Ms Stefanie Lindstaedt to the Supervisory Board.

The agenda of the second meeting on 11 October 2023 included the matter of how to deal with the special representative pursuant to § 134 Stock Corporation Act and the coordination of the legal proceedings being conducted by this special representative.

At the third meeting on 30 November 2023, the prolongation of Management Board functions and current developments in the proceedings pursuant to § 134 Stock Corporation Act were discussed.

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

Remuneration Committee
The Remuneration Committee held one meeting in the financial year 2023. The Committee discussed as planned the content of the employment contracts of Management Board members and monitored the remuneration policy, the practices applied and the remuneration-linked incentives pursuant to § 39b Banking Act and related annexes. The Committee prepared amendments to the remuneration policy guidelines of BKS Bank and submitted them to the Supervisory Board for approval.

The Committee also dealt with the annual remuneration report that must be prepared by the Management Board and the Supervisory Board. The amount of variable remuneration for the members of the Management Board for the financial year 2022 was also discussed at the meeting as well as the performance criteria applicable in 2023. All members of the Remuneration Committee meet the independence criteria of § 39c (3) Banking Act.

Committees established by the Supervisory Board

Name	Audit Commitee	Working Commitee	Risk Committee	Nominations Committee	Remuneration Committee	Credit Committee	Legal Committee
Gerhard Burtscher				✓	✓	✓	✓
Hannes Bogner			✓				
Susanne Kalss	✓						✓
Christina Fromme-Knoch				✓			✓
Franz Gasselsberger	✓	✓	✓			✓	
Reinhard Iro		✓			✓		✓
Stefanie Lindstaedt							
Heimo Penker		✓		✓	✓	✓	
Sabine Urnik	✓		✓	✓	✓		✓
Klaus Wallner	✓		✓				
Andrea Medic. BSc	✓					✓	
Sandro Colazzo			✓				✓
Marion Dovjak					✓		✓
Roland Igumnov		✓			✓		
Corinna Doraponti	✓		✓				

As at 31 December 2023

Legal Committee

This Committee was set up to deal with the disputes with the two minority shareholders UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H., which have been ongoing since mid-March 2019 and are also pending in court. The tasks of the Legal Committee are defined as follows: "Dealing with the legal dispute with the UniCredit Group and the Generali 3Banken Holding AG (hereinafter G3B Holding AG) including all related proceedings" and also covers the related tasks of the Supervisory Board. These powers include the commissioning of external service providers, in particular lawyers, with the representation of the company by the Supervisory Board externally, making any required statements of the Supervisory Board in court proceedings or proceedings before authorities as well as taking decisions in these matters (decision-making power) unless it is mandatory for the full Supervisory Board itself to reach a decision. The chair of the Legal Committee reports regularly to the plenary meeting of the Supervisory Board on the work of this Committee.

At the five meetings and in one resolution reached by written vote in the financial year, the Legal Committee dealt in particular with the audit proceedings of the Takeover Commission and the action for a declaratory judgment and injunction order filed by the aforementioned minority shareholders in 2021. Furthermore, the proceedings for annulment regarding the resolutions of the 2020 Annual General Meeting were also a topic of discussion.

Starting with the second meeting in May 2023, the action filed by the aforementioned minority shareholders and the resulting proceedings pursuant to § 134 Stock Corporation Act were the main subject of discussion of the Legal Committee.

This topic was also the subject of the aforementioned resolution adopted by written vote.

Meetings and main activities of the Supervisory Board

Four regular meetings of the Supervisory Board were held and one resolution was adopted by written vote in the financial year 2023. At each of these meetings, the members of the Management Board reported on the current development of the financial position, financial performance and cash flows of the company and on the risk situation of BKS Bank and its subsidiaries. Furthermore, current regulatory requirements and their impact on BKS Bank were discussed at every meeting.

The Management Board discussed the business strategy, risk strategy as well as the IT and sustainability strategies in detail. The Management Board submitted all matters requiring approval to the Supervisory Board in a timely manner. Other important topics discussed at the meetings included:

- further development of the sustainability organisation and activities;
- the results of audits conducted by supervisory authorities and the internal audit unit;
- the situation on the real estate market and the development of credit exposure in this area;
- BKS Bank's progress with digital products and processes.

The subject of a resolution passed by written circular was the allocation of shares as part of the variable remuneration of the Management Board.

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

Self-evaluation pursuant to C Rule 36

In the reporting year, the Supervisory Board conducted a self-evaluation of its activities in accordance with C Rule 36 ÖCGK. At its meeting of 29 March 2023, the Supervisory Board discussed the efficiency of its work, in particular, regarding organisation and working methods, and invited all members of the Supervisory Board to present their views in a multi-paged structured questionnaire ahead of the meeting. The evaluation of the questionnaires during the meeting revealed a very positive perception of the work and self-understanding of the Supervisory Board as a governing body, and also proved its working procedures were efficient and effective. The relevant requirements of ÖCGK were fully met in the reporting year.

Remuneration of the Bank Auditor

At the 83rd Annual General Meeting, Deloitte Audit Wirtschaftsprüfungs GmbH was charged with the audit of the financial statements and conduct of business of BKS Bank AG and the group for the financial year 2023. The bank auditor presented an overview of all income received in the preceding financial year broken down by category of service to the Supervisory Board. Deloitte Audit Wirtschaftsprüfungs GmbH also informed the Supervisory Board of its involvement in a quality assurance system and conclusively declared itself to be impartial and confirmed the absence of grounds for exclusion.

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

Information on remuneration paid to the bank auditor

in €k	*2022*	*2023*
Fees for mandatory audits of the single-entity and consolidated financial statements	400,3	482,3
Fees for other auditing services	26,2	114,3
Total	**426,5**	**596,6**

Diversity Policy

Diversity is an integral part of our daily activities. We recognize and value the uniqueness of every single individual. Different perspectives support innovation, resilience and lasting change.

We are convinced that authentic and sincere diversity management is the best foundation for a respectful workplace. Diversity in terms of origin, worldview, gender, educational background and language opens up valuable perspectives that contribute to the development of innovative corporate strategies.

Diversity in action creates value for customers

We promote respectful interaction in the workplace and are proud of our active LGBTQIA+ Business Resource Group where employees meet regularly to discuss the development of our organization with regard to sexual orientation and gender diversity. The goal is to work together to create an even more respectful workplace and advise our customers in their diversity by providing the best services. We are also part of the #positivarbeiten initiative. Since 2022, we have focused on an active diversity policy at BKS Bank through a social media campaign. In this way, we make the diversity of our workforce visible both internally and externally.

We take firm action to prevent any form of prejudice or discrimination of employees. When selecting staff, we always select the candidate with the best qualifications, regardless of gender, age or sociocultural background.

We optimized our recruiting processes in the reporting year and expressly invite people with disabilities to apply. Our recruiting training courses include sensitivity training for managers. In 2023, we organized diversity workshops such as one entitled “Prejudice-awareness instead of prejudice-free”, for example.

Diversity management in all training programmes

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

Diversity management is part of the curriculum of all key training programmes such as the BKS Bank College, the branch manager training course, the management development programme and the excellence programme. Still, we are well aware that a view from the outside can have an invigorating effect, which is why we fill expert and management positions externally when it offers a clear benefit for the organization.

Furthermore, we adopted a Code of Conduct several year ago which we update regularly. The Code presents our position on equal opportunity, equal treatment and diversity, and also states what we expect of all our employees: openness and impartiality. We also demand a commitment to our corporate values and governance principles from our suppliers and business partners: The "Code of Conduct for Suppliers and Business Partners of BKS Bank" was last updated in May 2023 and forms the basis for working together.

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

Criteria for the selection of Management Board and Supervisory Board members

When preparing proposals for the Annual General Meeting for potential candidates to fill Supervisory Board functions, the Nominations Committee and the entire Supervisory Board pay special attention to the adequate representation of both genders, international composition, age structure, education and professional background. The criteria for the selection of Management Board and Supervisory Board members are defined in the Fit & Proper Policy of BKS Bank, which was also updated in the reporting year and adjusted to the new supervisory requirements. The Policy clearly states the necessity to strengthen diversity by ensuring adequate representation of all genders on the supervisory and management boards.

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

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

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

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

Management Board and Supervisory Board members have good foreign language skills.

Age plays a role when assessing the suitability of potential candidates, as a balanced age distribution is of relevance when assessing the facts of a matter and for reasons of succession. We do not want to discriminate against anyone due to a specific age, however, we take care to ensure an age mix that also corresponds to the distribution in the working population and in the respective professions. Therefore, the age range of shareholder representatives on the Supervisory Board is between 53 and 76 years, and on the Management Board between 45 and 64 years.

Employees by country

Individuals	2022	2023
Austria	785	767
Slovenia	161	166
Croatia	111	106
Slovakia	48	46
Germany	14	14
Italy	5	9
Hungary	3	8
Bosnia-Herzegovina	9	13
Serbia	-	9
Canada	1	1
Bulgaria	1	1
Turkey	2	1
Ukraine	2	1
Armenia	1	-
Syria	1	-
Afghanistan	1	2
Romania	-	1

Measures to Promote Women

The many different measures taken to give women the same career opportunities as men were successful in 2023 as well.

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

We support our employees with a wide range of offers to help them achieve a good work-life balance. Flexible working hour models, numerous further education and training opportunities, care services for small children, support for childcare during holiday periods are just a few examples of measures for which funding is made available. These initiatives have been recognized by the Federal Ministry of Economy, Family and Youth. Since 2010, we have been certified under the "berufundfamilie" audit scheme. In Slovenia, BKS Bank has held the corresponding local certificate since 2015. In Croatia, we have been certified as a family-friendly company since 2017 under the “MAMFORCE© Grow-Standard” certification programme, which is similar to the Austrian “berufundfamilie” scheme. This certification was completed in 2023 as well.

Our women's career development programme is an important contribution to increase the proportion of female managers. The programme was initiated in 2012 and since then 86 participants have completed a total of six training courses.

The programme includes an analysis of typical women's roles and women's communication as well as behavioural forms and team dynamics. Additionally, mentors accompany mentees throughout the entire course. The overarching goals of the course are of empowerment and visibility for women.

In 2022, the programme was organized for the first time for our international female employees. Fourteen female employees from Slovakia, Slovenia, Croatia and Austria took part in the "BKS Bank International Women's Career Programme," which ran until May 2023.

Target ratio attained and exceeded

181 Persons were employed in management positions at BKS Bank at year-end 2023. The majority of these persons, namely 55.1%, were between 30 and 50 years old. 44% were over 50 years old.

One goal of our sustainability strategy is to raise the share of women in management positions to 35% by 2025. We are pleased to report that we attained this goal already in 2021. In 2023, the percentage including the Management Board was 36.5%.

Narrowing the gender pay gap

"Equal work, equal pay" should be a matter of course, but in reality this is far from being the case. We are working to steadily close the pay gap between the genders. There are still some considerable income disparities between men and women in all countries of the European Union.

The Federal Chancellery publishes the annual "Equal Pay Day" report[1], which compares the incomes of women and men employed throughout the year in Austria. As at 31 October 2023, men in Austria had already reached the level of income for which women have to work until the end of the year.

Important matters need clear goals. We aim to reduce the gender pay gap at BKS Bank to 12% by 2025. Good news is that the gender pay gap at BKS Bank in Austria has narrowed since 2016 from 19.2% to 15.8%.

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

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

At the end of 2023, the proportion of women on the Management Board was 40%, and on the Supervisory Board, including the members delegated by the Works Council, 46.7%. This puts BKS Bank in a leading position in a comparison throughout Austria.

Women in management positions

As at 31 December 2023	Number female	Ratio	Number male	Ratio
Management Board	2	40%	3	60%
Supervisory Board (shareholder representatives)	4	40%	6	60%
Supervisory Board (staff representatives)	3	60%	2	40%
Other management positions	64	36%	112	64%

[1] https://www.bundeskanzleramt.gv.at/frauenserviceportal/aktuell/equal-pay-day-2023-in-oesterreich.html (queried 16 Jan. 2024)

Compliance Management System

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

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

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

The Anti-money Laundering and Sanctions Officer and the Compliance Officer ensure regular reviews, adaptations and updates of the compliance management system and take account of legal developments in these areas and consider findings and experiences. Together with their teams, they are also the point of contact for these matters for all employees and managers. In the reporting year, the Anti-money Laundering Officer submitted 77 suspicious action reports (SARs) to the Austrian Financial Intelligence Unit of the Federal Criminal Police Office. A total of 65 reports were submitted in our foreign markets.

In order not to lose track of the constantly changing legal framework applicable to BKS Bank AG, the Compliance Officer (pursuant to Banking Act) and the Compliance team ensures that the responsible managers are informed in a timely manner about upcoming changes to standards so that any necessary adjustments to processes and rules can be made in time. The legal framework comprises the core standards of banking supervision law such as the Austrian Banking Act (BWG) and the Capital Requirements Regulation (CRR) as well as numerous other rules and policy guidelines of importance for banking operations. In 2023, some 1,400 topics were discussed in connection with new laws and regulations. The Compliance Officer (pursuant to the Banking Act) reports directly to the full Management Board, which also applies to all compliance functions.

Directors‘ dealings

BKS Bank is under the obligation to disclose directors’ dealings reports relating to financial instruments of BKS Bank. On the last day of exchange trading in 2023, the members of the Management Board held a total of 14,542 ordinary shares on their securities accounts with BKS Bank; Supervisory Board members held 9,028 ordinary shares. In total, this is a percentage of around 0.05% of shares issued. Purchases and sales by members of the Management Board and the Supervisory Board as well by related parties are reported to the Financial Market Authority (FMA) in accordance with the EU Market Abuse Regulation and are published throughout Europe by news agencies and disclosed on the website of BKS Bank. This notification is sent when the value of the respective transactions for own account reaches or exceeds a total of EUR 5,000 in a calendar year. In the past financial year, there were ten directors’ dealings notifications.

Independent assessment of the functionality of risk management

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

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

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

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

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

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

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

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

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

At the meeting of 14 September 2023 of the Audit Committee, the findings of the audit pursuant to C Rule 83 ÖCGK were discussed, and in accordance with the provisions of § 63a (4) Banking Act, the risk management and its current further development were discussed in detail.

The chair of the Supervisory Board reported to the full Supervisory Board that the audit pursuant to C Rule 83 did not result in any objections and that BKS Bank had a functioning risk management system in place.

At the meeting of the Risk Committee on 1 December 2023, the objectives and status of implementation of the risk strategy were discussed, compliance with the risk limits was reviewed, and the further development of the risk strategy was deliberated. BKS Bank's risk management is described in detail in the Risk Report of the Annual Report as of page 178.

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

Additionally, the quality of the controls is assessed regularly based on a maturity level model. The organisational structure and responsibilities in ICS are clearly regulated.

The ICS coordinators continuously develop the internal control system and report to the Management Board in regular intervals. In this manner, we constantly improve monitoring at the company and ensure asset protection and also greater efficiency.

To limit IT and cyber risk, we take a large number of precautionary and control measures jointly with our IT service provider, 3 Banken IT GmbH. These measures include ongoing awareness programmes for all employees, security notices in our online portals, state-of-the-art server architecture that is regularly subjected to penetration tests and contingency tests, and special training courses for IT staff. In 2023, we updated and significantly expanded our training programme on cyber risks. By addressing current attack scenarios such as phishing and social engineering as well as advice on behaviour at the workplace, and the secure use of passwords, we raised awareness for information security at BKS Bank. In the reporting year, work started to implement the requirements of the Digital Operational Resilience Act (DORA), which is an EU regulatory framework designed, among other things, to ensure that the European financial industry is able to maintain operational stability in the event of a serious disruption, in particular, to withstand cyberattacks.

Accounting and Disclosure

As a listed company, BKS Bank AG prepares consolidated financial statements and condensed interim financial statements, which are part of the half-year financial report, pursuant to International Financial Reporting Standards (IFRS) as adopted by the EU. We publish the annual financial statements at the latest four months after the end of the reporting period, the half-year financial statements and the interim reports at the latest three months after the end of the reporting period.

The reports are made available to the public for at least ten years. We use the services of the Issuer Information Center of Oesterreichische Kontrollbank AG (OeKB), which is the officially appointed system for the central storage of mandatory disclosures. The annual reports are published on the website of BKS Bank in German and in English. In accordance with the ESEF standard, BKS Bank publishes its financial reports in XHTML format. The IFRS consolidated financial statements are tagged in accordance with the ESEF Taxonomy.The financial reporting of the BKS Bank Group presents a true and fair view of the financial position, financial performance, risks and cash flows of the company. In the group management report, the bank presents a relevant analysis of the development of business and describes the key financial and non-financial risks and the uncertainties to which it is exposed. The key features of the internal control system and the risk management system are also described with respect to the financial reporting process. The Notes contain information on how the company deals responsibly with the various types of risks. We publish a separate sustainability report that meets the requirements for non-financial disclosures.

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

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

Klagenfurt am Wörthersee, 1 March 2024

Herta Stockbauer
Chairwoman of the Board

Nikolaus Juhász
Member of the Management

Claudia Höller
Member of the Management Board

Alexander Novak
Member of the Management Board

Dietmar Böckmann
Member of the Management Board

3. Report of the Chairwoman of the Supervisory Board

Striving for excellence is a
promise to all stakeholders
that we will act responsibly
and work to secure
a good future.

Report of the Chairwoman of the Supervisory Board

Dear Readers,
As the Chairwoman of the Supervisory Board of a listed bank which operates in an environment of intense competition, extreme regulatory pressure and has stakeholders with high expectations, I am especially pleased to report that we achieved record earnings in 2023.

- The capital increase carried out yielded EUR 37.4 million in CET1 capital.
- Our profit after tax was EUR 179.1 million.
- We received the "Recognized by EFQM - 6 Stars" rating.
- We were conferred the award for the best sustainability report for a third successive time.
- The "Börsianer" magazine named us Austria's most sustainable bank.
- In Germany, we received the Environmental Management Award.
- We received the Vienna Stock Exchange's VÖNIX Sustainability Award for a third consecutive year.

All these distinctions are the reward for the excellent work of our employees and managers, evidence of the trust our stakeholders place in us, and of course, also a motivation not only to keep up the good work, but to raise it to a higher level.

Unpleasant in the past financial year was the motion put forth by the shareholders UniCredit Bank Austria AG and CABO Beteiligungs GmbH at the Annual General Meeting of May 2023 as a minority shareholder request pursuant to § 134 Stock Corporation Act. The motion of the minority shareholders requested that a special representative to be appointed by the court in order to file a legal action against four members of the Management Board of BKS Bank. This action is to assert claims which, in the opinion of the aforementioned minority shareholders, result from two share transactions in the 2022 financial year. This motion was discussed in detail at meetings of the Supervisory Board and its committees. Expert opinions were obtained from renowned university professors, all of whom confirmed that the members of the Management Board in question had not committed any wrongdoing and had acted lawfully – also with the approval of the Supervisory Board. Based on the provisions regarding minority rights under the Austrian Stock Corporation Act, a special representative was appointed by the court in November 2023 who then filed the legal action. I would like to emphasize that this legal action is not supported by the Supervisory

Board of BKS Bank, which has unanimously spoken out against it. I expect that in this case – just like in other actions filed by UniCredit Bank Austria AG and CABO Beteiligungs GmbH for which final rulings have been handed down – the decision will not be in favour of the plaintiffs.

This also applies to two other important decisions made in the reporting year that are considered significant milestones: In September 2023, the minority shareholders withdrew their action filed in 2021 for a declaratory judgment and injunction order regarding previous and future capital increases after the Supreme Court (Oberster Gerichtshof) ruled completely in favour of BTV in parallel proceedings. The review proceedings before the Takeover Commission also filed by the abovementioned minority shareholders were also decided fully in favour of BKS Bank in the first instance and are now before the Vienna Court of Appeals (Oberlandesgericht Wien).

There were also personnel changes on the Management Board in the reporting year. Claudia Höller started in her position on the Management Board with primary responsibility for CRO. Dietmar Böckmann, also new on the Management Board, is responsible for BKS Bank's IT and organisation as CIO, and therefore, also responsible for continuing the bank's successful digitalisation. I am very happy that the two "newcomers" have become great members of the team and feel deeply committed to the core values of BKS Bank.

Dieter Kraßnitzer retired in September 2023. Even on his last day of work, he had meetings, series of appointments and discussions on his schedule, and if there hadn't been a farewell party for him in the afternoon, his workday would probably have lasted well into the night. Dieter Kraßnitzer had a lasting impact on BKS Bank and many of its employees. If you search for his profile on networking portals, there is no trace of "rest", but rather a note saying, "Senior Banking Professional in (un)rest". We hope Dieter Kraßnitzer will continue to enjoy his "unrest", but wish him, above all, health and a long and lasting cordial relationship with BKS Bank!

In December, we learned of another major change at the bank. Herta Stockbauer informed the Supervisory Board that she will no longer be available for another period on the Management Board after the current period ends on 30 June 2024. On such occasions, it is often said that an era is coming to an end. That is undoubtedly true in this case. Herta Stockbauer's achievements and personality will continue to influence BKS Bank long after the end of her active service. But it is too early for a farewell. I would like to say that BKS Bank would not have the standing it has today without the visionary leadership of Herta Stockbauer. Her legacy includes the successful international expansion and digitalisation, numerous awards, and the establishment of BKS as a regional bank and a pioneer in sustainability. These achievements will always be associated with Herta Stockbauer. I would like to take this opportunity to express our great appreciation – on my behalf and on behalf of the entire Supervisory Board.

The term of office of Nikolaus Juhász on the Management Board was prolonged until 30 June 2029, and he was also appointed new Chairman of the Management Board of BKS Bank effective as of 1 July 2024. We would like to wish Nikolaus Juhász all the best for his new position at the helm of the Management Board and the power to lead the bank with his new management team to great achievements.

Professional engagement and joint commitment

The Supervisory Board monitored the work of the Management Board and provided support for the management of BKS Bank and the group companies. At four regular meetings during the reporting year, the Supervisory Board and the Management Board deliberated and discussed the economic situation including the risk situation and risk management, as well as the bank's strategic development and other events of relevance. A resolution was passed by written vote.

The Supervisory Board received extensive written and oral reports from the Management Board in a timely manner. I communicated regularly with the Chairwoman of the Management Board and discussed and analysed the development of business, the risk management and the strategy with her. The Supervisory Board was therefore involved all in key decisions taken by BKS Bank. The Supervisory Board met all of its responsibilities stipulated by law, the articles of association and the rules of the Austrian Code of Corporate Governance. The Supervisory Board confirmed the correctness, expediency and proper management of the company.

The Supervisory Board pools its areas of expertise in seven committees. This report provides a description of the main areas of work of these committees as of page 28. The composition and independence of the Supervisory Board, the criteria for its independence, its working procedures and decision-making powers are explained in detail as of page 27. I fully agree with the information presented.

Changes to the Supervisory Board

In the reporting year, the Works Council delegated the new members Corinna Doraponti, Marion Dovjak and Roland Igumnov to the Supervisory Board of BKS Bank AG. Ms Herta Pobaschnig and Mr Maximilian Medwed resigned from their functions. The Supervisory Board therefore has of five employee representatives again. We are very pleased about this and look forward to continuing our pleasant and constructive cooperation. At the 84th Annual General Meeting, Stefanie Lindstaedt and Reinhard Iro were re-elected as members of the Supervisory Board. The re-elected members declared their independence in individual statements. The relevant statements were made in accordance with § 87 (2) Stock Corporation Act.

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

At the plenary meeting of the Supervisory Board held immediately after the 84th Annual General Meeting, I was elected Chairwoman and Mr Klaus Wallner was elected Vice Chairman. The members of the seven committees were also appointed at this meeting.

Diversity

In the past financial year, four women and six men were shareholder representatives and three women and two men were employee representatives on the Supervisory Board, which corresponds to a total percentage of around 47%. The ratio of 30% for women and men on the Supervisory Board defined in the Stock Corporation Act is complied with regard to both shareholder representatives the employee representatives delegated pursuant to § 110 Austrian Labour Act (Arbeitsverfassungsgesetz, ArbVG). The Nominations Committee makes every effort to take into account all aspects of diversity such as age, gender, educational background as well as internationality when making proposals for the composition of the Supervisory Board. The shareholder representatives on the Supervisory Board are all experienced leaders from the financial sector, IT sector, industry as well as academia. They steer the development of

BKS Bank with prudence and entrepreneurial foresight. No member of the Supervisory Board failed to take part in more than half of the meetings. The attendance rate of Supervisory Board members at Supervisory Board meetings was approximately 93%.

Audit of the financial statements

The accounting records, the financial statements and the management report of BKS Bank AG for 2023 were audited by Deloitte Audit Wirtschaftsprüfungs GmbH. The audit was conducted in accordance with statutory provisions and did not give rise to any objections. The auditors confirmed this by awarding an unqualified audit certificate.

The following topics were identified as key audit matters in the audit of the financial statements for 2023, and the audit opinion presented the resultant risk as well as the relevant audit approach in detail:

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

BKS Bank will propose to the Annual General Meeting to pay out a dividend of EUR 0.35 per share on the net profit for 2023, and to carry the rest forward to a new account.

The IFRS consolidated financial statements for the year ended on 31December 2023 and the group management report prepared in accordance with Austrian company law were audited by Deloitte Audit Wirtschaftsprüfungs GmbH. All statutory requirements were complied with and the audit did not give rise to any objections. In the opinion of the bank auditors, the consolidated financial statements present a true and fair view of the financial position and financial performance of the BKS Bank Group for the year ended on 31 December 2023 as well as the result of operations and cash flows for the period from 1 January to 31December 2023.

Investor Relations (Doppelseite)

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

The Supervisory Board concurred with the findings of the audit and declared its agreement with the financial statements including the management report presented by the Management Board, thereby approving the financial statements 2023 of the company in accordance with § 96 (4) Stock Corporation Act. The consolidated financial statements, the group management report, the annual risk report, the non-financial information report and the corporate governance report were also reviewed and approved by the Supervisory Board. This year, I would again like to express my sincere thanks to everyone for their lasting commitment to BKS Bank, its business success and vision.

I am looking very much forward to a new year of opportunities and growth.

Klagenfurt am Wörthersee,
February 2024

Sabine Urnik
Chairwoman of the Supervisory Board

4. Investor Relations

The trust investors
place in our excellence
made it possible to
successfully complete
our last capital increase.

Investor Relations

Success backed by robust capital base

We are very pleased to report that the financial year 2023 was an excellent one. The main factors behind this development were excellent operating income, a successful capital increase and major wins in ongoing legal disputes.

More details on earnings are given in this Annual Report as of page 87.

With the help of our shareholders, we accomplished a special achievement: a capital increase during an economically challenging phase in May 2023. The transaction was a complete success and raised gross proceeds of almost EUR 38 million and we are delighted to welcome over 350 new shareholders in Germany and other countries. Our share capital increased from EUR 85.9 million to EUR 91.6 million. This is a solid basis for the expansion we are planning for the coming years. It also means that we easily meet all regulatory key ratios and have a highly satisfactory common equity tier 1 ratio of 13.6%.

In the year 2023, BKS Bank once again remained true to its motto of a warm-hearted bank that works to secure a liveable future. We are especially happy to report the broad success of our sustainable products such as the new green bonds issued in 2023. Our engagement for sustainability was widely recognised and we are especially proud of the VÖNIX Sustainability Award of the Vienna Stock Exchange in the category “Financials”, which we received for the third successive time. Read more about this in our Sustainability Report 2023.

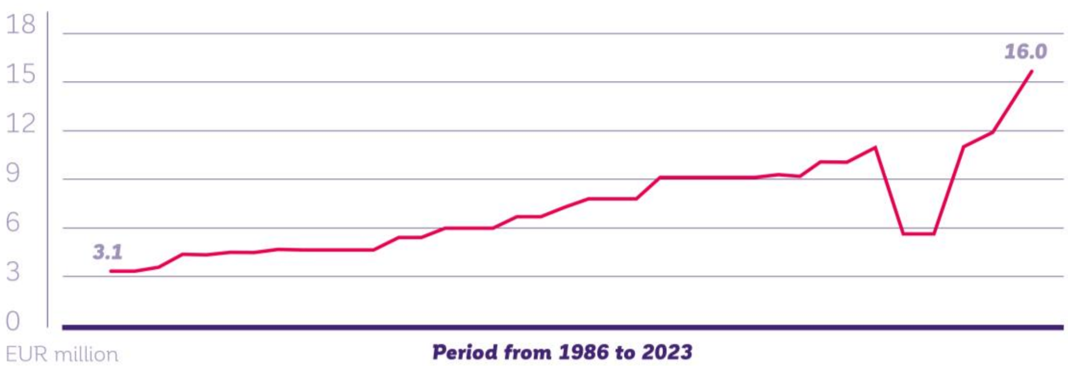
Dividends

There were no specific regulatory expectations communicated regarding dividend payments in the reporting year 2023. However, in a press release from December 2023, the Financial Market Authority (FMA) urged companies to pursue a "prudent and sound dividend distribution policy".[2)]

The Management Board and Supervisory Board will propose the distribution of a dividend of EUR 16,032,016 at the 85th Annual General Meeting. This corresponds to EUR 0.35 per share, and, on the basis of the 2023 year-end share price, a dividend yield of 2.1%. We have paid dividends to our shareholders every year since our initial public offering in 1986.

Information on the shareholder structure of BKS Bank is available in the Group Management Report and on our website at www.bks.at » Investor Relations » Aktionärsstruktur.

Development of dividends



[1)] Proposal to the 85th Annual General Meeting

Market capitalization of BKS Bank

Annual General Meeting 2023

In the financial year 2023, the Annual General Meeting was held on 24 May. After a phase of virtual annual general meetings in previous years due to the Covid-19 pandemic, the Annual General Meeting 2023 was held as an in-person meeting at our headquarters in Klagenfurt.

As a special service, shareholders were provided with an independent proxy representative to exercise their shareholder rights, specifically voting rights in accordance with their instructions, at the Annual General Meeting, the costs of which were borne by BKS Bank.

Ongoing legal proceedings

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

The lawsuit contests the approval of the activities of the members of the Management Board and (non-)approval for specific members of the Supervisory Board as well as the rejected motion to conduct various special audits. Furthermore, the plaintiffs are seeking a declaratory judgment ascertaining that no approval be granted to the members of the Management Board and to individual members of the Supervisory Board, and granting approval for one member of the Supervisory Board as well as a declaratory judgment granting the abovementioned special audits. The proceedings regarding the action for annulment continued to be suspended in the reporting year until the Takeover Commission reaches a legally binding decision.

Furthermore, in March 2020, at the request of the aforementioned minority shareholders, the Takeover Commission initiated proceedings pursuant to § 33 Takeover Act. The subject of the investigation in these review proceedings is to clarify the preliminary matter underlying the aforementioned action for the annulment of resolutions, specifically to ascertain if the obligation to make a mandatory bid had been breached pursuant to § 22a (3) or § 22 (4) Takeover Act by BKS Bank and its affiliated entities. Likewise at the request of the aforementioned minority shareholders, the Takeover Commission initiated review proceedings pursuant to § 33 Takeover Act regarding Oberbank AG and Bank für Tirol und Vorarlberg.

The 1st Panel of the Takeover Commission published its decision in the Official Notices issued in November 2023 ascertaining that there had been no breach of the obligation to make a mandatory bid pursuant to the Takeover Act by BKS Bank or with respect to BKS Bank. Thus, the Takeover Commission completely agreed with the motion put forth by BKS Bank. UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. have lodged an appeal against this decision, which must now be decided by the Vienna Court of Appeal (Oberlandesgericht Wien).

In the financial year 2021, BKS Bank was served a legal action for an injunctive ruling and declaratory judgment by the aforementioned minority shareholders. The plaintiffs petitioned that the Bank für Tirol und Vorarlberg Aktiengesellschaft, Oberbank AG and Generali 3Banken Holding AG (hereinafter G3B Holding AG) be prohibited from participating in future capital increases of BKS Bank or from allocating fewer shares to these shareholders in the case of capital increases, and based their petition on the “excessive allocation theory" alleged by the plaintiffs. Furthermore, they are seeking a ruling annulling the resolutions of the Management Board and Supervisory Board in connection with the capital increases of 2009, 2014, 2016 and 2018. In August 2023, UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. withdrew this action for an injunctive ruling and declaratory judgment against BKS Bank also waiving its claims.
The background for this move was the leading decision by the Supreme Court (Oberster Gerichtshof) of 28 June 2023 (6 Ob 178/22b) in the largely identical parallel proceedings against BTV. This leading decision of the Supreme Court dismissed all points of the legal action of UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. filed a minority motion at the Annual General Meeting of BKS Bank in May 2023 in accordance with § 134 (1) sentence 2 Austrian Stock Corporation Act (AktG). The motion demands that compensation claims be filed against the members of the Management Board pursuant to this provision. A ruling by the Klagenfurt Regional Court of November 2023 granted the request to appoint a special representative. The proceedings are pending in the first instance.

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

In December 2022, the Croatian tax authority imposed an order for an additional tax payment on the local branch of BKS Bank. The additional payment was founded on the revocation of a tax decision of 2017 in connection with the merger of BKS Bank d.d. with BKS Bank AG. BKS Bank made a conditional payment and in January 2023 filed an appeal within the defined period. BKS Bank's appeal against this decision was fully granted in the 2023 financial year, meaning that BKS Bank is entitled to a refund of this amount plus accrued interest. Thus far, the Croatian tax authorities have not refunded the amount despite BKS Bank's request.

Furthermore, there are also ongoing proceedings in connection with a case of malversation in Croatia, but for which no ruling has yet been handed down by the higher courts. The decisions of the lower courts to date prompted the bank to set aside provisions for these proceedings in accordance with applicable IAS rules.

Investor relations communications

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

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

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

Our Sustainability Report contains detailed information on our sustainability strategy as well as on measures to protect the environment, mitigate climate change, our social engagement activities, governance and risk management aspects.

The Sustainability Report 2023 and the non-financial performance indicators in the Group Management Report are available on our website at www.bks.at » Über uns » Investor Relations » Berichte und Veröffentlichungen.

Financial Calendar 2024

Date	Content
4 April 2024	Publication of the single-entity financial statements and the consolidated financial statements 2023 on the website and in the Official Gazette of the Republic of Austria “Wiener Zeitung”
8 May 2024	85th Annual General Meeting
14 May 2024	ex dividend day
15 May 2024	Record date
16 May 2024	Dividend payout day
24 May 2024	Interim report for the period ended 31 March 2024
23 August 2024	Half-year financial report 2024
22 November 2024	Interim report for the period ended 30 September 2024

Investor Relations Contact

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

5. Corporate Strategy

Without an excellent
strategy, it is not
possible to plan for
the future and success
is left to chance.

About us

Since its foundation in 1922, BKS Bank has established a reputation as a reliable partner for Austria's business sector. Originally focused on Carinthia, we have successfully expanded our market presence in Austria and Slovenia, Croatia, Slovakia, Italy and Serbia since the 1980s. We operate 64 bank branches and five leasing companies and currently employ 1,146 people across the group.

We have been continuously enlarging our market and range of products since our foundation. Our history began with a focus on corporate customers. In the mid-1960s, we started developing products and services for retail customers. This helped us significantly widen our customer base, which today boasts 196,800 retail and corporate customers. A milestone of our steady growth and our strategy to achieve independence was the successful initial public offering in 1986. BKS Bank's ordinary shares have been listed on the Vienna Stock Exchange since 1986.

Our customers

In the Corporate and Business Banking segment, we focus on industrial, commercial and trade companies as well as non-profit residential construction companies, property developers, municipalities and professionals. Our portfolio includes traditional banking products, innovative payment services, digital solutions and comprehensive advisory services. We serve some 27,500 corporate and business customers.

In Retail Banking we provide a wide range of banking services designed specifically for employees and workers, civil servants and members of the healthcare professions. BKS Bank Connect has been developed for digitally inclined customers, and we also offer excellent advisory services both online and at our branches. Today, we serve around 168,300 retail customers.

For customers in Corporate and Business Banking and Retail Banking, we are continuously investing in the improvement of our digital services to enhance their banking experience. At the same time, we are very conscious of our responsibility to the environment and society, and give high priority to sustainable financial products. Our goal is to continue to play a pioneering role in the area of sustainability. To this end, we are constantly working to develop new sustainable investment and finance products and services for corporate, business and retail customers. The focus of our efforts reflects our commitment to a sustainable future and our ambition to take a leading role in the financial industry as a responsible bank dedicated to sustainability.

Our markets

Austria is our principal market and includes the regions of Carinthia, Styria, Vienna, Lower Austria and Burgenland. Apart from Austria, we are also represented in Slovenia, Croatia and Slovakia with bank branches. Leasing companies exist in these countries, and we founded a new leasing company in Serbia in the reporting year. In Italy, we operate a BKS Bank representation office and the company, BCS Fiduciaria Srl.

Our partners

We have mutual shareholdings in Oberbank AG and Bank für Tirol und Vorarlberg AG. These strategic investments are the key to securing our independence and our strong position on the financial market. The investments make it possible for us to remain agile in a dynamic environment and also benefit from stable relationships built on trust. We also have a long-standing partnership with Generali Versicherung to round off our portfolio by offering insurance products.

What we stand for

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

Our mission

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

We are a commercial bank, independent and autonomous in our decisions.

As part of the 3 Banken Group with an equal standing within the alliance, we have the strength of a major bank.

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

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

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

Living sustainably means assuming responsibility for our region and our future. We work to strengthen our pioneering role in sustainability. Our employees act responsibly and strive to provide high quality. We offer our employees an attractive workplace and career prospects. We invest in their further training and promote a good work-life balance.

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

Our values

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

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

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

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

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

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

What we are proud of

Our corporate strategy of sustainable growth has proven its worth many times over, also in 2023. Our earnings are stable, our own funds ratio is solid, and we are gaining new customers. We are one of the best in sustainability in our industry. We are very proud of these achievements.

Vision

Liquidity Coverage Ratio

223.2%

NPL ratio

2.9%

Brand excellence

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

Target groups

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

Markets

Austria, Slovenia, Croatia, Slovakia, Italy, Serbia

Awards

Quality

and Mission

Risk

Net Stable Funding Ratio

123.3%

IT Systems Availability

99.9%

Digital transformation

9,332
BizzNet Users

70,277
MyNet Users

BKS App rating
Android users: **4.6** of 5
IOS users: **4.7** of 5

Performance

EUR 179.1 million
Profit for the year

195,800
Customers

3.3%
Credit volume growth

Shareholders' equity

EUR 1,768.9 million
Consolidated shareholders' equity

Solid equity base
14.6% Tier 1 ratio
17.9% Total capital ratio

and Sustainability

Customer satisfaction

95% Overall satisfaction
70% Net promoter score (NPS)

Volume of sustainable products

EUR 1,397 million

Our strategy

Shaping the future

Over the past 100 years, BKS Bank has proven a stable financial partner for its customers, business partners, shareholders and employees. We stand for stability, innovative strength and entrepreneurial foresight. Looking ahead at the year 2027 and beyond, we are committed to a growth strategy based on sustainability, economic resilience and technological progress supported by the engagement and dedication of our employees.

We are optimistic about the future despite the numerous complex challenges facing the banking industry. In a setting of fierce competition in the financial industry, the fight for customer loyalty is more intense than ever, leading to a brutal battle over prices and margins. Although the return of interest rates to normal levels has helped stabilize banks' earnings, the rising costs caused by high inflation and extensive regulatory requirements remains a permanent challenge. Furthermore, digitalization requires substantial investments to keep up with new technologies and market developments. The needs of our customers are also changing fundamentally. Digital banking services are gaining in popularity, while visits to branches are becoming less important. This development means we have to continuously adapt and improve our services and communication channels.

BKS Bank has established a structured and targeted strategy process which is essential for mastering these challenges. An uncompromising commitment to our strategy ensures that the challenges are identified, analysed and promptly addressed. Once a year, the entire management goes on a retreat for several days to evaluate the bank's strategy, discuss forecasts, and jointly define future fields of action to keep BKS Bank on the path to success.

Our approach to mastering the challenges is based on our innovative capacities, and driven by our commitment to sustainability and digitalisation. At BKS Bank we recognized the significance of sustainability for the financial sector early on and made it a central element of our corporate strategy. We support our customers with our expertise in the field of sustainability to achieve the transformation to a greener economy. We also define ambitious targets for ourselves – for example, we aim to become climate-neutral by 2050.

Digitalisation is not only a challenge for the financial sector, but also opens up great opportunities. It is the key to future-oriented customer solutions and efficient, agile company management. At BKS Bank, we view digitalisation as an integral part of our corporate strategy. Our foremost goal is to develop innovative digital solutions for our customers. Progress in digitalisation must be achieved in all areas of business. This includes the optimisation of internal processes, the digitalisation of communication channels and the implementation of advanced technologies to increase efficiency. The importance of artificial intelligence is gaining ground and will be an important component of strategic development in the coming years.

We have a clearly defined strategy to work towards a liveable future together with our customers, business partners, shareholders and employees.

Our key strategy goals

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

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

We aim to achieve **growth** in **Corporate and Business Banking** as well as in **Retail Banking.**

We place the **needs of our customers** at the centre of our activities. This is how we win new retail and corporate customers.

We **focus** on growth in the **non-lending business** areas.

We **value our employees** and offer **a wide range of opportunities for professional** and personal development.

We aim for a **pioneering role** in **sustainability.**

Our **managers** take responsibility, **act independently** and **professionally.**

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

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

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

We aim for **climate neutrality**.

We believe sustainability is an **innovation driver** for banking products.

We are continuously **expanding** our market shares **in all regions**.

How we aim to achieve our goals

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

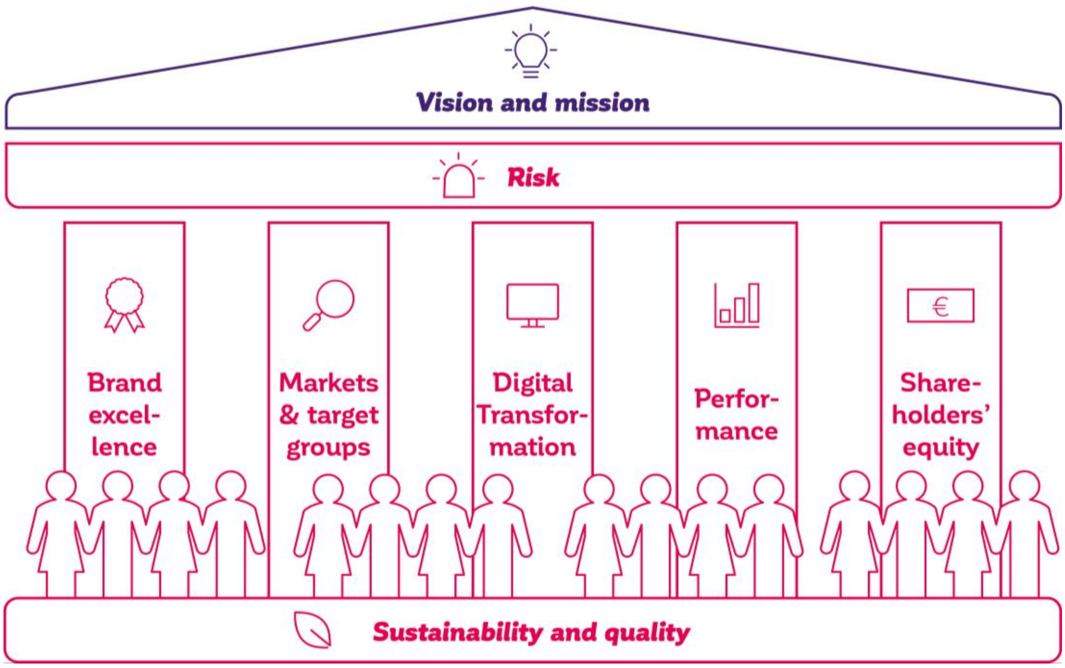
Brand Excellence: Turning customers and employees into fans

Strong brands provide consumers with guidance for reaching decisions. BKS Bank is a strong brand and we work hard to maintain and develop it. In the reporting year, we worked intensely on the strategic positioning of the BKS Bank brand in the job market and brought our employer branding into line with our core brand values.

Markets and target groups: organic growth

We want to grow one step at a time on our own strength. To achieve this goal, we are making every effort to acquire new customers in all regions, enlarge our market shares and enter new business fields.

Our Strategy Model



Digital Transformation: increasing innovative strength
In our definition, the digital transformation subsumes all initiatives aimed at digitalising processes, products and working methods. User-friendliness and security are especially important for our work.

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

Equity: secures our independence
A strong capital base guarantees future growth and increases resilience. Measures to strengthen our capital ratios are among the most important strategic tasks.

Our success is based on sustainability and quality
We have developed a specific sustainability strategy which assigns an even greater weighting to sustainability in our core business. The introduction of sustainable products, the reduction of our own consumption of resources and financed emissions as well as creating a workplace that promotes a life-work balance and the health of employees as well as the prevention of age discrimination are just as important on the agenda as the pursuit of climate neutrality which is the overarching goal for the environment and climate action.

Quality has always enjoyed high priority at our Bank. Our activities to increase quality at our company are evaluated regularly by Quality Austria.

Risk: effective risk management – guarantee for strategic success

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

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

Achievements in 2023

The year 2023 marked the start of a new era for BKS Bank. It was the first year after our 100-year anniversary and thus also the start of a "new century". After focusing on our two core brand values “regional roots” and “strong in relationships” in our anniversary year, the year 2023 was about the brand values "future-oriented" and “excellence". Numerous awards and achievements confirm that we have set our priorities right. The academic analysis of our company history as part of our 100-year anniversary activities showed impressively that our defined core brand values – warm-heartedness, regional roots, accountability, future-oriented, excellence and strong in relationships – have been of central importance to our company from the very beginning.

Earnings break new records

We broke a new record in profitability in the year 2023. In the first year after our 100th anniversary, we attained significantly higher earnings. Despite working in a period of constant change, we are not only a going concern, but we have solidified our position in the market.

Focus on employer branding

A major project to strengthen BKS Bank’s branding was the overhaul of our strategic positioning on the job market. In the reporting year, we took the first steps to bring our employer branding closer into line with our core brand values. We developed a clear positioning in a multi-stage process after a thorough analysis of our competitors, workshops and interviews. We want to be perceived as the most reliable employer that offers opportunities for people optimistic about the future.

BKS Bank on growth trajectory

The newly established leasing company in Serbia has been operational since April 2023. After having successfully established operations in the foreign markets of Slovenia, Croatia and Slovakia, we believe the expansion into the Serbian market is a milestone of our growth strategy.

The successive expansion of our market region made it necessary to reorganize our organizational structure. We started to standardize our IT systems in Germany and other international markets in 2022. We dedicated the year 2023 to the harmonization and establishment of an even more efficient group structure. BKS Bank's foreign and domestic markets are converging to exploit synergies and accelerate processes.

We are also continuously expanding products and services on our foreign markets. For example, in November 2023 we started offering investment advisory services in Slovenia which have since become well established. This made it possible for us to issue our ninth green bond in December 2023 and offer it to our Slovenian customers as well.

New digital solutions for customers

Our work focuses on the development and introduction of innovative digital products that make everyday banking transactions more convenient for our customers. Since 2023, for example, it has been possible to integrate giro accounts at other banks into the MyNet customer portal. Another new feature is the financial planner, which is now an element of the BKS app and offers customers am overview of income and expenses. The digitalisation of the corporate lending process is also making good progress. Since autumn, we have been offering our corporate customers the option of requesting a non-binding offer for several types of loans directly on our website.

We are pleased to report a substantial increase in the number of users of our digital products: The number of app users rose to 36,181 customers (+17.4%) versus 2022. The customer portal is used by 50,697 customers (+8.5%). The “Mein Geld” account – which can be opened online – recorded 4,460 new accountholders in 2023 who were also attracted by the more attractive interest rates.

Digitalisation also permits us to gain a deeper insight into the needs of our customers. Since 2023, we have been able to inform customers through all channels about products and services tailored to their specific financial goals and preferences based on an analysis of customer data.

Successful capital increase

In May 2023, we completed another capital increase – despite a very challenging market environment overshadowed by the failure of a major Swiss bank and bank failures in the US. We successfully placed 2,862,860 new shares on the market. The shares were available in Austria, Slovenia and Croatia.

A strong brand provides guidance

The satisfaction of our customers is just as important. To obtain feedback on our performance, BKS Bank introduced a contact form for feedback some time ago. We invite customers who contacted us at a branch or through another channel to complete an online evaluation. The survey measures satisfaction about their experience with our services and the likelihood of a recommendation. We attained very satisfactory results in 2023. A share of 95% of our customers rated the overall satisfaction "very good" and "good".

Six stars for business quality

Sustainability and quality are the foundation of our corporate strategy. Our quality management system has been based on the internationally recognized EFQM Excellence Model for over 10 years and helps us assess quality. The quality of our company is assessed by Quality Austria in regular intervals, the last time in October 2023. Apart from a company's business purpose and performance, the focus was its organizational culture and management. The result was very satisfactory. The team of assessors awarded BKS Bank an excellent rating of six stars for the well-balanced and high quality of the company. This makes BKS Bank the only bank in Austria with a "Recognized by EFQM - 6 Stars” rating and is included in the list of "excellent companies in Austria”, a quality designation awarded by Quality Austria.

Wider range of sustainable products

The trend towards sustainable financial products reflects society's growing awareness of sustainability topics. As we have been engaged in sustainability for some time and are known for our sustainable activities, customers see us as a responsible partner in financial matters. We are very pleased that the volume of our sustainable products increased by 23.4% in the reporting year. In 2023, we also made it a priority to expand the range of our sustainable products to include products with a positive environmental impact and products that promote social responsibility. For example, we introduced “Bildung & Zukunft” loans to finance education and training as well as “Energie & Zukunft” loans to fund photovoltaic systems, heat pumps, heating system conversions and energy efficiency technologies. A cooperation project with Kärntner Elektrizitäts-Aktiengesellschaft focuses on the use solar power. In December, investors were given the opportunity to invest in a green bond and in the construction of photovoltaic systems in Carinthia. This has been the ninth green bond issued by BKS Bank since 2017.

“Du & Wir Stiftung” founded to increase social engagement

In the reporting year, BKS Bank founded the “Du & Wir Stiftung” under the patronage of the charitable organization “Caritas Stiftung Österreich”. Our founding contribution in cash was EUR 500,000 and customers may also contribute as donors. The returns generated will be used to support people in need and people with care and nursing requirements. Additionally, the "Du & Wir-Konto" account type will generate income for the foundation as of 2024.

Leading position in sustainability strengthened

A result of the review of our sustainability strategy – specifically under the motto "With responsibility into a liveable future” – was to define a stronger focus on the needs of new target groups. These target groups include specifically older people, the “Fridays-for-future” generation, and family businesses. BKS Bank's aim is to help people close the income gap in old age, to prevent age discrimination in the customer business, and to support educational and charitable institutions. In 2023, this new priority was put into operation by taking several measures.

- The older generation was addressed in a separate line of advertising.
- A series of events were organized on the topic of how to transfer and secure assets.
- We entered into partnerships with senior citizens' associations.
- A new training format was developed – “digital hour” to teach customers how to use the BKS app and we also introduced the customer portal.
- One milestone was the establishment of our foundation for social topics in December 2023 in cooperation with Caritas.

What did not change in our sustainability strategy was our holistic approach to sustainability and our commitment to the **UN Sustainable Development Goals**. The United Nations (UN) defined 17 goals for sustainable development. We selected nine goals as our priorities. The selection was based on the extent of the influence BKS Bank can actually exert in the respective priority topic, the opportunities, and whether our work in this area would contribute positively to society and the environment.

BKS Bank aims to be climate-neutral by 2050 and to have aligned its loan and investment portfolio with the goals of the Paris Agreement by 2040. As we are also members of the Green Finance Alliance, we will also be **phasing out transactions relating to coal, oil or natural gas** well ahead of our competitors.

In December 2023, we submitted our science-based climate targets to the Science-based Target Initiative for validation. **Science-based targets** (SBTs) are an ambitious approach to defining reduction targets for emissions for companies. In this context, the focus is the reduction of emissions volumes to achieve the goals of the Paris Agreement, which means limiting global warming to 1.5°C.

Role model for sustainable buildings

We have defined as goal the implementation construction projects in conformity with the EU Taxonomy and aim to take ecological, economic and socio-cultural aspects into consideration throughout the entire life cycle of a project. We use the certification offered by "ÖGNI - Austrian Sustainable Building Council" as proof of the sustainability of the buildings projects. We have already obtained such confirmations for three buildings. In the reporting year, our real estate project "BKS Lebenswert" in Eisenstadt was awarded the “DGNB Certificate in Gold”. In this project, 26 rental apartments, around 1,600 square meters of commercial space and a BKS branch were erected.

We were also very pleased that our first sustainable real estate project, the "BKS Holzquartier", was presented by the United Nations as a role model for sustainable construction in 2023. In the reporting year, a new 12,000 square meter health center was opened in St. Pölten with space for up to 40 medical offices with funding raised by a BKS Bank sustainability bond.

BKS Bank operates a total of ten photovoltaic systems, which have helped us cut around 167 tons of CO2 equivalents since they were commissioned in a comparison with the electricity mix we purchase, which now originates 99% from renewable sources. In the reporting year, we installed five further PV systems with an output of around 83 kWp.

EU Action Plan on track

We worked intensely on the requirements of the EU Action Plan in the reporting year. The objectives include:

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

A large work package of our implementation project for the EU Action Plan consists of determining the so-called Green Asset Ratio. BKS Bank calculated the share of Taxonomy-aligned economic activities for the first time for the 2023 financial year. The key reporting parameter is the Green Asset Ratio (GAR). The Green Asset Ratio shows the ratio of assets that can be classified as sustainable within the meaning of the EU Taxonomy in relation to the total assets recognized ("covered assets"). In 2023, the Green Asset Ratio based on the revenues KPI (key performance indicators) was 0.7%, and the Green Asset Ratio based on the capital expenditure KPI was 1.0%.

Sustainability awards

We were also very pleased with the numerous awards received and certifications completed in 2023. BKS Bank again achieved great success, especially in the area of sustainability, which is especially gratifying as it confirms our work and sustainability strategy.

For a third time in a row, BKS Bank received the sustainability award in the category of "Financial Services". The **Vienna Stock Exchange Award** is the most important distinction for Austria's top listed companies.

BKS Bank ordinary shares were included in the **Vönix Sustainability Index** of the Vienna Stock Exchange for the eighth successive time. VÖNIX is the sustainability benchmark of the Austrian stock market. The VÖNIX includes Austrian companies listed on the Vienna Stock Exchange that are leaders in the fields of environmental and social activities and services.

For the first time, we received the **Environmental Management Award** in the reporting year in the category of "Best Strategy for Sustainable Corporate Development". The award is conferred jointly by the German Federal Ministry in cooperation with the Austrian Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology.

EMAS is one of the most widely-used and stringent environmental management systems in Europe. We are proud to report that we successfully completed recertification in 2023. The environmental management system supports us in the following ways: it records and manages emissions; it records waste volumes and helps us reduce them; it identifies environmental matters; it organizes procurement in line with ecological aspects.

For the third time in a row, we received the **Austrian Sustainability Reporting Award** (ASRA) in the category "Mandatory Reporting". The Austrian Chamber of Tax Advisors and Public Accountants (Kammer der Steuerberater und Wirtschaftsprüfer) awards the ASRA Sustainability Award together with the Institute of Austrian Auditors (Institut Österreichischer Wirtschaftsprüfer) for the best Austrian sustainability reports in the preceding financial year.

BKS Bank was named "**Austria's Most Sustainable Bank**" by the special interest magazine "Börsianer" for a fourth time. The jury was impressed by BKS Bank AG's far-reaching sustainable and social initiatives in the areas of lending, product portfolio and diversity.

We want to be an attractive employer for our employees, offering a wide range of opportunities. We regularly receive awards for our activities to promote the compatibility of work and family life. In the reporting year, we successfully completed the **MAMFORCE©** recertification in Croatia.

BKS Bank in Austria has been certified as a **Green Brand** for several years. In November 2023, BKS Bank in Slovakia was certified for the first time as a Green Brand.

In October 2023, we were awarded the internationally renowned seal of quality "**Recognized by EFQM 6 Stars**" for our holistic quality management system and were again included in the **List of excellent companies in Austria.**

***Disclaimer:** Das Österreichische Umweltzeichen wurde vom Bundesministerium für Klimaschutz, Umwelt, Energie, Mobilität, Innovation und Technologie für das „Natur & Zukunft-Konto" verliehen.

6. Group Management Report

The resilience gained over the course of our 100-year history permits us to excellently master difficult times.

Economic Environment

US surprise on the upside, stagnation in Europe

The trend in the **US economy** was a surprise on the upside. Research analysts had expected growth to slow from 4.9% to 2.0% in the fourth quarter of 2023. However, the US economy proved resilient and expanded by 3.3%. Growth was driven by household consumption, which appears to have been less affected by high interest rates than feared.

At a growth rate of 5.2%, the expansion of the **Chinese economy** was slightly weaker than expected. The real estate crisis continued to worsen and domestic demand fell short of expectations. Additionally, China's population decreased for a second time in a row, which is a direct consequence of the decades-long one-child policy.

In the fourth quarter of 2023, growth in the **euro area** stagnated. For the full year, growth is projected to reach 0.5%. The countries with the strongest growth momentum included Spain (+0.6%), Portugal (+0.8%), as well as Italy and Austria with each attaining +0.2%. While the French economy stagnated, Germany's economy contracted by 0.3%. This trend is expected to continue in the coming months, with the southern European economies continuing to benefit from stability in the tourism sector.

By contrast, industrialized nations such as Germany and Austria are struggling with gloomy sentiment in the industrial sector and high interest rates, which are curbing both investment activity and consumption. Austria is benefiting from brighter growth prospects in its Eastern neighbours: growth there is expected to be much stronger than the EU average in 2024 and 2025.

Inflation persists at high level

Although inflation rates fell in 2023 compared to the preceding year, they were still high. On average, inflation in the euro area reached 5.4%. In Austria, inflation fell by only 0.8 percentage points versus 2022 and averaged 7.8%, which is significantly higher than the average of the euro area countries.

Central banks aim for calm

Central banks continued to raise interest rates in 2023. The US Federal Reserve raised the key lending rate four times, most recently in July 2023, to around 5.25% to 5.5%. The European Central Bank (ECB) raised the key lending rate a total of six times, with the main refinancing rate at 4.5% since September 2023. Interest rates are expected to have peaked and key lending rates will decline over the course of 2024. This was communicated by the US Federal Reserve and the ECB.

However, central banks are more cautious than market participants had expected with regard to the size and the pace of interest rate cuts. Christine Lagarde, President of the ECB, recently announced that the first ECB interest rate cuts are likely to happen in the summer of 2024. However, she also pointed out that potential interest rate cuts depend on the indicators, thus creating a certain degree of uncertainty. Other central banks are currently dampening expectations of any imminent easing of central bank policy. Central banks, especially the wording of their communications, will continue to hold our attention in 2024.

Successful year for capital markets

The year 2023 was a very successful one from the perspective of investors. Both equity and bond markets made significant gains. The bond markets took longer to recover, but there were significant gains towards the end of the year. Specifically, US stocks, as measured by the S&P 500 and valued in USD, recorded an impressive gain of 26.3%. This gain was driven by the so-called "Magnificent 7" – Apple, Meta, Microsoft, Nvidia, Amazon, Tesla and Google – as they contributed significantly to the uptrend of US stock indices. European stocks, represented in the Stoxx 600, followed with a solid gain of 16.8%. The Austrian stock market also performed strongly: The ATX share index rose by 9.9% in 2023. The ATX Total Return index, which includes dividends, even went up by 15.4%. The Japanese share index, Topix, excelled gaining some 28.3% measured in yen.

2023 was also a profitable year for bond investors. Euro government bonds went up by around 7.1%, while euro corporate bonds even gained 8.2%. High-yield bonds and global convertible bonds were among the top performers with gains of around 11.8% and 9.6%, respectively.

Gold saw an exceptionally good year and broke a new record by rising around 13.1% in USD. By contrast, commodity markets, especially energy commodities, came under pressure. The price of Brent fell by around 10.3% over the course of the year as a result of the economic uncertainty. However, with respect to inflation this is a very welcome development.

Performance of European stock indices

Development of the real estate market

Restraint prevailed on the Austrian real estate market in 2023. Geopolitical insecurity, challenging economic conditions and the FMA's restrictive regulation for real estate lending (Kreditinstitute - Immobilienfinanzierungsmaßnahmen - Verordnung, KIM-VO) depressed real estate loans and purchasing.

The Austrian real estate market faced considerable challenges in 2023: high inflation rates, restrictive lending criteria introduced by the FMA Regulation (KIM-VO), high energy and material costs. A combination of different economic conditions unsettled markets and checked buying and investing in real estate. The result was fewer real estate transactions and lower prices for the first time after ten years of steady growth in Austria.

The FMA Regulation (KIM-VO) and inflation slow new housing finance

A major factor weighing on the market was the steep rise in construction costs. The geopolitical uncertainty pushed up prices for materials and labour, and therefore, also prices for builders. The trend intensified after the European Central Bank raised interest rates in response to high inflation, making loans even more expensive and further depressing demand for real estate. Against a backdrop of higher prices and persistent uncertainty, the FMA Regulation (KIM-VO) came into force in Austria in the third quarter of 2022 at a particularly unfavourable time. The FMA Regulation limits the loan/value ratio to a maximum of 90%, the debt/service ratio may not exceed 40% of disposable income, and the maximum term is limited to 35 years. The stricter rules for real estate loans meant that many potential borrowers were excluded from financing options. The result was a noticeable decline in residential construction loans and real estate transactions. Although the Regulation made pre-financing and interim financing easier during the year, this easing was relevant only for certain customers.

Construction activity among project developers also decreased significantly over the course of the year. Global disruptions to supply chains, above all, in 2022, led to delays and higher costs for many construction projects. Moreover, the uncertainty regarding energy supply raised the costs of operating and maintaining properties. Investments were put on hold or postponed due to rising costs and uncertainty regarding how long costs would continue to rise. At the end of the year, the largest insolvency in history on the Austrian real estate market caused even greater uncertainty. Risk exposure in this segment widened significantly and remains high for now.

Declining investments in residential construction

The Austrian central bank (OeNB) reported that the strong housing construction cycle in Austria was coming to an end in the reporting year. The rate of decline in investments in housing construction is forecast at 8.4% for 2023.[2] A further decline of 4.5% is expected for 2024, with investments only expected to recover in subsequent years. Therefore, the volume of new loans for residential construction has been shrinking since the third quarter of 2022: In March 2023, the volume was 62% lower year on year according to OeNB.

[1] Source: OeNB Report 2023/7 of December 2023

Management and Organisational Structure

We actively engage in succession planning to ensure BKS Bank has the best minds to lead us to a successful future. We also have targeted promotion and development programmes in place to ensure equal opportunity.

Diversity in management positions

Equal rights and measures to promote women are important goals in the development of human resources. Several years ago, we defined the goal in our sustainability strategy to raise the share of women in management positions to 35% by 2025. We have been exceeding this target since 2021. In the reporting year, the proportion of female managers was 36.4%. In absolute figures, this means that 64 of the 176 persons working as managers at BKS Bank at the end of 2023 were women. Our investments in the effective advancement of women have played a significant role in this positive development. To date, 86 female employees have completed the women's career programme. In 2022, it was organised for the first time as an international programme. Fourteen female employees from Slovakia, Slovenia, Croatia and Austria took part in the "BKS Bank International Women's Career Programme," which ran until May 2023.

Many of our managers have been part of our team for years, which is reflected in the balanced age structure: 55% of them are between 30 and 50 years old, while 45% are over 50 years old. With respect to half of the over-50-year-olds already aged 55, we are taking strategic and targeted measures to ensure the generational changeover.

Changes to the organisation and on the Management Board

A number of major decisions were taken in 2023, which included the enlargement of the Management Board by two persons. Dietmar Boeckmann took over responsibility for IT and Digitalisation in June. As an expert in this field, he is responsible for the implementation of innovative technologies and digital strategies at the bank. Claudia Höller joined the Management Board of BKS Bank in September with responsibility for Risk Management. She succeeds Dieter Kraßnitzer as CRO whose Management Board function expired at the end of August. With her many years of experience, she is well positioned to ensure effective risk management. Mitigating financial risks and securing long-term stability are important elements of our business activities.

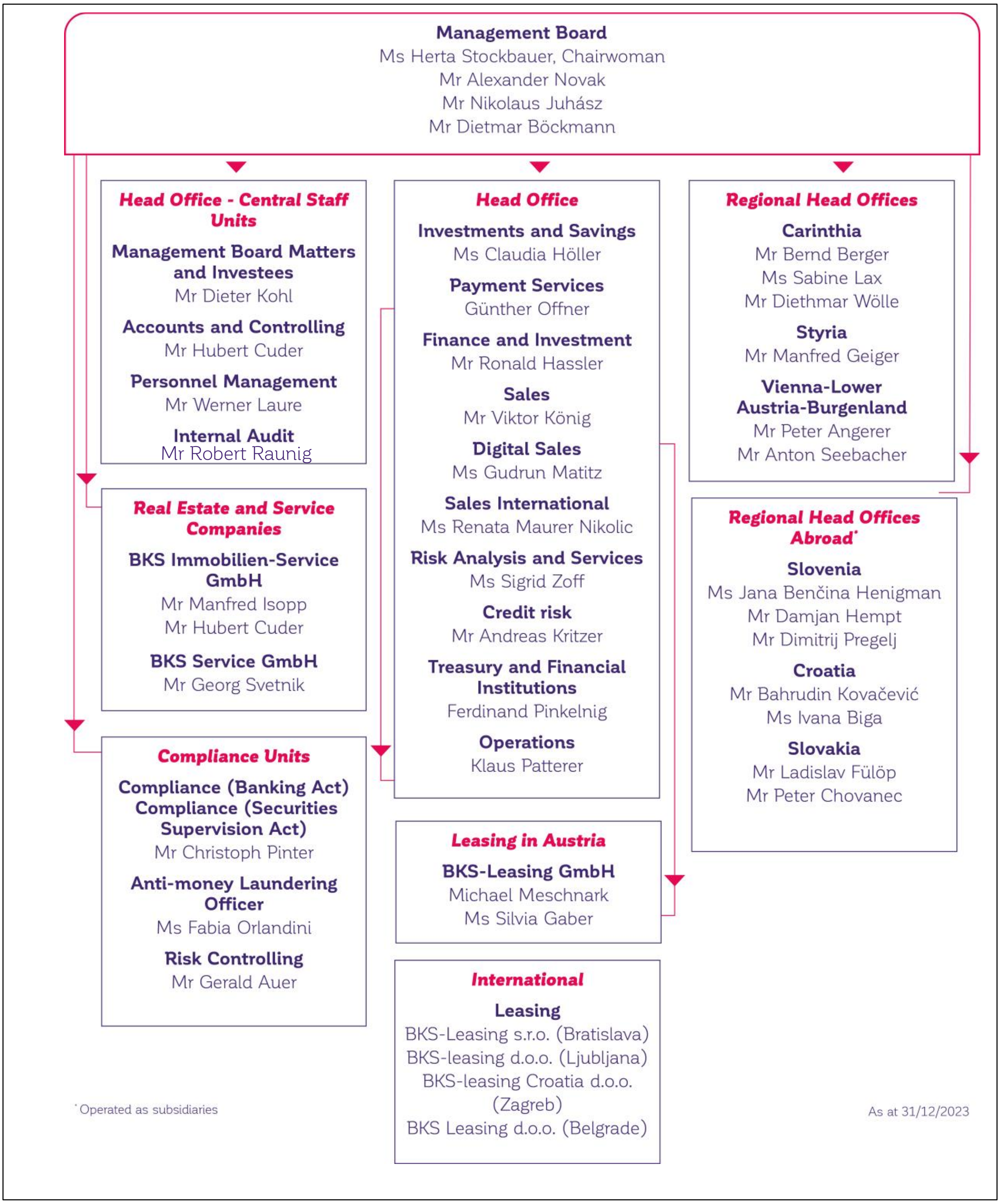
We opened a leasing company in Serbia in April 2023. With the managing directors Nada Jovanović and Marko Mijatović, we have a highly motivated team that has already established the leasing business in the market. There were also changes to the management teams at several regional head offices. Since August, Jana Benčina Henigman has been managing director of the Regional Head Office Slovenia, our most important foreign market. Peter Angerer was appointed deputy managing director of the Regional Head Office Vienna-Lower Austria-Burgenland.

On the proposal of the Management Board and with the approval of the Supervisory Board, Ivana Biga, Head of the Regional Head Office Croatia and Christian Derler, Head of the Department “Investments and Retirement Provisioning” were appointed authorized signatories.

Fit & Proper training

In the reporting year, several “fit & proper” training courses were held for members of the Supervisory Board, Management Board and for other persons in key functions. The range of topics covered include internal governance, DORA (EU Digital Operational Resilience Act), the FMA Regulation imposing stricter standards for residential real estate loans (*Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung, KIM-VO*) as well as anti-money laundering and other key regulatory topics. ESG and sustainable finance were also on the agenda.

Organisational structure of BKS Bank AG



Shareholder structure

BKS Bank's shares are traded in the market segment "standard market auction" of the Vienna Stock Exchange.

The share capital of BKS Bank is EUR 91,611,520 and divided into 45,805,760 ordinary bearer shares.

Composition of the capital

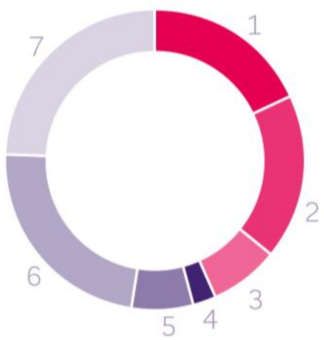
As at 31 December 2023, Oberbank AG, including the sub-syndicate with Beteiligungsverwaltung Gesellschaft m.b.H., held 18.12% of shares with voting rights. Bank für Tirol und Vorarlberg Aktiengesellschaft held 17.87% of shares with voting rights on 31 December 2023. G3B Holding AG held 7.44% of voting rights on the reporting date 31 December 2023.

These investors are connected by a syndicate agreement. The purpose of the syndicate agreement is to ensure the independence of BKS Bank by the joint exercise of voting rights at general shareholder meetings as well as by mutual pre-emption rights and right of acquisition of the syndicate partners. The share of voting rights of all syndicate partners, including the sub-syndicate of Oberbank AG with Beteiligungsverwaltung Gesellschaft m.b.H., was 43.43% at year-end. The portfolio of own shares was 252,875 ordinary shares as at 31 December 2023, which corresponds to a ratio of around 0.6%.

Successful capital increase

In May 2023, we carried out a capital increase, in which we successfully placed 2,862,860 new shares at a price of EUR 13.2 per share. The shares were sold in Austria, Slovenia and Croatia. Gross issuance proceeds were around EUR 38 million.

Shareholder structure of BKS Bank AG as at 31 December 2023



		in %
1	Oberbank AG (incl. sub-syndicate with Beteiligungsverwaltung GmbH)	18.1
2	Bank für Tirol und Vorarlberg Aktiengesellschaft	17.9
3	G3B Holding AG	7.4
4	BKS-Belegschaftsbeteiligungsprivatstiftung	2.6
5	UniCredit Bank Austria AG	6.6
6	CABO Beteiligungsgesellschaft m.b.H.	23.2
7	Free float	24.2

Key facts on BKS Bank's shares

	2022	2023
Number of ordinary no-par shares ISIN (AT0000624705)	42.942.900	45.805.760
High in €	15,9	16,6
Low in €	13,2	12,5
Close in €	14	16,30
Market capitalisation in €m	601,2	746,6
IFRS result per share outstanding in €	1,4	4,0
Dividend per ordinary share	0,25	0,35[1)]
P/E ratio ordinary shares	9,7	4,1
Dividend yield ordinary share	1,8	2,1

1) Proposal to the 85th Annual General Meeting on 8 May 2024.

Employee participation programme

There was one employee participation programme in the reporting year 2023: On 22 May 2023, 6,265 shares at EUR 14per share were allocated for the variable remuneration of the Management Board pursuant to the remuneration policy.
At the end of 2023, 102,798 ordinary shares were allocated to the employee participation scheme.

Ongoing legal proceedings

In September 2023, the minority shareholders UniCredit Bank Austria AG and CABO Beteiligungs GmbH withdrew their legal action filed in 2021 for a declaratory judgment and injunction order regarding previous and future capital increases after the Supreme Court (Oberster Gerichtshof) ruled completely in favour of BTV in parallel proceedings.

The review proceedings before the Takeover Commission filed by the abovementioned minority shareholders were also decided fully in favour of BKS Bank in the first instance and are now before the Vienna Court of Appeals (Oberlandes Gerichtshof Wien).

The following lawsuits remained interrupted in the reporting year due to the ongoing review proceedings pursuant to the Austrian Takeover Act: the legal action filed by the abovementioned minority shareholders in June 2020 contesting the resolutions adopted at the Annual General Meeting of 29 May 2020 granting approval for the activities of the members of the Management Board and non-approval for individual members of the Supervisory Board and regarding the motion rejected to conduct various special audits; furthermore, the legal action requesting a declaratory judgment to deny approval for the activities of the members of the Management Board and for individual members of the Supervisory Board, and requesting approval of the activities of one member of the Supervisory Board and the request for a declaratory judgment granting the abovementioned special audits.

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

UniCredit Bank Austria AG and CABO Beteiligungs GmbH put forth a minority shareholder motion at the Annual General Meeting in May 2023 pursuant to § 134 Austrian Stock Corporation Act (Akt) requesting a special representative be appointed by a court of law to file a legal action against four members of the Management Board of BKS Bank. This legal action was to assert claims which, in the opinion of the aforementioned minority shareholders, result from two share transactions in the 2022 financial year. Based on the provisions regarding minority rights under the Austrian Stock Corporation Act, a special representative was appointed by a court of law in November 2023 who then filed the legal action. The Supervisory Board, after a careful evaluation and consulting with external experts, had decided against taking legal action, as it had been assessed as obviously unfounded.

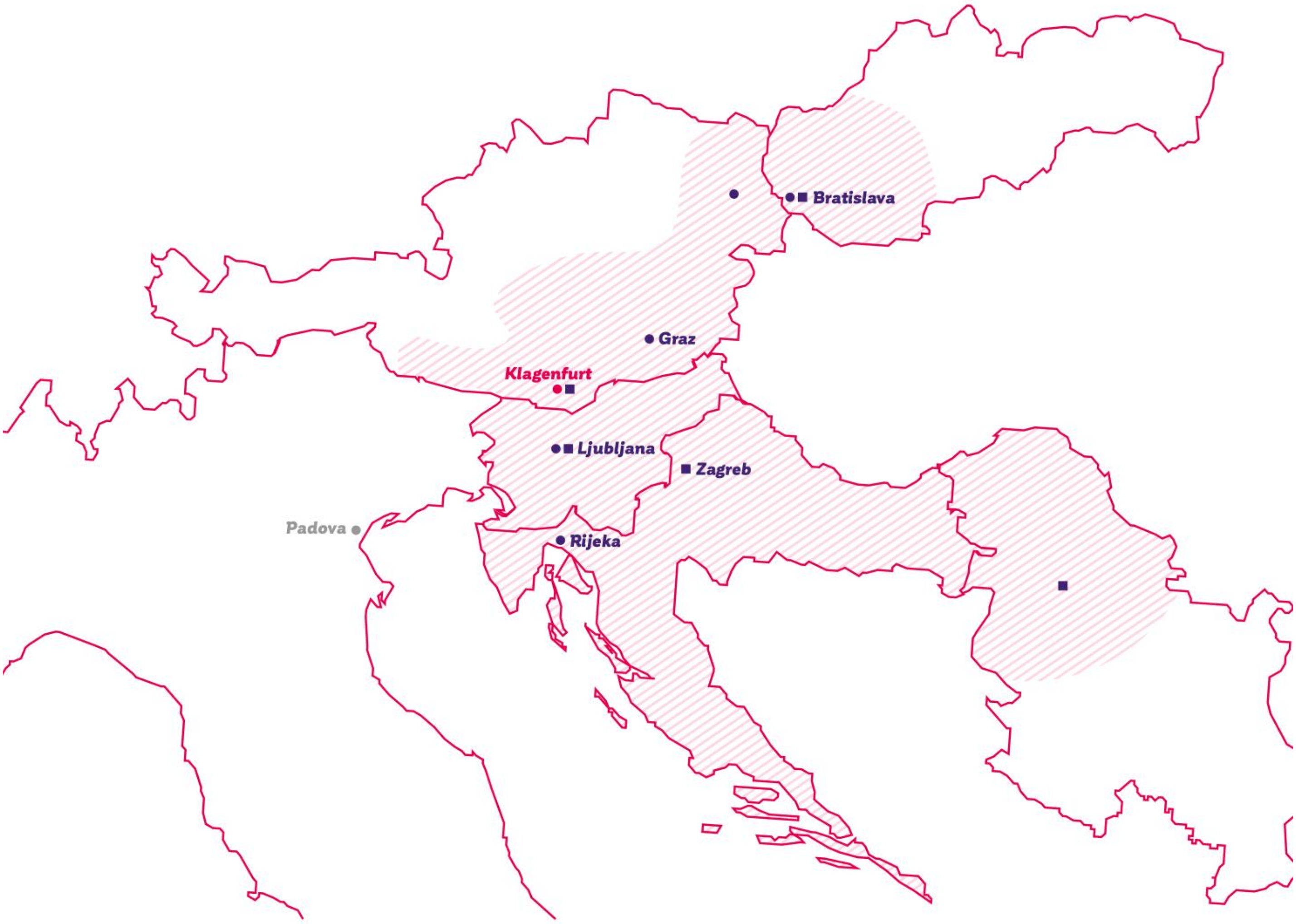
In December 2022, the Croatian tax authority imposed an order for an additional tax payment on the local branch of BKS Bank. The additional payment was founded on the revocation of a tax decision of 2017 in connection with the merger of BKS Bank d.d. with BKS Bank AG. BKS Bank made a conditional payment and in January 2023 filed an appeal within the defined period. BKS Bank's appeal against this decision was fully granted in the 2023 financial year, meaning that BKS Bank is entitled to a refund of this amount plus accrued interest. Thus far, the Croatian tax authority has not refunded the amount despite BKS Bank's request. On 5 February 2024, an official notice was served rejecting the request; BKS Bank challenged this notice by taking further legal measures.

Furthermore, there are also ongoing proceedings in connection with cases of malversation in Croatia, but for which no ruling has yet been handed down by the higher courts. The rulings handed down by the lower courts to date have prompted the bank to recognize provisions for these proceedings in accordance with applicable IAS rules.

Markets and Target Groups

In February 1922, Kärntner Kredit- und Wechselbank Ehrfeld & Co opened for business and laid the foundation for today's BKS Bank. Driven by the strong belief that growth should be achieved on one's own strength, and with courage and foresight, the bank has developed into a credit institution with international operations and branches in five countries. In 2023 we enlarged our market region by founding a leasing company in Serbia.

Our core regions



Bank	Number of branches	Number of employees
Austria	**49**	**729,1**
Carinthia incl. Corporate Banking	20	595,7
Styria	12	55,9
Vienna-Lower Austria-Burgenland	17	77,5
Foreign markets	**15**	**228,6**
Slovenia	8	131,6
Croatia	4	67,0
Slovakia	3	30,0

Leasing entities	Volume	Number of employees
BKS Leasing GmbH	308.267	9,8
BKS-leasing d.o.o., Ljubljana	176.165	18,9
BKS-leasing Croatia d.o.o., Zagreb	116.290	15,0
BKS-Leasing s.r.o., Bratislava	52.544	14,5
BKS-Leasing d.o.o., Beograd	6.123	5,0

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

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

Croatia
The company entered the Croatian market in 1998 with the establishment of a representation office. The next step was the establishment of the Croatian leasing company, BKS-leasing Croatia d.o.o. This was followed in 2007 by the acquisition of Kvarner banka d.d. based in Rijeka. Our branch network has been expanded to four locations since then.

On 1 January 2023, Croatia was the 20th EU country to join the euro area. By joining the euro area, the Croatian kuna was replaced by the euro. The Regional Head Office Croatia, together with the Head Office and 3 Banken IT GmbH, spent one year preparing the successful changeover to the euro.

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

Serbia

In 2023, we continued our international expansion by founding a leasing company in Serbia based in Belgrade. We believe there is enormous growth potential in the Serbian market, but we are also aware of the risks in this market.

Other markets

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

Our target groups

We have an extensive range of products and services designed for private individuals and companies. Since our foundation, our focus has been on corporate and business customers especially from industry and commerce. We also provide services to a large number of non-profit housing construction companies and property developers. Recently, we intensified our cooperation with municipalities and public institutions. We are a reliable banking partner also for customers from the liberal professions. In the retail segment, we concentrate on high net-worth individuals and members of the healthcare professions.

A highlight of the Retail segment was the launch of BKS Bank Connect, our digital bank that gives customers online access to accounts, housing loans, investment fund plans and securities transactions. Unlike pure online banks, customers who use BKS Bank Connect also benefit from the know-how of our customer advisors.

At the same time, we are modernizing our branches to combine the benefits of digital availability with first-rate advisory services. Showing appreciation and respect regardless of the communication channel used is important to us and also offering customer-specific solutions. BKS Bank offers personal and easy-to-access digital services.

Consolidated Companies and Equity Investments

The relevant group of consolidated companies of BKS Bank includes 16 credit and financial institutions as well as companies that supply banking services, including domestic and foreign leasing companies. The group of consolidated companies was expanded to include the newly established BKS Leasing d.o.o. Beograd. The overview below presents the companies that belong to the BKS Bank group pursuant to the International Financial Reporting Standards. The inclusion of affiliated companies and associates in the consolidated financial statements is based on the application of uniform materiality principles for the entire Group as well as quantitative and qualitative parameters.

Group of consolidated companies

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

Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft are accounted for using the equity method in accordance with IAS 28. For these companies, the carrying amounts of the investments are adjusted for the changes in the net assets of the respective entities. On 31 December 2023, BKS Bank held 14.15% voting shares in Oberbank AG directly, and including the subordinating syndicate with Beteiligungsverwaltungs Gesellschaft m.b.H., a stake of 14.73%. With respect to Bank für Tirol und Vorarlberg Aktiengesellschaft, it held 12.83% voting shares directly, and including the subordinating syndicate with BTV Privatstiftung, Doppelmayr Seilbahnen GmbH and VORARLBERGER LANDES-VERSICHERUNG V.a.G, a stake of 16.35% voting rights and, therefore, less than 20% of voting rights in each case. However, the voting rights are exercised under a syndicate agreement. This agreement makes it possible to participate in the financial and business policy decisions of these credit institutions, without exercising a controlling interest.

Die ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H. (ALGAR) is recognized in the consolidated financial statements on a proportionate basis. This investment is classified as a joint arrangement pursuant to IFRS 11.

Credit and financial institutions

BKS Bank AG

Object of business	Credit institution
Head office	Klagenfurt
Year of founding	1922
Total assets	EUR 9.8 billion
Number of branches	64
Number of employees in FTE	957,6

BKS-Leasing Gesellschaft m.b.H.

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	direct 99.75%, indirect 0.25%
Head office	Klagenfurt
Share capital	€k 40.0
Year of founding	1989
Leasing volume	EUR 308.3 million
Number of employees in FTE	9,8

BKS-leasing d.o.o. Ljubljana

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	100%
Head office	Ljubljana
Share capital	€k 260
Year of acquisition	1998
Leasing and credit volume	EUR 176.6 million
Number of employees in FTE	18,9

BKS-leasing Croatia d.o.o.

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	100%
Head office	Zagreb
Share capital	EUR 1.2 million
Year of founding	2002
Leasing volume	EUR 116.3 million
Number of employees in FTE	15

BKS-Leasing s.r.o.

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	100%
Head office	Bratislava
Share capital	EUR 15 million
Year of founding	2007
Leasing and credit volume	EUR 88.0 million
Number of employees in FTE	14,5

BKS Leasing d.o.o. Beograd

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	100%
Head office	Belgrade
Share capital	EUR 1.0 million
Year of founding	2023
Leasing volume	EUR 6.1 million
Number of employees in FTE	5,0

Oberbank AG

Object of business	Credit institution
Share in the capital	14,15%
Head office	Linz
Year of founding	1869
Total assets on 30/09/2023	EUR 26.7 billion
Number of branches on 30/09/2023	178
Average number of staff on 30/09/2023	2.142

Bank für Tirol und Vorarlberg AG

Object of business	Credit institution
Share in the capital	12,83%
Head office	Innsbruck
Year of founding	1904
Total assets on 30/09/2023	EUR 13.2 billion
Number of branches on 30/09/2023	35
Average number of staff on 30/09/2023	821

ALPENLÄNDISCHE GARANTIE – GESELLSCHAFT m.b.H.

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

Other consolidated companies

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

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

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

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

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

IEV Immobilien GmbH

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

BKS Service GmbH

Object of business	Service company for banking-related activities
Share in the capital	100%
Head office	Klagenfurt
Share capital	€k 35
Year of founding	2011
Number of employees in FTE	53,1

BKS Immobilien-Service Gesellschaft m.b.H.

Object of business	Acquisition, construction, rental of real estate, and building management
Share in the capital	100%
Head office	Klagenfurt
Share capital	€k 40.0
Year of founding	1973
Number of employees in FTE	14,3

BKS 2000 - Beteiligungsverwaltungsgesellschaft mbH

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

E 2000 Liegenschaftsverwertungs GmbH

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

Other equity investments

Investments in credit and financial institutions

	Share in the capital in %
3 Banken-Generali Investment-Gesellschaft m.b.H.	15,43
Oesterreichische Kontrollbank Aktiengesellschaft	3,06
Bausparkasse Wüstenrot Aktiengesellschaft	0,84
3-Banken Wohnbaubank AG	10,00
3 Banken Kfz-Leasing GmbH	10,00

Other shares in affiliated companies

	Share in the capital in %
VBG Verwaltungs- und Beteiligungs GmbH	100,00
Pekra Holding GmbH	100,00

Other investments in non-banks

	Share in the capital in %
3 Banken IT GmbH	30,00
3 Banken Versicherungsmakler Gesellschaft m.b.H.	30,00
Einlagensicherung AUSTRIA Ges.m.b.H.	1,00
Wiener Börse AG	0,38
PSA Payment Services Austria GmbH	1,46

Financial Position

The total assets of BKS Bank were EUR 10.7 billion as at 31 December 2023, increasing by 1.3% year on year. Receivables from customers increased by 3.3% to EUR 7.4 billion, while primary deposits remained unchanged year on year at EUR 7.8 billion.

Assets

Solid credit growth despite subdued investment activity

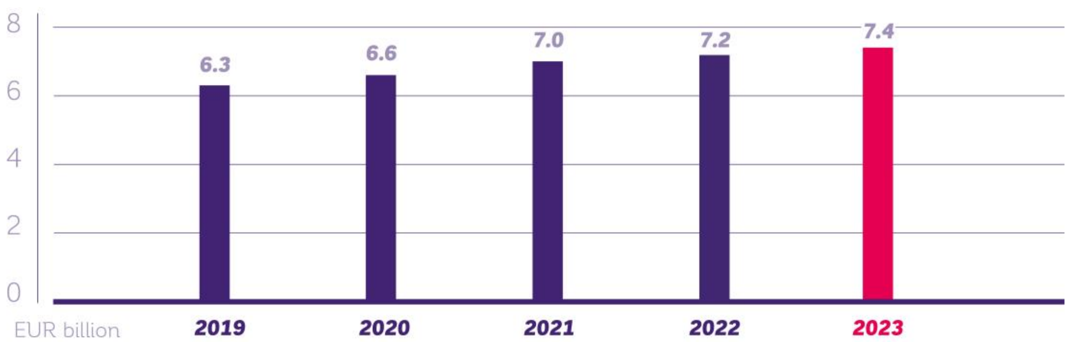
The year 2023 began with high expectations in a global economic recovery. However, the continued war in Ukraine and the escalation of the conflict in the Middle East put a damper on global sentiment. Additionally, the sustained high inflation rates weighed on consumers and businesses, significantly reducing purchasing power. Confidence and optimism recovered around the end of the year, as shown by the rising demand for loans in the fourth quarter of 2023. In the reporting year, we granted a total volume of new loans throughout the Group of EUR 1.5 billion. 90.9% of the loans were granted to corporate and business customers. Demand in the retail customer segment was low: Only 9% of new loans were extended to this target group. In 2022, around 14% were granted to retail customers, and in 2021, it was even 15.1%.Around one fifth of new loans were extended in our foreign markets.

In Retail Banking, the volume of loans for residential construction plunged. Apart from inflation and bouts of higher prices, the trend was driven by the FMA Regulation limiting systemic risk in debt-based finance for residential real estate by banks (*Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung, KIM-V*). The FMA Regulation strictly regulates lending for real estate purposes. This made it considerably more difficult for potential house builders to access home loans. We also recorded a decline in residential construction loans in Slovenia compared to previous years, with competition over lending terms playing a decisive role in this case. The volume of new residential construction loans decreased by 47.7% throughout the Group.

Receivables from customers were EUR 7.4 billion on 31 December 2023, which is an increase of 3.3% in credit volume.

The item Receivables from customers includes the credit volumes of the parent company BKS Bank AG and receivables from domestic and foreign leasing companies.

Receivables from customers



At the end of 2023, receivables from credit institutions amounted to EUR 186.8 million. In interbank transactions, we set great store by working exclusively with banking partners with first-class credit ratings (AA to A3) and preferably based in the DACH region.

The reversal of interest rate policy had an impact on cash reserves, which consist of cash in hand and balances held with central banks. Compared to the end of the preceding year, the volume of cash reserves declined by EUR 264.6 million to EUR 584.5 million at year-end.

The cash reserve is a key component of the counterbalancing capacity (CBC), which measures a credit institution's ability to generate sufficient liquidity over a longer term. On 31 December 2023, the CBC amounted to EUR 1.9 billion, which is an excellent level.

The ratio of non-performing loans (NPL) rose from 2.1% to 2.9% due to the slowing economy. The NPL ratio is an important indicator for assessing the quality of a loan portfolio. Despite the increase, the NPL ratio still puts us at a very good level in a peer comparison. All NPL ratios reported on the EBA Risk Dashboard below 3% are assigned to the green zone and are considered excellent ratios.

We only have a very small ratio of foreign currency loans in our loan portfolio. Over the past years, we have worked to steadily reduce receivables denominated in Swiss francs. As at 31 December 2023, the volume of Swiss franc loans was only EUR 66.5 million , and the foreign currency ratio was accordingly low at 0.9%.

Solid demand for lease financing

Lease financing is an attractive alternative to traditional loans and is very popular in Austria and in our foreign markets for the purchase of vehicles, real estate and machinery. In the reporting year, our Austrian leasing company granted new loans in an amount of EUR 113.3 million. The subsidiaries in Slovenia, Croatia and Slovakia also achieved satisfactory growth. The newly founded leasing company in Serbia also contributed to new business in its first financial year. In total, the value of receivables from Austrian and international leasing companies rose to EUR 659.4 million, which is an increase of 6.7% year on year.

As a measure to strengthen liquidity reserves, we increased the portfolio of bonds and other fixed-income securities by 10.5% to around EUR 1.2 billion. Investments amounted to EUR 201.6 million in the reporting year, which were offset by redemptions of EUR 89.0 million.

Shares in companies accounted for using the equity method increased by 11.9% to EUR 813.9 million as at 31 December 2023. The increase was due to the allocation of proportionate net profits for the period from our partner banks Oberbank AG and Bank für Tirol and Vorarlberg.

In 2022, the measurement of investment property was changed from the amortised cost method to the fair value model to report real estate values more reliably and appropriately than possible by the cost method. The value of these properties was EUR 120.9 million as at 31 December 2023.

Contribution to sustainability through property development

BKS Bank owns 65 real estate properties with a total area of almost 104,000 m2. Of this space, approximately 40,000 m^2 are defined for internal bank use, while 54,000 m^2 meters are rented to third parties. Three properties were sold at a book profit in the reporting year; there were no acquisitions.

Our real estate portfolio is a key element of our efforts to achieve climate neutrality in the long term. The goal is to contribute to sustainability through green buildings.

Our new construction projects are certified by Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft, ÖGNI, (Austrian Society for Sustainable Real Estate Management). The organisation evaluates sustainable buildings and districts pursuant to the European DGNB quality certificate. This certification system takes into account ecological, economic and socio-cultural aspects over the entire life cycle of the property.

In the reporting year, we completed the certification process for the "BKS Lebenswert" project in Eisenstadt and were very pleased to receive ÖGNI certification in the DGNB "Gold" Standard category. Two further projects, specifically the conversion of branches in Villach into green buildings will be certified shortly. The purpose of the two projects was the refurbishment of branches and the construction of new urban living space. We also aim to obtain ÖGNI certification in the DGNB Gold Standard category.

Overview of real estate in Austria

	2021	*2022*	***2023***
Number of properties	58	55	54
Total surface area of properties managed (m^2)	69.884	73.095	73.043
– thereof for banking operations (m^2)	37.452	36.812	36.538
– thereof rented to third parties	26.955	30.131	30.174
Rental occupancy ratio (in %)	92,2	91,6	91,3
Net rental income from third party rentals (in EUR m)	3,0	3,8	4,1

Overview of real estate abroad[1)]

	Slovenia 2021	***Slovenia 2022***	*Croatia 2021*	***Croatia 2022***
Number of properties	9	9	2	4
Total surface area of properties managed (m^2)	32.790	30.220	1.685	2.116
– thereof for banking operations (m^2)	3.182	3.183	1.429	1.429
– thereof rented to third parties	24.264	23.790	91	187,1
Rental occupancy ratio (in %)	83,7	89,3	92,2	76,4
Net rental income from third party rentals in EUR m	2,1	2,4	-	-

1) In Slovakia, BKS Bank does not manage any properties.

Shareholders' equity and liabilities

Primary deposits remain stable

Primary deposits decreased slightly by 0.5% versus year-end 2022, and stood at EUR 7.8 billion.

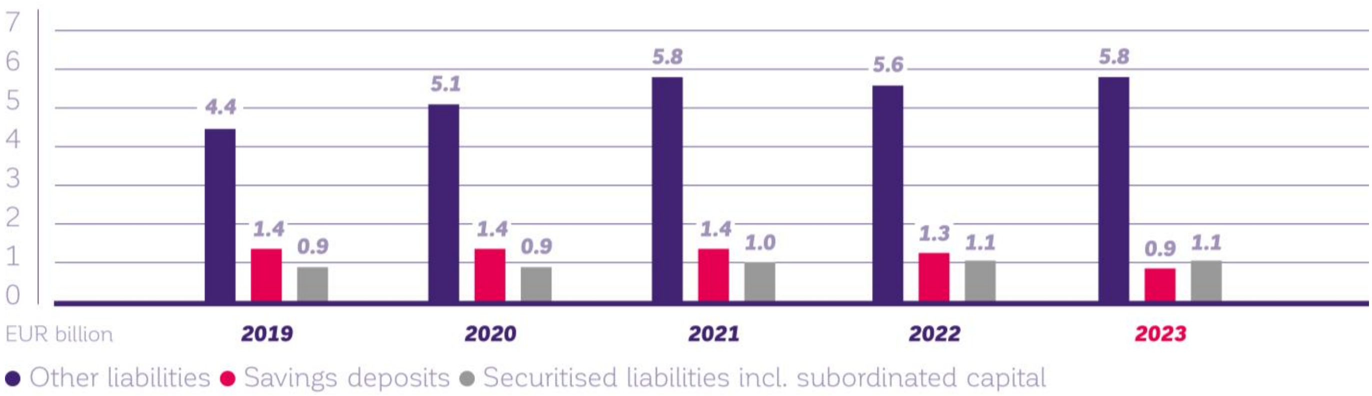
Amounts owed to customers decreased by 1.2% to EUR 6.7 billion. This item has two parts: While traditional savings deposits decreased significantly, the item of sight and term deposits increased by 4.6% to EUR 5.8 billion. A breakdown by customer segment shows that the main share of volumes on sight and term deposits are from corporate and business customers and amount to EUR 3.7 billion.

With respect to the composition of deposits, the trend towards deposits tied for longer terms continued. While it was mainly volumes on sight deposits and savings passbooks that decreased, the volume on term deposits increased by 62.7%. Term deposits were very popular in Retail Banking and recorded an increase of 73.0%. In Corporate and Business Banking, term deposits increased by 57.5%. According to a study by Oesterreichische Nationalbank (OenB), there was a strong trend in Austria of switching funds from sight deposits to term deposits in 2023. After years of low interest rates during which deposits on fixed-term savings accounts were shifted to sight deposits, in the reporting year, customers responded to the changed interest policy with more attractive terms by moving funds into longer maturities.

Demand for digital banking products continued to rise. Our online account "Mein Geld-Konto fix" was especially popular in the retail segment and volumes increased significantly and were behind the robust increase in term deposits. By contrast, volumes on traditional savings passbooks continued to decrease, dropping by 26.7% to EUR 922.5 million.

The propensity to save remained stable in the reporting year. After the savings ratio of Austrian households dropped to 9.2% in 2022, it remained mostly stable in 2023 and was 9.1% at the end of the third quarter. Surplus liquidity was used to repay existing loans in response to the changed interest rate situation but not to increase the savings ratio.

Development of primary deposits



Bond issues secure long-term refinancing

Demand for BKS Bank issues was strongly influenced by the interest policy reversal in the financial year 2023. We successfully placed three green bonds whose proceeds were used to fund renewable energy generation. This illustrates the growing awareness and engagement of investors for the energy transition. In total, we issued bonds with a volume of almost EUR 100 million.

Securitised liabilities totalled EUR 822.8 million at year-end, which is a very satisfactory rise of 5.0% over year-end 2022. Subordinated debt capital remained at the same level as in the preceding year at EUR 265.0 million.

Increase in consolidated shareholders' equity

Shareholders' equity was EUR 1.8 million as at 31 December 2023, which is an increase of 14.6% year on year. Subscribed capital rose in the second quarter of 2023 to EUR 91.6 million after the successful completion of our capital increase. With the aim of furthering growth in the bank's core business, in March, the Supervisory Board approved the proposal of the Management Board of BKS Bank AG to increase the share capital from EUR 85.9 million up to EUR 91.6 million through the issuance of a maximum of 2,862,860 new ordinary bearer shares. The capital increase was successfully completed and trading in the new shares began on the regulated market of the Vienna Stock Exchange on 22 May 2023.

The increase in shareholders' equity also resulted from the allocation to retained earnings of the excellent net profit for the year. The changes to shareholders' equity is documented in detail in the consolidated statement of changes in equity in the Notes.

BKS Bank debt securities issued in 2023

ISIN	Designation	Nominal amount in €
AT0000A33941	3,55 % fundierte BKS Bank Obligation 2023-2028/1/PP	20.000.000
AT0000A347Q3	3,85 % BKS Bank Obligation 2023-2026/2/PP	5.000.000
AT0000A38JL3	4,11 % BKS Bank Obligation 2023-2028/3/PP	4.500.000
AT0000A38MJ1	3,90 % BKS Bank Obligation 2023-2026/4/PP	5.000.000
AT0000A32RN5	3,375 % BKS Bank Green Bond 2023-2029/1	5.000.000
AT0000A32T36	3,50 % BKS Bank Green Bond 2023-2029/2	5.000.000
AT0000A33107	5 % BKS Bank Nachrangige Obligation 2023-2033/3	10.000.000
AT0000A33N15	3,60 % BKS Bank Obligation 2023-2029/4	10.000.000
AT0000A36CD9	3,90 % BKS Bank Obligation 2023-2029/5	10.000.000
AT0000A38H18	3,75 % BKS Bank Obligation 2023-2028/6	4.600.000
AT0000A38M94	3,75 % BKS Bank Green Bond 2023-2029/7	6.638.000
AT0000A39427	4,80 % BKS Bank Nachrangige Obligation 2023-2033/8	2.038.000

Result of operations

The financial year 2023 was overshadowed by geopolitical insecurity and slowing economic growth. Apart from the war in the Ukraine, the escalation of the conflict in the Middle East contributed to global insecurity. Despite the adverse circumstances, net profit developed very well due to the interest policy reversal and climbed to an all-time high.

In the past financial year, BKS Bank earned an impressive profit after tax of EUR 179.1 million, which was EUR 115.5 million higher year on year. This excellent result was supported, above all, by the interest policy reversal, which helped normalize the lending business and also raised net interest income to EUR 248.6 million. Income from entities accounted for using the equity method made a substantial contribution, rising from EUR 20.7 million to EUR 90.4 million.

In the reporting year, we focused on adapting quickly to the changed market conditions, continuing the enlargement of our portfolio of sustainable products, and at the same time, carefully managing risks.

Ten interest rate hikes by the ECB since the summer of 2022 after more than a decade of a zero interest rates helped the banking industry return to the fundamental principles of the banking business. After four adjustments in 2022, six more followed in 2023, raising the main refinancing rate to 4.5% by September. Interest income rose to EUR 322.3 million; other interest income increased by EUR 21.7 million to EUR 47.4 million, while interest expenses increased fourfold to EUR 121.1 million. As at 31 December 2023, net interest income was EUR 248.6 million, which is an increase of 58.8% year on year.

Central banks navigate difficult year with interest rate hikes

The year 2023 saw significant interest rate hikes by central banks in response to the persistently high inflation. The continued elevated prices for energy, food and other goods had a considerable impact on consumer purchasing power and this fuelled uncertainty among consumers. Geopolitical insecurity caused by current conflicts and international tensions contributed to the gloomy sentiment. All of these factors influenced global markets considerably and resulted in volatility on financial markets and restraint among customers in financing and investment decisions.

Impairment charges adjusted to weak economy

Economic growth slowed in Austria and in our foreign markets. Considering the economic environment and rising insolvency risk, especially in the real estate sector, we increased impairment charges for credit exposures. On 31 December 2023, the amount was EUR 38.4 million, which is higher by EUR 12.5% million (+48.1%). Net interest income after impairment charges increased significantly from EUR 130.7 million to EUR 210.3 million, which is higher by 60.9%. This development reflects not only our prudent risk assessment, but also our ability to achieve excellent financial results despite a challenging environment.

Payment services – a stable source of earnings

The fee and commission business is a pillar of our business activities. At EUR 64.9 million, net fee and commission income was lower year on year (-4.8%). While we strengthened our market position in payment services and were very successful in acquiring new business, the securities business saw a slight downturn.

In 2023, we significantly increased income from **payment services**. At a gain of 11.4% and a surplus of EUR 27.7 million, payment services once again proved to the most profitable area of our fee and commission business. This excellent result demonstrates our ability to recognize what customers need and offer tailor-made solutions.

The trend is clearly moving towards “cashless payments”. In recent years, the use of cash has declined, while convenient and contactless payment methods using cards, smartwatches and smartphones have become much more popular.

Digital products popular among customers

In the past few years, our customer portals “MyNet” and “BizzNet” have registered a double-digit rise in the number of active users. The positive trend continued last year as well. The number of portal users increased by 8.5%. The number of users using smartphones for their banking transactions was even higher. The BKS App we offer in Austria was used by some 36,181 customers last year, which is a rise of 17.4%.

Key items of the income statement

in € m	*2022*	*2023*	± in %
Net interest income	156,6	248,6	58,8
Impairment charges	-25,9	-38,4	48,1
Net fee and commission income	68,2	64,9	-4,8
Profit/loss from investments accounted for using the equity method	20,7	90,4	>100
Net trading income	-1,2	0,3	>-100
Other administrative income/expenses	4,3	-8,3	>100
Profit/loss from financial assets/liabilities	-8,1	1,9	>-100
General administrative expenses	-136,0	-153,3	12,7
Profit for the year before tax	78,6	206,3	>100
Income tax	-15,0	-27,2	81,3
Profit for the year after tax	63,6	179,1	>100

Since the autumn of 2022, all new customers have automatically been given access to our online portals, and this has raised usage even further. Demand for products that can be acquired via the portal is on the rise. In 2023, 62.2% more applications for products were processed on the digital platform "BKS Bank Connect" than in the preceding year.

The success of our digital offers is based on the continuous expansion of services such as new functions in our customer portals and apps. These functions include the option of integrating accounts from other banks into the customer portal and a financial planner in the BKS app. The financial planner gives customers an ideal overview of income and expenses with flexible periods and categories.

Investments defy uncertainties

Geopolitical tensions and soaring inflation have been behind volatility on the stock markets for some time now. We achieved good results in 2023, especially in the second half of the year, even though our expectations were somewhat higher. Income from **fees and commissions in the securities business** decreased only slightly from EUR 18.7million to EUR 18.4 million (-1.9%). Bonds gained ground as a result of the policy reversal in interest rates.

Demand for loans was subdued in the reporting year due to a generally more cautious stance among investors. Therefore, **income from fees and commissions on loans** decreased from EUR 20.3 million to EUR 14.7million. A positive factor, however, is the fact that new lending picked up again in the last quarter, which had a positive influence on fee and commission income.

Income from investments accounted for using the equity method

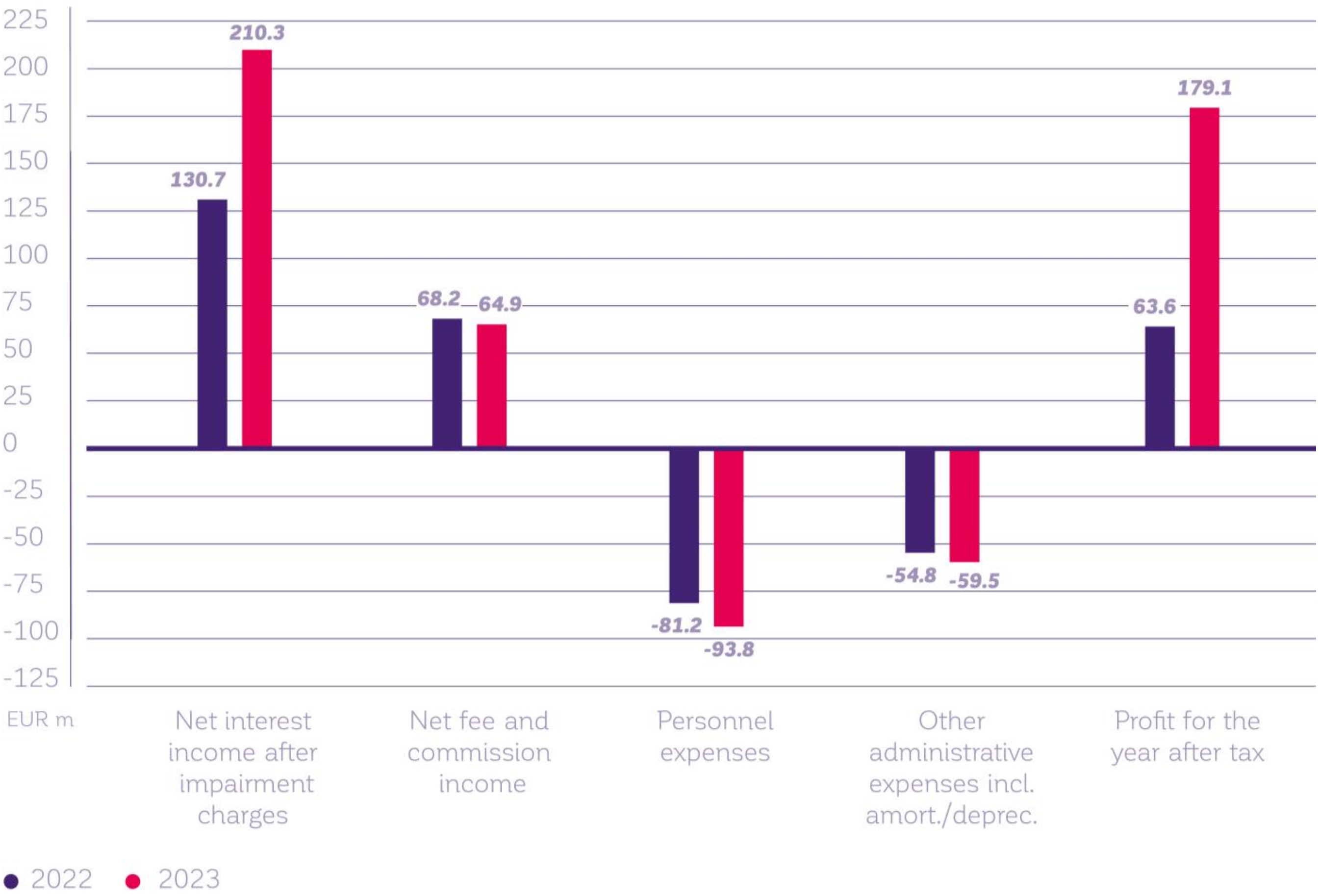
Income from companies accounted for using the equity method also contributed significantly to earnings and increased from EUR 20.7million to EUR 90.4 million. The increase was due to the allocation of net profits for the period on a proportionate basis from our partner banks Oberbank AG and Bank für Tirol und Vorarlberg that also benefited from higher interest rates.

Income from financial assets/liabilities

After the initial volatility at the beginning of 2023, stock markets recovered well at the end of the year. This development was also seen in income from financial assets/liabilities, which rose year on year by EUR 10 million to EUR 1.9 million.

Development of the individual items: "Profit/loss from financial assets measured through profit/loss (mandatory)" developed very well. As at 31 December 2023, it was EUR 4.3 million. The increase of EUR 13.2 million is due to the positive development of the fund portfolio especially in the last quarter. The item Profit/loss from financial instruments designated at fair value decreased due to measurement mismatches to EUR -1.7 million. The other items did not have any significant effects on earnings.

Components of the income statement



Staff costs rise steeply due to collective agreements

Considering the challenging market situation, we placed particular emphasis on rigorous cost discipline. Despite these efforts, general administrative expenses went up by 12.7%, which is higher by EUR 17.3 million. The sum of general administrative expenses was EUR 153.3 million in 2023 .

Among other things, this increase is due to the effects of inflation and the large investments made in the digital transformation. The largest item in administrative expenses is staff costs, which rose to EUR 93.8 million at year-end 2023 (+15.5%). This increase was fuelled in Austria by the increase in wages and salaries by around 9.5% under the collective agreement.

Another factor for the increase was expenses for the participation of employees in the company's profit through endowments to the employee participation foundations, BKS Belegschaftsbeteiligungsprivatstiftung and BKS Mitarbeiterbeteiligungsprivatstiftung.

The item Other administrative costs increased to EUR 48.5 million, which is a gain of 10.0 %. The main expenses in this item were the costs for information and communications technology and for our IT service provider, 3 Banken IT GmbH. 3 Banken IT GmbH is jointly owned by

Oberbank AG, Bank für Tirol und Vorarlberg AG and BKS Bank AG, and is responsible for digitalisation projects and general IT operations. Its head office is in Linz and it also has competence centres in Klagenfurt and Innsbruck.

Provisions depress other net operating income

Net other operating income was EUR -8.3 million as at 31 December 2023. The result was influenced by the provisions required by Slovenian law and under court rulings with respect to loans in Swiss franc. The Slovenian parliament passed a law stipulating that losses from Swiss franc loans granted a long time ago must be borne by banks. Although this law was declared invalid by the Slovenian Constitutional Court in December 2022, political attempts were made again in 2023 to implement it. Therefore, we recognised provisions in an amount of EUR 7.6 million as a precautionary measure.

Other operating income includes expenses for the stability tax of EUR 1.4 million, and for contributions to the resolution mechanism (EUR 3.9 million) and the deposit guarantee scheme (EUR 0.6 million). These two schemes are now well filled; therefore, costs are expected to be lower for these items in the coming years. The sale of a property in Slovenia resulted in a book profit of EUR 1.8 million at BKS-leasing d.o.o., which is also recognized in this item.

Profit for the year climbs to new high

In the reporting year, BKS Bank's consolidated net income before tax was EUR 206.3 million. After deducting taxes of EUR 27.2 million, consolidated net profit after tax was EUR 179.1 million.

Excellent key performance indicators

At the close of the year, there were significant increases in almost all key performance indicators: return on equity (RoE) after tax rose from 4.2% to 10.8% and return on assets (RoA) after tax was 1.7% compared to 0.6% in the preceding year.

The cost/income ratio, which measures the operating cost/income ratio of banks, decreased by 16 percentage points to 38.7% due to the strong rise in income. The risk/earnings ratio, which is an indicator of risk in lending decreased further and was at a satisfactory 15.4%, which is a drop by 1.1 percentage points. The NPL ratio rose to 2.9%, but was still at a highly satisfactory level.

The leverage ratio was an excellent 9.1% on 31 December 2023 after 7.9% in the preceding year. The liquidity coverage ratio (LCR ratio) was also far above the average at 223.2%. The leverage ratio and the LCR ratio were well above the regulatory requirements of 3.0% and 100%, respectively.

The net stable funding ratio (NSFR) is an important liquidity indicator for the long-term liquidity and financial stability of a bank. BKS Bank's NSFR rose from 118.7% to a pleasing 123.3% in the preceding year, partly because of the shift in deposit structures towards long-term deposits.

The last financial year illustrated once again the importance of having solid capital base. The tier 1 capital ratio of BKS Bank increased from 13.6% to 14.6%, and the total capital ratio rose from 17.0% to 17.9%. The common equity tier 1 ratio, which measures the financial stability of a bank, rose from 12.5% to 13.6% due, among other things, to our successful capital increase. IFRS earnings per share was EUR 4.0 as at 31 December 2023.

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

Key performance indicators

in %	2022	2023	± in %-points
ROE after tax[1]	4,2	10,8	6,6
RoA after tax	0,6	1,7	1,1
Cost/income ratio [2]	54,7	38,7	-16,0
Risk/earnings ratio [3]	16,5	15,4	-1,1
NPL ratio	2,1	2,9	0,8
Leverage ratio	7,9	9,1	1,2
Liquidity coverage ratio (LCR ratio)	190,4	223,2	32,8
Net stable funding ratio (NSFR)	118,7	123,3	4,6
Common equity tier 1 ratio	12,5	13,6	1,1
Tier 1 capital ratio	13,6	14,6	1,0
Total capital ratio	17,0	17,9	0,9
			in %
IFRS result per share outstanding in €	1,4	4,0	285,7

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

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

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

Profit distribution proposal

The distributable profit is based on the net profit of the parent company BKS Bank AG. From 1 January to 31 December 2023, BKS Bank AG earned a net profit of EUR 77.3 million. An amount of EUR 60.9 million from the net profit was allocated to reserves.

Taking into account a profit carried forward of EUR 0.4 million, BKS Bank AG reported retained earnings of EUR 16.8 million. We will propose to the 85th Annual General Meeting on 8 May 2024 to distribute a dividend of EUR 0.35 per share or EUR 16,032,016, and to carry forward the remaining amount of approximately EUR 0.8 million to new account.

Segment Report

The segment report has four parts: Corporate and Business Banking, Retail Banking, Financial Markets and Other. Within the BKS Bank Group, the Corporate and Business Banking segment has the longest tradition and contributes the most to profits. Growth was achieved in this segment also in the reporting year. Results in Retail Banking were boosted by the change in interest policy. The Financial Markets segment benefited from excellent income from investments account for using the equity method.

Corporate and Business Banking

Since BKS Bank's establishment in 1922, our mission has been to support businesses and serve as a reliable partner. We have remained true to this mission to this very day. Providing support to corporate and business customers remains one of our core areas of competence, and this is also reflected in segment results.

Our customer base is diverse and includes industrial companies as well as small and medium-sized businesses from the retail, commercial, construction and associated service sectors, freelancers, farming and forestry enterprises, non-profit housing developers, institutional players and public institutions. The long-standing loyalty of many of our customers, in some cases spanning generations, highlights appreciation for our reliability, innovate spirit and personal services. Over the years, we have continuously expanded our range of products and services, giving special attention to the integration of digital solutions and the promotion of sustainable practices.

Up until today, Corporate and Business Banking has been our most vital operating business unit. Most income from lending is earned in this customer segment.

Earnings continue on solid path despite challenging conditions

Despite challenging market conditions, the trend in Corporate and Business Banking was very positive in the past financial year. The segment result improved by 2.6% to EUR 88.9 million on the back of robust interest income, while there were some setbacks in the fee and commission business.

The increase in key lending rates had a positive effect on the interest income: Net interest income rose by 25.2% to EUR 157.1 million. By contrast, there was a decline in the fee and commission business, with net fee and commission income dropping 6.5% to EUR 37.5 million, mainly caused by lower commissions on loans. The lower demand for loans was caused by the prevailing gloomy sentiment triggered by high inflation rates and the geopolitical insecurity. The situation improved slightly around the end of the year. Demand for loans increased slightly again in the fourth quarter of 2023. Overall, commissions on loans decreased by 19.7% to EUR 13.5 million, which was far below expectations. Positive highlights include results from payment services, which contributed EUR 15.9 million (+8.7%), and the stable result in the securities business of EUR 6.2 million.

Due to the economic slowdown and the worsening macroeconomic outlook, loan loss provisions were raised by EUR 13.8 million, from EUR 24.2 million in the preceding year to EUR 37.9 million. Administrative expenses rose by 21.4% to EUR 68.6 million due to inflation, constantly rising staff expenses and the steadily rising costs of digitalisation.

Corporate and Business Banking

in € m	2022	2023
Net interest income	125,5	157,1
Impairment charges	-24,2	-37,9
Net fee and commission income	40,2	37,5
General administrative expenses	-56,5	-68,6
Other operating income/expenses	1,3	2,0
Profit from financial assets	0,4	-1,1
Profit for the year before tax	86,7	88,9
RoE before tax	19,0%	18,2%
Cost/income ratio	33,9%	34,9%
Risk/earnings ratio	19,2%	24,2%

The segment-specific performance ratios developed as follows: At 18.2%, the return on equity was very good, and likewise the cost/income ratio, which reached an excellent 34.9%. The risk/earnings ratio rose from 19.2% to 24.2% due to higher impairment charges for losses on loans and advances.

Credit growth curbed by subdued investment activity

Finance and investments are the most sought-after services in corporate and business banking. Therefore, we offer a wide selection of finance products such as working capital loans, investment and export finance as well as lease transactions and advisory services for subsidised financing schemes. Our aim is to develop customized solutions for the specific requirements of our customers and to respond to their individual needs.

As already mentioned, the economic conditions in the financial year 2023 were extremely challenging. The led to a high degree of restraint on the part of consumers, and subsequently also at companies with respect to consumption and investments.

The outcome was a noticeable dampening effect on demand for loans especially in the real estate segment. Despite the uncertain economic situation, we extended a volume of EUR 1,390.5 million in new lines of credit to corporate and business customers throughout the Group from January to December 2023. Noteworthy is the strong demand for lease finance in Austria and on international markets. Receivables from corporate and business banking customers including lease finance was EUR 6.1 billion at year-end, which is an increase of 5.9% year on year.

Strong demand for ecologically sustainable investments

High levels of investment are required to achieve climate neutrality, with demand for sustainable finance rising accordingly. For Austria, the Federal Environment Agency (Umweltbundesamt) estimates that the investment volume required for industry, energy, buildings and transport will average a total of EUR 145 billion until 2030.

For every loan we grant, we check if the purpose of the loan is for a sustainable investment. In the reporting year 2023, the volume of new loans extended to corporate and business customers for environmentally sustainable finance was EUR 169.4 million (+14.7%). Demand is high for green loans for the implementation of green technologies and to achieve the transition to a low-carbon economy.

We recorded very pleasing growth figures for green leasing products for corporate and business customers. The leasing volume rose from EUR 18.9 million to EUR 23.0 million. In total, the volume of sustainable loans in corporate and business banking was approximately EUR 1.0 billion.

High demand for export services, especially in difficult times

Export finance and related advisory services for subsidised loans are well established at our bank. Since the founding of the bank, helping our customers with the internationalisation of their business activities has been one of our key areas of competence. Our corporate and business customers appreciate our know-how and competent advice, especially in challenging times. In the financial year 2023, we provided support for numerous new export projects. In total, we handled EUR 243.6 million in new loans for export finance until the end of the year.

The documentary business and international bank guarantees also performed positively. We recorded significant growth in volumes and income, although the challenges for international business in the reporting year were enormous.

Positive trend in corporate banking

Corporate banking is an important business field. In this business area, we serve large customers with sales of over EUR 75 million, institutional customers and large municipalities. In the reporting year, we extended loans in Corporate Banking with a volume of EUR 188.6 million. This unit also transacts syndicated loans and borrower's notes.

Slight growth in deposits from corporate customers

Deposits from corporate customers increased as well, although in many places liquidity was tight at companies due to the tense economic situation. While sight deposits decreased by 16.7%, term deposits increased by more than half (+57.5%). At year-end, the sum of other liabilities was EUR 3.7 billion, which is 1.3% higher than at the end of the preceding year.

Successful payment services business

In the services business, the segment of payment services developed very well. Income from payment services was EUR 15.9 million (+8.7%). Although this business area is highly competitive and marked by dynamic change, it still has enormous growth potential. Our products for corporate and business customers include accounts designed to their specific needs and feature transparent pricing. We are also constantly optimising our range of products and their functionalities. Additionally, our employees ensure excellent customer services which underpins our standing as a reliable banking partner.

Digital offers appeal to corporate customers

Many of our corporate and business banking customers use our modern online banking services developed specifically for this target group. One milestone reached last year was the enlargement of our digital products and services in lending: A fully digital application process is now available to customers for obtaining non-binding offers for various lending products. This gives corporate customers an opportunity to obtain an initial loan offer quickly and easily.

The number of persons using digital products is constantly growing – also in the past financial year. The number of BizzNet and BizzNet Plus users at the end of the year was 9,332, which is an increase by 11.0%.

Securities business picks up at year-end

The investment year 2023 was full of ups and downs, and cautious investor behaviour prevailed. Only in the fourth quarter did the trend to invest in securities pick up. Against this backdrop, we are pleased to report stable results from the securities business in Corporate and Business Banking of EUR 6.2 million.

In the insurance business, we provide corporate customers with advisory services, especially regarding company pension plans.
Such plans are of central importance for human resources strategy, as it is not only an attractive added benefit for employees, but also promotes loyalty to the company over the long term. Additionally, the plans offer protection for family members of employees.

In 2023, we sold contracts in this product with a net annual premium of EUR 342,300.

Outlook for Corporate and Business Banking

One hundred years ago, a Carinthian entrepreneur laid the foundation for today's BKS Bank. Ever since, we have helped corporate and business customers achieve their business goals. Our approach is holistic: We offer tailor-made solutions to meet the individual needs of our customers. Even in difficult times, we are a competent partner and provide support.

We are continuously expanding our portfolio of innovative digital products and services. The combination of personal relationships, reliability and excellent digital services and products has proven an excellent strategy.

In 2024, we are working to improve the digital banking experience for our corporate customers. We created a new online portal designed specifically for corporate and business customers – another milestone in our digital development. Our goal is to fully exploit the potential of digitalisation to continuously optimize support and services for our customers. A special focus for the coming year will be placed on advancing the project to redesign the lending process for corporate and business customers.

Very soon, our customers will have access to a digital "document center" that transparently informs customers and employees of the documents and records required for a loan application and of which documents are still missing.

Retail Banking

In the 1960s, we expanded our services to retail customers thereby developing into a universal bank. Continuous development – this is one of the success factors in the retail business. We are very proud of the wide range of products and services we offer, which we have also been digitising and moving towards sustainability in the past years. Today, all of our banking services for retail customers are digitally accessible, and we offer sustainable alternatives in the areas of finance, investment and payment services.

With “BKS Bank Connect”, we have created a separate digital bank designed for customers who wish to conduct their banking transactions digitally. Our constant innovative efforts are appreciated by our customers. As at 31 December 2023, we served 168,350 retail customers who placed their trust in us. In Retail Banking, we provide services to private individuals and members of the healthcare professions.

Segment result at all-time high

In our anniversary year, we achieved excellent results in the Retail Banking segment of EUR 46.1 million. Compared to the prior-year period, this means results were nearly four times as high (2022: EUR 12.1 million). This is the highest pretax profit ever reported for Retail Banking. The significant increase in earnings is attributable primarily to the policy reversal in interest rates. Net interest income was up by EUR 49.8 million to EUR 88.2 million compared to 2022.

Fee and commission income was EUR 27.8 million, which is a decrease of EUR 1.1 million year on year. The reasons are lower fees and commissions on loans. At EUR 1.7 million, net income from the securities business was lower year on year by around 49.1% (pr. yr.: EUR 3.4 million). On a positive note, payment services performed well again, with income increasing by EUR 1.1 million from EUR 11.4 million to EUR 12.5 million.

Retail Banking

in € m	2022	2023
Net interest income	38,4	88,2
Impairment charges	-1,3	1,2
Net fee and commission income	28,8	27,8
General administrative expenses	-55,9	-65,5
Other operating income/expenses	1,9	-5,8
Profit from financial assets	0,2	0,2
Profit for the year before tax	12,1	46,1
RoE before tax	9,5%	37,2%
Cost/income ratio	80,9%	59,5%

Administrative expenses increased by EUR 9.6 million to EUR 65.5 million, due mainly to higher personnel costs. Loan loss provisions were released in an amount of EUR 1.2 million.

The segment-specific indicators improved as follows supported by the excellent segment result: Return on equity increased highly satisfactorily by 27.7 percentage points from 9.5% to 37.2%. The cost/income ratio decreased by 21.4 percentage points to 59.5%.

Outstanding feedback in after-sales survey

We attach great importance to excellent quality in advisory services and products. We are very pleased with the excellent feedback from our customers regarding satisfaction with our services as a banking partner. The majority of our customers gave us top marks in the surveys. 87% of the customers surveyed rated our performance excellent and good. The competence of our account managers and the speed of decisions and the services provided were also awarded top marks. Our core brand values of "strong in relationships" and “warm-hearted” were impressively confirmed.

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

Demand for home loans on decline

Demand for residential construction loans fell significantly again in the reporting year. The main reasons for the downturn in demand are rising interest rates, high real estate prices, and the high degree of uncertainty regarding the future development of the economy. Another important reason was the tightening of lending standards for real estate loans that is making it more difficult for homebuyers and homebuilders to access financing. In the summer of 2022, the Austrian Financial Market Authority issued a Regulation limiting systemic risk in debt-based financing for residential real estate extended by credit institutions (Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung, KIM-V). Pursuant to the Regulation, the maximum loan/value ratio must be 90%, the debt/service ratio cannot exceed 40%, and the maximum term of the loan is limited to 35 years. The terms and conditions for loan amounts below EUR 50,000 for renovations and refurbishments are less stringent. This Regulation caused demand for retail loans to decline steeply throughout Austria – also at BKS Bank – and the portfolio of loans for residential construction shrunk in the reporting year. Loans and advances to retail customers decreased by -7.3% to EUR 1.3 billion.

The decrease was less pronounced (-3.9%) for sustainable lending products, which we have been offering for several years. In total, a volume of EUR 272.9 million in sustainable loans were outstanding in the retail segment at year-end. As a positive contribution and to support our customers to achieve the green transition, we expanded our range of sustainable products last year. The newly introduced “Energie- und Zukunft-Kredit” (energy and future loans) enables the financing of photovoltaic systems, heat pumps, heating system conversions and energy efficiency technologies. We have also strongly promoted the refurbishment bonus scheme of the Ministry for Climate Action. Our customers were actively informed about this option in advisory talks and we also launched a separate product, the housing and renovation loan, in the reporting year.

Change in interest policy makes deposits more attractive for investors

In the reporting year, the European Central Bank (ECB) raised key lending rates six times as a measure to fight inflation. This rekindled interest in savings products among retail customers. The volume on sight and term deposits stood at EUR 2.1 billion at year-end. A larger portion of funds flowed into sight deposits, which amounted to EUR 1.3 billion, but declined by 8.5%. By contrast, demand and volumes on term deposits rose from EUR 452.5 million to EUR 782.9 million (+73.0%).

Traditional savings passbooks lost further ground in the past financial year. We recorded outflows of EUR 273.8 million in the retail segment. Household savings were EUR 856.2 billion, which is a minus of 24.2%. An alternative to savings passbooks is the “Mein Geld” account. The “Mein Geld” account – which can be opened online – recorded 4,460 new accountholders in 2023, a trend driven by the more attractive interest rates. This type of account gives retail customers around-the-clock access to their savings regardless of where they are. At year-end 2023, we recorded customer deposits totalling EUR 0.95 million on “Mein Geld” accounts.

Investments regain appeal this year

The investment year got off to a slow start, but improved more and more as the year progressed. Both equity and bond markets rebounded and investor confidence improved again. At year-end 2023, net income from fees and commissions from the securities business in the retail segment was EUR 12.7 million, which is a decrease of 1.5%.

BKS Vermögensverwaltung performed well in a challenging environment. Volumes rose in the reporting year from EUR 250.0 million to EUR 261.5 million.

Sustainable investments are popular

Investments in sustainability are very popular with retail customers and we are constantly working to expand the range of sustainable products.

We issued three new green bonds in the reporting year. The first two bonds were used to finance the construction of a biomass plant by Hasslacher Energie GmbH. The proceeds of our ninth green bond helped to finance a key project in Carinthia: The construction of several PV installations with an output of 8.6 MWp by Kelag, Carinthia's largest electricity utility. As the bond has a denomination of EUR 1,000 it was also attractive to retail investors. The successful placement of our green bond demonstrates the growing awareness and willingness of our investors to actively participate in the energy transition. This indicates that sustainable investments are not only good for the environment but also attractive investments for our customers.

With this issue in 2023, the volume of green bonds issued increased to EUR 42.0 million. We have issued nine green bonds, two social bonds and one sustainability bond since 2017; all of these bonds contribute substantially to sustainable projects. Therefore, we are not only contributing to climate change mitigation, but also offer our investors a future-oriented and sustainable investment opportunity.

We also offer our customers opportunities to invest sustainably within our asset management services. The product “BKS Portfolio-Strategie nachhaltig” has been awarded the Austrian Ecolabel for Sustainable Financial Products. The portfolio is actively managed and invests exclusively in sustainable, ethical and environment funds that bear the Austrian Ecolabel for Sustainable Financial Products or meet the Ecolabel’s high ESG requirements. At year-end 2023, EUR 20.4 million was invested in “BKS Portfolio-Strategie nachhaltig”. The decrease of EUR 0.9 million was due mainly to price changes on the market.

We offer customers additional sustainable investment opportunities in the form of investment funds managed by 3 Banken-Generali Investment-Gesellschaft m.b.H.[2), the joint investment management company of the 3 Banken Group and Generali Versicherung. The selection of sustainable funds includes seven investment funds with the Austrian Ecolabel for Sustainable Financial Products. Key ecological factors considered in the fund design include climate change mitigation, adaptation to climate change, preservation of biodiversity and the sustainable use of resources. Six of the sustainability funds also bear the European Transparency logo “Eurosif”.

This company, in which BKS Bank holds a 15.4% stake, currently manages a volume of EUR 1.6 billion (+1.4%) in sustainability funds. BKS Bank customers held EUR 106.4 million (+19.2%) in the sustainable products of 3 Banken-Generali Investment-Gesellschaft on their custody accounts in the reporting year.

As an alternative for customers who do not wish to invest in the capital market, BKS Bank also offers a green savings passbook which is available only in the form of a bonus savings passbook.

“Natur & Zukunft” account for reforestation

Payment services play a strategically important role also in the Retail Banking segment.

We are pleased to report that we achieved a growth rate of 10.0% in this business segment in the reporting year. Income from payment services was EUR 12.5 million.

The most important product in payment services is the bank account. We are proud to offer a green alternative also for bank accounts. Our “Natur&Zukunft” account contributes to the reforestation of our protection forests in Austria. In the reporting year, the net balance on these accounts increased to EUR 94.4 million. This is an increase of 32.0%. The total number of “Natur & Zukunft” accounts in the reporting year was 11,000 at the end of 2023, a gain of 4,439 accounts (+67.7%).

Since the introduction of the “Natur & Zukunft” account in 2020, BKS Bank has planted 14,680 trees in particularly exposed locations. Furthermore, the funds on the “Natur & Zukunft” accounts are used exclusively for loans that support ecologically sustainable projects. The sustainable nature of the “Natur & Zukunft” account was verified externally in 2022 by certification under the Guidelines of the Austrian Ecolabel for Sustainable Financial Products UZ 49.

The “Du & Wir” account helps people in need

In the reporting year, we prepared the introduction of a new account for retail customers. The new “Du & Wir” account makes it possible for customers contribute their support for social projects. For every account opened, EUR 12 are transferred to the "Du & Wir-Stiftung" foundation. The foundation supports people in need and people who require care and nursing. The account is unique in Austria and highlights our ability to develop innovative solutions to meet the needs of our customers while also making a positive contribution to society.

Constantly enlarging our digital offers

Access to our accounts is simple and secure via the modern and easy-to-use customer portal “MyNet”. In the reporting year, we introduced new features and improvements to “MyNet” such as a function that links accounts from other banks. The number of “MyNet” users has been increasing from year to year and this was also the case last year. The number of activated “MyNet” portals increased by 7.7% to 70,277 customers, and the number of transactions is also rising rapidly (+7.14%).

The BKS app enables customers to keep track of their finances wherever they are at all times. The number of users of the BKS app is also rising strongly. In 2023, the BKS app was actively used by around 36,200 customers. This is 17.4% higher year on year. We are continuously working to improve the BKS App and introduced the new function of financial planner in the reporting year. This function provides customers with a visual overview of their income and expenses. The expenses are summarized in categories that can be expanded and adjusted as desired by customers. Many customers are already using the new function. Since 2023, customers have also had the option of integrating accounts at other banks used for payment services into the MyNet customer portal.

BKS Bank Connect - hybrid business model

Online transactions are booming and the use of digital applications has increased massively since the coronavirus pandemic. Our digital bank "BKS Bank Connect" has been designed mainly for digitally inclined customers. BKS Bank Connect can be used by both retail and corporate customers to conduct routine banking transactions online. When customers need advice, a team of well-trained advisors at BKS Bank Connect are available to assist them. It is important to us to be close to customers and accessible, also through our digital channels. In the reporting year 2023, 62.2% more product requests were processed in the digital bank than in the preceding year. Only one third of online requests are forwarded to the branches of our network. BKS Bank Connect has developed into an optimal supplement to our branches.

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

Successful partnership with Generali Versicherung

As a responsible bank, we offer retail customers a broad range of insurance products as well. In this context, we sell the insurance products of our long-standing insurance partner, Generali Versicherung AG.

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

The development of the insurance business was rather subdued in the reporting year. However, there were still a few highlights: Endowment insurance policies with regular premium payments increased by 1.6% in terms of the total premium volume. Sales of accident insurance developed even better, increasing by 11.3%.

Outlook for Retail Banking

In recent years, we have succeeded in returning the retail banking segment to profitability. The trend reversal in interest rates contributed significantly to this achievement. We will continue our efforts to stay on this successful path. We plan to focus on the acquisition of new customers.

One of the success factor for retail banking is the constant development of our range of products. In 2024, we will focus on numerous digitalisation projects such as adding new functions to the BKS App. Soon, for example, customers will be able to place orders for securities transactions in the app.

Furthermore, we plan to expand our strong position in sustainability and attract new target groups with our range of sustainable products. A major project important to us was completed at the beginning of the year: The "Du & Wir-Stiftung" foundation was set up with founding capital of EUR 500,000 under the umbrella of the Caritas Foundation Austria. The returns generated will be used to support people in need and people with care and nursing requirements.

Our customers are invited to contribute to the foundation. Donations are possible from EUR 5,000 up and thus also suitable for retail customers. Additionally, we introduced the “Du & Wir” account, which contributes to the foundation every time a new account is opened. A portion of the account management fee is automatically transferred to the foundation, with the aim of sustainably increasing the capital.

Our goal is to expand market shares in our foreign markets. In Slovenia, we are already one of largest securities services providers. We aim to improve our leading position and to this end we introduced investment advisory services in 2023, thereby adding a new service for the securities business.

Financial Markets

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

Net profit before tax in the Financial Markets segment was only EUR 84.2 million. The significant increase in the segment result (EUR +83.8 million) is due to the excellent returns from entities accounted for using the equity method. Income from entities accounted for using the equity method increased to EUR 90.4 million due to the excellent results of our partner banks Oberbank AG and Bank für Tirol and Vorarlberg. Net income from financial assets/liabilities rose to EUR 2.8 million.

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

Financial Markets

in € m	2022	2023
Net interest income	-7,3	3,4
Impairment charges	-0,5	-1,7
Net fee and commission income	-0,4	-0,3
Profit/loss from investments accounted for using the equity method	20,7	90,4
Net trading income	-1,2	0,3
General administrative expenses	-8,7	-8,7
Other operating income/expenses	2,7	-2,1
Profit/loss from financial assets/liabilities	-4,9	2,8
Profit for the year before tax	0,4	84,2
RoE before tax	-	8,6%
Cost/income ratio	60,2%	9,5%

The investment portfolio has a low risk exposure. We hold only few investments outside the financial sector. Our most important shareholdings include 3 Banken-Generali Investment GmbH (3BG) in which we hold 15.43%. 3BG is an investment management company based in Linz and employs 60 people. Its assets under management are around EUR 11.7 billion, spread across 64 retail funds and 156 special funds and institutional investor funds with a clear focus on Austria as the home market. This investment generated income from its custodian bank function of EUR 1.8 million. We also hold equity interests in Oesterreichische Kontrollbank (OeKB), 3 Banken KFZ-Leasing and Wiener Börse AG.

In the reporting year 2023, we reported a total of EUR 2.1 million in income from equity investments, including EUR 1.0 million in distributions from OeKB. The 10% investment in 3 Banken KFZ-Leasing yielded income of EUR 0.7 million. With this shareholding, we participate in the entire Austrian vehicle leasing market. Administrative expenses in the segment remained constant at EUR 8.7 million, with the larger portion being spent on personnel expenses at EUR 7.0 million.

The ALM Committee manages long-term and structural liquidity. The net stable funding ratio (NSFR) is an important liquidity indicator for long-term liquidity. In the reporting year, the NSFR reached 123.3%. We issued long-term bonds in an amount of EUR 100 million to strengthen the NSFR.

The performance indicators for the Financial Markets segment developed as follows: The cost/income ratio decreased to 9.5%, while ROE was 8.6%.

Outlook for Financial Markets

We expect key lending rates to decline in 2024 and the inverse yield curve to remain in place for a while. Therefore, we expect only modest contributions to earnings from term structure management.

The issuance business remains on the strategic agenda to secure our liquidity long term and to offer customers attractive investment opportunities. Our investment activities in 2024 will continue to be guided by the avoidance of market risks.

We have no plans to change our conservative investment strategy and will continue to invest primarily in high quality liquid assets. We will also continue our cooperation with our strategic partners, Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft.

Other

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

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

Net profit/loss before tax for the year for the segment Other was EUR -12.9 million compared to EUR -20.7 million in the preceding year. The segment result was also impacted by regulatory costs. It includes expenses for the stability tax of EUR 1.4 million, and for contributions to the resolution mechanism (EUR 3.9 million) and the deposit guarantee scheme (EUR 0.6 million). Administrative expenses in the segment Other decreased from EUR 14.8 million to EUR 10.4 million, because the endowments to the BKS Belegschaftsbeteiligungsprivatstiftung and the BKS Mitarbeiterbeteiligungsprivatstiftung were allocated to the two customer segments in the reporting year; in the preceding year, they were reported in the segment Other.

Consolidated Own Funds

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

The Supervisory Review and Evaluation Process (SREP) conducted by the Austrian Financial Market Authority (FMA) specified that BKS Bank had to meet the following minimum requirements excluding a capital conservation buffer as a percentage of the total risk exposure effective as of 31 December 2023:

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

Solid equity base

Common equity tier 1 capital increased in the reporting year by EUR 129.2 million to EUR 907.5 million, which is a gain of 16.6%. Common equity tier 1 ratio rose from 12.5% to 13.6%. Additional tier 1 capital was EUR 65.2 million on 31 December 2023. Including supplementary capital (tier 2) of EUR 216.8 million, total own funds came to EUR 1,189.5 million, which is an increase of 12.4%. The total capital ratio was 17.9%.

BKS Bank, group of credit institutions: own funds pursuant to CRR

in € m	31/12/2022	31/12/2023
Share capital	85,9	91,6
Reserves net of intangible assets	1.360,6	1.566,3
Deductions	-668,2	-750,4
Common equity tier 1 capital (CET1)	778,3	907,5
Common equity tier 1 ratio	12,5%	13,6%
AT1 note	65,1	65,2
Additional tier 1 capital	65,1	65,2
Tier 1 capital (CET1 + AT1)	843,4	972,7
Tier 1 capital ratio	13,6%	14,6%
Supplementary capital (tier 2)	214,7	216,8
Total own funds	1.058,1	1.189,5
Total capital ratio	17,0%	17,9%
Total risk exposure amount	6.213,5	6.664,3

[1)] Includes net profit for the year 2023. Formal adoption is outstanding.

Preparations for CRR III started

The requirements for own funds in banking operations will change significantly as of 2025. The application of the revised Capital Requirements Regulation (CRR III) as of 1 January 2025 will result in a partial remeasurement of the total risk exposure amounts. The following items will be affected:

- Exposures secured by immovable property
- Equity exposures, and
- Off-balance sheet exposures

BKS Bank started preparing for the upcoming changes under CRR III early on. An implementation project was set up with all units involved. Test scenarios showed that an increase in the total risk exposure amount would not have any significant impact on equity ratios.

Leverage ratio significantly above minimum regulatory requirements

The leverage ratio is the ratio of tier 1 capital to the unweighted exposure of BKS Bank including off-balance sheet risk exposures. The leverage ratio was 9.1% at year-end 2023. Therefore, we were well above the regulatory minimum ratio of 3.0%.

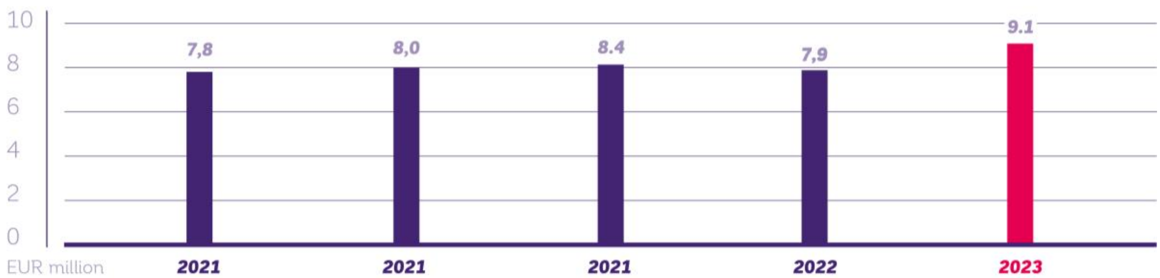
BKS Bank meets MREL ratio requirements

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

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

Since January 2022, it has been mandatory to determine the MREL ratio on the basis of the Total Risk Exposure Amount (TREA). As at 31 December 2023, the MREL ratio was 28.1% We substantially exceeded the regulatory minimum ratio of 20.1%.

Leverage ratio



Risk Management

The description of the risk management objectives and methods as well as explanations on the material risks are contained in the Notes as of page 178 in the chapter Risk Report.

Financial reporting and the internal control system

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

The ICS ensures that the corporate reporting processes, in particular, financial reporting is carried out correctly, reliably and is complete. We meet these requirements through a documented and transparent organisational structure, an appropriate risk orientation and risk analysis, and control activities. Our ICS coordinators provide professional support for compliance with accounting-related ICS. Risks are continuously monitored and regularly reassessed jointly with the Accounting department. We use the software, easyGRC, to support documentation and analysis.

Accounting-related ICS is thoroughly examined in an annual control cycle. New processes are added and any steps no longer needed are eliminated. ICS coordinators are responsible for steering these processes.

We use the reporting software firesys as a tool to support professional corporate reporting. The software permits changes and adjustments to figures in a secure and audit-compliant manner. The software also fully supports the European Single Electronic Format (ESEF).

To optimize the processing of incoming invoices, an electronic workflow was set up in the reporting year that provides an overview of incoming invoices and automatically controls the approval of invoices by the persons responsible and triggers payments.

All ICS measures relating to financial reporting processes are covered in a Group Accounting Manual as well as in the Internal Guidelines on Risk Provisions. Detailed process descriptions and checklists supplement these rules. Financial reporting is an important element of the internal control system in place throughout the group.

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

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

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

Control activities

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

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

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

Information and communication

The Management Board is informed regularly and promptly in monthly reports about every aspect of the financial reporting process and the financial results. Each quarter, the Supervisory Board and Audit Committee receive an interim report containing notes on departures from the budget and material changes in the period. Shareholders receive quarterly interim reports that are published on the website www.bks.at under » Investor Relations » Berichte und Veröffentlichungen.

Monitoring effectiveness of the measures

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

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

Non-financial report

BKS Bank publishes non-financial information in accordance with § 243b Business Code Unternehmensgesetzbuch, UGB) and § 267a Sustainability and Diversity Improvement Act (NaDiVeG (Nachhaltigkeits- und Diversitäts-verbesserungsgesetz) once a year in a sustainability report. This report is made available on our website at www.bks.at/Nachhaltigkeit. The information on the following pages presents selected developments of our non-financial performance indicators. The disclosures required pursuant to Article 8 Regulation (EU) 2020/852 are also reported in the sustainability report.

G – Governance

BKS Bank has been committed to a holistic sustainability strategy for many years. The current sustainability strategy 2021-2025 was developed in the year 2020 under the motto "With accountability into a liveable future". We update our strategy regularly when there are significant changes to international standards or other developments require an adjustment. In the reporting year, we reviewed the corporate strategy and made slight adjustments to the wording of key strategic objectives. In the current financial year, we will thoroughly revise our sustainability strategy in order to meet the requirements of the CSRD.

Sustainability management

Our sustainability strategy is well-established and implemented through a structured sustainability strategy process and a sustainability organization that has been in place for many years. Principal responsibility lies with the CEO due to the enormous strategic importance of the topic. The CEO informs the Supervisory Board of the bank's sustainability activities and the progress achieved with respect to sustainability KPIs.

The responsibility for sustainability also covers the further development of the sustainability strategy in collaboration with the top management.

Several ESG teams in Austria and abroad work on the different areas of responsibility under the leadership and coordination of the Sustainability Officer. Examples include the team for implementing the requirements of the EU Action Plan, the environment team and the team for the work-life balance audit ("berufundfamilie"). Regular quarterly meetings of several members of the Management Board on the topic of sustainability are held at which the progress of the sustainability strategy and other measures are discussed.

ESG factors in corporate governance

ESG factors typically include environmental, social and labour matters, respect for human rights and the prevention of corruption and bribery. These entail both opportunities and risks. The goal of BKS Bank is to make the best possible use of the opportunities of the ESG factors and to mitigate the risks resulting from adverse developments.

ESG risks and opportunities – including climate risks – are analysed in the risk assessment, defined as part of the risk strategy and evaluated customer-by-customer based on soft facts. The risks are discussed and analysed in detail with the Management Board at the regular credit risk meetings and the ALM Committee and investment are decisions reached. Overall responsibility for ESG risk management lies with the Management Board. Sustainability risks are managed within the individual risk types.

Management of ESG risks

At BKS Bank we define sustainability and ESG risks as events or conditions from the areas of environment (E), social (S)

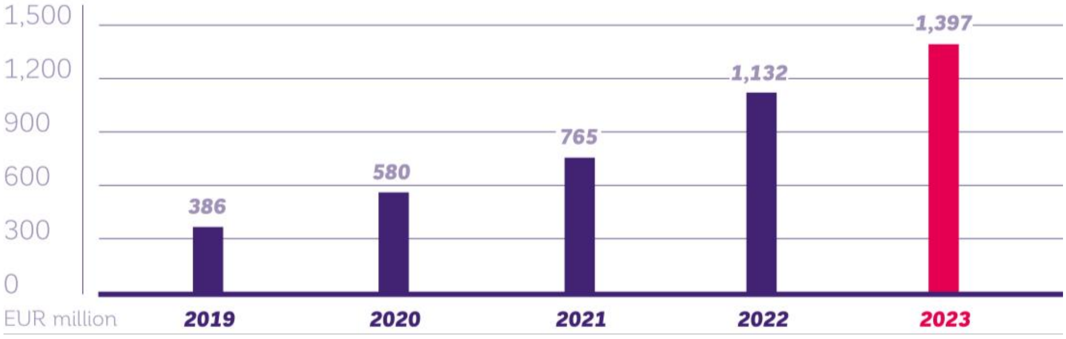
or governance (G) which may – in fact or potentially – have negative effects on the financial position, financial performance and cash flows or on the reputation of our company. This also includes any negative impact that our business activities relating to social, personnel and environmental matters. We categorize ESG factors from the perspective of dual materiality. Inside-out factors refer to our activities that may have consequences for the environment and society. The outside-in perspective covers factors of influence that affect us from external sources and may impact our business model. The consideration of the interaction of ESG and financial risks also plays an essential role in our ESG risk management process.
We use a variety of due diligence processes to identify, assess and manage ESG risks and opportunities. One example is the annual risk assessment, which is an analysis of the vulnerability of our customer portfolios to climate risks. Other examples are regular employee and customer surveys, as well as our compliance, anti-corruption and AML management.

Several analyses of individual customers and portfolios were conducted in 2023 as part of the ESG risk assessment. The stress tests were based on the methodology of the ECB stress test of the year 2022. Among other things, an impact analysis was conducted again, in which the probability of default and the expected impact were compared, broken down by sector. The extent of impact was weighted on the basis of the volume of loans granted to the respective sector. A heat map of the ESG risk drivers was also created to reveal the probability of occurrence of the individual risk drivers. We derive mitigation measures to minimize risk based on the results of the due diligence process.

ESG risk management process – volume of sustainable products

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

Volume of sustainable products



The list includes the volumes under management on “BKS Portfolio-Strategie nachhaltig” accounts, our green and social bonds, the sustainable investment components of the “BKS Portfolio-Strategie” variants, volumes on “Öko-Sparbuch” savings accounts, the “Grünen Sparbuch” (green savings passbooks), sustainable loans, the “Green Loan” product in Slovenia.

Opportunities of ESG factors

As a responsibly operating bank, BKS Bank made use for many years of the opportunities arising from ESG factors as a driver of innovation. Meanwhile, we have a wide range of sustainable products and demand is continually growing. In the reporting year, the volume of sustainable products rose to EUR 1.4 billion, which is a robust increase of 23.4%. The share of sustainable products in total assets rose from 10.6% to 13.1%.

Nonetheless, there are also ESG opportunities in non-financial areas such as human resources management. We offer numerous benefits to our employees which help create positive employer branding, and workplace health promotion measures keeps employee performance high. Effective compliance and good governance help us avoid reputational damage and fines and strengthen our market position as a responsible business partner.

Engagement with stakeholders is an important way of identifying opportunities. In the reporting year, we conducted a comprehensive survey of stakeholders in preparation for the new requirements of the Corporate Sustainability Reporting Directive (CSRD). The survey was designed as an online survey to reach as large a group of stakeholders as possible.

E – Environment and climate change mitigation

Climate change mitigation is a key strategic priority in the EU. The EU Action Plan on Financing Sustainable Growth, the Green Deal and the EU Fit for 55 package of the past few years form the framework for achieving the climate goals. These new regulations are impacting not only our core business, but will also result in significant changes for the majority of our customers. As a financial institution, we believe it is our job to support our customers during this transformation as best as possible.

We are one of the founding members of the Green Finance Alliance, which is an initiative of the Ministry for Climate Action for financial institutions that care about the future. As part of this Alliance, we have made strong commitments to objectives such as aligning our loan and investment portfolio with the goals of Paris Climate Agreement and the goal of climate neutrality.

To achieve these goals, at the end of 2023 we submitted our science-based climate targets to the Science-based Target Initiative for validation. Science-based targets support our efforts to decarbonize our own business model and define ambitious climate goals. They also form the basis for the climate transition plan, which is part of the CSRD. We expect the results of the validation by the Science-based Target Initiative by mid-year 2024. The results will determine our further path to decarbonization.

Climate and engagement strategy

Taking climate-related issues into account in all areas of our company is a priority goal. Therefore, we have developed our own climate strategy in accordance with the requirements of the Green Finance Alliance that reflects BKS Bank's strategic, climate-based orientation and objectives. The climate strategy includes clearly defined targets by when the exit from coal, oil, natural gas and nuclear energy must happen.

A decisive factor for the attainment of the goals of the climate strategy is the expansion of green economic activities and the decarbonization of existing processes at companies. As a member of the Green Finance Alliance, we are called upon to engage with our customers to develop climate mitigation and environmental protection measures as a contribution to the transformation. This is part of our engagement policy. We have defined the activities planned in an engagement strategy. We have published our climate and engagement strategy on our website.

Green activities in our core business

We offer our customers a broad range of “green” products which include ecologically-sustainable loans, investment products, our green savings passbook, and the “Natur&Zukunft” account. In the reporting year, we expanded our range of finance options to include the "Energie- und Zukunft” loan (energy & future loan). This loan is granted for the purpose of erecting photovoltaic systems, heat pumps, the conversion of heating systems and energy efficiency technologies. In the reporting year, we also promoted the refurbishment bonus scheme of the Ministry for Climate Action. Our customers were proactively informed of this campaign at advisory talks.

Every time we grant a new loan, we check whether the intended use is designated for an ecologically-sustainable investment. In the reporting year, we developed the existing list of criteria into a Sustainable Finance Framework. Clear eligibility criteria were defined to assess whether loans can be classified as belonging to the sustainable finance pool. The Sustainable Finance Framework is also designed to guarantee the use of the deposits on the “Natur&Zukunft” accounts exclusively for ecologically-sustainable purposes. In the financial year 2023, the volume of green loans increased from EUR 508 million to EUR 622 million.

In the area of ecological and sustainable investments, volumes also developed well. We also issued three new green bonds in the reporting year. The proceeds of first two bonds issued at the beginning of the year were used to finance the construction of a biomass plant by Hasslacher Energie GmbH.

A further green bond had the purpose of raising funds for a key project in Carinthia: the construction of several PV installations with an output of 8.6 MWp by Kelag, Carinthia's largest electricity utility. The entire issuing volume of EUR 8.0 million was placed within a few weeks. It was also possible for our Slovenian customers to subscribe to the green bonds for the first time. A high level of transparency in the design of our sustainable products is very important to us. Therefore, we are very proud of the fact that all green, social and sustainability bonds issued to date have been externally audited and all of them have received a second party opinion (SPO).

"Natur&Zukunft" account

Our "Natur&Zukunft" account continues to be very popular; this account contributes to the reforestation of our protection forests in Austria. In the reporting year, the net balance on these accounts increased to EUR 94.4 million. This corresponds to an increase of 32.0%. The total number of "Natur&Zukunft" accounts in the reporting year was 11,000 at the end of 2023, a gain of 4,439 accounts (+67.7%) in the reporting year. We are happy to report that for every account opened, we have kept our promise to plant one tree for every account.

Since the introduction of the "Natur&Zukunft" account in 2020 – the idea for this type of account was developed at a training course for future managers – BKS Bank has planted 14,680 trees.

Furthermore, the funds on the "Natur&Zukunft" accounts are used exclusively for loans that support ecologically sustainable projects. The sustainable nature of the "Natur&Zukunft" accounts was certified pursuant to the Guidelines of the Austrian Ecolabel for Sustainable Financial Products UZ 49.

Greenhouse gas emissions balance

We have been calculating the carbon footprint of our direct business activities since 2012 We started by calculating Scope 1 and 2 emissions, and since 2021, we have also been calculating selected Scope 3 emissions. As a large part of emissions we cause are generated indirectly through loans and investment products, we have been recording indirect emissions (financed emissions) since 2021 pursuant to the standards of the Partnership for Carbon Accounting Financials.

Financed emissions

Compared to manufacturing companies in industry and commerce, the majority of our emissions are caused by the carbon emissions we finance. Since the initial calculation in 2021, we have achieved progress. After continuing to work on data quality and standardization in data collection, three additional product groups were added in the reporting year. For the first time, we are reporting the financed emissions for residential mortgage loans, commercial real estate loans and project financing.

We also calculated the financed emissions for government bonds in our treasury portfolio as at 31 December 2023. The following product classes were included in the calculation of financed emissions:

- Loans to corporate and business customers
- Residential mortgage loans
- Commercial real estate loans
- Project financing in the energy sector
- Vehicle loans and lease financing
- Listed equities, bonds and funds
- Bank bonds, corporate bonds and sovereigns in the treasury portfolio

Total financed emissions for the asset classes described above amounted to around 2.5 million tons of CO2 equivalents (Scope 1, 2 and 3) at the end of the year.

Total value of financed emissions

Asset class	Sum of loans and investments recognized in €k	Scope 1 and 2 emissions in t CO2 equ.	Scope 3 emissions in t CO2 equ.	Issuance intensity in t CO2 equ./million EUR invested[1]
Scope 3.15				
Corporate loans	3.897.409	389.108	1.676.309	530
Real estate loans[2]	1.657.321	29.327	n.a.	18
Project financing	98.161	3.367	n.a.	34
Car loans[3]	28.177	5.089	n.a.	181
Treasury portfolio	1.030.898	159.186	111.688	263
Subtotal	**6.711.966**	**586.077**	**1.787.997**	**354**
Scope 3.13				
Vehicle lease finance[4])	334.792	150.939	n.a.	451
Total	**7.046.758**	**737.016**	**1.787.997**	**358**

[1] The emissions intensity of 358 t CCO$_2$ equiv./EUR m invested is not obtained by adding up the values above, but is calculated using the following formula: Scope 1, 2 and 3 emissions / sum of loans recognized *1,000

[2] For real estate loans, only Scope 1 and 2 data were used. This is also in line with PCAF's recommendation for real estate loans.

[3] For vehicle loans, only Scope 1 and 2 data were used. This is also in line with PCAF's recommendation for vehicles with internal combustion engines.

[4] The calculation for the leasing portfolio was done in accordance with the Guidelines of the GHG Protocol on downstream leased assets, as these are not covered by the PCAF methodology.

Carbon footprint

The carbon footprint for direct business activities developed very satisfactorily in the reporting year and was 2,038 t CO_2 equivalents. Compared to 2022, this represents a 15% decrease, although we extended the calculation to include our new location in Serbia.

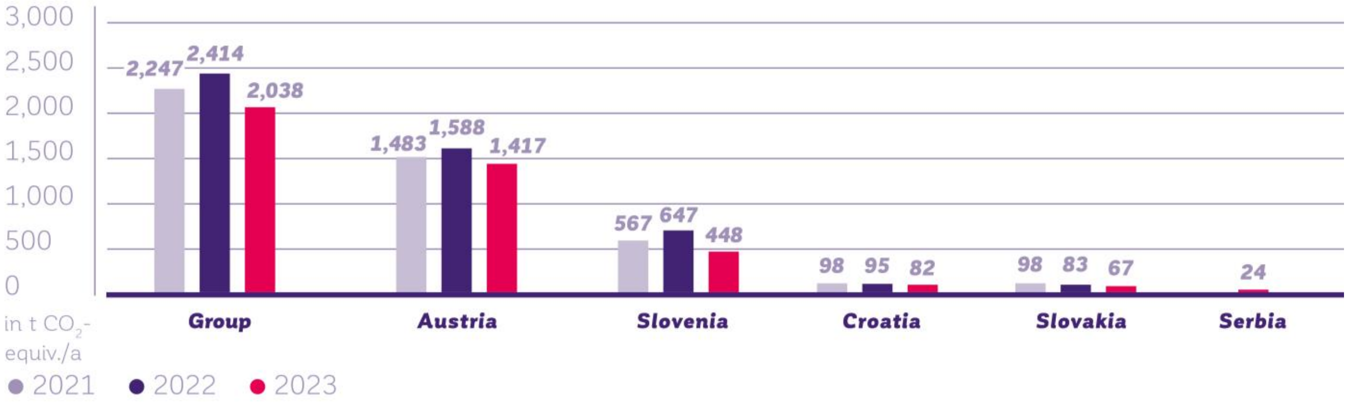
This results in emissions per employee of 2.0 t CO_2 equivalents (-16.1%). Thus, we have already now achieved our goal of reducing emissions to 2.0 t CO_2 equivalents per employee by 2025.

Employee travel to and from work generates the most greenhouse gas emissions. In the year 2023, these decreased by 19% and stood at 990t CO_2 equivalents.

We also recorded decreases in district heating and electricity, which cause the most emissions after travel to and from work. The carbon footprint for district heating was 206 t CO_2 equivalents and for electricity 117 t CO_2 equivalents.

In Slovenia, we reduced our carbon footprint by 31% – from 647 t to 448 t CO_2 equivalents – thanks to the switch to renewable energy.

Carbon footprint of BKS Bank



S – Society and Social Engagement

The field of action “S – Society and Social Engagement" of our sustainability strategy covers activities relating to employees, human rights, social and societal issues. We work on the development of socially sustainable products and many different measures for the well-being of our employees in this field of action.

Solving relevant social concerns by extending loans

In its core business, BKS Bank works to promote sustainability in social matters and in society. In this context, we focus on products and services for the elderly, on the financing of non-profit residential construction projects, and on the construction of local medical care centres.

In the reporting year, we reorganized our products in the lending segment. Furthermore, we developed the “Silberkredit” loan product in 2016 specifically for senior citizens and our latest development is a loan product “Bildung- & Zukunft” (Education & Future) for persons who need financing for education and training. Overall, the volume of socially sustainable loans was EUR 482.6 million in the reporting year.

“Du&Wir Stiftung” is unique in Austria

Our sustainability activities are great source of innovation and inspiration. In December 2023, we founded the "Du & Wir-Stiftung" foundation under the patronage of the non-profit Caritas Stiftung Austria. We are the only bank to date to have set up such a foundation. The purpose of this foundation is to provide direct support for people in need and for people with care and nursing needs, regardless of age or gender, religion, nationality and ethnic affiliation or political convictions and regardless of fault.

BKS Bank contributed capital of EUR 500,000 to the foundation. Donations from third parties are encouraged to ensure the long-term and continuous support for social projects from the income earned on the invested capital of the foundation.

Fair employer

The BKS Bank Group employs 1,146 persons from 15 nations, including 681 women. One area of focus of our sustainability strategy is to increase the ratio of female managers. We are happy to report that we exceeded the internal benchmark of 35.0% in the reporting year again, with the proportion of women in management positions at 36.4% at the end of the year. The women's career programme, which 86 female employees have attended to date, plays a major role in this achievement. The first international women's career programme was completed with 14participicants in the reporting year.

Measures taken to help employees achieve a good work-life balance also had a positive impact on women's careers. In Austria, Slovenia and Croatia, BKS Bank holds the respective local certifications as a family-friendly company. Increasing job opportunities through excellent education and training.

Excellent advisory services can only be provided by well-trained employees. BKS Bank gives high priority to high-quality training for its employees. Our employees spent 41,024 hours in training and further education courses in 2023; these were held as in-person events, online and e-learning courses.

A wide range of training and development offers for employees is a core element of our employer branding strategy. Our aim is to be an attractive employer for existing and potential employees.

Health comes first

The health of our employees is very important to us. The annual workplace health programme ("Durch die Bank gesund") with a focus on metabolism in 2023 was attended by 353 employees.

Overview of employees

Employees	2021	2022	2023
Total	1.145	1.145	1.146
• thereof in Austria	856	854	851
• thereof in Slovenia	158	152	155
• thereof in Croatia	82	90	85
• thereof in Slovakia	45	47	46
• thereof in Serbia	-	-	6
• thereof in Italy	4	2	3
• thereof women	663	664	681
• thereof men	482	481	465
• thereof employees with disabilities	24	27	26

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

Social engagement

The year 2023 was overshadowed by high inflation that had a harsh effect on many people. Social organisations were confronted with significantly higher operating costs. As a reliable partner to society, we support numerous organisations with financial resources, contributions in kind and corporate volunteering. When deciding which projects to support, we are guided by our sponsorship principles. Our sponsorship activities focus on culture, social matters and education.

We strive to establish long-term partnerships, as we know from experience that a higher impact can be achieved with ongoing support than through one-time funding. In the reporting year, we provided financial support to a number of cultural initiatives including “Carinthian Summer”, Stadttheater Klagenfurt and “Tage der deutschsprachigen Literatur” (German Literature Days).

Easing need through social activities
The elimination of social inequalities is also a matter close to heart. BKS Bank has been a principal sponsor of the initiative “Kärntner in Not” since 2008. “Kärntner in Not” provides unbureaucratic aid to people in many different emergency situations. In the summer of 2023, Carinthia, Styria and Slovenia were affected by severe storms. Our employees donated EUR 11,893 in a fundraising campaign to help the victims of the severe weather events. BKS Bank increased the sum to EUR 26,000 which was distributed among “Kärntner in Not”, Caritas Styria and Caritas Slovenia.

Non-financial performance indicators

Strategic CSR goal	Indicator[1)]	Starting value 31/12/2019	As at 31/12/2022	As at 31/12/2023
We are Austria's most sustainable bank	Best-in-class in sustainability:			
	ISS ESG Prime	✓	✓	✓
	VÖNIX index member	✓	✓	✓
	EMAS certified	✓	✓	✓
	Green Brand	✓	✓	✓
Good governance is part of our daily operations	No substantial fines imposed by regulatory authorities	No substantial fines	1 substantial fine	No substantial fines
	No substantiated complaints filed with data protection authorities	✓	✓	✓
We work and invest to achieve healthy and long-term growth	Credit growth greater than 4.0%	5.9%	3.1%	3.3%
	Increase in number of customers by 2.0% per year	191,200	196,200	195,800
We value and respect our employees, and are proud of them	Employee survey: overall satisfaction is at least 1.9	2.0	2.0 (Survey 2021)	2.0 (Survey 2021)
	Share of women in management positions rises to 35%	31.6%	35.9%	36.4%
	At least 25% of employees participate every year in the company health promotion programme	27.7%	17.6%	30.8%
	The gender pay gap reduced to 12%	16.5%	16.7%	15.8%
Our employees are multipliers for sustainability and social responsibility	At least 10% of all employees participate in corporate volunteering once a year	10.4%	3.5%	5.2%
	90% of our employees have completed CSR training	40.5%	79.0%	95.3%

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

Strategic CSR goal	Indicator[1]	Starting value 31/12/2019	As at 31/12/2022	As at 31/12/2023
We inspire our customers with excellent advisory services	EFQM – Recognised for Excellence 6 Star[2]	EFQM – Recognised for Excellence 5 Star	EFQM – Recognised for Excellence 5 Star	EFQM – Recognised for Excellence 6 Star
	Overall satisfaction rating of 1.5 in our customer survey	1.5	1.5	1.5
We believe sustainability is as an innovation driver for sustainable banking products	Our sustainable products account for 15% of total assets	4.5%	10.7%	13.1%
	Volume of newly granted sustainable loans EUR 200 million p.a. [2]	131.5	255.6	259.4
	The share of ESG investment components in asset management increased to over 30%	n.a.	29.8%	36.0%
We aim for climate neutrality	Reduction of the carbon footprint per employee to 2.0 t CO_2 equivalents	1.0 t CO_2 equivalents	2.4 t CO_2 equivalents	2.0 t CO_2 equivalents
	Total energy consumption decreases to 7.2 GWh by 2025	7.6 GWh	8.3 GWh	8.1 GWh
We develop our properties into green buildings	At least five green building structural measures p.a.	✓	✓	✓
We are members of ESG networks	UN Global Compact	✓	✓	✓
	respACT – austrian business council for sustainable development	✓	✓	✓
	Verantwortung zeigen!	✓	✓	✓
We contribute to equal opportunity in society	At least five financial literacy measures per year	✓	✓	✓

[1]The indicator refers in each case to 2025. If there is an annual target, this is indicated separately in the indicator.
[2] The EFQM assessment system was redefined as of 2020 and supplemented by additional excellence levels, with the assessment of BKS Bank being based on the previously valid model. In October 2023, we were assessed again by Quality Austria and received the "EFQM recognised for Excellence 6 Stars" award.

Research and development

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

Outlook

Economy recovering only slowly

At the end of January, the International Monetary Fund (IMF) raised its forecast for economic growth for the global economy in 2024 from 2.9% to 3.1%.However, the growth prognosticated is far below the average of the years 2000 to 2019 during which the global economy grew on an average by 3.8% every year. While the Chinese economy is expected to grow by 4.1% and the US economy by 2.1%, the forecast for the euro area has been lowered from 1.2% to 0.9%. Growth estimates for Germany's economy dropped by nearly half from 0.9% to 0.5%. Therefore, Germany will probably continue to have the lowest growth rate of the G7 countries. The IMF did not present a new forecast for Austria. In October, the Austrian economy was expected to grow by 0.8% in 2024. Economic development is expected to gain more traction in our foreign markets: according to Bloomberg's consensus estimates, GDP growth in Slovenia is expected to be +2.2%, in Croatia +2.5%, in Serbia + 30% and in Slovakia +1.9%.

Prospects of sinking inflation and lower interest rates lowered the probability of an economic downturn. Should inflationary risks continue to decline and lending terms improve faster than currently expected, the growth trend might surprise on the upside. However, the recent increases in commodity prices, the real estate crisis in China and geopolitical conflicts in Eastern Europe and the Middle East remain factors of uncertainty.

Interest rates and stock markets – interrelated dynamic

After the very encouraging rally at year-end 2023, the first few months of 2024 may see volatility. Especially if markets comes to believe that the interest rate cuts expected for 2024 will not take place to the extent priced in. However, lower interest rates should have a positive influence on stock markets over the full year, and the rather subdued sentiment in the industrial sector seems to have reached the trough. Bond markets are still appealing. Bonds with good credit ratings still offer relatively attractive yields. Thus, major forecasts indicate a moderate recovery of the economy for 2024 and easing inflationary pressure. Therefore, companies and individuals are expected to show a higher propensity to invest in the coming months. Foreign trade and the industrial sector are also expected to develop positively again in 2024.

Impairment charges for losses on loans and advances remains major issue

We expect demand for loans to remain modest in the first few months of the year, although there were initial signs of a recovery in the fourth quarter of 2023. Recovery in the construction and real estate industry is proving difficult. We therefore expect a higher rate of defaults on loans in this segment. However, the government's latest economic stimulus package could help the economy to a softer landing.

Central banks are expected to lower interest rates in the coming months. The timing and size of the rate cuts depend on the development of the economy. The biggest challenge will be to ease the pressure on margins in the lending and deposit business considering the changes to interest rate levels.

We still believe there is growth potential in services, especially in payment services, an area that generated double-digit growth rates in the past years. In this highly competitive segment we are currently working on a new customer portal for corporate and business banking customers. This portal will set new standards in corporate and business banking as of summer 2024.

We expect generally improved results in the securities business. The start of investment advisory services in Slovenia in the preceding year will help generate additional income.

Investments in the digital transformation

We have been investing in the digital transformation for many years. We are proud to have digitised all banking products for retail customers and have achieved important milestones in corporate and business banking. These include the phase-wise digitalisation of the complex corporate customer lending process and also digital services such as an online guarantee module that permits users to manage their guarantees regardless of location and time.

New functions for the BKS App in Austria are also on the agenda. For example, customers will soon be able to place orders for securities transactions in the app. In the background, we are increasingly focusing on automation processes and individualized customer contacts across all channels. Data analyses are used as basis for orchestrating this customer journey. The aim is for customers to receive individualized offers through the sales channel they use at the right time. The results of the first customer journey launched in 2023 are promising: A share of 61% of customers who had not been using their customer portal for some time starting using it again after we digitally drew their attention to this option. 41% of customers who had previously used only the customer portal activated the BKS Banking App. In 2024, we will deploy further functions for the customer journey.

A truly mammoth project that will keep us busy in 2024 is the standardization of our IT landscape and the harmonization of our structures in the Austrian and foreign markets. The purpose is to cut costs and optimally exploit the potential for growth and efficiency.

Sustainable activity – also social engagement

Sustainability will remain topical in the coming years especially the social aspects. While the focus in past years has been primarily on climate change mitigation, social engagement is becoming increasingly important. In 2024, we will shift attention to the major challenges in society: education, migration and care for the elderly. We already achieved a special milestone with the establishment of the foundation “Du & Wir Stiftung” in 2023. In 2024, we also launched the socially sustainable “Du & Wir” account, which will also regularly contribute to the foundation.

We are also aiming for climate-neutrality by 2050 and plan to have aligned the loan and investment portfolio with the climate goals of the Paris Agreement by 2040. In December 2023, we submitted our science-based climate targets for validation to the Science-based Target Initiative. We expect the validation process to be completed by in the first half of 2024.

Other important sustainability priorities in 2024 are the development of our properties into green buildings and the issuance of more green and sustainability bonds. Our goal is to retain our leading role in the field of funding for sustainable development, and at the same time, create attractive investment opportunities for customers.

BKS Bank on course to a successful future

In the preceding year, we set the course for future success by enlarging the Management Board team. Dietmar Böckmann is an expert in the field of digitalisation and has extensive experience and a profound understanding of developments in technology and digital innovation. Claudia Höller will take over as Chief Risk Officer and ensure that we adapt well to the constantly changing risks environment and stay on track with our risk-bearing capacity.

In July 2024, there will a change in leadership: After working for BKS Bank for more than 30 years – 20 of them as a member of the Management Board and ten years as Chairwoman of the Management Board – Herta Stockbauer will hand over responsibility to Nikolaus Juhász. He has worked for the past 25 years for BKS Bank and will take over as Chairman of the Management Board. He represents continuity and the special entrepreneurial spirit of our bank that has helped us achieve success in the past.

Klagenfurt am Wörthersee, 1 March 2024

Ms Herta Stockbauer
Chairwoman of the Board

Mr Nikolaus Juhász
Member of the
Management Board

Ms Claudia Höller
Member of the Management Board

Mr Alexander Novak
Member of the
Management Board

Dietmar Böckmann
Member of the Management Board

7. Consolidated Financial Statements

Good performance ratios are the best proof that strictly following our excellence strategy yields success.

Statement of Comprehensive Income for the Financial Year 2023

Income Statement

in €k	Notes	2022	2023	± in %
Interest income applying the effective interest rate method		160.711	322.297	>100
Other interest income and other similar income		25.743	47.407	84,2
Interest expenses and other similar expenses		-29.866	-121.058	>100
Net interest income	**(1)**	**156.588**	**248.646**	**58,8**
Impairment charges	(2)	-25.898	-38.360	48,1
Net interest income after impairment charges		**130.690**	**210.286**	**60,9**
Fee and commission income		74.948	72.111	-3,8
Fee and commission expenses		-6.775	-7.222	6,6
Net fee and commission income	**(3)**	**68.173**	**64.889**	**-4,8**
Profit/loss from investments accounted for using the equity method	(4)	20.676	90.432	>100
Net trading income	(5)	-1.178	342	>100
General administrative expenses	(6)	-136.013	-153.296	12,7
Other operating income	(7)	15.909	11.959	-24,8
Other operating expenses	(7)	-11.639	-20.255	74,0
Profit/loss from financial assets/liabilities		**-8.051**	**1.915**	**>100**
•Profit/loss from financial instruments designated at fair value	(8)	1.977	-1.686	>-100
• Profit/loss from financial assets measured at fair value through profit/loss (mandatory)	(9)	-8.885	4.289	>100
• Profit/loss from derecognition of financial assets measured at amortised cost	(10)	-626	-917	-46,6
• Other profit/loss from financial assets/liabilities	(11)	-517	229	>100
Profit/loss for the year before tax		**78.567**	**206.272**	**>100**
Income tax	(12)	-15.006	-27.204	81,3
Profit/loss for the year		**63.561**	**179.068**	**>100**

Other comprehensive income

in €k	2022	2023	± in %
Profit/loss for the year	**63.561**	**179.068**	**>100**
Other comprehensive income	**9.435**	**17.524**	**85,7**
Items not reclassified to profit or loss for the year	**17.551**	**15.542**	**-11,4**
± Actuarial gains/losses in conformity with IAS 19	851	-5.445	>-100
± Deferred taxes on actuarial gains/losses in conformity with IAS 19	-617	1.250	>100
± Changes in the fair value of equity instruments measured at fair value	10.879	19.889	82,8
± Deferred taxes on changes in fair value of equity instruments measured at fair value	-1.991	-4.575	>-100
± Fair value changes due to the default risk of financial liabilities measured at fair value through profit/loss (designated)	985	292	-70,4
± Deferred taxes on fair value changes of financial liabilities designated at FV PL attributable to own credit risk (designated)	-199	-67	66,2
± Share of income and expenses of associates in OCI and accounted for using the equity method	7.643	4.198	-45,1
Items reclassified to profit or loss for the year	**-8.116**	**1.982**	**>100**
± Exchange differences	-13	-2	82,4
± Changes in the fair value of debt instruments measured at fair value	-5.544	2.016	>100
± Net change in fair value	-5.544	2.016	>100
± Reclassified to profit or loss	-	-	-
± Deferred taxes on changes to the fair value of debt instruments measured at fair value	1.310	-464	>-100
± Share of income and expenses of associates reported in OCI and accounted for using the equity method	-3.869	431	>100
Total comprehensive income	**72.996**	**196.592**	**>100**

Earnings and dividend per share

	2022	2023
Average number of shares in issue	42.174.033	44.283.358
Dividend per share in euro	0,25	0,35
Earnings per share in EUR (undiluted)	1,44	3,98
Earnings per share in EUR (diluted)	1,44	3,98

The indicator 'earnings per share' compares consolidated profit for the year with the average number of no-par shares in issue. In the reporting period, earnings per share and diluted earnings per share were the same, because no financial instruments with a dilution effect on the shares were issued. To calculate earnings per share, the coupon payment on the tier 1 bonds issued in an amount of EUR 4.0 million (pr. yr.: EUR 4.0 million) is deducted from the net profit for the year of EUR 179.1 million (pr. yr.: EUR 63.6 million) taking into account the tax effects. Therefore, the calculation of the indicator is based on a net profit for the year of EUR 176.0 million (pr. yr.: EUR 60.6 million).

Consolidated balance sheet for the period ended 31 December 2023

Assets

in €k	Notes	31/12/2022	31/12/2023	± in %
Cash and balances with the central bank	(13)	849.015	584.456	-31,2
Receivables from other banks	(14)	253.618	186.760	-26,4
Receivables from customers	(15)	7.175.340	7.411.687	3,3
Trading assets	(16)	13.946	9.117	-34,6
Debt securities and other fixed-interest securities	(17)	1.123.812	1.241.704	10,5
Shares and other non-interest-bearing securities	(18)	150.240	171.176	13,9
Investments in entities accounted for using the equity method	(19)	727.275	813.907	11,9
Intangible assets	(20)	9.319	9.239	-0,9
Property, plant and equipment	(21)	75.676	79.142	4,6
Investment property	(22)	92.974	120.870	30,0
Current tax receivables	(23)	8.248	12.687	53,8
Deferred tax assets	(24)	6.010	8.447	40,6
Non-current assets held for sale	(25)	29.458	-	-
Other assets	(26)	18.117	23.870	31,8
Total assets		**10.533.048**	**10.673.064**	**1,3**

Shareholders' equity and liabilities

in €k	Notes	31/12/2022	31/12/2023	± in %
Payables to other banks	(27)	930.977	832.444	-10,6
Payables to customers	(28)	6.823.793	6.744.553	-1,2
• thereof savings deposits		1.258.886	922.509	-26,7
• of which other payables		5.564.907	5.822.044	4,6
Liabilities evidenced by paper	(29)	783.616	822.761	5,0
• of which at fair value through profit or loss		35.336	36.015	1,9
Trading liabilities	(30)	5.250	13.229	>100
Provisions	(31)	122.281	157.603	28,9
Current tax liabilities	(23)	6.550	11.651	77,9
Deferred tax liabilities	(24)	7.565	12.024	58,9
Other liabilities	(32)	44.484	44.914	1,0
Subordinated debt capital	(33)	264.719	264.957	0,1
Equity	(34)	1.543.813	1.768.929	14,6
• Group equity		1.478.613	1.703.729	15,2
• Additional equity instruments		65.200	65.200	-
Total shareholders' equity and liabilities		**10.533.048**	**10.673.064**	**1,3**

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity 2023

in €k	Subscribed capital	Capital reserves	Exchange differences	Fair value reserves	Retained earnings	Profit/loss for the year	Additional equity instruments [1)]	Equity
As at 01/01/2023	**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						-3.971		-3.971
Taken to retained earnings					48.977	-48.977		-
Profit/loss for the year						179.068		179.068
Other comprehensive income			754	20.482	-3.713			17.524
Capital increase	5.726	31.677						37.403
Effect of the equity method					389			389
Change in treasury shares					5.508			5.508
Issuance of additional equity instruments								-
Reclassification				41	-41			-
Other changes					-192			-192
As at 31/12/2023	**91.612**	**273.093**	**480**	**58.712**	**1.100.764**	**179.068**	**65.200**	**1.768.929**

Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method)	53.873
Deferred tax reserve	-12.391

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

Consolidated statement of changes in equity 2022

in €k	Subscribed capital	Capital reserves	Exchange differences	Fair value reserves	Retained earnings	Profit/loss for the year	Additional equity instruments [1]	Equity
As at 01/01/202x	**85.886**	**241.416**	**-351**	**34.327**	**970.270**	**83.259**	**65.200**	**1.480.006**
Distribution						-9.700		-9.700
Coupon payments on additional equity instruments						-3.971		-3.971
Allocation to retained earnings					69.587	-69.587		-
Profit/loss for the year						63.561		63.561
Other comprehensive income			77	4.260	5.098			9.435
Capital increase								-
Effect of the equity method					2.012			2.012
Change in treasury shares					2.487			2.487
Issuance of additional equity instruments								0
Reclassification				-399	399			-
Other changes					-16			-16
As at 31/12/2022	**85.886**	**241.416**	**-274**	**38.188**	**1.049.836**	**63.561**	**65.200**	**1.543.813**

Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method)	31.863
Deferred tax reserve	-7.329

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

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

Consolidated Statement of Cash Flows

in €k	2022	2023
Profit/loss for the year	**63.561**	**179.068**
Non-cash items in profit/loss for the year and reconciliation to net cash flow from operating activities		
• Depreciation, amortisation and impairment charge on receivables, and property, plant and equipment	33.314	25.494
• Changes in provisions	11.158	25.446
• Gains and losses on disposals	-2.856	-1.376
• Changes to fair value of investment property	-2.688	57
• Changes in other non-cash items	6.053	-257
• Profit/loss shares in entities accounted for using the equity method	-20.676	-90.432
Net interest income	-156.588	-248.646
Tax expenses	15.006	27.204
Subtotal	**-53.716**	**-83.442**
Change in assets and liabilities from operating business activities after correction for non-cash items		
• Receivables from banks and customers	-431.779	-178.905
• Other assets	-1.641	-3.727
• Payables to banks and customers	-218.864	-213.877
• Provisions and other liabilities	-10.729	-4.039
Interest received	182.669	358.519
Interest paid	-24.703	-82.689
Dividends received	3.482	3.484
Income tax paid	-13.969	-21.700
Cash flow from operating activities	**-569.250**	**-226.375**
Cash inflow from sales and repayment of:		
• Debt securities and other fixed-interest securities	198.966	89.000
• Shares and other non-interest-bearing securities	27.350	14.804
• Fixed assets owned	864	236
• Investment property	-	3.250
• Non-current assets held for sale	-	2.504
• Entities accounted for using the equity method	1.998	-
Cash outflow for purchases of:		
• Debt securities and other fixed-interest securities	-327.743	-201.585
• Shares and other non-interest-bearing securities	-19.285	-15.073
• Fixed assets owned	-10.585	-13.417
• Investment property	-3.743	-959
Dividends from entities accounted for using the equity method	6.447	8.819
Cash flow from investing activities	**-125.731**	**-112.422**
Capital increase	-	37.403
Dividend distributions	-9.700	-10.612
Proceeds from issues of additional equity components	-	-
Coupon payments on additional equity instruments	-3.971	-3.971
Repurchased treasury shares	-1.500	-411
Inflows from the sale of treasury shares	3.987	5.919
Cash inflow from subordinated liabilities and liabilities evidenced by paper	146.220	98.982
Cash outflow on subordinated liabilities and liabilities evidenced by paper	-64.300	-62.700
Payouts for lease liabilities	-2.711	-2.922
Cash flow from financing activities	**68.025**	**61.688**
Cash and cash equivalents at close of preceding year	**1.509.091**	**882.136**
Cash flow from operating activities	-569.250	-226.375
Cash flow from investing activities	-125.731	-112.422
Cash flow from financing activities	68.025	61.688
Effect of exchange rates on cash and cash equivalents	1	94
Cash and cash equivalents at end of reporting year	**882.136**	**605.120**

Notes to the Consolidated Financial Statements of BKS Bank

Material Accounting Policies

I. General information
BKS Bank AG is headquartered at St. Veiter Ring 43, 9020 Klagenfurt, Austria. As the parent of the BKS Bank Group, it prepares its consolidated financial statements in accordance with the principles of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU for the 2023 financial year as exempting consolidated financial statements within the meaning of § 59a Banking Act. Furthermore, the requirements of § 245a (1) Business Code were met.

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

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

The Management Board of BKS Bank AG signed the consolidated financial statements on 1 March 2024 and approved them for submittal to the Supervisory Board. The Supervisory Board has the task of examining the consolidated financial statements and stating whether it approves these. Up to the time of signing, there were no reasons to doubt that the company would continue as a going concern.

II. Effects of new and amended standards
With the exception of the revised standards and interpretations effective for the financial year under review, the financial reporting policies applied in the 2022 financial year were retained in 2023. The figures of comparison for the previous year are based on the relevant requirements. Standards announced but not yet effective for the reporting year were not applied.

Applicable standards/amendments from 01/01/2023

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

IAS 1 – Presentation of Financial Statements: Disclosure of Accounting Policies (Amendments)
In February 2021, IASB published the standard "Disclosure of Accounting Policies" (Amendments). These amendments to IAS 1 as well as the supplementary guidelines in the accompanying documents explains which accounting policies must be disclosed in the financial statements. The disclosure must now report "material" accounting policies and no longer "significant" accounting policies. The new criteria in IAS 1.117 helps preparers identify when a policy is material.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)
The amendments to IAS 8 clarify the distinction between a change in an accounting policy and a change in an accounting estimate. These were published by IASB in February 2021.

IAS 12 – Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments).
With this amendment, the exemption for initial recognition of IAS 12.15(b) and IAS 12.24 does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

IAS 12 – Income Taxes: International Tax Reform – Pillar Two Model Rules (Amendments)
In May 2023, IASB published the amendment "International Tax Reform – Pillar Two Model Rules" granting relief in the accounting for deferred taxes arising from the global minimum tax. Therefore, there is a temporary exemption to the application of the rules for deferred tax assets and liabilities resulting from the implementation of the Pillar Two Model Rules of the OECD.

IFRS 17 – Insurance Contracts
In May 2017, IASB published the new IFRS 17 standard which superseded the "transitional standard" IFRS 4 applicable up to then. The new standard comprehensively regulates the principles for the identification, recognition, measurement, presentation and disclosures in the Notes, and eliminates the lack of a uniform measurement and presentation approach for insurance contracts.

IFRS 17 – Insurance Contracts: Initial application of IFRS 17 and IFRS 9 — Comparative information (Amendments)
This amendment makes it possible for entities to resolve the contradictions in the presentation of the comparative preceding year's figures while at the same time applying IFRS 17and IFRS 9.

These amendments to not have any material impact on BKS Bank's consolidated financial statements.

Standards/amendments applicable from 01/01/2024

Standard/Amendment	Effective for financial years beginning on or after this date	Endorsement by the EU
IAS 1 - Presentation of financial statements (Amendment)	01/01/2024	December 2023
IFRS 16 – Leases (Amendments)	01/01/2024	November 2023

IAS 1 – Presentation of the Financial Statements
The following three amendments to IAS 1 enter into force on 1 January 2024:

- Classification of Liabilities as Current or Non-current (published January 2020): this amendment clarifies how an entity classifies debt and other financial liabilities as current or non-current under certain circumstances
- Classification of Liabilities as Current or Non-current – postponement of effective date (published July 2020)
- Non-current Liabilities with Covenants (published October 2022): these amendments clarify how conditions with which an entity must comply before or on the reporting date affect the classification of a liability as current or non-current.

IFRS 16 - Leases (Amendments)
The amendments to IFRS 16 published in September 2022 refer to accounting for lease liabilities arising from sale-and-leaseback transactions. The subsequent measurement of lease liabilities arising from such transactions must be done in a way that does not recognise any amount of the gain or loss that relates to the right of use it retains.

These amendments are not expected to have any material impact on BKS Bank's consolidated financial statements.

Standards/amendments effective from 01/01/2025 or later

Standard/Amendments	Effective for financial years beginning on or after this date	Endorsement by the EU
IAS 21 - Effects of exchange rate changes (amendments)	00.01.1900	Outstanding
IAS 7 - Statement of cash flows and IFRS 7 - financial instruments (amendments)	01/01/2024	Outstanding

The amendments mentioned are not expected to have any material impact on the consolidated financial statements.

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

Group of consolidated companies
In addition to BKS Bank AG, the consolidated financial statements included 15 entities (12 consolidated, two accounted for using the equity method and one accounted for on a proportionate basis). Consolidation applies to all entities, which, pursuant to IFRS 10 "Consolidated Financial Statements" are included in the consolidated financial statements and controlled by BKS Bank AG, and provided the influence on an entity's assets, financial position and profit and loss is not of minor significance.

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

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.

Consolidated entities included in the group of consolidated companies
BKS Bank AG as the parent company has the decision-making power to affect the variable returns.

Consolidated entities included in the group of consolidated companies

Company	Head office	Direct equity interest	Indirect equity interest	Date of financial statements
BKS-Leasing Gesellschaft m.b.H.	Klagenfurt	99,75%	0,25%	31/12/2023
BKS-leasing d.o.o.	Ljubljana	100,00%	-	31/12/2023
BKS-leasing Croatia d.o.o.	Zagreb	100,00%	-	31/12/2023
BKS-Leasing s.r.o.	Bratislava	100,00%	-	31/12/2023
BKS Leasing d.o.o., Beograd	Belgrade	100,00%	-	31/12/2023
IEV Immobilien GmbH	Klagenfurt	100,00%	-	31/12/2023
Immobilien Errichtungs- u. Vermietungsgesellschaft m.b.H. & Co. KG	Klagenfurt	100,00%	-	31/12/2023
BKS 2000 - Beteiligungsverwaltungsgesellschaft mbH	Klagenfurt	100,00%		31/12/2023
BKS Zentrale-Errichtungs- u. Vermietungsgesellschaft m.b.H.	Klagenfurt	-	100,00%	31/12/2023
BKS Immobilien-Service Gesellschaft m.b.H.	Klagenfurt	100,00%	-	31/12/2023
BKS Service GmbH	Klagenfurt	100,00%	-	31/12/2023
E 2000 Liegenschaftsverwertungs GmbH	Klagenfurt	99,00%	1,00%	31/12/2023

Companies accounted for using the equity method

The following companies were classified as associates within the meaning of IAS 28, because it is possible to exercise a significant influence on the financial and operating policy decisions of these companies:

Companies accounted for using the equity method

Company	Head office	Direct equity interest	Date of financial statements
Oberbank AG	Linz	14,2%	30/09/2023
Bank für Tirol und Vorarlberg Aktiengesellschaft	Innsbruck	12,8%	30/09/2023

With respect to Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, we would like to point out that although BKS Bank owns less than 20% of equity interests and shares with voting rights in these credit institutions, specifically 14.2% and 12.8%, respectively, voting rights are exercised in accordance with the syndicate agreements. These syndicate agreements permit participation in the financial and operating policy decisions of the credit institutions without exercising a controlling interest. The mutual shareholdings held by BKS Bank AG, Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft are the reason for inclusion in the consolidated financial statements of BKS Bank AG based on the publicly available information as at 30 September 2023. The financial statements of the associated companies are adjusted on 31 December for the effects of significant transactions or events between the reporting date of the associated companies on 30 September and the reporting date of the consolidated financial statements.

Entities accounted for on a proportionate basis

In accordance with the provisions of IFRS 11, the investment in AlpenländischeGarantie-GESELLSCHAFT m.b.H. (ALGAR) required classification as a joint operation and was, therefore, accounted for on a proportionate basis in the consolidation.

Entities accounted for on a proportionate basis

Company	Head office	Direct equity interest	Date of financial statements
ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H.	Linz	25,0%	31/12/2023

Other entities not included in the group of consolidated companies

The following companies in which BKS Bank held stakes of over 20% were not included in the consolidated financial statements based the aforementioned immateriality provisions.

Other entities not included in the consolidation

Company	Head office	Direct equity interest	Indirect equity interest	Date of financial statements
3 Banken IT GmbH	Linz	30,00%	-	31/12/2023
VBG Verwaltungs- und Beteiligungs GmbH	Klagenfurt	100,00%	-	31/12/2023
PEKRA Holding GmbH	Klagenfurt	100,00%	-	31/12/2023
3 Banken Versicherungsmakler Gesellschaft m.b.H.	Innsbruck	30,00%	-	31/12/2023

Performance of foreign subsidiaries and branches

Foreign subsidiaries and branches as at 31 December 2023

in €k	Net interest income	Operating income	Number of employees (FTE)	Profit/loss for the year before tax	Income tax
Branches abroad					
Slovenia Branch (banking branch)	30.625	38.362	130,3	14.751	-3.562
Croatia Branch (banking branch)	8.515	9.580	66,2	-18.488	1.050
Slovakia Branch (banking branch)	3.457	4.137	30,1	529	-54
Subsidiaries					
BKS-leasing d.o.o., Ljubljana	11.391	13.033	19,3	5.377	-958
BKS-leasing Croatia d.o.o., Zagreb	5.507	6.213	14,6	1.701	-308
BKS-Leasing s.r.o., Bratislava	3.692	3.833	14,8	839	-189
BKS-Leasing d.o.o., Beograd	60	52	5,5	-322	0

Foreign subsidiaries and branches as at 31 December 2022

in €k	Net interest income	Operating income	Number of employees (FTE)	Profit/loss for the year before tax	Income tax
Branches abroad					
Slovenia Branch (banking branch)	15.299	24.238	131,3	8.402	-1.892
Croatia Branch (banking branch)	7.857	13.627	68,0	2.982	-2.133
Slovakia Branch (banking branch)	2.900	3.386	31,3	-150	-417
Subsidiaries					
BKS-leasing d.o.o., Ljubljana	6.327	6.936	19,5	2.858	-535
BKS-leasing Croatia d.o.o., Zagreb	3.215	3.523	14,9	1.055	-193
BKS-Leasing s.r.o., Bratislava	2.318	2.532	14,1	612	-124

Foreign currency translation

Assets and liabilities denominated in foreign currencies were generally converted at the respective ECB rates valid on the balance sheet date. The financial statements of subsidiaries that were not prepared in euro were converted using the closing rate method. Within the Group, there is just one Serbian leasing company that did not prepare its financial statements in euro, but in Serbian dinar (RSD). The assets and liabilities were converted at the exchange rates applicable on the balance sheet date, while expenses and income were converted applying the average rate of exchange for the respective period. The resulting exchange differences are reported in Other comprehensive income and recognized as a component of equity.

Impact of current economic developments on accounting polices

Expected credit loss

The continuing war in the Ukraine and the escalation of the conflict in the Middle East contributed to global insecurity. Currently, the economic development of BKS Bank AG is not directly affected by the war, but we are closely monitoring its geopolitical effects.
On account of the uncertainty created by the geopolitical situation, the rapid increase in interest rates and current developments on the real estate market, the following management overlays were applied. First, we carried out a flat rate increase of 10% for PD in the Corporate and Business Banking segment, and of 5% in the Retail Banking segment. Second, a mark-up of 170 basis points for LGD was applied to corporate and business banking customers to reflect a potential loss in value of commercial real estate.
Additionally, a collective stage transfer was carried out for speculative real estate project finance, i.e., the concerned businesses were transferred from stage 1 to stage 2. The total volume of speculative real estate project finance was EUR 526 million. This collective stage transfer resulted in the allocation of additional risk provisions of EUR 2.7 million.
Furthermore, the forward-looking information was updated in the fourth quarter of 2023 based on the forecasts published by Bloomberg and used as the basis for the ECL calculation as of December 2023.

Impact of climate change on accounting policies

The changing climate has had a strong influence on our business model in recent years, as we focus on transactions that contribute positively to the advancement of society, the preservation of the environment, climate change mitigation and adaptation to climate change. As a founding member of the Green Finance Alliance, the objective is to align our loan and investment portfolios with the goals of the Paris Climate Agreement. Financing investments with an environmental or social purpose is an important contribution to climate change mitigation. Therefore, BKS Bank aims to increase the volume of loans used for sustainability purposes and raise the issuance volume of green bonds, social bonds and sustainability bonds. The volume of BKS Bank's sustainable products exceeded the EUR 1 billion threshold for the first time in 2022 and reached EUR 1,1133 million. BKS Bank also worked in 2023 to increase the volume of sustainable loans and also the issuance volume of green bonds, social bonds and sustainability bonds. In the first three quarters of 2023, BKS Bank successfully floated two green bonds. The proceeds of the bond issues will be used to finance a biomass power plant. Furthermore, BKS Bank issued a green bond at the end of the year to fund investments in the construction of photovoltaic plants.

However, in the coming years, the climate change will not only be reflected in our business model, but the climate change risks and opportunities may also have an impact on BKS Bank's financial position, financial performance and cash flows. There were no significant risks attributable to climate change that had to be taken into account in the preparation of the 2023 financial statements.

Notes on individual items of the balance sheet

Cash and balances with the central bank

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

Financial instruments pursuant to IFRS 9

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

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

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

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

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

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

Financial instruments measured at amortised cost

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

Financial instruments designated at fair value through other comprehensive income (FVOCI)

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

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

Financial instruments recognised at fair value through profit or loss (FVPL)

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

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

At BKS Bank, the fair value option is applied in individual cases for loans and debt securities. The designated instruments are recognized at FVPL. The designation is selected by the Asset/Liability Management Committee (ALM). These items are taken to profit or loss at their fair value (asset or liability and related derivative). Revaluation gains net of revaluation losses are recognised in Profit/loss from financial assets/liabilities in the subitem Profit/loss from financial instruments designated at fair value in the income statement.

The presentation of balance sheet items, measurement benchmark and category pursuant to IFRS 9 for the assets side is presented below for BKS Bank AG:

Assets

	Fair value	Amortised cost	Other	Category
Cash and balances with the central bank		✓	-	At amortised cost
Receivables from other banks		✓	-	At amortised cost
Receivables from customers		✓	-	At amortised cost
	✓		-	Designated at FVPL (fair value option)
	✓		-	FVPL mandatory

Trading assets	✓		-	FVPL mandatory
Debt securities and other fixed-interest securities		✓	-	At amortised cost
	✓		-	FVOCI mandatory (with recycling)
	✓		-	Designated at FVPL (fair value option)
	✓		-	FVPL mandatory
Shares and other non-interest-bearing securities	✓		-	Designated at FVOCI (without recycling)
	✓		-	FVPL mandatory

Pursuant to IFRS 9 **financial assets** are measured as follows upon initial recognition:
- at amortised cost
- at fair value through profit or loss (FVPL)

Financial liabilities in the trading portfolio (held for trading) are measured at fair value through profit or loss. At BKS Bank, negative market values from derivatives are reported in the item Trading liabilities. Furthermore, this measurement includes financial liabilities that are irrevocably designated as at fair value through profit or loss upon initial recognition (fair value option). The explanations on the fair value option for the assets side apply accordingly to the liabilities side. Gains or losses from changes in the credit spread for own liabilities at fair value through profit or loss (designated) are shown in other comprehensive income (OCI).

Shareholders' equity and liabilities

	Fair value	Amortised cost	Other	Category
Payables to other banks		✓	-	At amortised cost
Payables to customers		✓	-	At amortised cost
Liabilities evidenced by paper		✓	-	At amortised cost
	✓		-	Designated at FVPL (fair value option)
Trading liabilities	✓		-	FVPL mandatory
Subordinated debt capital		✓	-	At amortised cost

Impairment charges for financial instruments pursuant to IFRS 9

At BKS Bank, impairment charges are recognised for receivables from credit institutions and customers, for debts at amortised or designated at fair value through other comprehensive income (FV OCI mandatory) as well as for loans commitments and financial guarantee contracts. The impairment model used pursuant to IFRS 9 is an expected loss model.

The amount of impairment charges to be allocated depends on the change in a financial instrument's default risk after its acquisition. On the basis of this approach, IFRS 9 distinguishes three different stages, with the amount of impairment charges depending on which of these stages the financial instrument in question is assigned to.

- Stage 1: For financial instruments classified in stage 1, an impairment charge equivalent to the 12-month expected credit loss (ECL) is recognised. The 12-month expected credit loss corresponds to the expected credit loss a financial instrument might incur during the 12 months following the balance sheet date. Upon acquisition, all financial instruments must be assigned to stage 1; this assignment must then be reviewed at every balance sheet date.
- Stage 2: For financial instruments classified in stage 2, it is mandatory to recognise a lifetime expected credit loss (ECL), which corresponds to the losses expected over the instrument's remaining life.

- Stage 3: For financial instruments classified in stage 3, the discounted cash flow method is used to determine the impairment charges for significant liabilities, and in the case of non-significant liabilities, lump sum criteria are used (the basis being the exposures not covered by collateral).

Instruments are reclassified from stage 1 to stage 2 as soon as the default risk increases significantly. Assignment to a stage is governed by an automated stage assessment process based on a number of factors. Both quantitative (rating downgrade) and qualitative criteria (warnings) are used to decide on reclassification from one stage to another. BKS Bank has elected to use the low credit risk exemption for the stage assessment. This means that financial instruments with a low credit risk are measured on a 12-month ECL basis. We assess credit risk as low when the rating stage is in the investment grade range from AA to 1b.

An instrument is assigned to stage 3 if it is credit-impaired. Where there is objective evidence on the balance sheet date that a financial instrument is impaired, it is classified to stage 3.

BKS Bank's default definition for accounting purposes corresponds to the definition provided in CRR Article 178 and the provisions of EBA/GL/2016/07. Therefore, receivables are deemed to be in default if they are more than 90 days overdue and the overdue amount is at least 1% of the agreed credit line and at least EUR 100. Furthermore, BKS Bank also classifies receivables as in default if it is assumed that the debtor will be able to repay the full amount of the loan to the bank ("unlikeliness to pay", UTP). This is assumed when one of the following applies:

- New impairment charge (specific impairment allowance)
- Restructuring of credit exposure combined with deterioration in quality of the receivable
- Initiation of collection procedures because of inability or unwillingness to pay, or fraud or for other reasons
- Receivable only collectable at a loss for BKS Bank
- Sale of the receivable at a significant loss for BKS Bank due to credit rating
- Debtor's insolvency
- Credit exposures for which it is unlikely that these will be fully repaid for other reasons

Additionally, the internal guidelines contain a number of further indications of "unlikeliness to pay debt", which if applicable, require UTP audits that may result in a downgrading of customers to a default classification. The definition of "impaired" corresponds to the definition pursuant to Article 442 (b) CRR.

Stage allocation criteria

Criterion	Stage
Non-performing loans	3
Initial recognition of the contract	1
Forbearance regarding performing loans	2
more than 30-days overdue	2
Foreign currency loans	2
Rating corresponds to investment grade	1
No initial risk rating can be determined	2
No current rating	2
Significant deterioration of lifetime PD of one-off loans and bonds	2
Credit downgrade from investment grade by 3 or more rating stages	2
Credit downgrade from a good rating by 2 or more rating stages	2
Credit downgrade from a medium or poor rating stage by at least 1 rating stage	2

A retransfer to stage 1 is carried out when there are no longer any indications of a significant increase in credit risk as already described in the criteria for stage allocation.

The determination of the ECL is based on forward-looking information.

Key parameters of the ECL model for stage 1 and stage 2

Parameter in the ECL model	Explanations
Exposure at default (EAD)	The amount of the loan at the time of credit default is the sum of all future contractual cash flows. Off-balance sheet transactions such as guarantees and unused lines of credit of customers are converted into an EAD taking into account a cash conversion feature (CCF).
Probability of default (PD)	The probability of default is determined for each customer on the basis of statistical estimates and follows the life-time concept. This means that the calculation of future probabilities of default also takes into account an assessment of future economic conditions in the form of a point-in-time calibration. Specific migration matrixes are used in the ECL model.
Forward-looking information (FLI)	Based on relevant macroeconomic forecasts, the forward-looking information weighted by BKS Bank's target market is factored into the adjusted contingent default probability applying a straight-line regression analysis.
Loss given default (LGD)	LGD designates the relative loss amount at the time of the credit default. The loss ratio is measured by the unsecured portion of the EAD, which, should the amount of the liability be irrecoverable, is written off. LGD is determined based on the customer portfolios of BKS Bank.
Discount rate (D)	Discounting is based on the effective interest rate.

When calculating the ECL in stages 1 and 2, the EAD, the PD and the LGD are modified and discounted to the contractually agreed duration (D). The calculation is explained as follows (m=marginal):

$$ECL = \sum_{t=1}^{T} ECL_t = \sum_{t=1}^{T} mPD_t^{PIT} \cdot LGD_t \cdot EAD_t \cdot D_t$$

The potential loss from the open risk position is expressed in the loss given default ratio (LGD). Information on the collateral, on the default risk excluding collateral deposited, a description of the collateral deposited as well as quantitative information is given in the risk report.

Expected credit loss is calculated on the basis of several scenarios. The starting scenario is the base scenario. There is also an upside and a downside scenario for calculating the ECL. These scenarios are combined based on weighting factors. The weighting is used to arrive at a risk-adequate, probability-weighted expected credit loss in line with expectations that is neither a best-case (15% weighting), a worst-case (30% weighting), or a most-likely-case scenario (55% weighting). When calculating the expected credit loss (ECL), probability of default (PD) takes account not only historic information, but also forecasts of macroeconomic factors in the default probability (PD). BKS Bank uses the following factors as indicators for forecasts: GDP (gross domestic product), inflation rate, unemployment rate, and current account balance.

Loss ratios are used to determine the average payments from financial assets after the default event. LGDs are calculated separately per segment, just like for PD. The portfolio segments are retail customers, corporate customers, banks, and sovereigns.

In stage 3, for significant exposures that exceed a debt amount per customer of EUR 10 million in Österreich and EUR 0.5 million in foreign markets, impairment charges are determined using the discounted cash flow method for the related group of associated customers. In this case, impairment losses result from the difference between the carrying amount of the receivables and the present value of future expected cash flows from the receivables and the collateral to be realised. If there are objective indications for recognising impairment losses in stage 3 and the debt is not significant (debt EUR <10 million in Austria, EUR <0.5 million in foreign markets), the customers are allocated to separate portfolios for corporate customers and for retail customers, and a general impairment allowance is recognised. The general impairment allowance is based on the following formula: pEWB (specific impairment allowances calculated on a portfolio basis) = shortfall x pEWB factor. The pEWB factor corresponds to a loss rate equalling default and is applied separately for customer segment.

Impairment charges are generally recognised through profit or loss in the income statement. For financial assets designated at FVOCI, any impairment triggered by a change in credit rating is recognised in profit or loss. Impairment charges for loan commitments and financial guarantees are recognised under the item Provisions.

Impairment policy
Receivables deemed irrecoverable will be derecognised or written off when they can no longer be collected and when all the collateral for these receivables has been finally realized. Generally, no financial assets subject to enforcement measures are derecognised. A receivable is derecognised when attempts to collect the receivable on the basis of an enforcement title have failed for a period of two years, enforcement has failed at least twice, no funds are expected to be received for the remaining debt or it is no longer possible to obtain an enforcement title. All derecognised receivables that do not entail release from the remaining debt are handed over to third parties (e.g. collection agency) for collection.

Modifications to contracts
In the lending business, BKS Bank may have to modify loan contracts for existing loans. Reasons may be changed market conditions, on the one hand, or a borrower experiencing difficulties in making payments, on the other. A difference is made between significant and non-significant amendments to a contract. At BKS Bank, significant contract modifications may result from, for example, a change in ownership or a change in currency. This may result in derecognition of the financial asset prior to contract modification and recording of the modified value of the financial asset at the time of recognition. The resultant difference is reported in the income statement as the profit/loss from derecognition.

However, if the contract modification is not significant, i.e. if there is no derecognition and/or recognition, the amount of the difference between the gross carrying amount before contract modification and the gross carrying amount after contract modification is reported as a change to profit or loss in net interest income.

Investments in entities accounted for using the equity method
Entities in which BKS Bank holds a stake of over 20%, but which are not under its control, are accounted for in the consolidated financial statements using the equity method. In addition, Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft are also accounted for in the consolidated financial statements using the equity method, although our stakes in Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft are less than 20% in each case. Syndicate agreements are in place that allow participation in the banks' financial and operating policy decisions without requiring a controlling interest in these entities. If there is objective evidence (triggering events) for impairment of an investment accounted for using the equity method, a value-in-use is calculated on the basis of the estimated future cash flows that may be expected from the associate. The present value (value-in-use) is calculated on the basis of the equity method/dividend discount model. The impairment test performed did not indicate a need for impairment.

Investment property
This line item reports property intended for renting to third parties and for appreciation. BKS Bank measures these properties pursuant to IAS 40 using the fair value model. The market value is determined by court-certified experts. Any changes in value are recorded in profit or loss under Other operating income/expenses. Changes in use category are reclassified in other comprehensive income.

Property, plant and equipment
Property, plant and equipment consists of land, buildings and other property and equipment comprising primarily office furniture and business equipment, and the rights of use under lease contracts. These are measured at amortised cost. Depreciation of property, plant and equipment was linear based on an asset's usual useful life and was within the following bands: 1.5% to 2.5% for immovable goods (i.e. 66.7 to 40 years), and 10% to 20% (i.e. 10 to 5 years) for business equipment and furnishings.

Under IAS 36, impairments were recorded by recognising extraordinary depreciation in the line item General administrative expenses in the income statement. If an impairment no longer existed, a write-back was made up to the asset's amortised cost. No extraordinary depreciation or write-backs were recognised during the period under review.

Government grants
Government grants are recognised only when there is reasonable certainty that the requirements will be met and the funds will be granted. Government grants are recognized as expenses in profit or loss over the period in which BKS Bank recognizes the related expenses which the government grants are to compensate. Similarly, subsidies for depreciable assets are usually recognised in profit or loss over the periods for which depreciation on those assets is recognised.

The benefit of loans from government entities for which the interest rate is below the market rate is likewise treated as a government subsidy provided the conditions of IAS 20 are met. The interest benefit gained is recognised in accordance with IAS 20 as the difference in amount between the payment received and the carrying amount (fair value) of the loan pursuant to IFRS 9.

Intangible assets
Intangible assets have all been purchased and have limited useful lives. Essentially, this item consists of acquired customer bases and software. Amortisation of intangible assets was linear based on an asset's usual useful life. The amortisation rate for software is usually 25% (i.e. four years); the amortisation rate for the customer base acquired was determined at 10% (i.e. 10 years) after a detailed analysis.

Leasing
Leased assets within the Group are recognised as assets leased under finance leases (the risks and rewards belong to the lessee for the purposes of IAS 16). Leased assets are recognised as receivables in the amount of the present values of the agreed payments taking into account any residual amounts.

For contracts under which BKS Bank Group companies have the role of lessee, a right of use and a corresponding lease liability is recognised. Upon initial recognition, lease liabilities are recognised at the present value of lease payments to be made over the life of the lease contract and not yet made at the start of the lease. These payments are discounted at the interest rate used as basis for the lease contract. If this interest rate cannot be ascertained, the incremental borrowing rate is used. The subsequent measurement of lease liabilities is done by raising the carrying value by the interest on lease liabilities (constant effective interest) and by reducing the carrying value by the lease instalments paid. The right of use corresponds to the lease liability at the time of its initial recognition. Additionally, lease payments already made at the time of initial recognition and initial direct costs are taken into account. The subsequent measurement of rights of use is done at cost less cumulated amortisation and impairment. Rights of use to real estate are amortised over the term of the lease. Lease liabilities are recognised under Other liabilities, and rights of use under Property, plant and equipment.

Non-current assets held for sale
An asset held for sale is an asset in which the carrying amount will be recovered mainly through a sales transaction rather than through continuing use. To be classified as held for sale, an asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. In addition, its sale must be highly probable. Where these classification criteria are met, the asset must be measured at the lower of its carrying amount and fair market value less costs to sell. Non-current assets held for sale were shown in a separate line item in the consolidated balance sheet, while changes in value were recorded in profit or loss under Other operating income/expenses. If the criteria for held-for-sale no longer apply, the assets are reclassified to the corresponding balance sheet item.

Other assets and other liabilities
Deferred items and other assets/other liabilities are reported in Other assets/liabilities. These are measured at amortised cost. Furthermore, lease liabilities are reported under Other liabilities; for details on measurement, please refer to the section "Leasing".

Securitised liabilities
Securitised liabilities comprise bonds in circulation, debt securities and other securitised liabilities (own issues). Generally, securitised liabilities are recognised at amortised cost. However, based on decisions by the ALM Committee, the fair value option is exercised for securitised liabilities and measurement is at fair value.

Subordinated debt capital

Subordinated debt capital and subordinated obligations are liabilities that, by contractual arrangement, will, in the event of BKS Bank's liquidation or bankruptcy, be settled only after the claims of other creditors. As a rule, subordinated debt capital is recognised at amortised cost.

Deferred tax assets and deferred tax liabilities

Current tax assets and tax liabilities determined based on applicable tax rates and tax laws.

Income tax is reported and calculated in accordance with IAS 12. The calculation for each taxed entity is carried out applying the tax rates that, under applicable legislation, are to be applied in the tax period in which a temporary difference is going to reverse. Deferred taxes are computed on the basis of differences between the tax base and the carrying amounts of assets or liabilities for the purposes of IFRSs. These will probably give rise to additional taxes or may lower taxes due in the future.

The "Ökosoziale Steuerreform 2022" (Ecological Tax Reform 2022) in Austria introduced lower tax rates in the reporting year. In the event the timing of the realisation of the temporary differences is not sufficiently foreseeable, a best estimate is made. With this principle in mind, we opted for a uniform tax rate of 23% throughout the Group, with mandatory application as of 2024, and consequently recognised a write-down on deferred tax assets already in 2022.

Provisions

In accordance with IAS 37, provisions are recognized if there is a reliably determinable current obligation to a third party arising from an event in the past likely to cause an outflow of resources the amount of which can be reliably assessed. BKS Bank set aside provisions mainly for post-employment benefits and similar employee benefit obligations pursuant to IAS 19. Provisions for death benefits is also calculated in accordance with the IFRS principles of IAS 19. The AVÖ 2018-P mortality table as published in August 2018 was used for the actuarial calculation of the provisions for social capital. BKS Bank also recognised provisions for taxes. Additionally, the calculated ECL for financial guarantees and for the undrawn portion of a loan commitment is recognized in the balance sheet as a provision.

Shareholders' equity

Equity consists of paid-in and earned capital (retained earnings, fair value reserves, foreign exchange differences and profit for the period). BKS Bank strives to strengthen its capital base on a sustainable basis by reinvesting its profits. Additional tier 1 notes were issued in 2015 and from 2017 to 2021. Under IAS 32, such notes are classified as equity.

Notes to individual line items in the income statement

Net interest income

Net interest income contains interest income from credit operations, from securities in the treasury portfolio, from equity investments in the form of dividend payments, from lease receivables and from investment property less interest expenses on deposits from other banks and from customers, from securitised liabilities and from investment property. Interest income and interest expenses are accounted for on an accrual basis. Likewise, positive interest expenses are presented as interest income. Furthermore, modification gains/losses from changes to contractual terms that do not trigger derecognition of an asset are reported in net interest income.

Impairment charges

This line item reports income and expenses from recognising and reversing impairment charges in the amount of the 12-month expected credit loss (stage 1) or lifetime expected credit loss (stages 2 and 3). BKS Bank recognizes impairment charges for financial assets measured at amortised cost or designated at fair value through other comprehensive income (FV OCI mandatory) as well as for loan commitments and financial guarantee contracts. See also Note (2) for details.

Net fee and commission income
Net fee and commission income, which comprises all income and expenses incurred in connection with the provision of services, are reported on an accrual basis. Fees and commissions received for services provided over a certain period are recognised over the corresponding period. These include fees and commissions earned in the lending business. However, in the case of commissions for transaction-linked services, the amounts are recognised only when the service has been completed. These are mainly fees and commissions from payment services and the securities business.

Net trading income
This line item comprises income and expenses from our proprietary trading activities and from derivatives transactions. Positions in the trading book were measured at fair value. Net trading income also includes revaluation gains and losses.

General administrative expenses
General administrative expenses include staff costs, other administrative costs and depreciation and amortisation and accounted for on an accrual basis.

Other operating expenses / income
This item includes fees, charges, damage incidents, damage compensation, proceeds from the sale of properties and similar items and are accounted for on an accrual basis. In addition, this item includes changes in the value of investment property.

Income from financial assets/liabilities
This item reports – apart from profit or loss on financial instruments designated at fair value – also the profit or loss from financial assets measured at fair value through profit or loss (mandatory). This comprises net profits/losses from equity instruments for which the fair value OCI option was not used as well as financial assets whose contractual cash flows are not exclusively interest and redemption payments on outstanding principal. Furthermore, this item reports profits and losses from the derecognition of financial assets measured at amortised cost. Direct write-offs and recoveries on receivables previously written off are accounted for in this line item. The result of the derecognition of financial assets measured at fair value through other comprehensive income (FVOCI) are reported in other comprehensive income from financial assets/liabilities.

Discretionary decisions and estimates
Estimates and assumptions are required to account for some of the items on the balance sheet. Such estimates and assumptions are based on historical experience, planning, expectations and forecasts regarding future events which are likely from the current perspective. The assumptions on which the estimates are based are reviewed regularly. Potential uncertainties in the estimates mean that adjustments to the carrying amounts of assets and liabilities may be necessary in future periods. The war in the Ukraine and the resultant far-reaching economic sanctions as well as climate change are contributing to the uncertainty. How the situation will continue to develop in Russia and Ukraine, and the effects of climate change are factors that may significantly influence the assets, financial position and profit and loss of the BKS Bank Group. The recoverability of financial assets may be negatively affected by these factors in the future. Ongoing legal proceedings may also create estimation uncertainties. We considered all effects that can be estimated during the preparation of the financial statements for 2023. Details on the calculation of impairment charges in connection with the current economic situation are provided under “Impact of current economic developments on accounting polices”. The effects of climate change are explained in the section “Impact of climate change on accounting policies”.

Furthermore, BKS Bank has a market presence in Austria, Croatia, Slovenia, northern Italy and Slovakia with subsidiaries and leasing companies as well as one representation office. In areas in which discretionary decisions, assumptions and estimates are made, an analysis of the economic environment in the abovementioned markets is conducted and the findings considered in the decision-making process. Material discretionary decisions, assumptions and estimates were made on the following topics:

Ongoing legal proceedings
In September 2023, the minority shareholders UniCredit Bank Austria AG and CABO Beteiligungs GmbH withdrew their legal action filed in 2021 for a declaratory judgment and injunction order regarding previous and future capital increases after the Supreme Court (Oberster Gerichtshof) ruled completely in favour of BTV in parallel proceedings.

The review proceedings before the Takeover Commission filed by the abovementioned minority shareholders were also decided fully in favour of BKS Bank in the first instance and are now before the Vienna Court of Appeals (Oberlandesgericht Wien) due to the objection filed by the aforementioned minority shareholders.

The following lawsuits remained interrupted in the reporting year due to the ongoing review proceedings pursuant to the Austrian Takeover Act: The legal actions filed by the abovementioned minority shareholders in June 2020 challenging the resolutions adopted at the Annual General Meeting of 29 May 2020 to approve the activities of the members of the Management Board and deny approval for individual members of the Supervisory Board and regarding the motion rejected to conduct various special audits; furthermore, the request for a declaratory judgment ascertaining that no approval be given for the activities of the members of the Management Board and to individual members of the Supervisory Board, and for approval of the activities of one member of the Supervisory Board as well as the request for a declaratory judgment granting the aforementioned special audits.

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

UniCredit Bank Austria AG and CABO Beteiligungs GmbH put forth a minority shareholder motion at the Annual General Meeting in May 2023 pursuant to § 134 Austrian Stock Corporation Act (Akt) requesting a special representative be appointed by a court of law to file a legal action against four members of the Management Board of BKS Bank. The purpose of this legal action is to assert claims which, in the opinion of the aforementioned minority shareholders, result from two share transactions in the 2022 financial year. Based on the provisions regarding minority rights under the Austrian Stock Corporation Act, a special representative was appointed by a court of law in November 2023 who then filed the legal action. The Supervisory Board, after a careful evaluation and consulting with external experts, had decided against taking legal action, as it had been assessed as obviously unfounded.

In December 2022, the Croatian tax authority imposed an order for an additional tax payment on the local branch of BKS Bank. The additional payment was founded on the revocation of a tax decision of 2017 in connection with the merger of BKS Bank d.d. with BKS Bank AG. BKS Bank made a conditional payment and in January 2023 filed an appeal within the defined period. BKS Bank's appeal against this decision was fully granted in the 2023 financial year, meaning that BKS Bank is entitled to a refund of this amount plus accrued interest. Thus far, the Croatian tax authority has not refunded the amount despite BKS Bank's request to do so. On 5 February 2024, an official notice was served rejecting the request; BKS Bank challenged this notice by taking further legal action.

Furthermore, there are also ongoing proceedings in connection with a case of malversation in Croatia, but for which no ruling has yet been handed down by the higher courts. The rulings handed down by the lower courts to date have prompted the bank to recognize provisions for these proceedings in accordance with applicable IAS rules.

Recoverability of financial assets: impairment charges
The identification of an impairment trigger and the determination of the need to recognize impairments contain substantial assessment uncertainties and room for discretion resulting from the economic situation and development of the borrower, and entail effects on the amount and point in time of expected future cash flows. Impairment charges on loans and advances are calculated on the basis of statistical methods, and in cases for which no impairment has been identified, models and parameters are used such as probability of default and

scenarios regarding the development of the economy. These also leave room for discretion and assessment uncertainties. Furthermore, financial assets recognised at amortised cost are tested for objective evidence of potential impairment at each balance sheet date. This requires estimates of the amounts and times of future cash flows.

Sensitivity analysis

Sensitivity scenario in €k	Explanations	**2022**	**2023**
Staging: negative scenario	Financial instruments in the “investment grade" rating class are transferred from stage 1 to stage 2. This is a changeover from the 12-month ECL view to the lifetime concept.	-32.220	-23.604
Staging: positive scenario	Financial instruments that were assigned to stage 2 due a historic credit downgrade are transferred from stage 2 to stage 1. This is a changeover from the lifetime concept to the 12-month ECL view.	4.064	7.445
Macroeconomic assessment: negative scenario	The weighting factors with respect to future economic developments deteriorate and the worst-case scenario is weighted 5% higher, while the best-case-scenario is weighted 5% lower.	-5.268	-4.476
Macroeconomic assessment: positive scenario	The weighting factors with respect to future economic developments on the target markets improve and the best-case scenario is weighted 5% higher, while the worst-case-scenario is weighted 5% lower.	5.268	4.476
Macroeconomic assessment: negative scenario	The weighting factors with respect to future economic developments deteriorate and the worst-case scenario is weighted 5% higher, while the normal scenario is weighted 5% lower.	-3.253	-3.926
Macroeconomic assessment: positive scenario	The weighting factors with respect to future economic developments on the target markets improve and the best-case scenario is weighted 5% higher, while the base scenario is weighted 5% lower.	2.015	551
Probability of default: negative scenario	The probability of default in the migration matrix increases by a factor of 1.1.	-5.524	-5.426
Probability of default: positive scenario	The probability of default in the migration matrix decreases by a divisor of 1.1.	5.105	5.684

A reclassification from stage 1 to stage 2 is carried out as soon as the default risk increases significantly. The assessment of such an increase is a discretionary decision.

Measuring the fair value of financial assets and liabilities

The fair value is the price at which an asset can be sold or a liability settled by market participants in an orderly transaction under market conditions on the balance sheet date. IFRS 13 defines the measurement of fair value, applicable across all standards, of financial assets and liabilities that must or may be measured at fair value as well as the disclosures required regarding fair value measurements.

Recoverability of shares in entities accounted for using the equity method

The dividend discount model (DDM) is used for enterprise valuation purposes: It determines the enterprise value as the present value of potential future earnings, taking into account the regulatory own funds requirements. Estimates of future earnings are based on plausible and justifiable assumptions. Forecasts are based on approved five-year business plans. When the market risk premium increases by 0.25%, this reduces the value in use of the shares in Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft by 2.4% or EUR 21.7 million. When the market risk premium decreases by 0.25%, the value in use rises by 2.6% or EUR 22.9 million. The sensitivity calculation based on the market risk premium would not result in any accounting effects.

Provisions for social capital

The calculation of provisions for post-retirement benefits, termination benefits, jubilee and death benefits are estimates regarding the discount rate, salary developments, career trend and the retirement age. The discount rate is particularly important because a change in the interest rate has a material effect on the amount of the provisions. See Note 30 for further details.

Other provisions

The amounts of other provisions were calculated on the basis of experience and expert assessments.

Details of the Consolidated Statement of Cash Flows

The cash and cash equivalents reported in the Consolidated Statement of Cash Flows correspond to cash and balances with the central bank and daily callable receivables from other credit institutions.

Financial liabilities under cash flows from financing activities developed as follows:

2023	01/01	Cash outflow	Cash inflow	Non-cash accrued interest and other changes	31/12
Subordinated liabilities and liabilities evidenced by certificates	**1.048.336**	**-62.700**	**98.982**	**3.101**	**1.087.719**
• Liabilities evidenced by paper	783.616	-42.700	78.483	3.362	822.761
• Subordinated debt capital	264.719	-20.000	20.499	-261	264.957
Lease liabilities	**19.607**	**-3.109**	**-**	**3.306**	**19.804**

2022	01/01	Cash outflow	Cash inflow	Non-cash accrued interest and other changes	31/12
Subordinated liabilities and liabilities evidenced by certificates	**973.466**	**-64.300**	**146.220**	**-7.050**	**1.048.336**
• Liabilities evidenced by paper	732.523	-64.300	121.452	-6.059	783.616
• Subordinated debt capital	240.942	0	24.768	-991	264.719
Lease liabilities	**19.907**	**-2.837**	**-**	**2.536**	**19.607**

Details of the Income Statement

(1) Net interest income

in €k	2022	2023	± in %
Lending operations measured at amortised cost	140.720	307.550	>100
Fixed-interest securities measured at amortised cost	9.299	12.897	38,7
Fixed-interest securities measured at FV OCI	489	668	36,7
Modification gains	285	1.151	>100
Positive interest expenses[1)]	9.918	32	-99,7
Total interest income applying the effective interest rate method	**160.711**	**322.297**	**>100**
Lending operations measured at fair value	2.928	9.431	>100
Fixed-interest securities at fair value through profit or loss	355	-	-
Lease receivables	14.653	29.588	>100
Shares and other non-interest-bearing securities	3.482	3.484	0,1
Investment property	4.325	4.903	13,4
Total other interest income and other similar income	**25.743**	**47.407**	**84,2**
Total interest income	**186.454**	**369.704**	**98,3**
Interest expenses and other similar expenses:			
Deposits from customers and other banks	7.175	94.247	>100
Liabilities evidenced by paper	19.039	24.336	27,8
Modification losses	291	1.224	>100
Negative interest income[1)]	2.301	-	-
Investment property	934	1.081	15,6
Lease liabilities	126	170	35,5
Total interest expenses and other similar expenses	**29.866**	**121.058**	**>100**
Net interest income	**156.588**	**248.646**	**58,8**

[1)] This consists of interest expenses/income that due to the historically low interest rates in the recent past are positive/negative.

Contract amendments reported in net interest income resulted in a gain of EUR 1.2 million (pr. yr. EUR 0.3 million) and a loss of EUR 1.2 million (pr. yr. EUR 0.3 million). Amortised cost before contract amendments amount to EUR 112.1 million (pr.yr. EUR 54.7 million).

(2) Impairment charges

in €k	2022	2023	± in %
Financial instruments measured at amortised cost			
• Allocation (+)/reversal (-) of impairment charges (net)	26.666	17.192	-35,5
Financial instruments measured at fair value OCI			
• Allocation (+)/reversal (-) of impairment charges (net)	100	-50	>-100
Loan commitments and financial guarantee contracts			
• Allocation (+)/reversal (-) of provisions (net)	-868	21.218	>100
Impairment charges	**25.898**	**38.360**	**48,1**

For lease receivables, impairment charges contain an allocation to impairment charges of EUR 1.4 million (pr.yr.: allocation EUR 1.7 million).

(3) Net fee and commission income

in €k	2022	2023	± in %
Fee and commission income:			
Payment services	28.020	31.271	11,6
Securities operations	20.912	20.601	-1,5
Lending operations	21.605	16.017	-25,9
Foreign exchange operations	3.181	3.208	0,9
Other services	1.229	1.014	-17,5
Total fee and commission income	**74.948**	**72.111**	**-3,8**
Net fee and commission expenses:			
Payment services	3.150	3.577	13,6
Securities operations	2.179	2.217	1,7
Lending operations	1.335	1.280	-4,1
Foreign exchange operations	83	113	35,8
Other services	28	35	24,3
Total fee and commission expenses	**6.775**	**7.222**	**6,6**
Net fee and commission income	**68.173**	**64.889**	**-4,8**

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

in €k	2022	2023	± in %
Profit/loss from investments accounted for using the equity method	20.676	90.432	>100
Profit/loss from investments accounted for using the equity method	**20.676**	**90.432**	**>100**

(5) Net trading income

in €k	2022	2023	± in %
Price-based transactions	-3.123	18	>100
Interest rate and currency contracts	1.945	324	-83,3
Net trading income	**-1.178**	**342**	**>100**

(6) General administrative expenses

in €k	2022	2023	± in %
Staff costs	81.222	93.786	15,5
• Wages and salaries	57.970	63.208	9,0
• Social insurance costs	13.415	14.209	5,9
• Costs of retirement benefits	3.607	5.330	47,8
• Other social expenses	6.229	11.040	77,2
Other administrative costs	44.116	48.524	10,0
Depreciation/amortisation	10.675	10.985	2,9
General administrative expenses	**136.013**	**153.296**	**12,7**

The expenses for post-retirement benefits contain defined contributions to a pension plan in an amount of EUR 16 million (pr. yr. EUR 15 million).

(7) Other operating income/expenses

in €k	2022	2023	± in %
Other operating income	15.909	11.959	-24,8
Other operating expenses	-11.639	-20.255	74,0
Other operating income/expenses	**4.270**	**-8.296**	**>-100**

The main sources of other operating income are non-interest bearing lease income of EUR 5.8 million (pr.yr.: EUR 3.6 million), fee and commission income from the insurance business of EUR 1.4 million (pr.yr.: EUR 1.7 million), and, as in the preceding year, one insurance compensation of EUR 5.0 million. This item includes the change in fair value of investment properties in an amount of EUR -0.1 million (pr. yr.: EUR 2.7 million EUR). The expenses include the payment of EUR 14 million for the stability tax (pr. yr.: EUR 1.3 million), the contributions to the resolution fund of EUR 3.9 million (pr. yr.: EUR 5.0 million) and the contribution to the deposit insurance scheme of EUR 0.6 million (pr. yr.: EUR 1.9 million). Additionally, expenses were impacted by the recognition of provisions required by Slovenian law and court rulings regarding loans in Swiss franc by an amount of EUR 7.6 million.

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

in €k	2022	2023	± in %
Profit/loss from the fair value option	1.977	-1.686	>-100
Profit/loss from financial instruments designated at fair value	**1.977**	**-1.686**	**>-100**

Fixed-interest loans to customers of EUR 213.3 million (pr. yr.: EUR 135.4 million), as well as own issues of EUR 36.0 million (pr. yr.: EUR 35.3 million) were hedged by interest rate swaps under the fair value option. Profit/loss from the fair value option essentially reflects the net measurement income from interest rate swaps and instruments to be hedged.

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

in €k	2022	2023	± in %
Profit/loss from measurement	-8.904	4.129	>100
Profit/loss on disposal	19	160	>100
Profit/loss from financial assets measured at fair value through profit or loss (mandatory)	**-8.885**	**4.289**	**>100**

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

in €k	2022	2023	± in %
Receivables from other banks	-	-	-
• thereof profit	-	-	-
• thereof loss	-	-	-
Receivables from customers	-3.339	-917	72,5
• thereof profit	1.073	810	-24,5
• thereof loss	-4.413	-1.727	60,9
Debt securities	2.714	-	-
• thereof profit	2.714	-	-
• thereof loss	-	-	-
Profit/loss from derecognition of financial assets measured at amortised cost	**-626**	**-917**	**-46,6**

Profit/loss from the derecognition of receivables from customers measured at amortised cost include gains/losses on disposal due to material modifications to the terms of contract. Additionally, direct write-offs and recoveries on receivables previously written off are accounted for in this line item. In the financial year 2022, the sale of debt securities resulted in a gain of EUR 2.7 million.

(11) Other comprehensive income from financial assets/liabilities

in €k	2022	2023	± in %
Derecognition gains/losses	-517	229	>100
• from financial assets measured through OCI	-	-	-
• from financial liabilities measured at amortised cost	-517	229	>100
Other profit/loss from financial assets/liabilities	**-517**	**229**	**>100**

(12) Income tax expense

in €k	2022	2023	± in %
Current taxes	-12.642	-29.039	>100
Deferred taxes	-2.364	1.835	>-100
Income tax	**-15.006**	**-27.204**	**81,3**

Reconciliation

in €k	2022	2023
Profit/loss for the year before tax	78.567	206.272
Applicable tax rate	25%	24%
Computed tax expense	19.642	49.505
Effect of differing tax rates	-1.325	-975
Tax savings		
• From tax-exempt income from investments	-601	-568
• effects of investments in entities accounted for using the equity method	-5.169	-20.799
• From other tax-exempt income	-9	-14
• From other valuation adjustments	-381	902
Additional tax incurred		
• as a result of non-deductible expenses	581	630
• from other tax effects	100	38
Change in tax rate	-177	-
Aperiodic tax expenses/income	2.345	-1.514
Income tax expense in period	**15.006**	**27.204**
Effective tax rate	19,1%	13,2%

Details of the balance sheet

(13) Cash and balances with the central bank

in €k	31/12/2022	31/12/2023	± in %
Cash in hand	39.212	44.383	13,2
Credit balances with central banks	809.803	540.073	-33,3
Cash and balances with the central bank	**849.015**	**584.456**	**-31,2**

(14) Receivables from other banks

in €k	31/12/2022	31/12/2023	± in %
Receivables from domestic banks	45.126	26.322	-41,7
Receivables from foreign banks	208.492	160.438	-23,0
Receivables from other banks	**253.618**	**186.760**	**-26,4**

Receivables from other banks, by remaining time to maturity

in €k	31/12/2022	31/12/2023	± in %
Due on demand	33.107	20.662	-37,6
Up to 3 months	187.045	107.419	-42,6
From 3 months to 1 year	33.466	58.679	75,3
From 1 to 5 years	-	-	-
From 5 years	-	-	-
Receivables from other banks by remaining time to maturity	**253.618**	**186.760**	**-26,4**

Impairment charges on receivables from other banks measured at amortised cost

in €k	Stage 1	Stage 2	Stage 3	2023
As at 01/01/2023	107	-	-	107
Additions due to new business	9		-	9
Change within stage				
• Allocation/reversal	-1	1	-	-
• 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	-1	-	-	-1
- Reclassification from stage 1 to stage 3	-	-	-	-
- Reclassification from stage 2 to stage 3	-	-	-	-
Disposals due to repayment	-90	-	-	-90
As at 31/12/2023	**24**	**1**	**-**	**25**

Gross carrying amounts changed as follows in the reporting year 2023:

Gross carrying amounts for receivables from other banks measured at amortised cost

in €k	Stage 1	Stage 2	Stage 3	2023
As at 01/01/2023	253.722	3	-	253.725
Additions due to new business	150.614	-	-	150.614
Change within stage				
• Increase/reduction of receivables	8.455	9	-	8.464
• 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	-2.773	1.083	-	-1.690
- Reclassification from stage 1 to stage 3	-	-	-	-
- Reclassification from stage 2 to stage 3	-	-	-	-
Disposals due to repayment	-224.328		-	-224.328
At the end of the reporting period	**185.690**	**1.095**	**-**	**186.785**

(15) Receivables from customers

(15.1) Receivables from customers by customer group

in €k	31/12/2022	31/12/2023	± in %
Corporate and Business Banking	5.744.289	6.084.580	5,9
Retail Banking	1.431.051	1.327.107	-7,3
Receivables from customers by customer group	**7.175.340**	**7.411.687**	**3,3**

(15.2) Receivables from customers by measurement category

in €k	31/12/2022	31/12/2023	± in %
Financial assets measured at amortised cost	7.000.547	7.157.207	2,2
Financial assets measured at fair value through profit or loss (designated)	135.413	213.310	57,5
Financial assets measured at fair value through profit or loss (mandatory)	39.381	41.170	4,5
Receivables from customers by measurement category	**7.175.340**	**7.411.687**	**3,3**

The item Receivables from customers includes receivables from lease transactions of EUR 659.4 million (pr. yr.: EUR 617.7 million). In the reporting year there were no sale-and-lease-back transactions of material significance.

Receivables from customers, by remaining time to maturity

in €k	31/12/2022	31/12/2023	± in %
Due on demand	105.226	100.721	-4,3
Up to 3 months	1.042.445	1.003.167	-3,8
From 3 months to 1 year	474.586	602.226	26,9
From 1 to 5 years	1.401.662	1.710.194	22,0
From 5 years	4.151.421	3.995.379	-3,8
Receivables from customers by remaining time to maturity	**7.175.340**	**7.411.687**	**3,3**

Finance lease receivables by remaining time to maturity - IFRS 16

in €k	31/12/2022	31/12/2023
< 1 year	166.912	206.270
One to two years	147.992	157.327
Two to three years	141.843	132.399
Three to four years	83.201	104.885
Four to five years	58.931	65.293
Over five years	71.019	77.672
Total amount of non-discounted lease receivables	**669.896**	**743.846**
Unearned finance income	52.179	84.457
Net investment in lease contracts	**617.718**	**659.389**

There were no guaranteed residual values on 31 December 2023.

Impairment charges on receivables from customers measured at amortised cost

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	5.215	3.129	-	8.344
Change within stage				
• Allocation/reversal	-8.040	-4.705	12.396	-349
• Disposals due to usage	-	-	-19.168	-19.168
Reclassification from one stage to another:				
• Decrease due to default risk				
- Reclassification from stage 2 to stage 1	652	-6.455	-	-5.803
- Reclassification from stage 3 to stage 1	-	-	-31	-31
- Reclassification from stage 3 to stage 2	-	52	-340	-288
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	-6.221	12.676	-	6.455
- Reclassification from stage 1 to stage 3	-1.179	-	11.801	10.622
- Reclassification from stage 2 to stage 3	-	-951	5.269	4.318
Disposals due to repayment	-2.884	-2.870	-4.708	-10.462
As at 31/12/2023	**24.158**	**21.001**	**69.520**	**114.678**

Impairment charges includes impairments for lease receivables of EUR 5.9 million (pr. yr.: EUR 7.8 million).

Gross carrying amounts changed as follows in the reporting year 2023:

Gross carrying amounts for receivables from customers measured at amortised cost

in €k	Stage 1	Stage 2	Stage 3	**2023**
As at 01/01/2023	6.334.380	614.931	172.276	7.121.587
Additions due to new business	1.039.943	172.910	8.418	1.221.271
Change within stage				
• Increase/reduction of receivables	-326.336	-26.961	-11.912	-365.209
• Disposals due to usage/direct write-off	-	-	-20.675	-20.675
Reclassification from one stage to another:				
• Decrease due to default risk				
- Reclassification from stage 2 to stage 1	152.334	-166.224	-	-13.890
- Reclassification from stage 3 to stage 1	200	-	-282	-82
- Reclassification from stage 3 to stage 2	-	2.478	-3.000	-522
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	-735.742	716.025	-	-19.717
- Reclassification from stage 1 to stage 3	-89.059	-	88.243	-816
- Reclassification from stage 2 to stage 3	-	-29.321	27.133	-2.188
Disposals due to repayment	-563.900	-61.559	-22.414	-647.873
At the end of the reporting period	**5.811.820**	**1.222.279**	**237.787**	**7.271.886**

(16) Trading assets

in €k	**31/12/2022**	**31/12/2023**	± in %
Positive fair values of derivative financial products	13.946	9.117	-34,6
• Currency contracts	1.424	2.557	79,6
• Interest rate contracts	36	3	-90,5
• Fair value option	12.487	6.557	-47,5
Trading assets	**13.946**	**9.117**	**-34,6**

(17) Debt securities and other fixed-interest securities

in €k	**31/12/2022**	**31/12/2023**	± in %
Financial assets measured at amortised cost	1.067.861	1.177.252	10,2
Financial assets measured at fair value OCI	55.920	64.411	15,2
Financial assets measured at fair value through profit or loss (mandatory)	31	42	33,6
Debt securities and other fixed-interest securities	**1.123.812**	**1.241.704**	**10,5**

Debt securities and other fixed-interest securities by remaining time to maturity

in €k	**31/12/2022**	**31/12/2023**	± in %
Up to 3 months	15.542	16.958	9,1
From 3 months to 1 year	77.845	99.677	28,0
From 1 to 5 years	588.226	675.159	14,8
From 5 years	442.200	449.910	1,7
Debt securities and other fixed-interest securities by remaining time to maturity	**1.123.812**	**1.241.704**	**10,5**

In the financial year 2024, debt securities and other fixed interest securities in the amount of EUR 109.9 million (pr. yr.: EUR 88.9 million) fall due.

Impairment charges on debt securities measured at amortised cost

in €k	Stage 1	Stage 2	Stage 3	2023
As at 01/01/2023	956	-	-	956
Additions due to new business	337	-	-	337
Change within stage				
• Allocation/reversal	560	-	-	560
• 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	-74	973	-	899
- Reclassification from stage 1 to stage 3	-	-	-	-
- Reclassification from stage 2 to stage 3	-	-	-	-
Disposals due to repayment	-11	-	-	-11
As at 31/12/2023	**1.768**	**973**	**-**	**2.741**

Gross carrying amounts changed in the reporting year 2023 as follows:

Gross carrying amounts for debt securities measured at amortised cost

in €k	Stage 1	Stage 2	Stage 3	2023
As at 01/01/2023	1.068.817	-	-	1.068.817
Additions due to new business	190.165	-	-	190.165
Change within stage				
• Increase/reduction of receivables	9.977	-	-	9.977
• Disposals due to usage/direct write-off	-	-	-	-
Reclassification from one stage to another:				
• Decrease due to default risk				
- Reclassification from stage 2 to stage 1			-	-
- Reclassification from stage 3 to stage 1	-	-	-	-
- Reclassification from stage 3 to stage 2	-	-	-	-
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	-14.917	14.972	-	55
- Reclassification from stage 1 to stage 3	-	-	-	-
- Reclassification from stage 2 to stage 3	-	-	-	-
Disposals due to repayment	-89.022		-	-89.022
At the end of the reporting period	**1.165.020**	**14.972**	**-**	**1.179.992**

(18) Shares and other non-interest bearing securities

in €k	31/12/2022	31/12/2023	± in %
Financial assets measured at fair value through profit or loss (mandatory)	36.334	38.762	6,7
Financial assets measured at fair value OCI	113.907	132.414	16,2
Shares and other non-interest-bearing securities	**150.240**	**171.176**	**13,9**

The investment fund assets in the own portfolio are recognised in the measurement category at fair value through profit or loss (mandatory).

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

in €k	31/12/2022	31/12/2023	± in %
Oberbank AG	466.723	532.134	14,0
Bank für Tirol und Vorarlberg AG	260.551	281.773	8,1
Investments in entities accounted for using the equity method	**727.275**	**813.907**	**11,9**

(20) Intangible assets

in €k	31/12/2022	31/12/2023	± in %
Intangible assets	9.319	9.239	-0,9
Intangible assets	**9.319**	**9.239**	**-0,9**

(21) Property, plant and equipment

in €k	31/12/2022	31/12/2023	± in %
Land	6.106	6.110	0,1
Buildings	37.711	36.360	-3,6
Other property, plant and equipment	12.628	17.303	37,0
Right-of-use assets	19.232	19.370	0,7
Property, plant and equipment	**75.676**	**79.142**	**4,6**

The right-of-use assets reported refer mainly to rental contracts for branches and office space in Austria and abroad. Amortisation of capitalised right-of-use assets was EUR 3.0 million in the financial year 2023 (pr. yr.: EUR 2.8 million). Additionally, interest expenses of EUR 0.2 million (pr. yr.: EUR 0.1 million) were recognized for lease liabilities. In the financial year 2023, there was an addition of EUR 0.1million (pr. yr.: EUR 0.1 million) in right of use assets. Total cash outflow for lease contracts was EUR 3.1 million (pr. yr.: EUR 2.8 million).

(22) Investment property

in €k	31/12/2022	31/12/2023	± in %
Investment property	**92.974**	**120.870**	**30,0**

Rental income in the year under review was EUR 4.9 million (pr. yr. EUR 4.3 m). Expenses incurred to attain rental income came to EUR 1.1 million (pr. yr. EUR 0.9 million). The increase in investment property was due mainly to one real estate property, which after a period of 12 months no longer met the criteria for recognition as non-current assets held for sale on the balance sheet date, and therefore, was reclassified to the item investment property.

Property, plant and equipment owned, intangible assets and investment property 2023

in €k	Property, plant and equipment	Assets[1]	Property[2]	Total
Carrying amount at 01/01/2023	**56.444**	**9.319**	**92.974**	**158.737**
Additions	11.777	1.662	959	14.398
Disposals	189	21	2.022	2.231
Exchange differences	-	-	-	-
Change in fair value	-	-	1.982	1.982
Depreciation/amortisation	5.451	2.553	-	8.004
Reclassification	-2.808	832	26.976	25.000
Carrying amount at 31/12/2023	**59.773**	**9.239**	**120.870**	**189.882**

1) Intangible assets
2) Investment property

In the reporting year, there was an addition to the item investment property due to changes in rights-of-use of EUR 2.0 million. These were reported as reclassifications in the table of changes in fixed assets.

Property, plant and equipment owned, intangible assets and investment property 2022

in €k	Property, plant and equipment	Assets[1]	Property[2]	Total
Carrying amount at 01/01/2022	**62.093**	**9.655**	**78.367**	**150.116**
Additions	8.734	1.867	3.743	14.344
Disposals	512	-	-	512
Exchange differences	-	-	-	-
Change in fair value	-	-	2.688	2.688
Depreciation/amortisation	5.695	2.203	-	7.898
Reclassification	-8.176	-	8.176	-
Carrying amount at 31/12/2022	**56.444**	**9.319**	**92.974**	**158.738**

1) Intangible assets
2) Investment property

(23) Current tax assets/current tax liabilities

in €k	***31/12/2022***	***31/12/2023***	***± in %***
Current tax receivables	8.248	12.687	53,8
Current tax liabilities	6.550	11.651	77,9

(24) Deferred tax assets and deferred tax liabilities

in €k	As at 31/12/2022	As at 31/12/2023	Deferred taxes assets	Deferred taxes liabilities
Receivables from customers	6.293	4.058	4.553	494
Impairment charges	10.205	10.867	10.867	-
Trading assets/trading liabilities	-2.660	-717	736	1.453
Debt securities and other fixed-interest securities	-726	-1.196	359	1.556
Shares and other non-interest-bearing securities	-12.279	-16.934	20	16.954
Property, plant and equipment	-4.777	-4.787	36	4.823
Investment property	-6.746	-7.172	376	7.548
Non-current assets held for sale	11	-	-	-
Other assets and liabilities	3.757	5.205	5.205	-
Payables to customers	-	-	-	-
Liabilities evidenced by paper	-100	83	83	-
Provisions/social capital	5.665	7.217	7.238	21
Equity - issues	-199	-199	-	199
Tax assets (liabilities) before netting	**-1.556**	**-3.575**	**29.472**	**33.048**
Netting of taxes	-	-	-21.024	-21.024
Net deferred tax assets/liabilities	**-**	**-**	**8.447**	**12.023**

Deferred tax assets/deferred tax liabilities 2022

in €k	As at 31/12/2021	As at 31/12/2022	Deferred taxes assets	Deferred taxes liabilities
Receivables from customers	3.385	6.293	6.366	73
Impairment charges	11.627	10.205	10.205	-
Trading assets/trading liabilities	-10	-2.660	159	2.818
Debt securities and other fixed-interest securities	-1.232	-726	-	726
Shares and other non-interest-bearing securities	-12.140	-12.279	-	12.279
Property, plant and equipment	-4.535	-4.777	25	4.801
Investment property	-6.147	-6.746		6.746
Non-current assets held for sale		11	11	-
Other assets and liabilities	4.118	3.757	3.794	37
Payables to customers	-209	-	-	-
Liabilities evidenced by paper	1.549	-100	-	100
Provisions/social capital	6.148	5.665	5.665	-
Equity - issues	-217	-199	-	199
Tax assets (liabilities) before netting	**2.338**	**-1.556**	**26.225**	**27.780**
Netting of taxes	-	-	-20.215	-20.215
Net deferred tax assets/liabilities	**-**	**-**	**6.010**	**7.565**

Deferred tax assets and liabilities are netted pursuant IAS 12.74.

Deferred tax assets were mainly the result of impairment allowances recognised in accordance with IFRS 9, derivatives in the banking book with negative fair values, deferrals of the upfront fees contained in receivables from customers and measurement of social capital in accordance with IAS 19 that differed from the tax base. Deferred taxes taken directly to equity in conformity with IAS 19 were EUR 13 million (pr. yr.: EUR -0.6 million).

Deferred tax liabilities were mainly attributable to the measurement of investment property measured at fair value, the measurement of financial assets measured at fair value, the application of the effective interest rate method for securities measured at amortised cost, the positive fair values of securities designated under the fair value option, as well as derivatives in the banking book with positive fair values.

The application of IFRS 16 results in both deferred tax assets/liabilities that offset each other almost completely.

There are no losses carried forward subject to deferred tax assets.

(25) Non-current assets held for sale

in €k	31/12/2022	31/12/2023	± in %
Land	27.087	-	-
Buildings	2.371	-	-
Non-current assets held for sale	**29.458**	**-**	**-**

Up until 31 December 2022, this item reported two properties provided as collateral for loans. One of the properties was sold in the financial year 2023. With respect to the second property, it will no longer be reported as non-current asset held for sale after the end of the period of 12 months. Therefore, it has accordingly been reclassified to the item investment property.

(26) Other assets

in €k	31/12/2022	31/12/2023	± in %
Other assets	16.260	27.143	66,9
Deferred items	10.105	9.413	-6,8
Other assets	**26.365**	**36.557**	**38,7**

(27) Payables to other banks

in €k	31/12/2022	31/12/2023	± in %
Payables to Austrian banks	895.298	777.011	-13,2
Payables to foreign banks	35.679	55.433	55,4
Payables to other banks	**930.977**	**832.444**	**-10,6**

BKS Bank takes part in the TLTRO III programme (Targeted Longer-Term Refinancing Operations) of the European Central Bank (ECB). This tender programme makes longer-term financing available to banks at attractive terms, with the interest rate for individual banks having depended until 23 November 2022 on the extent to which lending targets were met in the relevant reference periods. Since this time, interest has been based on the valid Deposit Facility Rate (DFR).

In the reporting year 2023, one tranche of EUR 200 million was repaid as scheduled, no prepayments were made. On the reporting date, liabilities of EUR 200 million from the TLTRO III programme were reported under payables to credit institutions and accounted for in accordance with IFRS 9. During the current year, BKS Bank participated in the LTRO programme (longer-term refinancing operations), with the resulting liabilities amounting to EUR 50 million on the reporting date. The interest payable under this programme is oriented on the applicable Main Refinancing Operations Rate (MRO).

Payables to other banks by remaining time to maturity

in €k	31/12/2022	31/12/2023	± in %
Due on demand	225.582	168.019	-25,5
Up to 3 months	9.172	89.192	>100
From 3 months to 1 year	223.844	261.391	16,8
From 1 to 5 years	421.140	288.185	-31,6
From 5 years	51.239	25.657	-49,9
Payables to other banks by remaining time to maturity	**930.977**	**832.444**	**-10,6**

(28) Payables to customers

in €k	31/12/2022	31/12/2023	± in %
Savings deposits	**1.258.886**	**922.509**	**-26,7**
• Corporate and business banking customers	128.936	66.328	-48,6
• Retail banking customers	1.129.949	856.181	-24,2
Other liabilities	**5.564.907**	**5.822.044**	**4,6**
• Corporate and business banking customers	3.696.251	3.743.210	1,3
• Retail banking customers	1.868.657	2.078.834	11,2
Payables to customers	**6.823.793**	**6.744.552**	**-1,2**

Payables to customers by remaining time to maturity

in €k	31/12/2022	31/12/2023	± in %
Due on demand	6.011.477	5.176.509	-13,9
Up to 3 months	68.451	106.557	55,7
From 3 months to 1 year	201.468	614.721	>100
From 1 to 5 years	503.858	785.810	56,0
From 5 years	38.539	60.955	58,2
Payables to customers by remaining time to maturity	**6.823.793**	**6.744.552**	**-1,2**

(29) Securitised liabilities

in €k	31/12/2022	31/12/2023	± in %
Bonds issued	731.788	771.405	5,4
Other liabilities evidenced by paper	51.828	51.355	-0,9
Liabilities evidenced by paper	**783.616**	**822.761**	**5,0**

Liabilities evidenced by paper include bonds issued in an amount of EUR 36.0 million (pr. yr.: EUR 35.3 million) measured at fair value (use of the fair value option). The carrying amount of securitised liabilities measured at fair value including accrued interest is EUR 10 million (pr. yr.: EUR 0.3 million) above the repayment amount.

Securitised liabilities by remaining time to maturity

in €k	31/12/2022	31/12/2023	± in %
Up to 3 months	6.253	48.067	>100
From 3 months to 1 year	41.477	50.601	22,0
From 1 to 5 years	431.257	515.174	19,5
From 5 years	304.628	208.918	-31,4
Liabilities evidenced by paper by remaining time to maturity	**783.616**	**822.761**	**5,0**

(30) Trading liabilities

in €k	31/12/2022	31/12/2023	± in %
Negative fair values of derivative financial instruments	5.250	13.229	>100
• Currency contracts	4.278	10.248	>100
• Interest rate contracts	7	74	>100
• Fair value option	965	2.906	>100
Trading liabilities	**5.250**	**13.229**	**>100**

(31) Provisions

in €k	31/12/2022	31/12/2023	± in %
Provisions for post-employment benefits and similar obligations	58.207	61.230	5,2
Provisions for taxes (current taxes)	4.260	15.008	>100
Provisions for loans and advances	45.665	56.806	24,4
Other provisions	14.149	24.559	73,6
Provisions	**122.281**	**157.603**	**28,9**

The line item Provisions for post-employment benefits and similar obligations contains provisions for termination benefits in the amount of EUR 21.9 million (pr. yr. EUR 21.7 million), provisions for post-employment benefits in the amount of EUR 32.5 million (pr. yr. EUR 30.4 million) and provisions for jubilee benefits in the amount of EUR 6.8 million (pr. yr. EUR 6.1 m). Provisions for credit operations contain provisions in an amount of EUR 30.1 million (pr. yr. EUR 44.9 million) resulting from the proportionate consolidation of ALGAR. Further material other provisions include provisions for death benefits in an amount of EUR 4.7 million (pr. yr.: EUR 4.1 m), provisions for remuneration in an amount of EUR 2.5 million (pr. yr.: EUR 2.4 m) as well as provisions in an amount of EUR 7.6 million for matters relating to the Slovenian legal situation and court rulings in connection with loans in Swiss franc.

Changes in provisions

in €k	Total 2022	Provisions for post-employmen t benefits and similar obligations	Taxes	Provisions for loans and advances	Other	Total 2023	± in %
Provisions as at 01/01	119.385	58.207	4.260	45.665	14.149	122.281	2,4
± Currency change	-	-	-		-	-	-
+ Additions	18.885	6.297	13.406	26.050	13.931	59.683	>100
- Usage	-7.412	-3.168	-1.144	0	-3.148	-7.460	0,7
- Reversal	-8.577	-105	-1.514	-14.909	-372	-16.900	97,0
Provisions as at 31/12	**122.281**	**61.230**	**15.008**	**56.806**	**24.559**	**157.603**	**28,9**

Provisions for termination benefits

According to the requirements of the Austrian Salaried Employees Act and the Austrian Termination Benefits Act, Austrian employees of BKS Bank whose employment began before 1 January 2003 are entitled to termination benefits provided the applicable conditions of termination are given. Moreover, the collective agreement for employees of banks generally gives people who have been in service for more than 5 years the entitlement to two additional months' salary in cases in which the employer is the party giving notice. Employees who have a service record of at least 15 eligible years of service also have this entitlement when they retire at the statutory age. These additional monthly salaries are not covered by the contributions to the employee pension and severance payments fund (Abfertigung Neu).

Provisions for post-employment benefits

Post-employment benefit obligations are based on the collective agreement revising post-employment benefit law as amended on 23 December 1996. Post-employment benefits commitments cover old-age pensions, occupational disability pensions and widow(er)s' and orphans' pensions. In the 2000 financial year, existing benefit commitments were transferred to VBV-Pensionkassen AG as the legal successor to BVP-Pensionskassen AG. BKS Bank's commitments result from post-employment benefits already being paid to former employees or their surviving dependents and also from disability pension payments for still active employees.

Actuarial assumptions

in %	31/12/2022	31/12/2023
Financial assumptions		
Interest rate post-employment benefits	4,14%	3,49%
Interest rate other social capital provisions	4,21%	3,57%
Salary trend of active staff	4,60%	4,68%
Pensions trends	4,15%	4,30%
Career trends	0,25%	0,25%
Demographic assumptions		
Retirement age	65 years	65 years
Mortality table	AVÖ 2018	AVÖ 2018

The interest rate was determined pursuant to IAS 19.83 on the basis of yields for first-ranking fixed-interest industrial bonds. As in the preceding year, the table published by Mercer (Austria) GmbH was used. The calculation of provisions for pensions was based on a duration of 10 years and for termination benefits, a duration of 15 years.

Changes in provisions for post-employment benefits and similar obligations

in €k	31/12/2022	31/12/2023	± in %
Provisions as at 01/01	61.329	58.207	-5,1
+ Interest expense	683	2.276	>100
+ Service costs	1.679	1.098	-34,6
- Payments during the reporting year	-4.330	-6.285	45,1
± Actuarial profit (-)/loss (+)[1)]	-851	5.445	>100
± profit/loss on disposals	-303	490	>100
Provisions as at 31/12	**58.207**	**61.230**	**5,2**

[1)] Based on changed financial assumptions

Sensitivity analysis for post-employment benefits and similar obligations

Sensitivity analysis of DBO/present value of obligations in €k	Termination benefits **31/12/2022**	Post-employment benefits **31/12/2022**	Termination benefits **31/12/2023**	Post-employment benefits **31/12/2023**
Discount rate +0.5%	-991	-1.291	-1.030	-1.424
Discount rate -0.5%	495	1.402	582	1.550
Wage increase +0.5%	488	84	568	96
Wage increase -0.5%	-990	-81	-1.025	-93
Pension increase +0.5%	-	1.198	-	1.303
Pension increase -0.5%	-	-1.126	-	-1.223
Increase in life expectancy by around 1 year	-	2.028	-	2.310

This sensitivity analysis shows the influence a change in the parameters for the major actuarial assumptions would have on the provisions for termination benefits and post-retirement benefits on 31 December 2023.

Maturity analysis

Cash flows in €k	Termination benefits **31/12/2023**	Post-employment benefits **31/12/2023**
Expected payments 2024	2.308	2.795
Expected payments 2025	1.052	2.628
Expected payments 2026	1.292	2.458
Expected payments 2027	2.731	2.287
Expected payments 2028	1.900	2.121
Total expected payments 2024 to 2028	**9.284**	**12.290**
Weighted average maturity	7,61	9,32

The maturity analysis shows the expected termination benefit and post-retirement benefit payments in the coming five financial years as calculated by an actuary. Payments in the financial year 2023 amounted to EUR 5.9 million (pr. yr.: EUR 4.1 million).

(32) Other liabilities

in €k	**31/12/2022**	**31/12/2023**	± in %
Other liabilities	26.363	32.040	21,5
Deferred items	5.064	4.721	-6,8
Lease liabilities	19.607	19.804	1,0
Other liabilities	**51.034**	**56.565**	**10,8**

The leasing liabilities reported pursuant to IFRS 16 are mostly rental contracts for branches and office premises and fall due as follows:

in €k	**31/12/2022**	**31/12/2023**	± in %
Up to 1 year	2.779	2.598	-6,5
From 1 to 5 years	9.124	9.229	1,2
From 5 years	7.705	7.977	3,5
Lease liabilities	**19.607**	**19.804**	**1,0**

(33) Subordinated debt capital

in €k	31/12/2022	31/12/2023	± in %
Supplementary capital	264.719	264.957	0,1
Subordinated debt capital	**264.719**	**264.957**	**0,1**

Subordinated debt capital is reported with accrued interest. The nominal value was EUR 262.7 million (pr. yr.: EUR 262.2 million).

Subordinated debt capital by remaining time to maturity

in €k	31/12/2022	31/12/2023	± in %
Up to 3 months	24.008	3.704	-84,6
From 3 months to 1 year	-	19.996	-
From 1 to 5 years	77.296	70.231	-9,1
From 5 years	163.416	171.027	4,7
Subordinated debt capital by remaining time to maturity	**264.719**	**264.957**	**0,1**

Supplementary capital notes issued in an amount of EUR 20.0 million will mature in the financial year 2024 (pr. yr.: EUR 20.0 million).

Details on subordinated debt capital (nominal values)

in €k	31/12/2022	31/12/2023	Full term
5% Nachrangige Obligation 2014-2023/2	20.000	0	9 years
4% Nachrangige Obligation 2015-2025/2	20.000	20.000	10 years
2 ¾% Nachrangige Obligation 2016-2024/2	20.000	20.000	8 years
3% Nachrangige Obligation 2017-2027/4	20.000	20.000	10 years
3,43% Nachrangige Obligation 2018-2028/3 PP	13.000	13.000	10 years
2 1/4% Nachrangige Obligation 2018-2026/3	17.287	17.287	8 years
4.54% Nachrangige Obligation 2019-2034/2/PP	8.000	8.000	15 years
3% Nachrangige Obligation 2019-2029/3	20.000	20.000	10 years
3% Nachrangige Obligation 2019-2030/4	20.000	20.000	11 years
3.85% Nachrangige Obligation 2019-2034/4/PP	3.400	3.400	15 years
3 1/8% Nachrangige Obligation 2019-2031/5/	20.000	20.000	11.5 years
2 3/4% Nachrangige Obligation 2020-2032/1	8.433	8.433	12 years
3% Nachrangige Obligation 2020-2030/2	4.289	4.289	10 years
3% Nachrangige Obligation 2020-2030/3	20.000	20.000	10 years
3 1/4% Nachrangige Obligation 2021-2031/4/PP	20.000	20.000	10 years
3,03% Nachrangiges Schuldscheindarlehen 2021-2032	3.000	3.000	11 years
2,10% Nachrangige Obligation 2022-2032/1	1.229	1.229	10 years
3% Nachrangige Obligation 2022-2032/2	12.000	12.000	10 years
5% Nachrangige Obligation 2022-2032/6	11.539	20.000	10 years
5% Nachrangige Obligation 2023-2033/3		10.000	10 years
4,80% Nachrangige Obligation 2023-2033/8		2.038	10 years
Total subordinated capital (tier 2)	**262.177**	**262.676**	

Expenditure on subordinated obligations in the financial year came to EUR 8.8 million (pr. yr. EUR 8.1 million).

(34) Shareholders' equity

in €k	31/12/2022	31/12/2023	± in %
Subscribed capital	85.886	91.612	6,7
• Share capital	85.886	91.612	6,7
Capital reserves	241.416	273.093	13,1
Retained earnings and other reserves	1.151.312	1.339.025	16,3
Consoldiated shareholders' equity	**1.478.613**	**1.703.729**	**15,2**
Additional equity instruments (AT 1 bond)	65.200	65.200	-
Equity	**1.543.813**	**1.768.929**	**14,6**

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 (preceding year: 42,942,900). The par value per share is EUR 2.0. The transaction costs of EUR 0.4 million were deducted from equity. Capital reserves contains premiums from the issuance of shares. Retained earnings and other reserves consist essentially of reinvested profits.

Additional equity instruments refer to the additional tier 1 notes: BKS TIER 1 ANL 2015 (nominal amount EUR 23.4 m), BKS TIER 1 ANL 2017 (nominal amount EUR 14.5 m), BKS TIER 1 ANL 2018 (nominal amount EUR 17.3 m) and BKS TIER 1 ANL 2020 (nominal amount EUR 10.0 m), which are classified as equity in accordance with IAS 32.

Shares in issue 2023

Number of shares	no-par ordinary shares
As at 01/01/2023	**42.331.964**
Regular capital increase	2.862.860
Change in treasury shares	358.061
As at 31/12/2023	**45.552.885**
Treasury shares in the Group's portfolio	**252.875**
Shares issued	**45.805.760**

Shares in issue 2022

Number of shares	no-par ordinary shares
As at 01/01/2022	**42.150.529**
Change in treasury shares	181.435
As at 31/12/2022	**42.331.964**
Treasury shares in the Group's portfolio	**610.936**
Shares issued	**42.942.900**

The item Other comprehensive income in retained earnings is due to the following changes to reserves:

in €k	2022 Remeasurement from defined-benefit plans	2022 Reserves for own credit risk	2023 Remeasurement from defined-benefit plans	2023 Reserves for own credit risk
As at 01/01	**-26.081**	**1.044**	**-21.770**	**1.340**
Other comprehensive income	4.312	786	-3.938	225
• Change from remeasurement pursuant to IAS 19	235	-	-4.195	-
• Reserves for own credit risk	-	786	-	225
• Effect of the equity method (IAS 19)	4.077	-	258	-
Reclassification	-	-490	-	-
As at 31/12	**-21.770**	**1.340**	**-25.707**	**1.565**

Capital Management

(35) Own funds

Capital management at BKS Bank consists of two elements of equal importance, namely management within the scope of the regulatory minimum capital ratio requirements and internal management within the scope of ICAAP (Internal Capital Adequacy Assessment Process). A distinction is made between the normative perspective and the economic perspective.

The aim is to maintain the regulatory minimum capital ratios required by CRR at all times, also in the event of stress, and to hold sufficient assets to cover risks within the scope of ICAAP under the economic perspective. The main focus of our capital management activities is on limiting and controlling the risks assumed by the bank as part of the management of overall bank risk.

To achieve these goals, the degree of utilisation of all risk limits is checked and reported within the management information process. The core variables used for analysis and management purposes in the capital management process were the own funds ratio, the common equity tier 1 capital ratio, the degree of utilisation of economic coverage capital and, as well as the leverage ratio and MREL ratio.

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

The Supervisory Review and Evaluation Process (SREP) conducted by the Austrian Financial Market Authority (FMA) stipulates that BKS Bank must meet the following minimum requirements excluding a capital conservation buffer as a percentage of the total risk exposure effective as of 31 December 2023: common equity tier 1 capital 5.4% and total capital ratio 9.6%. The capital ratios at the end of December 2023 exceeded these requirements.

BKS Bank Group: own funds pursuant to CRR

in € m	31/12/2022	31/12/2023
Share capital	85,9	91,6
Reserves net of intangible assets	1.360,6	1.566,3
Deductions	-668,2	-750,4
Common equity tier 1 capital (CET1)	778,3	907,5
Common equity tier 1 ratio	12,5%	13,6%
AT1 note	65,1	65,2
Additional tier 1 capital	65,1	65,2
Tier 1 capital (CET1 + AT1)	843,4	972,7
Tier 1 capital ratio	13,6%	14,6%
Supplementary capital (tier 2)	214,7	216,8
Total own funds	1.058,1	1.189,5
Total capital ratio	17,0%	17,9%
Total risk exposure amount	6.213,5	6.664,3

[1)] Includes net profit for the year 2023. Formal adoption is outstanding.

Risk Report

(36) Risk policy and risk strategy

Our business policy motto is to secure our autonomy and independence by increasing profits through a sustainable growth strategy. A key element of our business is to specifically assume risk based on the premise of recognising all relevant risks early on that may result from the banking business and banking operations, and to actively manage and mitigate risk through effective risk management. All individual risks are recorded, evaluated and analysed. The capital available is used as efficiently as possible taking into account the medium to long-term strategic goals, with the risk/profit ratio being constantly optimised.

BKS Bank develops its risk strategy on the basis of its business strategy. The strategy is reviewed once a year by Risk Controlling after consultation with the central department heads. An extraordinary review is carried out in the event of significant changes in strategy. The review findings, the evaluation of the risk strategy and the definition of the risk appetite is defined in the ICAAP Committee jointly with Management Board. The risk strategy is approved by the entire Management Board and presented to the Supervisory Board at the first meeting of the year.

At BKS Bank, a solid risk culture is established throughout the group based on a comprehensive understanding of our risks based on the values of BKS Bank. The risk culture is described at the top level by the mission statement and the risk strategy of BKS Bank and represents how management staff and employees are to deal with risk within the scope of their work. A central element in the risk culture is the integration of individual key figures from the Risk Appetite Framework into the remuneration policy. This ensures the risk-adequate assessment of remuneration in line with the risk appetite. Another important cornerstone of the risk culture is the handling of sustainability risks. The risk policy principles for managing sustainability risks and, in particular, climate-related risks refer to different management levels and risk categories, with their management being assigned by individual risk type.

ICAAP

In accordance with the provisions of §39 and §39a Banking Act, banks must have effective plans and procedures in place to determine the amount, the composition and the distribution of the capital available for the quantitative hedging of all material risks relating to the banking business and banking operations. Based on these factors, banks must maintain capital in the required volumes. These processes are summarised in ICAAP and presented by BKS Bank under the risk-bearing capacity calculation. The risk-bearing capacity calculation follows the dual approach recommended by the supervisory authorities and has been prepared according to the normative perspective and the economic perspective.

Dual perspective of risk-bearing capacity calculation

Economic perspective
- The economic perspective identifies and quantifies all material risks and compares these with the risk cover assets. Purpose: To secure adequate cover with internal capital.
- The objective of the maximum utilization of the risk cover assets is defined in the Risk Appetite Framework.
- The amount of risk cover assets is determined based on common equity tier 1 capital.
- Stress scenarios are harmonised with the normative perspective and are evaluated annually.
- Time period observed: 1 year
- Confidence interval: 99.9%.

Normative perspective
- The purpose of the normative perspective is to assess the bank's ability to meet quantitative regulatory and supervisory requirements over a period of several years. Purpose: to ensure compliance with regulatory requirements.
- The management indicators are defined in the Risk Appetite Framework and are evaluated annually.
- The ICAAP report is prepared on a quarterly basis in accordance with the normative perspective.
- Stress scenarios are based on the EBA stress tests and conducted annually.
- Time period observed: at least 3 years.

ILAAP

ILAAP is the process that must be established by BKS Bank pursuant to § 39 para 3 Banking Act (BWG) for the purpose of identifying, measuring, managing and monitoring liquidity.. BKS Bank uses several established methods and ratios to measure liquidity and liquidity risk (e.g. capital flow statement, LCR, NSFR) and monitors compliance with liquidity goals by producing timely and extensive risk reports.

Federal Act on the Recovery and Resolution of Banks (BaSAG)

The provisions of the Austrian Federal Act on the Recovery and Resolution of Banks (BaSAG) require banks to prepare recovery and resolution plans. The key elements within the framework of overall bank management under the Recovery and Resolution Act include

- Recovery plan
- Resolution plan
- MREL ratio

The recovering plan was updated and submitted to the supervisory authority on schedule in 2023. Within the scope of the requirements for preparing a resolution plan, we have complied with the data requirements of the resolution authority. A self-assessment was also conducted and a collateral management manual and a Financial Market Infrastructure (FMI) contingency plan were prepared within the scope of a project for the event of a resolution.

BASEL IV

In 2024, BKS Bank started a comprehensive project to implement the new Basel IV regulations. The project deals with the amended provisions for determining the requirements for own funds and also includes the aspects of the management of risk-bearing assets. The focus is on the new categories for real estate finance, the calculation of the RWA impact on the investment portfolio, the classification of exposures to banks, the implementation of the requirements for the retail business as well as off-balance sheet business in Pillar I and Pillar II. RWAs are expected to generally increase. The early involvement of the different specialist units at BKS Bank means that the new standards will be addressed with respect to credit risk management, real estate assessments, as well as the enlargement of the data warehouse and the necessary IT infrastructure.

Stress testing

Stress testing at BKS Bank is based on established management and measurement models, and uses different stress types and intensity of stress scenarios. Governance aspects are defined in the risk strategy in the form of risk policy principles. The purpose of regular stress testing is to measure BKS Bank's ability to bear losses on its own strength. The ability to maintain liquidity in the event of a crisis is also assessed. Stress tests are an integral part of capital and liquidity management. The stress tests are carried out as part of the

- Internal Capital Adequacy Assessment Process – ICAAP,
- Internal Liquidity Adequacy Assessment Process, ILAAPA, and
- recovery and resolution planning

The stress parameters for stress testing the risk-bearing capacity are derived from the EBA stress tests. Apart from economic aspects, the minimum regulatory requirements are also taken into account. The minimum regulatory requirements for the aspects listed below also constitute the limits to the use of free cover capital in the event of a crisis:

- Total SREP Capital Requirements - TSCR
- Overall Capital Requirements – OCR
- Liquidity Coverage Ratio – LCR
- Net Stable Funding Ratio – NSFR

Internal Control System
BKS Bank's internal control system (ICS) is a system of measures and controls developed over the years and established in governance. The "COSO Internal Control - Integrated Framework" forms the basis and reference model for the design and systematisation of the internal control system.

BKS Bank is committed to the "three lines of defence" model, which states that risks should be addressed and managed in accordance with the following three stages: Furthermore, the external auditor assesses the functionality of the risk management system within the scope of the Austrian Code of Corporate Governance (ÖCGK) audit Rule C 83.

Our process-based risk assessment and control description implemented in the ICS helps us ensure effective, efficient and correct working procedures and create the conditions for effective corporate management. Prompt and reliable reporting makes it possible to identify and mitigate risks, errors and irregularities early on.

BKS Bank's internal control system is based on the following principles and is constantly being improved
- Effectiveness because it is an inherent part of corporate culture
- Clear areas of responsibility
- Risk-adequate controls
- Employee training
- Defined information and escalation processes
- Defined verifiable targets and controls
- Efficiency based on optimised control processes
- Automated processes wherever feasible

The annual process-based risk assessment, the periodic risk assessment of operational risk and the analysis of loss events as part of the tasks of the OP Risk Committee are important contributions to the continuous development of the ICS. Particular attention is paid to the risk of fraud. The management of fraud risks is an essential part of our risk management and ICS process, and is designed to mitigate the risk of fraud by taking appropriate preventive, technical and organisational measures.

Our policies and standard rules of procedure, especially the Code of Conduct, the Compliance Charter and the Principles of Good Governance, provide clear guidelines on how to act. Modern whistleblowing regulations and systems as well as professional complaints management are important communication channels for the early detection of incidents and potential cases of wrongdoing.

Process-based risk control matrices for the main processes and the ICS for branches are implemented through the externally procured software "easyGRC".

(37) Structure and organisation of risk management
The risk strategy of BKS Bank is characterised by the conservative treatment of the risks involved in the banking business and in banking operations. A comprehensive system of risk principles, risk measurement and monitoring procedures as well as an appropriate organisational structure is in place for risk monitoring and management. Central responsibility for risk management lies with a member of the Management Board whose remit does not include front office activities.

The risk strategy is revised annually, approved by the Management Board and discussed and evaluated by the members of the Risk Committee. The Management Board decides on the risk management principles, the limits for all relevant risks, and the procedures for monitoring and managing risks.

In accordance with § 39 (5) Banking Act, risk controlling is a central unit independent of operations at BKS Bank and is responsible for identifying, measuring and analysing risks as well as for the continuous development and fine-tuning of the risk management instruments. This organisational unit reports regularly to the Management Board and to the operational units responsible for risk, and evaluates the current risk situation taking into account the corresponding risk limits and risk-bearing capacity. As an independent unit, it measures whether all risks remain within the limits defined by the Management Board. At the annual review of the risk strategy, BKS Bank takes an inventory of all risks.

The identification of risks and the assessment of their threat potential is based on a risk analysis conducted by the ICAAP Committee.

The limits and targets defined in the risk strategy are evaluated annually and amended as required. As an independent internal unit, the internal audit department of BKS Bank reviews all operating and business procedures, the appropriateness and efficacy of the measures taken by the risk management and risk controlling as well as the internal control systems.

A number of committees have been established for the management of the overall banking risks. The extensive knowledge the individual members of the committees contribute to the management process guarantees the comprehensive treatment of each type of risk.

Risk committees

ICAAP Committee
The ICAAP Committee meets four times a year and discusses the risk-bearing capacity by analysing the economic coverage capital requirement and the assets available to cover risks.

ALM - Asset/Liability Management
The Asset/Liability Management Committee meets monthly, analyses and manages the balance sheet structure with regard to interest rate risk in the banking book, the credit spread risk as well as share price risk and liquidity risk. In this context, the Committee also is responsible for the important tasks of funding planning, funds transfer pricing and the management of concentration risks.

Operational Risk Committee
The Operational Risk Committee meets four times a year. The members of the OR Committee analyse the loss events, support the risk-taking units and the Management Board with the active management of operational risk, monitor the measures taken and develop the OR risk management system. A key element of the Committee's tasks is to monitor and develop ICT risk management, in particular, cyber security measures and business continuity management (BCM).

Credit Risk jour fixe meetings

At the weekly jour fixe meetings on credit risk, the main topics discussed relate to day-to-day lending operations, prolongations and other current topics relating to the corporate and retail banking business. Apart from the regular weekly meetings, an extended Credit Risk Committee meets on a quarterly basis. This Committee manages credit risk at the portfolio level, engages in the continuous development of the credit risk management process, and facilitates the swift deployment of steering instruments.

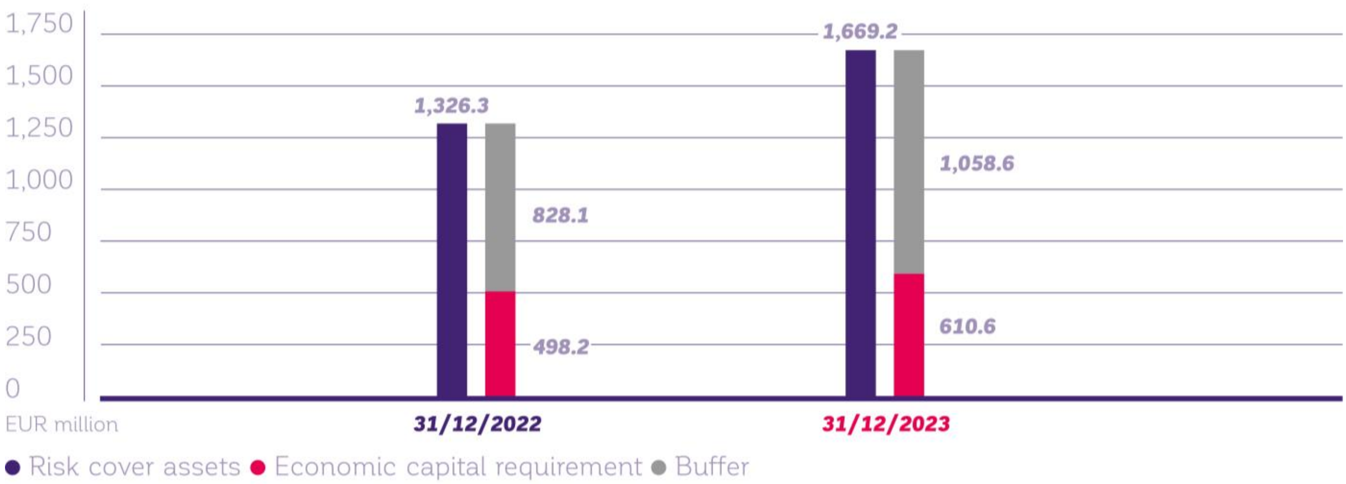
(38) Internal Capital Adequacy and Risk-bearing Capacity (ICAAP)

An analysis of the risk-bearing capacity based on the internal capital adequacy assessment process (ICAAP) is an essential component of the overall bank risk management at BKS Bank. Since 2021, we have been pursuing a dual approach to overall bank management. The purpose of the normative perspective is to assess the bank's ability to meet quantitative regulatory and supervisory requirements over a period of several years. The goal in this context is to ensure compliance with regulatory requirements. Under the economic perspective, we identify and quantify all material capital-relevant risks and compare them with the risk cover amount, with the aim being to ensure an adequate level of internal capital.

In addition to compliance with the minimum regulatory requirements, a key component of the ICAAP in the normative perspective is the fulfilment of internally-defined target values and compliance with internally-defined limits to the risk appetite framework. The risk appetite framework is a set of management indicators with target values and limits which are derived from the regulatory minimum requirements and consider a management buffer. The set of management indicators of relevance for risk in the risk appetite framework includes risk categories such as capital risk, liquidity risk, credit risk, interest rate risk and operational risk.

At BKS Bank, unexpected losses in the economic perspective are calculated for a period of observation of one year with a confidence level of 99.9%. As at 31 December 2023, the economic capital requirement was determined at EUR610,6 million after EUR 498,2 million in the preceding year. The corresponding cover assets available to cover risks came to EUR 1669,2 million, compared with EUR million at the end of 2022.

Risk-bearing capacity pursuant to the economic perspective



Breakdown of risks pursuant to the economic perspective

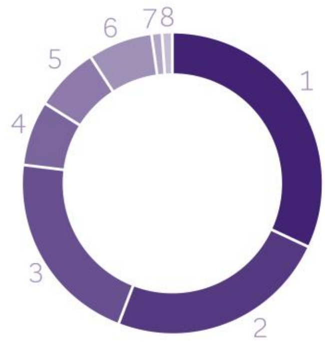
in %	31.12.2022	31/12/2023
1 Credit risk	67,4	63,4
2 Interest rate risk in the banking book	10,4	15,1
3 Equity price risk	5,2	4,6
4 Foreign currency risk	0,2	0,2
5 Credit spread risk	5,5	6,1
6 Operational risk and ICT-risk	6,2	5,9
7 Liquidity risk	2,0	1,6
9 Model errors	0,4	0,4
Other risks	2,8	2,7

As in the preceding year, the economic capital requirement for credit risk was the largest risk capital requirement within the group of credit institutions. Credit risks account for 63.4% (2022: 67.4%) of the total loss potential

The **normative perspective** of risk-bearing capacity focuses on the regulatory capital ratios, liquidity ratios and credit risk ratios. The normative perspective has a planning horizon of at least 3 years. The first step is to check whether regulatory ratios and internal limits derived from the risk appetite can be complied with over the planning period. In a second step, a review is conducted to ascertain whether the limits and minimum sizes required by supervisory law can also be met in the event of stress. The stress parameters are derived from the EBA stress tests and reconciled with the stress tests in the economic perspective.

The risk-bearing capacity calculation in the normative perspective shows that the limits defined in the **risk appetite framework** are complied with in both the base scenario and the stress scenario, and that the quantitative legal requirements are therefore also met. The distribution of the effects of the stress tests by individual risk type shows the following picture:

		in %
1	Investments in entities accounted for using the equity method	32
2	Interest rate risk	24
3	Risk exposure Stage 3	21
4	Risk exposure Stage 1 + 2	7
5	Liquidity risk	7
6	Credit spread risk	7
7	Operational risk	1
8	Other effects	1



(39) Credit risk

We define credit risk as the risk of a partial or complete default on contractually-agreed repayments on loans. This risk may be due to a counterparty's creditworthiness or indirectly due to the country risk of a counterparty's domicile. Credit risk is by far BKS Bank's most important risk category. Monitoring and analysis is done at the product and individual customer level, at the level of groups of related customers and on a portfolio basis.

Managing credit risk

The management of credit risk is based on the principle of granting loans only a know-your-customer basis. Therefore, loans are granted only after a thorough check of the person and creditworthiness. Collateral requirements depend on the amount, the rating level and/or the product.

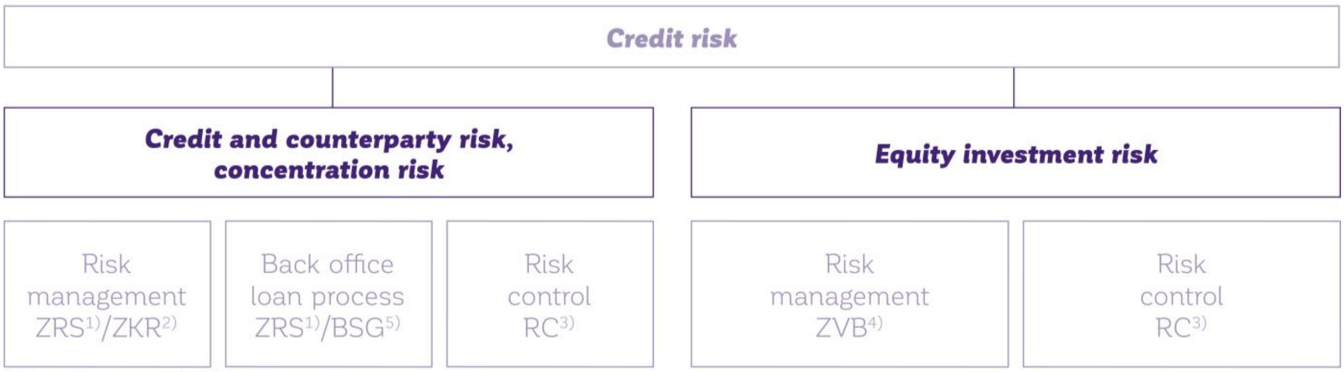
The valuations at fair value of the collateral are oriented on the average liquidation proceeds obtained in the past. Real estate collateral is appraised and regularly reviewed by an independent expert from Credit Management. Lending in markets outside of Austria are governed by special guidelines that are specific to the features of the country concerned, in particular, the economic environment and the higher realisation risk of the collateral.

The Risk Analysis and Service department is responsible for risk analysis and management for individual customers. At the portfolio level, the regular extended credit risk jour fixe meetings are responsible for the management of risk on the basis of reports prepared by Risk Controlling. The main goals when assuming new risk positions concern the rating structure, which means that new business is acquired only up to defined rating classes and the collateral provided is sufficient. In addition, a list of inclusion/exclusion criteria specifies which businesses are not granted financing by BKS Bank.

Concentrations of credit risk are managed at the portfolio level, with the aim achieving a balanced distribution of exposures by size, and limits for individual geographical regions, sectors and industries, as well as for the foreign currency portion of the loan portfolio. BKS Bank holds a 25% stake in ALGAR, which has the purpose of securing large exposures.

Equity risk includes the risk of dividends not being distributed, impairments and losses on sales, as well as the risk of a decline in the value of hidden reserves due to the poor economic performance of entities in which BKS Bank holds investments. The acquisition of equity investments is not a strategic focus of BKS Bank. In the case of affiliated companies, our focus is on strategic partners from the banking and financial sector as well as from banking-related service industries.

Credit risk management



[1] Central Department Risk Analysis and Services
[2] Central Department Credit Risk
[3] Group Risk Controlling
[4] Management Board Matters and Investees
[5] BKS Service GmbH

To manage and control individual financial risks, we prepare annual budgets for subsidiaries as well as budgets and projections for the returns on investees. Monthly reports on the subsidiaries with business operations are an integral part of our group reporting system.

The quantitative information included in this report pursuant to IFRS 7.31 to 7.42 is based on the internal reporting for overall bank risk management.

Internal risk management is done at portfolio level and the risk positions are presented below.

(39.1) Credit risk volumes pursuant to internal risk management

in €k	*31.12.2022*	*31/12/2023*
Receivables from customers	7.296.381	7.526.365
Receivables from other banks	253.724	186.785
Credit risk from derivatives and contingent liabilities	2.359.749	2.332.765
Securities and funds	1.162.949	1.286.433
Equity investments	839.334	943.095
Exposure volume	**11.912.137**	**12.275.443**

(39.2) Reconciliation of IFRS items to internal credit risk items

in €k	*31.12.2022*	*31/12/2023*
Receivables from customers pursuant to Note (15.1)	7.175.340	7.411.687
+Impairment charges on receivables from customers pursuant to Note (15.1)	121.040	114.678
Receivables from customers	**7.296.381**	**7.526.365**
Receivables from other banks pursuant to Note (14)	253.618	186.760
+ Impairment charges on receivables from other banks purs. to Note (14)	107	25
Receivables from other banks	**253.724**	**186.785**
Contingent liabilities pursuant to note (60)	638.877	612.188
Other exposures pursuant to Note (60)	1.706.925	1.711.460
+ Positive fair values from derivative products pursuant to Note (16)	13.947	9.117
Credit risk from derivatives and contingent liabilities	**2.359.749**	**2.332.765**
Debt securities and other fixed-interest securities pursuant to Note (17)	1.123.812	1.241.704
+ Impairment charges on debt securities pursuant to Note (17)	956	2.741
+ Shares from the item Shares and other non-interest-bearing securities purs. to Note (18)	38.181	41.988
Securities and funds	**1.162.949**	**1.286.433**
Investments in entities accounted for using the equity method pursuant to Note (19)	727.275	813.907
+ Investments from the item Shares and other non-interest-bearing securities pursuant to Note (18)	112.059	129.188
Equity investments	**839.334**	**943.095**
Risk exposure	**11.912.137**	**12.275.443**

Credit ratings in credit risk

A major pillar of the risk assessment process is our comprehensive rating system, which serves as the basis for risk management within the BKS Bank group. The bank's internal rating models are validated every year based on qualitative and quantitative criteria. The BKS Bank Group uses a total of 14 rating procedures.

Rating classes

AA	First-class, best credit standing
A1	First-class, excellent credit standing
1a	First-class credit standing
1b	Very good credit standing
2a	Good credit standing
2b	Still good credit standing
3a	Acceptable credit standing
3b	Still acceptable credit standing
4a	Inadequate credit standing
4b	Poor credit standing
5a	In default – performing
5b	In default – non-performing
5c	In default – irrecoverable

(39.3) Loan quality by class of receivable 2023

Risk items by rating in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating
Receivables from customers	122.116	1.703.593	2.908.665	2.238.429	298.362	237.936	17.265
Receivables from other banks	114.612	64.484	7.678	1	10	–	–
Credit risk from derivatives and contingent liabilities	67.363	630.349	1.101.076	483.436	40.434	10.042	65
Securities and funds	963.178	259.124	60.341	3.748	42	–	–
Equity investments	839.904	102.129	1.058	0	–	–	5
Total	**2.107.173**	**2.759.678**	**4.078.817**	**2.725.615**	**338.848**	**247.978**	**17.334**

Loan quality by class of receivable 2022

Risk items by rating in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating
Receivables from customers	98.315	1.905.975	2.660.478	2.222.310	235.755	172.442	1.106
Receivables from other banks	188.995	52.279	12.448	1	1	–	–
Credit risk from derivatives and contingent liabilities	69.201	706.814	1.042.763	518.170	20.010	2.705	85
Securities and funds	858.911	283.997	18.990	1.018	31	–	–
Equity investments	747.617	90.659	1.058	–	–	–	–
Total	**1.963.040**	**3.039.725**	**3.735.738**	**2.741.500**	**255.797**	**175.146**	**1.191**

At year-end, the non-performing loan ratio was 2.9% (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 the total risk exposure and was 29,4% on 31 December 2023 (2022: 37.3%). Additionally, we use coverage ratio III as an internal benchmark which also includes existing collateral in the calculation based on internal lending value limits for properties. The cover ratio was 87.5% at year-end (2022: 86.0%).

(39.4) Exposures classified as forborne 2023

in €k	Corporate and Business Banking	Retail Banking	Total
Performing exposure	19.390	7.591	26.981
• thereof with concessions regarding instalments	19.144	7.566	26.710
• thereof rescheduled	246	25	271
Non-performing exposures	56.827	10.040	66.867
• thereof with concessions regarding instalments	53.926	8.297	62.223
• thereof rescheduled	2.901	1.743	4.644
Total	**76.217**	**17.631**	**93.848**

Exposures classified as forborne 2022

in €k	Corporate and Business Banking	Retail Banking	Total
Performing exposure	49.646	5.385	55.031
• thereof with concessions regarding instalments	42.512	5.237	47.749
• thereof rescheduled	7.134	148	7.282
Non-performing exposures	34.658	22.267	56.925
• thereof with concessions regarding instalments	31.825	15.341	47.166
• thereof rescheduled	2.833	6.926	9.759
Total	**84.304**	**27.652**	**111.956**

The concept of ‘forbearance’ plays an important role in the management of problematic exposures. This term covers all agreements that must be redrafted because a borrower has fallen into financial difficulties. Financial difficulties were deemed given if repayment from cash flows could no longer be assured within a realistic period or due to the outcome of an assessment of creditworthiness. Pursuant to CRR, these business cases must be specifically tagged. Such forbearance may, for instance, involve

- extending the term of the loan
- concessions compared with the loan instalments originally agreed
- concessions regarding the terms and conditions of the loan
- complete reconfiguring of the loan (restructuring)

After expiry of the forbearance measures granted due to the COVID-19 crisis, the “performing exposure” classified as "forborne" has decreased significantly.

(39.5) Risk positions measured at amortised cost by rating class and stage/ on-balance 2023

	Carrying amounts				Impairment			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	961.767	–	–	961.767	634	–	–	634
A1	124.428	–	–	124.428	157	–	–	157
1a	964.518	21.269	–	985.787	829	31	–	860
1b	960.207	22.849	–	983.056	1.700	121	–	1.821
2a	1.290.276	109.949	–	1.400.225	4.345	1.429	–	5.774
2b	1.295.701	137.185	–	1.432.886	6.338	768	–	7.106
3a	1.178.551	381.830	–	1.560.381	7.067	4.100	–	11.167
3b	349.865	304.718	–	654.583	3.345	5.517	–	8.862
4a	26.426	152.055	–	178.481	470	3.706	–	4.176
4b	10.791	108.491	–	119.282	1.066	6.302	–	7.368
5a – 5c	–	–	237.787	237.787	–	–	69.520	69.520
OR	–	–	–	–	–	–	–	–
Total	**7.162.530**	**1.238.346**	**237.787**	**8.638.663**	**25.951**	**21.974**	**69.520**	**117.445**

Risk positions measured at amortised cost by rating class and stage/ on-balance 2022

	Carrying amounts				Impairment			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	968.403	–	–	968.403	313	–	–	313
A1	135.216	–	–	135.216	105	–	–	105
1a	967.325	26.363	–	993.688	623	158	–	781
1b	1.108.127	20.224	–	1.128.351	2.924	261	–	3.185
2a	1.081.173	23.211	–	1.104.384	4.232	564	–	4.796
2b	1.487.013	29.464	–	1.516.477	9.593	997	–	10.590
3a	1.354.463	174.736	–	1.529.199	10.301	5.222	–	15.523
3b	466.627	193.087	–	659.714	6.604	6.023	–	12.627
4a	64.590	106.445	–	171.035	1.770	4.449	–	6.219
4b	22.956	41.323	–	64.279	1.008	2.449	–	3.457
5a – 5c	–	–	172.276	172.276	–	–	64.301	64.301
OR	1.026	81	–	1.107	205	1	–	206
Total	**7.656.919**	**614.934**	**172.276**	**8.444.129**	**37.678**	**20.124**	**64.301**	**122.103**

The risk positions include receivables from other banks pursuant to Note 14, receivables from customers measured at amortised cost pursuant to Note 15.2, debt securities and other fixed-interest securities measured at amortised cost pursuant to Note 17, as well as the corresponding impairment charges.

(39.6) Off-balance risk positions by rating class and stage 2023

	Carrying amounts				Provisions			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	67.333	–	–	67.333	14	–	–	14
A1	30	–	–	30	–	–	–	–
1a	240.657	3.350	–	244.007	94	1	–	95
1b	382.765	3.577	–	386.342	578	7	–	585
2a	580.042	13.562	–	593.603	1.206	32	–	1.238
2b	471.700	35.677	–	507.377	2.084	40	–	2.123
3a	284.177	77.326	–	361.503	1.408	625	–	2.032
3b	71.354	50.579	–	121.933	368	689	–	1.057
4a	5.348	6.331	–	11.679	109	312	–	422
4b	1.128	27.627	–	28.755	19	1.671	–	1.689
5a – 5c	–	–	10.042	10.042	–	–	17.400	17.400
OR	65	–	–	65	–	–	–	–
Total	**2.104.598**	**218.029**	**10.042**	**2.332.670**	**5.879**	**3.376**	**17.400**	**26.655**

Off-balance risk positions by rating class and stage 2022

	Carrying amounts				Provisions			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	69.171	–	–	69.171	–	–	–	–
A1	30	–	–	30	–	–	–	–
1a	243.087	3.257	–	246.344	46	1	-	47
1b	459.126	1.026	–	460.152	57	1	-	58
2a	485.826	6.357	–	492.183	94	1	-	95
2b	524.681	12.400	–	537.081	128	4	-	132
3a	364.259	26.833	–	391.092	101	20	-	121
3b	66.286	60.699	–	126.985	72	44	-	116
4a	1.768	11.950	–	13.718	4	13	-	17
4b	2.275	3.981	–	6.256	18	29	-	47
5a – 5c	–	–	2.705	2.705	-	-	121	121
OR	70	15	–	85	1	–	-	1
Total	**2.216.579**	**126.518**	**2.705**	**2.345.802**	**521**	**113**	**121**	**755**

Risk positions include contingent liabilities and exposures pursuant to Note 61

(39.7) Loan collateral 2023[1)]

in €k	Credit exposure/max. default risk	Collateral in total	thereof financial collateral	thereof personal collateral	thereof real estate collateral	thereof other	Risk position[2)]
Receivables from customers	7.526.365	4.852.188	78.168	152.326	3.861.836	759.858	2.674.177
• thereof at fair value through profit or loss (designated)	213.310	79.222	–	–	75.625	3.597	134.088
• thereof at fair value through profit or loss (mandatory)	41.170	28.689	381	5	27.734	569	12.481
Receivables from other banks	186.785	81	–	–	–	81	186.704
Credit risk from derivatives and contingent liabilities	2.332.765	434.038	25.757	14.219	277.544	116.518	1.898.728
Securities and funds	1.286.433	329.970	–	121.980	–	207.990	956.464
• thereof at fair value through profit or loss (designated)	–	–	–	–	–	–	–
• thereof at fair value through profit or loss (mandatory)	38.762	–	–	–	–	–	38.762
• thereof at fair value OCI	67.636	42.117	–	–	–	42.117	25.520
Equity investments	943.095	–	–	–	–	–	943.095
• thereof at fair value OCI	129.188	–	–	–	–	–	129.188
• thereof equity investments measured at fair value (mandatory)	–	–	–	–	–	–	–
• thereof investments in entities accounted for using the equity method	813.907	–	–	–	–	–	813.907
Total	**12.275.443**	**5.616.276**	**103.925**	**288.526**	**4.139.380**	**1.084.446**	**6.659.167**

1) Lending value of the loan collateral measured pursuant to internal rules
2) Exposure less collateral

Loan collateral 2022[1)]

in €k	Credit exposure/max. default risk	Collateral in total	thereof financial collateral	thereof personal collateral	thereof real estate collateral	thereof other	Risk position[2)]
Receivables from customers	7.296.381	4.746.750	100.858	198.585	3.730.048	717.258	2.549.631
• thereof at fair value through profit or loss (designated)	135.413	57.120	1.991	13.454	41.675	–	78.292
• thereof at fair value through profit or loss (mandatory)	39.381	31.561	503	5	30.387	666	7.820
Receivables from other banks	253.724	3.297	–	–	–	3.297	250.427
Credit risk from derivatives and contingent liabilities	2.359.749	511.458	41.046	7.985	329.658	132.769	1.848.291
Securities and funds	1.162.949	224.339	–	103.374	–	120.965	938.610
• thereof at fair value through profit or loss (designated)	–	–	–	–	–	–	–
• thereof at fair value through profit or loss (mandatory)	34.732	–	–	–	–	–	34.732
• thereof at fair value OCI	59.399	40.919	–	–	–	40.919	18.480
Equity investments	839.334	–	–	–	–	–	839.334
• thereof at fair value OCI	110.427	–	–	–	–	–	110.427
• thereof investments in entities accounted for using the equity method	1.632	–	–	–	–	–	1.632
• thereof investments in entities accounted for by the equity method	727.275	–	–	–	–	–	727.275
Total	**11.912.137**	**5.485.844**	**141.904**	**309.945**	**4.059.706**	**974.289**	**6.426.293**

1) Lending value of the loan collateral measured pursuant to internal rules
2) Exposure less collateral

(39.8) Receivables from customers by economic activity

Economic activity classification in conformity with ÖNACE (Statistik Austria)	2022 in €k	2022 in %	2023 in €k	2023 in %
Retail Banking	1.353.827	18,6	1.257.186	16,7
Real estate activities	1.564.530	21,4	1.696.082	22,5
Construction	788.415	10,8	833.702	11,1
Manufacturing	714.083	9,8	711.207	9,4
Wholesale and retail trade; repair of motor vehicles and motorcycles	486.429	6,7	489.462	6,5
Professional, scientific and technical activities	457.368	6,3	435.267	5,8
Financial and insurance activities	386.019	5,3	399.773	5,3
Human health and social work activities	256.921	3,5	287.048	3,8
Transport and storage	213.811	2,9	244.867	3,3
Accommodation and food service activities	235.556	3,2	226.021	3,0
Public administration and defence; compulsory social security	168.039	2,3	209.379	2,8
Administrative and support service activities	190.855	2,6	187.784	2,5
Electricity, gas, steam and air conditioning supply	123.006	1,7	174.396	2,3
Agriculture and forestry, fishery	142.587	2,0	147.773	2,0
Information and communication	62.428	0,9	62.330	0,8
Water supply; sewerage, waste management and remediation activities	54.596	0,7	56.112	0,7
Other service activities	42.872	0,6	45.363	0,6
Mining and quarrying	25.612	0,4	27.187	0,4
Arts, entertainment and recreation	20.099	0,3	26.614	0,4
Education and instruction	9.329	0,1	8.813	0,1
Total	**7.296.381**	**100,0**	**7.526.365**	**100,0**

With the downturn on the real estate market, we intensified monitoring of real estate project finance in 2023. We also carried out a collective stage transfer in the measurement the speculative real estate finance.

(39.9) Receivables from customers in foreign currencies by country and currency 2023

in €k	EUR[1)]	CHF	USD	JPY	Other	Total
Austria	1.866	62.832	1.937	125	1.629	68.389
Slovenia	–	1.016	–	–	–	1.016
Croatia	–	384	–	–	–	384
Germany	–	836	–	–	–	836
Hungary	3.480	–	–	–	–	3.480
Switzerland	9.394	–	–	–	–	9.394
Other	17.499	1.414	–	–	–	18.914
Total	**32.239**	**66.482**	**1.937**	**125**	**1.630**	**102.413**

[1)] EUR loans to customers from non-euro states

Receivables from customers in foreign currencies by country and currency 2022

in €k	EUR[1)]	CHF	USD	JPY	Other	Total
Austria	2.029	70.685	2.201	151	3.283	78.350
Slovenia	0	1.572	0	0	0	1.572
Croatia	546.701	351	22	0	0	547.073
Germany	0	786	0	0	0	786
Hungary	4.332	0	0	0	0	4.332
Switzerland	17.441	0	0	0	0	17.441
Other	14.625	1.373	2	0	0	16.001
Total	**585.129**	**74.768**	**2.226**	**151**	**3.283**	**665.556**

1) EUR loans to customers from non-euro states

(39.10) Receivables from customers by country 2023

in €k	Receivables[1)]	Past due[2)]	Specific impairment allowance[3)]	Collateral for receivables past due
Austria	5.394.738	170.981	39.012	114.785
Slovenia	902.914	12.825	3.496	8.001
Croatia	601.395	44.320	23.125	19.894
Slovakia	326.322	7.875	3.106	4.509
Germany	213.202	8	7	–
Hungary	26.040	1.813	745	1.021
Other	61.755	116	29	103
Total	**7.526.365**	**237.936**	**69.520**	**148.313**

1) See table Risk Volumes purs. to ICAAP page 161
2) Past due pursuant to BKS Bank's definition of default
3) Stage 3 Impairment charges

For all financial instruments recognised in default categories (rating 5a, 5b or 5c), no impairment charge is made for the collateralised portion.

Receivables from customers by country 2022

in €k	Receivables[1)]	Past due[2)]	Specific impairment allowance[3)]	Collateral for receivables past due
Austria	5.255.720	100.285	33.120	57.095
Slovenia	923.938	9.885	3.247	6.252
Croatia	584.639	51.737	22.112	22.072
Slovakia	272.474	5.370	2.465	2.797
Germany	167.410	43	39	–
Hungary	21.956	2.066	838	1.174
Other	70.243	3.037	2.318	12
Total	**7.296.381**	**172.423**	**64.139**	**89.402**

1) Risk exposure pursuant to ICAAP
2) Past due purs. to BKS Bank's default definition
3) Stage 3 Impairment charges

(39.11) Securities and funds by domicile of issuer

in €k	At amortised cost		Carrying amount purs. to IFRS[1]	
Regions	**2022**	**2023**	**2022**	**2023**
Austria	482.974	443.213	479.592	450.498
Supranational, EU	146.958	203.857	147.451	206.258
Germany	152.627	189.601	151.520	190.141
Norway	54.903	59.511	54.395	59.514
France	46.748	56.044	46.965	56.562
Slovenia	44.848	49.822	45.148	50.317
Belgium	39.641	44.768	40.089	45.155
Schweden	20.000	38.970	19.297	39.125
Slovakia	29.932	29.977	30.336	30.317
Spanien	30.474	25.484	30.609	25.668
Ireland	29.070	23.149	29.334	23.135
Luxemburg	11.127	20.921	10.718	20.708
Niederlande	14.946	19.316	15.014	19.429
Portugal	15.187	15.187	15.179	15.157
Finland	15.137	15.137	15.101	15.087
Croatia	10.122	10.122	10.195	10.179
Other	22.056	28.855	22.006	29.183
Total	**1.166.748**	**1.273.933**	**1.162.949**	**1.286.433**

[1] Including accrued interest

(40) Investment risk

Investment positions

in €k	**31.12.2022**	**31/12/2023**
Listed banks	727.275	813.907
Unlisted banks	25.955	31.529
Other unlisted equity investments	86.104	97.659
Total	**839.334**	**943.095**

(41) Interest rate risk

Interest rate risk is defined as the current and future risk of negative effects on the economic capital of a credit institution or on its net interest income due to a change in interest rates or in the structure of positions sensitive to interest rate fluctuations. The interest rate risk therefore takes into account changes in market value

- resulting from interest rate changes
- relating to interest-sensitive instruments
- including gap risk
- basis risk, and
- options risk.

Management, measurement and limit definitions are done in accordance with EBA/GL/14/2022 and EBA/RTS/2022/10.

Divergent maturities and interest adjustment periods may create interest rate risks for both the assets and liabilities sides of the balance sheet. These risks may be generally hedged by a combination of on-balance sheet and off-balance sheet transactions. BKS Bank does not engage excessively in maturity transformation transactions.

Therefore, we do not focus on maturity arbitrage with significant volumes of open positions to generate income by applying the "riding the yield curve" method.

The management of interest rate risk and the definition of the relevant limits are based on a combination of indicators and methods such as modified duration, volume analysis, scenario analysis pursuant to the rules for determining interest rate risk in the banking book (IRRBB) from an economic perspective such as the economic value of equity (EVE) as well as the net interest income perspective in conjunction with the standard regulatory stress tests. Managing interest rate risk in the banking book is the responsibility of the Asset/Liability Management Committee. Managing interest rate risk in the trading book is the responsibility of the Treasury and Financial Institutions department and plays a minor role. Risk is monitored by Risk Controlling.

Managing interest rate risk

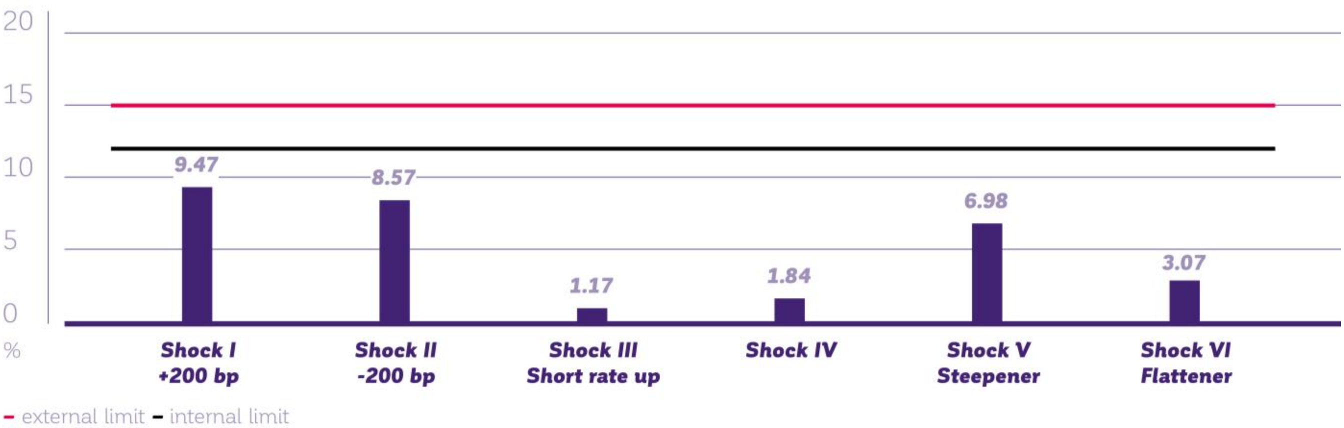
1) Asset/Liability Management Committee
2) Treasury and Financial Institutions
3) Group Risk Controlling

BKS Bank pursues a conservative strategy regarding interest rates risk and as a general rule does not engage in any significant speculative derivative transactions. BKS Bank engages in derivative transactions mostly to hedge against market risks, using only instruments whose characteristics and related risks are known and for which experience-based data is available. Interest rate swaps are BKS Bank's key interest rate management instrument.

In October 2022, EBA issued new Guidelines on the management of interest rate risk (IRRBB) and credit spread risk (CSRBB). These were integrated into risk management. The Supervisory Outlier Tests (SOT) are reviewed internally on a quarterly basis and integrated into the management of interest rate risk.

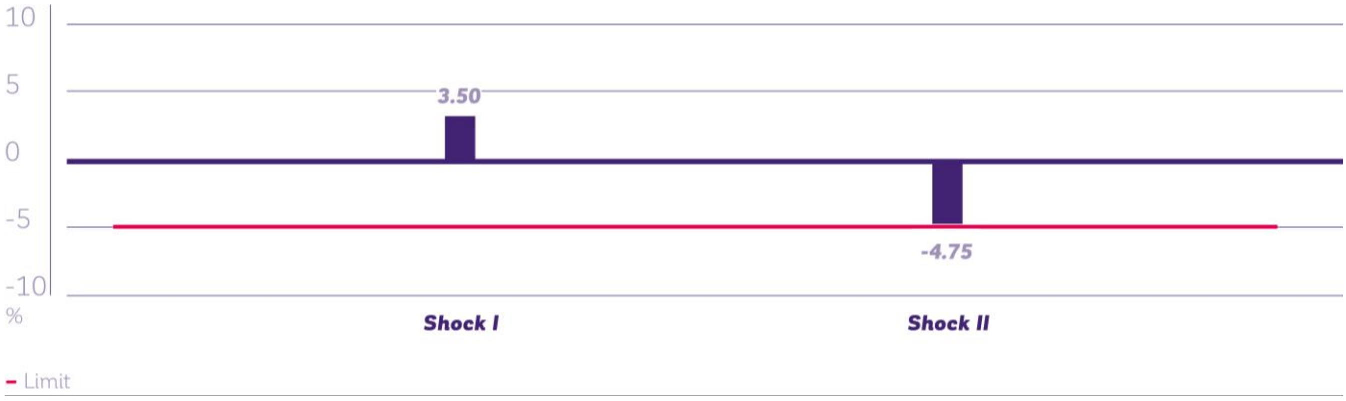
To manage the interest rate risk from an economic perspective, we have set an internal limit of 12% in addition to the regulatory limit of 15% of tier 1 capital. The regulatory stress tests resulted in the following situation:

Change in present value as a percentage of tier 1 capital



The interest rate risk from the perspective of net interest income and the regulatory shock scenarios show that the limit of 5% of tier 1 capital was complied with:

Interest rate risk from the perspective of net interest income



(41.1) Interest rate gaps (EUR and FX)

in €k	31.12.2022	31/12/2023
< 1 month	-398.522	-144.723
1 to 3 months	827.662	-315.803
3 to 6 months	901.369	1.648.871
6 to 12 months	-1.695.548	-1.918.801
1 to 2 years	-109.604	-517.588
2 to 3 years	-764.204	474.086
3 to 4 years	246.333	210.360
4 to 5 years	183.496	-52.415
>5 years	631.021	842.183

Positive values in the fixed-interest gaps represent an asset surplus, while negative values represent a liability surplus of the volume that comes up for interest rate adjustment in the corresponding maturity bands.

(41.2) Interest rate risk

in €k	2022	2023
Minimum values	52.623	57.968
Maximum values	64.220	92.078
Average values	59.423	68.369
Value at year-end	**64.220**	**92.078**

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). The suitability of the method is reviewed at least once a year and adjusted as necessary.

(42) Credit spread risk

The credit spread risk in the banking book (CSRBB) is defined in accordance with EBA GL/14/2022 as the risk arising from changes in the market price
- for credit risk,
- for liquidity, and

• for other potential features of credit-risk-bearing instruments not covered by another regulatory framework.

The CSRBB concerns the risk of a change in the spread of an instrument under the assumption that credit ratings are the same, i.e., how the credit spread changes within a certain credit rating or a certain default probability range.

Credit spread risk is managed at the monthly APM Committee meeting. Risk is monitored by Risk Controlling.

At BKS Bank, credit spread risk is calculated from an economic perspective for the entire bond portfolio in the banking book, for fair value loans, for borrower's notes and also for own issues. The credit spread risk is calculated using the value-at-risk method based on a historical simulation.

in €k	2022	2023
Minimum values	27.265	24.651
Maximum values	33.884	37.193
Average values	30.352	29.467
Value at year-end	**27.265**	**37.193**

(43) Equity price risk

Equity price risk is the risk of changes in stock market prices that result from the interaction of supply and demand. Most of the investments in equities in our treasury portfolio were in highly liquid European and Austrian listed securities. Once a month, equity price risk is quantified using a historical simulation as value-at-risk.

The management of the equity price risk in the banking book is done by the ALM Committee. There was no proprietary trading in shares in the reporting year. Long-term investments in shares and assets in the banking book are generally in investment funds; we invest in individual stocks only to a minor extent. Risk is monitored by Risk Controlling.

Managing equity price risk

1) Asset/Liability Management Committee
2) Group Risk Controlling

Value-at-risk, equity price risk

in €k	2022	2023
Minimum values	17.458	18.229
Maximum values	25.686	28.197
Average values	23.334	22.169
Value at year-end	**25.686**	**28.197**

The value-at-risk for equity price risk is calculated using a historical simulation based on market price changes observed over the last 1,000 days with a holding period of 250 days and a confidence level of 99.9%.

(44) Risks from foreign currency positions

These risks result from entering into foreign currency positions on the assets and liabilities side that are not closed out by a matching opposite position or a derivatives transaction. An adverse movement in exchange rates may lead to losses as a result. To assess the foreign exchange risk, open currency positions are evaluated daily and compared with the corresponding limits. Traditionally exposure to currency risks is kept low at BKS Bank, because making profits on open foreign exchange positions is not the focus of our business policy. The management of foreign currency positions is the responsibility of Treasury and Financial Institutions. Foreign exchange positions are monitored by Risk Controlling.

Value-at-risk from foreign currency positions

in €k	*2022*	*2023*
Minimum values	703	595
Maximum values	1.276	2.789
Average values	993	1.431
Value at year-end	**983**	**1.134**

The value-at-risk for foreign currency risk is calculated using a historical simulation based on market price changes observed over the last 1,000 days with a holding period of 250 days and a confidence level of 99.9%.

(44.1) Exchange rate risk (open FX positions)

in €k	*31.12.2022*	*31/12/2023*
USD	-945	-172
GBP	142	526
JPY	17	5
CHF	401	310

Positive values represent net long positions, negative values represent net short positions at the respective cut-off date.

(45) Liquidity risk and liquidity risk management (ILAAP)

Liquidity risk is the risk associated with not being able to meet present or future financial obligations in full or in time. This also includes the risk of only being able to refinance at higher-than-usual market rates (refinancing risk) or that assets have to be liquidated at lower-than-usual market prices (market liquidity risk).

Managing liquidity risk

[1)] Treasury and Financial Institutions/Group Money Market and Foreign Exchange
[2)] Asset/Liability Management Committee
[3)] Group Risk Controlling

Liquidity management principles

ILAAP is a fundamental component of the supervisory review and evaluation process (SREP) and has the purpose of ensuring adequate liquidity and effective liquidity risk management. BKS Bank has clearly defined principles for the management of liquidity risk that are set out in the risk strategy and in the ILAAP framework.

Essential for liquidity management is a diversification of the refinancing profile by investor category, product and maturity. The policy for loan terms and conditions is managed on the basis of the Risk Management Regulation of the Financial Market Authority and the EBA Guidelines on which it is based.

The costs of refinancing financial products are determined within the scope of a sophisticated funds transfer pricing model. These costs are allocated in the product and profit centre calculations. Intraday liquidity management is done by managing daily deposits and withdrawals. This is based on information on transactions with an effect on liquidity. Such transactions include dispositions regarding payment transfers, advance information from Sales on pending customer transactions, information on cash flows resulting from the bank's own issues supplied by the securities back office, and information on securities and money market transactions by Treasury. Liquidity peaks are balanced out by borrowing or investing money with the Austrian central bank, OeNB, or on the interbank market. Intraday liquidity management is done within the limits defined and utilisation is determined, analysed and reported daily.

Medium-term and longer-term liquidity and the liquidity buffer are managed by the ALM Committee. The Risk Controlling Group is responsible for liquidity risk control to ensure adherence to the principles, procedures and limits established. Reporting is done on a daily, weekly, monthly and quarterly basis. In the event of extraordinary developments or when certain early warning stages or limits are reached, an ad hoc report is sent to the Management Board.

BKS Bank has a comprehensive system of limits (limits per maturity band, time-to-wall limits) in place that provides a quick overview of the current situation. The analyses are supplemented by stress tests, which we categorise as general macroeconomic scenarios, bank-specific scenarios or combined stress scenarios.

Refinancing is raised mainly in euro. In the case of foreign currencies, our main focus is on securing funding for Swiss franc loans through medium-term to long-term capital market swaps.

Indicators for managing liquidity risk

	31.12.2022	31/12/2023
Deposit concentration	0,35	0,33
Loan/Deposit ratio (LDR)	88,2%	91,8%
Liquidity coverage ratio (LCR)	190,4%	223,2%
Net stable funding ratio (NSFR)	118,7%	123,3%

(45.1) Collateral eligible for refinancing

in €k	31.12.2022	31/12/2023
Securities deposited with OeNB	839.437	1.017.677
Securities deposited with Euroclear	89.534	84.747
Credit claims ceded to OeNB	604.795	503.115
Credit claims ceded to the Slovenian national bank	22.411	18.893
Total collateral eligible with the ECB	**1.556.177**	**1.624.432**
Minus OeNB tender block	-595.128	-255.643
Total available ESCB-eligible collateral	**961.049**	**1.368.789**
Cash and cash equivalents	35.943	41.977
Credit balance with OeNB	713.931	451.642
Liquidity buffer	**1.710.923**	**1.862.408**
Other securities	23.159	41.363
Counterbalancing capacity	**1.734.082**	**1.903.770**

(45.2) Development of refinancing structure

in €k	31.12.2022	31/12/2023
Savings deposits	1.258.885	922.509
Other payables	5.564.907	5.822.044
Liabilities evidenced by paper	783.616	822.761
Subordinated debt capital	264.719	264.957
Payables to other banks	930.977	832.444

(45.3) Derivative and non-derivative liabilities 2023 (cash flow basis)

in €k	Carrying amounts	Contractual cash flows[1)]	< 1 month	1 month to 1 year	1 to 5 years	>5 years
Non-derivative liabilities	**8.664.714**	**8.881.463**	**830.743**	**3.046.289**	**1.125.493**	**3.878.937**
• Deposits from banks	832.444	849.389	226.050	540.791	37.988	44.561
• Deposits from customers 2)	6.744.553	6.813.472	572.158	2.400.489	428.818	3.412.008
• Liabilities evidenced by paper	822.761	898.132	32.536	76.234	559.224	230.138
• Subordinated liabilities	264.957	320.468	–	28.775	99.463	192.231
Derivative liabilities	**13.229**	**-7.189**	**46**	**-3.819**	**-2.502**	**-914**
• Derivatives in the banking book	13.229	-7.189	46	-3.819	-2.502	-914
Total	**8.677.943**	**8.874.274**	**830.789**	**3.042.470**	**1.122.991**	**3.878.023**

1) Not discounted
[2)] Cash flows of customer deposits due on demand are modelled using maturity profiles.

Derivative and non-derivative liabilities 2022 (cash flow basis)

in €k	Carrying amounts	Contractual cash flows[1)]	< 1 month	1 month to 1 year	1 to 5 years	>5 years
Non-derivative liabilities	**8.803.105**	**8.972.714**	**841.433**	**2.696.463**	**1.199.844**	**4.234.973**
• Deposits from banks	930.977	947.909	242.231	431.604	234.736	39.339
• Deposits from customers 2)	6.823.793	6.890.905	596.780	2.183.233	424.417	3.686.476
• Liabilities evidenced by paper	783.616	814.084	2.422	52.825	435.616	323.220
• Subordinated liabilities	264.719	319.815	0	28.801	105.076	185.938
Derivative liabilities	**5.250**	**-27**	**471**	**356**	**-1.011**	**157**
• Derivatives in the banking book	5.250	-27	471	356	-1.011	157
Total	**8.808.355**	**8.972.687**	**841.904**	**2.696.819**	**1.198.833**	**4.235.130**

1) Not discounted
[2)] Cash flows of customer deposits due on demand are modelled using maturity profiles.

(46) Operational risk and ICT risks by event category

We define operational risk as the risk of losses that may be caused by inadequate or failed internal processes, people or system errors or external factors. Further types of risks closely related to operational risk are reputational risks, conduct risks, model risks and information and communications technology risks (ICT risks).

A risk assessment is conducted every three years. In this process, more than 100 management staff members throughout the group are interviewed about their risk assessment regarding operational risk.

At BKS Bank AG and at all Austrian and foreign subsidiaries, operational risks are limited by means of an appropriate control system that is continually being developed. The system features a number of organisational measures that include the separation of functions within business processes (separation of front office from back office activities, dual-control principle) as well as extensive internal rules and regulations, regular checks and contingency plans and also self-auditing systems.

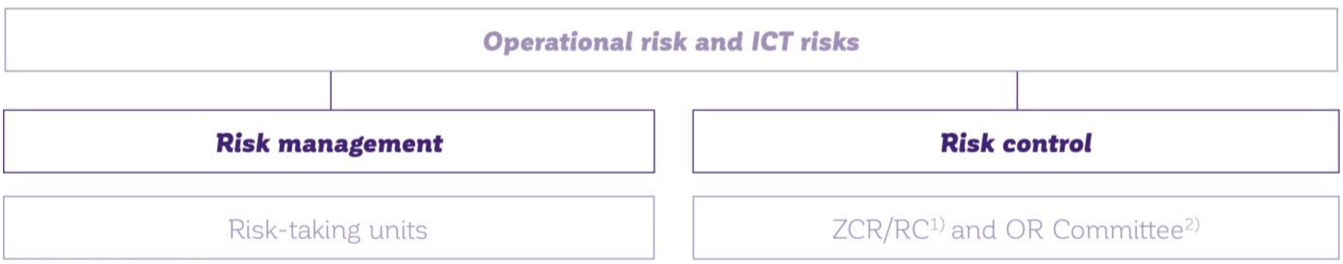
We deal with information and communications technology risks (ICT risks) by means of professional IT security management run by 3 Banken IT GmbH, a company held jointly with our partner banks, and by taking extensive data protection and security measures and also professional business continuity management. These measures are regularly reviewed for suitability by Internal Audit.

All enterprise processes are connected to information and communications technology, and therefore, ICT governance is of enormous importance. ICT governance is understood to be all principles, procedures and measures in place to ensure that the ICT strategy supports the business targets, that resources are responsibly used, and risks are adequately monitored with the aid of the hardware and software in use at the bank. Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector (Digital Operational Resilience Act, DORA) entered into force at the beginning of 2023. DORA requirements must be implemented by January 2025.

DORA is part of the EU Digital Finance Package, an initiative of the European Commission that aims to promote and regulate digital change in the financial industry. DORA includes requirements relating to ICT risk management, the classification and reporting of ICT-related incidents, digital operational resilience testing, contractual agreements between ICT third-party service providers and financial companies, the supervisory framework for critical ICT third-party service providers and rules for the exchange of information. BKS Bank has already carried out a gap analysis with external support to implement DORA. Measures were derived from the gap analysis and implemented in individual work packages.

An OR Committee has been established for the overall management of operational risk throughout the bank that meets once every quarter. Risk Controlling is responsible for operational risk measurement and for defining the operational risk framework. The implementation of risk mitigating measures is the responsibility of the risk-taking units.

Operational risk and ICT risks



[1] Group Risk Controlling
[2] Operational Risk Committee

As in past years, we applied the standardised approach to measure regulatory capital requirement for operational risk. In the reporting year, the regulatory own funds requirement was EUR 36.1million (pr. yr.: EUR 310 million). This compares with actual operational risk losses net of amounts recovered of EUR 3.8 million.

Operational risk and ICT risks by event category

in €k	31.12.2022	31/12/2023
Fraud	368	1.055
Employment practices and workplace safety	7	-2
Customers, products, business practices	-1.471	2.467
Property damage	11	10
System failures	6	6
Settlement, sales and process management	200	260

There were 327 cases of damage reported in 2023 (pr. yr.: 293) and 192 cases without credit risk (pr. yr.: 201). The most severely affected loss categories were fraud and customers, products and business practices. The category of fraud continues to be impacted by legal costs in connection with one case of fraud in Croatia from 2022. In the category of customers, products and business practices, legal costs predominate from years-long dispute between UniCredit Bank Austria and 3Bankengruppe.

There were no loss events directly attributable to ICT risks in the reporting year. The costs of damage from ICT risks at 3Banken IT GmbH, which are charged to BKS Bank, amounted to less than EUR 50,000. EUR 46,000 were attributable to cases relating to payment services.

(47) Macroeconomic risk

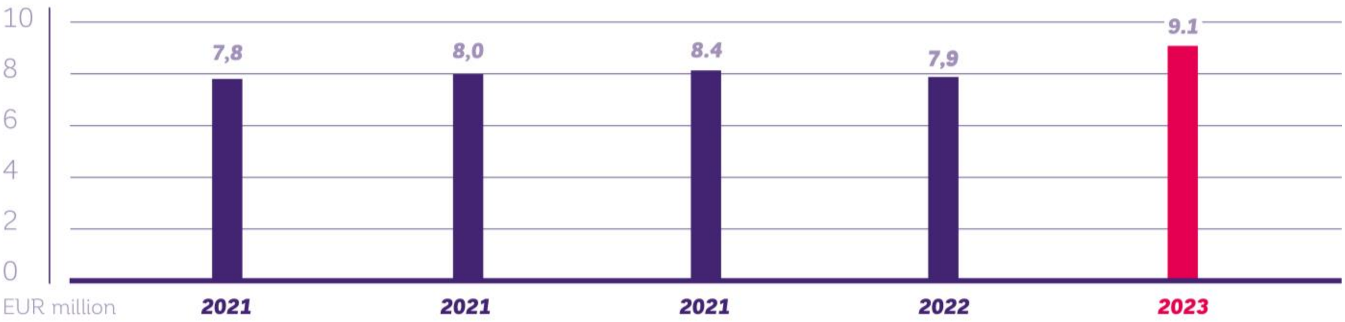
Macroeconomic risk describes the risk of adverse negative macroeconomic changes and the resultant risks that may arise for BKS Bank. The development of macroeconomic conditions is continuously monitored based on a set of indicators, discussed by the committees and incorporated into our risk models.

(48) Risk of over-indebtedness

The risk of excessive borrowing indicates the threat of a high level of indebtedness that may have a negative impact on BKS Bank's business operations. Apart from any change to the business plan that may be required, refinancing bottlenecks may occur that may make it necessary to sell assets in an emergency situation and, therefore, cause losses or the impairment of the remaining assets.

The risk of excessive borrowing is measured by the leverage ratio. The leverage ratio is the quotient of the unit of capital measured (tier 1 capital) and overall risk and was 9.1% at year-end (pr. yr.: 7.9%). Therefore, the leverage ratio is clearly much better than the regulatory minimum ratio of 3%.

Leverage Ratio



(49) ESG risks

At BKS Bank we define ESG risks and sustainability risks as events or conditions relating to environment, social and governance matters, which may – in fact or potentially – have considerable negative effects on the financial position, financial performance and cash flows or on the reputation of a company.

BKS Bank has had a sustainability strategy in place for years which is adapted and expanded annually. It includes principles for actively managing and reducing negative financial, environmental and social impacts on BKS Bank, the environment and society. We believe ESG factors and associated risks must be viewed as a holistic factor of influence and consider them in our risk policy principles and risk management. In doing so, we follow a dual materiality perspective and take into account potential interactions and repercussions from ESG factors with respect to an "outside-in" and "inside-out" view.

The management of sustainability risks is done within the management of the individual risk types. Therefore, the risk policy principles for managing sustainability risks and especially climate risks refer to the diverse management levels and risk categories at BKS Bank. Sustainability targets and non-financial performance indicators are also part of BKS Bank's remuneration policy for the Management Board and for employees with variable remuneration components.

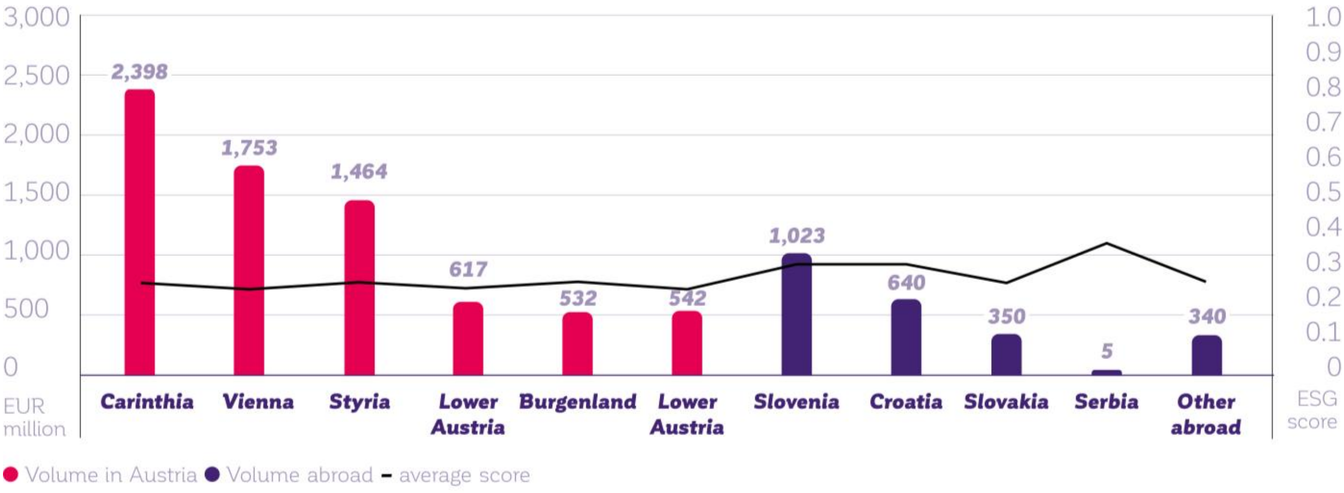
The Sustainable Development Goals are an integral part of the sustainability strategy and part of the process of when introducing new business and major structural changes at BKS Bank. Additionally, BKS Bank has a catalogue of exclusion and inclusion criteria used to manage business with new customers and a catalogue of business relationships that must be rejected as a matter of principle pursuant to the rules for the prevention of money laundering and terrorism financing.

We develop stress tests and scenario analyses to measure the vulnerability of BKS Bank in its entirety and individual customers to potential ESG risks. We allocate economic coverage capital for ESG risks as a buffer under the economic perspective of the ICAAP

To sustainably reduce ESG risks, we are working to gradually decarbonize the loan and investment portfolio. We use Science-Based Targets (SBT) for defined portfolios to define a path for achieving the goals of the Paris Agreement as best as possible. The purpose is to reduce global warming to 1.5°C above pre-industrial levels. The targets have been submitted to the Science-Based Targets Initiative for validation. The management of sustainability risks, the due diligence process for identifying ESG risks and opportunities, the impact of ESG factors on BKS Bank with regard to the customer portfolio and the business model are explained in detail in the Sustainability Report in the chapter “Management of ESG factors".

We use an externally sourced module to measure the exposure of our customer portfolio to ESG risks. The degree of the impact is measured in score values ranging from 0 for insignificant risks to 100 for extremely high risks. In this manner, we obtain a good overview of the ESG risks in our loan portfolio, especially regarding their geographical distribution.

ESG risk scores by target market



(50) Other risks

Further risk types that BKS Bank does not currently assess as material are summarised in the category Other risks. These include:

- Risks from new types of business and major structural changes
- Reputational risks
- Risks associated with residual values in leasing operations
- Risks of money laundering and terrorist financing
- Risks from the bank's business model
- Systemic risks and risks from the financing of shadow banks
- Equity risks
- Conduct risks
- Model risks from the application of models to quantify market price risks and credit risks

An organisational unit has been established at BKS Bank for the purpose of monitoring risks arising from the implementation of measures to prevent money laundering and terrorism financing. The management of risks associated with money laundering and terrorism financing is set out in manuals, in the risk analysis and in the risk strategy. The rules defined apply to all employees, managers, governing boards and officers of BKS Bank. The most recent risk analysis shows that 97.5% of customers are classified to the low to medium AML risk categories and 89.2% to the two lowest AML risk classes out of a total of 5 risk classes.

Additional Information

(51) Fair Values

Financial assets and liabilities measured at fair value

31/12/2023

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value
Assets				
Receivables from customers				
• at fair value through profit or loss (mandatory)	-	-	41.170	41.170
• at fair value through profit or loss (designated)	-	-	213.310	213.310
Trading assets (derivatives)	-	9.117	-	9.117
Debt securities and other fixed-interest securities				

• at fair value through profit or loss (mandatory)	42	-	-	42
• at fair value OCI	63.370	-	1.041	64.411
Shares and other non-interest-bearing securities				
• at fair value through profit or loss (mandatory)	36.541	-	2.222	38.762
• at fair value OCI	3.225	-	129.189	132.414
Equity and liabilities				
Liabilities evidenced by paper - at fair value through profit or loss (designated)	-	36.015	-	36.015
Trading liabilities	-	13.229	-	13.229

In the reporting year, shares measured at fair value OCI were reclassified from level 2 to level 3, as measurement parameters not observable in the market have significantly gained influence. Based on the input factors used in the measurement methods, investment property is assigned to Level 2 as in the preceding year.

31/12/2022

in €k	Level 1 "Market value"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value
Assets				
Receivables from customers				
• at fair value through profit or loss (mandatory)	-	-	39.381	39.381
• at fair value through profit or loss (designated)	-	-	135.413	135.413
Trading assets (derivatives)	-	13.947	-	13.947
Debt securities and other fixed-interest securities				
• at fair value through profit or loss (mandatory)	31	-	-	31
• at fair value OCI	54.901	-	1.018	55.920
Shares and other non-interest-bearing securities				
• at fair value through profit or loss (mandatory)	34.701	-	1.632	36.334
• at fair value OCI	3.480	4.988	105.440	113.907
Equity and liabilities				
Liabilities evidenced by paper - at fair value through profit or loss (designated)	-	35.336	-	35.336
Trading liabilities	-	5.250	-	5.250

In the preceding year, there was a reclassification of securitized liabilities from level 3 to level 2, because an external data source was used for observable in parameters.

Level 3: Movements in financial assets and liabilities 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 non-interest-bearing securities at fair value through profit or loss (mandatory)
As at 01/01/2023	135.413	39.381	1.018	105.440	-	1.632
Income statement[1)]	7.422	2.518	23	-	-	590
Reclassification	-	-	-	4.988	-	-
Changes to group of consolidated entities	-	-	-	-1.000	-	-
Other comprehensive income	-	-	-	19.761	-	-
Purchased/added	76.885	4.552	-		-	-
Sold/redeemed	-6.410	-5.281	-	-	-	-
As at 31/12/2023	**213.310**	**41.170**	**1.041**	**129.189**	**-**	**2.222**

1)Measurement changes in profit/loss; financial instruments reported in the item Profit/loss from financial instruments designated at fair value and in the item Profit/loss from financial assets measured at fair value through profit or loss (mandatory)

in €k	Receivables from customers at fair value through profit or loss (designated)	Receivables from customers at fair value through profit or loss (mandatory)	Debt securities and other interest-bearing securities at fair value through OCI	Shares and other non-interest-bearing securities at fair value through OCI	Liabilities evidenced by paper - at fair value through profit or loss	Shares and other non-interest-bearing securities at fair value through profit or loss (mandatory)
As at 01/01/2022	89.927	53.631	1.018	94.233	56.999	252
Income statement[1)]	-14.123	-1.887		-	-	-
Reclassification	-	-	-	-	-56.999	-
Other comprehensive income	-	-	-	9.757	-	-
Purchased/added	68.500	3.079	-	1.450	-	1.632
Sold/redeemed	-8.891	-15.442	-	0	-	-252
As at 31/12/2022	**135.413**	**39.381**	**1.018**	**105.440**	**-**	**1.632**

1)Measurement changes in profit/loss; financial instruments reported in the item Profit/loss from financial instruments designated at fair value and in the item Profit/loss from financial assets measured at fair value through profit or loss (mandatory)

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 measurement models based on observable input factors and market data and presented in the category Level 2 'Based on market data' (e.g. 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 measurement methods. The factors of influence for the measurement of items in Level 3 not observable in the market are adjustments to the credit ratings of customers based on internal rating procedures. In general, items in the category Level 3 were measured using the DCF method.

Reclassification

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

Changes in credit ratings of liabilities measured at fair value

Changes in the fair values of securities and loans measured at fair value through profit or loss arising from default risk were determined on the basis of the internal ratings of the financial instrument and the remaining time to maturity.

Changes in the ratings of receivables from customers recognised at fair value had an effect on the fair value in the reporting year 2023 of EUR -0.3 million (pr. yr.: EUR -0.9 million).

Sensitivity analysis

The sensitivity analysis of receivables from customers measured at fair value results in an accumulated change in value of EUR 1.2 million (pr. yr.: EUR 0.7 million), assuming an improvement or deterioration in the credit rating of 10 basis points in the credit spread.

For level 3 equity instruments in an amount of EUR 43.6 million (pr. yr.: EUR 32.6 million), the material non-observable parameter used for the calculation is the cost of equity. An interest rate increase by 50 basis points reduces the fair value by EUR 2.4 million (pr. yr.: EUR 1.8 million). An interest rate decrease by 50 basis points raises the fair value by EUR 2.7 million (pr. yr.: EUR 2.0 million). For level 3 shares (equity investments) of EUR 73.0 million (pr. yr.: EUR 60.2 million), a change in external prices by 10% results in a change in fair value by EUR 6.3 million (pr. yr.: EUR 5.3 million). For level 3 equity instruments in an amount of EUR 11.7 million (pr. yr.: 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 liabilities not recognised at fair value

31/12/2023

in €k	Level 1 "Market valuet"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value	Carrying amount 31/12/2023
Assets					
Receivables from other banks	-	-	186.679	186.679	186.760
Receivables from customers	-	-	7.306.732	7.306.732	7.157.207
Debt securities and other fixed-interest securities	1.121.152	-	-	1.121.152	1.177.252
Equity and liabilities					
Payables to other banks	-	-	822.765	822.765	832.444
Payables to customers	-	-	6.695.884	6.695.884	6.744.553
Liabilities evidenced by paper	64.327	689.382	-	753.708	786.745
Subordinated debt capital	94.340	160.090	-	254.431	264.957

31/12/2022

in €k	Level 1 "Market valuet"	Level 2 "Based on market value"	Level 3 "Internal measurement method"	Total fair value	Carrying amount 31/12/2022
Assets					
Receivables from other banks	-	-	253.413	253.413	253.618
Receivables from customers	-	-	6.882.816	6.882.816	7.000.547
Debt securities and other fixed-interest securities	968.745	-	-	968.745	1.067.861
Equity and liabilities					
Payables to other banks	-	-	906.672	906.672	930.977
Payables to customers	-	-	6.693.932	6.693.932	6.823.793
Liabilities evidenced by paper	39.761	647.601	-	687.362	748.280
Subordinated debt capital	103.499	130.290	-	233.789	264.719

(52) Financial investments in equity instruments

In accordance with IFRS 9, all equity instruments not designated as held for trading are measured at fair value through other comprehensive income (FV OCI), as the fair value OCI option is selected for these instruments. Apart from a small number of equities with a carrying value on the balance sheet date of EUR 3.2 million (pr. yr.: EUR 3.5 million), these are mainly other equity investments and shares in subsidiaries that are not consolidated due to immateriality.

The fair value OCI option was selected, because these equity instruments represent financial investments that are intended to be held for the long term.

There were no material effects from the sale of shares or the disposal of other investments in the financial year 2023.

Other material equity investments

in €k	Fair value at 31/12/2022	Dividend income recognized in 2022	***Fair value at 31/12/2023***	***Dividend income recognized in 2023***
Beteiligungsverwaltung Gesellschaft m.b.H.	9.550	21	11.208	75
G3B Holding AG	48.554	-	59.306	-
Wienerberger AG	878	29	1.176	35
3-Banken Beteiligung Gesellschaft mbH	1.203	-	1.267	-
Oesterreichische Kontrollbank AG	19.582	1.000	25.236	1.000
BWA Beteiligungs- und Verwaltungs-Aktienge-	-	-	-	-
Bausparkasse Wüstenrot Aktiengesellschaft	4.988	-	4.908	-
PEKRA Holding GmbH	13.034	-	13.409	-
PEKRA Holding GmbH	5.760	-	6.798	-
3 Banken Kfz-Leasing GmbH	2.701	645	2.701	746
3 Banken IT GmbH	1.050	-	1.050	
Other strategic investments	3.130	269	2.130	340
Total	**110.427**	**1.964**	**129.189**	**2.196**

(53) Gains/losses by measurement category

in €k	2022	2023
Interest income	1.404	5.763
Profit/loss recognised in the income statement	-10.063	4.630
Profit/loss from financial assets[1] measured at fair value through profit or loss (mandatory)	**-8.659**	**10.394**
Interest income	2.562	7.806
Interest expense	-1.454	-1.099
Profit/loss recognised in the income statement	1.977	-1.686
Profit/loss recognised in other comprehensive income	985	292
Profit/loss from FI[2] measured at fair value through profit or loss (designated)	**4.070**	**5.313**
Interest income	174.588	348.443
Net fee and commission income	48.238	45.526
Profit/loss recognised in the income statement	-626	-917
Profit/loss from FA measured at amortised cost	**222.200**	**393.053**
Interest income	2.404	2.478
Profit/loss recognised in other comprehensive income	10.879	19.889
Profit/loss from FA measured at fair value in other comprehensive income (designated)	**13.283**	**22.367**
Interest income	489	668
Profit/loss recognised in the income statement	-	-
Profit/loss recognised in other comprehensive income	-5.644	2.066
Profit/loss from FA measured at fair value in other comprehensive income	**-5.155**	**2.734**
Interest expense	-26.669	-119.066
Profit/loss recognised in the income statement	-517	229
Profit/loss from financial liabilities measured at amortised cost	**-27.187**	**-118.837**

1) FA = financial assets
2) FI = financial instruments

(54) Information on shares in other entities

Under “Investments in entities accounted for using the equity method”, Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft were included in the consolidated financial statements for the following reasons even though the stake held did not reach the 20% threshold: For the investment in Oberbank AG, there is a syndicate agreement in place between BKS Bank and Bank für Tirol und Vorarlberg Aktiengesellschaft, and for the investment in Bank für Tirol und Vorarlberg Aktiengesellschaft there is a syndicate agreement in place between BKS Bank AG, Oberbank AG and G3B Holding AG. These agreements permit participation in the financial and business policy decisions of the banks without having a controlling interest in them.

Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft were included in the consolidated financial statements as of the cut-off date 30 September 2023, because the figures of the IFRS consolidated financial statements as at year-end were not available due to tight schedules. The financial statements of associated companies are adjusted for the effects of significant transactions or events between the reporting date of the associated companies on 30 September and the reporting date of the consolidated financial statements on 31 December.

Associated companies

Values as at 31/12	Type of relationship with the company	Head office	Direct voting rights in % 2022	Direct voting rights in % 2023	Direct equity interests in % 2022	Direct equity interests in % 2023	Fair value of the share 2022	Fair value of the share 2023
Oberbank AG	Strategic investment to secure autonomy	Linz	14,2	14,2	14,2	14,2	512.450	643.483
Bank für Tirol und Vorarlberg Aktiengesellschaft	Strategic investment to secure autonomy	Innsbruck	12,8	12,8	12,8	12,8	178.141	219.104

Financial information about material associates

in € m	Oberbank 30/09/2022	Oberbank 30/09/2023	BTV 30/09/2022	BTV 30/09/2023
Net interest income	285,3	439,3	112,3	184,1
Net fee and commission income	156,4	148,7	42,5	42,3
Consolidated profit for the year after tax	74,1	329,2	95,6	173,1
Total assets	27.910,7	27.977,4	14.249,5	14.141,9
Receivables from customers after impairment charges	19.359,8	20.030,4	8.560,4	8.726,4
Shareholders' equity	3.355,8	3.819,2	1.978,8	2.249,2
Primary funds	17.377,0	18.570,6	9.274,6	9.923,2
• thereof savings deposits	2.309,5	1.615,4	1.231,4	757,2
• thereof liabilities evidenced by paper incl. subordinated capital	2.759,8	3.266,2	1.296,3	1.618,9
Dividends received (in €k)	5.017	7.247	1.429	1.572

Joint arrangements, joint operations

Oberbank AG, BKS AG and Bank für Tirol und Vorarlberg Aktiengesellschaft each hold a 50% and 25% stake, respectively, in Alpenländische Garantie-Gesellschaft m.b.H. (hereinafter referred to as "ALGAR"). The business purpose of ALGAR, which holds a limited banking licence, is to assume default risk for defined loans and advances of its shareholder banks, whereby the extent of utilization is limited to the assets available in ALGAR that are not reserved for guarantees already utilized (maximum amount of provisions for expected future use). The term of the guarantee is unlimited in time. The shareholder banks are required to pay guarantee fees on an ongoing basis, which increases accordingly when funds are drawn down (penalty rule).

As at 31 December 2023, the volume reported by the shareholder banks and covered by the guarantee contrasted with provisions for expected future drawdowns in ALGAR of EUR 120,555.000 (pr. yr.: 179,640,000). As the expected credit loss determined for the guarantee volume by far exceeds the maximum amount of provisions for expected future utilisation, the limitation rule described above applies.

Given the special provisions in the articles of association and the syndicate agreement with Bank für Tirol und Vorarlberg Aktiengesellschaft and Oberbank AG, ALGAR was classified as a joint operation within the meaning of IFRS 11 (Joint Arrangements) and was included in the consolidation of BKS Bank AG.

To the extent that the shareholder banks have already used ALGAR guarantees due to an event of default, the provisions recognised for such purpose by ALGAR were allocated to the respective shareholder bank within the consolidated accounting. The same applied to the credit exposures reported under preliminary guarantees, for which ALGAR had already recognised risk provisions.

The shareholder banks included the provisions recognised by ALGAR for expected credit losses for guarantee volumes not yet defaulted in the consolidated accounts in proportion to their stakes, as the risk provisions could not be unambiguously attributed to specific guaranteed loans and advances. For BKS Bank AG, this results in provisions in an amount of EUR 30,139,000 (pr. yr.: EUR 44,910) for expected credit losses for exposures not unambiguously attributable. These are reported under risk provisions for credit operations.

Financial information on ALGAR is of minor importance.

(55) Related party disclosures

The following tables contain mandatory disclosures pursuant to § 245a Business Code and IAS 24 on BKS Bank's relations with related entities and persons. Entities and persons are deemed to be related parties if they are able to exercise a controlling or significant influence over the enterprise. IAS 24.9 defines key management staff as persons having authority and responsibility for planning, directing and supervising the activities of the entity, whether directly or indirectly, and these must be taken to include the members of the management board and supervisory board of BKS Bank AG as well as the managing directors of subsidiaries.

Related party disclosures

in €k	Outstanding balances as at 31/12/2022	31/12/2023
Non-consolidated subsidiaries		
• Receivables	28.879	25.410
• Liabilities	3.879	6.514
Associates		
• Receivables	246	394
• Liabilities	2.531	87.341
Members of the Management Board		
• Receivables	1.586	1.478
• Liabilities	3.214	3.178
Other related parties		
• Receivables	628	585
• Liabilities	623	486

There are receivables of EUR 3.1 million (pr. yr.: EUR 0.3 million) from companies with a significant influence on BKS Bank AG, and payables of EUR 50 million (pr. yr.: EUR 0.0 million) to these companies. This results in interest expenses of EUR 1.5 million (pr. yr.: EUR 0.0 m). Transactions with related parties were conducted on arm's length terms. In the reporting period, no provisions for doubtful receivables and no expenses on irrecoverable or doubtful receivables were recognised in connection with related parties. Banking transactions with associated entities resulted in interest expenses in the financial year 2023 of EUR 1.2 million (pr. yr.: EUR 0.1 million), and with non-consolidated subsidiaries in interest income of EUR 1.2 million (pr. yr.: EUR 0.4 million).

Related party disclosures

in €k	31/12/2022	31/12/2023
Average number of staff	**1.007**	**1.013**
• thereof blue collar	10	11
• thereof white collar	997	1.002
Average number of people employed by entities accounted for on a proportionate basis	**3.414**	**3.606**
Remuneration paid to the Management Board		
• Remuneration paid to active members of the Management Board	2.333	2.597
•Remuneration paid to former members of the Management Board and their surviving dependents	850	913
Remuneration paid to Supervisory Board members		
• Remuneration paid to active members of the Supervisory Board	277	358
•Remuneration paid to former members of the Supervisory Board and their surviving dependents	-	-
Management compensation pursuant to IAS 24	**2.647**	**3.515**
• Short-term employee benefits	2.361	2.576
• Post-employment benefits	286	939
• Other long-term benefits	-	-
• Termination benefits	-	-
• Share-based payment benefits	-	-
Loans and advances granted		
• Loans and advances granted to members of the Management Board	144	107
• Loans and advances granted to members of the Supervisory Board	597	624
Expenditure on termination and post-employment benefits		
• Expenditure on termination and post-employment benefits for management board members	-24	145
• Expenditure on termination and post-employment benefits for other employees	6.185	7.953

All loans and advances to and deposits from members of the Management Board and Supervisory Board were granted or taken on arm's length terms. Pursuant to Article 94 (1) lit. l and m of Directive 2013/36/EU and RZ 260 et seq of the EBA Guidelines on sound remuneration policies (EBA/GL/2021/04) and pursuant to § 39, Annex (no 11) Banking Act, the payout of the variable remuneration components to management board members must be 50% in cash and 50% in BKS Bank's ordinary shares. The shares are subject to a three-year retention or blocking period.

(56) Segment Report

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

Segment results 2023

in €k	Retail Banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	88.161	157.094	3.392	-	248.646
Impairment charges	1.246	-37.947	-1.659	-	-38.360
Net fee and commission income	27.761	37.538	-339	-70	64.889
Profit/loss from investments accounted for using the equity method			90.432		
Net trading income	-	-	342		342
General administrative expenses	-65.528	-68.636	-8.687	-10.444	-153.296
Other operating income/expenses	-5.774	1.988	-2.131	-2.379	-8.296
Profit/loss from financial assets/liabilities	192	-1.110	2.833		1.915
Profit/loss for the year before tax	**46.057**	**88.925**	**84.183**	**-12.893**	**206.272**
Average risk-weighted assets	1.023.874	4.032.415	695.781	242.178	5.994.248
Average allocated equity	123.889	487.922	977.631	66.929	1.656.371
Segment liabilities	3.550.956	4.912.405	1.911.776	297.927	10.673.064
ROE based on profit for the year before tax	**37,2%**	**18,2%**	**8,6%**	**-**	**12,5%**
Cost/income ratio	**59,5%**	**34,9%**	**9,5%**	**-**	**38,7%**
Risk/earnings ratio	**-**	**24,2%**	**-**	**-**	**15,4%**

Segment results 2022

in €k	Retail Banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	38.411	125.498	-7.321	-	156.589
Impairment charges	-1.289	-24.157	-452	-	-25.898
Net fee and commission income	28.813	40.169	-356	-454	68.172
Profit/loss from investments accounted for using the equity method	-	-	20.676	-	20.676
Net trading income	-	-	-1.178	-	-1.178
General administrative expenses	-55.935	-56.539	-8.727	-14.811	-136.013
Other operating income/expenses	1.898	1.297	2.667	-1.592	4.270
Profit/loss from financial assets/liabilities	210	439	-4.906	-3.794	-8.051
Profit/loss for the year before tax	**12.107**	**86.708**	**403**	**-20.651**	**78.567**
Average risk-weighted assets	1.047.797	3.754.092	682.579	205.625	5.690.094
Average allocated equity	127.307	456.079	873.875	54.649	1.511.910
Segment liabilities	3.448.192	5.015.275	1.826.578	243.003	10.533.048
ROE based on profit for the year before tax	**9,5%**	**19,0%**	**-**	**-**	**5,2%**
Cost/income ratio	**80,9%**	**33,9%**	**60,2%**	**-**	**54,7%**
Risk/earnings ratio	**3,4%**	**19,2%**	**-**	**-**	**16,5%**

Method Net interest income is broken down using the market interest rate method. The costs incurred are allocated to the business areas in which these costs originate.

Returns on maturity transformation are allocated to the Financial Markets segment. Capital is allocated based on regulatory parameters. The average allocated equity carries 5% interest and is recognized as return on equity invested in net interest income. The profit for the respective segment is measured on the profit before tax earned in the segment. Apart from the cost/income ratio, return on equity is one of the principal benchmarks for managing the business segments. Segment reporting is based on our internal management processes. The Management Board as a whole is responsible for the enterprise's management. The reports used for internal management purposes comprise the monthly reporting of results at the profit centre level, quarterly reports on all relevant risk types, and ad-hoc reports for exceptional events.

Corporate and Business Banking
At the end of 2023, a number of 27,500 corporate and business banking customers were served in this segment. BKS Bank was originally conceived as a corporate and business bank, and business segment is still our most important source of income. Corporate and business banking customers account for the larger part of the loan portfolio and contribute substantially to profit for the period. Besides income and expenses of BKS Bank AG relating to business with corporate and business banking customers, income and expenses of the leasing companies are also allocated to this segment if they are from business with corporate and business customers.

Retail Banking
In the Retail Banking segment, 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 individuals, wage and salary earners, and members of the health professions are reported in the Retail Banking segment. Some 168,300 customers were served in this segment at the end of December 2023.

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

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

(57) Total return on equity
The total return on equity was 1.7% (pr. yr.: 0.6%) as at 31 December 2023.

(58) Subordinated assets

in €k	31/12/2022	31/12/2023	± in %
Receivables from customers	-	700	-
Debt securities and other fixed-interest securities	-	-	-
Shares and other variable-yield securities	1.632	2.155	32,0

(59) Foreign currency balances

in €k	31/12/2022	31/12/2023	± in %
Assets	320.199	100.193	-68,7
Liabilities	219.124	153.882	-29,8

(60) Breakdown of listed securities

in €k	31/12/2022 Listed	31/12/2022 Unlisted	31/12/2023 Listed	31/12/2023 Unlisted
Debt securities and other fixed-interest securities	1.123.718	1.050	1.243.362	1.083
Shares and other non-interest-bearing securities	3.480	146.761	3.225	167.951

(61) Contingent liabilities and commitments

in €k	31/12/2022	31/12/2023	± in %
Guarantees	635.006	612.069	-3,6
Letters of credit	3.871	119	-96,9
Contingent liabilities	**638.877**	**612.188**	**-4,2**
Other commitments	1.706.925	1.711.460	0,3
Commitments	**1.706.925**	**1.711.460**	**0,3**

Other commitments consists mainly of credit lines already promised but not yet used. The probability of these credit lines being used is monitored continuously and the probability of use is reviewed regularly.

(62) Netting of financial instruments

31/12/2023

in €k	Financial instruments (gross)	Balanced amounts	Recognized financial instruments (net)	Effects of netting agreements	Cash collateral received/given [1]	Net amount
Assets						
Trading assets	9.104	-	9.104	-3.940	-4.480	684
Total assets	**9.104**	**-**	**9.104**	**-3.940**	**-4.480**	**684**
Equity and liabilities						
Trading liabilities	13.248	-	13.248	-3.940	-4.500	4.808
Total shareholders' equity and liabilities	**13.248**	**-**	**13.248**	**-3.940**	**-4.500**	**4.808**

[1] Current netting possibilities, which were not netted in this balance sheet item.

31/12/2022

in €k	Financial instruments (gross)	Balanced amounts	Recognized financial instruments (net)	Effects of netting agreements	Cash collateral received/given [1]	Net amount
Assets						
Trading assets	13.947	-	13.947	-1.563	-11.821	563
Total assets	**13.947**	**-**	**13.947**	**-1.563**	**-11.821**	**563**
Equity and liabilities						
Trading liabilities	5.250	-	5.250	-1.563	-1.824	1.863
Total shareholders' equity and liabilities	**5.250**	**-**	**5.250**	**-1.563**	**-1.824**	**1.863**

[1] Current netting possibilities, which were not netted in this balance sheet item.

BKS Bank uses master netting agreements for derivatives to reduce credit risks. These contracts qualify as potential netting arrangements. Master netting agreements are relevant for counterparties with multiple derivative contracts. When one counterparty defaults, these contracts ensure netting across all contracts. If additional hedging is provided in the form of cash collateral, this is reported in the corresponding column "Cash collateral received/provided". Such cash collateral is recognised under Receivables from other banks or Payables to other banks.

(63) Events after the balance sheet date

There were no business transactions of material relevance or of relevance for reporting purposes between the end of the financial year and the preparation of the financial statements.

(64) Assets serving as collateral for liabilities

Liabilities	Assets	31/12/2022	31/12/2023
Money held in trust pursuant to § 230a Austrian Civil Code	Securities	11.922	14.903
Collateral deposit for clearing system of the Vienna Stock Exchange	Securities	1.551	1.519
Deposit for trading through EUREX	Receivables from other banks	8.054	7.992
Collateral for trading through Xetra	Securities	3.937	4.917
Euroclear pledge	Securities	10.000	10.000
Eurox Repo (GC Pooling)	Securities	-	-
Margin for futures contracts	Receivables from other banks	9.740	12.040
Accounts receivable assigned to Oesterreichische Kontrollbank (OeKB)	Loans	101.806	96.802
Collateral for OeNB funding	Loans	595.128	255.643
Cover pool of mortgage loans for covered bonds	Loans	425.555	544.854
Pledge for OeKB CCPA clearing pool	Receivables from other banks	110	110

Trust money savings deposits were secured in conformity with the legal requirements set out in § 68 Banking Act. The cover pool for covered bonds is governed by the Austrian Covered Bonds Act (FBSchVG). Additionally, assets are pledged as collateral for liabilities arising from derivative transactions.

(65) Information on fees paid to the bank auditor

in €k	31/12/2022	31/12/2023	± in %
Fees for mandatory audits of the single-entity and consolidated financial statements	400	482	20,5
Fees for other auditing services	26	114	>100
Total fees	**427**	**597**	**39,9**

(66) Derivatives transaction volume: banking book

	Nominal amount by time to maturity		
in €k	< 1 year	1-5 years	> 5 years
Interest rate contracts	**0**	**172.566**	**337.421**
Interest rate swaps	0	172.566	337.421
• Calls	0	86.283	168.710
• Puts	0	86.283	168.710
Interest rate options	-	-	-
• Calls	-	-	-
• Puts	-	-	-
Currency contracts	**564.941**	**102.469**	**-**
Currency forwards	346.717	-	-
• Calls	171.627	-	-
• Puts	175.089	-	-
Capital market swaps	-	102.469	-
• Calls	-	48.473	-
• Puts	-	53.996	-
Money market swaps (currency swaps)	218.224	-	-
• Calls	109.968	-	-
• Puts	108.257	-	-
Securities contracts	**-**	**-**	**-**
Stock options	-	-	-
• Calls	-	-	-
• Puts	-	-	-

Derivatives transaction volume: trading book

	Nominal amount by time to maturity		
in €k	< 1 year	1-5 years	> 5 years
Interest rate contracts	**-**	**335**	**-**
Interest rate swaps	-	-	-
• Calls	-	-	-
• Puts	-	-	-
Interest rate options	-	335	-
• Calls	-	168	-
• Puts	-	168	-
Currency contracts	-	-	-
Currency options	-	-	-
• Calls	-	-	-
• Puts	-	-	-

Nominal amount		Fair value (positive)		Fair value (negative)	
31/12/2022	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**	**31/12/2023**
368.966	**509.987**	**12.768**	**12.776**	**1.392**	**1.399**
368.966	509.987	12.768	12.776	1.392	1.399
184.483	254.993	12.768	12.776	-	-
184.483	254.993	0	-	1.392	1.399
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
700.490	**667.410**	**1.424**	**2.557**	**4.278**	**10.248**
355.054	346.717	377	424	1.791	4.158
177.046	171.627	339	368	1.791	4.158
178.008	175.089	38	56	-	-
99.250	102.469	-	-	2.116	5.770
48.473	48.473	-	-	-	-
50.777	53.996	-	-	2.116	5.770
246.186	218.224	1.047	2.133	371	320
123.272	109.968	101	120	82	137
122.914	108.257	946	2.013	289	183
-	**-**	**-**	**-**	**-**	**-**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

Nominal amount		Fair value (positive)		Fair value (negative)	
31/12/2022	**31/12/2023**	**31/12/2022**	**31/12/2023**	**31/12/2022**	**31/12/2023**
470	**335**	**7**	**3**	**7**	**3**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
470	335	7	3	7	3
235	168	7	3	-	-
235	168	-	-	7	3
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

Positions (securities and derivatives) entered into by the Money, Foreign Exchange and Securities Trading unit to achieve price gains or take advantage of interest rate fluctuations were reported in the trading book. Market value is the amount that can be obtained on the sale of a financial instrument in an active market or that would have to be paid to purchase it. If a market price was available, it was taken to be a position's fair value. Where market prices were unavailable, we used internal valuation models, including the present value method.

Profit distribution proposal

The Management Board proposes to the Annual General Meeting to distribute a dividend for the financial year 2023 of EUR 0.35 per eligible share on the net profit of EUR 16,814,007.49 reported in the financial statements for the financial year ended on 31 December 2023, which is thus a total of EUR 16,032,016.00 and to carry the remaining amount of EUR 781,991.49 to new account.

Klagenfurt am Wörthersee, 1 March 2024

The Management Board

Herta Stockbauer
Chairwoman of the
Management Board

Nicholas Juhász
Member of the Management
Board

Claudia Höller
Member of the Management
Board

Alexander Novak
Member of the Management

Dietmar Böckmann
Member of the Management

The Company's Boards and Officers

Management Board
Ms Herta Stockbauer, Chairwoman of the Management
Mr Nikolaus Juhász, Member of the Management Board
Mr Alexander Novak, Member of the Management Board
Mr Dietmar Böckmann (as of 1 June 2023)
Ms Claudia Höller (as of 1 September 2023)
Mr Dieter Kraßnitzer (until 31 August 2023)

Shareholder representatives on the Supervisory Board
Mr Hannes Bogner
Mr Gerhard Burtscher
Ms Christina Fromme-Knoch
Mr Franz Gasselsberger
Mr Reinhard Iro
Ms Susanne Kalss
Ms Stefanie Lindstaedt
Mr Heimo Penker
Ms Sabine Urnik, Chairwoman of the Supervisory Board
Mr Klaus Wallner, Vice Chairman

Staff representatives on the Supervisory Board
Mr Sandro Colazzo
Ms Andrea Medic
Ms Corinna Doraponti (initial appointment: 5 May 2023)
Ms Marion Dovjak (initial appointment: 5 May 2023)
Mr Roland Igumnov (initial appointment: 5.5.2023)
Mr Maximilian Medwed (until 5 May 2023)
Ms Herta Pobaschnig (until 5 May 2023)

Klagenfurt am Wörthersee, 1 March 2024

Herta Stockbauer
Chairwoman of the
Management Board

Mr Nicholas Juhász
Member of the
Management Board

Ms Claudia Höller
Member of the Management
Board

Mr Alexander Novak
Member of the Management
Board

Mr Dietmar Böckmann
Member of the Management
Board

Closing Remarks by the Management Board

Management Board's Statement pursuant to §124 Stock Exchange Act

The Management Board of BKS Bank AG states that these annual financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as effective and as adopted by the EU including the interpretations by the International Financial Reporting Interpretations Committee (IFRIC), and that they present a true and fair view of the financial position, financial performance, and cash flows of the BKS Bank Group. The Management Board furthermore states that the Management Report presents the development of business, profit or loss, and situation of the BKS Bank Group in such a way so as to give a true and fair view of the financial position, financial performance, and cash flows as well as of the material risks and uncertainties to which the Group is exposed.

Klagenfurt am Wörthersee, 1 March 2024

Management Board

Herta Stockbauer, Chairwoman of the Management Board

Responsible for Corporate Strategy, Sustainability, Corporate Banking, Customer Payments and Fund Transfer Services and Digital Solutions, Accounting and Sales Controlling, Human Resources, Public Relations and Marketing, Investor Relations, Subsidiaries in Austria and Investments

Nikolaus Juhász, Member of the Management Board

Responsible for Sales Austria, Private Banking, Customer Lending and Investing as well as Investments and Retirement Planning, and BKS-Leasing GmbH; competent management member of the governing body in the meaning of § 23 (4) Financial Markets Anti-Money Laundering Act (FM-GwG)

Alexander Novak, Member of the Management Board

Responsible for Sales International, Treasury and Banking Support, Leasing and Real Estate Subsidiaries International

Dietmar Böckmann, Member of the Management Board

Responsible for ICT and Business Organisation Austria and International, 3 Banken IT GmbH, BKS Service GmbH, Back Office Treasury and Securities Services

Claudia Höller, Member of the Management Board

Responsible for Risk Management, Risk Controlling, Back Office Lending, Back Office International; competent member of the governing body within the meaning of RZ 60 of FMA Circular pursuant to Securities Supervision Act 2018

Independent Auditor's Report

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **BKS Bank AG, Klagenfurt**, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2023, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under § 245a UGB (Austrian Business Code) and the Austrian Banking Act.

Basis for opinion

We conducted our audit in accordance with EU Regulation 537/2014 (hereinafter EU Regulation) and the Generally Accepted Auditing Standards in Austria. These standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under these requirements and standards are described in the section "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" in our auditor's report. We are independent of the Group in accordance with laws and regulations applicable in Austria and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained up to the date of the Audit Report is sufficient and appropriate to provide a basis for our opinion as at this date.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following issues were the most significant for our audit:
- Recoverability of receivables from customers
- Measurement of entities accounted for using the equity method

Recoverability of receivables from customers

Description and issue

As of 31 December 2023, receivables from customers of EUR 7,412 million were reported in the consolidated financial statements.

The Bank describes the process for monitoring credit risk and the procedure for determining impairments in the Notes in the section Accounting policies/Impairment charges for financial instruments pursuant to IFRS 9 and in the section Risk Report/Credit Risk.

The Bank has implemented processes to identify expected default events and significant increases in credit risk in order to determine expected credit losses. The calculation of the impairment allowance for defaulted individually significant loans is based on the expected recoveries under different scenarios. These are influenced by the assessment of the economic situation and development of the respective customer, and the expected realisation of loan collateral.

The impairment for defaulted individually non-significant receivables is calculated depending on the default status as a percentage of the unsecured amount of receivables based experience.

For non-defaulted receivables, the expected credit loss for the next twelve months (stage 1) or – in case of a significant increase in credit risk since initial recognition – the expected credit loss is recognised for the entire remaining lifetime (stage 2).

Estimates and assumptions as well as discretionary decisions are required when determining the expected credit loss. These include the identification of default events, probabilities of default, loss given default and exposure at default. The determination considers ratings, current and forward-looking information.

The assessment of the recoverability of receivables from customers is associated with considerable uncertainties and discretion in all of the above forms. Therefore, we have determined the recoverability of receivables from customers as a key audit matter.

Our response
In auditing the recoverability of receivables from customers, we performed the following audit procedures:

We assessed the methodologies used to determine expected credit losses and their compliance with accounting standards.

We analysed the documentation of the processes for monitoring loans and risk provisioning, and critically questioned whether these processes are suitable for identifying loan losses in a timely manner and adequately reflect the recoverability of customer receivables. We also assessed the processes and tested key controls regarding their design and implementation, including the relevant IT systems, and tested their effectiveness on a sample basis.

We tested individual exposures selected on the basis of a sample determined according to risk criteria. For defaulted loans, we assessed the Bank's estimates of the amount of expected cash flows taking into account collateral and examined whether the assumptions used in the calculation were appropriate and derivable from internal or external evidence. For non-defaulted loans, we examined whether indicators of default exist.

To assess the appropriateness of the expected credit losses for non-defaulted loans (stage 1 and stage 2), we examined the plausibility of assumptions and the statistical-mathematical appropriateness of the models used, as well as the proper application of these models with the assistance of specialists. In particular, we examined the assumptions in connection with forward-looking information. We also examined the appropriateness of the assumptions of the parameters probability of default, loss given default and exposure at default as well as the staging model considering the results of the bank's internal validations and re-performed selected calculation steps.

To assess the appropriateness of the expected credit losses for defaulted individually non-significant receivables, we have analysed and assessed the process and methodology of the calculation, and have also monitored the appropriateness of the percentages.

Finally, we assessed whether the disclosures in the Notes regarding the calculation of expected credit losses and the significant assumptions and estimation uncertainties are appropriate.

Measurement of entities accounted for using the equity method

Description and issue
Entities accounted for using the equity method are reported in the consolidated financial statements for the year ended on 31 December 2023 in the amount of EUR 814 million.

In accordance with IAS 28, a check was conducted of these entities for any indications of impairment. If an indication of impairment is identified, the Bank estimates the recoverable amount of that asset pursuant to IAS 36.

For this purpose, value-in-use values were determined based on expected future cash flows, see Notes, Accounting policies / Notes on Individual items of the balance sheet / Investments in entities accounted for using the equity method. The parameters used in these calculations are based on assumptions that are subject to high uncertainties and discretionary decisions. Minor changes in these assumptions may lead to significantly different results.

Due to the discretion in the assumptions and the associated sensitivity of the measurement result, we have determined the measurement of investments in entities accounted for using the equity method as a key audit matter.

Our response
We examined the processes for testing the recoverability of investments in entities accounted for using the equity method and evaluated the design and implementation of the identified material controls.

With the support of specialists, we reviewed the appropriateness of the annual planning used by the Management Board for the value-in-use calculations, the reconciliation to the maximum annual distributable amount and the discount rate applied, based on the requirements of IAS 36 and current capital market data, as well as the mathematical correctness of the calculation.

We critically assessed the assumptions made by the management board and the back-testing of the historical plans with the results achieved. The figures used and the selected scenarios were discussed with the Bank, also considering current market uncertainties, and checked for plausibility based on internal and external forecasts.

Other information

The legal representatives are responsible for the other information. Other information refers to all information in the annual report, except for the consolidated financial statements, the group management report and the auditor's report. We received the annual report (except the report of the supervisory board) before the date of the auditor's report; the report of the supervisory board is expected to be made available to us after this date.

Our audit opinion on the consolidated financial statements does not cover this other information, and we do not and will not express any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and consider whether it is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears misleading.

If, based on the work we have done on other information received prior to the date of this audit report, we conclude that such other information is materially misrepresented, we must report this. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with IFRS as adopted by the EU, the additional requirements under § 245a Business Code and the Austrian Banking Act. Furthermore, the management is responsible for the internal controls they deem necessary for the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern – if relevant – and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that states our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with EU Regulation and with Generally Accepted Auditing Standards in Austria, which require the application of the ISAs, will always detect a material misstatement if it exists. Misstatements may arise from fraud or error and are considered material if, individually or in aggregate, they may reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Generally Accepted Auditing Standards in Austria, which require the application of the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also

- identify and assess the risks of material misstatements, whether intentional or unintentional, in the financial statements; plan audit procedures in response to these risks; and perform audits that serve as a sufficient and appropriate basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- reach conclusions on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.
-
- Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinion.
- We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.
- We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, regarding actions taken to eliminate risks or related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current financial year and are therefore the key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on the Consolidated Management Report

Pursuant to Austrian Business Code, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the consolidated management report in accordance with the Austrian Business Code.

We conducted our audit in accordance with laws and regulations applicable with respect to the consolidated management report.

Opinion

In our opinion, the consolidated management report attached has been prepared in accordance with the applicable legal requirements, the disclosures pursuant to section 243a Business Code are appropriate, and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances, no material misstatements in the consolidated management report came to our attention.

Additional Information in Accordance with Article 10 of EU Regulation

We were elected as auditor of the Group at the annual general shareholders' meeting on 25 May 2022 for the financial year ended on 31 December 2023 and mandated with the audit by the supervisory board on 12 July 2022. Furthermore, we were elected as auditor at the annual general shareholders' meeting on 24 May 2023 for the subsequent financial year and mandated with the audit by the supervisory board on 26 May 2023. We have been the auditor of the Company since the financial year ended 31 December 2022.

We confirm that the audit opinion in the section "Report on the Consolidated Financial Statements" is consistent with the additional report to the Audit Committee referred to in Article 11 of EU Regulation.

We declare that no prohibited non-audit services pursuant to Article 5 (1) EU Regulation were provided by us and that we remained independent from the Group in conducting the audit.

Engagement Partner

The engagement partner responsible for the audit is Wolfgang Wurm.

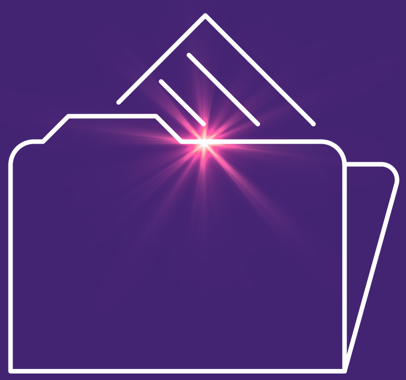
Vienna, 1 March 2024

Deloitte Audit Wirtschaftsprüfungs GmbH

Mag. Wolfgang Wurm
Certified Public Accountant

ppa. Mag. Christoph Tiefenböck
Certified Public Accountant

Publication or sharing with third parties of the consolidated financial statements together with our audit opinion is only permitted in the version we have certified. This audit opinion is only applicable to the German version and the complete financial statements including the management report. § 281 (2) Austrian Business Code (UGB) applies to any versions differing from the original German version.



8. Supplementary Information

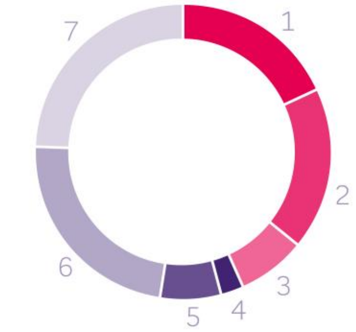
Excellence in sustainability and digitalisation have an enormous potential for the future.

Shareholder Structure of the 3 Banken Group

Shareholders of BKS Bank AG

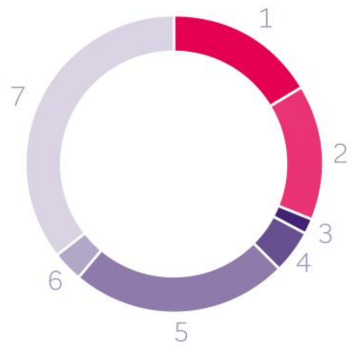
The red highlighting indicates shareholders who have signed syndicate agreements.

in %	by voting share
1 Oberbank AG (incl. subordination syndicate with BVG)	18.1
2 Bank für Tirol und Vorarlberg Aktiengesellschaft	17.9
3 G3B Holding AG	7.4
4 BKS-Belegschaftsbeteiligungsprivatstiftung	2.6
5 UniCredit Bank Austria AG	6.6
6 CABO Beteiligungsgesellschaft m.b.H.	23.2
7 Free float	24.2
Share capital in €	91,611,520
Number of ordinary no-par shares	45,805,760



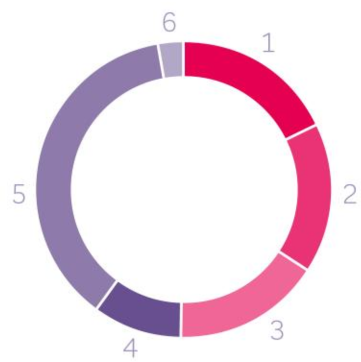
Shareholders of Oberbank AG

in %	by voting share
1 Bank für Tirol und Vorarlberg Aktiengesellschaft (incl. BTV 2000)	16.5
2 BKS Bank AG (incl. sub-syndicate agreement with BVG)	14.7
3 G3B Holding AG	1.6
4 Employee participation	4.7
5 CABO Beteiligungsgesellschaft m.b.H.	23.8
6 UniCredit Bank Austria AG	3.4
7 Free float	35.3
Share capital in €	105,921,900
Number of ordinary no-par shares	70,614,600



Shareholders of Bank für Tirol und Vorarlberg AG

in %	by voting share
1 Oberbank AG*	18.2
2 BKS Bank AG (incl. sub-syndicate members: BTV Privatstiftung, Doppelmayr Seilbahnen GmbH, Vorarlberger Landes-Versicherung V.a.G.)	16.4
3 G3B Holding AG	16.3
4 UniCredit Bank Austria AG	9.9
5 CABO Beteiligungsgesellschaft m.b.H.	37.5
6 Free float	2.8
Share capital in €	74,250,000
Number of ordinary no-par shares	37,125,000



As at 31/12/2023

* including subordination syndicate partners: 3C-Carbon Group GmbH & Co KG; 3SI Invest GmbH; BFI Beteiligungsgesellschaft für Industrieunternehmen mbH; DHB Grundstücks GmbH & Co. KG; Enzian AG; Knapp Schmid FDS GmbH; Nußbaumer Beteiligungs GmbH; PRIMEPULSE SE; RCM GmbH; Schilifte Gampe, Ötztaler Gletscherbahn, Kommanditgesellschaft; Skiliftgesellschaft Sölden - Hochsölden GmbH

History of Our Company

1922 A. v. Ehrfeld enters into a limited partnership with Bayerische Hypotheken- und Wechselbank called Kärntner Kredit- und Wechsel-Bankgesellschaft Ehrfeld & Co.

1928 The efforts to transform the limited partnership into a stock corporation result in the establishment of “Bank für Kärnten”.

1939 The company’s name is changed from “Bank für Kärnten” to “Bank für Kärnten Aktiengesellschaft”.

1964 Work on the branch network commences.

1983 With the expansion into Styria, the company name is changed to “Bank für Kärnten und Steiermark Aktiengesellschaft“ (abbreviation: BKS).

1986 BKS Bank goes public and the ordinary shares are listed on the Official Market of the Vienna Stock Exchange.

1990 First branch opens in Vienna.

1998 Start of international expansion with the establishment of a representation office in Croatia and the acquisition of a leasing company in Slovenia.

2000 First joint marketing of BKS Bank with partner banks as the 3 Banken Group.

2003 Acquisition of a majority stake in Die Burgenländische Anlage & Kredit Bank AG (Die BAnk).

2004 First branch opens in Slovenia and representation office established in Italy.

2005 A representation office is opened in Hungary. The company name is adapted to the expansion of the past years and is renamed BKS Bank AG.

2007 Acquisition of Kvarner banka d.d. and entry into the Croatian banking market. Acquisition of “KOFIS Leasing” in Slovakia.

2011 Market entry into the Slovak banking market.

2015 The renowned rating agency oekom research AG confirms BKS Bank’s “prime” status for the first time.

2016 BKS Bank ordinary shares are added to VÖNIX, the sustainability index of the Vienna Stock Exchange. The Croatian BKS Bank d.d. is merged with BKS Bank AG.

2017 We are the first bank in Austria to issue a social bond. BKS Bank nominated for the first time for the state award for Business Excellence.

2018 The rating agency ISS-ESG (formerly: oekom research AG) reconfirms BKS Bank’s “prime” status.

2019 BKS Bank is the first bank in Austria to receive the State Award for Business Excellence. In Slovenia, we become the largest investment services company after the acquisition of another brokerage firm.

2020 BKS Bank Connect – the digital bank within the Bank – goes live in the summer. In Croatia, we receive the state award for “family-friendly enterprises” in the category of small and medium-sized businesses.

2021 Our total assets exceeded the EUR 10 billion threshold for the first time. We receive the Sustainability Award of Vienna Stock Exchange. Our Sustainability Report 2021 is awarded the Austrian Sustainability Reporting Award (ASRA)

2022 BKS Bank celebrates its 100th anniversary. In our anniversary year, we join the Green Finance Alliance and receive the Sustainability Award of the Vienna Stock Exchange for a second time in a row. "Der Börsianer" names BKS Bank the Most Sustainable Bank in Austria.

2023 Establishment of a leasing company in Serbia. We are very pleased with the numerous awards received in the area of sustainability such as the Environmental Management Award or – for a third successive time – the Sustainability Award of the Vienna Stock Exchange and the ASRA. BKS Bank is EFQM-certified, a Europe-wide certification, with the rating "Recognized for Excellence 6 Star”.

Glossary

Amendment: When changes, additions or improvements are made to existing IFRS standards, they are issued in the form of so-called amendments.

ALM Committee: The Asset/Liability Management Committee is an internal committee of BKS Bank responsible for managing the structure of the balance sheet, the interest rate risk and liquidity.

Entities accounted for using the equity method
These are entities in which no controlling interest is held, but in which it is possible to exert a significant influence on financial and business policy decisions. They are recognized in the consolidated financial statements on a proportionate basis with the share of equity held in the entity. In the consolidated income statement, the group's interest in the net profit is recognized in accordance with the equity interest held.

The **banking book** contains all on-balance sheet and off-balance sheet items recognized in a bank's financial statements that are not assigned to the trading book.

GDP: Gross domestic product (GDP) is the total value of all goods (i.e. goods and services) produced in an economy in a year after deducting all inputs. In order to view GDP without the effect of changes in prices, 'real' GDP is used in which all good and services are valued at the prevailing prices in a base year.

The **Capital Requirements Directive IV** (CRD IV) prepared the ground for a more solid and secure European financial system. The Member States were required to enact this Directive into national law by 31 December 2013. In Austria, this entailed amendments to the Banking Act and related supervisory legislation.

The **Capital Requirements Regulation (CRR I)**, which is directly effective in Austria's legal system, introduced a common minimum set of instruments for national supervisory authorities and, therefore, binding regulations for all Member States, including provisions on equity components, capital requirements, large loans (large investments), liquidity, debt (leverage) and disclosure regulations.

Corporate Social Responsibility (CSR) is an entrepreneurial practice that combines social justice and ecological responsibility with economic goals: systematic, verifiable, transparent and voluntary.

Corporate Volunteering refers to the voluntary work of employees in social projects as well as support for the volunteer work employees already engage in.

The **cost/income ratio** measures the relation between operating expenses and operating income of banks. In this context, the general administrative expenses in a financial year are compared with the operating income of the bank. Operating income is the total of net interest income, net fee and commission income, net trading income and other operating profit or loss. This indicator states the percentage of operating profit used for general administrative expenses and provides information on cost management and cost efficiency. The lower the ratio, the more economically a company operates.

Counterbalancing capacity (CBC) is the name of the liquidity buffer made up of assets that are easily liquidated.

Credit spread: The credit spread is the risk premium and the difference in yield between an interest-bearing security and a risk-free reference interest rate with the same maturity. The credit spread risk is the risk of changes to the creditworthiness and/or risk premium-induced changes in the market price of the securities portfolio with a reference to the interest rate.

DBO: DBO stands for defined benefit obligation, which is the value of an obligation under a company pension plan based on the projected unit credit method.

Derivatives are financial instruments whose own value changes in response to changes in the market prices or expected prices of other financial instruments. They can therefore be used both to hedge against a drop in value or to speculate on gains in the value of the underlying. Options, futures and swaps are the most common types of derivatives.

The **Deposit Facility Rate (DFR)** is the interest rate for the deposit facility. This key lending rate is set by the ECB and defines the amount of interest that banks receive for depositing money overnight with the central bank.

The **deposit concentration** is an indicator used to estimate the withdrawal risk associated with a run on deposits and indicates, above all, the risk of being dependent on large deposits.

Endorsement: An endorsement by the European Union is required for new International Financial Reporting Standards to be applicable in Austria. The endorsement refers to the process by which the European Union adopts International Financial Reporting Standards.

ESG – Environmental, Social and Corporate Governance – are the three central aspects of comprehensive sustainability management. The social impact of investments in companies or of financing by banks is measured against this.

Expected credit loss model: Expected credit losses that may occur in a financial instrument within 12 months of the date of the transaction or throughout the entire life of the instrument (lifetime expected credit loss).

Fair value defines the price at which an asset can be sold or a liability settled by market participants in an orderly transaction under market conditions on the balance sheet date.

The United States Congress enacted **FATCA** (Foreign Account Tax Compliance Act) on 18 March 2010 to ensure that US subjects with accounts abroad meet their tax obligations. Under the act, all banks are obliged to identify customers with US ties and – if they consent – to report their names to the US tax authorities.

FATF (Financial Action Task Force on Money Laundering) is an international anti-money laundering body based at the OECD in Paris. Its task is to analyse money laundering and terrorism financing methods and develop measures to combat them.

Forbearance is the term for concessions made to debtors (e.g. modifications of agreements) if they are at risk of no longer being able to meet their payment obligations. The term encompasses loans, bonds and revocable and irrevocable loan commitments with the exception of held-for-trading exposures. According to the European Banking Authority (EBA) guidance, forbearance status must be reported on a quarterly basis.

The **Green Asset Ratio (GAR)** indicates the proportion of a bank's transactions eligible to be classified as sustainable under Regulation (EU) 2020/852 (Taxonomy Regulation).

Business model pursuant to IFRS 9: Pursuant to IFRS 9, financial instruments must be assigned to a business model. The business model defines how financial instruments are managed and measured.

The **going concern principle** is the principle according to which financial statements and risk assessments view the entity as continuing in business unless actual or legislative circumstances dictate otherwise. Among other things, this is important when measuring assets.

Green bonds are bonds for which proceeds of the issue are used exclusively for the pro rata or full financing or refinancing of eligible green projects and that meet all four core components of the Green Bond Principles. These may be new and/or already existing projects. The green projects selected must aim to create a clear benefit for the environment, which can be evaluated, and where feasible, quantified.

The **trading book** contains all positions held by a bank within the scope of its proprietary trading in financial instruments that it holds for re-sale or has acquired so as to exploit, on a short-term basis, existing or expected differences between buying and selling prices or movements in prices or interest rates. Positions not included in the trading book are assigned to the banking book.

Hedging is used to protect existing or future positions against the exposure to risks such as currency and interest rate risks. It involves taking a counter-position to another position so as to completely or partially offset risk.

Historical simulation is a statistical method for measuring value at risk using historical time series data.

ICAAP (Internal Capital Adequacy Assessment Process) is the name of the extensive process and associated strategy by which banks decide the amount, composition and distribution of their (internal) capital resources. The distribution of economic capital steers and limits all material operational risks and other banking risks.

IFRS earnings per share are consolidated profit for the year after tax divided by the average number of an entity's shares in issue.

ILAAP (Internal Liquidity Adequacy Assessment Process) is, apart from ICAAP, a procedure for assessing the adequacy of internal liquidity pursuant to pillar 2 and thus an important risk management instrument for a credit institution.

The **International Financial Reporting Standards** (IFRSs) are the financial reporting standards issued by the International Accounting Standards Board (IASB) in the form of individual standards. The purpose of IFRS-compliant annual financial statements is to give investors information of relevance for their decisions regarding an entity's assets, liabilities, financial position and profit or loss as well as changes therein over time. By contrast, annual financial statements prepared in accordance with the Austrian Business Code (Unternehmensgesetzbuch, UGB) are primarily geared to protecting creditors.

The **International Standards on Auditing** (ISA) are internationally accepted standards for carrying out annual audits that must be adhered to in accordance with the International Financial Reporting Standards (IFRS). They are published in the annual manual of the International Federation of Accountants (IFAC).

ISIN stands for International Securities Identification Number. The ISIN is used for the unique global identification of securities. An ISIN is a 12-character alphanumerical code comprising a two-character international country ID (e.g. AT for Austria), a nine-character national code and a one-digit control key. The ISIN of BKS Bank AG's ordinary shares is AT0000624705.

ISS-ESG (formerly oekom research AG) is a leading global rating agency in the segment of sustainable investments. Its registered office is located in Munich. It rates companies and countries. Additionally, it also provides strategy consulting on many sustainability topics.

Tier 1 capital is divided into common equity tier 1 equity and additional tier 1 capital. Common equity tier 1 capital consists of the share capital, retained earnings and other reserves. The additional components of tier 1 capital include securitised liabilities that meet the requirements of CRR Article 52.

Key audit matters are the most important audit matters that in the view of the auditor pose the greatest risk of containing a material misstatement.

The **"Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung (KIM-V)"** is a regulation issued by Austria's Financial Market Authority (FMA) to limit the systemic risks associated with debt financing of residential real estate. The FMA regulation has been legally binding as of 1 August 2022 for newly granted residential real estate financing. The FMA regulation imposes a strict regime for loan/value and debt service ratios.

The **price/earnings ratio** (P/E) is important to investors when assessing shares. To calculate it, the share's stock market price is divided by the per-share earnings recorded or expected in the respective period. If the P/E ratio is relatively low, the shares are assessed as inexpensive; if the P/E ratio is relatively high, the shares are considered expensive.

The **leverage ratio** measures the relationship between common equity tier 1 capital and non-risk weighted assets including off-balance sheet items. Its purpose is to restrain business models that are based on lending large amounts to prime borrowers while keeping capital charges to a minimum.

Lifetime expected loss: Lifetime expected losses are the expected credit losses caused by all possible default events over the expected life of a financial instrument.

The **liquidity coverage ratio** (LCR) tests whether a bank is in a position to remain liquid for the next 30 days in the event of simultaneous market and bank-specific stress situations. It compares highly liquid assets with the expected net cash outflow (cash inflow less cash outflow) in the coming 30 days.

Loan-to-deposit ratio is the relationship between loans to primary deposits. This indicator describes the percentage at which loans can be refinanced by primary deposits.

The **Main Refinancing Operations Interest Rate (MRO)** is the main refinancing interest rate set by the ECB. It is one of the three key lending rates defined by the ECB. Banks may obtain refinancing from the ECB at this interest rate.

Market capitalisation is the stock market value of a company on a given date. It is calculated by multiplying the number of shares in issue by the current stock market price of one share.

MiFID, MiFID II (Markets in Financial Instruments Directives) lay down uniform rules for investment services provided within the European Economic Area. The main objectives of MiFID are to heighten market transparency, to strengthen competition among providers of financial services and in this manner improve investor protection. MiFID II/MiFIR aims to improve the current rules and regulations. It focuses on trade on regulated platforms and on increasing the transparency of high frequency trading.

Minimum Requirement for Eligible Liabilities (MREL): Minimum requirement for own funds and eligible liabilities pursuant to Art. 45 BRRD (Bank Recovery and Resolution Directive). EU Member States must ensure that credit institutions at all times meet the minimum requirements for own funds and eligible liabilities in the event of winding up.

Modified duration is a measure of the sensitivity of a financial investment to interest rates. It provides a means of approximating future changes in market value.

Net stable funding ratio (NSFR): This ratio gauges the stability of funding over a horizon of more than one year. The NSFR is intended to ensure that the amount of longer-term (stable) funding is at least sufficient relative to the liquidity profiles of the assets funded. The aim is to reduce banks' dependence on the functioning and liquidity of the inter-bank market.

The calculation of the **NPL ratio** is based on non-performing loans in the rating classes 5a to 5c of the BKS Bank rating system (default classes), which are compared to gross receivables from loans to customers, contingent liabilities, loans to banks and fixed-interest securities.

ÖGNI (Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft): The Austrian Society for Sustainable Real Estate is a non-governmental organization for the promotion of sustainability in all aspects of the construction and real estate industry in Austria.

ÖNACE is the Austrian version of the European system for the industrial classification of economic activities called NACE (Nomenclature statistique des activités économiques dans la Communauté européenne). The current NACE-compatible nomenclature is ÖNACE 2008.

Payment Services Directive: The Payment Services Directive (PSD, PSD 2) is the legal basis for creating a single market for payments in the EU.

Primary deposit balances consist of the customer assets made available to a bank in the form of savings, sight and time deposit balances, securitised liabilities and subordinated debt capital.

The **projected unit credit method** is an actuarial valuation method used to measure obligations under company retirement benefit schemes stipulated in the international financial reporting standard IAS 19 and in many foreign accounting standards. On each measurement date, only the part of the obligation that has already been earned is measured. The present value of the earned part of the obligation is known as the defined benefit obligation.

Return on assets (ROA) is profit (net profit for the year after minority interests) expressed as a percentage of the average total assets.

Return on equity (ROE) before or after tax expresses the relationship between profit before or after tax and average equity. This indicator describes the returns earned on equity by a company. The higher the indicator, the more profit the company has made in relation to its equity.

Risk/earnings ratio (RER) The ratio indicates the credit risk expenses in relation to net interest income. This percentage states what proportion of net interest income has been used to cover credit risk.

Social bonds are bonds for which proceeds of the issue are used exclusively for the proportionate or full financing or refinancing of eligible social projects and that meet all four core components of the Social Bond Principles. The projects selected should aim to create a clear benefit for society, which can be evaluated, and where feasible, quantified.

The term **solvency** expresses the relationship between the own funds requirement arising from a bank's (weighted) balance sheet assets and off-balance sheet items and its eligible own funds within the meaning of the CRR. Solvency is regulated in the CRR.

SPPI criterion: The SPPI criterion is used for the classification and assessment of financial instruments. SPPI stands for "solely payment of principal and interest" and is used to determine the contractually-agreed payment flows of a financial asset. SPPI conformity means that the interest reflects the charge for the time value of money, for the default risk and for other fundamental risks, for the costs of the loan transaction and the profit margin. The details of the SPPI criterion in combination with the business model results in a specific classification and assessment pursuant to IFRS 9.

Supervisory Review and Evaluation Process (SREP): Under the Pillar 2 Framework of the New Basel Capital Accord (bank supervision review process), the Supervisory Review and Evaluation Process is part of the process of reviewing and evaluating a bank's risk management and the adequacy of its ICAAP alongside the internal capital adequacy assessment process itself. In Austria, the process is carried out by the Financial Market Authority (FMA) acting as the competent supervisory authority for less significant banks. It also includes reviewing adherence to all relevant regulations, identifying breaches and imposing regulatory sanctions.

Swap is the English designation for a swap transaction. Parties to a swap exchange financial obligations, with fixed-interest obligations being exchanged for variable ones (interest rate swap) or sums in different currencies being exchanged (currency swap). Interest rate swaps make it possible to hedge against interest rate risks, resulting in a fixed interest rate that provides a solid foundation for calculations. Currency swaps make it possible to hedge against foreign exchange risks by swapping amounts denominated in different currencies together with the associated interest payments.

The **total risk exposure amount** is the sum of the assets weighted for counterparty risk including the requirements for operational risk, off-balance sheet items and special off-balance sheet items in the banking books determined in accordance with Austrian regulatory provisions for banks.

Value-at-risk analysis is a method for quantifying risk. It measures the potential future loss that, within a specified holding period and with a specific probability, will not be exceeded.

Consolidated entities are material, controlled entities whose assets, equity, liabilities, income and expenses net of consolidation items are accounted for in their entirety in consolidated financial statements.

List of Abbreviations

ABGB	Allgemeines Bürgerliches Gesetzbuch (Austrian Civil Code)
AfA	Absetzung *für Abnutzung* (depreciation and amortization)
AktG	Aktiengesetz (Austrian Stock Corporation Act)
ALGAR	ALPENLÄNDISCHE GARANTIE – GESELLSCHAFT m.b.H.
AML	Anti-Money Laundering
APM	Aktiv-Passiv-Management (ALM - asset/liability management)
APRÄG 2016	Abschlussprüfungsrechts-Änderungsgesetz 2016 (Austrian Act Amending Audit Regulations of 2016)
AR	Aufsichtsrat (Supervisory Board)
ArbVG	Arbeitsverfassungsgesetz (Austrian Labour Act)
ASRA	Austrian Sustainability Reporting Award
AT1	Additional Tier 1 Capital
AVÖ	Aktuarvereinigung Österreichs (Actuarial Association of Austria)
BaSAG	Austrian Federal Act on the Recovery and Resolution of Banks
BCM	Business Continuity Management
BP	Basis point
BSG	BKS Service GmbH
BTV AG	Bank für Tirol und Vorarlberg Aktiengesellschaft
BVG	Beteiligungsverwaltung Gesellschaft m.b.H.
BWG	Bankwesengesetz (Austrian Banking Act)
CBC	Counterbalancing capacity
CCF	Credit Conversion Factor
CCPA	California Consumer Privacy Act
CET1	Common equity tier 1 capital
CHF	Swiss franc
CIA	Certified Internal Auditor
CIO	Chief Information Officer
CNY	International currency symbol for the Chinese renminbi (yuán)
CO_2	Carbon dioxide
CO_2 equiv.	Carbon dioxide equivalents
COO	Chief Operating Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRD	Capital Requirements Directive (EU)
C Rules	“Comply or explain” rules (Austrian Code of Corporate Governance)
CRR	Capital Requirements Regulation
CSR	Corporate social responsibility
CSRBB	Credit spread risk in the banking book
CSRD	Corporate Sustainable Reporting Directive
D	Diskontsatz (discount rate)
DBO	Defined benefit obligation
DCF method	Discounted cash flow method
DGNB	Deutsche Gesellschaft für nachhaltiges Bauen (German Sustainable Building Council)
DORA	Digital Operational Resilience Act
DFR	Deposit Facility Rate
EAD	Exposure at default
EBA	European Banking Authority
ECL	Expected credit loss
EMAS	Eco-Management and Audit Scheme
ESEF	European Single Electronic Format
ESG	Environmental, Social, Governance
EESCB	European System of Central Banks
EUREX	European Exchange (financial derivatives exchange)
EVE	Economic value of equity
EWB	Einzelwertberichtigung (specific impairment allowance)
ECB	European Central Bank
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force on Money Laundering
FBSchVG	Austrian act on covered bonds issued by banks
FI	Financial instruments
FLI	Forward-looking information
FMA	Austrian Financial Market Authority
FM-GwG	Financial Markets - Anti-money Laundering Act
FV	Finanzielle Vermögenswerte (FA, financial assets)
FV OCI	Fair Value Through Other Comprehensive Income
FV PL	Fair Value Through Profit or Loss
FX-Quote	Foreign exchange ratio
GAR	Green asset ratio
GBP	British pound
GHG Protocol	Greenhouse Gas Protocol
GL	Guidelines
GRI	Global Reporting Initiative
GWh	Gigawatt hour
GuV	Gewinn- und Verlustrechnung (profit/loss account)
HRK	Croatian kuna
IAS	International Accounting Standards
IASB	International Accounting Standards Board

ICAAP	Internal Capital Adequacy Assessment Process
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ICS	ICS internal control system
ICT	Information and Communication Technology
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest Rate Risk in the Banking Book
ISA	International Standards on Auditing
ISIN	International Securities Identification Number
IMF	International Monetary Fund
JPY	Japanese yen
n.a.	Not available
KGV	Kurs-Gewinn-Verhältnis (Price/earnings ratio, P/E ratio)
KV	Collective agreement
LAA	Loss absorption amount
LCR	Liquidity coverage ratio
LDR	Loan/deposit ratio
LGD	Loss given default
L Rules	”Legal Requirements” rules (Code of Corporate Governance)
m	marginal
MCC	Market confidence charge (premium for maintaining market confidence)
MiFID II	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
MREL	Minimum Requirement for Eligible Liabilities
n/a	not applicable
NaDiVeg	Nachhaltigkeits- und Diversitätsverbesserungsgesetz (Austrian Sustainability and Diversity Improvement Act)
NGOs	Non-governmental Organizations
NII	Net interest income
NPL ratio	Non-performing loan ratio
NSFR	Net stable funding ratio
ÖCGK	Österreichischer Corporate Governance Kodex (Austrian Code of Corporate Governance)
OCI	Other Comprehensive Income
OECD	Organisation for Economic Cooperation and Development
OeKB	Oesterreichische Kontrollbank AG
OeNB	Oesterreichische Nationalbank
OGH	Oberster Gerichtshof (Supreme Court)
ÖGNI	Austrian Society for Sustainable real estate management (Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft)
ÖGVS	Österreichische Gesellschaft für Verbraucherstudien (Austrian Society for Consumer Studies)
ÖNACE	Austrian version of NACE Nomenclature statistique des activités économiques dans la Communauté européenne)
OR Committee	Operational Risk Committee
PCAF	The Partnership for Carbon Accounting Financials
PD	Probability of default
pEWB	pauschalierte Einzelwertberichtigung (general impairment allowance)
FTE	Personnel in full-time equivalents
RCA	Recapitalization amount
RER	Risk/earnings ratio
ROA	Return on assets
ROE	Return on equity
R Rules	“Recommendation” rules of the Austrian Code of Corporate Governance
SIC	Standing Interpretations Committee
SPPI Criterion	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
t	tons
TLTRO	Targeted longer-term refinancing operation
ÜbG	Übernahmegesetz (Takeover Act)
UGB	Unternehmensgesetzbuch (Austrian Business Code)
USD	US dollar
VAR	Value-at-risk
pr.yr.	preceding year
CEO	Chairperson of the Management Board
Vice Chair	Vice Chairperson of the Management Board
WAG	Wertpapieraufsichtsgesetz (Austrian Securities Supervision Act)
WIFO	Österreichisches Institut für Wirtschaftsforschung (Austrian Institute of Economic Research)
WTO	World Trade Organization
Xetra	Exchange Electronic Trading automated trading system used on the Vienna Stock Exchange)
XHTLM	Extensible Hypertext Markup Language

Forward-looking Statements

This annual report contains statements and forecasts that refer to the future development of the BKS Bank Group. The forecasts are our estimates based on the information at our disposal on the copy deadline 1 March 2024. Should the assumptions on which the forecasts are based fail to materialize or the risks described in the Risk Report occur, the actual results may differ from those currently expected. This Annual Report does not constitute a recommendation to buy or sell shares of BKS Bank AG.

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