Making a Difference

Annual Report 2020

Live and experience warm-heartedness

What distinguishes an independent, regional branch-based bank from a major international bank or one of its subsidiaries today? The personal relationships with local customers. Our relationships and our roots in the region are what make the individual support and services we provide an experience for the heart and soul of our customers.

It is precisely this idea of warm-heartedness in relationships that is at the core of our business philosophy. Personal relationships are very important to us and help us offer not only excellent advice, services and products, but also create networks that foster common values as a way to better master future challenges.

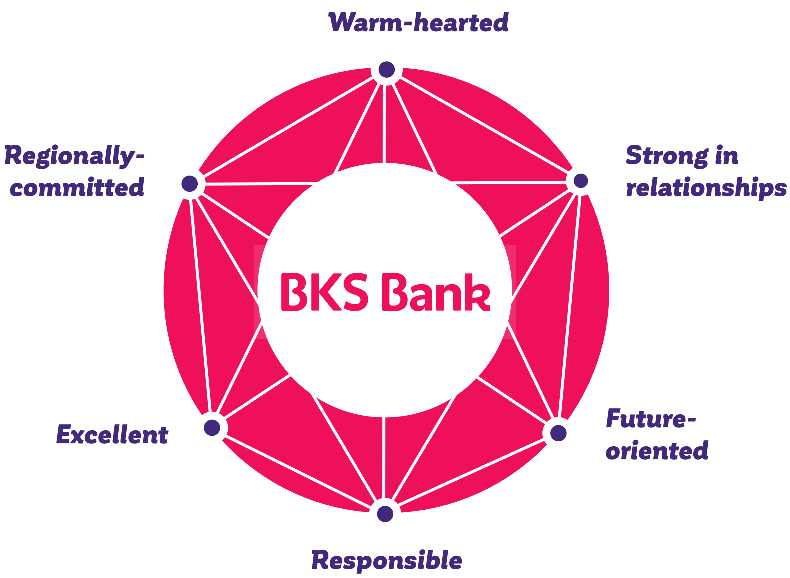
To highlight and communicate our philosophy visually to the world, last year we redesigned our corporate branding and image to align it with our core values. This included creating a new logo and also reviewing our product portfolio and the tonality of how we address people as well as the new design concept for our branches.

We have remained true to our traditions and values, which is precisely why it is important to us to make a difference.

Our new branding style shows what we stand for

The brand reflects our nature and our ethos. The new branding and design sends an important message to our customers, partners and employees.

Our corporate values
Who we are



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.

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

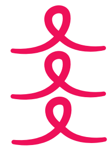
Future-oriented
We are curious, recognize trends that fit our mission early on, and take advantage of these with a view to future benefits without losing sight of what is essential.

Excellent
We do only what we are actually capable of, but better than our competitors and exceed the expectations of our counterparts.

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

Red for warm-heartedness

Purple for future-oriented



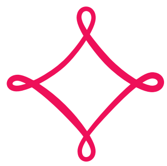
Regionally-committed

Strong in relationships

Warm-hearted

Responsible

Future-oriented



Excellent

This is our new **branding style**

Soft shapes, friendly colours, red for warm-heartedness

Warm-heartedness and proximity to customers are also expressed in images. We show the people, the region, and the world in which we are at home.

Just as we have warm-hearted relationships with our customers, we hope to convey the same warmth to the outside world.

This is true for the entire new branding style. Red stands for warm-heartedness and contrasts with purple for forward-looking. Round shapes predominate. The warm and friendly overall image created is supported by the design of the new typography.

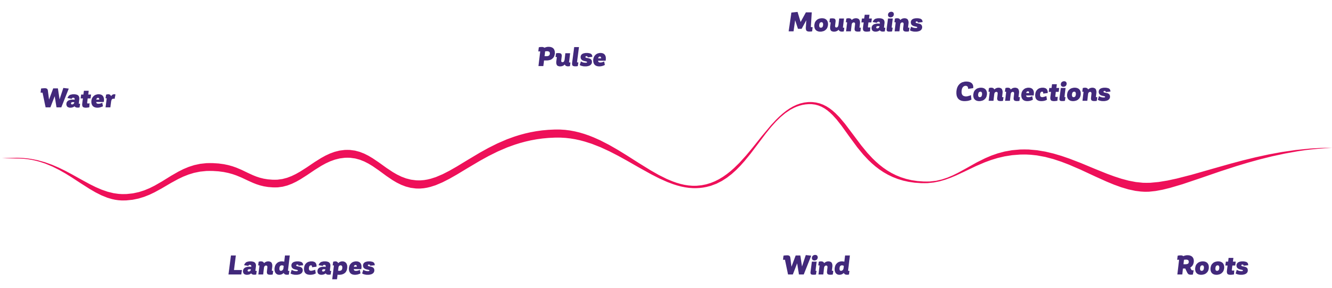


Table of Contents

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

Three-year performance comparison

Income Statement in €m	*2018*	*2019*	*2020*
Net interest income	129.7	135.8	135.6
Impairment charges	18.3	18.6	25.0
Net fee and commission income	55.5	58.2	64.3
General administrative expenses	114.6	121.0	123.2
Profit for the period before tax	87.0	103.1	84.9
Profit for the period after tax	77.4	92.9	74.8
Balance Sheet in €m			
Total assets	8,434.9	8,857.6	9,856.5
Receivables from customers after impairment charges	5,918.0	6,288.1	6,570.0
Primary deposits	6,218.2	6,668.3	7,399.3
• thereof savings deposits	1,429.4	1,413.5	1,401.7
• thereof securitised liabilities evidenced by paper incl. subordinated debt capital	750.7	854.4	857.0
Shareholders' equity	1,210.7	1,301.5	1,362.7
Customer funds under management	14,518.4	18,548.0	18,958.5
• thereof on custody accounts	8,300.2	11,879.7	11,559.2
Own funds pursuant to CRR in €m			
Total risk exposure amount	5,283.1	5,449.6	5,664.1
Own funds	779.2	881.4	916.1
• thereof common equity tier 1 (CET1) capital	593.7	629.6	669.3
• thereof total tier 1 capital (CET1-AT1)	645.2	690.8	725.2
Tier 1 capital ratio (in %)	12.2	12.7	12.8
Total capital ratio (in %)	14.8	16.2	16.2
Performance Ratios			
Return on equity after tax	6.8	7.4	5.6
Return on assets after tax	1.0	1.1	0.8
Cost/income ratio (expenses/income coefficient)	50.3	50.7	53.9
Risk/earnings ratio (credit risk/net interest income)	10.5	10.2	18.5
Non-performing loan ratio (NPL ratio)	3.3	2.4	1.7
Net stable funding ratio (NSFR)	110.2	112.4	117.2
Liquidity coverage ratio (LCR)	137.7	151.8	158.1
Leverage ratio	7.5	7.8	8.0
Resources			
Average number of staff	932	962	963
Number of branches	63	63	64
The BKS Bank's Share			
Number of no-par ordinary shares (ISIN AT0000624705)	41,142,900	41,142,900	41,142,900
Number of ordinary no-par shares ISIN (AT0000A2HQD1)			1,800,000
Number of no-par preference shares ISIN (AT0000624739)	1,800,000	1,800,000	-
High (ordinary/ordinary-conversion/preference share) in €	19.8/-/18.2	17.2/-/17.0	16.0/13.6/15.0
Low (ordinary/ordinary-conversion/preference share) in €	16.5/-/16.9	15.0/-/13.4	11.3/11.8/10.3
Close (ordinary/ordinary-conversion/preference share) in €	16.8/-/17.0	16.0/-/14.3	12.5/13.6/0.0
Market capitalisation in €m	721.8	684	538.8
Dividend per share in EUR	0.23	0.12	0.12[1)]
Price/earnings ratio ordinary/preference share	9.2/-/9.3	7.4/-/6.7	7.3/7.9/0.0

[1)] Proposal to the 82nd Annual General Meeting of BKS Bank AG on 17 May 2021

Preface by the Chairwoman of the Management Board

Dear Readers,

We have always moved fast when faced with challenges, and this approach has helped us stay profitable - also in economically difficult times. We achieved many of our strategic milestones this year, despite the exceptional situation, and we can report solid earnings.

With the market launch of the BKS Bank Connect app, we created a digital bank within BKS Bank. BKS Bank Connect is designed for tech-savvy customers who conduct their banking transactions online, but nonetheless wish to benefit from our advisory expertise. BKS Bank Connect is an important supplement to our branch network. As a branch-based bank that offers its customers excellent advisory services and innovative digital offers, BKS Bank will continue to invest in new branches. In the year 2020, we opened a new branch in Zagreb. Thus, we now operate 64 branches in Austria, Slovenia, Croatia and Slovakia with 1,133 employees.

We are Austria's most sustainable bank

Our bank is known for its strong sense of responsibility and as an industry leader in sustainability. We are pleased to report that we were successfully EMAS re-certified in the reporting year and also completed certification as a Green Brand. Green Brand is an EU quality brand awarded exclusively to companies that run their businesses in line with the principles of ecological accountability. Shortly before the end of the year, we were named the "most sustainable bank in Austria" for a second time by the magazine "Der Börsianer". In Croatia, we received the state award for "family-friendly enterprises" in the category of small and medium-sized businesses. These are just a few examples of the awards received. We are very proud of these accolades, which also set the benchmark for our future work.

We updated our sustainability strategy in the reporting year under the motto "With accountability into a liveable future" to secure our competitive edge over the long term. The Green Deal and the "EU Action Plan for Financing Sustainable Growth" pave the way for a climate-neutral future. As a bank, we can channel funding flows into projects that are economically and ecologically sound. Thus, in 2020 we expanded the volume of our sustainable products from EUR 400 million to EUR 580 million. This means that we are already earning 5.9% of total assets with sustainable finance and investment products and our goal is to increase this share to 15% by 2025. We issued green and social bonds again in the reporting year and for the first time we introduced a sustainable account on the market. The account type "Natur & Zukunft" contributes to the reforestation of protective forests and the prevention of climate change.

Strong in relationships

In 2020, responsible business practices were not only called for with a view to the environment and climatic protection, but also in our interactions with one another. The coronavirus pandemic strongly dominated our daily business. We took numerous measures to protect the health of our customers and employees. For example, we set up our own testing site, installed protective shields in our customer zones, and enlarged our range of digital banking options to enable safe banking transactions from home. BKS Bank was an important partner for the economy in such trying times. Our branches were always open. We conducted many advisory talks via video conference and over the telephone regarding the financial aid measures of the EU and the government investment bonus scheme, issued bridging loans with a total volume of around EUR 160.4 million and granted 4,178 loan deferrals.

We hope that the coronavirus pandemic will be brought under control in the coming months so that we can return to normalcy in our everyday lives.

Clear increase in total assets

We are pleased to be able to report positive news on the development of our key balance sheet figures despite the enormous challenges we are facing. Total assets clearly surpassed the EUR 9 billion mark in the reporting year and reached EUR 9.9 billion at year-end. Primary deposits broke a new record, climbing to EUR 7.4 billion, and the credit volume also increased gratifyingly by 4.4% to EUR 6.7 billion .

Lower profit for the year

As expected in the light of the general economic situation, the profit of EUR 74.8 million for the year was lower than in the preceding record year of 2019. This is due mainly to the negative interest rate policy of the ECB and also to declining income on equity investments. The service operations developed very satisfactorily, in particular, the securities business.

As a shareholder you may know that we are still dealing with an unpleasant issue, namely, the legal actions filed against us by UniCredit Bank Austria AG and one of its subsidiaries. The complaints concern not only BKS Bank but also Oberbank AG and Bank für Tirol und Vorarlberg AG. Meanwhile, there have been numerous rulings in favour of 3 Banken Group.

One of the decisions is the one handed down by the Supreme Court (Oberstes Gerichtshof) that rejected with final effect the petition of UniCredit to enforce a special audit going back to the year 1994 for BKS Bank as well as BTV.

We hope that the series of failed lawsuits before the courts of law will motivate the management of the UniCredit group in Vienna and Milan to revise their views. The decisions handed down up to now state that we have always acted correctly and that the arguments presented by UniCredit have no foundation in law. We have excellent legal counsel and want to concentrate on what is important at present: helping our customers come out of the coronavirus crisis as well as possible.

Finally, I would like to express my most sincere appreciation to our employees for their unwavering commitment and hard work in such a challenging year, and also our customers for their loyalty and the trust placed in the BKS Bank. I also want to thank you, dear shareholders, for your investment and fidelity to BKS Bank.

Cordially,

Herta Stockbauer
Chairwoman of the Management Board

As a branch-based bank with regional roots, we set great store by personal relationships with customers. Warm-heartedness and proximity are part and parcel of our branding style.

Herta Stockbauer
Chairwoman of the Management Board

Corporate Governance Report

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 highly responsible business policy.

Austrian Code of Corporate Governance (ÖCGK)

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

Key principles such as the equal treatment of all shareholders, transparency, independence of supervisory board members, open communication between supervisory board and management board, avoidance of conflicts of interest and supervision by the supervisory board and auditors have the aim of strengthening investor and customer 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 for them. The Code also contains R Rules ("Recommendations") that are only recommendations. Where R Rules are not complied with, a company need neither disclose nor justify such non-compliance. The special rules applicable to banks and insurance companies are not affected by the Code. The Code does not require the disclosure of operational or business secrets.

Commitment to 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 the ÖCGK. The Supervisory Board renewed its commitment to the ÖCGK at the first meeting of the Supervisory Board on 29 March 2020.

BKS Bank complied with the L Rules in the reporting year; in the case of the C Rules there were some departures that resulted from the specific situation of BKS Bank AG and the 3 Banken Group. The table below explains and provides reasons for the departures from C Rules 2 and 45. In accordance with footnote 12 on L Rules 60, this Corporate Governance Report does not include information on the total remuneration paid to each member of the management board and the principles of the remuneration policy. This information is contained in the Remuneration Report which is published separately.

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

This report describes the corporate governance structures and processes established at BKS Bank. The report was prepared in accordance with § 243c and § 267b Austrian Business Code and meets the requirements of the Sustainability and Diversity Improvement Act (NaDiVeG).

The structure of the report takes guidance from the provisions in Annex 2a of ÖCGK. Further topics of relevance for the Code of Corporate Governance such as shareholder structure and the Annual General Meeting, 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.

External evaluation pursuant to C Rule 62

C Rule 62 of ÖCGK states that compliance with the C Rules must be evaluated externally on a regular basis at least every three years. In the reporting year, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft audited compliance with the C Rules on the basis of the Corporate Governance Report from financial year 2019 with the exception of Rules 77 to 83. The external audit revealed that BKS Bank fully meets the requirements of ÖCGK. The findings of the audit were discussed at the 2nd meeting of the Audit Committee in September 2020 and the Supervisory Board was informed.

Explanations of BKS Bank on Departures from the C Rules

Rule 2 C ("one share – one vote")

Based on a resolution adopted in 1991, BKS Bank also issued non-voting preference shares apart from ordinary shares. The preference shares come with a preferred dividend right which offers shareholders an attractive investment alternative opportunity. At the Annual General Meeting of 29 May 2020, the conversion of the preference shares into ordinary shares decided. This resolution was confirmed at the shareholders' meeting of preference shares of 9 June 2020 with the required three-quarters majority vote of the shareholders represented. The registration of the conversion in the Companies Register was done on 31 October 2020. Since the conversion, there have only been BKS Bank ordinary shares. Each of the ordinary no-par shares issued by BKS Bank represent just one vote. No single shareholder had a disproportionately large share in voting rights. Therefore, since 31 October 2020 BKS Bank has complied with Rule 2 C of ÖCGK and will no longer publish an explanation to this Rule.

C Rule 45

Because of the way our shareholder structure has evolved, representatives of the largest equity holders have been elected to the Supervisory Board. Since our principal equity holders are likewise banks, their representatives also hold positions on the boards of other banks that compete with BKS Bank. These persons have declared their independence in individual statements.

The Rules of the Code of Corporate Governance apply to all companies of the BKS Bank Group. All Group companies are included in the reporting of the BKS Bank Group. Additionally, the directors of these subsidiaries report regularly to their supervisory boards and to the management board of the parent company.

They are closely involved in the risk and compliance management systems of the BKS Bank Group.

The remuneration principles as adopted by the Supervisory Board of BKS Bank AG also apply to the management staff.

Regular reports are given to the Supervisory Board of the parent company on developments at significant subsidiaries with business operations.

The European supervisory authorities EBA and ESMA published Guidelines in September 2017 on the assessment of the suitability of members of the management body and key function holders (ESMA71-99-598 EBA/GL/2017/12) as well as Guidelines on Internal Governance (EBA/GL/2017/11). Austria's legislators specified the provisions of both Guidelines in the Banking Act and passed these into national law. All provisions were complied with in the reporting year.

The provisions of the Second Shareholder Rights Directive II of the EU have been fully enacted in Austrian law since 3 September 2020 and have resulted, among other things, in the following innovations:

Exchange-listed joint-stock companies such as BKS Bank may demand from intermediaries such as custodians that hold company shares in custody for certain shareholders to identify shareholders that hold more than 0.5% of shares or voting rights. The purpose is to facilitate direct communication between the company and its shareholders, for example, regarding the Annual General Meeting or other corporate actions.

Transactions of exchange-listed companies with related parties, so-called "related party transactions" must be approved by the Supervisory Board in advance if the value of the transaction exceeds 5% of total assets. These must also be published on the website of the company if the value exceeds 10% of the total assets.

Within the scope of its activities as an asset manager, an exchange-listed joint stock company must disclose the engagement policy it pursues in on its website or it must explain why it does not publish the engagement policy.

Information on the internet on ÖCGK and BKS Bank

	Websites:
Austrian Code of Corporate Governance (ÖCGK)	www.corporate-governance.at
The BKS Bank's share	www.bks.at/investor-relations/die-bks-bank-aktie
Shareholder Structure	www.bks.at/investor-relations/aktionaersstruktur
Financial Calendar	www.bks.at/investor-relations/unternehmenskalender
Annual General Meeting	www.bks.at/investor-relations
Corporate Governance • Conformity Declaration of BKS Bank AG • Guidelines for Independence • BKS Bank's Report on the Code of Corporate Governance • Publications pursuant to § 65 Banking Act regarding Corporate Governance & Remuneration • Articles of Association of BKS Bank	www.bks.at/investor-relations/corporate-governance
Business, Financial and Sustainability Reports of BKS Bank	www.bks.at/investor-relations/berichte-und-veroeffentlichungen
Disclosure pursuant to CRR	www.bks.at/investor-relations/berichte-und-veroeffentlichungen
Press Releases of BKS Bank	www.bks.at/news-presse

Management Board and Supervisory Board

Working Procedures of the Management Board

The Management Board is accountable for the management of the BKS Bank Group, giving due consideration to the interests of shareholders, employees, customers and the general public. The Management Board manages the bank's operations on the basis of the law, the Articles of Association and the internal business rules. The Management Board determines the strategic orientation of the bank, defines the corporate goals and coordinates the corporate strategy with the Supervisory Board. The Management Board takes the appropriate measures to ensure compliance with all relevant laws and guarantees efficient risk management and risk control.

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

As a rule, Management Board decisions are reached unanimously. The principle of dual control applies to the signing of contracts and to risk-sensitive internal approvals. An extensive internal reporting system supports the careful preparation of Management Board decisions.

Members of the Management Board

In the reporting year, there were three jointly responsible members on the Management Board of BKS Bank. The areas of responsibility of the Management Board are presented on page 23.

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

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

Mandates in companies included in the group of consolidated companies:
- Member of the Supervisory Board of Oberbank AG, until 25 November 2020 Chairwoman of the Supervisory Board
- Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft, until 10 June 2020 Vice Chairwoman

Mandates in other Austrian companies not included in the group of consolidated companies:
- Member of the Supervisory Board of Österreichische Post Aktiengesellschaft until 17 June 2020
- Member of the Supervisory Board of Oesterreichische Kontrollbank Aktiengesellschaft

- Member of the Supervisory Board of Einlagensicherung AUSTRIA Ges.m.b.H

Further positions:
- Member of the Board of Directors of the Austrian Bankers' Association (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
- Vice President of respACT – Austrian Business Council for Sustainable Development
- Honorary Consul for Sweden

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

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

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

Mandates in other Austrian companies not included in the group of consolidated companies:
- Member of the Expert Advisory Council of 3 Banken IT GmbH

Further positions:
- President of the Carinthian Economics Society (Volkswirtschaftliche Gesellschaft)

Alexander Novak
Member of the Management Board, born 1971
Date of initial appointment: 1 September 2018
End of the period of office: 31 August 2021

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

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

Working Procedures of the Management Board

Herta Stockbauer	Dieter Kraßnitzer	Alexander Novak

Interne Audit
Compliance
Anti-Money Laundering
Responsible management member in the meaning of § 23 (4) Financial Market Anti-Money Laundering Act (Finanzmarkt-Geldwäschegesetz):
Dieter Kraßnitzer
Due Diligence and Risk Management
as defined in the internal business rules, ÖCGK and supervisory law

Herta Stockbauer	Dieter Kraßnitzer	Alexander Novak
• Sales Austria • Private Banking • Customer Departments • Accounting and Sales Controlling • Human Resources • Public Relations and Marketing • CSR and Sustainability • Subsidiaries and Investments in Austria • Investor Relations	• Risk Management • Risk Controlling • Credit Back Office, BKS Service GmbH • ICT, Business Organisation, 3 Banken IT Gesellschaft m.b.H. • Treasury Back Office, Securities Services • International Business: Back Office and Risk Management	• International Sales • Treasury and Banking Support • BCS Fiduciaria • Leasing and Real Estate Subsidiaries International • ICT International

As at 31/12/2020

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.

Working Procedures of the Supervisory Board

The Supervisory Board pursues the goal of fulfilling its supervisory and advisory functions optimally based on expert qualification, diversity and personal competence of its members.

The Supervisory Board of BKS Bank consists of ten shareholder representatives and four members delegated by the Works Council. The Supervisory Board provides consulting and monitors the work of the Management Board in both the plenary meetings and also in each of the Committees. The Supervisory Board reaches decisions autonomously on appointments to the Management Board and on the appointment of the chairperson of the Management Board, and develops long-term successor planning together with the Management Board. The Supervisory Board monitors the management in accordance with the requirements of the law, the articles of association and the internal business rules.

The Supervisory Board discusses the implementation of strategic planning and projects under its responsibility, and decides on matters of relevance for the company together with the Management Board.

The Supervisory Board may, moreover, conduct exhaustive audits itself or commission experts to conduct such audits at any time. The Supervisory Board deals especially with the audit of the financial statements of BKS Bank AG and of the BKS Bank Group in accordance with international auditing standards (ISAs) and is therefore also indirectly involved in decisions on the proposal of dividend distributions to the annual general meeting. The chairperson of the Supervisory Board is responsible for the organisation of the Supervisory Board, for preparing meetings and for collaboration with the Management Board. The chairperson of the Supervisory Board also leads the annual general meetings of BKS Bank.

The rights and obligations of the employees' representatives are generally equal to those of shareholders. This applies, in particular, to the right to receive information and monitoring rights, to the obligation to act with due diligence, to the obligation to maintain secrecy and to any liability for failure to comply. In the event of personal conflicts of interest, employees' representatives shall abstain from voting, the same being applicable to shareholders' representatives. In the reporting year, no member of the Supervisory Board disclosed a conflict of interests in the meaning C Rule 46 of ÖCGK. With respect to one member of the Supervisory Board, the Financial Market Authority notified us on 28 Mai 2020 that it assumed a conflict of interests. The concerned member of the Supervisory Board was not re-elected at the Annual General Meeting of 29 May 2020, and therefore, the conflict of interests ceased to exist as of this point in time.

MEMBERS OF THE SUPERVISORY BOARD OF BKS BANK AG

Honorary President

Hermann Bell

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

Hannes Bogner

Independent*, born 1959
Initially elected: 29 May 2020
appointed until the 82nd
Annual General Meeting (2021)

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

- Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft since 10 June 2020
- Member of the Supervisory Board of Oberbank AG since 20 May 2020
- Member of the Supervisory Board PALFINGER AG

Gerhard Burtscher

Chairman, independent*, born 1967
Initially elected: 19 May 2016
appointed until the 82nd
Annual General Meeting (2021)

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

- Member of the Supervisory Board of Oberbank AG

Christina Fromme-Knoch

Independent*, born 1970
Initially elected: 15 May 2012
appointed until the 83rd
Annual General Meeting (2022)

* In the meaning of the Guidelines for Independence of Members of the Supervisory Board on page 27.

Franz Gasselsberger
Vice Chairman
until 29 May 2020
Independent*, born 1959
Initially elected: 19 April 2002
appointed until the 85th
Annual General Meeting (2024)

Supervisory board mandates and similar functions at domestic and international listed companies:
- Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft, Chairman until 10 June 2020
- Member of the Supervisory Board of Lenzing Aktiengesellschaft
- Member of the Supervisory Board of voestalpine AG

Gregor Hofstätter-Pobst
Independent*, born 1972
Initially elected: 9 May 2017, appointed until the 81st Annual General Meeting (2020); resigned from the Supervisory Board

Supervisory board mandates and similar functions at domestic and international listed companies:
- Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft until 10 June 2020
- Member of the Supervisory Board of Oberbank AG since 20 May 2020

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

Supervisory board mandates and similar functions at domestic and international listed companies:
- Member of the Supervisory Board of SW-Umwelttechnik Stoiser & Wolschner AG since 16 October 2020, previously member of the Supervisory Board

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

Stefanie Lindstaedt
Independent*, born 1968
Initially elected: 09 May 2018
appointed until the 84th Annual General Meeting (2023)

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

Karl Samstag
Independent*, born 1944
Initially elected: 19 April 2002
appointed until the 82nd Annual General Meeting (2021); resigned on 29 May 2020

Supervisory board mandates and similar functions at domestic and international listed companies:
- Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft until 10 June 2020
- Member of the Supervisory Board of Oberbank AG until 20 May 2020

Sabine Urnik
Vice Chairwoman
as of 29 May 2020
Independent*, born 1967
Initially elected: 15 May 2014
appointed until the 83rd Annual General Meeting (2022)

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

Representatives delegated by the Works Council

Sandro Colazzo, born 1979,
Initially elected: 13 May 2020

Maximilian Medwed, born 1963, initially delegated: 1 December 2012

Herta Pobaschnig, born 1960,
initially delegated: 1 June 2007

Hanspeter Traar, born 1956, initially delegated:
Initially elected: 1 January 2003;
resigned from mandate on 14 April 2020

Ulrike Zambelli, born in 1972;
initially delegated: 15 June 2015

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

Representatives of the Supervisory Authority

Wolfgang Eder, born 1964
Date of initial appointment:
1 September 2017

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

Independence of the Supervisory Board

The majority of the members of the Supervisory Board should 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 the company 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 declaration. Moreover, with the exception of Franz Gasselsberger, Gerhard Burtscher, Karl Samstag and Gregor Hofstätter-Pobst, there were no members of governing bodies of shareholders with an interest of more than 10 per cent represented on the Supervisory Board in the financial year 2020.

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

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

Guidelines of the Supervisory Board of BKS Bank on Independence

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

The Supervisory Board member is not permitted to have, or to have had, a business relationship with BKS Bank or one of its subsidiaries to an extent of relevance for the Supervisory Board member in the past year. This also applies to business relationships with companies in which the Supervisory Board member has a significant business interest. The approval of individual business transactions by the Supervisory Board in accordance with L Rule 48 shall 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 the Supervisory Board member's independence.

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

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

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

To stay fit for the future and resilient to crises, it is sometimes more important to stand by one’s convictions and traditions instead of constantly trying to catch up with the zeitgeist.

Dieter Kraßnitzer
Member of the Management Board

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 given 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 was completely in compliance with these criteria in the reporting year.

Committees of the Supervisory Board and their decision-making powers

The Supervisory Board takes care of its business as a rule at its plenary meetings, but delegates individual matters to seven qualified committees. The establishment of these committees and their decision-making powers are defined in the internal business rules for 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.

The work of the committees is broadly diversified and oriented on the expertise and experience of the members.

Audit Committee

The key tasks of the Audit Committee pursuant to § 63a (4) Banking Act include the auditing of the single-entity financial statements and the preparation of its approval, the audit of the consolidated financial statements and the Group management report, the audit of the proposal for the appropriation of profits, the management report and the corporate governance report. Moreover, the Audit Committee monitors the financial reporting processes, audits the effectiveness of the internal control system (ICS), the internal auditing system and the risk management system. Additionally, the Audit Committee monitors the audits of the single-entity financial statements and consolidated financial statements. It prepares the proposal for the selection of the auditor and monitors the independence of the auditor, in particular, as to whether the independence criteria pursuant to § 63a (4) Banking Act are met.

Working Committee

According to the internal business rules, the Working Committee usually reaches its decisions by circular vote on matters that cannot be decided by the plenary meeting or the Credit Committee due to their urgency. This body is convened as needed and communicates closely with the Management Board. The proposals made to the Management Board and the outcomes of the vote are reported afterwards to the full Supervisory Board. The Working Committee is not a committee required by law.

Risk Committee

The main tasks of the Risk Committee pursuant to § 39d Banking Act include advising the management on the bank's current and future risk appetite and risk strategy, and in respect of monitoring implementation of the risk strategy. Furthermore, the Risk Committee reviews if the pricing policy is adequate for the business model and the risk strategy of the credit institution. The members of the Committee meet the independence criteria of § 39d (3) Banking Act.

Credit Committee

The Credit Committee decides on the granting of new loans and loan prolongations, and on leasing and guarantee transactions as of a certain volume of debt. It is not a committee required by law.

Nominations Committee
The Nominations Committee presents proposals to the Supervisory Board for filling vacant mandates on the Management Board and Supervisory Board, and deals 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. The law does not define any standardized independence criteria for members of this Committee.

Remuneration Committee
The Remuneration Committee deals with the content of the employment contracts of the Management Board members and monitors remuneration policy, the practices applied and the remuneration-linked incentives pursuant to § 39b Banking Act and the related annexes. It discusses and suggests changes to, among other things, the remuneration policy guidelines of BKS Bank and of the Group, and presents these to the Supervisory Board for approval. The members of the Remuneration Committee meet the independence criteria of § 39c (4) Banking Act.

Legal Committee
Due to the dispute with the two minority shareholders UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H., which has been ongoing since mid-March of 2019 and is now before a court of law, the Supervisory Board decided to establish a dedicated committee for this matter. The tasks of the Legal Committee are defined as follows: "Dealing with the legal dispute with the UniCredit Group and the Generali 3Banken Holding AG including all related proceedings" and also covers the related tasks of the Supervisory Board. These powers include the commissioning of external service providers, in particular lawyers, with the representation of the company by the Supervisory Board externally, making any required statements of the Supervisory Board in court proceedings or proceedings before authorities as well as taking decisions in these matters (decision-making power) unless it is mandatory for the full Supervisory Board itself to reach a decision. The chairperson of the Legal Committee reports regularly to the plenary meeting of the Supervisory Board on the work of this Committee. The Committee is not a committee required by law.

Committees Established by the Supervisory Board

Name	Audit Committee	Working Committee	Risk Committee	Nominations Committee	Remuneration Committee	Credit Committee	Legal Committee
Gerhard Burtscher, Chairman	✓			✓	✓	✓	✓
Hannes Bogner			✓				
Christina Fromme-Knoch				✓			✓
Franz Gasselsberger	✓	✓	✓			✓	
Reinhard Iro		✓			✓		✓
Heimo Penker		✓		✓	✓	✓	
Sabine Urnik	✓						✓
Klaus Wallner	✓		✓				
Maximilian Medwed	✓	✓	✓			✓	
Ulrike Zambelli		✓	✓			✓	✓
Herta Pobaschnig	✓				✓		✓

Meetings and main activities of the Supervisory Board

Four meetings of the Supervisory Board were held in the financial year 2020. At every Supervisory Board meeting, the Management Board members reported on the current development of the financial position, profit or loss and assets of the company and on the risk situation of BKS Bank and its affiliates. Furthermore, at every meeting, current regulatory requirements and their impact on BKS Bank were discussed. The Management Board the Management Board discussed in detail the business strategy and presented all matters requiring its approval to the Supervisory Board in timely manner.

The **first meeting of the Supervisory Board** of BKS Bank took place on 25 March 2020. The Supervisory Board reviewed the financial statements and management report of BKS Bank AG, the consolidated financial statements and Group management report as well as the corporate governance report for the year 2019. The audit reports were discussed in detail with the representatives of KPMG Austria GmbH. In accordance with the recommendations of the Audit Committee, the Supervisory Board approved the single-entity financial statements and management report for the year ended on 31 December 2019 and the consolidated financial statements and Group management report for the year ended on 31 December 2019 as well as the proposal for the distribution of the profit for 2019.

The Chairperson of the Working, Nominations, Legal, Audit and Remuneration Committees reported on the key issues discussed at the Committees.

The Supervisory Board agreed to the proposal of the Remuneration Committee with respect to the changes to the Remuneration Guidelines for BKS Bank AG and the Group as well as a new version of the Remuneration Policy for the Management Board and Supervisory Board pursuant to the amended Stock Corporation Act.

At this meeting, a detailed report was given for the first time on the coronavirus measures taken to maintain business operations and to prevent and manage credit risks. At subsequent meetings further extensive reports were made on the effects of the pandemic on BKS Bank.

On 6 May 2020, an **extraordinary meeting** of the Supervisory Board took place. The Supervisory Board dealt with amendments to the draft proposal that became necessary regarding the use of the net profit for the financial year 2019 pursuant to the Recommendation of the ECB and of the Austrian Financial Market Authority on the use of the profits 2019.

The **second regular Supervisory Board meeting** took place after the 81st Annual General Meeting on 29 May 2020. At this meeting, the Supervisory Board discussed the election regarding the chairmanship as well as the appointees to the committees. The current appointments to the committees of the Supervisory Board are presented on page 31. Furthermore, a report was made on the development of the economy and the risk situation in the first quarter. Furthermore, the report of the Legal Committee, which met on the preceding day, was also discussed.

The **third regular meeting** took place on 11 September 2020. The Management Board reported on the development of business in the first half of the year, presented the outlook for the full year 2020, and also the risk report. Afterwards, there were detailed reports from the Audit Committee.

Additionally, the revised financial recovery plan was adjusted to comply with statutory supervisory requirements and approved, and the proposal to amend the business rules of the Supervisory Board were approved that had to be amended due to changes on the Nominations Committee and the Remuneration Committee.

Furthermore, the shareholder representatives and the staff representatives agreed to waive their right to object to the adding up of the minimum quotas needed to meet the 30% ratio for women and men on the Supervisory Board. Finally, the Management Board reported on the various awards conferred to BKS Bank , which included among others, the EU Green Brand certification mark for economic sustainability.

At the **fourth regular meeting** of the Supervisory Board on 2 December 2020, the projections for 2020, the earnings, costs and investment budget for 2021 as well as the planned volume of own issues for 2021 were presented and approved by the Supervisory Board. The full Supervisory Board also discussed the annual report on major loans pursuant to § 28b Banking Act. The strategy for the years 2021 to 2023 was also discussed at length. As proposed by the Nominations Committee, Nikolaus Juhasz was unanimously appointed as a further member of the Management Board of BKS Bank effective as of 1 July 2021.

A common thread running through all meetings of the year 2020 already mentioned was the coronavirus pandemic and the measures taken at BKS Bank. Due to the corresponding security consideration, the meetings of the Supervisory Board took place mainly by video conferencing.

This conformed with the regulatory framework in place due to the coronavirus pandemic, specifically the company law-related COVID-19 Act (COVID-19 GesG) and the corresponding Decree. The FMA also approved this mode of procedure from a regulatory standpoint.

Meetings and main activities of the Committees

Audit Committee

The Audit Committee met twice in the reporting year. At the first meeting on 25 March 2020, the consolidated financial statements including the Group management report 2019, the single-entity financial statements including the management report 2019, the report of the chairperson of the Supervisory Board and the proposal for the distribution of the profit, the corporate governance report and the risk report were reviewed in detail. Furthermore, the decision was reached to propose to the Supervisory Board and subsequently to the 81st Annual General Meeting to charge KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Klagenfurt, with the audit of the single-entity financial statements 2021 of BKS Bank AG and the consolidated financial statements for 2021. Additionally, the decision was taken in agreement with the full Supervisory Board to propose KPMG Slovensko spol. s r.o. as auditor for the EU branch in Slovakia for the years 2021 to the Annual General Meeting. The preparation of the tender for the appointment of an auditor for the consolidated financial statements for the financial year 2022 was also discussed in detail.

At the second meeting on 11 September 2020, the motion of the Management Board was approved regarding the approval of any permissible non-audit services by the auditors. Twice a year, a report is made to the Audit Committee on the non-audit services actually provided.

Pursuant to § 63a (4) 1 and 2 Banking Act, the Management Board reported in detail on the monitoring of the financial reporting process and the effectiveness of the internal control system, of the internal audit system and the risk management system.

The Management Board reported on the status of the tender procedure for the auditor for the financial year 2022. Representatives of the auditing firm KPMG Austria GmbH attended the two meetings for the relevant items of the agenda for the purpose of providing information as experts.

Working Committee
In the reporting year, the Working Committee adopted three resolutions by circular vote.

Risk Committee
At the meeting of 2 December 2020, the Committee discussed BKS Bank's risk situation as well as the operational and other banking risks pursuant to § 39 (2b) Banking Act. To this end, the members of the Committee scrutinised the risk management and the finalised risk strategy. The risk management process of the bank is effective and appropriate, and risk monitoring is conducted in an orderly manner.

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.

Credit Committee
The Credit Committee adopted its resolutions during the reporting year by circular vote due to the need for prompt decisions and dealt with 66 loan applications. The Committee reported on these resolutions at the subsequent plenary meetings.

Nominations Committee
At its first meeting of 24 March 2020, 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.

This also entailed an evaluation of the existence of material conflicts of interest on the Supervisory Board.

A relevant conflict of interests was found to exist in the case of one of the Supervisory Board members. The Nominations Committee decided to propose to the full Supervisory Board not to nominate this member for re-election at the Annual General Meeting in May 2020.

Instead, it was decided to propose to the full Supervisory Board to nominate for re-election Klaus Wallner and to nominate Susanne Kalss as a new member.

At its second meeting on 6 May 2020, the Nominations Committee discussed the nomination of a new member to the Supervisory Board. Karl Samstag had notified his resignation from his mandate effective as of the close of the Annual General Meeting 2020. In the end, the Nominations Committee decided to propose to the full Supervisory Board the nomination of Hannes Bogner.

At its third meeting on 24 November, the Committee decided to propose to the full Supervisory Board Nikolaus Juhasz as a further member of the Management Board of BKS Bank. The resolution was preceded by intense consultations, the procurement of external references and the services of a renowned advisory firm. The outcome of the selection process showed Nikolaus Juhasz to be most suitable candidate.

Remuneration Committee

At the meeting on 24 March 2020, the Committee members discussed the principles of the remuneration policy and their implementation. To this end, the Head of Risk Management, among others, was available to the Committee members for consultation.

The Remuneration Committee adopted the amendments to the Remuneration Guidelines of BKS Bank AG and the Group by unanimous vote, and presented these to the full Supervisory Board for approval.

The members of the Remuneration Committee also discussed the remuneration of top management staff, top risk management staff, compliance positions, persons responsible in control functions and risk buyers. The Remuneration Committee reached the conclusion that the fixed and variable components of the remuneration of the persons concerned did not contain any misguided incentives and that the remuneration granted was in compliance with statutory provisions.

Furthermore, the Remuneration Committee decided to pay out a fifth each of the variable remuneration for the years 2014 to 2018, for which provisions had been set aside, and to adjust the salaries of Management Board members.

Legal Committee

The Legal Committee held a total of six meetings in the year 2020. The topics of discussion at the meetings were the current status of the proceedings which were initiated by the minority shareholders UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Therefore, the topics discussed included the proceedings regarding the action for annulment of the resolutions adopted at the annual general meetings of the years 2019 and 2020, as well as the special audit initiated by the minority shareholders mentioned pursuant to § 130 et seq Stock Corporation Act, and also the proceedings before the Takeover Commission started in March 2020 pursuant to § 33 Takeover Act. Furthermore, the related inquiries of the authorities were also discussed.

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 the meeting of 25 March 2020, it examined the efficiency of its activities, including, in particular, its organisation and work procedures. The resolution was passed to retain the current organisation and work procedures as these were assessed as efficient and effective.

Remuneration

Remuneration of the Management Board members

The Supervisory Board defines the principles for the remuneration of the Management Board. The Remuneration Policy defines the binding bandwidth within which the remuneration of the Management Board members must remain. A Remuneration Policy must also be set up for the remuneration of the members of the Supervisory Board.

The Remuneration Policy must be presented to the Annual General Meeting at least every fourth financial year and a resolution must be passed regarding the Policy in the event of any material change.

In the financial year 2020, the remuneration policy was presented for the first time to the Annual General Meeting for approval as required by law. The Annual General Meeting adopted the remuneration policy.

The Remuneration Policy is available at www.bks.at under » Über uns » Investor Relations » Hauptversammlung 2020.

Remuneration Report

The Management Board and the Supervisory Board prepare a Remuneration Report to be presented to the Annual General Meeting. The Report contains detailed overview of the remuneration and emoluments granted to current and former members of the Management Board within the scope of the Remuneration Policy in the financial year 2020.

The Remuneration Report for the financial year 2020 will be presented to the Annual General Meeting in May 2021 in accordance with the provisions of the 2019 Act on Amendment to the Austrian Stock Corporation Act (Aktienrechts-Änderungsgesetz 2019).

Remuneration of top management staff

Principles for the Remuneration Policy and remuneration practice pursuant to § 39b Banking Act have been defined also for the performance-linked remuneration of the heads of departments at the head office, the heads of domestic and foreign main branches, and the managing directors of consolidated domestic and foreign companies. The top management employees responsible for the market are classified as risk buyers. The share of variable remuneration in relation to total remuneration is limited to 25% of the fixed remuneration component or to the absolute figure of EUR 30,000. Therefore, the remuneration system does not provide any incentives to assume unreasonable risks. The Remuneration Committee regularly evaluates the variable remuneration components and compliance with the remuneration rules. Top management staff are additionally subject to the fit & proper rules of BKS Bank.

Directors & Officers Insurance

BKS Bank has purchased and paid for directors and officers liability insurance coverage for the members of the Management Board and the Supervisory Board, for members of second-level management and for authorised signatories (*Prokuristen*) as well as for the managing directors of subsidiaries.

Remuneration of the Bank Auditor

At the 80th Annual General Meeting of 8 May 2019, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Klagenfurt, was charged with the audit of the financial statements and conduct of business of BKS Bank AG and the Group for the financial year 2020.

The bank auditor presented a list of all revenues received in the preceding financial year broken down by category of service to the Supervisory Board as well as a budget for the expected audit costs for the financial year 2021. KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Klagenfurt, also informed the Supervisory Board of its participation in a quality assurance system and plausibly declared its impartiality also confirming that there were no grounds that could give rise to reasons for its exclusion.

The 2016 Amendment to the Audit of Financial Statements Act (APRÄG 2016) provides for a strict separation of audit and non-audit services that are permitted to be provided by an auditor. The Audit Committee approved the budget for permissible non-audit services and checked compliance with the budget limit.

Fees paid to the bank auditor

In €k	*2019*	*2020*
Fees for mandatory audits of the single-entity and consolidated financial statements	559	538
Fees for other auditing services	116	44
Fees for advisory services, including tax advice	85	97
Total	**760**	**679**

Diversity Policy

BKS Bank's policy on human resources is designed to ensure equal opportunities and rights to all employees and to prevent any type of discrimination. When appointing members to the Management Board and also when filling management positions and making proposals for the election of members to the Supervisory Board, we give due consideration to the expert knowledge and personal qualifications of the candidates and to the aspects of diversity.

Equal opportunity and individuality from the start

It is part of our self-image to offer all employees the opportunity to develop and advance in the best possible ways in their jobs. We take firm action to prevent any form of disadvantage for employees or discrimination. When selecting personnel, we always give preference to the person who best meets the requirements irrespective of sex, age or socio-cultural background. When filling management positions, all employees have equal career opportunities.

Our goal is to fill top-level and second-level management positions primarily with staff from our own ranks and have defined a target ratio for this purpose. A number of promotion and development programmes are in place to achieve this goal. Any employee with an interest may apply to participate in the promotion and development programmes; it is not necessary to be nominated by an immediate superior. In this manner, we ensure equal opportunity.

Furthermore, we committed ourselves to a code of conduct years ago under which we disclose our position on equal opportunity, equal treatment and diversity.

In order to meet the requirements of increasing diversity at BKS Bank, a staff member responsible for diversity was appointed in the reporting year. This person ensures the further development of diversity management in accordance with international standards.

Criteria for the selection of Management Board and Supervisory Board members

When making proposals to the Annual General Meeting regarding appointments for mandates becoming vacant, the full Supervisory Board and the Nominations Committee must give due consideration to adequate representation of both genders, internationality, age structure, and the educational and professional background of potential applicants. The criteria for the selection of Management Board and Supervisory Board members are defined in the fit and proper policy of BKS Bank.

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

All shareholder representatives on the Supervisory Board of BKS Bank are highly qualified banking and economic experts with professional experience in strategic matters and have an excellent knowledge of accounting, financing and digitalisation.

All members of the management board and the majority of the members of the supervisory board have a university degree and hold - or have held - a management position in the banking and insurance sector.

Three supervisory board members teach and engage in research at universities and at non-university research institutions.

Staff representatives on the supervisory board are long-year employees with a profound knowledge of 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 highly familiar with the special situations that result from different cultural practices or other legal systems. Management board and supervisory board members have excellent foreign language skills.

Age plays a role when assessing the suitability of potential candidates, as a balanced age distribution is of relevance when assessing facts 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 the shareholder representatives on the Supervisory Board is between 50 and 73 years, and on the Management Board between 49 and 61 years.

Employees by country

Individuals	*2019*	***2020***
Austria	810	807
Slovenia	154	159
Croatia	90	92
Slovakia	46	46
Germany	12	11
Italy	5	7
Hungary	4	3
Bosnia-Herzegovina	5	5
Canada	1	1
Bulgaria	1	1
Georgia	0	1

Measures to Promote Women

We have a special interest in encouraging qualified women to assume positions of responsibility.

At year-end 2020, 33.2% of our management were women (at BKS Bank AG: 31.3%, each excluding management board, 2019: BKS Bank Group 31.6%, BKS Bank AG: 31.3%). We are pleased because this is a major step towards our target of 35%, which we aim to achieve by the end of 2022. A particularly positive aspect is that we raised the share of women in positions of heads of department and managing directors.

An important contribution to increasing the proportion of female managers is made by our women's career programme "Frauen. Perspektiven.Zukunft". In the reporting year, 16 women were again nominated, and the course itself will start on International Women's Day 2021. Up to now, 56 women from Austria and Slovenia have taken part in the programme. A number of them obtained management positions, and two graduates were appointed as department heads in the reporting year.

A good balance of career and family life plays a decisive role when considering a career move. BKS Bank supports its employees with numerous offers that help them balance work and family life. Flexible working time models, extensive further education and training opportunities, care services for small children, support for childcare during holiday periods and the proactive encouragement of men to take childcare leave are measures for which funding is also made available. These initiatives were recognized by the certificate 'berufundfamilie' (workandfamily), an audit programme of the Federal Ministry for Economy, Family and Youth, awarded in the years 2010, 2013, 2016 and 2019.

In Slovenia, BKS Bank has held the corresponding local certificate since 2015. In Croatia, we have been certified under the "MAMFORCE© Standard" certification programme for family-friendly companies since 2017.

In accordance with the principle of "equal pay for equal work", we make every effort to continue to reduce the gender wage gap. The wage gap results mainly from the circumstance that there are a lot more women than men in part-time positions and this causes their professional careers to develop along a flatter curve.

Fortunately, we have managed to reduce the gender pay gap in Austria from 19.23% to 16.42% since 2016. Our goal is to narrow the pay gap to 12% by 2025. Therefore, we have created the possibility of assuming management positions also for part-time employees and plan to implement measures to make it possible for women with children to work full time.

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 specifically show them career path opportunities and inform them about the negative financial effects of long 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 taken to promote women.

In the year 2020, 40% of the shareholder representatives and half of the staff representatives were women on the Supervisory Board, which corresponds to a total ratio of 43%. In the reporting year, Sabine Urnik was the first woman to be appointed Vice Chairwoman of the Supervisory Board. The share of women on the Management Board was 33% at the end of the year.

Women in management positions (BKS Bank Group)

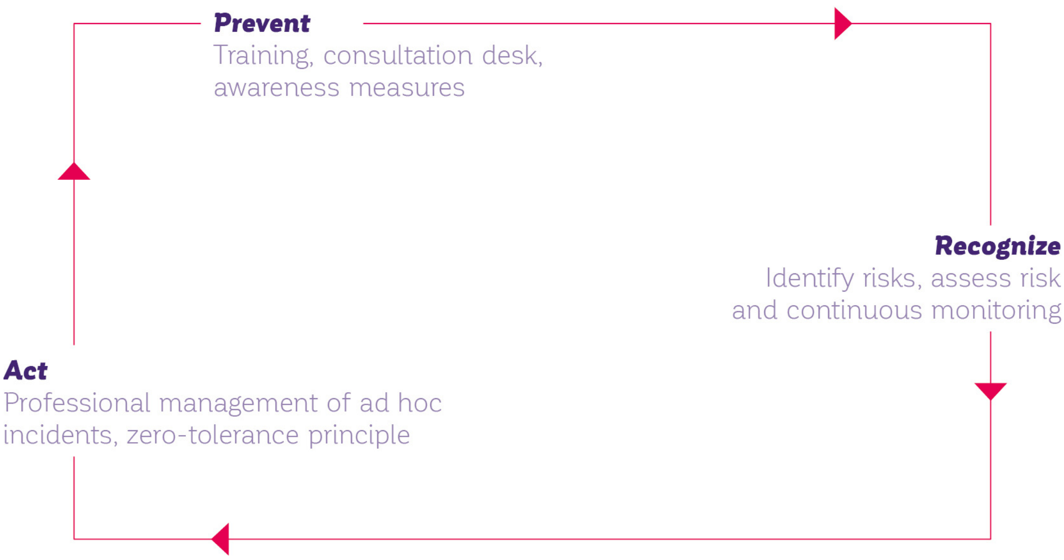
As at 31 December 2020	Number female	Ratio	Number male	Ratio
Management Board	1	33%	2	67%
Supervisory Board (shareholder representatives)	4	40%	6	60%
Supervisory Board (staff representatives)	2	50%	2	50%
Other management positions	63	33%	127	67%

Compliance Management System

Apart from risk management and the internal control system, compliance is the third pillar of the monitoring system in place at the bank. The primary goal is to prevent breaches of the law and regulations, and to protect the BKS Bank Group, its employees, the managing and corporate bodies as well as the owners from compliance risks. To this end, a compliance management system has been set up at the BKS Bank Group.

We take our extensive compliance obligations very seriously. We expect our management staff and employees to comply with all laws, regulations and internal guidelines in their daily work and to take guidance from our corporate values. The term 'integrity' plays a special role in this context. Integrity safeguards the trust that customers, shareholders, employees and business partners place in our bank and therefore assures our long-term success. To ensure behaviour in compliance with legal provisions and regulations as well as with ethical norms, we have set up a compliance management system based on three elements: 'recognize', 'prevent' and 'act'. We dedicate special attention to the theme of prevention through specific communication and training measures.

Compliance Management System of BKS Bank



New employees are trained in compliance themes immediately after they start working. Subsequently, all employees must attend mandatory compliance seminars every three years. Additionally, e-learning courses must be completed in regular intervals. A further area of focus is strict adherence to the know-your-customer principle. This includes, among other things, clearly determining and documenting the identity of customers and their beneficial owners as well as the origin of the funds being used in the business relationship or in a transaction. Furthermore, the purpose of the transaction executed is examined to assess the risk.

The extensive compliance topics include, among other things, the following core compliance areas: prevention of money laundering, prevention of terrorism financing, compliance with financial sanctions, capital market and securities compliance, anti-corruption, as well as regulatory compliance in accordance with Banking Act.

The Anti-money Laundering Officer and her team are responsible for measures to prevent money laundering and terrorism financing, and for compliance with financial sanctions. Moreover, the team is also responsible for setting up and developing an effective system for fraud prevention.

A continuously updated, comprehensive risk assessment shows which potential risks of money laundering and terrorist financing could occur in business operations. The risk assessment is the basis for a strict set of technical and organisational countermeasures to prevent the misuse of BKS Bank for money laundering and terrorist financing purposes.

In January 2020, the amendments to the Financial Market Anti-Money Laundering Act and the Beneficial Owners Register Act came into force in Austria that enacted numerous provisions of the EU's 5th Anti-Money Laundering Directive into national law. These regulations were properly implemented at BKS Bank.

The Bank has a list of criteria that defines additional requirements, which far exceed the minimum requirements of the law for engaging in business relationships. The criteria also apply to directors' dealings at BKS Bank. Therefore, we distance ourselves from all companies and individuals who disregard internationally-recognized principles such as those of the UN Declaration of Human Rights and the ILO Declaration or who spread disreputable ideas. The list also includes many other criteria as grounds for refusing a business relationship such as pornography and prostitution, child labour, production of nuclear power, trade in gems and conflict minerals or trade in protected animals.

The Compliance Officer and the "Capital Market Compliance Team" created pursuant to the Securities Supervision Act is responsible for compliance matters that BKS Bank as a listed company and service provider for financial instruments must observe. These include, among other things, the definition of compliance rules and regulations, the development and implementation of communication and training courses, the prevention and combatting of inside dealings and market manipulation, as well as the periodical assessment of compliance risks. Processes, rules and regulations relating to anti-corruption are also part of the team's tasks.

MiFID II including the extensive supplementary rules continued to pose a challenging task. The extremely large number of legal acts and the different forms of soft laws make the application of MiFID II especially complex and time-consuming. It is not always clear why the formal requirements required by law benefit customers or market participants.

Additionally, a Compliance Officer pursuant to the Austrian Banking Act was also appointed at BKS Bank. Within the scope of regulatory compliance, this Compliance Officer together with a team of specialists is responsible for monitoring compliance with statutory provisions in the areas prescribed by law, for staying up to date regarding amendments to the law and, if applicable, for initiating implementation measures at BKS Bank.

The staff members who work in compliance under the Banking Act were responsible for maintaining an overview of the numerous legal amendments in the financial year 2020 and operating a system that minimizes as far as possible the risk of violating these provisions.

These staff members must comply with a large number of supervisory, control, notification, reporting and information obligations. On the other hand, they also have extensive powers to give instructions, request information and conduct investigations. An independent reporting line to the Management Board, the Supervisory Board and the Financial Market Authority and also, if applicable, to other government authorities has been established. A compliance management system is also in place at the foreign branches and subsidiaries.

Directors' dealings

BKS Bank is under the obligation to disclose directors' dealings reports. At the close of the last day of trading on the stock market in 2020, the members of the Management Board held a total of 7,522 ordinary shares on their securities accounts with BKS Bank; Supervisory Board members held 9,424 ordinary shares. In total, this is a percentage of around 0.04% 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 is done when the value of the respective transactions for own account reaches or exceeds a total of EUR 5,000 in the calendar year. In the past financial year, there were no Directors' Dealings to report.

Compliance and AML information on BKS Bank on the internet

	Websites:
Excerpt from the Companies Register AML Declaration Banking License USA Patriot Act Certification Wolfsberg Questionnaire of BKS Bank AG W-8BEN-E, W-8IMY Directors' dealings notifications	www.bks.at/investor-relations/compliance-informationen

Independent Assessment of the Functionality of Risk Management

KPMG Austria GmbH conducted an assessment of the functionality of risk management at BKS Bank pursuant to C Rule 83 of Austrian Code of Corporate Governance, ÖCGK. The auditor uses the master framework for company-wide risk management as guidance which is published by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

Among other things, the auditor assesses the risk policy, risk strategy and organisation of risk management. The mode of procedure for identifying, analysing and measuring risks was investigated as well as the measures to manage risk. Furthermore, risk monitoring and reporting on risk management was analysed in detail. The auditor presented its report on the functionality of risk management to the Chairman of the Supervisory Board.

At the meeting of 11 September 2020 of the Audit Committee, the findings of the audit pursuant to C Rule 83 ÖCGK for the year 2020 was 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 Chairman of the Supervisory Board reported to the full Supervisory Board that the audit pursuant to C Rule 83 did not result in any objections and that BKS Bank has a functioning risk management system in place. At the second meeting of the Audit Committee, the risk management and its current further development were discussed in detail in accordance with the provisions of § 63a (4) Banking Act.

At the meeting of the Risk Committee of 3 December 2020, the objectives and implementation of the measures of the risk strategy were discussed. Risk management at BKS Bank is described in detail in the Annual Report 2020 starting on page 187.

BKS Bank has an internal audit system in compliance with C Rule 18 of ÖCGK and pursuant to § 42 Banking Act that follows an audit plan approved by the Management Board and accorded with the Audit Committee and the plenary meeting of the Supervisory Board. The internal audit unit assesses the risks of all company activities and operational processes, it identifies the potential for improving efficiency and monitors compliance with statutory provisions and internal guidelines.

A further key element of the monitoring system at our bank is the internal control system (ICS). The ICS is risk-based and comprises a large number of control measures to ensure efficient and correct working procedures. The main element is the risk-control matrix in which the controls are linked to the identified and measured risks per business process and support process. Additionally, the quality of the controls is assessed regularly based on a maturity level model. The organisational structure and responsibilities in ICS are clearly regulated. The ICS coordinators continuously develop the internal control system and report to the Management Board in regular intervals. In this manner, we constantly improve monitoring of the company and ensure the protection of assets and improve efficiency.

Accounting and Disclosure

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

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

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

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

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

Klagenfurt am Wörthersee, 8 March 2021

Herta Stockbauer
Chairwoman of the Management Board

Dieter Kraßnitzer
Member of the Management Board

Alexander Novak
Member of the Management Board

Report of the Chairman of the Supervisory Board

Dear Readers,
A single topic dominated the past financial year, and also the entire world. However, I do not want to begin my report with the coronavirus pandemic, but with a selection of the outstanding achievements of BKS Bank in 2020.

The new brand identity of BKS Bank has given the bank a refreshed and revitalized image. Our new core values – warm-hearted, excellent, regionally-committed, future-oriented, strong in relationships, responsible – describe BKS Bank, what it is and what it wants to be: a warm-hearted bank working for a livable future.

The numerous awards conferred to BKS Bank in 2020 show that BKS Bank cares very much about the future. The "Green Brand" certification obtained by BKS Bank in 2020 is an EU quality brand awarded exclusively to companies that feature a high level of ecological accountability.

The BKS Bank ordinary share was again included in the sustainability index VÖNIX of the Vienna Stock Exchange in June 2020.

The Eco Management and Audit Scheme (EMAS) is one of the most widely applied and strictest environmental management systems in Europe – in the year 2020, Quality Austria recertified BKS Bank.

We are proud of the distinction conferred by these awards. At the same time, they impose the duty on BKS Bank AG to maintain the high standards also in the future.

The Management Board has guided our bank together with all employees and managers through an eventful year. Before the backdrop of the coronavirus pandemic and the entailing economic crisis, the earnings achieved for the year are nonetheless impressive. The result from operating activities reinforces me in my belief that BKS Bank is well-prepared to deal with crises and can look towards the future with confidence.

The feedback my colleagues on the Supervisory Board and I receive from customers, employees and stakeholders show that the trust placed by BKS Bank in its partners, also in hard times, is enormously appreciated and strengthens our mutual relationships.

What is less pleasing by contrast is that the relationship with the two minority shareholders belonging to the UniCredit Group continues to be poor. By legally contesting the validly adopted majority resolutions of the Annual General Meetings of the years 2019 and 2020, and filing further lawsuits with the court, BKS Bank has incurred high costs, which are ultimately detrimental to our share-holders, employees and customers.

Meanwhile, the Supreme Court ruled to reject the petition for a special audit of all financial years going back to 1994 as having been unjustly filed by the UniCredit Group and rejected the petition with final effect. This decision strengthens BKS Bank in its opinion of always having pursued a correct business policy. None-theless, we are open to earnest talks to find a mutually acceptable solution to the remaining disputes with the UniCredit Group.

Close coordination between Supervisory Board and Management Board

The Supervisory Board monitored the work of the Management Board and provided support to the management of BKS Bank and its Group companies. At the five regular meetings held in 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 for the bank. These meetings were held mostly as virtual meetings in accordance with legal and regulatory requirements imposed due to the coronavirus pandemic.

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 jointly with her. The Supervisory Board was therefore involved all in key decisions taken by BKS Bank. The Supervisory Board met all of its responsibilities stipulated by law, the articles of association and the rules of the Austrian Code of Corporate Governance. The Supervisory Board confirmed the correctness, expediency and proper conduct of the company's management.

The Supervisory Board pools its areas of expertise in seven committees. This report provides a description of the main areas of work of these committees on page 33. The composition and independence of the Supervisory Board, the criteria for its independence, its working procedures and decision-making powers are explained in detail starting on page 23. In my report I fully agree with the information presented.

Changes to the Supervisory Board

In the past financial year, there were no Directors' Dealings to report. Karl Samstag resigned from his mandate on the Supervisory Board with the close of the Annual General Meeting after seventeen years of service. I would like to express my sincere appreciation to Karl Samstag for making his vast experience in banking management and his expertise available to BKS Bank over so many years. I wish him all the best for the future. At the end of the Annual General Meeting, Gregor Hofstätter-Pobst's mandate also ended after three years on the Supervisory Board.

After the departure of the two members mentioned above, I was especially pleased to welcome the new members of the Supervisory Board, Susanne Kalss and Hannes Bogner. They were elected by a large majority at the Annual General Meeting. Susanne Kalss is a renowned professor of company law in Austria and her commentaries on the Stock

Corporation Act and on private foundations law are well known and highly appreciated. Hannes Bogner obtained a license in 1988 as a tax advisor after completing his studies of political science and journalism as well as business administration, and in 1993, he was licensed as a charted accountant and tax advisor. Hannes Bogner held diverse management positions until 2016 and is currently also on the supervisory boards of further listed companies. Klaus Wallner was re-elected unanimously.

As he will soon be retiring, Hanspeter Traar resigned from his mandate as a staff representative on the Supervisory Board effective from 20 April 2020. Sandro Colazzo was newly appointed to the Supervisory Board effective from 13 May 2020.

All newly elected and re-elected members of the Supervisory Board declared their independence and 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 81st Annual General Meeting, I was confirmed as Chairman. Sabine Urnik was elected Vice Chairwoman. The members of the seven committees were also appointed at this meeting.

Diversity

In the past financial year, 40% of the shareholder representatives and half of the staff representatives were women, which corresponds to a total ratio of 43%. The ratio of 30% for women and men on the Supervisory Board defined in the Stock Corporation Act is complied with both by the shareholder representatives as well as by the staff representatives delegated pursuant to § 110 Austrian Labour Act (Arbeitsverfassungsgesetz, ArbVG). I would like to stress here that the Nominations Committee endeavours to take into account all aspects of diversity, such as age, gender, educational and professional 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 and universities. They help steer the course of BKS Bank with prudence and a forward-looking entrepreneurial outlook. No member of the Supervisory Board failed to take part in more than half of the meetings. The attendance rate of all members of the Supervisory Board at the four Supervisory Board meetings was around 90%.

Audit of the Financial Statements

The accounting records, the financial statements and management report of BKS Bank AG for 2020 were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Klagenfurt branch. 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 2020, and the audit opinion presented the resultant risk as well as the relevant audit approach in detail:

- Impairment of receivables from customers
- Measurement of companies accounted for using the equity method
- Legal disputes of 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Special regulatory requirements must be observed this year regarding the distribution of a dividend on the BKS Bank share for the financial year 2020: Based on a recommendation of ESMA, the Financial Market Authority (FMA) required any proposal for the payout of a dividend to be notified to FMA.

BKS Bank will propose to the Annual General Meeting to pay out a dividend of EUR 0.12 per share on the net profit for 2020, to allocate EUR 6.0 million to retained earnings, and to carry the rest forward to a new account.

The IFRS consolidated financial statements for the year ended on 31 December 2020 and the Group management report were prepared in accordance with Austrian company law and were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Klagenfurt branch. All statutory requirements were met, and this audit did not give rise to any objections either. In the opinion of the bank auditors, the consolidated financial statements present a true and fair view of the assets and financial position of the BKS Bank Group for the year ended on 31 December 2020 as well as of the result of operations and cash flows for the period from 1 January to 31 December 2020.

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

The Supervisory Board concurred with the findings of the audit and declared its agreement with the financial statements including the management report presented by the Management Board, thereby approving the financial statements 2020 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.

On behalf of the Supervisory Board, I would like to thank the Management Board, the management staff and all employees of BKS Bank for their immeasurable personal commitment and hard work. I would particularly like to express my great appreciation to our customers and shareholders that place their trust in BKS Bank.

Klagenfurt am Wörthersee, in March 2021

Gerhard Burtscher
Chairman of the Supervisory Board


Kontoauszüge
Münzzähler
SB-Service
Post für die Bank

Investor Relations

Investor Relations

Regional roots and strong in relationships

These core values of BKS Bank were especially important in the difficult year 2020. The effects of the pandemic and the lockdowns affected many of our customers not only economically, but created a barrier to many valuable personal meetings. Instead, digital communication increased significantly, and this included meetings with customers over the phone, video conferences with stakeholders, and concluding contracts on our internet portals. We were able to deepen the good relationships with our customers despite the “social distance” of digital communication media. We believe that the regional proximity to our customers was a key factor of our success.

Conversion of preferred shares

In 1991, BKS Bank started issuing preferred shares in addition to the ordinary shares listed on the Vienna Stock Exchange since 1986. Both share classes were traded in the ‘standard market auction’ segment of the Vienna Stock Exchange. Each share corresponds to an equal share of the subscribed capital. The nominal share capital is EUR 85,885,800. Until 31 October 2020, the share capital consisted of 41,142,900 ordinary shares and 1,800,000 preference shares.

At the Annual General Meeting of 29 May 2020 and the shareholders’ meeting of preference shares of 9 June 2020, the resolution was adopted to convert the preferred shares into ordinary shares.

After the required permissions were obtained from the authorities, on 31 October the conversion was entered into the Companies Register, and since this time, the nominal share capital has been unchanged at 42,942,900 no-par value ordinary shares.

Therefore, we are fully compliant with C Rule 2 (one share - one vote) of the Austrian Code of Corporate Governance.

The converted preference shares were listed under a separate ISIN AT0000A2HQD1 as "BKS Bank ordinary shares from conversion" until 19 January 2021. Since 19 January 2021, all shares have been listed under ISIN AT0000624705, which had already been assigned to the ordinary shares.

The annual closing price of the BKS Bank ordinary share on 30 December 2020 was EUR 12.5, and of the BKS Bank ordinary share from the conversion EUR 13.6.

Dividend

Due to the coronavirus pandemic, the European Central Bank issued Recommendation ECB/2020/19 on 27 March 2020 on dividend payments and share buybacks during the coronavirus pandemic. The Austrian Financial Market Authority followed this recommendation and on the same day sent out a circular to all credit institutions directly under its supervision in which it “highly recommended” not passing any resolutions to distribute dividends and to refrain from making any non-binding or binding commitments to pay out dividends for the financial years 2019 and 2020.

These official notices were analysed with due care by BKS Bank. Apart from taking into consideration the aforementioned recommendations when deciding on a dividend proposal, the Articles of Association adopted by the shareholders of BKS Bank and the provisions under company law were also considered.

The Articles of Association of BKS Bank valid at the time stipulated that shareholders of preference shares were to receive a minimum dividend of 6% on the percentage amount held in the share capital, which must be distributed provided the amount is covered by the net profit.

Taking into account these provisions of the Articles of Association, the profit distribution proposal was as follows:

"a) on each dividend-bearing non-voting preference share, the minimum dividend of EUR 0.12, and

b) under the conditions precedent that

(i) the recommendation of the European Central Bank to refrain from discretionary dividend payments (Recommendation of the European Central Bank of 27 March, on dividend payments during the COVID 19 pandemic and repealing Recommendation ECB/2020/1 [ECB/2020/19] 2020/C 102 I/01) no longer applies to BKS Bank AG on 31 December 2020or earlier, and

(ii) provided that at the time the aforementioned condition precedent occurs, no legal restriction or recommendation imposed by a supervisory body is in place that would preclude a distribution on every eligible ordinary no-par value share of EUR 0.12, and to carry forward an amount of EUR 216,000.00 and allocate the amount of EUR 5,769,572.09 to unappropriated retained earnings.

Furthermore, the Management Board and Supervisory Board proposed setting the payout date for the minimum dividend pursuant to lit a) on 5 June 2020 and for the dividend pursuant to lit b) on the 20th banking workday after both conditions precedent are met.

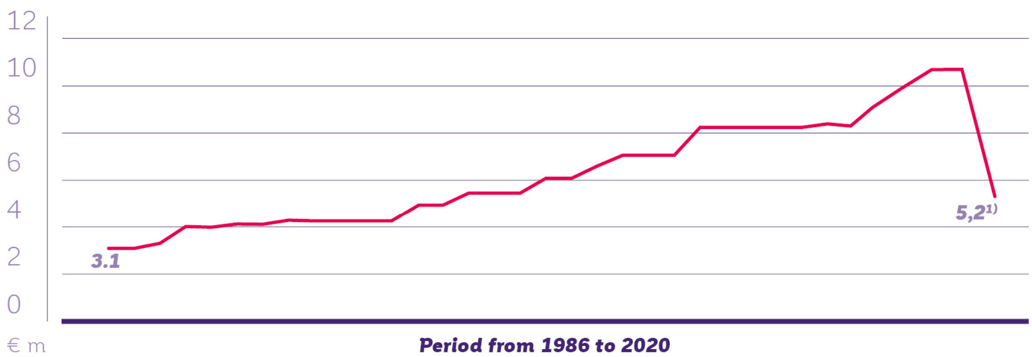
If the preference shares are converted into ordinary shares, the payment of the preference dividend pursuant to lit a) shall be credited to dividend claims from the retained earnings of the financial year 2019 attributable to these new ordinary shares."

The Annual General Meeting approved this proposal.

Therefore, a dividend of EUR 0.12 was distributed on no-par value preferred shares.

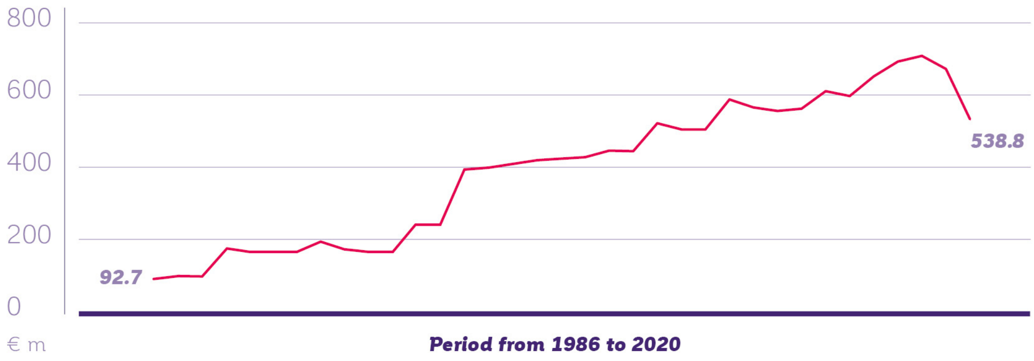
In December 2020, the ECB issued a new Recommendation amending Recommendation ECB/2020/62 to repeal the preceding Recommendation. Thus, the first condition for the dividend decision, specifically the repeal of the ECB recommendation, was met. As there was no statutory prohibition on distributions, both conditions precedent for payout of a dividend on ordinary no-par value shares were met. On 18 January 2021, a dividend of EUR 0.12 was distributed on no-par value ordinary shares of BKS Bank.

Dividend development of the BKS Bank Share



1) Proposal to the 82nd Annual General Meeting

Market capitalization of BKS Bank



Information on the shareholder structure of BKS Bank is available in the Group management report on page 82 et seq and on the website www.bks.at » Investor Relations » Aktionärsstruktur.

Annual General Meetings in 2020

In the financial year 2020, the Annual General Meeting was held on 29 May. As this meeting adopted a resolution amending the Articles of Association to the effect that all existing preference shares were to be converted into ordinary shares by cancelling the preferential treatment pursuant to § 129 Stock Corporation Act, an additional shareholders' meeting was held on 9 June exclusively for preference shareholders. At this meeting, the preferred shareholders in attendance unanimously approved the amendment to the articles of association.

Both meetings were held as virtual general meetings for the protection of the attendees in accordance with the provisions of the company law-related COVID-19 Act (COVID-19 GesG) and the corresponding Decree. The entire two shareholders' meetings were broadcast as a livestream on the internet. The livestream was viewable by the general public. Shareholders' rights at the shareholders' meetings were exercised by persons holding special proxies. These were four persons defined by BKS Bank who are independent of BKS Bank. The costs of the special proxies were paid by BKS Bank.

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

Ongoing legal proceedings

In June 2019, UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. filed a petition as minority shareholders with the Regional Court Klagenfurt (Landgericht Klagenfurt) requesting the appointment of a special court auditor pursuant to § 130 (2) Stock Corporation Act. In these proceedings, they requested a special audit in connection with capital increases carried out by the issuer from 1994 to 2018. The petition was rejected by the Klagenfurt Regional Court in the first instance and by the Graz Higher Regional Court in the second instance. The Supreme Court dismissed the applicants' appeal by the ruling handed down in November 2020. The petition of UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. to appoint a special court auditor has therefore been rejected with final effect. The Supreme Court specifically pointed out that the applicants had not presented any legal matter of material importance, and that all information had been disclosed properly.

The same minority shareholders filed a lawsuit in June 2019 to challenge the resolutions adopted at the Annual General Meeting of 8 May 2019, among other reasons, because of the rejected motion for a special audit. The proceedings of the action for annulment were continued after an interruption.

The same minority shareholders filed a lawsuit in June 2020 to challenge the resolutions adopted at the Annual General Meeting of 29 May 2020 with the Klagenfurt Regional Court. The lawsuit contested the discharge of the members of the Management Board and the (non-) discharge of individual members of the Supervisory Board as well as the rejected motion to conduct various special audits. Furthermore, the lawsuit petitions for a positive decision on the plea to reject the discharge of the members of the Management Board and of certain members of the Supervisory Board, as well as the discharge of one member of the Supervisory Board, and requesting a positive decision regarding the execution of the abovementioned special audits. The proceedings of the action for annulment have been interrupted and the case has been forwarded to the Takeover Commission.

In March 2020, also 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 original matter of the aforementioned action for annulment to ascertain if the obligation to make a mandatory bid has been breached, in particular, pursuant to § 22a no 3 or § 22 para 4 Takeover Act by BKS Bank and its affiliated entities. Likewise, on the request of the aforementioned minority shareholders, the Takeover Commission initiated review proceedings pursuant to § 33 Takeover Act regarding Oberbank and Bank für Tirol und Vorarlberg. The Takeover Commission combined these proceedings and held oral hearings. A decision is still pending. Given the relationships between the members of 3 Banken Group, a breach of the obligation to make a mandatory bid by one of the three banks may also affect the other two banks.

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 development of the proceedings up to now and the decisions handed down, in particular, the Supreme Court's decision to reject the appointment of a special court auditor, reinforce BKS Bank in its view.

Investor Relations communication

In our financial communication, we give high priority to best practices in transparency and the fair dissemination of information to all market participants at press conferences and in our reporting.

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

Since 2012, we have been publishing an annual sustainability report in accordance with the requirements of the Global Reporting Initiative (GRI) and the requirements of the Sustainability and Diversity Improvement Act (NaDiVeG). In this report, we explain our sustainability strategy in detail and also discuss the numerous activities in the areas of company management and strategy, people, customers and products, society and social engagement as well as environment and climate protection.

We publish our sustainability report 2020 at the same time as the annual report on our website at www.bks.at under » Investor Relations » Berichte und Veröffentlichungen.

Financial Calendar 2021

Date	Content
31 March 2021	Press conference on the 2020 financial statements
31 March 2021	Publication of the single-entity financial statements and the consolidated financial statements 2020 on the website and in the Official Gazette of the Republic of Austria "Wiener Zeitung"
17 May 2021	82nd Annual General Meeting
19 May 2021	Dividend ex-day
20 May 2021	Record date
21 May 2021	Dividend payout day
28 May 2021	Interim report for the period ended 31 March 2021
27 Aug. 2021	Half-year financial report 2021
28 Nov. 2021	Interim report for the period ended 30 September 2021

Investor Relations Contact

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Corporate Strategy


Ihr Herz schlägt
für die Natur.
Privatkunden
Firmenkunden
§ AGB
€ Preisaushang Privatkunden
€ Preisaushang Firmenkunden

About us

Our roots are in the south of Austria, in Carinthia. Almost 100 years ago, we started out helping entrepreneurs set up their businesses in Carinthia. We have remained a reliable partner for the regional economy to this very day. The number of regions in which we do business has steadily been expanding since our foundation. We are proud to say that we have a total of 64 branches in five countries today. We offer 1,133 employees attractive and secure jobs.

We have continuously been developing the range of products and services over time. This has helped us reach new customer segments. In the 1960s, we started enlarging our business activities to include retail customers. The international expansion into neighbouring countries took place in the late 1990s. We are very pleased that BKS Bank’s customer base now includes more than 192,400 retail and corporate banking customers. BKS Bank's ordinary shares have been listed on the Vienna Stock Exchange since 1986.

Our customers

In the corporate segment, we focus on industrial, commercial and trade companies as well as property developers, municipalities and self-employed professionals. Our advisory services and products include classic banking products such as finance for working capital, capital goods and export finance as well as advisory services for government lending schemes. We also offer payment services including e-commerce solutions as well as account and card services. In recent years, we have also been steadily expanding our range of digital offerings for corporate customers, most recently in the key business area of leasing.

The wide range of products is rounded off by the deposit business as well as products to invest surplus liquidity and build wealth. We serve some 25,100 corporate and business customers.

In retail banking segment, we provide services to private individuals and members of the healthcare professions. Our range of services for private customers is continuously growing - especially as regards digital offers. All routine banking services can now be accomplished digitally. These include, for example, deposit accounts, home loans, consumer loans, leasing contracts and investment fund savings plans. The excellent quality of our advisory services to retail customers remains a core area of competence. Customers who want to conduct transactions only online have the option of consulting an advisory expert. We serve around 167,300 retail customers.

Further details on corporate and retail banking can be found in the segment report starting on page 108.

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 present in Slovenia, Croatia and Slovakia with branches and leasing companies. In Italy, we operate a BKS Bank representative office and the company BCS Fiduciaria Srl.

Our partners

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

What we stand for

As a bank that cares about people and has strong regional roots, warm-heartedness is a key value that guides our work to ensure the prosperity of our customers. We offer excellent advice, 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 see ourselves as a commercial bank, independent and autonomous in its decisions.

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

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

We take risks only when we are able to master them on our own strength. This keeps us independent and autonomous.

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

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

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

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

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 we do it better than our competitors and exceed expectations.

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

What we are proud of

We have developed a structured corporate strategy to achieve our goals. The three strategic pillars of ***equity, earning and costs,*** and ***responsibility*** were defined as the key elements of our future success. Improving efficiency, optimizing earnings and new fields of business are the activities that will keep us on the path to success, with the digital transformation playing a key role.

Our corporate strategy geared towards sustainable growth passed the litmus test also in the crisis year 2020. Our earnings are stable, our own funds ratio is good, and we are gaining new customers. When it comes to sustainability, we are among the top performers in the banking industry. We are proud of this.

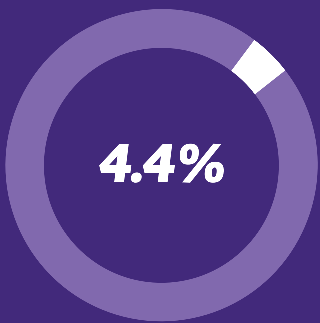
Earnings and Costs| Performance

EUR 74.8 million
Profit for the year after tax

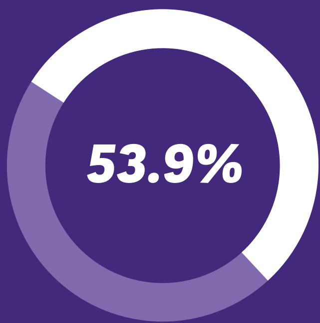
192,400
Customers

BKS Bank Connect

3,250 BizzNet users
46,000 MyNet users



Credit growth



Cost/income ratio

Awards

EMAS GEPRÜFTES UMWELTMANAGEMENT AT-000735

GEWINNER NACHHALTIGSTE BANK BKS Bank AG BÖRSIANER Test 2020

GREEN BRAND Austria 2020/2021

VÖNIX 2021 INDEX MEMBER

Equity

Leverage ratio

Responsibility

General administrative costs

4.3%

Cost discipline reduces expenses

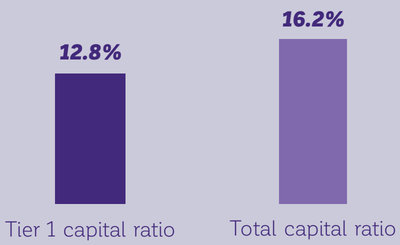
Risk

Liquidity coverage ratio

158.1%

We exceed the regulatory minimum ratio of 100%.

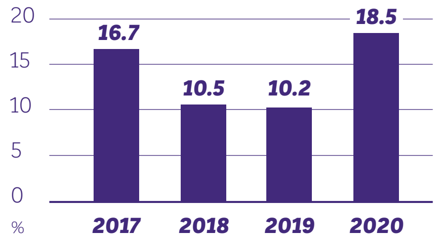
Solid capital cover



Responsible management

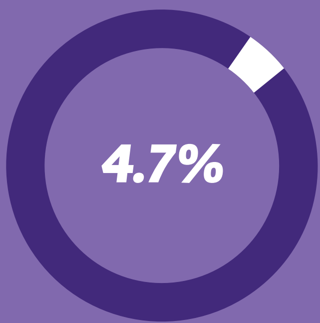
Our management staff assumes responsibility and acts autonomously and professionally.

Trend risk/earnings ratio



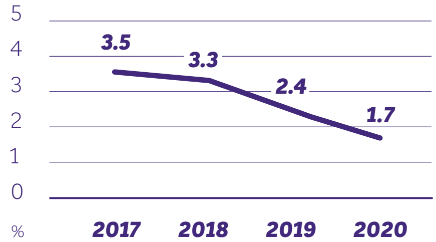
EUR 1,363 million

Shareholders' equity



Staff turnover rate

Trend NPL ratio

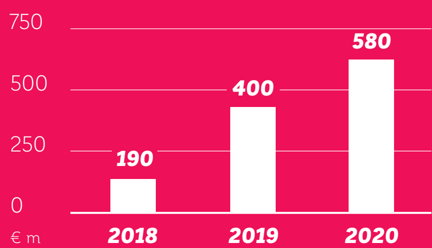


Quality and Sustainability

Customer satisfaction

92% of retail customers and 84% of corporate customers of the Slovenia Branch gave us top grades (1 and 2).

Volume of sustainable products



Our Strategy

Moving forward to 2024 responsibly

Although the challenges we will be facing in the years to come will be greater due to the current health and economic crisis, they are not insurmountable. When we look back on almost a century of company history, we see that we have often been confronted with crises. In the past decade alone we have seen several major crises such as the financial crisis and the euro crisis that put us under great strain. As we are well aware of our responsibility as a financial institution, we have always maintained our capacity to operate and have also come through difficult times unscathed.

The environment for banks was very harsh even before the crisis year of 2020. Competition is fierce in the financial industry, with new market players such as fintechs and big tech pushing their way into the market and vying for customers. The pricing wars are relentless and pressure on margins is accordingly high. The profitability of banks has been suffering from persistently low interest rates, and we have been faced with the phenomenon of "negative interest" for some time now. The numerous regulatory requirements create enormous costs, and the advance of digitization requires millions in investments. Additionally, the traditional banking business is facing lasting changes in customer behaviour as we see many types of banking transactions shift online and a massive drop in significance of branches as an important point of contact.

At first sight, the scenario described may not seem very uplifting. However, it also opens up new avenues and business opportunities.

We believe that staying true to our strategy is an important factor for mastering the challenges described above and successfully overcoming crises. At BKS Bank, we have established a well-thought-out strategy process, which helps us stay focused on the way forward. The entire management team closely analyses the various options on a regular basis to identify strategic fields of action. In order to put these into practice, we develop suitable measures that are rapidly implemented. We measure the success of our methods by defined indicators that we monitor regularly. This permits us to respond immediately to rapidly changing situations. In this way, an apparently uncertain or even threatening future loses its intractability.

At BKS Bank, we rigorously pursue a growth strategy geared towards sustainability. In the implementation of our strategy, we attach great importance to the two topics of **“performance and transformation”**.

The rapid development of technology is changing the rules of game and the expectations of our customers for the long term. This is affecting all business areas thus forcing us to reassess our products, services, processes, speed and capabilities, and to invest in their further development. One of the tasks will be to provide support to our customers and employees for the digital transformation. At the same time, the pressure on earnings will increase, as will the requirements in terms of efficiency and performance.

Our key strategic goals

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

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

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

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

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

We returned to **profitability** in the retail segment.

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

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

Our **image** is that **of a bank that acts responsibly.**

Sustainability and **quality** are an integral part of **our daily work.**

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

We have **management staff** that assumes responsibility **- autonomously and professionally.**

Strategic fields of action

In line with BKS Bank's strategy framework we have defined strategic fields of action that will be pursued in the coming years to achieve our corporate goals.

Bringing the brand to life

One topic we have been dealing with for some time now, and one that is also at the focus of this Annual Report, is excellent brand management. We live in a society of overabundance in which the range of goods and services is so vast that we lose track of them, and they become interchangeable in many respects. This is overwhelming for customers when making their purchasing decisions.

In this situation, brands can be a welcome relief as they function as a means of identification and differentiation and thus provide orientation, create trust and reduce complexity. Orientation and trust are highly valued in the world of finance

Successful brands communicate their meaning with every contact, and create a positive and distinctive image in the minds of customers.

BKS Bank is this kind of brand, with credibility based on consistently excellent services and clear differentiation from competitors thanks to its values of warm-heartedness, strong relationships and a forward-looking ethos. To remain successful, we need to deliver a consistent and positive brand experience every time a customer encounters the brand. This requires committed employees whose behaviour reflects the brand strategy. Because successful brands always develop from the inside.

At BKS Bank, our employees are dedicated to their work and put their heart and soul into being reliable partners for customers, business partners and shareholders.

We will continue to focus on communication and training in brand excellence to help all managers and employees identify with the BKS Bank brand. We know that successful brand management is always a marathon and are prepared to make these investments that are so crucial to our future. One thing is for certain: strong brands create lasting value.

Achieving 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 win new customers in all regions by communicating our values and extensive range of services.

Nor are we afraid to open further branches in places where we see good market opportunities. We believe there is great potential for further expansion in our foreign markets, as these have developed very positively in the past years.

In Croatia, we recently added new branches in the capital Zagreb and are considering further locations in other regions. There are concrete plans for entering the market in Serbia, which we postponed in the reporting year due to the coronavirus pandemic, but will resume in the current year. In Serbia, we will establish a leasing company.

The Slovenia Branch is seeing the best development of all our foreign markets. Over the past three years, we have expanded through targeted acquisitions in the investment segment, and thus gained the number one position in the market for investment services. We aim to reinforce our market position by increasing sales activities in cross-selling and up-selling.

In Austria, the Vienna metropolitan area and Styria are our most promising markets. We plan to strengthen our presence in these regions. We have succeeded in establishing ourselves as a solid alternative to major banks, especially in Vienna. The acquisition of new customers is going very well, particularly in the corporate and business segment; in the retail business, new customer acquisition is more subdued. We expect to see strong growth in the retail segment following the establishment of BKS Bank Connect, the digital bank within the Bank, and our campaign targeting retail customers.

Advancing digital transformation

The coronavirus pandemic created an incredible stimulus for the advancement of the digital transformation. Within a very short time, millions of people switched to remote working and personal contacts moved to digital channels, with global lockdowns driving online commerce. This abrupt shift to remote working and communication posed a major challenge for both companies and people. Companies that had already been working to exploit the great opportunities of digitization in 2020 had a clear advantage.

BKS Bank is one of those companies. At BKS Bank, we had already started working on the digital transformation many years earlier. In the beginning, we focused on the development of our customer portals and apps, but later on we quickly realized that the digital transformation had to be considered from a broader point of view. We continuously expanded our digitization strategy building it block by block based on an analysis of our customers' needs. Today, our range of digital products and services is very popular with our customers.

The digital transformation of the entire organisation is under way. The process is far from finished, even though we have achieved some important milestones such as BKS Bank Connect. The project portfolio of our digitization strategy is more than full.

In the months to come, we will concentrate on developing new products and services for corporate and business customers, as well as launching further useful digital solutions in the retail segment. Also on the agenda is further training in digital skills for our employees with attractive practical training courses and educational measures and new user-friendly IT systems on offer.

Acting sustainably
We are one of the best in the banking industry with respect to sustainability, and there are good reasons for this. For many years, we have dedicated our efforts to the topic of sustainability and today it is part of our corporate strategy. Long before sustainability became a pressing issue in politics, we were looking closely into environmental and climate protection, and working on the development of "green" investment and finance products.

To highlight the enormous importance of corporate social responsibility within our company, we implemented our own sustainability strategy which we regularly update - most recently in the last financial year. Since it has become clear that the biggest challenge for humanity will be climate change, many governments, companies and organisations have responded by putting the topic of sustainability on the agenda.

The Green Deal of the European Union and the EU Action Plan for Financing Sustainable Growth are important developments which we welcome, and which affirm that our course is the right one. One thing is clear: banks play a key role in the fight against climate change with their financing and investment business.

We prepare a separate Sustainability Report that was published on our website at the same time as Annual Report on 31 March 2021. We cordially invite you to read our Sustainability Report 2020. The Sustainability Report is the calling card of our sustainability strategy, our sustainability goals and our activities, and presents an in-depth view of how we live up to our responsibility to our stakeholders.

Improving performance
As a bank that values sustainability, we believe it is very important to think long term and make every effort to be well-prepared for the future and achieve success. The earnings situation of banks is under enormous pressure due to several factors, as outlined above.
The goal is to open up new sources of revenues and to identify further potential for efficiency gains on the expenses side.

We believe there is more potential for cost savings in process management. Many processes have been analysed, optimized and digitized in recent years. Nonetheless, there are still a few highly complex processes which are yet to benefit from the opportunities offered by digitization. We will focus our upcoming digitization projects on such processes, including, for example, our lending process for corporate and business customers. The distribution of sales capacities and the branch organisation are further topics under review.

The main goals are to achieve leaner hierarchies, reduce the administrative workload and automate processes to free up time for proactive selling.

With the launch of the centrally-managed service desk, we have taken one major step towards this goal.

Strengthening equity

A strong equity base guarantees future growth and increases resilience. The capital ratio and own funds ratio of BKS Bank are at solid levels and exceed the regulatory requirements. Nonetheless, it is important to us to further strengthen our capital ratios, in particular the common equity tier 1 ratio. To this end, we are essentially pursuing three strands. First, we will continue to work on being profitable to allow us to reinvest profits. Second, we will promote our issuing business and raise the number of issues attributable to own funds, and third, we will further optimize the measurement base for calculating regulatory own funds. Moreover, further capital increases are part of our spectrum of measures to strengthen equity.

Our achievements in 2020

Even though the year 2020 was a very challenging one and many segments of the economy were forced to suspend all activities, we worked tirelessly to implement our corporate strategy. We made few adjustments to the strategy agenda, and we continued to work hard on important projects such as those involving digitization.

Roll-out of new branding

In the reporting year, we translated our newly defined branding strategy into an emotional and expressive brand style that clearly communicates the meaning of the BKS Bank brand. The design was guided by the motto “If it comes from the heart, you feel it with your heart" and is expressed by the colour range, font and new logo of BKS Bank. It was important to us develop the new style as an evolution of the previous one, so as to ensure that BKS Bank would remain recognizable to stakeholders.

Core elements of the new branding style are the two colours red (warmth and cordiality) and violet (representing the future) as well as the new BKS Bank wave, which symbolizes heartbeat, pulse, relationships and mountains.

The changeover to the new branding style was done over the course of the past financial year for the key communication channels, domestic and foreign websites, business stationery and advertising. In line with our core value of responsibility we did not roll out the new brand style overnight, but introduced it step by step. Some areas such as the customer portals in Austria and abroad as well as some apps will be adapted over the course of the next few months.

BKS Bank Connect launched successfully

In the summer of 2020, BKS Bank Connect - the digital bank within the bank - went online. BKS Bank Connect is designed for the new generation of tech-savvy customers. All banking products – deposit accounts, bank cards as well as home loans, car leasing and investment fund savings plans – can be accessed digitally. The principal difference from exclusive online banking is that BKS Bank Connect customers can also use the services of our highly experienced experts. This ensures that our digital banking services also retain a personal touch.

With BKS Bank Connect we achieved a further milestone of our digitization strategy, adding a valuable supplement to our branch operations. We have no plans to become an exclusively online bank in the future either. BKS Bank is a branch-based bank that provides customers with excellent advisory services combined with innovative digital offers.

Impressive digital innovation capabilities
We reinforced our core value "future-oriented" by introducing several innovative products in 2020, impressing customers and the public alike. The main topics driving our innovation efforts are digitization and sustainability.

Innovative I: Wider range of digital offers for corporates and retail customers
The digital banking trend continues undiminished, and the coronavirus pandemic has only accelerated developments. The past few months have shown us very clearly how important it was to focus on the opportunities of digitization long before 2020. Companies that recognized this early on had a clear advantage. BKS Bank recognized the potential.

Our customers experienced no interruptions to everyday banking services during the lockdowns. We did not rest on our laurels, but continued to work relentlessly to digitize further banking products, focusing on expanding our offers for both retail customers and corporate and business customers. Specifically for this last customer group we created an attractive online product for vehicle leasing, a platform which allows fully digital conclusion of contracts.

For retail customers, we expanded the digital product range for investments and created the possibility of setting up fund-based savings plans online.

Innovative II: Nature & Future account launched
Sustainability is becoming a megatrend in retail banking. Here too, BKS Bank recognized the opportunities in this area early on and made sustainability a key element of its corporate strategy.

It has always been our ambition to establish sustainability as an integral part of our core business.

After having developed the relevant offers for lending and investments, we have now enlarged the range of account types by adding a new green account.

The account type “Natur & Zukunft” contributes to the reforestation of domestic forests, which play a key role in climatic change mitigation. The idea of linking a banking product to reforestation was developed at a junior management training programme by an engaged team of employees.

At least one tree is planted for every “BKS Natur & Zukunft” account opened. When selecting trees, care is taken to ensure biodiversity and not to encourage monocultures. Forests offset CO_2 emissions and thus make an important contribution to preventing global warming. The Chamber of Agriculture of Carinthia was brought on board as our cooperation partner for reforestation and provides valuable expert input to the project.

4,680 trees were planted to replace a protection forest destroyed by a fire in Bad Eisenkappel/Železna Kapla.

Innovative III: Concept for branches developed further
"Branch of the Future" is the name of our branch concept, which we have been successfully pursuing for several years. In response to the declining number of customers visiting branches, we redesigned our branches as an important point of contact. We replaced the traditional teller counter with a welcome desk more reminiscent of a hotel reception area than a classic bank branch.

We not only changed the interior design of the branches, but also upgraded processes to keep pace with the digital age. For example, customer signatures are now made electronically using modern signature pads, and cash transactions are done using "white cards" in the self-service areas.

Apart from technical improvements, another goal was to improve efficiency in the organisation of the service area.

In September 2020, the service desk team in the pilot region Carinthia began its work. All service employees are assigned to the respective branches by a central management unit. The service desk team is the first point of contact, and is responsible for welcoming customers in a cordial, friendly manner. The reorganisation of the service area gives our local account managers more time for sales activities, renders personnel planning more efficient and uses fewer resources.

The service desk team concept makes it possible for us to expedite the roll-out of our plans for hybrid sales channels. In the coming months, the service staff of the Regional Head Offices Vienna-Lower Austria-Burgenland and Styria will also be integrated into the service desk team.

Implementation of the EU Action Plan for Financing Sustainable Growth

The EU Action Plan for Financing Sustainable Growth will have a major impact on the future of corporate policies in the banking sector. This concerns almost our entire core business. Back in 2019 we launched a far-reaching implementation project to meet all the requirements.

In the reporting year, we developed factors for assessing sustainability risks, which will be incorporated into our rating process.

We also looked into the sustainability risks to which real estate collateral is exposed. Furthermore, we also investigated whether the loans we have considered sustainable in the past continue to meet the taxonomy criteria. The adjustments to the criteria, including implementation in our IT systems, will take place in 2021.

We have developed a training programme which started at the beginning of 2021 to ensure that our staff are well informed about the new requirements. We hold regular events to keep our customers informed about the EU Action Plan and its possible effects.

BKS Bank: an excellent bank

We are pleased to report that in 2020 we again successfully completed several certifications and were the proud recipient of major industry awards.

Since last year we have been certified with the **"Green Brand"** quality seal, which is awarded to companies that run their businesses in line with the principles of ecological accountability. Decisive for the successful certification was the steady reduction of our carbon footprint and our sustainable range of products. A special feature of the Green Brand quality seal is that a company has to be nominated for it. This is an additional honour in our view, and one of which we are particularly proud.

For the fifth time in a row, the BKS Bank ordinary share 2020/21has been included in the **Sustainability index VÖNIX**. This makes BKS Bank one of the top companies in Austria with respect to sustainability.

We received the next good news shortly before Christmas. For a second time in a row, we were named the “**most sustainable bank”** in Austria by the magazine “Der Börsianer”.

The nomination was prompted, among other things, by our creation of the new account type “Natur & Zukunft” and our issuance of green and social bonds.

We also received great praise for the high quality of our advisory services from external institutions that regularly examine such services provided by banks.

Furthermore, we were named the **bank with the best advisory services for real estate financing** for the third time by the Austrian Society for Consumer Studies (ÖGVS) and "trend" magazine. We also received the **FMVÖ Recommender Award** for "outstanding customer orientation" which is conferred upon Austrian banks and insurance companies with an exceptionally high level of customer orientation.

We were also honoured to receive a special distinction in Croatia. The Office for Demography and Youth named us **"Most family-friendly company" in the category of small and medium-sized enterprises.** We also received an award from MAMFORCE© as the most family-friendly SME in Croatia.

We are very proud of all our awards, and we greatly appreciate them as an affirmation of our numerous sustainability activities.

Group Management Report

Economic Environment

Global lockdowns weigh on economy

The measures taken to contain the pandemic caused the **global economy** to contract again in the fourth quarter of 2020. Almost all countries were affected by the pandemic and the OECD had to revise growth estimates downwards for the global economy in December.

The US economy plunged to historic lows in the year 2020 due to the coronavirus crisis and shrunk – projected to the full year – by 3.5%. The People's Republic of China was the only major economy to record growth at a rate of 2.3% in the past year. The country took rigorous measures to combat the coronavirus. As early as in the second quarter, China's economy started to expand again, albeit to a much lesser extent.

In the **euro area,** the lockdown measures affected the economy in the first half and around the end of the year 2020. After the significant recovery in the third quarter, most economies saw their output contract again in the fourth quarter, although the slump was not as pronounced as in the second quarter. Across the entire euro area, the decline in gross domestic product (GDP) in the fourth quarter was -0.7%. Projected to the full year 2020, GDP in the euro area will have probably decreased by 6.8%. Germany, a country that imposed lockdowns on many sectors of the economy in November, got off lightly at first. After the marked upswing in the third quarter, the economy stagnated from October to December. Spain recorded slight growth of 0.4% in the fourth quarter, while France's economic output dropped by 1.4%.

In **Austria,** GDP declined more severely in the fourth quarter dropping by 4.3%. As Austria's economy is highly dependent on tourism, the measures taken to contain the coronavirus pandemic had a harsher effect. Hotels and restaurants have been closed for months. According to the WIFO (Austrian Institute of Economic Research), value added in Austria in the sectors of commerce, hospitality and transport was 19.7% lower quarter on quarter in the last three months of 2020. With respect to other services, which also include arts and culture, the contraction was even more dramatic at -25.2%. The situation was better for industry and the construction sector. In the last quarter of 2020, the growth rate was very modest at 1.0%.

Central banks keep expansionary bias

The European Central Bank (ECB) continues to support the environment for loans to the real economy. In December 2020, the Pandemic Emergency Purchase Program (PEPP) was topped up by an additional EUR 500 billion and will be maintained with a volume of EUR 1.85 trillion at least until the end of March 2022. Key lending rates were not adjusted in the past few months and remained at 0% as at 31 December 2020, while the interest on deposits was -0.5%. Neither was there a change in interest rate policy in the US. Key lending rates are within a bandwidth of 0% to 0.25%. A securities purchasing programme for USD 120 billion per month has the aim of stabilizing the economy. A reduction of the US Federal Reserve's total assets – referred to as tapering – will happen at the earliest only in 2022, after the coronavirus crisis has been overcome.

Stock markets on roller coaster ride in 2020

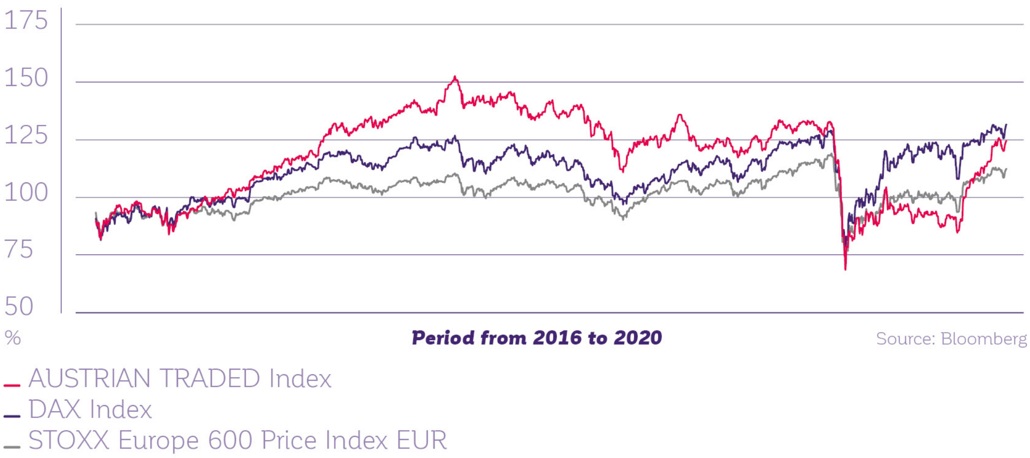
The year 2020 began on a bullish note. The downturn of the year 2019 was history, growth forecasts were raised, and sentiment indicators pointed to a positive outlook for the future. In the trade war between the US and China, it seemed as if an agreement was imminent. When the first coronavirus cases appeared outside of China, the setting for the global capital market changed dramatically. Global lockdowns and the ensuing economic slump triggered one of the steepest declines on stock markets in history. Within just a few weeks, stocks, commodities and also bonds suffered significant losses. The financial aid programmes of governments and central banks launched around the world in the billions halted the sell-off on stock markets at the end of March, and both stocks and high-risk bonds started to recover. This continued with short interruptions until the end of the year 2020. Some indices even climbed to record levels again. In the US, the S&P 500 index rose by 18.0% and the Nasdaq by 45.3% – calculated in US dollars.

In Europe, the markets had not yet fully recovered by the end of the year, and some indices were in negative territory. The Austrian stock index, ATX Prime, closed the year at -10.2%.

Euro appreciated vs. major currencies

The euro gained ground versus most major currencies in the fourth quarter of 2020. The US dollar appreciated against the euro from EUR 1.172 to EUR 1.222 per USD, which is a gain of 4.2%. Versus the Swiss franc, the exchange rate went from 1.079 to 1.081, which is an increase of 0.2%. The exchange rate of EUR/JPY rose from 123.65 to 126.18, which is a rise of 2.1%. Compared to the British pound sterling, the euro lost 1.5% (EUR 0.907 to EUR 0,894 per GBP). The Chinese renminbi rose 0.3% versus the euro from EUR 7.976 to EUR 8.003 per CNY. The Croatian kuna, which is important for our company, depreciated slightly by 0.1% versus the euro and was quoted at HRK 7.554 per euro at the end of December.

Performance of European stock indices



Impact of the Coronavirus Pandemic

The coronavirus pandemic was the dominant theme in the financial year 2020. Within just a few weeks, an international health emergency became widespread. The consequences were lockdowns, shutdowns of entire industries, economic slumps and a "new normal". To protect the health of employees and customers as well as to safeguard jobs, BKS Bank took extensive measures.

A crisis team was set up to steer BKS Bank safely through the pandemic. At the beginning of the health crisis, the team posted information on how to protect oneself from coronavirus on the employee portal on an almost daily basis and the team was available to employees 24 hours a day to answer questions.

Over 200 home office workplaces were set up, and in some cases, employees moved to back-up offices. Meetings were held exclusively online, and seminars were cancelled or offered as online events. Parents of younger children that had to be supervised were granted special days off to care for their children. In November, we opened our own testing station at the head office. It enables a rapid response if in the case of suspected infection. 144 employees had been tested by the end of the year. Fortunately, the number of persons who contracted the coronavirus among our employees in Austria remained low at 39. The quarantine ratio in Austria was 0.34%. Only Slovenia had more cases in relative terms with 24 employees falling ill. There were no deaths among our employees, for which we are grateful.

During the lockdown, we kept our branches open for business at all times. Customer areas were equipped with protective screens to protect against infection and face masks were provided free of charge.

Customer events were cancelled or held online. Our lending and subsidy experts as well as the back office units worked non-stop to answer the many enquiries about loan deferrals, bridge financing, subsidy options and investment subsidy schemes. In total, we granted roughly EUR 160.4 million in bridge finance in 2020 of which EUR 80.9 million had been used by 31 December 2020. Additionally, we granted loan deferrals for a volume of EUR 282.5 million; the number of deferrals was 4,178.

The coronavirus pandemic has massively changed customer behaviour. Curfews and rules to avoid personal contacts significantly reduced the number of customers visiting our branches. Additionally, cash withdrawals declined steeply while the use of card payments and contactless payments increased rapidly. The coronavirus pandemic enormously accelerated the digital transformation, and online banking surged. Demand for digital products and services was significantly higher than before. As we had looked into the opportunities offered by digitisation early on, we responded quickly to changing customer needs. Our customers were able to conduct their banking transactions without restrictions the entire time.

Despite the challenges, we maintained business operations and also continued our strategic projects as planned. No bottlenecks in liquidity management occurred and we were well-prepared for any increased credit risks. We are proud to have mastered this crisis year well.

Management and Organisational Structure

Excellent leadership in times of crisis

The past fiscal year demonstrated very clearly how important it is to have a responsible management staff to ensure stability and guidance in uncertain times. In the past weeks and months, our management staff have proven that they are well skilled in “driving on sight” in these challenging times. Our entire management team in Austria and abroad steered our employees and customers safely through the crisis.

63 women and 127 men belong to the management of the BKS Bank Group. The share of women in management positions, at 33.2%, is still slightly below our strategic target of 35.0%, which we aim to attain by the end of 2022. We have initiated several measures to achieve this goal and enable our staff to better combine work and family life. An important instrument to support committed women employees is the women's career programme developed specifically for BKS Bank. The programme is designed to encourage women to advance their careers. For more details on the programme, please refer to page 40 and following.

The development of responsible management staff is important to secure the future of our bank. We also pursue active succession planning to fill open management and key positions from within the bank’s own ranks. In the reporting year, we filled top management positions with candidates from within the bank. We offer our employees comprehensive support and development programmes regardless of age, gender or socio-cultural background.

Our employees are very loyal to our company. This is also true of our management staff. Many of the staff have been part of the management team for a long time and have decades of experience in management positions. This continuity is also reflected in the age structure: 45% (pr.yr. 47%) of management staff are over 50 years old; 54% (pr.yr. 52%) are 30 to 49 years old. Compared to the preceding year, there has been a slight shift towards a younger age group.

Personnel and organisational changes

There were material changes to the management and organisational structure in the reporting year. To account for the expansion of the past years, the Supervisory Board decided at the last meeting of the year to appoint Nikolaus Juhasz, long-serving head of the Regional Division Styria, to the Management Board. From 1 July 2021, he will be responsible for key areas of sales in Austria as well as for the thematically related areas of "Finance and Investing" and "Securities and Investments".

Nikolaus Juhasz began his banking career in 1992 at Creditanstalt-Bankverein at the time, where he started working in his first management positions in the central lending department. In 1999, he switched to BKS Bank and for many years successfully managed corporate and business at the BKS Bank in Villach Branch. In 2007, he was called to Graz to take over the corporate and business banking segment of the Regional Division Styria. With his extensive knowledge and great commitment, he made essential contributions to the strong expansion of our market share in this region.

There were also personnel changes on the second management level. The long-serving head of the central Credit Management Department, Michael Oberwalder, retired after 38 successful years in the job. The lending business has been expanding steadily in recent years, and the requirements have also become much more demanding. For this reason, we reorganized the tasks of the Credit Management Department and created two new departments "Risk Analysis and Services" and "Credit Risk". The new departments are headed by Sigrid Zoff and Andreas Kritzer, both long-serving employees of BKS Bank and top experts in their fields. As long-year group leaders, the two bring vast leadership experience to their new roles.

New persons with power of attorney

On the proposal of the Management Board and with the consent of the Supervisory Board, Sigrid Zoff and Ronald Hassler were conferred the power of attorney (Prokura) in 2020.

Projects on foreign markets completed

We overhauled our sales organisation in our international markets and adjusted them to match the organisational structure in Austria.

At the core of the new organisational structure are the needs of customers, which form the framework for the new structure: finance and investment, asset investment and savings, and payments services. This ensures that customer needs are optimally provided for along the entire value chain.

The new structure was successfully implemented at all three main branches abroad. In this cross-border project, employees demonstrated their digital skills, as all project meetings were held online.

Fit & Proper qualification

BKS Bank organizes regular further education and training courses to ensure the suitability of members of the Supervisory Board, Management Board, management staff and key employees. Specialized training courses for Supervisory Board members are usually held immediately after the meetings of the Supervisory Board. These were also organized more frequently online in the reporting year.

Organisational structure

As at 31 December 2020

Management Board
Herta Stockbauer, Chairwoman
Dieter Kraßnitzer
Alexander Novak

Head Office - Central Staff Units

Office of the Management Board
Herbert TitzeDiethmar Wölle
(Banking Act - Compliance)
Christoph Pinter
(Securities Supervision Act - Compliance)
Fabia Orlandini
(AML)

Accounts and Controlling
Hubert Cuder
Gerald Auer
(Risk Management)

Personnel Management
Werner Laure

Internal Audit
Robert Raunig

Service Companies in Austria

BKS Immobilien-Service GmbH
Manfred Isopp

BKS Service GmbH
Jaroslav Zvolensky
Klaus Patterer

Head Office

Investments and Savings
Georg Svetnik

Payment Services
Günther Offner

Finance and Investment
Ronald Hassler

Sales
Viktor König

Digital Sales
Gudrun Matitz

Risk Analysis and Services
Sigrid Zoff

Credit risk
Andreas Kritzer

Treasury and International Operations
Josef Morak

Operations
Klaus Patterer

Leasing in Austria

BKS-Leasing GmbH
Michael Meschnark
Silvia Gaber

International

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

Representation Offices
Italy (Padova)

Regional Head Offices

Carinthia
Bernd Berger
Sabine Lax
Diethmar Wölle

Styria
Nikolaus Juhász

Vienna-Lower Austria-Burgenland
Martin Gratzer
Anton Seebacher

Slovenia
Damjan Hempt
Dimitrij Pregelj

Croatia
Tihomir Zadražil
Juraj Pezelj

Slovakia
Ladislav Fülöp
Peter Chovanec

Shareholders

The BKS Bank's shares are listed on the Standard Market Auction segment of the Vienna Stock Exchange. Until 31 October 2020, the share capital broke down into 41,142,900 no-par bearer ordinary shares and 1,800,000 no-par bearer preference shares with a calculated par value of EUR 2 per share.

At the Annual General Meeting of 29 May 2020 and the meeting of preference shareholders of 9 June 2020, the resolution was adopted to convert the preference shares into ordinary shares.

After the required permits were obtained from the authorities, on 31 October the conversion was entered into the Companies Register, and since this time, the nominal share capital has been unchanged at 42,942,900 no-par value ordinary shares.

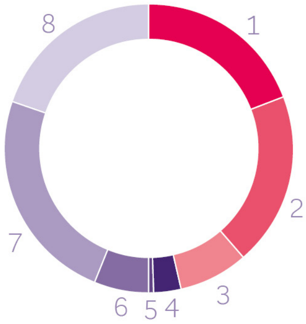
Authorised capital

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

Composition of the capital

On 31 December 2020, Oberbank AG, including the sub-syndicate with Beteiligungsverwaltung GmbH, held 19.2% of the voting rights. Before the conversion and formation of the sub-syndicate, it was 19.3%. On 31 December 2020, Bank für Tirol und Vorarlberg Aktiengesellschaft held 18.9% of voting rights (19.5% before conversion). On 31 December 2020, Generali 3Banken Holding AG held 7.4% of voting rights (7.8% before conversion). These investors have mutual cross-holdings and form a syndicate. The purpose of the syndicate agreement is to guarantee the independence of BKS Bank AG through the joint exercise of voting rights at annual general meetings and the mutual pre-emptive rights of the syndicate partners.The share of voting rights held by all syndicate partners, including the sub-syndicate of Oberbank AG with Beteiligungsverwaltung GmbH, was 45.5% at year-end. The portfolio of own shares was 811,300 ordinary shares on 31 December 2020, which corresponds to a ratio of around 1.9%.

Shareholders of BKS Bank AG as at 31 December 2020



		in %
1	Oberbank AG (incl. sub-syndicate with Beteiligungsverwaltung GmbH)	19.2
2	Bank für Tirol und Vorarlberg Aktiengesellschaft	18.9
3	Generali 3Banken Holding AG	7.4
4	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H.	3.0
5	BKS-Belegschaftsbeteiligungsprivatstiftung	1.3
6	UniCredit Bank Austria AG	6.6
7	CABO Beteiligungsgesellschaft m.b.H.	23.2
8	Free float	20.4

Key Facts on the BKS Bank's share

	2019	2020
Number of ordinary no-par shares ISIN (AT0000624705)	41,142,900	41,142,900
Number of ordinary no-par shares ISIN (AT0000A2HQD1)	-	1,800,000
Number of no-par preference shares ISIN (AT0000624739)	1,800,000	-
High (ordinary/ordinary-conversion/preference share) in €	17.2/-/17.0	16.0/13.6/15.0
Low (ordinary/ordinary-conversion/preference share) in €	15.0/-/13.4	11.3/11.8/10.3
Close (ordinary/ordinary-conversion/preference share) in €	16.0/-/14.3	12.5/13.6/0.0
Market capitalisation in €m	684	538.8
IFRS result per share outstanding in €	2.15	1.72
Dividend per preference share/ordinary-conversion share	0.12	-/0.12[1)]
Dividend per ordinary share	0.12	0.12[1)]
PER ordinary/ordinary-conversion/preference share	7.4/0.0/6.7	7.3/7.9/0.0
Dividend yield ordinary share	0.75	0.96
Dividend yield preference share/ordinary-conversion share	0.84/-	-/0.88
[1)]Proposal to the 82nd Annual General Meeting on 17 May 2021		

[1)] Proposal made to the 82nd Annual General Meeting of BKS Bank AG on 17 May 2021

Share buybacks

In the year 2019, a share buyback programme was successfully carried out. In addition to the 14,000 shares from the share buyback programme of 2013, we repurchased some 100,000 ordinary shares on the stock exchange and over the counter through a publicly-announced stock buyback programme at price of EUR 17.1 per share. The buyback was carried out within the framework of the authorisation granted at the 79th Annual General Meeting in accordance with § 65 (1) nos. 4 and 8 Stock Corporation Act. As 17,989 of these shares had been used for an employee participation scheme in 2019, a new employee participation scheme was started in 2020: In the period from 1 April to 16 April 2020, 25,343 shares from the share buyback programme 2019 were used for this employee participation scheme at a price of EUR 12.4. The shares were paid out to employees under specific conditions as part of the annual bonus.

At the end of 2020, the number of ordinary shares attributable to the employee participation scheme was 70,668.

Ongoing legal proceedings

In June 2019, UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. filed a petition as minority shareholders with the Regional Court Klagenfurt (Landgericht Klagenfurt) requesting the appointment of a special court auditor pursuant to § 130 (2) Stock Corporation Act. In these proceedings, they requested a special audit in connection with capital increases carried out by the issuer from 1994 to 2018. The petition was rejected by the Klagenfurt Regional Court in the first instance and by the Graz Higher Regional Court in the second instance. The Supreme Court dismissed the plaintiffs' appeal by the ruling handed down in November 2020. The petition of UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. to appoint a special court auditor was therefore rejected with final effect.

The Supreme Court specifically pointed out that the plaintiffs had not presented any legal matter of material importance, and that all information had been properly disclosed.

The same minority shareholders filed a lawsuit in June 2019 to challenge the resolutions adopted at the Annual General Meeting of 8 May 2019, among other reasons, because of the rejected motion for a special audit. The proceedings of the action for annulment were continued after an interruption.

In June 2020, the same minority shareholders filed a lawsuit with the Klagenfurt Regional Court to challenge the resolutions adopted at the Annual General Meeting of 29 May 2020. The lawsuit contests the discharge of the members of the Management Board and the (non-) discharge of individual members of the Supervisory Board as well as the rejected motion to conduct various special audits. Furthermore, the lawsuit petitions for a positive decision on the plea to reject the discharge of the members of the Management Board and of certain members of the Supervisory Board, as well as the discharge of one member of the Supervisory Board, and requests a positive decision regarding the execution of the abovementioned special audits. The proceedings of the action for annulment have been suspended and the file has been forwarded to the Takeover Commission.

In March 2020, also 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 original matter of the aforementioned action for annulment to ascertain if the obligation to make a mandatory bid has been breached, in particular, pursuant to § 22a no 3 or § 22 para 4 Takeover Act by BKS Bank and its affiliated entities.

Likewise, at the request of the aforementioned minority shareholders, the Takeover Commission initiated review proceedings pursuant to § 33 Takeover Act regarding Oberbank and Bank für Tirol und Vorarlberg.

The Takeover Commission combined these proceedings and held oral hearings. A decision is still pending. Given the relationships between the members of 3 Banken Group, a breach of the obligation to make a mandatory bid by one of the three banks may also affect the other two banks.

After a careful joint 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 development of the proceedings up to now and the decisions handed down, in particular, the Supreme Court's decision to reject the appointment of a special court auditor, affirm BKS Bank in this view.

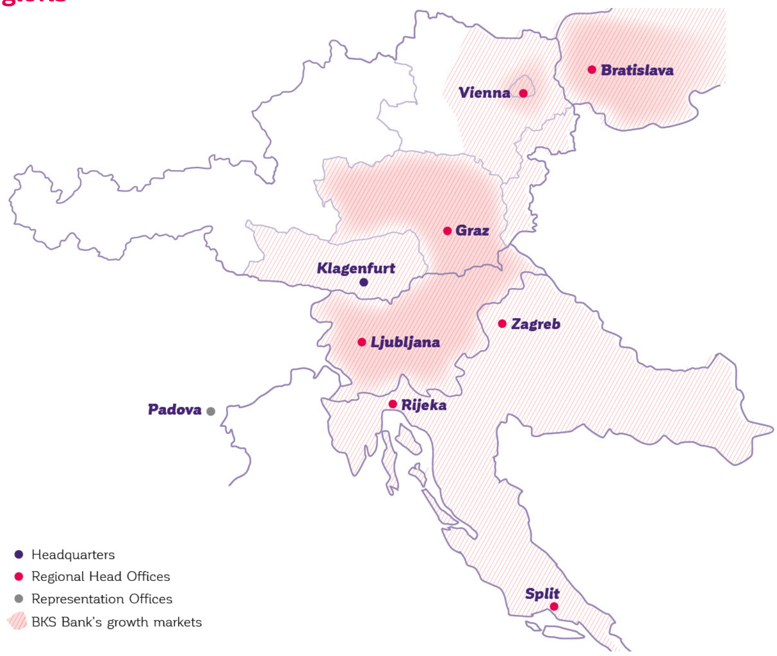
Information on the internet on ÖCGK and BKS Bank

	Websites:
Austrian Code of Corporate Governance (ÖCGK)	www.corporate-governance.at
The BKSBank'sshare	www.bks.at/investor-relations/die-bks-bank-aktie
Shareholder Structure	www.bks.at/investor-relations/aktionaersstruktur
Financial Calendar	www.bks.at/investor-relations/unternehmenskalender
Annual General Meeting	www.bks.at/investor-relations/hauptversammlung
• Austrian Code of Corporate Governance (ÖCGK) • Conformity Declaration of BKS Bank AG • Guidelines for Independence • BKS Bank's Report on the Code of Corporate Governance • Publications pursuant to § 65 Banking Act regarding Corporate Governance & Remuneration • Articles of Association of BKS Bank	www.bks.at/investor-relations/corporate-governance
Business, Financial and Sustainability Reports of BKS Bank	www.bks.at/investor-relations/berichte-und-veroeffentlichungen
Disclosure pursuant to CRR	www.bks.at/investor-relations/berichte-und-veroeffentlichungen
Press Releases of BKS Bank	www.bks.at/news-presse

Markets

BKS Bank was founded in Klagenfurt in 1922 as Kärntner Kredit- und Wechsel-Bankgesellschaft Ehrfeld & Co. Its market has been constantly expanding since its foundation. Today, the BKS Bank Group has 64 branches and four leasing companies in Austria, Slovenia, Croatia and Slovakia as well as one representation office in Italy.

Our core regions



Bank	Number of branches	Number of customers	Number of employees
Austria	49	130,241	719.7
Carinthia incl. Corporate Banking	20	78,220	544.3
Styria	12	24,525	76.2
Vienna-Lower Austria-Burgenland	17	27,496	99.3
Foreign markets	15	54,757	221.6
Slovenia	8	48,563	129.0
Croatia	4	5,333	63.8
Slovakia	3	861	28.8

Leasing entities	Leasing volume	Number of customers	Number of employees
BKS Leasing GmbH	256,197	2,364	10.1
BKS-leasing d.o.o., Ljubljana	155,559	5,691	18.9
BKS-leasing Croatia d.o.o., Zagreb	77,943	984	13.3
BKS-Leasing s.r.o., Bratislava	60,098	725	13.4

Austria
The roots of BKS Bank are in Carinthia. For many decades, we operated exclusively on the Carinthian market. The bank's first expansion within Austria was in 1983 when it opened a branch in Graz. The South-East axis was completed in 2003 with the acquisition of "Die Burgenländische Anlage & Kreditbank AG". We concentrated our expansion in the regional capitals with solid economies, so that today our network of branches is not excessively widespread.

Slovenia
We started our international expansion in neighbouring Slovenia in the 1990s. Ever since, the Slovenia Branch has become the most important foreign market of the BKS Bank Group. In the past years, we have grown strongly through successful acquisitions and have attained a leading market position in the securities business. Moreover, for over 20 years we have operated our own leasing company very successfully on the Slovenian market.

Croatia
BKS Bank entered the market in Croatia in 1998 with the establishment of a representation office. This was later followed by the founding of the Croatian leasing company, BKS-leasing Croatia d.o.o., which has been expanding stably ever since.

We entered the Croatian banking market in 2007 with the acquisition of Kvarner banka d.d. located in Rijeka. Since the takeover, we have enlarged the network of branches to include one in Zagreb and one in Split; in 2020, a further branch was opened in Zagreb.

Slovakia
We have been active in Slovakia since 2007 after taking over a Slovakian leasing company. We established the first bank branch in 2011. Both the bank and the leasing company have their head offices in Bratislava. We have two further branches and leasing sites in Banská Bystrica and Žilina.

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

Our target groups
Our diverse range of products and services is appealing to both retail and corporate customers. We have had a strong presence in corporate and business banking since the founding days, especially in industry and commerce. Additionally, we also serve a large number of non-profit residential construction companies and property developers. In recent years, we have also been working more frequently with municipalities and public institutions. We are a reliable banking partner also for customers from the free professions.

In the retail segment, we concentrate on high net-worth individuals and members of the healthcare professions. We are now targeting a new group: digitally-savvy customers. We plan to offer this group of customers attractive products and services especially with BKS Bank Connect.

During times of crisis is when our customers realize that we are an institution with values and not just a bank.

Alexander Novak
Member of the Management Board

Consolidated Companies and Investments

The relevant group of consolidated companies of BKS Bank includes 15 credit and financial institutions as well as companies that supply banking services, including domestic and foreign leasing companies. The overview below presents the companies that belong to the BKS Bank Group pursuant to 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. Materiality criteria are, above all, the total assets of the subsidiaries, the proportionate equity in associates as well as the number of employees at the respective company.

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, Klagenfurt	✓		
IEV Immobilien GmbH, Klagenfurt	✓		
BKS Service GmbH, Klagenfurt	✓		
BKS Immobilien-Service Gesellschaft m.b.H., Klagenfurt	✓		
BKS Hybrid beta GmbH, Klagenfurt	✓		
BKS 2000 - Beteiligungsverwaltungsgesellschaft mbH, Klagenfurt	✓		

The group of consolidated companies of the BKS Bank Group includes – apart from BKS Bank AG – 11 credit and financial institutions, and companies that supply banking-related services in which BKS Bank AG holds controlling interests. These consolidated financial statements are based on the uniformly prepared single-entity financial statements of all fully consolidated companies.

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 2020, BKS Bank held 14.21% voting shares in Oberbank AG and 14.67% voting shares in Bank für Tirol und Vorarlberg Aktiengesellschaft, which is 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 of the 3 Banken Group, without exercising a controlling interest.

ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT m.b.H. (ALGAR) is recognized on a portionate basis. This investment is classified as a joint operation pursuant to IFRS 11.

Credit and financial institutions

BKS Bank AG

Object of business	Credit institution
Head office	Klagenfurt
Year of foundation	1922
Total assets	EUR 9.2 billion
Number of branches	64
Number of employees in FTE	940.8

BKS-Leasing Gesellschaft m.b.H.

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	direct 99.75%, indirect 0.25%
Head office	Klagenfurt
Share capital	€k 40.0
Year of foundation	1989
Leasing volume	EUR 256.2 million
Number of employees in FTE	10.1

BKS-leasing d.o.o.

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	100%
Head office	Ljubljana
Share capital	€k 260
Year of acquisition	1998
Leasing volume	EUR 155.6 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 foundation	2002
Leasing volume	EUR 77.9 million
Number of employees in FTE	13.3

BKS-Leasing s.r.o.

Object of business	Sale and management of vehicles, movables and real estate leasing
Share in the capital	100 %
Head office	Bratislava
Share capital	EUR 15 million
Year of foundation	2007
Leasing volume	EUR 60.1 million
Number of employees in FTE	13.4

Oberbank AG

Object of business	Credit institution
Share in the capital	14.21 %
Head office	Linz
Year of foundation	1869
Total assets	EUR 23.3 billion
Number of branches	175
Average number of staff	2,168

Bank für Tirol und Vorarlberg AG

Object of business	Credit institution
Share in the capital	14.0%
Head office	Innsbruck
Year of foundation	1904
Total assets	EUR 13.2 billion
Number of branches	36
Average number of staff	963

ALPENLÄNDISCHE GARANTIE - GESELLSCHAFT M.B.H.

Object of business	Hedging of large credit risks
Share in the capital	25 %
Share capital	EUR 8.0 million
Head office	Linz
Year of foundation	1984

Other consolidated companies

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

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

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

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

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

IEV Immobilien GmbH

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

BKS Hybrid Beta GmbH

Object of business	Issuance of a hybrid bond
Share in the capital	100 %
Head office	Klagenfurt
Share capital	€k 35
Year of foundation	2009

BKS Service GmbH

Object of business	Service company for banking-relating activities
Share in the capital	100 %
Head office	Klagenfurt
Share capital	€k 35
Year of foundation	2011
Number of employees in FTE	50.8

BKS Immobilien-Service Gesellschaft m.b.H.

Object of business	Acquisition, construction, rental of real estate, and building management
Share in the capital	100 %
Head office	Klagenfurt
Share capital	€k 40.0
Year of foundation	1973
Number of employees in FTE	13.8

BKS 2000 - Beteiligungsverwaltungsgesellschaft mbH

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

Further material 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
BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft	0.89
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
E 2000 Liegenschaftsverwertungs GmbH	direct 99%, indirect 1%

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.	0.19
Wiener Börse AG	0.38
PSA Payment Services Austria GmbH	1.46

Assets, Equity and Liabilities

Total assets of the BKS Bank Group rose markedly by EUR 1.0 billion to EUR 9.9 billion as at 31 December 2020. The strong increase was driven by moderate, responsible growth in lending and the doubling of the cash reserve. Primary deposits again recorded a significant inflow of customer funds.

Assets

Lending business developed satisfactorily

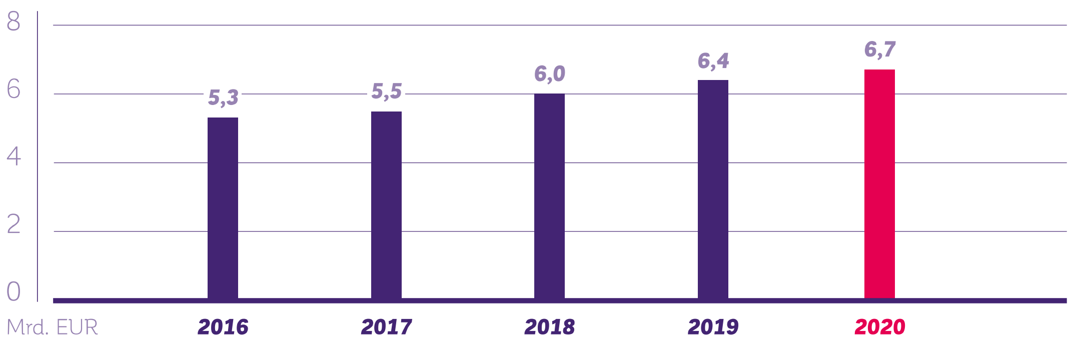
Looking back, we can say that the financial year 2020 was an extraordinary one. The economic shock caused by the measures taken to contain the coronavirus has a had severe impact on society and the economy. The numerous government support and financial aid measures were implemented by the banks within a very short time. The unprecedented efforts of our employees helped us make an important contribution to the stabilisation of the economy and provided our customers with the necessary bridging loans and loan deferrals. From April onward, we processed more than 4,178 loan deferrals in our domestic and foreign lending and leasing business, and granted bridging loans of around EUR 160.4 million.

Still, the 2020 financial year in the lending business was not characterised solely by the consequences of the pandemic. Many companies continued their expansion and capital investments, enabling us to make gains across all regions in which we do business. We granted a total volume of loans of approximately EUR 2.1 billion in Austria and our foreign markets. On 31 December 2020, outstanding receivables from customers were EUR 6.7 billion compared to EUR 6.4 billion on 31 December 2019, which is an increase in lending volume of 4.4%. The item Receivables from customers includes lending by the parent company BKS Bank AG as well as lending by the domestic and foreign leasing companies.

With respect to receivables from credit institutions, the volume increased by 41.3% to EUR 283.0 million, as we deposited short-term liquidity peaks with top-rated credit institutions.

We recorded a moderate decline in receivables from customers from EUR 90.7 to EUR 87.4 million (-3.7%). Our loan portfolio features solid quality, as evidenced by a very low NPL ratio of 1.7%. Compared to other Austrian and international market participants, we are at an excellent level.

Development of receivables from customers



Our efforts to continuously reduce the ratio of receivables denominated in Swiss franc helped us achieve a good foreign currency ratio of only 1.5% as at 31 December 2020. The foreign exchange ratio does not include loans in euro to customers of the Croatia Branch.

Leasing business developing well

The year 2020 was not an easy one for the leasing sector. In the first half of the year, demand for lease finance dropped sharply, especially in vehicle leasing. In the second half of the year, the situation stabilized enabling us to report satisfactory growth rates in the leasing business.

The BKS Bank Group includes four leasing companies that operate in Austria and our foreign markets. The present value of leasing receivables of the Austrian leasing company, BKS-Leasing GmbH, increased from EUR 233.0 million to EUR 256.2 million. The increase of 9.9% is due mainly to the fact that we have a particularly strong share of business in movables and truck leasing. In vehicle leasing, we achieved a major milestone in the reporting year in the implementation of our digitization strategy. Since June, our Austrian private and corporate customers have been able to conclude vehicle leasing contracts completely online. The new digital services have been well received by our customers.

In Croatia and Slovakia, the leasing business was slightly more successful. The Croatian subsidiary, BKS-leasing Croatia d.o.o., recorded a 12.9% increase and reached a present value of lease receivables of EUR 77.9 million. BKS Leasing s.r.o. based in Bratislava reported an increase in the present value of lease receivables year on year by 13.0% to EUR 60.1 million.

In Slovenia, we posted a slight decline. The present value volume of lease receivables was EUR 155.6 million. In total, the Group's present value of leases was EUR 549.8 million, which is an increase of 6.9% compared to 31 December 2019.

The portfolio of debt securities and other fixed-income securities increased due to investments by 3.2% to EUR 918.6 million. We invested a volume of EUR 66.8 million until 31 December 2020, compared with redemptions and sales of EUR 38.6 million. This position is a key element of our liquidity management.

The shares of companies accounted for using the equity method increased in the reporting year to EUR 661.5 million (+4.0%). The increase was due to the allocation of net profits on a proportionate basis for the period from our partner banks Oberbank AG and Bank für Tirol and Vorarlberg.

BKS Bank owns 70 properties with a total surface area of almost 100 thousand m2. Of this area, 41.8 thousand m^2 are used for banking operations, and 49.0 thousand m^2 are rented out to third parties. We pursue two approaches in real estate management. First, we develop real estate to create new residential and commercial buildings in the cities where we operate. For example, we constructed a new office building in the centre of Klagenfurt and leased it long term. Second, we revitalize existing properties in accordance with environmental compatibility as our contribution to quality of life for people. We are currently engaged in the construction of the “BKS Holzquartier”, which we plan to have certified in accordance with the standard defined by ÖGNI – Austrian Society for Sustainable Real Estate Management. The “BKS Holzquartier” will be ready for occupancy from August 2021. In the reporting year, we refurbished over 2,000 m^2 and expanded our portfolio of leasable space.

Overview of properties in Austria

	2018	2019	2020
Number of properties	59	59	60
Total surface area of properties managed in m^2	68,495	68,689	69,464
– thereof for banking operations in m^2	37,561	37,908	37,122
– thereof rented to third parties	25,817	23,093	24,700
Rental occupancy ratio in %	92.5	88.8	89.0
Net rental income from third party rentals in EUR m	2.6	2.5	2.7

Overview of properties abroad 2020[1)]

	Slovenia 2019	Slovenia 2020	Croatia 2019	Croatia 2020
Number of properties	4	8	2	2
Total surface area of properties managed in m^2	14,460	28,707	1,724	1,724
– thereof for banking operations in m^2	3,144	3,182	1,499	1,499
– thereof rented to third parties	10,544	24,252	-	91
Rental occupancy ratio in %	94.7	95.6	87.0	92.0
Net rental income from third party rentals in EUR m	1.4	2.5	0.03	-

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

The cash reserve, which comprises cash on hand and balances at central banks, doubled year on year to EUR 1.1 billion. This high level is unique in the history of our company and an indicator that there were no liquidity bottlenecks during the pandemic in the Austrian and Slovenian markets. This balance sheet item is a key component of our liquidity reserve, which reached a record level of EUR 1.9 billion as at 31 December 2020.

The high level of cash reserves also has a downside: deposits with the Austrian National Bank (OeNB) are subject to negative interest of 0.5%, which had negative impact on net interest income. Since the introduction of IFRS 16 Leasing, the rights of use from rental contracts are recognized as assets and the related payment obligations from leasing liabilities are recognized at their present value in the balance sheet. Capitalised right-of-use assets are recognized under property, plant and equipment and depreciated over their useful life. The carrying value of the right-of-use assets was EUR 21.3 million on the reporting date (pr. yr. EUR 22.3 million).

Equity and liabilities

Robust growth in primary deposits

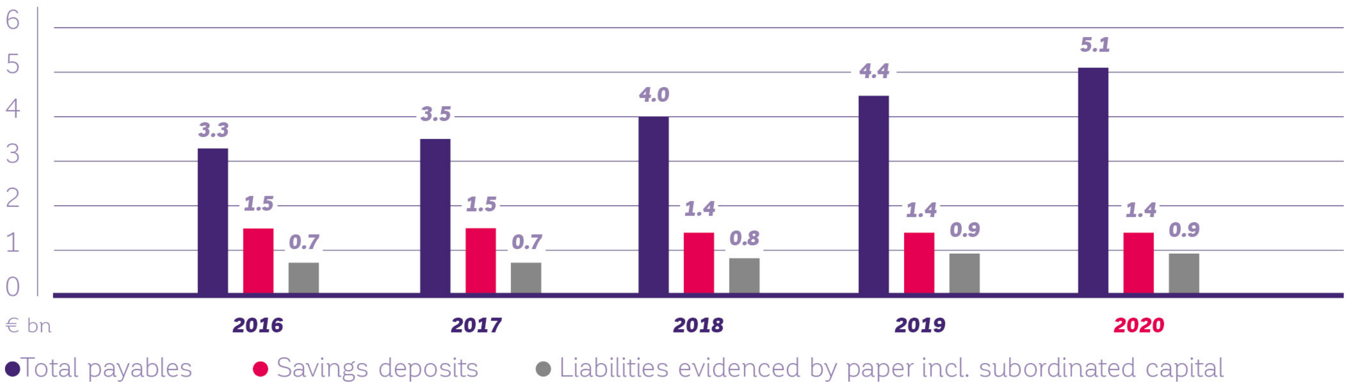
We broke another record in primary deposits. As at 31 December 2020, we managed customer assets of EUR 7.4 billion. We clearly exceeded last year's record level with a volume of EUR 731 million.

Savings behaviour changed in the reporting year due to the coronavirus pandemic. Many customers set aside additional liquidity reserves to be better prepared for the possible negative effects of the crisis.

This change is seen mainly in the development of amounts owed to customers, which rose by 12.5% to EUR 6.5 billion. This item comprises savings deposits as well as sight and term deposits. There were no major changes in savings deposits compared to the preceding year.

The total volume of EUR 1.4 billion is more or less the same as in the preceding year. On the other hand, sight and term deposits have been growing at annual double-digit rates for several years. The coronavirus pandemic accelerated this trend, and on 31 December 2020 we reported 16.8% higher sight and term deposits (EUR 5.1 billion) versus December 2019. The majority of these funds – specifically some EUR 4.1 billion – are sight deposits, which are very popular with both corporate and retail customers. Corporate customers use these to invest short-term liquidity surpluses, while private individuals want to be able to access their savings also digitally, regardless of when or where they are. Volumes on "Mein Geld" accounts have been rising steadily for years. This was also the case in the reporting year. As at 31 December 2020, we managed a volume of EUR 450.2 million in this product segment.

Development of primary deposits



Issuance business satisfactory

We were also satisfied with the development of the issuing business in the financial year 2020. BKS Bank has proven a reliable and competent issuer especially for institutional investors. We issued EUR 70 million in private placements until 31 December 2020. As a measure to strengthen subordinated capital, we issued three new subordinated debt securities with varying maturities in the reporting year.

Just before the end of the year, we floated an AT-1 bond for subscription by major and institutional investors. An increasing number of investors are paying greater attention to the environmental and/or social impact of the money they invest. We are happy to report that we were able to meet this customer demand in the reporting year by issuing social and green bonds. The green bond issued in the autumn was the fourth we floated. The net proceeds of the issue were used for the project of Hermes Schleifmittel Ges.m.b.H. for a "regenerative post-combustion plant for capturing CO_2 to clean exhaust air". The issuance volume was EUR 3.0 million.

The social bond with an issuance volume of EUR 5.0 million was used to finance the renovation and extension of the Edelseegasse Hartberg Rieger secondary school. Own issues including subordinate capital amounted to EUR 857.1 million.

The decline in provisions to EUR 129.4 million was due mainly to changes in the calculation parameters for pension and severance payment provisions. The interest rate dropped from 1.3% to 1.0% and at the same time the wage trend also dropped by 99%-points.

As at 31 December 2020, BKS Bank recorded an increase in consolidated equity by 4.7% to EUR 1.4 billion.

In March 2020, the Financial Market Authority (FMA) acted on a recommendation of the European Central Bank and issued a recommendation to companies to refrain from paying dividends unless they were under a legal obligation to do so.

At the 81st Annual General Meeting, the resolution was adopted to pay on each dividend-bearing non-voting preference share, a minimum dividend of EUR 0.12. Furthermore, the resolution stipulated that the distribution of dividends on eligible ordinary no-par value shares was to be contingent on more precisely defined conditions relating to the aforementioned recommendation.

The conditions for the dividend distribution occurred in December 2020. Therefore, in January 2021 a dividend of EUR 0.12 per share was paid on BKS Bank ordinary shares, which is a total of approximately EUR 5.0 million. Subscribed capital was unchanged at EUR 85.9 million.

BKS Bank Debt Securities Issued in 2020

ISIN	Designation	Nominal amount in €
AT0000A2CWL3	2.75% BKS Bank Nachrangige Obligation 2020-2032/1	8,433,000.00
AT0000A2GGE2	3 % BKS Bank Nachrangige Obligation 2020-2030/2	4,289,000.00
AT0000A2HL84	3 % BKS Bank Nachrangige Obligation 2020-2030/3	9,739,000.00
AT0000A2HL92	0.6% BKS Bank Green Bond 2020-2026/4	3,000,000.00
AT0000A2JU08	0.8% BKS Bank Social Bond 2020-2028/5	5,000,000.00
AT0000A2CGB7	0.7% BKS Bank Obligation 2020-2025/1/PP	50,000,000.00
AT0000A2CPM5	0.67% BKS Bank Obligation 2020-2025/2/PP	14,500,000.00
AT0000A2K2N9	0.7% BKS Bank Obligation 2020-2027/3/PP	5,500,000.00
AT0000A2LJ17	BKS Bank Additional Tier 1-Anleihe 2020	700,000.00

Result of Operations

BKS Bank closed a very trying financial year 2020 with a satisfactory result of EUR 74.8 million. Due to the overall economic situation, the profit for the year fell short of the preceding year's record level (EUR 92.9 million 2019). Apart from the negative interest rate policy of the European Central Bank (ECB), the decline in earnings was attributable to individual special effects. These include lower income from investments accounted for using the equity method. Furthermore, the higher burden from regulatory requirements are weighing on earnings. On the other hand, the services business, in particular, the securities business, performed very satisfactorily.

Special effects depressed earnings

Consolidated net income after taxes was EUR 74.8 million as at 31 December 2020. Compared to the previous year's profit, this is a decrease of 19.5%. The decline is the result of several adverse special effects. Our partner banks accounted for using the equity method – Oberbank AG and BTV – reported declining net income for the period. This resulted in a lower result of EUR 30.9 million for entities accounted for using the equity method. The insolvency of Commerzialbank Mattersburg also had a negative impact on earnings in the financial year 2020. An unexpected special contribution of EUR 1.4 million to the deposit guarantee scheme had to be paid and this contribution will fall due again annually over the next four years.

Furthermore, we increased impairment charges considering the deteriorating economic situation.

As a precautionary measure and in accordance with the provisions of IFRS 9B5.5.1 et seq, we carried out a collective stage transfer for regions and sectors heavily affected by the coronavirus pandemic. In addition to corporate and business customers from the sectors of hospitality, arts and entertainment as well as other services, the entire Croatian corporate customer portfolio was transferred from stage 1 to stage 2. This collective stage transfer with a volume of EUR 738.0 million resulted in additional impairment charges of EUR 7.3 million. Therefore, in 2020 impairment charges increased from EUR 18.6 million to EUR 25.0 million.

Net interest income before impairment charges at last year's level

In the lending business, negative interest has been the norm for several years. Considering the still ongoing corona pandemic and the resulting economic consequences, we expect key lending rates to remain at a very low level for the time being. We cannot fully rule out further interest rate cuts. Interest income as at 31 December 2020 was EUR 141.2 million, while interest expenses were EUR 29.3 million. Other interest income decreased by 5.2% to EUR 23.6 million which was due to lower income on investments. Net interest income before impairment charges was EUR 135.6 million and thus at the preceding year's level. As already mentioned, we increased impairment charges for losses on loans and advances due to the risk of deteriorating credit quality. Net interest income after impairment charges decreased from EUR 117.3 million to EUR 110.5 million.

Key Items of the Income Statement

in € m	*2019*	*2020*	± in %
Net interest income	135.8	135.6	–0.2
Impairment charges	–18.6	–25.0	34.7
Net fee and commission income	58.2	64.3	10.5
Profit/loss from investments accounted for using the equity method	45.9	30.9	–32.7
Net trading income	1.2	2.2	79.4
Profit/loss from financial assets/liabilities	3.7	4.5	23.2
General administrative expenses	–121.0	–123.2	1.8
Profit/loss for the year before tax	103.1	84.9	–17.7
Income tax expense	–10.2	–10.2	–0.6
Profit/loss for the year	92.9	74.8	–19.5

Net fee and commission income at highly satisfactory level

Our business strategy focuses on business areas that do not burden equity. For this reason, we continued to pursue the expansion of the service business with great success also in this year. Net fee and commission income increased gratifyingly by 10.5% from EUR 58.2 million to EUR 64.3 million.

Strong rise in commissions from securities operations

The securities business developed very well in the reporting year. As at 31 December 2020, this business area earned a profit of EUR 18.6 million. Compared to the preceding year, this is a steep gain of 17.5% or EUR 2.8 million . We also posted satisfactory increases again in Slovenia. We have been the largest investment services provider in Slovenia since March 2019 after the takeover of ALTA Invest, investicijske storitve d.d and its some 25,000 customers.

The increase in earnings in this business area is essentially attributable to two factors. First, it is no longer possible to build wealth over the long term with savings accounts considering the current low interest rates. An admix of investment funds, stocks and bonds makes it possible to earn returns. Many of our customers take advantage of these investment opportunities, albeit adjusting their portfolios to their individual risk appetites.

Second, the steep rise in market volatility triggered by the coronavirus outbreak in March 2020 encouraged many investors to reshuffle their securities portfolios in the course of the year. This resulted in a large number of securities transactions, and these were executed mainly online. In 2020, securities orders placed through our customer portal nearly tripled year on year. While some 6,300 orders were placed online in 2019, the number rose to around 16,500 in 2020.

Components of the income statement

Payment services unchanged year on year

The strategically important business area of payment services was strongly influenced by the coronavirus pandemic. The lockdown set off a massive decline in transactions especially in corporate and business banking. Travel restrictions were the reason for the drop in typical travel-related transactions of retail customers. Nonetheless, we succeeded in keeping net income from payment products and services stable at EUR 21.4 million. This was possible due to the substantial increase in new customers that trust our expertise and experience in payment services.

Digital payments gaining popularity fast

Social distancing has changed customer payment behaviour. Cash sales have fallen dramatically, while cashless and contactless payment methods have experienced a real boom. The trend started even before the pandemic, so we started enlarging our range of services and products early on. We offer our customers all smart payment options for their smartphones and smartwatches.

Our products include BKS Wallet, ApplePay, Garmin Pay and bluecode – customers choose. The number of customers using these smart payment methods is constantly growing. Additionally, we also took into account the tightening requirements for card-based payments. The BKS Mastercard not only has a new design, but now also has a whole set of new features. In the autumn, we replaced the BKS Maestro card by the new BKS Debit Mastercard. The new card allows users to pay for online purchases – in addition to the functions of the Maestro card – and it can also be registered in wallets to make payments using smartphones and smartwatches.

In 2020, we also implemented the Instant Payment function which gives corporate and business customers the option of executing SEPA payments and receipts in real time.

Turbulent year for proprietary trading

Volatility on international stock markets was extremely high in the past financial year. At the start of the year, stock markets worldwide reacted to the outbreak of the coronavirus pandemic by plunging. The sell-off stopped only after governments launched their massive support measures that stimulated the recovery of stocks and bonds. The recovery continued until the end of the year with brief interruptions caused by, among other things, the US presidential elections, with the stock markets closing the year on a benign note. This development was also seen in the result from financial assets/liabilities. The result improved year on year by 23.2% to EUR 4.5 million, after a decline of EUR 6.4 million in the first quarter. The specific items developed as follows: Profit/loss from financial instruments designated at fair value improved significantly compared with the prior-year figure. As at 31 December 2020, the result was EUR 0.5 million (pr. yr. -1.6 million). By contrast, the item Profit/loss from financial assets measured at fair value through profit or loss (mandatory) developed less satisfactorily and amounted to EUR 1.9 million. The decrease of EUR 3.2 million is due to lower income in the investment fund portfolio. The item Profit/loss from the derecognition of financial assets measured at amortized cost improved year on year and rose to EUR 1.3 million as at 31 December 2020. The item Other profit or loss from financial assets / liabilities was also positive at EUR 0.9 million after a slight decrease in the preceding year.

Slight increase in general administrative expenses

It is important to have an effective costs management system to ameliorate the negative effects of an economic crisis. Even though we have always practiced strict cost discipline, we also started cutting back on spending several months ago. This has helped us keep administrative expenses more or less at the preceding year's level at EUR 123.2 million. The predominant item in administrative expenses is personnel expenses. We took specific measures and reduced personnel expenses by EUR 2.1 million to EUR 74.6 million. Apart from reducing overtime balances and having employees use open vacation days, the outsourcing of cleaning service contributed to lower costs. As at 31 December 2020, we offered 963 employees (in full-time equivalents) secure and attractive jobs and succeeded in keeping the headcount at around the year-end level of 2019 even though we opened new branches.

Digital transformation requires major investments

Other administrative costs in the reporting period were at EUR 37.3 million much higher year on year. This item includes mainly expenses for information and communications technology (ICT) and for our IT service company 3 Banken IT GmbH, which rose from EUR 15.7 million to EUR 18.0 million. The increase resulted from the measures taken to implement our digitization strategy. The financial year 2020 was dominated by activities to advance the digital transformation, which was one of our main areas of focus.

A milestone of our digitization strategy was the foundation of BKS Bank Connect, our digital bank within the Bank. Apart from introducing smart payment methods, we also expanded our digital product range to include new services:

digital vehicle leasing contracts and the option of concluding funds-based savings plans online. Furthermore, the intranet was upgraded to an interactive portal for our employees. The implementation of these innovative products and services also incurred high costs.

3 Banken IT GmbH is responsible for IT projects and for routine ICT operations at BKS Bank. 3 Banken IT GmbH is a joint subsidiary of Oberbank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft and BKS Bank, and has its main office in Linz. It operates competence centres in Klagenfurt and Innsbruck.

Other operating income burdened by contributions to deposit guarantee scheme

The item Other operating income is affected largely by regulatory costs. In 2020, it was especially the bankruptcy of Commerzialbank Mattersburg that triggered the requirement to allocate higher amounts to the deposit guarantee scheme managed by Einlagensicherung Austria GmbH. Other operating income/expenses was EUR -4.5 million as at 31 December 2020 (pr.yr. -2.2 million). This includes expenses for the resolution mechanism and deposit guarantee scheme of EUR 3.4 million and EUR 4.1 million, respectively, as well as for the stability tax of EUR 1.3 million. .

Profit for the year

As at 31 December 2020, BKS Bank earned a consolidated net profit before tax of EUR 84.9 million following EUR 103.1 million in the preceding year. After deducting taxes of EUR 10.2 million, consolidated net profit was EUR 74.8 million.

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 2020, BKS Bank AG earned a net profit of EUR 30.1 million compared to EUR 45.6 million in the preceding year. An amount of EUR 19.3 million from the net profit was allocated to reserves. Taking into account the profit carried forward of EUR 0.3 million, BKS Bank AG reported a net profit of EUR 11,173,964.67. At the 82nd Annual General Meeting of 17 May 2021, we will propose the distribution of a dividend of EUR 0.12 per share, which is EUR 5,153,148, to add EUR 6,000,000 of the remaining amount to retained earnings and carry the remainder to the new account.

Performance indicators declined

Taking into account the profit for the year, the key performance indicators developed as follows at year-end: Return on equity (RoE) after tax decreased by 1.8%-points to 5.6%; return on assets (RoA) after tax dropped to 0.8%.

The cost/income ratio was 53.9% and therefore well below the banking industry average of 72%. Risk/earnings ratio rose to 18.5% due to the rising risk costs. The NPL ratio was 1.7% at the end of 2020 and was also below the industry average.

The leverage ratio was 8.0% as at 31 December 2020 after 7,8% in the preceding year, while the liquidity coverage ratio (LCR ratio) improved by 6.3%-points to 158.1%.

Both the leverage ratio as well as the LCR ratio were well above the regulatory requirements of 3% and 100% respectively.

To be in a position to master the effects of the current tense economic situation in the future, we need a strong equity base.

The tier 1 capital ratio was 12.8% and the total capital ratio remained at the level of the preceding year at 16.2%. IFRS earnings per share was EUR 1.7 as at 31 December 2020.

Key performance indicators

in %	*2019*	*2020*	± in %-points
RoE after tax (net profit/loss/Ø equity)	7.4	5.6	–1.8
RoA after tax (net profit/loss/Ø equity)	1.1	0.8	–0.3
Cost/income ratio (cost/income coefficient)	50.7	53.9	3.2
Risk/earnings ratio (credit risk/net interest income)	10.2	18.5	8.3
NPL ratio	2.4	1.7	–0.7
Leverage ratio	7.8	8.0	0.2
Liquidity coverage ratio (LCR ratio)	151.8	158.1	6.3
Net stable funding ratio (NSFR)	112.4	117.2	4.8
Tier 1 capital ratio	12.7	12.8	0.1
Total capital ratio	16.2	16.2	-
			in %
IFRS result per share outstanding in €	2.2	1.7	–22.7

Segment Report

The segment report has four parts: Corporate and Business Banking, Retail Banking, Financial Markets and Other. Within the BKS Bank Group, Corporate and Business Banking is the most profitable segment – and this did not change in the crisis year 2020. However, profitability in Financial Markets declined due to special effects. Retail Banking developed well. Earnings improved significantly compared to the preceding year.

Corporate and Business Banking

In the financial year 2020, we increased the number of customers in Corporate and Business Banking by 6.9% and served some 25,100 customers throughout the Group. Our customers include many firms from the industrial sector, commerce and trade, the free professions, farming and forestry, institutional clients and the public sector.

Corporate and Business Banking has a long tradition at BKS Bank. Since the foundation of the Bank in 1922, the object of business was primarily to supply banking services to business customers. Today, this segment remains our most important operating unit. A large share of the loans we grant go to corporate and business customers.

Segment result declines slightly

Earnings in Corporate and Business Banking declined slightly in the 2020 financial year. The decline was due mainly to higher allocations to impairment charges. We increased the allocation as a precautionary measure in accordance with the IFRS due to the coronavirus pandemic, because we expect defaults on loans to become more frequent in the coming months. This raised impairment charges for losses on loans and advances in the segment by 29.9% to EUR 24.3.

Operating business in Corporate and Business Banking was stable despite the global economic crisis. We posted a slight increase in net interest income of 1.1% to EUR 106.9 million. The higher volume of loans and our strict lending policy resulted in a solid level of net interest income. Net fee and commission income, which is the second main source of income, increased by EUR 2.8 million to EUR 35.0 million. We are particularly pleased with this development, as it is our aim to expand the services business and reduce the dominance of lending in Corporate and Business Banking.

Administrative expenses remained nearly unchanged year on year at EUR 51.8 million. This is testimony to our strict cost discipline. Other operating income doubled and was EUR 0.9 million. In total, profit before tax in Corporate and Business Banking was EUR 65.6 million as at 31 December 2020 which is a commendable result considering the economic situation.

The segment-specific benchmark indicators developed as follows: return on equity decreased slightly from 16.7% to 15.6% due to the higher level of committed equity and the slight decline in earnings. The cost/income ratio was 36.3% which is again an excellent level. The risk/earnings ratio increased from 17.7% to 22.8% due to the higher impairment charges for losses on loans and advances.

Corporate and Business Banking

in € m	2019	2020
Net interest income	105.8	106.9
Impairment charges	–18.7	–24.3
Net fee and commission income	32.1	35.0
General administrative expenses	–51.8	–51.8
Other operating income/expenses	0.4	0.9
Profit from financial assets	0.6	–1.0
Profit/loss for the year before tax	**68.4**	**65.6**
RoE before tax	16.7%	15.6%
Cost/income ratio	37.5%	36.3%
Risk/earnings ratio	17.7%	22.8%

The lending business developed very satisfactorily.
Financing and investing are the most important services we provide to corporate and business customers. We therefore offer our corporate and business customers a broad range of products especially in lending. Apart from working capital loans, investment loans and export loans, our products also include vehicle, movables and real estate leasing as well as advisory services for loan subsidy schemes.

The reporting year 2020 was doubtlessly a very challenging one. The coronavirus pandemic was behind the higher demand in the first half of the year for bridging loans and loan deferrals. The trend shifted in the autumn from bridging loans to investment finance. The willingness to invest increased among corporate customers on account of the very appealing loan subsidy schemes made available, which were also successively expanded to help stabilize the economy. New investments concentrated mainly in sustainability, digitization and in projects to help mitigate climate change.

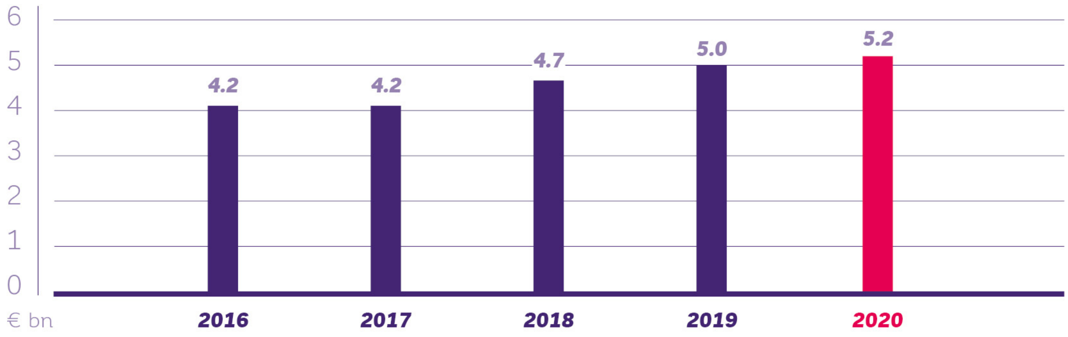
Overall, demand for loans increased in the financial year 2020 despite the economic contraction. Lending volume increased robustly by 4.3%. From January to December 2020, we granted EUR 1.8 billion in new loans to corporate and business customers throughout the Group. Receivables from customers including lease finance rose from EUR 5.0 billion to EUR 5.2 billion. The solid growth in lending volume is also reflected in the results, with commissions in the lending business rising strongly.

In Slovenia, we are also very active in funding for municipalities in addition to the leasing business. The outstanding volume of loans to Slovenian municipalities was EUR 80.0 million. Some 16.5% of the total lending volume for corporate customers in Slovenia goes to municipalities.

Strong demand for advisory services for loan subsidy schemes
Demand for our expertise in the area of loan subsidy schemes in the financial year 2020 was enormous. Our experts in for lending and loan subsidy schemes as well as the back office units worked non-stop to answer the many enquiries about loan deferrals, bridge financing, subsidy options and investment subsidy schemes.

The expert departments had to constantly review the new laws, regulations and decrees being issued at very short notice, and to implement these in the IT systems to ensure smooth processing. We are proud that we were able to respond very swiftly to the rapidly changing legal framework and thus make a substantial contribution to the stabilisation of the economy. On the whole, we granted our corporate customers bridging loans in an amount of EUR 159.5 million and loan deferrals in a volume of EUR 59.5 million.

Receivables from corporate and business customers



In Corporate and Business Banking we serve large corporates with sales revenues of over EUR 75.0 million as well as institutional customers and larger municipalities. Developments in this business area were also very satisfactory in 2020. In total, we managed a financing volume of some EUR 704.9 million in this segment.

Demand for sustainable financing remained high in the reporting year as well. As Austria's most sustainable bank, we are a pioneer in the field and support our customers realize projects that benefit the environment. In the financial year 2020, we issued one green bond and one social bond, and used the proceeds of the issue to finance sustainable investments.

We also promote environmental sustainability in the leasing business. We placed a special focus on the financing of photovoltaic installations, electric and hybrid vehicles in the reporting year. This trend was encouraged by the coronavirus investment bonus, which companies took advantage of to make their business practices more environmentally-compatible, for instance by investing in e-mobility. We widened the share of corporate and business loans with an environmental or social purpose in Corporate and Business Banking from EUR 137.8 million to EUR 230.6 million in the reporting year.

Other liabilities increase steeply again

We have an excellent reputation on the market as a reliable bank and our services as an investment partner are also in high demand thanks to our excellent credit rating. In the reporting year, the volume of other liabilities in Corporate and Business Banking rose significantly by 16.4% to EUR 3.7 billion.

Mixed picture in net fee and commission income

Our strategic goal is to reduce dependence on the lending business and expand other business areas that do not burden equity. In the reporting year net fee and commission income rose by 8.7%, which is a very gratifying result. The expansion was driven mainly by higher commissions on loans. In our two key business areas of payment services and securities, the figures were around preceding year's level at EUR 12.0 million and EUR 5.4 million, respectively.

In the past few years, payment transactions have developed into a reliable source of earnings and recorded stable growth year after year. This was different for the first time in 2020. The lockdowns caused temporary sharp declines in transactions, especially in the Corporate and Business Banking segment.

The trend in customer acquisitions was positive by contrast. The number of customers who use the payment services of BKS Bank has increased. Our corporate accounts are designed to precisely meet customers' needs and ensure transparent and reasonable pricing. Our two customer portals BizzNet and BizzNet Plus are also popular among our customers. The number of users of these modern banking solutions rose to 3,250 in the reporting year. The application "Guarantien online" is particularly popular among corporate and business customers.

This portal permits corporate customers to request guarantees for domestic and foreign transactions at any time and from anywhere. The guarantee accounts with all details can be managed conveniently in the corporate customer portal. User rates rose robustly in the reporting year. By the fourth quarter, applications for guarantees placed online accounted for one third of the total.

Traditionally, the lending business is stronger than the securities business in the corporate and business banking segment. In the 2020 financial year, we achieved a result in the securities business of EUR 5.4 million, which was in line with the preceding year's result.

Our outstanding advisory skills in the insurance business served us well again in the reporting year.

For corporate and business customers, company pension schemes are of special interest. In total, the premiums for retirement products amounted to EUR 31.3 million.

Outlook for Corporate and Business Banking

Our strengths in this segment are the excellent quality of our advisory services and our reliability. Furthermore, we offer customers a broad range of innovative digital products and services. This combination of personal and digital services has proven a sound policy.

In Corporate and Business Banking, we achieved satisfactory growth in new business. We hope to sustain this trend in the coming years. First, we are focusing efforts on increasing our presence in our growth region of Vienna-Lower Austria-Burgenland and in our foreign markets, and second, we are working on strengthening and expanding our digital competence.

We have meanwhile gained a lot of experience in the implementation of digitization projects, and this will permit us to focus on the digital needs of our corporate customers in the months and years ahead. Very soon, we will be able to onboard corporate customers digitally. We will also soon be able to offer our customers the option of opening accounts online.

The digital transformation in our corporate and business banking segment is even more far-reaching. We plan to digitize the complex lending process and create digital lending products for our corporate customers. By the end of the year, we will have achieved significant progress in this area.

A topic to which we dedicate a lot of effort and commitment is the decarbonisation of our customer loan portfolio. An analysis conducted in the reporting year revealed that 2.7% of our customer loan portfolio is in sectors with high or very high carbon emissions. Over the medium term, we aim to shift a significant volume to low-carbon sectors.

Retail Banking

In Retail Banking we provide services to private individuals and members of the healthcare professions. There were roughly 167,300 customers in this segment at the close of the financial year, which is a slight decrease in the number of retail customers. Although we welcomed many new customers in the Vienna-Lower Austria-Burgenland region as a result of the bankruptcy of Commerzialbank Mattersburg, we saw losses in Croatia and Slovenia due to a restructuring of our customer portfolio.

Higher earnings in Retail Banking

In 2020, the Retail Banking segment closed with a satisfactory result of EUR 5.0 million. Earnings were therefore three times higher than in the preceding year and the best result in nine years. This significant increase in earnings was driven mainly by net fee and commission income. The excellent development of the securities business helped to raise net fee and commission income by 12% from EUR 25.7 million to EUR 28.9 million. The trend in the lending business was also positive, and we saw net interest income rise by 4.2% to EUR 28.8 million. Only EUR 0.4 million were recognized for impairment charges. Administrative expenses were EUR 53.9 million, thus increasing only slightly and more or less at the previous year's level. This was possible because of the savings in staff costs in connection with the roll-out of the service desk. Costs were also pushed down by the numerous banking products and services now available online. Other operating income was EUR 1.4 million.

The segment-specific indicators as at 31 December 2020 changed due to the positive segment results as follows: return on equity was 4.3%, while the cost / income ratio improved to 91.2%.

Retail Banking

in € m	2019	2020
Net interest income	27.6	28.8
Impairment charges	0.3	0.4
Net fee and commission income	25.7	28.9
General administrative expenses	53.5	53.9
Other operating income/expenses	1.6	1.4
Profit from financial assets	–0.1	0.2
Profit/loss for the year before tax	**1.6**	**5.0**
RoE before tax	1.9%	4.3%
Cost/income ratio	97.3%	91.2%
Risk/earnings ratio	-	1.4%

High degree of satisfaction achieved

Shortly before the end of the year, we conducted an extensive customer satisfaction survey in the Slovenia Branch. Over 1,200 private customers accepted our invitation and participated in the survey. The overall satisfaction rating of 1.7 on scale of 1 (very good) to 5 (poor) is encouraging evidence of the high level of customer satisfaction with us as a banking partner. 92% of retail customers gave us the two best scores for advisory skills. Our customers feel welcome at our branches and our internet banking applications were also rated highly. Another positive aspect is that many of our customers would actively recommend us to others.

The high quality of BKS Bank is regularly recognized by external surveys, which we are likewise very happy about. We were named the bank with the best advisory services for real estate financing for the third time by the Austrian Society for Consumer Studies (ÖGVS) and "trend" magazine.

We are very pleased about the positive feedback from our customers and the awards received. These are an incentive to continue on our path of striving for excellence.

Rising demand for retail loans

The lending business developed very satisfactorily in the financial year 2020. Demand for residential construction and real estate loans increased year on year. Receivables from retail customers rose robustly by 4.7% to EUR 1.5 billion.

The topic of sustainability has developed into a megatrend in Retail Banking. The trend has also spread to the lending business. In the reporting year, we increased the share of loans for climate change mitigation and social purposes. In total, we issued EUR 182.7 million in sustainable loans in the retail segment. Demand was very satisfactory in Slovenia for the green loans introduced in 2015 for investments that support climate change mitigation. The volume of loans granted in the reporting year rose 22.9% to EUR 35.9 million.

The reduction of foreign currency loans in Swiss franc is also progressing swiftly. The credit volume in Swiss franc decreased by 16.5% to EUR 97.9 million. On 31 December 2020, the FX ratio (excluding EUR loans to customers of the Croatia Branch) was 1.5% versus 1.9% in 2019.

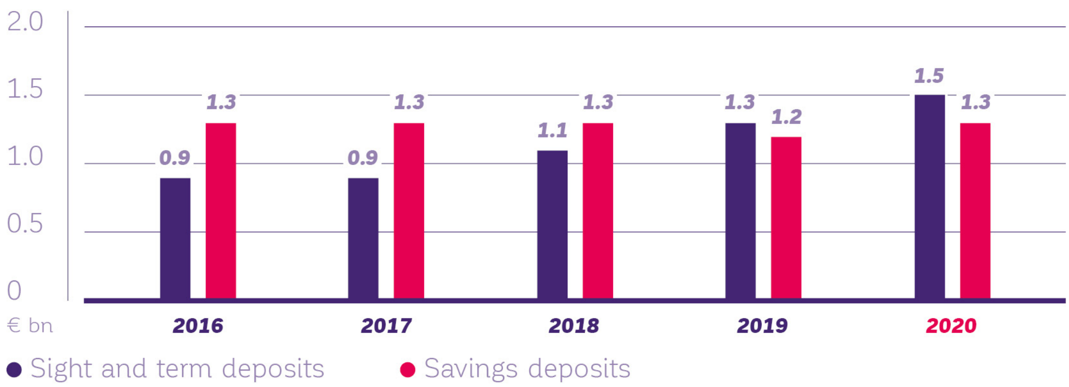
Retail customers still invest conservatively

Despite the year-long low level of interest rates our retail customers have a tendency to invest their savings in classical investment products such as savings accounts and sight and term deposits. For several years, we have been posting steady growth rates in retail customer deposits. As at 31 December 2020, the volume was up by 9.3% to EUR 2.7 billion. Retail customers have been increasingly investing in digital investment products that are accessible regardless of where they are or when. The development of volumes on the “Mein Geld” accounts are evidence of this trend. In the reporting year 2020, some 1,300 new “Mein-Geld” accounts were opened, and the volume rose by EUR 64.8 million to EUR 450.2 million.

On account of the crisis, many customers are currently showing a tendency to save more money due to the high uncertainty caused by the pandemic. Therefore, volumes on sight deposits rose and stood at EUR 1.2 billion, which is a steep rise of 23.5%. Together with the volume of term deposits, the total of other liabilities is EUR 284.3 million and surpassed volumes on classical savings passbooks. Savings deposit balances were slightly higher year on year at EUR 1.3 billion. The appeal of traditional savings books continued to decline. Thus, the total number of savings passbooks decreased by around 4,000 in 2020.

Building society savings are still popular. In the reporting year, we sold 3,203 building society savings contracts (pr.yr. 3,778) through Wüstenrot, our sales partner of many years.

Amounts owed to retail customers



Robust increase in fee and commission business

We also aim to grow in the non-lending business in the Retail Banking segment. We have been successful in growing our services business through proactive measures.

In the 2020 reporting year, we increased net fee and commission income by 12.7%. In addition to the securities business, payment services also contribute significantly to earnings.

Market volatility boosts securities business

The financial year 2020 was quite successful for investors despite the coronavirus pandemic. While stocks rallied at the beginning of the year, the outbreak of the coronavirus pandemic triggered a massive downturn that soon stopped though. A recovery with rising prices set in and lasted until the end of the year. Our customers took advantage of the high volatility on stock markets to reshuffle their portfolios. Income from the securities business in this segment increased by 24.9% compared to 2019 from EUR 10.6 million to EUR 13.3 million.

At three locations in Vienna, Carinthia and Styria, our highly trained account managers provide personalized services for high-net-worth individuals. In the reporting year, we saw satisfactory growth in the number of private banking customers as well as in volumes. In 2020, we served around 1,700 customers with an investment volume of EUR 700 million. Our core areas of expertise in private banking are asset management and brokerage services.

Asset management offered to Austrian retail customers developed excellently in the reporting year. While volumes invested in “BKS Portfoliostrategie” and in individual asset management mandates stagnated in 2020, the volume invested in “BKS Anlagenmix” increased by around 50%. Since mid-2020, our customers have had the option of signing up online for fund-based savings plans in the customer portal. By the end of the year, 80 new fund savings plans had been sold.

Slight decline in payment services

Payment services are considered a key strategic business area also in Retail Banking. For this reason, we are investing massively in the expansion of our range of digital products and services to keep up with the pace of innovation.

In the 2020 financial year, we supplied our customers with the new BKS Mastercard. Apart from the new design, which reflects our new branding style, the new credit card has a number of other useful features. We also replaced the BKS Maestro card with the new BKS Debit Mastercard. In addition to all the functions of the Maestro card, our customers can use the new card to make purchases online and pay using their smartphone or smartwatch.

As regards classic accounts, our modern and user-friendly customer portal MyNet is a highlight and has been very well received by our customers. As at 31 December 2020, some 46,000 customers were actively using the MyNet customer portal.

We expanded our smart payment methods to include ApplePay and GarminPay. We now offer our retail customers all smart payment options with their smartphones and smartwatches. Customer behaviour in payment services has changed noticeably in the past year. A significant decline in cash sales contrasted with a rapid increase in cashless and contactless transactions. As we enlarged our range of products and services early on, we were well-prepared for this new trend and it did not affect us negatively.

As a result of the lockdowns and restrictions to freedom of travel, we also saw a decline in transactions in the retail segment, particularly in traditional credit card sales. Thus, we posted a slight decrease in net fee and commission income of 2.7% to EUR 9.9 million.

Demand for sustainable investments

Sustainability is gaining ground among retail investors interested in investing funds. It is undisputed that sustainable investments are turning into a megatrend in the financial sector. We recognized this trend several years ago and started focusing on sustainable investment products at the time. In Austria we are pioneers in the field and issued the first social and green bonds on the Vienna Stock Exchange.

We floated the fourth green bond in the autumn of 2020 for persons looking for responsible investors. Furthermore, we issued a second social bond with an issuing volume of EUR 5.0 million in the reporting year. The proceeds of the issue will be used exclusively to finance projects that meet the general exclusion criteria of BKS Bank as well as the environmental and social finance categories of the international Green and Social Bond Principles.

We also enlarged our range of sustainable products and added the account type "Natur&Zukunft" in 2020. Customers who select this account type contribute to the reforestation of domestic forests, which play a key role in climatic change mitigation.

BKS Bank Connect launched
The trend towards digital banking is undiminished and was reinforced by the coronavirus pandemic. We responded by creating BKS Bank Connect – the digital bank within the Bank. Retail customers are onboarded digitally and can open accounts, savings accounts, take out loans, start funds-based savings plans and use other services completely digitally. BKS Bank Connect is a milestone of our digitization strategy and will provide essential support for our retail banking business.

Solid development of insurance business
As a responsible bank, we also offer our retail customers a broad range of products from the insurance sector. We act as point of sale for our long-year insurance partner, Generali Versicherung AG. We broker mainly endowment insurance policies with regular premium payments and also with one-off payments as well as risk and accident insurance.

We were pleased with the development of the insurance business in the reporting year. Endowment insurance policies measured by premium volumes increased by 0.7%, while annual net premiums for risk insurance rose by 16.4%. Sales of accident insurance policies developed stably compared to the preceding year.

Outlook for Retail Banking
In the retail segment, the aim is to ensure sustainable profits. We hope to achieve this by a mix of different activities, but the acquisition of new retail customers will be at the focus of our efforts. We will target potential digitally-savvy customers through specific marketing activities such as Google Ads campaigns.

In digitization, we will continue to work on practical solutions that make digital banking easier to use. Over the next few months, we will look more closely at our account models to identify potential improvements. As regards branches, the work to implement the new branch concept will continue. The excellent advisory quality provided by our customer relationship managers will be continuously enhanced by further education and training.

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

Interest rates persisted at very low levels also in 2020 so that it was only possible to earn limited additional returns from maturity transformation. Earnings were boosted mainly by the developments on financial markets, which resulted in higher income from financial assets/liabilities.

Financial Markets

in € m	2019	2020
Net interest income incl. profit/loss from investments accounted for using the equity method	44.9	26.8
Impairment charges	–0.1	–0.3
Net fee and commission income	–0.3	–0.2
Net trading income	1.2	2.2
General administrative expenses	–8.4	–10.5
Other operating income/liabilities	0.2	–0.1
Profit from financial assets	3.2	5.4
Profit/loss for the year before tax	**40.8**	**23.4**
RoE before tax	5.6%	3.1%
Cost/income ratio	18.2%	36.3%
Risk/earnings ratio	0.2%	1.1%

Downturn in segment results

In the Financial Markets segment, we earned a net profit for the year before tax of EUR 23.4 million as at 31 December 2020, which is a decline of 42.5%. This was caused mainly by the development of net interest income, which includes income from investments accounted for using the equity method. As already described in this report, the result from investments accounted for using the equity method decreased by around 32.7%.

The item net interest income also includes income from investments. The risk in BKS Bank's investment portfolio is low, and we have only few investments outside the financial sector. We monitor the development of our investments on a quarterly basis. Our portfolio of investments includes Oesterreichische Kontrollbank (OeKB), 3 Banken KFZ-Leasing, 3 Banken Generali Investment GmbH and Wiener Börse AG.

In the financial year 2020, we earned a total of EUR 4.5 million in income from investments. For example, we received EUR 1.0 million in dividends from OeKB. The 10% investment in 3 Banken KFZ-Leasing yielded income of EUR 0.6 million.

In the past financial year, the exposure in interbank transactions increased strongly from EUR 200.3 million to EUR 283.0 million. The spectacular collapse of Mattersburger Commerzialbank has unfairly cast the interbank business in an unfavourable light. In this context, we would like to stress that our partners in the banking sector have first-class ratings of -AA to A3. We defined regular monitoring including clear reporting lines for this business area several years ago. Therefore, the allocations to impairment charges were accordingly low. In the reporting year, we allocated only EUR 0.3 million. General administrative expenses rose from EUR 8.4 million to EUR 10.5 million. The increase in costs is related to higher costs for legal counsel incurred in the past year (EUR 1.1 million)

The ALM Committee manages long-term liquidity and structural liquidity. The net stable funding ratio (NSFR) is a mandatory regulatory ratio that will take effect as of 28 June 2021 and tracks long-term liquidity. We issued long-term bonds in the reporting year to strengthen the net stable funding ratio (NSFR). Furthermore, we carried out a so-called targeted longer-term refinancing operation within the framework of the ECB's TLTRO III series in an amount of EUR 350.0 million. This increased the net stable funding ratio (NSFR) to 117.2%.

The management indicators for Financial Markets developed as follows: return on equity declined from 5.6% to 3.1%. The cost/income ratio increased from 18.2% to 36.3% especially because of lower net interest income.

Outlook for Financial Markets

Our goal is to continue to serve as a solid and reliable issuer of securities. Therefore, we plan to issue own bonds in the current year to offer our customers attractive investment opportunities. Our investment activities in 2021 will continue to be guided by the avoidance of market risks.

We will not change our conservative investment strategy and continue to invest primarily in high quality liquid assets.

Furthermore, 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 contributions to profit that cannot be attributed to any other operation. In our calculations for the segment, we allocated only those income and expense items to the business segments in which these have been earned or incurred.

Profit/loss for the year before tax was EUR -9.1 million compared to EUR -7.7 million in the preceding year. The deterioration in earnings was due mainly to higher regulatory costs, including costs for the deposit guarantee scheme (EUR 4.1 million) and contributions to the resolution mechanism (EUR 3.4 million). General administrative expenses decreased from EUR 7.3 million to EUR 7.0 million.

Consolidated Own Funds

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

The Supervisory Review and Evaluation Process (SREP) conducted by the Austrian Financial Market Authority (FMA) specified that BKS Bank had to meet the following minimum requirements excluding a capital conservation buffer as a percentage of total risk exposure effective as of 31 December 2020:

- 5.5% for common equity tier 1 capital (CET1)
- 7.3% for tier 1 capital, and
- 9.7% for the total capital ratio

Solid capital adequacy

Common equity tier 1 capital (CET1) increased by EUR 39.7 million to EUR 669.3 million, which is a rise of 6.3%. The CET1 ratio rose from 11.6% to 11.8% despite the strong growth in total assets. Additional tier 1 capital decreased due to redemptions from EUR 61.2 million to EUR 55.9 million. Including tier 2 capital of EUR 190.9 million, the bank's own funds came to EUR 916.1 million, which is a satisfactory rise of 3.9%. The total capital ratio was 16.2%.

BKS Bank Group: Own funds pursuant to CRR

in € m	31/12/2019	31/12/2020
Share capital	83.4	85.9
Reserves net of intangible assets	1,134.0	1,193.6
Deductions	587.8	610.2
Common equity tier 1 capital (CET1)	629.6	669.3[1)]
Common equity tier 1 ratio	11.6%	11.8%
Hybrid capital	6.0	-
AT1 note	55.2	55.9
Additional tier 1 capital	61.2	55.9
Tier 1 capital (CET1 + AT1)	690.8	725.2
Tier 1 capital ratio	12.7%	12.8%
Supplementary capital (tier 2)	190.6	190.9
Total own funds	881.4	916.1
Total capital ratio	16.2%	16.2%
Total risk exposure amount	5,449.6	5,664.1

[1)] Includes profit for the year 2020. Formal adoption is still outstanding.

Optimized measurement basis

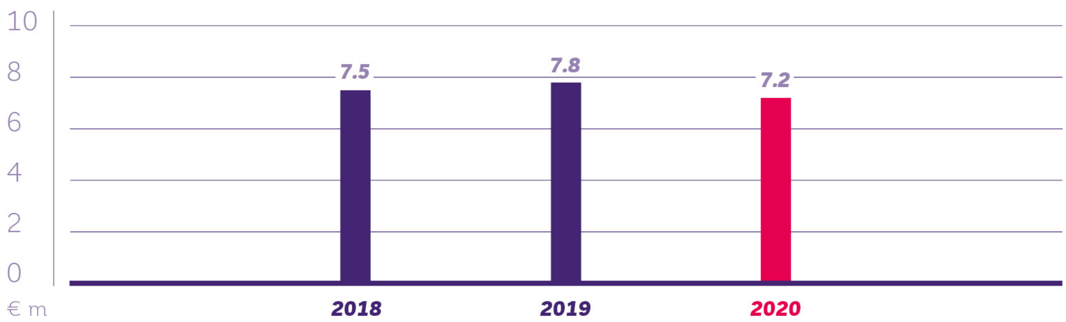
Measures under CRR II were applied during the coronavirus pandemic. Banks were permitted to apply a support factor of 0.76 and 0.85 to receivables from small and medium-sized companies. This helped us achieve a reduction of the assessment base in an amount of EUR 110.0 million. As we achieved solid growth in lending in the reporting year, the total risk exposure amount nonetheless increased by EUR 214.5 million to EUR 5.7 billion.

Positive development of leverage ratio

The leverage ratio is the ratio of tier 1 capital to the unweighted exposure of BKS Bank including off-balance sheet risk positions. The leverage ratio was 8.0% as at 31 December 2020. Therefore, we were well above the regulatory minimum ratio of 3.0%.

In 2020, there was a material change in the calculation of the leverage ratio. Receivables from central banks may be temporarily excluded from the leverage ratio.

Leverage ratio



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).

The Financial Market Authority (FMA) defined a minimum amount for BKS Bank's for own funds and eligible liabilities at 14.99% of total liabilities and own funds (total liabilities and own funds, TLOF) on a consolidated basis that must be attained by 1 January 2022. The MREL ratio is calculated on a monthly basis and reported to FMA. BKS Bank had complied with the required minimum ratio already in the year 2020.

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 187 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 on the internal control and risk management system (ICS) in connection with BKS Bank's financial reporting process.

The ICS ensures that the corporate reporting processes, in particular, financial reporting is carried out correctly, reliably and is complete. We meet these requirements through a documented and transparent organisational structure, a suitable risk orientation and risk analysis, and control activities. A new system to support professional corporate reporting was introduced in 2020, namely the reporting software firesys. The software permits changes and adjustments to figures in a secure and audit-compliant manner. The software also supports the European Single Electronic Format (ESEF), which became mandatory for the first time for annual financial statements with respect to the balance sheet, income statement and statement of changes in equity.

All ICS measures relating to financial reporting processes are covered in a Group Manual as well as in the Internal Guidelines on Risk provisions. Financial reporting is an important element of the internal control system in place throughout the Group and is evaluated annually.

The Management Board is responsible for setting up and designing a control and risk management system that meets the needs of the Group's financial reporting process. Accounting and the related processes, consolidation and risk management are the remit of the Controlling and Accounting 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 subsidiaries are subject to permanent monitoring and the centrally responsible employees are usually on site on a quarterly basis to check the data and information needed for the consolidated reporting. Internal and external seminars are organized to ensure that employees are appropriately trained.

Control activities

The risks and control 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. Controls that cover high risks are at the core of the 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 case, several different control procedures are applied. Recurring systemic controls were implemented together with IT users and external auditors to monitor the IT systems employed (SAP, GEOS, etc.). Accuracy, completeness and precision of the data were audited. In addition, plausibility checks were conducted, checklists used and the dual-control principle rigorously applied.

In financial accounting, checks were carried out to ensure that outgoing payments had also been authorised by the responsible parties and that no boundaries of authority had been overstepped. Payments are authorised for execution only after dual control. Coordination processes are in place for synchronizing 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 authorisation administration system.

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

Information and communication

The Management Board is informed regularly and promptly in monthly reports about every aspect of the financial reporting process and the financial results. The Supervisory Board and Audit Committee receive a quarterly report containing notes on departures from the budget, material changes and changes over time.

Shareholders receive quarterly interim reports that are published on the website www.bks.at under » Investor Relations » Berichte und Veröffentlichungen.

Monitoring effectiveness of the measures

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

To ensure the reliability and orderliness of the financial reporting process and the relevant reports, additional monitoring procedures are carried out by the statutory auditors appointed for the consolidated financial statements and by the Audit Committee.

Sustainability and Non-financial Performance Indicators

BKS Bank published non-financial information pursuant to § 243b Business Code and § 267a Business Code (Sustainability Report and Diversity Improvement Act (NaDiVeG)) together in the separate Sustainability Report 2020. 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.

Holistic sustainability strategy

BKS Bank has been pursuing a holistic sustainability strategy for many years. In 2020, we revised our sustainability strategy following the motto "With accountability into a livable future". Important elements of new the sustainability strategy were stakeholder dialogue, as well as the UN Sustainable Development Goals, the UN Global Compact, the European Green Deal and the EU Action Plan for Financing Sustainable Growth. Based on the results of talks with stakeholders and on previous analyses, we have derived a new materiality matrix, which is presented and explained in the Sustainability Report 2020 on page 44.

Our sustainability strategy breaks down into five strands:

- Strategy and governance
- Employees
- Products and innovation
- Environment and climate change mitigation
- Society and social engagement

We have defined strategic sustainability goals until 2025 that permit us to measure performance. For example, we want to maintain our status as an industry leader in sustainability and keep our prime rating status assigned to us by ISS ESG. We aim to achieve climate neutrality over the long term, increase the share of our sustainable products in total assets to 15%, and grant new sustainable loans with a volume of EUR 200 million per year. Another important goal is to raise the share of women in management positions to 35% and reduce the gender pay gap to 12%.

Strategy and governance

The strand "strategy and governance" refers to the management of our CSR measures. Sustainability is the remit of the Chairwoman of the Management Board on account importance, and she regularly reports to the Supervisory Board on the progress made in implementing the sustainability strategy. ESG opportunities and risks, especially climate risks are assessed once a year and defined in the risk strategy. Two CSR officers develop and coordinate the CSR programme jointly with our domestic and international CSR teams. At regular quarterly CSR meetings, the progress achieved in implementing the sustainability strategy is discussed with the Chairwoman of the Management Board and the next steps are defined.

In the reporting year, we dealt intensely with the EU Action Plan for Financing Sustainable Growth, as it has an influence on our entire core business.

An important element of our business principles is defining the persons, companies and institutions with whom our company does not do business. In 2020, we added positive criteria to the previous exclusion criteria. The criteria defined include the promotion of business areas that make positive contributions to the advancement of society, the preservation of the environment, climate protection and climate change mitigation.

Dialogue with stakeholders

Engaging in dialogue with stakeholders is a key element of our sustainable development. In the reporting year, we invited external experts and employees to two stakeholder workshops. At these workshops, we discussed the topics to be given priority in our sustainability strategy.

In the first survey of customer satisfaction conducted in Slovenia, our customers gave us very good ratings. To obtain timely feedback from our customers, we also introduced after-sales surveys in 2020. The results revealed a very high level of satisfaction among the persons surveyed. The questions we asked our employees referred to diversity at BKS Bank and the social benefits we offer. In Croatia, MAMFORCE© conducted an employee survey in the reporting year as part of our Bank's recertification process as a family-friendly company. The pleasing outcome was 74.5% of respondents said that they were very satisfied with BKS Bank as an employer.

Employees

Our steady expansion has resulted in an increase in the number of employees to 1,133 employees from eleven different countries. Treating people with respect and appreciation is standard practice at BKS Bank. Our management staff defines clear targets for their employees, gives them adequate scope for action, and enables them to take a flexible and forward-looking approach in their work. Entrepreneurial thinking and accountability are a matter of course for our staff and this contributes enormously to our success.

Further education and training courses play a key role for personnel development at BKS Bank and are open to all employees. In 2020, we responded quickly to the strict social distancing rules and many of the training and further development courses were switched to e-learning and online courses. The promotion of women is very important to us. We aim to achieve a share of women in management positions of 35% by 2022. We are pleased to report that we made progress in 2020 in this respect and increased the share from 31.6% to 33.2%.

Overview of employees

Employees by number of persons	*2018*	*2019*	*2020*
Total	1,119	1,128	1,133
• thereof in Austria	861	851	851
• thereof in Slovenia	137	150	154
• thereof in Croatia	74	76	79
• thereof in Slovakia	42	46	45
• thereof in Italy	4	4	4
• thereof in Hungary	1	1	0
• thereof women	619	637	641
• thereof men	500	491	492
• thereof employees with disabilities	27	29	25

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 lists the employees of the non-consolidated companies.

State Award in Croatia

Apart from adequate income, many social benefits and a friendly working relationship with our Works Council, we offer our employees numerous options supportive of a good work-life balance. BKS Bank has been certified since 2010 in Austria with the quality seal "beruf-undfamilie". We also obtained the national certification in Slovenia as a family-friendly enterprise. In Croatia, we successfully completed the MAMFORCE© reaudit in 2020 and were pleased to receive two special awards conferred by the state. The Office for Demography and Youth named BKS Bank "most family-friendly company" in the category of small and medium-sized enterprises (SME). A few days earlier, we were also designated the most family-friendly SME in Croatia by MAMFORCE©.

The health of our employees was also very important to us in the reporting year. Information on the coronavirus prevention measures taken is given on page 78 of this report. Our measures to improve workplace health are also very popular with our staff.

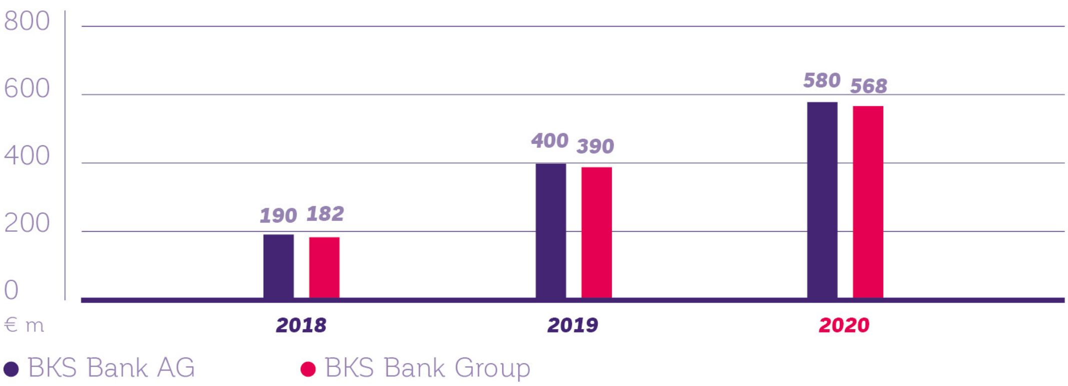
The focus of the annual programme "Durch die Bank gesund" was on intestinal health.

Products and innovation

Since we launched "BKS Portfolio-Strategie nachhaltig" on the market in 2013, we have also been successively enlarging the range of sustainable products to include green and social bonds, sustainable savings passbooks, the 'Silberkredit' loan product, green leasing in Austria as well as green loans in Slovenia. We invest customer assets according to sustainability criteria also in other investment types such as individual asset management mandates.

The substantial rise in demand for our sustainable products confirms that we are on the right course. In 2020, we expanded the volume of sustainable products by 45% to EUR 579.6 million. Sustainable products now account for 5.9% of our total assets.

Volume of sustainable products



The chart shows volumes for "BKS Portfoliostrategie nachhaltig", green and social bonds issued, sustainable investment components in variants of the product "BKS Portfoliostrategiie", as well as for "Öko-Sparbuch", "Grüne Sparbuch", sustainable loans, green loans and green leasing.

Pioneer in green and social bonds

In Austria, BKS Bank is a pioneer in the issuance of green and social bonds. In the reporting year, we issued our fourth green bond. The issuance volume was EUR 3 million. The net proceeds of the issue were used for the project “regenerative post-combustion plant for capturing CO_2 to clean exhaust air” of Hermes Schleifmittel Ges.m.b.H. By switching to a new biomass plant and a regenerative afterburning system for exhaust air purification, Hermes Schleifmittel will be able to reduce carbon emissions by more than 80% per year in the future.

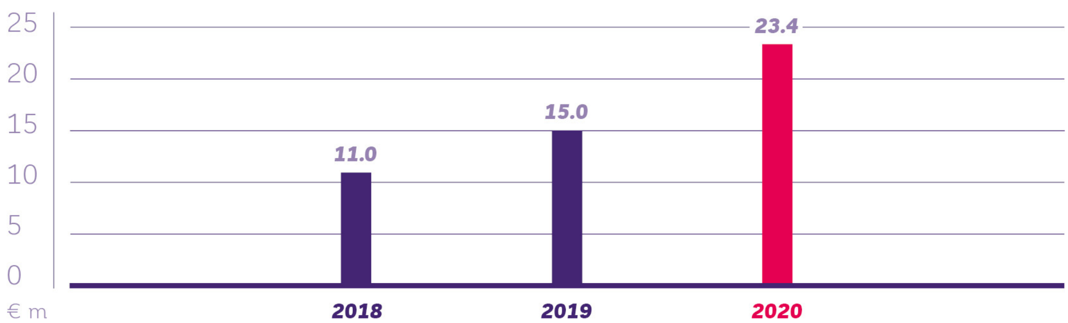
We used the proceeds from the issue of our second social bond to finance the renovation and expansion of the school “Neue Mittelschule Hartberg Rieger”, which is attended by 290 students. This school is an important educational institution in the Hartberg region. The renovation upgraded the building to the low-energy standard. The school is heated by biomass fuel and was equipped with a new photovoltaic system. At the end of the year, the total volume of green bonds issued was EUR 13.4 million and the ratio of climate-linked bond issues was 1.62%. The issuance volume of social bonds was EUR 10.0 million.

The product “BKS Portfolio-Strategie nachhaltig” offers customers environmental and socially sustainable asset management. It invests exclusively in sustainable, ethical and environmental investment funds. In the year 2020, the volume invested in “BKS Portfolio-Strategie nachhaltig” was EUR 18.9 million.

Sustainable loans

Our sustainable lending products were also in high demand in the reporting year. The volume of sustainable loans rose from EUR 296.4 to EUR 413.3 million. Around three quarters (EUR 315.5 million) of these loans had environmental and sustainable purposes. The development of the green leasing cash value at BKS-Leasing Gesellschaft m.b.H. was positively influenced by the coronavirus investment premium, which companies used to improve their environmental compatibility. The volume of green loans granted in Slovenia increased by 23% to EUR 35.9 million. Rising demand for our environmental finance products is in our view a good sign and shows that a growing number of companies and individuals are interested in contributing to climate protection and are investing accordingly.

Issuing volume of green and social bonds



In 2020, we analysed jointly with WWF Austria an initial value for the carbon emissions attributable to our loan portfolio in Austria: 461,000 t CO_2 equivalents.

With the ‘Silberkredit’ loan, BKS Bank has been offering a socially sustainable loan since 2016. The ‘Silberkredit’ is designed for persons who due to their age have limited access to the credit market. The excellent development of volumes in this product shows that there is demand in the market. In 2020, the increase was EUR 37.4 million up to EUR 43.7 million.

Society and social engagement

BKS Bank takes its responsibility as a reliable partner for the region very seriously. In 2020, we supported 152 initiatives with EUR 207,000 including the flagships of Carinthian culture: the German Literature Days and the Carinthian Summer events. We also contributed to the restoration of Kalvarienberg Sachsenburg, which was also upgraded by works of art by Lisa Huber. Our largest social sponsoring project is the long-year partnership with the aid organisation ‘Kärntner in Not’, which has been helping people in dire straits in Carinthia since 2000. We entered into new partnerships with SOS Kinderdorf Moosburg and Volkshilfe Wien.

Environment and climate protection

BKS Bank’s goal is to make a noteworthy contribution to the protection of the environment and the climate. To this end, we have worked to establish and expand our environmental management in the past years. In 2019, we set up the environmental management system, EMAS (Eco-Management and Audit Scheme) to professionalize our environmental activities. EMAS is one of the most widely applied and stringent environmental management systems in Europe.

In 2020, we completed the first recertification. The evaluation was conducted by two environmental experts from Quality Austria. The feedback report of the environmental experts pointed out our many strengths but also recommendations for improvement. It highlighted as positive our register of legal documents and official notices, and commended the clear wording of our environmental management system at our branches. The audit also suggested including “Oscar”, the restaurant operated by BKS Bank, and the properties not used for banking operations in the environmental management system.

Green brand

BKS Bank was nominated for certification as a Green Brand for the first time in 2020. Green Brand is an EU quality brand awarded exclusively to companies that run their businesses in line with the principles of environmental accountability. BKS Bank was assessed in the category "service provider". To positively complete the validation process, a company must achieve 51% of the potential points. We are proud to have achieved an average score of 78%, which exceeds the average score of 72% achieved in general by service companies.

Substantial decline in carbon footprint

BKS Bank has been calculating its carbon footprint since 2012. The initial calculation was 2,393 t CO_2-equivalents which has been continuously lowered ever since and in the reporting year the figure was 865 t CO_2-equivalents. However, this figure can only be compared to the preceding year to a limited degree.

On account of the coronavirus pandemic, many employees worked at home for long periods, and there were significantly fewer business trips than in other years.

Total energy consumption decreased in the reporting year from 7.59 GWh to 7.18 GWh of which 65% was from renewable energy sources.

Decarbonisation

Decarbonisation is important for progressing towards climate neutrality. At BKS Bank we believe there is potential in construction, in mobility and in our core business area. We are pleased to report a further reduction in the number of oil-fired heating systems in 2020. Only three of the 70 properties owned by BKS Bank are still heated using oil. In 2021, we will replace two more oil-fired heating systems by more environmentally-friendly heating systems, and in 2022 the last oil-fired heating system will be replaced. For more information on BKS Bank's environmentally-friendly construction projects such as the BKS Holzquartier, see the Sustainability Report starting on page 96.

In 2020, we reduced the number of vehicles in our fleet again by three. The 68 company vehicles include 10 hybrid and electric vehicles. This was possible because of the significant increase in video conferences. In the reporting year, more than 6,400 online meetings were held - an absolute record number.

We are Austria's most sustainable bank

For a second time in a row, we were named the “most sustainable bank” in Austria by the magazine “Der Börsianer” at the end of 2020. The magazine stated as reason our steadily growing range of sustainable products, with the most recent addition being the account type “Natur & Zukunft”. Furthermore, it also honoured our sustainability-oriented issuance policy that includes the issuance of green and social bonds.

Development of key performance indicators of the sustainability strategy

Strategic CSR goals	Indicators*	Starting value 31/12/2019	As at 31/12/2020
We are Austria's most sustainable bank	Best-in-class in sustainability		
	ISS ESG Prime	✓	✓
	Included in the VÖNIX index	✓	✓
	EMAS certified	✓	✓
	Green Brand	✓	✓
We use digital solutions for sustainable business operations and routine work	Savins of 600 thousand km per year in business travel by using video conferences	363 thousand	203 thousand**
Our employees are multipliers for sustainability and social responsibility	At least 10% of all employees take part every year in one corporate volunteering project	10.4%	3.9%

* The indicator refers in each case to 2025. If an annual target has been defined, this is noted separately with the indicator.
** Up to now, we had included only online meetings held in our video conference rooms. Since 2020, we have also been able to record the number of meetings held with the GotoMeeting system. However, it is currently not possible for us to calculate the reduction in kilometres travelled for such meetings. In the reporting year, many employees worked at home so that only a few video conferences were held in the video conference rooms. As a result, the record number of 6,446 video conferences reported in the Sustainability Report on page 98 does not contradict the fewer kilometres travelled

Strategic CSR goals	Indicators*	Starting value **31/12/2019**	**As at 31/12/2020**
We value and respect our employees and are proud of them	Employee survey: Overall satis-faction is at least 1.9	2.0 (last survey 2017)	2.0 (last survey 2017)
	The share of women in management positions rises to 35%	31.6%	33.2%
	At least 25% of employees participate every year in the programme to promote workplace health	27.7%	16.2%
	The gender pay gap has been reduced to 12%	16.5%	16.4%
We understand sustainability as an innovation driver for sustainable banking products	The volume of sustainable business in our total assets is 15%	4.5%	5.9%
	The new volume of sustainable loans is EUR 200 million annually	EUR 131.5 million	EUR 116.8 million
	The share of ESG investment modules in Asset Management (portfolio strategy and individual mandates) rises to 30%	16.5%	18.2%
Our customers greatly appreciate our excellent advisory services	EFQM – Recognized for Excellence 7 Star**	EFQM – Recognized for Excellence 5 Star	EFQM – Recognized for Excellence 5 Star
	The overall satisfaction grade in our customer survey is 1.5	1.5	1.5
We aim for carbon neutrality	Reduce carbon footprint per employee to 0.85 t CO2 equivalents.	1.0 t CO_2-equivalents	0.90 t CO_2-equivalents
	Overall energy consumption drops to 7.2 GWh by 2025	7.59 GWh	7.18 GWh
We turn our real estate into green buildings	At least five construction measures per year to achieve green buildings	✓	✓
Memberships in CSR networks	UN Global Compact	✓	✓
	respACT – austrian business council for sustainable devel-opment	✓	✓
	Verantwortung zeigen!	✓	✓
	WWF CLIMATE GROUP	✓	✓
We contribute to increasing equal opportunity in society	At least five financial literacy measures every year	✓	✓

* The indicator refers in each case to 2025. If an annual target has been defined, this is noted separately with the indicator.
** The EFQM assessment system was redefined as of 2020, and supplemented by additional excellence levels; the assessment of BKS Bank was based on the previous model

Outlook

Economic recovery in sight

With the start of the coronavirus vaccinations, hopes have risen that we will soon be returning to normality. However, vaccinating the global population will take more time than originally expected. The pandemic will still be with us for some time to come. Nonetheless, the global economic outlook has improved significantly.

In its latest release, the International Monetary Fund (IMF) forecasted a global economic growth rate of 5.5% in 2021. While growth forecasts for the USA, Japan and some emerging markets were more encouraging, the growth estimates for the euro area have been lowered from previously 5.2% previously to 4.2%. The reason given was the weakening of the economic situation at the end of 2020 due to the divergent lockdown measures taken in each of the countries of the euro area.

However, the expected global economic upswing will not be without obstacles. A renewed increase in coronavirus cases in the spring could potentially check economic expansion in the major economies. The IMF appealed to governments and central banks not to cut back their efforts to stabilize the economy too early.

We might see a return to inflation in the coming years. Similar to the situation after the financial crisis in 2009, one may assume that the significantly higher money supply could lead to higher inflation over the medium term. However, a fundamental and lasting change is not expected. Fear of hyperinflation is unfounded.

The situation on the labour market remains difficult. Reducing unemployment is considered the biggest challenge facing governments around the world. Only when the world's economic regions see more robust recovery can we expect the high rate of unemployment to decline.

Stock markets remain attractive

As money market investments yield no returns, or indeed even negative ones, these will remain unattractive in 2021. By contrast, things are looking good for the stock market. This assumption is supported by the continued quantitative easing policy of the major central banks and the lack of alternatives to conservative asset classes. Still, profit-taking and market corrections are always to be expected. Investments in bonds are currently comparatively expensive. This is evidenced by negative yields on government bonds and, in some cases, also on corporate bonds with good credit ratings.

BKS Bank well prepared to master future challenges

We are aware that the coming months will not be easy. In addition to the familiar challenges such as low interest rates, cost pressure and fierce competition, we are now also faced with concerns about credit defaults. Despite the many government support measures and financial assistance schemes for the ailing economy, it is almost certain that we will see a surge in insolvencies among businesses and a loss of income caused by high unemployment rates. Although we have taken many measures to improve credit quality in the past and have a broadly diversified loan portfolio, we expect risk costs to increase significantly, but nonetheless remain easily manageable.

To ensure that earnings remain stable despite rising risk costs, we must continue to grow solidly in the two key sources of income – net interest income and the fee and commission business.

The lending business has been burdened by persistently low interest rates for several years now. Given the current economic situation, we do not expect to see any marked trend reversal in interest rate policy. Rather, central banks are indicating that they will not change their policy of low interest rates. In our projections for 2021 we therefore assume that we will achieve a similar level of net interest income as in 2020.

We see the greatest growth potential in the services business. Strengthening these diverse activities has been our aim for some time now, and we have achieved great success in this area in recent years. For example, we attained the position of largest securities services provider in Slovenia after a strategically smart acquisition.

Furthermore, payment services have developed into a reliable and stable source of earnings – with the exception of the year 2020. We have achieved revenue growth in both customer segments every year and plan to continue on this path in 2021. We will increase sales activities and the deployment of our sales experts to win new customers based on our know-how and wide range of products.

The acquisition of new customers is our defined goal for our work in 2021. We hope to achieve robust sales growth both at our branches as well as through our digital channels. BKS Bank Connect is designed for the new generation of tech-savvy customers.

In the growth markets of Vienna-Lower Austria-Burgenland and in our foreign markets, we aim to increase market shares through cross-selling and up-selling, and by acquiring new customers.

Digitisation remains the focus of our business strategy

We will continue to work systematically to implement our strategy with the goal of achieving growth. An important aspect of our strategy that will not change in the future is the digital transformation. In this context, we will work not only to launch new digital products and services on our digital channels, but also to achieve the digital transformation of the entire company, especially with respect to internal processes. Our retail customers are already able to access all our banking products online. In the coming months, we will massively expand the range of digital services and products available to our corporate and business customers. These efforts include, for example, the digital onboarding process as well as the possibility of opening business accounts online. Furthermore, we plan to digitize the lending process and also create a digital end-to-end process for movables leasing similar to the one we already have in place for vehicle leasing.

However, our plans for achieving these goals may be hampered by the coronavirus pandemic and its economic consequences as well as by changes in the regulatory framework or in the competitive situation.

Steering a stable course

The development of business in the first weeks of the new year was similar to that of the preceding year. Growth in lending volumes continued to be driven by subsidized investment schemes, and credit risks remained manageable. Business routines were hardly affected by the coronavirus and there were only isolated cases of illnesses.

We offer our employees and their families free testing at our head office. This service is connected to the official reporting system of the Federal Ministry of Social Affairs, Health, Care and Consumer Protection. The test results are valid official test certificates that may be used for accessing various venues, events and services. On the whole, we remain confident that we will achieve our growth targets for 2021 despite the pandemic.

Legal disputes to continue also in 2021

We expect the court proceedings initiated by the minority shareholders UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. against BKS Bank to continue to occupy our time in 2021. Most recently, BKS Bank won the proceedings before the Supreme Court regarding the petition for a special audit and the Court handed down a binding ruling. This reinforces us in our view that BKS Bank has always acted in accordance with the law and that the allegations made by the aforementioned minority shareholders are unfounded.

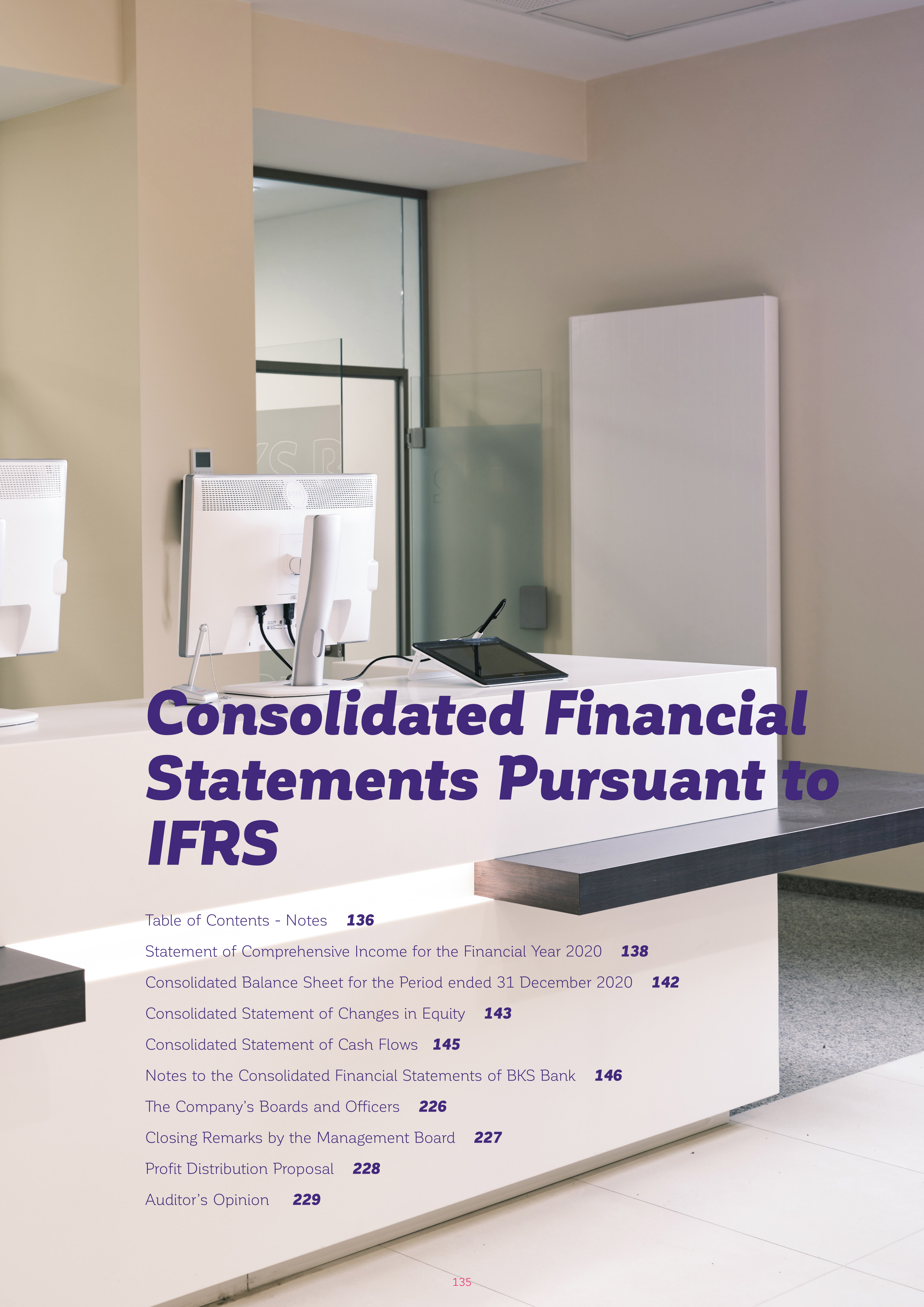
Klagenfurt am Wörthersee, 8 March 2021

Herta Stockbauer
Chairwoman of the Management Board

Dieter Kraßnitzer
Member of the Management Board

Alexander Novak
Member of the Management Board


BKS Bank



Consolidated Financial Statements Pursuant to IFRS

Table of Contents – Notes

Consolidated Statement of Comprehensive Income for the Financial Year 2020

Income Statement

in €k	Notes	2019	2020	± in %
Interest income applying the effective interest rate method		140,803	141,246	0.3
Other interest income and other similar income		24,882	23,584	5.2
Interest expenses and other similar expenses		29.843	29.264	–1.9
Net interest income	**(1)**	**135,842**	**135,566**	**–0.2**
Impairment charges	(2)	18.582	25.026	34.7
Net interest income after impairment charges		**117,260**	**110,540**	**–5.7**
Fee and commission income		63,213	69,709	10.3
Fee and commission expenses		4.993	5.363	7.4
Net fee and commission income	**(3)**	**58,220**	**64,346**	**10.5**
Profit/loss from investments accounted for using the equity method	(4)	45,915	30,903	–32.7
Net trading income	(5)	1,244	2,231	79.4
General administrative expenses	(6)	120.956	123.154	1.8
Other operating income	(7)	6,856	7,939	15.8
Other operating expenses	(7)	9.084	12.416	36.7
Profit/loss from financial assets/liabilities		**3,663**	**4,514**	**23.2**
•Profit/loss from financial instruments designated at fair value	(8)	1.586	457	>100
• Profit/loss from financial assets measured at fair value through profit/loss (mandatory)	(9)	5,072	1,866	63.2
• Profit/loss from derecognition of financial assets measured at amortised cost	(10)	540	1,326	145.7
• Other profit/loss from financial assets/liabilities	(11)	–363	865	>100
Profit for the year before tax		**103,118**	**84,904**	**–17.7**
Income tax expense	(12)	10.211	10.152	–0.6
Profit for the year		**92,907**	**74,752**	**–19.5**
Non-controlling interests		–2	4	53.9
Profit for the year after non-controlling interests		**92,905**	**74,748**	**–19.5**

Other comprehensive income

in €k	2019	2020	± in %
Profit for the year	**92,907**	**74,752**	**–19.5**
Other comprehensive income	**–207**	**1,001**	**>-100**
Items not reclassified to profit or loss for the year	**2,883**	**1,549**	**>100**
± Actuarial gains/losses in conformity with IAS 19	4,782	2,463	>100
± Deferred taxes on actuarial gains/losses in conformity with IAS 19	1,188	–616	>-100
± Changes in the fair value of equity instruments measured at fair value	5,720	–815	>-100
± Deferred taxes on changes in fair value of equity instruments measured at fair value	1.410	108	>100
± Fair value changes due to the default risk of financial liabilities measured at fair value through profit/loss (designated)	355	668	88.0
± Deferred taxes on fair value changes of financial liabilities due to default risk that are measured at fair value through profit/loss (designated)	89	–167	88.0
± Share of income and expenses of associates in OCI and accounted for using the 'equity method	3.866	–91	97.6
Items reclassified to profit or loss for the year	**2,676**	**2,550**	**>-100**
± Exchange differences	20	83	>-100
± Changes in the fair value of debt instruments measured at fair value	2,134	684	-67.9
± Net change in fair value	2,134	684	-67.9
± Reclassified to profit or loss	-	-	-
± Deferred taxes on changes to the fair value of debt instruments measured at fair value	–533	–171	67.9
± Share of income and expenses of associates reported in OCI and accounted for using the equity method	1,097	-2.980	>-100
Total comprehensive income	**92,700**	**73,751**	**–20.4**
Non-controlling interests	–2	4	53.9
Total comprehensive income after non-controlling interests	**92,698**	**73,747**	**-20,4**

Earnings and dividend per share

	2019	2020
Average number of shares in issue[1)]	42,073,075	42,056,475
Dividend per share in EUR	0.12	0.12
Earnings per share in EUR (diluted and undiluted)	2.15	1.72

[1)] With the conversion of all preference shares into ordinary shares at the beginning of November 2020, there are now only ordinary shares in issue (pr.yr. ordinary and preference shares).

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 determine earnings per share, the coupon payment 2020 of €k 3,396 (pr.yr.: €k 3,396) on additional equity instruments was deducted from net profit for the year taking into account the tax effect.

Quarterly review 2020

in €k	Q1/2020	Q2/2020	Q3/2020	Q4/2020
Interest income and similar income	42,737	42,186	39,332	40,575
Interest expenses and similar expenses	-7.829	-7.544	-6.771	-7.120
Net interest income	**34,908**	**34,642**	**32,561**	**33,456**
Impairment charges	-6.251	-9.133	-6.728	-2.913
Net interest income after impairment charges	**28,657**	**25,508**	**25,832**	**30,542**
Fee and commission income	18,245	16,180	16,529	18,755
Fee and commission expenses	1.315	1.141	1.414	1.493
Net fee and commission income	**16,931**	**15,039**	**15,115**	**17,261**
Profit/loss from investments accounted for using the equity method	–267	2,778	12,100	16,292
Net trading income	558	934	–2	740
General administrative expenses	–30.004	–30.407	–32.042	–30.700
Other operating income	1,573	1,587	1,996	2,783
Other operating expenses	-6.121	-3.499	-1.308	-1.488
Profit/loss from financial assets/liabilities	**–6.426**	**6,360**	**628**	**3,951**
• Profit/loss from financial instruments designated at fair value	264	201	–102	94
• Profit/loss from financial assets measured at fair value through profit/ loss (mandatory)	6.531	4,075	988	3,335
• Profit/loss from derecognition of financial assets measured at amortised cost	–177	1,614	–656	545
• Other profit/loss from financial assets/liabilities	19	470	399	–23
Profit for the year before tax	**4,900**	**18,301**	**22,320**	**39,383**
Income tax	–2.368	–1.045	–4.240	–2.499
Profit for the year	**2,532**	**17,256**	**18,080**	**36,884**
Non-controlling interests	–1	0	–1	–1
Profit for the year after non-controlling interests	**2,531**	**17,255**	**18,079**	**36,883**

Quarterly Review 2019

in €k	Q1/**2019**	Q2/**2019**	Q3/**2019**	Q4/**2019**
Interest income and similar income	43,383	42,034	39,137	41,131
Interest expenses and similar expenses	–7.554	–7.401	–7.677	–7.211
Net interest income	**35,829**	**34,634**	**31,459**	**33,920**
Impairment charges	–8.194	–4.997	–3.259	–2.132
Net interest income after impairment charges	**27,635**	**29,636**	**28,200**	**31,788**
Fee and commission income	15,225	16,250	15,936	15,802
Fee and commission expenses	–1.029	–1.230	–1.291	–1.442
Net fee and commission income	**14,196**	**15,020**	**14,645**	**14,360**
Profit/loss from entities accounted for using the equity method	8,773	11,800	14,949	10,394
Net trading income	229	486	462	66
General administrative expenses	–29.324	–32.080	–31.255	–28.297
Other operating income	1,471	1,850	1,207	2,329
Other operating expenses	–6.108	–720	–1.279	–978
Profit/loss from financial assets/liabilities	**2,985**	**761**	**697**	**–781**
• Profit/loss from financial instruments designated at fair value	–206	–1.100	–207	–73
• Profit/loss from financial assets measured at fair value through profit/loss (mandatory)	3,238	909	843	82
• Profit/loss from the derecognition of financial assets measured at amortised cost	–38	856	299	–577
• Other comprehensive income from financial assets/liabilities	(9)	97	–238	–213
Profit for the period before tax	**19,857**	**26,753**	**27,628**	**28,880**
Income tax expense	–2.544	–1.951	–3.145	–2.571
Profit for the period	**17,312**	**24,802**	**24,483**	**26,310**
Non-controlling interests	–2	–1	0	0
Profit for the period after non-controlling interests	**17,311**	**24,801**	**24,483**	**26,310**

Consolidated balance sheet for the period ended 31 December 2020

Assets

in €k	Notes	31/12/2019	31/12/2020	± in %
Cash and balances with the central bank	(13)	550,752	1,102,688	100.2
Receivables from other banks	(14)	200,333	283,002	41.3
– Impairment charges on receivables from other banks	(15)	–118	–232	97.1
Receivables from customers	(16)	6,378,787	6,657,343	4.4
– Impairment charges on receivables from customers	(17)	–90.735	–87.378	–3.7
Trading assets	(18)	8,755	10,526	20.2
Debt securities and other fixed-interest securities	(19)	890,116	918,649	3.2
- Impairment charges on debt securities	(20)	–337	1,050	>100
Shares and other non-interest-bearing securities	(21)	135,878	153,426	12.9
Investments in entities accounted for using the equity method	(22)	635,931	661,538	4.0
Intangible assets	(23)	10,960	10,153	–7.4
Property, plant and equipment	(24)	77,842	78,240	0.5
Investment property	(25)	37,374	41,192	10.2
Deferred tax assets	(26)	7,404	10,988	48.4
Other assets	(27)	14,654	17,391	18.7
Total assets		**8,857,596**	**9,856,476**	**11.3**

Equity and liabilities

in €k	Notes	31/12/2019	31/12/2020	± in %
Payables to other banks	(28)	689,224	899,929	30.6
Payables to customers	(29)	5,813,967	6,542,245	12.5
• thereof savings deposits		1,413,530	1,401,674	–0.8
• other liabilities		4,400,437	5,140,571	16.8
Liabilities evidenced by paper	(30)	623,792	647,463	3.8
• thereof at fair value through profit or loss		84,237	63,429	–24.7
Trading liabilities	(31)	10,848	13,711	26.4
Provisions	(32)	138,743	129,434	–6.7
Other liabilities	(33)	48,913	51,440	5.2
Subordinated debt capital	(34)	230,584	209,583	–9.1
Shareholders' equity		1,301,525	1,362,671	4.7
• Group equity	(35)	1,301,498	1,362,640	4.7
• Non-controlling interests		27	31	13.6
Total equity and liabilities		**8,857,596**	**9,856,476**	**11.3**

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity 2020

in €k	Subscribed capital	Capital reserves	Exchange differences	Fair value reserves	Retained earnings	Profit/loss for the year	Additional equity instr.[1]	Shareholders' equity
As at 01/01/2020	**85,886**	**241,416**	**–117**	**28,331**	**797,877**	**92,905**	**55,200**	**1,301,498**
Distribution						–5.045		–5.045
Coupon payments on additional equity instruments						–3.396		–3.396
Taken to retained earnings					84,463	–84.463		-
Profit for the year						74,748		74,748
Other comprehensive income			–635	–2.662	2,296			–1.001
Capital increase								-
Effect of the equity method					–4.586			–4.586
Change in treasury shares					–260			–260
Issuance of additional equity instruments							700	700
Reclassification				352	–352			-
Other changes					–17			–17
At the end of the reporting period	**85,886**	**241,416**	**–752**	**26,022**	**879,420**	**74,748**	**55,900**	**1,362,640**

Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method)	20,242
Deferred tax reserve	–5.060

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

Consolidated statement of changes in equity 2019

in €k	Subscribed capital	Capital reserves	Exchange differences	Fair value reserves	Retained earnings	Profit/loss for the year	Additional equity instr.[1]	Shareholders ' equity
As at 01/01/2019	**85,886**	**241,416**	**−335**	**21,338**	**741,475**	**77,417**	**43,500**	**1,210,696**
Distribution						−9.677		−9.677
Coupon payments on						−3.396		−3.396
additional equity instruments					64,343	– 64.343		-
Profit for the year						92,905		92,905
Other comprehensive income			218	6,993	−7.418			−207
Capital increase								-
Effect of the equity method					23			23
Change in treasury shares					−452			−452
Issuance of additional equity instruments							11,700	11,700
Other changes					−94			−94
As at 30/ 09/2019	**85,886**	**241,416**	**−117**	**28,331**	**797,877**	**92,905**	**55,200**	**1,301,498**

Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method	19,941
Deferred tax reserve	−4.985

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

For more details, please refer to Note (35) Shareholders’ equity.

Consolidated statement of cash flows

CASHFLOWS

in €k	2019	2020
Profit for the year after tax	**92,907**	**74,752**
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	26,517	25,518
• Changes in provisions	6,700	–1,212
• Gains and losses on disposals	–223	–246
• Changes in other non-cash items	–3,704	–9,414
• Profit/loss shares in entities accounted for using the equity method	–45,915	–30,904
Net interest income	135,842	-3,499
Income tax expense	10,211	10,152
Subtotal	**49,349**	**66,919**
Change in assets and liabilities from operating business activities after correction for non-cash items:		
• Receivables from banks and customers	–409,462	–370,098
• Trading assets	–710	–1,771
• Other assets	1,432	–1,363
• Payables to banks and customers	198,207	933,312
• Trading liabilities	2,486	2,863
• Provisions and other liabilities	–5,428	–4,720
Interest received	159,721	158,416
Interest paid	–28,641	–28,013
Dividends received	7,609	5,773
Income tax paid	–7,237	–11,651
Cash flow from operating activities	**–131,371**	**615,829**
Cash inflow from sales of:		
• Debt securities and other fixed-interest securities	52,350	38,566
• Shares and other non-interest-bearing securities	29,891	8,135
• Fixed assets owned	201	67
Cash outflow for purchases of:		
• Debt securities and other fixed-interest securities	–37,519	–66,811
• Shares and other non-interest-bearing securities	–20,362	–24,929
• Fixed assets owned	–20,509	–13,093
• Entities accounted for using the equity method	-	–3,836
Dividends from entities accounted for using the equity method	6,906	36
Cash flow from investing activities	**10,958**	**–61,865**
Capital increase	-	-
Dividend distributions	–9,677	–196
Proceeds from issues of additional equity components	11,700	700
Coupon payments on additional equity instruments	–3,396	–3,396
Repurchased treasury shares	–3,725	–3,940
Inflows from the sale of treasury shares	3,273	3,680
Cash inflow from subordinated liabilities and liabilities evidenced by paper	204,952	105,512
Cash outflow on subordinated liabilities and liabilities evidenced by paper	–101,700	–102,000
Payouts for lease liabilities	–2,591	–2,535
Cash flow from financing activities	**98,836**	**–2,176**
Cash and cash equivalents at end of previous year	**571,963**	**550,752**
Cash flow from operating activities	–131,371	615,829
Cash flow from investing activities	10,958	–61,865
Cash flow from financing activities	98,836	–2,176
Effect of exchange rates on cash and cash equivalents	366	147
Cash and cash equivalents at end of reporting year	**550,752**	**1,102,688**

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 prepared 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 2020 financial year as exempting consolidated financial statements within the meaning of § 59a Banking Act. Additionally, the Bank meets the requirements of § 245a (1) UGB (Austrian Business Code).

BKS Bank was founded in Klagenfurt in 1922 as Kärntner Kredit- und Wechsel-Bankgesellschaft Ehrfeld & Co. Years of work to transform the limited partnership into a stock corporation resulted in the formation of “Bank für Kärnten” in 1928. The move to enter the Styrian market took place 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’. The preference shares which had been listed on the Vienna Stock Exchange since 1991 were converted into ordinary shares in November 2020. BKS Bank has had branches in Vienna since 1990. In 2003, it began developing the markets in Burgenland and Lower Austria. Outside of Austria, it also operates in Slovenia, Croatia, Slovakia, and northern Italy. BKS Bank AG together with Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV AG) form the 3 Banken Group. The alliance in the 3 Banken Group gives the banks the strength of a major bank combined with the flexibility and market presence of a regional bank.

The Management Board of BKS Bank AG signed off the consolidated financial statements on 8 March 2021 and approved them for presentation 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 that were effective for the financial year under review, the financial reporting policies applied in the 2019 financial year were also applied in 2020. The comparative figures for the previous year are also based on the same requirements. Standards announced but not yet effective for the financial year under review were not applied.

Applicable standards/amendments from 01/01/2020

Standard/Amendment	Effective for financial years beginning on or after this date	Endorsement by the EU
IAS 1 – Presentation of the financial statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)	01/01/2020	November 2019
IFRS 3 – Business Combinations (Amendment)	01/01/2020	April 2020
IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and measurement and IFRS 7 - Financial Instruments: Information (Amendment)	01/01/2020	January 2020
IFRS 16 - Leases (Amendment)	01/06/2020	October 2020
Adjustments to cross-references to the framework in IFRS Standards (Amendment)	01/01/2020	November 2019

IAS 1 and IAS 8 – Amendment to the definition of materiality
The amendments to IAS 1 and IAS 8 create a precisely defined and uniform definition of materiality in the IFRS standards. This definition will be part of IAS 1 only in the future and IAS 8 will only include a reference to IAS 1. These amendments have no impact on the BKS Bank Group.

IFRS 3 – Business combinations
The amendments concern the definition of a business. The amendments clarify if the acquisition of a business is to be treated as an acquired group of assets or as the purchase of a business when preparaing the financial statements. This amendment does not have any effects on the BKS Bank Group.

IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
The amendments to IFRS 9, IAS 39 and IFRS7 are the IASB's response to current uncertainties in connection with the reform of reference interest rates (so-called IBOR reform). The amendments refer to certain hedge accounting rules and have the purpose of guaranteeing the current continuation of financial reporting for hedge transactions. This amendment does not have any material effects on the BKS Bank Group.

IFRS 16 - COVID 19-related rental concessions
The amendments to IFRS 16 are directly related to the coronavirus pandemic and include optional relief for lease accounting on the lessee side. In the case of rent concessions, such as the deferral of rent payments or rent abatements granted as a direct consequence of the coronavirus pandemic, lessees are permitted to refrain from conducting an assessment of a potential modification pursuant to IFRS 16. However, this relief regarding accounting applies only to those rent concessions that reduce rent payments due on or before 30 June 2021. The BKS Bank Group does not make any use of this concession.

References to the conceptual framework
IASB published amendments to references to the conceptual framework in the IFRS standards. These amendments go back to the revision of the conceptual framework and refer to the following standards and interpretations: IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRS 2, IFRS 3, IFRS 6, IFRS 14, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. Existing references to the conceptual framework are worded in concrete terms either by explicit references to the IASC conceptual framework of 2001 or to the new IASB conceptual framework. These amendments do not have any effects on the BKS Bank Group.

Standards/amendments applicable from 01/01/2021

Standard/Amendment	Effective for financial years beginning on or after this date	Endorsement by the EU
IFRS 4 - Insurance Contracts	01/01/2021	December 2020
IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and measurement and IFRS 7 – Financial Instruments: Information IFRS 4 – Insurance Contracts, IFRS 16 – Leases (Amendments)	01/01/2021	January 2021

IFRS 4 – Insurance Contracts
The amendments to IFRS 4 extend the existing option for delayed first-time adoption of IFRS 9 to the new effective date of IFRS 17. The amendments are effective as of 1 January 2021. These amendments do not have any effects on the BKS Bank Group.

IFRS 9, IAS 39 and IFRS 7, IRFS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2
The amendments enacted in EU law effective as of 13 January 2021 refer to matters that may affect financial reporting when an existing reference interest rate is actually replaced. The amendments deal with the changes to financial assets, financial liabilities and lease liabilities, and with requirements relating to hedge accounting and disclosure requirements under IFRS 7. With respect to modifications that are a direct result of the IBOR reform and which must be economically equivalent, the IASB introduces reliefs with these amendments. These

modifications are accounted for by updating the effective interest rate, while all other modifications are accounted for applying the current IFRS requirements. Therefore, IFRS 4 and IFRS 16 were amended accordingly to offer similar reliefs here as well. The amendments regarding hedge accounting state hedging relationships this cannot be discontinued solely due to changes required by the IBOR reform. Additionally, IFRS 7 requires the disclosure of information relating to the IBOR reform in the Notes. The amendments are mandatory for financial years starting on 1 January 2021 or later. These amendments do not have any material effects on the BKS Bank Group.

Standards/amendments to be applied from 01/01/2022 or later

Standard/Amendment	Effective for financial years beginning on or after this date	Endorsement by the EU
IAS 1 – Presentation of Financial Statements (Amendment)	01/01/2023	Outstanding
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)	01/01/2023	Outstanding
IAS 16 – Property, Plant and Equipment (Amendment)	01/01/2022	Outstanding
IAS 37 – Provisions (Amendment)	01/01/2022	Outstanding
IFRS 3 – Business Combinations (Amendment)	01/01/2022	Outstanding
IFRS 17 – Insurance Contracts	01/01/2023	Outstanding
Annual Improvements 2018-2020	01/01/2022	Outstanding

The standards and amendments mentioned above do not result in any material changes to the consolidated financial statements.

III. Recognition and Measurement

General

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

Group of consolidated companies

Besides BKS Bank AG, the consolidated financial statements account for a total of 14 entities (11 consolidated, two accounted for using the equity method and one accounted for on a proportionate basis). Consolidation applies to all entities, which, pursuant to IFRS 10 Consolidated Financial Statements, are included in the consolidated financial statements and controlled by BKS Bank AG, 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 purchase method.

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

Consolidated entities

The following entities all conformed to the control concept for the purposes of IFRS 10. BKS Bank AG as the parent company has the decision-making power to affect the variable returns. Besides BKS Bank AG, the following related entities were consolidated members of the Group:

Consolidated entities

Company	Head office	Direct equity interest	Indirect equity interest	Date of financial statements
BKS-Leasing Gesellschaft m.b.H.	Klagenfurt	99.75%	0.25%	31/12/2020
BKS-leasing d.o.o.	Ljubljana	100.00%	-	31/12/2020
BKS-leasing Croatia d.o.o.	Zagreb	100.00%	-	31/12/2020
BKS-Leasing s.r.o.	Bratislava	100.00%	-	31/12/2020
IEV Immobilien GmbH	Klagenfurt	100.00%	-	31/12/2020
Immobilien Errichtungs- und Vermietungs GmbH & Co KG	Klagenfurt	100.00%	-	31/12/2020
BKS 2000 – Beteiligungs- und Verwaltungs GmbH	Klagenfurt	100.00%		31/12/2020
BKS Zentrale-Errichtungs- und Vermietungs GmbH	Klagenfurt	-	100.00%	31/12/2020
BKS Hybrid beta GmbH	Klagenfurt	100.00%	-	31/12/2020
BKS Immobilien-Service GmbH	Klagenfurt	100.00%	-	31/12/2020
BKS Service GmbH	Klagenfurt	100.00%	-	31/12/2020

Entities accounted for using the equity method

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

Entities accounted for using the equity method

Company	Head office	Direct equity interest	Date of financial statements
Oberbank AG	Linz	14.2%	30/09/2020
BTV AG	Innsbruck	14.0%	30/09/2020

Regarding Oberbank AG and BTV AG, we point out that although BKS Bank had voting interests of less than 20% in those banks, namely 14.2% and 14.7%, respectively, and equity interests of less than 20%, namely 14.2% and 14.0%, respectively, the exercise of voting rights was governed by syndicate agreements. These allowed participation in those two banks' financial and business policy decisions within the scope of the 3 Banken Group without having a controlling interest in them. Because of the circular shareholdings between BKS Bank AG, Oberbank AG and BTV AG and also considering that the consolidated financial statements of the partner banks are prepared simultaneously, the reporting date 30 September 2020 applies for considering these reports in the consolidated financial statements of BKS Bank. The financial statements of the associates are adjusted for the effects of material transactions or events between the reporting date of the associated companies on 30 September and the reporting date of the Group on 31 December.

Entities accounted for on a proportionate basis

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

Entities accounted for on a proportionate basis

Company	Head office	Direct equity interest	Date of financial statements
ALGAR	Linz	25.0%	31/12/2020

Other entities not included in the consolidation

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

Other entities not included in the consolidation

Company	Head office	Direct equity interest	Indirect equity interest	Date of financial statements
3 Banken IT GmbH	Linz	30.00%	-	31/12/2020
VBG Verwaltungs- und Beteiligungs GmbH	Klagenfurt	100.00%	-	31/12/2020
E 2000 Liegenschaftsverwaltungs GmbH	Klagenfurt	99.00%	1.00%	31/12/2020
Pekra Holding GmbH	Klagenfurt	100.00%	-	31/12/2020
3 Banken Versicherungsmakler Gesellschaft m.b.H.	Innsbruck	30.00%	-	31/12/2020
VBG-CH Verwaltungs- und Beteiligungs GmbH	Klagenfurt	100.00%	-	31/12/2020

Performance of the foreign subsidiaries and branches

Foreign Subsidiaries and Branches as at 31 December 2020

in €k	Net interest income	Operating income	Number of employees (FTE)	Profit for the period before tax	Income tax expense	Profit/loss for the year after tax
Branches abroad						
Slovenia Branch (banking branch)	13,441	21,555	129.0	8,133	–1,426	6,707
Croatia Branch (banking branch)	8,594	9,555	63.8	61	–97	–36
Slovakia Branch (banking branch)	2,387	2,763	28.8	497	183	680
Subsidiaries						
BKS-leasing d.o.o., Ljubljana	5,491	5,874	18.9	2,288	–429	1,859
BKS-leasing Croatia d.o.o., Zagreb	2,502	3,357	13.3	1,107	–200	908
BKS-Leasing s.r.o., Bratislava	1,755	2,047	13.4	249	–55	194

Foreign Subsidiaries and Branches as at 31 December 2019

in €k	Net interest income	Operating income	Number of employees (FTE)	Profit for the period before tax	Income tax expense	Profit/loss for the year after tax
Branches abroad						
Slovenia Branch (banking branch)	12,079	18,457	126.6	6,167	–986	5,181
Croatia Branch (banking branch)	9,980	10,922	59.5	4,019	–807	3,212
Slovakia Branch (banking branch)	2,305	2,657	27.8	223	-	223
Subsidiaries						
BKS-leasing d.o.o., Ljubljana	5,097	5,577	18.7	2,466	–468	1,998
BKS-leasing Croatia d.o.o., Zagreb	2,170	2,364	12.3	864	–166	698
BKS-Leasing s.r.o., Bratislava	1,583	1,746	12.4	524	–124	400

Foreign currency translation

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

Impact of the coronavirus pandemic on recognition and measurement

Statutory moratoria and voluntary deferrals

In addition to the health protection measures, the Austrian government and the governments of the countries in which BKS Bank operates – Slovenia, Croatia, Slovakia and Italy – have enacted measures to also contain the negative economic consequences arising from the COVID 19 crisis. These measures include state guarantees and statutory deferrals of loan repayments which contribute significantly to bridging the short-term liquidity bottlenecks caused by the coronavirus crisis. In addition to statutory loan deferrals, in individual cases the BKS Bank Group also offers voluntary loan forbearance plans to corporate and retail customers in Austria and abroad. These loan forbearance plans – regardless of whether state mandated or voluntary – usually meet the criteria of a contractual modification pursuant to IFRS 9, because these contractual adjustments change the contractually agreed cash flows of the underlying financial assets. In this context, a differentiation is made between a significant and a non-significant contractual amendment, with the result of a significant contractual amendment being the derecognition of the financial asset and the recognition of a new financial asset. In the case of a non-significant contractual amendment, the difference in amount from the contractual amendment is reported as a modification gain/loss in the income statement. Details are given in the section "Contract modification".

Furthermore, government imposed loan deferrals cannot necessarily be considered a concession by the lender to the borrower, and therefore making use of a statutory loan deferral alone is not considered an indicator of impaired creditworthiness of the borrower. In October 2020, the period for the statutory loan deferral programme was extended to ten months in Austria, that is until 31 January 2021. The private-sector moratoria accorded by the Austrian banking industry in September 2020 and notified to the European Banking Authority (EBA) applies retroactively as EBA-compliant moratoria for loan deferrals granted from 15 March 2020 and 31 August 2020. However, a requirement is that such loan deferrals has a maximum term of nine months and are not granted beyond 31 March 2021.

State guarantees
Further coronavirus measures in Austria, Slovenia, Croatia and Slovakia are state guarantees granted to credit institutions for bridging loans to enable banks provide liquidity to companies swiftly.

State guarantees granted to BKS Bank in 2020 for new bridging loans are considered an integral part of a contract and thus the loans backed in this manner are assessed as separate financial instruments. Guarantees reduce the amount of loss in the event of default. A guaranteed bridging loan is generally recognized in stage 1 at the time of initial recognition, because these loans are granted exclusively to economically healthy companies.

Expected credit loss
Information on the development of the coronavirus crisis is constantly changing and therefore also the consequences and the forecasts for the economy. In the first quarter of 2020, the macroeconomic factors for the ECL calculation were reassessed on account of the forecasts published by the International Monetary Fund (IMF). At the end of June, the forecast on the development of economic growth (GDP) in Austria published by the Institute for Advanced Studies (IHS) as well as similar forecasts for foreign markets were used as the basis for the calculating ECL. At the beginning of the second half of 2020, the European Commission published a current interim forecast for economic growth (GDP) and inflation, which was used for ECL calculation in Q3. In November 2020, the European Commission released its the autumn forecast. This forecast projects the decline in GDP for the full year 2020 for Austria at 7.1% and estimates the growth rate for 2021 at merely 4.1%. The changes resulting therefrom were used as the basis for the ECL calculation as of November 2020.

Furthermore, in the second quarter, BKS Bank conducted an analysis by sector of corporate and business customers to gauge how they were being affected by the coronavirus crisis. The sectors the most severely affected by the pandemic, namely hospitality businesses, restaurants, arts and entertainment as well as other services were collectively transferred to a different stage depending on how severely they were affected. On account of the travel warning issued in mid-August for Croatia and the entailing negative effects on the Croatian economy, the entire Croatian corporate customer portfolio was transferred collectively in the third quarter. Furthermore, the numerous and repeated travel warnings prompted BKS Bank carry out a collective stage transfer for the entire transport sector.

Therefore, at year-end, financial instruments pursuant to IFRS 9.B5.5.1 et seq were also transferred from stage 1 to stage 2 even though no significant increase in credit risk was ascertained for individual debtors.

Notes on individual items of the balance sheet
Cash and balances with the central bank
These items consist of cash and balances with central banks. They were measured at amortised cost.

Financial instruments pursuant to IFRS 9
A financial instrument is a contract, which for the one contractual partner gives rise to a financial asset, and for the other contractual partner, a financial liability or equity. Cash transactions are recognised/derecognised at their settlement dates.

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

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

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

BKS Bank uses a benchmark test to ascertain if a contractual cash flow consists only of interest and principal payments and therefore passes the SPPI test. All new contracts and all amendments to existing contracts are reviewed to see if the contract contains components (covenants) that fail to pass 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 so-called benchmark instrument. The terms of the benchmark instrument correspond to those of the financial instrument to be classified, except for contracts with mismatching interest rate components. If this comparison reveals a significant deviation in cash flows (>10%), the SPPI test is deemed failed, and the financial instrument is measured at fair value through profit or loss.

Financial instruments measured at amortised cost

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

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

A financial asset is classified as at fair value through other comprehensive income (FVOCI) when the following conditions are met: The financial assets are held within a business model whose objective is to hold the financial assets to collect their contractual cash flows or sell the financial assets. In this case as well, the SPPI test requires that in the case of 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 with no effect on profit/loss in other comprehensive income. Only when a financial asset is sold is the cumulated gain or loss in other comprehensive income reclassified to profit or loss (FVOCI with recycling). At BKS Bank, debt instruments are reported in this category.

Under IFRS 9 **equity instruments** must generally be recognized at fair value through profit or loss (FVPL), as these do not meet the SPPI test. Upon initial recognition, an entity may irrevocably elect to recognise changes in the fair value of equity instruments not designated as held for trading in other comprehensive income (fair value OCI option). The BKS Bank Group avails itself of 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 recognised in other comprehensive income (OCI). When an equity instrument is sold, the cumulated gain or loss recognised in other comprehensive income is not permitted to be reclassified to profit or loss (no recycling); reclassification to another equity item is admissible.

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

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

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

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

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

Assets

	Fair value	Amortised cost	Other	Category
Cash and balances with the central bank		✓	-	At amortised cost
Receivables from other banks		✓	-	At amortised cost
Receivables from customers		✓	-	At amortised cost
	✓		-	Designated at FVPL (fair value option)
	✓		-	FVPL mandatory
Trading assets	✓		-	FVPL mandatory
Debt securities and other fixed-interest securities		✓	-	At amortised cost
	✓		-	FVOCI mandatory (with recycling)
	✓		-	Designated at FVPL (fair value option)
	✓		-	FVPL mandatory
Shares and other non-interest bearing securities	✓		-	Designated at FVOCI (without recycling)
	✓		-	FVPL mandatory

Pursuant to IFRS 9 **financial assets** are measured as follows upon initial recognition:
- at amortised cost
- 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 also 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).

Equity and liabilities

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

Impairment charges for financial instruments pursuant to IFRS 9

BKS Bank recognises impairment charges for debt securities measured at amortised at cost or designated at fair value through other comprehensive income (FV OCI mandatory) as well as for loan commitments and financial guarantees. The impairment model used pursuant to IFRS 9 is an expected loss model that also allocates impairment charges for expected future losses.

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 (30 days overdue, 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 classified in stage 3 if the financial instrument has a credit-impaired (rating in the default classes 5a to 5c) (credit impaired). Where there is objective evidence on the balance sheet date that a financial instrument is impaired, it is classified in stage 3.

Stage allocation criteria

Criterion	Stage
Initial recognition of the contract	1
30-days overdue	2
90-days overdue	3
Foreign currency loans	2
Rating corresponds to investment grade	1
No initial risk rating can be determined	2
No current rating	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 more than 1 rating stage	2
Forbearance regarding performing loans	2
Non-performing loans	3

Financial instruments which are assigned to stage 2 on the respective balance sheet date and for which there are no indications of any significant increase in credit risk since initial recognition can be retransferred to stage 1.

The determination of the ECL is based on forward-looking information.

Key parameters of the ECL model for stage 1 and stage 2

Parameters 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 for every segment 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. Specific loss ratios are applied for every segment.
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 and, like the probability of default, follows the life-time concept.
Discount rate (D)	Discounting is based on the effective interest rate.
(Unconditional) marignal (m) PD	This is derived from the point-in-time PD and provides the annual change of life-time PD.

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 held, a description of the collateral held as well as quantitative information is given in the risk report.

Expected credit loss is calculated on the basis of several scenarios. BKS Bank uses three rating 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, a worst-case or a most-likely-case scenario. 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, current account balance and interest rate.

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.

There were no changes to estimation methods or significant assumptions during the reporting period.

In stage 3, impairment charges are determined using the discounted cash flow method for significant receivables that exceed EUR 1.5 million. Impairment losses in this case result from the difference between the carrying value of the receivable and the present value of future expected cash flows from the receivables and the collateral to be realised. If there are objective indications for allocating impairment losses in stage 3 and the debt is not significant (debt < EUR 1.5 million), the customers are allocated to a separate portfolio for corporate customers and/or retail customers and impaired pursuant to lump sum criteria. The pEWB is based on the following formula: pEWB (specific impairment allowances calculated on a portfolio basis) = shortfall x pEWB factor.

Impairment charges are generally recognised through profit or loss in the income statement. The reporting of impairment charges is disclosed as a deduction on the assets side of the balance sheet (impairment account). For financial assets designated at FVOCI, any impairment triggered by a change in credit rating is recognised in profit or loss. Impairment charges for loan commitments and financial guarantees are recognised under the item Provisions.

Impairment policy
Receivables deemed irrecoverable will be derecognised or written off when they can no longer be collected and when all the collateral for these receivables has been finally realised. Generally, no financial assets subject to execution measures are derecognised. A receivable is derecognised when attempts to collect the receivable on the basis of an enforcement title have failed for a period of two years, enforcement failed at least twice, no funds are expected to be received for the remaining debt or it is no longer possible to obtain an enforcement title. All derecognised receivables that do not entail release from the remaining debt are handed over to third parties (e.g. collection agency) for collection.

Modifications to contracts
In the lending business, BKS Bank may have to modify loan contracts for existing loans. Reasons may be changed market conditions, on the one hand, or the borrower experiencing difficulties in making payments, on the other. A difference is made between significant and non-significant amendments to a contract. At BKS Bank, significant contract modifications include, for instance, a product switch, change in ownership, change in currency, increase in loan amount or a prolongation of term. This may result in derecognition of the financial asset prior to contract modification in recognition of the modified value of the financial asset at the time of recognition. The resultant difference is reported in the income statement as the profit/loss from derecognition.

However, if the contract modification is not significant, i.e. if there is no derecognition and/or recognition, the amount of the difference between the gross carrying amount before contract modification and the gross carrying amount after contract modification is reported as a change to profit or loss in the income statement.

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 BTV AG are also accounted for in the consolidated financial statements using the equity method, although our stakes in Oberbank AG and BTV AG are below 20%. Syndicate agreements are in place that allow participation in those banks' financial and business policy decisions within the 3 Banken Group alliance without requiring a controlling interest in these entities. If there is objective evidence (triggering events) for impairment of an investment accounted for using the equity method, a value-in-use is calculated on the basis of the estimated future cash flows that are to be expected from the associate. The present value (value-in-use) is calculated on the basis of the equity method/dividend discount model. There were no impairment losses in this category in the year under review.

Investment property
This line item encompasses property intended for renting to third parties. It is measured at amortised cost (cost method). The fair value of investment property is disclosed in the Notes is based mainly on estimates by certified appraisers. Depreciation rates were between 1.5% and 2.5%. Depreciation was linear.

Property, plant and equipment
Property, plant and equipment consists of land, buildings and other property and equipment comprising primarily office furniture and business equipment. Property, plant and equipment is recognised at amortised cost. Depreciation is linear based on an asset's usual useful life and is within the following bands:
- Immovable assets 1.5% to 2.5% (i.e. 66.7 to 40 years)
- Office furniture and business equipment 10% to 20% (i.e. from 10 to 5 years)

Right of use for properties are depreciated over the useful life of the lease contract. Impairment allowances are recognised in the income statement under General administrative expenses to take account of impairment. If an impairment ceases to exist, a reversal is made up to the asset's amortised cost. No impairments or reversals were recognised during the period under review.

Government subsidies
Government subsidies are recognized only when there is reasonable certainty that the requirements will be met and the funds will be granted. Government subsidies are recognized in profit or loss over the periods in which BKS Bank recognises the corresponding expenses, which are to be compensated by the government subsidies. Similarly, subsidies for depreciable assets are usually recognised in profit or loss over the periods for which depreciation on those assets is recognized.

The benefit on loans from government entities for which the interest rate is below the market rate is likewise treated as a government subsidy. 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 the customer base and software. Amortisation is linear based on an asset's usual useful life. The amortisation rate for software is 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 values.

For contracts under which BKS Bank Group companies have the role of lessee, a right-of-use and corresponding leasing liability is recognised. Upon initial recognition, lease liabilities are recognised at the present value of leasing payments not yet made over the life of the leasing contract as at the start of the lease. These payments are discounted at the interest rate used as basis of the lease contract. If this interest rate cannot be ascertained, 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, leasing 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. Lease liabilities are recognised under Other liabilities, and rights-of-use under property, plant and equipment.

Other assets and other liabilities
Deferred items and other assets/other liabilities are reported in Other assets/liabilities. They were measured at amortised cost. Furthermore, lease liabilities are reported under Other liabilities; for details on measurement, please refer to the section "Leasing".

Liabilities evidenced by paper
Liabilities evidenced by paper comprise bonds in circulation, debt securities and other liabilities evidenced by paper (own issues). Generally, liabilities evidenced by paper are recognised at amortised cost. However, based on decisions by the ALM Committee, the fair value option is used for liabilities evidenced by paper and measurement is at fair value.

Subordinated debt capital
Subordinated debt capital and subordinated obligations are liabilities that, by contractual arrangement, are settled only after the claims of other creditors in the event of BKS Bank's liquidation or bankruptcy. Generally, subordinated debt capital is recognised at amortised cost.

Deferred tax assets and deferred tax liabilities
Income tax is reported and calculated in accordance with IAS 12. The calculation for each taxed entity is carried out applying the tax rates that, under applicable legislation, are to be applied in the tax period in which a temporary difference is going to reverse. Deferred taxes are computed on the basis of differences between the tax base and the carrying amounts of assets or liabilities for the purposes of IFRSs. This will probably have the future effect of creating tax burdens or reducing tax burdens.

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. BKS Bank recognizes mainly provisions for post-employment benefits and similar employee benefit obligations (IAS 19), for taxes and for interest on stepped coupon products. The provision 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.

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 2020. Under IAS 32, such notes must be 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, liabilities evidenced by paper and investment property. Interest income and interest expenses are accounted for on an accrual basis. The historically low interest rates led to negative interest earnings. According to the IFRIC Interpretations Committee (IC), these must be presented in an 'appropriate expense item'. Thus, negative interest income is recognised as an interest expense. Likewise, positive interest expenses are recognised as interest income.

Impairment charges

This line item reports income and expenses from recognising and reversing impairment charges in the amount of the 12-months expected credit loss (stage 1) or lifetime expected credit loss (stages 2 and 3). BKS Bank recognizes such charges for financial assets measured at amortised cost or designated at fair value through other comprehensive income (FVOCI mandatory) as well as for loans commitments and financial guarantee contracts. See also Note (2) for details.

Net fee and commission income

Net fee and commission income comprises income and expenses incurred in connection with services provided presented on an accrual basis. Fees and commissions received for services provided over a certain period are recognised over the corresponding period. These include fees and commissions earned in the lending business. However, in the case of commissions for transaction-linked services, the amounts are recognised only when the service has been completed. These are mainly fees and commissions from payment services and the securities business.

General administrative expenses

General administrative expenses include staff costs, other administrative costs and depreciation and amortisation. They are accounted for on an accrual basis.

Net trading income

This line item comprises income and expenses arising from our proprietary trading activities and from derivatives transactions. Positions in the trading book were marked to market. Net trading income also includes valuation gains and losses.

Other operating expenses/income

This item includes fees, charges, damage incidents, damage compensation, proceeds from the sale of properties and similar items and is accounted for on an accrual basis.

Other profit or loss from financial assets/liabilities

This item reports – apart from profit/loss on financial instruments designated at fair value – also the profit/loss from financial assets measured at fair value through profit/loss (mandatory). This comprises net profits/losses from equity instruments for which the fair value OCI option was not used as well as financial assets whose contractual cash flows are not exclusively interest and redemption payments on outstanding principal. Furthermore, this item reports profits/losses from the derecognition of financial assets measured at amortised cost. Direct write-offs and recoveries on receivables previously written off are accounted for in this line item. Modification gains/losses from changes to contractual terms that do not trigger derecognition of an asset as well as profit/loss from the derecognition of financial assets recognised at fair value through other comprehensive income (FVOCI) are reported in other comprehensive income from financial assets/liabilities.

Discretionary decisions and estimates

Estimates and assumptions are required to account for some of the items on the balance sheet in conformity with International Financial Reporting Standards. Such estimates and assumptions are based on historical experience, plans, expectations and forecasts regarding future events that are likely from our current perspective. The assumptions upon which the estimates are based are regularly reviewed. Potential uncertainties in the estimates mean that adjustments to the carrying amounts of assets and liabilities may be necessary in future periods. The current global coronavirus pandemic increases these uncertainties. The further development of this pandemic and also the measures taken in the individual countries may have a significant impact on the assets, liabilities, financial position and result of operations of the BKS Bank Group. The recoverability of financial assets may be negatively affected by these factors in the future. When preparing the financial statements for 2020, we considered all effects that can be estimated. Details on the calculation of impairment charges in connection with the coronavirus crisis are given in the section "Impact of the coronavirus pandemic on recognition and measurement".

BKS Bank is active in the markets of Austria, Croatia, Slovenia, northern Italy, and Slovakia with subsidiaries and one representation office. In areas in which discretionary decisions, assumptions and estimates are made, a precise analysis of the economic environment is made in the aforementioned markets and considered in the decision-making process. Material discretionary decisions, assumptions and estimates were made in the following areas:

Ongoing legal proceedings

The two minority shareholders UniCredit Bank Austria AG und CABO Beteiligungsgesellschaft m.b.H. filed an action for annulment in June 2019 to challenge the resolutions adopted at the Annual General Meeting of 8 May 2019, among other reasons, because of the motion for a special audit that was rejected. The proceedings of the action for annulment were continued after an interruption.

The same minority shareholders filed a lawsuit with the Klagenfurt Regional Court in June 2020 challenging the resolutions adopted at the Annual General Meeting of 29 May 2020. The lawsuit contested the discharge of the members of the Management Board and the (non-) discharge of individual members of the Supervisory Board as well as the rejected motion to conduct various special audits. Furthermore, the lawsuit petitions for a positive decision on the plea to reject the discharge of the members of the Management Board and of certain members of the Supervisory Board, as well as the discharge of one member of the Supervisory Board, and requesting a positive decision regarding the execution of the abovementioned special audits. The proceedings of the action for annulment have been interrupted and the file has been forwarded to the Takeover Commission.

In March 2020, also 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 original matter of the aforementioned action for annulment to ascertain if the obligation to make a mandatory bid has been breached, in particular, pursuant to § 22a no 3 or § 22 para 4 Takeover Act by BKS Bank and its affiliated entities. Likewise, on the request of the aforementioned minority shareholders, the Takeover Commission initiated review proceedings pursuant to § 33 Takeover Act regarding Oberbank AG and Bank für Tirol und Vorarlberg. The Takeover Commission combined these proceedings and held oral hearings. A decision is still pending. Given the relationships between the members of 3 Banken Group, a breach of the obligation to make a mandatory bid by one of the three banks may also affect the other two banks.

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 development of the proceedings up to now and the decisions handed down, in particular, the Supreme Court's decision to reject the appointment of a special court auditor, affirm BKS Bank in this view.

The proceedings mentioned above are not expected to have any relevant effects on the financial statements.

Impairment 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 based on statistical methods, and in cases for which no impairment has been identified, models and parameters are used such as probability of default, scenarios regarding the development of the economy and loss given default. 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 the points in time of future cash flows.

Sensitivity analysis

Sensitivity scenario in €k	Explanations	***2019***	***2020***
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.	−16,808	−20,434
Staging: positive scenario	Financial instruments that were assigned to stage 2 due to a historic credit downgrade are transferred from stage 2 to stage 1. This is a changeover from the 12-month ECL view to the lifetime concept.	3,718	6,543
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.	−2,494	−2,852
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.	2,494	2,852
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.	−1,960	−1,960
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.	534	892
Probability of default: negative scenario	The probability of default in the migration matrix increases by a factor of 1.1.	−3,215	−3,806
Probability of default: positive scenario	The probability of default in the migration matrix decreases by a divisor of 1.1.	2,922	3,460

Instruments are reclassified from stage 1 to stage 2 as soon as the default risk increases significantly. The assessment of such an increase a discretionary decision.

Measuring the fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 regulates the measurement to fair value, with validity for all standards, of financial assets and liabilities that must or may be measured at fair value as well as the disclosures that are required regarding fair value measurements.

IFRS 13 assigns the fair values of financial assets and liabilities to one of three categories:
- Level 1: If there is an active market, the fair value can best be determined on the basis of prices quoted in the principal market or, in the absence of a principal market, in the most advantageous market.
- Level 2: If the financial instrument is not listed on an exchange, its fair value is ascertained using the input factors available in the market. BKS Bank uses mainly yield curves and foreign exchange rates as input factors.
- Level 3: Financial instruments in this category lack indirectly or directly observable input factors. Here, generally accepted measurement methods are used depending on the specific financial instrument.

Generally, reclassifications take place at the end of a reporting period.

Assessment of cash flow terms (SPPI test)

The classification of financial assets is based first, on the business model, and second, on the characteristics of the contractual cash flows relating to the financial assets (cash flow terms - SPPI test). This assessment is a discretionary decision.

Using the fair value option

The ALM Committee decides when to use the fair value option, i.e. designate assets and liabilities at fair value. The fair value option serves to avoid measurement mismatches when measuring assets and liabilities that are related to each other.

Recoverability of shares in entities accounted for using the equity method

Impairment testing is performed on the basis of value in use, which is determined by the equity method or dividend discount model. When the market risk premium increases by 0.5%, this reduces the value in use by 5.2%. When the market risk premium decreases by 0.5%, the value in use rises by 5.9%.

Provisions for social capital

Estimates regarding the discount rate, salary growth, the career trend and the retirement age were required to calculate provisions for post-employment, termination, jubilee and death benefits. The discount rate is particularly important because any change to the interest rate has a material effect on the amount of the provision. See Note 32 for further details.

Other provisions

The amounts of other provisions were calculated on the basis of experience and expert assessments.

Details on the Consolidated Statement of Cash Flows

The cash and cash equivalents shown in the Consolidated Statement of Cash Flows equal cash and balances with the central bank.

Financial liabilities under cash flows from financing activities showed the following changes:

2020	01/01	Cash outflow	Cash inflow	Non-cash accrued interest and other changes	31/12
Subordinated liabilities and liabilities evidenced by paper	**854,377**	**–102,000**	**105,512**	**–842**	**857,047**
• Liabilities evidenced by paper	623,792	–51,000	75,706	–1,035	647,463
• Subordinated debt capital	230,584	–51,000	29,806	193	209,583
Lease liabilities	**22,398**	**–2,535**	**-**	**1,725**	**21,588**

2019	01/01	Cash outflow	Cash inflow	Non-cash accrued interest and other changes	31/12
Subordinated liabilities and liabilities evidenced by paper	**750,719**	**–101,700**	**204,952**	**405**	**854,377**
• Liabilities evidenced by paper	571,052	–81,700	134,143	297	623,792
• Subordinated debt capital	179,667	–20,000	70,809	109	230,584
Lease liabilities	**27,665**	**–2,591**	**-**	**–2,676**	**22,398**

Details of the Income Statement

(1) Net interest income

in €k	*2019*	*2020*	± in %
Lending operations measured at amortised cost	118,876	121,720	2.4
Fixed-interest securities measured at amortised cost	13,202	12,501	–5.3
Fixed-interest securities measured at FV OCI	529	618	16.9
Positive interest expenses[1)]	8,196	6,407	–21.8
Total interest income applying the effective interest rate method	**140,803**	**141,246**	**0.3**
Lending operations measured at fair value	2,740	2,016	–26.4
Fixed-interest securities at fair value through profit or loss	451	452	0.3
Leasing receivables	11,088	12,095	9.1
Shares and other non-interest-bearing securities	7,609	5,773	–24.1
Investment property	2,995	3,247	8.4
Total other interest income and other similar income	**24,882**	**23,584**	**–5.2**
Total interest income	**165,685**	**164,830**	**–0.5**
Interest expenses and other similar expenses:			
Deposits from customers and other banks	5,831	4,444	–23.8
Liabilities evidenced by paper	17,955	18,771	4.5
Negative interest income[1)]	5,140	5,089	–1.0
Investment property	685	796	16.3
Lease liabilities	232	164	–29.2
Total interest expenses and other similar expenses	**29,843**	**29,264**	**–1.9**
Net interest income	**135,842**	**135,566**	**–0.2**

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

(2) Impairment charges

in €k	*2019*	*2020*	± in %
Financial instruments measured at amortised cost			
– Allocation +/reversal of impairment charges (net)	18,945	23,986	26.6
Financial instruments measured at fair value OCI			
– Allocation +/reversal of impairment charges (net)	9	19	>100
Loan commitments and financial guarantee contracts			
– Allocation/reversal of provisions (net)	–372	1,020	>100
Impairment charges	**18,582**	**25,026**	**34.7**

When calculating the expected credit loss, the collective stage transfer of loans to companies from industries severely affected by the coronavirus pandemic, and the entire Croatian corporate portfolio, resulted in an additional allocation of risk provisions in an amount of EUR 7.3 million. The corresponding volume was EUR 738 million.

For lease receivables, impairment charges contain an allocation to impairment charges of EUR 2.4 million (pr.yr.: allocation EUR 1.4 million).

(3) Net fee and commission income

in €k	*2019*	*2020*	± in %
Net fee and commission income:			
Payment services	23,937	23,980	-
Securities operations	17,643	20,553	16.5
Lending operations	17,799	21,520	20.9
Foreign exchange operations	2,571	2,479	–3.6
Other services	1,263	1,177	–6.8
Total fee and commission income	**63,213**	**69,709**	**10,3**
Net fee and commission expenses:			
Payment services	2,443	2,558	4.7
Securities operations	1,803	1,940	7.6
Lending operations	490	683	39.6
Foreign exchange operations	197	136	–31.1
Other services	60	46	–24.0
Total fee and commission expenses	**4,993**	**5,363**	**7.4**
Net fee and commission income	**58,220**	**64,346**	**10.5**

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

in €k	*2019*	*2020*	± in %
Profit/loss from investments accounted for using the equity method	45,915	30,903	–32.7
Profit/loss from investments accounted for using the equity method	**45,915**	**30,903**	**–32.7**

(5) Net trading income

in €k	*2019*	*2020*	± in %
Price-based transactions	–22	–34	57.0
Interest rate and currency contracts	1,266	2,265	79.0
Net trading income	**1,244**	**2,231**	**79.4**

(6) General administrative expenses

in €k	*2019*	*2020*	± in %
Staff costs	76,687	74,551	–2.8
• Wages and salaries	56,650	54,732	–3.4
• Social insurance costs	13,322	13,365	0.3
• Costs of retirement benefits	4,255	4,073	–4.3
• Other social expenses	2,460	2,380	–3.2
Other administrative costs	33,533	37,271	11.1
Depreciation/amortisation	10,736	11,332	5.5
General administrative expenses	**120,956**	**123,154**	**1.8**

The cost of retirement benefits contain contribution plan payments of EUR 1.4 million (pr.yr.: EUR 1.5 m) to a pension fund.

(7) Other operating income/expenses

in €k	2019	2020	± in %
Other operating income	6,856	7,939	15.8
Other operating expenses	–9,084	–12,416	36.7
Other operating income/expenses	**–2,228**	**–4,477**	**>100**

The main sources of other operating income are non-interest bearing lease income of EUR 1.1 million (pr.yr.: EUR 1.2 million), fee and commission income from the insurance business of EUR 1.4 million (pr.yr.: EUR 1.2 million) as well as rental income of EUR 0.3 million (pr.yr.: EUR 0.2 million).

The expenses include the payment of EUR 1.3 million for the stability tax (pr.yr.: EUR 1.2 million), the contributions to the resolution fund of EUR 3.4 million (pr.yr.: EUR 2.7 million) and the contributions to the deposit insurance scheme of EUR 4.1 million (pr.yr.: EUR 2.2 million).

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

in €k	2019	2020	± in %
Profit/loss from the fair value option	–1,586	457	>100
Profit/loss from financial instruments designated at fair value	**–1,586**	**457**	**>100**

Fixed-interest loans to customers of EUR 75.7 million (pr.yr.: EUR 79.1 million), bonds on the assets side of EUR 21.2 million (pr.yr.: EUR 21.6 million) and own issues of EUR 63.4 million (pr.yr.: EUR 84.2 million) were hedged by interest rate swaps under the fair value option. The effect of the fair value option essentially reflects the amount that can be attributed to counterparty risk and creditworthiness risk rather than to changes in market risk.

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

in €k	2019	2020	± in %
Profit/loss from measurement	4,752	1,806	–62.0
Profit/loss on disposal	320	60	–81.2
Profit/loss from financial assets measured at fair value through profit or loss (mandatory)	**5,072**	**1,866**	**–63.2**

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

in €k	2019	2020	± in %
Receivables from other banks	-	-	-
• thereof profit	-	-	-
• thereof loss	-	-	-
Receivables from customers	540	1,028	90.5
• thereof profit	1,887	2,804	48.6
• thereof loss	–1,348	–1,776	31.8
Debt securities	-	298	-
• thereof profit	-	298	-
• thereof loss	-	-	-
Profit/loss from derecognition of financial assets measured at amortised cost	**540**	**1,326**	**>100**

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

in €k	2019	2020	± in %
Modification gains/losses	–306	905	>100
• from financial assets measured at amortised cost	–306	905	>100
• from financial assets measured at FV OCI	-	-	-
• from financial liabilities measured at amortised cost	-	-	-
Derecognition gains/losses	–58	–40	–30.4
• from financial assets measured through OCI	–58	–40	–30.4
• from financial liabilities measured at amortised cost	-	-	-
Other profit/loss from financial assets/liabilities	**–363**	**865**	**>100**

Amortised cost before contract amendments amount to EUR 109.1 million (pr.yr.: EUR 53.8 million). Contract amendments yielded a gain of EUR 0.9 million (pr.yr. EUR -0.3 million).

(12) Income tax expense

in €k	2019	2020	± in %
Current taxes	–12,128	–14,580	20.2
Deferred taxes	1,917	4,428	>-100
Income tax expense	**–10,211**	**–10,152**	**–0.6**

Reconciliation

in €k	2019	2020
Profit for the year before tax	103,118	84,904
Applicable tax rate	25%	25%
Computed tax expense	25,780	21,226
Effect of differing tax rates	–861	–683
Tax savings		
• from tax-exempt income from investments	–2,007	–1,443
• effects of investments in entities accounted for using the equity method	–11,479	–7,726
• from other tax-exempt income	–36	–2
• from other valuation adjustments	–892	–969
Additional tax incurred		
• as a result of non-deductible expenses	449	500
• from other tax effects	39	–152
Aperiodic tax expenses/income	–782	–598
Income tax expense in period	**10,211**	**10,152**
Effective tax rate	9.9%	12.0%

Details of the Balance Sheet

(13) Cash and balances with the central bank

in €k	31/12/2019	31/12/2020	± in %
Cash in hand	88,253	87,584	–0.8
Credit balances with central banks	462,499	1,015,104	119.5
Cash and balances with the central bank	**550,752**	**1,102,688**	**100.2**

(14) Receivables from other banks

in €k	31/12/2019	31/12/2020	± in %
Receivables from domestic banks	93,585	46,992	–49.8
Receivables from foreign banks	106,748	236,010	121.1
Receivables from other banks	**200,333**	**283,002**	**41.3**

Receivables from other banks by remaining time to maturity

in €k	31/12/2019	31/12/2020	± in %
Due on demand	29,004	85,682	195.4
Up to 3 months	52,346	52,082	–0.5
From 3 months to 1 year	97,797	145,238	48.5
From 1 year to 5 years	21,185	-	-100.0
From 5 years and over	-	-	-
Receivables from other banks by remaining time to maturity	**200,333**	**283,002**	**41.3**

(15) Impairment charges on receivables from other banks

in €k	Stage 1	Stage 2	Stage 3	2020
At the start of the reporting period	105	13	–	118
Additions due to new business	135	1	–	136
Change within stage				
• Allocation/reversal	–5	1	–	–4
• Disposals due to usage	–	–	–	–
Reclassification from one stage to another:				
• Decrease due to credit risk				
– Reclassification from stage 2 to stage 1	10	–13	–	–3
– 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	32	–	31
- Reclassification from stage 1 to stage 3	–	–	–	–
– Reclassification from stage 2 to stage 3	–	–	–	–
Disposals due to repayment	–44	–2	–	–46
At the end of the reporting period	**200**	**32**	**-**	**232**

Gross carrying amounts changed as follows in the reporting year 2020:

Gross carrying amounts for receivables from other banks

in €k	Stage 1	Stage 2	Stage 3	2020
At the start of the reporting period	193,572	6,761	–	200,333
Additions due to new business	223,495	113	–	223,608
Change within stage				
• Increase/reduction of receivables	–43,424	219	–	–43,205
• Disposals due to usage	–	–	–	–
Reclassification from one stage to another:				
• Decrease due to default risk				
– Reclassification from stage 2 to stage 1	4,040	–7,613	–	–3,573
– 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	–1,060	4,574	–	3,514
- Reclassification from stage 1 to stage 3	–	–	–	–
– Reclassification from stage 2 to stage 3	–	–	–	–
Disposals due to repayment	–97,460	–215	–	–97,675
At the end of the reporting period	**279,163**	**3,839**	**–**	**283,002**

(16) Receivables from customers

(16.1) Receivables from customers by customer group

in €k	31/12/2019	31/12/2020	± in %
Corporate and Business Banking	4,978,964	5,191,145	4.3
Retail Banking	1,399,823	1,466,199	4.7
Receivables from customers by customer group	**6,378,787**	**6,657,343**	**4,4**

(16.2) Receivables from customers by measurement category

in €k	31/12/2019	31/12/2020	± in %
Financial assets measured at amortised cost	6,241,353	6,524,963	4.5
Financial assets measured at fair value through profit or loss (designated)	79,078	75,650	–4.3
Financial assets measured at fair value through profit or loss (mandatory)	58,356	56,730	–2.8
Receivables from customers by customer group	**6,378,787**	**6,657,343**	**4,4**

Receivables from customers include receivables from lease transactions of EUR 531.1 million (pr.yr.: EUR 498.4 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	31/12/2019	31/12/2020	± in %
Due on demand	207,939	204,240	–1.8
Up to 3 months	1,098,030	987,759	–10.0
From 3 months to 1 year	641,015	576,167	–10.1
From 1 year to 5 years	1,031,316	1,156,012	12.1
From 5 years and over	3,400,487	3,733,166	9.8
Receivables from customers by remaining time to maturity	**6,378,787**	**6,657,343**	**4,4**

Finance lease receivables by remaining time to maturity - IFRS 16

in €k	31/12/2019	31/12/2020
< 1 year	157,082	158,626
One to two years	127,581	124,212
Two to three years	92,081	100,255
Three to four years	61,107	70,438
Four to five years	51,347	40,309
Over five years	42,457	69,275
Total amount of non-discounted lease receivables	**531,656**	**563,115**
Unearned finance income	33,297	31,983
Net investment value	**498,359**	**531,132**

There were no guaranteed residual values at 31 December 2020. Receivables under leases are mainly within maturity bands >1 year.

(17) Impairment charges on receivables from customers

in €k	Stage 1	Stage 2	Stage 3	2020
At the start of the reporting period	15,111	11,252	64,371	90,734
Additions due to new business	4,405	4,180	-	8,585
Change within stage				
• Allocation/reversal	748	−1,663	−2,682	−3,597
• Disposals due to usage	-	-	−16,715	−16,715
Reclassification from one stage to another:				
• Decrease due to default risk				
– Reclassification from stage 2 to stage 1	245	−1,980	-	−1,735
– Reclassification from stage 3 to stage 1	1	-	−22	−21
– Reclassification from stage 3 to stage 2	-	119	−241	−122
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	−2,470	12,746	-	10,276
- Reclassification from stage 1 to stage 3	−77	-	3,709	3,632
– Reclassification from stage 2 to stage 3	-	−504	3,876	3,372
Disposals due to repayment	−3,698	−773	−2,560	−7,031
At the end of the reporting period	**14,265**	**23,377**	**49,736**	**87,378**

Impairment charges includes loan loss provisions for lease receivables of EUR 5.8 million (pr.yr.: EUR 4.6 million).

Gross carrying amounts changed as follows in the reporting year 2020:

Gross carrying amounts of receivables from customers

in €k	Stage 1	Stage 2	Stage 3	2020
At the start of the reporting period	5,471,075	598,853	171,425	6,241,353
Additions due to new business	1,093,285	300,719	-	1,394,004
Change within stage				
• Increase/reduction of receivables	−263,520	−31,058	−9,770	−304,348
• Disposals due to usage/direct write-off	-	-	−18,490	−18,490
Reclassification from one stage to another:				
• Decrease due to default risk				
– Reclassification from stage 2 to stage 1	88,375	−91,594	-	−3,219
– Reclassification from stage 3 to stage 1	52	-	−88	−36
– Reclassification from stage 3 to stage 2	-	2,980	−4,559	−1,579
• Increase due to default risk				
- Reclassification from stage 1 to stage 2	−794,735	738,563	-	−56,172
- Reclassification from stage 1 to stage 3	−17,472	-	16,805	−667
– Reclassification from stage 2 to stage 3	-	−21,672	14,176	−7,496
Disposals due to repayment	−611,887	−74,928	−31,572	−718,387
At the end of the reporting period	**4,965,173**	**1,421,863**	**137,927**	**6,524,963**

(18) Trading assets

in €k	31/12/2019	31/12/2020	± in %
Positive fair values of derivative financial products	8,755	10,526	20.2
• Currency contracts	1,515	3,610	>100
• Interest rate contracts	-	-	-
• Fair value option	7,240	6,917	–4.5
Trading assets	**8,755**	**10,526**	**20.2**

(19) Debt securities and other fixed-interest securities

in €k	31/12/2019	31/12/2020	± in %
Financial assets measured at amortised cost	797,761	829,190	3.9
Financial assets measured at fair value through profit or loss (designated)	21,586	21,152	–2.0
Financial assets measured at fair value OCI	70,720	68,263	–3.5
Financial assets measured at fair value through profit or loss (mandatory)	50	44	–11.4
Debt securities and other fixed-interest securities	**890,116**	**918,649**	**3,2**

Debt securities and other fixed-interest securities by remaining time to maturity

in €k	31/12/2019	31/12/2020	± in %
Up to 3 months	16,860	7,845	53.5
From 3 months to 1 year	16,909	69,229	>100
From 1 year to 5 years	376,715	450,420	19.6
From 5 years and over	479,632	391,155	–18.4
Debt securities and other fixed-interest securities by remaining time to maturity	**890,116**	**918,649**	**3,2**

(20) Impairment charges on debt securities

in €k	Stage 1	Stage 2	Stage 3	2020
At the start of the reporting period	337	-	-	337
Additions due to new business	146	-	-	146
Change within stage				
• Allocation/reversal	22	-	-	22
• 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	–51	630	-	579
– Reclassification from stage 1 to stage 3	-	-	-	-
– Reclassification from stage 2 to stage 3	-	-	-	-
Disposals due to repayment	–34	-	-	–34
At the end of the reporting period	**420**	**630**	**-**	**1,050**

Gross carrying amounts changed as follows in the reporting year 2020:

Gross carrying amounts for debt securities

in €k Stage 1	Stage 1	Stage 2	Stage 3	2020
At the start of the reporting period	797,761	-	-	797,761
Additions due to new business	66,811	-	-	66,811
Change within stage				
• Increase/reduction of receivables	44	-	-	44
• 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	–39,012	39,002	-	–10
– Reclassification from stage 1 to stage 3	-	-	-	-
– Reclassification from stage 2 to stage 3	-	-	-	-
Disposals due to repayment	–35,416	-	-	–35,416
At the end of the reporting period	**790,188**	**39,002**	**-**	**829,190**

(21) Shares and other non-interest bearing securities

in €k	31/12/2019	31/12/2020	± in %
Financial assets measured at fair value through profit or loss (mandatory)	43,687	56,734	29.9
Financial assets measured at fair value OCI	92,190	96,693	4.9
Shares and other non-interest-bearing securities	**135,878**	**153,426**	**12.9**

The Group's investment fund assets are recognised in the measurement category at fair value through profit or loss (mandatory).

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

in €k	31/12/2019	31/12/2020	± in %
Oberbank AG	407,340	418,759	2.8
Bank für Tirol und Vorarlberg AG	228,591	242,779	6.2
Investments in entities accounted for using the equity method	**635,931**	**661,538**	**4,0**

(23) Intangible assets

in €k	31/12/2019	31/12/2020	± in %
Intangible assets	10,960	10,153	–7.4
Intangible assets	**10,960**	**10,153**	**–7.4**

(24) Property, plant and equipment

in €k	31/12/2019	31/12/2020	± in %
Land	8,777	8,252	–6.0
Buildings	37,764	36,517	–3.3
Other property, plant and equipment	9,031	12,126	34.3
Right-of-use assets	22,269	21,345	–4,1
Property, plant and equipment	**77,842**	**78,240**	**0.5**

The right-of-use assets reported refer mainly to rental contracts for branches and office space in Austria and abroad. Depreciation/amortisation of capitalised right-of-use assets was EUR 2.6 million in financial year 2020 (pr.yr.: EUR 2.7 million). Additionally, interest expense of EUR 0.2 million (pr.yr.: EUR 0.2 million) for lease liabilities. In the financial year 2020, there was an addition of EUR 0.9 million in right of use assets. Total cash outflow for lease contracts was EUR 2.7 million (pr.yr.: EUR 2.8 million).

(25) Investment property

in €k	31/12/2019	31/12/2020	± in %
Land	7,978	8,506	6.6
Buildings	29,396	32,686	11.2
Investment property	**37,374**	**41,192**	**10,2**

At 31 December 2020, the fair values of our investment properties totalled EUR 63.0 million (pr.yr.: EUR 59.0 million). Rental income in the year under review was EUR 3.2 million (pr.yr.: EUR 3.0 million). Expenses associated with earning rental income came to EUR 0.8 million (pr.yr.: EUR 0.7 million).

Property, plant and equipment owned, intangible assets and investment property 2020

in €k	Property, plant and equipment	Assets[1]	Property[2]	Total
Acquisition cost at 01/01/2020	**140,286**	**23,737**	**61,554**	**225,578**
Additions	7,213	1,708	4,173	13,093
Disposals	575	6	9	591
Exchange differences	–1	–1	-	–2
Reclassification	–1,101	-	1,101	-
Acquisition costs at 31/ 12/2020	**145,823**	**25,438**	**66,818**	**238,079**
Accumulated depreciation/amortisation	88,929	15,284	25,626	129,839
Carrying amount at 31/12/2020	**56,894**	**10,154**	**41,192**	**108,240**
Carrying amount at 31/ 12/2019	55,572	10,960	37,374	103,907
Depreciation/amortisation in 2020	**4,868**	**2,548**	**1,266**	**8,683**

[1] Intangible assets
[2] Investment property

Property, plant and equipment owned, intangible assets and investment property 2019

in €k	Property, plant and equipment	Assets[1]	Property[2]	Total
Acquisition cost at 01/01/2019	**132,588**	**15,444**	**58,485**	**206,517**
Additions	6,577	9,156	4,776	20,509
Disposals	339	863	247	1,449
Exchange differences	-	-	-	-
Reclassification	1,460	-	−1,460	-
Acquisition costs at 31/12/2019	**140,286**	**23,737**	**61,554**	**225,578**
Accumulated depreciation/amortisation	84,714	12,777	24,180	121,671
Carrying amount at 31/12/2019	**55,572**	**10,960**	**37,374**	**103,907**
Carrying amount at 31/12/2018	53,336	3,859	34,530	91,725
Depreciation/amortisation in 2019	**4,918**	**2,124**	**973**	**8,015**

[1] Intangible assets
[2] Investment property

(26) Deferred tax assets/deferred tax liabilities 2020

in €k	***As at 31/12/2019***	***As at 31/12/2020***	Deferred taxes assets	Deferred taxes liabilities
Receivables from customers	4,150	2,569	2,685	117
Impairment charges	3,387	10,226	10,226	-
Trading assets/trading liabilities	172	219	1,785	1,566
Debt securities and other fixed-interest securities	−1,447	−1,589	-	1,589
Shares and other non-interest-bearing securities	−9,943	−10,230	-	10,230
Property, plant and equipment	−5,446	−4,719	25	4,744
Other assets and liabilities	5,311	4,548	4,548	-
Liabilities evidenced by paper	2,363	2,041	2,041	-
Provisions/social capital	9,069	8,136	8,136	-
Equity - issues	−212	−213	-	213
Tax assets (liabilities) before netting	**7,404**	**10,988**	**29,446**	**18,458**
Netting of taxes	-	-	−18,458	−18,458
Net deferred tax assets/liabilities	**-**	**-**	**10,988**	**-**

Deferred tax assets/deferred tax liabilities 2019

in €k	**As at 30/12/2018**	**As at 31/12/2019**	Deferred taxes assets	Deferred taxes liabilities
Receivables from customers	3,859	4,150	4,150	-
Impairment charges	2,300	3,387	3,387	-
Trading assets/trading liabilities	–104	172	1,794	1,622
Debt securities and other fixed-interest securities	–967	–1,447	-	1,447
Shares and other non-interest-bearing securities	–8,474	–9,943	-	9,943
Property, plant and equipment	–660	–5,446	-	5,446
Other assets and liabilities	601	5,311	5,311	-
Liabilities evidenced by paper	2,334	2,363	2,363	-
Provisions/social capital	7,682	9,069	9,069	-
Equity - issues	–208	–212	-	212
Tax assets (liabilities) before netting	**6,363**	**7,404**	**26,074**	**18,670**
Netting of taxes	-	-	18,670	18,670
Net deferred tax assets/liabilities	**-**	**-**	**7,404**	**-**

Deferred tax assets and liabilities are netted pursuant to IAS 12.71.

Deferred tax assets were mainly the result of impairment allowances recognised in accordance with IFRS 9, derivatives in the banking book with negative fair values, use of the fair value option for own debt securities, deferrals of the upfront fees contained in receivables from customers and valuations of 'social capital' in accordance with IAS 19 that differed from the tax base. Deferred taxes taken directly to equity in conformity with IAS 19 came to EUR -0.6 million (pr.yr.: EUR 1.2 million).

Deferred tax liabilities were mainly attributable to the measurement of financial investments at value, the application of the effective interest rate method for securities measured at amortised cost, the positive fair value of securities designated under the fair value option, as well as derivatives in the banking book with positive fair values.

The application of IFRS 16 results in both deferred tax assets/liabilities that offset each other almost completely.

The projections for the coming three years show that there will be sufficient taxable income to offset the deferred tax claims.

(27) Other assets

in €k	**31/12/2019**	**31/12/2020**	± in %
Other assets	9,905	13,235	33.6
Deferred items	4,748	4,156	–12.5
Other assets	**14,654**	**17,391**	**18.7**

(28) Payables to other banks

in €k	31/12/2019	31/12/2020	± in %
Payables to domestic banks	611,321	799,242	30.7
Payables to foreign banks	77,903	100,688	29.2
Payables to other banks	**689,224**	**899,929**	**30.6**

BKS Bank took part in the TLTRO III programme (Targeted Longer-Term Refinancing Operations) of the European Central Bank (ECB) with a volume of EUR 350 million. This programme makes longer-term financing available to banks at attractive terms, with the interest rate for individual banks depending on the extent to which lending targets have been met in the relevant reference periods. After adjustments to the tender programme in response to the coronavirus pandemic in the spring of 2020, a discount of 0.5% applies to the interest periods until June 2022. This discount also applies if the lending targets are not met in the relevant reference periods. However, in BKS Bank's view, this interest rate is currently also available on the market due to the refinancing opportunities. Considering that this interest rate is not subject to any conditions, it is not a government subsidy as defined by IAS 20 in BKS Bank's view.

Furthermore, this tender programme includes an option of obtaining an interest rate of -1.0% when a certain credit growth threshold is reached. In the opinion of BKS Bank, the effect of this added -0.5% represents a government subsidy as defined by IAS 20, because it represents a significant advantage over current refinancing options on the market. However, as it will only be known with certainty at the end of the first reference period (31 March 2021) whether the lending targets have actually been met, the benefit gained from refinancing at a non-market rate will not be reported pursuant to IAS 20 for the period ending 31 December 2020. Nonetheless, the gain from the interest effect of 0.5% was accrued as at 31 December 2020 and this resulted in an interest income of EUR 0.9 million recognized in profit or loss.

Payables to other banks by remaining time to maturity

in €k	31/12/2019	31/12/2020	± in %
Due on demand	61,883	148,786	>100
Up to 3 months	121,906	166,093	36.2
From 3 months to 1 year	225,200	145,202	–35.5
From 1 year to 5 years	233,405	404,341	73.2
From 5 years and over	46,830	35,507	–24.2
Payables to banks by remaining time to maturity	**689,224**	**899,929**	**30.6**

(29) Payables to customers

in €k	31/12/2019	31/12/2020	± in %
Savings deposits	**1,413,530**	**1,401,674**	**–0.8**
• Corporate and business banking customers	172,047	151,156	–12.1
• Retail banking customers	1,241,483	1,250,518	0.7
Other liabilities	**4,400,437**	**5,140,571**	**16.8**
• Corporate and business banking customers	3,150,069	3,667,120	16.4
• Retail banking customers	1,250,368	1,473,451	17.8
Payables to customers	**5,813,967**	**6,542,245**	**12.5**

Payables to customers by remaining time to maturity

in €k	31/12/2019	31/12/2020	± in %
Due on demand	4,289,263	5,047,621	17.7
Up to 3 months	258,840	138,033	–46.7
From 3 months to 1 year	703,261	701,682	–0.2
From 1 year to 5 years	506,258	607,510	20.0
From 5 years and over	56,344	47,398	–15.9
Payables to customers by remaining time to maturity	**5,813,967**	**6,542,245**	**12.5**

(30) Liabilities evidenced by paper

in €k	31/12/2019	31/12/2020	± in %
Bonds issued	552,404	592,585	7.3
Other liabilities evidenced by paper	71,388	54,878	–23.1
Liabilities evidenced by paper	**623,792**	**647,463**	**3.8**

Liabilities evidenced by paper include bonds issued in an amount of EUR 63.4 million (pr.yr.: EUR 84.2 million) measured at fair value (use of fair value option). The carrying amount of liabilities evidenced by paper measured at fair value is EUR 9.0 million (pr.yr.: EUR 10.3 million) above the repayment amount.

Liabilities evidenced by paper by remaining time to maturity

in €k	31/12/2019	31/12/2020	± in %
Up to 3 months	10,615	20,813	96.1
From 3 months to 1 year	45,356	68,926	52.0
From 1 year to 5 years	248,122	257,189	3.7
From 5 years and over	319,699	300,535	–6.0
Liabilities evidenced by paper by remaining time to maturity	**623,792**	**647,463**	**3.8**

(31) Trading liabilities

in €k	31/12/2019	31/12/2020	± in %
Negative fair values of derivative financial instruments	10,848	13,711	26.4
• Currency contracts	3,077	5,667	84.2
• Interest rate contracts	-	-	-
• Fair value option	7,771	8,044	3.5
Trading liabilities	**10,848**	**13,711**	**26.4**

(32) Provisions

in €k	31/12/2019	31/12/2020	± in %
Provisions for post-employment benefits and similar obligations	75,604	68,885	–8.9
Provisions for taxes (current taxes)	3,622	5,914	63.3
Provision for guarantees and credit facilities	1,773	2,794	57.5
Other provisions	57,744	51,842	–10.2
Provisions	**138,743**	**129,434**	**–6.7**

Provisions for pensions and similar obligations include provisions for severance payments in the amount of EUR 24.5 million (pr.yr.: EUR 27.3 million), provisions for pensions of EUR 37.7 million (pr.yr.: EUR 41.2 million), as well as for provisions for jubilee bonuses of EUR 6.6 million EUR (pr.yr.: EUR 7.1 million). Other provisions contain a provision in the amount of EUR 37.8 million (pr.yr.: EUR 40.7 million) resulting from the proportionate consolidation of ALGAR. Other material provisions include provisions for death benefits of EUR 4.6 million (pr.yr.: EUR 4.8 million) and provisions for remunerations in the amount of EUR 1.9 million (pr.yr.: EUR 1.8 million).

Provisions for termination benefits

According to the requirements of the Austrian Salaried Employees Act and the Austrian Termination Benefits Act, Austrian employees of BKS Bank whose employment began before 1 January 2003 are entitled to termination benefits provided applicable grounds for the termination are given. Moreover, the collective agreement for employees of banks and bankers generally gives people who have been in service for more than 5 years the right to two additional months' salary if it is the employer that gives notice. These additional monthly salaries are not covered by the contributions to the employee pension scheme.

Provisions for post-employment benefits

Post-employment benefit obligations existed on the basis of the collective agreement revising post-employment benefit law as amended on 23 December 1996. Essentially, the post-employment benefit commitments comprise old-age pensions, occupational disability pensions and widow(er)s' and orphans' pensions. In the 2000 financial year, the existing benefit promises were transferred to VBV-Pensionkassen AG as the legal successor to BVP-Pensionskassen AG. BKS Bank's benefit obligations result from post-employment benefits already being paid to former employees or their surviving dependents and also from disability pension payments for still active employees.

Actuarial assumptions

in %	31/12/2019	31/12/2020
Financial assumptions		
Interest rate	1.30%	1.00%
Salary trend of active staff	2.99%	2.00%
Pensions trends	2.00%	1.50%
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.

Changes in provisions for post-employment benefits and similar obligations

in €k	31/12/2019	31/12/2020	± in %
Provisions as at 01/01	72,702	75,603	4.0
+ Interest expense	1,846	243	86.8
+ Service costs	1,468	1,702	15.9
- Payments during the reporting year	–5,195	–6,200	19.3
± Actuarial profit/loss[1)]	4,782	–2,463	>-100
Provisions as at 31/12	**75,603**	**68,885**	**–8.9**

[1)] Based on changed actuarial assumptions

Development of provisions

in €k	**Total 2019**	Provisions for post-employment benefits and similar obligations	Taxes and other	**Total 2020**	± in %
Provisions as at 01/01	134,485	75,603	63,139	138,743	3.2
± Currency change	-			-	-
+ Additions	14,837	2,231	9,628	11,859	–20.1
- Usage	7,225	2,737	5,929	8,666	19.9
- Reversal	3,355	6,212	6,289	12,501	>100
Provisions as at 31/12	**138,743**	**68,885**	**60,549**	**129,434**	**–6.7**

Sensitivity analysis for post-employment benefits and similar obligations

Sensitivity analysis of DBO/present value of obligations in €k	Termination benefits **31/12/2019**	Post-employment benefits **31/12/2019**	Termination benefits **31/12/2020**	Post-employment benefits **31/12/2020**
Discount rate +0.5%	–1,058	–2,092	–994	–1,837
Discount rate -0.5%	1,124	2,302	956	2,015
Wage increase +0.5%	1,097	175	939	135
Wage increase -0.5%	–1,044	–167	–987	–130
Pension increase +0.5%	-	1,894	-	1,664
Pension increase -0.5%	-	–1,765	-	–1,555
Increase in life expectancy by around 1 year	-	2,674	-	2,458

This sensitivity analysis shows the influence a change in the parameters for the major actuarial assumptions would have on the provisions for termination benefits and post-employment benefits as at 31 December 2020.

Maturity analysis

Cash flows in €k	Termination benefits **31/12/2020**	Post-employment benefits **31/12/2020**
Expected payments 2021	2,105	2,856
Expected payments 2022	990	2,666
Expected payments 2023	1,552	2,475
Expected payments 2024	3,182	2,282
Expected payments 2025	2,112	2,096
Total expected payments 2021 to 2025	**9,941**	**12,375**
Weighted average maturity	8.11	10.41

The maturity analysis shows the expected termination benefit and post-employment benefit payments in the coming five financial years as calculated by an actuary. Payments in the financial year 2020 amounted to EUR 5.9 million (pr.yr.: EUR 4.8 million).

(33) Other liabilities

in €k	31/12/2019	31/12/2020	± in %
Other liabilities	21,854	24,984	14.3
Deferred items	4,661	4,868	4.5
Leasing liabilities	22,398	21,588	–3.6
Other liabilities	**48,913**	**51,440**	**5.2**

Other liabilities include, among other things, liabilities to tax authorities. The leasing liabilities reported pursuant to IFRS 16 are mostly rental contracts for branches and office premises and fall due as follows:

in €k	31/12/2019	31/12/2020	± in %
Up to 1 year	2,454	2,662	8.5
From 1 year to 5 years	9,214	9,386	1.9
From 5 years and over	10,730	9,540	–11.1
Lease liabilities	**22,398**	**21,588**	**–3.6**

(34) Subordinated debt capital

in €k	31/12/2019	31/12/2020	± in %
Supplementary capital	210,584	209,583	–0.5
Hybrid capital	20,000	-	-
Subordinated debt capital	**230,584**	**209,583**	**–9.1**

Subordinated debt capital is reported with accrued interest. The nominal value was EUR 206.5 million (pr.yr.: EUR 227.7 million).

Subordinated debt capital by remaining time to maturity

in €k	31/12/2019	31/12/2020	± in %
Up to 3 months	3,035	3,211	5.8
From 3 months to 1 year	31,000	2,350	–92.4
From 1 to 5 years	42,331	59,983	41.7
From 5 years and over	154,218	144,039	–6.6
Subordinated debt capital by remaining time to maturity	**230,584**	**209,583**	**–9.1**

Supplementary capital notes of EUR 2.4 million will mature in 2021 (pr.yr.: EUR 31.0 million).

Details on subordinated debt capital (nominal values)

in €k	31/12/2019	31/12/2020	Full term
Variable Ergänzungskapital-Obligation 2006-2021/PP	2,350	2,350	15 years
Stufenzins-Ergänzungskapital-Obligation 2008-2020/4	15,000	-	12 years
Stufenzins-Ergänzungskapital-Obligation 2010-2020/2	16,000	-	10 years
6% Hybridanleihe der BKS Hybrid beta GmbH 2010	20,000	-	unlimited
5% Nachrangige Obligation 2014-2023/2	20,000	20,000	9 years
4% Nachrangige Obligation 2015-2025/2	20,000	20,000	10 years
2 ¾% Nachrangige Obligation 2016-2024/2	20,000	20,000	8 years
3% Nachrangige Obligation 2017-2027/4	20,000	20,000	10 years
3.43% Nachrangige Obligation 2018-2028/3/PP	13,000	13,000	10 years
2 1/4% Nachrangige Obligation 2018-2026/3	17,287	17,287	8 years
4.54% Nachrangige Obligation 2019-2034/2/PP	8,000	8,000	15 years
3% Nachrangige Obligation 2019-2029/3	20,000	20,000	10 years
3% Nachrangige Obligation 2019-2030/4	20,000	20,000	11 years
3.85% Nachrangige Obligation 2019-2034/4/PP	3,400	3,400	15 years
3% Nachrangige Obligation 2019-2031/5	12,655	20,000	11.5 years
2 3/4% Subordinated bond 2020-2032/1	-	8,433	12 years
3% Nachrangige Obligation 2020-2030/2	-	4,289	10 years
3% Nachrangige Obligation 2020-2030/3	-	9,739	10 years
Total subordinated capital (tier 2)	**227,692**	**206,498**	

Expenditure on subordinated obligations in the financial year came to EUR 8.3 million (pr.yr.: EUR 7.5 million).

(35) Shareholders' equity

in €k	31/12/2019	31/12/2020	± in %
Subscribed capital	85,886	85,886	-
• Share capital	85,886	85,886	-
Capital reserves	241,416	241,416	-
Retained earnings and other reserves	919,023	979,469	6.6
Additional equity instruments (AT 1 bond)	55,200	55,900	1.3
Shareholders' equity before non-controlling interests	**1,301,525**	**1,362,671**	**4,7**
Non-controlling interests	–27	–31	13.6
Shareholders' equity	**1,301,498**	**1,362,640**	**4,7**

In the preceding financial year, the share capital was represented by 41,142,900 ordinary no-par voting shares and 1,800,000 non-voting no-par preference shares. After the decision taken at the beginning of November 2020 to convert all preference shares into ordinary shares at a ratio of 1:1, the share capital now consists of 42,942,900 ordinary no-par voting shares. Each share has a nominal value of EUR 2.0. Capital reserves contain premiums from the issuance of shares. Retained earnings and other reserves consist essentially of reinvested profits.

Additional equity instruments refer to the additional tier 1 bonds issued in the years 2015 (nominal amount EUR 23.4 million), 2017 (nominal amount EUR 12.8 million), 2018 (nominal amount EUR 7,3 million), 2019 (nominal amount EUR 11.7 million) and 2020 (nominal amount EUR 0.7 million), which are classified as equity under IAS 32. The liability reserve required by § 57 (5) Banking Act in the amount of EUR 86.3 million (pr.yr.: EUR 84.5 million) is contained in the item Retained earnings.

Non-controlling interests are of secondary importance in the BKS Bank Group's Statement of Changes in Equity (2020: EUR 30.5 thousand; pr.yr.: EUR 26.9 thousand). These result from excluding a non-material subsidiary.

The publication of the European Central Bank's Recommendation on 15 December 2020 repealed the European Central Bank's previous Recommendation ECB/2020/1 that had recommended not to pay out discretionary dividend payments. As there was no statutory prohibition on the distribution of dividends, the conditions precedent for the payout of a dividend of EUR 0.12 for the financial year 2019 on every eligible ordinary no-par value share of BKS Bank AG were met on 15 December 2020. Therefore, the dividend was paid out in January 2021.

Shares in issue 2020

Number of shares	no-par ordinary shares	no-par preference shares
As at 01/01/2020	**40,432,275**	**1,635,302**
Change in treasury shares	–24,086	17,441
Conversion	1,652,743	–1,652,743
As at 31/12/2020	**42,060,932**	**-**
Treasury shares in the Group's portfolio	**881,968**	**-**
Shares issued	**42,942,900**	**-**

Shares in issue 2019

Number of shares	no-par ordinary shares	no-par preference shares
As at 01/01/2019	**40,468,228**	**1,624,510**
Change in treasury shares	–35,953	10,792
As at 31/12/2019	**40,432,275**	**1,635,302**
Treasury shares in the Group's portfolio	**710,625**	**164,698**
Shares issued	**41,142,900**	**1,800,000**

The item Other comprehensive income in retained earnings is due to the following changes to provisions:

	2019		***2020***	
in €k	Remeasurement from defined-benefit plans	Reserves for own credit risk	Remeasurement from defined-benefit plans	Reserves for own credit risk
As at 01/01	**–23,329**	**–42**	**–31,013**	**224**
Other comprehensive income	–7,684	266	1,794	501
• Change from remeasurement pursuant to IAS 19	–3,594	-	1,846	-
• Reserves for own credit risk	-	266	-	501
• Effect of the equity method (IAS 19)	–4,090	-	–52	-
Reclassification	-	-	-	–22
As at 31/ 12	**–31,013**	**224**	**–29,219**	**704**

CAPITAL MANAGEMENT

(36) Own funds

Capital management at BKS Bank consists of two elements of equal importance, namely management within the scope of the regulatory minimum capital ratio requirements and internal management within the scope of ICAAP (the Internal Capital Adequacy Assessment Process).

The aim is to maintain the regulatory minimum capital ratios required by CRR at all times and to hold sufficient assets to cover risks within the scope of ICAAP. The main focus of our capital management activities is on limiting and controlling the risks assumed by the bank as part of the overall bank risk management process.

To achieve these goals, the degree of utilisation of all risk limits is checked and reported within the management information process. The core variables used for analysis and management purposes in the capital management process are the own funds ratio, the tier 1 ratio, the degree of utilisation of the assets available to cover risks and, additionally, the leverage ratio.

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

Within the course of the coronavirus pandemic, measures from CRR III were prematurely applied. Banks were permitted to apply a support factor of 0.76 and 0.85 to receivables from small and medium-sized companies. This resulted in a reduction of the total risk exposure amount of EUR 110.0 million.

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

in € m	31/12/2019	31/12/2020
Share capital	83.4	85.9
Reserves net of intangible assets	1,134.0	1,193.6
Deductions	–587.8	–610.2
Common equity tier 1 capital (CET1)	**629,6**	**669.3[1)]**
Common equity tier 1 ratio	11.6%	11.8%
Hybrid capital	6.0	-
AT1 note	**55.2**	**55.9**
Additional tier 1 capital	**61.2**	**55.9**
Tier 1 capital (CET1 + AT1)	690.8	725.2
Tier 1 capital ratio	12.7%	12.8%
Supplementary capital (tier 2)	190.6	190.9
Total own funds	881.4	916.1
Total capital ratio	16.2%	16.2%
Total risk exposure amount	5,449.6	5,664.1

1) Includes profit for the year 2020. Formal adoption is still outstanding.

The Supervisory Review and Evaluation Process (SREP) conducted by the Austrian Financial Market Authority (FMA) came to the conclusion that BKS Bank was to meet the following minimum requirements without a capital conservation buffer as a percentage of the total risk exposure amount as at 31 December 2020: 5.5% for the common equity tier 1 capital, and 9.7% for the total capital ratio. The capital ratios recorded at the end of December 2020 exceeded these requirements.

Risk Report

(37) Risk policy and risk strategy

Our business policy motto is to secure autonomy and independence by increasing profits within the scope of a sustainable growth strategy. A key element of our business is to specifically assume risk based on the premise of recognising all relevant risks early that may result from the banking business and banking operations, and to actively manage and mitigate risk through effective risk management. All individual risks are recorded, evaluated and analysed. The capital available is used as efficiently as possible taking into account the medium to long-term strategic goals, with the risk/profit ratio being constantly optimised.

At BKS Bank, a solid risk culture is established throughout the Group based on a comprehensive understanding of our risks based on the values of BKS Bank. The risk culture is described at the top level by the mission statement and the risk strategy of BKS Bank and represents how management staff and employees are to deal with risk within the scope of their work.

ICAAP

In accordance with the provisions of §39 and §39a Banking Act, banks must have effective plans and procedures in place to determine the amount, the composition and the distribution of the capital available for the quantitative and qualitative hedging of all material risks relating to the banking business and banking operations. Based on these factors, banks must maintain capital in the required volumes. These processes are summarised in ICAAP and presented by BKS Bank under the risk-bearing capacity calculation.

ILAAP

ILAAP is the process that must be established by BKS Bank pursuant to § 39 para 3 Banking Act for the purpose of identifying, measuring, managing and monitoring liquidity. It comprises a description of the systems and methods to be used to measure and manage liquidity and finance risks. BKS Bank measures and monitors compliance with its liquidity targets by producing timely and extensive risk reports.

BASAG

The provisions of the Austrian Federal Act on the Recovery and Resolution of Banks (BaSAG) require banks to prepare recovery and resolution plans. BKS Bank's recovery plan was updated in 2020 and approved by the Management Board and Supervisory Board. The recovery plan is intended to ensure that BKS Bank has feasible options in place to deal with crises and be able to meet its capital and liquidity requirements, even in the event of negative economic developments. Furthermore, the Austrian Financial Market Authority updated the resolution plan for BKS Bank. Within the scope of the resolution planning, the minimum requirement for own funds and eligible liabilities (MREL) was defined as a ratio. In 2020, BKS Bank prepared a bail-in playbook for the first time. This playbook is a forward-looking description of the procedures and processes for creditor participation, a so-called bail-in, in the event of the resolution of the credit institution triggered by economic difficulties threatening its existence.

(38) Structure and organisation of risk management

The risk strategy of BKS Bank is characterised by a conservative handling of the risks involved in the banking business and in banking operations. A comprehensive system of risk principles, risk measurement and monitoring procedures as well as an appropriate organisational structure is in place for risk monitoring and management. Central responsibility for risk management lies with the member of the Management Board whose remit does not include front office activities.

The risk strategy is revised annually, approved by the Management Board and discussed and evaluated by the members of the Risk Committee of the Supervisory Board. The Management Board decides on the risk management principles, the limits for all relevant risks, and the procedures for monitoring and managing risks. The revision of the risk strategy in 2020 was of course strongly influenced by the potential effects of the pandemic.

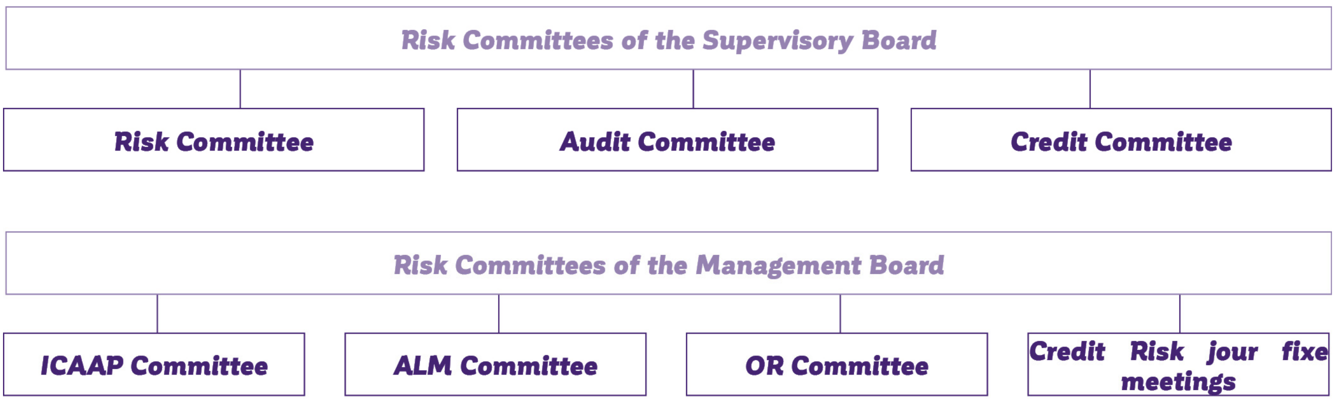
In accordance with § 39 para 5 Banking Act, risk controlling is a central unit independent of operations at BKS Bank that is responsible for identifying, measuring and analysing risks. This unit reports regularly to the Management Board and to the operational units responsible for risk, and evaluates the current risk situation taking into account the corresponding risk limits and risk-bearing capacity. As an independent unit, it measures if the risks remain within the limits defined by the Management Board.

Additionally, the risk controlling unit is responsible for the development and implementation of the risk measurement methods, for the ongoing development and improvement of the management instruments as well as for the further development and maintenance of the risk strategy and other rules and regulations. 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 is based on a risk analysis by the risk controlling unit in the form of a risk matrix created by the ICAAP Committee.

The limits and targets defined in the risk strategy are evaluated annually and amended as required. As an independent internal unit, the internal audit department of BKS Bank reviews all operating and business procedures, the appropriateness and efficacy of the measures taken by 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 vast knowledge that the individual members of the committees contribute to the management process guarantees a comprehensive treatment of each type of risk.

Risk Committees



ICAAP Committee
The ICAAP Committee meets four times a year and discusses the risk-bearing capacity by analysing the economic capital requirement and the assets available to cover risks.

ALM - Asset/Liability Management
The Asset/Liability Management Committee meets monthly, analyzes and manages the balance sheet structure with regard to interest rate risk in the banking book, share price risk and liquidity risk. In this context, it also is responsible for the important tasks of planning for funding, funds transfer pricing and the management of concentration risks.

Operational Risk Committee
The Operational Risk Committee meets four times a year. The members of the OR Committee analyze the loss events, support the risk-taking units and the management with the active management of operational risk, monitor measures taken and develop the OR risk management system.

Credit Risk jour fixe meetings

At the weekly jour fixe meetings on credit risk, the main topics discussed relate to day-to-day lending operations, prolongations and other current topics in the corporate and retail business. Apart from 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 further development of the credit risk management process, and facilitates the swift deployment of steering instruments.

The year 2020 was dominated by the coronavirus pandemic to which Risk Management responded immediately and comprehensively. Thus, measures were taken for the early recognition of credit risks and to ensure timely monitoring of the liquidity situation early in 2020. An internal coronavirus reporting system has been implemented.

The following regular coronavirus reports were introduced:
- Weekly NPL monitoring
- Weekly monitoring of loan deferrals and bridge financing in connection with COVID-19.
- Monitoring of overdrafts pursuant to Art. 178 CRR
- Weekly calculation and monitoring of the development of liquidity coverage ratio (LCR)
- A vulnerability analysis of individual sectors in the corporate and business banking segment

Reports monitoring how the coronavirus pandemic is affecting the risk situation of BKS Bank were introduced very swiftly and are currently still being prepared.

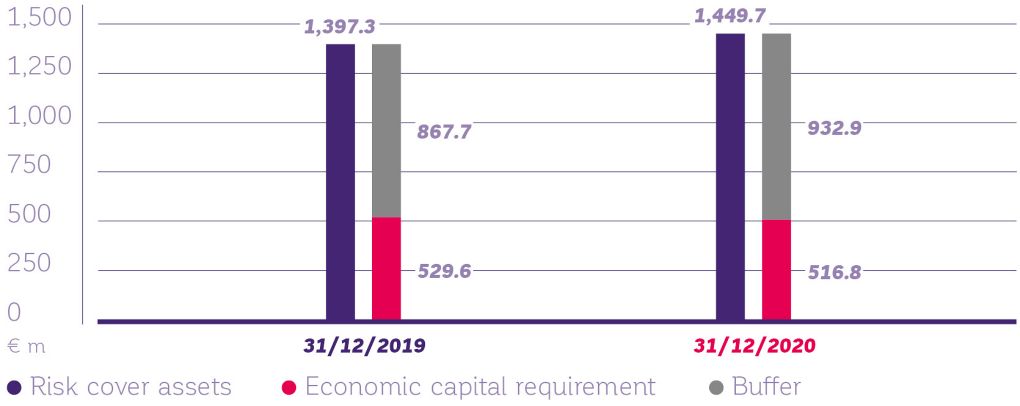
(39) Internal Capital Adequacy and Risk-bearing Capacity (ICAAP)

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

The individual components of the assets available to cover risks were ranked according to their realization capacity, while taking account, above all, of their liquidity and publicity effects. When a capital adequacy target is set on a going concern basis, the potential risk and risk-bearing capacity and the limits derived therefrom were balanced in such a way so as to put the bank in a position to absorb an adverse event and continue to conduct business in an orderly manner. The capital adequacy target defined on a liquidation basis is a regulatory requirement. It serves to protect creditors.

At BKS Bank, unexpected losses in the liquidation approach are calculated for a period of observation of one year with a confidence level of 99.9%. As at 31 December 2020, the economic capital requirement was determined at EUR 516.8 million after EUR 529.6 million in the preceding year. The corresponding cover assets amounted to EUR 1,449.7 million after EUR 1,397.3 million at year-end 2019.

Risk-bearing capacity by liquidation approach



Breakdown of risks in the liquidation approach

in %	2019	2020
1 Credit risk	63.5	65.1
2 Interest rate risk in the banking book[1)]	16.6	11.9
3 Equity price risk[1)]	1.5	3.8
4 Foreign currency risk[1)]	0.4	0.4
5 Credit spread risk	6.0	7.1
6 Operational risk and ICT risk	4.9	5.3
7 Liquidity risk	0.9	–
8 Macroeconomic risk	3.6	3.5
9 Other risks	2.6	2.7

[1)] Net of diversification effects

As in the preceding year, the economic capital requirement for credit risk was the largest risk capital requirement within the group of credit institutions. Credit risks account for about 65.1% (2019: 63.5%) of the total loss potential.

At the beginning of 2020, we launched the project ICAAP New to develop a new concept and implementation of the new dual risk-bearing capacity perspectives. The objective was to implement the new dual risk-bearing capacity calculation with reference to the FMA's supervisory expectation on ICAAP for LSIs as communicated in the circular of 17 December 2018 in conjunction with the ECB's Guidance on the Bank's Internal Capital Adequacy Process (ICAAP) of November 2018. The project is supported externally and is basically completed. Currently, we are in a transition phase and are working on the following points:

- Implementation of ICAAP from a normative perspective including stress-testing
- Implementation of ICAAP from an economic perspective including stress-testing
- Revision of the Risk Appetite Framework and integration in the risk strategy
- Adaptation of governance documents

The replacement of the previous economic view will start in the first quarter of 2021.

(40) Stress tests in the overall banking risk strategy

We conduct stress tests on a quarterly basis to evaluate the risk-bearing capacity of the banking Group in the event of potential adverse events. The results are analysed to determine the quantitative impact on our risk-bearing capacity. Stress tests provide supplementary information to the value-at-risk analysis and reveal additional loss potentials. The results of the various scenarios are reported to the Management Board and the risk management units on a quarterly basis.

(41) 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 grounded in a counterparty's creditworthiness or indirectly in the country risk of a counterparty's domicile. Credit risk is by far BKS Bank's most important risk category. Monitoring and analysis is done at the product and individual customer level, at the level of groups of related customers and on a portfolio basis.

Managing credit risk

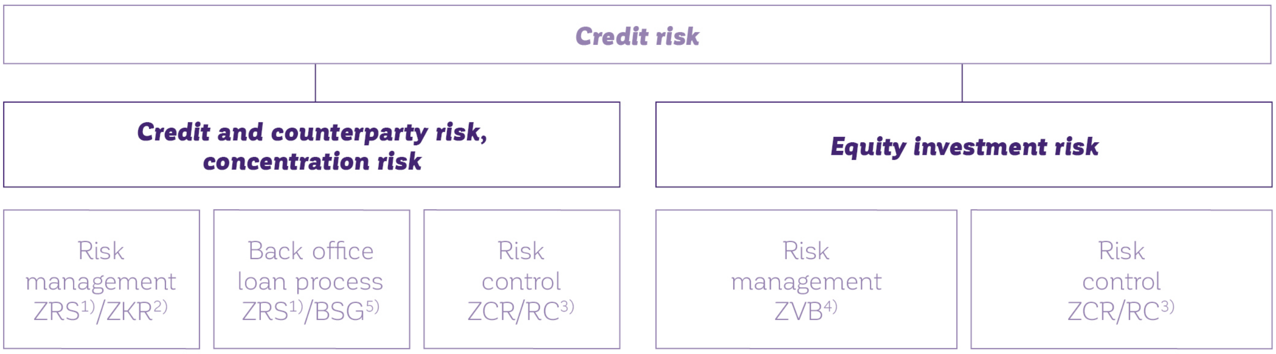
The management of credit risk is based on the principle of granting loans only a know-your-customer basis. Therefore, loans are granted only after a thorough check of the person and creditworthiness and – if relevant – in compliance with the dual control principle (front office and back office). Collateral requirements are derived from the rating class and the product. Fair value valuations of collateral take their bearings from average proceeds from liquidation achieved in the past. Real estate collateral is appraised and regularly reviewed by an independent expert from Credit Management. Lending in markets outside of Austria is governed by special guidelines that are specific to the features of the country concerned, in particular, the economic environment and the higher realisation risk of the collateral.

Credit Management is responsible for risk analysis and risk management for individual customers. At portfolio level, the extended credit risk jour fixe is responsible for the management of risk on the basis of reports prepared by Risk Controlling. The main goals when assuming new risk positions concern the rating structure, which means that new business is acquired only if certain rating classes are met and the collateral provided is sufficient.

Concentrations of credit risk are managed at the portfolio level, with the aim being to achieve a balanced distribution of credit exposures by size, and limits being set for individual geographical regions, sectors and industries, as well as the foreign currency portion of the loan portfolio. BKS Bank holds a 25% stake in ALGAR, which has the purpose of securing large exposures.

Equity investment risk includes the risk of lost dividends, impairments and realised losses and the risk of a decline in the value of hidden reserves caused by poor financial performance on the part of entities in which BKS Bank holds equity investments. The acquisition of equity investments is not a strategic focus of BKS Bank. In the case of affiliated companies, our focus is on strategic partners from the banking and financial sector as well as from the banking-related service industries.

Credit risk management



1) Central Department Risk Analysis and Services
2) Central Department Risk Analysis and Services
3) Central Controlling and Accounting/Risk Controlling
4) Office of the Management Board
5) BKS Service GmbH

To manage and control individual financial risks, we prepare annual budgets for subsidiaries as well as budgets and projections for the returns on investees. Monthly reports on operating subsidiaries are an integral part of our Group reporting system.

The quantitative information included in this report pursuant to IFRS 7.31 to 7.42 is based on the internal reporting for overall bank risk management.

Internal risk management is done at portfolio level and is presented below.

(41.1) Credit risk volumes pursuant to internal risk management

in €k	31/12/2019	31/12/2020
Receivables from customers	6,804,265	7,184,620
Promised credit lines[1]	162,111	207,504
Receivables from banks	214,936	300,881
Securities and funds	874,020	920,068
Equity investments	724,068	752,771
Exposure volume	**8,779,400**	**9,365,845**

1) Based on internally calculated withdrawal patterns

(41.2) Reconciliation of IFRS positions to internal credit risk positions

in €k	31/12/2019	31/12/2020
Consolidated receivables from customers pursuant to note (16.1)	6,378,787	6,657,343
+ Contingent liabilities pursuant to note (63)	467,093	567,947
+ Corporate bonds	63,837	67,138
+ Exposure from derivative contracts with customers/other	–14,419	43,218
- Receivables from customers pursuant to note (63) with guarantee by main bank	–91,034	–151,027
Receivables from customers pursuant to internal risk management	**6,804,265**	**7,184,620**
Other exposures pursuant to note (63)	1,324,057	1,693,658
Promised credit lines based on internally calculated withdrawal patterns	**162,111**	**207,504**
Receivables from other banks pursuant to note (14)	200,333	283,002
+ Derivative contracts with other banks	14,603	17,879
Receivables from other banks pursuant to internal risk management	**214,936**	**300,881**
+ Debt securities and other fixed-interest securities pursuant to note (19)	890,116	918,649
- Corporate bonds/other (reclassification to other customer receivables)	–63,837	–60,774
+ Investment funds in the item shares and other non-interest bearing securities pursuant to note (21)	43,687	56,734
+ Shares and other non-interest bearing securities pursuant to note (21)	4,053	5,460
Securities and funds pursuant to internal risk management figures	**874,020**	**920,068**
Investments from the item Shares and other non-interest bearing securities pursuant to note (21)	88,137	91,233
+ Investments in entities accounted for using the equity method pursuant to note (22)	635,931	661,538
Investments pursuant to ICAAP	**724,068**	**752,771**
Credit risk according to ICAAP	**8,779,400**	**9,365,845**

Credit ratings in credit risk

A major component of the risk assessment process is our comprehensive rating system, which serves as the basis for risk management within the BKS Bank Group. The bank's internal rating models are validated every year.

Rating classes

AA	First-class, best credit standing
A1	First-class, excellent credit standing
1a	First-class credit standing
1b	Very good credit standing
2a	Good credit standing
2b	Still good credit standing
3a	Acceptable credit standing
3b	Still acceptable credit standing
4a	Inadequate credit standing
4b	Poor credit standing
5a	In default – performing
5b	In default – non-performing
5c	In default – irrecoverable

(41.3) Loan quality by class of receivable 2020

in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating
Receivables from customers	79,718	1,715,997	2,654,575	2,214,603	380,818	138,513	396
Credit lines promised	13,958	60,523	76,049	50,772	5,425	748	29
Receivables from banks	220,784	39,588	36,661	3,845	4	–	–
Securities and funds	740,636	139,418	35,420	4,550	44	–	–
Equity investments	723,658	25,198	2,482	–	–	–	1,433
Total	**1,778,755**	**1,980,723**	**2,805,187**	**2,273,770**	**386,291**	**139,261**	**1,859**

Loan quality by class of receivable 2019

in €k	AA-A1	1a-1b	2a-2b	3a-3b	4a-4b	5a-5c	No rating
Receivables from customers	57,122	1,712,863	2,505,442	2,066,875	286,915	173,019	2,029
Credit lines promised	6,997	45,021	62,778	44,712	1,827	759	16
Receivables from banks	116,228	88,325	4,848	5,537	–	–	–
Securities and funds	740,058	116,264	13,402	4,247	50	–	–
Equity investments	697,379	16,801	8,193	164	–	–	1,532
Total	**1,617,784**	**1,979,273**	**2,594,662**	**2,121,535**	**288,792**	**173,778**	**3,576**

At BKS Bank, receivables are deemed to be in default if they are more than 90 days overdue and the overdue amount is at least 1.0% of the agreed credit line and at least EUR 100. Furthermore, BKS Bank also classified receivables as in default if it assumed that the debtor would not be able to repay the full amount of the loan to the bank. This is assumed when one of the following applies:

- A new specific impairment allowance
- Restructuring of the credit exposure combined with deterioration in the quality of the receivable
- Initiation of collection procedures because of inability or unwillingness to pay or fraud or for other reasons
- Receivables 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
- Loan irrecoverable for other reasons

Additionally, the provisions of the EBA/GL2016/07 Guidelines on the application of the definition of default enter into force on 1 January 2021 that provide further information on the unlikeliness to pay.

At year-end, the non-performing loan ratio was 1.7% (2019: 2.4%). The calculation is based on non-performing loans in the rating classes 5a to 5c of the BKS Bank rating system (default classes) and the accounting receivables from sovereigns, central banks, credit institutions and customers. Cover for the loss potential of non-performing loans is indicated by the coverage ratio. Coverage Ratio I is the relation between risk provisions to the total risk position and was 37.2% on 31 December 2020 (2019: 37.2%). Additionally, we use Coverage Ratio III as an internal benchmark which also includes internal collateral in the calculation. The cover ratio was 88.7% at year-end (2019: 88.2%).

(41.4) Exposures classified as forborne 2020

in €k	Corporate and Business Banking	Retail Banking	Total
Performing exposure	52,297	21,724	74,021
• thereof with concessions regarding instalments	40,749	20,954	61,703
• thereof rescheduled	11,548	770	12,318
Non-performing exposures	27,277	8,945	36,222
• thereof with concessions regarding instalments	24,484	8,083	32,567
• thereof rescheduled	2,793	862	3,655
Total	**79,574**	**30,669**	**110,243**

Exposures classified as forborne 2019

in €k	Corporate and Business Banking	Retail Banking	Total
Performing exposure	26,592	1,188	27,780
• thereof with concessions regarding instalments	17,287	895	18,182
• thereof rescheduled	9,305	293	9,598
Non-performing exposures	48,715	2,519	51,234
• thereof with concessions regarding instalments	47,389	1,963	49,352
• thereof rescheduled	1,326	556	1,882
Total	**75,307**	**3,707**	**79,014**

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 are deemed given if repayment from cash flows can 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 involve, for instance

- 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 the loan (restructuring)

Apart from EBA/GL/2018/06 on the management of non-performing and forborne exposures, when classifying forbearance cases in the reporting year we considered the requirements of EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments.

(41.5) Credit risk volumes relating to the coronavirus crisis

A number of forbearance measures were triggered as well as loan deferrals and bridging loans due to the outbreak of the coronavirus pandemic in the financial year 2020. The following table shows the relevant credit volumes affected by these measures, broken down by industry.

in €k	Loans and advances subject to EBA-compliant moratoria	Other loans and advances with Covid-19-related forbearance	Newly originated loans and advances subject to Covid-19 related public guarantee schemes	Public guarantee schemes granted in connection with Covid-19
Retail banking	62,228	381	–	–
Real estate activities	147,968	13,573	87	80
Construction	46,825	1,409	4,986	4,596
Manufacturing	41,725	–	20,307	20,135
Wholesale and retail trade; repair of motor vehicles and motorcycles	31,651	189	20,215	19,429
Professional, scientific and technical activities	25,719	2,518	6,302	6,023
Financial and insurance activities	23,413	505	12,251	12,251
Transport and storage	52,066	–	1,796	1,649
Accommodation and food service activities	65,873	8,646	7,233	6,717
Human health and social work activities	47,639	–	842	809
Administrative and support service activities	24,243	209	3,121	3,066
Public administration and defence; compulsory social security	–	–	–	–
Agriculture and forestry, fishery	4,528	5	273	273
Electricity, gas, steam and air conditioning supply	1,626	–	210	210
Mining and quarrying	6,904	–	–	–
Other service activities	10,361	–	533	499
Information and communication	11,010	–	1,857	1,691
Water supply; sewerage, waste management and remediation activities	2,256	–	100	100
Arts, entertainment and recreation	7,358	182	413	405
Education and instruction	1,900	12	358	358
Total	**615,293**	**27,629**	**80,884**	**78,291**

The following table shows the credit volumes of still active moratoria and remaining times to maturity of loans deferred in the financial year 2020 due to the coronavirus pandemic.

in €k	Carrying amount loans	thereof loans with active moratoria	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 12 months <= 18 months	> 18 months
Loans and advances subject to EBA-compliant moratoria	615,293	254,871	191,678	43,889	17,002	1,716	–	586
Other loans and advances with Covid-19-related forbearance	27,629	27,629	16,229	6,458	3,462	1,480	–	–
Total	**642,922**	**282,500**	**207,907**	**50,347**	**20,464**	**3,196**	**–**	**586**

(41.6) Carrying amounts by rating class and stage/on-balance 2020

	Carrying amounts				Impairments			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	847,942	1,423	–	849,366	155	6	–	161
A1	75,901	–	–	75,901	32	–	–	32
1a	867,430	89,440	–	956,870	302	455	–	757
1b	740,464	42,819	–	783,283	734	229	–	964
2a	1,028,682	82,025	–	1,110,707	2,200	931	–	3,132
2b	1,041,503	273,094	–	1,314,597	3,474	2,898	–	6,372
3a	952,504	326,553	–	1,279,057	4,007	4,714	–	8,720
3b	380,871	380,274	–	761,145	2,324	6,096	–	8,420
4a	67,150	188,593	–	255,743	552	5,873	–	6,425
4b	31,440	80,434	–	111,873	1,072	2,834	–	3,905
5a – 5c	–	–	137,927	137,927	–	–	49,736	49,736
OR	638	49	–	687	33	4	–	37
Total	**6,034,525**	**1,464,703**	**137,927**	**7,637,155**	**14,886**	**24,040**	**49,736**	**88,661**

Carrying amounts by rating class and stage/on-balance 2019

	Carrying amounts				Impairments			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	710,475	–	–	710,475	129	–	–	129
A1	96,241	–	–	96,241	32	–	–	32
1a	848,121	41,661	–	889,782	207	195	–	402
1b	865,597	25,720	–	891,317	764	214	–	978
2a	1,076,259	19,091	–	1,095,350	1,738	296	–	2,034
2b	1,101,527	50,817	–	1,152,344	2,758	866	–	3,624
3a	1,038,873	135,714	–	1,174,587	2,954	1,927	–	4,881
3b	560,580	199,759	–	760,339	3,149	3,545	–	6,694
4a	92,543	87,904	–	180,447	550	2,129	–	2,679
4b	48,040	44,499	–	92,539	1,157	2,074	–	3,231
5a – 5c	–	–	171,425	171,425	–	–	64,371	64,371
OR	24,152	449	–	24,601	2,115	19	–	2,134
Total	**6,462,408**	**605,614**	**171,425**	**7,239,447**	**15,553**	**11,265**	**64,371**	**91,189**

Furthermore, in the second quarter 2020, BKS Bank conducted an analysis by sector of corporate and business customers to gauge how they were being affected by the coronavirus crisis. The sectors affected the most severely by the pandemic, namely hospitality businesses, restaurants, arts and entertainment as well as other services were collectively transferred to a different stage depending on how severely they were affected. On account of the travel warning issued in mid-August for Croatia and the entailing negative effects on the Croatian economy, the entire Croatian corporate customer portfolio was transferred collectively in the third quarter. The currently valid travel warnings have motivated BKS Bank to make a collective stage transfer for the entire sector of transport.

Therefore, pursuant to IFRS 9.B5.5.1 et seq, financial instruments were transferred from stage 1 to stage 2 even if at the individual debtor level no significant increase in credit risk was identified. This collective stage transfer with a volume of EUR 738 million resulted in the allocation of additional impairment charges in an amount of EUR 7.3 million.

(41.7) Carrying amounts by rating class and stage/off-balance 2020

	Carrying amounts				Provisions			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	26,941	292	–	27,233	1	–	–	1
A1	1,706	–	–	1,706	1	–	–	1
1a	221,656	13,267	–	234,923	39	7	–	46
1b	261,250	10,802	–	272,052	57	6	–	63
2a	450,650	26,723	–	477,372	186	45	–	231
2b	379,390	68,932	–	448,321	223	68	–	291
3a	344,669	73,322	–	417,991	476	192	–	668
3b	166,805	116,700	–	283,505	662	328	–	990
4a	17,972	52,280	–	70,252	43	215	–	258
4b	8,468	18,043	–	26,511	25	88	–	113
5a – 5c	–	–	1,627	1,627	–	–	131	131
OR	86	26	–	111	1	–	–	1
Total	**1,879,592**	**380,385**	**1,627**	**2,261,604**	**1,714**	**949**	**131**	**2,794**

Carrying amounts by rating class and stage/off-balance 2019

	Carrying amounts				Provisions			
in €k	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
AA	3,473	–	–	3,473	–	–	–	–
A1	143	–	–	143	–	–	–	–
1a	150,495	1,023	–	151,518	31	10	–	41
1b	270,981	234	–	271,215	38	5	–	43
2a	522,352	48,497	–	570,849	147	29	–	176
2b	296,065	28,048	–	324,113	135	44	–	179
3a	301,501	47,422	–	348,923	205	142	–	347
3b	91,835	69,583	–	161,418	115	446	–	561
4a	10,457	30,984	–	41,441	22	91	–	113
4b	3,315	5,336	–	8,651	25	62	–	87
5a – 5c	–	–	2,817	2,817	–	–	226	226
OR	138	22	–	160	1	–	–	1
Total	**1,650,755**	**231,149**	**2,817**	**1,884,721**	**719**	**829**	**226**	**1,774**

(41.8) Loan collateral 2020[1)]

in €k	Credit exposure/ max. default risk	Collateral total	thereof financial collateral	thereof personal collateral	thereof real estate collateral	thereof other	Risk position[2)]
Receivables from customers	7,184,620	4,524,614	106,961	227,483	3,343,685	846,485	2,660,006
• thereof at fair value through profit or loss (designated)	75,650	39,128	–	19,329	19,799	–	36,521
• thereof at fair value through profit or loss (mandatory)	56,730	39,651	518	1,260	36,253	1,620	17,079
Credit lines promised	207,504	–	–	–	–	–	207,504
Receivables from banks	300,881	6,139	3,067	–	–	3,072	294,743
Securities and funds	920,068	147,342	–	69,666	–	77,676	772,726
• thereof at fair value through profit or loss (designated)	21,152	–	–	–	–	–	21,152
• thereof at fair value through profit or loss (mandatory)	56,734	–	–	–	–	–	56,734
• thereof at fair value OCI	3,836	–	–	–	–	–	3,836
Equity investments	752,771	–	–	–	–	–	752,771
• thereof at fair value OCI	91,233	–	–	–	–	–	91,233
• thereof investments in entities accounted for using the equity method	661,538	–	–	–	–	–	661,538
Total	**9,365,845**	**4,678,094**	**110,027**	**297,148**	**3,343,685**	**927,233**	**4,687,751**

1) Lending value of the loan collateral measured pursuant to internal rules
2) Exposure less collateral

Loan collateral 2019[1]

in €k	Credit exposure/ max. default risk	Collateral total	thereof financial collateral	thereof personal collateral	thereof real estate collateral	thereof other	Risk position[2]
Receivables from customers	6,804,265	4,188,318	131,603	139,779	3,085,233	831,703	2,615,947
• thereof at fair value through profit or loss (designated)	79,078	43,368	–	19,609	23,760	–	35,710
• thereof at fair value through profit or loss (mandatory)	58,356	48,181	681	9	41,966	5,525	10,175
Credit lines promised	162,111	–	–	–	–	–	162,111
Receivables from banks	214,936	–	–	–	–	–	214,936
Securities and funds	874,020	145,168	–	80,231	–	64,937	728,852
• thereof at fair value through profit or loss (designated)	21,588	–	–	–	–	–	21,588
• thereof at fair value through profit or loss (mandatory)	43,687	–	–	–	–	–	43,687
• thereof at fair value OCI	4,053	–	–	–	–	–	4,053
Equity investments	724,068	–	–	–	–	–	724,068
• thereof at fair value OCI	88,137	–	–	–	–	–	88,137
• thereof investments in entities accounted for using the equity method	635,931	–	–	–	–	–	635,931
Total	**8,779,400**	**4,333,486**	**131,603**	**220,010**	**3,085,233**	**896,640**	**4,445,913**

[1] Lending value of the loan collateral measured pursuant to internal rules
[2] Exposure less collateral

(41.9) Receivables from customers by economic activity

Economic activity classification in conformity with ÖNACE (Statistik Austria)	2019 in €k	2019 in %	2020 in €k	2020 in %
Retail banking	1,239,302	18.2	1,287,356	17.9
Real estate activities	1,345,474	19.8	1,378,862	19.2
Construction	740,963	10.9	757,444	10.5
Manufacturing	765,241	11.2	878,682	12.2
Wholesale and retail trade; repair of motor vehicles and motorcycles	564,414	8.3	521,956	7.3
Financial and insurance activities	349,758	5.1	399,331	5.6
Professional, scientific and technical activities	385,250	5.7	424,172	5.9
Transport and storage	235,912	3.5	256,608	3.6
Accommodation and food service activities	200,784	3.0	224,809	3.1
Human health and social work activities	239,521	3.5	257,302	3.6
Administrative and support service activities	136,979	2.0	162,783	2.3
Public administration and defence; compulsory social security	174,679	2.6	155,186	2.2
Electricity, gas, steam and air conditioning supply	87,817	1.3	76,120	1.1
Agriculture and forestry, fishery	98,880	1.5	136,850	1.9
Mining and quarrying	29,395	0.4	34,245	0.5
Other service activities	51,835	0.8	53,350	0.7
Information and communication	57,181	0.8	60,079	0.8
Water supply; sewerage, waste management and remediation activities	56,722	0.8	58,116	0.8
Arts, entertainment and recreation	23,098	0.3	39,493	0.5
Education and instruction	21,058	0.3	21,877	0.3
Total	**6,804,265**	**100.0**	**7,184,620**	**100.0**

(41.10) Receivables from customers in foreign currencies by country and major currency 2020

in €k	EUR[1]	CHF	USD	JPY	Total
Austria	–	92,062	29	1,139	93,230
Slovenia	–	3,155	–	–	3,155
Croatia	493,189	310	39	–	493,538
Hungary	6,782	–	–	–	6,782
Switzerland	22,883	183	–	–	23,066
Other	12,031	2,192	–	–	14,223
Total	**534,885**	**97,902**	**68**	**1,139**	**633,994**

[1] EUR loans to customers from non-euro states

Receivables from customers in foreign currencies by country and major currency 2019

in €k	EUR[1]	CHF	USD	JPY	Total
Austria	–	110,125	2,996	1,605	114,725
Slovenia	–	3,999	–	–	3,999
Croatia	452,885	304	–	–	453,190
Hungary	8,310	–	–	690	9,000
Switzerland	25,010	206	–	–	25,216
Other	13,457	2,120	1	–	15,578
Total	**499,662**	**116,754**	**2,997**	**2,295**	**621,708**

[1] EUR loans to customers from non-euro states

(41.11) Receivables from customers by country 2020

in €k	Receivables[1)]	Past due[2)]	Specific impairment allowance[3)]	Collateral for past due receivables
Austria	5,230,204	84,977	26,676	46,790
Slovenia	917,763	20,093	7,756	11,976
Croatia	560,036	20,749	9,070	10,351
Hungary	20,931	2,970	1,374	1,510
Slovakia	197,581	9,637	2,968	5,346
Italy	9,166	30	13	15
Germany	183,123	36	2	34
Other	65,816	20	2	17
Total	**7,184,620**	**138,513**	**47,861**	**76,040**

1) See Table "Credit Risk Volumes purs. to internal risk management" (Note 41.1)
2) Past due purs. to BKS Bank's default definition
3) Stage 3 Impairment charges

In the case of financial instruments recognised in the default classes (ratings 5a, 5b or 5c), no impairment allowance is recognised for the portion backed by collateral.

Receivables from customers by country 2019

in €k	Receivables[1)]	Past due[2)]	Specific impairment allowance[3)]	Collateral for past due receivables
Austria	4,934,820	85,560	31,141	45,097
Slovenia	913,973	47,115	15,775	28,150
Croatia	524,539	24,091	12,033	14,120
Hungary	20,909	3,899	1,830	1,949
Slovakia	164,417	10,802	3,525	6,806
Italy	10,628	1,452	32	1,111
Germany	173,144	40	6	33
Other	61,835	60	29	22
Total	**6,804,265**	**173,019**	**64,371**	**97,288**

1) Risk volumes pursuant to internal risk management
2) Past due pursuant to BKS Bank's default definition
3) Stage 3 Impairment charges

(41.12) Securities and funds by domicile of issuer

in €k	At amortized cost		Carrying amount pursuant to IFRS[1)]	
Regions	**2019**	**2020**	**2019**	**2020**
Austria	369,874	411,659	372,033	418,518
Germany	99,407	91,281	105,179	93,289
Belgium	34,727	34,675	35,067	35,095
Finland	15,137	14,941	15,144	15,130
France	41,544	41,967	41,789	42,145
Greece	–	–	50	44
Ireland	26,085	25,890	26,403	26,396
Croatia	10,122	10,000	10,239	10,225
Lithuania	3,052	6,000	3,036	6,046
Luxembourg	114,484	116,412	117,559	120,098
Netherlands	14,946	14,946	14,997	15,003
Norway	25,869	39,747	31,332	40,517
Poland	5,083	5,000	5,092	5,082
Portugal	10,141	15,000	10,185	15,221
Slovakia	24,782	29,800	25,308	30,328
Slovenia	9,812	14,795	9,959	14,975
Spain	29,955	19,773	30,168	20,045
Sweden	20,000	9,996	20,481	10,288
USA	–	1,573	–	1,624
Total	**855,020**	**903,456**	**874,020**	**920,068**

1) Including accrued interest

There were no impairments on items in the securities portfolio in 2019 and 2020.

(42) Equity investment risk

Equity investments

in €k	**31/12/2019**	**31/12/2020**
Listed banks	635,931	661,538
Unlisted banks	17,098	18,549
Other unlisted equity investments	71,039	72,684
Total	**724,068**	**752,771**

(43) Interest rate risk

Interest rate risk refers to the risk of a negative development in positions sensitive to interest rate fluctuations or in net interest income.

Divergent maturities and interest adjustment periods may create the risk of changes to interest rates for both the assets and liabilities sides of the balance sheet. These risks may be generally hedged by a combination of on-balance sheet and off-balance sheet transactions. BKS Bank does not engage in excessive 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 relevant limits is based on a combination of indicators and methods such as value-at-risk (VAR), modified duration, volume analysis, scenario analysis pursuant to the rules for the determination of interest rate risk in the banking book (IRRBB) from an economic perspective as well as the NII perspective and stress testing of the economic capital. Managing interest rate risk in the banking book is the responsibility of the Asset/Liability Management Committee. The management of interest rate risk in the trading book is the remit of Treasury and Financial Institutions. Risk control is the responsibility of Risk Controlling.

Management of interest rate risk

[1)] Asset/Liability Management Committee
[2)] Treasury and Financial Institutions
[3)] Controlling and Accounting/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 almost exclusively to hedge against market risks, using only instruments whose characteristics and related risks are known and for which experience-based data is available. Interest rate swaps are BKS Bank’s key interest rate management instrument.

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

Currency	31/12/2019	31/12/2020
EUR	2.46%	1.43%
CHF	0.25%	0.26%
USD	–0.03%	–0.02%
JPY	–	–
Other	–	–
Total	**2.68%**	**1.67%**

(43.2) Present value fluctuations at an interest shift of 200 basis points

in €k	31/12/2019	31/12/2020
EUR	21,576	13,088
CHF	2,235	2,384
USD	–221	176
JPY	–	–
Other	–	–
Total	**23,590**	**15,297**

(43.3) Interest rate gaps EUR and foreign currencies

in €k	31/12/2019	31/12/2020
< 1 month	278,803	–138,660
1 to 3 months	317,612	539,628
3 to 6 months	552,899	686,701
6 to 12 months	–1,626,335	–1,760,056
1 to 2 years	149,219	99,162
2 to 3 years	246,738	–23,551
3 to 4 years	–402,712	–203,576
4 to 5 years	80,313	–132,984
>5 years	425,876	398,550

Positive values for interest rate gaps represent a surplus on the assets side, negative values a surplus on the liabilities side with respect to interest rate adjustments in the relevant maturity bands.

(43.4) Value-at-risk figures - interest rate risk[1]

in €k	2019	2020
Minimum values	25,030	15,917
Maximum values	30,890	24,831
Average values	26,696	20,820
Value at year-end	**30,890**	**20,462**

[1] Including credit spread risks

Value-at-risk with respect to interest rate risk is measured on the basis of a historical simulation of the changes in market prices observed in the preceding 1,000 days and computed on a holding period of 90 days with a confidence level of 95 %.

(44) Credit spread risk

The credit spread risk is the risk of changes to the creditworthiness and/or risk premium-induced changes in the market price of the securities portfolio with a reference to the interest rate. BKS Bank quantifies the credit spread risk for the bond portfolio in the banking book. The BKS Bank Group generally pursues a conservative strategy for avoiding credit spread risks.

The credit spread risk is reviewed monthly by the ALM Committee. Risk control is the responsibility of Risk Controlling.

(45) Equity price risk

Equity price risk is the risk of changes in stock market prices that result from the interaction of supply and demand. Investments in equities in our treasury portfolio are mainly in highly liquid German and Austrian listed securities. Once a month, equity price risk is quantified using a historical simulation as value-at-risk and reported to the ALM Committee.

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 done through investment funds in general; we invest in individual stocks only to a minor extent. Risk control is the responsibility of Risk Controlling.

Management of interest rate risk

Equity price risk

Risk management	Risk control
ALM[1]	ZCR/RC[2]

[1] Asset/Liability Management Committee
[2] Controlling and Accounting/Risk Controlling

Value-at-risk figures – Equity price risk

in €k	2019	2020
Minimum values	2,351	2,845
Maximum values	3,104	3,771
Average values	2,834	3,183
Value at year-end	**2,351**	**3,771**

Value-at-risk with respect to equity price risk is measured on the basis of a historical simulation of the changes in market prices observed in the preceding 1,000 days and computed on a holding period of 90 days with a confidence level of 95%.

(46) 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. Therefore, an adverse movement in exchange rates may result in losses. To assess 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 exchange positions is the responsible of Treasury and Financial Institutions. Foreign exchange positions are monitored by Risk Controlling.

Value-at-risk figures - Foreign currency price risk

in €k	2019	2020
Minimum values	437	170
Maximum values	731	559
Average values	595	386
Value at year-end	**699**	**559**

Value-at-risk with respect to foreign currency positions is measured on the basis of a historical simulation of the changes in market prices observed in the preceding 1,000 days and computed on a holding period of 90 days with a confidence level of 95%.

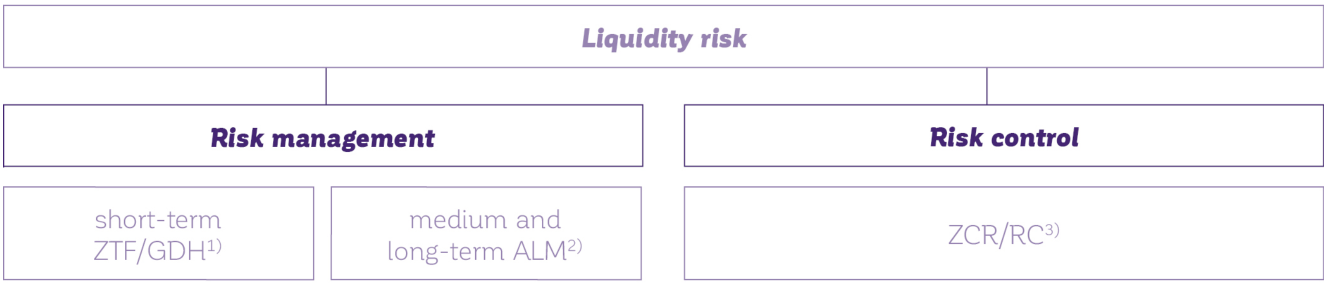
(46.1) Exchange rate risk - open FX positions

in €k	31/12/2019	31/12/2020
HRK	−1,429	−2,259
USD	42	3,959
GBP	78	−3,025
JPY	18	21
CHF	2,194	1,735

(47) Liquidity risk and liquidity risk management (ILAAP)

Liquidity risk is associated with the danger of not being able to meet present or future financial obligations in full or in time. This also includes the risk of only being able to raise funds at higher-than-usual market rates (refinancing risk) or that assets have to be liquidated at lower-than-usual market prices (market liquidity risk).

Liquidity Risk Management



1) Treasury and Financial Institutions/Group Money Market and Foreign Exchange
2) Asset/Liability Management Committee
3) Controlling and Accounting/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. The management of liquidity risk is governed by clearly defined principles that were anchored in our Risk Strategy and in our liquidity management manuals (ILAAP).

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 Risikomanagementverordnung (Austrian Decree on Risk Management) and the EBA Guidelines on which it is based.

The costs of refinancing financial products are determined within the scope of a sophisticated funds transfer pricing model. These costs are allocated in the product and profit centre calculations. Intraday liquidity management is done by managing daily deposits and withdrawals. This is based on information on transactions with an impact 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. Possible liquidity peaks are balanced out by borrowing or investing money with the Austrian central bank, OeNB, or on the interbank market. Intraday liquidity management is done within the limits defined and utilisation is determined, analysed and reported daily.

Medium-term and longer-term liquidity and the liquidity buffer are managed by the ALM Committee. The Risk Controlling Group was responsible for liquidity risk control, ensuring adherence to the principles, procedures and limits established.
Reporting is done on a daily, weekly, monthly and quarterly basis. In the event of extraordinary developments or when certain early warning stages or limits are reached, an ad hoc report is sent to the Management Board.

Moreover, BKS Bank has a comprehensive system of limits (limits per maturity band, time-to-wall limits) is in place that provides a quick overview of the current situation. The analyses are supplemented by stress tests, which we categorise as general macroeconomic scenarios, bank-specific scenarios or combined stress scenarios.

Refinancing is mostly in euro. As regards foreign currencies, our main focus is on securing funding for Swiss franc loans through medium-term to long-term capital market swaps.

Indicators for managing liquidity risk

	2019	2020
Deposit concentration	0.38	0.38
Loan/deposit ratio (LDR)	91.2%	85.7%
Liquidity coverage ratio (LCR)	151.8%	158.1%
Net stable funding ratio (NSFR)	112.4%	117.2%

(47.1) Collateral eligible for refinancing

in €k	31/12/2019	31/12/2020
Securities deposited with OeNB	736,658	750,414
Securities deposited with Clearstream	47,081	47,279
Securities deposited with Euroclear	71,854	89,053
Credit claims ceded to OeNB	336,629	410,014
Credit claims ceded to the Slovenian national bank	41,396	39,732
Total collateral eligible with the ECB	**1,233,618**	**1,336,492**
Minus OeNB tender block	–297,863	–349,057
Minus EUREX repo	–3,148	–3,173
Total available ESCB-eligible collateral	**932,607**	**984,262**
Cash and cash equivalents	88,005	85,329
Credit balance with OeNB	376,717	929,705
Liquidity buffer	**1,397,329**	**1,999,296**
Other securities	50,918	55,259
Counterbalancing capacity	**1,448,247**	**2,054,555**

(47.2) Development of refinancing structures

in €k	31/12/2019	31/12/2020
Savings deposits	1,413,530	1,401,674
Other payables	4,400,437	5,140,571
Liabilities evidenced by paper	623,792	647,463
Subordinated debt capital	230,584	209,583
Payables to other banks	689,224	899,929

(47.3) Derivative and non-derivative liabilities 2020 (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	**8,299,220**	**8,372,603**	**442,573**	**2,823,460**	**1,336,805**	**3,769,765**
• Deposits from banks	899,929	893,277	263,352	217,622	376,881	35,422
• Deposits from customers	6,542,245	6,529,187	162,050	2,526,240	587,581	3,253,316
• Liabilities evidenced by paper	647,463	691,861	17,171	70,192	287,868	316,630
• Subordinated liabilities	209,583	258,279	–	9,406	84,476	164,397
Derivative liabilities	**13,711**	**6,273**	**2,106**	**1,989**	**1,460**	**718**
• Derivatives in the banking book	13,711	6,273	2,106	1,989	1,460	718
Total	**8,312,931**	**8,378,876**	**444,679**	**2,825,449**	**1,338,265**	**3,770,482**

1) Not discounted

Derivative and non-derivative liabilities 2019 (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	**7,357,567**	**7,463,082**	**913,028**	**2,758,542**	**932,203**	**2,859,309**
• Deposits from banks	689,224	699,927	177,548	281,159	192,751	48,469
• Deposits from customers	5,813,967	5,811,358	733,661	2,358,585	406,145	2,312,967
• Liabilities evidenced by paper	623,792	673,607	1,819	59,454	268,265	344,068
• Subordinated liabilities	230,584	278,190	–	59,343	65,042	153,804
Derivative liabilities	**10,848**	**3,841**	**294**	**1,785**	**1,190**	**572**
• Derivatives in the banking book	10,848	3,841	294	1,785	1,190	572
Total	**7,368,415**	**7,466,923**	**913,322**	**2,760,327**	**933,393**	**2,859,880**

1) Not discounted

(48) Operational risk and ICT risks by event category

As set out in the CRR, we define operational risk as the risk of losses arising primarily in BKS Bank's operations that might result from inadequate or failed internal processes, people or systems errors or from external factors. Further types of risks closely related to operational risk are reputational risks, conduct risks, model risks and information and communications technology risks (ICT risks).

A risk self-assessment is conducted every three years. In this process, more than 100 management staff members throughout the Group were interviewed about their risk assessment for operational risk.

At BKS Bank AG and at all Austrian and foreign subsidiaries, operational risks are limited by means of an appropriate control system that is continually being developed. The system features a number of organisational measures that include the separation of functions within business processes (separation of front office from back office activities, dual-control principle) as well as extensive internal rules and regulations, regular checks and contingency plans and also self-auditing systems.

We deal with information and communications technology risks (ICT risks) by means of professional IT security management run by 3 Banken IT GmbH, a company held jointly with our partner banks, and by extensive data protection and security measures and professional business continuity management. These measures are reviewed for adequacy regularly by Internal Audit.

All enterprise processes are related to information and communication technology, and therefore, ICT governance is of enormous importance. ICT governance is understood to be all principles, procedures and measures in place to ensure that the ICT strategy supports the business targets, that resources are responsibly used and risks are adequately monitored with the aid of the hardware and software in use at the bank.

An OR Committee has been established for the overall management of operational risk throughout the bank that meets once every quarter. Risk Controlling is responsible for operational risk measurements and for defining the operational risk framework. The implementation of risk mitigating measures is the responsibility of the risk-taking units.

Operational risk and ICT risks

[1] Controlling and Accounting/Risk Controlling
[2] Operational Risk Committee

As in past years, we applied the standardised approach to measure the regulatory capital requirement for operational risk. In the year under review, the regulatory own funds requirement was EUR 28.9 million (pr.yr.: EUR 26.2 million). This compared with actual operational risk losses net of amounts recovered of EUR -0.5 million (2019: EUR 1.9 million). The negative value results from the reversal of provisions from preceding years.

Operational risk and ICT risks by event category

in €k	31/12/2019	31/12/2020
Fraud	67	104
Employment practices and workplace safety	68	408
Customers, products, business practices	1,453	–1,324
Property damage	27	15
System failures	10	7
Settlement, sales and process management	315	299

At BKS Bank, operational losses of EUR 143 thousand resulting from Covid-19 were identified for 2020. BKS Bank quantifies pandemic risks and losses based on the EBA Report on the implementation of selected Covid-19 policies. Expenses incurred after 30 January 2020 used to restore and maintain business operations are recognized as operational risks. These expenses include outlays for the purchase of protective equipment for employees and customers, the initial supply of facemasks and disinfectants and specific ICT costs.

(49) Macroeconomic risk

Macroeconomic risk describes the risk of adverse negative macroeconomic changes and the resulting risks that may arise for BKS Bank. The development of macroeconomic conditions is continuously monitored based on a set of indicators, discussed by the committees and incorporated into our risk models. Macroeconomic risks and their effects on credit risk are considered high due to the coronavirus pandemic. In 2020, the management and control of risks will be monitored closely by applying continuously adjusted scenario analysis and using leading default indicators in risk management.

(50) Risk of over-indebtedness

The risk of excessive borrowing indicates the threat of a high level of indebtedness that could have a negative impact on BKS Bank's business operations. Apart from any change as may be required to the business plan, refinancing bottlenecks may occur that would render it necessary to sell assets in an emergency situation and, therefore, cause losses or 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 8.0% at year-end (pr.yr.: 7.8%). Therefore, the leverage ratio is much better than the regulatory minimum ratio of 3%.

(51) ESG risks

ESG or sustainability risks are environmental, social or corporate governance events or conditions that may have actual or potential material adverse effects on the assets, liabilities, financial position and result of operations or reputation of a company.

Therefore, BKS Bank must avoid and proactively manage ESG and sustainability risks. That management of sustainability risks is done within the individual risk types of BKS Bank. Risk policy principles for managing sustainability risks and, in particular, climate-related risks reference the various risk levels and categories in place at BKS Bank.

(52) Other risks

Further risk types that BKS Bank does not currently assess as material are included under 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 terrorism 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

Additional Information

(53) Fair Values

Financial assets and liabilities measured at fair value

31/12/2020

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)	-	-	56,730	56,730
• at fair value through profit or loss (designated)	-	-	75,650	75,650
Trading assets (derivatives)	-	10,527	-	10,527
Debt securities and other fixed-interest securities	-	-	-	
• at fair value through profit or loss (mandatory)	44	-	-	44
• at fair value through profit or loss (designated)	21,152	-	-	21,152
• at fair value OCI	67,245	-	1,018	68,263
Shares and other non-interest-bearing securities	-	-	-	
• at fair value through profit or loss (mandatory)	56,734	-	-	56,734
• at fair value OCI	5,460	3,841	87,392	96,693
Equity and liabilities	-	-	-	
Liabilities evidenced by paper - at fair value through profit or loss (designated)	-	-	63,429	63,429
Trading liabilities	-	13,711	-	13,711

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

31/12/2019

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)	-	-	58,356	58,356
• at fair value through profit or loss (designated)	-	-	79,078	79,078
Trading assets (derivatives)	-	8,755	-	8,755
Debt securities and other fixed-interest securities			-	
• at fair value through profit or loss (mandatory)	50	-	-	50
• at fair value through profit or loss (designated)	21,586	-	-	21,586
• at fair value OCI	69,701	-	1,018	70,720
Shares and other non-interest-bearing securities				
• at fair value through profit or loss (mandatory)	43,687	-	-	43,687
• at fair value OCI	4,053	4,094	84,042	92,190
Equity and liabilities				
(designated)	-	-	84,237	84,237
Trading liabilities	-	10,848	-	10,848

There were no transfers between the levels in the preceding reporting year.

Level 3: Movements in financial assets and liabilities measured at fair value 2020

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
At 01/01/2020	79,078	58,356	1,018	84,042	84,237
Income Statement[1)]	977	301			–140
Reclassification					
Other comprehensive income				–12	–668
Purchased/added		12,743		3,400	
Sold/redeemed	–4,405	–14,670		–38	–20,000
At 31/12/2020	**75,650**	**56,730**	**1,018**	**87,392**	**63,429**

[1)] Measurement changes in profit/loss; financial instruments reported in the item Profit/loss from financial instruments designated at fair value and in the item Profit/loss from financial assets measured at fair value through profit/loss (mandatory).

Level 3: Movements in financial assets and liabilities measured at fair value 2019

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
At 01/01/2019	85,287	54,750	-	81,973	84,744
Income Statement[1)]	442	–740	-	-	–507
Reclassification	-	-	-	-	-
Other comprehensive income	-	-	-	4,827	-
Purchased/added	-	12,988	1,018	700	-
Sold/redeemed	–6,651	–8,642	-	–3,458	-
At 31/12/2019	**79,078**	**58,356**	**1,018**	**84,042**	**84,237**

[1)] Measurement changes in profit/loss; financial instruments reported in the item profit/loss from financial instruments designated at fair value and in the item profit/loss from financial assets measured at fair value through profit/loss (mandatory).

Measurement principles and classification

The fair values shown in Level 1 ‘Market values’ were determined using prices quoted on active markets (stock exchange).

If market values were unavailable, the fair value is ascertained using customary valuation models based on observable input factors and market data, and are presented in the category Level 2 ‘Based on market data’ (e.g. by discounting future cash flows from financial instruments). In general, fair values shown in this category were ascertained on the basis of market data that were observable for the assets or liabilities (e.g. yield curves, foreign exchange rates). In general, items in Level 2 were measured using the present value method.

In Level 3 ‘internal measurement method’, the values of individual financial instruments were measured on the basis of special generally accepted valuation methods. In general, liabilities evidenced by paper in Level 3 were measured on the basis of market data that were observable for these liabilities (e.g. yield curves, foreign exchange rates).

The factors affecting the values of positions in Level 3 that are not observable in the market are adjustments made on the basis of internal rating procedures to the credit ratings of customers and of BKS Bank itself with respect to liabilities evidenced by paper and the credit spreads derived from them. In general, items in the category Level 3 were measured using the present value method.

Reclassification

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

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

Changes in the fair values of securities and loans designated as at fair value through profit or loss arising from default risk were calculated on the basis of the internal ratings of the financial instrument and the remaining time to maturity. The change in the default risk associated with liabilities measured at fair value in the period under review was calculated on the basis of a funding curve specific to BKS Bank and a financial instrument's remaining time to maturity. In the 2020 reporting year, the changes in the credit ratings of the receivables from customers measured at fair value had an effect on the fair value of EUR 0.5 million (pr.yr.: EUR -0.9 million). In the 2020 reporting year, the change in BKS Bank's credit standing had an effect on the fair value of the liabilities evidenced by paper of -0.7 million (pr.yr.: EUR -0.4 million).

Sensitivity analysis

The result of the sensitivity analysis of receivables from customers measured at fair value, assuming an improvement or deterioration in credit ratings of 10 basis points in the credit spread was an accumulated change in value of EUR 0.3 million (pr.yr.: EUR 0.4 million). An analysis assuming an improvement or deterioration in BKS Bank's rating of 10 basis points in the credit spread would result in an accumulated change in the fair value of the liabilities evidenced by paper designated at fair value of EUR 0.3 million (pr.yr.: EUR 0.4 million).

Of the level 3 equity instruments of EUR 26.9 million (pr.yr.: EUR 21.7 million), the material non-observable parameter is the interest rate. An interest rate increase by 50 basis points reduces the fair value by EUR 1.5 million (pr.yr.: EUR 1.4 million). An interest rate decrease by 50 basis points raises the fair value by EUR 1.7 million (pr.yr.: EUR 1.6 million). For level 3 shares (equity investments) in an amount of EUR 49.4 million (pr.yr.: EUR 52.4 million), a change to external prices by 10% results in a change to fair value by EUR 3.9 million (pr.yr.: EUR 4.0 million). For level 3 equity instruments in an amount of EUR 10.4 million (pr.yr.: EUR 9.2 million), the material non-observable parameter is the carrying amount of equity. The remainder refers to immaterial minority investments for which no fair value measurement was applied.

Financial assets and liabilities not recognised at fair value

31/12/2020

in €k	Level 1 "Market value"	Level 2: "Based on market value"	Level 3: "Internal measurement method"	Total fair value	Carrying amount 31/12/2020
Assets					
Receivables from other banks[1]			282,990	282,990	282,769
Receivables from customers[1]			6,477,780	6,477,780	6,437,585
Debt securities and other fixed-interest securities	886,644			886,644	829,190
Equity and liabilities					
Payables to other banks			893,553	893,553	899,929
Payables to customers			6,545,783	6,545,783	6,542,245
Liabilities evidenced by paper	178,118	356,913	64,236	599,267	584,034
Subordinated debt capital	184,170	3,428	27,286	214,884	209,583

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

31/12/2019

in €k	Level 1 "Market value"	Level 2: "Based on market value"	Level 3: "Internal measurement method"	Total fair value	Carrying amount 31/12/2019
Assets					
Receivables from other banks[1)]	-	-	200,272	200,272	200,215
Receivables from customers[1)]	-	-	6,237,762	6,237,762	6,150,619
Debt securities and other fixed-interest securities	853,379	-	-	853,379	797,761
Equity and liabilities					
Payables to other banks	-	-	686,495	686,495	689,224
Payables to customers	-	-	5,815,920	5,815,920	5,813,967
Liabilities evidenced by paper	174,003	301,079	81,163	556,244	539,555
Subordinated debt capital	207,211	3,428	26,519	237,158	230,584

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

(54) Financial investments in equity instruments

With the exception of the investment fund shares in the Treasury portfolio of the BKS Bank Group, all equity instruments pursuant to IFRS 9 are measured at fair value through other comprehensive income (FVOCI), because the fair value OCI option is applied to these. Apart from a minor number of shares with a carrying amount on the balance sheet date of EUR 5.5 million (pr.yr.: EUR 4.1 million), these refer mainly to other equity investments and to shares in subsidiaries that were 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 a long-term period.

There were no material effects from the sale of equities or derecognition of other investments in the reporting year 2020.

Presentation of other investments of material significance

in €k	Fair value at 31/12/2019	Dividend income recognized in 2019	Fair value at 31/12/2020	Dividend income recognized in 2020
Beteiligungsverwaltung Gesellschaft m.b.H.	11,479	3,900	8,314	2,460
Generali 3Banken Holding AG	38,556	379	38,696	-
Wienerberger AG	1,292	39	1,275	29
3-Banken Beteiligung Gesellschaft mbH	1,048	-	1,093	-
Oesterreichische Kontrollbank AG	15,866	1,000	17,317	1,000
BWA Beteiligungs- und Verwaltungs-Aktiengesellschaftgesellschaft	4,094	-	3,841	-
PEKRA Holding GmbH	5,843	-	9,540	-
VBG Verwaltungs- und Beteiligungs GmbH	4,188	-	5,514	-
3 Banken Kfz-Leasing GmbH	2,251	662	2,251	646
3 Banken IT GmbH	1,050	-	1,050	-
Other strategic investments	2,468	287	2,341	315
Total	**88,137**	**6,267**	**91,233**	**4,450**

(55) Income statement by measurement category

in €k	2019	2020
Interest income	1,789	1,661
Profit/loss recognised in the income statement	6,316	4,096
Profit/loss from financial assets[1] measured at fair value through profit or loss (mandatory)	**8,105**	**5,757**
Interest income	2,391	1,759
Interest expense	–2,010	–1,935
Profit/loss recognised in the income statement	–1,586	457
Profit/loss recognised in other comprehensive income	355	668
Profit/loss from FI[2] measured at fair value through profit or loss (designated)	**–850**	**949**
Interest income	151,676	153,111
Net fee and commission income	41,177	44,602
Profit/loss recognised in the income statement	234	2,232
Profit/loss from FA measured at amortised cost	**193,087**	**199,945**
Interest income	6,708	4,832
Profit/loss recognised in other comprehensive income	5,638	–815
Profit/loss from FA measured at fair value in other comprehensive income (designated)	**12,346**	**4,017**
Interest income	529	618
Profit/loss recognised in the income statement	–58	–40
Profit/loss recognised in other comprehensive income	2,124	665
Profit/loss from FA measured at fair value in other comprehensive income	**2,595**	**1,243**
Interest expense	–27,320	–26,767
Profit/loss recognised in the income statement	-	-
Profit/loss from financial liabilities measured at amortised cost	**–27,320**	**–26,767**

[1] FA = financial assets
[2] FI = financial instruments

(56) Information on shares in other entities

Of the entities accounted for using the equity method, Oberbank AG and BTV AG were included in the consolidated financial statements for the following reasons, even though they fall short of the 20% threshold: For the investment in Oberbank AG, there is a syndicate agreement between BKS Bank, BTV AG and Wüstenrot Wohnungswirtschaft reg. reg. Genossenschaft mbH and for the investment in BVT AG there is a syndicate agreement between BKS Bank AG, Oberbank AG, Generali 3Banken Holding AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. These allowed participation in those two banks' financial and business policy decisions within the scope of the 3 Banken Group without having a controlling interest in them.

Oberbank AG and BTV AG have been included in the consolidated financial statements as at 30 September 2020, because the figures in the IFRS consolidated financial statements for year-end are not available due to the tight timeframe.

Associates

Values as at 31/12	Type of relationship with the company	Head office	Voting rights in % 2019	Voting rights in % 2020	Equity interests in % 2019	Equity interests in % 2020	Fair value of the share 2019	Fair value of the share 2020
Oberbank AG	Strategic investment to secure autonomy	Linz	15.2	14.2	14.2	14.2	477,959	421,442
BTV AG	Strategic investment to secure autonomy	Innsbruck	14.7	14.7	13.6	14.0	133,305	141,881

Financial information on significant associates

in € m	Oberbank AG 31/12/2019	Oberbank AG 31/12/2020	BTV AG 31/12/2019	BTV AG 31/12/2020
Net interest income	345.8	336.9	139.9	130.9
Net fee and commission income	163.0	170.7	49.4	54.6
Consolidated profit for the year after tax	216.1	123.5	126.7	53.0
Total assets	22,829.0	24,432.9	12,549.2	13,969.5
Receivables from customers after impairment charges	16,570.2	17,264.7	7,938.3	8,026.1
Shareholders' equity	2,960.5	3,038.9	1,749.3	1,786.9
Primary funds	14,166.0	15,426.9	8,936.6	9,649.1
• thereof savings deposits	2,697.4	2,660.9	1,390.7	1,530.8
• thereof liabilities evidenced by paper incl. subordinated capital	2,185.4	2,339.8	1,420.7	1,389.6
Dividends received (in €k)	5,519	903	1,387	572

Joint arrangement, joint operation

Under the provisions of IFRS 11, Alpenländische Garantie-GESELLSCHAFT m.b.H. (ALGAR) is classified as a joint operation and was included in the consolidation on a proportionate basis. ALGAR is run jointly by Oberbank AG, BTV AG and BKS Bank AG and serves to provide security for the large exposures of the partner banks. Each bank delegates one managing director; two directors together represent the company. Decisions by the general meeting require unanimity. Financial information regarding ALGAR is of minor importance.

Non-controlling interests

Non-controlling interests play a minor role in the BKS Bank Group, therefore disclosures have not been provided on the grounds of immateriality.

(57) Related party disclosures

The following tables contain the mandatory disclosures of BKS Bank's relations with related parties as required by the Austrian Business Code § 245a and IAS 24. Entities or 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 personnel as those persons having the authority and responsibility for planning, directing and supervising the activities of the entity, directly or indirectly, including members of the Management Board and Supervisory Board of BKS Bank AG and also the managing directors of subsidiaries.

Related party disclosures

in €k	Outstanding balances as at 31/12/2019	Outstanding balances as at 31/12/2020	guarantees received 31/12/2019	guarantees received 31/12/2020	guarantees received 31/12/2019	guarantees received 31/12/2020
Non-consolidated subsidiaries						
• Receivables	24,529	35,920	-	-	-	-
• Liabilities	4,003	5,838	-	-	-	-
Associates						
• Receivables	4,425	5,874	-	-	-	-
• Liabilities	3,690	34,785	-	-	-	-
Members of the Management Board						
• Receivables	1,113	1,012	-	-	-	-
• Liabilities	2,361	2,979	-	-	-	-
Other related parties						
• Receivables	173	491	-	-	-	-
• Liabilities	805	750	-	-	-	-

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

Related party disclosures

in €k	31/12/2019	31/12/2020
Average number of staff	**1,032**	**1,009**
• thereof blue collar	55	32
• thereof white collar	977	977
Average number of persons employed by entities accounted for on a proportionate basis	**3,605**	**3,582**
Remuneration paid to the Management Board		
• Remuneration paid to active members of the Management Board	1,490	1,688
• Remuneration paid to former members of the Management Board and their surviving dependents	805	820
Remuneration paid to Supervisory Board members		
• Remuneration paid to active members of the Supervisory Board	230	283
• Remuneration paid to former members of the Supervisory Board and their surviving dependents	-	-
Management compensation pursuant to IAS 24	**1,721**	**1,989**
• Short-term employee benefits	1,519	1,762
• Post-employment benefits	202	227
• Other long-term benefits	-	-
• Termination benefits	-	-
• Share-based payment benefits	-	-
Loans and advances granted		
• Loans and advances granted to members of the Management Board	20	17
• Loans and advances granted to members of the Supervisory Board	184	141
Expenditure on termination and post-employment benefits		
• Expenditure on termination and post-employment benefits for management board members	194	–3
• Expenditure on termination and post-employment benefits for other employees	5,561	6,856

All advances, loans and deposits to and from members of the Management Board and Supervisory Board were granted at usual market conditions.

(58) Segment Report

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

Segment Results 2020

in €k	Retail banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	28,818	106,903	26,800	3,949	166,469
• thereof profit/loss from investments accounted for using the equity method	-	-	30,903	-	30,903
Impairment charges	–389	–24,344	–292	-	–25,026
Net fee and commission income	28,926	34,957	–161	625	64,347
Net trading income	-	-	2,231	-	2,231
General administrative expenses	–53,921	–51,795	–10,453	–6,984	–123,154
Other operating income/expenses	1,388	851	–53	–6,663	–4,477
Profit/loss from financial assets/liabilities	156	–1,007	5,364	-	4,514
Profit for the period before tax	**4,977**	**65,565**	**23,436**	**–9,074**	**84,904**
Average risk-weighted assets	947,685	3,448,292	643,215	158,852	5,198,044
Average allocated equity	115,618	420,692	755,078	40,711	1,332,098
Segment liabilities	3,285,382	4,628,755	1,719,200	223,140	9,856,477
ROE based on profit for the year	**4.3%**	**15.6%**	**3.1%**	**-**	**6.4%**
Cost/income ratio	**91.2%**	**36.3%**	**36.3%**	**-**	**53.9%**
Risk/earnings ratio	**1.4%**	**22.8%**	**1.1%**	**-**	**15.0%**

Segment Results 2019

in €k	Retail banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	27,646	105,754	44,935	3,423	181,758
• thereof profit/loss from investments accounted for using the equity method	-	-	45,915	-	45,915
Impairment charges	268	-18,739	-111	-	-18,582
Net fee and commission income	25,671	32,148	-278	680	58,221
Net trading income	-	-	1,244	-	1,244
General administrative expenses	-53,462	-51,838	-8,402	-7,254	-120,956
Other operating income/expenses	1,643	417	219	-4,506	-2,227
Profit/loss from financial assets/liabilities	-125	628	3,159	-	3,662
Profit for the period before tax	**1,641**	**68,369**	**40,766**	**-7,658**	**103,118**
Average risk-weighted assets	727,159	3,390,382	782,898	110,908	5,011,347
Average allocated equity	88,089	409,917	730,120	27,997	1,256,123
Segment liabilities	2,971,204	4,167,239	1,492,342	226,811	8,857,596
RoE based on profit for the year	**1.9%**	**16.7%**	**5.6%**	**-**	**8.2%**
Cost/income ratio	**97.3%**	**37.5%**	**18.2%**	**-**	**50.7%**
Risk/earnings ratio	**-**	**17.7%**	**0.2%**	**-**	**10.2%**

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

The reports used for internal management purposes comprise the following in detail:
- Monthly reporting of results at profit centre level
- Quarterly reports for all relevant risk types
- Ad-hoc reports for exceptional events

Corporate and Business Banking
At the end of 2020 some 25,100 corporate and business customers were served. BKS Bank having originally been conceived as a corporate and business bank, this business segment is still the enterprise's most important pillar. Today, corporate and business banking customers still account for a large part of the loan portfolio and contribute substantially to profits. Also reported in this segment – apart from all income and expense components of BKS Bank AG from Corporate and Business Banking – are income and expenses of the leasing companies provided they relate to transactions with corporate and business customers.

Retail Banking
All income and expense components of BKS Bank AG, BKS-Leasing Gesellschaft m.b.H., BKS-leasing d.o.o., BKS-leasing Croatia d.o.o. and BKS-Leasing s.r.o. from business with retail customers, wage and salary earners, and members of the health professions are reported in Retail Banking. At the end of December 2020, this segment served some 167,300 customers.

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

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

(59) Non-interest bearing assets

in €k	31/12/2019	31/12/2020	± in %
Non-interest bearing assets	**152,097**	**181,904**	**19.6**

Non-interest bearing receivables from customers net of impairment came to EUR 1.3 million (pr.yr.: EUR 0.9 million).

(60) Total return on equity
Total return on equity was 0.80% as at 31 December 2020 (pr.yr.: 1.07%).

(61) Foreign currency volumes

in €k	31/12/2019	31/12/2020	± in %
Assets	293,997	297,948	1.3
Liabilities	293,279	219,095	−25.3

(62) Administration and agency services

in €k	31/12/2019	31/12/2020	± in %
Administration and agency services	**1,953**	**1,972**	**1.0**

(63) Contingent liabilities and commitments

in €k	31/12/2019	31/12/2020	± in %
Guarantees	463,620	567,205	22.3
Letters of credit	3,473	741	−78.7
Contingent liabilities and commitments	**467,093**	**567,947**	**21.6**
Other commitments	1,324,057	1,693,658	27.9
Commitments	**1,324,057**	**1,693,658**	**27.9**

Other commitments consist mainly of credit lines already promised but not yet used. The likelihood of these credit lines being used is continuously monitored, with the probability of withdrawal being analysed on a regular basis.

(64) Netting of financial instruments

31/12/2020

in €k	Financial instruments (gross)	Netted amounts (gross)	Recognized financial instruments (net)	Effects of netting arrangements[1)]	Cash collateral received/ provided[1)]	Net amount
Assets						
Trading assets	10,527	-	10,527	−6,681	−2,815	1,031
Total assets	**10,527**	**-**	**10,527**	**−6,681**	**−2,815**	**1,031**
Equity and liabilities						
Trading liabilities	13,711	-	13,711	−6,681	−6,226	805
Total equity and liabilities	**13,711**	**-**	**13,711**	**−6,681**	**−6,226**	**805**

[1)] Existing netting options not applied in these balance sheet items.

31/12/2019

in €k	Financial instruments (gross)	Netted amounts (gross)	Recognized financial instruments (net)	Effects of netting arrangements[1]	Cash collateral received/ provided[1]	Net amount
Assets						
Trading assets	8,755	-	8,755	–4,475	–3,638	642
Total assets	**8,755**	**-**	**8,755**	**–4,475**	**–3,638**	**642**
Equity and liabilities						
Trading liabilities	10,848	-	10,848	–4,475	–4,804	1,569
Total equity and liabilities	**10,848**	**-**	**10,848**	**–4,475**	**–4,804**	**1,569**

[1] Existing netting options not applied in these balance sheet items.

BKS Bank only uses master netting agreements for derivatives transactions to mitigate credit risks. These agreements also qualify as potential netting arrangements. Master netting agreements are relevant for counterparties with multiple derivative contracts. In the event of default of one counterparty, such agreements provide for settlement across all netting contracts. When the hedge also includes cash collateral, this is reported under the heading "Cash collateral received/provided".

(65) Events after the balance sheet date

In August 2020, the Higher Regional Court Graz (Oberlandesgericht Graz) dismissed the petition filed by UniCredit Bank Austria for a special audit of BKS Bank. The ruling of the Supreme Court (Oberster Gerichtshof) handed down on 13 January 2021 rejected UniCredit's appeal against the decision. Therefore, the proceedings for a special audit going back to 1994 has been finalised with legally binding effect.

With respect to the legal disputes of 3 Banken with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H., we refer the reader to section 2.5. Discretionary decisions, assumptions and estimates.

On 17 January 2021, the Austrian federal government announced the prolongation of the lockdown, which had already been in effect since 26 December 2020, until at least 7 February 2021, as well as stricter measures such as the wearing of FFP2 face masks and a two-metre distancing rule. Commerce remained closed, with exceptions being made food retailers, among others. Hospitality and accommodation businesses as well as all restaurants, bars and cafés remained closed and schools switched to distance learning until the semester school break in February 2021. As a general rule, a permanent curfew was in place with few exceptions, and contact between persons was extremely restricted. At the start of February 2021, a first easing of the lockdown rules were announced by the Austrian government. Commerce and personal services were permitted to reopen on 8 February 2021 under stringent rules, and in-person classes were to be permitted again at schools after the semester break. The consequences of the extensive lockdown measures imposed to contain the coronavirus and also the further measures of the Austrian government in the coming weeks cannot be assessed at present.

In the period between the end of the financial year and the preparation of the financial statements and their certification by the auditor, no material or reportable business transactions took place.

(66) Assets serving as collateral for liabilities

Liabilities	Assets	31/12/2019	31/12/2020
Money held in trust pursuant to § 230a Austrian Civil Code	Debt securities	11,906	11,919
Clearing system deposit for stock exchange trading in Vienna	Debt securities	1,590	1,593
Deposit for trading through EUREX	Receivables from other banks	3,987	2,103
Collateral for trading through Xetra	Debt securities	3,975	3,982
Euroclear pledge	Debt securities	10,077	10,064
EUREX Repo (GC Pooling)	Debt securities	3,458	3,592
Margin for futures contracts	Receivables from other banks	6,127	5,490
Accounts receivable assigned to Oesterreichische Kontrollbank (OeKB)	Loans	76,356	102,301
Collateral for OeNB funding	Loans	297,863	349,057
Cover pool of mortgage loans for covered bonds	Loans	293,161	334,132
Cover pool of public sector debt for covered bonds	Loans	8,540	7,061
Pledge for OeKB CCPA clearing pool	Receivables from other banks	75	110

Trust money savings deposits are secured in conformity with the legal requirements set out in § 68 Banking Act. The cover pool for covered bonds is governed by the Austrian Covered Bonds Act (FBSchVG). In addition, the Group pledges assets as collateral for liabilities arising from derivative transactions.

(67) Fees paid to the bank auditor

in €k	31/12/2019	31/12/2020	± in %
Fees for mandatory audits of the single-entity and consolidated financial statements	559	538	–3.8
Fees for other auditing services	116	44	–62.2
Fees for advisory services, including tax advice	85	97	14.4
Total fees	**760**	**679**	**–10.7**

(68) Derivatives transaction volume: Banking book

in €k	Nominal amount by time to maturity < 1 year	1 to 5 years	> 5 years
Interest rate contracts	**10,000**	**143,556**	**137,190**
Interest rate swaps	10,000	143,556	137,190
• Calls	5,000	71,778	68,595
• Puts	5,000	71,778	68,595
Interest rate options	-	-	-
• Calls	-	-	-
• Puts	-	-	-
Currency contracts	**1,000,815**	**92,362**	**-**
Currency forwards	485,157	-	-
• Calls	240,085	-	-
• Puts	245,072	-	-
Capital market swaps	92,363	92,362	-
• Calls	46,075	46,074	-
• Puts	46,288	46,288	-
Money market swaps (currency swaps)	423,295	-	-
• Calls	213,146	-	-
• Puts	210,149	-	-
Securities contracts	**-**	**-**	**-**
Stock options	-	-	-
• Calls	-	-	-
• Puts	-	-	-

Derivatives transaction volume: Trading book

in €k	Nominal amount by time to maturity < 1 year	1 to 5 years	> 5 years
Interest rate contracts	-	-	738
Interest rate swaps	-	-	-
• Calls	-	-	-
• Puts	-	-	-
Interest rate options	-	-	738
• Calls	-	-	369
• Puts	-	-	369
Currency contracts	-	-	-
Currency options	-	-	-
• Calls	-	-	-
• Puts	-	-	-

Financial instruments (trading book)

in €k	***31/12/2019***	***31/12/2020***
Interest-bearing securities	-	-
Treasury shares	-	-

Nominal amount		Market value (positive)		Market value (negative)	
31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020
338,994	**290,746**	**6,558**	**6,319**	**7,316**	**7,598**
338,994	290,746	6,558	6,319	7,316	7,598
169,497	145,373	-	-	7,198	7,459
169,497	145,373	6,558	6,319	118	139
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,026,882	**1,093,177**	**1,516**	**3,610**	**3,077**	**5,668**
506,066	485,157	139	216	2,639	5,339
252,209	240,085	130	134	2,594	5,322
253,857	245,072	9	82	45	17
184,010	184,725	-	-	234	40
91,878	92,149	-	-	-	-
92,132	92,576	-	-	234	40
336,806	423,295	1,377	3,394	204	289
168,779	213,146	-	27	95	109
168,027	210,149	1,377	3,367	109	180
-	**-**	**-**	**-**	**-**	**-**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

Nominal amount		Market value (positive)		Market value (negative)	
31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020
10,962	738	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,962	738	-	-	-	-
5,481	369	-	-	-	-
5,481	369	-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-

Positions (securities and derivatives) entered into by our Money, Foreign Exchange and Securities Trading Unit to earn price gains or take advantage of interest rate fluctuations were reported in the trading book. Fair value is the amount that can be obtained from the sale of a financial instrument in an active market or that would have to be paid to purchase it. Where market prices were available, these were used as a position's fair value. Where market prices were unavailable, we used internal valuation models, including the present value method.

The Company's Boards and Officers

Management Board
Herta Stockbauer, Chairwoman of the Management Board
Dieter Kraßnitzer, Board Member
Alexander Novak, Board Member

Shareholder representatives on the Supervisory Board
Hannes Bogner from 29 May 2020
Gerhard Burtscher, Chairman
Christina Fromme-Knoch
Franz Gasselsberger, Vice Chairman until 29 May 2020
Gregor Hofstätter-Pobst until 29 May 2020
Reinhard Iro
Susanne Kalss from 29 May 2020
Stefanie Lindstaedt
Heimo Penker
Karl Samstag until 29 May 2020
Sabine Urnik, Vice Chairwoman from 29 May 2020
Klaus Wallner

Staff representatives on the Supervisory Board
Sandro Colazzo from 13 May 2020
Maximilian Medwed
Herta Pobaschnig
Hanspeter Traar until 14 April 2020
Ulrike Zambelli

Klagenfurt am Wörthersee, 8 March 2021

Herta Stockbauer
Chairwoman of the Management Board

Dieter Kraßnitzer
Member of the Management Board

Alexander Novak
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 declares that these annual financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS) 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 assets, financial position and result of operations of the BKS Bank Group. The Management Board furthermore declares that the Report of the Management Board presents the development of business, profit or loss, and situation of the BKS Bank Group in such a way so as to give a true and fair view of the assets, financial position and result of operations as well as of the material risks and uncertainties to which the Group is exposed.

Klagenfurt am Wörthersee, 8 March 2021

The Management Board

Herta Stockbauer
Chairwoman of the Management Board

Chairwoman of the Management Board with responsibility for Sales Austria, Private Banking, Customer Departments, Accounting and Sales Controlling, Human Resources, Public Relations and Marketing, CSR and Sustainability, Investor Relations, Subsidiaries and Investments in Austria

Dieter Kraßnitzer
Member of the Management Board

Member of the Management Board with responsibility for Risk Management, Risk Controlling, Credit Back Office, BKS Service GmbH, ICT and Business Organisation, 3 Banken IT GmbH, Treasury Back Office, Securities Services, Back Office Risk Management International

Alexander Novak
Member of the Management Board

Member of the Management Board with responsibility for Sales International, Treasury and Banking Support, BCS Fiduciaria, Leasing and Real Estate Subsidiaries International, ICT International

Profit Distribution Proposal

The Management Board proposes to the Annual General Meeting to distribute a dividend of EUR 0.12 per eligible share on the net profit of EUR 11,138,720.09 reported in the financial statements for the financial year ended on 31 December 2020 which is a total of EUR 5,153,148.00; to add EUR 6,000,000 of the remaining amount to retained earnings and to carry the remainder of EUR 20,816.60 to the new account.

Klagenfurt am Wörthersee, 8 March 2021

The Management Board

Herta Stockbauer
Chairwoman of the Management Board

Dieter Kraßnitzer
Member of the Management Board

Alexander Novak
Member of the Management Board

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

BKS Bank AG,
Klagenfurt am Wörthersee,

and its subsidiaries (the Group), which comprise the consolidated Balance Sheet as at 31 December 2020, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements comply with the legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of § 245a Austrian Business Code as well as § 59a Austrian Banking Act.

Basis for our opinion

We conducted our audit in accordance with EU Regulation 537/2014 (hereinafter EU Regulation) and the Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities under these regulations and standards are described in more detail in the section 'Auditor's Responsibilities" of our report. We are independent of the audited Group in accordance with Austrian commercial and banking law as well as with the principles of professional conduct for auditors, 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 auditor's report is sufficient and appropriate to provide a basis for our opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the reporting year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

During the course of the audit, the following key audit matters were identified:

- Recoverability of receivables from customers
- Measurement of companies recognised using the equity method
- Legal disputes of 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Recoverability of receivables from customers

Risk for the Consolidated Financial Statements

Receivables from customers are presented in the balance sheet in an amount of EURk 6,657,343. Impairment charges amount to EURk 87,378.

The Management Board describes the mode of procedure for allocating risk provisions in the "Notes on individual items of the balance sheet (subitem "Impairment charges") as well as in "Discretionary decisions and estimates (subitem "Impairment of financial assets: impairment charges").

Within the scope of the monitoring of the lending process, the Bank checks if receivables have been impaired and therefore impairment charges (Stage 3) must be recognised for the expected loss (ECL expected credit loss). For receivables not at risk of default (Stage 1 and Stage 2), risk provisions for the expected credit loss (ECL - expected credit loss) are calculated based on a model.

The determination of specific impairment allowances for significant receivables in default (Stage 3) is done individually on the basis of an estimate of the amounts and timing of expected cash flows. The cash flows are influenced primarily by the economic situation and development of the borrower as well as by the value of the collateral.

Impairment charges for receivables classified to Stages 1 and 2, and for non-significant receivables in Stage 3 (default) are based on models using statistical parameters such as 1-year and lifetime probability of default, and loss given default, and are also influenced by the value of the available collateral. The effects expected from the coronavirus crisis are taken into account by adjusting the parameters and carrying out stage transfers.

The risk for the financial statements results from the fact that the measurement involves major discretionary and estimation uncertainties.

Our response
When auditing the recoverability of receivables from customers, we performed the following material audit procedures:

- We examined the monitoring processes and key controls applied when determining impairment charges for the expected credit loss and assessed if the ECL model is consistent with the requirements of IFRS 9 and suitable for adequately representing the impairment charges needed for the loan receivables. We also tested the key controls of material significance with regard to design and implementation, and used random samples to assess effectiveness.

- Based on random samples of significant individual loans, we scrutinized if impairment triggers were recognised in time. The selection of the samples was mainly risk-oriented, with special attention being given to rating stages with higher risks of default.

- When impairment triggers were detected for exposures, we scrutinized whether the bank's assessments regarding the amount and timing of future cash flows from customers and from collateral realization were adequate.

- We used the services of finance mathematicians for the assessment of risk provisions for performing loans and for non-significant loans in default based on the bank's internal measurement models for the parameters applied – especially for the 1-year and lifetime probability of default, and loss given default also with respect to the expectations triggered by the coronavirus crisis – to assess if the assumptions made were adequate. We also analysed the selection and measurement of forward-looking estimates and scenarios, and reviewed how they were considered in stage allocation and parameter estimation.

Measurement of companies recognised using the equity method

Risk for the Consolidated Financial Statements
Shares in associated companies are recognised by applying the equity method. In total, the investments in associates accounted for using the equity method had an amortised cost of TEUR 661,538. The most important investments concern Oberbank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft.

The Management Board describes the mode of procedure for the measurement of entities recognized using the equity method in "Notes on individual items on the balance sheet (subitem "Companies recognised using the equity method").

The Management Board conducts an impairment test of investments in companies accounted for using the equity method when there are objective indications of impairment. The value in use is calculated based on a dividend discount model. Assumptions about future earnings available for distribution with due consideration of relevant regulatory capital requirements represent the income of relevance for measurement discounted at the cost of equity up to the reporting date. This measurement depends on internal and external factors such as business planning, the level of the discount rate, and the level of sustainable future profits used as basis in the calculation of the perpetual annuity.

The risk in respect of the financial statements results from the fact that the measurement involves major discretionary and estimation uncertainties.

Our response
When auditing the measurement of companies recognized using the equity method, we conducted the following material audit procedures:

- We employed measurement specialists to assess the adequacy of the measurement model and the inherent significant assumptions and discretionary decisions. For this purpose, we assessed the adequacy of assumptions made for determining the discount rates by comparing them with market and industry-specific reference rates and verified how the discount rates were arrived at.

- We examined the database used for the business plans in the measurement model, comparing and analysing the actual values for the given year with the values projected in the preceding year.

Legal disputes of 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Risk for the Consolidated Financial Statements

The shareholders UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. filed a lawsuit for an action for annulment of several of the resolutions adopted by the Annual General Meeting of BKS Bank and the other banks of the 3Banken Group. The allegations concern mainly the mutual cross-holdings. Furthermore, in the actions for annulment the plaintiffs claim that takeover regulations were violated and also the mandatory bid requirement of the Takeover Act. Should the courts decide that the mandatory bid requirement has been violated, the syndicates of the 3 Banken Group would be under the obligation to make a bid or face claims for damages from other shareholders.

The Management Board describes the issues in the Notes to the financial statements in the section "Discretionary decisions and estimates".

The Bank commissioned several expert opinions from external legal experts. The Management Board assessed the legal risks and effects for the financial statements based on the expert opinions and the current status of the proceedings.

The risk for the financial statements derives from the assessment of the aforementioned factors, in particular, the prospects of success in the currently ongoing proceedings. This results in estimation uncertainties regarding potential impairment charges for the legal disputes with UniCredit Bank Austria AG and der CABO Beteiligungsgesellschaft m.b.H.

Our response

We conducted the following key auditing actions with respect to the legal dispute of the 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

- During our audit, we inspected relevant documents, verified the assessments regarding risk provisions to be set up and checked the presentation in the financial statements.

- We verified the assessment of the Management Board, in particular, the assumptions made as well as the conclusions drawn with respect to the legal situation and for the financial reporting. For this purpose, we obtained and analysed the expert opinions and statements of the law office contracted by the Bank to deal with the legal proceedings in order to ascertain if the assessments of the Management Board are consistent with the current status of the information.

- Finally, an assessment was made to ascertain if the pertinent information in the Notes to the financial statements is appropriate.

Other information

Management is responsible for other information. Other information refers to all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report.

Our audit opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read the other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact. If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Should we draw the conclusion based on the other information obtained in the course of our work before the date of the audit certificate indicating that there is a material misstatement in this information, we are under the obligation to report this fact. We have nothing to report in this respect.

Responsibilities of the Management Board and Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to § 245a UGB (Austrian Business Code) and § 59a BWG (Austrian Banking Act) and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibility

Our objectives are to obtain sufficient certainty with respect to whether the consolidated financial statements as a whole are free from material – intentional or unintentional – misrepresentations, and to award an audit certificate that states our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Standards on Auditing (and ISA), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and Austrian Standards on Auditing that require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations or override internal control.

- We obtain an understanding of the 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 audit opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of 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 audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, the structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in such a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit

- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

- From the matters communicated with the supervisory board/audit committee, we determine those matters that were of most significance in the audit i.e. 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 other legal requirements

Group Management Report

In accordance with accounting standards in Austria, group management reports are to be audited to ascertain whether they are consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law and other legal or regulatory requirements.

We have conducted our audit in accordance with the generally accepted standards on the audit of group management reports.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to § 243a UGB (Austrian Business Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional information in accordance with Article 10 EU Regulation

We were elected as auditor at the Annual General Meeting of 8 May 2019 and were appointed by the Supervisory Board on 19 June 2020 to audit the financial statements of the company for the financial year ending on 31 December 2020.

On 29 May 2020, we were appointed auditors for the financial statements of the financial year ending on 31 December 2021, and on 3 June 2020, we were commissioned by the Supervisory Board with the audit of the financial statements.

We have been auditors of the company without interruption since the consolidated financial statements for the year ended on 31 December 1991.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee in accordance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 (1) EU Regulation) and that we have ensured our independence throughout the course of the audit from the audited Group.

Engagement partner

The engagement partner is Wilhelm Kovsca.

Klagenfurt am Wörthersee, 8 March 2021

KPMG Austria GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

Wilhelm Kovsca
Wirtschaftsprüfer (Austrian Chartered Accountant)

The publication and forwarding of the consolidated financial statements with our auditor's opinion may only be done in the version we have certified. This audit certificate refers exclusively to the German language version of the complete consolidated financial statements including the Group management report. Any divergent versions are subject to the provisions of § 281 (2) Austrian Business Code.

Supplementary information


BKS Bank

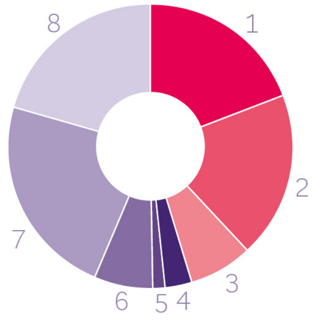
Shareholders of 3 Banken Group

Shareholders of BKS Bank AG

in %	by voting shares
1 Oberbank AG (incl. subordination syndicate with BVG)	19.17
2 Bank für Tirol und Vorarlberg Aktiengesellschaft	18.89
3 Generali 3Banken Holding AG	7.44
4 Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H.	2.98
5 BKS-Belegschaftsbeteiligungsprivatstiftung	1.3
6 UniCredit Bank Austria AG	6.63
7 CABO Beteiligungsgesellschaft m.b.H.	23.15
8 Free float	20.44

Share capital in €	85,885,800
Number of ordinary no-par shares	41,142,900
Number of ordinary no-par shares, conversion	1,800,000

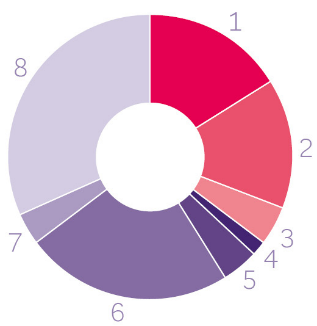
The red highlighting indicates shareholders who have signed syndicate agreements.



Shareholders of Oberbank AG

in %	by voting share
1 Bank für Tirol und Vorarlberg Aktiengesellschaft (incl. BTV 2000)	16.15
2 BKS Bank AG (incl. subordination syndicate with BVG)	14.79
3 Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H.	4.5
4 Generali 3Banken Holding AG	1.62
5 Staff shares	4.15
6 CABO Beteiligungsgesellschaft m.b.H.	23.76
7 UniCredit Bank Austria AG	3.41
8 Free float	31.62

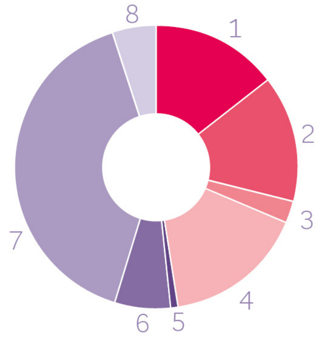
Share capital in €	105,921,900
Number of ordinary no-par shares	32,307,300
Number of ordinary no-par shares, conversion	3,000,000



Shareholders of Bank für Tirol und Vorarlberg AG

in %	by voting share
1 Oberbank AG	14.27
2 BKS Bank AG	14.67
3 Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H.	2.7
4 Generali 3Banken Holding AG	16.01
5 BTV Privatstiftung	0.74
6 UniCredit Bank Austria AG	6.34
7 CABO Beteiligungsgesellschaft m.b.H.	40.51
8 Free float	4.76

Share capital in €	68,062,500
Number of ordinary no-par shares	31,531,250
Number of no-par preference shares	2,500,000



History of Our Company

1922 A. v. Ehrfeld enters into a limited partnership with Bayerische Hypotheken- und Wechselbank called Kärntner Kredit- und Wechsel-Bankgesellschaft Ehrfeld & Co.

1928 The efforts to transform the limited partnership into a stock corporation result in the establishment of "Bank für Kärnten".

1939 The company's name is changed from "Bank für Kärnten" to "Bank für Kärnten Aktiengesellschaft".

1964 Work on the branch network commences.

1983 With the expansion into Styria, the company name is changed to "Bank für Kärnten und Steiermark Aktiengesellschaft" (abbreviation: BKS).

1986 BKS Bank goes public and its ordinary share is listed on the Official Market of the Vienna Stock Exchange.

1990 First branch opens in Vienna.

1998 Start of international expansion with the establishment of a representation office in Croatia and the acquisition of a leasing company in Slovenia.

2000 First joint appearance of BKS Bank with the partner banks as the 3 Banken Group.

2003 Acquisition of a majority stake in Die Burgenländische Anlage & Kredit Bank AG (Die BAnk).

2004 First branch opens in Slovenia and representation office established in Italy.

2005 A representation office is opened in Hungary. The company name is adapted to the expansion of the past years and is renamed BKS Bank AG.

2007 Acquisition of Kvarner banka d.d. and entry into the Croatian banking market. Acquisition of "KOFIS Leasing" in Slovakia.

2011 Market entry into the Slovak banking market.

2015 The renowned rating agency oekom research AG confirms BKS Bank's "prime" status for the first time.

2016 BKS Bank ordinary shares are added to the sustainability index, VÖNIX, of the Vienna Stock Exchange. The Croatian BKS Bank d.d. is merged with BKS Bank AG.

2017 We are the first bank in Austria to issue a social bond. BKS Bank nominated for the first time for the state award for Business Excellence.

2018 The rating agency ISS-ESG (formerly: oekom research AG) confirms BKS Bank's "prime" status. This ranks us among the top companies worldwide with respect to sustainability.

2019 BKS Bank is the first bank in Austria to receive the State Award for Business Excellence. In Slovenia, we become the largest investment services company after the acquisition of another brokerage firm.

2020 BKS Bank Connect – the digital bank within the Bank – goes live in the summer. In Croatia, we receive the state award for "family-friendly enterprises" in the category of small and medium-sized businesses. At the beginning of November 2020, all preference shares were converted into ordinary shares at a ratio of 1:1. The share capital is now composed of 42,942,900 ordinary voting shares.

Glossary

Amendment: When changes, additions or improvements are made to existing IFRS standards, they are issued in the form of so-called amendments.

ALM Committee: The Asset/Liability Management Committee is an internal committee of BKS Bank responsible for managing the structure of the balance sheet, the interest rate risk and liquidity.

The **banking book** contains all on-balance sheet and off-balance sheet items recognized in a bank's financial statements that are not assigned to the trading book.

Business model pursuant to IFRS 9: Pursuant to IFRS 9, financial instruments must be assigned to a business model. The business model defines how financial instruments are managed and measured.

The **Capital Requirements Directive 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.

Consolidated entities are material, controlled entities whose assets, equity, liabilities, income and expenses net of consolidation items are accounted for in their entirety in consolidated financial statements.

Corporate Social Responsibility (CSR) is an entrepreneurial practice that combines social justices and ecological responsibility with economic goals: systematic, verifiable, transparent and voluntary.

Corporate volunteering refers to the voluntary work of employees in social projects as well as support for the volunteer work employees already engage in.

The **cost/income ratio** measures the relation between operating expenses and operating income of banks. In this context, the general administrative expenses of a financial year are compared with the operating income of the bank. Operating income is the total of net interest income, net fee and commission income, net trading income and other operating profit or loss. This indicator states the percentage of operating profit used for general administrative expenses and provides information on cost management and cost efficiency. The lower the ratio, the more economically a company operates.

Counterbalancing capacity (CBC) is the name of the liquidity buffer made up of assets that are easily liquidated.

Credit spread: The credit spread is the risk premium and the difference in yield between an interest-bearing security and a risk-free reference interest rate with the same maturity. The credit spread risk is the risk of changes to the creditworthiness and/or risk premium-induced changes in the market price of the securities portfolio linked 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 concentration** is a value 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 EU is required for new International Financial Reporting Standards to be applicable in Austria. This endorsement refers to the process by which the European Union adopts International Financial Reporting Standards.

Entities accounted for using the equity method: These are entities in which no controlling interest is held, but in which it is possible to exert a significant influence on financial and business policy decisions.

They are 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.

ESG – Environmental, Social and Corporate Governance – are the three central factors of comprehensive sustainability management. The social impact of investments in companies or of financing by banks is measured against this.

Expected-Loss Model: Expected credit losses that may occur in a financial instrument within 12 months of the date of the transaction or throughout the entire life (lifetime expected credit loss).

Fair Value The fair value corresponds to the price at which an asset can be sold or a liability settled by market participants in an orderly transaction under market conditions on the balance sheet date.

The United States Congress enacted **FATCA** (the Foreign Account Tax Compliance Act) on 18 March 2010 to ensure that US subjects with accounts abroad meet their tax obligations. Under the act, all banks are obliged to identify customers with US ties and, if they consent, to report their names to the US tax authorities.

FATF (Financial Action Task Force on Money Laundering) is an international anti-money laundering body based at the OECD in Paris. Its task is to analyze money laundering and terrorism financing methods and develop measures to combat them.

Forbearance is the term for concessions made to debtors (e.g. modifications of agreements) if they are in danger of no longer being able to meet their payment obligations. The term encompasses loans, bonds and revocable and irrevocable loan commitments with the exception of held-for-trading exposures. According to the European Banking Authority (EBA) guidance, forbearance status must be reported on a quarterly basis.

GDP: Gross domestic product (GDP) is the total value of all goods (i.e. goods and services) produced in an economy in a year less all inputs. In order to view GDP without the effect of changes in prices, 'real' GDP is used in which all good and services are valued at the prevailing prices in a base year.

The **going-concern principle** is the principle according to which financial statements and risk assessments view the entity as continuing in business unless actual or legislative circumstances dictate otherwise. Among other things, this is important when measuring assets.

Green bonds are bonds for which proceeds of the issue are used exclusively for the pro rata or full financing or refinancing of eligible green projects and that meet all four core components of the Green Bond Principles. These may be new and/or already existing projects. The green projects selected must aim to create a clear benefit for the environment, which can be evaluated, and where feasible, quantified.

Hedging is used to protect existing or future positions against the exposure to risks such as currency and interest rate risks. It involves taking a counter-position to another position so as to completely or partially offset risk.

Historical simulation is a statistical method for measuring value at risk using historical time series data.

ICAAP (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 and other banking risks.

IFRS earnings per share are consolidated profit for the year after tax divided by the average number of an entity's shares in issue.

ILAAP (Internal Liquidity Adequacy Assessment Process) is, apart from ICAAP, a procedure for assessing the adequacy of internal liquidity pursuant to pillar 2 and thus an important risk management instrument for a credit institution.

The **International Financial Reporting Standards** (IFRSs) are the financial reporting standards issued by the International Accounting Standards Board (IASB) in the form of individual standards. The purpose of IFRS-compliant annual financial statements is to give investors information of relevance to their decisions regarding an entity's assets, liabilities, financial position and profit or loss as well as changes therein over time. In contrast, annual financial statements prepared in accordance with the Austrian Business Code (Unternehmensgesetzbuch) 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 the ordinary BKS Bank AG share is AT0000624705.

ISS-oekom (formerly oekom research AG) is a leading global rating agency in the segment of sustainable investments. Its registered office is located in Munich. It rates companies and countries. Additionally, it also provides strategy consulting on the most diverse sustainability themes.

Key audit matters are the most important audit matters that in the view of the auditor pose the greatest risk of containing a material misstatement.

The **leverage ratio** measures the relationship between common equity tier 1 capital and non-risk weighted assets inclusive of off-balance sheet items. Its purpose is to restrain business models that are based on lending large amounts to prime borrowers while keeping capital charges to a minimum.

Lifetime Expected Loss: 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.

Market capitalisation is the stock market value of an entity on a particular date. It is calculated by multiplying the number of shares in issue by the current stock market price of one share.

MiFID, MiFID II (Markets in Financial Instruments Directives) lay down uniform rules for investment services provided within the European Economic Area. The main objectives of the MiFID are to heighten market transparency, to strengthen competition among providers of financial services and in this manner improve investor protection. MiFID II addresses numerous weaknesses and shortcomings in the existing 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. EU Member States must ensure that credit institutions at all times meet the minimum requirements for own funds and eligible liabilities in the event of winding up.

Modified duration is a measure of the sensitivity of a financial investment to interest rates. It provides a means of approximating future changes in market value.

Net stable funding ratio (NSFR): This structural ratio gauges the stability of funding over a horizon of more than one year. The NSFR is intended to ensure that the amount of longer-term (stable) funding is at least sufficient relative to the liquidity profiles of the assets funded. The aim is to reduce banks' dependence on the functioning and liquidity of the inter-bank market.

The calculation of the **NPL ratio** is based on 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 organisation for the promotion of sustainability in all aspects of the construction and real estate industry in Austria.

ÖNACE is the Austrian version of the European system for the industrial classification of economic activities called NACE (Nomenclature statistique des activités économiques dans la Communauté européenne). The current NACE-compatible nomenclature is called ÖNACE 2008.

Payment Services Directive: The Payment Services Directive (PSD, PSD 2) provides the legal basis for creating a single market for payments in the EU.

The **price/earnings ratio**(P/E) is important to investors when assessing shares. To calculate it, the share's stock market price is divided by the per-share earnings recorded or expected in the respective period. If the P/E ratio is relatively low, the stock is felt to be cheaply priced; if it is relatively high, it is seen as expensive.

Primary deposit balances consist of the customer assets made available to a bank in the form of savings, sight and time deposit balances, liabilities evidenced by paper and subordinated debt capital.

The **projected unit credit method** is an actuarial valuation method used to measure obligations under company retirement benefit schemes stipulated in the international financial reporting standard IAS 19 and in many foreign accounting standards. On each valuation date, one only measures the part of the obligation that has already been earned. 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 green projects selected should aim to create a clear benefit for the environment, 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, it is done by the Financial Market Authority (FMA) acting as the competent supervisory authority for less significant banks. It also includes reviewing adherence to all the relevant regulations, identifying breaches and imposing regulatory sanctions.

Swap is the 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.

Tier 1 capital is divided into common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital consists of share capital, retained earnings and other reserves. The additional components of tier 1 capital include liabilities evidenced by paper that meet the requirements of CRR Article 52.

Total risk exposure amount is the sum of the assets weighted for counterparty risk including the requirements for operational risk, off-balance sheet items and special off-balance sheet items in the banking books determined in accordance with Austrian bank regulators' rules.

The **trading book** contains all positions held by a bank within the scope of its proprietary trading in financial instruments that it holds for re-sale or has acquired so as to exploit, on a short-term basis, existing or expected differences between buying and selling prices or movements in prices or interest rates. Positions not included in the trading book are assigned to the banking book.

Value-at-risk analysis is 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.

List of Abbreviations

ABGB	Allgemeines Bürgerliches Gesetzbuch (Austrian Civil Code)
AktG	Aktiengesetz AktG (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)
ATX Prime	Austrian stock index comprising all stocks in the prime market segment
AT1	Additional Tier 1 Capital
AVÖ	Aktuarvereinigung Österreichs (Actuarial Association of Austria)
BaSAG	Austrian Federal Act on the Recovery and Resolution of Banks
BSG	BKS Service GmbH
BTV AG	Bank für Tirol und Vorarlberg Aktiengesellschaft
BVG	Beteiligungsverwaltung Gesellschaft m.b.H.
BWG	Bankwesengesetz (Austrian Banking Act)
CCF	Credit Conversion Factor
CCPA	California Consumer Privacy Act
CET1	Common Equity Tier 1 Capital
CHF	Swiss franc
CI	Corporate identity
CIA	Certified Internal Auditor
CNY	International currency symbol for the Chinese renminbi (yuán)
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CO2	Carbon dioxide
CRD	Capital Requirements Directive (EU)
C Rules	“Comply or explain” rules (Austrian Code of Corporate Governance)
CRR	Capital Requirements Regulation
CSR	Corporate Social Responsibility
d	Discount rate
DAX	Deutscher Aktienindex (German stock index)
DBO	Defined benefit obligation
EAD	Exposure at default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
EMAS	Eco-Management and Audit Scheme
ESEF	European Single Electronic Format
ESG	Environmental, Social, Governance
ESMA	European Securities and Markets Authority
EESCB	European System of Central Banks
EUREX	European Exchange (financial derivatives exchange)
EWB	Einzelwertberichtigung (specific impairment allowance)
FBSchVG	Austrian act on covered bonds issued by banks
FI	Finanzinstrumente (financial instruments)
FLI	Forward-looking information
FMA	Austrian Financial Market Authority
FMVÖ	Financial Marketing Association Austria
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
GBP	British pound
GDP	Gross domestic product
GL	Guidelines
GRI	Global Reporting Initiative
GWh	Gigawatt hour
HRK	Croatian kuna
IAS	International Accounting Standard

IAS	International Accounting Standard Board
IASC	International Accounting Standards Committee
IBOR	Interbank Offered Rate
IC	IFRIC Interpretations Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IHS	Institut für Höhere Studien (Institute for Advanced Studies)
ICS	Internal control system
ICT	Information and communication technology
ILAAP	Internal Liquidity Adequacy Assessment Process
ILO	International Labour Organisation
IRRBB	Interest Rate Risk in the Banking Book
ISA	International Standards on Auditing
ISIN	International Securities Identification Number
iVV	individuelle Vermögensverwaltung (individual asset management)
IMF	International Monetary Fund
JPY	Japanese yen
SME	Small and medium-sized enterprises
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)
LSI	Less Significant Institutions
m	marginal
MCC	Market confidence charge (premium for maintaining market confidence)
MiFID II	Markets in Financial Instruments Directive
MREL	Minimum Requirement for Eligible Liabilities
NaDiVeg	Nachhaltigkeits- und Diversitätsverbesserungsgesetz (Sustainability and Diversity Improvement Act)
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	Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft (Austrian Society for Sustainable Real Estate Management)
ÖGVS	Österreichische Gesellschaft für Verbraucherstudien (Austrian Society for Consumer Studies)
ÖNACE	Austrian version of NACE Nomenclature statistique des activités économiques dans la Communauté européenne
OR Committee	Operational Risk Committee
P/E ratio	Price/earnings ratio
PD	Probability of default
PEPP	Pandemic Emergency Purchase Programme
pEWB	pauschalierte Einzelwertberichtigung (general impairment allowance)
FTE	Full-time equivalents
RCA	Recapitalization amount
ROA	Return on assets
ROE	Return on equity
R Rules	"Recommendation" rules (Austrian Code of Corporate Governance)
SEPA	Single euro payments area
SIC	Standing Interpretations Committee
SPPI criterion	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
S&P 500	Standard & Poor's 500
t	Tonnes

TLOF	Total liabilities and own funds
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
WAG	Wertpapieraufsichtsgesetz (Austrian Securities Supervision Act)
WIFO	Österreichisches Institut für Wirtschaftsforschung (Austrian Institute of Economic Research)
Xetra	Automated trading system of Deutsche Börse used on the Vienna Stock Exchange
ZCR/RC	Central Department for Controlling and Accounting/Risk Controlling at BKS Bank
ZKR	Central Department for Credit Risk at BKS Bank
ZRS	Central Department for Risk Analysis and Services at BKS Bank
ZTF	Central Department for Treasury and Financial Institutions
ZTF/GDH	Central Department for Treasury and Financial Institutions/Group Money Market and Foreign Exchange Trading
ZVB	Office of the Management Board at BKS Bank

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 8 March 2021. 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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