

***Interim Report
for the period ended
30 September 2020***

BKS Bank



Table of Contents

BKS Bank at a Glance 3

Preface by the Chairwoman of the Management Board 4

Group Management Report 7

| | |
|--------------------------------|-----------|
| Economic Environment | 8 |
| Assets, Equity and Liabilities | 9 |
| Result of Operations | 12 |
| Segment Report | 15 |
| Consolidated Own Funds | 17 |
| Risk Management | 18 |
| Outlook for the Full Year | 19 |

Consolidated Financial Statements Pursuant to IFRS 23

| | |
|---|-----------|
| Consolidated Statement of Comprehensive Income for the Period 1 January to 30 September 2020 | 24 |
| Consolidated Balance Sheet for the Period ended 30 September 2020 | 27 |
| Consolidated Statement of Changes in Equity | 28 |
| Consolidated Statement of Cash Flows | 30 |
| Notes to the Consolidated Financial Statements of BKS Bank | 31 |

Management's Responsibility for the Financial Statements 52

Financial Calendar 2021 53

Forward-looking statements

This condensed interim report contains statements and forecasts that refer to the future development of the BKS Bank Group. Such forecasts are estimates made on the basis of all the information available to us on the copy deadline 18 November 2020. Should the assumptions on which the forecasts are based fail to materialize or the risks described in the Risk Report occur, the actual results may differ from those currently expected. This interim report does not constitute a recommendation to buy or sell shares of BKS Bank AG.

Disclaimer

As auditing is not mandatory for this interim report, it has not been audited or reviewed by an auditor. The German version of this report is the authentic version and is relevant in all legal aspects. Interim financial reports in English are translations for the convenience of readers.

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

BKS BANK AT A GLANCE

| Income Statement in €m | Q3/2019 | Q3/2020 | ± in % |
|---|-------------------|-------------------|---------------|
| Net interest income | 101.9 | 102.1 | 0.2 |
| Impairment charges | -16.5 | -22.1 | 34.4 |
| Net fee and commission income | 43.9 | 47.1 | 7.4 |
| General administrative expenses | -92.7 | -92.5 | -0.2 |
| Profit for the period before tax | 74.2 | 45.5 | -38.7 |
| Profit for the period after tax | 66.6 | 37.9 | -43.1 |
| Balance Sheet in €m | 31/12/2019 | 30/09/2020 | ± in % |
| Total assets | 8,857.6 | 9,572.2 | 8.1 |
| Receivables from customers after impairment charges | 6,288.1 | 6,467.6 | 2.9 |
| Primary deposits | 6,668.3 | 7,136.5 | 7.0 |
| • thereof savings deposits | 1,413.5 | 1,404.6 | -0.6 |
| • thereof securitised liabilities incl. subordinated debt capital | 854.4 | 893.5 | 4.6 |
| Equity | 1,301.5 | 1,325.8 | 1.9 |
| Customer funds under management | 18,548.0 | 18,139.1 | -2.2 |
| • thereof on custody accounts | 11,879.7 | 11,002.6 | -7.4 |
| Own Funds Under CRR in €m | 31/12/2019 | 30/09/2020 | ± in % |
| Total risk exposure amount | 5,449.6 | 5,639.3 | 3.5 |
| Own funds | 881.4 | 873.7 | -0.9 |
| • thereof common equity tier 1 (CET1) capital | 629.6 | 608.0 | -3.4 |
| • thereof total tier 1 capital (CET1+AT1) | 690.8 | 667.2 | -3.4 |
| Tier 1 capital ratio (in %) | 12.7 | 11.8 | -0.9 |
| Total capital ratio (in %) | 16.2 | 15.5 | -0.7 |
| Performance Ratios | 31/12/2019 | 30/09/2020 | ± in % |
| Return on equity after tax | 7.4 | 4.1 | -3.3 |
| Return on assets after tax | 1.1 | 0.6 | -0.5 |
| Cost/income ratio (expenses/income coefficient) | 50.7 | 58.0 | 7.3 |
| Risk/earnings ratio (credit risk/net interest income) | 10.2 | 21.7 | 11.5 |
| Non-performing loan ratio (NPL ratio) | 2.4 | 1.8 | -0.6 |
| Net stable funding ratio (NSFR) | 112.4 | 114.6 | 2.2 |
| Liquidity coverage ratio (LCR) | 151.8 | 155.0 | 3.2 |
| Leverage ratio | 7.8 | 7.5 | -0.3 |
| Resources | 31/12/2019 | 30/09/2020 | |
| Average number of staff | 962 | 960 | |
| Number of branches | 63 | 63 | |
| The BKS Bank's Share | 31/12/2019 | 30/09/2020 | |
| Number of no-par ordinary shares (ISIN AT0000624705) | 41,142,900 | 41,142,900 | |
| Number of no-par preference shares (ISIN AT0000624739) | 1,800,000 | 1,800,000 | |
| High (ordinary/preference share) in € | 17.2/17.0 | 16.0/15.0 | |
| Low (ordinary/preference share) in € | 15.0/13.4 | 11.3/10.3 | |
| Close (ordinary/preference share) in € | 16.0/14.3 | 12.3/12.6 | |
| Market capitalisation | 684 | 528.7 | |

Dear Readers,



The past weeks have been full of ups and downs for all of us. Over the summer months, the economic situation improved a bit. The number of unemployed persons decreased, many businesses sectors saw an uptick in orders, and numerous tourism destinations within the country reported satisfactory figures for overnight stays. We breathed a sigh of relief. Since October, however, the trend has changed for the worse again. At the start of the autumn season, we saw a renewed surge in the number of persons infected with the coronavirus. The government responded by imposing a lockdown 'light', which has meanwhile been tightened to a lockdown 'hard'. Social distancing is a key factor in the fight against the pandemic. Our customer advisors have not stopped providing support to our customers during the crisis – and demand for their expert knowledge, especially regarding subsidised loan schemes, is higher than ever.

BKS Bank Connect: The digital bank within the bank

As in the spring, we are now again encouraging our customers to use our online banking channels for their banking transactions. These include our customer

portals MyNet and BizzNet, our BKS app and the possibility of speaking to customer advisors via video conference calls. We recently also introduced the option of communicating with us and executing transactions exclusively through digital channels. BKS Bank Connect, our digital bank within the bank, has been in operation since the summer and is a further milestone of our digitalisation strategy, adding a valuable supplement to the branch operations of BKS Bank. We have no plans to become an exclusively online bank in the future. BKS Bank is a branch-based bank – and this will not change – that offers customers excellent advisory services combined with innovative digital offers. Nonetheless, it is also possible to use BKS Bank's banking services exclusively through digital channels – our customers have a choice.

Innovation through sustainable products

However, we are not investing solely in digitalisation. I am very pleased that we as a bank are able to offer our customer a constantly widening range of sustainable products, with the most recent addition being an innovative, green account.

We launched a sustainable account type, 'Natur & Zukunft-Konto' on the market, which, in cooperation with the Chamber of Agriculture of Carinthia supports the reforestation of the protection forest in Bad Eisenkappel/Železna Kapla that was destroyed by a storm and forest fire.

Green bonds are an attractive investment form for customers who want to actively invest in climate protection and environmental projects. In August, we floated another green bond. Within a short time, the entire green issue was placed on the market. The proceeds of the issue are to be used to finance the erection of a biomass power plant for the production of process heat and a regenerative post-combustion plant for capturing CO₂ to clean exhaust air by Hermes Schleifmittel Ges.m.b.H. We also recently issued our second social bond whose proceeds will be invested in the renovation and enlargement of the school Mittelschule Edelseegasse Hartberg Rieger.

BKS Bank's Sustainability Report 2019 wins ASRA award

A presentation in more detail about our various sustainability activities will be published on 31 March 2021 in our Sustainability Report 2020. The goals set for this report are very high, because the Sustainability Report 2019 was distinguished by ASRA (Austrian Sustainability Reporting Award) for its excellent reporting. We are very proud of this award. 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 our responsibility to our stakeholders.

The ups and downs mentioned before triggered by the current economic and health crisis are naturally having an impact on the development of our

business. Still, the trend in our operating business is satisfactory despite the extraordinary situation. Growth in the lending business was in line with the market and at EUR 7.1 billion primary deposits exceeded the record level of EUR 7.0 billion. Despite Covid-19, we recorded a steep rise in net fee and commission business from EUR 43.9 million to EUR 47.1 million, while net interest income before impairment charges was slightly above the level of the same period of the preceding year. However, credit risk is rising due to the coronavirus crisis and net interest income after impairment charges declined from EUR 85.5 million to EUR 80.0 million. Net income from equity investments decreased substantially just as in the preceding quarters. At EUR 37.9 million, consolidated net profit for the period after tax was lower year on year (EUR 66.6 million).

Conversion of preference shares into ordinary shares

I would also like to say a few words about the status of the conversion of the preference shares into ordinary shares. At the end of October, the transaction was finalized. The converted preference shares are now quoted as BKS Bank ordinary no-par shares on the regulated market of the Vienna Stock Exchange under ISIN AT0000A2HQD1 in addition to the already listed ordinary no-par shares of BKS Bank AG under ISIN AT0000624705. After the close of the financial year 2020, the two listed ordinary no-par bearer shares will be merged into one listing under ISIN AT0000624705.

Cordially,



Herta Stockbauer
Chairwoman of the Management Board



Group Management Report

Economic Environment **8**

Assets, Equity and Liabilities **9**

Result of Operations **12**

Segment Report **15**

Consolidated Own Funds **17**

Risk Management **18**

Outlook for the Full Year **19**

Economic Environment

Dynamic economic recovery in third quarter 2020

The severe economic contraction triggered by the global lockdown in the second quarter of 2020 is pushing the global economy into a deep recession. After most restrictions were eased over the summer, the economic recovery took a very dynamic path in the third quarter: In the US, gross domestic product (GDP) increased in the third quarter by 33.1% projected to the full year, thereby recovering impressively after the economic plunge in the second quarter. The growth rate was 7.4% quarter on quarter.

The growth rate in the euro area was also a positive surprise. In the third quarter, GDP widened by 12.7% quarter on quarter. It was especially the four large economies of Germany, France, Italy and Spain that recorded substantial increases in GDP.

Year on year, China's economy grew by 4.9% in Q3 according to the Chinese Bureau of Statistics. Unlike Europe and the US, the Chinese economy had already started posting gains of 3.2% in the second quarter.

The fulminant surge in growth in the world's three major economies was not surprising, but had been anticipated by the V-shaped recovery pattern of certain sentiment indicators. However, a substantial economic downturn is expected again for the fourth quarter, because it has not yet been possible to contain the corona pandemic long term.

Expansive monetary policy to stimulate economy

Although the European Central Bank (ECB) did not adopt any new resolutions at its October meeting, it plans to review the deployment of its monetary policy instruments by December. Experts estimate that the ECB will continue its emergency programme until the end of the year.

The ECB also expects the 'negative inflation' to continue into the first months of the coming year.

In the US, the next financial aid scheme is expected to be delayed until after the elections. There was no tightening of interest rates on either side of the Atlantic. For now, there are no expectations that the ECB will lower rates on the deposit facility, or the US lower the Federal Funds Rate.

Capital markets continue to recover

The novel coronavirus still has a firm grip on all of us and is defining our lives in almost all areas. This is also true for capital markets. After the significant losses at the beginning of the crisis, capital markets returned to an uptrend at the end of March, in a so-called V-shaped recovery pattern.

The low yield environment is driving many investors to put their money into investment forms with higher yields but also higher risks. Following the massive plunge in prices in March, these investments gained ground and were able to partially compensate the losses – and in some cases all of the losses. Only in September did the markets start to show signs of fatigue, a phenomenon that occurs frequently after such rallies. Overall, global stock markets gained around 3% in the third quarter of 2020. US stocks rose by roughly 4.5%, while European stocks lagged behind at around +0.7%.

Assets, Equity and Liabilities

On 30 September 2020, total assets of the BKS Bank Group were EUR 9.57 billion, which is clearly higher than at year-end 2019 (+8.1%). The gain was due mainly to the significant rise of cash reserves (EUR +338.5 million) as well as to higher receivables from customers (EUR +178.4 million) and from credit institutions (EUR + 126.3 million) Primary deposits surpassed the threshold of EUR 7.0 billion for the first time and rose to a new all-time high of EUR 7.1 billion.

Assets

Moderate rise in lending volume despite corona pandemic

The novel coronavirus continued to keep the world in a thrall of fear also in the third quarter. Since the easing of the corona-related measures, signs of a slight economic recovery have appeared that are having a positive impact on our lending business. New business volume was highly satisfactory in the first nine months of the year and, above all, in the third quarter. In Austria and in our foreign markets, we granted new loans with a total volume of over EUR 1.5 billion. The trend in home loans was particularly satisfactory, rising by 6.6 % or by EUR 73.0 million to EUR 1.2 billion. This positive development shows that our efforts to provide excellent advisory services are greatly appreciated by our customers and also the fact that we are a highly reliable partner in times of crisis. The excellent advisory know-how of our sales staff was recently confirmed by the Society for Consumer Studies (Gesellschaft für Verbraucherstudien, ÖGVS) and the magazine *trend* that named us best performer in a review of real estate advisors for the third time in September. The volume of receivables from customers before impairment charges was EUR 6.6 billion at the end of September which is 2.8% above the figure at year-end 2019 and therefore very satisfactory considering the ongoing

corona pandemic. This item contains bridge finance in an volume of EUR 123.2 million granted to customers in the past few months. Furthermore, we also approved some 1,200 payment deferrals with a volume of EUR 28.3 million. The item Receivables from customers contains the loan volumes of the parent company, BKS Bank AG, and the receivables payable to domestic and foreign leasing companies.

With respect to receivables from credit institutions, the volume increased by 63% to EUR 326.6 million, as we deposited short-term liquidity peaks with top-rated credit institutions. The rise in cash reserves of EUR 550.8 million to EUR 889.2 million (+61.5 %) was due to the high volume of credit balances held with Oesterreichische Nationalbank (OeNB).

Impairment charges for receivables from customers remained constant at EUR 89.6 million. The solid quality of our credit portfolio is reflected in the NPL ratio of 1.8%. However, Covid-19 will probably cause a deterioration in non-performing loans. We are closely monitoring current developments to be able to take corrective action in time.

As regards foreign currency loans, our efforts continued to focus on reducing receivables in Swiss franc. The volume of receivables was reduced in the reporting quarter by 4.9% to EUR 103.5 million. The foreign currency ratio was therefore only 1.6% on 30 September 2020.

Satisfactory trend in leasing business

Despite the corona pandemic, the development of the leasing business was satisfactory. In the first nine months of the current financial year, we increased the present value volume in all leasing companies. In total, we posted an increase in leasing present value volume by 4.2% to EUR 535.5 million compared to year-end 2019.

Strong liquidity buffer

The portfolio of debt securities and other fixed-income securities increased by 4.3% to EUR 928.0 million. The liquidity reserve in the form of high-quality liquid assets that are held to meet the regulatory liquidity requirements reached a considerable volume at EUR 1.7 billion as at 30 September 2020.

The shares of companies accounted for using the equity method increased to EUR 647.2 million (+1.8%) as at 30 September 2020. The addition of the pro rata net profits for the period from our partner banks Oberbank AG and Bank für Tirol and Vorarlberg Aktiengesellschaft are reported in this item.

Since the introduction of IFRS 16 Leasing, the right-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. The capitalised rights-of-use assets are recognized under property, plant and equipment and depreciated over their useful life. The carrying amount of these right-of-use assets was EUR 21.6 million on the reporting date.

EQUITY AND LIABILITIES

Threshold of EUR 7 billion surpassed

In the quarter under review, we saw a very satisfactory rise in primary deposits by 7% to EUR 7.1 billion, thereby surpassing the threshold of EUR 7.0 billion for the first time. A large share of this increase in volume was due to investments by our corporate customers who invested their liquidity peaks for the short term. We are happy about the trust placed in us by our customers. A bitter aftertaste remains though: negative interest of 0.5% is due on funds deposited with the ECB, while negative interest has not yet become the standard in the non-banking business.

The dominant item under payables to customers was once again sight and term deposits, which reached a volume of EUR 4.8 billion and was much higher than at year-end 2019 (EUR +437.9 million). Very popular are sight deposits as an investment form. In the reporting quarter, we posted a significant increase of 13.4% to EUR 3.8 billion in sight deposits. A large share was deposited by corporate customers who used sight deposits to invest liquidity surpluses for the short term. Retail banking customers are also increasingly choosing sight deposit accounts as an investment form, because it is important to them to be able to access their savings at any time and from anywhere, and also digitally. The development of volumes on the 'Mein Geld-Konto' accounts reveal this trend which continued over the past nine months. As at 30 September 2020, we managed a total of EUR 422 million on 'Mein Geld-Konten' accounts, which is an increase by 9.6% versus 31 December 2019. The volume on savings passbooks stagnated and stood unchanged at the end of September at EUR 1.4 billion.

The issuance business developed satisfactorily in the reporting period. Own issues including subordinate capital rose from EUR 854.4 million to EUR 893.5 million (+4.6%).

As the most sustainable bank in Austria, we offer our customers an extensive range of sustainable products and services. One good way of supporting companies with investments in environmental and climate protection projects is the issuance of green and social bonds. In the summer, we floated the fourth green bond to fund the erection of a biomass power plant in Carinthia's Lavanttal. The green bond was fully placed within four weeks.

This is an impressive achievement and shows that many private investors and also institutional investors are willing to invest their money in ecologically sustainable products. The social bond we issued at the beginning of October was fully placed by the time of this writing. It was assigned an excellent sustainability rating of A- by rfu – Mag. Reinhard Friesenbichler Unternehmensberatung.

As at 30 September 2020, Group equity was EUR 1.3 billion, and therefore 1.9% higher than in the preceding year.

Result of Operations

As at 30 September 2020, BKS Bank attained a consolidated net profit for the period after tax of EUR 37.9 million. The decline in profit year on year (-43.1% or EUR -28.7 million) is due primarily to special effects in income from equity investments. A factor depressing earnings was the result from financial assets/liabilities, which was due to the high volatility on financial markets caused by the covid-19 pandemic. Net fee and commission income was highly satisfactory in the third quarter and posted a robust increase. In total, the third quarter was the best quarter of the financial year 2020.

Earnings decline due to special effects

The profit for the period of EUR 37.9 million was EUR 28.7 million or 43.1% lower than in the same period of 2019. The decline is the result of several burdening factors. First, our partner bank Oberbank AG, which is recognised using the equity method, reported a loss in the first quarter of 2020. This means that the income from equity investments dropped by half compared to the third quarter of 2019 and was only EUR 14.6 million. Second, market turbulence was hefty on international stock markets due to the appearance of the novel coronavirus. Although stock markets recovered over the past few months, they did not catch up with the good performance of the preceding year. The profit/loss from financial assets/liabilities was only EUR 0.6 million at the end of September, which is a decline by EUR 3.9 million. A negative effect on the result (EUR -1.4 million) was triggered by the insolvency of Mattersburger Commercialbank, because a special contribution to the deposit insurance scheme had to be made.

Although the economy in our market regions revived significantly over the summer months, we expect a rising number of defaults on loans in the coming months. As a precaution and in

accordance with the provisions of IFRS 9.B5.5.1 ff, we have created models for the migration to lower stages for regions and sectors particularly affected by the Covid-19 pandemic. The result is the transfer of a volume of EUR 730 million from stage 1 to stage 2 and an additional expected credit loss of EUR 6,772,000. Impairment charges increased accordingly by more than one third to EUR 22.1 million on 30 September 2020.

Satisfactory development of operating business

We have been dealing with negative interest rates for several years now. Considering the sustained corona pandemic and the related uncertain economic consequences, we expect the central banks to keep key lending rates at this very low level. We cannot even rule out further interest rate cuts. Interest income increased slightly in the first three quarters by EUR 0.7 million and reached EUR 106.2 million, while interest expenses were EUR 22.1 million or EUR 0.5 million and thus lower than in the same period of the preceding year. As other interest income posted a decline by 5.0% due to the lower income from equity investments, net interest income before impairment charges was at the same level as in the preceding year at EUR 102.1 million. As already mentioned, we increased impairment charges for loans and advances substantially due to the risk of deteriorating credit quality. As a result, net interest income after impairment charges for loans and advances decreased from EUR 85.5 million to EUR 80.0 million.

In order to further reduce dependence on the lending business, we are concentrating on expanding our services business. The gratifying increase in fee and commission by 7.4% to EUR 47.1 million shows that the measures being taken are successful. The strategically significant business area of payment

services stabilized again over the summer months after the downturn in transactions in spring – triggered by the lockdown – especially by corporate customers. There has been a transformation in customer behaviour in payment services in the retail segment. While non-cash and contactless payment methods have increased steeply, the number of cash transactions have declined massively. Internet purchases are booming and therefore also the number of online payments. As many of our customers today are not going on holidays abroad, we have also seen a declining trend in typical travel-related transactions. In total, income from commissions on payment services was EUR 16.1 million and thus at the level of the preceding year.

The securities business developed very well in the past few months. As at 30 September, this business segment generated a profit of EUR 13.8 million, which is strong rise over the same period of 2019 of 18.5%. Many investors took advantage of the high volatility on the markets to reshuffle their portfolios. This resulted in a large number of securities transactions and these were conducted mainly online. The securities business developed particularly well in Slovenia. We became the largest securities services provider in Slovenia in last year. We are very pleased that we have been able to steadily expand our market position.

As regards, fees and commissions from lending, we achieved a result of EUR 14.7 million (+12.6%), while fees and commissions on foreign exchange were much lower at EUR 1.6 million than in the same period of 2019.

No change in general administrative expenses year on year

It is important to have good control of costs to be able to ameliorate the negative effects of the economic crisis. We have always pursued strict cost

discipline and a cautious investment policy. Nonetheless, we started to curtail spending already a few months ago. Therefore, general administrative expenses were EUR 92.5 million, which is the preceding year's level. We achieved cost reductions also in the area of personnel expenses by reducing overtime and having employees take their unused vacation days. Furthermore, the outsourcing of cleaning services also helped reduce staff costs by around EUR 0.4 million. These costs are recognized in other administrative expenses. As at 30 September 2020, we offered 960 employees (in full-time equivalents) secure and attractive jobs.

Other operating income impacted by the contribution to the deposit insurance

Other operating income was affected mainly by regulatory costs. The result of EUR -5.8 million includes contributions to the resolution mechanism and deposit insurance scheme of EUR 3.4 million and EUR 3.6 million, respectively, as well as the stability tax of EUR 1.0 million. The spectacular bankruptcy of Commercial-bank Mattersburg made higher contributions to the deposit insurance scheme necessary and added EUR 1.4 million to this item year on year.

Key performance indicators

The key performance ratios developed negatively due to the lower consolidated net profit for the period. Return on equity (RoE) after tax was 4.1% annualised as at the end of September, while return on assets (RoA) after tax was 0.6%.

The cost/income ratio at the end of September was 58.0% and thus 7.4% points higher versus 31 December 2019, but a clear decline versus Q1 2020. The increase results from lower income from investments recognised using the equity method and a higher level of other expenses. The risk/earnings ratio doubled

compared to year-end 2019, as we allocated more funds to impairment charges for loans and advances due to the uncertain economic consequences of the Covid-19 pandemic. Without the staging effects, the risk/earnings ratio would be 15.0%.

The NPL ratio dropped to 1.8% as at 30 September. The leverage ratio reached 7.5% and was thus significantly higher than the required statutory ratio of 3.0%. The liquidity coverage ratio (LCR) was 155.0% also clearly surpassing the regulatory requirement of 100%.

The coming months will pose an enormous challenge. Still, we look forward with confidence, because we have a healthy level of capital adequacy and the operating business is running practically without disruption. The tier 1 capital ratio at the end of September was 11.8% and the total capital ratio was 15.5%. With these capital ratios, we also surpassed the statutory requirements.

Key Figures of the Income Statement

| in € m | Q3/2019 | Q3/2020 | ± in % |
|--|---------|---------|--------|
| Net interest income | 101.9 | 102.1 | 0.2 |
| Impairment charges | -16.5 | -22.1 | 34.4 |
| Net fee and commission income | 43.9 | 47.1 | 7.4 |
| Profit/loss from investments accounted for using the equity method | 35.5 | 14.6 | -58.9 |
| Net trading income | 1.2 | 1.5 | 26.6 |
| Profit/loss from financial assets/liabilities | 4.4 | 0.6 | -87.3 |
| General administrative expenses | -92.7 | -92.5 | -0.2 |
| Profit for the period before tax | 74.2 | 45.5 | -38.7 |
| Income tax expense | -7.6 | -7.7 | 0.2 |
| Profit for the period after tax | 66.6 | 37.9 | -43.1 |

Segment Report

The segment report has three parts: Corporate and Business Banking, Retail Banking and Financial Markets. Corporate and Business Banking – BKS Bank Group’s most successful segment by far – performed satisfactorily in the third quarter despite the global Covid-19 pandemic. The result in the Financial Markets segment was burdened by special effects, while we achieved a significant increase in earnings in Retail Banking.

Corporate and Business Banking **Segment results decline due to higher impairment charges for losses on loans and advances**

The negative effects of the Covid-19 pandemic on Corporate and Business Banking translate into higher allocations for impairment charges. As a precaution and in accordance with applicable IFRS rules, we increased impairment charges for loans and advances by one third (EUR +4.9 million) to EUR 21.6 million. We are expecting defaults on loans to become more frequent in the coming months. Operating business in Corporate and Business Banking was stable by contrast despite the global economic crisis. Net interest income was higher year on year by 2.3% or EUR 1.8 million and amounted to EUR 80.8 million as at 30 September 2020. Net fee and commission income increased by EUR 1.0 million to EUR 25.1 million, a very pleasing development, because we aim to promote the non-lending business also in Corporate and Business Banking. To have sufficient reserves for the upcoming challenges, we are pursuing a policy of strict cost discipline. Administrative expenses remained unchanged year on year at EUR 38.8 million. In total, the profit in the Corporate and Business Banking segment was EUR 45.0 million, which is a decline by 7.8%.

As at 30 September 2020, we served approximately 24,600 customers

throughout the Group in Corporate and Business Banking, a marked rise by 4.5% compared to year-end 2019.

The segment-specific performance ratios developed as follows as at 30 September 2020: Return on equity was 14.1%. The cost/income ratio decreased year on year by 1.2 % points and was 36.5 %. The risk/earnings ratio increased due to the higher loan loss provisions to 26.7, which is a moderate rise at 5.5 % points considering the economic situation.

Retail Banking **Digitalisation and sustainability as innovation driver**

We have been struggling with profitability in Retail Banking for some time. Happily, we are now back in profitable territory due to the various measures taken. The trend reversal was achieved by a combination of personal advisory services, excellent know-how and an innovative range of products and services – also available online.

The trend towards digital banking is unbroken and has even picked up due to the corona pandemic. We have responded to this development with the launch of BKS Bank Connect – the digital bank within the bank. New customer onboarding can be done fully online now, it is not necessary to visit a branch. All banking products can be carried out completely digitally. The principal difference to pure online banking is that BKS Bank Connect customers can also take advantage of the extensive know-how of our experts at any time. Because we also provide personal support in digital banking relationships. Furthermore, sustainability is becoming a megatrend in Retail Banking. We have worked on making sustainability a fixed element of our core business for many years. After having developed the corresponding offers for lending and investments, we have now enlarged the types of accounts

by adding a new green account. With the account 'Natur & Zukunft-Konto', account holders are able to make active contributions to environmental and climate protection. In cooperation with the Chamber of Agriculture of Carinthia we support a project for the reforestation of a protection forest. The launch of the new account type was very successful.

In Retail Banking we provide services to private individuals and members of the healthcare professions. At 30 September 2020, this segment had around 167,300 customers.

Significantly improved results

The development of business in the past nine months was excellent in Retail Banking. Net profit before tax for the period was EUR 3.3 million, which is three times higher than in the same period of the preceding year. We attained very good rates of increase in our two key sources of earnings – net interest income and net fee and commission income – with EUR 21.4 million (+5.4%) and EUR 21.6 million (+13.2%), respectively. At EUR 40.6 million, general administrative expenses remained close to the preceding year's level (EUR 40.1 million). Although impairment charges for loans and advances in Retail Banking traditionally tend to be low, we increased allocations to impairment charges by EUR 0.5 million in the light of the rising unemployment rates and the uncertain economic consequences of the Covid-19 pandemic. The balance was EUR -0.2 million as at 30 September 2020.

The segment-specific indicators as at 30 September 2020 improved due to the steep rise in profit as follows: return on equity was 4.0%, cost/income ratio improved to 92.4%, and the risk/earnings ratio was only 1.0%.

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 at the focus of our business activities.

Earnings plunge due to special effects

As at 30 September 2020, we earned a net profit for the period before tax of EUR 6.4 million in the Financial Markets segment. The decrease in profit by EUR 27.4 million year on year was due to the following events: Net interest income, which contains entities recognised using the equity method, was EUR 11.5 million and thus lower than in the preceding year (EUR 35.6 million). As already mentioned previously in this report, Oberbank AG reported a negative result for the first quarter of 2020. The effects of this negative contribution to results will also be felt in the fourth quarter.

A further burdening factor is the result from financial assets/liabilities. In March, the coronavirus crisis caused distortions on international financial markets. The markets have meanwhile recovered, but are still extremely volatile. Considering this background, we are satisfied with the EUR 1.4 million achieved in the result from financial assets/liabilities as at 30 September 2020. We allocated an expected credit loss for receivables from banks and from securities of EUR 0.3 million. General administrative expenses rose to EUR 7.5 million due to the item Other administrative costs.

Consolidated Own Funds

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

As a result of the Supervisory Review and Evaluation Process (SREP) conducted by the Austrian Financial Market Authority (FMA), BKS Bank was required to meet a minimum requirement for common equity tier 1 capital (CET1) of 5.5% and of 9.7% for the total capital ratio as at 30 September 2020.

The capital ratios attained at the end of September 2020 were clearly higher than the requirements.

CET 1 capital at the end of September was EUR 608.0 million and the CET1 ratio was 10.8%. Additional tier 1 capital was EUR 59.2 million as at 30 September 2020. Including tier 2 capital of EUR 206.6 million, the bank's own funds came to EUR 873.7 million. At 15.5%, the total capital ratio was lower than at year-end 2019.

It is pointed out that this condensed interim report has not been audited or reviewed by an auditor. Therefore, the proportionate profit for the period in the first three quarters is not recognised in own funds.

BKS Bank Group of credit institutions: own funds pursuant to CRR

| in € m | 31/12/2019 | 30/09/2020 |
|-------------------------------------|---------------------|------------|
| Share capital | 83.4 | 83.0 |
| Reserves net of intangible assets | 1,134.0 | 1,127.6 |
| Deductions | -587.8 | -602.6 |
| Common equity tier 1 capital (CET1) | 629.6 ¹⁾ | 608.0 |
| Common equity tier 1 ratio | 11.6% | 10.8% |
| Hybrid capital | 6.0 | 4.0 |
| AT1 note | 55.2 | 55.2 |
| Additional tier 1 capital | 61.2 | 59.2 |
| Tier 1 capital (CET1 + AT1) | 690.8 | 667.2 |
| Tier 1 capital ratio | 12.7% | 11.8% |
| Supplementary capital (tier 2) | 190.6 | 206.6 |
| Total own funds | 881.4 | 873.7 |
| Total capital ratio | 16.2% | 15.5% |
| Total risk exposure amount | 5,449.60 | 5,639.3 |

1) Includes profit for the year 2019.

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 for own funds and eligible liabilities of 14.99% of the total liabilities and own funds (total liabilities and own funds, TLOF) on a consolidated level. BKS Bank complied with the MREL ratio on the reporting date 30 September 2020, therefore, no transition rule applies.

Risk Management

Current quantitative information on risk management based on the internal report regarding overall risk management is presented in the Notes starting on page 43. Qualitative information is available in the Annual Report for the period ended 31 December 2019 and in the Disclosure Report pursuant to CRR.

Outlook for the Full Year

Economic outlook hard to estimate due to continuing Covid-19 pandemic

The coronavirus continues to dominate the world. The spread of the infectious disease has gained speed in the past few weeks and in many parts of the world strict measures are being taken again to contain the spread of the Covid-19 virus. The effects of the latest tightening on the overall economy cannot yet be estimated.

The International Monetary Fund (IMF) stated in its forecast published at the beginning of October that the **global economy** will not contract in 2020 as severely as had been feared just a few weeks ago. At the end of October, it had been assumed that the global economy would contract this year by 4.4%. However, the forecast for the coming year was revised downwards to 5.2%. The IMF painted a generally gloomy picture. The Covid-19 pandemic will cause long-term damage to the economies of many countries and will reverse the progress attained since the 1990s in the fight against poverty, and also increase social disparities.

The IMF expects economic output to drop steeply by 8.3% in the **euro area** in 2020. The recovery in 2021 is expected to attain 5.2% according to current estimates. The outlook of the IMF for the **US** is more optimistic. In this case, the economy is expected to contract by 4.3% in 2020. The IMF expects a growth rate of 3.1% for 2021. The recovery is faster in **China**. The IMF forecasts an increase in economic output by 1.9% already in the current year, and for the coming year, the growth estimate is 8.2%.

Austria has been in a lockdown since the beginning of November which changed from a lockdown 'light' to a lockdown 'hard' within ten days. The Austrian Institute of Economic Research (WIFO) stated in its last publication that the domestic economy would probably shrink by 7.7% in 2020. The outlook for 2021 was revised downwards again and now economists expect GDP growth of 2.8% in 2021.

In the strategically important markets of **Slovenia, Croatia and Slovakia**, the economy is expected to contract this year by -7.1%, -8.9% and -7.2%, respectively, according to Bloomberg (Bloomberg Composite). The growth rate for the coming year is forecast at 4%, 5% and 6.9%, respectively.

All the economic data mentioned are highly uncertain, because the new lockdowns being imposed in many parts of the world are not yet reflected in the economic forecasts.

Expectations for capital markets

Stock markets are currently reminding everyone that the current rise in infection rates show that we are still stuck in a corona pandemic. In the coming weeks, some economic indicators will trend weaker and reach disappointing levels. This will also cause wider market fluctuations again.

As the central banks are sticking to their ultra-expansive monetary policy and the large number of new infections highlight the economic downside risks, it may be assumed that we will see negative yields on sovereign bonds of high-grade issuers for some time to come.

Covid-19 pandemic depresses earnings outlook

The second wave of the coronavirus pandemic has been spreading throughout Europe for several weeks. The governments of many European countries have started to restrict public life again drastically in efforts to contain the spread of the virus. As the economic recovery developed quite well in the third quarter, the current worsening of the situation is a severe setback for the economic upswing.

Before this backdrop, the earnings outlook for the financial year 2020 has dimmed. Considering the record earnings attained in 2019, we will have to accept lower results.

Many governments have passed resolutions for substantial financial aid packages and support measures in the light of the severity of the coronavirus crisis. It remains to be seen to what extent the support measures taken will also have long-term effects. We expect to see a rising number of company failures and revenue losses in the coming months. However, we are well prepared to meet the challenges that lie ahead of us, because we have taken numerous measures in the past to improve the loan portfolio. Our loan portfolio is broadly diversified and we have always acted responsibly and cautiously with respect to risks. Therefore, although we expect risk costs to increase, we believe these will remain within manageable volumes.

The key sources of earnings – net interest income and net fee and commission income – have developed stably over the past few months despite the economic crisis. In our estimation, this trend will continue in the remaining three months of the year. In the lending business, we expect moderate growth on account of the prevailing expansive monetary policy.

We believe there is further growth potential in the fee and commission business. The securities business was behind the robust rise in earnings in 2020. This positive trend is expected to continue in the fourth quarter. The development of commission income from payment services depends on how long economic life will have to remain in lockdown. During the first lockdown there were massive declines in transaction figures, and this might occur again in the second lockdown.

We are well aware of the fact that the current situation is a major challenge for all of us. The past few weeks have been a major setback in the fight against the coronavirus, but we are still optimistic about the future.

We are working hard on the implementation of our strategy despite the adverse circumstances. Our goal is to generate growth and advance digitalisation. The enormous efforts invested to achieve progress in our digitalisation projects was the right way to go. We already offer our retail customers all banking products online. In the next few months, we will be concentrating on the corporate and business banking segment and plan to massively expand our digital offerings for this segment as well.

Finally, we want to point out again that the European Central Bank's (ECB) recommendation made to banks in 2020 not to distribute dividends was prolonged to 1 January 2021.

The shareholders of BKS Bank adopted the resolution at the Annual General Meeting of May 2020 to only distribute dividends on ordinary shares in the event the European Central Bank and the FMA retract their recommendation before the end of 2020 made to banks not to distribute discretionary dividends.

As this recommendation remains unchanged until the end of 2020, we will not distribute any dividends on the net profit for the year 2019 on ordinary shares.

Klagenfurt am Wörthersee, 18 November 2020

The Management Board



Herta Stockbauer

Chairwoman of the Management Board



Dieter Kraßnitzer
Member of the Management Board



Alexander Novak
Member of the Management Board



Consolidated Financial Statements pursuant to IFRS

Consolidated Statement of Comprehensive Income for the Period 1 January to 30 September 2020 **24**

Consolidated Balance Sheet for the Period ended 30 September 2020 **27**

Consolidated Statement of Changes in Equity **28**

Consolidated Statement of Cash Flows **30**

Notes to the Consolidated Financial Statements of BKS Bank **31**

Management's Responsibility for the Financial Statements **52**

Financial Calendar 2021 **53**

Consolidated Statement of Comprehensive Income for the Period 1 January to 30 September 2020

Income Statement

| in €k | Notes | Q3/2019 | Q3/2020 | ± in % |
|--|------------|----------------|----------------|--------------|
| Interest income applying the effective interest rate method | | 105,578 | 106,236 | 0.6 |
| Other interest income and other similar income | | 18,976 | 18,019 | -5.0 |
| Interest expenses and other similar expenses | | -22,632 | -22,144 | -2.2 |
| Net interest income | (1) | 101,922 | 102,110 | 0.2 |
| Impairment charges | (2) | -16,450 | -22,112 | 34.4 |
| Net interest income after impairment charges | | 85,472 | 79,998 | -6.4 |
| Fee and commission income | | 47,411 | 50,955 | 7.5 |
| Fee and commission expenses | | -3,551 | -3,870 | 9.0 |
| Net fee and commission income | (3) | 43,860 | 47,085 | 7.4 |
| Profit/loss from financial assets/liabilities | (4) | 35,522 | 14,611 | -58.9 |
| Net trading income | (5) | 1,177 | 1,490 | 26.6 |
| General administrative expenses | (6) | -92,659 | -92,453 | -0.2 |
| Other administrative expenses | (7) | 4,528 | 5,156 | 13.9 |
| Other operating expenses | (7) | -8,106 | -10,928 | 34.8 |
| Profit/loss from financial assets/liabilities | | 4,444 | 563 | -87.3 |
| • Profit/loss from financial instruments designated at fair value | (8) | -1,513 | 363 | >100 |
| • Profit/loss from financial assets measured at fair value through profit/loss (mandatory) | (9) | 4,990 | -1,469 | >-100 |
| • Profit/loss from derecognition of financial assets measured at amortised cost | (10) | 1,117 | 781 | -30.1 |
| • Other profit/loss from financial assets/liabilities | (11) | -150 | 888 | >100 |
| Profit for the period before tax | | 74,238 | 45,521 | -38.7 |
| Income tax expense | (12) | -7,640 | -7,653 | 0.2 |
| Profit for the period | | 66,597 | 37,868 | -43.1 |
| Non-controlling interests | | -3 | -3 | 0.2 |
| Profit for the period after non-controlling interests | | 66,594 | 37,865 | -43.1 |

Other Comprehensive Income

| in €k | Q3/2019 | Q3/2020 | ± in % |
|---|---------------|---------------|-----------------|
| Profit for the period | 66,597 | 37,868 | -43.1 |
| Other comprehensive income | 3,874 | -5,422 | >-100 |
| Items not reclassified to profit or loss for the year | 419 | -2,502 | >-100 |
| ± Actuarial gains/losses in conformity with IAS 19 | -3,373 | -1,096 | 67.5 |
| ± Deferred taxes on actuarial gains/losses in conformity with IAS 19 | 843 | 274 | -67.5 |
| ± Changes in the fair value of equity instruments measured at fair value | 3,129 | -6,081 | >-100 |
| ± Deferred taxes on changes in fair value of equity instruments measured at fair value | -782 | 1,584 | >100 |
| ± Fair value changes due to the default risk of financial liabilities measured at fair value through profit/loss (designated) | 123 | 2,180 | >100 |
| ± Deferred taxes on fair value changes of financial liabilities designated at FV PL attributable to own credit risk | -31 | -545 | >-100 |
| ± Share of income and expenses of associates in OCI and accounted for using the equity method | 509 | 1,183 | >100 |
| Items reclassified to profit or loss for the period | 3,456 | -2,920 | >-100 |
| ± Exchange differences | 1 | -90 | >-100 |
| ± Changes in the fair value of debt instruments measured at fair value | 3,229 | 736 | -77.2 |
| ± Net change in fair value | 3,229 | 736 | -77.2 |
| ± Reclassified to profit or loss | 0 | 0 | - |
| ± Deferred taxes on changes to the fair value of debt instruments measured at fair value | -804 | -171 | 78.7 |
| ± Share of income and expenses of associates reported in OCI and accounted for using the equity method | 1,030 | -3,394 | >-100 |
| Total comprehensive income | 70,471 | 32,446 | -54.0 |
| Non-controlling interests | -3 | -3 | 0.2 |
| Total comprehensive income after non-controlling interests | 70,469 | 32,443 | -54.0 |

Earnings and Dividend per Share

| | 30/09/2019 | 30/09/2020 |
|---|------------|------------|
| Average number of shares in issue (ordinary and preference shares) | 42,068,109 | 42,048,072 |
| Earnings per ordinary and preference share in EUR (adjusted for period) | 1.54 | 0.86 |
| Earnings per ordinary and preference share in EUR (annualised) | 2.06 | 1.15 |

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

Quarterly Review

| in €k | Q3/2019 | Q4/2019 | Q1/2020 | Q2/2020 | Q3/2020 |
|---|---------------|---------------|---------------|---------------|---------------|
| Interest income and similar income | 39,137 | 41,131 | 42,737 | 42,186 | 39,332 |
| Interest expenses and similar expenses | -7,677 | -7,211 | -7,829 | -7,544 | -6,771 |
| Net interest income | 31,459 | 33,920 | 34,908 | 34,642 | 32,561 |
| Impairment charges | -3,259 | -2,132 | -6,251 | -9,133 | -6,728 |
| Net interest income after impairment charges | 28,200 | 31,788 | 28,657 | 25,508 | 25,832 |
| Fee and commission income | 15,936 | 15,802 | 18,245 | 16,180 | 16,529 |
| Fee and commission expenses | -1,291 | -1,442 | -1,315 | -1,141 | -1,414 |
| Net fee and commission income | 14,645 | 14,360 | 16,931 | 15,039 | 15,115 |
| Profit/loss from investments accounted for using the equity method | 14,949 | 10,394 | -267 | 2,778 | 12,100 |
| Net trading income | 462 | 66 | 558 | 934 | -2 |
| General administrative expenses | -31,255 | -28,297 | -30,004 | -30,407 | -32,042 |
| Other operating income | 1,207 | 2,329 | 1,573 | 1,587 | 1,996 |
| Other operating expenses | -1,279 | -978 | -6,121 | -3,499 | -1,308 |
| Profit/loss from financial assets/liabilities | 697 | -781 | -6,426 | 6,360 | 628 |
| • Profit/loss from financial instruments designated at fair value | -207 | -73 | 264 | 201 | -102 |
| • Profit/loss from financial assets measured at fair value through profit/ loss (mandatory) | 843 | 82 | -6,531 | 4,075 | 988 |
| • Profit/loss from derecognition of financial assets measured at amortised cost | 299 | -577 | -177 | 1,614 | -656 |
| • Other profit/loss from financial assets/liabilities | -238 | -213 | 19 | 470 | 399 |
| Profit for the period before tax | 27,628 | 28,880 | 4,900 | 18,301 | 22,320 |
| Income tax | -3,145 | -2,571 | -2,368 | -1,045 | -4,240 |
| Profit for the period | 24,483 | 26,310 | 2,532 | 17,256 | 18,080 |
| Non-controlling interests | 0 | 0 | -1 | 0 | -1 |
| Profit for the period after non-controlling interests | 24,483 | 26,310 | 2,531 | 17,255 | 18,079 |

Consolidated Balance Sheet for the Period ended 30 September 2020

Assets

| in €k | Notes | 31/12/2019 | 30/09/2020 | ± in % |
|---|-------|------------------|------------------|------------|
| Cash and balances with the central bank | (13) | 550,752 | 889,218 | 61.5 |
| Receivables from other banks | (14) | 200,333 | 326,627 | 63.0 |
| – Impairment charges on receivables from other banks | (15) | -118 | -317 | >100 |
| Receivables from customers | (16) | 6,378,787 | 6,557,164 | 2.8 |
| – Impairment charges on receivables from customers | (17) | -90,735 | -89,555 | -1.3 |
| Trading assets | (18) | 8,755 | 10,876 | 24.2 |
| Debt securities and other fixed-interest securities | (19) | 890,116 | 928,008 | 4.3 |
| – Impairment charges on debt securities | (20) | -337 | -1,065 | >100 |
| Shares and other non-interest-bearing securities | (21) | 135,878 | 141,540 | 4.2 |
| Investments in entities accounted for using the equity method | (22) | 635,931 | 647,170 | 1.8 |
| Intangible assets | (23) | 10,960 | 10,291 | -6.1 |
| Property, plant and equipment | (24) | 77,842 | 78,786 | 1.2 |
| Investment property | (25) | 37,374 | 38,354 | 2.6 |
| Deferred tax assets | (26) | 7,404 | 9,300 | 25.6 |
| Other assets | (27) | 14,654 | 25,783 | 76.0 |
| Total assets | | 8,857,596 | 9,572,180 | 8.1 |

Equity and liabilities

| in €k | Notes | 31/12/2019 | 30/09/2020 | ± in % |
|---|-------|------------------|------------------|------------|
| Payables to other banks | (28) | 689,224 | 900,765 | 30.7 |
| Payables to customers | (29) | 5,813,967 | 6,242,958 | 7.4 |
| • thereof savings deposits | | 1,413,530 | 1,404,601 | -0.6 |
| • of which other payables | | 4,400,437 | 4,838,357 | 10.0 |
| Liabilities evidenced by paper | (30) | 623,792 | 669,186 | 7.3 |
| • of which at fair value through profit or loss | | 84,237 | 81,753 | -2.9 |
| Trading liabilities | (31) | 10,848 | 12,812 | 18.1 |
| Provisions | (32) | 138,743 | 138,807 | 0.0 |
| Other liabilities | (33) | 48,913 | 57,539 | 17.6 |
| Subordinated debt capital | (34) | 230,584 | 224,327 | -2.7 |
| Shareholders' equity | | 1,301,525 | 1,325,785 | 1.9 |
| • Group equity | (35) | 1,301,498 | 1,325,755 | 1.9 |
| • Non-controlling interests | | 27 | 30 | 10.2 |
| Total equity and liabilities | | 8,857,596 | 9,572,180 | 8.1 |

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

| in €k | Subscribed capital | Capital reserves | Exchange differences | Fair value reserves | Retained earnings | Profit for the period | Additional equity instruments ¹⁾ | Equity |
|---|--------------------|------------------|----------------------|---------------------|-------------------|-----------------------|---|------------------|
| As at 01/01/2020 | 85,886 | 241,416 | -117 | 28,331 | 797,877 | 92,905 | 55,200 | 1,301,498 |
| Distribution | | | | | | -196 | | -196 |
| Coupon payments on additional equity instruments | | | | | -2,333 | | | -2,333 |
| Taken to retained earnings | | | | | 92,709 | -92,709 | | - |
| Profit for the period | | | | | | 37,865 | | 37,865 |
| Other comprehensive income | | | -802 | -5,749 | 1,130 | | | -5,422 |
| Capital increase | | | | | | | | - |
| Effect of the equity method | | | | | -4,960 | | | -4,960 |
| Change in treasury shares | | | | | -669 | | | -669 |
| Issuance of additional equity instruments | | | | | | | | - |
| Reclassification | | | | -278 | 278 | | | - |
| Other changes | | | | | -28 | | | -28 |
| As at 30/09/2020 | 85,886 | 241,416 | -919 | 22,304 | 884,004 | 37,865 | 55,200 | 1,325,755 |
| Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method) | | | | | | | | 14,368 |
| Deferred tax reserve | | | | | | | | -3,592 |

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

Consolidated statement of changes in equity

| in €k | Subscribed capital | Capital reserves | Exchange differences | Fair value reserves | Retained earnings | Profit for the period | Additional equity instruments ¹⁾ | 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 additional equity instruments | | | | | -2,333 | | | -2,333 |
| Taken to retained earnings | | | | | 67,740 | -67,740 | | - |
| Profit for the period | | | | | | 66,594 | | 66,594 |
| Other comprehensive income | | | 139 | 7,215 | -3,479 | | | 3,874 |
| Capital increase | | | | | | | | - |
| Effect of the equity method | | | | | 1,014 | | | 1,014 |
| Change in treasury shares | | | | | 212 | | | 212 |
| Issuance of additional equity instruments | | | | | | | 11,500 | 11,500 |
| Other changes | | | | | -36 | | | -36 |
| As at 30/09/2019 | 85,886 | 241,416 | -196 | 28,552 | 804,593 | 66,594 | 55,000 | 1,281,845 |
| Status of the fair value OCI reserve (excl. reserves of associates accounted for using the equity method) | | | | | | | | 18,400 |
| Deferred tax reserve | | | | | | | | -4,631 |

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

Please refer to Note (35) Shareholders' equity for more details.

Consolidated Statement of Cash Flows

| in €k | Q3/2019 | Q3/2020 |
|---|----------------|----------------|
| Cash and cash equivalents at end of preceding period | 571,963 | 550,752 |
| Profit for the period after tax and before non-controlling interests | 66,597 | 37,865 |
| Non-cash items in profit for the period and other valuation adjustments | -102,626 | -84,825 |
| Change in assets and liabilities from operating business activities after correction for non-cash items | -30,936 | 411,674 |
| Cash flow from operating activities | -66,965 | 364,714 |
| Cash inflow from sales and redemptions | 67,638 | 32,719 |
| Cash outflow for capital expenditure | -45,332 | -94,728 |
| Dividends from entities accounted for using the equity method | 6,906 | 36 |
| Cash flow from investing activities | 29,212 | -61,973 |
| Capital increase | - | - |
| Other deposits | 11,500 | - |
| Dividend distributions | -9,677 | -196 |
| Subordinated liabilities and other financing activities | 53,139 | 35,709 |
| Cash flow from financing activities | 54,962 | 35,513 |
| Effect of exchange rates on cash and cash equivalents | 355 | 212 |
| Cash and cash equivalents at end of reporting period | 589,527 | 889,218 |

Notes to the Consolidated Financial Statements of BKS Bank

Material Accounting Policies

I. General information

The interim financial statements of BKS Bank for the period ended 30 September 2020 were prepared in accordance with the principles of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as adopted by the EU and applicable on the reporting date as well as in accordance with the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC). This condensed interim report has been prepared in accordance with IAS 34 "Interim Reports".

II. Effects of new and amended standards

The accounting policies applied in the financial year 2019 were also applied in the first three quarters of 2020. All amendments to standards that became effective as of 1 January 2020 do not have any material effects on the BKS Bank Group.

III. Recognition and Measurement

Group of consolidated companies

Besides BKS Bank AG, the consolidated financial statements accounted for a total of 14 entities: 11 consolidated entities, two accounted for using the equity method and one entity accounted for on a proportionate basis. The group of consolidated companies did not change compared to the reporting date 31 December 2019.

Effects of the Covid-19 measures

Apart from health protection measures, the Austrian government and the governments of the countries in which BKS Bank operates – Slovenia, Croatia and Slovakia – took action to contain the economic consequences of the Covid-19 crisis.

These measures include state guarantees and statutory deferrals of loan repayments which enormously contributed to bridging the short-term liquidity bottlenecks caused by the Covid-19 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 Annual Report 2019 in the chapter "Modifications to Contracts". Furthermore, the statutory loan deferral in itself may be considered a concession by the lender to the borrower, and therefore, the statutory loan deferral alone is not an indicator for a credit impairment of the borrower. At the end of May 2020, the period of application of the statutory loan moratoria was prolonged by four months until 31 October 2020. The private loan moratorium to which the Austrian banking industry reached an agreement in October 2020 and which was notified to the European Banking Authority (EBA) applies retroactively to loan deferrals agreed from 15 March 2020 to 31 August 2020. However, a requirement is that the deferral has a term of a maximum of nine months and does not apply longer than up until 31 March 2021. Until the end of September 2020, BKS Bank AG granted more than 1,200 forbearance plans in Austria with a deferred volume of around EUR 28 million.

Further Covid-19 measures in Austria, Slovenia, Croatia and Slovakia are guarantees in favour of credit institutions for bridge loans so as to be able to guarantee quick liquidity for companies.

The state guarantees that BKS Bank received in the first nine months for newly granted bridge loans are considered an integral contractual component and the loans guaranteed in this manner are deemed independent financial instruments. Guarantees reduce the amount of loss in the event of default. A guaranteed bridge loan is generally recognized in stage 1 at the time of initial recognition, because these loans are granted exclusively to economically healthy companies. Until the end of June 2020, more than 580 bridge loans were granted in Austria with an outstanding volume of around EUR 123 million.

Expected credit loss

The information status on the further development of the Covid-19 crisis is constantly changing and thus the entailing and/or probable economic consequences too. In the first quarter of 2020, a revaluation of the macroeconomic factors considered for calculating the ECL was conducted due to the forecasts of the International Monetary Fund (IMF). At the end of June, the forecast published by the Institute for Advanced Studies (Institut für Höhere Studien, IHS) on the development of economic output (GDP) in Austria and also comparable forecasts for foreign markets were used in the calculation of ECL. At the start of the second half of the year 2020, the European Commission published the current interim forecasts for gross domestic product (GDP) and inflation which was used as basis for the ECL calculation in Q3.

Furthermore, in the second quarter, BKS Bank conducted an analysis by sector on how corporate customers are being affected by the Covid-19 crisis. The sectors the hardest hit 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 related 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 ff, 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 730 million resulted in the allocation of additional impairment charges in an amount of EUR 6.8 million.

FOREIGN SUBSIDIARIES AND BRANCHES AS AT 30 SEPTEMBER 2020

| in €k | Net interest income | Operating income | Number of employees (FTE) | Profit for the period before tax |
|------------------------------------|---------------------|------------------|---------------------------|----------------------------------|
| Branches abroad | | | | |
| Slovenia Branch (banking branch) | 9,984 | 16,190 | 129.0 | 6,899 |
| Croatia Branch (banking branch) | 6,014 | 6,621 | 61.8 | 34 |
| Slovakia Branch (banking branch) | 1,751 | 1,954 | 28.3 | 461 |
| Subsidiaries | | | | |
| BKS-leasing d.o.o., Ljubljana | 4,135 | 4,370 | 18.9 | 1,768 |
| BKS-leasing Croatia d.o.o., Zagreb | 1,857 | 1,987 | 12.3 | 330 |
| BKS-Leasing s.r.o., Bratislava | 1,298 | 1,470 | 13,7 | -37 |

FOREIGN SUBSIDIARIES AND BRANCHES AS AT 30 SEPTEMBER 2019

| in €k | Net interest income | Operating income | Number of employees (FTE) | Profit for the period before tax |
|------------------------------------|---------------------|------------------|---------------------------|----------------------------------|
| Branches abroad | | | | |
| Slovenia Branch (banking branch) | 8,805 | 13,771 | 127.0 | 5,310 |
| Croatia Branch (banking branch) | 7,674 | 8,613 | 61.5 | 3,070 |
| Slovakia Branch (banking branch) | 1,701 | 1,958 | 27.8 | 282 |
| Subsidiaries | | | | |
| BKS-leasing d.o.o., Ljubljana | 2,920 | 3,179 | 18.3 | 1,917 |
| BKS-leasing Croatia d.o.o., Zagreb | 1,301 | 1,424 | 13.3 | 514 |
| BKS-Leasing s.r.o., Bratislava | 1,003 | 1,071 | 12,4 | 346 |

IV. OTHER EXPLANATORY NOTES

Forward-looking assumptions and estimates such as yield curves and exchange rates were made to the extent required, and the financial statements were prepared on the basis of the state of knowledge and information at our disposal on the reporting date. The assumptions and estimates entering into the financial statements for the period were made on the basis of the state of knowledge and information at our disposal as at 30 September 2020.

Details of the Income Statement**(1) Net interest income**

| in €k | Q3/2019 | Q3/2020 | ± in % |
|--|----------------|----------------|-------------|
| Lending operations measured at amortised cost | 88,938 | 91,655 | 3.1 |
| Fixed-interest securities measured at amortised cost | 9,987 | 9,373 | -6.1 |
| Fixed-interest securities measured at FV OCI | 406 | 474 | 16.7 |
| Positive interest expenses ¹⁾ | 6,248 | 4,733 | -24.2 |
| Total interest income applying the effective interest rate method | 105,578 | 106,236 | 0.6 |
| Lending operations measured at fair value | 1,765 | 1,556 | -11.9 |
| Fixed-interest securities at fair value through profit or loss | 337 | 339 | 0.6 |
| Leasing receivables | 8,220 | 9,046 | 10.1 |
| Shares and other non-interest-bearing securities | 6,389 | 4,597 | -28.1 |
| Investment property | 2,264 | 2,481 | 9.6 |
| Total other interest income and other similar income | 18,976 | 18,019 | -5.0 |
| Total interest income | 124,554 | 124,255 | -0.2 |
| Interest expenses and other similar expenses: | | | |
| Deposits from customers and other banks | 4,831 | 3,539 | -26.7 |
| Liabilities evidenced by paper | 13,175 | 14,355 | 9.0 |
| Negative interest income ¹⁾ | 3,967 | 3,514 | -11.4 |
| Investment property | 478 | 610 | 27.6 |
| Lease liabilities | 181 | 128 | -29.6 |
| Total interest expenses and other similar expenses | 22,632 | 22,144 | -2.2 |
| Net interest income | 101,922 | 102,110 | 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 | Q3/2019 | Q3/2020 | ± in % |
|---|---------------|---------------|-------------|
| Financial instruments measured at amortised cost | | | |
| – Allocation (+)/reversal (-) of impairment charges (net) | 16,734 | 21,096 | 26.1 |
| Financial instruments measured at fair value OCI | | | |
| – Allocation (+)/reversal (-) of impairment charges (net) | 9 | 50 | >100 |
| Loan commitments and financial guarantee contracts | | | |
| – Allocation (+)/reversal (-) of provisions (net) | -292 | 966 | >100 |
| Impairment charges | 16,450 | 22,112 | 34.4 |

In calculation of the expected credit loss, the collective stage transfer of the sectors the most severely affected by the Covid-19 pandemic and the entire Croatian corporate customer portfolio resulted in an additional allocation of EUR 6.8 million.

(3) Net fee and commission income

| in €k | Q3/2019 | Q3/2020 | ± in % |
|--|---------------|---------------|------------|
| Net fee and commission income: | | | |
| Payment services | 17,779 | 17,776 | - |
| Securities operations | 12,927 | 15,222 | 17.8 |
| Lending operations | 13,354 | 15,175 | 13.6 |
| Foreign exchange operations | 2,346 | 1,836 | -21.7 |
| Other services | 1,004 | 945 | -5.9 |
| Total fee and commission income | 47,411 | 50,955 | 7.5 |
| Net fee and commission expenses: | | | |
| Payment services | 1,746 | 1,645 | -5.8 |
| Securities operations | 1,313 | 1,463 | 11.4 |
| Lending operations | 301 | 483 | 60.6 |
| Foreign exchange operations | 141 | 242 | 70.9 |
| Other services | 50 | 37 | -25.5 |
| Total fee and commission expenses | 3,551 | 3,870 | 9.0 |
| Net fee and commission income | 43,860 | 47,085 | 7.4 |

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

| in €k | Q3/2019 | Q3/2020 | ± in % |
|---|---------------|---------------|--------------|
| Profit/loss from investments accounted for using the equity method | 35,522 | 14,611 | -58.9 |
| Profit/loss from investments accounted for using the equity method | 35,522 | 14,611 | -58.9 |

(5) Net trading income

| in €k | Q3/2019 | Q3/2020 | ± in % |
|--------------------------------------|--------------|--------------|-------------|
| Price-based transactions | -17 | -26 | 51.7 |
| Interest rate and currency contracts | 1,194 | 1,516 | 26.9 |
| Net trading income | 1,177 | 1,490 | 26.6 |

(6) General administrative expenses

| in €k | Q3/2019 | Q3/2020 | ± in % |
|--|---------------|---------------|-------------|
| Staff costs | 61,340 | 58,081 | -5.3 |
| • Wages and salaries | 43,464 | 40,610 | -6.6 |
| • Social insurance costs | 9,944 | 9,850 | -0.9 |
| • Costs of retirement benefits | 6,490 | 5,756 | -11.3 |
| • Other social expenses | 1,442 | 1,865 | 29.4 |
| Other administrative costs | 23,726 | 26,181 | 10.3 |
| Depreciation/amortisation | 7,593 | 8,192 | 7.9 |
| General administrative expenses | 92,659 | 92,453 | -0.2 |

(7) Other operating income/expenses

| in €k | Q3/2019 | Q3/2020 | ± in % |
|--|---------------|---------------|-------------|
| Other operating income | 4,528 | 5,156 | 13.9 |
| Other operating expenses ¹⁾ | -8,106 | -10,928 | 34.8 |
| Other operating income/expenses | -3,578 | -5,772 | 61.3 |

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

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

| in €k | Q3/2019 | Q3/2020 | ± in % |
|--|---------------|------------|----------------|
| Profit/loss from the fair value option | -1,513 | 363 | >100 |
| Profit/loss from financial instruments designated at fair value | -1,513 | 363 | >100 |

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

| in €k | Q3/2019 | Q3/2020 | ± in % |
|--|--------------|---------------|-----------------|
| Profit/loss from measurement | 4,689 | -1,520 | >-100 |
| Profit/loss on disposal | 300 | 51 | -83.1 |
| Profit/loss from financial assets measured at fair value through profit or loss (mandatory) | 4,990 | -1,469 | >-100 |

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

| in €k | Q3/2019 | Q3/2020 | ± in % |
|--|--------------|------------|--------------|
| Receivables from other banks | - | - | - |
| • thereof profit | - | - | - |
| • thereof loss | - | - | - |
| Receivables from customers | 1,162 | 483 | -58.4 |
| • thereof profit | 1,932 | 1,824 | -5.6 |
| • thereof loss | -770 | -1,341 | 74.2 |
| Debt securities | -45 | 298 | >100 |
| • thereof profit | - | - | - |
| • thereof loss | -45 | 298 | >100 |
| Profit/loss from derecognition of financial assets measured at amortised cost | 1,117 | 781 | -30.1 |

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

| in €k | Q3/2019 | Q3/2020 | ± in % |
|--|-------------|------------|----------------|
| Modification gains/losses | -292 | 887 | >100 |
| • from financial assets measured at amortised cost | -292 | 887 | >100 |
| • from financial assets measured at FV OCI | - | - | - |
| • from financial liabilities measured at amortised cost | - | - | - |
| Derecognition gains/losses | 142 | 1 | -99.4 |
| • from financial assets measured through OCI | 142 | 1 | -99.4 |
| • from financial liabilities measured at amortised cost | - | - | - |
| Other profit/loss from financial assets/liabilities | -150 | 888 | >100 |

(12) Income tax expense

| in €k | Q3/2019 | Q3/2020 | ± in % |
|---------------------------|---------------|---------------|------------|
| Current taxes | -8,673 | -8,423 | -2.9 |
| Deferred taxes | 1,032 | 770 | 25.4 |
| Income tax expense | -7,640 | -7,653 | 0.2 |

Details of the Balance Sheet**(13) Cash and balances with the central bank**

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|--|----------------|----------------|-------------|
| Cash in hand | 88,253 | 85,363 | -3.3 |
| Credit balances with central banks | 462,499 | 803,855 | 73.8 |
| Cash and balances with the central bank | 550,752 | 889,218 | 61.5 |

(14) Receivables from other banks

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|-------------------------------------|----------------|----------------|-------------|
| Receivables from domestic banks | 93,585 | 68,693 | -26.6 |
| Receivables from foreign banks | 106,748 | 257,934 | >100 |
| Receivables from other banks | 200,333 | 326,627 | 63.0 |

(15) Impairment charges on receivables from other banks

| in €k | Stage 1 | Stage 2 | Stage 3 | 2020 |
|---|------------|-----------|----------|------------|
| As at 01/01/2020 | 105 | 13 | - | 118 |
| Additions due to new business | 103 | - | - | 103 |
| Change within stage | | | | |
| • Allocation/reversal | 136 | 1 | - | 137 |
| • Disposals due to usage | - | - | - | - |
| Reclassification from one stage to another: | | | | |
| • Decrease due to credit risk | | | | |
| - Reclassification from stage 2 to stage 1 | 5 | -7 | - | -2 |
| - 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 | 24 | - | 23 |
| - Reclassification from stage 1 to stage 3 | - | - | - | - |
| - Reclassification from stage 2 to stage 3 | - | - | - | - |
| Disposals due to repayment | -56 | -6 | - | -62 |
| As at 30/09/2020 | 292 | 25 | - | 317 |

(16) Receivables from customers**(16.1) Receivables from customers by customer group**

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|---|------------------|------------------|------------|
| Corporate and Business Banking | 4,978,964 | 5,103,387 | 2.5 |
| Retail Banking | 1,399,823 | 1,453,777 | 3.9 |
| Receivables from customers by customer group | 6,378,787 | 6,557,164 | 2.8 |

(16.2) Receivables from customers by measurement category

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|---|------------------|------------------|------------|
| Financial assets measured at amortised cost | 6,241,353 | 6,424,586 | 2.9 |
| Financial assets measured at fair value through profit or loss (designated) | 79,078 | 75,719 | -4.2 |
| Financial assets measured at fair value through profit or loss (mandatory) | 58,356 | 56,859 | -2.6 |
| Receivables from customers by measurement category | 6,378,787 | 6,557,164 | 2.8 |

(17) Impairment charges on receivables from customers

| in €k | Stage 1 | Stage 2 | Stage 3 | 2020 |
|---|---------------|---------------|---------------|---------------|
| As at 01/01/2020 | 15,111 | 11,252 | 64,371 | 90,734 |
| Additions due to new business | 3,577 | 3,210 | - | 6,787 |
| Change within stage | | | | |
| • Allocation/reversal | 989 | -1,472 | -2,080 | -2,563 |
| • Disposals due to usage | - | - | -13,969 | -13,969 |
| Reclassification from one stage to another: | | | | |
| • Decrease due to credit risk | | | | |
| – Reclassification from stage 2 to stage 1 | 435 | -2,150 | - | -1,715 |
| – Reclassification from stage 3 to stage 1 | 51 | - | -156 | -105 |
| – Reclassification from stage 3 to stage 2 | - | 81 | -377 | -296 |
| • Increase due to default risk | | | | |
| – Reclassification from stage 1 to stage 2 | -2,056 | 10,442 | - | 8,386 |
| – Reclassification from stage 1 to stage 3 | -163 | - | 3,869 | 3,706 |
| – Reclassification from stage 2 to stage 3 | - | -336 | 3,813 | 3,477 |
| Disposals due to repayment | -2,360 | -853 | -1,674 | -4,887 |
| As at 30/09/2020 | 15,584 | 20,174 | 53,797 | 89,555 |

(18) Trading assets

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|---|--------------|---------------|-------------|
| Positive fair values of derivative financial products | 8,755 | 10,876 | 24.2 |
| • Currency contracts | 1,515 | 3,240 | >100 |
| • Interest rate contracts | - | - | - |
| • Fair value option | 7,240 | 7,635 | 5.5 |
| Trading assets | 8,755 | 10,876 | 24.2 |

(19) Debt securities and other fixed-interest securities

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|---|----------------|----------------|------------|
| Financial assets measured at amortised cost | 797,761 | 834,981 | 4.7 |
| Financial assets measured at fair value through profit or loss (designated) | 21,586 | 21,631 | 0.2 |
| Financial assets measured at fair value OCI | 70,720 | 71,355 | 0.9 |
| Financial assets measured at fair value through profit or loss (mandatory) | 50 | 43 | -14.5 |
| Debt securities and other fixed-interest securities | 890,116 | 928,008 | 4.3 |

(20) Impairment charges on debt securities

| in €k | Stage 1 | Stage 2 | Stage 3 | 2020 |
|---|------------|------------|----------|--------------|
| As at 01/01/2020 | 337 | - | - | 337 |
| Additions due to new business | 131 | - | - | 131 |
| Change within stage | | | | |
| • Allocation/reversal | 42 | - | - | 42 |
| • Disposals due to usage | - | - | - | - |
| Reclassification from one stage to another: | | | | |
| • Decrease due to credit risk | | | | |
| - Reclassification from stage 2 to stage 1 | - | - | - | - |
| - Reclassification from stage 3 to stage 1 | - | - | - | - |
| - Reclassification from stage 3 to stage 2 | - | - | - | - |
| • Increase due to default risk | | | | |
| - Reclassification from stage 1 to stage 2 | -52 | 640 | - | 588 |
| - Reclassification from stage 1 to stage 3 | - | - | - | - |
| - Reclassification from stage 2 to stage 3 | - | - | - | - |
| Disposals due to repayment | -33 | - | - | -33 |
| As at 30/09/2020 | 425 | 640 | - | 1,065 |

(21) Shares and other non-interest-bearing securities

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|--|----------------|----------------|------------|
| Financial assets measured at fair value through profit or loss (mandatory) | 43,687 | 50,805 | 16.3 |
| Financial assets measured at fair value OCI | 92,190 | 90,735 | -1.6 |
| Shares and other non-interest-bearing securities | 135,878 | 141,540 | 4.2 |

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

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|--|----------------|----------------|------------|
| Oberbank AG | 407,340 | 407,903 | 0.1 |
| Bank für Tirol und Vorarlberg AG | 228,591 | 239,267 | 4.7 |
| Investments in entities accounted for using the equity method | 635,931 | 647,170 | 1.8 |

(23) Intangible assets

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|--------------------------|---------------|---------------|-------------|
| Intangible assets | 10,960 | 10,291 | -6.1 |
| Intangible assets | 10,960 | 10,291 | -6.1 |

(24) Property, plant and equipment

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|--|---------------|---------------|------------|
| Land | 8,777 | 8,765 | -0.1 |
| Buildings | 37,764 | 36,340 | -3.8 |
| Other property, plant and equipment | 9,031 | 12,114 | 34.1 |
| Right-of-use assets for leased real estate | 22,269 | 21,567 | -3.2 |
| Property, plant and equipment | 77,842 | 78,786 | 1.2 |

(25) Investment property

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|----------------------------|---------------|---------------|------------|
| Land | 7,978 | 7,985 | 0.1 |
| Buildings | 29,396 | 30,369 | 3.3 |
| Investment property | 37,374 | 38,354 | 2.6 |

(26) Deferred tax assets

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|----------------------------|--------------|--------------|-------------|
| Deferred tax assets | 7,404 | 9,300 | 25.6 |

(27) Other assets

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|---------------------|---------------|---------------|-------------|
| Other assets | 9,905 | 22,388 | >100 |
| Deferred items | 4,748 | 3,395 | -28.5 |
| Other assets | 14,654 | 25,783 | 76.0 |

(28) Payables to other banks

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|--------------------------------|----------------|----------------|-------------|
| Payables to domestic banks | 611,321 | 821,929 | 34.5 |
| Payables to foreign banks | 77,903 | 78,837 | 1.2 |
| Payables to other banks | 689,224 | 900,765 | 30.7 |

(29) Payables to customers

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|--|------------------|------------------|-------------|
| Savings deposits | 1,413,530 | 1,404,601 | -0.6 |
| • Corporate and business banking customers | 172,047 | 154,107 | -10.4 |
| • Retail banking customers | 1,241,483 | 1,250,494 | 0.7 |
| Other liabilities | 4,400,437 | 4,838,357 | 10.0 |
| • Corporate and business banking customers | 3,150,069 | 3,499,307 | 11.1 |
| • Retail banking customers | 1,250,368 | 1,339,050 | 7.1 |
| Payables to customers | 5,813,967 | 6,242,958 | 7.4 |

(30) Liabilities evidenced by paper

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|---------------------------------------|----------------|----------------|------------|
| Bonds issued | 552,404 | 599,274 | 8.5 |
| Other liabilities evidenced by paper | 71,388 | 69,913 | -2.1 |
| Liabilities evidenced by paper | 623,792 | 669,186 | 7.3 |

(31) Trading liabilities

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|--|---------------|---------------|-------------|
| Negative fair values of derivative financial instruments | 10,848 | 12,812 | 18.1 |
| • Currency contracts | 3,077 | 4,422 | 43.7 |
| • Interest rate contracts | - | - | - |
| • Fair value option | 7,771 | 8,390 | 8.0 |
| Trading liabilities | 10,848 | 12,812 | 18.1 |

(32) Provisions

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|---|----------------|----------------|----------|
| Provisions for post-employment benefits and similar obligations | 75,604 | 76,159 | 0.7 |
| Provisions for taxes (current taxes) | 3,622 | 2,454 | -32.3 |
| Provision for guarantees and credit facilities | 1,773 | 2,739 | 54.5 |
| Other provisions | 57,744 | 57,455 | -0.5 |
| Provisions | 138,743 | 138,807 | - |

Actuarial assumptions

| in % | 31/12/2019 | 30/09/2020 |
|--------------------------------|------------|------------|
| Financial assumptions | | |
| Interest rate | 1.30% | 1.14% |
| 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 |

(33) Other liabilities

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|--------------------------|---------------|---------------|-------------|
| Other liabilities | 21,854 | 32,223 | 47.4 |
| Deferred items | 4,661 | 3,525 | -24.4 |
| Leasing liabilities | 22,398 | 21,791 | -2.7 |
| Other liabilities | 48,913 | 57,539 | 17.6 |

(34) Subordinated debt capital

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|----------------------------------|----------------|----------------|-------------|
| Tier 2 capital | 210,584 | 204,327 | -3.0 |
| Hybrid capital | 20,000 | 20,000 | 0.0 |
| Subordinated debt capital | 230,584 | 224,327 | -2.7 |

Subordinated debt capital is reported with accrued interest. The nominal value was EUR 221.5 million (2019: EUR 227.7 million).

(35) Shareholders' equity

| in €k | 31/12/2019 | 30/09/2020 | ± 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 | 943,283 | 2.6 |
| Additional equity instruments (AT 1 bond) | 55,200 | 55,200 | - |
| Shareholders' equity before non-controlling interests | 1,301,525 | 1,325,785 | 1.9 |
| Non-controlling interests | -27 | -30 | 10.2 |
| Shareholders' equity | 1,301,498 | 1,325,755 | 1.9 |

On the reporting date 30 September 2020, 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 consist of the additional tier 1 notes classified as shareholder's equity under IAS 32.

On 28 July 2020, the European Central Bank (ECB) prolonged the recommendation that Banks should refrain from carrying out dividend distributions in 2020 until 1 January 2021. We will follow this recommendation on the basis of the resolution adopted at the Annual General Meeting. As things stand today, there are no further distributions planned for 2020.

Risk Report

The quantitative information included in this report pursuant to IFRS 7.31 to 7.42 is based on the internal reporting for overall bank risk management.

(36) Loan quality by class of receivable as at 30 September 2020

| in €k | AA-A1 | 1a-1b | 2a-2b | 3a-3b | 4a-4b | 5a-5c | no rating |
|----------------------------|------------------|------------------|------------------|------------------|----------------|----------------|--------------|
| Receivables from customers | 65,900 | 1,715,951 | 2,646,339 | 2,177,041 | 325,866 | 147,299 | 1,477 |
| Credit lines promised | 13,819 | 57,281 | 73,955 | 47,926 | 5,572 | 585 | 31 |
| Receivables from banks | 228,837 | 70,603 | 31,426 | 4,718 | 4 | – | – |
| Securities and funds | 758,768 | 129,725 | 15,536 | 5,404 | 43 | – | – |
| Equity investments | 707,585 | 22,401 | 2,309 | – | – | – | 1,529 |
| Total | 1,774,909 | 1.995.961 | 2.769.566 | 2.235.089 | 331.485 | 147.884 | 3,038 |

Loan quality by class of receivable as at 31 December 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.

At the end of September, the non-performing loan ratio was 1.8% (31/12/2019: 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 38.0% on 30 September 2020 (31/12/2019: 37.6%). Additionally, we use Coverage Ratio III as an internal benchmark which also includes internal collateral in the calculation. This ratio as at 30 September 2020 was 87.7% (31/12/2019: 88.5%).

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

| Currency | 31/12/2019 | 30/09/2020 |
|--------------|--------------|--------------|
| EUR | 2.46% | 1.18% |
| CHF | 0.25% | 0.32% |
| USD | -0.03% | -0.02% |
| JPY | – | – |
| Other | – | – |
| Total | 2.68% | 1.48% |

(37.1) Value-at-risk figures - interest rate risk¹⁾

| in €k | 31/12/2019 | 30/09/2020 |
|---|---------------|---------------|
| Value-at-risk figures - Interest rate risk | 30,890 | 22,069 |

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%.

(38) Value-at-risk figures - Equity price risk

| in €k | 31/12/2019 | 30/09/2020 |
|--|--------------|--------------|
| Value-at-risk figures - Equity price risk | 2,351 | 3,133 |

Value-at-risk with respect to equity price risk is measured on the basis of a historical simulation of the changes in market prices observed in the preceding 1,000 days and computed on a holding period of 90 days with a confidence level of 95%.

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

| in €k | 31/12/2019 | 30/09/2020 |
|--|------------|------------|
| Value-at-risk figures - Foreign currency risk | 699 | 170 |

Value-at-risk with respect to foreign currency positions is measured on the basis of a historical simulation of the changes in market prices observed in the preceding 1,000 days and computed on a holding period of 90 days with a confidence level of 95%.

(40) Indicators for managing liquidity risk

| | 31/12/2019 | 30/09/2020 |
|---------------------------------|------------|------------|
| Deposit concentration | 0.38 | 0.37 |
| Loan-to-deposit ratio (LDR) | 91.2% | 87.4% |
| Liquidity coverage ratio (LCR) | 151.8% | 155.0% |
| Net stable funding ratio (NSFR) | 112.4% | 114.6% |

(41) Operational risk and ICT risks by event category

| in €k | 31/12/2019 | 30/09/2020 |
|---|------------|------------|
| Fraud | 67 | 34 |
| Employment practices and workplace safety | 68 | 256 |
| Customers, products, business practices | 1,453 | -1,608 |
| Property damage | 27 | 13 |
| System failures | 10 | 4 |
| Settlement, sales and process management | 315 | 212 |

The negative value in the item "Customers, products and business practices" resulted from the partial reversal of reserves from the preceding years of EUR 2.2 million.

Additional Information

(42) Segment Report

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

Segment Results Q3 2020

| in €k | Retail Banking | Corporate and Business Banking | Financial Markets | Other | Total |
|--|----------------|--------------------------------------|----------------------|---------------|---------------|
| Net interest income | 21,435 | 80,780 | 11,505 | 3,001 | 116,721 |
| • of which profit/loss from investments accounted for using the equity method | - | - | 14,611 | - | 14,611 |
| Impairment charges | -219 | -21,591 | -303 | - | -22,113 |
| Net fee and commission income | 21,630 | 25,138 | -121 | 437 | 47,085 |
| Net trading income | - | - | 1,490 | - | 1,490 |
| General administrative expenses | -40,621 | -38,788 | -7,467 | -5,578 | -92,453 |
| Balance of other operating income/expenses | 905 | 437 | -28 | -7,086 | -5,772 |
| Profit/loss from financial assets/liabilities | 166 | -970 | 1,366 | - | 563 |
| Profit for the period before tax | 3,297 | 45,006 | 6,443 | -9,226 | 45,521 |
| Average risk-weighted assets | 898,948 | 3,487,425 | 643,106 | 162,128 | 5,191,607 |
| Average allocated equity | 109,672 | 425,466 | 737,493 | 41,010 | 1,313,640 |
| ROE based on profit for the period before tax | 4.0% | 14.1% | 1.2% | - | 4.6% |
| Cost/income ratio | 92.4% | 36.5% | 58.1% | - | 58.0% |
| Risk/earnings ratio | 1.0% | 26.7% | 2.6% | - | 18.9% |

Segment Results Q3 2019

| in €k | Retail Banking | Corporate and Business Banking | Financial Markets | Other | Total |
|--|----------------|--------------------------------------|----------------------|---------------|---------------|
| Net interest income | 20,331 | 78,945 | 35,627 | 2,541 | 137,444 |
| • of which profit/loss from investments accounted for using the equity method | - | - | 35,522 | - | 35,522 |
| Impairment charges | 292 | -16,703 | -40 | - | -16,450 |
| Net fee and commission income | 19,101 | 24,132 | -180 | 808 | 43,860 |
| Net trading income | - | - | 1,177 | - | 1,177 |
| General administrative expenses | -40,148 | -38,996 | -5,944 | -7,571 | -92,659 |
| Balance of other operating income/expenses | 1,354 | 401 | -18 | -5,314 | -3,578 |
| Profit/loss from financial assets/liabilities | 197 | 1,035 | 3,211 | - | 4,444 |
| Profit for the period before tax | 1,126 | 48,814 | 33,833 | -9,536 | 74,238 |
| Average risk-weighted assets | 673,823 | 3,427,146 | 825,717 | 106,885 | 5,033,571 |
| Average allocated equity | 81,582 | 414,402 | 723,781 | 26,532 | 1,246,296 |
| ROE based on profit for the period before tax | 1.8% | 15.7% | 6.2% | - | 7.3% |
| Cost/income ratio | 98.4% | 37.7% | 16.2% | - | 51.8% |
| Risk/earnings ratio | - | 21.2% | 0.1% | - | 12.0% |

Method: Net interest income is broken down using the market interest rate method. The costs incurred are allocated to the business areas in which these costs originate. Returns on maturity transformation are allocated to the Financial Markets segment. Capital is allocated based on regulatory parameters. The average allocated equity carries 5% interest and is recognised 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

As at 30 September 2020, we served some 24,600 corporate and business banking customers. 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. Apart from the income and expense components of BKS Bank AG from business with corporates and business customers, income and expenses of the leasing companies are reported in this segment provided they relate to transactions with corporate and business customers.

Retail Banking

In the Retail Banking segment, all income and expense components of BKS Bank AG, BKS-Leasing Gesellschaft m.b.H., BKS-leasing d.o.o., BKS-leasing Croatia d.o.o. and BKS-Leasing s.r.o. from business with retail customers, wage and salary earners, and members of the health professions are reported in Retail Banking. At the end of September 2020, this segment had around 167,000 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 specific operation.

(43) Related Party Disclosures

| in €k | Outstanding balances as at | | guarantees received | | guarantees received | |
|--|----------------------------|------------|---------------------|------------|---------------------|------------|
| | 31/12/2019 | 30/09/2020 | 31/12/2019 | 30/09/2020 | 31/12/2019 | 30/09/2020 |
| Non-consolidated subsidiaries | | | | | | |
| • Receivables | 24,529 | 35,375 | – | – | – | – |
| • Liabilities | 4,003 | 5,430 | – | – | – | – |
| Associates | | | | | | |
| • Receivables | 4,425 | 53 | – | – | – | – |
| • Liabilities | 3,690 | 24,056 | – | – | – | – |
| Members of the Management Board | | | | | | |
| • Receivables | 1,113 | 1,039 | – | – | – | – |
| • Liabilities | 2,361 | 2,787 | – | – | – | – |
| Other related parties | | | | | | |
| • Receivables | 173 | 498 | – | – | – | – |
| • Liabilities | 805 | 692 | – | – | – | – |

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.

Loans and advances granted

| in €k | 31/12/2019 | 30/09/2020 |
|--|------------|------------|
| • Loans and advances granted to members of the Management Board | 20 | 17 |
| • Loans and advances granted to members of the Supervisory Board | 184 | 155 |
| Loans and advances granted | 204 | 172 |

(44) Contingent liabilities and commitments

| in €k | 31/12/2019 | 30/09/2020 | ± in % |
|---|------------------|------------------|-------------|
| Guarantees | 463,620 | 549,046 | 18.4 |
| Letters of credit | 3,473 | 1,876 | -46.0 |
| Contingent liabilities and commitments | 467,093 | 550,921 | 17.9 |
| Other commitments | 1,324,057 | 1,661,312 | 25.5 |
| Commitments | 1,324,057 | 1,661,312 | 25.5 |

(45) Events after the balance sheet date

On 2 November 2020, the conversion of the preference shares into ordinary shares decided by resolution of the 81st Annual General Meeting and the meeting of the holders of preference shares was completed. The conversion of the EUR 1.8 million preference shares into ordinary shares was executed at a ratio of 1:1. The share capital is therefore unchanged at EUR 85,885,800 and is divided into 42,942,900 ordinary no-par voting shares.

On account of the rising number of infections and the related threat of overwhelming the healthcare system, the Austrian government announced on 14 November 2020 that it was going to intensify the lockdown already in place since 3 November 2020 by imposing further measures. The COVID-19 emergency measures took effect on 17 November 2020 and were valid up until 6 December 2020. Commerce was closed; exceptions are made for, among others, food retailers. Hotels and all accommodation enterprises as well as all restaurants, bars and

cafés were closed for customers. Schools were switched to distance learning, and as a general rule, no one was permitted to leave home with some exceptions. The consequences of the new extensive lockdown measures imposed to contain Covid-19 and also the further measures taken by the Austrian government effective after 6 December 2020 cannot be assessed at present.

(46) Fair Values

Financial assets and liabilities measured at fair value

30/09/2020

| 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) | – | – | 56,859 | 56,859 |
| • at fair value through profit or loss (designated) | – | – | 75,719 | 75,719 |
| Trading assets (derivatives) | – | 10,876 | – | 10,876 |
| Debt securities and other fixed-interest securities | | | | |
| • at fair value through profit or loss (mandatory) | 43 | – | – | 43 |
| • at fair value through profit or loss (designated) | 21,631 | – | – | 21,631 |
| • at fair value OCI | 70,342 | – | 1,013 | 71,355 |
| Shares and other non-interest-bearing securities | | | | |
| • at fair value through profit or loss (mandatory) | 50,805 | – | – | 50,805 |
| • at fair value OCI | 4,082 | 3,189 | 83,465 | 90,735 |
| Equity and liabilities | | | | |
| Liabilities evidenced by paper - at fair value through profit or loss (designated) | – | – | 81,753 | 81,753 |
| Trading liabilities | – | 12,812 | – | 12,812 |

There were no reclassifications between the individual stages in the reporting periods.

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 | | | | |
| Liabilities evidenced by paper - at fair value through profit or loss (designated) | – | – | 84,237 | 84,237 |
| Trading liabilities | – | 10,848 | – | 10,848 |

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 |
|--------------------------------|--|---|---|--|---|
| As at 01/01/2020 | 79,078 | 58,356 | 1,018 | 84,042 | 84,237 |
| Income Statement ¹⁾ | 860 | 396 | -5 | – | -304 |
| Reclassification | – | – | – | – | – |
| Other comprehensive income | – | – | – | -3,949 | -2,180 |
| Purchased/added | – | 8,739 | – | 3,400 | – |
| Sold/Redeemed | -4,219 | -10,632 | – | -28 | – |
| As at 30/09/2020 | 75,719 | 56,859 | 1,013 | 83,465 | 81,753 |

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 |
|--------------------------------|--|---|---|--|---|
| As 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 | - |
| As 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. Liabilities evidenced by paper in Level 3 were generally 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. As a rule, items in the category Level 3 were measured using the present value method.

Reclassification

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

Changes in the 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 reporting period Q3 2020, the changes in the ratings of receivables from customers measured at fair value had an effect on the fair value of EUR 0.0 million (31/12/2019: EUR -0.9 million). In the reporting period Q3 2020, the changes in BKS Bank's credit rating had an effect on the fair value of the liabilities evidenced by paper in the amount of EUR -2.2 million (31/12/2019: EUR -0.4 million).

Sensitivity analysis

The sensitivity analysis of receivables from customers measured at fair value results in an accumulated change in value of EUR 0.4 million (31/12/2019: EUR 0.4 million), assuming an improvement or deterioration in the credit rating of 10 basis points in the credit spread. An analysis assuming an improvement or deterioration of BKS Bank's credit rating by 10 basis points in the credit spread would result in an accumulated change in the value of the liabilities evidenced by paper designated at fair value of EUR 0.3 million (31/12/2019: EUR 0.4 million).

For level 3 equity instruments in an amount of EUR 25.6 million, the material non-observable parameter is the interest rate. An interest rate increase by 50 basis points reduces the fair value by EUR 1.4 million (31/12/2019: EUR 1.4 million). An interest rate decrease by 50 basis points raises the fair value by EUR 1.6 million (31/12/2019: EUR 1.6 million). For level 3 equity instruments in an amount of EUR 47.9 million, an increase in external prices by 10% would result in a change to the fair value by EUR 3.9 million (31/12/2019: EUR 4.0 million). For level 3 equity instruments (equity investments) in an amount of EUR 9.2 million, the material non-observable parameter is the carrying amount of equity. The remainder refers to immaterial minority investments for which no fair value measurement was applied.

Financial assets and liabilities not recognised at fair value 30/09/2020

| 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⁾ | – | – | 326,512 | 326,512 | 326,310 |
| Receivables from customers ¹⁾ | – | – | 6,378,212 | 6,378,212 | 6,335,031 |
| Debt securities and other fixed-interest securities | 892,898 | – | – | 892,898 | 834,981 |
| Equity and liabilities | | | | | |
| Payables to other banks | – | – | 888,665 | 888,665 | 900,765 |
| Payables to customers | – | – | 6,242,428 | 6,242,428 | 6,242,958 |
| Liabilities evidenced by paper | 172,242 | 351,969 | 78,086 | 602,298 | 587,434 |
| Subordinated debt capital | 196,233 | 3,526 | 26,419 | 226,177 | 224,327 |

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

Management's Responsibility for the Financial Statements

"We state to the best of our knowledge that the interim consolidated financial statements as at 30 September 2020 prepared in accordance with the relevant financial reporting standards provide a true and fair view of the assets, financial position and result of operations of the BKS Bank Group, and that the Group management report for the period from 1 January to 30 September 2020 provides a true and fair view of the assets, financial position and result of operations of the BKS Bank Group with respect to the key events having taken place during the first nine months of the financial year and their effects on the interim consolidated financial statements in terms of material risks and uncertainties over the course of the remaining three months of the financial year."

Klagenfurt am Wörthersee, 18 November 2020

The Management Board



Herta Stockbauer
Chairwoman of the Management Board



Dieter Kraßnitzer

Member of the Management Board



Alexander Novak

Member of the Management Board

Financial Calendar 2021

| Date | Content |
|------------------|---|
| 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 August 2021 | Half-year financial report 2021 |
| 26 November 2021 | Interim report for the period ended 30 September 2021 |

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