Addiko Bank

3Q20 Earnings release

1. About Addiko Bank

Addiko Group is a listed consumer and small and medium-sized enterprises (SME) specialist banking group in Central and South Eastern Europe (CSEE). Addiko Group consists of Addiko Bank AG, a fully-licensed Austrian parent bank registered in Vienna, Austria, supervised by the Austrian Financial Market Authority and by the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates two banks), Serbia and Montenegro. Addiko Group, through its six subsidiary banks, services approximately 0.8 million customers in CSEE, using a well-dispersed network of 175 branches and modern digital banking channels.

Based on its focused strategy, Addiko Group repositioned itself as a specialist consumer and SME banking group with a focus on growing its Consumer and SME lending activities as well as payment services (its “focus areas”), offering unsecured personal loan products for consumers and working capital loans for its SME customers funded largely by retail deposits. Addiko Group’s Mortgage lending, Public lending and Large Corporate lending portfolios (its “non-focus areas”) have been gradually reduced over time, thereby providing liquidity and capital for the steady growth in its Consumer and SME lending.

Addiko Group delivers a modern customer experience in line with its strategy of providing straightforward banking – “focus on essentials, deliver on efficiency and communicate simplicity”. Banking products and services have been standardised, especially in the Consumer and the SME segment, to improve efficiency, improved customer experience and maintain asset quality.

2. Earning performance in brief

Addiko Group reported in the first three quarters 2020 an improved operating result before change in credit loss expenses at EUR 42.4 million. This is by 48.2% better compared to the first three quarters 2019 (3Q19: EUR 28.6 million). The operating result reflects stable business development despite the Covid-19 crisis and a successful cost containment. The result after tax of EUR -6.4 million (3Q19: EUR 23.4 million) was impacted by a significant increase in risk provisioning predominantly associated with macroeconomic expectations due to Covid-19.

The Group has successfully maintained its robust asset quality and has tightened underwriting criteria preferring sustainable portfolio quality over new business and volume growth. The loan book in the focus segments remained stable, whereby Consumer and SME amount to 63.8% of the gross performing loan book (3Q19: 61.1%). The NPE ratio of 3.6% (YE19: 3.9%) and the NPE provision coverage at 73.7% (YE19: 73.8%) reflect the effectiveness of the established underwriting policies, the tight monitoring of risk as well as the strong receivables collection.

Based on the measures taken by the governments of the countries where Addiko operates, the Group granted during the first three quarters 2020 moratoria on payment obligations to all eligible borrowers due to Covid-19. By the end of September 2020, 33,350 of such moratoria were still in place for a total amount of EUR 666.7 million of which EUR 484.1 million relating to the focus segment and EUR 182.6 million to the non focus segment.

Addiko Group entered into this Covid-19 crisis from a position of strength with regards to a solid capital base, a stable funding and ample liquidity. Despite the negative result, the bank’s capital position has been further strengthened with a fully-loaded CET1 ratio of 18.5% even after having deducted EUR 40 million of earmarked dividends for the business year 2019. The distribution is subject to the regulatory decisions and Management Board of Addiko Bank AG remains fully committed to follow its initially communicated dividend proposal aiming at a conditional dividend decision at the upcoming AGM on 27 November 2020.

3. Operational Stability

The Covid-19 pandemic is having unprecedented effects around the globe, both on people and economies. The pandemic determined governments in the countries of operation of the Group to take essential measures such as business lock-downs and restrictions with regards to social contacts, which have affected negatively social and economic activities.

Following the indications of the outbreak of Covid-19 in March, the Group has taken all possible and necessary measures to protect its customers and employees by ensuring the relevant safety conditions and is well prepared to continue to perform its core tasks – supporting clients in all financial matters, giving them smooth access to moratoria, support targeted programs and helping customers to continue making informed financial decisions in a straightforward manner.

The Group has enabled safe working conditions for its personnel in their workplace and extensive remote working has been implemented already in March, when the number of employees working from home increased ten-fold from 200 to 2,000 across Addiko Group. The home office has been extended voluntary throughout the year, with the goal of incorporating this permanently into Addiko's operating framework. The following measures were taken in the branches: Working hours were decreased in accordance to local regulations. All branches were equipped with physical distancing measures including plexiglass separators and sanitary measures to protect staff and clients. Through these measures, Addiko Group has ensured the availability of critical services to its stakeholders during the Covid-19 crisis.

4. Corporate Governance

In July 2020 Croatia entered into the Single Supervisory Mechanism as the Governing Council of the European Central Bank (ECB) has adopted a decision to establish close cooperation with the Croatian National Bank. Following the decision to classify Addiko as a significant institution, the ECB started the direct supervision of Addiko Bank AG on the 7th of October 2020, as the supervised entity at the highest level of prudential consolidation, together with its subsidiaries in Croatia and Slovenia.

In light of the lock-down related administrative restrictions and the ECB/FMA dividend recommendation the AGM originally scheduled for 21 April 2020 was postponed to the 27 November 2020.

During the first three quarters 2020, the following changes in the Supervisory Board and Management Board of the Group took place:

Mr. Hermann-Josef Lamberti as the Chairman of the Supervisory Board resigned on 15 May 2020 from his function with immediate effect. On 20 May 2020 the Supervisory Board appointed Mr. Hans Lotter as the Chairman of the Supervisory Board of Addiko Bank AG. The extraordinary General Meeting of Addiko Bank AG held on 10 July 2020, has elected Mrs. Monika Wildner and Mr. Kurt Pribil as members of the Supervisory Board of Addiko Bank AG. On the 3 September 2020 Mr. Hans-Hermann Lotter announced to resign from his function as Chairman and member of the Supervisory Board as of the close of the Annual General Meeting on 27 November 2020. On the 29 October 2020 Mr. Henning Giesecke announced to resign from his function as Deputy chairman and member of the Supervisory Board as of the close of the Annual General Meeting on 27 November 2020.

Mr. Johannes Proksch resigned as Chief Financial Officer (CFO) of Addiko Bank AG as of 29 May 2020. The Supervisory Board appointed Mr. Markus Krause, Chief Risk Officer (CRO), as new Chief Financial Officer in addition to his current tasks. Furthermore, Mr. Razvan Munteanu resigned as Chief Executive Officer (CEO) of Addiko Bank AG with effect from 1 July 2020. The Supervisory Board appointed Mr. Csongor Bulcsu Nemeth, Chief Corporate & SME Banking Officer (CCBO), as new Chief Executive Officer in addition to his current tasks.

Mr. Ganesh Krishnamoorthi joined Addiko Bank AG on 1 August 2020 as Chief Retail, IT and Digitalization Officer. Mr. Krishnamoorthi is an experienced banker and has held several leadership roles in the financial sector over the past 22 years. He began his banking career at Santander Consumer Bank (formerly GE Money Bank), where over a decade he assumed various leadership positions in the areas of IT as well as Retail management and was also responsible for building their digital business. He later joined Western Union Bank as General Manager and led the launch of their digital business across 18 countries in Europe. During the last 3 years, Mr. Krishnamoorthi worked in BAWAG and Austrian Anadi

Bank. In the latter case he was responsible for the turnaround of their Retail franchise while accelerating digital capabilities and most recently holding also the Interim CEO role.

5. Outlook

Given the Group's clear focus on the CSEE region, its performance is inextricably linked to the health of the economy in this region and therefore will be impacted by the Covid-19 pandemic, which forced governments in the countries of operation to take restrictive measures such as business lockdowns and restrictions with regards to social contacts, affecting strongly consumption, requests for financing as well as general social and economic activities.

After an initial decrease in levels of Covid-19 in the third quarter in many regions, further waves of infections are now emerging. While governments in some countries and territories have continued to ease the broad restrictions that had been imposed to limit the spread of Covid-19, social distancing and tight border restrictions remain commonplace, and are limiting the extent and pace of economic recovery.

As a result of the restrictive economic measures and the clear detriment of consumer and business sentiment caused by the Covid-19 crisis, wiiw (Vienna Institute for International Economic Studies in Austria) forecasts that the economic impact on the Group's countries of operation this year will vary. Croatia is expected to record a decline in real GDP of -9.4% in 2020, Slovenia is estimated with -6.7%, and Montenegro with ca. -9%. By contrast, wiiw forecasts more moderate (at least by CSEE standards) downturns in Serbia with -2% and Bosnia and Herzegovina remains stable with -5%. In Management's view these forecasts are subject to an unusually high degree of uncertainty, given the unique nature of the Covid-19 crisis, which makes it even harder to translate these forecasted effects into expected impacts on operational business development and especially on expected risk costs. Wiiw projects that the countries in CSEE will gradually recover from 2021 on, with real GDP growth of 3.1% expected in Bosnia and Herzegovina, 5% in Croatia, 4.7% in Slovenia, 4.5% in Serbia, and 5% in Montenegro. The shape and speed of the recovery is naturally highly contingent on how well the spread of the pandemic is controlled and the impact of any further wave(s), particularly after the autumn of 2020 and in 2021.

Addiko Group expects that the last quarter 2020 will be characterized by low levels of activity on new loan origination, mainly driven by high unemployment rates, limited economic development and reduced demand for financing, which will certainly impact net banking income. An additional pressure on interest income in consumer lending is further caused by the implementation of regulatory restrictions put in place during 2019 in many countries of Addiko's operations.

The Group's cost discipline will assure that the operating expenses for 2020 will continue on the downwards trend of the past years and will end up significantly lower than YE19. Due to slower business operations linked to moratoria and the crisis, some of the activities of the Group are expected to be cancelled or postponed, which is also contributing to lower costs, while the Group remains committed to continue to focus on investing in its digital capabilities and further optimisations of processes. In addition, in light of the overall environment and ECB recommendation, the Management Board has waived any potential bonuses for 2020, which will further support the cost reduction.

The overall slow-down of the economy is expected to have a negative impact on the existing loan portfolio quality. While state aid packages and moratoria programs introduced on the markets support citizens and companies, to some extent mitigating the negative economic effects, they also complicate a timely reflection of a potential deterioration of the loan portfolios.

The Group is convinced that the continuous focus on executing its specialist strategy of Consumer and SME lending ("focus areas") in the CSEE region and its rigorous commitment to digital transformation, will minimize the negative impacts from the current economic situation.

From the liquidity perspective the Group holds a very strong position and the impacts of the pandemic did not cause any material liquidity outflows. Even if a very unfavorable liquidity scenario would materialize going forward the Group has sufficient liquidity reserves at the level of the Addiko Bank AG as well as in each subsidiary in the form of placements at the ECB and the money markets.

In terms of capital generation and distributions, the current RWA requirements are expected to remain stable, reflecting the lower new business volumes driven by lower demand. As a consequence, the bank's capital position is expected to remain very strong, with a current fully-loaded CET1 ratio of 18.5% which is an increase from 17.1% at year end 2019. The Management Board already deducted the previously announced and earmarked full-year 2019 dividend of EUR 40.0 million. The distribution is subject to the regulatory decisions and Management Board of Addiko Bank AG remains fully com-mitted to follow its initially communicated dividend proposal aiming at a conditional dividend decision at the up-coming AGM on 27 November 2020.

In summary, for the full year 2020 the Group expects:

- Gross performing loans to amount to ca. EUR 3.6 billion
- Net Banking Income to be 7 - 10% below the level for the year 2019
- Operating expenses to remain below EUR 175 million
- Credit loss expenses on financial assets to be in the range of 1.1% to 1.5% on average net loans and advances to customers
- CET1 Ratio to be above 19% on a transitional basis (with the previously proposed 2019 dividend already being de-ducted)

6. Financial development of the Group

6.1. Detailed analysis of the consolidated profit or loss statement

EUR m

	01.01. - 30.09.2020	01.01. - 30.09.2019	(%)
Net banking income	176.0	186.3	-5.5%
Net interest income	131.7	136.7	-3.6%
Net fee and commission income	44.3	49.6	-10.8%
Net result on financial instruments	6.1	9.3	-34.3%
Other operating result	-14.6	-24.9	41.3%
Operating income	**167.5**	**170.7**	**-1.9%**
Operating expenses	**-125.1**	**-142.1**	**12.0%**
Operating result before change in credit loss expense	**42.4**	**28.6**	**48.2%**
Credit loss expenses on financial assets	-37.8	0.5	>-100%
Operating result before tax	**4.6**	**29.2**	**>-100%**
Tax on income	-11.1	-5.8	>-100%
Result after tax	**-6.4**	**23.4**	**>-100%**

Net interest income decreased from EUR 136.7 million at 3Q19, by EUR -4.9 million, or -3.6%, to EUR 131.7 million at 3Q20. The decrease in interest income, lower by EUR -9.2 million from EUR 158.1 million at 3Q19 to EUR 148.9 million at 3Q20, is due to the restrictive consumer lending regulations introduced during 2019, the Covid-19 impact on new loans disbursements in the focus segments and the planned run down of non-focus portfolio. Furthermore, the decline in interest income reflects lower yields in the bond portfolio, in connection with the current interest rate environment. The negative impact in interest income was partially compensated by the decrease in interest ex-penses from EUR -21.4 million at 3Q19, by EUR -4.3 million, to EUR -17.2 million at 3Q20, predominantly resulting from lower interest expenses for customer deposit for EUR -4.9 million, mainly caused by a shift from higher yield term deposits to lower yield current deposits. The **net in-terest margin** remains stable at 294bp at 3Q20, compared to 296bp at 3Q19.

Net fee and commission income decreased to an amount of EUR 44.3 million (3Q19: EUR 49.6 million). Thereof, fee and commission income decreased from EUR 61.4 million at 3Q19 to EUR 55.3 million at 3Q20, whereas fee and commission expenses stayed stable at EUR -11.0 million at 3Q20 compared to EUR -11.7 million at 3Q19. The decrease in fee and commission income was connected with the Covid-19 outbreak and is mainly visi-ble on card operations as well as transactions, where fewer withdrawals and payments has been made by cus-tomers. This effect is partly compensated by the increase in accounts & packages.

Net result on financial instruments amounts to EUR 6.1 million at 3Q20, compared to EUR 9.3 million at 3Q19. In 2020 the positive impact from the sale of bonds in the amount of EUR 7.9 million was partially compensated by the effect of moratoria related modification in the amount of EUR -1.7 million. In 2019 the position included EUR 4.3 million from the sale of financial instruments which the Group obtained within the extraordinary administration procedures of a large Croatian retailer and EUR 4.9 million from the sale of bonds.

Other operating result as the sum of other operating income and other operating expense improved from EUR -24.9 million at 3Q19, by EUR 10.3 million, to EUR -14.6 million at 3Q20. This position includes the following significant items:

- Front-loaded recognition of the expenses for the recovery and resolution fund which remained stable compared with the previous year (3Q20: EUR -1.4 million, 3Q19: EUR -1.3 million);
- Deposit guarantee expenses for the three quarters 2020 slightly decreased to EUR -6.0 million (3Q19: EUR -6.8 million);
- Restructuring costs increasing from EUR -2.3 million to EUR -3.8 million connected with the recent changes in the management board structure of Addiko Bank AG and with further cost optimisation initiatives resulting from predominantly back office optimisation and branch closures;
- Result from legal disputes in amount of EUR -1.5 million, was positively influenced by the collection of EUR 1.9 million in the second quarter of 2020 from the final court decision in favor of one entity of Addiko Group in relation to a past damage claim. The result from legal disputes in the comparative period amounted to EUR -9.6 million and was mainly driven by the legal matters on CHF currency clauses in Croatia, which were partially compensated by the release of provisions in connection with the active settlement strategy for long term lasting court cases.

Operating expenses decreased from EUR -142.1 million at 3Q19 by EUR 17.0 million or 12.0% to EUR -125.1 million at the current reporting date:

- Personnel expenses declined compared to the previous period from EUR -73.4 million at 3Q19 to EUR -63.1 million at 3Q20. The decrease reflects the efficiency and right sizing programs conducted during 2019, which were leading to a decrease of employees expressed in full-time equivalent ('FTE') by 180.4 compared to 30 September 2019. Furthermore, in the light of the current environment the Management Board waived any potential bonuses for 2020 (3Q19: EUR -7.2 million).
- Other administrative expenses decreased from EUR -54.8 million at 3Q19 by EUR 7.7 million or 14.0% to EUR -47.1 million at 3Q20. This development was mainly driven by lower advertising costs with marketing campaigns partially cancelled as a result of Covid-19 (3Q20: EUR -3.5 million, 3Q19: EUR -5.9 million) as well as lower other administrative expenses (3Q20: EUR -5.6 million, 3Q19: EUR -9.5 million), which included in 3Q19 EUR - 2.0 million costs for capital market readiness.
- Depreciation and amortisation slightly increased from EUR -13.9 million at 3Q19, by EUR -1.0 million, to EUR -14.9 million at 3Q20.

Credit loss expenses on financial assets amount to EUR -37.8 million (3Q19: EUR 0.5 million). The 3Q20 result was significantly influenced by the Covid-19 pandemic. The increase of risk provisions is mainly driven by the update of the macroeconomic scenarios used to calculate expected credit loss (ECL), which was performed in June by taking into account the most recent macroeconomic forecasts provided by the Vienna Institute for International Economic Studies, whereas the increase of provision due to regular business activities amounts to EUR 15.9 million.

Tax on income amounts to EUR -11.1 million at 3Q20 compared to EUR -5.8 million at 3Q19 and also include the expected impact of the Covid-19 pandemic on the future profitability of the group, reflecting a reversal of recognition of deferred taxes on tax losses carried forward resulting in an expense of EUR -6.5 million. This impact is connected with the fact that the tax loss carried forward in most of the countries where the Group operates will expire in 2020 or in 2021.

6.2. Detailed analysis of the statement of financial position

EUR m

	30.09.2020	31.12.2019	Change (%)
Cash reserves	995.7	899.4	10.7%
Financial assets held for trading	38.4	38.5	-0.1%
Loans and receivables	3,704.1	3,885.9	-4.7%
Loans and advances to credit institutions	25.1	14.0	>100%
Loans and advances to customers	3,679.0	3,871.9	-5.0%
Investment securities	984.1	1,096.6	-10.3%
Tangible assets	78.6	85.9	-8.4%
Intangible assets	27.4	27.9	-1.9%
Tax assets	19.0	25.7	-26.2%
Current tax assets	3.6	1.8	95.3%
Deferred tax assets	15.3	23.9	-35.4%
Other assets	18.9	20.6	-8.3%
Non-current assets and disposal groups classified as held for sale	2.9	3.1	-7.9%
Total assets	**5,869.2**	**6,083.6**	**-3.5%**

The statement of financial position of Addiko Group shows the simple and solid interest-bearing asset structure: more than 62.7% of the assets are represented by customer loans, most of which belong to the focus area. In addition, a substantial part of the residual assets is represented by cash reserves and high rated bonds. With regard to the statement of financial position, Addiko's strategy continued to change the business composition from lower margin Mortgage lending, Large Corporate and Public Finance towards higher value-added Consumer and SME lending. This is reflected by the increased share of these two segments of 63.8% of the gross performing loan book (3Q19: 61.1%).

As of 3Q20 the **total assets** of Addiko Group in the amount of EUR 5,869.2 million decreased by EUR -214.5 million or -3.5% compared with the YE19 level (EUR 6,083.6 million). The total risk, i.e. risk-weighted assets including credit, market and operational risk, (Basel III considering IFRS 9 transitional arrangements) decreased to EUR 4,161.6 million (YE19: EUR 4,571.5 million) reflecting the decrease of volumes and the relief measures introduced in CRR as response to Covid-19.

Cash reserve increased by EUR 96.4 million to EUR 995.7 million as of 30 September 2020 (YE19: EUR 899.4 million). This reflects the strong liquidity position of the Group.

Loans and receivables decreased to EUR 3,704.1 million from EUR 3,885.9 million at year end 2019:

- Loans and receivables to credit institutions (net) increased by EUR 11.0 million to EUR 25.1 million (YE19: EUR 14.0 million).
- Loans and receivables to customers (net) decreased by EUR -192.9 million to EUR 3,679.0 million (YE19: EUR 3,871.9 million). The change was mainly in the non-focus segments with Mortgage Business and Large Corporate and Public Finance decreasing from EUR 1,497.2 million at year-end 2019 to EUR 1,346.6 million, which could not be compensated by the new disbursements in the focus segments, Consumer and SME lending, remaining stable at EUR 2,323.1 million (YE19: EUR 2,369.4 million).

Investment securities decreased from EUR 1,096.6 million at YE19 to EUR 984.1 million at 3Q20. They are largely invested in high rated government bonds and have maturities of less than five years. To ensure high levels of liquidity and transparency in the securities portfolios, all investments are "plain vanilla" without any embedded options or other structured features.

Tax assets decreased to EUR 19.0 million (YE19: EUR 25.7 million), as a consequence of the re-assessment of deferred tax assets on tax loss carried forward (3Q20: EUR 6.2 million), this development is partially offset by the Covid-19 related market turmoil, which was leading to an additional recognition of deferred taxes on debt instruments accounted at FVTOCI.

Other assets decreased to EUR 18.9 million (YE19: EUR 20.6 million). The main amounts in this position are related to prepaid expenses and accruals (3Q20: EUR 11.6 million; YE19: EUR 11.4 million), furthermore, receivables for paid in deposits and receivables from card business are included.

EUR m

	30.09.2020	31.12.2019	Change (%)
Financial liabilities held for trading	7.4	6.0	23.6%
Financial liabilities measured at amortised cost	4,934.5	5,121.6	-3.7%
Deposits of credit institutions	203.2	233.9	-13.1%
Deposits of customers	4,682.9	4,831.2	-3.1%
Issued bonds, subordinated and supplementary capital	0.1	0.1	0.1%
Other financial liabilities	48.4	56.4	-14.3%
Provisions	60.0	66.9	-10.3%
Other liabilities	27.6	27.9	-0.8%
Equity	839.6	861.3	-2.5%
Total equity and liabilities	**5,869.2**	**6,083.6**	**-3.5%**

On the liabilities' side, **financial liabilities measured at amortised cost** slightly decreased to EUR 4,934.5 million from EUR 5,121.6 million at year end 2019:

- Deposits of credit institutions slightly decreased from EUR 233.9 million at YE19 to EUR 203.2 million as of 3Q20.
- Deposits of customers decreased to EUR 4,682.9 million (YE19: EUR 4,831.2 million).
- Other financial liabilities decreased from EUR 56.4 million at YE19 to EUR 48.4 million at 3Q20.

Provisions decreased from EUR 66.9 million at YE19 to EUR 60.0 million at 3Q20. The development was primarily influenced by the payout of the bonus 2019 in certain countries, whereas no bonus provision was built for 2020. Furthermore, the provisions for legal cases decreased in 2020.

Other liabilities decreased slightly from EUR 27.9 million at YE19 to EUR 27.6 million in 3Q20 and mainly include accruals for services received but not yet invoiced (3Q20: EUR 26.7 million, YE19: EUR 27.0 million) as well as liabilities for salaries and salary compensations not yet paid.

The development of **equity** from EUR 861.3 million to EUR 839.6 million is reflecting the total comprehensive income, which includes the profit and loss for the reporting period in the amount of EUR -6.4 million as well as changes in other comprehensive income in the amount of EUR -15.2 million. These changes were mainly due to market related movements from debt and equity instruments measured at FVTOCI (EUR -8.9 million) and from the changes of the FX reserves (EUR -6.2 million).

The **capital base** of Addiko Group is solely made up of CET1 and stands at 19.2% (YE19: 17.7%) on a IFRS 9 transitional basis and at 18.5% without applying IFRS 9 transitional rules (YE19: 17.1%), well above the Overall Capital Requirements of 14.6% based on the currently valid SREP 2019 decision received in May 2020. The increase in the total capital adequacy derives mainly from the RWA reduction, driven by the lower volumes generated in the first three quarters 2020 as well to the RWAs measures introduced by the EU as response to Covid-19. In the regulatory capital calculation, the Group continues to deduct the 2019 dividend proposal of EUR 40.0 million which has not yet been paid out following the recommendation of the ECB. As part of the received SREP decision, a P2G in the amount of 4.0% additional CET has been recommended. The FMA has requested Addiko Bank AG to present a capital plan by February 2021, which explains how and in what timeframe the P2G recommendation will be complied with.

The **liquidity position** of the Group remains strong, with LTD ratio (net) of 78.6% (YE19: 80.1%) and LCR of 210.4% (YE19: 175.4%), thus meeting the liquidity indicators high above the regulatory requirements, as well as confirming the low liquidity risk tolerance of the Group.

Segment reporting

As of 1 January 2020, Addiko reports the segments "Mortgage" and "Consumer" as two separate segments. At 31 December 2019 these two segments were shown as parts of the Retail segment without separation of the position "operating expenses". This new presentation is aimed to enhance the visibility of the development of the strategic focus areas. Comparative figures have been adapted accordingly.

EUR m

30.09.2020	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	107.2	30.3	14.2	11.1	5.0	8.2	176.0
Net interest income	79.3	18.3	14.2	7.3	4.2	8.5	131.7
o/w regular interest income	72.9	21.9	19.0	9.9	2.9	12.9	139.5
Net fee and commission income	28.0	12.0	0.0	3.8	0.8	-0.3	44.3
Net result from financial instruments	0.0	0.0	0.0	0.0	0.0	6.1	6.1
Other operating result	0.0	0.0	0.0	0.0	0.0	-14.6	-14.6
Operating income	**107.2**	**30.3**	**14.2**	**11.1**	**5.0**	**-0.3**	**167.5**
Operating expenses	**-60.3**	**-18.6**	**-1.0**	**-3.7**	**-1.6**	**-40.0**	**-125.1**
Operating result before change in credit loss expense	**47.0**	**11.7**	**13.2**	**7.4**	**3.4**	**-40.3**	**42.4**
Credit loss expenses on financial assets	-20.8	-11.4	-5.8	-0.4	0.2	0.4	-37.8
Operating result before tax	**26.1**	**0.2**	**7.4**	**7.0**	**3.6**	**-39.9**	**4.6**
Business volume							
Net loans and receivables	1,269.4	1,053.7	674.8	532.0	139.8	34.3	3,704.1
o/w gross performing loans customers	1,307.7	1,047.8	664.5	531.7	140.2		3,691.9
Gross disbursements	218.1	326.8	0.9	141.1	3.8		690.7
Financial liabilities at AC [1]	2,637.6	774.2		356.5	429.1	737.1	4,934.5
RWA [2]	955.9	882.2	399.2	574.9	82.4	660.9	3,555.6
Key ratios							
Net interest margin (NIM) [3]	5.9%	2.2%	1.5%	1.4%	1.2%		2.9%
Cost/Income Ratio	56.2%	61.4%	6.9%	33.1%	31.1%		71.1%
Cost of risk ratio	-1.4%	-0.7%	-0.8%	0.0%	0.1%		-0.7%
Loan to deposit ratio	48.1%	136.1%	-	149.2%	32.6%		78.6%
NPE ratio (CRB based)	5.1%	4.0%	11.4%	2.1%	0.6%		4.9%
NPE coverage ratio	86.9%	70.7%	68.2%	56.0%	46.3%		73.7%
NPE collateral coverage	14.6%	57.3%	73.0%	59.5%	51.6%		49.8%
Change CL/GPL (simply Ø)	-1.6%	-1.1%	-0.8%	-0.1%	0.1%		-1.0%
Yield GPL (simply Ø)	7.4%	2.8%	3.6%	2.4%	2.6%		4.5%

[1] Financial liabilities at AC at 3Q20 include the Direct deposits (Austria/Germany) amounting to EUR 415 million, EUR 203 million Deposits of credit institutions, EUR 119 million Other [2] Includes only credit risk (without application of IFRS 9 transitional rules) [3] Net interest margin annualised on segment level is sum of interest income (without interest income on NPE) and expenses including funds transfer pricing divided by the respective average business volume using daily balances.

The business volumes presented in the table below show figures as of 30 September 2019.

EUR m

30.09.2019	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	109.9	31.0	18.1	12.6	6.1	8.6	186.3
Net interest income	78.6	17.8	18.1	8.2	5.0	8.9	136.7
o/w regular interest income	69.5	21.8	23.5	10.8	3.7	16.1	145.4
Net fee and commission income	31.4	13.1	0.0	4.3	1.0	-0.2	49.6
Net result from financial instruments	0.0	0.0	0.0	0.0	0.0	9.3	9.3
Other operating result	0.0	0.0	0.0	0.0	0.0	-24.9	-24.9
Operating income	**109.9**	**31.0**	**18.1**	**12.6**	**6.1**	**-6.9**	**170.7**
Operating expenses	**-64.8**	**-17.3**	**-1.5**	**-3.3**	**-1.6**	**-53.6**	**-142.1**
Operating result before change in credit loss expense	**45.2**	**13.6**	**16.6**	**9.3**	**4.4**	**-60.5**	**28.6**
Credit loss expenses on financial assets	-17.1	-1.8	5.7	6.0	1.2	6.4	0.5
Operating result before tax	**28.1**	**11.9**	**22.4**	**15.3**	**5.6**	**-54.1**	**29.2**
Business volume							
Net loans and receivables	1,275.9	1,070.5	788.8	597.0	166.8	14.7	3,913.7
o/w gross performing loans customers	1,313.2	1,066.7	772.8	578.3	165.3		3,896.3
Gross disbursements	479.9	471.1	8.6	220.3	3.0		1,182.9
Financial liabilities at AC [1]	2,743.0	724.5		433.0	558.5	759.7	5,218.8
RWA [2]	962.2	978.0	492.9	615.8	95.4	934.6	4,079.0
Key ratios							
Net interest margin (NIM) [3]	6.1%	2.3%	1.7%	1.5%	1.2%		3.0%
Cost/Income Ratio	58.9%	56.0%	8.1%	25.9%	27.2%		76.3%
Cost of risk ratio	-1.1%	-0.1%	0.6%	0.7%	0.6%		0.0%
Loan to deposit ratio	46.5%	147.8%	-	137.9%	29.9%		79.5%
NPE ratio (CRB based)	6.1%	3.9%	13.2%	3.3%	5.5%		6.0%
NPE coverage ratio	92.0%	67.2%	73.5%	48.8%	70.5%		75.3%
NPE collateral coverage	16.2%	65.6%	58.9%	66.5%	61.4%		48.7%
Change CL/GPL (simply Ø)	-1.4%	0.2%	0.7%	-1.0%	-0.7%		0.0%
Yield GPL (simply Ø)	7.4%	2.9%	3.8%	2.5%	2.8%		4.5%

[1] Financial liabilities at AC at 3Q19 include the Direct deposits (Austria/Germany) amounting to EUR 390 million, EUR 254 million Deposits of credit institutions, EUR 116 million Other [2] Includes only credit risk (without application of IFRS 9 transitional rules) [3] Net interest margin annualised on segment level is sum of interest income (without interest income on NPE) and expenses including funds transfer pricing divided by the respective average business volume using daily balances

The segment reporting presents the results of the operating business segments of Addiko Bank, prepared based on the internal reports used by Management to assess performance of the segments and used as a source for decision making. The business segmentation is subdivided into high value adding Consumer and SME Business, which are the focus segments and into non-focus segments, which are Large Corporates, Public Finance and Retail Mortgages.

Consumer 3Q20 Business review

Addiko Bank's strategy is to offer straightforward banking, focusing on products for the essential needs of customers, unsecured loans and payments, delivered efficiently and communicated in a simple and transparent manner. The Bank delivers on its brand promise of a small, focused product set designed to deliver the essential banking needs to its target customers. Addiko Bank puts significant efforts in building digital capabilities and is recognised in its markets as a digital challenger. Addiko Bank Croatia offers E2E account opening and lending capabilities to the new to bank customers as part of the Virtual Branch available since the beginning of 2019. Recently Addiko Bank Serbia added E2E account opening to the existing digital lending capabilities provided for the existing customers. In the context of the Covid-19 crises, various processes were moved to alternative channels, in order to respond to the social distancing requirements and changing customer preferences.

The operating result before change in credit loss expense in 3Q20 amounted to EUR 47.0 million, which is 3.9% higher than in 3Q19, driven by significant decrease in operating expenses by EUR 4.5 million (-6.9%) supported by the execution of back-office optimisation and branch closure program by the end of 2019 as well as less spending of marketing costs in 2020.

From the second half of the first quarter onwards Addiko Bank was heavily impacted by the lockdown from Covid-19. As a result, the demand for loans and the number of transactions significantly dropped. The period after the lockdown was marked by a gradual recovery towards the end of the third quarter, with results still below precrisis period. The most impacted market was Serbia, where the implementation of the opt-out moratorium for all unsecured lending products, practically stopped the loan disbursement. During 3Q20 constant monitoring and balancing of underwriting rules was in place. The goal was to balance new business and acquisition with risk costs in the future. This approach is used in targeting the new customers for ensuring a better customer experience even in the context of the crisis.

All Addiko entities continued to promote personalized lending offers to the existing customer base, in addition to the improved digital experience. 3Q20 was marked by a positive trend in digital adoption. Moreover, the digital engagement of the mobile customers significantly improved in the context of the Covid-19 crisis, proving the good reputation and capabilities of the mobile app throughout all Addiko entities.

In comparison to 3Q19 the net interest income increased by EUR 0.7 million to EUR 79.3 million (3Q19: EUR 78.6 million) at a NIM of 5.9%. The net fee and commission income decreased by EUR 3.4 million to EUR 28.0 million in 3Q20 compared to EUR 31.4 million in 3Q19, due to lower commission income (EUR -3.6 million) driven by Bancassurance, Cards and FX&DCC categories and is impacted by the Covid-19 crisis. With lower costs and stable income, the Cost/Income ratio improved by 2.7% to 56.2% (3Q19: 58.9%).

Gross disbursements were lower in 3Q20 in comparison with the comparative period mainly influenced by the Covid-19 crisis. Consequently, the 3Q20 consumer gross performing loans are lower by -0.4% compared to 3Q19 (-2.5% compared to YE19). The NPE ratio is lower by 1.0 pts showing the focus on the quality of the portfolio. The operating result before tax amounts to EUR 26.1 million (3Q19: EUR 28.1 million), which is 7.0% lower than in 3Q19 due to higher allocations to risk provision of EUR 3.7 million compared to the same period last year.

SME 3Q20 Business review

Net interest income increased in 3Q20 from EUR 17.8 million in 3Q19, by EUR 0.5 million, or 2.7%, to EUR 18.3 million with a stable NIM at 2.2%. Net fee and commission income decreased by 8.8% compared to 3Q19, mainly arising from a drop in transactions as a result of decreased economic activity due to the Covid-19 crisis in 2020. Operating expenses increased by EUR 1.3 million compared to 3Q19. The SME segment has generated EUR 0.2 million operating result before tax which is impacted by increased credit losses in 2020. This increase is strongly impacted by the updated macroeconomic scenarios included in the provisioning model, which resulted in an increase of provisions coverage for exposures in stage 1 and stage 2, as well as increased portfolio migrations from stage 1 to stage 2. In the third quarter of 2020 the SME loan book was characterised by a gross performing loan decrease of 1.8% compared to 3Q19 period (-1.1% compared to YE19) influenced by lower disbursements as consequence of Covid-19 crisis and significantly reduced repayments due to state moratoria as well as reduced refinancing activities from competitors. The NPE ratio compared with 3Q19 remained on a very low level of 4.0% (3Q19: 3.9%), showing the overall solid quality of the portfolio.

Mortgage 3Q20 Business review

The mortgage segment is a strategic run-down portfolio. This is reflected in the operating result before change in credit loss expense which in 3Q20 amounts to EUR 13.2 million, reflecting a 20.6% decreased in comparison with EUR 16.6 million at 3Q19, mainly driven by EUR 108.3 million lower gross loans and consequently lower net interest income.

Lower operating expenses in the amount of EUR 0.5 million compared to 3Q19. The lower NPE ratio shows positive trend in the remaining portfolio quality.

Large Corporates 3Q20 Business review

As a non-focus segment Large Corporates records a slightly lower loan book portfolio as well as income in comparison with the comparative period. The NIM is stable at 1.4%. Net fee and commission income amounts to EUR 3.8 million (3Q19: EUR 4.3 million) and decreased mainly due to lower transactions as a result of the decreased economic activity due to the Covid-19 crisis and a lower ultimo volume balance. The operating result before tax at EUR 7.0 million (3Q19: EUR 15.3 million) was impacted by allocations for risk provision in the amount of EUR -6.4 million compared to 3Q19. The non-performing exposure significantly decreased from EUR 27.1 million in 3Q19 (YE19: EUR 22.8 million) to EUR 16.4 million in 3Q20 evidencing the Group focus on a de-risked asset base. The NPE ratio decreased from 3.3% to 2.1%.

Public Finance 3Q20 Business review

The net interest income in 3Q20 amounts to EUR 4.2 million (3Q19: EUR 5.0 million), with NIM at 1.2% (3Q19: 1.2%). The decrease in net interest income occurred due to the strategic run-down of the portfolio (-15.2% in gross performing loans compared to 3Q19; -8.7% compared to YE19). Net fee and commission income decreased by EUR -0.3 million compared to the comparative period and amounts to EUR 0.8 million (3Q19: EUR 1.0 million). The Public Finance segment has generated EUR 3.4 million operating result before change in credit loss expense (3Q19: EUR 4.4 million) and EUR 3.6 million operating result before tax in 3Q20 (3Q19: EUR 5.6 million). The Cost/Income Ratio increased slightly to 31.1% (3Q19: 27.2%) due to lower operating income, whereby the cost basis decreased by 6.0%.

Due to the strategy to decrease the lending activity in this segment, the credit risk bearing exposure of the segment further decreased and amounts to EUR 171.9 million (3Q19: EUR 214.6 million). The NPE ratio strongly decreased in 3Q20 and shows a low NPE share in the portfolio of 0.6% (3Q19: 5.5%).

Corporate Center 3Q20 Business review

Net interest income in 3Q20 amounts to EUR 8.5 million (3Q19: EUR 8.9 million) driven by a decrease of interest income from the Treasury bond portfolio mainly related to lower yields reflecting the current interest rate environment. The drop of net result from financial instruments which in 3Q20 amounted to EUR 6.1 million (3Q19: EUR 9.3 million) was driven by a positive one-of effect in 2019 (sale of Agrokor EUR +4.3 million) and adaption of net present value of loans due to moratoria in 2020 (EUR -1.7 million). The other operating result in 3Q20 amounted to EUR -14.6 million (3Q19: EUR -24.9 million) driven by provision expenses in relation to legal matters on CHF currency clauses in Croatia in 2019.Operating expenses decrease in 3Q20 from EUR -53.6 million in 3Q19, by EUR 13.6 million, to EUR -40.0 million and clearly show the high commitment for the cost reduction strategy.

7. Summary of consolidated statement of profit or loss

EUR m

	01.01. - 30.09.2020	01.01. - 30.09.2019
Interest income calculated using the effective interest method	146.9	155.5
Other interest income	2.0	2.5
Interest expenses	-17.2	-21.4
Net interest income	131.7	136.7
Fee and commission income	55.3	61.4
Fee and commission expenses	-11.0	-11.7
Net fee and commission income	44.3	49.6
Net result on financial instruments	6.1	9.3
Other operating income	9.2	9.6
Other operating expenses	-23.9	-34.5
Operating income	**167.5**	**170.7**
Personnel expenses	-63.1	-73.4
Other administrative expenses	-47.1	-54.8
Depreciation and amortisation	-14.9	-13.9
Operating expenses	**-125.1**	**-142.1**
Operating result before change in credit loss expense	**42.4**	**28.6**
Credit loss expenses on financial assets	-37.8	0.5
Operating result before tax	**4.6**	**29.2**
Tax on income	-11.1	-5.8
Result after tax	**-6.4**	**23.4**
thereof attributable to equity holders of parent	-6.4	23.4

EUR m

	01.01. - 30.09.2020	01.01. - 30.09.2019
Result after tax	**-6.4**	**23.4**
Other comprehensive income	**-15.2**	**23.9**
Items that will not be reclassified to profit or loss	**0.2**	**1.1**
Fair value reserve - equity instruments	0.2	1.1
Net change in fair value	0.2	1.3
Income Tax	0.0	-0.2
Items that may be reclassified to profit or loss	**-15.4**	**22.8**
Foreign currency translation	-6.2	1.1
Gains/losses of the current period	-6.2	1.1
Fair value reserve - debt instruments	-9.2	21.7
Net change in fair value	-12.0	30.9
Net amount transferred to profit or loss	1.5	-6.3
Income Tax	1.4	-3.0
Total comprehensive income for the year	**-21.7**	**47.2**
thereof attributable to equity holders of parent	-21.7	47.2

8. Summary of consolidated statement of financial position

EUR m

	30.09.2020	31.12.2019
Assets		
Cash reserves	995.7	899.4
Financial assets held for trading	38.4	38.5
Loans and receivables	3,704.1	3,885.9
Loans and advances to credit institutions	25.1	14.0
Loans and advances to customers	3,679.0	3,871.9
Investment securities	984.1	1,096.6
Tangible assets	78.6	85.9
Property, plant and equipment	74.8	81.8
Investment property	3.9	4.1
Intangible assets	27.4	27.9
Tax assets	19.0	25.7
Current tax assets	3.6	1.8
Deferred tax assets	15.3	23.9
Other assets	18.9	20.6
Non-current assets and disposal groups classified as held for sale	2.9	3.1
Total assets	**5,869.2**	**6,083.6**
Equity and liabilities		
Financial liabilities held for trading	7.4	6.0
Financial liabilities measured at amortised cost	4,934.5	5,121.6
Deposits of credit institutions	203.2	233.9
Deposits of customers	4,682.9	4,831.2
Issued bonds, subordinated and supplementary capital	0.1	0.1
Other financial liabilities	48.4	56.4
Provisions	60.0	66.9
Other liabilities	27.6	27.9
Equity	839.6	861.3
thereof attributable to equity holders of parent	839.6	861.3
Total equity and liabilities	**5,869.2**	**6,083.6**

9. Accounting treatment of issues related to Covid-19

9.1. Public moratoria and modification of financial instruments

In the beginning of March, the World Health Organisation declared the Covid-19 outbreak as a global pandemic which is having a massive impact on world trade, leading to sudden supply- and demand shocks and market volatility. All countries where Addiko Group operates have taken a variety of measures, aimed at addressing the economic consequences of the outbreak on individuals, households and businesses. Such measures included public moratoria on repayment of loans, leading to payment holidays between three to twelve months. Further, some banks were offering renegotiations of repayment schedules and payment holidays on a voluntary basis to customers facing liquidity shortages.

Both, public moratoria and voluntarily granted payment holidays modify contractual cash flows of the related financial asset and are therefore treated as contractual modifications within the meaning of IFRS 9.

For financial instrument not measured at FVTPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in the profit or loss statement. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original effective interest rate. Contractual modifications would only lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument if the modified terms are substantially different from the original terms.

Based on the set of criteria developed by Addiko Group to assess whether or not a modification is substantial, an analysis was conducted in each country which lead to the result that the public moratoria and payment holidays applied in the first three quarters 2020 in Addiko Group did not lead to derecognition. In particular this is because the moratoria and payment holidays are typically below one year and, in most cases, the contractual interest continues to accrue on the outstanding balance during the suspension phase. Nevertheless, in many cases an economic loss is incurred and modification losses are recognised from accounting perspective. This results from the fact that the interest accrued, instead of being repaid or capitalised at the end of the moratorium, is repaid over the period after the moratorium.

10. Credit risk

10.1. Allocation of credit risk exposure within the Group

As at 30 September 2020, the overall gross exposure within the Group shows a decrease compared to 31 December 2019 (decrease by EUR 219.9 million). Reductions in the exposures are recognised in all Addiko Entities except in Addiko Bank Serbia as well as in Addiko in Bosnia and Herzegovina. Due to an executed re-segmentation of clients during first quarter of 2020, a shift of portfolio from core segments to the non-core segments is recognized, come along with an overall reduction of the core and non core portfolio since beginning of the year. Within the Group, credit risk exposure split per country is presented in the table below.

EUR m

	30.09.2020	31.12.2019
Addiko Croatia	2,569.1	2,702.8
Addiko Slovenia	1,703.8	1,773.4
Addiko Serbia	1,028.2	1,001.4
Addiko in Bosnia and Herzegovina	1,076.5	1,076.5
Addiko Montenegro	227.4	252.4
Addiko Holding	233.7	252.0
Total	**6,838.6**	**7,058.5**

10.2. Credit risk exposure by rating class

At 30 September 2020 25.5% (YE19: 24.9%) of the exposure is categorised as rating classes 1A to 1E.

During 2020 the NPE stock reduced by EUR 28.9 million, mainly in the Consumer and Mortgage portfolio in Addiko Bank Sarajevo and Addiko Bank Banja Luka as a result of write offs as well as due to collection effects in a majority of the countries. In addition, migrations of SME and Large Corporate clients to Watch are the results of the worsening of the macro-economic situation.

The following table shows the exposure by rating classes and market segment as of 30 September 2020:

EUR m

30.09.2020	1A-1E	2A-2E	3A-3E	Watch	NPE	No rating	Total
Consumer	195.1	801.2	270.5	145.1	75.6	7.0	1,494.6
SME	168.7	826.8	567.3	93.4	68.8	3.8	1,728.7
Non-Focus	490.1	721.2	288.2	84.0	103.2	0.9	1,687.7
o/w Large Corporate	131.8	381.0	202.6	34.0	16.4	0.5	766.4
o/w Mortgage	319.5	264.3	41.1	38.3	85.7	0.4	749.4
o/w Public Finance	38.8	75.9	44.4	11.7	1.0	0.1	171.9
Corporate Center	889.4	883.1	155.1	0.0	0.0	0.0	1,927.6
Total	**1,743.3**	**3,232.4**	**1,281.1**	**322.5**	**247.6**	**11.7**	**6,838.6**

[1)] Corporate Center includes financial institutions considering National Bank exposure, deposits as well as securities.

EUR m

31.12.2019	1A-1E	2A-2E	3A-3E	Watch	NPE	No rating	Total
Consumer	193.9	858.5	251.1	130.5	84.3	13.2	1,531.5
SME	156.9	909.2	571.9	50.8	69.3	0.6	1,758.6
Non-Focus	461.7	874.7	330.7	45.6	122.9	3.6	1,839.1
o/w Large Corporate	83.6	453.7	247.8	2.6	22.8	0.1	810.6
o/w Mortgage	336.9	325.7	42.2	34.2	94.6	3.4	837.0
o/w Public Finance	41.2	95.3	40.7	8.8	5.5	0.0	191.5
Corporate Center[1)]	944.1	847.9	136.4	0.0	0.0	0.9	1,929.3
Total	**1,756.7**	**3,490.2**	**1,290.0**	**226.8**	**276.5**	**18.3**	**7,058.5**

[1)] Corporate Center includes financial institutions considering National Bank exposure, deposits as well as securities.

10.3. Presentation of exposure by overdue days

EUR m

30.09.2020	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,382.3	42.1	5.6	5.2	59.3	1,494.6
SME	1,553.8	116.5	5.6	3.1	49.7	1,728.7
Non-Focus	1,550.8	54.1	2.0	2.0	78.8	1,687.7
o/w Large Corporate	732.4	22.4	0.1	0.0	11.5	766.4
o/w Mortgage	655.5	23.1	1.9	2.0	66.9	749.4
o/w Public Finance	162.9	8.6	0.0	0.0	0.4	171.9
Corporate Center	1,927.6	0.0	0.0	0.0	0.0	1,927.6
Total	**6,414.5**	**212.8**	**13.2**	**10.3**	**187.8**	**6,838.6**

EUR m

31.12.2019	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,424.6	28.6	5.3	4.1	68.9	1,531.5
SME	1,648.1	62.9	4.1	0.3	43.2	1,758.6
Non-Focus	1,679.4	64.7	3.2	1.7	90.1	1,839.1
o/w Large Corporate	764.2	34.6	0.1	0.0	11.7	810.6
o/w Mortgage	737.4	19.4	3.1	1.6	75.4	837.0
o/w Public Finance	177.9	10.7	0.0	0.1	2.9	191.5
Corporate Center	1,929.3	0.0	0.0	0.0	0.0	1,929.3
Total	**6,681.4**	**156.1**	**12.6**	**6.1**	**202.3**	**7,058.5**

10.4. Development of the coverage ratio

The coverage ratio 1 remains on the same level (73.7%) compared to the YE19 (73.8%). The slight reduction is resulting out of the performed write offs in the Consumer and Mortgage portfolio in Addiko Bank Sarajevo and Addiko Bank Banja Luka.

The following table shows the NPE and coverage ratio as at 3Q20:

EUR m

30.09.2020	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	Coverage Ratio 1	Coverage Ratio 3
Consumer	1,494.6	75.6	65.7	11.0	5.1%	5.4%	86.9%	101.5%
SME	1,728.7	68.8	48.7	39.4	4.0%	5.7%	70.7%	128.1%
Non Focus	1,687.7	103.2	68.1	72.9	6.1%	6.7%	66.0%	136.7%
o/w Large Corporate	766.4	16.4	9.2	9.8	2.1%	2.2%	56.0%	115.4%
o/w Mortgage	749.4	85.7	58.5	62.6	11.4%	11.4%	68.2%	141.2%
o/w Public Finance	171.9	1.0	0.5	0.5	0.6%	0.6%	46.3%	98.0%
Corporate Center	1,927.6	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.0%
Total	**6,838.6**	**247.6**	**182.5**	**123.3**	**3.6%**	**5.8%**	**73.7%**	**123.5%**
o/w Credit Risk Bearing	**5,053.9**	**247.6**	**182.5**	**123.3**	**4.9%**	**5.8%**	**73.7%**	**123.5%**

EUR m

31.12.2019	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	Coverage Ratio 1	Coverage Ratio 3
Consumer	1,531.5	84.3	77.5	12.0	5.5%	5.9%	91.9%	106.1%
SME	1,758.6	69.3	45.8	44.0	3.9%	5.6%	66.1%	129.6%
Non Focus	1,839.1	122.9	80.7	85.7	6.7%	7.4%	65.6%	135.4%
o/w Large Corporate	810.6	22.8	10.8	14.9	2.8%	3.0%	47.5%	112.5%
o/w Mortgage	837.0	94.6	66.8	66.2	11.3%	11.3%	70.7%	140.7%
o/w Public Finance	191.5	5.5	3.0	4.6	2.9%	3.2%	54.2%	138.4%
Corporate Center	1,929.3	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.0%
Total	**7,058.5**	**276.5**	**204.0**	**141.7**	**3.9%**	**6.2%**	**73.8%**	**125.0%**
o/w Credit Risk Bearing	**5,250.7**	**276.5**	**204.0**	**141.7**	**5.3%**	**6.2%**	**73.8%**	**125.0%**

The Credit Risk Bearing exposure does not include exposure towards National Banks as well as securities and derivatives.

10.5. Moratoria due to Covid-19

Based on intervention acts relating to the debt payment moratorium imposed by governments where Addiko operates, by the end of September 2020 54,043 such moratoria in the total amount of EUR 666.7 million, of which EUR 276.4 million to its SME clients and EUR 207.7 million to its consumer and EUR 80.5 million to its mortgage clients are still in place.

Most of these moratoria were concluded in April, while in some countries partially already in March 2020. It should be noted that Serbia implemented those schemes on an opt-out basis or Montenegro as strong obligatory measure, which means that a relatively large share of exposures have been included. Other countries like Bosnia and Hercegovina, Slovenia and Croatia, adopted an approach in which the decision to grant the moratoria is on the bank, based on client´s request, and therefore lower volumes have been requested.

The moratorium applies to a large group of obligors predefined on the basis of broad criteria (national law, business segment, product range, etc.) and envisages only changes to the schedule of payments, namely by suspending, post-poning or reducing the payments of principal amounts, interest or of full instalments, for a predefined limited period of time. Moratoria are granted for the period between 3 to 12 months, subject to applicable government measure.

As previously disclosed, Addiko has concluded so far that all moratoria introduced in the markets of operation fulfil the conditions as defined in the EBA guidelines published on 25 March and 2 April 2020. Relief offered to credit owners thus did not result in an automatic triggering of forbearance or default classification. However, Addiko Group continues to perform individual assessments whether there are other circumstances that would lead to forbearance or default classification.

The following table shows the amount of exposure under moratoria per market segment:

EUR m

30.09.2020	Performing		Non Performing		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL
Consumer	197.2	11.5	10.5	9.0	207.7	20.5
SME	275.0	5.9	1.4	0.8	276.4	6.7
Non Focus	174.7	5.4	7.9	4.5	182.6	9.9
o/w Large Corporate	91.8	0.8	0.1	0.1	91.8	0.9
o/w Mortgage	72.9	4.5	7.6	4.3	80.5	8.8
o/w Public Finance	10.1	0.1	0.2	0.2	10.3	0.2
Corporate Center	0.0	0.0	0.0	0.0	0.0	0.0
Total	**646.9**	**22.8**	**19.8**	**14.4**	**666.7**	**37.1**

EUR m

30.06.2020	Performing		Non Performing		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL
Consumer	278.3	14.9	12.0	10.1	290.3	25.0
SME	440.8	6.3	5.0	3.7	445.8	10.0
Non Focus	264.9	8.2	10.4	5.5	275.2	13.7
o/w Large Corporate	145.5	1.9	0.0	0.0	145.5	1.9
o/w Mortgage	97.2	5.9	10.0	5.3	107.2	11.3
o/w Public Finance	22.2	0.4	0.3	0.2	22.5	0.6
Corporate Center	0.0	0.0	0.0	0.0	0.0	0.0
Total	**984.0**	**29.3**	**27.4**	**19.4**	**1,011.3**	**48.8**

The following table shows the amount of exposure under moratoria per country:

EUR m

30.09.2020	Performing Exposure	Performing ECL	Non Performing Exposure	Non Performing ECL	Total Exposure	Total ECL
Addiko Croatia	72.8	1.1	1.3	0.7	74.1	1.8
Addiko Slovenia	121.9	3.8	1.5	1.0	123.4	4.8
Addiko Serbia	411.5	15.2	15.8	12.0	427.3	27.1
Addiko in Bosnia and Herzegovina	30.6	2.2	0.5	0.4	31.1	2.6
Addiko Montenegro	10.2	0.5	0.6	0.4	10.9	0.8
Addiko Holding	0.0	0.0	0.0	0.0	0.0	0.0
Total	**646.9**	**22.8**	**19.8**	**14.4**	**666.7**	**37.1**

EUR m

30.06.2020	Performing Exposure	Performing ECL	Non Performing Exposure	Non Performing ECL	Total Exposure	Total ECL
Addiko Croatia	154.1	3.0	2.9	1.2	157.0	4.3
Addiko Slovenia	131.7	3.4	1.2	0.8	132.9	4.2
Addiko Serbia	550.3	15.7	18.9	14.6	569.2	30.3
Addiko in Bosnia and Herzegovina	105.0	5.4	1.7	1.1	106.7	6.5
Addiko Montenegro	42.8	1.8	2.7	1.7	45.5	3.5
Addiko Holding	0.0	0.0	0.0	0.0	0.0	0.0
Total	**984.0**	**29.3**	**27.4**	**19.4**	**1,011.3**	**48.8**

11. Own funds and capital requirements

Own funds according to the CRR consist of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2). In order to determine the capital ratios, each respective capital component – after application of all regulatory deductions and filters – is considered in relation to the total risk. The determination of eligible total capital in accordance with the applicable regulations is based on international accounting standards.

The regulatory minimum capital ratios including the regulatory buffers as of 30 September 2020 and 31 December 2019 amount to:

	30.09.2020 CET1	30.09.2020 T1	30.09.2020 TCR	31.12.2019 CET1	31.12.2019 T1	31.12.2019 TCR
Pillar 1 requirement	4.50%	6.00%	8.00%	4.50%	6.00%	8.00%
Pillar 2 requirement	4.10%	4.10%	4.10%	4.10%	4.10%	4.10%
Total SREP Capital Requirement (TSCR)	**8.60%**	**10.10%**	**12.10%**	**8.60%**	**10.10%**	**12.10%**
Capital Conservation Buffer (CCB)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Counter-Cyclical Capital Buffer	0.00%	0.00%	0.00%	0.003%	0.003%	0.003%
Combined Buffer Requirements (CBR)	**2.50%**	**2.50%**	**2.50%**	**2.503%**	**2.503%**	**2.503%**
Overall Capital Requirement (OCR)	**11.10%**	**12.60%**	**14.60%**	**11.103%**	**12.603%**	**14.603%**
Pillar II guidance (P2G)[1) 2)]	4.00%	4.00%	4.00%	na	na	na
OCR + P2G	**15.10%**	**16.60%**	**18.60%**	**11.103%**	**12.603%**	**14.603%**
Temporary requirements after capital relief by ECB (without CCB + P2G)[2)]	**8.60%**	**10.10%**	**12.10%**	**na**	**na**	**na**

[1)] As part of the 2019 SREP decision received on the 26 May 2020, Addiko Bank AG received a Pillar II guidance in amount of 4.0%. FMA requested to receive a capital plan by February 2021, which explains how and in what timeframe the P2G recommendation will be complied with.

[2)] As response to the Covid-19 pandemic, CCB and P2G are part of the capital relief acc. to the 12 March 2020 press release by ECB Banking Supervision.

As announced by the European Central Bank (ECB) in its press release on 12 March 2020, European banks are not obliged to fully comply with the capital conservation buffer of 2.5% during the current Covid-19 crisis. In the "Frequently Asked Questions - FAQs" published on 20 March 2020, however, the ECB states that the incomplete fulfillment of the combined buffer requirement leads to restrictions on distributions and banks are only allowed to make distributions within the limits of the maximum distributable amount (MDA).

Taking into account ECB's communication on the temporary capital relief measures with regard to the P2R, the full usage of the capital conservation buffer as well as the P2G, Addiko Group's CET1 requirement amounts to 8.6%, its T1 requirement amounts to 10.1% and its total own funds requirement amounts to 12.1%.

The following table shows the breakdown of own funds requirements within the Group by applying transitional rules as per 30 September 2020 and 31 December 2019 pursuant to CRR applying IFRS figures.

EUR m

Ref1		30.09.2020	31.12.2019
	Common Equity Tier 1 (CET1) capital: Instruments and reserves		
1	Capital instruments and the related share premium accounts	195.0	195.0
2	Retained earnings	610.4	615.3
3	Accumulated other comprehensive income (and other reserves)	0.6	15.9
5a	Independently reviewed profits net of any foreseeable charge or dividend	0.0	-4.9
6	**CET1 capital before regulatory adjustments**	**806.0**	**821.3**
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-1.0	-1.1
8	Intangible assets (net of related tax liability)	-27.4	-27.9
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met)	-6.2	-16.4
25a	Losses of the current financial year (negative amount)	-6.4	0.0
[#]	IFRS 9 transitional rules	34.5	34.0
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-6.6**	**-11.4**
29	**Common Equity Tier 1 (CET1) capital**	**799.4**	**809.8**
	Tier 2 (T2) capital: instruments and provisions		
58	**Tier 2 (T2) capital**	**0.0**	**0.0**
59	**Total capital (TC = T1 + T2)**	**799.4**	**809.8**
60	Total risk weighted assets	4,161.6	4,571.5
	Capital ratios and buffers %		
61	CET1 ratio	19.2%	17.7%
63	TC ratio	19.2%	17.7%

1) The references identify the lines prescribed in the EBA template, which are applicable and where there is a value. The structure is based on the final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013. Changes are possible due to final Regulatory Technical Standards (RTS) that are not yet available.

Total capital decreased by EUR 10.4 million during the reporting period, reflecting the net impact of the following components:

- A decrease by EUR 15.2 million of the other comprehensive income mainly due to the negative development of market values of debt instruments in amount of EUR 9.2 million and the decrease by EUR 6.2 million of the foreign currency reserves. These developments were partially compensated by the positive market development of equity instruments in the amount of EUR 0.2 million;
- A positive impact of EUR 0.4 million in connection with the application of the IFRS 9 transitional capital rules. This effect results from the following two components: based on the relevant regulation, starting with the 1 January 2020, the portion of the initial ECL which could be added back decreases from 85% to 70%, leading to an EUR 6.0 million negative impact on capital. This negative impact was fully compensated by the dynamic component of the IFRS 9 transitional rules as amended on the 24 June 2020 by the regulation EU 2020/873, which allow to add back to capital the risen stock of stage 1 and stage 2 ECL in 2020, resulting in an increase of EUR 6.4 million;

- A decrease in regulatory deduction items in the amount of EUR 10.8 million composed of a decrease in investments in intangible assets (EUR 0.5 million), a decrease in deferred tax assets on existing taxable losses (EUR 10.2 million) and a decrease in the prudential valuation adjustments connected with assets/liabilities measured at fair value (EUR 0.1 million);
- In accordance with CRR requirements Art. 36 (1) a) the interim loss in the amount of EUR 6.4 million was deducted from the calculation of the regulatory capital.

In the calculation of regulatory capital, the Group continues to deduct the 2019 dividend proposal of EUR 40.0 million and will wait for further guidance from regulators regarding capital distributions later in the year.

Capital requirements (risk-weighted assets) based on a transitional basis

In the scope of regulatory risks, which include credit risk, operational risk and market risk, Addiko Group uses the standardised approach in the calculation of all three types of risk. RWAs decreased by EUR 409.9 million during the reporting period:

- The RWA for credit risk decreased by EUR 367.9 million. One of the main reasons for the reduction is that Addiko Group has applied certain adjustments to the CRR and CRR II which became effective on 27 June 2020 in order to mitigate the Covid-19 pandemic impact (EU Regulation No. 2020/873). The temporary treatment of public debt issued in the currency of another EU member state, with a risk weight of 0% until 31 December 2022, has led to a deduction of EUR 201.0 million in credit risk. In addition, the extension of the threshold for SME exposures of up to EUR 2.5 million for a reduction in risk weight (SME supporting factor) resulted in a reduction of credit risk by EUR 28.0 million. Furthermore, in December 2019, the European Commission has approved a decision to include Serbia on the list of third countries and territories whose supervisory and regulatory arrangements are considered as equivalent to the corresponding supervisory and regulatory arrangements applied in the EU (EU Regulation No. 2019/2166). The resulting risk weight of 0% for exposures to Serbia funded in domestic currency has led to a reduction in credit risk by EUR 111.0 million. By excluding the above elements the residual change in RWA for credit risk amounts to EUR 27.9 million, whereby the decrease on the loan book in amount of EUR 147.9 million was partially compensated by the increase in the debt portfolio in amount of EUR 120 million.
- The decrease of RWAs for market risk by EUR 41.6 million is mainly caused by the lower specific and general risk in trading book due to the application of the 0% risk weight (instead of 100% before) for debt securities in RSD (EUR 32.9 million RWA decrease) and less open positions in domestic currencies of non-euro subsidiaries banks. The RWA for counterparty credit risk and operational risks remained stable in line with previous year.
- The RWA for operational risks is based on the three-year average of relevant income, which represents the basis for the calculation.

EUR m

Ref[1]		30.09.2020	31.12.2019
1	Credit risk pursuant to Standardised Approach	3,590.1	3,958.0
6	Counterparty credit risk	3.4	3.8
19	Market risk	162.6	204.2
23	Operational risk	405.5	405.5
Total risk exposure amount		**4,161.6**	**4,571.5**

1)The references identify the lines prescribed in the EBA template, which are applicable and where there is a value.

Leverage ratio on a transitional basis

The leverage ratio for Addiko Group, calculated in accordance with the CRR, was 12.8% on 30 September 2020, after 12.5% at 31 December 2019. The development was mainly driven by the decline in total leverage ratio exposure.

EUR m

Ref[1]		30.09.2020	31.12.2019
20	Tier 1 capital	799.4	809.8
21	Total leverage ratio exposure	6,234.8	6,475.8
22	**Leverage ratio %**	**12.8%**	**12.5%**

[1] The references identify the lines prescribed in the EBA template, which are applicable and where there is a value.

Disclosures as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds in accordance with Article 473a of Regulation (EU) No. 575/2013

EUR m

Ref[1]	30.09.2020	31.12.2019
Available capital (amounts)		
1 Common Equity Tier 1 (CET1) capital	799.4	809.8
2 CET1 capital as if IFRS 9 had not been applied	765.0	775.8
5 Total capital (TC)	799.4	809.8
6 TC as if IFRS 9 transitional rules had not been applied	765.0	775.8
Risk-weighted assets		
7 Total RWAs	4,161.6	4,571.5
Total RWAs as if IFRS 9 transitional rules had not been applied	4,127.2	4,534.5
Capital ratios %		
9 CET1	19.2%	17.7%
10 CET1 as if IFRS 9 transitional rules had not been applied	18.5%	17.1%
13 TC	19.2%	17.7%
14 TC as if IFRS 9 transitional rules had not been applied	18.5%	17.1%
Leverage ratio (LR)		
15 LR total exposure measure	6,234.8	6,475.8
16 LR	12.8%	12.5%
17 LR as if IFRS 9 transitional rules had not been applied	12.3%	12.0%

[1] The references identify the lines prescribed in the EBA template, which are applicable and where there is a value.

Addiko has opted at the level of the Addiko Group to take advantage of the transitional capital rules in respect of IFRS 9 published by the EU on 21 December 2017 and amended on the 24 June 2020. These permit banks to add back to their capital base a portion of the impact that IFRS 9 has upon their loan loss allowances during the first five years of use. The portion that banks may add back amounts to 95%, 85%, 70%, 50% and 25% each in the first five years of IFRS 9.

MREL

In order for banks to have in place a sufficient amount of equity and debt which is eligible to absorb losses in resolution and may be used for a bail-in so that banks can be resolved without recourse to public financial support, Austrian banks are required by the BaSAG to meet MREL at all times. MREL targets are determined on a case-by-case basis for each institution or banking group by the competent resolution authority, which is the SRB in the case of Addiko Group. Under the currently applicable legal regime, MREL targets are expressed as a percentage of Total Liabilities and Own Funds ("TLOF") of the relevant institution. Addiko Bank AG received on 17 December 2019 from the FMA the formal decision of SRB relating to MREL requirement (minimum requirement for own funds and eligible liabilities), which amounts to 20.58% of Total Liabilities and Own Funds (TLOF) on consolidated level. The MREL requirement shall be reached by 31 December 2023 and from that date shall be met at all times. The decision for the MREL requirement is based on the Point of Entry approach at the consolidated level of Addiko Bank AG (in previous financial statements referred as single point of entry, SPE), while the Group is on preparation to meet all requirements for a Point of Entry at the level of Addiko Bank d.d. (Croatia) (in previous financial statements referred as multiple point of entry, MPE).

12. Glossary

ABC	Addiko Bank d.d., Croatia
ABBL	Addiko Bank a.d., Bosnia & Herzegovina (Banja Luka)
ABH	Addiko Bank AG, Austria (Holding)
ABM	Addiko Bank a.d., Montenegro
ABS	Addiko Bank d.d., Slovenia
ABSA	Addiko Bank d.d., Bosnia & Herzegovina (Sarajevo)
AC	Amortised costs
AGM	Annual general meeting
BaSAG	Bundesgesetz über die Sanierung und Abwicklung von Banken, "Austrian Banking Recovery and Resolution Act"
Change CL/GPL (simply Ø)	Change in CL / simply Ø gross performing loans
CL	Credit loss
Common Equity Tier 1 (CET1)	Own funds as defined by Art 26 et seq. CRR which represent the highest quality of capital
Additional Tier 1 (AT1)	Own funds as defined by Art 51 et seq. CRR
Cost/income ratio (CIR)	Operating expenses / (Net interest income + Net fee and commission income)
Cost of risk ratio	Credit loss expenses on financial assets/Credit risk bearing exposures (not annualised)
CRB	Credit risk bearing
Credit institutions	Any institution covered by the definition in Article 4(1)(1) of CRR ("undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account") and multilateral development banks (MDBs)
Coverage Ratio 1	Describes to which extent defaulted non-performing exposure have been covered by impairments (individual and portfolio-based loan loss provisions) thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses set in relation to defaulted non-performing exposure
Coverage Ratio 3	Describes to which extent defaulted non-performing exposure have been covered by impairments (individual and portfolio-based loan loss provisions) as well as by collaterals at internally recongised value, thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses plus allocated collaterals set in relation to defaulted non-performing exposure
CRR	Capital requirements regulation; Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Text with EEA relevance
CSEE	Central and South-Eastern Europe
Customer loans	Exposure of on balance loans including accrued interest, gross amount of provisions of performing and non performing loans
Derivatives	Financial instruments whose value depends on the value of an underlying asset (such as stocks or bonds)
ECB	European central bank
ECL	Expected credit loss
Fair value	Price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date
FMA	Finanzmarktaufsicht
FVTOCI	Fair value through other comprehensive income
FX & DCC	Foreign exchange and dynamic currency conversions

Gross disbursements	Disbursements include disbursements of term loans (Consumer- Mortgage and Housing loans and Corporate term loans, not including revolving loans) and internal refinancing which relates to intra – bank transactions.
Gross exposure	Exposure of on and off balance loans including accrued interest and gross amount of provisions for performing loans and non performing loans
Gross performing loans (GPL)	Exposure of on balance loans without accrued interest but including gross amount of provisions of performing loans
Households	Individuals or groups of individuals as consumers and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services provided that their activities are not those of quasi-corporations. Non-profit institutions which serve households (“NPISH”) and which are principally engaged in the production of non- market goods and services intended for particular groups of households shall be included
Interest like income	Includes penalty interest income and accrued fees on loan processing
Large Corporates	The segment Large Corporates includes legal entities and entrepreneurs with annual gross revenues of more than EUR 40 million
Leverage ratio	The ratio of Tier 1 capital to specific exposures on and off the statement of financial position calculated in accordance with the methodology set out in CRR
Loans and receivables	Gross carrying amount of loans and receivables less ECL allowance
Loan to deposit ratio	Indicates a bank's ability to refinance its loans by deposits rather than wholesale funding. It is based on net customer loans and calculated with loans to non-financial corporations and households in relation to deposits from non-financial corporations and households. Segment level: Loans and receivables divided by financial liabilities at amortised costs
MREL	Minimum requirement for own funds and eligible liabilities
Net banking income	The sum of net interest income and net fee and commission income
Net interest income (segment level)	Net interest income on segment level includes total interest income related to effective interest rate from gross performing loans, interest income from NPE, interest like income, interest expenses from customer deposits, consideration of funds transfer pricing and allocated contribution from interest and liquidity gap
NIM	Net interest margin is used for external comparison with other banks as well as an internal profitability measurement of products and segments. It is calculated with net interest income set in relation to average interest-bearing assets (total assets less investments in subsidiaries, joint ventures and associates, intangible fixed assets, tangible fixed assets, tax assets and other assets)
Non-financial corporations	Corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services according to the ECB BSI Regulation
NPE	Defaulted, non-performing exposure (Gross Carrying Amount). A default and thus a non-performing exposure applies if it can be assumed that a customer is unlikely to fulfill all of its credit obligations to the bank, or if the debtor is overdue at least 90 days on any material credit obligation to the bank
NPE ratio	Is an economic ratio to demonstrate the proportion of loans that have been classified as defaulted non-performing in relation to the entire customer loan portfolio. The definition of non-performing has been adopted from regulatory standards and guidelines and comprises in general those customers where repayment is doubtful, a realisation of collaterals is expected, and which thus have been moved to a defaulted customer rating segment. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank’s credit risk management. Non performing exposure/total exposure (on and off balance)

NPE Ratio (On-balance loans)	Ratio to demonstrate the proportion of loans (only on-balance exposure considered) that have been classified as defaulted non-performing in relation to the credit risk bearing Exposure (on balance)
Option	The right to buy (call) or sell (put) an underlying reference asset at an agreed price within a specific period of time or at a fixed point in time
PI	Private individuals
Pillar 2 Guidance (P2G)	The level and quality of own funds the institution is expected to hold in excess of its overall capital requirements. The Pillar 2 guidance is a non-legally binding expectation of the regulatory authorities
Pillar 2 Requirement (P2R)	Additional own funds requirements imposed in accordance with Article 104(1)(a) of Directive 2013/36/EU. The Pillar 2 requirement covers risks underestimated or not covered by Pillar 1
Public Finance	The segment Public Finance includes all state-owned entities
Regular interest income	Regular interest income is related to nominal interest rate from gross performing loans excluding income from origination fees, penalty interests and funds transfer pricing
Retail (PI/Micro)	The segment Retail includes the following categories: (i) PI, private individuals that are not representing a group, company, or organisation and (ii) Micro, includes private entrepreneurs and profit-oriented entities with annual gross revenues of less than EUR 0.5 million
Risk-weighted assets (RWA)	On-balance and off balance positions, which shall be risk weighted according to (EU) No 575/2013
SME	SME contains all legal entities and private entrepreneurs with Annual Gross Revenues (AGR) from EUR 0.5 to 40.0 million, while all with higher than EUR 40.0 million AGR are segmented to Large Corporates segment
SRB	Single resolution board
Stage 1	Impairment stage which relates to financial instruments for which expected credit loss model applies and for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss
Stage 2	Impairment stage which relates to financial instruments for which expected credit loss model applies and for which are subject to significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss
Stage 3	Impairment stage which relates to financial instruments for which expected credit loss model applies and which are credit-impaired. The impairment is measured in the amount of the lifetime expected credit loss
Total capital ratio (TCR)	All the eligible own fund according to article 72 CRR, presented in % of the total risk according to article 92 (3) CRR
Tier 1 capital (T1)	Sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution
Tier 2 capital	Own funds consisting of the sum of Tier 1 capital and supplementary capital (Tier 2). According to Regulation (EU) Nbr 575/2013 Art 62 to Art 71, Tier 2 refers to instruments or subordinated loans with an original maturity of at least five years that do not include any incentive for their principal amount to be redeemed or repaid prior to their maturity (and fulfill other requirements)
TLOF	Total liabilities and own funds
Yield GPL (simply Ø)	Regular interest income annualised / simply Ø gross performing loans

13. Contact

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