Addiko Bank

1Q21 Earnings release

1. About Addiko Bank

Addiko Group is a consumer and small and medium-sized enterprises (SME) specialist banking group with a strategic focus in Central and South Eastern Europe (CSEE). The Group consists of Addiko Bank AG, the fully-licensed Austrian parent bank registered in Vienna, Austria, and regulated 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 via two banks), Serbia and Montenegro. Addiko Group is a publicly listed company owned by a diversified investor base. Through its banks, the group services approximately 0.8 million customers, using a network of 168 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. These core activities are largely funded 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 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, manage risks and maintain asset quality.

2. Earning performance in brief

Although the economic environment remains impacted by the measures implemented by the local governments to contain the spread of Covid-19, Addiko Group reported in the first quarter 2021 an operating result of EUR 11.3 million, which demonstrates the robustness and resilience of its sustainable business model. The result after tax of EUR 5.0 million improved significantly compared to the same period last year (1Q20: EUR -8.4 million), which was in 1Q20 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 by tightening underwriting criteria mainly in the beginning of the pandemic crisis (2Q20), preferring sustainable portfolio quality over new business and volume growth. The loan book in the focus segments remained stable, whereby Consumer and SME represent 66.4% of the gross performing loan book (1Q20: 62.5%). The Group has limited exposure to industry sectors which would be considered as Covid-19 sensitive. The Group enhanced its relationships with customers with intensified daily contacts with clients and ensuring prompt reactions to maintain the high quality of portfolios with very limited NPL. The NPE ratio (CRB based) of 4.7% (YE20: 4.9%), the NPE ratio (on-balance loans) of 5.7% (YE20: 5.9%) and the NPE provision coverage at 75.6% (YE20: 73.6%) reflect the effectiveness of the established underwriting policies, the tight monitoring of risk as well as the successful collection of receivables.

Addiko Group is managing the Covid-19 crisis from a position of strength with regard to its solid capital base, its stable funding and its ample liquidity. Following the dividend decision in the AGM 2021, which took place on 26 April 2021, the Group paid on 4 May 2021 a first tranche of EUR 7.0 million (36 Eurocents per share), reflecting the maximum amount within the currently valid guidelines of the ECB. In addition, a second conditional tranche of EUR 39.6 million (EUR 2.03 per share) is to be distributed after 30 September 2021 under the condition precedent that on the twelfth working day of each calendar month between 30 September 2021 and 31 January 2022 neither a recommendation of the ECB would, in the company's view, conflict with a distribution of dividends nor a legally mandatory distribution restriction is effective or applicable.

3. Operational Stability

As a response to the Covid-19 pandemic the Group quickly adapted its business operations during 2020. The Group responded successfully and effectively to the new circumstances, maintaining the concern for the health of its customers and employees as the highest priority by ensuring all possible and relevant safety conditions. Protective equipment was provided in the offices, while enabling work from home for over 55% of the staff. Significantly enhanced accessibility was provided to Addiko's customers through digital services.

Due to the positive effects from working remotely during the pandemic, the Group will continue the work-from-home initiative in the future, thus offering more flexibility to its workforce and achieving cost benefits at the same time.

Addiko subsidiaries across the Group are well positioned to continue to perform core tasks – supporting clients in all financial matters, giving them smooth access to moratoria, supporting targeted programs and helping customers to continue making informed financial decisions in a straightforward manner.

4. Corporate Governance

Mr. Csongor Nemeth who is currently the Chief Executive Officer (CEO) will leave Addiko Bank AG with 31 May 2021. Mr. Markus Krause who is currently the Chief Risk & Financial Officer (CRO & CFO) will leave Addiko Bank AG with 31 May 2021.

The Supervisory Board appointed Mr. Herbert Juranek as new Chief Executive Officer starting from 1 May 2021. Consequently, Mr. Juranek has stepped down from his function as Deputy Chairman and member of the Supervisory Board as of the close of the Annual General Meeting on 26 April 2021. Mr. Juranek is an experienced banker with a strong leadership track record in financial institutions active in the Austrian and CSEE markets.

On the Annual General Meeting on 26 April 2021 Mr. Pieter van Groos has been appointed as new Supervisory Board Member, replacing Mr. Herbert Juranek.

5. Outlook

Given Addiko Group's clear focus on the CSEE region, its performance is inextricably linked to the health of the economy in this region. During the first quarter of 2021 the CSEE economies continued to recover from the initial Covid-19 shock. However, the pace of recovery is not completely in line with expectations from end of 2020 and economies are expected to be further faced with the alternating relaxations and restrictions until the broad vaccine rollout enables a sustainable easing of containment measures. For this reason, despite the latest positive financial developments, Addiko expects subdued economic activity from imposed lockdowns during the first half of 2021, followed by a more normalised environment in the second half of the year.

The final result for the current year will mainly depend on the ability of the Group to further increase the new loan generation in the focus segment during the rest of 2021, the successful execution of the cost optimisation program announced in 3Q20 and the development of the credit quality of the portfolio and related cost of risk. The originally expected negative impact of Covid-19 on the asset quality has not been realised yet, with supporting measures of state subsidies and moratoria, still cloud the picture of the expected complete impact. Currently, based on Addiko assessment of its clients and portolios the economy and customers could prove to be more resilient than initially assumed. The development during the rest of the year will ultimately depend on the timing, effectiveness and wide-scale distribution of Covid-19 vaccines.

The capital adequacy position of the Group remains solid, with a fully-loaded CET1 ratio of 19.2%, which already excludes the first tranche of EUR 7.0 million dividends paid on the 4 May 2021, as well as the conditional payment of EUR 39.6 million envisaged to be distributed after the 30 September 2021. The capital position represents a strong base to cover all regulatory capital requirements, including capital buffers and other currently known requirements, including the Pillar 2 Guidance, also in the aggravated circumstances caused by the Covid-19 pandemic.

The funding and liquidity situation of the Group continues to be solid with customer deposits at EUR 4.8 billion. Even if a highly unfavorable liquidity scenario would materialise, the Group has sufficient liquidity reserves at the level of Addiko Bank AG as well as in each subsidiary in the form of placements at the ECB and money market placements to ensure adequate cover.

In summary, for the full year 2021 the Group continues to expect:

- Gross performing loans at ca. EUR 3.5 billion with >5% growth in focus
- Net Banking Income stable at 2020 level (ca. EUR 235 million)
- Operating expenses to remain below EUR 174 million (including ca. EUR 9 million for AQR and performance related bonus pool)
- CET1 Ratio above 18.6% on a transitional basis
- Credit loss expenses on financial assets <1% on average net loans and advances to customers

In terms of capital generation and return, Addiko targets an annual dividend payout of ca. 60% of net profit. The potential distribution of any excess capital would be based on the annual SREP decision. Addiko may optimise its capital structure by issuing eligible capital instruments (e.g. Additional Tier 1, Tier 2) with timing being dependent on the overall feasibility, the economic environment and the capital markets.

6. Financial development of the Group

6.1. Detailed analysis of the consolidated profit or loss statement

EUR m

	01.01. - 31.03.2021	01.01. - 31.03.2020	(%)
Net banking income	56.7	60.6	-6.4%
Net interest income	41.9	45.3	-7.5%
Net fee and commission income	14.8	15.3	-3.0%
Net result on financial instruments	2.7	1.3	>100%
Other operating result	-3.7	-4.1	-9.0%
Operating income	**55.7**	**57.8**	**-3.7%**
Operating expenses	**-44.4**	**-43.5**	**2.0%**
Operating result	**11.3**	**14.3**	**-20.8%**
Other result	-0.5	-1.2	-60.1%
Credit loss expenses on financial assets	-4.1	-14.4	-71.3%
Result before tax	**6.8**	**-1.2**	**>100%**
Tax on income	-1.8	-7.2	-75.1%
Result after tax	**5.0**	**-8.4**	**>100%**

Net interest income decreased from EUR 45.3 million at 1Q20, by EUR -3.4 million, to EUR 41.9 million at 1Q21. The decrease in interest income, lower by EUR -4.4 million from EUR 51.2 million at 1Q20 to EUR 46.8 million at 1Q21, is resulting from the fact that the liquidity generated by the planned run down of non-focus portfolio could not be entirely reinvested in the focus segments due to the impact of Covid-19 on loan disbursements during the financial year 2020. This determined a consequent higher volume of cash and balances with the central banks, with low or negative interest rates. The decrease in interest income was partially compensated by the reduction of **interest expenses** from EUR -5.9 million at 1Q20, by EUR -1.0 million, to EUR -4.9 million at 1Q21, predominantly resulting from lower interest expenses for customer deposit, mainly caused by a shift from higher yield term deposits to lower yield current deposits. The **net interest margin** slightly decreased to 287bp at 1Q21, compared to 299bp at 1Q20.

Net fee and commission income slightly decreased to an amount of EUR 14.8 million (1Q20: EUR 15.3 million). Thereof, fee and commission income decreased from EUR 19.1 million at 1Q20 to EUR 18.8 million at 1Q21, whereas fee and commission expenses increased slightly from EUR -3.8 million at 1Q20 to EUR -4.0 million at 1Q21. The decrease in fee and commission income was influenced by the Covid-19 negative impact on card operations as well as foreign exchange and dynamic currency conversions but was partly compensated by the increase in fees from accounts & packages.

Net result on financial instruments amounts to EUR 2.7 million at 1Q21, compared to EUR 1.3 million at 1Q20 and results mainly in both years from realised profits from the sale of debt securities.

Other operating result as the sum of other operating income and other operating expense improved from EUR -4.1 million at 1Q20, by EUR 0.4 million, to

EUR -3.7 million at 1Q21. This position includes the following significant items:

- Front-loaded regulatory charges from the recovery and resolution fund of EUR -1.5 million (1Q20: EUR -1.4 million);
- Deposit guarantee expenses of EUR -1.4 million (1Q20: EUR -2.0 million). The decrease compared with the previous reporting period is driven by the notification from the Croatian Deposit Insurance Agency that, starting from 1. January 2021 and until further notice, no payments to the local deposit insurance need to be further performed;
- Bank levies and other taxes increased from EUR -0.6 million at 1Q20 to EUR -0.8 million at 1Q21.

Operating expenses increased from EUR -43.5 million at 1Q20 by EUR -0.9 million or 2.0% to EUR -44.4 million at the current reporting date:

- Personnel expenses increased compared to the previous period from EUR -21.2 million at 1Q20 to EUR -23.9 million at 1Q21. The increase mainly consists out of two components, one is the recognition of severance expenses in amount of EUR 1.5 million connected with the recently announced management board changes and the other one is the accrual for variable expenses whereas in the previous reporting period this did not happen in line with the ECB recommendations.
- Other administrative expenses decreased from EUR -17.4 million at 1Q20 by EUR -1.5 million or -8.7% to EUR -15.9 million at 1Q21. This development was mainly driven by positive effect of costs management projects reflecting in lower legal and advisory costs (1Q21: EUR -0.8 million, 1Q20: EUR -1.4 million).
- Depreciation and amortisation decreased from EUR -5.0 million at 1Q20, by EUR -0.4 million, to EUR -4.6 million at 1Q21.

Other result improved from EUR -1.2 million at 1Q20 by EUR 0.7 million to EUR -0.5 million at the current reporting date.

Credit loss expenses on financial assets returned to more normalised levels of EUR -4.1 million (1Q20: EUR -14.4 million). The provision bookings are significantly below the amount recognised in 1Q20. During the first wave of epidemic in 1Q20 the Group anticipated material impacts to credit quality, resulting in significant pool impairments and provisions of EUR 14.4 million, (some of which constituted a IFRS 9 post model overlay of EUR 13.6 million), for credit risk losses which were expected to materialise in the following quarters, as well as a cautious guidance regarding the cost of risk. However, state subsidies, introduced moratoria, as well as loan restructurings initiated by Addiko during 2020, positively influenced the asset quality development in the second half of 2020 as well as in the first quarter in 2021, the economy and clients proved to be more resilient and actual cost of risk are better than initially estimated . As macro-economic recovery is still not evident, and share of stage 2 exposure is still high, despite strict customer monitoring and a sustainable approach related to underwriting criteria for new businesses, the full impact of the crisis on asset quality is still not evident and is expected to be more transparent during the second half of 2021. It should be also added that no release of the post model risk overlay recognised during 2020 took place in the first quarter 2021. Addiko will reassess the management overlay during the second half of the year once a normalisation of the economic activity will be visible in the countries of operation.

Tax on income amounts to EUR -1.8 million at 1Q21 compared to EUR -7.2 million at 1Q20. The amount in 1Q20 includes also a reversal of recognition of EUR -4.8 million due to the uncertainties regarding the possible impact of the Covid-19 pandemic as well as the fact that most of the tax loss carried forward expired in 2020.

6.2. Detailed analysis of the statement of financial position

EUR m

	31.03.2021	31.12.2020	(%)
Cash reserves	1,218.9	1,156.3	5.4%
Financial assets held for trading	34.9	36.4	-4.3%
Loans and receivables	3,554.1	3,641.2	-2.4%
Loans and advances to credit institutions	15.5	56.5	>100%
Loans and advances to customers	3,538.7	3,584.7	-1.3%
Investment securities	984.8	929.0	6.0%
Tangible assets	76.4	78.8	-3.0%
Intangible assets	26.0	26.4	-1.6%
Tax assets	25.6	25.2	1.6%
Current tax assets	4.0	3.9	2.8%
Deferred tax assets	21.6	21.3	1.4%
Other assets	20.4	18.5	10.4%
Non-current assets and disposal groups classified as held for sale	2.7	2.7	-2.5%
Total assets	**5,943.8**	**5,914.5**	**0.5%**

The statement of financial position of Addiko Group shows the simple and solid interest-bearing asset structure: 60% 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 and Public Finance towards higher value-added Consumer and SME lending. This is reflected by the increased share of these two segments of 66.4% of the gross performing loan book (YE20: 65.3%).

As of 1Q21 the **total assets** of Addiko Group in the amount of EUR 5,943.8 million increased by EUR 29.3 million or 0.5% compared with the YE20 level (EUR 5,914.5 million). The total risk, i.e. risk-weighted assets including credit, market and operational risk, (Basel III considering IFRS 9 transitional arrangements) remained stable at EUR 4.053.3 million (YE20: EUR 4,053.1 million).

Cash reserve increased by EUR 62.6 million to EUR 1,218.9 million as of 31 March 2021 (YE20: EUR 1,156.3 million) and is the consequence of the liquidity generated by the planned run down of the non-focus portfolio which could not be fully reinvested in the focus segments due to the Covid-19 impact on the economy.

Overall **loans and receivables** decreased to EUR 3,554.1 million from EUR 3,641.2 million at year end 2020:

- Loans and receivables to credit institutions (net) decreased by EUR -41.0 million to EUR 15.5 million (YE20: EUR 56.5 million).
- Loans and receivables to customers (net) decreased by EUR -46.0 million to EUR 3,538.7 million (YE20: EUR 3,584.7 million). The change was mainly in the non-focus segments with Mortgage Business and Large Corporate and Public Finance decreasing from EUR 1,261.4 million at year end 2020 to EUR 1,204.2 million, which could not be compensated by the new disbursements in the focus segments, Consumer and SME lending, remaining stable at EUR 2,327.4 million (YE20: EUR 2,321.4 million).

The **investment securities** increased from EUR 929.0 million at YE20 to EUR 984.8 million at 1Q21. 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 remained stable at EUR 25.6 million (YE20: EUR 25.2 million), thereof EUR 11.6 million refer to deferred taxes on tax loss carried forward (YE20: EUR 11.6 million).

Other assets increased to EUR 20.4 million (YE20: EUR 18.5 million). The main amounts in this position are related to prepaid expenses and accruals (1Q21: EUR 10.8 million; YE20: EUR 11.4 million), furthermore, receivables for paid in deposits and receivables from card business are included.

			EUR m
	31.03.2021	31.12.2020	(%)
Financial liabilities held for trading	3.4	4.9	-31.2%
Financial liabilities measured at amortised cost	5,014.2	4,973.4	0.8%
Deposits of credit institutions	214.0	196.2	9.1%
Deposits of customers	4,750.7	4,728.1	0.5%
Issued bonds, subordinated and supplementary capital	0.1	0.1	0.0%
Other financial liabilities	49.5	49.0	0.9%
Provisions	56.7	58.2	-2.6%
Tax liabilities	1.0	0.0	>100%
Current tax liabilities	0.8	0.0	>100%
Deferred tax liabilities	0.1	0.0	>100%
Other liabilities	17.5	26.3	-33.4%
Equity	851.1	851.8	-0.1%
Total equity and liabilities	**5,943.8**	**5,914.5**	**0.5%**

On the liabilities' side, **financial liabilities measured at amortised cost** slightly increased to EUR 5,014.2 million compared to EUR 4,973.4 million at year end 2020:

- Deposits of credit institutions increased from EUR 196.2 million at YE20 to EUR 214.0 million as of 1Q21.
- Deposits of customers increased to EUR 4,750.7 million (YE20: EUR 4,728.1 million). The strong deposit base is demonstrating the clients' confidence in the Group.
- Other financial liabilities slightly increased from EUR 49.0 million at YE20 to EUR 49.5 million at 1Q21.

Provisions decreased from EUR 58.2 million at YE20 to EUR 56.7 million at 1Q21. The development was primarily influenced by the utilisation of provisions for passive legal cases.

Other liabilities decreased from EUR 26.3 million at YE20 to EUR 17.5 million in 1Q21. This position includes accruals for services received but not yet invoiced (1Q21: EUR 16.4 million, YE20: EUR 25.4 million) as well as liabilities for salaries and salary compensations not yet paid. The decrease, compared with YE20, is mainly due to the repayment of an intragroup position in amount of EUR 9.0 million where the transaction was still in finalisation at the reporting date.

The development of **equity** from EUR 851.8 million to EUR 851.1 million is reflecting the total comprehensive income, which includes the profit and loss for the reporting period in the amount of EUR 5.0 million as well as changes in other comprehensive income in the amount of EUR -5.5 million. These changes were due to the disposal of part of the debt instruments measured at FVTOCI and the related realisation as well as from market related movements (EUR -4.8 million). In addition the other comprehensive income was negatively affected by the changes of the FX reserves (EUR -0.7 million).

6.3. Capital and liquidity requirement

The Group's capital and liquidity ratios remained stable in 1Q21. The **capital base** of Addiko Group is solely made up of CET1 and stands at 20.0% (YE20: 20.3%) on a IFRS 9 transitional basis and at 19.2% without applying IFRS 9 transitional rules (YE20: 19.3%), well above the Overall Capital Requirements and P2G of 18.6% based on the currently valid SREP decision. The development in the first quarter is mainly driven by the changes in other comprehensive income in amount of EUR -5.5 million, while it does not consider the interim profit of EUR 5.0 million. In the regulatory capital calculation, the Group deducts the dividend proposal of EUR 46.6 million, whereby the initial payment of EUR 7.0 million has been already executed following the General Assembly which took place on the 26 March 2021 and the payment of the conditional dividend amount of EUR 39.6 million is envisaged after 30 September 2021 under the condition that neither a recommendation of the ECB would in the company's view conflict with a distribution of dividends nor a legally mandatory distribution restriction is effective or applicable.

The **liquidity position** of the Group remains strong, with LTD ratio (net) of 74.5% (YE20: 75.8%), thus meeting the liquidity indicators high above the regulatory requirements.

Addiko Bank

7. Segment reporting

As of 1 January 2021 the following changes have been introduced in Segment Performance Reporting:

- Re-segmentation of sub-segment Micro (private entrepreneurs and profit-oriented legal entities with less than EUR 0.5 million annual gross revenue) from segment Consumer to segment SME.
- During 2020 a deep dive was performed of the Holding costs included in the segment Corporate Center. It was concluded that a portion of the costs of departments previously defined as overhead could be indirectly charged to the market segments based on the support they provide (defined via predefined keys). Total Holding costs additionally allocated on market segments identified at 1Q21 amount to EUR 3.9 million.

Comparative figures (1Q20) have been adapted accordingly.

EUR m

31.03.2021	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	32.3	12.5	4.4	3.5	1.4	2.6	56.7
Net interest income	24.5	6.9	4.4	2.3	1.2	2.7	41.9
o/w regular interest income	23.4	7.4	5.3	2.9	0.9	3.7	43.5
Net fee and commission income	7.8	5.6	0.0	1.2	0.2	-0.1	14.8
Net result from financial instruments	0.0	0.0	0.0	0.0	0.0	2.7	2.7
Other operating result	0.0	0.0	0.0	0.0	0.0	-3.7	-3.7
Operating income	32.3	12.5	4.4	3.5	1.4	1.7	55.8
Operating expenses	-21.2	-8.1	-0.7	-1.6	-0.6	-12.3	-44.4
Operating result	11.1	4.4	3.7	1.9	0.9	-10.7	11.4
Other result	0.0	0.0	0.0	0.0	0.0	-0.5	-0.5
Credit loss expenses on financial assets	-6.0	-0.7	1.6	1.0	0.3	-0.3	-4.1
Result before tax	5.1	3.8	5.3	2.9	1.2	-11.4	6.8
Business volume							
Net loans and receivables	1,276.7	1,050.7	621.2	450.2	132.9	7.7	3,554.1
o/w gross performing loans customers	1,305.7	1,054.8	609.6	452.9	133.4		3,556.3
Gross disbursements	106.8	122.6	0.9	23.6	0.8		254.6
Financial liabilities at AC [1]	2,470.7	960.9		402.5	375.2	805.0	5,014.2
RWA [2]	962.4	830.3	370.9	494.3	75.6	711.8	3,445.3
Key ratios							
Net interest margin (NIM) [3]	5.9%	2.1%	1.5%	1.4%	1.4%		2.9%
Cost/Income Ratio	65.6%	64.5%	15.0%	45.5%	40.4%		78.2%
Cost of risk ratio	-0.4%	0.0%	0.2%	0.1%	0.2%		-0.1%
Loan to deposit ratio	51.7%	109.3%	-	111.9%	35.4%		74.5%
NPE ratio (on-balance loans)	5.2%	5.8%	11.0%	2.3%	0.6%		5.7%
NPE coverage ratio	84.5%	72.0%	71.6%	71.1%	48.7%		75.6%
NPE collateral coverage	5.2%	52.8%	73.8%	55.9%	50.3%		45.1%
Change CL/GPL (simple Ø)	-0.5%	-0.1%	0.3%	0.2%	0.2%		-0.1%
Yield GPL (simple Ø)	7.2%	2.9%	3.4%	2.5%	2.7%		4.5%

[1] Financial liabilities 1Q21 include the Direct deposits (Austria/Germany) amounting to EUR 439 million, EUR 214 million Deposits of credit institutions, EUR 152 million Other [2] Includes only credit risk (without application of IFRS 9 transitional rules) [3] Net interest margin 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

EUR m

31.03.2020	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	34.1	12.8	5.0	3.9	1.7	3.1	60.6
Net interest income	26.2	7.0	5.0	2.6	1.5	3.2	45.3
o/w regular interest income	24.3	7.6	6.6	3.4	1.0	4.7	47.7
Net fee and commission income	7.9	5.8	0.0	1.3	0.3	-0.1	15.3
Net result from financial instruments	0.0	0.0	0.0	0.0	0.0	1.3	1.3
Other operating result	0.0	0.0	0.0	0.0	0.0	-4.1	-4.1
Operating income	34.1	12.8	5.0	3.9	1.7	0.3	57.8
Operating expenses	-19.9	-8.9	-0.7	-1.4	-0.6	-12.2	-43.5
Operating result	14.2	3.9	4.3	2.6	1.2	-11.8	14.3
Other result	-	-	-	-	-	-1.2	-1.2
Credit loss expenses on financial assets	-3.3	-0.2	1.8	1.5	0.5	-14.7	-14.4
Result before tax	10.9	3.7	6.1	4.1	1.7	-27.7	-1.2
Business volume							
Net loans and receivables	1,288.8	1,078.9	731.1	586.7	151.6	49.1	3,888.2
o/w gross performing loans customers	1,327.7	1,074.0	716.5	575.4	151.4		3,845.0
Gross disbursements	115.1	122.5	0.6	80.4	0.5		319.1
Financial liabilities at AC [1]	2,504.6	883.2		376.6	541.1	898.9	5,204.3
RWA [2]	971.5	957.7	438.9	634.5	86.9	802.8	3,892.3
Key ratios							
Net interest margin (NIM) [3]	6.0%	2.5%	1.7%	1.5%	1.2%		3.0%
Cost/Income Ratio	58.4%	69.4%	13.4%	34.5%	33.0%		71.9%
Cost of risk ratio	-0.2%	0.0%	0.2%	0.2%	0.3%		-0.3%
Loan to deposit ratio	51.5%	122.2%	-	155.8%	28.0%		80.4%
NPE ratio (on-balance loans)	4.1%	6.4%	10.6%	2.0%	1.3%		5.4%
NPE coverage ratio	91.5%	69.4%	68.5%	55.3%	72.6%		73.3%
NPE collateral coverage	17.7%	54.4%	72.0%	62.0%	24.7%		52.3%
Change CL/GPL (simple Ø)	-0.2%	0.0%	0.2%	0.3%	0.3%		-0.4%
Yield GPL (simple Ø)	7.4%	2.8%	3.6%	2.4%	2.6%		4.5%

[1] Financial liabilities 1Q20 include the Direct deposits (Austria/Germany) amounting to EUR 394 million, EUR 261 million Deposits of credit institutions, EUR 244 million Other [2] Includes only credit risk (without application of IFRS 9 transitional rules) [3] Net interest margin 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 on the basis of 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 Mortgages. According to the Group's strategy the contraction of lower margin Mortgage lending and Public Finance is managed accordingly.

Consumer strategy

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. In the segment Consumer the focus is on account packages for salary payments, regular transactions and consumer unsecured lending. Addiko Bank also puts significant efforts in building digital capabilities and is recognised in its markets as a digital challenger with services such as Addiko Chat Banking on Viber, virtual branch and online account opening capabilities. 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.

In the first half of 2020 Addiko Bank was heavily impacted by the lockdown measures implemented by the local governments to contain the spread of 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 year 2020. In the first quarter of 2021, the sales activities intensified in all entities, reaching the pre-Covid levels. The sales channels were also adapted to the new context, allowing customers to get access to the bank’s product and services remotely (mLoan, assisted sales, Virtual Branch).

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. Towards the first quarter of 2021 the digital contribution to the sales results increased significantly as the bank was able to respond well to social distancing requirements.

Consumer 1Q21 Business review

In comparison to 1Q20 the net interest income decreased by EUR 1.7 million to EUR 24.5 million (1Q20: EUR 26.2 million) at a NIM of 5.9% due to Covid-19 related reasons: lower customer demand, margins’ pressure, moratoria and regulatory changes. The net fee and commission income decreased by EUR 0.1 million to EUR 7.8 million in 1Q21 compared to EUR 7.9 million in 1Q20, due to lockdown related reasons: less travel and consumption.

Despite Covid-19 crisis still visible this year, the gross performing loans only slightly lower (-1.7%) in 1Q21 in comparison with 1Q20. The result before tax amounted to EUR 5.1 million (1Q20: EUR 10.9 million), which is 53.4% lower than in 1Q20 driven by credit loss expenses on financial assets. Risk provisions in 1Q21 have been driven by migrations of clients from stage 1 to stage 2 as well as, to a lesser extend by migrations into the Non-Performing loan portfolio, leading to increased risk provision requirements in 1Q21 compared to provision requirements in 1Q20 by 83.7%. It should be also considered that the post model risk overlay, which was recognised in 1Q20 to anticipate the Covid-19 impacts, was not allocated to the individual market segments but recognised in the segment Corporate Center.

SME Strategy

Addiko Bank offers the full product suite to approximately 40 thousand SME clients (companies with annual turnover between EUR 0 million and EUR 50 million) in the CSEE region. SME business is a main strategic segment of Addiko Bank, in which the Bank is targeting the “real economy” with working capital loans, investment loans and a strong focus on trade finance products.

Addiko's strategy in SME business is to achieve primary bank status by providing services based on convenience, developing flexible solutions and products which are highly digitalised and having competitive advantage. In recent years Addiko Bank has started a group-wide project to build up a new digital platform which will cater to the needs of modern SME customers by providing primarily simple loan financing with market leader delivery times. The underlying application process has therefore been redesigned from scratch resulting in a state-of-the-art customer experience combined with transparent and tangible process and performance metrics for the bank. In 2021 the group-wide roll out of this platform as well as the underlying digital processes has been finalised, which results in a homogenous digital ecosystem that can be further leveraged in the years to come with additional products and services. The focus will be to offer a compelling value proposition of online self-services that further reduces the cost-to-serve. With it, Addiko Bank also plans to continue to digitally serve the untapped potential of smaller legal entities in need of financing whilst consequently increasing the loan volumes and related commission income.

SME 1Q21 Business review

The net interest income decreased slightly in 1Q21 from EUR 7.0 million in 1Q20, by EUR 0.1 million, or 1.1%, to EUR 6.9 million with a NIM at 2.1%. The net fee and commission income decreased by 3.3% compared to 1Q20, mainly arising a drop in cards, FX&DCC and transactions, as a result of decreased economic activity due to the Covid-19 crisis. Operating expenses decreased by EUR 0.8 million compared to 1Q20. The SME segment has generated EUR 3.8 million result before tax impacted by increased credit loss expenses in 1Q21. In the first quarter of 2021 SME disbursements were higher with regards to comparative period despite Covid-19 crisis. The NPE ratio compared with 1Q20 remained on a low level of 5.8% (1Q20: 6.4%), showing the overall solid quality of the portfolio.

Mortgage 1Q21 Business review

Mortgage lending is not part of the “focus area” and consequently primarily targets the retention of existing, profitable customers. However, for retention purposes private individuals, holding an account package for payments or an existing mortgage loan, are granted mortgage loans upon demand. Given the gradual wind-down strategy, mortgage lending products are not actively marketed.

This is reflected in the operating income which in 1Q21 amounted to EUR 4.4 million, reflecting a 11.9% decreased in comparison with EUR 5.0 million at 1Q20, mainly driven by EUR 106.9 million lower gross loans and consequently lower net interest income. Lower operating expenses in the amount of 1.5% compared to 1Q20.

Large Corporates 1Q21 Business review

The Large Corporates segment comprises Addiko Group’s business activities relating to offering a full suite of products, focusing on lending products, deposit products as well as other complementary products to its large corporate customers, i.e. companies with annual turnover of over EUR 50 million.

The largest local and international companies are serviced by centralised local teams and coordinated by a headquarter role, to provide its customers with a seamless financing service across the entire Addiko Group. The Large Corporate segment’s aim is to deliver its services in a straight-forward and efficient manner and to provide its customers convenient access to those services. No growth in the Large Corporate segment is anticipated, but Addiko Group will continue to serve selected customers with a favourable risk and reward ratio.

As a non-focus segment Large Corporates records lower loan book portfolio as well as income in comparison with the comparative period. The NIM was stable at 1.4%. The net fee and commission income amounted to EUR 1.2 million (1Q20: EUR 1.3 million) and decreased mainly due to lower transaction volumes as a result of the decreased economic activity due to the Covid-19 crisis and a lower ultimo volume balance. The result before tax at EUR 2.9 million (1Q20: EUR 4.1 million) was impacted by allocations for risk provision in the amount of EUR 1.0 million. The variance in risk provision bookings is driven by releases booked in the Corporate portfolio in 1Q20 for several big tickets, which didn't materialise in 2021.

Public Finance 1Q21 Business review

The Public Finance segment comprises Addiko Group's business with key public institutions in CSEE countries, such as ministries of finance, state enterprises and local governments. Addiko Group offers those public institutions a full suite of products, comprising deposit products (current accounts, savings accounts and term deposits), lending products (term loans and operating financing loans) and other complementary products such as domestic and foreign payments, treasury and trade finance products. Public Finance lending is not an area that Addiko Group is aiming to grow. It rather focuses on maintaining the existing deposits and provide account keeping services while lending on a selected basis only.

The net interest income in 1Q21 amounts to EUR 1.2 million (1Q20: EUR 1.5 million), with NIM at 1.4% (1Q20: 1.2%). The decrease in net interest income occurred due to the strategic run-down of the portfolio (11.9% in gross performing loans compared to 1Q20). The net fee and commission income stable at EUR 0.2 million (1Q20: EUR 0.3 million). The Public Finance segment has generated EUR 1.4 million operating income (1Q20: EUR 1.7 million) and EUR 1.2 million result before tax in 1Q21 (1Q20: EUR 1.7 million). The Cost/Income Ratio increased to 40.4% (1Q20: 33.0%) due to lower operating income, whereby the cost being stable. The NPE ratio decreased in 1Q21 and shows a low NPE share in the portfolio of 0.6% (1Q20: 1.3%).

Corporate Center

The Corporate Center segment is primarily an internal segment without direct product offerings to external customers containing the results from Addiko Group's liquidity and capital management. It is responsible for Addiko Group's treasury activities as well as other functions, such as overhead, project-related operating expenses, contributions to the Single Resolution Fund, bank levy and other items, including Addiko Group's reconciliation to IFRS (i.e. consolidation effects). In addition, this segment includes direct deposit activities in Austria and Germany, which are steered by treasury for liquidity purposes.

The Corporate Center segment's prime responsibilities comprise the Group-wide asset and liability management (ALM) steering, management of liquidity portfolios within the regulatory requirements and the optimisation of subsidiaries' funding mix.

Corporate Center 1Q21 Business review

The net interest income in 1Q21 amounts to EUR 2.7 million (1Q20: EUR 3.2 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 increase of net result from financial instruments which in 1Q21 amounted to EUR 2.7 million (1Q20: EUR 1.3 million) mainly results from realised profits from the sale of debt securities. The other operating result in 1Q21 amounted to EUR -3.7 million (1Q20: EUR -4.0 million) and includes the following items:

- Front-loaded regulatory charges from the recovery and resolution fund of EUR -1.5 million (1Q20: EUR -1.4 million).
- Deposit guarantee expenses of EUR -1.4 million (1Q20: EUR -2.0 million). The decrease compared with the previous reporting period is driven by the notification from the Croatian Deposit Insurance Agency that, starting from 01.01.2021 and until further notice, no payments to the local deposit insurance need to be further performed.
- Bank levies and other taxes increased from EUR -0.6 million at 1Q20 to EUR -0.8 million at 1Q21.

Asset Contribution

The net interest income at 1Q21 in the Corporate Center includes only a fraction of the positive impact from interest and liquidity gap contribution (IGC) of EUR 10.2 million. The majority of the IGC in the amount of EUR 8.2 million is distributed to the market segments according to their respective asset contribution. IGC is the result of partially funding longer term assets with stable but shorter-term liabilities. The extend of this maturity transformation is strictly managed in accordance with regulatory and internal limits. The Addiko Funds Transfer Pricing (FTP) methodology assigns internal funding costs to assets and internal funding benefits to liabilities on a matched maturity basis. This means, if maturities of loans and deposits of a certain segment were the same, IGC would be zero.

In reality a certain percentage of longer-term assets is funded by shorter term liabilities. Within the funds transfer pricing (FTP) methodology market segments are therefore charged more for their assets than compensated for their liabilities. By compensating those market segments delivering longer term assets against shorter term liabilities, the respective part of IGC is re-distributed from segment Corporate Center to the originator of the IGC, i.e. the respective market segment.

8. Summary of consolidated statement of profit or loss

EUR m

	01.01. - 31.03.2021	01.01. - 31.03.2020
Interest income calculated using the effective interest method	46.2	50.5
Other interest income	0.6	0.7
Interest expenses	-4.9	-5.9
Net interest income	**41.9**	**45.3**
Fee and commission income	18.8	19.1
Fee and commission expenses	-4.0	-3.8
Net fee and commission income	**14.8**	**15.3**
Net result on financial instruments	2.7	1.3
Other operating income	1.1	0.9
Other operating expenses	-4.7	-5.0
Operating income	**55.7**	**57.8**
Personnel expenses	-23.9	-21.2
Other administrative expenses	-15.9	-17.4
Depreciation and amortisation	-4.6	-5.0
Operating expenses	**-44.4**	**-43.5**
Operating result	**11.3**	**14.3**
Other result	-0.5	-1.2
Credit loss expenses on financial assets	-4.1	-14.4
Result before tax	**6.8**	**-1.2**
Tax on income	-1.8	-7.2
Result after tax	**5.0**	**-8.4**
thereof attributable to equity holders of parent	5.0	-8.4

EUR m

	01.01. - 31.03.2021	01.01. - 31.03.2020
Result after tax	**5.0**	**-8.4**
Other comprehensive income	**-5.5**	**-42.5**
Items that will not be reclassified to profit or loss	**0.0**	**-0.6**
Fair value reserve - equity instruments	0.0	-0.6
Net change in fair value	0.0	-0.7
Income Tax	0.0	0.1
Items that may be reclassified to profit or loss	**-5.5**	**-41.9**
Foreign currency translation	-0.7	-9.6
Gains/losses of the current period	-0.7	-9.6
Fair value reserve - debt instruments	-4.8	-32.3
Net change in fair value	-3.8	-33.9
Net amount transferred to profit or loss	-1.7	-2.7
Income Tax	0.7	4.3
Total comprehensive income for the year	**-0.5**	**-50.9**
thereof attributable to equity holders of parent	-0.5	-50.9

In 2020 Addiko Group reviewed the consolidated statement of comprehensive income. The result of the review led to changes in the consolidated statement of profit or loss. Starting with the year end 2020,

- “Modification gains or losses on financial instruments” are shown into a new position “Other result". Until 3Q20, they were presented under the line item "Net result on financial instruments";
- “Impairment on non-financial instruments”, “Allocation of provisions on legal cases and expenses for legal cases not covered by provisions (credit linked)” and “Expense from assets classified as held for sale and disposal groups” (impairment) are shown into new position “Other result”. Until 3Q20, they were presented under the line “Other operating expenses";
- “Reversal of impairment on non-financial assets”, “Release of provisions on legal cases (credit linked)”, “Income from assets classified as held for sale and disposal groups” (reversal of impairment) are shown into new position “Other result”. Until 3Q20, they were presented under the line “Other operating income";
- “Depreciation and amortisation of investment properties” are shown in position “Other operating expenses”. Until 3Q20, it was presented under the line item “Depreciation”.

In addition, a new line “Other result” was added, the line “Operating result before change in credit loss expense” was renamed to “Operating result” and the line “Operating result before tax” was renamed to “Result before tax”.

The changes in presentation were made in order to increase the transparency on the development of the underlying operative result of the bank and to provide more relevant information, enabling at the same time greater comparability. This change in presentation had no impact on the “Result after tax” as well as on the “Total comprehensive income for the year” of Addiko Group.

9. Summary of consolidated statement of financial position

EUR m

	31.03.2021	31.12.2020
Assets		
Cash reserves	1,218.9	1,156.3
Financial assets held for trading	34.9	36.4
Loans and receivables	3,554.1	3,641.2
Loans and advances to credit institutions	15.5	56.5
Loans and advances to customers	3,538.7	3,584.7
Investment securities	984.8	929.0
Tangible assets	76.4	78.8
Property, plant and equipment	71.9	74.0
Investment property	4.5	4.7
Intangible assets	26.0	26.4
Tax assets	25.6	25.2
Current tax assets	4.0	3.9
Deferred tax assets	21.6	21.3
Other assets	20.4	18.5
Non-current assets and disposal groups classified as held for sale	2.7	2.7
Total assets	**5,943.8**	**5,914.5**
Equity and liabilities		
Financial liabilities held for trading	3.4	4.9
Financial liabilities measured at amortised cost	5,014.2	4,973.4
Deposits of credit institutions	214.0	196.2
Deposits of customers	4,750.7	4,728.1
Issued bonds, subordinated and supplementary capital	0.1	0.1
Other financial liabilities	49.5	49.0
Provisions	56.7	58.2
Tax liabilities	1.0	0.0
Current tax liabilities	0.8	0.0
Deferred tax liabilities	0.1	0.0
Other liabilities	17.5	26.3
Equity	851.1	851.8
thereof attributable to equity holders of parent	851.1	851.8
Total equity and liabilities	**5,943.8**	**5,914.5**

10. Risk Report

10.1. Credit risk

10.1.1. Allocation of credit risk exposure within the Group

During first quarter of 2021, the overall gross exposure within the Group slightly increased by EUR 15.3 million or 0.2%. Increases in the exposures are recognised in Addiko Bank Croatia, Addiko Bank Slovenia, Addiko Bank Banja Luka and Addiko Bank AG, which are partially offset by reduced exposure in Addiko Bank Serbia, Addiko Bank Montenegro and Addiko Bank Sarajevo. Due to an executed re-segmentation of clients during first quarter of 2021, a shift of portfolio from Consumer to the SME segment is recognised, with an overall reduction of the Consumer portfolio as well as of the non-focus portfolio since beginning of the year, which is overcompensated by an increase within the SME portfolio and Corporate Center. Within the Group, credit risk exposure breaks down as presented in the table.

EUR m

	31.03.2021	31.12.2020
Addiko Croatia	2,632.3	2,612.8
Addiko Slovenia	1,722.1	1,689.8
Addiko Serbia	1,025.5	1,059.6
Addiko in Bosnia & Herzegovina	1,101.0	1,104.5
Addiko in Montenegro	233.6	238.0
Addiko Holding	223.5	217.9
Total	**6,938.0**	**6,922.7**

10.1.2. Credit risk exposure by rating class

At 31 March 2021 roughly 24.4% (YE20: 24.7%) of the exposure is categorised as rating classes 1A to 1E. This exposure mainly relates to receivables from financial institutions and private individuals with a minor part within corporate and sovereigns.

During the first quarter 2021 the NPE Stock reduced by EUR 13.8 million, mainly in the Consumer and non-focus portfolio in Addiko Bank Croatia, Addiko Bank Sarajevo, Addiko Bank Banja Luka as well as in the non-focus portfolio in Addiko Bank Slovenia as a result of write offs as well as due to collection effects in majority of the countries.

The following table shows the exposure by rating classes and market segment as at 31 March 2021:

EUR m

31.03.2021	1A-1E	2A-2E	3A-3E	Watch	NPE	No rating	Total
Consumer	193.9	817.7	246.7	142.3	71.6	14.3	1,486.5
SME	161.3	845.5	507.7	167.7	70.6	3.1	1,755.9
Non Focus	458.6	654.8	258.8	80.4	87.8	1.8	1,542.3
o/w Large Corporate	118.2	327.6	201.3	39.4	11.0	0.6	698.2
o/w Mortgage	301.2	247.3	29.9	29.6	76.0	1.1	685.1
o/w Public Finance	39.1	79.9	27.6	11.4	0.8	0.1	159.0
Corporate Center[1)]	882.2	1,060.8	200.7	0.4	0.0	9.2	2,153.2
Total	**1,696.1**	**3,378.7**	**1,213.9**	**390.9**	**230.0**	**28.5**	**6,938.0**

[1)] Corporate Center includes financial institutions considering national bank exposure, deposits as well as securities

EUR m

31.12.2020	1A-1E	2A-2E	3A-3E	Watch	NPE	No rating	Total
Consumer	197.7	816.7	257.1	145.8	78.5	12.6	1,508.2
SME	166.8	820.8	491.9	178.7	68.7	2.2	1,729.1
Non-Focus	477.5	677.9	289.7	85.0	96.5	2.2	1,628.9
o/w Large Corporate	122.8	347.4	221.7	41.6	15.4	0.6	749.5
o/w Mortgage	321.5	252.0	31.3	31.8	80.2	1.5	718.3
o/w Public Finance	33.2	78.6	36.7	11.6	0.9	0.1	161.1
Corporate Center[1)]	866.0	997.6	192.9	0.0	0.0	0.0	2,056.5
Total	**1,708.0**	**3,313.0**	**1,231.6**	**409.5**	**243.7**	**17.0**	**6,922.7**

[1)] Corporate Center includes financial institutions considering national bank exposure, deposits as well as securities

10.2. Presentation of exposure by overdue days

EUR m

31.03.2021	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,352.9	63.4	8.5	7.3	54.4	1,486.5
SME	1,667.3	32.1	3.9	2.3	50.3	1,755.9
Non Focus	1,434.2	26.6	4.6	15.2	61.6	1,542.3
o/w Large Corporate	670.5	10.3	0.0	13.5	4.0	698.2
o/w Mortgage	608.9	12.6	4.6	1.7	57.3	685.1
o/w Public Finance	154.9	3.8	0.0	0.0	0.4	159.0
Corporate Center	2,153.2	0.0	0.0	0.0	0.0	2,153.2
Total	**6,607.7**	**122.2**	**17.0**	**24.8**	**166.4**	**6,938.0**

Partially due to still valid moratoria, which were in all Addiko entities granted based on local regulation and EBA guideline 2020/02/20 from April 2020 (including updates), worsening of macroeconomic situation caused by Covid-19 did not result in a material increase of days past due on the portfolio level.

EUR m

31.12.2020	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,391.4	41.1	8.9	7.0	59.9	1,508.2
SME	1,619.4	43.8	14.1	1.0	50.8	1,729.1
Non-Focus	1,513.2	28.4	4.0	16.5	66.7	1,628.9
o/w Large Corporate	714.8	16.2	0.1	14.0	4.3	749.5
o/w Mortgage	639.6	10.3	3.9	2.5	62.0	718.3
o/w Public Finance	158.8	1.9	0.0	0.0	0.4	161.1
Corporate Center	2,056.5	0.0	0.0	0.0	0.0	2,056.5
Total	**6,580.5**	**113.3**	**27.0**	**24.5**	**177.4**	**6,922.7**

10.3. Development of the coverage ratio

The coverage ratio 1 increased (75.6%) compared to the YE20 (73.6%). Increases are recognised in all legal entites - except in Addiko Bank Montenegro, in which the coverage ratio 1 remains stable during first quarter 2021 - and is mainly driven by collection activities as well as curing to the performing portfolio.

The following tables show the NPE and coverage ratios at 1Q21 and YE20:

EUR m

31.03.2021	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	Coverage Ratio 1	Coverage Ratio 3
Consumer	1,486.5	71.6	60.5	3.7	4.8%	5.2%	84.5%	89.7%
SME	1,755.9	70.6	50.8	37.2	4.0%	5.8%	72.0%	124.8%
Non Focus	1,542.3	87.8	62.6	62.7	5.7%	6.7%	71.3%	142.6%
o/w Large Corporate	698.2	11.0	7.8	6.2	1.6%	2.3%	71.1%	127.0%
o/w Mortgage	685.1	76.0	54.4	56.1	11.1%	11.0%	71.6%	145.4%
o/w Public Finance	159.0	0.8	0.4	0.4	0.5%	0.6%	48.7%	99.0%
Corporate Center	2,153.2	0.0	0.0	0.0	0.0%	0.0%	85.0%	85.0%
Total	**6,938.0**	**230.0**	**173.9**	**103.6**	**3.3%**	**5.7%**	**75.6%**	**120.7%**
o/w Credit Risk Bearing	**4,915.1**	**230.0**	**173.9**	**103.6**	**4.7%**	**5.7%**	**75.6%**	**120.7%**

The NPE ratio (On-balance loans) is calculated according to EBA definition.

EUR m

31.12.2020	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	Coverage Ratio 1	Coverage Ratio 3
Consumer	1,508.2	78.5	65.9	9.7	5.2%	5.6%	83.9%	96.3%
SME	1,729.1	68.7	47.4	40.1	4.0%	5.8%	69.0%	127.4%
Non Focus	1,628.9	96.5	66.1	69.5	5.9%	6.7%	68.5%	140.5%
o/w Large Corporate	749.5	15.4	8.2	10.3	2.1%	2.3%	53.4%	120.2%
o/w Mortgage	718.3	80.2	57.4	58.7	11.2%	11.1%	71.6%	144.9%
o/w Public Finance	161.1	0.9	0.5	0.5	0.6%	0.6%	49.6%	100.6%
Corporate Center	2,056.5	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.0%
Total	**6,922.7**	**243.7**	**179.4**	**119.3**	**3.5%**	**5.9%**	**73.6%**	**122.6%**
o/w Credit Risk Bearing	**5,013.6**	**243.7**	**179.4**	**119.3**	**4.9%**	**5.9%**	**73.6%**	**122.6%**

10.4. Moratoria due to Covid-19

Based on intervention acts relating to the debt payment moratorium imposed by governments where Addiko operates, the Group banking members enduring 2020 granted 75,698 such moratoria of which 3,019 accounts (2,724 customers) were still active at 31.03.2021. As moratoriums were granted for the period between 3 to 12 months, a significant number of granted moratoria has already expired by 1Q21. In most entities the number and exposure in moratoria has declined as existing moratoria expire and new ones are only seldomly granted. Exemptions are Montenegro and Serbia, where new regulatory initiatives were launched with the end of 2020, resulting with increased number of moratoria in

1Q21. As these moratoria are primarily granted to consumer clients, where exposures are on average lower, the increase in number of moratoria compared to YE20 (1Q21: 3,019 accounts vs YE20: 1,888 accounts) was not followed by a material increase of the exposure under moratoria (EUR 164.9 million at end of 1Q21 compared to EUR 163.5 million at YE20).

Most of these moratoriums were granted in 1H20. It should be noted that markets such as Serbia implemented such schemes on an opt-out basis or as strong obligatory measure such as Montenegro, which means that a relatively large share of exposures have been included. Other countries like Bosnia and Herzegovina, 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, postponing or reducing the payments of principal amounts, interest or of full instalments, for a predefined limited period of time. Moratoriums are granted for the period between 3 to 12 months, subject to applicable government measure.

As previously disclosed, Addiko has concluded so far that almost all moratoria introduced in the markets of operation fulfil the conditions as defined in the EBA guidelines 2020/02/20 from April 2020 (including updates). Relief offered to credit owners during 2020 and 2021 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 or additional circumstances that would lead to forbearance or default classification.

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

EUR m

31.03.2021		Performing		Non Performing		Total
	Exposure	ECL	Exposure	ECL	Exposure	ECL
Consumer	32.2	2.7	3.1	2.2	35.4	4.9
SME	70.6	5.1	1.3	0.7	71.9	5.8
Non Focus	56.9	1.4	0.8	0.4	57.6	1.8
o/w Large Corporate	38.0	0.8	0.0	0.0	38.0	0.8
o/w Mortgage	12.3	0.5	0.8	0.4	13.1	1.0
o/w Public Finance	6.6	0.0	0.0	0.0	6.6	0.0
Corporate Center	0.0	0.0	0.0	0.0	0.0	0.0
Total	**159.7**	**9.1**	**5.2**	**3.4**	**164.9**	**12.5**

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

EUR m

31.03.2021		Performing		Non Performing		Total
	Exposure	ECL	Exposure	ECL	Exposure	ECL
Addiko Croatia	32.2	0.9	0.2	0.2	32.5	1.1
Addiko Slovenia	77.7	3.4	2.8	1.7	80.6	5.0
Addiko Serbia	29.8	2.1	0.6	0.4	30.4	2.5
Addiko in Bosnia & Herzegovina	19.3	2.7	0.4	0.3	19.7	3.1
Addiko in Montenegro	0.6	0.0	1.2	0.8	1.8	0.8
Addiko Holding	0.0	0.0	0.0	0.0	0.0	0.0
Total	**159.7**	**9.1**	**5.2**	**3.4**	**164.9**	**12.5**

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 31 March 2021 and 31 December 2020 amount to:

	31.03.2021			31.12.2020		
	CET1	T1	TCR	CET1	T1	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%	0.00%	0.00%	0.00%
Combined Buffer Requirements (CBR)	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**
Overall Capital Requirement (OCR)	**11.10%**	**12.60%**	**14.60%**	**11.10%**	**12.60%**	**14.60%**
Pillar II guidance (P2G)[1)]	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
OCR + P2G	**15.10%**	**16.60%**	**18.60%**	**15.10%**	**16.60%**	**18.60%**
Temporary requirements after capital relief by ECB (without CCB + P2G)[1)]	**8.60%**	**10.10%**	**12.10%**	**8.60%**	**10.10%**	**12.10%**

[1)] 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.

In addition to Pillar I minimum capital ratios, institutions also have to fulfil other capital requirements that are being imposed by the supervisory institution or by the legislation:

- Pillar II requirement (SREP requirement): bank specific, obligatory requirement set by the supervisory institution through the Supervisory Review and Evaluation Process (SREP) (together with the Pillar 1 requirement it represents the minimum total SREP requirement – TSCR). The 2020 SREP assessment has been performed by the FMA using a pragmatic approach in the light of the Covid-19 pandemic. The Pillar II requirement from the 2020 SREP process remained consequently unchanged at 4.1%.
- Applicable combined buffer requirement (CBR): system of capital buffers to be added on top of TSCR – breaching of the CBR is not a breach of capital requirement, but triggers limitations in the payment of dividends and other distributions from capital. Some of the buffers are prescribed by law for all banks and some of them are bank specific, set by the supervisory institution (CBR and TSCR together form the overall capital requirement – OCR). According to Section 23 (1) BWG, the Addiko Group has to establish a capital conservation buffer in the amount of 2.5%. As prescribed by CRD IV and the Banking Act (BWG), CCB was linearly increasing and has reached the fully loaded level of 2.5% in 2019.
- Pillar 2 Guidance: capital recommendation over and above the OCR, set by the supervisory institution through the SREP process. It is bank specific, and as a recommendation not obligatory. Any non-compliance does not affect dividends or other distributions from capital, however, it might lead to intensified supervision and imposition of measures to re-establish a prudent level of capital. At the beginning of January 2020, Addiko Bank AG received as part of the 2019 SREP decision a Pillar 2 guidance (P2G) in the amount of 4%. The FMA performed the 2020 SREP assessment using a pragmatic approach in the light of the Covid-19 pandemic, which carried forward the 2019 SREP decision.

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%.

Regulatory reporting on a consolidated basis is performed on the level of Addiko Bank AG as the EU parent financial holding company of the group of credit institutions. The following table shows the breakdown of own funds requirements within the Group by applying transitional rules as per 31 March 2021 and 31 December 2020 pursuant to CRR applying IFRS figures.

EUR m

Ref[1)]		31.03.2021	31.12.2020
	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	651.8	650.4
3	Accumulated other comprehensive income (and other reserves)	-0.5	5.0
5a	Independently reviewed (interim) and eligible profits net of any foreseeable charge or dividend	-46.6	-45.3
5aa	o/w Interim eligible profit of the current year	0.0	1.4
5ab	o/w Foreseeable charge or dividend	-46.6	-46.6
6	**CET1 capital before regulatory adjustments**	**799.7**	**805.2**
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-1.0	-1.0
8	Intangible assets (net of related tax liability)	-17.8	-19.2
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)	-11.6	-11.6
[#]	IFRS 9 transitional rules	42.1	50.1
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**11.7**	**18.4**
29	**Common Equity Tier 1 (CET1) capital**	**811.4**	**823.5**
	Tier 2 (T2) capital: instruments and provisions		
58	**Tier 2 (T2) capital**	**0.0**	**0.0**
59	**Total capital (TC = T1 + T2)**	**811.4**	**823.5**
60	Total risk weighted assets	4.053.3	4,053.1
	Capital ratios and buffers %		
61	CET1 ratio	20.0%	20.3%
63	TC ratio	20.0%	20.3%

[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 12.1 million during the reporting period, reflecting the net impact of the following components:

- A decrease by EUR 5.5 million of the other comprehensive income mainly due to the disposal of part of the debt instruments and the related realisation as well as from market related movements in the amount of EUR 4.8 million. In addition the foreign currency reserves decreased by EUR 0.7 million;
- A negative impact of EUR 8.0 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 2021, the portion of the ECL from initial application of IFRS 9 which could be added back decreases from 70% to 50%, leading to an EUR 8.0 million negative impact on capital. The dynamic component of the IFRS 9 transitional

rules as amended on the 24 June 2020 by the regulation (EU) 2020/873, which still allows to add back to capital 100 % of the risen stock of stage 1 and stage 2 ECL in 2020, remained at the same level because the changes from the audited year 2020 could thus be transferred one-to-one to the current period;
- A decrease in regulatory deduction items in the amount of EUR 1.4 million fully composed of a decrease in investments in intangible assets connected with the Regulatory Standards on the prudential treatment on software assets – EBA/CP/2020/11 (EUR 1.4 million); no noticeable change in deferred tax assets on existing taxable losses and in the prudential valuation adjustments connected with assets/liabilities measured at fair value;
- With reference to article 26 CRR, the profit of the first quarter in 2021 is not included.

In the calculation of regulatory capital, the Group continues to deduct the 2020 dividend proposal of EUR 46.6 million whereby, following the dividend decision in the AGM 2021, the group paid on the 4 May 2021 a first tranche of EUR 7.0 million. In addition, a second conditional tranche of EUR 39.6 million is to be distributed not before 30 September 2021 under the condition precedent that on the twelfth working day of each calendar month after 30 September 2021 until 31 January 2022 neither a recommendation of the ECB would, in the company's view, conflict with a distribution of dividends nor a legally mandatory distribution restriction is effective or applicable.

The capital requirements in force during the year, including a sufficient buffer, were met at all times on a consolidated basis.

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 remained stable at EUR 4,053.3 million during the reporting period:

- The RWA for credit risk decreased by EUR 6.0 million during the reporting period. This includes a EUR 47.5 million decrease in exposures to corporates which was compensated by an increase in exposures to central governments or central banks (EUR 38.7 million) and by an increase in exposures to institutions (EUR 6.0 million). The remaining part of EUR 3.2 million is a decrease due to less exposures secured by immovables.
- The increase of RWAs for market risk by EUR 6.5 million is mainly caused by less open positions in closely correlated currencies resulting in the 8 % instead of the 4 % capital requirement (EUR 11.5 million RWA increase) which was partially compensated by a lower specific and general risk associated with securities in trading book due to lower final maturity and lower volumes (EUR 5.0 million RWA decrease).
- The RWA for counterparty credit risk slightly decreased by EUR 0.3 million 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]		31.03.2021	31.12.2020
1	Credit risk pursuant to Standardised Approach	3,487.4	3,493.4
6	Counterparty credit risk	2.8	3.1
19	Market risk	158.3	151.8
23	Operational risk	404.8	404.8
Total risk exposure amount		**4,053.3**	**4,053.1**

[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 CRD IV and Commission Delegated Regulation (EU) No. 2015/62, was 12.9% at 31 March 2021, down from 13.1% at 31 December 2020. The development was driven by a decline in Tier 1 capital and a reduction in the total leverage exposure.

EUR m

Ref[1]		31.03.2021	31.12.2020
20	Tier 1 capital	811.4	823.5
21	Total leverage ratio exposure	6,313.1	6,286.9
22	**Leverage ratio %**	**12.9%**	**13.1%**

[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]	31.03.2021	31.12.2020
Available capital (amounts)		
1 Common Equity Tier 1 (CET1) capital	811.4	823.5
2 CET1 capital as if IFRS 9 had not been applied	769.3	773.4
5 Total capital (TC)	811.4	823.5
6 TC as if IFRS 9 transitional rules had not been applied	769.3	773.4
Risk-weighted assets		
7 Total RWAs	4,053.3	4,053.1
8 Total RWAs as if IFRS 9 transitional rules had not been applied	4,011.2	4,003.0
Capital ratios %		
9 CET1	20.0%	20.3%
10 CET1 as if IFRS 9 transitional rules had not been applied	19.2%	19.3%
13 TC	20.0%	20.3%
14 TC as if IFRS 9 transitional rules had not been applied	19.2%	19.3%
Leverage ratio (LR)		
15 LR total exposure measure	6,313.1	6,286.9
16 LR	12.9%	13.1%
17 LR as if IFRS 9 transitional rules had not been applied	12.3%	12.4%

[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 resulting from initial application of IFRS 9 amounts to 95%, 85%, 70%, 50% and 25% each in the first five years of IFRS 9. With introduction of regulation EU 2020/873 additional loan loss allowances since 1 January 2020 resulting from stages 1 and 2 due to Covid-19 pandemic can be included in own funds with a share of 100%, 100%, 75%, 50% and 25% each year until 2024.

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 (minimum requirement for own funds and eligible liabilities) 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 (Single Resolution Board) in the case of Addiko Group.

On 3 March 2021, FMA submitted to Addiko Bank the final decision from the SRB relating to the future MREL requirement, which amounts to 26.13% of TREA (total risk exposure amount) and 5.91% of LRE (leverage ratio exposure) based on the point-of-entry strategy at the subsidiary level of Addiko Bank d.d. (Croatia). According to the final decision the MREL requirement shall be reached by 1 January 2022 and shall be met at all times from that date onwards. Based on the final decision no additional own funds and eligible liabilities need to be generated at the level of Addiko Group, as the required MREL target defined at the level of Addiko Bank d.d. (Croatia) is already covered by the local own funds and eligible liabilities taking into consideration also planned local capital measures which are expected to be implemented during 2021 following the required regulatory approvals.

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 (simple Ø)	Change in CL / simple 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 conversion

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
Risk-weighted assets (RWA)	On-balance and off balance positions, which shall be risk weighted according to (EU) No 575/2013
SME	SME contains Micro sub-segment which includes private entrepreneurs and profit-oriented entities with annual gross revenues of less than EUR 0.5 million as well as all legal entities and private entrepreneurs with Annual Gross Revenues (AGR) from EUR 0.5 to 50.0 million.
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)
Yield GPL (simple Ø)	Regular interest income annualised / simple Ø gross performing loans

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