Addiko Bank

Consolidated Interim Report
Half Year 2021

Key data based on the consolidated financial statements drawn up in accordance with IFRS

			EUR m
Selected items of the Profit or Loss statement	**1H21**	**1H20**	**(%)**
Net banking income	115.8	117.5	-1.5%
Net interest income	84.2	88.6	-5.0%
Net fee and commission income	31.6	28.9	9.3%
Net result on financial instruments	3.9	2.0	99.7%
Other operating result	-4.8	-8.7	45.2%
Operating expenses	-86.8	-83.3	4.2%
Operating result before impairments and provisions	**28.1**	**27.5**	**2.1%**
Other result	-9.0	0.1	>100%
Credit loss expenses on financial assets	-10.2	-29.2	64.9%
Tax on income	-2.8	-10.6	73.2%
Result after tax	**6.1**	**-12.2**	**>100%**
Performance ratios	**1H21**	**1H20**	**(pts)**
annualised			
Net interest income/total average assets	2.9%	3.0%	-0.1
Return on average tangible equity	1.5%	-3.0%	4.5
Cost/income ratio	75.0%	70.8%	4.1
Cost of risk ratio	-0.2%	-0.6%	0.4
Cost of risk ratio (net loans)	-0.3%	-0.8%	0.5
Earnings/loss per share (in EUR) [1)]	0.31	-0.63	93.7
Selected items of the Statement of financial position	**Jun21**	**Dec20**	**(%)**
Loans and advances to customers	3,517.2	3,584.7	-1.9%
o/w gross performing loans	3,529.8	3,603.6	-2.0%
Deposits of customers	4,743.8	4,728.1	0.3%
Equity	849.6	851.8	-0.3%
Total assets	5,932.4	5,914.5	0.3%
Risk-weighted assets [2)]	4,124.1	4,053.1	1.8%
Balance sheet ratios	**Jun21**	**Dec20**	**(pts)**
Loan to deposit ratio	74.1%	75.8%	-1.7
NPE ratio	3.4%	3.5%	-0.1
NPE Ratio (on balance loans)	6.0%	5.9%	0.1
NPE coverage ratio	71.7%	73.6%	-1.9
Liquidity coverage ratio	212.4%	208.5%	3.9
Common equity tier 1 ratio [2)]	19.8%	20.3%	-0.5
Total capital ratio [2)]	19.8%	20.3%	-0.5
Moody's Rating	**Jul21**	**Jun21**	**Dec20**
Outlook	Stable	Stable	Stable
Counterparty Risk Rating	Ba2/NP	Ba3/NP	Ba3/NP
Bank Deposits	Ba3/NP	Ba3/NP	Ba3/NP
Baseline Credit Assessment (BCA)	ba2	ba2	ba2
Adjusted Baseline Credit Assessment	ba2	ba2	ba2
Counterparty Risk Assessment	Ba1(cr)/NP(cr)	Ba2(cr)/NP(cr)	Ba2(cr)/NP(cr)

[1)] Total number of shares: 19.500.000

[2)] The Group has adopted the EU's regulatory transitional arrangements for IFRS 9 Financial Instruments. These apply to RWAs, regulatory capital and related ratios throughout this report, unless otherwise stated

Letter from the CEO

Dear Shareholders, Customers and Employees,

beginning of June 2021, the changes in our Group Management Board were completed. We have teamed up with our country CEOs to work on our transformation program to become the leading specialist bank serving Consumer & SME clients across our region. We have developed a joint view on what needs to be done to ensure that Addiko will be successful in a competitive market that is constantly evolving. Our extended leadership team is determined to accelerate the established strategy, boost growth in our focus areas and lower costs by streamlining operations. Progress of the program will be announced during the regular disclosures of Addiko Bank AG.

Digital will remain an enabler and important pillar in our strategy. Continuous efforts went into improving our digital capabilities, pioneering with new products and features such as mLoan and webLoan across the group. We continue to focus on evolving towards fully end-to-end services living up to our promise of delivering modern digital solutions and services to our customers in our region.

Of course, the Covid-19 pandemic led to a slowdown in our business, but by providing easy and digital access to our products and services we managed to make sure that our customers remained satisfied. Despite the negative impacts from the crisis, Addiko maintained a solid financial position which is clearly reflected in our resilient asset quality and our strong balance sheet.

For the first six months of 2021, Addiko Group reported a profit of EUR 6.1 million. The recovery is slower than anticipated because of local Covid-related restrictions, but we see an overall improvement in the macroeconomic environment and signs that business activities are starting to pick up. This means consumers are increasing spending, and SMEs are back in business. We expect this recovery to carry into the second half of 2021.

Our capital ratio remained strong at a transitional CET1 ratio of 19.8% with the proposed 2020 dividend already being deducted. On 23 July 2021, the European Central Bank lifted the recommended dividend ban from last year with end of September. Therefore, we currently expect the conditional second tranche of the dividend of EUR 39.6 million (EUR 2.03 per share) to be distributed in the fourth quarter 2021 in line with the Annual General Meeting decision from 26 April 2021.

With the launch and execution of our transformation program and the full commitment of everyone, I am convinced that we can create value for our customers, our shareholders and our employees. Let’s embark on this journey together to make Addiko the leading specialist bank in our region.

Sincerely yours,

Herbert Juranek
CEO

Addiko Bank

Half Year Financial Report 2021

Disclaimer:

Certain statements contained in this report may be statements of future expectations and other forward-looking statements that are based on management's current view and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Actual results may differ materially from the results predicted and information on past performances do not permit reliable conclusions to be drawn as to the future performances. Forward-looking statements based on the management's current view and assumptions might involve risks and uncertainties that could cause a material deviation from the statement contained herein.

The English version of the Report is a translation. Only the German is the authentic language version.

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This report does not constitute a recommendation or an invitation or offer to invest or any investment or other advice or any solicitation to participate in any business and no one shall rely on these materials regarding any contractual or other commitment, investment, etc.

Any data is presented on the Addiko Group level (referred to as Addiko Bank or the Group throughout the document) unless stated otherwise.

The tables in this report may contain rounding differences.

Condensed Group Management Report

1. Overview of Addiko Bank

Addiko Group is a 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, the listed fully-licensed Austrian parent bank registered in Vienna, Austria, and regulated by the Austrian Financial Markets Authority and since 7 October 2020 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, through its six subsidiary banks, services as of 30 June 2021 approximately 0.8 million customers in CSEE, using a well-dispersed network of 166 branches and modern digital banking channels.

Based on its 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. Banking products and services have been standardised, especially in the Consumer and the SME segment, to improve efficiency, manage risks and maintain asset quality.

Addiko Bank AG became a listed company on the Vienna Stock Exchange in 2019. Around 63% of the bank's shares are in free float, the rest of the shareholder base is well diversified with a broad geographic spread and different investment strategies. The institutional investors are primarily from Western Europe and North America.

On 13 July 2021, Moody’s upgraded Addiko Bank AG's long-term Counterparty Risk Assessment (CR Assessment) to Ba1(cr) from Ba2(cr) and its long-term Counterparty Risk Ratings (CRR) to Ba2 from Ba3 following an update of their methodology. All other ratings remained unchanged, the outlook stable.

Addiko Group’s Investor relations website https://www.addiko.com/investor-relations/ contains further information, including financial and other information for investors.

2. Earnings performance in brief

Addiko Group reported in the first half of 2021 a stable operating result before impairments and provisions of EUR 28.1 million compared with EUR 27.5 million in the same period last year, which demonstrates the robustness and resilience of its sustainable business model. The result after tax of EUR 6.1 million improved significantly (1H20: EUR -12.2 million) reflecting total risk costs returning to more normalised levels of EUR -10.2 million (1H20: EUR - 29.2 million predominantly impacted by Covid-19 macroeconomic expectations).

The Group has successfully maintained its robust asset quality by tightening underwriting criteria mainly in the beginning of the pandemic (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 68.7% of the gross performing loan book (1H20: 63.4%). The Group has limited exposure to industry sectors which would be considered as Covid-19 sensitive. Addiko 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 4.9% (YE20: 4.9%), the NPE ratio (on-balance loans) of 6.0% (YE20: 5.9%) and the NPE coverage ratio at 71.7% (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 annual general meeting 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 valid guidelines of the ECB at that point in time. 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 neither a recommendation of the ECB would conflict with a distribution of dividends nor a legally mandatory distribution restriction is effective or applicable. On 23 July 2021, the European Central Bank lifted the recommended dividend ban from last year. Therefore, Addiko currently expects the second tranche of the dividend to be distributed after 30 September 2021 in line with the annual general meeting decision from the 26 April 2021.

3. Corporate Governance

Mr. Csongor Németh, Chief Executive Officer (CEO), left Addiko Bank AG with 31 May 2021. Mr. Markus Krause, Chief Risk & Financial Officer (CRO & CFO), left 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, thereby replacing Mr. Herbert Juranek.

As of 1 June 2021, Mr. Edgar Flaggl has taken over the role as CFO of Addiko Bank AG, reporting directly to the CEO. Since joining in 2012, Mr. Flaggl has held various leadership positions within the Group.

As of 1 June 2021, Mr. Tadej Krasovec has been appointed as CRO of Addiko Bank AG. Mr Krasovec is a senior executive with more than 18 years of extensive banking experience who in his last position was successfully leading the CRO and COO functions of Addiko Bank Slovenia.

4. Financial development of the Group

4.1. Detailed analysis of the result

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020	(abs)	(%)
Net banking income	115.8	117.5	-1.8	-1.5%
Net interest income	84.2	88.6	-4.5	-5.0%
Net fee and commission income	31.6	28.9	2.7	9.3%
Net result on financial instruments	3.9	2.0	2.0	99.7%
Other operating result	-4.8	-8.7	3.9	-45.2%
Operating income	**114.9**	**110.8**	**4.1**	**3.7%**
Operating expenses	**-86.8**	**-83.3**	**-3.5**	**4.2%**
Operating result before impairments and provisions	**28.1**	**27.5**	**0.6**	**2.1%**
Other result	-9.0	0.1	-9.0	>100%
Credit loss expenses on financial assets	-10.2	-29.2	19.0	-64.9%
Result before tax	**8.9**	**-1.6**	**10.5**	**>100%**
Tax on income	-2.8	-10.6	7.8	-73.2%
Result after tax	**6.1**	**-12.2**	**18.3**	**>100%**

Net interest income slightly decreased from EUR 88.6 million at 1H20, by EUR -4.5 million, or -5.0%, to EUR 84.2 million at 1H21. The decrease in interest income, lower by EUR -6.7 million from EUR 100.3 million at 1H20 to EUR 93.6 million at 1H21 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 negative impact on interest income was partially compensated by the decrease in **interest expenses** from EUR -11.7 million at 1H20, by EUR -2.2 million, to EUR -9.5 million at 1H21, predominantly resulting from lower interest expenses for customer deposit for EUR -2.0 million, mainly caused by a shift from higher yield term deposits to lower yield current deposits. The **net interest margin** consequently decreased to 287bp at 1H21, compared to 297bp at 1H20.

Net fee and commission income increased to an amount of EUR 31.6 million (1H20: EUR 28.9 million) as a result of the net increase of the fee and commission income from EUR 36.2 million to EUR 39.9 million, and of the fee and commission expenses from EUR -7.3 million to EUR -8.3 million. The increase in net fee and commission income was reflecting the gradual normalisation of the economic activity during the second quarter 2021 while the previous year was negatively impacted by the Covid-19 pandemic.

Net result on financial instruments amounts to EUR 3.9 million at 1H21, compared to EUR 2.0 million at 1H20 and mainly results 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 -8.7 million at 1H20, by EUR 3.9 million, to EUR -4.8 million at 1H21. This position includes the following significant items:

- Front-loaded regulatory charges from the recovery and resolution fund of EUR -1.2 million (1H20: EUR - 1.4 million);
- Deposit guarantee expenses of EUR -2.7 million (1H20: EUR -3.9 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 -1.4 million at 1H20 to EUR -1.8 million at 1H21.
- Restructuring costs amounted in the comparative period 1H20 to EUR -2.7 million and were connected with further cost optimisation initiatives throughout the Group as well as costs for the changes in the management structure, in 1H21 EUR -0.2 million were recognised.

Operating expenses increased from EUR -83.3 million at 1H20 by EUR -3.5 million or 4.2% to EUR -86.8 million at the current reporting date:

- Personnel expenses increased compared to the previous period from EUR -41.9 million at 1H20 to EUR -46.2 million at 1H21. The increase mainly consists out of two components, with one being the recognition of severance expenses in amount of EUR 1.5 million connected with the changes in the management board which took place in May and the other is the accrual for variable performance based bonus expenses which did not occur in the previous reporting period in line with applicable recommendations by the ECB.
- Other administrative remained stable at EUR -31.5 million.
- Depreciation and amortisation decreased from EUR -9.8 million at 1H20, by EUR -0.8 million, to EUR -9.1 million at 1H21.

Other result with EUR -9.0 million (1H20: EUR 0.1 million) was significantly impacted in the first half of 2021 by credit linked and portfolio based provisions for expected legal matters on Swiss-franc denominated loans, while the prior half year was positively influenced by the collection of EUR 1.9 million from the final court decision in favor of one entity of the Addiko Group in relation to a past damage claim.

Credit loss expenses on financial assets returned to more normalised levels of EUR -10.2 million. The provision bookings were significantly below the amount recognised in 1H20 of EUR -29.2 million, which included risk model adjustments in connection to changed macroeconomic parameters that incorporated estimated impacts of the Covid-19 outbreak. During the first waves of epidemic in 1H20 the Group anticipated material impacts to credit quality, however, state subsidies, introduced moratoria, as well as loan restructurings initiated by Addiko positively influenced the asset quality development in the second half of 2020 as well as in the first half of 2021, the economy and clients proved to be more resilient and actual cost of risk are better than initially estimated. Despite the improvement in the overall macroeconomic environment from last year it should be noted that no release of the post model risk overlay recognised during 2020 took place in the first half of 2021. Addiko will reassess the management overlay during the second half of the year once a greater normalisation of the economic activity in a post-lockdown environment can be expected to become visible in the countries of operations.

Tax on income amounts to EUR -2.8 million at 1H21 compared to EUR -10.6 million at 1H20, whereby the prior half year included the reversal of recognition of deferred taxes on tax losses carried forward in the amount of EUR 8.7 million based on the initial expected impact of Covid-19 pandemic on the future profitability of the Group.

4.2. Detailed analysis of the statement of financial position

EUR m

	30.06.2021	31.12.2020	(abs)	(%)
Cash reserves	1,152.5	1,156.3	-3.8	-0.3%
Financial assets held for trading	34.1	36.4	-2.4	-6.5%
Loans and receivables	3,520.0	3,641.2	-121.2	-3.3%
Loans and advances to credit institutions	2.8	56.5	-53.7	>100%
Loans and advances to customers	3,517.2	3,584.7	-67.5	-1.9%
Investment securities	1,076.3	929.0	147.2	15.8%
Tangible assets	75.3	78.8	-3.5	-4.4%
Intangible assets	26.1	26.4	-0.3	-1.1%
Tax assets	25.6	25.2	0.4	1.5%
Current tax assets	3.2	3.9	-0.7	-19.2%
Deferred tax assets	22.4	21.3	1.1	5.3%
Other assets	19.7	18.5	1.3	6.9%
Non-current assets held for sale	2.8	2.7	0.0	1.2%
Total assets	**5,932.4**	**5,914.5**	**17.8**	**0.3%**

The statement of financial position of Addiko Group shows the simple and solid interest-bearing asset structure: 59% 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 lending in the focus segments Consumer and SME. This is reflected by the increased share of these two segments of 68.7% of the gross performing loan book (YE20: 65.3%).

As of 1H21 the **total assets** of Addiko Group in the amount of EUR 5,932.4 million increased by EUR 17.8 million or 0.3% 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) increased to EUR 4,124.1 million (YE20: EUR 4,053.1 million).

Cash reserve remained stable at EUR 1,152.5 million as of 30 June 2021 (YE20: EUR 1,156.3 million). This reflects the strong liquidity position of the Group.

Overall **loans and receivables** decreased to EUR 3,520.0 million from EUR 3,641.2 million at year end 2020:

- Loans and receivables to credit institutions (net) decreased by EUR -53.7 million to EUR 2.8 million (YE20: EUR 56.5 million).
- Loans and receivables to customers (net) decreased by EUR -67.5 million to EUR 3,517.2 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 1,124.0 million, which could not be compensated by the new disbursements in the focus segments. The focus segments Consumer and SME lending remained stable at EUR 2,388.9 million (YE20: EUR 2,321.4 million).

The **investment securities** increased from EUR 929.0 million at YE20 to EUR 1,076.3 million at 1H21. The investments are largely 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 11.2 million refer to deferred taxes on tax loss carried forward (YE20: EUR 11.6 million).

Other assets slightly increased to EUR 19.7 million (YE20: EUR 18.5 million). The main amounts in this position are related to prepaid expenses and accruals (1H21: EUR 10.3 million; YE20: EUR 8.7 million) as well as receivables for paid in deposits and receivables from card business.

EUR m

	30.06.2021	31.12.2020	(abs)	(%)
Financial liabilities held for trading	2.5	4.9	-2.3	-48.0%
Financial liabilities measured at amortised cost	4,986.5	4,973.4	13.1	0.3%
Deposits of credit institutions	188.2	196.2	-8.0	-4.1%
Deposits of customers	4,743.8	4,728.1	15.7	0.3%
Issued bonds, subordinated and supplementary capital	0.1	0.1	0.0	0.0%
Other financial liabilities	54.4	49.0	5.4	11.0%
Provisions	63.8	58.2	5.6	9.6%
Tax liabilities	2.6	0.0	2.6	>100%
Current tax liabilities	2.6	0.0	2.6	>100%
Other liabilities	27.4	26.3	1.1	4.0%
Equity	849.6	851.8	-2.2	-0.3%
Total equity and liabilities	**5,932.4**	**5,914.5**	**17.8**	**0.3%**

On the liabilities' side, **financial liabilities measured at amortised cost** increased to EUR 4,986.5 million compared to EUR 4,973.4 million at year end 2020:

- Deposits of credit institutions decreased from EUR 196.2 million at YE20 to EUR 188.2 million as of 1H21 and include EUR 74.7 million from the participation in targeted longer-term refinancing operations (TLTRO) with the Slovenian National Bank (YE20: EUR 74.9 million).
- Deposits of customers increased to EUR 4,743.8 million (YE20: EUR 4,728.1 million). The solid funding profile is one of the strengths of the Group, which drives low dependence on market funding. Around 34% of the deposits are term deposits, mainly Euro denominated, followed by Croatian Kuna (HRK) and Bosnia-Herzogovina Convertible Marka (BAM).
- Other financial liabilities slightly increased from EUR 49.0 million at YE20 to EUR 54.4 million at 1H21.

Provisions increased from EUR 58.2 million at YE20 to EUR 63.8 million at 1H21. The development was primarily influenced by the recognition for credit linked and portfolio based provisions for expected court rulings in favour of consumers for Swiss-franc denominated loans. In addition, in the first half of 2021 the Group recognised provisions for variable performance based bonus expenses which did not occur in the previous reporting period in line with applicable recommendations by the ECB.

Other liabilities slightly increased from EUR 26.3 million at YE20 to EUR 27.4 million in 1H21 and mainly include accruals for services received but not yet invoiced (1H21: EUR 26.5 million, YE20: EUR 25.4 million) as well as liabilities for salaries and salary compensations not yet paid.

The development of **equity** from EUR 851.8 million to EUR 849.6 million is reflecting the total comprehensive income, which includes the profit and loss for the reporting period in the amount of EUR 6.1 million, the unconditional dividend 2020 paid on 4 May 2021 as well as changes in other comprehensive income in the amount of EUR -1.2 million. These changes were resulting from to market related movements from debt and equity instruments measured at FVTOCI (EUR -4.4 million) which were partially compensated by the positive change of the FX reserves (EUR 3.2 million).

4.3. Capital and liquidity requirement

The Overall Capital Requirement (OCR) was 14.60% for the Group, consisting of:

- 12.10% TSCR (8% Pillar 1 Requirement and 4.10% Pillar 2 Requirement); and
- 2.5% CBR (2.5% Capital Conservation Buffer and 0% Countercyclical Buffer).

In addition to the capital requirement, the SREP for 2020 also includes a Pillar 2 Guidance, which is set at 4.00% and should be comprised entirely of CET1 capital. The regulator therefore expects Addiko to maintain a CET1 ratio of 18.60% (14.60% SREP requirement plus 4% Pillar 2 Guidance).

As at 30 June 2021 the **capital base** of Addiko Group was solely made up of CET1 at 19.8% (YE20: 20.3%) on a IFRS 9 transitional basis well above currently requirements, as well as the Pillar 2 Guidance. Addiko's fully phased-in CET1 amounts to 18.9% from 19.3% over the same period.

The development in the first half of 2021 was mainly driven by the changes in other comprehensive income in amount of EUR -1.2 million and by the negative impact of

EUR 8.0 million in connection with the application of the IFRS 9 transitional capital rules, while it does not consider the interim profit of EUR 6.1 million. In addition, Addiko's regulatory capital ratios were reflecting the increase in RWAs, which was driven by the increase in credit risk (EUR 27.8 million) and by the increase in market risk (EUR 39.9 million).

Following the initial dividend payment of EUR 7.0 million executed in May, the Group continues to deduct from the calculation of the regulatory capital the conditional dividend amount of EUR 39.6 million which is envisaged to be distributed 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.

Addiko’s leverage ratio is sound at 12.9% at the end of June 2021 (YE20: 13.1%).

The **liquidity position** of the Group remains strong, with LTD ratio (net) of 74.1% (YE20: 75.8%), thus meeting the liquidity indicators high above the regulatory requirements. Addiko’s banking activities in Croatia exhibit a favorable loan-to-deposit ratio of around 67% at the reporting date (YE20: 68%). Slovenia, Addiko’s second largest country of operation, exhibits a balanced mix of loans and deposits, at 98% (YE20: 99%), while this metric ranges between 70% to 104% for Bosnia & Herzegovina, Montenegro and Serbia. The collection of online-generated deposits in Austria and Germany (combined at around EUR 433 million as of 30 June 2021; YE20: EUR 429 million) diversifies Addiko's funding sources from the current CSEE focus.

On 3 March 2021, Addiko received the decision from the Single Resolution Board (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 external 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.

5. Segment information

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 keys). Total Holding costs additionally allocated on market segments identified at 1H21 amount to EUR 7.4 million.

Comparative figures (1H20) have been adapted accordingly.

EUR m

30.06.2021	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	66.3	26.0	8.5	7.0	2.9	4.9	115.8
Net interest income	49.5	14.1	8.5	4.5	2.4	5.1	84.2
o/w regular interest income	47.0	15.2	10.4	5.5	1.7	7.3	87.0
Net fee and commission income	16.8	11.9	0.0	2.5	0.5	-0.2	31.6
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	3.9	3.9
Other operating result	0.0	0.0	0.0	0.0	0.0	-4.8	-4.8
Operating income	**66.3**	**26.0**	**8.5**	**7.0**	**2.9**	**4.1**	**114.9**
Operating expenses	**-41.2**	**-15.9**	**-1.2**	**-3.2**	**-1.2**	**-24.1**	**-86.8**
Operating result before impairments and provisions	**25.0**	**10.2**	**7.3**	**3.8**	**1.7**	**-20.0**	**28.1**
Other result	0.0	0.0	0.0	0.0	0.0	-9.0	-9.0
Credit loss expenses on financial assets	-15.1	-2.3	5.0	0.0	0.3	1.8	-10.2
Result before tax	**10.0**	**7.9**	**12.3**	**3.8**	**2.1**	**-27.2**	**8.9**
Business volume							
Net loans and receivables	1,300.6	1,088.3	597.4	411.1	115.5	7.1	3,520.0
o/w gross performing loans customers	1,332.4	1,092.0	583.6	407.2	114.5		3,529.8
Gross disbursements	234.7	263.1	2.8	51.0	1.1		552.6
Financial liabilities at AC [1]	2,480.0	967.6		363.8	382.1	793.0	4,986.5
RWA [2]	981.4	872.5	355.0	455.7	68.1	746.4	3,479.0
Key ratios							
Net interest margin (NIM) [3]	5.9%	2.1%	1.4%	1.3%	1.4%		2.9%
Cost/Income Ratio	62.2%	61.0%	14.0%	45.5%	40.5%		75.0%
Cost of risk ratio	-1.0%	-0.1%	0.8%	0.0%	0.2%		-0.2%
Loan to deposit ratio	52.4%	112.5%	-	113.0%	30.2%		74.1%
NPE ratio (on-balance loans)	5.3%	5.8%	11.1%	3.6%	2.2%		6.0%
NPE coverage ratio	81.1%	71.1%	71.0%	41.5%	24.8%		71.7%
NPE collateral coverage	4.4%	51.9%	74.2%	81.2%	85.0%		46.2%
Change CL/GPL (simple Ø)	-1.1%	-0.2%	0.8%	0.0%	0.3%		-0.3%
Yield GPL (simple Ø)	7.2%	2.9%	3.4%	2.5%	2.8%		4.5%

[1] Financial liabilities 1H21 include the Direct deposits (Austria/Germany) amounting to EUR 433 million, EUR 188 million Deposits of credit institutions, EUR 172 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

30.06.2020	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	67.1	24.5	9.7	7.4	3.4	5.4	117.5
Net interest income	51.9	13.7	9.7	4.9	2.8	5.6	88.6
o/w regular interest income	48.3	15.1	13.0	6.7	1.9	8.9	93.9
Net fee and commission income	15.1	10.9	0.0	2.6	0.5	-0.2	28.9
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	2.0	2.0
Other operating result	0.0	0.0	0.0	0.0	0.0	-8.7	-8.7
Operating income	**67.1**	**24.5**	**9.7**	**7.4**	**3.4**	**-1.3**	**110.8**
Operating expenses	**-39.0**	**-17.5**	**-1.2**	**-2.6**	**-1.2**	**-21.8**	**-83.3**
Operating result before impairments and provisions	**28.1**	**7.0**	**8.6**	**4.8**	**2.2**	**-23.1**	**27.5**
Other result	-	-	-	-	-	0.1	0.1
Credit loss expenses on financial assets	-16.2	-7.9	-5.8	-0.7	0.2	1.2	-29.2
Result before tax	**11.9**	**-0.9**	**2.7**	**4.1**	**2.4**	**-21.8**	**-1.6**
Business volume							
Net loans and receivables	1,257.6	1,089.6	701.0	542.4	141.7	57.4	3,789.6
o/w gross performing loans customers	1,303.4	1,078.8	691.0	542.3	142.2		3,757.7
Gross disbursements	150.2	223.0	0.9	99.3	1.0		474.3
Financial liabilities at AC [1]	2,495.5	907.2		375.1	483.7	758.1	5,019.6
RWA [2]	947.1	906.7	417.9	572.3	81.9	627.2	3,553.1
Key ratios							
Net interest margin (NIM) [3]	5.9%	2.3%	1.5%	1.4%	1.2%		3.0%
Cost/Income Ratio	58.1%	71.4%	12.1%	35.3%	34.4%		70.8%
Cost of risk ratio	-1.1%	-0.4%	-0.8%	-0.1%	0.1%		-0.6%
Loan to deposit ratio	50.4%	120.1%	-	144.6%	29.3%		78.9%
NPE ratio (on-balance loans)	4.4%	6.4%	11.1%	2.1%	1.3%		5.6%
NPE coverage ratio	90.6%	69.8%	67.8%	54.7%	72.3%		73.2%
NPE collateral coverage	7.4%	58.4%	72.6%	61.3%	25.2%		50.9%
Change CL/GPL (simple Ø)	-1.2%	-0.7%	-0.8%	-0.1%	0.1%		-0.8%
Yield GPL (simple Ø)	7.4%	2.8%	3.6%	2.4%	2.6%		4.5%

[1] Financial liabilities at AC at 1H20 include the Direct deposits (Austria/Germany) amounting to EUR 422 million, EUR 227 million Deposits of credit institutions, EUR 109 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, Large Corproate and Public Finance is managed accordingly.

Consumer strategy

Addiko Bank's strategy is to offer modern 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 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, Webloans, mLoans 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 half of 2021, the sales activities intensified in the Group, 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 pandemic, proving the good reputation and capabilities of the mobile app throughout all Addiko entities. Towards the first half of 2021 the digital contribution to the sales results increased significantly as the bank was able to respond well to social distancing requirements.

Consumer 1H21 Business review

In comparison to 1H20 the net interest income decreased by EUR 2.4 million to EUR 49.5 million (1H20: EUR 51.9 million) at a NIM of 5.9% due to Covid-19 related reasons: lower customer demand, general margin' pressure, moratoria and regulatory changes. The net fee and commission income increased by EUR 1.6 million to EUR 16.8 million in 1H21 compared to EUR 15.1 million in 1H20, due to higher income from Account packages, Loans, Bancassurance and FX&DCC. The Cost/Income ratio increased slightly to 62.2% (1H20: 58.1%) due to normalisation of marketing costs.

Despite Covid-19 crisis still visible this year, the gross performing loans increased by 2.2% in 1H21 in comparison with 1H20. The result before tax amounted to EUR 10.0 million (1H20: EUR 11.9 million), which is 16.1% lower than in 1H20 driven by higher operating expenses.

SME Finance Strategy

Addiko Bank offers the full product suite to approximately 40 thousand SME clients (companies and private entrepreneurs with annual turnover between EUR 0 million and EUR 50 million) in the CSEE region. SME business is a main strategic focus 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 the related 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 Small and Medium-sized 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 targeted products and services. The focus will be to offer a compelling value proposition of online self-services capabilities 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 Finance 1H21 Business review

The net interest income increased in 1H21 from EUR 13.7 million in 1H20, by EUR 0.5 million, or 3.6%, to EUR 14.1 million with a NIM at 2.1%. The net fee and commission income increased by 9.4% compared to 1H20, due to higher income from Transactions and Trade Finance. Operating expenses decreased by EUR 1.6 million compared to 1H20. The SME segment has generated EUR 7.9 million result before tax impacted by decreased credit losses in 2021. In 1H21 the SME disbursements were higher with regards to comparative period despite Covid-19 pandemic. The NPE ratio compared with 1H20 remained on a very low level of 5.8% (1H20: 6.4%), showing the overall solid quality of the portfolio.

Mortgage 1H21 Business review

The Mortgage lending is not part of the “focus area” and consequently primarily targets the retention of existing, profitable customers. Given the gradual run-down strategy, mortgage lending products are not actively marketed.

This is reflected in the operating income which in 1H21 amounted to EUR 8.5 million, reflecting a 12.3% decrease in comparison with EUR 9.7 million at 1H20, mainly driven by EUR 107.4 million lower gross loans and consequently lower net interest income.

Large Corporates 1H21 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 segments aim is to deliver its services in a straightforward 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 intends to serve selected customers with a favourable risk and reward ratio.

As a non-focus segment following a managed run-down, Large Corporates records a lower loan book portfolio as well as income in comparison with the comparative period. With NIM at 1.3%, the net fee and commission income amounted to EUR 2.5 million (1H20: EUR 2.6 million) and decreased mainly due to lower transactions as a result of the decreased economic activity due to the Covid-19 pandemic and a lower ultimo volume balance. The result before tax at EUR 3.8 million (1H20: EUR 4.1 million) was additionally impacted by higher operating expenses as a result of updated cost allocation keys. The variance in risk provision bookings is driven by releases booked in the Large Corporate portfolio in 1H20 for several larger loans, which didn't occur in 2021.

Public Finance 1H21 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. Given the gradual run-down strategy, lending products in the Public Finance segment is not actively marketed, rather focuses on maintaining the existing deposits and provide account keeping services.

The net interest income in 1H21 amounts to EUR 2.4 million (1H20: EUR 2.8 million), with NIM at 1.4% (1H20: 1.2%). The decrease in net interest income occurred due to the strategic run-down of the portfolio (19.5% in gross performing loans compared to 1H20). The net fee and commission income remained stable at EUR 0.5 million compared to the same period last year. The Public Finance segment has generated EUR 2.9 million operating income (1H20: EUR 3.4 million) and EUR 2.1 million result before tax in 1H21 (1H20: EUR 2.4 million). The Cost/Income Ratio increased to 40.5% (1H20: 34.4%) due to lower operating income, whereby the cost being stable. The NPE ratio increased in 1H21 and shows high NPE share in the portfolio of 2.2% (1H20: 1.3%).

Corporate Center Strategy

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 thereby 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 1H21 Business review

The net interest income in 1H21 amounts to EUR 5.1 million (1H20: EUR 5.6 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 on financial instruments which in 1H21 amounted to EUR 3.9 million (1H20: EUR 2.0 million) mainly results from realised profits from the sale of debt securities. The other operating result in 1H21 amounted to EUR -4.8 million (1H20: EUR -8.7 million) and includes the following items:

- Front-loaded regulatory charges from the recovery and resolution fund of EUR -1.2 million (1H20: EUR -1.4 million).
- Deposit guarantee expenses of EUR -2.7 million (1H20: EUR -3.9 million).
- Restructuring expenses of EUR -0.2 million (1H20: EUR -2.7 million).

The result before tax in 1H21 amounts to EUR -27.2 million (1H20: EUR -21.8 million) was significantly impacted by credit linked and portfolio based provisions for expected legal matters on Swiss-franc denominated loans.

Asset Contribution

The net interest income at 1H21 in the Corporate Center includes only a fraction of the positive impact from interest and liquidity gap contribution (IGC) of EUR 19.6 million. The majority of the IGC in the amount of EUR 16.4 million is distributed to the business 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 business 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 business segment.

6. Risk management & Related parties

With respect to the explanations on financial and legal risk at Addiko Group as well as the goals and methods of risk management, please refer to the risk report section of the condensed consolidated interim financial statements. Furthermore, with regards to related party transactions, please refer to note (36) related party disclosures.

7. Outlook & Risk factors

7.1. Outlook

The ongoing coronavirus pandemic continued to affect economic activity in the first half of 2021 as especially in the first quarter stringent containment measures were prolonged and supply bottlenecks emerged. Nevertheless, the decline in output has been contained by means of learning effects – with economic agents adjusting better to the pandemic – and policy support, as well as the ongoing recovery in foreign demand and a resilient manufacturing sector.

A significant economic rebound is projected in 2021 reflecting the expected re-opening of the economy, strengthened policy support and the ongoing global recovery. The expected rebound is based on several assumptions: a fast relaxation of containment measures, a further decline in uncertainty, a boost to confidence from further increases in vaccination rates, supportive fiscal and monetary policies and the unwinding of some pent-up demand.

In general, in the CSEE countries a relatively firm and uniform bounce-back is expected by the second half of 2021, bringing the annual rate of growth to an average of 4.5% (Croatia 4.5% and Montenegro 6.5%, Slovenia and Serbia 3.6% and 5.0% respectively, and Bosnia & Herzegovina will most likely experience a slower pace of recovery of around 2.8%).

Concurrent with the improved growth expectations in the countries of operation, the Group expects that the activity on new loan generation will continue to pick up in the second half of 2021. However, the lower activity of loan disbursements in the financial year 2020 and the continuously challenging interest environment will continue to pressure operational income.

With the complete Management Board in place since 1 June 2021, Addiko will further accelerate the established strategy, generate additional growth opportunities with a focus on Addiko’s core business of digital Consumer & SME lending and implement cost efficiency improvements.

The funding and liquidity situation of the Group continues to be solid with customer deposits at EUR 4.7 billion and an LCR of ca. 212%. The impacts of the pandemic have not caused any material liquidity outflows. Even if a very unfavorable liquidity scenario would materialise going forward, 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.

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 minimise the negative impacts from the current economic situation.

In summary, for the full year 2021 the Group expects:

- Gross performing loans at ca. EUR 3.5 billion with >5% growth in focus
- Net Banking Income stable at 2020 level
- Operating expenses to remain below EUR 174 million
- CET1 Ratio above 18.6% on a transitional basis
- REVISED: Sum of other result and credit loss expenses on financial assets <1% on average net loans and advances to customers (previously: Credit loss expenses on financial assets <1% on average net loans and advances to customers)

7.2. Risk factors

As Covid-19 and its variants continue to cast a shadow over the world's health systems and economies, the level of uncertainty and strength of the economic recovery will vary across countries.

Addiko operates in CSEE countries which have taken measures to address the economic consequences of the coronavirus pandemic for individuals, households and businesses. Such measures include public moratoria on repayment of loans, leading to payment holidays between three to twelve months. At the end of the second quarter 2021, limited moratoria programs in CSEE countries, where Addiko is active, remain in place. In Slovenia and Croatia, the application period has already expired while the moratoria are planned to last until November 2021 and September 2021, respectively (March 2022 for the Croatian tourism sector only). New moratoria with stricter conditions apply in Serbia until October 2021 (application period ended on 30 April 2021) and, until the end of 2021 in Bosnia & Herzegovina (where the application period ended on 30 June 2021) as well as Montenegro (where eligible customers can apply until 31 December 2021).

Addiko Group experienced only payment delays for less than 10% of its focus and non-focus lending portfolio. This trend was supported also by the above described payment moratoria which prevented defaults for potentially impacted exposures. At the end of the first half of 2021 only EUR 105.2 million or 2.2% of the total exposure excluding the corporate center (1.5% on total exposure) remained affected by moratoria, a significant improvement compared with 3.4% as of end-December (EUR 164 million), 14% as of end-September (EUR 667 million) and 20% at end of June (EUR 1.0 billion). 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. For this reason, the full impact of the crisis on asset quality is still not evident and is expected to become more transparent during the second half of 2021.

In addition to the Covid-19 impact on the economy, the following developments in the European banking sector represent risk factors affecting the development of the Group: on the one hand, the sector is facing challenges in the form of a low interest rate environment, general price pressure due to excess liquidity in the markets, and steadily increasing regulatory requirements, which are having a negative impact on the profitability of banks. Furthermore, these activities of regulatory authorities, such as the implementation of consumer protection mechanisms limiting loan growth in the consumer sector, will in turn also have a negative influence on private consumption, further affecting the sector's profitability. On the other hand, the pressure on market participants to innovate is increasing, and with it the need to make comprehensive investments which allow customers to conduct their banking activities without visiting the branches.

Vienna, 10 August 2021
Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek
Chairman

Tadej Krašovec
Member of the Management Board

Ganesh Krishnamoorthi
Member of the Management Board

Condensed Consolidated Interim Financial Statements

I. Consolidated statement of comprehensive income

Statement of profit or loss

EUR m

	Note	01.01. - 30.06.2021	01.01. - 30.06.2020[1]
Interest income calculated using the effective interest method		92.4	99.0
Other interest income		1.2	1.3
Interest expenses		-9.5	-11.7
Net interest income	**(6)**	**84.2**	**88.6**
Fee and commission income		39.9	36.2
Fee and commission expenses		-8.3	-7.3
Net fee and commission income	**(7)**	**31.6**	**28.9**
Net result on financial instruments	(8)	3.9	2.0
Other operating income	(9)	2.3	1.9
Other operating expenses	(9)	-7.1	-10.6
Operating income		**114.9**	**110.8**
Personnel expenses	(10)	-46.2	-41.9
Other administrative expenses	(11)	-31.5	-31.5
Depreciation and amortisation	(12)	-9.1	-9.8
Operating expenses		**-86.8**	**-83.3**
Operating result before impairments and provisions		**28.1**	**27.5**
Other result	(13)	-9.0	0.1
Credit loss expenses on financial assets	(14)	-10.2	-29.2
Result before tax		**8.9**	**-1.6**
Tax on income	(15)	-2.8	-10.6
Result after tax		**6.1**	**-12.2**
thereof attributable to equity holders of parent		6.1	-12.2

[1] Due to changes in presentation of the statement of profit or loss starting from 31.12.2020, the comparative period has also been adjusted; further details can be found in Note (2) Change in presentation of financial statements.

	30.06.2021	30.06.2020
Result after tax attributable to ordinary shareholders (in EUR m)	6.1	-12.2
Weighted-average number of ordinary shares (in units of shares)	19,500,000.0	19,500,000.0
Earnings/loss per share (in EUR)	0.31	-0.63
Weighted-average diluted number of ordinary shares (in units of shares)	19,500,000.0	19,500,000.0
Diluted earnings/loss per share (in EUR)	0.31	-0.63

Statement of other comprehensive income

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
Result after tax	**6.1**	**-12.2**
Other comprehensive income	**-1.2**	**-22.8**
Items that will not be reclassified to profit or loss	**0.3**	**0.1**
Fair value reserve - equity instruments	0.3	0.1
Net change in fair value	0.3	0.2
Income Tax	0.1	0.0
Items that may be reclassified to profit or loss	**-1.6**	**-23.0**
Foreign currency translation	3.2	-6.9
Gains/losses of the current period	3.2	-6.9
Fair value reserve - debt instruments	-4.7	-16.1
Net change in fair value	-3.1	-15.8
Net amount transferred to profit or loss	-2.4	-2.4
Income Tax	0.7	2.1
Total comprehensive income for the year	**4.9**	**-35.0**
thereof attributable to equity holders of parent	4.9	-35.0

II. Consolidated statement of financial position

EUR m

	Note	30.06.2021	31.12.2020
Assets			
Cash reserves	(16)	1,152.5	1,156.3
Financial assets held for trading	(17)	34.1	36.4
Loans and receivables	(18)	3,520.0	3,641.2
Loans and advances to credit institutions		2.8	56.5
Loans and advances to customers		3,517.2	3,584.7
Investment securities	(19)	1,076.3	929.0
Tangible assets	(20)	75.3	78.8
Property, plant and equipment		70.8	74.0
Investment property		4.5	4.7
Intangible assets		26.1	26.4
Tax assets		25.6	25.2
Current tax assets		3.2	3.9
Deferred tax assets		22.4	21.3
Other assets	(21)	19.7	18.5
Non-current assets held for sale		2.8	2.7
Total assets		**5,932.4**	**5,914.5**
Equity and liabilities			
Financial liabilities held for trading	(22)	2.5	4.9
Financial liabilities measured at amortised cost	(23)	4,986.5	4,973.4
Deposits of credit institutions		188.2	196.2
Deposits of customers		4,743.8	4,728.1
Issued bonds, subordinated and supplementary capital		0.1	0.1
Other financial liabilities		54.4	49.0
Provisions	(24)	63.8	58.2
Tax liabilities		2.6	0.0
Current tax liabilities		2.6	0.0
Other liabilities	(25)	27.4	26.3
Equity		849.6	851.8
thereof attributable to equity holders of parent		849.6	851.8
Total equity and liabilities		**5,932.4**	**5,914.5**

III. Consolidated statement of changes in equity

The consolidated statement of changes in equity is presented at the 30.06.2021 as follows:

EUR m

	Subscribed capital	Capital reserves	Fair value reserve	Foreign currency reserve	Cumulated result and other reserves	Equity holders of parent	Non-controlling interest	Total
Equity as at 01.01.	**195.0**	**237.9**	**17.6**	**-12.6**	**413.8**	**851.8**	**0.0**	**851.8**
Result after tax	0.0	0.0	0.0	0.0	6.1	6.1	0.0	6.1
Other comprehensive income	0.0	0.0	-4.4	3.2	0.0	-1.2	0.0	-1.2
Total comprehensive income	0.0	0.0	-4.4	3.2	6.1	4.9	0.0	4.9
Dividends paid	0.0	0.0	0.0	0.0	-7.0	-7.0	0.0	-7.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity as at 30.06.	**195.0**	**237.9**	**13.2**	**-9.4**	**412.9**	**849.6**	**0.0**	**849.6**

The consolidated statement of changes in equity is presented at the 30.06.2020 as follows:

EUR m

	Subscribed capital	Capital reserves	Fair value reserve	Foreign currency reserve	Cumulated result and other reserves	Equity holders of parent	Non-controlling interest	Total
Equity as at 01.01.	**195.0**	**298.7**	**22.5**	**-6.6**	**351.7**	**861.3**	**0.0**	**861.3**
Result after tax	0.0	0.0	0.0	0.0	-12.2	-12.2	0.0	-12.2
Other comprehensive income	0.0	0.0	-15.9	-6.9	0.0	-22.8	0.0	-22.8
Total comprehensive income	0.0	0.0	-15.9	-6.9	-12.2	-35.0	0.0	-35.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity as at 30.06.	**195.0**	**298.7**	**6.6**	**-13.5**	**339.5**	**826.3**	**0.0**	**826.3**

IV. Condensed consolidated statement of cash flows

EUR m

	2021	2020[1]
Cash reserves at the end of previous period (01.01.)	**1,156.7**	**899.8**
Result after tax	**6.1**	**-12.2**
Non-cash items included in profit and reconciliation to cash flows from operating activities:	**31.7**	**32.2**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions:	-120.8	-29.4
Interests received	98.5	105.1
Interests paid	-10.5	-12.2
Dividends received	0.0	0.0
Cash flows from operating activities	**5.0**	**83.5**
Proceeds from sales of:	1.4	1.7
Tangible assets, investment properties, lease assets and intangible assets	1.4	1.7
Payments for purchases of:	-3.7	-5.5
Tangible assets, investment properties, lease assets and intangible assets	-3.7	-5.5
Cash flows from investing activities	**-2.3**	**-3.8**
Dividends paid	-7.0	0.0
Cash paid for amounts included in lease liabilities	-2.9	-3.7
Cash flows from financing activities	**-9.9**	**-3.7**
Effect of exchange rate changes	3.2	-6.8
Cash reserves at end of period (30.06.)	**1,152.7**	**969.0**

[1] In the condensed consolidated statement of cash flows 2020 the carrying amount of cash and cash equivalents was presented, although it would be correct to show the gross carrying amount movement, therefore the 2020 figures were adjusted accordingly. In addition, gains and losses on remeasurement of financial instruments at fair value through profit or loss in the amount of EUR 2.5 million are presented now in “Non-cash items included in profit” (before: “Changes in assets and liabilities arising from operating activities), cash paid for amounts included in lease liabilities in the amount of EUR 3.7 million is presented now as cash flow from financing activities (before: “Changes in assets and liabilities arising from operating activities") and FX changes from tangible assets, investment properties, lease assets and intangible assets in the amount of EUR 0.7 million are presented in “Effect of exchange rates” (before: “Other changes” in cash flow from investing activities).

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V. Condensed notes

Group accounting policies

(1) Accounting principles

The condensed consolidated interim financial statements ("interim financial statements") of Addiko Group for the period from 1 January to 30 June 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS) and in accordance with their interpretation by the IFRS Interpretations Committee (IFRIC) as adopted by the European Union (EU) as they apply in the European Union pursuant to Regulation (EC) No. 1606/2002 (IAS Regulation), in compliance with the requirements of IAS 34 “Interim Financial Reporting”.

The interim financial statements of Addiko Group are based on financial information of the fully consolidated subsidiaries. Uniform accounting and measurement principles according to IFRS 10 are applied throughout the Addiko Group. The interim consolidated financial statements are prepared on a going concern basis. Regarding estimates and assumptions according to IAS 1, please refer to Note (4) Use of estimates and assumptions/material uncertainties in relation to estimates.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements. As these interim financial statements do not include all information and disclosures required in the annual consolidated financial statements, this document should be read in conjunction with Addiko Bank’s Group annual report as of 31 December 2020.

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors, such as planning and expectations or forecasts of future events that appear likely from the current perspective. This primarily affects impairment losses in the credit business, the fair value and the impairment of financial instruments, deferred taxes and assessments of legal risks from legal proceedings and the recognition of provisions regarding such risks. The actual values may deviate from the estimated figures.

The figures in the interim consolidated financial statements are generally stated in millions of euros (EUR million); the euro (EUR) is the reporting currency. The tables shown may contain rounding differences.

The information in the interim financial statement has been neither audited nor reviewed by the external auditor.

(2) Changes in the presentation of the financial statements

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 in a new position “Other result". Until 3Q20, they were presented under the line "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 in a 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 in a 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 “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 before provisions and impairments” 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. The changes are summarised in the below table:

EUR m

Line item in the Notes	1H20 P&L presentation before reclassification	1H20 P&L presentation after reclassification	Reclassified amounts
Modification gains/losses	Net result on financial instruments	Other result	0.0
Impairment on non-financial assets	Other operating expenses	Other result	-0.1
Reversal of impairment on non-financial assets	Other operating income	Other result	0.0
Allocation of provisions for legal cases	Other operating expenses	Other result	-2.3
Release of provisions for legal cases	Other operating income	Other result	2.8
Expenses for legal cases not covered by provision	Other operating expenses	Other result	-0.3
Income from the sale of assets classified as held for sale and disposal groups	Other operating income	Other result	0.0
Losses from the sale of assets classified as held for sale and disposal groups	Other operating expenses	Other result	0.0
Depreciation and amortisation of investment properties	Depreciation and amortisation	Other operating expenses	0.0

The changes also made it necessary to adapt the presentation of the comparable period and the comparable reporting date. The following table shows the reconciliation of the 1H20 statement of profit or loss to the new format. The corresponding changes are also incorporated in the 1H20 segment reporting.

EUR m

	01.01. - 30.06.2020	Reclassification		01.01. - 30.06.2020
Interest income calculated using the effective interest method	99.0	0.0	Interest income calculated using the effective interest method	99.0
Other interest income	1.3	0.0	Other interest income	1.3
Interest expenses	-11.7	0.0	Interest expenses	-11.7
Net interest income	**88.6**	**0.0**	**Net interest income**	**88.6**
Fee and commission income	36.2	0.0	Fee and commission income	36.2
Fee and commission expenses	-7.3	0.0	Fee and commission expenses	-7.3
Net fee and commission income	**28.9**	**0.0**	**Net fee and commission income**	**28.9**
Net result on financial instruments	2.0	0.0	Net result on financial instruments	2.0
Other operating income	4.7	-2.8	Other operating income	1.9
Other operating expenses	-13.3	2.7	Other operating expenses	-10.6
Operating income	**110.9**	**-0.1**	**Operating income**	**110.8**
Personnel expenses	-41.9	0.0	Personnel expenses	-41.9
Other administrative expenses	-31.5	0.0	Other administrative expenses	-31.5
Depreciation and amortisation	-9.9	0.1	Depreciation and amortisation	-9.8
Operating expenses	**-83.3**	**0.0**	**Operating expenses**	**-83.3**
Operating result before change in credit loss expense	**27.6**	**-0.1**	**Operating result before impairments and provisions**	**27.5**
		0.1	Other result	0.1
Credit loss expenses on financial assets	-29.2	0.0	Credit loss expenses on financial assets	-29.2
Operating result before tax	**-1.6**	**0.0**	**Result before tax**	**-1.6**
Tax on income	-10.6	0.0	Tax on income	-10.6
Result after tax	**-12.2**	**0.0**	**Result after tax**	**-12.2**

(3) Application of new standards and amendments

New standards, interpretations and their amendments are listed below. The impact of all other standards, interpretations and their amendments not yet adopted is not expected to be material.

The following new standards, interpretations and amendments to existing standards are mandatory for periods beginning on 1 January 2021:

Standard	Name	Description	Effective for financial year
IFRS 16	Amendments to IFRS 16 Leases	Covid-19 Related Rent Concessions	from June 2020
IFRS 9, IAS 37, IFRS 7, IFRS 4 and IFRS 16	Amendments to IFRS 9 Financial Instruments; IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, and IFRS 16 Leases	Interest rate benchmark reform - Phase 2	2021
IFRS 4	Amendments to IFRS 4 Insurance contracts	Deferral of IFRS 9	2021

The amendments to **IFRS 16 Leases** (Covid-19-Related Rent Concessions) provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. Addiko Group chose not to apply the practical expedient.

The amendments to **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** deal with replacement issues affecting financial reporting when an existing interest rate benchmark depending on submissions based on expert judgment are actually replaced by risk free rates based on liquid underlying market transactions. Practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis) was introduced. These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16. Under the amendments, hedge accounting is not discontinued because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements. The amendment introduces new disclosures about the transition.

The Addiko Group has exposure to IBORs on its financial instruments that will be reformed. Although some of the IBORs were planned to be discontinued by the end of 2021, consultations and possible regulatory changes are in progress. The Group is in process of amending or preparing to amend contractual terms for the existing contracts that are indexed to an IBOR and mature after the expected cessation of the IBOR rate, for example the incorporation of fallback provisions and establishing pricing for new products in response to IBOR reform, and there is still uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The main risks to which the Group is exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves, revision of operational controls related to the reform and assessing of potential litigation risk. Financial risk is predominantly limited to interest rate risk. The Group plans to finish the process of amending contractual terms by the end of the year 2021. The amendment applies to annual reporting periods beginning on or after 1 January 2021 and are to be applied retrospectively. Earlier application is permitted and restatement of prior period is not required.

The amendments to **IFRS 4 Insurance contracts** (Deferral to IFRS 9) provide an extension of the end date for applying the temporary exemption from IFRS 9 to 1 January 2023. These amendments are not applicable for Addiko Group.

New standards, interpretations and amendments to existing standards issued by the IASB but not yet effective were not early adopted by the Addiko Group and application of these standards, interpretations and amendments is not expected to have a significant impact on Addiko Group´s financial statements.

(4) Use of estimates and assumptions/material uncertainties in relation to estimates

The interim financial statements contain values based on judgments and calculated using estimates and assumptions. Estimates and assumptions are based on historical experiences and other factors such as planning and expectations or forecasts of future events that appear likely from a current perspective. Since estimates and assumptions made are subject to uncertainties, this may lead to results that require carrying amount adjustments of the respective assets and liabilities in future periods. Significant estimates and assumptions in the Addiko Group relate to:

Credit risk provisions
The Addiko Group regularly assesses the recoverability of its problematic loans and recognises corresponding risk provisions in case of impairment. Estimates as to the amount, duration and probable occurrence of expected return cash flows are made when assessing recoverability. This assessment is based on a detailed analysis and assumptions made, which are however subject to uncertainties. A different estimate of these assumptions may result in a significantly different measurement of credit risk provisions. The model for measurement of expected credit losses requires the assessment of significant increase in credit risk and uses historical data and their extrapolations, the observed data and individual estimations as well as grouping of similar assets when credit risk deterioration has to be assessed on a collective basis.

In light of the ongoing Covid-19 pandemic, assessment regarding the measurement of individual financial assets, assessments regarding the transfer of financial instruments from stage 1 to stage 2, macroeconomic assumptions for the determination of forward-looking information in the course of the calculation of expected credit losses and assumptions for expected cash flows for impaired loans are based on the latest observations available. The long-term impact of the pandemic on economic development, the development of labor and other industry-specific markets as well as the payment holidays granted inside and outside of state or industry moratoria may be overestimated or underestimated when applying hindsight in the future.

Deferred tax assets
Deferred tax assets on losses carried forward are only recognised when future tax profits that allow utilisation appear to be highly likely. These estimates are based on the respective 5 years tax plans prepared by the management of the subsidiaries. These naturally reflect the management's evaluations, which are in turn subject to a degree of predictive uncertainty. The Group regularly re-evaluates its estimates related to deferred tax assets, including its assumptions about future profitability.

Addiko Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. Addiko Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. However, due to the fact that Addiko Group is subject to a large number of tax regulations that in some cases have only been in effect for a short period of time, are frequently amended and enforced by various political subdivisions, there is a risk that tax audits could, on account of diverging interpretations, result in assessments of tax deficiencies, which could require Addiko Group to pay additional taxes not previously expected.

In relation to existing taxable losses, although Addiko Group currently has no information or indications of a change of the relevant tax regulations, this may be revised in the future, with the imposition of a time limit or reduction for carry forward losses.

Provisions
Setting up provisions is also based on judgments. A decision has to be made on the extent to which the Group has an obligation resulting from a past event and if an outflow of economically useful resources to fulfill these obligations is likely. Furthermore, estimates are also required with regard to the amount and maturity of future cash flows.

Provisions for legal proceedings typically require a higher degree of judgment than other types of provisions. When matters are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better-defined set of possible outcomes. The calculation of potential losses takes generally into account possible scenarios of how the litigation would be resolved and their probability, considering the history of former verdicts and assessments by independent law firms. In certain cases, due to a short horizon of available historical data and significant uncertainty as to the direction of court decisions as well as the market conditions, the adopted methodology and assumptions may be subjects of updates in subsequent reporting periods. Details regarding provisions for legal cases and uncertainty of estimates are described in note (24) Provisions for pending legal disputes.

Pension obligations are measured based on the projected unit credit method for defined benefit pension plans. In measuring such obligations, assumptions have to be made regarding long-term trends for salaries, pensions and future mortality in particular. Changes in the underlying assumptions from year to year and divergences from the actual effects each year are reported under actuarial gains and losses.

(5) Scope of consolidation

There were no changes to the scope of consolidation during the reporting period. For further information on this topic reference is made to the note of the same name in the 2020 Group annual report.

Notes to the profit or loss statement

(6) Net Interest income

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
Interest income calculated using the effective interest method	**92.4**	**99.0**
Financial assets at fair value through other comprehensive income	6.1	7.4
Financial assets at amortised cost	86.1	91.4
Negative interest from financial liabilities	0.2	0.3
Other interest income	**1.2**	**1.3**
Financial assets held for trading	0.9	1.1
Other assets	0.2	0.2
Total interest income	**93.6**	**100.3**
Financial liabilities measured at amortised cost	-7.8	-10.4
o/w lease liabilities	-0.2	-0.2
Financial liabilities held for trading	-0.7	-0.6
Negative interest from financial assets	-1.0	-0.7
Total interest expense	**-9.5**	**-11.7**
Net interest income	**84.2**	**88.6**

Interest expense of financial liabilities measured at amortised cost in the amount of EUR -7.8 million (1H20: EUR -10.4 million) includes expenses of EUR -4.3 million (1H20: EUR -6.3 million) related to customer deposits. The negative interest income on TLTRO III financial liabilities amounts to EUR 0.2 million (1H20: EUR 0.0 million).

(7) Net fee and commission income

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
Transactions	9.8	9.3
Accounts and Packages	10.8	10.3
Cards	5.8	4.9
FX & DCC	4.9	4.6
Securities	1.2	1.5
Bancassurance	2.0	1.2
Loans	2.4	1.5
Trade finance	2.6	2.4
Other	0.4	0.4
Fee and commission income	**39.9**	**36.2**
Cards	-4.5	-3.4
Transactions	-1.9	-1.9
Client incentives	-0.1	-0.1
Securities	-0.3	-0.2
Accounts and Packages	-0.5	-0.6
Bancassurance	-0.2	-0.2
Other	-0.8	-0.8
Fee and commission expenses	**-8.3**	**-7.3**
Net fee and commission income	**31.6**	**28.9**

The fees and commission presented in this note include income of EUR 19.0 million (1H20: EUR 16.7 million) and expenses of EUR -5.0 million (1H20: EUR -4.0 million) relating to financial assets and liabilities not measured at FVTPL.

(8) Net result on financial instruments

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
Held for trading financial instruments	1.4	-1.1
o/w exchange difference	-1.0	1.4
o/w gain or losses on financial instruments	2.4	-2.5
Non-trading financial assets mandatorily at fair value through profit or loss	0.2	0.0
Financial assets at fair value through other comprehensive income	2.3	3.2
Total	**3.9**	**2.0**

(9) Other operating income and other operating expenses

Other operating income and other operating expenses - net

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
Deposit guarantee	-2.7	-3.9
Recovery and resolution fund	-1.2	-1.4
Banking levies and other taxes	-1.8	-1.4
Restructuring expenses	-0.2	-2.7
Net result from sale of non-financial assets	1.0	0.2
Net result from sale of assets classified as held for sale and disposal groups	0.0	0.1
Result from operate lease assets	0.0	0.3
Result from other income and other expenses	0.1	0.3
Total	**-4.8**	**-8.7**

Other operating income and other operating expenses - gross

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
Other operating income	**2.3**	**1.9**
Gain from sale of non-financial assets	1.1	0.2
Income from operating lease assets	0.2	0.3
Gain from the sale of assets classified as held for sale and disposal groups	0.0	0.1
Other income	1.0	1.4
Other operating expenses	**-7.1**	**-10.6**
Losses from sale of non-financial assets	-0.1	0.0
Expense incurred in earning the operating lease assets income	-0.1	0.0
Restructuring expenses	-0.2	-2.7
Recovery and resolution fund	-1.2	-1.4
Deposit guarantee	-2.7	-3.9
Banking levies and other taxes	-1.8	-1.4
Other expenses	-0.9	-1.0
Total	**-4.8**	**-8.7**

At year end 2020 a reclassification of certain positions from other operating income and expenses to other result (Note 13) was performed, this is also reflected in the comparative period.

(10) Personnel expenses

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
Wages and salaries	-29.3	-29.6
Social security	-5.3	-5.4
Variable remuneration	-3.5	-0.3
Other personal tax expenses	-0.6	-0.5
Voluntary social expenses	-1.4	-1.4
Expenses for retirement benefits	-3.9	-4.5
Expenses for severance payments	-2.2	-0.2
Income from release of other employee provisions	0.1	0.1
Other personnel expenses	0.0	-0.1
Total	**-46.2**	**-41.9**

In the financial year 2021 Addiko Group started to recognise expenses for variable remuneration after in the previous period extreme moderation with regard to variable remuneration was applied in line with ECB recommendations.

In 2020 the Group wide alignment of presentation of Personnel expenses was finalised. The final mapping also required reclassifications of half year 2020 period, whereas the main impact can be seen in the position "Expenses for retirement benefits". Expenses in connection with retirement benefits were shown throughout the Group in several different positions within personal expenses and after alignment it was decided to show all expense which are linked to pension in the position "Expenses for retirement benefits". This leads to a reclassification of EUR 2.0 million from "Wages and salaries" and EUR 1.7 million from "Social security", as well as EUR 0.2 million from "Other personnel tax expenses" and EUR 0.4 million from "Other employee costs" to position "Expenses for retirement benefits". Furthermore, "Voluntary social expenses" were increased by EUR 1.1 million by reclassifying EUR 0.4 million from "Wages and salaries", EUR 0.5 million from "Social security", EUR 0.1 million from "Other personnel tax expenses". In addition, the position "Other personnel tax expenses" was decreased by EUR 1.1 million, whereas EUR 0.6 million were reclassified to "Wages and salaries" and EUR 0.1 million to "Social security".

(11) Other administrative expenses

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
IT expenses	-16.6	-17.0
Premises expenses (rent and other building expenses)	-5.7	-6.1
Legal and advisory costs	-2.3	-2.4
Advertising costs	-2.9	-2.2
Other administrative expenses	-3.9	-3.9
Total	**-31.5**	**-31.5**

(12) Depreciation and amortisation

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
Property, plant and equipment	-5.8	-6.2
o/w right of use assets	-3.1	-3.6
Intangible assets	-3.3	-3.7
Total	**-9.1**	**-9.8**

At year end 2020 the position depreciation and amortisation of investment properties was reclassified to other operating income and other operating expense, this is also reflected in the comparative period.

(13) Other result

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
Net result from legal provision and legal income/expense	**-8.9**	**0.2**
Release of provisions for legal cases and income from legal cases	0.4	2.8
Allocation of provisions for passive legal cases and legal costs	-9.4	-2.6
Impairment / reversal of impairment on non-financial assets	**0.0**	**-0.1**
Reversal of impairment	0.0	0.0
Impairment	0.0	-0.1
Total	**-9.0**	**0.1**

The positions presented in other result were in the comparative period included in the position other operating income and expenses as well as net result on financial instruments. At year end 2020 the reclassification was performed and therefore also reflected in the comparative period.

The net amount of EUR -8.9 million provisions for legal cases mainly relate to legal matters for existing and expected legal proceedings in relation to Swiss franc unilateral interest rate change and Swiss franc currency clauses. The prior half-year was positively influenced by the collection of EUR 1.9 million from the final court decision in favor of one entity of the Addiko Group in relation to a past damage claim. Further details regarding provisions for legal cases are included in note (24) Provisions.

(14) Credit loss expenses on financial assets

Credit loss expenses on financial assets measured at fair value through other comprehensive income, at amortised cost and financial guarantees and commitments breaks down as follows:

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
Change in CL on financial instruments at FVTOCI	**1.6**	**-2.1**
Change in CL on financial instruments at amortised cost	**-11.7**	**-26.4**
Net allocation to risk provision	-14.6	-29.1
Proceeds from loans and receivables previously impaired	3.5	3.9
Directly recognised impairment losses	-0.6	-1.2
Net allocation of provisions for commitments and guarantees given	**-0.1**	**-0.7**
Total	**-10.2**	**-29.2**

The provision bookings in the first half of 2021 were significantly below the amount recognised in the prior half-year of EUR -29.2 million, which included risk model adjustments in connection to changed macroeconomic parameters that incorporated estimated impacts of the Covid-19 out-break. Despite the improvement in the overall macroeconomic environment form last year it should be noted that no release of the post model risk overlay recognised during 2020 took place in the first half of 2021. Addiko will reassess the management overlay during the second half of the year once a greater normalisation of the economic activity in a post-lockdown environment will be visible in the countries of operations.

(15) Taxes on income

EUR m

	01.01. - 30.06.2021	01.01. - 30.06.2020
Current tax	-3.2	-0.6
Deferred tax	0.4	-10.0
Total	**-2.8**	**-10.6**

Deferred tax assets on losses carried forward are only recoverable when future tax profits that allow utilisation appear highly probable. In the first half of 2020 Addiko performed a re-assessment of the future profitability, based on the initial expected impact of Covid-19 pandemic, leading to a decrease of deferred tax assets on losses carried forward in amount of EUR -8.7 million.

Notes to the consolidated statement of financial position

(16) Cash reserves

EUR m

30.06.2021	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash reserves	115.7	0.0	115.7
Cash balances at central banks	928.5	0.0	928.5
Other demand deposits	108.5	-0.1	108.3
Total	**1,152.7**	**-0.2**	**1,152.5**

EUR m

31.12.2020	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash reserves	116.8	0.0	116.8
Cash balances at central banks	946.2	-0.1	946.1
Other demand deposits	93.7	-0.3	93.4
Total	**1,156.7**	**-0.4**	**1,156.3**

Cash balances at central banks and other demand deposits include amounts that are daily due and the minimum reserves. Amounts that are not daily due are reported under loans and receivables. Cash balances at central banks also serve to meet the requirements for minimum reserves. At the reporting date, the minimum reserve held and daily due was EUR 245.4 million (YE20: EUR 244.1 million).

The total amount of cash reserves at central banks and other demand deposits is considered as low risk business and is classified within stage 1 (12-month ECL).

(17) Financial assets held for trading

EUR m

	30.06.2021	31.12.2020
Derivatives	**2.2**	**3.1**
Debt securities	**31.8**	**33.4**
Governments	31.8	33.4
Total	**34.1**	**36.4**

(18) Loans and receivables

The Addiko Group measures all loans and receivables at amortised cost.

18.1. Loans and advances to credit institutions

EUR m

30.06.2021	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and advances	2.8	0.0	2.8
Credit institutions	2.8	0.0	2.8
Total	**2.8**	**0.0**	**2.8**

EUR m

31.12.2020	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and advances	56.5	0.0	56.5
Credit institutions	56.5	0.0	56.5
Total	**56.5**	**0.0**	**56.5**

As the ECL allowance amounts to less than EUR 0.1 million, no breakdown into stages is provided.

18.2. Loans and advances to customers

EUR m

30.06.2021	Gross carrying amount	ECL				Carrying amount (net)
		Stage 1	Stage 2	Stage 3	POCI	
Households	2,112.7	-17.5	-40.2	-113.0	-2.3	1,939.7
Non-financial corporations	1,556.8	-11.7	-21.8	-50.4	0.0	1,472.8
Governments	72.0	-0.4	-0.1	-0.1	0.0	71.4
Other financial corporations	34.1	-0.2	-0.5	-0.1	0.0	33.3
Total	**3,775.5**	**-29.9**	**-62.5**	**-163.6**	**-2.3**	**3,517.2**

EUR m

31.12.2020	Gross carrying amount	ECL				Carrying amount (net)
		Stage 1	Stage 2	Stage 3	POCI	
Households	2,131.2	-16.5	-40.1	-113.6	-2.4	1,958.7
Non-financial corporations	1,605.3	-12.8	-21.7	-58.0	0.0	1,512.7
Governments	82.6	-0.4	-0.3	-0.1	0.0	81.9
Other financial corporations	32.3	-0.3	-0.5	0.0	0.0	31.4
Total	**3,851.4**	**-30.0**	**-62.6**	**-171.7**	**-2.4**	**3,584.7**

Development of ECL allowance:

18.2.1. LOANS AND ADVANCES TO HOUSEHOLDS

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2021	**-16.5**	**-40.1**	**-113.6**	**-2.4**	**-172.6**
Changes in the loss allowance	2.4	-7.4	-9.7	0.1	-14.6
Transfer between stages	-4.6	7.3	-2.7	0.0	0.0
Write-offs/utilisation	0.0	0.0	14.6	0.1	14.7
Foreign exchange and other movements	1.1	0.0	-1.7	0.0	-0.6
ECL allowance as at 30.06.2021	**-17.5**	**-40.2**	**-113.0**	**-2.3**	**-173.0**

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	**-20.3**	**-32.7**	**-135.4**	**-1.1**	**-189.5**
Changes in the loss allowance	19.3	-28.5	-14.4	-1.5	-25.1
Transfer between stages	-15.8	21.3	-5.5	0.0	0.0
Write-offs/utilisation	0.0	0.0	42.3	0.4	42.8
Changes due to modifications that did not result in derecognition	0.0	0.1	0.0	0.0	0.1
Foreign exchange and other movements	0.3	-0.3	-0.7	-0.2	-0.8
ECL allowance as at 31.12.2020	**-16.5**	**-40.1**	**-113.6**	**-2.4**	**-172.6**

Overall gross carrying amount slightly decreased during 1H21, mostly through repayments being higher than disbursements of new loans mainly due to the aftermath of Covid-19 crisis. Additionally, stage 1 ECL coverage slightly increased so the overall ECL amount stayed almost the same, despite some utilisation through write-offs.

18.2.2. LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2021	**-12.8**	**-21.7**	**-58.0**	**0.0**	**-92.5**
Changes in the loss allowance	1.1	-1.4	-0.4	0.0	-0.6
Transfer between stages	-0.1	2.5	-2.4	0.0	0.0
Write-offs/utilisation	0.0	0.0	12.9	0.0	12.9
Foreign exchange and other movements	0.0	-1.2	-2.4	0.0	-3.6
ECL allowance as at 30.06.2021	**-11.7**	**-21.8**	**-50.4**	**0.0**	**-83.9**

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	**-10.1**	**-3.5**	**-59.6**	**0.0**	**-73.2**
Changes in the loss allowance	-5.8	-15.5	-4.7	0.0	-25.9
Transfer between stages	3.0	-2.5	-0.6	0.0	0.0
Write-offs/utilisation	0.0	0.0	7.9	0.0	8.0
Foreign exchange and other movements	0.1	-0.3	-1.1	0.0	-1.3
ECL allowance as at 31.12.2020	**-12.8**	**-21.7**	**-58.0**	**0.0**	**-92.5**

Overall gross carrying amount of loans and advances to non-financial corporations slightly decreased during 1H21. Despite that, the ECL was not decreased significantly on existing portfolio and in fact the coverage on stage 2 even increased. The decrease of ECL comes from utilisation through write-offs.

18.2.3. LOANS AND ADVANCES TO GENERAL GOVERNMENTS

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2021	**-0.4**	**-0.3**	**-0.1**	**0.0**	**-0.8**
Changes in the loss allowance	0.0	0.2	-0.1	0.0	0.2
ECL allowance as at 30.06.2021	**-0.4**	**-0.1**	**-0.1**	**0.0**	**-0.6**

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	**-0.3**	**0.0**	**-0.7**	**0.0**	**-1.0**
Changes in the loss allowance	-0.1	0.3	0.0	0.0	0.2
Transfer between stages	0.0	-0.6	0.6	0.0	0.0
ECL allowance as at 31.12.2020	**-0.4**	**-0.3**	**-0.1**	**0.0**	**-0.8**

The overall gross carrying amount of loans and advances to general governments decreased in 2021, accompanied by the slight decrease of ECL.

18.2.4. LOANS AND ADVANCES TO OTHER FINANCIAL CORPORATIONS

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2021	**-0.3**	**-0.5**	**0.0**	**0.0**	**-0.8**
Changes in the loss allowance	0.1	0.0	-0.1	0.0	0.1
Transfer between stages	-0.1	0.1	0.0	0.0	0.0
ECL allowance as at 30.06.2021	**-0.2**	**-0.5**	**-0.1**	**0.0**	**-0.8**

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	**-0.2**	**0.0**	**-0.4**	**0.0**	**-0.6**
Changes in the loss allowance	-0.1	-0.5	0.1	0.0	-0.5
Write-offs/utilisation	0.0	0.0	0.3	0.0	0.3
ECL allowance as at 31.12.2020	**-0.3**	**-0.5**	**0.0**	**0.0**	**-0.8**

The overall loss allowance for other financial corporations remains on the same level.

(19) Investment securities

EUR m

	30.06.2021	31.12.2020
Fair value through other comprehensive income (FVTOCI)	1,073.2	928.7
Mandatorily at fair value through profit or loss (FVTPL)	3.1	0.3
Total	**1,076.3**	**929.0**

Investment securities - development of ECL allowance

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2021	**-2.1**	**0.0**	**0.0**	**0.0**	**-2.1**
Changes in the loss allowance	1.6	0.0	0.0	0.0	1.6
ECL allowance as at 30.06.2021	**-0.5**	**0.0**	**0.0**	**0.0**	**-0.5**

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	**-0.7**	**0.0**	**0.0**	**0.0**	**-0.7**
Changes in the loss allowance	-1.5	0.0	0.0	0.0	-1.5
ECL allowance as at 31.12.2020	**-2.1**	**0.0**	**0.0**	**0.0**	**-2.1**

19.1. Fair value through other comprehensive income (FVTOCI)

EUR m

	30.06.2021	31.12.2020
Debt securities	**1,056.5**	**909.7**
Governments	766.9	628.4
Credit institutions	209.2	197.0
Other financial corporations	23.2	27.8
Non-financial corporations	57.2	56.5
Equity instruments	**16.7**	**19.0**
Governments [1]	13.2	13.2
Credit institutions	0.0	0.0
Other financial corporations	3.3	5.5
Non-financial corporations	0.3	0.3
Total	**1,073.2**	**928.7**

[1] Slovenian Bank Resolution Fund

19.2. Mandatorily at fair value through profit or loss (FVTPL)

EUR m

	30.06.2021	31.12.2020
Debt securities	**2.8**	**0.0**
Other financial corporations	2.8	0.0
Equity instruments	**0.3**	**0.3**
Non-financial corporations	0.3	0.3
Total	**3.1**	**0.3**

(20) Tangible assets

EUR m

	30.06.2021	31.12.2020
Owned property, plant and equipment	**50.9**	**52.8**
Land and buildings	40.8	41.2
Plant and equipment	10.0	11.6
Right of use assets	**19.9**	**21.2**
Land and buildings	17.9	19.1
Plant and equipment	2.0	2.1
Investment property	**4.5**	**4.7**
Total	**75.3**	**78.8**

(21) Other assets

EUR m

	30.06.2021	31.12.2020
Prepayments and accrued income	10.3	8.7
Inventories (repossessed assets, emergency acquired assets, leases to go, etc.)	2.5	3.3
Other remaining assets	6.9	6.4
Total	**19.7**	**18.5**

(22) Financial liabilities held for trading

EUR m

	30.06.2021	31.12.2020
Derivatives	2.5	4.9
Total	**2.5**	**4.9**

(23) Financial liabilities measured at amortised cost

EUR m

	30.06.2021	31.12.2020
Deposits	**4,932.0**	**4,924.3**
Deposits of credit institutions	188.2	196.2
Deposits of customers	4,743.8	4,728.1
Issued bonds, subordinated and supplementary capital	**0.1**	**0.1**
Debt securities issued	0.1	0.1
Other financial liabilities	**54.4**	**49.0**
o/w lease liabilities	20.0	21.2
Total	**4,986.5**	**4,973.4**

The carrying amount of TLTRO III liabilities (presented in the line “Deposits of credit institutions”) amounted to EUR 74.7 million as at 30 June 2021 (YE20: EUR 74.9 million).

23.1. Deposits of credit institutions

EUR m

	30.06.2021	31.12.2020
Current accounts / overnight deposits	5.9	7.7
Deposits with agreed terms	182.3	188.5
Total	**188.2**	**196.2**

23.2. Deposits of customers

EUR m

	30.06.2021	31.12.2020
Current accounts / overnight deposits	**3,141.2**	**2,948.5**
Governments	125.3	80.2
Other financial corporations	113.6	104.7
Non-financial corporations	880.6	834.2
Households	2,021.7	1,929.4
Deposits with agreed terms	**1,595.6**	**1,772.4**
Governments	103.5	125.6
Other financial corporations	200.6	195.2
Non-financial corporations	300.3	375.2
Households	991.2	1,076.5
Deposits redeemable at notice	**7.0**	**7.2**
Governments	1.0	1.0
Other financial corporations	0.5	3.1
Non-financial corporations	5.5	3.1
Total	**4,743.8**	**4,728.1**

23.3. Debt securities issued

EUR m

	30.06.2021	31.12.2020
Certificates of deposit	0.1	0.1
Total	**0.1**	**0.1**

(24) Provision

EUR m

	30.06.2021	31.12.2020
Pending legal disputes [1)]	39.5	34.0
Commitments and guarantees granted	10.6	10.4
Provisions for regulatory matters	0.8	0.8
Provisions for variable payments	7.9	6.6
Pensions and other post employment defined benefit obligations	2.0	2.0
Restructuring measures	0.3	1.0
Other long term employee benefits	0.4	0.4
Other provisions	2.3	3.0
Total	**63.8**	**58.2**

[1)] The position "Pending legal disputes and tax litigation" was split in 2021 into "Pending legal disputes" and "Provisions for regulatory matters". The comparative period was adjusted accordingly.

24.1. Provisions for pending legal disputes

The item “Pending legal disputes” includes provisions for litigations from lending business or litigations with customer protection associations, which normally occur in banking business.

Several subsidiaries of Addiko Group are involved in legal disputes regarding consumer protection claims. The proceedings mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and principles of general civil law and that certain fees or parts of interest payments charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as to contractual provisions for the adjustment of interest rates and currencies. In some jurisdictions, the legal risks in connection with loans granted in the past are also increased by the enactment of politically-motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers, as well as a level of unpredictability of judicial decisions beyond the level of uncertainty generally inherent in court proceedings.

In the first half of 2021, the increase of provision was mainly driven by the reassessment of estimates connected with the calculation of provisions for existing and expected legal proceedings in relation to Swiss franc unilateral interest rate change and Swiss franc currency clauses. For further information on this topic reference is made to the note (67) Legal Risk in the 2020 Group annual report. The reassessment was leading to the recognition in the income statement of additional provisions in amount of EUR 7.1 million, whereby the related total amount of the provision as of 30 June 2021 was EUR 23.9 million (YE20: EUR 18.0 million). The calculation is based on the best possible estimate according to IAS 37 of expected outflows of economically useful resources as at the reporting date. The following main assumptions play a key role in the estimate: the overall number of customers which will decide to sue the bank, the outcome of individual court decisions, the estimated loss by individual contract. Outflows of economically useful resources are to be expected in the course of the next four business years. However, it should be considered that the outcome of the underlying proceedings is in many cases difficult to predict and for this reason final timing could significantly deviate from original estimate.

The following table presents a sensitivity analysis for each of the following main assumptions showing how the provision amount would be impacted by changes in the relevant assumptions that were reasonably possible at the reporting date:

	30.06.2021
Change in the percentage of overall number of court cases +4%	2.0
Change in the percentage of overall number of court cases -4%	-2.1
Change in the percentage of individual court decisions in favor of the customer +10%	1.8
Change in the percentage of individual court decisions in favor of the customer -10%	-1.8
Change in the estimated loss by individual contract +25%	2.8
Change in the estimated loss by individual contract -25%	-2.8

In relation to the specific litigations no further disclosures according to IAS 37.92 are made in order to protect the Addiko Group's position in these legal disputes.

24.2. Provisions - development of loan commitments, financial guarantee and other commitments given

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2021	**-3.6**	**-1.9**	**-5.0**	**0.0**	**-10.4**
Changes in the loss allowance	-0.6	0.1	0.4	0.0	-0.1
Transfer between stages	-0.3	0.3	0.0	0.0	0.0
ECL allowance as at 30.06.2021	**-4.5**	**-1.6**	**-4.6**	**0.0**	**-10.6**

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	**-2.8**	**-0.6**	**-6.6**	**0.0**	**-10.0**
Changes in the loss allowance	-0.2	-2.3	1.6	0.0	-0.9
Transfer between stages	-0.6	0.6	0.0	0.0	0.0
Foreign exchange and other movements	0.1	0.3	0.1	0.0	0.5
ECL allowance as at 31.12.2020	**-3.6**	**-1.9**	**-5.0**	**0.0**	**-10.4**

The overall ECL allowance for loan commitments, financial guarantees and other commitments stayed stable at the reporting date.

(25) Other liabilities

EUR m

	30.06.2021	31.12.2020
Deferred income	0.9	0.9
Accruals and other liabilities	26.5	25.4
Total	**27.4**	**26.3**

Accruals and other liabilities include liabilities for services provided and not yet paid as well as salaries and salary compensations not yet paid.

Segment Reporting

The Addiko Group's segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment data is prepared based on internal management reporting that is regularly reviewed by the leadership team as chief operating decision makers (CODM) to assess the performance of the segments and make decisions regarding the allocation of resources. The business segmentation is subdivided into Consumer and SME Business, which are the focus segments and into non-focus segments, which are Large Corporates, Public Finance and Mortgages. To evaluate the result of the respective segments, the Management Board uses as main performance measures the statement of profit or loss as set out below as well as performing loan volumes, deposit volumes and belonging KPIs. In the profit or loss statement of the segment report interest income and interest expenses are netted in the position net interest income, which reflects the presentation in the internal reporting and thus is basis for further steering of the Group by the Management Board.

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 1H21 amount to EUR 7.4 million.

The accounting policies of the operating segments are the same as those described in the significant accounting policies. The Addiko Group evaluates performance for each segment on the basis of a.) result before tax b.) performing loans volumes and c.) deposit volumes as management´s consideration of the most relevant items in evaluating the results of the respective segments.

Net interest income in Corporate Center includes only as small fraction of the positive impact from interest and liquidity gap contribution (IGC) of EUR 19.6 million. The majority of the IGC in the amount of EUR 16.4 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 extent 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 (after deduction of deposit insurance and minimal reserve costs) would be approximately zero. In addition, the net result on financial instruments and the other operating result, consisting out of other operating income and other operating expense are included in the Corporate Center.

In reality a certain percentage of longer-term assets is funded by shorter term liabilities. Within the 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 the segment "Corporate Center" to the creator of the IGC, i.e. the respective market segment.

The Addiko Group does not have revenues from transactions with one single external customer amounting to 10% or more of the Addiko Group's total revenues.

Business Segmentation

The segment reporting comprises the following business segments:

Consumer: Addiko Bank's Consumer segment serves just under 0.7 million customers, which includes Private Individuals (excluding mortgage and housing loans) through a network of 166 branches and state of the art digital channels.

SME Business: Addiko Bank offers the full product suite to approximately 40 thousand SME clients (companies and private entrepreneurs 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.

Mortgage: Mortgage and housing loans portfolio

Large Corporates: This segment includes legal entities and entrepreneurs with annual gross revenues of more than EUR 50 million. Addiko Bank services the largest local and international companies by centralised and specialised local teams supported by a strong expert unit from the Holding with investment loans, working capital loans and revolving loans.

Public Finance: Public Finance business is oriented on participation in public tenders for the financing requirements of the key public institutions in CSEE countries as ministries of finance, state enterprises and local governments.

Corporate Center: This segment consists of Treasury business in the Holding and the countries as well as central functions items like overhead, project-related operating expenses, contributions to the single resolution fund, bank levy and the intercompany reconciliation. In addition, this segment includes direct deposit activities in Austria and Germany.

Segments overview

EUR m

30.06.2021	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	66.3	26.0	8.5	7.0	2.9	4.9	115.8
Net interest income	49.5	14.1	8.5	4.5	2.4	5.1	84.2
o/w regular interest income	47.0	15.2	10.4	5.5	1.7	7.3	87.0
Net fee and commission income	16.8	11.9	0.0	2.5	0.5	-0.2	31.6
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	3.9	3.9
Other operating result	0.0	0.0	0.0	0.0	0.0	-4.8	-4.8
Operating income	**66.3**	**26.0**	**8.5**	**7.0**	**2.9**	**4.1**	**114.9**
Operating expenses	**-41.2**	**-15.9**	**-1.2**	**-3.2**	**-1.2**	**-24.1**	**-86.8**
Operating result before impairments and provisions	**25.0**	**10.2**	**7.3**	**3.8**	**1.7**	**-20.0**	**28.1**
Other result	0.0	0.0	0.0	0.0	0.0	-9.0	-9.0
Credit loss expenses on financial assets	-15.1	-2.3	5.0	0.0	0.3	1.8	-10.2
Result before tax	**10.0**	**7.9**	**12.3**	**3.8**	**2.1**	**-27.2**	**8.9**
Business volume							
Net loans and receivables	1,300.6	1,088.3	597.4	411.1	115.5	7.1	3,520.0
o/w gross performing loans customers	1,332.4	1,092.0	583.6	407.2	114.5		3,529.8
Gross disbursements	234.7	263.1	2.8	51.0	1.1		552.6
Financial liabilities at AC [1]	2,480.0	967.6		363.8	382.1	793.0	4,986.5
RWA [2]	981.4	872.5	355.0	455.7	68.1	746.4	3,479.0
Key ratios							
Net interest margin (NIM) [3]	5.9%	2.1%	1.4%	1.3%	1.4%		2.9%
Cost/Income Ratio	62.2%	61.0%	14.0%	45.5%	40.5%		75.0%
Cost of risk ratio	-1.0%	-0.1%	0.8%	0.0%	0.2%		-0.2%
Loan to deposit ratio	52.4%	112.5%	-	113.0%	30.2%		74.1%
NPE ratio (on-balance loans)	5.3%	5.8%	11.1%	3.6%	2.2%		6.0%
NPE coverage ratio	81.1%	71.1%	71.0%	41.5%	24.8%		71.7%
NPE collateral coverage	4.4%	51.9%	74.2%	81.2%	85.0%		46.2%
Change CL/GPL (simple Ø)	-1.1%	-0.2%	0.8%	0.0%	0.3%		-0.3%
Yield GPL (simple Ø)	7.2%	2.9%	3.4%	2.5%	2.8%		4.5%

[1] Financial liabilities at AC at 1H21 include the Direct deposits (Austria/Germany) amounting to EUR 433 million, EUR 188 million Deposits of credit institutions, EUR 172 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

30.06.2020	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	67.1	24.5	9.7	7.4	3.4	5.4	117.5
Net interest income	51.9	13.7	9.7	4.9	2.8	5.6	88.6
o/w regular interest income	48.3	15.1	13.0	6.7	1.9	8.9	93.9
Net fee and commission income	15.1	10.9	0.0	2.6	0.5	-0.2	28.9
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	2.0	2.0
Other operating result	0.0	0.0	0.0	0.0	0.0	-8.7	-8.7
Operating income	**67.1**	**24.5**	**9.7**	**7.4**	**3.4**	**-1.3**	**110.8**
Operating expenses	**-39.0**	**-17.5**	**-1.2**	**-2.6**	**-1.2**	**-21.8**	**-83.3**
Operating result before impairments and provisions	**28.1**	**7.0**	**8.6**	**4.8**	**2.2**	**-23.1**	**27.5**
Other result	-	-	-	-	-	0.1	0.1
Credit loss expenses on financial assets	-16.2	-7.9	-5.8	-0.7	0.2	1.2	-29.2
Result before tax	**11.9**	**-0.9**	**2.7**	**4.1**	**2.4**	**-21.8**	**-1.6**
Business volume							
Net loans and receivables	1,257.6	1,089.6	701.0	542.4	141.7	57.4	3,789.6
o/w gross performing loans customers	1,303.4	1,078.8	691.0	542.3	142.2		3,757.7
Gross disbursements	150.2	223.0	0.9	99.3	1.0		474.3
Financial liabilities at AC [1]	2,495.5	907.2		375.1	483.7	758.1	5,019.6
RWA [2]	947.1	906.7	417.9	572.3	81.9	627.2	3,553.1
Key ratios							
Net interest margin (NIM) [3]	5.9%	2.3%	1.5%	1.4%	1.2%		3.0%
Cost/Income Ratio	58.1%	71.4%	12.1%	35.3%	34.4%		70.8%
Cost of risk ratio	-1.1%	-0.4%	-0.8%	-0.1%	0.1%		-0.6%
Loan to deposit ratio	50.4%	120.1%	-	144.6%	29.3%		78.9%
NPE ratio (on-balance loans)	4.4%	6.4%	11.1%	2.1%	1.3%		5.6%
NPE coverage ratio	90.6%	69.8%	67.8%	54.7%	72.3%		73.2%
NPE collateral coverage	7.4%	58.4%	72.6%	61.3%	25.2%		50.9%
Change CL/GPL (simple Ø)	-1.2%	-0.7%	-0.8%	-0.1%	0.1%		-0.8%
Yield GPL (simple Ø)	7.4%	2.8%	3.6%	2.4%	2.6%		4.5%

[1] Financial liabilities at AC at 1H20 include the Direct deposits (Austria/Germany) amounting to EUR 422 million, EUR 227 million Deposits of credit institutions, EUR 109 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 net interest income breakdown explains the net interest income details per segment up to total bank. It lists all subpositions of the net interest income including the customer margin assets & liabilities, the basic items within the interest Gap Contribution and Asset Contribution.

EUR m

	Focus Segments		Non-focus segments			Corporate Center	Total
30.06.2021	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net interest income	**49.5**	**14.1**	**8.5**	**4.5**	**2.4**	**5.1**	**84.2**
o/w Interest income	**50.7**	**16.6**	**11.4**	**5.9**	**1.7**	**7.3**	**93.6**
o/w Regular interest income	47.0	15.2	10.4	5.5	1.7	7.3	87.0
o/w Interest income on NPE	0.6	0.4	0.5	0.1	0.0	0.0	1.7
o/w Interest like income	3.1	1.0	0.5	0.3	0.0	0.0	4.9
o/w Interest expenses	**-3.4**	**-1.2**	**0.0**	**-0.7**	**-0.7**	**-3.3**	**-9.5**
o/w FTP (assets & liabilities)	**-5.6**	**-4.1**	**-6.5**	**-2.2**	**0.8**	**-2.1**	**-19.6**
o/w Interest gap contribution	**7.8**	**2.8**	**3.6**	**1.6**	**0.5**	**3.2**	**19.6**
o/w Asset contribution	7.8	2.8	3.6	1.6	0.5	-16.4	0.0
o/w Interest gap contribution	0.0	0.0	0.0	0.0	0.0	19.6	19.6

EUR m

	Focus Segments		Non-focus segments			Corporate Center	Total
30.06.2020	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net interest income	**51.9**	**13.7**	**9.7**	**4.9**	**2.8**	**5.6**	**88.6**
o/w Interest income	**51.4**	**16.8**	**14.1**	**7.1**	**2.0**	**8.9**	**100.3**
o/w Regular interest income	48.3	15.1	13.0	6.7	1.9	8.9	93.9
o/w Interest income on NPE	0.2	0.5	0.7	0.1	0.0	0.0	1.5
o/w Interest like income	2.8	1.2	0.5	0.3	0.0	0.0	4.8
o/w Interest expenses	**-5.1**	**-1.2**	**0.0**	**-0.7**	**-1.1**	**-3.6**	**-11.7**
o/w FTP (assets & liabilities)	**-3.0**	**-3.7**	**-8.0**	**-3.0**	**1.4**	**-5.4**	**-21.7**
o/w Interest gap contribution	**8.6**	**1.7**	**3.6**	**1.4**	**0.6**	**5.7**	**21.7**
o/w Asset contribution	8.6	1.7	3.6	1.4	0.6	-16.0	0.0
o/w Interest gap contribution	0.0	0.0	0.0	0.0	0.0	21.7	21.7

The relation between net commission income and reportable segments can be seen in the tables below:

EUR m

	Focus segments		Non-focus segments		Corporate Center	Total
30.06.2021	Consumer	SME Business	Large Corporates	Public Finance		
Transactions	2.1	6.3	0.7	0.4	0.3	9.8
Accounts and Packages	9.4	1.1	0.1	0.1	0.0	10.8
Cards	5.0	0.8	0.0	0.0	0.0	5.8
FX & DCC	2.6	2.0	0.1	0.0	0.1	4.9
Securities	0.2	0.0	1.0	0.0	0.0	1.2
Bancassurance	2.0	0.0	0.0	0.0	0.0	2.0
Loans	1.2	0.9	0.3	0.0	0.0	2.4
Trade finance	0.0	2.0	0.6	0.0	0.0	2.6
Other	0.3	0.1	0.1	0.0	0.0	0.5
Fee and commission income	**22.8**	**13.2**	**3.0**	**0.6**	**0.4**	**39.9**
Cards	-4.3	-0.3	0.0	0.0	0.0	-4.5
Transactions	-0.8	-0.8	-0.1	-0.1	-0.1	-1.9
Client incentives	-0.1	0.0	0.0	0.0	0.0	-0.1
Securities	0.0	0.0	-0.2	0.0	0.0	-0.2
Accounts and Packages	-0.3	-0.1	0.0	0.0	-0.1	-0.5
Bancassurance	-0.2	0.0	0.0	0.0	0.0	-0.2
Other	-0.3	-0.1	-0.1	0.0	-0.3	-0.9
Fee and commission expenses	**-6.0**	**-1.3**	**-0.4**	**-0.1**	**-0.5**	**-8.3**
Net fee and commission income	**16.8**	**11.9**	**2.5**	**0.5**	**-0.2**	**31.6**

EUR m

	Focus segments		Non-focus segments		Corporate Center	Total
30.06.2020	Consumer	SME Business	Large Corporates	Public Finance		
Transactions	2.0	5.9	0.7	0.4	0.2	9.3
Accounts and Packages	9.3	0.8	0.1	0.1	0.0	10.3
Cards	4.1	0.8	0.0	0.0	0.0	4.9
FX & DCC	2.3	2.0	0.2	0.0	0.1	4.6
Securities	0.4	0.0	1.2	0.0	0.0	1.5
Bancassurance	1.2	0.0	0.0	0.0	0.0	1.2
Loans	0.7	0.7	0.1	0.0	0.0	1.5
Trade finance	0.0	1.8	0.6	0.0	0.0	2.4
Other	0.2	0.1	0.1	0.0	0.0	0.4
Fee and commission income	**20.2**	**12.1**	**3.0**	**0.6**	**0.3**	**36.1**
Cards	-3.2	-0.2	0.0	0.0	0.0	-3.4
Transactions	-0.7	-0.9	-0.1	0.0	-0.1	-1.9
Client incentives	-0.1	0.0	0.0	0.0	0.0	-0.1
Securities	0.0	0.0	-0.2	0.0	0.0	-0.2
Accounts and Packages	-0.3	-0.1	0.0	0.0	-0.3	-0.6
Bancassurance	-0.2	0.0	0.0	0.0	0.0	-0.2
Other	-0.5	-0.1	-0.1	0.0	-0.1	-0.8
Fee and commission expenses	**-5.0**	**-1.2**	**-0.4**	**-0.1**	**-0.5**	**-7.2**
Net fee and commission income	**15.1**	**10.9**	**2.6**	**0.5**	**-0.2**	**28.9**

Geographical Segmentation

Addiko Bank is an international banking group headquartered in Vienna, Austria, operating through six banks with its core business in Croatia (ABC), Slovenia (ABS), Bosnia & Herzegovina with two separate banks in Banja Luka (ABBL) and Sarajevo (ABSA), Serbia (ABSE) and Montenegro (ABM). Therefore, the revenues are generated in the CSEE region. In Austria only online deposits for clients in Austria and Germany are provided. Customer groups are not aggregated and assigned to a single country but allocated to their respective countries on single entity level. The geographical segmentation of income from external customers is shown in compliance with IFRSs and does not reflect the Group's management structure, the Management believes that the business segmentation provides a more informative description of the Group's activities. The Recon Column includes mainly the intercompany reconciliation.

EUR m

30.06.2021	ABC	ABS	ABBL	ABSA	ABSE	ABM	ABH	Reco	Addiko Group
Net banking income	39.1	25.5	10.3	10.5	20.7	6.1	3.5	0.0	115.8
Net interest income	26.6	19.3	6.8	6.8	15.7	5.3	3.6	0.0	84.2
o/w regular interest income [1]	28.8	18.8	7.9	7.1	17.2	5.7	5.2	-3.7	87.0
Net fee and commission income	12.5	6.2	3.6	3.7	4.9	0.9	-0.2	0.0	31.6
Net result on financial instruments	1.8	0.4	0.2	0.2	0.4	0.0	0.4	0.4	3.9
Other operating result	-0.6	-1.1	-0.1	-0.4	-0.9	-0.6	-0.8	-0.2	-4.8
Operating income	**40.3**	**24.9**	**10.5**	**10.3**	**20.1**	**5.6**	**3.1**	**0.2**	**114.9**
Operating expenses	**-22.9**	**-12.7**	**-7.3**	**-7.6**	**-12.8**	**-3.9**	**-17.3**	**-2.2**	**-86.8**
Operating result before impairments and provisions	**17.3**	**12.2**	**3.1**	**2.7**	**7.4**	**1.7**	**-14.3**	**-2.0**	**28.1**
Other result	-3.8	0.0	0.2	0.0	-1.2	0.0	-0.1	-4.1	-9.0
Credit loss expenses on financial assets	-2.7	-1.1	-0.5	-2.4	-0.9	-1.0	2.0	-3.7	-10.2
Result before tax	**10.9**	**11.1**	**2.8**	**0.3**	**5.3**	**0.7**	**-12.3**	**-9.8**	**8.9**
Total assets	**2,319.9**	**1,407.3**	**473.4**	**480.4**	**852.8**	**213.3**	**1,033.8**	**-848.6**	**5,932.4**
Business volume									
Net loans and receivables	1,191.7	1,050.7	286.9	251.2	626.4	170.9	59.8	-117.6	3,520.0
o/w gross performing loans customers	1,165.1	1,019.6	293.3	257.1	625.5	169.2	0.0		3,529.8
Gross disbursements	209.5	85.9	50.9	54.3	129.1	22.8	0.0		552.6
Financial liabilities at AC [2]	1,847.0	1,196.9	389.2	365.0	647.5	183.4	510.2	-152.8	4,986.5
RWA [3]	1,169.9	778.3	365.0	361.3	608.6	157.2	34.8	3.9	3,479.0
Key ratios									
Net interest margin (NIM)	2.3%	2.7%	3.1%	2.7%	3.7%	5.0%	0.7%		2.9%
Cost/Income Ratio	58.6%	49.6%	70.9%	72.7%	61.8%	62.9%			75.0%
Cost of risk ratio [4]	-0.2%	-0.1%	-0.1%	-0.6%	-0.1%	-0.5%	3.0%		-0.2%
Loan to deposit ratio	66.7%	98.4%	76.0%	69.7%	103.7%	100.4%			74.1%
NPE ratio (on-balance loans)	8.9%	1.8%	6.9%	10.1%	3.5%	10.1%			6.0%
NPE coverage ratio	70.5%	64.2%	83.6%	81.6%	69.9%	55.0%			71.7%
NPE collateral coverage	49.8%	54.0%	36.8%	43.5%	29.6%	50.9%			46.2%
Change CL/GPL (simple Ø)	-0.2%	-0.1%	-0.2%	-0.9%	-0.1%	-0.6%			-0.3%
Yield GPL (simple Ø)	4.4%	3.5%	5.3%	5.3%	5.0%	6.8%			4.5%

[1] Regular interest income is related to booked interests excluding interest like income, interest income on NPE and funds transfer pricing [2] Direct deposits (Austria/Germany) amounting to EUR 433 million presented in ABH [3] Includes only credit risk (without application of IFRS 9 transitional rules) [4] In ABH Intragroup exposure is included

EUR m

30.06.2020	ABC	ABS	ABBL	ABSA	ABSE	ABM	ABH	Reco	Addiko Group
Net banking income	43.3	25.3	9.7	10.1	19.0	6.0	34.0	-29.8	117.5
Net interest income	30.4	20.6	6.7	7.0	14.5	5.3	34.1	-29.8	88.6
o/w regular interest income [1]	33.3	20.6	7.9	7.4	17.4	6.2	36.5	-35.5	93.9
Net fee and commission income	12.9	4.7	3.1	3.1	4.5	0.7	-0.1	0.0	28.9
Net result on financial instruments	0.3	0.4	0.1	0.7	0.1	0.0	-76.3	76.7	2.0
Other operating result	-2.7	-1.0	-0.6	1.2	-1.0	-0.5	0.7	-4.9	-8.7
Operating income	**40.9**	**24.7**	**9.2**	**12.0**	**18.1**	**5.5**	**-41.6**	**42.0**	**110.8**
Operating expenses	**-23.2**	**-12.5**	**-6.9**	**-7.8**	**-12.8**	**-3.8**	**-16.9**	**0.7**	**-83.3**
Operating result before impairments and provisions	**17.6**	**12.2**	**2.3**	**4.2**	**5.3**	**1.7**	**-58.5**	**42.7**	**27.5**
Other result	-0.5	-0.1	-1.0	-0.8	-1.5	-0.2	-0.3	4.5	0.1
Credit loss expenses on financial assets	-10.3	-9.3	-3.9	-6.3	-4.3	0.6	-3.8	8.1	-29.2
Result before tax	**6.8**	**2.7**	**-2.6**	**-2.9**	**-0.6**	**2.2**	**-62.6**	**55.4**	**-1.6**
Total assets	**2,292.2**	**1,557.0**	**407.1**	**498.7**	**859.6**	**217.8**	**1,109.6**	**-1,002.9**	**5,939.0**
Business volume									
Net loans and receivables	1,336.7	1,267.1	283.1	273.0	585.5	178.0	196.3	-330.0	3,789.6
o/w gross performing loans customers	1,259.9	1,158.2	288.0	274.5	596.9	180.3	0.0		3,757.7
Gross disbursements	199.1	61.3	40.5	50.3	113.3	9.8	0.0		474.3
Financial liabilities at AC [2]	1,884.4	1,374.1	324.1	381.5	664.6	189.0	570.3	-368.4	5,019.6
RWA [3]	1,250.8	882.5	303.8	371.5	546.1	157.2	41.3	-0.1	3,553.1
Key ratios									
Net interest margin (NIM)	2.6%	2.6%	3.2%	2.8%	3.5%	4.7%	5.9%		3.0%
Cost/Income Ratio	53.6%	49.6%	71.2%	77.8%	67.5%	62.9%			70.8%
Cost of risk ratio [4]	-0.6%	-0.6%	-1.0%	-1.5%	-0.5%	0.3%	-1.8%		-0.6%
Loan to deposit ratio	75.3%	96.8%	95.5%	72.7%	100.2%	101.4%			78.9%
NPE ratio (on-balance loans)	7.8%	1.8%	7.8%	11.2%	3.3%	7.8%			5.6%
NPE coverage ratio	69.1%	68.2%	82.9%	81.8%	76.9%	62.3%			73.2%
NPE collateral coverage	53.7%	50.9%	42.9%	58.1%	34.0%	48.9%			50.9%
Change CL/GPL (simple Ø)	-0.8%	-0.8%	-1.3%	-2.3%	-0.7%	0.3%			-0.8%
Yield GPL (simple Ø)	4.5%	3.4%	5.4%	5.2%	5.2%	6.7%			4.5%

[1] Regular interest income is related to booked interests excluding interest like income, interest income on NPE and funds transfer pricing [2] Direct deposits (Austria/Germany) amounting to EUR 422 million presented in ABH [3] Includes only credit risk (without application of IFRS 9 transitional rules) [4] Previous years figure adjusted as intragroup exposure is included in ABH

Risk Report

A summary of Addiko risk policies in relation to risk management, internal organisation, risk strategy and risk appetite framework organisation is set out in the Note of the same name in the consolidated financial statements as of 31 December 2020.

(26) Credit risk

26.1. Reconciliation between Financial instruments classes and Credit risk exposure

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet exposures) without taking into account expected credit losses (including those for guarantees), any collateral held, netting effects, other credit enhancements or credit risk mitigating transactions. Market values are used to calculate the relevant exposure for securities, whereas amortised cost is used for loans. Unless explicitly stated differently, all values in the risk report are shown inclusive of the portfolio that is classified as held for sale according to IFRS 5.

Breakdown of net exposure within the Group in accordance with IFRS 7.36 as at 30 June 2021:

EUR m

30.06.2021		Performing			Non-Performing			Total
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash reserves [1)]	1,037.0	-0.1	1,036.8	0.0	0.0	0.0	1,037.0	1,036.8
Financial assets held for trading	34.1		34.1	0.0		0.0	34.1	34.1
Loans and receivables	3,546.6	-92.4	3,454.1	231.8	-165.9	65.9	3,778.3	3,520.0
of which credit institutions	2.8	0.0	2.8	0.0	0.0	0.0	2.8	2.8
of which customer loans [2]	3,543.8	-92.4	3,451.3	231.8	-165.9	65.9	3,775.5	3,517.2
Investment Securities [3) 4)]	1,061.5	-0.5	1,072.4	0.0	0.0	0.0	1,061.5	1,072.4
Other Assets - IFRS 5	0.0	0.0	0.0	0.4	-0.4	0.1	0.4	0.1
On balance total	**5,679.1**	**-93.1**	**5,597.5**	**232.2**	**-166.2**	**66.0**	**5,911.3**	**5,663.4**
Off Balance	992.4	-6.1	986.4	5.8	-4.5	1.3	998.3	987.7
FV of FVTOCI debt securities [4)]	10.9	0.5	0.0	0.0	0.0	0.0	10.9	0.0
Total	**6,682.5**	**-98.6**	**6,583.9**	**238.0**	**-170.8**	**67.3**	**6,920.5**	**6,651.1**
Adjustment [5)]	-1.5		-1.5			0.0	-1.5	-1.5
Total credit risk exposure	**6,681.0**	**-98.6**	**6,582.3**	**238.0**	**-170.8**	**67.3**	**6,919.0**	**6,649.6**

[1)] The position does not include cash on hand in amount of EUR 115.7 million [2)] Including accrued interest [3)] Investment securities, without equity instruments, including participation in the bank resolution fund in Slovenia [4)] For debt securities at FVTOCI the exposure is calculated based on the amortised cost before adjusting for any loss allowance and for this reason it does not include any changes of the fair value of the instruments. For credit risk purposes the fair value of the instruments is considered. For this reason, also the related ECL is not included as this is already reflected in the fair value of the underlying instruments. [5)] Adjustments includes reconciliation differences between the gross carrying amount and the carrying amount of the credit risk exposure components

The following table shows the exposure in accordance with IFRS 7.36 as at 31 December 2020:

EUR m

31.12.2020		Performing			Non-Performing			Total
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash reserves [1]	1,039.9	-0.3	1,039.5	0.0	0.0	0.0	1,039.9	1,039.5
Financial assets held for trading	36.4		36.4	0.0		0.0	36.4	36.4
Loans and receivables	3,674.3	-92.6	3,581.7	233.6	-174.1	59.5	3,907.9	3,641.2
of which credit institutions	56.5	0.0	56.5	0.0	0.0	0.0	56.5	56.5
of which customer loans [2]	3,617.8	-92.6	3,525.2	233.6	-174.1	59.5	3,851.4	3,584.7
Investment securities [3] [4]	925.1	-2.1	923.0	0.0	0.0	0.0	925.1	923.0
Other Assets - IFRS 5	0.0	0.0	0.0	0.4	-0.4	0.1	0.4	0.1
On balance total	**5,675.7**	**-95.1**	**5,580.6**	**234.0**	**-174.5**	**59.5**	**5,909.7**	**5,640.2**
Off balance	1,008.4	-5.5	1,002.9	9.7	-4.9	4.8	1,018.1	1,007.7
ECL on FVTOCI debt securities [4]	-2.1	2.1	0.0	0.0	0.0	0.0	-2.1	0.0
Total	**6,682.0**	**-98.5**	**6,583.5**	**243.7**	**-179.4**	**64.3**	**6,925.7**	**6,647.8**
Adjustments [5]	-3.0		-3.0			0.0	-3.0	-3.0
Total credit risk exposure	**6,679.0**	**-98.5**	**6,580.5**	**243.7**	**-179.4**	**64.3**	**6,922.7**	**6,644.9**

[1] The position does not include cash on hand in amount of EUR 116.8 million [2] Including accrued interest [3] Investment securities, without equity instruments, including participation in the bank resolution fund in Slovenia [4] The loss allowance on debt securities at FVTOCI is not presented for credit risk purposes as part of the gross carrying amount as this is already reflecting the fair value of the underlying instruments [5] Adjustments include other exposures (i.e. other receivables not directly connected with clients), which are not considered as credit risk relevant exposures towards third parties

26.2. Allocation of credit risk exposure within the Group

As at 30 June 2021, the overall gross exposure within the Group remains on the same level as at YE20. Decreases in the exposures are recognised in all legal entities, which are partially offset by increased exposure in Addiko Holding. 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 non-focus portfolio since beginning of the year, which is compensated by an increase within the Consumer and SME portfolio as well as the Corporate Center. Within the Group, credit risk exposure breaks down as presented in the table.

EUR m

	30.06.2021	31.12.2020
Addiko Croatia	2,595.1	2,612.8
Addiko Slovenia	1,653.0	1,689.8
Addiko Serbia	1,057.4	1,059.6
Addiko in Bosnia & Herzegovina	1,101.9	1,104.5
Addiko in Montenegro	235.1	238.0
Addiko Holding	276.4	217.9
Total	**6,919.0**	**6,922.7**

26.3. Credit risk exposure by rating class

At 30 June 2021 roughly 25.6% (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 half of 2021 the NPE Stock reduced by EUR 5.7 million, mainly in the consumer (Addiko Bank Croatia, Addiko Bank Sarajevo, Addiko Bank Banja Luka and Addiko Bank Montenegro) and non-focus portfolio (Addiko Bank Sarajevo, Addiko Bank Banja Luka and Addiko Bank Slovenia) as a result of write offs as well as due to collection effects.

These reductions are partially compensated by NPE stock increase in SME portfolio in Addiko Bank Croatia and Addiko Bank Serbia.

The following table shows the exposure by rating classes and market segment as at 30 June 2021:

EUR m

30.06.2021	1A-1E	2A-2E	3A-3E	Watch	NPE	No rating	Total
Consumer	247.6	770.7	278.0	148.5	74.3	14.7	1,533.8
SME	177.4	884.1	519.3	155.6	72.4	1.6	1,810.4
Non-Focus	424.6	629.8	193.7	75.5	91.3	2.2	1,417.1
o/w Large Corporate	95.5	322.3	145.8	39.0	15.5	1.3	619.4
o/w Mortgage	300.5	233.6	24.6	23.9	73.1	0.8	656.4
o/w Public Finance	28.6	73.9	23.3	12.6	2.7	0.1	141.3
Corporate Center [1]	923.1	1,027.3	206.9	0.3	0.0	0.0	2,157.7
Total	**1,772.8**	**3,311.8**	**1,197.9**	**379.9**	**238.0**	**18.5**	**6,919.0**

[1] Corporate Center includes financial institutions considering national bank exposure, on demand 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

The classification of credit assets into risk grades is based on Addiko internal ratings. For external reporting, internal rating grades are grouped into the following five risk categories:

- 1A-1E: representing customers with a very low risk, having the best, excellent or very good credit standing,
- 2A-2E: representing customers with a good or moderate credit standing,
- 3A-3E: representing customers with a medium or high credit risk,
- Watch: representing customers with a very high credit risk or who are likely to default. This class includes customers which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term,
- NPE (default): one or more of the default criteria under Article 178 CRR are met: among others, interest or principal payments on a material exposure have been overdue for more than 90 days, the bank significantly doubts the customer's credit standing, there are risk-oriented restructuring measures leading to a forborne non-performing exposure, there is a realisation of a loan loss or bankruptcy proceedings are initiated.

The Addiko Group applies the customer view to all customer segments, including retail clients. If an obligor defaults on one deal, then the customers's performing transactions are classified as non-performing as well. The classifications per rating class and ECL stage can be seen in the tables below.

Loans and advances to customers at amortised cost:

EUR m

30.06.2021	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	616.9	26.3	0.0	0.7	643.9
2A-2E	1,645.4	93.3	0.0	1.8	1,740.5
3A-3E	653.4	138.1	0.0	0.5	792.0
Watch	51.6	304.3	0.2	0.6	356.6
NPE	0.0	0.0	226.3	5.0	231.3
No rating	11.0	0.2	0.0	0.1	11.2
Total gross carrying amount	**2,978.3**	**562.1**	**226.5**	**8.7**	**3,775.5**
Loss allowance	-29.9	-62.5	-163.6	-2.3	-258.3
Carrying amount	**2,948.3**	**499.6**	**62.9**	**6.3**	**3,517.2**

EUR m

31.12.2020	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	614.4	28.7	0.0	0.7	643.9
2A-2E	1,712.7	66.0	0.0	1.5	1,780.2
3A-3E	657.2	151.1	0.1	0.6	809.0
Watch	60.2	317.3	2.3	1.3	381.1
NPE	0.0	0.1	225.6	5.3	230.9
No rating	5.2	1.1	0.0	0.0	6.2
Total gross carrying amount	**3,049.8**	**564.2**	**227.9**	**9.4**	**3,851.4**
Loss allowance	-30.0	-62.6	-171.7	-2.4	-266.7
Carrying amount	**3,019.9**	**501.6**	**56.2**	**7.0**	**3,584.7**

Loans and advances to banks at amortised cost:

EUR m

30.06.2021	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	1.2	0.0	0.0	0.0	1.2
2A-2E	0.8	0.0	0.0	0.0	0.8
3A-3E	0.8	0.0	0.0	0.0	0.8
Watch	0.0	0.0	0.0	0.0	0.0
NPE	0.0	0.0	0.0	0.0	0.0
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**2.8**	**0.0**	**0.0**	**0.0**	**2.8**
Loss allowance	0.0	0.0	0.0	0.0	0.0
Carrying amount	**2.8**	**0.0**	**0.0**	**0.0**	**2.8**

EUR m

31.12.2020	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	54.7	0.0	0.0	0.0	54.7
2A-2E	1.7	0.0	0.0	0.0	1.8
3A-3E	0.0	0.0	0.0	0.0	0.0
Watch	0.0	0.0	0.0	0.0	0.0
NPE	0.0	0.0	0.0	0.0	0.0
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**56.5**	**0.0**	**0.0**	**0.0**	**56.5**
Loss allowance	0.0	0.0	0.0	0.0	0.0
Carrying amount	**56.4**	**0.0**	**0.0**	**0.0**	**56.5**

Debt instruments measured at FVTOCI:

EUR m

30.06.2021	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	521.7	0.0	0.0	0.0	521.7
2A-2E	465.7	0.0	0.0	0.0	465.7
3A-3E	34.5	0.0	0.0	0.0	34.5
Watch	1.7	0.0	0.0	0.0	1.7
NPE	0.0	0.0	0.0	0.0	0.0
No rating	21.8	0.0	0.0	0.0	21.8
Total gross carrying amount	**1,045.5**	**0.0**	**0.0**	**0.0**	**1,045.5**
Fair value change [1)]	11.5	0.0	0.0	0.0	11.5
Loss allowance	-0.5	0.0	0.0	0.0	-0.5
Carrying amount	**1,056.5**	**0.0**	**0.0**	**0.0**	**1,056.5**

[1)] Starting from 30.06.2021 the accumulated fair value change in other comprehensive income is shown separately from the gross carrying amount.

EUR m

31.12.2020	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	512.1	0.0	0.0	0.0	512.1
2A-2E	377.2	0.0	0.0	0.0	377.2
3A-3E	14.8	0.0	0.0	0.0	14.8
Watch	0.0	0.0	0.0	0.0	0.0
NPE	0.0	0.0	0.0	0.0	0.0
No rating	7.7	0.0	0.0	0.0	7.7
Total gross carrying amount	**911.8**	**0.0**	**0.0**	**0.0**	**911.8**
Loss allowance	-2.1	0.0	0.0	0.0	-2.1
Carrying amount	**909.7**	**0.0**	**0.0**	**0.0**	**909.7**

Commitments and financial guarantees given:

EUR m

30.06.2021	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	213.2	1.1	0.0	0.0	214.3
2A-2E	539.2	7.6	0.0	0.0	546.8
3A-3E	181.4	21.5	0.0	0.0	202.9
Watch	10.9	17.5	0.0	0.0	28.3
NPE	0.0	0.0	5.8	0.0	5.8
No rating	0.2	0.0	0.0	0.0	0.2
Total gross carrying amount	**944.9**	**47.6**	**5.8**	**0.0**	**998.3**
Loss allowance	-4.5	-1.6	-4.6	0.0	-10.6
Carrying amount	**940.4**	**46.0**	**1.3**	**0.0**	**987.7**

EUR m

31.12.2020	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	194.7	2.9	0.0	0.0	197.6
2A-2E	527.2	12.2	0.0	0.0	539.4
3A-3E	206.6	28.2	0.0	0.0	234.8
Watch	13.4	22.8	0.0	0.0	36.2
NPE	0.0	0.0	9.1	0.0	9.2
No rating	0.4	0.0	0.6	0.0	0.9
Total gross carrying amount	**942.2**	**66.2**	**9.7**	**0.0**	**1,018.1**
Loss allowance	-3.6	-1.9	-4.9	0.0	-10.4
Carrying amount	**938.6**	**64.3**	**4.8**	**0.0**	**1,007.7**

26.4. Credit risk exposure by region

The Addiko Group's country portfolio focuses on Central and South Eastern Europe. The following table shows the breakdown of exposure by region within the Group (at customer level):

EUR m

	30.06.2021	31.12.2020
SEE	6,184.0	6,197.9
Europe (excl. CEE/SEE)	441.3	420.9
CEE	226.7	247.9
Other	67.0	56.1
Total	**6,919.0**	**6,922.7**

26.5. Exposure by business sector and region

The following tables present the exposure by industry based on the classification code "NACE Code 2.0". This code is mapped into ten business sectors for reporting purposes.

The lower-risk business sector groups - financial institutions and the public sector - account for a share of 32.7% at June 2021 (YE20: 31.8%). The well-diversified private customers sector accounts for a share of 24.4% (YE20: 24.6%).

EUR m

30.06.2021 Business sector	Europe (excl. CEE/SEE)	SEE	CEE	Other	Total
Private	2.0	1,688.8	0.0	0.1	1,690.9
Financial services	403.8	894.8	0.0	53.9	1,352.5
Public sector	8.5	673.1	226.7	1.8	910.1
Industry	14.8	1,023.2	0.0	3.9	1,042.0
Trade and commerce	0.0	655.5	0.0	4.6	660.1
Services	6.0	485.5	0.0	0.0	491.5
Real estate business	0.0	80.1	0.0	0.0	80.1
Tourism	0.0	110.4	0.0	0.0	110.4
Agriculture	0.0	60.1	0.0	0.0	60.1
Other	6.2	512.5	0.0	2.7	521.5
Total	**441.3**	**6,184.0**	**226.7**	**67.0**	**6,919.0**

The following table shows the exposure by business sector and region as at 31 December 2020:

EUR m

31.12.2020 Business sector	Europe (excl. CEE/SEE)	SEE	CEE	Other	Total
Private	2.1	1,699.8	0.0	0.1	1,702.0
Financial services	377.0	995.7	0.0	45.4	1,418.2
Public sector	14.2	519.3	247.8	0.0	781.4
Manufacturing Industry	15.0	1,044.6	0.0	4.3	1,063.9
Trade and commerce	0.0	664.6	0.0	4.6	669.2
Services	6.5	509.2	0.0	0.0	515.7
Real estate business	0.0	86.4	0.0	0.0	86.4
Tourism	0.0	116.6	0.0	0.0	116.6
Agriculture	0.0	57.7	0.0	0.0	57.7
Other	6.1	504.0	0.0	1.6	511.7
Total	**420.9**	**6,197.9**	**247.9**	**56.1**	**6,922.7**

The figures are broken down according to the country of the customer's registered office. Corporate and Retail business is mainly focused on the Addiko Group's core countries in Central and South Eastern Europe. The business strategy envisages a further increase in this portion, particularly in the Retail business.

26.6. Presentation of exposure by overdue days

EUR m

30.06.2021	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,406.3	61.3	5.6	6.1	54.5	1,533.8
SME	1,698.3	52.8	6.3	1.5	51.5	1,810.4
Non-Focus	1,316.5	23.4	13.7	4.6	58.9	1,417.1
o/w Large Corporate	595.9	8.1	11.1	0.0	4.4	619.4
o/w Mortgage	581.9	15.2	2.7	2.5	54.1	656.4
o/w Public Finance	138.8	0.0	0.0	2.1	0.4	141.3
Corporate Center	2,143.8	13.9	0.0	0.0	0.0	2,157.7
Total	**6,564.9**	**151.4**	**25.6**	**12.1**	**164.9**	**6,919.0**

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**

26.7. Presentation of exposure by size classes

As of 30 June 2021 around 42.2% (YE20: 41.6%) of the exposure is found in the size range < EUR 1 million. The bank pursues a strict strategy of reducing concentration risk in the corporate banking area.

The amount of EUR 1,671.4 million (YE20: EUR 1,387.9 million) of exposure in the range > EUR 100 million is entirely attributable to national banks or the public sector. These transactions are necessary for securing liquidity, minimum deposit levels and long-term investments as well as for hedge transactions. The presentation is based on the group of borrowers (GoBs).

Size classes	Exposure EUR m	30.06.2021 GoBs	Exposure EUR m	31.12.2020 GoBs
< 10,000	562.2	309,453	551.1	300,339
10,000-50,000	1,287.8	63,474	1,244.9	60,632
50,000-100,000	296.9	4,298	310.6	4,492
100,000-250,000	283.1	1,917	291.7	1,966
250,000-500,000	229.7	655	213.0	601
500,000-1,000,000	259.5	376	268.3	384
1,000,000-10,000,000	1,630.6	561	1,644.9	565
10,000,000-50,000,000	642.9	33	783.3	41
50,000,000-100,000,000	54.8	1	227.1	3
> 100,000,000	1,671.4	8	1,387.9	6
Total	**6,919.0**	**380,776**	**6,922.7**	**369,029**

26.8. Breakdown of financial assets by degree of impairment

Overdue but not impaired financial assets:

EUR m

	30.06.2021 Exposure	30.06.2021 Collateral	31.12.2020 Exposure	31.12.2020 Collateral
Loans and advances to customers (on- and off-balance)				
- overdue to 30 days	131.6	37.1	109.9	27.1
- overdue 31 to 60 days	10.3	3.4	24.0	8.4
- overdue 61 to 90 days	6.9	2.1	21.4	14.7
- overdue 91 to 180 days	0.0	0.0	0.5	0.4
- overdue 181 to 365 days	0.5	0.3	0.0	0.0
- overdue over 1 year	0.0	0.0	0.0	0.0
Total	**163.2**	**43.0**	**155.9**	**50.6**

Impaired financial instruments:

EUR m

Loans and advances to customers (on- and off-balance)	30.06.2021	31.12.2020
Exposure	236.7	241.3
Provisions	170.8	179.4
Collateral	109.2	118.2

All financial assets to which one or several of those events apply (positive impairment trigger) are to be tested for potential need of applied provisioning methodology. Consequently, an impairment calculation according to note (60) “Method of calculating provisions” of the 2020 Group annual report is performed. Receivables with rating category 4A or worse (watch list) are regularly tested for potential impairment triggers within the monitoring and pre-workout process.

26.8.1. FORBEARANCE

Forbearance measures are defined as concessions towards a borrower facing or about to face difficulties in meeting its financial commitments (“financial difficulties”). Forbearance measures and risks are monitored by the operative risk units responsible for Corporate center and Retail. Additionally, forbearance measures represent an indicator that financial assets might be credit impaired.

During 2020 and during the first half of 2021, payment moratoria were granted on a significant number of exposures to a significant number of clients, due to special circumstances related to Covid-19. The majority of payment moratoria granted in Addiko fulfil the conditions as defined in the EBA 2020/02/20 from April 2020 (including updates), and also with local regulation issued specifically for this purpose. Such moratoria granted to clients impacted by Covid-19, and fulfilling the conditions of regulation stated above was not considered an automatic forbearance (or default) trigger, and as such have not impacted on the forbearance amounts, but are being disclosed in a separate table below.

The following chart provides an overview of the forbearance status at the Addiko Group in the course of the first half of 2021. The off-balance positions only include loan commitments:

EUR m

	01.01.2021	Classified as forborne during the year (+)	Transferred to non-forborne during the year (-)	Changes due to IFRS 5 (+/-)	FX (+/-)	Repayments and other changes (+/-)	30.06.2021
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments and government related entities	1.7	0.0	-0.1	0.0	0.0	0.0	1.6
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	67.9	29.4	-14.2	0.0	0.2	-5.9	77.4
Households	46.4	20.0	-3.0	0.0	0.2	0.1	63.6
Loans and advances	**116.0**	**49.5**	**-17.3**	**0.0**	**0.4**	**-5.8**	**142.7**
Loan commitments given	0.7	0.0	-0.3	0.0	0.0	-0.2	0.2

The following table shows the forbearance status in the course of the year 2020:

EUR m

	01.01.2020	Classified as forborne during the year (+)	Transferred to non-forborne during the year (-)	Changes due to IFRS 5 (+/-)	FX (+/-)	Repayments and other changes (+/-)	31.12.2020
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments and government related entities	1.8	0.0	-0.1	0.0	0.0	0.0	1.7
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.3	0.0	0.0	0.0	0.0	-0.3	0.0
Non-financial corporations	49.9	33.5	-6.9	0.0	-0.4	-8.2	67.9
Households	34.8	22.7	-4.4	0.0	-0.2	-6.5	46.4
Loans and advances	**86.8**	**56.2**	**-11.4**	**0.0**	**-0.6**	**-15.0**	**116.0**
Loan commitments given	0.2	0.5	-0.1	0.0	0.0	0.0	0.7

The forbearance exposure as of June 2021:

EUR m

	Closing Balance 30.06.2021	Neither past due nor impaired	Past due but not impaired (> 0 days)	Impaired	interest income recognised in respect of forborne assets (+)
General governments and government related entities	1.6	1.6	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	77.4	42.0	12.1	23.3	0.3
Households	63.6	33.5	5.8	24.4	0.3
Loans and advances	**142.7**	**77.0**	**18.0**	**47.7**	**0.6**

The forbearance exposure was as follows at the YE20:

EUR m

	Closing Balance 31.12.2020	Neither past due nor impaired	Past due but not impaired (> 0 days)	Impaired	interest income recognised in respect of forborne assets
General governments and government related entities	1.7	0.0	1.7	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	67.9	28.0	9.2	30.7	0.2
Households	46.4	22.4	4.8	19.2	0.4
Loans and advances	**116.0**	**50.3**	**15.7**	**49.9**	**0.6**

The following table shows the collateral allocation for the forbearance exposure as of June 2021:

EUR m

Internal Collateral Value (ICV) in respect of forborne assets	ICV	thereof CRE	thereof RRE	thereof financial collateral	thereof guarantees	thereof other
Public Finance	3.8	3.8	0.0	0.0	0.0	0.0
Large Corporate	1.4	1.4	0.0	0.0	0.0	0.0
Medium and Small Corporate	49.5	35.4	1.8	0.3	7.3	4.7
Retail	31.9	8.5	21.8	0.0	1.4	0.2
Total	**86.5**	**49.1**	**23.6**	**0.3**	**8.7**	**4.9**

Following table shows the collateral allocation for the forbearance exposure at the YE20:

EUR m

Internal Collateral Value (ICV) in respect of forborne assets	ICV	thereof CRE	thereof RRE	thereof financial collateral	thereof guarantees	thereof other
Public Finance	3.9	3.9	0.0	0.0	0.0	0.0
Large Corporate	6.3	5.1	0.0	0.0	0.0	1.2
Medium and Small Corporate	42.9	30.9	2.5	0.3	5.2	4.1
Retail	22.7	3.9	17.6	0.0	1.1	0.1
Total	**75.8**	**43.8**	**20.0**	**0.3**	**6.3**	**5.4**

26.8.2. 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 during 2020 granted 75,698 such moratoria of which 3,117 accounts (2,946 customers) were still active at 30.06.2021. As moratoriums were granted for the period between 3 to 12 months, a significant number of granted moratoria has already expired by 1H21. 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 1H21. As these moratoria are primarily granted to consumer clients, where exposures are on average lower, the increase in number of moratoria compared to YE20 (1H21: 3,117 accounts vs YE20: 1,888 accounts) was not followed by an increase of the exposure under moratoria (EUR 105.2 million at end of 1H21 compared to EUR 163.5 million at YE20).

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.

Following table shows the amount of exposure under moratoria per market segment at 1H21:

EUR m

30.06.2021	Performing		Non-Performing		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL
Consumer	33.6	3.0	3.2	2.3	36.8	5.3
SME	31.2	2.0	1.9	0.9	33.2	2.9
Non-Focus	32.8	1.3	2.5	0.4	35.3	1.7
o/w Large Corporate	25.5	0.8	0.0	0.0	25.5	0.8
o/w Mortgage	6.4	0.4	0.6	0.2	6.9	0.7
o/w Public Finance	1.0	0.1	1.9	0.2	2.9	0.3
Corporate Center	0.0	0.0	0.0	0.0	0.0	0.0
Total	**97.6**	**6.3**	**7.6**	**3.6**	**105.2**	**9.8**

Following table shows the amount of exposure under moratoria per market segment at YE20:

EUR m

31.12.2020	Performing		Non-Performing		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL
Consumer	18.9	1.3	2.5	1.8	21.4	3.1
SME	93.7	7.3	1.3	0.6	95.0	7.9
Non-Focus	46.2	1.2	0.9	0.4	47.2	1.6
o/w Large Corporate	30.5	0.6	0.0	0.0	30.5	0.6
o/w Mortgage	15.5	0.6	0.9	0.4	16.4	1.0
o/w Public Finance	0.2	0.0	0.0	0.0	0.2	0.0
Corporate Center	0.0	0.0	0.0	0.0	0.0	0.0
Total	**158.8**	**9.9**	**4.7**	**2.7**	**163.5**	**12.6**

Following table shows the amount of exposure under moratoria per country at 1H21:

EUR m

30.06.2021	Performing		Non-Performing		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL
Addiko Croatia	13.9	0.2	0.2	0.1	14.1	0.3
Addiko Slovenia	21.0	1.2	1.7	0.7	22.8	1.9
Addiko Serbia	47.8	2.9	2.4	1.7	50.2	4.6
Addiko in Bosnia & Herzegovina	14.0	1.8	0.2	0.2	14.2	2.0
Addiko in Montenegro	0.9	0.1	3.1	0.9	3.9	1.0
Addiko Holding	0.0	0.0	0.0	0.0	0.0	0.0
Total	**97.6**	**6.3**	**7.6**	**3.6**	**105.2**	**9.8**

Following table shows the amount of exposure under moratoria per country at YE20:

EUR m

31.12.2020	Performing		Non-Performing		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL
Addiko Croatia	29.5	0.8	0.5	0.3	30.0	1.0
Addiko Slovenia	97.9	5.0	3.1	1.7	100.9	6.7
Addiko Serbia	0.0	0.0	0.0	0.0	0.0	0.0
Addiko in Bosnia & Herzegovina	31.0	4.1	0.6	0.4	31.6	4.5
Addiko Montenegro	0.4	0.0	0.6	0.3	1.0	0.4
Addiko Holding	0.0	0.0	0.0	0.0	0.0	0.0
Total	**158.8**	**9.9**	**4.7**	**2.7**	**163.5**	**12.6**

(27) Risk provisions

27.1. Method of calculating risk provisions

Concerning the methodology applied in the calculation of the risk provisions in the half year financial statements, reference is made to the notes of the 2020 Group annual report.

Model timeseries (under the same overall methodological framework used in the preparation of the 2020 financial statements) were prolonged taking latest available information into consideration. A qualitative assessment took place to make sure that the applied statistical models are economically reasonable.

In the current 2021 financial year Addiko expects improvements in economic development as uncertainties regarding the further evolution of the Covid-19 pandemic fade away. However, Addiko still acknowledges the present level of economic uncertainty, and subsequently volatile risk costs for the duration of the Covid-19 containment measures. Thus, the constantly changing situation requires regular adjustments within the financial year based on updated macroeconomic forecasts. The risk provisions were modeled on transactional level and reflect the most recent macroeconomic forecasts provided by the Vienna Institute for International Economic Studies.

The following tables provide the baseline case, upside (optimistic) case and downside (pessimistic) case scenario forecasts for selected forward-looking information variables used to estimate the ECL for 30.06.2021. The amounts shown represent the average value of the macroeconomic variables over the first 12 months and the remaining 2-year forecast period for the baseline case, as well as average values of the entire projection horizon (3-year) for the optimistic and pessimistic cases.

Scenario	Historical		Baseline		Optimistic	Pessimistic
Period	2019	2020	2021-2023			
Sub-sample			First 12 months[1)]	Remaining 2-year period[1)]	3-year Period[1)]	3-year Period[1)]
Real GDP (constant prices YoY, %)						
Croatia	2.9	-8.0	4.5	4.2	7.1	1.4
Slovenia	3.2	-5.5	3.6	3.7	6.1	1.2
Bosnia & Herzegovina	2.8	-4.3	2.8	3.2	5.6	0.6
Serbia	4.2	-1.0	5.0	4.3	7.0	2.0
Montenegro	4.1	-15.2	6.5	4.4	7.6	2.6
EMU	1.3	-6.6	3.8	3.1	5.6	1.0
Unemployment Rate (ILO, average %)						
Croatia	6.6	7.5	7.0	7.0	4.5	9.5
Slovenia	4.5	5.0	5.5	4.5	2.8	6.8
Bosnia & Herzegovina	15.7	15.9	17.6	15.7	14.6	18.1
Serbia	10.4	9.0	8.0	7.3	5.8	9.2
Montenegro	15.1	17.9	17.0	16.0	14.6	18.1
EMU	7.6	7.9	8.9	8.3	6.9	10.0
Real-Estate (% of change)						
Croatia	9.0	7.7	2.0	4.5	8.3	-0.9
Slovenia	6.7	4.6	1.2	0.4	4.6	-3.3
Serbia	-7.5	1.7	3.0	5.5	11.9	-2.6
EMU	4.3	5.1	0.3	2.8	5.9	-2.0
CPI Inflation (average % YoY)						
Croatia	0.8	0.0	1.0	1.5	1.7	0.9
Slovenia	1.7	-0.3	1.3	1.6	1.8	1.2
Bosnia & Herzegovina	0.6	-1.1	0.8	1.1	1.1	0.9
Serbia	1.7	1.6	2.0	2.3	2.3	-2.6
Montenegro	0.4	-0.3	0.9	1.5	1.4	1.2
EMU	1.2	0.3	1.1	1.3	1.5	1.0

[1)] The numbers represent average values for the quoted periods

The above scenarios are based on historical 2020 data available at the time of forecasting (June 2021) and differentiated by the severity and duration of the associated economic impact of Covid-19, country-specific rebound patterns and the effectiveness of monetary and fiscal stimulus assumed. Scenario values are still surrounded by high uncertainty, although trends much less at this phase of cyclical development and at this level of crisis-management experience gained across EU. The three scenarios are:

- Baseline: The prospects for the global economy are positive, with US and China in the lead. The euro area will most probably lag behind, as was typically the case over the past 15 years. This underperformance reflects a weaker and slower fiscal reaction and a disastrous start to the vaccine roll-out. However, while mobility in the euro area will certainly still be somewhat restricted, other factors will support growth, including spill overs from the massive US fiscal stimulus and the uptick in world trade. Even as Europe's economy remains in a state of semi-lockdown, Germany's manufacturing Purchasing Managers' Index (PMI) is at one of its highest levels for decades. Foreign investors embarked on a vigorous return to many of the CESEE countries' stocks and debt markets in the second half of 2020, further boosting the liquidity situation there. The psychological impact of central bank stimulus (either pledged or real) is likely to remain important to avoid collapses in asset markets. On the other hand, the supply chain adjustments have prompted a sharp increase in commodity prices on global market, and a spike in inflation in the coming months is therefore quite likely, but fear of widespread and persistent inflationary pressures do not seem to be justified at this point. Described developments will strongly affect region where Addiko concentrated it operations: these economies are expected to recover in 2021, but the growth rates will again differ sizably. Montenegro is expected to record the highest growth rate, of 6.5%, driven by the huge decline from the previous year, while Bosnia & Herzegovina will have the lowest rate of growth, of 2.8%. Only Serbia will exceed the pre-pandemic level of economic activity in 2021, others will catch-up the year later, and Montenegro only in 2024. In general, the short-run developments will depend on how fast the countries manage to vaccinate their citizens, and how strong fiscal support the governments provide to their economies. Beyond 2021, developments will depend mostly on the structural reforms that the countries will undertake, on investment in infrastructure and on FDI inflows.

- Optimistic: It is highly unlikely that the pandemic will have a single end point; rather it will peter out differently, depending on age groups and regions of the world, and its ending will be a political and social decision, rather than a medical observation. In this light, the scenario assumes that vaccine production continues to speed up and majority of adult population in Europe is vaccinated by late summer 2021. Also, there are early signs that the new variants of virus have common features, which will make them easier for scientists working on updated vaccines to react to. Social and economic life, and mobility patterns would return to something like normal from the second half of 2021, albeit with mask wearing, testing and proof of vaccination required for some activities. Growth would be higher, primarily because of a drawdown in pent up (forced) savings faster than in the baseline scenario, due to better consumer and business confidence. It would yield a 3-Y average of 6.7% for Addiko´s countries of operation (in relation to the average of 4.1% in the baseline scenario). Of course, the absence of serious market disturbances due to diverging global monetary policies are implied, and low or negative interest rates environment will probably keep asset markets propped up, while simultaneously still support labour market developments.

- Pessimistic: In this negative outcome, the virus achieves a higher death rate and spreads more quickly, including by being resistant to current vaccines. Although over time new vaccines can be developed to work against the mutations, in the meantime many more people die in Europe, and further harsh restrictions on economic life are required. However, the more aggressive mutations and inability of vaccine development and production to keep up means that lockdowns need to be maintained for a much longer period than has been the case up to this point. Right up until 2026, various 'lockdown' conditions will have to remain in place to try to prevent healthcare systems being overwhelmed. This would bring down the expectations of average growth in the region to mere 1.7% over the next three years, with the same pattern of growth diffusion within the sample (Bosnia & Herzegovina having the slowest growth, Croatia and Slovenia in the middle, and the rest outperform them). These developments obviously would put strain of internal fiscal capacities and business would have more trouble adapting, which could push unemployment even beyond levels seen in 2020, reducing household incomes significantly. The real estate prices will probably go through a correction, reflecting these changes in face of the support schemes being scaled back somewhat.

The following table illustrates the weighted impairment allowance as well as the results of the sensitivity analysis where stage 1 and stage 2 ECLs are measured under each scenario with 100% weight. The sensitivity analysis is based on the baseline ECL excluding the applied management overlay (compared to similar sensitivity analysis shown in financial disclosures for year end 2020, where management overlay was included in ECL for each scenario). In the 2020 Group annual report Addiko recognised EUR -16.0 million risk model adjustments which included the impact of changed macroeconomic parameters reflecting the economic uncertainty created by the Covid-19 pandemic as well as an additional ECL post model risk overlay in amount of EUR 7 million. As of half year 2021, the additional ECL post model risk overlay continues to be held to address the uncertainties of further development of the Covid-19 pandemic.
The assumed distribution of scenario probabilities (baseline 55%, optimistic 20% and pessimistic 25%) allows the Group to cover the broad range of future expectations.

EUR m

30.06.2021	ECL incl. Post model overlay	ECL excl. Post model overlay	Optimistc Case	Base Case	Pessimitic Case
Retail	52.6	52.6	49.6	52.3	55.7
Non-Retail	38.8	38.8	33.8	38.3	43.8
Corporate Center	0.2	0.2	0.2	0.2	0.3
Total	**98.6**	**91.6**	**83.5**	**90.8**	**99.8**

EUR m

31.12.2020	ECL incl. Post model overlay	ECL excl. Post model overlay	Optimistc Case	Base Case	Pessimitic Case
Retail	51.2	51.2	49.6	50.9	52.4
Non-Retail	37.2	37.2	33.7	36.5	39.8
Corporate Center	3.0	3.0	2.2	2.8	3.8
Total	**98.5**	**91.5**	**85.5**	**90.2**	**96.0**

27.2. Development of risk provisions

The increase of risk provisions in 1H21 is mainly caused by provision requirements in the consumer portfolio, mainly driven by allocations in the NPE Portfolio. Additionally, slight worsening of asset quality as a result of Covid-19 impact on macro economic environment has pushed upwards the overall ECL coverage for performing loans (stage 1 and stage 2) especially within the Consumer portfolio. Partially due to moratoria granted by the bank, as well as due to various supportive measures initiated by governments, the impact of Covid-19 did not generated a material decrease of the asset quality in the first half of 2021 (no material increase in NPE and related risk provisions).

27.3. Development of the coverage ratio

The coverage ratio 1 decreased (71.7%) compared to the YE20 (73.6%). Decreases are recognised in all legal entities - except in Addiko Bank Banja Luka and Addiko Bank Sarajevo - and is mainly driven by collection activities as well as by executed write offs during 1H21.

The following tables show the NPE and coverage ratios at 1H21 and YE20:

EUR m

30.06.2021	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	Coverage Ratio 1	Coverage Ratio 3
Consumer	1,533.8	74.3	60.2	3.3	4.8%	5.3%	81.1%	85.5%
SME	1,810.4	72.4	51.5	37.6	4.0%	5.8%	71.1%	123.0%
Non-Focus	1,417.1	91.3	59.0	69.1	6.4%	7.6%	64.6%	140.3%
o/w Large Corporate	619.4	15.5	6.4	12.6	2.5%	3.6%	41.5%	122.6%
o/w Mortgage	656.4	73.1	51.9	54.3	11.1%	11.1%	71.0%	145.2%
o/w Public Finance	141.3	2.7	0.7	2.3	1.9%	2.2%	24.8%	109.8%
Corporate Center	2,157.7	0.0	0.0	0.0	0.0%	0.0%	85.0%	85.0%
Total	**6,919.0**	**238.0**	**170.8**	**110.0**	**3.4%**	**6.0%**	**71.7%**	**118.0%**
o/w Credit Risk Bearing	**4,878.7**	**238.0**	**170.8**	**110.0**	**4.9%**	**6.0%**	**71.7%**	**118.0%**

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%**

(28) Measurement of real estate collateral and other collateral

A summary of Addiko policies in relation to the measurement of real estate collateral is set out in the Note 61 of the same name in the consolidated financial statements as of 31 December 2020.

The real estate market in Addiko operating countries is closely monitored from the beginning of the Covid-19 crisis. During the lock down, the real estate market was completely inactive and in last two month an increase in number of transactions can be observed. Still the number of transactions on the market is low because sellers are reluctant to decrease prices and investors are waiting prices to decrease. Generally, Addiko estimates that prices on the real estate market take time to adjust to the circumstances and a decrease of the prices is expected in the last quarter of 2020 and at the beginning of 2021. Since prices on the market still don’t show significant negative trend and Addiko is using conservative haircuts at calculation internal collateral values, which buffer potential losses, a re-assessment of the market values for collaterals was not considered to be necessary in the preparation of the half year financial statements.

The internal collateral values (ICV) are shown in the following table for 30 June 2021 as well as 31 December 2020:

EUR m

Collateral Distribution	30.06.2021	31.12.2020
Exposure	6,919.0	6,922.7
Internal Collateral Value (ICV)	1,481.5	1,639.4
thereof CRE	611.8	663.6
thereof RRE	519.8	562.9
thereof financial collateral	26.8	29.0
thereof guarantees	243.5	267.7
thereof other	79.7	116.3
ICV coverage rate	**21.4%**	**23.7%**

The predominant part of the reflected stated collaterals is provided for loans and advances (negligible collaterals for other exposure types). With the decrease of gross exposure also internal collateral value decreased. Primarily residential real estates given as collaterals for Retail loans were reduced, due to decrease of mortgage loan portfolio in Retail. Collateral coverage remains on nearly the same level (21.4%) compared to YE20 (23.7%).

(29) Market risk

A summary of Addiko policies in relation to the market risk is set out in the Note 62 of the same name in the consolidated financial statements as of 31 December 2020.

The following table shows the estimated values of market risks, which Addiko uses for internal risk management:

EUR m

	30.06.2021	31.12.2020
Interest Rate Risk (Banking and Trading Book)	13.3	12.3
Credit Spread Risk	2.6	14.8
Foreign Exchange Risk	10.5	8.2
Equity Risk - Investments	1.2	0.0
Equity Risk - Client Default	0.1	0.1

A decrease in the total market risk exposure could be observed largely as the effect of higher stability of financial markets during the first half of 2021, compared to the Covid-19 affected year 2020. As such, there was a decrease in Credit Spread risk to EUR 2.6 million at 30 June 2021 compared to the value of EUR 14.8 million at 31 December 2020, coming largely on the back of decreased volatility of credit default swaps. A slight increase in the foreign exchange risk could be observed to EUR 10.5 million EUR at 30 June 2021 compared to EUR 8.2 million at 31 December 2020, mirroring an increase in FX rate volatility. Interest rate risk remained on a stable level on the back of stable interest rates.

(30) Liquidity risk

A summary of Addiko policies in relation to the liquidity risk is set out in the Note 63 of the same name in the consolidated financial statements as of 31 December 2020.

In 1H21, the Liquidity Coverage Ratio (LCR) has been moving between its lowest level of 204% and its peak of 223%.

The counterbalancing capacity at the Addiko Group was structured as follows:

EUR m

Counterbalancing Capacity	30.06.2021	31.12.2020
Coins and bank notes	115.7	116.3
Withdrawable central bank reserves	654.4	653.4
Level 1 tradable assets	694.5	631.4
Level 2A tradable assets	4.6	4.6
Level 2B tradable assets	32.4	35.5
Total Counterbalancing Capacity	**1,501.6**	**1,441.2**

The liquidity situation of the Addiko Group in 1H21 was characterised by a robust liquidity surplus. As such, funding position remained stable at around EUR 4.9 billion, and there were no material cash flow effects of moratoria developments. Based on anticipated cash flow profile going forward, it is also expected an ongoing stability in the general liquidity position in the rest of 2021.

The concentration of the liquidity risk is in line with the diversification of funding based on the main products and the most relevant currencies. The biggest positions in the funding, apart from equity, are a-vista and term-deposits. The most important currency in funding (almost 66%) is EUR, followed by HRK and BAM.

(31) Operational risk

Within the definition and approach to risk measurement for operational risk there were no material changes compared to disclosures from the consolidated financial statements as of 31 December 2020.

Activities related to identifying, measuring, managing, monitoring and reporting operational risk for an effective oversight over the operational risk exposure have been continued according to the defined standards.

The monitoring of Operational Risk losses related to the Covid-19 pandemic continued in den first six months of 2021, resulting in a currently negligible loss impact.

(32) Legal risk

Reference is made to the disclosures from the consolidated financial statements as of 31 December 2020.

Beside in Croatia, the amount in dispute for consumer Swiss franc unilateral interest rate change and Swiss franc currency clauses claims is stable or decreasing. The provisioning for existing unconverted consumer Swiss franc unilateral interest rate change and Swiss franc currency clauses claims in Croatia has been back tested in the process of preparation of the half year report. The small amount of received second instance decisions in unconverted consumer Swiss-franc currency cases (51 as of 30.06.2021) does still not allow to speak of the establishment of a solidified legal court practice.

In Serbia Addiko faced an increase of claims against its Serbian local bank regarding loan processing fees (total amount in dispute as of 30.06.2021 approximately EUR 1.2 million for over 4000 cases). All banks in Serbia are confronted with these kinds of claims and joint initiatives via the Serbian Banking Association are envisaged.

In September 2017, the Group filed two Requests for Arbitration with the ICSID in Washington, DC against Montenegro and the Republic of Croatia regarding the Conversion Laws claiming EUR 8 million and EUR 150 million on damages, respectively. The Group claims that the Bilateral Investment Treaties (BIT) with the respective country regarding the fair and equivalent treatment under the respective BIT was violated. In both proceedings only the issuance of the award by the respective tribunal is pending.

During the first half of 2021 Addiko could close damage claims related to one plaintiff with an amount in dispute of approx. EUR 16 million. Overall, the amount in dispute for passive legal disputes was reduced as of 30.06.2021 (EUR 269 million) versus 31.12.2020 (EUR 299 million) by EUR 30 million.

Other than what is stated above, there were no material changes in Legal risk compared to disclosures made at year end 2020.

Supplementary information required by IFRS

(33) Contingent liabilities and other liabilities not included in the statement of financial position

The following gross commitments not included in the statement of financial position existed at the reporting date:

EUR m

	30.06.2021	31.12.2020
Loan commitments given	521.9	588.8
Financial guarantees given	203.8	178.2
Other commitments, given	272.6	251.0
Total	**998.3**	**1,018.1**

The position other commitments, given includes mainly non-financial guarantees, like performance guarantees or warranty guarantees and guarantee frames.

Contingent liabilities in relation to legal cases

Addiko is party to legal proceedings in a number of jurisdictions arising out of its normal business operations. The recognition of provisions is determined in accordance with the accounting policies set out in note (28) of the 2020 Group annual report. While the outcomes of legal proceedings and regulatory matters are inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of these matters as at 30 June 2021. Any provision recognised does not constitute an admission of wrongdoing or legal liability. It is not practicable to provide an aggregate estimate of potential liability for Addiko legal proceedings as a class of contingent liabilities.

(34) Fair value disclosures

Fair value is the price that would be received for the sale of an asset or paid to transfer a debt in an orderly transaction between market participants at the measurement date. Addiko Group uses various valuation techniques to determine fair value. IFRS 13 specifies a fair value hierarchy with respect to the inputs and assumptions used to measure financial and non-financial assets and liabilities at fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the assumptions of Addiko Group. This hierarchy gives the highest priority to observable inputs when available and the lowest priority to unobservable inputs. Addiko Group considers relevant and observable inputs in its valuations, where possible. The fair value hierarchy comprises the following levels:

- Level 1 - Quoted prices in active markets. The fair value of financial instruments traded in active markets is best established through quoted prices of identical financial instruments where these quoted prices represent market values/prices used in regularly occurring transactions. This applies above all to equity instruments traded on an active market, debt instruments traded on the interbank market and quoted derivatives.
- Level 2 - Value determined using observable parameters. If there are no quoted prices for individual financial instruments, the market prices of comparable financial instruments or accepted measurement models applying directly or indirectly observable prices or parameters (interest rates, yield curves, implied volatilities and credit spreads) must be used to determine the fair value. This level includes the majority of the OTC derivatives and non-quoted debt instruments. A financial instrument is classified in level II if all significant inputs in the valuation are observable on the market.
- Level 3 - Value determined using non-observable parameters. This category includes financial instruments for which there are no observable market rates or prices. The fair value is therefore determined using measurement models and unobservable inputs (typically internally derived credit spreads) appropriate for the respective financial instrument. These models make use of management assumptions and estimates depending on the pricing transparency and complexity of the financial instrument. A financial instrument is classified in level III if one or more significant inputs are not directly observable on the market.

The used valuation models are regularly reviewed, validated and calibrated. All valuations are performed independently of the trading departments.

Financial assets and financial liabilities are reported by instrument in the following way:

- Equity instruments - Equity instruments are reported under level I if prices are quoted in an active market. If no quoted prices are available, they are reported under level III. Valuation models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple method.
- Derivatives - The fair value of derivatives that are not options is determined by discounting the relevant cash flows with the corresponding yield curves. These are reported under level II if they are measured on the basis of observable input factors. If non-observable significant input factors are used, these derivatives are reported under level III. The fair value of structured financial products is calculated according to the type of embedded derivative using a measurement model; they are reported under level II or level III depending on the input factors used.
- Debt financial assets and liabilities - The method used to measure debt financial assets and liabilities depends on the liquidity in the relevant market. Liquid instruments measured on the basis of the relevant market value are reported under level I. The fair value is determined using valuation techniques whereby expected cash flows are discounted by the risk premium adjusted curves in the event that there is no active market. The proximity to the risk premium curve used determines whether these instruments are reported under level II or level III. They are reported under level III in the event that a significant, non-observable risk premium is used. Market prices provided either at a low frequency or only from one source are reported under level III.

Measurement methods used to determine the fair value of level II and level III items

The accepted measurement models according to IFRS 13 are the market approach, the cost approach and the income approach. The measurement method using the market approach is based on identical or comparable assets and liabilities. With the income approach, future cash flows, expenses or revenue are discounted at the measurement date. The fair value determined in this manner reflects current market expectations regarding these future amounts. It primarily includes present value models and also option price models used for the measurement of financial instruments or option-based cash flows. The cost approach is not used. The fair value of financial instruments with short-terms where the carrying amount is an adequate approximation of the fair value was not separately determined.

The following measurement techniques are applied to items that are measured internally based on models:

- Present value of the future cash flows (discounted cash flow method) - Level II and III items that are not traded in active markets but where the date and amount of the cash flows are known are measured at the present value of the future cash flows. Discounting takes a risk premium into account. All significant input factors are observable for level II instruments while some significant parameters cannot be directly observed for level III.
- Option measurement models - The existing portfolio of level III items includes cash flows with amounts tied to various market variables such as swap rates, stock market indexes and FX rates, or with dates that cannot be determined. Accepted interest and option measurement models calibrated daily with market data (swaption prices, market prices, FX rates) are used for the measurement of such cash flows.

Non-observable input factors for level III items:

- Volatilities and correlations - Volatilities are important input parameters for all option measurement models. The volatilities are derived from market data using accepted models.
- Risk premiums - Credit risk premiums indicate the default risk of an issuer. They provide information about the expected loss if the issuer defaults and therefore reflect the loss given default and the probability of default. For some issuers, risk premiums can be observed directly in the market. When single-name CDS curves are not available for an issuer, the risk premiums have to be estimated based on similarities to other issuers or based on the issuer’s country and sector. This applies to the risk premium of the Addiko Group. Increase (decrease) in the credit risk premiums would decrease (increase) the fair value.
- Loss given default - The loss given default is a parameter that is never directly observable before an entity defaults.

- Probability of default - Risk premiums and loss given default are used to estimate the probability of default, which is used for possible fair value adjustments.

Fair value adjustments - Credit value adjustment (CVA) and debt value adjustment (DVA)

Credit value adjustment (CVA) and debt value adjustment (DVA) are reported for all OTC derivatives. The calculation is based on a Monte Carlo simulation of the future replacement value (exposure), taking into account the effects of CSA agreements (credit support annex, CSA) by path. This results in a distribution of replacement values for all future dates. To determine the CVA, the absolute expected values from the positive exposure paths are multiplied by the counterparty's marginal probabilities of default and discounted. The DVA, on the other hand, is determined by multiplying and discounting the absolute expected values from the negative exposure paths with the bank's own marginal probabilities of default. For counterparties with a collateral contract, the CVA and DVA have to be calculated at the portfolio level. The calculation takes into account contractual parameters such as minimum transfer amount, threshold, rounding and netting. The relative CVA approach is used to allocate the portfolio CVA to specific items. Here, the portfolio CVA is distributed in proportion to the individual CVAs. The full CVA approach is applied to items not secured by collateral. This approach calculates the CVA at the individual item level. A waterfall principle is applied to determine the probabilities of default. First, the probabilities of default are derived from CDS curves. Synthetic curves are used if there are no single-name curves available; and are composed of country-specific curves and an internal rating.

OIS discounting

The Addiko Group measures derivatives taking into account base spread influences by applying various interest curves to calculate the forward rates and discount factors (multi-curve framework). According to the current market standards, overnight-indexed swap rates (OIS interest rates) are used for discounting in the measurement of OTC derivatives secured by collateral. A cross-currency base spread is taken into account for foreign currency swaps, where the collateral and cash flows are in a different currency.

34.1. Fair value of financial instruments carried at fair value

The table below shows the allocation of financial instruments carried at fair value, to their level in the fair value hierarchy.

EUR m

30.06.2021	Level I - from active market	Level II - based on market assumptions	Level III - based on non market assumptions	Total
Assets				
Financial assets held for trading	14.8	19.2	0.0	34.1
Derivatives	0.0	2.2	0.0	2.2
Debt securities	14.8	17.0	0.0	31.8
Investment securities mandatorily at FVTPL	0.0	2.8	0.3	3.1
Equity instruments	0.0	0.0	0.3	0.3
Investment securities at FVTOCI	934.9	135.7	2.6	1,073.2
Equity instruments	16.1	0.0	0.6	16.7
Debt securities	918.8	135.7	2.0	1,056.5
Total	**949.7**	**157.7**	**2.9**	**1,110.3**
Liabilities				
Financial liabilities held for trading	0.0	2.5	0.0	2.5
Derivatives	0.0	2.5	0.0	2.5
Total	**0.0**	**2.5**	**0.0**	**2.5**

EUR m

31.12.2020	Level I - from active market	Level II - based on market assumptions	Level III - based on non market assumptions	Total
Assets				
Financial assets held for trading	16.7	19.8	0.0	36.4
Derivatives	0.0	3.1	0.0	3.1
Debt securities	16.7	16.7	0.0	33.4
Investment securities mandatorily at FVTPL	0.0	0.0	0.3	0.3
Equity instruments	0.0	0.0	0.3	0.3
Investment securities at FVTOCI	824.0	102.2	2.6	928.7
Equity instruments	15.9	2.5	0.6	19.0
Debt securities	808.1	99.7	2.0	909.7
Total	**840.6**	**122.0**	**2.9**	**965.5**
Liabilities				
Financial liabilities held for trading	**0.0**	**4.9**	**0.0**	**4.9**
Derivatives	0.0	4.9	0.0	4.9
Total	**0.0**	**4.9**	**0.0**	**4.9**

Transfers between level I and level II

Addiko Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the financial instrument does no longer meet the criteria described above for the categorisation in the respective level.

In the current and the previous reporting period no transfer of debt securities at FVTOCI from level I to level II took place. At year end 2020 debt securities at FVTOCI with a book value of EUR 66.1 million and debt securities held for trading with a book value of EUR 10.5 million were moved from level II to level I due to a more liquid market. No such transfer took place in 2021.

Unobservable inputs and sensitivity analysis for Level III measurements

For investment securities classified in level III, which is an illiquid unlisted corporate bond, the main input parameter is the discount factor. If the credit spreads used in the calculation of the fair value increased by 100 basis points, the cumulative valuation result as of 30 June 2021 would have decreased by EUR 0.1 million (2020: EUR 0.1 million). If the credit spreads used in the calculation of the fair value decreased by 100 basis points, the cumulative valuation result as of 30 June 2021 would have increased by EUR 0.1 million (2020: EUR 0.1 million). The development of level III is presented as follows.

EUR m

2021	01.01.	Valuation gains/losses - PnL	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	Transfer into/out of other Levels	30.06.
Assets							
Investment securities mandatorily at FVTPL	0.3	0.0	0.0	0.0	0.0	0.0	0.3
Equity instruments	0.3	0.0	0.0	0.0	0.0	0.0	0.3
Investment securities at FVTOCI	2.6	0.0	0.0	0.0	0.0	0.0	2.6
Equity instruments	0.6	0.0	0.0	0.0	0.0	0.0	0.6
Debt securities	2.0	0.0	0.0	0.0	0.0	0.0	2.0
Total	**2.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.9**

EUR m

2020	01.01.	Valuation gains/losses - PnL	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	Transfer into/out of other Levels	31.12.
Assets							
Investment securities mandatorily at FVTPL	0.3	0.0	0.0	0.0	0.0	0.0	0.3
Equity instruments	0.3	0.0	0.0	0.0	0.0	0.0	0.3
Investment securities at FVTOCI	2.7	0.0	0.0	0.0	-0.1	0.0	2.6
Equity instruments	0.7	0.0	0.0	0.0	-0.1	0.0	0.6
Debt securities	2.0	0.0	0.0	0.0	0.0	0.0	2.0
Total	**3.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.0**	**2.9**

34.2. Fair value of financial instruments and assets not carried at fair value

The carrying amounts of recognised financial instruments not carried at fair value are compared to the respective fair values below:

EUR m

30.06.2021	Carrying amount	Fair Value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non market assumptions
Assets						
Cash reserves [1]	1,152.5	1,152.5	0.0	0.0	0.0	0.0
Financial assets at amortised cost	3,520.0	3,831.3	311.3	0.0	0.0	3,831.3
Loans and receivables	3,520.0	3,831.3	311.3	0.0	0.0	3,831.3
Total	**4,672.5**	**4,983.9**	**311.3**	**0.0**	**0.0**	**3,831.3**
Liabilities						
Financial liabilities measured at amortised cost	4,986.5	4,992.9	-6.4	0.0	0.0	4,992.9
Deposits	4,932.0	4,938.4	-6.4	0.0	0.0	4,938.4
Issued bonds, subordinated and supplementary capital	0.1	0.1	0.0	0.0	0.0	0.1
Other financial liabilities	54.4	54.4	0.0	0.0	0.0	54.4
Total	**4,986.5**	**4,992.9**	**-6.4**	**0.0**	**0.0**	**4,992.9**

[1] Cash reserves have not been assigned to a level as the carrying amount always approximates their fair value due to their short-term nature

EUR m

31.12.2020	Carrying amount	Fair Value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non market assumptions
Assets						
Cash reserves [1]	1,156.3	1,156.3	0.0	0.0	0.0	0.0
Financial assets at amortised cost	3,641.2	3,984.8	343.7	0.0	0.0	3,984.8
Loans and receivables	3,641.2	3,984.8	343.7	0.0	0.0	3,984.8
Total	**4,797.5**	**5,141.1**	**343.7**	**0.0**	**0.0**	**3,984.8**
Liabilities						
Financial liabilities measured at amortised cost	4,973.4	4,988.3	-14.9	0.0	0.0	4,988.3
Deposits	4,924.3	4,939.2	-14.9	0.0	0.0	4,939.2
Issued bonds, subordinated and supplementary capital	0.1	0.1	0.0	0.0	0.0	0.1
Other financial liabilities	49.0	49.1	-0.1	0.0	0.0	49.1
Total	**4,973.4**	**4,988.3**	**-14.9**	**0.0**	**0.0**	**4,988.3**

[1] Cash reserves have not been assigned to a level as the carrying amount always approximates their fair value due to their short-term nature

Financial instruments not carried at fair value are not managed on a fair value basis and their fair values are calculated only for disclosure purposes and do not impact the statement of financial position and the income statement. The fair value of receivables and liabilities is determined according to the present value of future cash flows. The risk premium amounts for receivables depend on the internal or external rating of the borrower taking into account the country risk. For liabilities, the own credit spread is taken into account in the discount factor. Due to the fact that no debt issues of the Addiko Group are placed on the market, the calculation of credit spread curves for senior unsecured liabilities is based on quoted credit default swap curves or credit spreads from senior unsecured bonds in a weighted peer group consisting of banking groups operating in CSEE whose markets and estimated credit standing is as similar to that of the Addiko Group as possible. For liabilities covered, a weighted credit spread curve from available benchmark-covered bonds from the peer group was used. Due to the existing uncertainties, a broad range exists for the fair values to be determined.

Addiko Group assessed that the fair value of cash positions approximately corresponds to their carrying amounts largely due to the short-term maturities of these instruments.

34.3. Fair value of Investment properties

The fair value of investment properties is determined using market-based estimates which are generally calculated by experts. If no market-based estimate exists, the fair value is determined using a discounted cash flow method. At 30 June 2021 the carrying amount of investment properties amounts to EUR 4.5 million (2020: EUR 4.7 million), whereas the fair value amounts to EUR 4.8 million (2020: EUR 5.0 million). All investment properties are classified in level III (2020: level III).

(35) Derivative financial instruments

35.1. Derivatives held for trading

The following transactions had not yet been carried out at the reporting date:

EUR m

	30.06.2021			31.12.2020		
		Fair values			Fair values	
	Nominal amounts	Positive	Negative	Nominal amounts	Positive	Negative
a) Interest rate						
OTC-products	**257.2**	**1.7**	**2.1**	**332.7**	**2.3**	**3.8**
OTC options	22.4	0.0	0.0	27.9	0.0	0.0
OTC other	234.8	1.6	2.1	304.8	2.3	3.8
b) Foreign exchange and gold						
OTC-products	**187.2**	**0.6**	**0.4**	**183.7**	**0.8**	**1.0**
OTC other	187.2	0.6	0.4	183.7	0.8	1.0
c) Credit derivatives	**8.4**	**0.0**	**0.1**	**8.1**	**0.0**	**0.1**
Credit default swap	8.4	0.0	0.1	8.1	0.0	0.1

(36) Related party disclosures

Following the initial public offering (IPO) in July 2019, AI Lake (Luxembourg) S.à r.l. was Addiko's single largest shareholder. During the year 2020 AI Lake (Luxembourg) S.à r.l. sold its shares in Addiko Bank AG. As of the reporting date, there are therefore no companies with significant influence, as around 62.9% is in free float and the other investors each hold a stake of less than 10%.

Related parties as defined by the Addiko Group are subsidiaries, associates, other entities excluded from consolidation as well as key personnel of the institution. Key personnel of the Company are the Management Board and the Supervisory Board of Addiko Bank AG as well as the management boards and supervisory boards of the subsidiaries including their close family members. Transactions between Addiko Bank AG and the fully consolidated entities are not disclosed in the notes to the consolidated financial statements, as they are eliminated in the course of consolidation. Transaction with related parties are done at arm´s length.

In relation to the 2021 changes in the Group Management Board mutual severance agreements were concluded with the two Board members in the amount of EUR 1.5 million.

Business relations with related parties are as follows at the respective reporting date:

EUR m

Key personnel of the institution or its parent	30.06.2021	31.12.2020
Financial liabilities (deposits)	2.0	1.8

(37) 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 June 2021 and 31 December 2020 amount to:

		30.06.2021			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 2 guidance (P2G)	**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%**

In addition to Pillar 1 minimum capital ratios, institutions also have to fulfil other capital requirements that are being imposed by the supervisory institution or by the legislation:

- Pillar 2 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 2 requirement from the 2020 SREP process remained 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.

As response to the Covid-19 pandemic, ECB communicated on the 12 March 2020 temporary capital relief measures with regard to the full usage of the capital conservation buffer as well as the P2G, allowing institutions temporarily to operate below these requirements. Given its solid capital structure Addiko had no need to make use of these options.

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 30 June 2021 and 31 December 2020 pursuant to CRR applying IFRS figures.

EUR m

Ref [1]		30.06.2021	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 [2]	349.4	305.8
3	Accumulated other comprehensive income (and other reserves) [2]	299.1	349.6
5a	Independently reviewed (interim) and eligible profits net of any foreseeable charge or dividend	-39.6	-45.3
5aa	o/w Interim eligible profit of the current year	0.0	1.4
5ab	o/w Foreseeable charge or dividend	-39.6	-46.6
6	**CET1 capital before regulatory adjustments**	**803.9**	**805.2**
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-1.1	-1.0
8	Intangible assets (net of related tax liability)	-19.0	-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)	-11.2	-11.6
27a	Other regulatory adjustments (including IFRS 9 transitional rules)	42.1	50.1
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**10.9**	**18.4**
29	**Common Equity Tier 1 (CET1) capital**	**814.8**	**823.5**
	Tier 2 (T2) capital: instruments and provisions		
58	**Tier 2 (T2) capital**	**0.0**	**0.0**
59	**Total capital (TC = T1 + T2)**	**814.8**	**823.5**
60	Total risk weighted assets	4,124.1	4,053.1
	Capital ratios and buffers %		
61	CET1 ratio	19.8%	20.3%
63	TC ratio	19.8%	20.3%
64	Institution CET1 overall capital requirements	11.1%	11.1%
65	o/w capital conservation buffer requirement	2.5%	2.5%
66	o/w countercyclical buffer requirement	0.0%	0.0%
68	CET 1 available to meet buffer (as % of risk exposure amount)	7.7%	8.2%
	Amounts below the thresholds for deduction (before risk weighting)		
72	Not significant direct and indirect holdings of own funds and eligible liabilities of financial sector entities (amount below 10% threshold and net of eligible short positions)	16.5	18.8
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	11.3	9.7

[1] The references identify the lines prescribed in the EU template, which are applicable and where there is a value. The structure is based on the technical standards included in (EU) 2021/637 of 15 March 2021. [2] In Group Annual Report 2020 other reserves in the amount of EUR 344.6 million were shown in retained earnings. The shift was done to be in line with the current disclosure requirements.

Total capital decreased by EUR 8.7 million during the reporting period, reflecting the net impact of the following components:

- A decrease by EUR 1.2 million of the other comprehensive income mainly due to a negative development in the amount of EUR 4.7 million in market values of debt instruments. These developments were partially compensated by an EUR 3.2 million increase of the foreign currency reserves and the positive market development of equity instruments in the amount of EUR 0.3 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 this 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 allows to add back to capital 100% of the risen stock of stage 1 and stage 2 ECL in 2020, remained stable;
- A decrease in regulatory deduction items in the amount of EUR 0.5 million due to less investments in intangible assets and less software in use connected with the Draft Regulatory Standards on the prudential treatment on software assets – EBA/CP/2020/11 (EUR 0.2 million), a decrease in deferred tax assets on existing taxable losses (EUR 0.4 million) and an increase in the prudential valuation adjustments connected with assets/liabilities measured at fair value (EUR 0.1 million);
- With reference to article 26 CRR, the profit of the first half of 2021 was not included in the calculation of the regulatory capital.

Following the initial dividend payment of EUR 7.0 million (36 Eurocents per share) executed on the 4 May 2021, the Group continues to deduct from the calculation of the regulatory capital the conditional dividend amount of EUR 39.6 million (second Tranche) which is envisaged to be performed 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. On 23 July 2021, the European Central Bank lifted the recommended dividend ban from last year. Therefore, Addiko currently expects the second tranche of the dividend to be distributed after 30 September 2021 in line with the General Assembly decision from the 26 April 2021.

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, which partly explains a relatively high risk density, measured by comparing RWA to assets, of 70% at the end of first half 2021 (2020: 69%), while the bank's focus on unsecured consumer lending and SME business is another importance source of the reported risk density.

RWAs increased by EUR 71.0 million during the reporting period:

- The RWA for credit risk increased by EUR 27.8 million. One of the main reasons were the increased sovereign exposure, mainly in Addiko Banja Luka and Croatia, that led to RWA growth in the market segment financial institutions in the amount of EUR 58 million. Higher Consumer exposure throughout the Group and SME exposure (predominantly in Addiko Serbia) increased RWA by EUR 39 million and EUR 23 million, respectively. Another RWA rise in the amount of EUR 13 million was mainly caused by the valuation allowances treatment in periods of interim profit and risen non-performing exposure. Decreased large corporate exposures (mainly in Addiko Croatia and Slovenia) led to a RWA relief of EUR 77 million. Mortgage loans further lowered RWA by EUR 28 million.
- The increase of RWAs for market risk by EUR 40.0 million is mainly caused by a higher open HRK position in Addiko Croatia (EUR 47.5 million RWA increase). This effect was partially compensated by the lower specific and general risk in trading book due to a lower specific and general risk associated with securities in trading book due to shorter final maturity and lower volumes (EUR 7.5 million RWA decrease).

- The RWA for 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. RWA for counterparty credit risk (CVA) almost doubled because of the new approach (Original Exposure Method) for calculating derivative exposure on 30.06.2021 (EUR 3.2 million higher RWA).

EUR m

Ref [1]	30.06.2021	31.12.2020
1 Credit risk pursuant to Standardised Approach	3,521.2	3,493.4
6 Counterparty credit risk	6.3	3.1
19 Market risk	191.8	151.8
23 Operational risk	404.8	404.8
Total risk exposure amount	**4,124.1**	**4,053.1**

[1] The references identify the lines prescribed in the EU 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, was 13.1% at 31 December 2020, down to 12.9% at 30 June 2021. The development was driven by reduction in Tier 1 capital and growth in the total leverage exposure.

EUR m

Ref [1]	30.06.2021	31.12.2020
20 Tier 1 capital	814.8	823.5
21 Total leverage ratio exposure	6,340.0	6,286.9
22 Leverage ratio %	**12.9%**	**13.1%**

[1] The references identify the lines prescribed in the EU 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]	30.06.2021	31.12.2020
Available capital (amounts)		
1 Common Equity Tier 1 (CET1) capital	814.8	823.5
2 CET1 capital as if IFRS 9 had not been applied	772.7	773.4
5 Total capital (TC)	814.8	823.5
6 TC as if IFRS 9 transitional rules had not been applied	772.7	773.4
Risk-weighted assets		
7 Total RWAs	4,124.1	4,053.1
8 Total RWAs as if IFRS 9 transitional rules had not been applied	4,081.2	4,003.0
Capital ratios %		
9 CET1	19.8%	20.3%
10 CET1 as if IFRS 9 transitional rules had not been applied	18.9%	19.3%
13 TC	19.8%	20.3%
14 TC as if IFRS 9 transitional rules had not been applied	18.9%	19.3%
Leverage ratio (LR)		
15 LR total exposure measure	6,340.0	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 EU 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.

This SRB decision supersedes the previous SRB decision on MREL requirement dated 17 December 2019, which included an MREL requirement in amount of 20.58% of TLOF (total liabilities and own funds) on consolidated level of Addiko Bank AG to be reached by 31 December 2023. Under the previous decision, the MREL target of Addiko Group would have required additional own funds and eligible liabilities in the amount of up to EUR 412.4 million (based on Addiko Group's capital structure and balance sheet composition as of 31 December 2019 and subject to a transitional period of up to 4 years).

(38) Events after the reporting date

There are no significant events after the reporting date.

Vienna, 10 August 2021
Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek
Chairman

Tadej Krašovec
Member of the Management Board

Ganesh Krishnamoorthi
Member of the Management Board

Statement of all legal representatives

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements, and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, 10 August 2021
Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek
Chairman

Tadej Krašovec
Member of the Management Board

Ganesh Krishnamoorthi
Member of the Management Board

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
Additional Tier 1 (AT1)	Own funds as defined by Art 51 et seq. CRR
Associated company	A company over which a material influence is exerted in terms of its business or financial policy and that is recognised in the consolidated accounts using the equity method
BaSAG	Federal Act on the Recovery and Resolution of Banks, "Austrian Banking Recovery and Resolution Act"
CDS	Credit default swap; a financial instrument that securitizes credit risks, for example those associated with loans or securities
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
Consumer segment	Addiko Bank's Consumer segment serves just under 0.7 million customers, which includes Private Individuals (excluding mortgage and housing loans) through a network of 166 branches and state of the art digital channels.
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
Corporate Center	This segment consists of Treasury business in the Holding and the countries as well as central functions items like overhead, project-related operating expenses, contributions to the single resolution fund, bank levy and the intercompany reconciliation. In addition, this segment includes direct deposit activities in Austria and Germany
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). The most important derivatives are futures, options and swaps
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
EMU	Economic and Monetary Union of the European Union

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	Austrian Financial Market Authority
FTP	Funds Transfer Pricing
FVTOCI	Fair value through OCI
FVTPL	Fair value through Profit or Loss
FX & DCC	Foreign exchange and Dynamic currency conversions
General governments	Central governments, state or regional governments, and local governments, including administrative bodies and non-commercial undertakings, but excluding public companies and private companies held by these administrations that have a commercial activity (which shall be reported under “credit institutions”, “other financial corporations” or “non-financial corporations” depending on their activity); social security funds; and international organisations, such as institutions of the European Union, the International Monetary Fund and the Bank for International Settlements
GDP	Gross Domestic Product
GoB	Group of Borrowers
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, gross amount of provisions for performing loans and non-performing loans
Gross performing loans (GPL)	Exposure of on balance loans without accrued interest and no deduction 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
ILO	International Labour Organisation
Interest like income	Includes penalty interest income and accrued fees on loan processing
Large Corporates	This segment includes legal entities and entrepreneurs with annual gross revenues of more than EUR 50 million. Addiko Bank services the largest local and international companies by centralised and specialised local teams supported by a strong expert unit from the Holding with investment loans, working capital loans and revolving loans
Loans and receivables	Gross carrying amount of loans and receivables less ECL allowance
LCR	Liquidity coverage ratio; the ratio of high quality liquid assets and net cash flows in the next 30 days
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
Loan to deposit ratio (LTD 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
Mortgages segment	Mortgage and housing loans portfolio
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 assets, tangible 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 exposure that has been classified as defaulted non-performing in relation to the entire 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 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 (CRB based)	Is an economic ratio to demonstrate the proportion of exposure that have been classified as defaulted non-performing in relation to the entire credit risk bearing exposure. 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 portfolio of the bank and provides an indicator for the performance of the bank's credit risk management. Non-performing exposure/credit risk bearing exposure (on and off balance; Securities, Derivatives and Deposits at / Exposure towards National Banks are not considered)
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)
NPE coverage ratio	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
NPE collateral coverage	Collaterals allocated to non-performing exposure / non-performing exposure
OCI	Other comprehensive income
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
OTC	Over the counter; trade with non-standardised financial instruments directly between the market participants instead of through an exchange
Other financial corporations	All financial corporations and quasi-corporations other than credit institutions such as investment firms, investment funds, insurance companies, pension funds, collective investment undertakings, and clearing houses as well as remaining financial intermediaries, financial auxiliaries and captive financial institutions and money lenders
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
POCI	Purchased or originated credit impaired assets
Public Finance	Public Finance business is oriented on participation in public tenders for the financing requirements of the key public institutions in CSEE countries as ministries of finance, state enterprises and local governments

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) Nbr 575/2013
Return on average tangible equity	Calculated as result after tax divided by the simple average of tangible equity attributable to the owners of the parent for the respective period
RSD	Serbian Dinar – the Serbian Dinar is the local currency of Serbia
SME	Addiko Bank offers the full product suite to approximately 40 thousand SME clients (companies and private entrepreneurs 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
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
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
Tier 1 capital (T1)	Sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution
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 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 (simple Ø)	Regular interest income / simple Ø gross performing loans

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