Addiko Bank

3Q21 Earnings release

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. Through its six subsidiary banks, Addiko Group services approximately 0.8 million customers in CSEE as of 30 September 2021, using a well-dispersed network of 161 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, Public and Large Corporate lending portfolios (its "non-focus areas") have been gradually reduced over time, thereby providing liquidity and capital for the continuous growth in its Consumer and SME lending.

Banking products and services have been standardised, especially in the Consumer and the SME segment, to improve efficiency, provide superior customer experience, manage risks and maintain asset quality via a prudent risk approach.

Addiko Bank AG got listed 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 three quarters of 2021 a stable operating result before impairments and provisions of EUR 43.5 million compared with EUR 47.3 million in the same period last year, which demonstrates the robustness and resilience of its sustainable business model. The result after tax of EUR 9.6 million improved significantly (3Q20: EUR -6.4 million) reflecting total risk costs returning to more normalised levels of EUR -12.9 million (3Q20: EUR -37.8 million predominantly impacted by Covid-19 related macroeconomic expectations).

The Group has successfully maintained its robust asset quality by tightening underwriting criteria mainly in the beginning of the pandemic (1Q20), preferring sustainable portfolio quality over new business and volume growth. The loan book in the focus segments remained stable, whereby Consumer and SME represent 71.0% of the gross performing loan book (3Q20: 63.8%). The Group has limited exposure to industry sectors which would be considered as Covid-19 sensitive and managed to maintain the high quality of its portfolios with very limited NPE formation. The stable NPE ratio (CRB based) of 4.8% (YE20: 4.9%), the NPE ratio (on-balance loans) of 5.9% (YE20: 5.9%) and the NPE coverage ratio at 71.2% (YE20: 73.6%) reflect the effectiveness of the established underwriting policies, the tight monitoring of risk as well as the successful collection of receivables.

Following the dividend decision in the Annual General Meeting 2021 from 26 April 2021, the Group paid a first tranche of EUR 7.0 million (36 Eurocents per share) on 4 May 2021, reflecting the maximum amount within the valid guidelines of the ECB at that point in time. The Annual General Meeting also resolved to distribute a second, conditional tranche of up to EUR 39.6 million (up to EUR 2.03 per share) under the condition precedent that on the twelfth working day of each calendar month after 30 September 2021 until 31 January 2022 neither a recommendation of the ECB would, in the company's view, conflict with a distribution of dividends nor a legally mandatory distribution restriction is effective or applicable. As the condition is satisfied on 18 October 2021, a dividend in the amount of EUR 2.03 for each dividend entitled share shall be distributed. The dividend ex-date on the Vienna Stock Exchange is 9 November 2021, the dividend record date is 10 November 2021 and the dividend payment date is 11 November 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.

In 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 banking experience who in his last position was successfully leading the CRO and COO functions of Addiko Bank Slovenia.

4. Outlook

Coronavirus is the biggest collective economic shock to the Addiko countries of operation since the 1990s. However, some of the worst-case scenarios feared when the pandemic first arrived in Europe in early 2020, in terms of both public health and economic impact, have so far not come to pass. Forecasting in the current environment remains prone to uncertainty, and the range of possible economic and financial outcomes remains unusually large. Future developments depend on the effectiveness of existing vaccines against new virus mutations and the ability of the financial sector to keep track of credit risks.

Vaccination against Covid-19 remains low in the five CSEE countries where Addiko operates. This means that herd immunity will likely not be reached any time soon and that the countries can continue to face new pandemic waves in the coming period. Due to the fact that all governments in this region have been reluctant with introducing new containment measures, it is likely to expect a significant high number of cases, as reflected by the current situation at the end of September. However, it is unlikely that this situation will hamper economic activity. GDP continues to grow strongly during 2021 in these countries even if affected by strong pandemic waves. This is explainable by the fact that these economies, learned to live with the pandemic. The toll that Covid-19 is taking on the economy is now smaller than at the onset of the pandemic. People and companies have adapted their behavior to the new circumstances and have found ways to continue with "business as usual" even during severe pandemic waves. Available data show that the five economies where Addiko is active are recovering well from the pandemic, stronger that what was expected at the beginning of the year 2021.

Concurrent with the improved growth expectations in its countries of operation, the Group expects that the activity on new loan generation will continue to pick up in the last quarter of 2021. However, the lower activity of loan disbursements in the financial year 2020 and the still challenging interest environment continues to impact 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 4.8 billion and an LCR of ca. 223.8%. 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 the subsidiaries in the form of placements at the ECB and the money market.

The Group is convinced that the continuous focus on executing its specialist strategy of Consumer and SME lending 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:

- REVISED: Gross performing loans at ca. EUR 3.35 billion with >5% growth in focus (previously: EUR 3.5 billion) given the accelerated run-down of the non-focus loan book
- Net Banking Income stable at 2020 level
- Operating expenses to remain below EUR 174 million
- CET1 Ratio above 18.6% on a transitional basis
- Sum of other result and credit loss expenses on financial assets <1% on average net loans and advances to customers.

5. Financial development of the Group

5.1. Detailed analysis of the result

EUR m

	01.01. - 30.09.2021	01.01. - 30.09.2020	(abs)	(%)
Net banking income	176.2	176.0	0.2	0.1%
Net interest income	126.8	131.7	-4.9	-3.8%
Net fee and commission income	49.5	44.3	5.2	11.7%
Net result on financial instruments	4.6	7.8	-3.2	-40.5%
Other operating result	-9.9	-11.5	1.5	-13.4%
Operating income	**170.9**	**172.3**	**-1.4**	**-0.8%**
Operating expenses	**-127.5**	**-125.0**	**-2.4**	**2.0%**
Operating result before impairments and provisions	**43.5**	**47.3**	**-3.8**	**-8.1%**
Other result	-15.9	-4.9	-11.0	>100%
Credit loss expenses on financial assets	-12.9	-37.8	24.9	-66.0%
Result before tax	**14.8**	**4.6**	**10.1**	**>100%**
Tax on income	-5.2	-11.1	5.9	-53.2%
Result after tax	**9.6**	**-6.4**	**16.0**	**>100%**

Net interest income slightly decreased from EUR 131.7 million at 3Q20, by EUR -4.9 million, or -3.8%, to EUR 126.8 million at 3Q21. The decrease in interest income, lower by EUR -8.3 million from EUR 148.9 million at 3Q20 to EUR 140.6 million at 3Q21 is resulting from the fact that the liquidity generated by the planned run down of the non-focus portfolio could not be entirely reinvested in loans within the focus segments due to the impact of Covid-19 on loan disbursements during the financial year 2020. Consequently, a higher volume of cash and balances was placed 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 -17.2 million at 3Q20, by EUR -3.3 million, to EUR -13.8 million at 3Q21, predominantly resulting from lower interest expenses of customer deposit for EUR -3.0 million, mainly caused by a shift from higher yield term deposits to lower yield current deposits. The **net interest margin** consequently decreased to 285bp at 3Q21, compared to 294bp at 3Q20.

Net fee and commission income increased to an amount of EUR 49.5 million (3Q20: EUR 44.3 million) as a result of the net increase of the fee and commission income from EUR 55.3 million to EUR 62.4 million, and of the fee and commission expenses from EUR -11.0 million to EUR -13.0 million. The increase in net fee and commission income was reflecting the gradual normalisation of the economic activities in the countries of operations during the third quarter 2021 while the previous year was negatively impacted by the Covid-19 pandemic.

Net result on financial instruments amounts to EUR 4.6 million at 3Q21, compared to EUR 7.8 million at 3Q20 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 -11.5 million at 3Q20, by EUR 1.5 million, to EUR -9.9 million at 3Q21. This position includes the following items:

- Front-loaded regulatory charges for the recovery and resolution fund of EUR -1.2 million (3Q20: EUR -1.4 million);
- Deposit guarantee expenses of EUR -4.1 million (3Q20: EUR -6.0 million). The decrease compared with the previous reporting period is driven by the temporary suspension of payments to the Croatian Deposit Insurance Agency starting from 1 January 2021 until further notice;
- Bank levies and other taxes increased from EUR -2.2 million at 3Q20 to EUR -2.8 million at 3Q21;
- Restructuring expenses in amount of EUR -2.7 million recognised in connection with the cost reduction initiatives as defined by the Transformation Program announced with 1H21 results, mainly related to the further alignment of the organisational structure with Addiko's specialist strategy. In the comparative period 3Q20 restructuring expenses amounted to EUR -3.8 million and were mainly connected with the closure of unprofitable branches, reduction of FTEs

as well as costs for the changes in the management structure during 2020.

Operating expenses increased from EUR -125.0 million at 3Q20 by EUR -2.4 million or 2.0% to EUR -127.5 million at the current reporting date:

- Personnel expenses increased compared to the previous period from EUR -63.1 million at 3Q20 to EUR -69.0 million at 3Q21. The increase mainly consists of two components, with one being the recognition of severance expenses in the amount of EUR -1.5 million connected with the changes in the management board which took place in May 2021. The other main effect is related to the accrual of EUR -4.7 million for variable performance-based bonus expenses which did not occur in the previous reporting period in line with applicable recommendations by the ECB. In addition, supervisory board costs are shown as part of personal expense, previously included in other administrative expenses (EUR -0.6 million).
- Other administrative expenses decreased from EUR -47.1 million in 3Q20 to EUR -45.0 million in the third quarter of 2021.
- Depreciation and amortisation decreased from EUR -14.9 million at 3Q20, by EUR -1.4 million, to EUR -13.5 million at 3Q21.

Other result with EUR -15.9 million (3Q20: EUR -4.9 million) was significantly impacted in the first three quarters of 2021 by EUR 9.8 million additional credit linked and portfolio based provisions for expected legal matters on Swiss-franc denominated loans as well as by EUR 1.5 million for law suits in relation to loan processing fee's. Further, the third quarter includes the effects from the early renegotiation of a contract with a central IT supplier at better terms, which was leading to the recognition of EUR 2.3 million impairment on the amounts deferred based on the previous version of the contract. The prior period 2020 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 -12.9 million. The provision bookings were significantly below the amount recognised in 3Q20 of EUR -37.8 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 the pandemic in 3Q20 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 three quarters of 2021. The economy and clients proved to be more resilient and the actual cost of risk are better than initially estimated. As of the reporting date moratoria measures were applicable on loans with an exposure of EUR 74.6 million (YE20: EUR 163.5 million). The credit risk result in the third quarter 2021 was also positively influenced by the impact from an electronic auction sale of NPE assets. Despite the improvement in the overall macroeconomic environment from last year, the post model risk overlay recognised during 2020 was not released in the first three quarters of 2021. Addiko will reassess the management overlay during the last quarter of 2021.

Tax on income amounts to EUR -5.2 million at 3Q21 compared to EUR -11.1 million at 3Q20, whereby the comparative period included the reversal of recognition of deferred taxes on tax losses carried forward in the amount of EUR 6.5 million based on the initial expected impact of Covid-19 pandemic on the future profitability of the Group.

5.2. Detailed analysis of the statement of financial position

EUR m

	30.09.2021	31.12.2020	(abs)	(%)
Cash reserves	1,187.8	1,156.3	31.6	2.7%
Financial assets held for trading	33.8	36.4	-2.7	-7.4%
Loans and receivables	3,536.4	3,641.2	-104.8	-2.9%
Loans and advances to credit institutions	65.0	56.5	8.5	15.1%
Loans and advances to customers	3,471.4	3,584.7	-113.3	-3.2%
Investment securities	1,090.2	929.0	161.2	17.3%
Tangible assets	72.5	78.8	-6.3	-7.9%
Intangible assets	26.2	26.4	-0.2	-0.9%
Tax assets	26.3	25.2	1.0	4.1%
Current tax assets	3.0	3.9	-0.9	-22.5%
Deferred tax assets	23.2	21.3	1.9	9.0%
Other assets	26.7	18.5	8.2	44.5%
Non-current assets held for sale	1.3	2.7	-1.4	-51.4%
Total assets	**6,001.2**	**5,914.5**	**86.6**	**1.5%**

The statement of financial position of Addiko Group shows the simple and solid interest-bearing asset structure: 58% 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 plain vanilla bonds. With regard to the statement of financial position, Addiko's strategy continued to change the business composition from lower margin Mortgage, Large Corporate and Public Finance lending towards higher value-added lending in the focus segments Consumer and SME. This is reflected in the increased share of these two segments of 71.0% of the gross performing loan book (YE20: 65.3%).

As of 3Q21 the **total assets** of Addiko Group in the amount of EUR 6,001.2 million increased by EUR 86.6 million or 1.5% compared with the YE20 level (EUR 5,914.5 million). The total risk, i.e. risk-weighted assets including credit, market and operational risk, (Basel III considering IFRS 9 transitional arrangements) increased to EUR 4,091.6 million (YE20: EUR 4,053.1 million).

Cash reserve increased slightly to EUR 1,187.8 million as of 30 September 2021 (YE20: EUR 1,156.3 million). This reflects the strong liquidity position of the Group.

Overall **loans and receivables** decreased to EUR 3,536.4 million from EUR 3,641.2 million at year end 2020:

- Loans and receivables to credit institutions (net) increased by EUR 8.5 million to EUR 65.0 million (YE20: EUR 56.5 million).
- Loans and receivables to customers (net) decreased by EUR -113.3 million to EUR 3,471.4 million (YE20: EUR 3,584.7 million). The change was mainly in the non-focus segments Mortgage, Large Corporate and Public Finance decreasing from EUR 1,261.4 million at year end 2020 to EUR 1,025.5 million, which could not be compensated by new disbursements in the focus segments. The focus segments Consumer and SME lending increased slightly to EUR 2,442.8 million (YE20: EUR 2,321.4 million).

The **investment securities** increased from EUR 929.0 million at YE20 to EUR 1,090.2 million at 3Q21. 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 increased to EUR 26.3 million (YE20: EUR 25.2 million), thereof EUR 11.0 million refer to deferred taxes on tax loss carried forward (YE20: EUR 11.6 million).

Other assets increased to EUR 26.7 million (YE20: EUR 18.5 million). The main amounts in this position are related to prepaid expenses and accruals (3Q21: EUR 8.2 million; YE20: EUR 8.7 million) as well as receivables for paid in deposits and receivables from card business.

EUR m

	30.09.2021	31.12.2020	(abs)	(%)
Financial liabilities held for trading	1.8	4.9	-3.1	-62.7%
Financial liabilities measured at amortised cost	5,040.6	4,973.4	67.3	1.4%
Deposits of credit institutions	206.3	196.2	10.1	5.1%
Deposits of customers	4,774.7	4,728.1	46.6	1.0%
Issued bonds, subordinated and supplementary capital	0.1	0.1	0.0	-9.4%
Other financial liabilities	59.6	49.0	10.6	21.6%
Provisions	67.3	58.2	9.1	15.7%
Tax liabilities	5.0	0.0	5.0	>100%
Current tax liabilities	5.0	0.0	5.0	>100%
Other liabilities	34.3	26.3	8.0	30.2%
Equity	852.1	851.8	0.4	0.0%
Total equity and liabilities	**6,001.2**	**5,914.5**	**86.6**	**1.5%**

On the liabilities' side, **financial liabilities measured at amortised cost** increased to EUR 5,040.6 million compared to EUR 4,973.4 million at year end 2020:

- Deposits of credit institutions increased from EUR 196.2 million at YE20 to EUR 206.3 million as of 3Q21 and include EUR 54.7 million from the participation in targeted longer-term refinancing operations (TLTRO) with the Slovenian National Bank (YE20: EUR 74.9 million).
- Deposits of customers slightly increased to EUR 4,774.7 million (YE20: EUR 4,728.1 million). The solid funding profile is one of the strengths of the Group, which drives the low dependence on market funding. Around 30.4% of the deposits are term deposits, mainly Euro denominated, followed by Croatian Kuna (HRK) and Bosnia-Herzegovina Convertible Marka (BAM) and Serbian Dinar (RSD).
- Other financial liabilities slightly increased from EUR 49.0 million at YE20 to EUR 59.6 million at 3Q21.

Provisions increased from EUR 58.2 million at YE20 to EUR 67.3 million at 3Q21. 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 2020 in line with applicable recommendations by the ECB.

Other liabilities slightly increased from EUR 26.3 million at YE20 to EUR 34.3 million in 3Q21 and mainly include accruals for services received but not yet invoiced (3Q21: EUR 33.4 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 852.1 million is reflecting the total comprehensive income, which includes the profit and loss for the reporting period in the amount of EUR 9.6 million, the unconditional dividend 2020 paid on 4 May 2021 as well as changes in other comprehensive income in the amount of EUR -2.2 million. These changes were resulting from market related movements and from the net amount transferred to profit or loss from debt and equity instruments measured at FVTOCI (EUR -5.5 million) which were partially compensated by the positive change of the FX reserves (EUR 3.3 million). The conditional tranche of the dividend is going to be deducted from equity following the payment in November 2021.

5.3. Capital and liquidity requirements

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 September 2021, the **capital base** of Addiko Group was solely made up of CET1 at 19.8% (YE20: 20.3%) on an IFRS 9 transitional basis, well above current requirements, as well as above the ratio including the Pillar 2 Guidance. Addiko's fully phased-in CET1 amounts to 19.1% from 19.3% versus year end 2020.

The development in the first three quarter of 2021 was mainly driven by the changes in other comprehensive income in amount of EUR -2.2 million and by the negative impact of EUR -11.3 million in connection with the application of the IFRS 9 transitional capital rules, while it does not consider the interim profit of EUR 9.6 million or the accrued dividend for the year 2021. In addition, Addiko's regulatory capital ratios were reflecting the increase in RWAs, which was driven by the increase in credit risk (EUR 82.2 million) partially compensated by the decrease in market risk (EUR -45.2 million).

Following the initial dividend payment of EUR 7.0 million executed in May 2021, the Group continues to deduct from the calculation of the regulatory capital the conditional dividend amount of EUR 39.6 million which is going to be distributed on 11 November 2021.

Addiko's leverage ratio is sound at 12.6% at the end of June 2021 (YE20: 13.1%).

The **liquidity position** of the Group remains strong, with an LTD ratio (net) of 72.7% (YE20: 75.8%), thus meeting the liquidity indicators high above the regulatory requirements. Addiko's banking activities in Croatia exhibit a 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 401 million as of 30 September 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.

5.4. Notable transactions

As part of its management activities of non-performing loan portfolios, Addiko was able to dispose during the third quarter part of its NPE exposure having a nominal amount of EUR 16.7 million via two electronic auction sales. One auction was awarded to the best bidder, which is an entity affiliated with a major shareholder of Addiko. Since no significant influence as defined by IAS 28, could be assessed, this shareholder is not considered as a related entity for the purposes of IAS 24. Thus, no further disclosures in relation to the auction sale are included in the report.

6. 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 of the Holding costs included in the segment Corporate Center was performed. 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 3Q21 amount to EUR 10.7 million.

Comparative figures (3Q20) have been adapted accordingly.

EUR m

30.09.2021	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	101.5	40.5	12.7	10.3	4.3	6.7	176.2
Net interest income	74.8	22.1	12.7	6.7	3.5	7.0	126.8
o/w regular interest income	70.9	23.5	15.2	7.9	2.4	10.9	130.7
Net fee and commission income	26.7	18.5	0.0	3.7	0.8	-0.2	49.5
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	4.6	4.6
Other operating result	0.0	0.0	0.0	0.0	0.0	-9.9	-9.9
Operating income	**101.5**	**40.5**	**12.7**	**10.3**	**4.3**	**1.4**	**170.9**
Operating expenses	**-60.8**	**-23.3**	**-1.7**	**-4.7**	**-1.8**	**-35.2**	**-127.5**
Operating result before impairments and provisions	**40.7**	**17.2**	**11.1**	**5.7**	**2.6**	**-33.8**	**43.5**
Other result	0.0	0.0	0.0	0.0	0.0	-15.9	-15.9
Credit loss expenses on financial assets	-18.4	-2.5	6.0	0.0	0.4	1.7	-12.9
Result before tax	**22.3**	**14.7**	**17.1**	**5.6**	**2.9**	**-47.9**	**14.8**
Business volume							
Net loans and receivables	1,340.1	1,102.7	571.4	347.5	106.6	68.1	3,536.4
o/w gross performing loans customers	1,370.1	1,103.1	559.3	343.4	105.4		3,481.4
Gross disbursements	373.0	404.2	4.6	63.8	1.3		847.0
Financial liabilities at AC [1]	2,466.2	1,028.6		390.4	401.8	753.6	5,040.6
RWA [2]	1,014.6	897.5	350.1	391.2	62.6	820.7	3,536.7
Key ratios							
Net interest margin (NIM) [3]	5.8%	2.2%	1.4%	1.3%	1.4%		2.8%
Cost/Income Ratio	59.9%	57.5%	13.0%	45.2%	41.0%		72.3%
Cost of risk ratio	-1.2%	-0.1%	1.0%	0.0%	0.3%		-0.3%
Loan to deposit ratio	54.3%	107.2%	-	89.0%	26.5%		72.7%
NPE ratio (on-balance loans)	5.3%	5.4%	11.2%	4.5%	2.3%		5.9%
NPE coverage ratio	81.4%	65.8%	72.6%	45.5%	34.4%		71.2%
NPE collateral coverage	4.3%	51.3%	73.9%	71.4%	85.6%		44.5%
Change CL/GPL (simple Ø)	-1.4%	-0.2%	1.0%	0.0%	0.3%		-0.4%
Yield GPL (simple Ø)	7.1%	2.9%	3.4%	2.5%	2.8%		4.5%

[1] Financial liabilities 3Q21 include the Direct deposits (Austria/Germany) amounting to EUR 401 million, EUR 206 million Deposits of credit institutions, EUR 146 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

30.09.2020	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	100.5	37.0	14.2	11.1	5.0	8.3	176.0
Net interest income	77.1	20.5	14.2	7.3	4.2	8.5	131.7
o/w regular interest income	72.1	22.6	19.0	9.9	2.9	12.8	139.4
Net fee and commission income	23.4	16.5	0.0	3.8	0.8	-0.3	44.3
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	7.8	7.8
Other operating result	0.0	0.0	0.0	0.0	0.0	-11.5	-11.5
Operating income	100.5	37.0	14.2	11.1	5.0	4.6	172.3
Operating expenses	-58.9	-26.3	-1.8	-3.9	-1.6	-32.4	-125.0
Operating result before impairments and provisions	41.6	10.7	12.4	7.2	3.3	-27.8	47.3
Other result	0.0	-0.2	0.0	-0.1	0.0	-4.6	-4.9
Credit loss expenses on financial assets	-20.0	-12.3	-5.8	-0.4	0.2	0.4	-37.8
Result before tax	21.6	-1.7	6.6	6.8	3.6	-32.0	4.6
Business volume							
Net loans and receivables	1,248.9	1,073.8	674.8	532.0	139.8	34.9	3,704.1
o/w gross performing loans customers	1,291.1	1,064.4	664.5	531.7	140.2		3,691.9
Gross disbursements	214.0	330.9	0.9	141.1	3.8		690.7
Financial liabilities at AC [1]	2,461.2	950.7		356.5	429.1	737.1	4,934.5
RWA [2]	940.1	898.0	399.2	574.9	82.4	660.9	3,555.6
Key ratios							
Net interest margin (NIM) [3]	5.9%	2.3%	1.5%	1.4%	1.2%		2.9%
Cost/Income Ratio	58.6%	71.2%	12.7%	35.2%	32.8%		71.0%
Cost of risk ratio	-1.4%	-0.7%	-0.8%	0.0%	0.1%		-0.7%
Loan to deposit ratio	50.7%	112.9%	-	149.2%	32.6%		78.6%
NPE ratio (on-balance loans)	4.6%	6.7%	11.4%	2.2%	0.6%		5.8%
NPE coverage ratio	90.4%	70.5%	68.2%	56.0%	46.3%		73.7%
NPE collateral coverage	6.9%	56.5%	73.0%	59.5%	51.6%		49.8%
Change CL/GPL (simple Ø)	-1.5%	-1.1%	-0.8%	-0.1%	0.1%		-1.0%
Yield GPL (simple Ø)	7.4%	2.8%	3.6%	2.4%	2.6%		4.5%

[1] Financial liabilities at AC at 3Q20 include the Direct deposits (Austria/Germany) amounting to EUR 415 million, EUR 203 million Deposits of credit institutions, EUR 119 million Other [2] Includes only credit risk (without application of IFRS 9 transitional rules) [3] Net interest margin 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 the Management to assess the performance of the segments and used as a source for decision making. The business segmentation is subdivided into the 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, Large Corproate and Public Finance lending 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, the Virtual Branch, Webloans, mLoans and on-line account opening capabilities. In the context of the Covid-19 crisis, various processes were moved to alternative channels in order to respond to the social distancing requirements and changing customer preferences.

In the first three quarters 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 dropped significantly. The period after the lockdown was marked by a gradual recovery towards the end of the year 2020. In the first three quarters 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 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 three quarters of 2021, the digital contribution to the sales results increased significantly as the bank was able to respond well to social distancing requirements.

Consumer 3Q21 Business review

In comparison to 3Q20, the net interest income decreased by EUR 2.3 million to EUR 74.8 million (3Q20: EUR 77.1 million) at a NIM of 5.8% 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 3.3 million to EUR 26.7 million in 3Q21 compared to EUR 23.4 million in 3Q20, due to higher income from Account packages, Loans, Bancassurance, Transactions and FX&DCC. The Cost/Income ratio increased slightly to 59.9% (3Q20: 58.6%) due to normalisation of marketing costs.

Despite Covid-19 crisis still visible this year, the gross performing loans increased by 6.1% in 3Q21 in comparison with 3Q20. The result before tax amounted to EUR 22.3 million (3Q20: EUR 21.6 million), which is 3.2% higher than in 3Q20 due to higher operating income and lower credit loss expenses on financial assets.

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 current 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 financing potential of smaller legal entities within the SME segment whilst consequently increasing the loan volumes and related commission income.

SME Finance 3Q21 Business review

The net interest income increased in 3Q21 from EUR 20.5 million in 3Q20, by EUR 1.6 million, or 7.7%, to EUR 22.1 million with a NIM at 2.2%. The net fee and commission income increased by 11.9% compared to 3Q20, due to higher income from Transactions, Loans and Trade Finance. Operating expenses decreased by EUR 3.0 million compared to 3Q20. The SME segment has generated EUR 14.7 million result before tax impacted by decreased credit losses in 2021. In 3Q21 the SME disbursements were higher with regards to comparative period despite Covid-19 pandemic. The NPE ratio compared with 3Q20 remained on a very low level of 5.4% (3Q20: 6.7%), showing the overall solid quality of the portfolio.

Mortgage 3Q21 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 3Q21 amounted to EUR 12.7 million, reflecting a 10.2% decrease in comparison with EUR 14.2 million at 3Q20, mainly driven by EUR 105.2 million lower gross performing loans to customers and consequently lower net interest income.

Large Corporates 3Q21 Business review

The Large Corporates segment comprises Addiko Group’s business activities relating to companies with an annual turnover of over EUR 50 million.

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. The net interest income decreased in 3Q21 from EUR 7.3 million in 3Q20 for 7.9%, to EUR 6.7 million with a NIM at 1.3%. Net fee and commission income decreased mainly due to lower cards business as a result of the decreased economic activity due to the Covid-19 pandemic, lower ultimo volume balance and lower securities due to gradual exit from custody business. The result before tax at EUR 5.6 million (3Q20: EUR 6.8 million) was additionally impacted by higher operating expenses and lower operating income. The risk provision bookings in Large Corporate were in 3Q21 on the same relative level as in 3Q20, although in absolute level decreased in line with the decrease of the size of the Large Corporate portfolio.

Public Finance 3Q21 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 run-down strategy, lending products in the Public Finance segment is not actively marketed and rather focuses on maintaining the existing deposits and provide account keeping services.

The net interest income in 3Q21 amounted to EUR 3.5 million (3Q20: EUR 4.2 million), with NIM at 1.4% (3Q20: 1.2%). The decrease in net interest income occurred due to the strategic run-down of the portfolio (24.8% in gross performing loans compared to 3Q20). The net fee and commission income remained stable at EUR 0.8 million compared to the same period last year. The Public Finance segment has generated EUR 4.3 million operating income (3Q20: EUR 5.0 million) and EUR 2.9 million result before tax in 3Q21 (3Q20: EUR 3.6 million). The Cost/Income Ratio increased to 41.0% (3Q20: 32.8%) due to lower operating income. The NPE ratio increased in 3Q21 and shows a high NPE share in the portfolio of 2.3% (3Q20: 0.6%) which is mainly related to the relatively small residual portfolio.

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 3Q21 Business review

The net interest income in 3Q21 amounts to EUR 7.0 million (3Q20: EUR 8.5 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 decrease of net result on financial instruments which in 3Q21 amounted to EUR 4.6 million (3Q20: EUR 7.8 million) mainly results from realised lower profits from the sale of debt securities. The other operating result in 3Q21 amounted to EUR -9.9 million (3Q20: EUR -11.5 million) and includes the following items:

- Regulatory charges from the recovery and resolution fund of EUR -1.2 million (3Q20: EUR -1.4 million).
- Deposit guarantee expenses of EUR -4.1 million (3Q20: EUR -6.0 million).
- Restructuring expenses of EUR -2.7 million (3Q20: EUR -3.8 million).

The result before tax of EUR -47.9 million (3Q20: EUR -32.0 million) in 3Q21 was significantly impacted by credit linked and portfolio-based provisions for expected legal matters on Swiss-franc denominated loans as well as the recognition of provisions for loan processing fees.

Asset Contribution

The net interest income at 3Q21 in the Corporate Center includes only a fraction of the positive impact from the interest and liquidity gap contribution (IGC) of EUR 30.5 million. The majority of the IGC in the amount of EUR 25.5 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 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 the IGC is re-distributed from the segment Corporate Center to the originator of the IGC, i.e. the respective business segment.

7. Summary of consolidated statement of profit or loss

EUR m

	01.01. - 30.09.2021	01.01. - 30.09.2020
Interest income calculated using the effective interest method	138.9	146.9
Other interest income	1.7	2.0
Interest expenses	-13.8	-17.2
Net interest income	**126.8**	**131.7**
Fee and commission income	62.4	55.3
Fee and commission expenses	-13.0	-11.0
Net fee and commission income	**49.5**	**44.3**
Net result on financial instruments	4.6	7.8
Other operating income	3.4	4.4
Other operating expenses	-13.4	-15.9
Operating income	**170.9**	**172.3**
Personnel expenses	-69.0	-63.1
Other administrative expenses	-45.0	-47.1
Depreciation and amortisation	-13.5	-14.9
Operating expenses	**-127.5**	**-125.0**
Operating result before impairments and provisions	**43.5**	**47.3**
Other result	-15.9	-4.9
Credit loss expenses on financial assets	-12.9	-37.8
Result before tax	**14.8**	**4.6**
Tax on income	-5.2	-11.1
Result after tax	**9.6**	**-6.4**
thereof attributable to equity holders of parent	9.6	-6.4

EUR m

	01.01. - 30.09.2021	01.01. - 30.09.2020
Result after tax	**9.6**	**-6.4**
Other comprehensive income	**-2.2**	**-15.2**
Items that will not be reclassified to profit or loss	**0.3**	**0.2**
Fair value reserve - equity instruments	0.3	0.2
Net change in fair value	0.2	0.2
Income Tax	0.1	0.0
Items that may be reclassified to profit or loss	**-2.5**	**-15.4**
Foreign currency translation	3.3	-6.2
Gains/losses of the current period	3.3	-6.2
Fair value reserve - debt instruments	-5.8	-9.2
Net change in fair value	-3.8	-12.0
Net amount transferred to profit or loss	-2.9	1.5
Income Tax	0.9	1.4
Total comprehensive income for the year	**7.4**	**-21.7**
thereof attributable to equity holders of parent	7.4	-21.7

8. Summary of consolidated statement of financial position

EUR m

	30.09.2021	31.12.2020
Assets		
Cash reserves	1,187.8	1,156.3
Financial assets held for trading	33.8	36.4
Loans and receivables	3,536.4	3,641.2
Loans and advances to credit institutions	65.0	56.5
Loans and advances to customers	3,471.4	3,584.7
Investment securities	1,090.2	929.0
Tangible assets	72.5	78.8
Property, plant and equipment	68.7	74.0
Investment property	3.8	4.7
Intangible assets	26.2	26.4
Tax assets	26.3	25.2
Current tax assets	3.0	3.9
Deferred tax assets	23.2	21.3
Other assets	26.7	18.5
Non-current assets held for sale	1.3	2.7
Total assets	**6,001.2**	**5,914.5**
Equity and liabilities		
Financial liabilities held for trading	1.8	4.9
Financial liabilities measured at amortised cost	5,040.6	4,973.4
Deposits of credit institutions	206.3	196.2
Deposits of customers	4,774.7	4,728.1
Issued bonds, subordinated and supplementary capital	0.1	0.1
Other financial liabilities	59.6	49.0
Provisions	67.3	58.2
Tax liabilities	5.0	0.0
Current tax liabilities	5.0	0.0
Other liabilities	34.3	26.3
Equity	852.1	851.8
thereof attributable to equity holders of parent	852.1	851.8
Total equity and liabilities	**6,001.2**	**5,914.5**

9. Risk Report

A summary of Addiko's 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.

9.1. Credit risk

9.1.1. Allocation of credit risk exposure within the Group

As at 30 September 2021, the overall gross exposure within the Group increased (EUR 51.4 million) compared to YE20. Increases in the exposures are recognised in almost all legal entities, which are partially offset by a decreased exposure in Addiko Bank Slovenia and Addiko Bank Montenegro. Due to an executed re-segmentation of clients during first quarter of 2021, a shift of portfolio from the 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 below.

EUR m

	30.09.2021	31.12.2020
Addiko Croatia	2,660.6	2,612.8
Addiko Slovenia	1,625.2	1,689.8
Addiko Serbia	1,092.2	1,059.6
Addiko Bosnia & Herzegovina	1,144.5	1,104.5
Addiko Montenegro	233.7	238.0
Addiko Holding	217.8	217.9
Total	**6,974.1**	**6,922.7**

9.1.2. Credit risk exposure by rating class

At 30 September 2021, roughly 26.0% (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.

Until 3Q21, the NPE Stock decreased by EUR 5.5 million, mainly in the Consumer (Addiko Bank Croatia, Addiko Bank Sarajevo, Addiko Bank Banja Luka and Addiko Bank Montenegro) and the 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. In addition, during the third quarter 2021, Addiko Bank was able to dispose an NPE exposure with a nominal amount of EUR 16.7 million via two electronic auction sales. These reductions are partially compensated by NPE stock increase in SME portfolio in almost all legal entities except Addiko Bank Croatia and Addiko Bank Banja Luka.

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

EUR m

30.09.2021	1A-1E	2A-2E	3A-3E	Watch	NPE	No rating	Total
Consumer	254.3	791.9	294.8	142.1	77.6	15.5	1,576.3
SME	228.2	853.4	520.3	148.4	70.9	3.6	1,824.8
Non Focus	387.0	595.0	180.8	62.2	89.8	1.5	1,316.3
o/w Large Corporate	76.2	293.8	136.4	27.8	16.4	0.8	551.5
o/w Mortgage	283.1	227.8	25.0	22.7	70.7	0.6	629.9
o/w Public Finance	27.7	73.4	19.3	11.6	2.7	0.1	134.8
Corporate Center [1)]	941.9	1,070.1	241.8	0.0	0.0	3.0	2,256.8
Total	**1,811.4**	**3,310.4**	**1,237.8**	**352.7**	**238.2**	**23.7**	**6,974.1**

[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

9.1.3. Presentation of exposure by overdue days

EUR m

30.09.2021	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,436.1	71.0	6.2	4.8	58.2	1,576.3
SME	1,725.1	48.1	2.0	3.3	46.3	1,824.8
Non Focus	1,233.1	22.1	2.1	1.0	58.0	1,316.3
o/w Large Corporate	542.1	5.6	0.0	0.0	3.8	551.5
o/w Mortgage	559.8	13.3	2.1	1.0	53.9	629.9
o/w Public Finance	131.2	3.2	0.0	0.0	0.4	134.8
Corporate Center	2,256.8	0.0	0.0	0.0	0.0	2,256.8
Total	**6,651.1**	**141.2**	**10.3**	**9.0**	**162.5**	**6,974.1**

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**

9.1.4. Development of the coverage ratio

The coverage ratio 1 slightly went down to 71.2% compared to the YE20's 73.6%. Decreases were 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 until 3Q21.

The following tables show the NPE and coverage ratios at 3Q21 and YE20:

EUR m

30.09.2021	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	Coverage Ratio 1	Coverage Ratio 3
Consumer	1,576.3	77.6	63.2	3.3	4.9%	5.3%	81.4%	85.7%
SME	1,824.8	70.9	46.7	36.4	3.9%	5.4%	65.8%	117.1%
Non Focus	1,316.3	89.8	59.7	66.3	6.8%	8.1%	66.5%	140.4%
o/w Large Corporate	551.5	16.4	7.5	11.7	3.0%	4.5%	45.5%	116.8%
o/w Mortgage	629.9	70.7	51.3	52.3	11.2%	11.2%	72.6%	146.6%
o/w Public Finance	134.8	2.7	0.9	2.3	2.0%	2.3%	34.4%	120.0%
Corporate Center	2,256.8	0.0	0.0	0.0	0.0%	0.0%	85.0%	85.0%
Total	**6,974.1**	**238.2**	**169.5**	**105.9**	**3.4%**	**5.9%**	**71.2%**	**115.6%**
o/w Credit Risk Bearing	**4,922.2**	**238.2**	**169.5**	**105.9**	**4.8%**	**5.9%**	**71.2%**	**115.6%**

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%**

9.1.5. 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 of such moratoria of which 2,624 accounts (2,514 customers) were still active at 30. September 2021. As moratoriums were granted for the period between 3 to 12 months, a significant number of granted moratoria has already expired by 3Q21. In most entities the number and exposure in moratoria has declined as existing moratoria expire and new ones are only granted on a selective basis. Exceptions are Montenegro and Serbia, where new regulatory initiatives were launched with the end of 2020, resulting in an increased number of moratoria during 2021. As these moratoria are primarily granted to consumer clients, where exposures are on average lower, the increase in number of moratoria compared to YE20 (3Q21: 2,624 accounts vs YE20: 1,888 accounts) was not followed by an increase of the exposure under moratoria (EUR 74.6 million at end of 3Q21 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 3Q21:

EUR m

30.09.2021	Performing		Non-Performing		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL
Consumer	28.5	1.8	2.6	2.0	31.2	3.8
SME	25.1	1.5	1.0	0.8	26.1	2.3
Non Focus	16.9	0.4	0.5	0.2	17.4	0.6
o/w Large Corporate	11.5	0.2	0.0	0.0	11.5	0.2
o/w Mortgage	4.4	0.2	0.5	0.2	4.9	0.4
o/w Public Finance	1.0	0.0	0.0	0.0	1.0	0.0
Corporate Center	0.0	0.0	0.0	0.0	0.0	0.0
Total	**70.5**	**3.7**	**4.1**	**2.9**	**74.6**	**6.7**

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 3Q21:

EUR m

30.09.2021	Performing		Non Performing		Total	
	Exposure	ECL	Exposure	ECL	Exposure	ECL
Addiko Croatia	9.7	0.1	0.2	0.1	9.9	0.2
Addiko Slovenia	5.2	0.4	0.6	0.4	5.9	0.9
Addiko Serbia	45.7	2.1	2.4	1.8	48.2	3.9
Addiko in Bosnia & Herzegovina	6.9	0.8	0.0	0.0	6.9	0.8
Addiko in Montenegro	3.0	0.3	0.9	0.6	3.8	0.9
Addiko Holding	0.0	0.0	0.0	0.0	0.0	0.0
Total	**70.5**	**3.7**	**4.1**	**2.9**	**74.6**	**6.7**

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**

10. Own funds and capital requirements

Own funds according to the CRR consist of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2). In order to determine the capital ratios, each respective capital component – after application of all regulatory deductions and filters – is considered in relation to the total risk. The determination of eligible total capital in accordance with the applicable regulations is based on international accounting standards. The regulatory minimum capital ratios including the regulatory buffers as of 30 September 2021 and 31 December 2020 amount to:

	30.09.2021			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%.
- 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, the 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 September 2021 and 31 December 2020 pursuant to CRR applying IFRS figures.

EUR m

Ref [1]		30.09.2021	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]	298.1	305.8
3	Accumulated other comprehensive income (and other reserves) [2]	349.4	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**	**802.9**	**805.2**
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-1.1	-1.0
8	Intangible assets (net of related tax liability)	-17.5	-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)	-11.0	-11.6
27a	Other regulatory adjustments (including IFRS 9 transitional rules)	38.8	50.1
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**9.1**	**18.4**
29	**Common Equity Tier 1 (CET1) capital**	**812.1**	**823.5**
	Tier 2 (T2) capital: instruments and provisions		
58	**Tier 2 (T2) capital**	**0.0**	**0.0**
59	**Total capital (TC = T1 + T2)**	**812.1**	**823.5**
60	Total risk weighted assets	4,091.6	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 requirement	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)	16.4	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)	12.2	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 11.4 million during the reporting period, reflecting the net impact of the following components:

- A decrease by EUR 2.2 million of the other comprehensive income due to market related movements (EUR -3.2 million) and from the net amount transferred to profit or loss (EUR -2.6 million) from debt instruments measured at FVTOCI. These developments were partially compensated by an EUR 3.3 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 11.3 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, decreased by EUR 3.3 million;
- A decrease in regulatory deduction items in the amount of EUR 2.1 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 1.7 million), a decrease in deferred tax assets on existing taxable losses (EUR 0.5 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 going to be paid out on the 11 November 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 68% at the end of the third quarter 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 38.5 million during the reporting period:

- The RWA for credit risk increased by EUR 82.2 million. One of the main reasons were the increased exposures in Financial Institutions - mainly in Addiko Banja Luka and Croatia - that led to RWA growth in the amount of EUR 126 million. Higher Consumer and Standard exposure throughout the Group increased RWA by EUR 102 million. Increased SME exposure, predominantly in Addiko Serbia, led to a RWA growth of EUR 20 million. RWA reductions in the amount of EUR -141 million were recognised in Large Corporate segment, mainly in Addiko Croatia, Slovenia and Serbia. The reduction of mortgages, mainly in Addiko Croatia and Slovenia, led to a RWA decrease in the amount of EUR -43 million, which was partially offset by the loss of collaterals in Addiko Slovenia (EUR 12 million RWA). Public Finance exposures decrease in Addiko Banja Luka and Croatia, lowered RWA by EUR -17 million. The residual RWA growth in the amount of EUR 23 million was mainly due to increased deferred tax assets and the treatment of increased valuation allowances in periods of interim profit.
- The RWAs for market risk decreased by EUR 45.2 million. After the market values of the relevant trading book positions fall below the threshold values from Article 94 CRR, according to paragraph 2, no more own funds need to be backed in market risk for the trading book positions, but are only backed in credit risk (EUR 53.6 million RWA decrease). Higher open positions in the currencies BAM and HRK lead to a counteracting effect (EUR 8.4 million RWA increase).
- 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) increased by EUR 1.5 million due to the application of the new Original Exposure Method for calculating derivative exposures.

EUR m

Ref [1]		30.09.2021	31.12.2020
1	Credit risk pursuant to Standardised Approach	3,575.6	3,493.4
6	Counterparty credit risk	4.6	3.1
20	Market risk	106.6	151.8
23	Operational risk	404.8	404.8
29	**Total risk exposure amount**	**4,091.6**	**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 and went down to 12.6% at 30 September 2021. The development was driven by reduction in Tier 1 capital and growth in the total leverage exposure.

EUR m

Ref [1]		30.09.2021	31.12.2020
20	Tier 1 capital	812.1	823.5
21	Total leverage ratio exposure	6,422.4	6,286.9
22	**Leverage ratio %**	**12.6%**	**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]	30.09.2021	31.12.2020
Available capital (amounts)		
1 Common Equity Tier 1 (CET1) capital	812.1	823.5
2 CET1 capital as if IFRS 9 had not been applied	773.2	773.4
5 Total capital (TC)	812.1	823.5
6 TC as if IFRS 9 transitional rules had not been applied	773.2	773.4
Risk-weighted assets		
7 Total RWAs	4,091.6	4,053.1
8 Total RWAs as if IFRS 9 transitional rules had not been applied	4,052.8	4,003.0
Capital ratios %		
9 CET1	19.8%	20.3%
10 CET1 as if IFRS 9 transitional rules had not been applied	19.1%	19.3%
13 TC	19.8%	20.3%
14 TC as if IFRS 9 transitional rules had not been applied	19.1%	19.3%
Leverage ratio (LR)		
15 LR total exposure measure	6,422.4	6,286.9
16 LR	12.6%	13.1%
17 LR as if IFRS 9 transitional rules had not been applied	12.1%	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).

11. Glossary

ABC	Addiko Bank d.d., Croatia
ABBL	Addiko Bank a.d., Bosnia & Herzegovina (Banja Luka)
ABH	Addiko Bank AG, Austria (Holding)
ABM	Addiko Bank a.d., Montenegro
ABS	Addiko Bank d.d., Slovenia
ABSA	Addiko Bank d.d., Bosnia & Herzegovina (Sarajevo)
AC	Amortised costs
AGM	Annual general meeting
BaSAG	Bundesgesetz über die Sanierung und Abwicklung von Banken, "Austrian Banking Recovery and Resolution Act"
Change CL/GPL (simple Ø)	Change in CL / simple Ø gross performing loans
CL	Credit loss
Common Equity Tier 1 (CET1)	Own funds as defined by Art 26 et seq. CRR which represent the highest quality of capital
Additional Tier 1 (AT1)	Own funds as defined by Art 51 et seq. CRR
Cost/income ratio (CIR)	Operating expenses / (Net interest income + Net fee and commission income)
Cost of risk ratio	Credit loss expenses on financial assets/Credit risk bearing exposures (not annualised)
CRB	Credit risk bearing
Credit institutions	Any institution covered by the definition in Article 4(1)(1) of CRR ("undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account") and multilateral development banks (MDBs)
Coverage Ratio 1	Describes to which extent defaulted non-performing exposure have been covered by impairments (individual and portfolio-based loan loss provisions) thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses set in relation to defaulted non-performing exposure
Coverage Ratio 3	Describes to which extent defaulted non-performing exposure have been covered by impairments (individual and portfolio-based loan loss provisions) as well as by collaterals at internally recognised value, thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses plus allocated collaterals set in relation to defaulted non-performing exposure
CRR	Capital requirements regulation; Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Text with EEA relevance
CSEE	Central and South-Eastern Europe
Customer loans	Exposure of on balance loans including accrued interest, gross amount of provisions of performing and non-performing loans
Derivatives	Financial instruments whose value depends on the value of an underlying asset (such as stocks or bonds)
ECB	European central bank
ECL	Expected credit loss
Fair value	Price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date
FMA	Finanzmarktaufsicht
FVTOCI	Fair value through other comprehensive income
FX & DCC	Foreign exchange and dynamic currency conversion
Gross disbursements	Disbursements include disbursements of term loans (Consumer- Mortgage and Housing loans and Corporate term loans, not including revolving loans) and internal refinancing which relates to intra – bank transactions.
Gross exposure	Exposure of on and off balance loans including accrued interest and gross amount of provisions for performing loans and non performing loans
Gross performing loans (GPL)	Exposure of on balance loans without accrued interest but including gross amount of provisions of performing loans

Households	Individuals or groups of individuals as consumers and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services provided that their activities are not those of quasi-corporations. Non-profit institutions which serve households (“NPISH”) and which are principally engaged in the production of non- market goods and services intended for particular groups of households shall be included
Interest like income	Includes penalty interest income and accrued fees on loan processing
Large Corporates	The segment Large Corporates includes legal entities and entrepreneurs with annual gross revenues of more than EUR 40 million
Leverage ratio	The ratio of Tier 1 capital to specific exposures on and off the statement of financial position calculated in accordance with the methodology set out in CRR
Loans and receivables	Gross carrying amount of loans and receivables less ECL allowance
Loan to deposit ratio	Indicates a bank's ability to refinance its loans by deposits rather than wholesale funding. It is based on net customer loans and calculated with loans to non-financial corporations and households in relation to deposits from non-financial corporations and households. Segment level: Loans and receivables divided by financial liabilities at amortised costs
MREL	Minimum requirement for own funds and eligible liabilities
Net banking income	The sum of net interest income and net fee and commission income
Net interest income (segment level)	Net interest income on segment level includes total interest income related to effective interest rate from gross performing loans, interest income from NPE, interest like income, interest expenses from customer deposits, consideration of funds transfer pricing and allocated contribution from interest and liquidity gap
NIM	Net interest margin is used for external comparison with other banks as well as an internal profitability measurement of products and segments. It is calculated with net interest income set in relation to average interest-bearing assets (total assets less investments in subsidiaries, joint ventures and associates, intangible fixed assets, tangible fixed assets, tax assets and other assets)
Non-financial corporations	Corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services according to the ECB BSI Regulation
NPE	Defaulted, non-performing exposure (Gross Carrying Amount). A default and thus a non-performing exposure applies if it can be assumed that a customer is unlikely to fulfil all of its credit obligations to the bank, or if the debtor is overdue at least 90 days on any material credit obligation to the bank
NPE ratio	Is an economic ratio to demonstrate the proportion of loans that have been classified as defaulted non-performing in relation to the entire customer loan portfolio. The definition of non-performing has been adopted from regulatory standards and guidelines and comprises in general those customers where repayment is doubtful, a realisation of collaterals is expected, and which thus have been moved to a defaulted customer rating segment. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank’s credit risk management. Non performing exposure/total exposure (on and off balance)
NPE Ratio (On-balance loans)	Ratio to demonstrate the proportion of loans (only on-balance exposure considered) that have been classified as defaulted non-performing in relation to the credit risk bearing Exposure (on balance)
Option	The right to buy (call) or sell (put) an underlying reference asset at an agreed price within a specific period of time or at a fixed point in time
PI	Private individuals
Pillar 2 Guidance (P2G)	The level and quality of own funds the institution is expected to hold in excess of its overall capital requirements. The Pillar 2 guidance is a non-legally binding expectation of the regulatory authorities
Pillar 2 Requirement (P2R)	Additional own funds requirements imposed in accordance with Article 104(1)(a) of Directive 2013/36/EU. The Pillar 2 requirement covers risks underestimated or not covered by Pillar 1

Public Finance	The segment Public Finance includes all state-owned entities
Regular interest income	Regular interest income is related to nominal interest rate from gross performing loans excluding income from origination fees, penalty interests and funds transfer pricing
Risk-weighted assets (RWA)	On-balance and off balance positions, which shall be risk weighted according to (EU) No 575/2013
SME	SME contains Micro sub-segment which includes private entrepreneurs and profit-oriented entities with annual gross revenues of less than EUR 0.5 million as well as all legal entities and private entrepreneurs with Annual Gross Revenues (AGR) from EUR 0.5 to 50.0 million.
SRB	Single resolution board
Stage 1	Impairment stage which relates to financial instruments for which expected credit loss model applies and for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss
Stage 2	Impairment stage which relates to financial instruments for which expected credit loss model applies and for which are subject to significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss
Stage 3	Impairment stage which relates to financial instruments for which expected credit loss model applies and which are credit-impaired. The impairment is measured in the amount of the lifetime expected credit loss
Total capital ratio (TCR)	All the eligible own fund according to article 72 CRR, presented in % of the total risk according to article 92 (3) CRR
Tier 1 capital (T1)	Sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution
Tier 2 capital	Own funds consisting of the sum of Tier 1 capital and supplementary capital (Tier 2). According to Regulation (EU) Nbr 575/2013 Art 62 to Art 71, Tier 2 refers to instruments or subordinated loans with an original maturity of at least five years that do not include any incentive for their principal amount to be redeemed or repaid prior to their maturity (and fulfil other requirements)
Yield GPL (simple Ø)	Regular interest income annualised / simple Ø gross performing loans

12. Contact

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