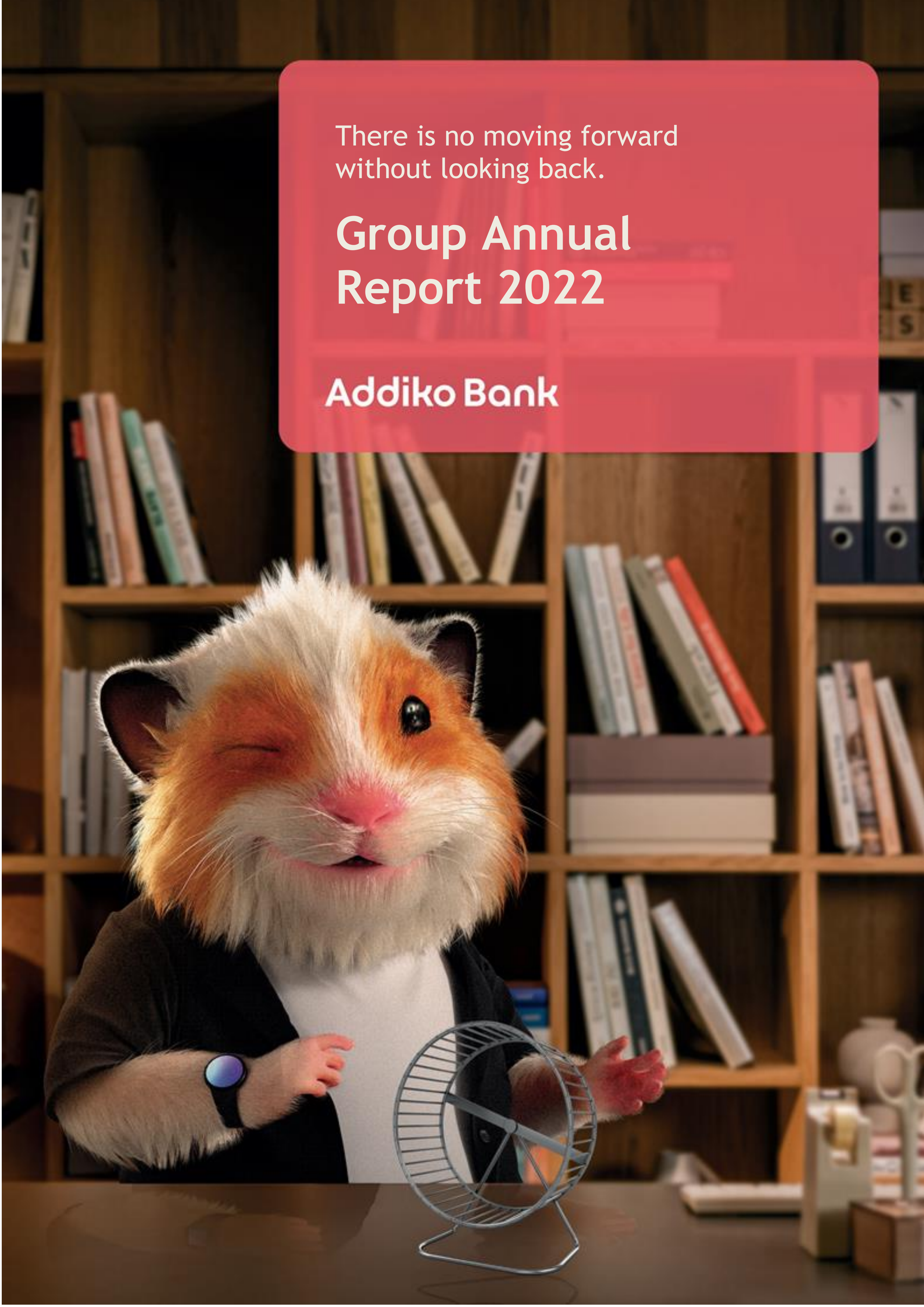
There is no moving forward
without looking back.

Group Annual Report 2022

Addiko Bank



HIGHLIGHTS

1 Key financial data

Earnings	
Net Profit	€25.7m
Operating Result	€73.6m
EPS	€1.32
NIM	3.0%
Asset Quality	
Cost of Risk	-0.3%
NPE Ratio	2.4%
NPE Volume	€163.2m
Capital	
CET1 Ratio	20.0%
CET1 Ratio (trans.)	21.1%

2 Business development

- Transformation Program leading to double-digit growth in Consumer and SME while maintaining cost discipline
- Focus Book with exceptional growth excl. medium SMEs, new business up 24%
- Dividend Proposal €23.6m (€1.21 DPS)
- Operating Result up by 34% YoY to €73.6m reflects improved operative income generation
- Operating Expense below guidance, despite EUR implementation costs, brand repositioning and inflation
- ESG Strategy & Action Plan to implement ESG reporting requirements and steer the process of sustainable development

3 Outlook 2023

Gross Performing Loans	ca €3.5b with >10% growth in focus
Net Banking Income	up by ca. 10%
Operating Expenses	below €179m
TCR	>18.6% (fully loaded)
Sum Other Result & Credit Loss Expenses	ca. 1.2% on average net loans to customers

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

			EUR m
Selected items of the Profit or Loss statement	**2022**	**2021**	**(%)**
Net banking income	248.9	236.3	5.3%
Net interest income	176.4	169.5	4.1%
Net fee and commission income	72.5	66.8	8.5%
Net result on financial instruments	1.9	6.2	-69.9%
Other operating result	-9.2	-16.5	-44.5%
Operating expenses	-168.0	-171.1	-1.8%
Operating result before impairments and provisions	**73.6**	**54.9**	**34.0%**
Other result	-27.0	-20.9	29.4%
Credit loss expenses on financial assets	-15.4	-13.2	16.5%
Tax on income	-5.5	-7.2	-24.2%
Result after tax	**25.7**	**13.6**	**89.0%**
Performance ratios	**2022**	**2021**	**(pts)**
Net interest income/total average assets	3.0%	2.9%	0.1
Return on average tangible equity	3.4%	1.5%	1.9
Cost/income ratio	67.5%	72.4%	-4.9
Cost of risk ratio	-0.3%	-0.2%	-0.1
Cost of risk ratio (net loans)	-0.5%	-0.4%	0.0
Earnings/loss per share (in EUR) [1]	1.32	0.70	62.1
Selected items of the Statement of financial position	**2022**	**2021**	**(%)**
Loans and advances to customers	3,292.7	3,278.7	0.4%
o/w gross performing loans	3,303.8	3,287.3	0.5%
Deposits and borrowings of customers	4,959.6	4,708.2	5.3%
Equity	746.3	805.1	-7.3%
Total assets	5,996.4	5,842.3	2.6%
Risk-weighted assets[2]	3,487.3	3,624.9	-3.8%
Balance sheet ratios	**2022**	**2021**	**(pts)**
Loan to deposit ratio	66.4%	69.6%	-3.2
NPE ratio	2.4%	2.9%	-0.1
NPE Ratio (on balance loans)	3.3%	4.0%	-0.7
NPE coverage ratio	75.4%	71.9%	3.5
Liquidity coverage ratio	307.4%	252.1%	55.3
Common equity tier 1 ratio [2]	21.1%	22.2%	-1.1
Total capital ratio [2]	21.1%	22.2%	-1.1
Moody's Rating	**2022**	**2021**	
Outlook	Stable	Stable	
Counterparty Risk Rating	Ba2/NP	Ba2/NP	
Bank Deposits	Ba3/NP	Ba3/NP	
Baseline Credit Assessment (BCA)	ba2	ba2	
Adjusted Baseline Credit Assessment	ba2	ba2	
Counterparty Risk Assessment	Ba1(cr)/NP(cr)	Ba1(cr)/NP(cr)	

[1] Amount 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, Employees and Customers!

We had a tough start into the year 2022 when the Slovenian Parliament passed a retroactive Swiss Franc law in February. Significant management effort was needed to prevent financial damage from the bank. Addiko created a task force and filed an appeal against this law before the Constitutional Court in Slovenia.

Based on these developments and the feedback from the competent supervisory authority, we suspended the dividend for the successful financial year 2021. At the end of the year, the Constitutional Court rejected the Swiss Franc law, showing that the Slovenian constitution, the country's legislation and European law have prevailed. The efforts of Addiko and our task force were successful.

Just as the world started to recover from the impact of Covid-19, Russia's military invasion of Ukraine resulted in new uncertainties in Europe and all markets where we operate. This had a negative impact on supply chains and gave rise to significantly elevated inflation levels. This turmoil also had implications for our bank, but we can be proud of the transformation Addiko has achieved in a challenging but also rewarding year 2022.

Our ability to remain focused on the execution of the final phase of our 18-month Transformation Program helped us achieve strong results with double-digit growth in Consumer and SME while maintaining strict cost discipline in 2022:

- Net profit almost doubled to EUR 25.7 million
- Operating result was up 34% to EUR 73.6 million
- Focus loan book excluding medium SME loans grew by 17%
- New business in focus areas increased by 24%
- Operating expenses were below guidance with a CIR of 67.5%, down from 72.4% a year earlier - despite Euro implementation costs of EUR 3.9 million in Croatia and significantly higher inflation
- Cost of Risk stood at 0.47% or EUR 15.4 million
- NPE ratio down to 2.4% vs. 2.9% a year earlier - with increased NPE coverage at 75.4%
- Return on Tangible Equity - at 14.1% CET1 ratio - up to 4.5% vs. 2.5% in 2021
- CET1 ratio stood at 21.1% on a transitional basis and at 20.0% IFRS 9 fully-loaded, taking into account the profit for the year and deducting the proposed dividend
- Dividend of EUR 23.6 million – or EUR 1.21 per share - to be proposed to AGM 2023, which equals 60% of the profits for both the years 2021 and 2022

Our dividend proposal reflects our success over the past 18 months and shows our commitment to our shareholders. The level of the dividend is attractive and meets our guidance, while allowing us to keep a strong capital position and to invest in our future at the same time.

We repositioned our brand during the year 2022, and we reviewed our mission, vision and overall marketing strategy. To support our path towards becoming the leading specialist bank in Consumer and SME lending and to better engage with customers, we have introduced a new brand character, called Oskar. The new character serves as Addiko's brand ambassador and main communicator to convey that we stand for speed and flexibility. We are here for our customers - whenever and wherever they need an extra financial boost.

With the support of over 120 digital and brand marketing campaigns throughout 2022, we have successfully opened new sales channels and launched numerous partnerships with retailers across our region to further improve customer experience. All of that helped our business.

We also understand that addressing ESG themes more proactively is necessary for sustainable growth. We have therefore developed and adopted our first ESG strategy during 2022. At Addiko, we want to be a part of the solution, and we will dedicate more resources to that area in the coming years.

The year 2022 was also a year of intense preparations for our Croatian bank to get ready for the introduction of the Euro. On 1 January 2023, Croatia joined the Eurozone as its 20th member and also the Schengen area. We expect these events to have a positive effect on the country's banking system and the economy. Addiko worked hard to ensure uninterrupted services for all customers on the day of the introduction of the Euro. We achieved this in time and below the projected costs.

Overall, 2022 was a year like no other. We are starting to yield the fruits of our transformation - with strong financial results and a recognisable position as a specialist bank for Consumer and SME customers. We managed to achieve all of this in about 18 months since the launch of the Transformation Program. The year 2023 is expected to remain challenging, but I am confident that we will continue to adapt and improve.

I can only say that none of this would have been possible without our people – the Addiko team. The team's professionalism, its drive to change for the better and its will to innovate during challenging times is admirable. I am proud of our achievements and honoured to lead this team.

In the name of the entire senior leadership, I also want to sincerely thank our shareholders for their support in 2022. My promise is that we will continue to tirelessly work on increasing value for our shareholders, customers and employees alike.

Herbert Juranek
CEO

Group Annual Report 2022

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.

Group Management Report

1. Overview of Addiko Bank

Addiko Group is a specialist banking group focusing on providing banking products and services to Consumer and Small and Medium-sized Enterprises (SME) in Central and South-Eastern Europe (CSEE). The Group consists of Addiko Bank AG, the fully-licensed Austrian parent bank registered in Vienna, Austria, and regulated by the Austrian Market Authority (FMA) and the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates via two banks), Serbia and Montenegro. Addiko Group is a publicly listed company owned by a diversified investor base. Through its banks, the group services approximately 0.8 million customers, using a network of 154 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”) are subject of an accelerated run-down process, 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. This specialist approach is continuously fine-tuned to react to customer needs and the market environment.

Addiko Bank AG became a listed company on the Vienna Stock Exchange in 2019. Around 56.9% 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 17 August 2022, Moody’s affirmed Addiko Bank AG's ratings and upgraded the outlook to positive.

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

2. Business updates

2.1. Addiko Brand Repositioning

Addiko is pursuing a process-driven transformation with the clear vision to grow and extend its financial platform into a larger ecosystem, where customers find simple and fast lending solutions to whatever lifestyle needs they have. Addiko's specialist bank strategy, purpose and brand promise were aligned towards this goal.

Addiko’s brand repositioning has been introduced in all six markets in May 2022 through an omni-channel marketing campaign and amplified by media and PR activities.

The newly defined purpose of Addiko is: *“To make customers’ life easier, to help them in unpredictable situations, and to help them get things they want”*. This simple sentence will give guidance, especially in the transformation efforts. Based on that, the new brand promise shall be: *“As experts in Consumer and SME lending, we stand for speed and flexibility, and we promise to be there for you in all situations whenever and wherever you need that extra boost.”* Translated to everyday life, this means the bank wants to be close to the customers and support them when they need a loan, be it for example to purchase a new dishwasher or a bike for their kids.

The new brand character, Oskar, replaces the previous triangle symbol. Since May 2022, Oskar is the message carrier for Addiko, both outside to potential and existing customers, as well as internally to the employees to reinforce customer centric focus. The brand character Oskar has a voice in every market in the respective local language and was visible across all media channels such as TV ads, outdoor billboards, social media, digital advertising and mobile in all markets where Addiko operates throughout 2022.

Oskar's message addresses existing customers speaking about how Addiko promises to deliver cash in a fast and uncomplicated manner whenever and wherever customers need an extra boost and will act as their champion. For new and potential customers, Oskar is inviting them to try Addiko and he is communicating that the bank is also there to serve young employees, pensioners, starting entrepreneurs and digital-savvy people.

2.2. Share Buyback

On 22 March 2022, Addiko Bank AG started a share buyback programme on the basis of the authorisation resolution of the Annual General Meeting of 27 November 2020 pursuant to § 65 para 1 no 4 Stock Corporation Act. The Management Board of Addiko Bank AG announced on 16 March 2022 to exercise the authorisation of the Annual General Meeting and to implement the share buyback.

The share buyback programme was finalised on 11 April 2022 as the maximum amount of EUR 569,030 was reached. In total, 47,633 shares, at a weighted average price per share of EUR 11.95 and a total value of EUR 596,030, corresponding to approximately 0.2% of the share capital of Addiko Bank AG, were acquired. The shares were exclusively bought on the Vienna Stock Exchange by a credit institution which made its decision concerning the timing of the purchases independently of Addiko Bank AG.

The purpose of the repurchase was to offer the shares to members of the Management Board of Addiko Bank AG under the variable remuneration plan. In 2022, 13.714 shares were distributed to the Management Board of Addiko Bank AG, corresponding to approximately 0.07% of the share capital of Addiko Bank AG, based on the variable remuneration plan 2021.

Further information on the share buyback programme can be found on the website of Addiko Bank AG https://www.addiko.com/sharebuyback.

2.3. Slovenian Constitutional Court rejects retroactive CHF law

On 14 December 2022, the Constitutional Court of the Republic of Slovenia published the rejection of the so-called Swiss Franc Law. The Slovenian Parliament initially passed the Law in February 2022, disregarding the negative opinions of the Slovenian Government, the legislative and legal service of the Slovenian National Assembly and the European Central Bank. The rejected law aimed at retroactively redistributing the foreign-currency risk to banks and, thus, restructuring consumer loans denominated in CHF (or containing a currency clause in CHF) that were concluded between 28 June 2004 and 31 December 2010. The law would have required lenders to retroactively introduce an exchange rate cap clause in relation to all such agreements for CHF loans concluded in the aforementioned period.

In March 2022, the Constitutional Court unanimously adopted the decision to suspend the law in its entirety until it has reached a final decision regarding its constitutionality. In its rejection in December 2022, the Constitutional Court concluded that not all conditions for a constitutionally permissible retroactivity were met. On the one hand, the retroactivity affected the entire law and not only single provisions, on the other hand, no particular public interest has been demonstrated which would exceptionally allow a retroactivity. The Constitutional Court voted 7:1 in favour of the rejection and clearly confirmed Addiko's legal view. By rejecting the law, the Slovenian Constitutional Court eventually upheld the constitution and legislation of the Republic of Slovenia as well as European law. Addiko in February 2022 had estimated a worst-case-impact for the bank of up to EUR 110 million.

Since new measures for a regulation of the CHF loan topic in the future cannot be fully excluded, Addiko will continue to actively pursue a solution together with other banks and the government to ensure definitive legal certainty and a balanced approach.

2.4. War in Ukraine

In February, Russia began a military invasion of Ukraine. Addiko Group has no material direct and indirect exposure to Russia and Ukraine. However, the turmoil on energy markets due to the introduction of Western sanctions against Russian and Belarus significantly increased the uncertainty on the economic and financial system, at both European and international level, propagating largely through inflation, rising costs of credit, and decline in external demand. In order to cover the increased degree of uncertainty on the future macroeconomic development, which is not comparable to the historic data in the existing expected credit loss models, Addiko decided to increase the existing post-model adjustment by EUR 11.7 million to a total amount of EUR 20.7 million in 2022.

2.5. Results from ECB's Comprehensive Assessment Review

In July 2022, the European Central Bank (ECB) published the results of the Comprehensive Assessment of Addiko Group, consisting of an Asset Quality Review (AQR) and a Stress Test. The AQR is a prudential exercise providing a point-in-time assessment of the asset quality as of a particular reference date (31 December 2020 in the case of Addiko Group), and the complementing Stress Test simulates how the capital positions would evolve under a baseline scenario and an adverse scenario over a three-year period. All banks which are directly supervised by the ECB are required to undergo a Comprehensive Assessment.

The Comprehensive Assessment shows no capital shortfall, with Addiko Group remaining above the relevant thresholds used in the AQR and the Stress Test. In detail, the AQR led to a theoretical adjustment of the CET1 ratio of merely 15 bps. This is the result of Addiko Group's prudent risk management and continued focus on asset quality. In the Stress Test, Addiko Group's stress testing models resulted in a larger theoretical capital depletion, specifically in the adverse scenario. The higher theoretical capital depletion under stress is mostly the reflection of Addiko's high level of prudency in its risk management approach embedded in the models for credit risk parameters estimation.

The detailed results of Addiko Group's Comprehensive Assessment are available on the European Central Bank's banking supervision website. Further information is also available on Addiko Group's Investor Relations website.

2.6. Introduction of EUR in Croatia

For the Croatian subsidiary, Addiko Bank d.d., 2022 represented a period of intensive preparations to meet in time all requirements for the most comprehensive project that involved almost all processes and resources within the bank – introduction of a new currency - EURO. The preparation period included a number of activities provided to consumers and legal entities resulting in informative campaigns, notifications, pre-supply of EURO banknotes, dual display of prices, coordination with state bodies, participation in working groups at the state level and finally being there for its clients and citizens during all year and after the conversion weekend. Addiko successfully switched its operations to the new currency within the deadline, ensuring clients and citizens a flawless and smooth transition to the EURO.

2.7. ECB waiver for structural FX positions

Addiko received on 3 August 2022 the ECB approval of its waiver application to exclude the structural FX positions of Croatian Kuna (HRK) and Serbian Dinar (RSD), which have been deliberately taken to hedge capital, from the calculation of own funds requirements for foreign exchange risks, in line with the EBA guidance. The impact of the ECB approval, calculated based on YE22 figures, led to a EUR 85.3 million reduction of the RWAs for market risk.

2.8. Change in the steering of the treasury portfolio

During the second quarter of 2022, the new treasury investment strategy has been finalised and approved. The new strategy operationalises the changes in the steering of the treasury portfolio required by the 2022 Business Plan approved in 2021. Addiko decided to invest the excess liquidity in long-term high-quality government bonds and keep such instruments until maturity for yield enhancement purposes, focusing on the collection of interest income instead of generating gains from the sale of the instruments. This change in the treasury investment strategy was directly derived from the change in the overall strategy of the bank, connected with the liquidity generation from the significantly accelerated run-down of the non-focus segments.

Any new investments purchased after the approval of the new strategy, are classified, if applicable, in the new Hold-to-Collect (HTC) business model and measured at amortised costs in accordance with the IFRS 9 rules.

The change in the management of the treasury portfolio, was considered to fulfill the preconditions for a change in the business model in accordance with IFRS 9.4.4., triggering the reclassification of the affected portfolio from the category financial asset at fair value through other comprehensive income to financial asset at amortised cost. This assessment, following confirmation from the group auditors, was reflected in the 3Q22 Earnings release. In addition, Addiko initiated the “Pre-clearance” procedure to verify this approach with the competent authority, the FMA. Based on the feedback provided in January 2023 by FMA, the portfolio must continue to be classified in the business model Hold-to-Collect-and-Sell (HTC&S) and measured at fair value.

Despite the fact that the classification of the portfolio in the business model HTC&S and the related fair value measurement is not properly reflecting how the assets are managed to generate cash flows, Addiko is not expecting any operative impacts from the current volatility in the markets. By keeping the positions until maturity the currently negative OCI will neutralise until the maturity of the instruments, given the high credit quality and the expectation that none of the issuers, predominantly CESEE governments, will default in the foreseeable future.

2.9. Capital requirements and guidance: 2022 SREP letter

On 14 December 2022, Addiko Bank AG received the final SREP (Supervisory Review and Evaluation Process) letter from the 2022 process under which the Pillar 2 Requirement (P2R) remains unchanged at 3.25% and the Pillar 2 Guidance (P2G) increased from 2.0% to 3.25%. The new SREP decision applies from 1 January 2023.

According to § 8 of the Capital Buffer Regulation 2021 as published by the FMA on 21 December 2022, Addiko shall be subject to a **systemic risk buffer** (SyRB) of 0.5% at the consolidated level on the grounds of systemic concentration risk. The SyRB will be raised gradually by 0.25 percentage points starting from the 1 January until the 31 December 2023 and reaching the full level starting from the 1 January 2024. Addiko cannot follow the rationale regarding systemic concentration risk, and has therefore submitted an appeal against the FMA ordinance regarding the SyRB to the Federal Administrative Court.

3. Corporate Governance

In the Annual General Meeting on 14 April 2022, the number of the members of the Supervisory Board was reduced from six to five. Mr. Sava Ivanov Dalbokov and Mr. Johannes Proksch were appointed as new Supervisory Board members, replacing Mr. Pieter van Groos, Mr. Sebastian Prinz von Schoenaich-Carolath and Mrs. Dragica Pilipovic-Chaffey.

As of 1 June 2022, Edgar Flaggl joined the Group Management Board of Addiko Bank AG as ordinary member in the role of the CFO. Previously, Edgar Flaggl has already been serving in the role of the CFO since 1 June 2021 with a direct report to the CEO.

On 20 December 2022, the Supervisory Board of Addiko Bank AG extended the CEO contract of Herbert Juranek until year-end 2025. On the back of successful 1.5 years of transformation, the Supervisory Board wanted to ensure continuity for the successful execution of the bank strategy and further value generation for all its stakeholders. Mr. Pribil, the chairman of the Supervisory Board commented: *"Herbert Juranek has been successfully heading Addiko's transformation into a specialist bank so far and now will continue to head the bank for another three years. Strong business development and consistent growth in financial results supported by reductions in costs and non-core assets and reliable execution, have been fundamental to the supervisory board's decision to renew Mr. Juranek's mandate."*

4. Addiko's ESG framework

Addiko Bank endorses the growing importance and relevance of environmental, social and governance ("ESG") issues, specifically that of climate change to its business and operating environment. Therefore, Addiko Bank started its path on sustainability in 2020, when it conducted for the first time a detailed ESG assessment. In 2021, a formal ESG working group was established, with representatives from risk, governance and compliance streams, with the aim to implement ESG reporting requirements and steer the process of sustainable development within Addiko Bank.

Addiko Bank's ESG framework consists of 3 strategic pillars:

4.1. ESG Strategy

As a major milestone within its path to sustainability, Addiko has formulated an ESG strategy, which was developed during the reporting period and approved by the Supervisory Board in January 2023. This ESG strategy is closely interconnected with Addiko Group's business and risk strategy, striving to provide an organised approach to ESG and sustainability. The ESG strategy provides support to incorporate ESG considerations into governance, loan origination, risk management, financing decisions and reporting among the entities of the group. Furthermore, it also determines which C&E risks may impact the business strategy and how to reflect these risks in the strategy implementation.
Within the ESG strategy, Addiko Bank also defines specific sustainable development goals and gives its commitment to fulfil these goals by executing 15 group wide initiatives that foster ESG awareness and achievements among Addiko Group.

4.2. ESG Governance

In addition, a strong corporate governance framework was established to ensure that strategic objectives are holistically promoted through the institution. Therefore, a dedicated ESG working group was established with the aim to integrate ESG in business lines and core processes of Addiko Group and regularly monitor Addiko's efforts in the management of ESG risks. The ESG working group is chaired by the Group's Chief Risk Officer, who has the ultimate responsibility over the ESG agenda and ensures a structured discussion and regular reporting on Management Board and Supervisory Board level.

4.3. ESG Risk Management and Compliance

Another important element of the ESG framework is the integration of ESG into its risk management and compliance framework. From a risk management perspective, Addiko continues to identify ESG risk factors (primarily climate-related and environmental risks), assessing their materiality and incorporating them into existing risk types rather than into a single, standalone ESG risk type.
From a compliance perspective, the dynamic developments of regulatory requirements on ESG disclosure standards are duly tracked and incorporated to ensure that all mandatory disclosure requirements regarding ESG are complied with. Currently, Addiko Bank discloses non-financial information according to the Non-Financial Reporting Directive and complies with disclosure requirements for the Green Asset Ratio as stipulated by the EU Taxonomy Regulation.

5. Financial development of the Group

5.1. Detailed analysis of the result

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021	(abs)	(%)
Net banking income	248.9	236.3	12.6	5.3%
Net interest income	176.4	169.5	6.9	4.1%
Net fee and commission income	72.5	66.8	5.7	8.5%
Net result on financial instruments	1.9	6.2	-4.3	-69.9%
Other operating result	-9.2	-16.5	7.4	-44.5%
Operating income	**241.6**	**226.0**	**15.6**	**6.9%**
Operating expenses	**-168.0**	**-171.1**	**3.1**	**-1.8%**
Operating result before impairments and provisions	**73.6**	**54.9**	**18.7**	**34.0%**
Other result	-27.0	-20.9	-6.1	29.4%
Credit loss expenses on financial assets	-15.4	-13.2	-2.2	16.5%
Result before tax	**31.2**	**20.8**	**10.4**	**49.8%**
Tax on income	-5.5	-7.2	1.7	-24.2%
Result after tax	**25.7**	**13.6**	**12.1**	**89.0%**

The **net banking income** improved by EUR 12.6 million to EUR 248.9 million (YE21: EUR 236.3 million) mainly driven by the strong development in both focus segments Consumer (increase of EUR 12.3 million) and SME (increase of EUR 16.4 million). This positive development was partially consumed by the intentionally accelerated reduction in the non-focus business in the bridge year 2022 (decrease of EUR 6.5 million).

The **net interest income** was positively impacted by the development within the Consumer and SME segments, which increased by EUR 21.4 million compared with YE21. This development was achieved by a higher loan volume of EUR 145.6 million in the Consumer segment which compensated slightly lower loan book interest rates (-14bps YoY), leading to an overall increase of regular interest income in the amount of EUR 6.3 million. The increase in regular interest income in the SME segment of EUR 9.6 million was driven by both higher loan volumes of EUR 130.5 million as well as significantly improved interest rates (+68bps YoY). The intentionally accelerated run-down of the non-focus segments was visible in the decrease of EUR 259.6 million in volume over the previous year, mainly due to managed and early repayments in the Large Corporates and Mortgage portfolios. This intentional reduction was reflected in a reduction in regular interest income amounting to EUR 9.4 million, partially consuming the positive development generated by the focus segments. On the liability side, the interest expenses slightly increased in the amount of EUR 0.5 million driven by higher volume of EUR 250.9 million with slightly higher deposits interest rates (-2bps YoY) while the share of a-vista deposits decreased from 70% at YE21 to 68% in YE22. Overall, the net interest income increased from EUR 169.5 million at YE21 to EUR 176.4 million at YE22 which equals an increase of EUR 6.9 million or 4.1% compared to YE21.

The **net fee and commission income** increased to EUR 72.5 million (YE21: EUR 66.8 million) as a result of increasing business activities in the Consumer (EUR +4.5 million) and SME segment (EUR +2.9 million). In Consumer this increase was mainly achieved by higher commission income in Accounts & Packages, cards, FX&DCC, and bancassurance while in SME the increase in commission income was mainly related to Accounts & Packages and FX&DCC.

The **net result on financial instruments** amounted to EUR 1.9 million at YE22 resulting from FX and trading activities, compared to EUR 6.2 million at YE21. The previous year included in addition to FX and trading activities also EUR 3.8 million from the disposal of debt instruments measured at FVTOCI. In 2022, due to the change of the treasury strategy, no positive contribution was generated from the sale of FVTOCI debt instruments, which significantly impacted this position in the financial year 2021. This new strategy was included in the Business Plan 2022 which was approved in

2021. According to the new treasury strategy, Addiko decided to invest the excess liquidity in long-term high-quality government bonds and keep them until maturity for yield enhancement purposes instead of generating gains from the sale of such instruments as in previous years.

The **other operating result** as the sum of the other operating income and the other operating expense changed by EUR 7.4 million from EUR -16.5 million at YE21 to EUR -9.2 million at YE22. This position included the following significant items:

- Regulatory charges from the recovery and resolution fund of EUR -0.6 million (YE21: EUR -1.2 million). The decrease was due to the alignment between the calculation of the recovery and resolution fund between the SRB and the local regulator in Croatia, leading to a lower required contribution.
- Deposit guarantee expenses of EUR -6.5 million (YE21: EUR -5.8 million). The slight increase was due to the fact that in 2021 the Croatian Deposit Insurance Agency did not charge any premiums for deposit insurance to banks while in 2022 EUR 1.4 million were charged.
- Bank levies and other taxes slightly decreased to EUR -3.8 million at YE22 (YE21: EUR -4.2 million), thereof EUR -1.7 million refer to banking levies for ECB, the SRB and local banking agencies.
- Release of provisions for tax litigations amounted to EUR 0.8 million at YE22 and included the positive outcome of a real estate tax dispute.
- No restructuring costs were recognised in YE22, compared with EUR -5.3 million at YE21.
- Gain from sale of non-financial assets amounted at the reporting date to EUR 2.7 million and result from the disposal of non-core real estate assets (YE21: EUR 2.3 million).

The **operating expenses** development clearly showed the initiatives of the Transformation Program as they decreased from EUR -171.1 million at YE21 to EUR -168.0 million at YE22. This decrease is significant, especially due to the counter impacts, such as inflationary pressure and the EURO implementation cost of EUR 3.8 million in Croatia which occurred in 2022. When excluding this one-time costs for the EURO implementation the operating expense for YE22 would amount to EUR -164.2 million, which is a reduction of EUR 6.9 million. The operating expense include the following main items:

- Personnel expenses decreased compared to the previous period from EUR -92.0 million at YE21 to EUR -88.9 million at YE22, despite higher costs related to sales incentives (YE22: EUR -1.7 million, YE21: EUR -0.5 million). The decrease in YE22 was mainly related to lower expenses for wages and salaries in 2022 as well as the fact that the previous period was negatively affected by the recognition of severance expenses in the amount of EUR 1.5 million connected with the management board changes during the first half of 2021. In addition, expenses in connection with the EURO implementation in Croatia were included.
- Other administrative expenses increased by EUR 0.7 million from EUR -61.1 million at YE21 to EUR -61.8 million at YE22, the increase is mainly due to the expenses for the EURO implementation in Croatia.
- Depreciation and amortisation decreased by EUR -0.6 million from EUR -18.0 million at YE21 to EUR -17.4 million at YE22.

The other result amounting to EUR -27.0 million at YE22 (YE21: EUR -20.9 million) was mainly impacted by credit linked and portfolio based provisions for expected legal matters on Swiss-franc denominated loans in Croatia, provisions for planned settlements of legacy legal damage claims as well as costs from the legal actions taken in connection with the "Slovenian CHF Law". On 14 December 2022, the Slovenian Constitutional Court published the rejection of the Swiss Franc Law that came into force in February 2022. Therefore, there is no further outflow expected in this regard.

Credit loss expenses on financial assets amounted to EUR -15.4 million compared to EUR -13.2 million in YE21. While the underlying asset quality continued to be strong, Addiko decided to recognise in provisioning the increased volatility of the economic environment resulting from a combination of residual pandemic-related effects, significantly elevated inflation, increase in the interest rates, deterioration of the business climate, geopolitical risks and uncertainties regarding future developments, which are not comparable to the historic data in the existing models. Therefore, the existing post-model adjustment was increased by EUR 11.7 million to a total amount of EUR 20.7 million in 2022.

Tax on income amounted to EUR -5.5 million at YE22 compared to EUR -7.2 million at YE21. The tax on income was influenced by EUR 1.0 million from the positive outcome of a tax dispute in Austria as well as withholding taxes in the amount of EUR 0.7 million in relation to the dividend payment from the non EU subsidiaries, whereas the payment was performed in two tranches as regular dividend and extraction of excess capital via special dividend from the subsidiary in Bosnia & Herzegovina.

5.2. Detailed analysis of the statement of financial position

EUR m

	31.12.2022	31.12.2021	(abs)	(%)
Cash reserves	1,382.9	1,361.7	21.2	1.6%
Financial assets held for trading	22.8	32.6	-9.8	-30.0%
Loans and advances to credit institutions	89.2	5.7	83.5	>100%
Loans and advances to customers	3,292.7	3,278.7	14.0	0.4%
Investment securities	1,061.6	1,012.2	49.4	4.9%
Tangible assets	61.6	70.6	-9.0	-12.8%
Intangible assets	24.5	26.7	-2.3	-8.4%
Tax assets	42.4	26.9	15.6	58.0%
Current tax assets	5.4	2.7	2.7	98.4%
Deferred tax assets	37.0	24.1	12.9	53.4%
Other assets	17.1	14.9	2.2	14.8%
Non-current assets held for sale	1.6	12.3	-10.6	-86.8%
Total assets	**5,996.4**	**5,842.3**	**154.1**	**2.6%**

The statement of financial position of Addiko Group showed a simple and solid interest-bearing asset structure: 55% of the assets were represented by customer loans, the majority thereof belonged to the focus areas. In addition, a substantial part of the residual assets consisted of cash reserves and high-rated plain vanilla debt securities predominantly related to CESEE sovereign bonds. With regard to the statement of financial position, Addiko's strategy further pursued the accelerated change in the business composition from lower margin Large Corporate, Mortgage and Public Finance lending towards higher value-adding lending business in the focus segments Consumer and SME. This was reflected in a further increase in the share of these two segments, corresponding to a focus book share of 82.4% of the total gross performing loan book at the reporting date (YE21: 74.4%).

As of YE22, the **total assets** of Addiko Group stood at EUR 5,996.4 million, EUR 154.1 million or 2.6% compared to YE21 (EUR 5,842.3 million). The total risk, i.e. risk-weighted assets including credit, market and operational risk, (Basel III considering IFRS 9 transitional arrangements), decreased to EUR 3,487.3 million (YE21: EUR 3,624.9 million).

The **cash reserves** increased to EUR 1,382.9 million as of 31 December 2022, maintaining a solid liquidity position (YE21: EUR 1,361.7 million).

Loans and advances to credit institutions (net) increased by EUR 83.5 million to EUR 89.2 million (YE21: EUR 5.7 million).

Loans and advances to customers (net) slightly increased by EUR 14.0 million to EUR 3,292.7 million (YE21: EUR 3,278.7 million). The development was mainly driven by successful lending growth in the focus segments where gross performing loans in Consumer and SME show an increase of EUR 276.1 million to EUR 2,722.2 million in YE22 (YE21: EUR 2,446.1 million), while in the non-focus segments, Large Corporate, Mortgage and Public Finance the gross performing loans decreased by EUR 259.6 million to EUR 581.6 million at YE22 (YE21: EUR 841.2 million) in line with the strategy.

The **investment securities** increased from EUR 1,012.2 million at YE21 to EUR 1,061.6 million at YE22. The investments are largely in high-rated and investment grade government bonds mainly issued by governments of the CESEE region. All investments are “plain vanilla” without any embedded options or other structured features. Due to its solid liquidity levels and the fact that new business volumes in the focus segments are expected to be funded by the accelerated run-down of the non-focus segments, Addiko adapted its treasury strategy with the aim to invest in long-term high-quality bonds to maturity for yield enhancement purposes and essentially the collection of interest income until maturity to support the main income driver, the net banking income. The change in the management of the treasury portfolio, was considered to fulfill the preconditions for a change in the business model in accordance with IFRS 9.4.4., triggering the reclassification of the affected portfolio from the category financial asset at fair value through other comprehensive income to financial asset at amortised cost. This assessment, following confirmation from the group auditors, was reflected in the 3Q22 Earnings release. In addition, Addiko made use of the “Pre-clearance procedure” offered by the competent authority, the Financial Market Authority (FMA), to verify this approach. Based on the FMA’s feedback provided in January 2023, the investment securities bought before the approval of the new treasury investment strategy must continue to be classified in the business model Hold-to-Collect-and-Sell (HTC&S) and measured at fair value.

Tax assets increased to EUR 42.4 million (YE21: EUR 26.9 million), thereof EUR 10.3 million refer to deferred taxes on tax loss carried forward (YE21: EUR 10.4 million). The increase was mainly driven by the recognition of deferred tax assets on the negative fair value development of investment securities in other comprehensive income.

Other assets increased to EUR 17.1 million (YE21: EUR 14.9 million). The main part in this position was related to pre-paid expenses and accruals as well as receivables for paid in deposits and receivables related to the card business.

EUR m

	31.12.2022	31.12.2021	(abs)	(%)
Financial liabilities held for trading	3.1	2.3	0.8	36.8%
Deposits and borrowings of credit institutions	128.5	174.6	-46.1	-26.4%
Deposits and borrowings of customers	4,959.6	4,708.2	251.4	5.3%
Other financial liabilities	48.8	50.8	-2.1	-4.1%
Provisions	83.4	69.9	13.5	19.3%
Tax liabilities	0.6	5.8	-5.1	-88.9%
Current tax liabilities	0.6	5.8	-5.1	-89.3%
Other liabilities	26.2	25.7	0.5	1.9%
Equity	746.3	805.1	-58.8	-7.3%
Total equity and liabilities	**5,996.4**	**5,842.3**	**154.1**	**2.6%**

[1)]The position "Issued bonds, subordinated and supplementary capital" in the amount of EUR 0.1 million (YE21: EUR 0.1 million) is presented within "Other financial liabilities" starting from 2022.

Deposits and borrowings of credit institutions decreased from EUR 174.6 million at YE21 to EUR 128.5 million as of YE22 and included at YE21 EUR 54.7 million from the participation in targeted longer-term refinancing operations (TLTRO) with the Slovenian National Bank. In the year 2022, the full TLTRO refinancing was paid back.

Deposits and borrowings of customers increased to EUR 4,959.6 million (YE21: EUR 4,708.2 million). The solid funding profile is one of the strengths of the Group, which drives its low dependence on market funding. Around 32% of the deposits were term deposits, mainly Euro denominated, followed by Croatian Kuna (HRK), Bosnia-Herzegovina Convertible Marka (BAM) and Serbian Dinar (RSD).

Other financial liabilities decreased from EUR 50.8 million at YE21 to EUR 48.8 million at YE22.

Provisions increased from EUR 69.9 million at YE21 to EUR 83.4 million at YE22. This position included mainly credit linked and portfolio-based provisions in relation to expected court rulings on Swiss-franc denominated loans. This balance sheet position also included provisions for variable performance-based bonus expenses.

Other liabilities increased from EUR 25.7 million at YE21 to EUR 26.2 million in YE22, mainly reflecting accruals for services received but not yet invoiced (YE22: EUR 25.2 million, YE21: EUR 24.8 million) as well as liabilities for salaries and salary compensations not yet paid.

The development of **equity** from EUR 805.1 million to EUR 746.3 million reflected the total comprehensive income, which included the profit and loss for the reporting period in the amount of EUR 25.7 million, as well as changes in other comprehensive income in the amount of EUR -84.5 million. These changes were mainly driven by the impact of the Russian military invasion of Ukraine in February 2022 on the financial markets, which determined a decrease of the carrying amount of the debt instruments measured at FVTOCI. It should be noted that, due to the new treasury strategy to invest in long-term high-quality bonds to maturity for yield enhancement purposes, the current classification of the instruments in the business model Held-to-Collect&Sale and the related fair value measurement is not fully reflecting the business strategy defined by the new management in the Transformation Program. Addiko is not expecting any operative impacts from the volatility in market values, as by keeping the positions until maturity the currently negative OCI will neutralise until the maturity of the instruments, given the high credit quality and the expectation that none of the issuers, predominantly CESEE governments, will default in the foreseeable future.

5.3. Capital and liquidity requirements

As of 31 December 2022, the **capital base** of Addiko Group was solely made up of CET1, and stood at 21.1% (YE21: 22.2%) on a transitional basis and at 20.0% (YE21: 21.6%) on a fully loaded, significantly above the applicable requirements and the Pillar 2 Guidance (P2G) of 15.8% in total (YE21:18.6%).

In the regulatory capital calculation, the Group deducts a dividend proposal of EUR 23.6 million equivalent to EUR 1.21 per share. The dividend proposal is based on the currently valid dividend policy of distributing 60% of the group result, and also includes a distribution of 60% the group result for the year 2021, which follows the the decision on the rejection of the so-called Swiss Franc Law by the Constitutional Court of the Republic of Slovenia. Please refer to section (14.2) Dividend Policy and to note (81) Capital Management for further details on this topic.

The **liquidity position** of the Group remained strong, with the LTD ratio (net) of 66.4% (YE21: 69.6%) and the Liquidity Coverage Ratio (LCR) moving between its lowest level of 244.6% in May 2022 and its peak of 307.4% in December 2022. All liquidity indicators were fulfilled during the reporting period with significant headroom to regulatory requirements.

6. Segment information

The segment information presents the results of the operating business segments of Addiko Group, prepared on the basis of the internal reports used by the Management to assess the performance of the business segments and is used as a source for decision making. The business segmentation is subdivided into the higher value adding Consumer and SME segments, which represent the focus segments of Addiko Group, and into the non-focus segments, which comprise Large Corporates, Mortgages and Public Finance. According to the Group's strategy, the accelerated run-down of lower value adding Large Corporate, Mortgage and Public Finance lending is managed accordingly.

EUR m

31.12.2022	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	148.6	72.1	16.0	8.6	4.8	-1.3	248.9
Net interest income	108.0	44.1	16.0	5.3	3.6	-0.6	176.4
o/w regular interest income	101.5	41.5	16.5	5.1	1.7	16.1	182.3
Net fee and commission income	40.5	28.0	0.0	3.4	1.2	-0.7	72.5
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	1.9	1.9
Other operating result	0.0	0.0	0.0	0.0	0.0	-9.2	-9.2
Operating income	**148.6**	**72.1**	**16.0**	**8.6**	**4.8**	**-8.6**	**241.6**
Operating expenses	**-80.4**	**-30.0**	**-1.5**	**-3.5**	**-1.6**	**-51.0**	**-168.0**
Operating result before change in credit loss expense	**68.2**	**42.1**	**14.6**	**5.1**	**3.2**	**-59.6**	**73.6**
Other result	0.0	0.0	0.0	0.0	0.0	-27.0	-27.0
Credit loss expenses on financial assets	-9.0	-12.5	8.4	-1.6	-0.8	-0.1	-15.4
Result before tax	**59.2**	**29.6**	**23.0**	**3.6**	**2.4**	**-86.7**	**31.2**
Business volume							
Loans and advances	1,519.3	1,185.8	436.6	101.5	46.3	92.4	3,381.9
o/w gross performing loans customers	1,534.5	1,187.7	434.7	101.2	45.7		3,303.8
Gross disbursements	611.5	710.1	1.0	44.4	2.6		1,369.6
Financial liabilities at AC [1]	2,627.1	1,090.8	0.0	290.8	329.4	798.8	5,136.8
RWA [2]	1,145.9	871.1	259.8	138.7	25.7	488.1	2,929.2
Key ratios							
NIM [3]	5.5%	2.9%	1.0%	1.8%	1.0%		3.0%
Cost/Income Ratio	54.1%	41.6%	9.1%	40.5%	33.0%		67.5%
Cost of risk ratio	-0.5%	-0.7%	1.8%	-0.7%	-1.3%		-0.3%
Loan to deposit ratio	57.8%	108.7%	0.0%	34.9%	14.1%		66.4%
NPE ratio (on-balance loans)	4.0%	4.1%	5.8%	8.9%	5.5%		3.3%
NPE coverage ratio	78.7%	68.6%	77.4%	91.0%	61.8%		75.4%
NPE collateral coverage	2.4%	51.4%	79.9%	90.5%	99.0%		39.9%
Change CL/GPL (simply Ø)	-0.6%	-1.1%	1.7%	-0.9%	-1.4%		-0.5%
Yield GPL (simply Ø)	6.9%	3.7%	3.4%	3.0%	3.0%		5.0%

[1] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 544 million, EUR 128 million Deposits of credit institutions, EUR 127 million Other liabilities. [2] Includes only credit risk (without application of IFRS 9 transitional rules). [3] Net interest margin on segment level is sum of interest income (without interest income on NPE) and expenses including funds transfer pricing divided by the respective average business volume using daily balances.

EUR m

31.12.2021	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	136.3	55.7	16.9	13.4	5.7	8.4	236.3
Net interest income	100.2	30.5	16.9	8.7	4.5	8.7	169.5
o/w regular interest income	95.1	31.9	19.8	9.8	3.1	14.3	174.0
Net fee and commission income	36.1	25.2	0.0	4.7	1.2	-0.3	66.8
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	6.2	6.2
Other operating result	0.0	0.0	0.0	0.0	0.0	-16.5	-16.5
Operating income	**136.3**	**55.7**	**16.9**	**13.4**	**5.7**	**-1.9**	**226.0**
Operating expenses	**-81.1**	**-30.9**	**-2.2**	**-5.9**	**-2.2**	**-48.8**	**-171.1**
Operating result before change in credit loss expense	**55.1**	**24.8**	**14.7**	**7.5**	**3.5**	**-50.7**	**54.9**
Other result	0.0	0.0	0.0	0.0	0.0	-20.9	-20.9
Credit loss expenses on financial assets	-15.9	-5.4	7.6	-2.1	0.5	2.0	-13.2
Result before tax	**39.2**	**19.4**	**22.3**	**5.4**	**4.0**	**-69.6**	**20.8**
Business volume							
Loans and advances	1,364.3	1,061.8	541.6	239.4	68.1	9.1	3,284.4
o/w gross performing loans customers	1,388.9	1,057.1	534.7	239.2	67.4		3,287.3
Gross disbursements	500.6	565.8	6.0	78.0	4.7		1,155.1
Financial liabilities at AC [1]	2,461.6	1,078.1	0.0	304.8	398.2	690.9	4,933.6
RWA [2]	1,028.9	870.1	327.1	278.8	49.3	545.6	3,099.8
Key ratios							
NIM [3]	5.7%	2.2%	1.4%	1.3%	1.3%		2.9%
Cost/Income Ratio	59.5%	55.5%	12.9%	43.9%	38.7%		72.4%
Cost of risk ratio	-1.0%	-0.3%	1.3%	-0.5%	0.5%		-0.3%
Loan to deposit ratio	55.4%	98.5%	0.0%	78.5%	17.1%		69.6%
NPE ratio (on-balance loans)	4.3%	5.0%	9.4%	4.4%	2.8%		4.0%
NPE coverage ratio	78.8%	64.1%	77.6%	53.5%	40.6%		71.9%
NPE collateral coverage	4.3%	65.4%	74.5%	83.3%	95.8%		49.5%
Change CL/GPL (simply Ø)	-1.2%	-0.5%	1.3%	-0.6%	0.5%		-0.4%
Yield GPL (simply Ø)	7.1%	3.0%	3.4%	2.7%	3.1%		4.6%

[1] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 383 million, EUR 175 million Deposits of credit institutions, EUR 133 million Other liabilities. [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.

6.1. Consumer

EUR m

Consumer Business			
Profit or loss statement	**2022**	**2021**	**(%)**
Net interest income	108.0	100.2	7.8%
o/w regular interest income	101.5	95.1	6.7%
Net fee and commission income	40.5	36.1	12.3%
Operating income	**148.6**	**136.3**	**9.0%**
Operating expenses	**-80.4**	**-81.1**	**-1.0%**
Operating result before change in credit loss expense	**68.2**	**55.1**	**23.7%**
Other result	**0.0**	**0.0**	**0.0%**
Credit loss expenses on financial assets	-9.0	-15.9	-43.6%
Result before tax	**59.2**	**39.2**	**51.1%**
Business volume	**2022**	**2021**	**(%)**
Net loans and receivables	1,519.3	1,364.3	11.4%
o/w gross performing loans customers	1,534.5	1,388.9	10.5%
Gross disbursements	611.5	500.6	22.1%
Financial liabilities at AC	2,627.1	2,461.6	6.7%
Key ratios	**2022**	**2021**	**(bps)**
NIM	5.5%	5.7%	-26
Cost/Income Ratio	54.1%	59.5%	-546
Cost of risk ratio	-0.5%	-1.0%	49
Loan to deposit ratio	57.8%	55.4%	241
NPE ratio (on-balance loans)	4.0%	4.3%	-30
NPE coverage ratio	78.7%	78.8%	-15
NPE collateral coverage	2.4%	4.3%	-190
Change CL/GPL (simply Ø)	-0.6%	-1.2%	57
Yield GPL (simply Ø)	6.9%	7.1%	-14

Consumer strategy

Addiko's strategy is to offer modern banking, focusing on products for the essential needs of customers via unsecured loans, payments and cards, communicated in a simple and transparent manner and delivered efficiently via a hybrid distribution approach consisting of physical branches and modern digital channels. In the segment Consumer the focus is on unsecured lending, followed by account packages, regular transactions and cards. Addiko also puts significant efforts into continuously improving digital capabilities and is recognised in its markets as a digital challenger with digital products and services such as Webloans, mLoans and online account opening capabilities.

Consumer 2022 business review

The net interest income increased by EUR 7.8 million to EUR 108.0 million at YE22, compared to the same period last year (YE21: EUR 100.2 million) at a NIM of 5.5%, despite general margin pressure and regulatory caps on interest rates that can be charged in Addiko's largest market Croatia. The net fee and commission income increased significantly by EUR 4.5 million to EUR 40.5 million in YE22, compared to EUR 36.1 million at YE21, driven by higher income from accounts & packages, FX&DCC, cards business and bancassurance.

The operating result before impairments and provisions at YE22 amounted to EUR 68.2 million, up by 23.7% versus YE21, mainly driven by higher operating income (EUR 148.6 million in YE22 versus EUR 136.3 million in YE21) and lower operating expenses, down by -1.0% in 2022, which include also higher marketing costs of EUR 1.1 million compared to last year mainly related to the brand repositioning and related marketing and communication campaigns. The Cost/Income ratio improved to 54.1% (YE21: 59.5%) driven by the overall positive development in 2022.

The result before tax amounted to EUR 59.2 million (YE21: EUR 39.2 million), reflecting an increase of 51.1% YoY, also influenced by lower allocations of credit loss expenses on financial assets compared to the previous year.

The gross disbursements at YE22 increased by 22.1% compared to YE21 and reflect the full recovery of business activities in the markets where Addiko is present and reflect the results of the Transformation Program. Consequently, the YE22 consumer gross performing loans significantly increased by 10.5% compared to YE21 while the Yields (simple Ø) reduced by -14bps.

The NPE ratio (on-balance loans) also improved with a decrease of 30bps illustrating the continued focus on the asset quality of the portfolio.

6.2. SME Business

EUR m

SME Business			
Profit or loss statement	**2022**	**2021**	**(%)**
Net interest income	44.1	30.5	44.6%
o/w regular interest income	41.5	31.9	30.2%
Net fee and commission income	28.0	25.2	11.4%
Operating income	**72.1**	**55.7**	**29.6%**
Operating expenses	**-30.0**	**-30.9**	**-2.8%**
Operating result before change in credit loss expense	**42.1**	**24.8**	**69.8%**
Other result	**0.0**	**0.0**	**0.0%**
Credit loss expenses on financial assets	-12.5	-5.4	131.2%
Result before tax	**29.6**	**19.4**	**52.7%**
Business volume	**2022**	**2021**	**(%)**
Net loans and receivables	1,185.8	1,061.8	11.7%
o/w gross performing loans customers	1,187.7	1,057.1	12.3%
Gross disbursements	710.1	565.8	25.5%
Financial liabilities at AC	1,090.8	1,078.1	1.2%
Key ratios	**2022**	**2021**	**(bps)**
NIM	2.9%	2.2%	69
Cost/Income Ratio	41.6%	55.5%	-1383
Cost of risk ratio	-0.7%	-0.3%	-37
Loan to deposit ratio	108.7%	98.5%	1022
NPE ratio (on-balance loans)	4.1%	5.0%	-66
NPE coverage ratio	68.6%	64.1%	453
NPE collateral coverage	51.4%	65.4%	-1398
Change CL/GPL (simply Ø)	-1.1%	-0.5%	-60
Yield GPL (simply Ø)	3.7%	3.0%	68

SME strategy

Addiko's strategy is to offer modern banking, focusing on products for the essential needs of customers via unsecured loans and payments, communicated in a simple and transparent manner and delivered efficiently via a hybrid distribution approach consisting of physical branches and modern digital channels. In the SME segment, the focus is on shorter term unsecured financing, followed by transaction banking and trade finance products. The focus continues to be on offering a compelling value proposition for digitally enabled loan products and online self-services capabilities that further reduce the cost-to-serve Addiko's customers. Addiko has been further increased in 2022 the focus on untapped niches of micro and small enterprises in need of financing. Despite reducing large ticket and lower value adding medium SME lending, Addiko managed to increase the overall loan book in this segment while driving both interest and commission income growth.

SME 2022 business review

At YE22, the net interest income increased significantly by EUR 13.6 million (+44.6% YoY) to EUR 44.1 million compared to EUR 30.5 million at YE21. NIM increased to 2.9% (YE21: 2.2%), due to accelerated growth in 2022 within the targeted micro and small enterprises with higher interest yields (yields up by +68bps YoY, simple Ø).

The net fee and commission income increased significantly by 11.4% compared to YE21, due to higher income from accounts & packages, transactions, loans, card business and FX & DCC. This increase was delivered on the back of targeted initiatives related to the Transformation Program and the economic recovery across the region.

Operating expenses decreased by EUR 0.9 million compared to YE21 driven by lower personnel expenses as an effect of the transformation program and lower overhead costs. Consequently, the operating result before impairments and provisions at YE22 amounted to EUR 42.1 million, up by 69.8% compared to YE21. The Cost/Income ratio significantly decreased to 41.6% (YE21: 55.5%) driven by the overall positive development in the operating income and lower operating expenses during 2022.

The result before tax amounted to EUR 29.6 million (YE21: EUR 19.4 million), despite higher credit loss expenses on financial assets mainly related to IFRS 9 model driven allocations.

The gross disbursements at YE22 amounted to EUR 710.1 million, reflecting an improvement of 25.5% compared to YE21. The YE22 SME gross performing loans increased by 12.3% compared to YE21 which also include the reduction of large ticket and lower value adding medium business of -21.3%.

The NPE ratio (on-balance loans) came down to 4.1% (YE21: 5.0%) reflecting the solid asset quality of the SME portfolio.

6.3. Mortgage

EUR m

Mortgages			
Profit or loss statement	**2022**	**2021**	**(%)**
Net interest income	16.0	16.9	-4.9%
o/w regular interest income	16.5	19.8	-16.7%
Net fee and commission income	0.0	0.0	-
Operating income	**16.0**	**16.9**	**-4.9%**
Operating expenses	**-1.5**	**-2.2**	**-32.7%**
Operating result before change in credit loss expense	**14.6**	**14.7**	**-0.8%**
Other result	**0.0**	**0.0**	**0.0%**
Credit loss expenses on financial assets	8.4	7.6	11.0%
Result before tax	**23.0**	**22.3**	**3.3%**
Business volume	**2022**	**2021**	**(%)**
Net loans and receivables	436.6	541.6	-19.4%
o/w gross performing loans customers	434.7	534.7	-18.7%
Gross disbursements	1.0	6.0	-83.1%
Financial liabilities at AC	0.0	0.0	-
Key ratios	**2022**	**2021**	**(bps)**
NIM	1.0%	1.4%	-40
Cost/Income Ratio	9.1%	12.9%	-376
Cost of risk ratio	1.8%	1.3%	54
Loan to deposit ratio	0.0%	0.0%	0
NPE ratio (on-balance loans)	5.8%	9.4%	-366
NPE coverage ratio	77.4%	77.6%	-18
NPE collateral coverage	79.9%	74.5%	540
Change CL/GPL (simply Ø)	1.7%	1.3%	45
Yield GPL (simply Ø)	3.4%	3.4%	3

Mortgage strategy and 2022 business review

Mortgage lending is defined as non-focus, and primarily targets the managed and gradual run-down of existing and profitable customers loans along their contractual maturity. Given the run-down strategy, mortgage lending products are not actively marketed.

This is reflected in the operating income which amounted to EUR 16.0 million at YE22, representing a 4.9% decrease in comparison to EUR 16.9 million at YE21. This reduction in operating income is mainly driven by a EUR 100.0 million lower gross performing loan book which consequently results in lower net interest income in this segment.

6.4. Large Corporates

EUR m

Large Corporates			
Profit or loss statement	**2022**	**2021**	**(%)**
Net interest income	5.3	8.7	-39.4%
o/w regular interest income	5.1	9.8	-48.5%
Net fee and commission income	3.4	4.7	-28.2%
Operating income	**8.6**	**13.4**	**-35.5%**
Operating expenses	**-3.5**	**-5.9**	**-40.5%**
Operating result before change in credit loss expense	**5.1**	**7.5**	**-31.6%**
Other result	**0.0**	**0.0**	**0.0%**
Credit loss expenses on financial assets	-1.6	-2.1	-24.0%
Result before tax	**3.6**	**5.4**	**-34.5%**
Business volume	**2022**	**2021**	**(%)**
Net loans and receivables	101.5	239.4	-57.6%
o/w gross performing loans customers	101.2	239.2	-57.7%
Gross disbursements	44.4	78.0	-43.0%
Financial liabilities at AC	290.8	304.8	-4.6%
Key ratios	**2022**	**2021**	**(bps)**
NIM	1.8%	1.3%	49
Cost/Income Ratio	40.5%	43.9%	-342
Cost of risk ratio	-0.7%	-0.5%	-20
Loan to deposit ratio	34.9%	78.5%	-4366
NPE ratio (on-balance loans)	8.9%	4.4%	450
NPE coverage ratio	91.0%	53.5%	3752
NPE collateral coverage	90.5%	83.3%	724
Change CL/GPL (simply Ø)	-0.9%	-0.6%	-35
Yield GPL (simply Ø)	3.0%	2.7%	26

Large Corporates strategy

The Large Corporates segment comprises Addiko's business activities relating to loan products, services and deposit products, as well as other complementary products to companies with an annual gross turnover of above EUR 50 million. An accelerated run-down path is pursued in this non-focus segment, as initiated during the second half of 2021 and continued during 2022, while Addiko will continue to serve selected customers with a favorable and balanced view on value generation while at the same time limiting overall single client exposure

Large Corporates 2022 business review

As a non-focus segment Large Corporates recorded lower gross performing loans and consequently lower operating income in comparison to the same period last year.

The net interest income decreased by EUR 3.4 million to EUR 5.3 million at YE22 compared to EUR 8.7 million at YE21 with NIM at 1.8%. Net fee and commission income amounted to EUR 3.4 million and decreased compared to YE21 by EUR 1.3 million as a direct result of executing the defined strategy leading to a reduction of gross performing loans and the gradual exit from non-focus custody business in Croatia. The result before tax amounted to EUR 3.6 million at YE22 (YE21: EUR 5.4 million) which also include lower allocations on credit loss expenses on financial assets.

The NPE ratio (on-balance loans) increased by 450bps to 8.9% mainly driven by the reduced loan book versus YE21 rather than an overall worsening of the credit quality of the portfolio.

6.5. Public Finance

EUR m

Public Finance			
Profit or loss statement	**2022**	**2021**	**(%)**
Net interest income	3.6	4.5	-21.2%
o/w regular interest income	1.7	3.1	-44.7%
Net fee and commission income	1.2	1.2	3.7%
Operating income	**4.8**	**5.7**	**-16.1%**
Operating expenses	**-1.6**	**-2.2**	**-28.5%**
Operating result before change in credit loss expense	**3.2**	**3.5**	**-8.2%**
Other result	**0.0**	**0.0**	**0.0%**
Credit loss expenses on financial assets	-0.8	0.5	>100%
Result before tax	**2.4**	**4.0**	**-40.3%**
Business volume	**2022**	**2021**	**(%)**
Net loans and receivables	46.3	68.1	-32.0%
o/w gross performing loans customers	45.7	67.4	-32.1%
Gross disbursements	2.6	4.7	-45.7%
Financial liabilities at AC	329.4	398.2	-17.3%
Key ratios	**2022**	**2021**	**(bps)**
NIM	1.0%	1.3%	-36
Cost/Income Ratio	33.0%	38.7%	-574
Cost of risk ratio	-1.3%	0.5%	-185
Loan to deposit ratio	14.1%	17.1%	-305
NPE ratio (on-balance loans)	5.5%	2.8%	269
NPE coverage ratio	61.8%	40.6%	2118
NPE collateral coverage	99.0%	95.8%	323
Change CL/GPL (simply Ø)	-1.4%	0.5%	-197
Yield GPL (simply Ø)	3.0%	3.1%	-14

Public Finance strategy

The Public Finance segment is part of the non-focus area and comprises Addiko'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 are not actively marketed.

Public Finance 2022 business review

The net interest income amounted to EUR 3.6 million at YE22 (YE21: EUR 4.5 million), with NIM at 1.0%. The decrease in net interest income was related to the run-down of the portfolio (gross performing loans down 32.1% compared to YE21). The net fee and commission income amounted to 1.2 million and is almost on the same level compared to the same period last year (YE21: EUR 1.2 million). The Public Finance segment generated an operating income of EUR 4.8

million (YE21: EUR 5.7 million) and a result before tax of EUR 2.4 million at YE22 (YE21: EUR 4.0 million). The Cost/Income Ratio decreased to 33.0% (YE21: 38.7%) due to lower Operating Expenses.

The NPE ratio (on-balance loans) increased by 269bps at YE22 predominantly driven by a reduction in the gross performing loan balance, and not by worsening of the portfolio.

6.6. Corporate Center

EUR m

Corporate Center			
Profit or loss statement	**2022**	**2021**	**(%)**
Net interest income	-0.6	8.7	>100%
Net fee and commission income	-0.7	-0.3	105.0%
Net result from financial instruments	1.9	6.2	-69.9%
Other operating result	-9.2	-16.5	-45%
Operating income	**-8.6**	**-1.9**	**348.3%**
Operating expenses	**-51.0**	**-48.8**	**4.7%**
Operating result before change in credit loss expense	**-59.6**	**-50.7**	**17.6%**
Other result	-27.0	-20.9	29.5%
Credit loss expenses on financial assets	-0.1	2.0	>100%
Result before tax	**-86.7**	**-69.6**	**24.6%**
Business volume	**2022**	**2021**	**(%)**
Net loans and receivables	92.4	9.1	911.9%
Financial liabilities at AC	798.8	690.9	15.6%

Corporate Center strategy

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

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

Corporate Center 2022 business review

The segment reporting illustrates combined figures for treasury and positions related to central functions.

The net interest income in the Corporate Center covers the following aspects: 1) the customer margin assets and liabilities of the treasury segment, 2) the interest and liquidity gap contribution (IGC) reduced by the distribution of the IGC to the market segments (see explanation in “Asset Contribution” below) and 3) the consolidation effects.

The net interest income at YE22 amounted to EUR -0.6 million (YE21: EUR 8.7 million) mainly resulting from rising FTP costs linked to the changed market rates starting in second half of the year.

For the explanation of net result on financial instruments, other operating result, operating expense and other result please see chapter 5.1. detailed analysis of the result.

Asset Contribution

The net interest income in the Corporate Center at YE22 included only a fraction of the positive impact from interest and liquidity gap contribution (IGC) of EUR 49.5 million. The majority of the IGC in the amount of EUR 43.6 million was 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 would be zero.

Since a certain percentage of longer-term assets is funded by shorter term liabilities, market segments are therefore charged more for their assets than compensated for their liabilities within the applied funds transfer pricing (FTP) methodology. 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 originator of the IGC, i.e. the respective market segment.

7. Capital-, share-, voting and control rights

The following information complies with the regulations of Section 243a (1) UGB:

1. At the reporting date the company's share capital amounted to EUR 195.000.000,00 and was divided into 19.500.000 voting common bearer shares. As at 31 December 2022, 33.919 (31 December 2021: 0) of those were own shares, and consequently 19.466.081 shares were outstanding at the reporting date. Please see note (54) Equity for further disclosures.

2. The Company's statutes do not contain any restrictions relating to voting rights or the transfer of shares, and neither is the Management Board aware of any other such provisions.

3. The Management Board is not aware of any shareholder who holds directly or indirectly more than 9.99% of the Company's share capital. Around 56.9% of the shares were in free float at the end of the reporting period.

4. The Company's statutes do not contain any particular control rights of shareholders, and neither is the Management Board aware of any other such provisions.

5. There is no control of voting rights for employees who own shares.

6. Deviating from the provisions required by law, the removal of a member of the Supervisory Board only requires a simple majority. All other provisions are as stipulated by law regarding the appointment and removal of the members of the Management Board and Supervisory Board. The Supervisory Board may resolve on amendments relating only to the form of the Company's statutes. The Supervisory Board is authorised to resolve on the amendments of the Company's statues relating to the issue of shares in the course of an authorised capital increase or a conditional capital increase. There are no further provisions other than those required by law relating to the amendment of the Company's statutes

7. Since the General Assembly dated 6 June 2019, the Management Board – pursuant to Section 169 Austrian Stock Corporation Act (AktG) – has been authorised to increase the share capital subject to approval of the Supervisory Board, if necessary in several tranches, by up to EUR 97,500,000 by issuing up to 9,750,000 new voting no-par value bearer shares against cash and/or non-cash contributions (also indirectly through a credit institution pursuant to Section 153 (6) AktG) within five years after entering the corresponding amendment to the Company's statutes into the Austrian Commercial Register, and to determine the issue price and terms of issue in agreement with the Supervisory Board. Subject to approval of the Supervisory Board, the Management Board is authorised to exclude the shareholders' statutory subscription right if (i) the capital increase is made against a non-cash contribution, (ii) the capital increase is made against a cash contribution and the shares issued under exclusion of the shareholders' subscription right do not, in total, exceed 10% (ten per cent) of the Company's share capital or (iii) shares are issued to employees, executives or members of the Management Board of the Company in the course of an employee stock participation program or stock option program. The Supervisory Board is authorised to resolve on amendments to these statues relating to the issue of shares in the course of an approved capital increase. In the General Assembly dated 6 June 2019 and pursuant to Section 159 (2) No. 1 AktG, the share capital was conditionally increased (conditional capital) by up to EUR 19,500,000 by issuing up to 1,950,000 no-par value bearer shares. The conditional capital increase shall only be implemented to the extent that a conversion or subscription right, which the Company has granted to the creditors of convertible bonds or other instruments that provide their holders with a conversion of subscription right, is exercised. The issuing price and the conversion rate are to be determined on the basis of accepted simplified actuarial methods and the price of the Company's shares using a generally accepted pricing procedure (basis for the calculation of the issue amount); the issue amount is to be at least EUR 10 (ten euros) per share. Subject to approval of the Supervisory Board, the Management Board is authorised to determine the further details of the conditional capital increase. The Supervisory Board is authorised to resolve on amendments to these

statues relating to the issue of shares in the course of a conditional capital increase. Within the meaning of Section 65 Austrian Stock Corporation Act, the Management Board was authorised in the General Assembly on 27 November 2020 to acquire own shares of the Company in the amount of up to ten per cent of the Company's share capital and to sell the acquired shares on the Vienna Stock Exchange pursuant to Section 65 (1) No. 8, (1a) and (1b) Austrian Stock Corporation Act, provided that the Company is a listed company. The Management Board was also authorised, for a period of 30 months from the date of the resolution by the General Assembly, to acquire own shares for the purpose of offering them to employees, executive employees and members of the Management Board of the Company or an affiliated company for purchase pursuant to Section 65 (1) no. 4 of the Austrian Stock Corporation Act (AktG) up to 10% of the share capital.

8. There are no significant agreements in place to which Addiko Bank AG is a party and which take effect, are altered or terminated upon a change of control of Addiko Bank AG resulting from a takeover bid.

9. No compensation agreements have been concluded between Addiko Bank AG and its Management Board and Supervisory Board members or employees in case of a public takeover bid.

8. Analysis of non-financial key performance indicators

Regarding the non-financial key performance indicators, please refer to the separately published consolidated non-financial report for the year 2022.

9. Internal Control System for accounting procedures

Addiko Bank has an internal control system (ICS) for accounting procedures, in which suitable structures and processes are defined and implemented throughout the organisation.

The aim of the internal control system of Addiko Group is to ensure effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, reliability of financial and non-financial information reported, both internally and externally, and compliance with laws, regulations, supervisory requirements and the institution's internal rules and decisions.

The internal control system consists of a set of rules, procedures and organisational structures which aim to:

- ensure that corporate strategy is implemented,
- achieve effective and efficient corporate processes,
- safeguard the value of corporate assets,
- ensure the reliability and integrity of accounting and management data,
- ensure that operations comply with all relevant rules and regulations.

The particular objectives with regard to Addiko Group accounting procedures are that the ICS ensures that all business transactions are recorded immediately, correctly and in a uniform way for accounting purposes. The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

The internal control system of Addiko Group is built on a process-oriented approach. Addiko Group deploys control activities through process documentation which incorporates the tracking and documentation of each process, including the information about process flow according to the internally set up guidelines for process management.

The overall effectiveness of the internal controls is monitored on an ongoing basis. The monitoring of key risks is part of the daily activities of the Group as well as periodic evaluations by the business lines, internal control functions, risk management, compliance and internal audit.

Regular internal control system monitoring and promptly reporting on internal control deficiency and escalation to relevant stakeholders (e.g. committees) is established. Internal control deficiencies, whether identified by business line, internal audit, or other control functions are reported in a timely manner to the appropriate management level for further decision and addressed promptly.

Internal Audit performs independent and regular reviews of compliance with legal provisions and internal rules.

The internal control system itself is not a static system but is continuously adapted to the changing environment. The implementation of the internal control system is fundamentally based on the integrity and ethical behavior of the employees. The Management Board and the leadership team actively and consciously embrace their role of leading by example by promoting high ethical and integrity standards and establishing a risk and control culture within the organisation that emphasises and demonstrates to all levels the importance of internal controls.

10. Consolidated non-financial report

Pursuant to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG), the consolidated non-financial statement, which has to be prepared in accordance with Section 267a Austrian Commercial Code (UGB), is issued as a separate non-financial report. The report will be published online – on https://www.addiko.com/financial-reports/- and also contains the disclosure for the parent company in accordance with Section 243b UGB.

11. Austrian code of Corporate Governance

Addiko Bank AG is committed to adhering to the Austrian Corporate Governance Code (http://www.corporate-governance.at). The Code contains rules based on compulsory legal requirements (L rules), rules that should be complied with, rules where deviations must be explained and justified in order for the company's conduct to conform with the Code (C rules, comply or explain) and rules that are recommendations, where noncompliance must not be disclosed or justified (R rules).

The Consolidated Corporate Governance Report of Addiko Bank AG will be published on the Addiko Group website under https://www.addiko.com/corporate-governance-reports/

12. Other disclosures

In relation to the required information in accordance with Section 267 Austrian Commercial Code (UGB) on events after the reporting date please refer to note (92). With respect to the explanations on substantial financial and non-financial risk as well as the goals and methods of risk management please refer to the risk report. In addition, information on the use of financial instruments is presented in note (76) Fair value disclosure.

13. Research & Development

Addiko Bank does not conduct any research and development activities pursuant to section 267 Austrian Commercial Code (UGB).

14. Mid-Term Targets, Outlook & Risk factors

14.1. Mid-Term Targets

The Management Board and Supervisory Board of Addiko Bank AG have decided on the following updated Mid-Term Targets starting with the business year 2023, reiterating the targets published with the group annual report 2021:

Business Growth:
- Loan book in focus areas at >95% (previously: ca. 95%)
- Net interest margin >3.8% (previously ca. 3.8%)
- Focus loan book growth ca. 10% CAGR (unchanged)
- Cost of risk (net loans) ca. -1.2% (previously: ca. -1.4%)
- Loan/deposit ratio <100% (unchanged)

Cost Base:
- Cost income ratio ca. 50% (unchanged)

The above leading to:
- Return on average Tangible Equity >10% (previously: Return on tangible equity (14.1% CET1 Ratio) >10%)
- Total capital ratio >18.6% (previously: >16.1%)
- Annual dividend payout of 60% of net profit (unchanged)

14.2. Dividend Policy

Addiko reconfirms the original guidance of an annual dividend payout of 60% of net profit attributable to shareholders.

Addiko's ability and intention to pay dividends depends on its financial position, results of operations, regulatory capital requirements, including capital buffer requirements, MREL targets, investment alternatives and other factors that the Management Board and the Supervisory Board may deem relevant, and any proposals by the Management Board and Supervisory Board regarding dividend payments will be subject to approval at the Annual General Meeting of shareholders. A payment of dividends is also subject to maintaining the relevant thresholds in terms of capital ratios which requires, among other things, that the payment of such dividends is consistent with its long-term and sustainable business and compliant with then applicable regulatory requirements, and that neither a recommendation of the ECB would, in the bank's view, conflict with a distribution of dividends nor a legally mandatory distribution restriction is effective or applicable.

14.3. Outlook

For the global economy, the largely positive developments recorded in the first half of 2022 have been heavily knocked back by the consequences of Russia's war in Ukraine and the turmoil on energy markets due to the introduction of Western sanctions against the Russian petrochemicals.

For the Addiko countries, the war in Ukraine propagates largely through inflation, rising costs of credit, and decline in external demand. The key source of contagion from the war remains inflation, which continues eroding real incomes. With central banks increasing interest rates, the EU economy may enter recession with negative externalities to the Addiko countries. Sharply rising energy prices will affect the performance of energy-intensive industries, possibly resulting in some business closures. Worsened business sentiment will also drive investment down, both from domestic and foreign companies, contributing further to the economic slowdown. Finally, some of the Addiko countries are characterised by a pronounced political instability related to conflicts from the not-too-distant past. The revisionism of the current state borders by Russia may trigger extreme political movements with similar intentions in these countries, especially if Russia tries to destabilise the region for geopolitical purposes.

Against this backdrop, Addiko Group's core markets are expected to record a post real GDP growth in the order of 1.5-2.6% in 2023. Inflation is set to remain a key theme throughout the year but at the same time it is expected to remain broadly stable at elevated 2022 levels between 5.5 and 8.0%. Unemployment rates are expected to remain stable at the current levels in all markets.

The Croatian economy continued to grow strongly in 2022 thanks to household consumption and a strong tourism season. The war in Ukraine will bring a high degree of uncertainty in 2023. Even though Croatia's direct economic exposure to Russia is fairly low, the Russo-Ukrainian war is expected to dampen Croatia's economic growth prospects in 2023, mainly via the impact of a deteriorating EU-area economy – especially in Italy and Germany. Because of this, Croatia's GDP growth forecast for 2023 is at 2.5%. The unemployment rate will slightly increase to 7.4%, due to the weaker economic growth. For 2023, the inflation will slightly reduce, but will still remain elevated, averaging at 6% for the whole year.

Slovenia's real GDP is expected to grow by 1.9% in 2023 as inflation takes its toll on spending and exports. Inflation should start decreasing in 2023 with 5.5%. To counter inflation, the government has installed various support mechanisms, however, uncertainty over energy supply and prices has contributed to falling business confidence. Unemployment figures are expected to be at 4.0% in 2023. The shortage of workers has already begun to put a strain on certain sectors, such as services and manufacturing.

In Bosnia & Herzegovina the economy is expected to grow by 1.5% in 2023, still lower than in most of the other Western Balkan countries. Due to the political uncertainty, it is likely that public infrastructure projects and private-sector investments will be put on hold, while consumer spending and exports will grow only slowly. With further increases in energy prices, inflation is anticipated to climb to 6% in 2023. There are still no measures to ease the burden of increased prices from the local governments, as proposals to temporarily abolish excise duties on oil and petroleum products and to introduce a lower value-added tax on essential products have been rejected. This is continuously decreasing the standard of living as wages and pensions have not been aligned with rising market prices.

In Serbia, the economic activity is expected to decelerate with a projected GDP at 1.9% in 2023. Unemployment is expected to continue declining gradually, with a rate of 9% for 2023. Government increases of the minimum wage and public sector wages during 2022 supported the growth of real wages. Further increases have been announced for the coming period, which should prevent inflation from eroding real incomes. Inflation in Serbia proves to be more persistent than previously thought but is still among the lowest in the region. Government continues to keep the prices for basic food products frozen, price of electricity is also capped, and price of fuels is heavily regulated, which also contributes to price stabilisation. Because of this, inflation forecasts for 2023 are at 8%.

In Montenegro, the rise in private consumption observed during 2022 is expected to positively influence also 2023, with a GDP growth of 2.6%. This is the result of the tax reform that determined an increase of the average earnings nominally by 30% and pushed spending. On top of that it is likely that consumption will be further supported by Ukrainians who have fled the war and settled in Montenegro, and also by Russians who have bought property in Montenegro to safeguard their savings. This increased investment has pushed up real-estate prices tremendously. Despite the improvement in economic recovery, unemployment rate was still high in 2022 and is expected to decrease slowly in 2023 to 14.9%. Inflation is expected to be at 6% in 2023, with the country having limited monetary policy tools to control it.

Addiko Group intends to continue to accelerate its competitive specialist strategy execution in the CSEE markets in 2023, focusing on sustainable business growth in the segments Consumer and SME, with a specific focus on micro and small enterprises and the overall ambition to become the leading CSEE specialist bank for these segments. Addiko's prudent risk approach will remain a key anchor of the loan growth generation strategy.

The clear focus on Consumer and SME business will accelerate the transformation of the balance sheet of Addiko towards these higher value generating segments. In this context, the Group will continue considering the possibility of capital generation via faster non-focus reduction. Addiko believes that the reduction in the non-focus portfolio will generate value in the long-term by sharpening the focus in the core segments and releasing capital from higher risk weight non-focus loans

As one of its short-term ambitions, Addiko intends to further push its efficiency by reducing costs and complexity and streamlining its operating model. Addiko will continue with the implementation efficiency measures in order to generate a sustainable and visible gross saving impact.

In summary, for the full year 2023 the Group currently expects:

- Gross performing loans at ca. EUR 3.5 billion with more than 10% growth in focus,
- Net Banking Income up by ca. 10%, impacted positively by the rising interest curve, despite increasing funding costs and run-down of non-focus,
- Operating expenses below EUR 179 million, mainly driven by inflation,
- TCR > 18.6% on a fully-loaded basis,
- Sum of other result and credit loss expenses on financial assets at ca. 1.2% on average net loans and advances to customers.

14.4. Risk factors

Given Addiko's focus on Consumer and SME, the business is particularly tied to the economic cycle and the financial performance of the bank could be better or worse than expected depending on how the economies of its markets perform.

Addiko operates in countries characterised by pronounced political instability of one sort or another, with nationalist-conservative rhetoric dominating the local political stage. The recent tensions between Serbia and Kosovo around the driving plates highlight once again how fragile is political stability of the region. External factors play a decisive role for the local economies: economic effects of the tensions surrounding war in Ukraine and the pace of monetary policy tightening – all that will have a major impact on external demand and local price dynamics. The main risks are seen in a potential flareup of inflationary pressures, parallel with food supply disruptions, and negative oil and gas embargo developments. This could add to shocks steaming from possible new mutation and spread of the Corona Virus, finally decimating real incomes and depressing economic growth. Compared to the previous outlook, the number and magnitude of the risks and uncertainties have significantly increased, and the macro-economic environment can at this point in time be only described as very volatile and highly unpredictable.

The evolving Russia-Ukraine conflict does not impact Addiko Group directly, as it has no operating presence in those countries; direct exposures to both countries are negligible and no additional risk provisioning is currently required in this context. Addiko has some indirect exposure to the conflict through loans to entities whose ownership structure or material buyers / suppliers are located in the countries affected by the conflict. This indirect exposure is diligently tracked and there is no expectation of major worsening or impacts from this portfolio. However, indirect consequences such as financial market volatility or the impact of sanctions on some a few of Addiko Group's clients cannot be ruled out.

Geopolitical developments might lead to economic difficulties and failure of banks based in EU Member States. As a consequence, the possible activation of national or European deposit insurance and resolution systems might have financial impacts on member banks of the Addiko Group. Any resulting financial effects cannot be assessed at the current point in time.

The bank faces regulatory risk from the implementation of various regulatory and consumer protection initiatives, e.g. MREL, PSD2, GPDR, etc. Potential regulatory constraints could also negatively impact the bank's ability to improve efficiency.

Addiko Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. The Group is involved in a number of passive legal disputes. The majority of pending proceedings relate to FX transactions, margin increases, and interest rate clauses at Addiko Bank AG's subsidiaries, here especially the Croatian subsidiary. There is a future risk of further increasing numbers of proceedings and amounts in dispute due to changed court practice, binding sample proceeding decisions and new laws (e.g. conversion laws, amendments to consumer credit acts, consumer protection acts).

In September 2017, the Group filed a Requests for Arbitration with the ICSID in Washington, DC against the Republic of Croatia regarding the Conversion Laws claiming EUR 153 million. The Group claims that the Bilateral Investment Treaties (BIT) regarding the fair and equivalent treatment under the respective BIT was violated. The main hearing was conducted in March 2021 and parties are waiting for the final award. If the action is unsuccessful, then court fees and legal costs could amount up to ca. EUR 11 million. Based on legal advice, management believes that the action will prove successful or that Addiko will reach a settlement agreement with the Republic of Croatia.

Addiko also regularly assesses and reports on ESG risks that may impact the bank. Therefore, Addiko conducts an annual self-assessment on the exposure to ESG risks, which currently encompasses climate-related and environmental risks.
The results thereof are used to define the key areas of action for Addiko. In addition, a group-wide project team, steered by the ESG working group, in order to prepare the implementation of new reporting standards and additional disclosure requirements, according to the European Sustainability Reporting Standards ("ESRS"), that will enter into force with the financial year 2024, for reports published in 2025.

Vienna, 21 February 2023
Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek
Chairman

Edgar Flaggl
Member of the Management Board

Tadej Krašovec
Member of the Management Board

Ganesh Krishnamoorthi
Member of the Management Board

Consolidated Financial Statements

I. Consolidated statement of comprehensive income

Statement of profit or loss

EUR m

	Note	01.01. - 31.12.2022	01.01. - 31.12.2021
Interest income calculated using the effective interest method		192.9	185.5
Other interest income		2.3	2.2
Interest expenses		-18.7	-18.2
Net interest income	**(31)**	**176.4**	**169.5**
Fee and commission income		92.3	84.3
Fee and commission expenses		-19.8	-17.5
Net fee and commission income	**(32)**	**72.5**	**66.8**
Net result on financial instruments	(33)	1.9	6.2
Other operating income	(34)	5.1	3.8
Other operating expenses	(34)	-14.3	-20.3
Operating income		**241.6**	**226.0**
Personnel expenses	(35)	-88.9	-92.0
Other administrative expenses	(36)	-61.8	-61.1
Depreciation and amortisation	(37)	-17.4	-18.0
Operating expenses		**-168.0**	**-171.1**
Operating result before impairments and provisions		**73.6**	**54.9**
Other result	(38)	-27.0	-20.9
Credit loss expenses on financial assets	(39)	-15.4	-13.2
Result before tax		**31.2**	**20.8**
Tax on income	(40)	-5.5	-7.2
Result after tax		**25.7**	**13.6**
thereof attributable to equity holders of parent		25.7	13.6

	31.12.2022	31.12.2021
Result after tax attributable to ordinary shareholders (in EUR m)	25.7	13.6
Weighted-average number of ordinary shares (in units of shares)	19,500,000	19,500,000
Earnings/loss per share (in EUR)	1.32	0.70
Weighted-average diluted number of ordinary shares (in units of shares)	19,474,097	19,500,000
Diluted earnings/loss per share (in EUR)	1.32	0.70

The following notes (1) - (92) are an integral part of these consolidated financial statements

Statement of other comprehensive income

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Result after tax	**25.7**	**13.6**
Other comprehensive income	**-84.5**	**-14.1**
Items that will not be reclassified to profit or loss	**-0.1**	**0.6**
Actuarial gains or losses on defined benefit plans	0.3	0.2
Fair value reserve - equity instruments	-0.4	0.4
Net change in fair value	-0.5	0.3
Income Tax	0.1	0.1
Items that are or may be reclassified to profit or loss	**-84.3**	**-14.7**
Foreign currency translation	-0.6	1.8
Fair value reserve - debt instruments	-83.7	-16.4
Net change in fair value	-97.8	-15.2
Net amount transferred to profit or loss	0.0	-3.8
Income Tax	14.1	2.5
Total comprehensive income for the year	**-58.8**	**-0.5**
thereof attributable to equity holders of parent	-58.8	-0.5

The following notes (1) - (92) are an integral part of these consolidated financial statements

II. Consolidated statement of financial position

EUR m

	Note	31.12.2022	31.12.2021
Assets			
Cash reserves	(41)	1,382.9	1,361.7
Financial assets held for trading	(42)	22.8	32.6
Loans and advances to credit institutions	(43)	89.2	5.7
Loans and advances to customers	(43)	3,292.7	3,278.7
Investment securities	(44)	1,061.6	1,012.2
Tangible assets	(45)	61.6	70.6
Property, plant and equipment		57.3	65.5
Investment property		4.3	5.1
Intangible assets	(46)	24.5	26.7
Tax assets		42.4	26.9
Current tax assets		5.4	2.7
Deferred tax assets		37.0	24.1
Other assets	(48)	17.1	14.9
Non-current assets held for sale	(49)	1.6	12.3
Total assets		**5,996.4**	**5,842.3**
Equity and liabilities			
Financial liabilities held for trading	(50)	3.1	2.3
Deposits and borrowings of credit institutions	(51)	128.5	174.6
Deposits and borrowings of customers	(51)	4,959.6	4,708.2
Other financial liabilities[1)]	(51)	48.8	50.8
Provisions	(52)	83.4	69.9
Tax liabilities		0.6	5.8
Current tax liabilities		0.6	5.8
Other liabilities	(53)	26.2	25.7
Equity		746.3	805.1
thereof attributable to equity holders of parent		746.3	805.1
Total equity and liabilities		**5,996.4**	**5,842.3**

[1)]The position "Issued bonds, subordinated and supplementary capital" in the amount of EUR 0.1 million (YE21: EUR 0.1 million) is presented within "Other financial liabilities" starting from 2022.

The following notes (1) - (92) are an integral part of these consolidated financial statements

III. Consolidated statement of changes in equity

The consolidated statement of changes in equity is presented at the 31.12.2022 as follows:

EUR m

	Subscribed capital	Treasury shares	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**	**0.0**	**237.9**	**0.9**	**-10.8**	**382.1**	**805.1**	**0.0**	**805.1**
Result after tax	0.0	0.0	0.0	0.0	0.0	25.7	25.7	0.0	25.7
Other comprehensive income	0.0	0.0	0.0	-84.1	-0.6	0.3	-84.5	0.0	-84.5
Total comprehensive income	0.0	0.0	0.0	-84.1	-0.6	26.0	-58.8	0.0	-58.8
Transactions with equity holders	0.0	-0.4	0.0	0.0	0.0	0.3	-0.1	0.0	-0.1
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based payments	0.0	0.2	0.0	0.0	0.0	0.3	0.5	0.0	0.5
Purchase of treasury shares	0.0	-0.6	0.0	0.0	0.0	0.0	-0.6	0.0	-0.6
Other changes	0.0	0.0	0.0	-0.1	0.0	0.1	0.0	0.0	0.0
Equity as at 31.12.	**195.0**	**-0.4**	**237.9**	**-83.3**	**-11.5**	**408.5**	**746.3**	**0.0**	**746.3**

The consolidated statement of changes in equity is presented at the 31.12.2021 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	13.6	13.6	0.0	13.6
Other comprehensive income	0.0	0.0	-16.1	1.8	0.2	-14.1	0.0	-14.1
Total comprehensive income	0.0	0.0	-16.1	1.8	13.8	-0.5	0.0	-0.5
Transactions with equity holders	0.0	0.0	0.0	0.0	-46.1	-46.1	0.0	-46.1
Dividends paid	0.0	0.0	0.0	0.0	-46.6	-46.6	0.0	-46.6
Share-based payments	0.0	0.0	0.0	0.0	0.5	0.5	0.0	0.5
Other changes	0.0	0.0	-0.6	0.0	0.6	0.0	0.0	0.0
Equity as at 31.12.	**195.0**	**237.9**	**0.9**	**-10.8**	**382.1**	**805.1**	**0.0**	**805.1**

The following notes (1) - (92) are an integral part of these consolidated financial statements

IV. Consolidated statement of cash flows

EUR m

	2022	2021
Result after tax	**25.7**	**13.6**
Adjustments for:		
Net interest income	-176.4	-169.5
Depreciation and amortisation of intangible assets, tangible fixed assets and financial investments	18.0	19.1
Change in risk provisions on financial instruments	15.4	13.2
Modification gains or losses	0.0	0.1
Change in provision	36.6	31.6
Gains or losses on investment securities	0.0	-3.8
Gains or losses from disposals of intangible assets and tangible fixed assets	-2.2	-2.0
Gains or losses on financial instruments at FVTPL	0.7	2.4
Gains or losses on financial assets and liabilities, measured at amortised costs	0.0	-0.9
Subtotal	**-82.2**	**-96.0**
Loans and advances to credit institutions and customers	-98.9	321.3
Investment securities	-133.5	-93.6
Financial assets held for trading	9.1	1.4
Other assets	-20.8	2.2
Financial liabilities measured at amortised cost	210.5	-32.0
Financial liabilities held for trading	0.8	-2.6
Provisions	-24.5	-16.7
Other liabilities	-3.1	5.8
Payments for taxes on income	3.0	-0.4
Interests received	193.6	193.6
Interests paid	-24.8	-24.4
Dividends received	0.0	0.1
Cash flows from operating activities	**29.3**	**258.6**
Proceeds from sales of:	7.1	8.3
Non-current assets held for sale	-0.5	1.7
Tangible assets, investment properties, lease assets and intangible assets	7.6	6.6
Payments for purchases of:	-7.9	-11.0
Tangible assets, investment properties, lease assets and intangible assets	-7.9	-11.0
Cash flows from investing activities	**-0.8**	**-2.7**
Dividends paid	0.0	-46.6
Lease payments	-6.2	-5.9
Purchase of treasury shares	-0.6	0.0
Cash flows from financing activities	**-6.7**	**-52.5**
Net (decrease) increase in cash and cash equivalents	**21.8**	**203.3**
Cash reserves at the end of previous period (01.01.)	**1,361.8**	**1,156.7**
Effect of exchange rate changes	-0.6	1.8
Cash and cash equivalents at end of period (31.12.)	**1,383.0**	**1,361.8**

[1] The Cashflow for the period 2021 was adjusted according to the explanation in note (2) Changes in the presentation of the cash flow statement

The following notes (1) - (92) are an integral part of these consolidated financial statements

V. Notes to the consolidated financial statements

Company

Addiko Group is a specialist banking group focusing on providing banking products and services to Consumer and Small and Medium-sized Enterprises (SME) in Central and South-Eastern Europe (CSEE). The Group consists of Addiko Bank AG, the fully-licensed Austrian parent bank registered in Vienna, Austria, and regulated by the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates via two banks), Serbia and Montenegro. Addiko Group is a publicly listed company owned by a diversified investor base. Through its banks, the group services approximately 0.8 million customers, using a network of 154 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”) are subject of an accelerated run-down process, thereby providing liquidity and capital for the growth in its Consumer and SME lending.

Addiko Bank AG is registered in the commercial register (Firmenbuch) of the Commercial Court of Vienna under company registration number FN 350921k. The Groups headquarter is located at Canettistraße 5 / 12. OG 1100 Vienna, Austria.

The consolidated financial statements are published in the official journal of the Austrian newspaper “Wiener Zeitung”. Addiko Bank AG meets the disclosure obligations according to the Capital Requirements Regulation (CRR) based on the consolidated financial position. Disclosure is made on the Addiko Bank AG website at www.addiko.com.

(1) Accounting principles

The consolidated financial statements of Addiko Group 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), and in compliance with the requirements of Section 245a Austrian Commercial Code (UGB) and Section 59a Austrian Banking Act (BWG).

The consolidated financial statements consist of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements. In principle, the statement of financial position is structured in descending order of liquidity. Amounts due or realisable within twelve or more than twelve months after the reporting date are described in note (70) Analysis of remaining maturities.

All subsidiaries included in the consolidated financial statements of Addiko Group prepare their financial statements as at 31 December. Uniform accounting and measurement principles according to IFRS 10 are applied throughout the Addiko Group. The consolidated financial statements are prepared on a going concern basis. Regarding estimates and assumptions according to IAS 1, please refer to note (5) Use of estimates and assumptions/material uncertainties in relation to estimates.

The same estimates, judgments, accounting policies and methods of computation are followed in the financial statements as compared with the most recent annual financial statements.

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 consolidated financial statements are stated in millions of euros (EUR million), except when otherwise indicated; the euro (EUR) is the reporting currency. The tables shown may contain rounding differences.

On 21 February 2023, the Management Board of Addiko Bank AG approved the consolidated financial statements as at 31 December 2022 for publication by submitting them to the Supervisory Board. The Supervisory Board is responsible for examining the consolidated financial statements and announcing whether it approves the consolidated financial statements as at 31 December 2022.

(2) Changes in the presentation of the financial statements

In 2022 Addiko group reviewed the consolidated statement of cash flows. The result of the review led to changes in the consolidated statement of cash flows and the position “Non-cash items included in profit and reconciliation to cash flows from operating activities” was adjusted for net interest income. Previously net interest income was part of the position “Changes in assets and liabilities arising from operating activities after corrections for non-cash positions”. The previous period was adjusted by EUR -169.5 million in the position “Non-cash items included in profit and reconciliation to cash flows from operating activities” and consequently by EUR +187,7 million in the position “Loans and advances to credit institutions and customers” and by EUR -18,2 million in the position “Financial liabilities measured at amortised cost”

(3) Application of new standards and amendments

New standards, interpretations and their amendments are listed below.

The following new standards, interpretations and amendments to existing standards are mandatory for periods beginning on 1 January 2022:

Standard	Name	Description	Effective for financial year
IFRS 16	Amendments to IFRS 16 Leases	Covid 19-Related Rent Concessions	from April 2021
IFRS 1, IFRS 9, IFRS 16, IAS 41	Annual improvements to IFRS 2018-2020 Cycle	IFRS 1 First-time Adoption of IFRS, IFRS 9 Financial instruments, IFRS 16 Leases, IAS 41 Agriculture	2022
IFRS 3	IFRS 3 Business Combinations	Update of reference to Conceptual Framework	2022
IAS 16	IAS 16 Property, Plant and Equipment	Proceeds before intended use	2022
IAS 37	IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Onerous contracts	2022

3.1. Amendments to IFRS 16 Leases: Covid-19 Related Rent Concessions

The amendments to **IFRS 16 Leases** (Covid-19-Related Rent Concessions) extend the practical expedient in relation to Covid-19 related rent concession for any change in lease payments originally due on or before 30 June 2022. 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 April 2021. Earlier application is permitted. Addiko Group chose not to apply the practical expedient.

3.2. Annual improvements to IFRS Standards 2018-2020 Cycle

The collection of **annual improvements to IFRSs 2018-2020** includes amendments to the following standards:

- The amendments to **IFRS 1** permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent´s date of transition to IFRSs.
- The amendments to **IFRS 9** clarify which fees an entity includes when it applies to “10 percent” test in assessing whether to recognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other´s behalf.
- The amendment to **IFRS 16** only regards changes in illustrative example 13 (no effective date is stated).
- The amendments to **IAS 41** remove the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The amendments apply to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments will not result in any significant changes within the Addiko Group.

3.3. IFRS 3 Business combinations

The amendments to **IFRS 3** update outdated references in IFRS 3 without significantly changing its requirements. The amendment applies to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments do not result in any significant changes within the Addiko Group.

3.4. IAS 16 Property, plant and equipment

The amendments to **IAS 16** relate to revenue incurred before an item of property, plant and equipment is ready for use. Costs for test runs to check whether an item of property, plant and equipment is functioning properly continue to be directly attributable costs. If goods are already produced as part of such test runs, both the income from their sale and their production costs must be recognised in profit or loss in accordance with the relevant standards. It is therefore no longer permissible to offset the net proceeds against the cost of the item of property, plant and equipment. The amendment applies to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments do not result in any significant changes within the Addiko Group.

3.5. IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendments to **IAS 37** clarify which costs should be considered as costs of fulfilling the contract when assessing whether a contract is onerous. Costs of fulfilling a contract comprise the costs that relate directly to the contract. They can be incremental costs of fulfilling a contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendment applies to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments do not result in any significant changes within the 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.

3.6. New standards not yet effective

The following new standards, interpretations and amendments to existing standards issued by the IASB and adopted by the EU were not yet effective and were not early adopted by the Addiko Group:

Standard	Name	Description
IFRS 17	IFRS 17 Insurance contracts	New Standard replacing IFRS 4
IFRS 17	Amendments to IFRS 17 Insurance contracts	Initial application of IFRS 17 and IFRS 9 - Comparative information
IAS 1	Amendments to IAS 1 Presentation of Financial Statements	Disclosure of Accounting policies
IAS 8	Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates
IAS 12	IAS 12 Income Taxes	Deferred Tax related to Assets and liabilities arising from a Single Transaction

New standard **IFRS 17** Insurance contracts will replace IFRS 4 Insurance contracts. It applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. An insurance contract is a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
Addiko Group assessed the relevant criteria whether the issued contract is an insurance contract and the impact of IFRS 17 Insurance contracts on Addiko Group in the following business areas:

- financial guarantees
- credit cards and other payment arrangements
- performance guarantees
- insurance contract and
- death waivers.

After the assessment the group came to the conclusion that the new standard IFRS 17 Insurance contracts and its amendments are not expected to result in an impact and changes within the Addiko Group.

The amendments to **IAS 1** clarify the requirements for disclosure of material accounting policy instead of significant accounting policies. The amendment applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. These amendments are not expected to result in any significant changes within the Addiko Group.

The amendments to **IAS 8** replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The amendment applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. These amendments are not expected to result in any significant changes within the Addiko Group.

The amendments to **IAS 12** provide a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The amendment applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. These amendments are not expected to result in any significant changes within the Addiko Group.

3.7. New standards and interpretations not yet adopted by the EU

The following new standards and interpretations issued by the IASB have not yet been adopted by the EU:

Standard	Name	Description
IFRS 16	Amendments to IFRS 16 Leases	Lease liability in sale and leaseback
IAS 1	Amendments to IAS 1 Presentation of Financial Statements	Classification of liabilities as current or non-current

The amendments to **IFRS 16** Leases require the seller-lessee to determine lease payments or revised lease payments such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. It applies to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. These amendments are not expected to result in any significant changes within the Addiko Group.

The amendments to **IAS 1** clarify the requirements for classifying liabilities as current or non-current. The amendment applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. These amendments are not expected to result in any significant changes within the Addiko Group.

(4) Interest rate benchmark reform - Phase 2

The Addiko Group has exposure to IBORs on its financial instruments that were reformed. LIBOR reference rates EUR, GPB, CHF, JPY for all tenors and USD LIBOR reference rates for 1W and 2M tenors ceased at the end of 2021. The remaining USD LIBOR tenors will be ceased as at 30 June 2023. New alternative reference rates (SONIA, SARON, TONAR, SOFR) are available as a replacement of the ceased rates.

EURIBOR interest rates are compliant with EU Benchmarks Regulation and it is expected that they will not be affected by IBOR reform. Also the local reference rates used in the subsidiaries are not expected that they will affected by IBOR reform.

During 2021 and 2022 the Group was 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 rates, for example the incorporation of fallback provisions and establishing pricing for new products in response to IBOR reform. 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.

On 22 October 2021, the European Commission adopted the implementing regulations on the designation of a statutory replacement rate for two interest rate benchmarks, the Swiss Franc London Interbank Offered Rate (CHF LIBOR) and the Euro Overnight Index Change (EONIA).

The main focus of the Addiko Group during 2021 and 2022 was the transition of CHF LIBOR. In subsidiaries which are located in the European Union, there is a statutory solution based on EU Commission implementing act therefore annexes of customers contracts are not needed. Customer loans were automatically migrated to SARON (Swiss Average Rate Overnight) Compound Rate with first interest rate reset in 2022.

In non-EU countries, the strategies for transition were defined and approved by the Board Members since neither a local regulation on benchmark replacement has been adopted, nor is there any recommendation on industry level or Banking Association. Annexes of contracts are in the process of preparation and have to be signed by all parties in accordance with defined strategy. Beside it, subsidiaries updated General terms and conditions and prepared the implementation of new contracts and annexes of the existing contracts in their core systems.

The transition of USD LIBOR contracts will be performed during the year 2023. The Addiko Group expects EU statutory solution, similar to Commission implementing act which resolved CHF LIBOR- and EONIA-linked instruments.

EURIBOR was so far reformed (the calculation methodology was changed) rather than being replaced. The Addiko Group expects that EURIBOR will continue to exist as a benchmark rate, but to be prepared on different scenario, fallback clauses were prepared by external law firm and will be incorporated in any existing as well as new loan agreements.

Addiko Group further monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts and the volume of instruments that have yet to transition to an alternative benchmark rate. Addiko Group evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

It is also continuing process of preparing to amend contractual terms for the existing contracts that are indexed to an IBOR (USD LIBOR) and mature after the expected cessation of the IBOR rates, for example the incorporation of fallback provisions and establishing pricing for new products in response to IBOR reform.

The Addiko Group applied the practical expedient in relation to accounting for modifications of financial assets and financial liabilities required by IBOR reform. If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the effective interest rate of the financial asset or financial liability is updated to reflect the change that is required by the reform. There is consequently no adjustment of the carrying amount and no gain or loss is recognised. In effect, the change is treated as akin to a movement in the market rate of interest. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The following table shows the total amount of financial instruments which were referenced to LIBOR and which have transitioned to the new reference rates during the year 2022:

in EUR Mio.

	Non-derivative financial assets		Non-derivative financial liabilities		Derivatives	
	No. of contracts	Carrying amount	No. of contracts	Carrying amount	No. of contracts	Nominal amounts
CHF	445	24.4	4	0.0	0	0.0
USD	0	0.0	1	0.0	2	8.8
Total	**445**	**24.4**	**5**	**0.0**	**2**	**8.8**

The following table shows the total amount of financial instruments which are yet to transition to the new reference rates and which are referenced to LIBOR held on 31 December 2022:

in EUR Mio.

	Non-derivative financial assets		Non-derivative financial liabilities		Derivatives	
	No. of contracts	Carrying amount	No. of contracts	Carrying amount	No. of contracts	Nominal amounts
USD	0	0.0	15	0.3	0	0.0
Total	**0**	**0.0**	**15**	**0.3**	**0**	**0.0**

As at 31 December 2022 Addiko Group did not have any unreformed derivative contracts. As at 31 December 2021 Addiko Group had 57 derivative contracts with total notional amount EUR 198,3 million which are referenced to EONIA. It was replaced on 3 January 2022 with Euro short term rate (€STR – new alternative reference rate which was developed by ECB) plus a fixed spread.

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

The consolidated 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. The uncertainty which is inherent to estimating expected credit losses is very elevated, especially due to the strongly increased volatility of the economic environment as consequences of Russia's war in Ukraine and the turmoil on energy markets due to the introduction of

Western sanctions against the Russian petrochemicals. Due to the fact that the current developments are not comparable to the historic data in the existing models, Addiko has addressed the uncertainty by considering post model adjustments (PMAs). These adjustments include:

1. Post-model adjustments (PMAs) to address the positive impact of the macroeconomic development during late 2021 and early 2022 on the PD models, where some models recognise the current development as a significant improvement compared to the last recognised position;
2. PMAs to address the uncertainty of the future of the macroeconomic environment and high overall volatility. As observed in the last years, macroeconomic projections changed quite frequent and could be significantly different depending on the institute providing the projections. IFRS 9 modelling framework can not reasonably capture this uncertainty and the high volatility in the macroeconomic environment.

For further information on credit risk provisioning methodology, reference is made to financial assets in note (17) Financial instruments as well as to the Risk Report under note (61.2) Development of risk provisions.

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. Due to the current macroeconomic environment, affected by inflationary pressures, increase in the interest rates, deterioration of the business climate, geopolitical risks and the remaining pandemic-related effects, there is substantially more uncertainty than under normal market conditions, which may affect the projections of future taxable profits. In addition, 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. For further details regarding tax loss carried forward please refer to note (40) Taxes on income.

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 52.1 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.

Lease contracts

The application of IFRS 16 requires the Addiko Group to make judgments that affect the valuation of lease liabilities and the valuation of right of use assets. The lease term determined by Addiko Group comprises the non-cancellable periods of lease contracts, periods covered by an option to extend the lease if the Addiko Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Addiko Group is reasonably certain not to exercise that option. If there is a significant event or significant changes in circumstances within the Groups control, the lease terms are reassessed, especially with regards to extension or termination options. For lease contracts with indefinite term the Addiko Group estimates the length of the contract by using planning models.

The present value of the lease payments is determined using the incremental borrowing rate (discount rate) representing the risk free rate, adjusted by country default swap rates to be applicable for the country and currency of the lease contract and for similar tenor, adjusted by add-on based on mid-to-long credit facilities. The Addiko secured interest rate curve reflects a loan-to-value ratio of 60%. In general, the determination of the discount rates is based on an arm's length pricing principal.

For further details regarding the treatment of leasing contracts please refer to the note (10) Leases.

The other most significant uses of judgements, assumptions and estimates are described in the notes of the respective assets and liabilities and relate to:

- Classification of financial assets (business model assessment, SPPI assessment) – the note (17) Financial instruments
- Determination of control over investees – the note (8) Basis of consolidation and business combinations

(6) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items, which are measured on the following alternative basis on each reporting date.

Items	Measurement basis
Financial assets and liabilities held for trading	Fair value
Investment securities at fair value through other comprehensive income	Fair value
Investment securities at fair value through profit or loss	Fair value
Non-current assets held for sale	Lower of carrying amount and fair value less costs to sell
Provision for cash-settled shared-based payments	Fair value
Provision for pensions and other post employment defined benefit obligations	Present value of defined benefit obligations

(7) Scope of consolidation

Subsidiaries are consolidated from the date when control is obtained until the date when control is lost. Control is achieved when Addiko Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the relevant activities of the investee. Relevant activities are those which most significantly affect the variable returns of an entity.

	31.12.2022 Fully consolidated	31.12.2021 Fully consolidated
Start of period	**7**	**7**
Newly included in period under review	0	0
Excluded in period under review	0	0
End of period	**7**	**7**
thereof Austrian companies	1	1
thereof foreign companies	6	6

(8) Basis of consolidation and business combinations

Business combinations are accounted for following the consolidation principles pursuant to IFRS 3 "Business Combinations", using the acquisition method when control is transferred to the Group. According to this method, all assets and liabilities of the respective subsidiary are to be measured at fair value at the acquisition date. The cost of a business acquisition is calculated as the total of consideration transferred, measured at fair value at the acquisition date, and non-controlling interests in the entity acquired. Goodwill, if any, is initially measured at cost, calculated as the excess of the total consideration transferred as well as the amount of non-controlling interests in the identifiable assets and assumed liabilities acquired by the Group. If a negative difference remains after reassessment, it is recognised immediately in profit or loss.

IFRS 10 Consolidated Financial Statements defines the investor's control over an investee in terms of the investor having all of the following:

- Power to direct the relevant activities of the investee, i.e. activities that significantly affect the investee's returns,
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use the power over the investee to affect the amount of the investor's returns.

Assessing the existence of control requires judgements, assumptions and estimates on power stemming from voting rights, contractual agreements and rights arising from the lending transactions which could lead to the Addiko Group having power over an investee.

The date of initial consolidation corresponds to the date when the Group acquires control over the entity in question. Subsidiaries acquired during the year are included in the Group statement of comprehensive income from the date of acquisition. The results of subsidiaries disposed of during the year are included in the statement of comprehensive income until the date of disposal.

If further investments are acquired in an already fully consolidated but not yet wholly-owned entity, any resulting differences are reported directly in equity as transaction with non-controlling interests.

Intra-group balances and transactions between consolidated subsidiaries are fully eliminated. In the same way, intragroup income and expenses are offset within the framework of expense and income consolidation.

The share of equity and results of the consolidated subsidiaries allocated to non-Group third parties is reported separately in equity and in profit or loss under non-controlling interests. A subsidiary's comprehensive income is attributed to non-controlling interests even if this results in a negative balance.

When Addiko Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss.

(9) Foreign currency translation

Foreign currency translation within the Addiko Group follows the provisions of IAS 21. Accordingly, all monetary assets and liabilities have to be converted at the exchange rate prevailing at the reporting date. Insofar as monetary items are not part of a net investment in foreign operations, the result of the conversion is generally reported under exchange differences through profit or loss. Open forward transactions are translated at forward rates at the reporting date.

The assets and liabilities of foreign operations are translated into euros at the exchange rates prevailing at the reporting date. Income and expenses are translated using the average rates for the period, as long as they do not fluctuate markedly. The resulting exchange differences are reported in other comprehensive income (OCI) under foreign currency translation. The amount for a foreign operation recorded in other comprehensive income (OCI) is to be reclassified into the statement of profit or loss in the event of the sale of the foreign operation. Exchange differences attributable to non-controlling interests are shown under non-controlling interests.

The respective local currency is the functional currency for all entities.

The following exchange rates published by the European Central Bank or the Oesterreichische Nationalbank (OeNB) have been used for the currency conversion of the foreign financial statements:

Foreign currency translation Rates in units per EUR	Closing date 31.12.2022	Average 2022	Closing date 31.12.2021	Average 2021
Bosnian mark (BAM)	1.95583	1.95583	1.95583	1.95583
Croatian kuna (HRK)	7.53450	7.53816	7.51560	7.52835
Serbian dinar (RSD)	117.32240	117.47580	117.58210	117.57344

The conversion rate between EUR and HRK reflects the rate determined by ECB in connection with the approval of the accession of Croatia to the EURO area on 1 January 2023.

(10) Leases

10.1. Leases in which Addiko Group is a lessee

At inception of each the Addiko Group assesses whether a contract is or contains a lease. A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. This assessment involves the exercise of judgment about whether the contract contains an identified asset, whether the Addiko Group obtains substantially all the economic benefits from the use of that asset throughout the period of use, and whether the Addiko Group has the right to direct the use of the asset.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle, remove or restore the underlying asset, less any lease incentives received. The right of use asset is subsequently depreciated over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The Addiko Group also assess the right of use asset for impairment in accordance with IAS 36 Impairment of assets when such indicators exist. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group´s incremental borrowing rate. Thus, all lease obligations are generally recognised pursuant to the "right-of-use" approach in the statement of financial position. The only exception is for leases with a total lease term of 12 months or less, as well as for leases for which the underlying asset has a low value when new, with the IASB considering a lease to be of low value if it is USD 5,000 or less. In such cases Addiko Group elected to recognise such lease contracts off the statement of financial position and lease expenses are accounted on straight-line basis over the remaining lease term.

IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Addiko Group has not used this practical expedient.

Lease payments generally include fixed payments less lease incentives and variable payments that depend on an index or an interest rate. Prolongation options, termination options and purchase options are also considered (see note 5) "Use of estimates and assumptions/material uncertainties in relation to estimates"), and also the amounts expected to be payable under a residual value guarantee have to be included in the measurement of lease liability.

Recognising right of use assets on the assets side of the statement of financial position, and the corresponding lease liabilities on the equity and liabilities side, leads to an increase in total assets/equity and liabilities. Since only liabilities increase on the equity and liabilities side and all other items remain the same, the equity ratio decreases. Profit and loss is also impacted. The total amount of the expenses charged over the term of the lease remains the same, but temporal distribution and allocation to different parts of profit and loss change. Pursuant to IFRS 16 expenses are to be split between interest expenses and depreciation. As interest expenses are calculated based on the effective interest method and decrease over the term of the lease, but depreciation is generally carried out on a straight-line basis, this results in a degressive development of expenses with a shift of expenses into the earlier periods of the term. Interest expenses are to be reported under the Net interest income. Additionally, since the annual depreciation of right of use assets under IFRS 16 is lower than the lease rates and all other items remain the same, the operating expenses will decrease.

Subsequent to initial measurement, the lease liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset, or profit or loss if the right of use asset is already reduced to zero.

Lease incentives are recognised as part of the measurement of right of use assets and lease liabilities.

10.2. Leases in which Addiko Group is a lessor

Lessor accounting depends on which party bears the material opportunities and risks in the lease asset. For the classification and recognition of leases as a lessor (as finance or operating lease), the economic effect of the lease contract prevails over the legal ownership of the leased asset.

Addiko Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Under operating leases, the lessor presents the leased assets at cost less scheduled depreciation over the useful life of the asset and less any impairment loss.

10.3. Presentation in the financial statements

The Addiko Group as a lessee presents the right of use assets in the line item "Property, plant and equipment" in tangible assets in the statement of financial position. Lease liabilities are presented in the line item "Other financial liabilities" in the statement of financial position. Depreciation charge for the right of use assets is presented in the line item "Depreciation and amortisation" in the statement of profit or loss. The interest expense on lease liabilities is presented in the line item "Interest expenses" in the statement of profit or loss.

The Addiko Group as a lessor in an operating lease, with the exception of real estate, presents the leased assets in the line "Property, plant and equipment" in tangible assets. Ongoing lease payments, gains and losses on disposal as well direct operating expenses are reported under the line item “Other operating income” or "Other operating expense", scheduled depreciation under “Depreciation and amortisation” and impairment under “Other result”. Real estate leased under an operating lease is reported in the statement of financial position under the line item “Investment properties” in tangible assets. Ongoing lease payments, gains and losses on disposal, direct operating expenses and scheduled depreciation are reported under the line item “Other operating income” or "Other operating expense” and impairment under “Other result”.

With regards to the presentation in the Cashflow Statement, lessees must present short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities. Cash paid for the interest portion of lease liability must be presented as either operating activities or financing activities. Addiko Group has chosen to include the interest paid as well as cash payments for the principal portion as part of financing activities.

(11) Earnings per share

The Addiko Group presents basic and diluted earnings per share (EPS) in accordance with IAS 33 Earnings per share for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the bank by weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares and increasing the weighted average number of ordinary shares outstanding by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(12) Net interest income

For all financial instruments measured at amortised cost as well as interest-bearing financial assets measured at fair value through other comprehensive income and non-trading financial assets measured at fair value through profit or loss, interest income and interest expenses are recorded based on the effective interest rate.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using effective interest rate method of any difference between that initial amount and the maturity amount. For financial assets the amount is adjusted for any loss allowance. The gross carrying amount of financial asset is the amortised cost of financial asset before adjusting for any loss allowance. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Effective interest rate method is the calculation rate used to exactly discount the estimated future cash inflows and outflows over the expected term of the financial instrument, or a shorter period if applicable, to the gross carrying amount of the financial asset, other than purchased or originated credit-impaired financial assets or to the amortised cost of the financial liability. The calculation includes transaction costs and fees and points paid or received that are an integral part of effective interest rate (apart from financial instruments measured at fair value through profit or loss) and premiums and discounts. The expected credit losses are disregarded.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset (with the exception of purchased or originated credit-impaired financial assets where the calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves).

Interest income from assets held for trading, as well as interest components of derivatives are presented in “Net interest income”. Changes in clean fair value resulting from trading assets and liabilities are presented in “Net result on financial instruments”.

Negative interest from financial assets and financial liabilities is presented in “Net interest income”.

(13) Net fee and commission income

Fee and commission income (other than those that are integral part of effective interest rate on a financial asset or financial liability are included in the effective interest rate) are accounted for in accordance with IFRS 15 Revenue from contracts with customer and are reported in “Net fee and commission income”. Addiko Group derives its revenue from contracts with customers for the transfer of services over time and at a point in time in the business segments. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments.

In accordance with IFRS 15, income is recognised when the Group satisfies a performance obligation by transferring a promised service to a customer. It must be probable that the Group will derive an economic benefit from it and the amount can be reliably determined, regardless of the point in time in which payment is made. Income is measured at the fair value of consideration received or to be claimed, taking into account contractually stipulated payment terms, but without taking into account taxes or other levies.

Fees earned for the provision of services over a period of time are accrued over that period. Conversely, fee income earned from providing particular services to third parties or the occurrence of a certain event is recognised upon completion of the underlying transaction. Taking into consideration Addiko product classes the following services are accrued over the period:

- *Accounts and packages*, this category includes fee income and expense from monthly regular account/package fees, including monthly charges for standalone internet banking, mobile banking, SMS services and other services (not related to credit cards).
- *Loans and Deposits*, representing Fee income and expense that are not an integral part of the effective interest rate related directly to credit business (e.g. origination fee of the limit)
- *Securities*, representing commission income and expense from asset management
- *Bancassurance*, representing commission income and expense from insurance brokerage

The fees generated by the following products are recognised upon completion of the underlying transaction:

- *Transaction services*, representing fee income charged to clients for transactions performed (except credit cards) like payment order, standing order

- *Cards*, representing fee income related to prepaid and credit cards (like monthly membership fees) and acquiring business like membership fees, interchange fees, scheme fees, service fees, etc.
- *FX & DCC*, representing fee income related to foreign exchange transactions like fees from FX spot transaction or Dynamic currency conversions.
- *Trade finance*, representing fee income earned from providing transaction services to third parties, such as arranging the acquisition of shares or other securities

Other fee and commission expenses relate mainly to transaction and service fees which are expensed as the services are received.

In the note (32) Net fee and commission income in the notes to the statement of profit or loss, the product view is used as a base for presentation.

(14) Net result on financial instruments

Net result on financial instruments held for trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, realised gains and losses from derecognition, the result from trading in securities and derivatives, dividends and foreign exchange gains and losses on monetary assets and liabilities. The Group has elected to present the clean fair value movements of trading assets and liabilities in trading income, excluding any related interest income and interest expense, which are presented in “Net interest income”.

Net result on non-trading financial assets mandatorily at fair value through profit or loss includes all gains and losses from changes in the fair value of these assets, realised gains and losses from derecognition and dividends.

Net result on financial instruments at fair value through other comprehensive income includes gains and losses from derecognition and dividends. Financial assets and liabilities at amortised cost includes all gains and losses from derecognition.

(15) Other operating income and other operating expenses

Other operating income and other operating expenses reflect all other income and expenses not directly attributable to ordinary activities as expenses for restructuring or income from operating lease assets. In addition, it encompasses expenses for other taxes and certain regulatory charges (bank levy, the contributions to the deposit guarantee scheme and to the Single Resolution Fund).

(16) Other result

The other result shows the result from legal provisions and legal income and expense. In addition, it includes impairment losses and reversal of impairment losses for non-financial assets and for assets classified as held for sale and disposal groups. Furthermore, the insignificant modification gains and losses are presented in this position.

(17) Financial instruments

The presentation of the items in the statement of financial position as such reflects the nature of the financial instruments. For this reason, the classes have been defined according to those items in the statement of financial position which contain financial instruments in accordance with **IFRS 9** Financial Instruments.

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party.

17.1. Classification and measurement

Business models

All financial assets have to be assigned to one of the business models described below. It must be assessed for each solely payments of principal and interest (SPPI) compliant financial asset at initial recognition, if it belongs to the following category:

- *Hold to collect:* a financial asset held with the objective to collect contractual cash flows.
- *Hold to collect and sell:* a financial asset held with the objective of both collecting the contractual cash flows and selling financial assets.
- *Other:* a financial asset held with trading intent or that does not meet the criteria of the categories above. In Addiko Group, two subsidiaries have classified part of their bond portfolios under the “Other” business model, as such instruments are connected with the trading activities of the Group, especially in connection with customer business.

In the infrequent case that the entity changes its business model for managing certain financial assets and specific IFRS 9 requirements would be fulfilled, a reclassification of all affected financial assets would be required. Such subsequent changes do not lead to reclassifications or prior period corrections. Sales due to increase in credit risk, sales close to maturity and infrequent sales triggered by a non-recurring event are not considered as contradicting the held to collect business model.

Contractual cash flow characteristics

For the assessment whether contractual cash flows are solely payments of principal and interest, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, Addiko Group considers the contractual terms of the instrument and analyses the existing portfolio based on a checklist for SPPI criteria. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows in a way that it would not meet this condition, considering the following: contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the Group's claim to cash flows from specified assets and features that modify consideration for the time value of money.

Significant areas of judgements are unilateral changes in margins and interest rates, prepayment clauses, other contingent payment features, project financing and benchmark test for loans with interest mismatch features.

The SPPI compliance is assessed as follows:

- Unilateral changes of margins and interest rates: passing on costs related to the basic lending agreement, introducing the clauses designed to maintain a stable profit margin, and the changes of interest rates that reflect the worsening of the credit rating, are not SPPI harmful.
- Prepayment clauses: if the prepaid amount reflects the outstanding principal, interest and fees associated with the early redemption they are not critical. The prepayment fee has to be smaller than the loss of interest margin and loss of interest.
- Other contingent payment features: those could be typically side business clauses where the penalty represents the increased costs for risk monitoring or the reimbursement of lost profit which is associated with the triggering event. Such clauses are not SPPI harmful.

- Project financing: if there is no reference to the performance of the underlying business project and the borrower has adequate equity for the project to absorb losses before affecting ability to meet payments on the loan, it may pass the SPPI test.
- Loans with floating interest rates: if the loan contains interest mismatch features (fixation date is before the start of the period, reference rate's tenor is different to the rate reset frequency, etc.), it has to be assessed whether the time value of money element of interest has been significantly modified (whether the interest mismatch feature could result in contractual undiscounted cash flows that are significantly different from benchmark deal), and a quantitative benchmark test has to be performed.

When performing the benchmark test, at the initial recognition, contractual undiscounted cash flows of financial instrument are compared with the benchmark cash flow, i.e. contractual undiscounted cash flows that would arise if the time value of money element was not modified. The effect of the modified time value of money element is considered in each reporting period and cumulatively over the lifetime of the financial instrument. The benchmark test is based on a range of reasonable scenarios. The appropriate comparable benchmark financial instrument is the one with the same credit quality and the same contractual terms except for the modification, either real existing or hypothetical asset. If an entity concludes that the contractual (undiscounted) cash flows could be significantly different (10% threshold) from the (undiscounted) benchmark cash flows (either periodical or cumulative), the financial asset does not meet the condition in the IFRS 9 paragraphs 4.1.2(b) and 4.1.2A(b) and therefore cannot be measured at amortised cost or at FVTOCI.

During 2021 and 2022, there were no financial instruments with interest mismatch features which would lead to the classification at FVTPL. Significant volumes of financial instruments with critical features are not expected due to the internal policy for new products which eliminates potentially SPPI non-compliant features.

At the reporting date the Group has no loans in the portfolio including features that change contractual cash flows based on the borrower meeting certain contractually specified environmental, social and governance (ESG) targets. In case in the future, instruments with ESG feature will be issued or purchased, Addiko policy is first to verify if the effect of the ESG feature could only have a de minimis effect on the contractual cash flows of the loan, then the feature does not affect the classification of the loan. However, if the effect of the ESG feature could be more than de minimis, then judgement will be required about whether the feature would be consistent with a basic lending arrangement and meet the SPPI criterion.

Classification and measurement of financial assets and financial liabilities

Financial assets

Based on the entity’s business model and the contractual cash flow characteristics Addiko Group classifies financial assets in the following categories:

- A financial asset is measured at amortised cost only if the object of the entity’s business model is to hold the financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding (“SPPI criteria”).
- A financial asset is measured at fair value through other comprehensive income (FVTOCI) if the asset is held in a business model in which assets are managed both in order to collect contractual cash flows to sell them and the contractual cash flows are solely payments of principal and interest on the principal outstanding (simple loan feature).
- Financial assets that do not meet these criteria are measured at fair value through profit or loss (FVTPL). Furthermore, embedded derivatives will no longer be separated from the financial host asset. The financial instrument is assessed in its entirety and measured at fair value through profit or loss.

A financial asset is recognised when Addiko becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value including transaction costs (except for FVTPL financial instruments, for which transaction costs are recognised directly in the statement of profit or loss). Regular way (spot) purchases and sales of financial assets are recognised on the trade date.

Financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract – leading to the situation that from the perspective of the holder of the asset there may be a so-called negative compensation (the prepayment amount could be less than the unpaid amount of principal and interest) – can be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss. To qualify for amortised cost measurement, the asset must be held within a “held to collect” business model.

On initial recognition, a financial asset is classified into one of the categories set out below, the basis of this classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Subsequent measurement is determined by the classification category.

Financial assets at amortised costs
A financial asset is classified and subsequently measured at amortised costs, if the financial asset is held in a hold to collect business model and the contractual cash flows are SPPI compliant. Financial assets are measured at fair value at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount and adjusted for any impairment allowance. Interest income is presented in the line "Interest income calculated using the effective interest rate method ". Impairment is presented in the line "Credit loss expenses on financial assets". The major volume of financial assets of the Addiko Group are measured at amortised cost. Gains and losses from derecognition are presented in the line "Net result on financial instruments".

Financial assets at fair value through other comprehensive income
A financial asset is classified and subsequently measured at fair value through other comprehensive income, if the financial asset is held in a hold to collect and sell business model and the contractual cash flows are SPPI compliant. Financial assets are measured at fair value with any movements being recognised in other comprehensive income and are assessed for impairment under the expected credit loss (ECL) model.

Interest income is presented in the line "Interest income calculated using the effective interest rate method". Impairment is presented in the line "Credit loss expense on financial assets". The difference between fair value and amortised cost is presented in "Fair value reserve" in the consolidated statement of changes in equity. The changes in fair value during the reporting period for debt instruments are presented in the line "Fair value reserve - debt instruments" in the statement of other comprehensive income. Dividend income and gains and losses from derecognition are presented in the line "Net result on financial instruments".

For equity instruments that are not held for trading, entities can make an irrevocable election at initial recognition to classify the instruments at FVTOCI. This election is available for each separate investment. All subsequent changes in fair value are presented in the line "Fair value reserve - equity instruments" in the statement of other comprehensive income without recycling in the statement of profit or loss.

Addiko Group has designated at FVTOCI investments a small portfolio of equity instruments. This presentation alternative was chosen because the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose these investments in the short or medium term.

Financial assets at fair value through profit or loss
A financial asset that is held for trading or that does not fall into the hold to collect nor hold to collect and sell business models shall be assigned into the other business model and is measured at fair value through profit or loss. In addition, Addiko Group may use option to designate some financial assets as measured at FVTPL. Interest income is presented in the line "Other interest income". Dividend income and gains and losses from revaluation and derecognition are presented in the line "Net result on financial instruments". In addition, any financial instrument for which the contractual cash flow characteristics are not SPPI compliant must be measured in this category, even if held in a hold to collect or hold to collect and sell business model.

Non-trading financial assets consist of the two following subcategories and shall be assigned into the other business model and are measured at fair value through profit or loss.

- *Financial assets designated at fair value through profit or loss*
  At initial recognition, Addiko Group may irrevocably designate a financial asset that would otherwise be measured subsequently at amortised costs or FVTOCI, as measured at FVTPL, if such designation eliminates or significantly reduces a recognition and measurement inconsistency (i.e. "accounting mismatch") that would otherwise arise from measuring assets and liabilities or recognising the gains or losses on a different basis. Currently there is not such case in Addiko Group.
- *Financial assets mandatorily at fair value through profit or loss*
  Financial assets are classified in this category if their cash flows are not SPPI compliant or they are held as part of residual business models that are other than held for trading.

Equity instruments that are held for trading as well as equity instruments that are not held for trading (and they were not designated at FVTOCI at initial recognition) are measured at FVTPL.

Financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss.

When a modification or an exchange of financial liability measured at amortised cost does not result in the derecognition of the original financial liability, Addiko Group recognises an adjustment to the amortised cost of the financial liability arising from a modification or an exchange in profit or loss at the date of the modification or exchange.

Addiko Group participated in the previous years in the ECB program to fund banks called “Targeted Longer-Term Refinancing Operations” (TLTRO III). Originally the interest rate depended on a rate applied for the Eurosystem´s main refinancing operation (average deposit facility rate “DFR” which was calculated over the entire 3-years lifetime of TLTRO III tranches) and on achieving of specific volume of customer loans. If the target was achieved, the interest rate was reduced. Such terms and conditions were aimed to support the provision of loans to customers. Periodically Addiko Group assessed whether the criteria were met. Changes in estimates due to revised assessment of eligibility conditions would have been booked as an adjustment of the carrying amount (revised estimated received payments) and in net interest income. However, in 2021 and 2022, Addiko Group assessed that the criteria for the reduction of interest rate were not met. In October 2022, the ECB recalibrated the TLTRO III. From 23 November 2022, the interest rate on all remaining TLTRO III operations are indexed to the average applicable key ECB interest rates from the day onward. This change did not have any impact on the Addiko Group, as during the year 2022 all TLTRO III loans were repaid. Financial liabilities arising from TLTRO III were presented in the line “Deposits of credit institutions” and were measured at amortised costs. Received refinancing loans were not considered as below-market interest rate loans, due to the fact that ECB creates its own market with liquidity products and similar conditions are offered to all eligible participants. For further detail, see the note (31) Net interest income.

Financial liabilities measured at FVTPL consist of financial liabilities held for trading and financial liabilities measured at FVTPL at initial recognition. Changes to the fair value of liabilities designated at FVTPL resulting from changes in own credit risk of the liability are recognised in other comprehensive income, the remaining amount of the change in the fair value has to be presented in profit or loss. Addiko Group did not make a use of the option to designate some financial liabilities as measured at FVTPL during 2022 and 2021.

The Addiko Group has not designated any hedge accounting relationships in the current or in the previous year.

17.2. Impairment

While applying the forward-looking ECL model, Addiko Bank recognises ECL and updates the amount of ECL recognised at each reporting date to reflect changes in the credit risk of financial assets. The impairment standards applied measure ECL based on reasonable and supportable information that includes historical, current and forecast information, thus considering possible future credit loss events in different scenarios.

The lifetime ECL is the expected present value of losses that arise if borrowers' default on their obligations at some time during the complete maturity of the financial assets with simultaneous consideration of probabilities of default as well as credit losses (loss given default).

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed in note (44) Investment securities.

Overview ECL calculation

Addiko Group determines an ECL amount on a probability-weighted basis as the difference between the cash flows that are due to the bank in accordance with the contractual terms of a financial instrument and the cash flows that the bank expects to receive. Although IFRS 9 establishes this objective, it generally does not prescribe detailed methods or techniques for achieving it.

In determining the cash flows that the bank expects to receive, following the recommendation of the GPPC (Global Public Policy Committee), Addiko Bank is using a sum of marginal losses approach whereby ECLs are calculated as the sum of the marginal losses occurring in each time period from the reporting date. The marginal losses are derived from individual parameters that estimate exposures and losses in the case of default and the conditional probability of default for each period (the probability of a default in time period X conditional upon an exposure having survived to time period X). The (lifetime) ECL is calculated for different scenarios separately, considering current and future forward looking information. The aggregation to the final ECL is performed at the end by probability weighting of the different individual scenarios. Addiko calculates in total three outcomes: Base case, optimistic case and pessimistic case while occasionally also some more adverse scenarios are simulated to understand dynamics and potential portfolio risks (see below chapter Forward-looking information).

The observed period and the applied parameters within the ECL calculation depend on the maturity of the transaction, the IFRS 9 stage of the transaction and the macro scenario applied. For stage 1 the up to one year expected credit loss has to be considered while for stage 2 and 3 the expected lifetime loss has to be recognised.

The PD (probability of default) parameters reflects the probability of default for a certain period of time. The PDs used for the ECL calculation are derived by models/methodology which were developed by Addiko Bank internal model development units. Generally, the models are country and segment specific whenever possible and plausible. For certain parts of the portfolio Group wide models are applied to reflect data availability and portfolio characteristics. In certain cases, also external data from rating agencies is applied for the same reason mentioned before. Methodology wise, an indirect modeling approach is chosen. This means that underlying existing Basel III methodology is used as a starting point and is adapted in a way to be fully IFRS 9 compliant. This includes the removal of any conservatism from the models, the inclusion of forward-looking point-in-time information within the methodology as well as the estimation of lifetime PD term structures.

EAD (exposure at default) is an estimate of the exposure including repayments of principal and interest and expected drawdowns on committed facilities. EAD is specified as the gross carrying amount at time of default while using the effective interest rate to discount cash flows to a present value at the reporting date. In cases where no contractual maturity is given, quantitative and/or qualitative criteria are applied for determining cashflow structure (e.g. frames). For the EAD parameter internally developed statistical models are used. Also, Addiko Bank uses statistically developed models to estimate the prepayment rates in its portfolios.

LGD (loss given default) is an estimate of the economic loss under condition of a default. For the LGD parameter in both retail and Corporate internally developed statistical models are applied. Those values are internally aligned while qualitative checks are performed to ensure an adequate level.

In addition to the generalised ECL calculation based on internal estimated risk parameters/methodology a portfolio approach is applied for certain circumstances which cannot not be appropriately considered in a different way within the general framework while being relevant for the reporting date. These aspects are related but not limited to data availability and quality, model/parameter weaknesses, limited timeseries and/or time lags in data. A formalised approach is defined to ensure a consistent and sound application within the overall calculation logic.

Significant increase in credit risk

Addiko Bank measures ECL in three stages as the deterioration in credit quality takes place. Namely, for stage 1 up to 12-month ECL is reported and for stage 2 and 3 the full lifetime expected credit loss is recognised.

Stage 1 begins as soon as a financial instrument is originated and up to 12-month ECL are recognised as an expense and a loss allowance is established. For financial assets, interest revenue is calculated on the gross carrying amount. Unless its credit quality changes, the same treatment applies every time until its maturity.

When credit quality is deemed to deteriorate significantly assets move into stage 2, referring to Addiko Banks´ staging criteria (as described further below in more detail). At this point, the full lifetime ECL is applied, resulting in a significant increase in the provisions.

Stage 3 occurs when the credit quality of a financial asset deteriorates to the point that credit losses are incurred, or the asset is credit-impaired / defaulted according to the CRR default definition. The regulatory default definition according to CRR (Capital Requirement Regulation) Article 178 of Regulation (EU) No. 575/2013 is as follows:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising collateral (if any is held), or

- The borrower is more than 90 days past due on any material credit obligation to the Group.

Lifetime ECL continuous to be applied for loans in this stage of credit deterioration but interest income is calculated based on the lower net amortised cost carrying amount (gross carrying amount adjusted for the loss allowance).

Addiko Group uses the definition of default according to CRR Article 178, as this is the industry standard, and it allows consistency between entities and risk management processes. The determination that a financial asset is credit-impaired is achieved through the tracking of default criteria defined in the Default detection and recovery policy.

For the ECL calculation Addiko Bank classifies transactions in the different stages based on qualitative and quantitative criteria. Those are determined both by the standard itself as well as by internal analyses which are undertaken across countries and portfolio types. The staging indicators are classified as follows:

Qualitative staging criteria:

- 30 days past due: Addiko Bank identifies a staging criterion trigger when contractual payments are more than 30 days past due.
- Forborne exposures: are those exposures where Addiko Bank has extended forbearance measures because of the debtor facing financial difficulties. Forbearance events may result in an exposure being classified as performing or non-performing which implies a stage transfer into stage 2 or 3.

Further qualitative criteria in connection with the watchlist/early warning systems are reflected in the PD via the automatic downgrade of the client (as incorporated within the rating models and processes) or as a specific stage trigger depending on the portfolio.

Quantitative criteria are applied based on the probability of default, namely significant adverse changes in the 12-months probability of default at the reporting date compared to the initial recognition of the exposure with significance being assessed as a threefold increase of PD. In addition, for some parts of the portfolios leverage is applied as an additional stage criterion to reflect changes in exposure caused by macroeconomic circumstances which were not foreseeable at initial recognition and/or are not directly reflected in the PD at the reporting date. Due to limited timeseries there are cases where the rating at origination is not available. For such cases, a simplified proxy approach based on historically simulated ratings is used (PD at certain point in time is used as a proxy for the initial recognition) while additional mechanisms are applied to account for potential adverse effects resulting from this assumption.

Both, the qualitative and quantitative factors used for the staging determination are undergoing a constant validation and monitoring process to ensure their appropriateness and applicability over time (see chapter “Validation”).

Forward-looking information

Addiko Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. Addiko Bank has identified and documented key drivers of credit risk for each portfolio of financial instruments incorporating historical data analysis and estimated relationships between macroeconomic variables and credit risk. These key drivers used for the analyses include in addition to other important factors the following major indicators: unemployment rates, GDP growth rates, real estate prices, industrial production. All variables incorporated are at country and portfolio level whenever possible and plausible.

Forecast of these economic variables are regularly evaluated and updated. The input data for the forecasts is collected from external data sources. An extensive internal check and (if needed) adjustment is performed to make sure that forecasts reflect Addiko’s view on future outcomes. This includes also different future scenarios and their probabilities.

These scenarios are the baseline economic scenario, the optimistic and pessimistic scenario forecast and probability weights for each of them. The forecasted parameters are consistently used for various bank internal processes.

The forward-looking statements contained in this report are based on current estimates, assumptions and projections of Addiko Group as well as currently available public information. They are not guaranteeing future performance and involve certain known and yet unknown risks and uncertainties and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the current results or performance to be materially different from those that may be expressed or implied by such statements.

Validation

The methodology and the assumptions undertaken in the ECL calculation are embedded in the internal validation process. This means that models/methodologies are constantly undertaken a quality review and an improvement process. The validation standards applied are formalised upfront in a way to ensure a consistent evaluation over time. The validation is generally performed on an annual base.

Addiko distinguishes between an initial and an ongoing validation:

- An initial validation is performed in case of a new model development, major changes in the existing methodology and/or significant shifts in the values
- Ongoing validations represent the regular review of the existing methodology (when no initial validation was performed).

In addition to the yearly process a close monthly monitoring is undertaken to ensure that portfolio and model developments are timely identified while already raised findings are timely tackled.

The validation is performed by an independent internal unit which deliver reports to local and Group senior management.

Write-offs

When the Group has no reasonable expectations of recovery, a write-off event occurs. A write-off constitutes a derecognition event typically triggered by concessions given to borrowers in significant financial difficulties and/or by the Group’s judgment that it is no longer reasonable to expect any recovery of that amount.

Write-off can be done only against already recognised ECL. The amount written off can be either a full write-off or a partial write-off.

In addition to the general derecognition criteria (see chapter "Derecognition and contract modification") the following specific criteria fulfilment would lead to the derecognition of financial assets:

- Unsecured financial asset if the debtor is already undergoing bankruptcy proceedings,
- Financial asset can be written off if fully impaired (100% ECL) when all local regulatory requirements are fulfilled,
- Financial assets which have been subject to restructuring three or more times and the bank assessed the debtor as not able to repay their obligations,
- Financial asset for which the bank´s right to claim repayment from the debtor in judicial or other proceedings has been terminated by approval of compulsory settlement,
- Other triggers were defined for financial assets that are treated as non-recoverable.

17.3. Derecognition and contract modification

A financial asset is derecognised when:

- The contractual rights to receive cash flows from the asset have expired, or
- Addiko Group transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement,
- And either: (i) it has transferred substantially all risks and rewards connected with ownership of the asset, or (ii) has neither transferred nor retained substantially all risks and rewards connected with ownership of the asset but has transferred control of the asset.

Contractual adjustments resulting from negotiations with borrowers can lead to two types of modifications of initial contractual cash flows: (i) significant modifications or (ii) Insignificant modifications.

The following main criteria result in significant modifications:

- Quantitative - significant change of the contractual cash flows when the present value of the cash flows under the new terms is discounted using the original effective interest rate and differs from the discounted present value of the original financial instrument for at least 10%.
- Qualitative:
    - change of debtor,
    - currency change,
    - change of the purpose of financing,
    - SPPI critical features are removed or introduced in the loan contract.

Significant modifications leading to derecognition of financial assets
If the contractual cash flows of a financial asset are modified or renegotiated substantially, it results in derecognition (due to expiry of contractual rights to the cash flows) of that financial asset. A new financial asset with modified terms is recognised and the difference between the amortised cost of derecognised financial asset and the fair value of the new financial asset is reported in the profit or loss statement. If the borrower is not in default or the significant modification does not lead to default, then the new asset will be classified in stage 1. If the borrower is in default or the modification leads to the derecognition of the original financial asset and to the origination of a new financial asset at a deep discount that reflects the incurred credit losses, then the new asset will be treated as purchased or originated credit impaired (POCI) at initial recognition. For POCI financial assets no loss allowances are recognised and lifetime ECLs are reflected in the credit adjusted effective interest rate at initial recognition. Subsequently, the amount of change in lifetime ECLs since the initial recognition of POCI financial asset should be recognised as an impairment gain or loss in profit or loss. Even if the lifetime ECLs are less than the amount of ECLs that were included in the estimated cash flows on initial recognition, favorable changes in lifetime ECLs have to be recognised as an impairment gain.

For financial instruments in stage 1 and 2 measured at amortised costs, the unamortised balance of the origination fees and transaction costs considered in the effective interest rate is presented in the line "Net interest income" and for financial instruments in stage 3 measured at amortised costs, it is presented in the line "Credit loss expenses on financial assets". The release of the credit loss allowances of the original asset and the recognition of credit loss allowance for the new asset are presented in the line ""Credit loss expenses on financial assets".

Insignificant modifications not leading to derecognition of financial assets
If the contractual cash flows of financial asset are modified or renegotiated in such a way that does not result in the derecognition of that financial asset, entities should recalculate the gross carrying amount of the financial asset on the basis of the renegotiated or modified contractual cash flows using initial effective interest rate for discounting. A modification gain or loss is recognised in profit or loss in the line "Other result".

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

17.4. New treasury investment strategy and business model assessment

During 2021 significant changes took place in the governance structure of Addiko Bank AG, with the Supervisory Board replacing the previous CEO, CFO and CRO. This had a direct impact on the strategy of the bank going forward, with the new management initiating a “Transformation Program” aiming to increase the overall profitability of the bank.

The “Transformation Program” had, as one of the key impacts on the 2022 Business Plan, the fact that new business volumes in the focus segments are entirely funded by the accelerated run-down of the non-focus segments as well as the exit from low-yielding and high-ticket medium enterprise loans within the SME segment, thus maintaining the current solid liquidity levels. This allowed to implement a change in the management of the treasury portfolio with the aim to reduce the costs in steering the portfolio and to have a stable volume of instruments aimed to collect interest income until maturity to support the main income driver, the net banking income. The change in the management of the treasury portfolio, which was directly derived from the change in the overall strategy for the bank, has been operationalised in the new investment strategy elaborated and approved in the first half of 2022.

As a consequence of this change in 2022, Addiko started a new Business Model for the treasury portfolio, by classifying new investments in the Held to Collect category.

In addition, Addiko verified during 2022 with the competent authority (the Financial Market Authority, FMA) if the described change would have represented a change in the business model in accordance with IFRS 9.4.4. triggering the reclassification of the affected portfolio from the category financial asset at fair value through other comprehensive income to financial asset at amortised cost. Under IFRS 9 the reclassification of a portfolio of instruments is mandatory in case the following preconditions are fulfilled: infrequency in changes, changes must be determined by an entity's senior management as a result of external or internal changes, changes in the business model for managing financial assets must be significant to the entity’s operations and changes in the business model for managing financial assets must be demonstrable to external parties. Based on their feedback provided in January 2023, the portfolio existing before the approval of the new treasury investment strategy must continue to be classified in the business model Hold-to-Collect-and-Sell (HTC&S) and measured at fair value.

(18) Repurchase agreements

A repurchase agreement is an agreement between two parties under which one party transfers to the other party the ownership of assets at a specified price for a limited period of time, and at the same time it is agreed that these assets, upon expiry of the said term, should or may be repurchased at a previously agreed-upon amount. Under IFRS 9, the seller continues to recognise the asset in its statement of financial position if the seller retains substantially all risks and rewards of ownership. The cash amount received or paid is presented as a liability by the seller, whereas the buyer recognises a receivable.

(19) Fiduciary transactions

Fiduciary transactions concluded by the Addiko Group in its own name but on account of a third party are not reported in the statement of financial position according to IFRS. Commission fees are included in the net fee and commission income in profit or loss.

(20) Financial guarantees

Financial guarantees are contracts that oblige the Addiko Group to make compensation payments to the guarantee holder for losses incurred. Such losses arise if a certain debtor does not meet the payment obligations pursuant to the contractual terms and conditions. Financial guarantees are initially recognised as liabilities at fair value including transaction costs directly related to the guarantee issued. Initial measurement is the premium received and this amount is subsequently amortised to fee income. Liabilities are subsequently measured at the higher of the amount of ECL provision and the amortised balance of initially recognised premium.

(21) Cash reserves

Cash and cash equivalents comprise cash, cash balances at central banks that are daily due, deposits that are daily due, as well as the minimum reserve. These amounts are stated at amortised costs. Debt instruments issued by public authorities eligible for refinancing at central banks are not shown in this item but, depending on their measurement category, are shown as financial assets.

The mandatory minimum reserve requirement is calculated from defined balance sheet items and has to be fulfilled in average through an extended period of time. Therefore, the minimum reserve requirement deposits are not subject to any restraints.

(22) Tangible assets: Property, plant and equipment and investment properties

Land and buildings used by the Addiko Group in the course of its own business activities as well as operating and office equipment are reported under property, plant and equipment. Assets leased to third parties under operating leases are reported here as well, for further details see the note (10) Leases. Real estate acquired to generate returns is reported under investment properties.

Property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. Scheduled depreciation is recorded on a straight-line basis over the expected useful life. The following depreciation rates and expected useful lives are used:

Depreciation rate	in percent	in years
for immovable assets (buildings)	2 - 4 %	25 - 50 yrs
for movable assets (plant and equipment)	5 - 33 %	3 - 20 yrs

Investment properties are land and buildings held to earn rental income or to benefit from expected increases in value. Provided that they can be let or sold separately, material parts of mixed-use properties that are used by third parties are also treated as investment property.

Investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses, according to the cost method admissible under IAS 40, with straight-line depreciation being applied over the useful lives applicable to property, plant and equipment.

Scheduled depreciation on property, plant and equipment used by the Group is reported separately under depreciation and amortisation in the income statement. Scheduled depreciation on investment property is reported separately under "Other operating expenses" in the income statement. Gains and losses on disposal of property, plant and equipment and investment properties are reported under "Other operating income" or "Other operating expenses".

The assets are reviewed for indications of possible impairment at every reporting date. For this purpose, the current carrying amount is offset against the recoverable amount pursuant to IAS 36. Therefore, the recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount, an impairment has to be recognised. Insofar as the asset generates cash inflows that are largely independent of the cash inflows of other assets, the impairment test is performed on the basis of the individual asset. Otherwise, the impairment test is performed for the cash-generating unit the asset belongs to. IAS 36 defines a cash-generating unit as the smallest identifiable group of assets generating cash inflows that are largely independent from the cash inflows of other assets or groups of assets. Impairment or reversal of impairment, if any, is reported under the item “Other result”. If the reasons for the impairment cease to exist, the previously recognised impairment is reversed. The reversal is limited in that the asset’s carrying amount is not permitted to exceed the amount that would have been reported after depreciation if no impairment loss had been recorded for the asset in previous years.

(23) Intangible assets

Software as well as prepayments made on intangible assets are reported under intangible assets. These assets are measured at cost less amortisation.

Scheduled amortisation is recorded on a straight-line basis over the expected useful life and reported under depreciation and amortisation. The following amortisation rates and expected useful lives are used:

Amortisation rate or useful life	in percent	in years
for software	14 -50%	2 -7 yrs

If there are indications of impairment, an impairment test is performed according to IAS 36 as described under tangible assets, and impairments are recorded through profit or loss. Impairment or reversal of impairment and gains and losses from disposal, if any, are reported under the item “Other result”

(24) Tax assets and tax liabilities

Current and deferred income tax assets and liabilities are jointly reported in the statement of financial position under “Tax assets” and “Tax liabilities”. Current income taxes are determined according to the tax law regulations of the respective countries.

Deferred tax assets and liabilities are accounted for using the liability method, which compares the tax base of the items in the statement of financial position with the amounts stated pursuant to IFRS. In the case of expected taxable temporary differences, taxes are deferred. A deferred tax liability shall be recognised if the reversal of taxable temporary differences will lead to an effective tax burden. Deferred tax assets are recognised for taxable temporary differences that result in a tax credit when recovered. Deferred tax assets and deferred tax liabilities have been offset as required by IAS 12. The recognition of deferred tax is only allowed if there is convincing other evidence that sufficient taxable profits will be available.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. In accordance with IAS 12, non-current deferred taxes are not discounted. Deferred tax assets are recorded for tax loss carry-forwards if there is convincing evidence that future taxable profits will be available against which losses can be utilised. This assessment is made on tax plans which are based on business plans as agreed by the Management Board.

The recoverability of a deferred tax asset due to tax losses carried forward and taxable temporary differences is reviewed at the end of each reporting period. Recognition and reversal of tax assets and tax liabilities is recorded either in the income statement or in other comprehensive income, shown as a separate position.

The Group maintains provisions for uncertain tax positions that it believes appropriately reflect the risk of the tax positions under discussion, audit, dispute or appeal with tax authorities. These provisions are made using the Group's best estimate of the amount expected to be paid based on an assessment of all relevant factors, which are reviewed at the end of each reporting period.

(25) Other assets

Other assets mainly consist of deferred assets and real estate held as current assets, but do not comprise financial instruments.

Deferred assets are recognised at their nominal value, the real estate held as current asset with the lower of the carrying amount and the fair value less cost to sell.

(26) Non-current assets and disposal groups classified as held for sale

Pursuant to IFRS 5, an asset (or a disposal group) held for sale is classified as such if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Essential conditions that, cumulatively fulfilled, result in such a classification pursuant to IFRS 5.7 and 5.8 are:

- Immediate availability, i.e. the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets,
- Commitment to a plan to sell the asset, active search to locate a buyer,
- High probability of sale,
- Sale within a period of twelve months.

If the requirements are met, the disposal item must thus be measured according to the special provisions under IFRS 5 as at the reporting date and written down to the lower of the carrying amount or the fair value less costs to sell.

Assets classified as held for sale and the associated liabilities are each recorded in a separate main item in the statement of financial position. “Impairment losses and reversal of impairment losses for assets classified as held for sale and disposal groups" are presented in “Other result”. Gains and losses from disposal for assets classified as held for sale and disposal groups are presented in “Other operating income and other operating expense.”

(27) Provisions

27.1. Provisions for retirement benefits and similar obligations

The Addiko Group maintains both defined contribution and defined benefit plans. Under defined contribution plans, a fixed contribution is paid to an external provider. These payments are recognised under personnel expenses in the income statement. Except for these, there are no further legal or other obligations on the part of the employer. Therefore, no provision is required.

Defined benefit obligations relate to pension commitments and severance obligations. These schemes are unfunded, i.e. all of the funds required for coverage remain within the Company.

Non-current personnel provisions are determined according to IAS 19 – Employee Benefits – using the projected unit credit method. The valuation of future obligations is based on actuarial opinions prepared by independent actuaries. The present value of the defined benefit obligation is reported in the statement of financial position. According to the provisions of IAS 19, the resulting actuarial gains and losses are recorded under equity in other comprehensive income without affecting profit or loss. The key parameters underlying the actuarial calculations for staff members in Austria are an actuarial interest rate of 3.05% as at 31 December 2022 (2021: 0.97%) and a salary increase of 3.71% p.a. (2021: 3.67% p.a.) for active staff members. Biometric basic data are taken into account using the AVÖ 2018 P generation mortality tables for salaried employees (2021: AVÖ 2018 P generation mortality tables for salaried employees). Non-current personnel provisions are calculated on the basis of the earliest possible legal retirement age.

For staff members employed abroad, calculations are based on local parameters. Serbia is calculating with an actuarial interest rate of 3.0% (2021: 3.0%) while Slovenia is using 3.50% (2021: 0.90%). The fluctuation discounts amount to 0.0%-5.58% (2021: 0.0%-4.83%) in Serbia and Slovenia.

The expenditure to be recognised through profit or loss consists of service cost reported under personnel expenses and interest expense which is recorded as such; actuarial gains and losses are reported under equity in other comprehensive income without affecting profit or loss.

27.2. Provisions for risks arising from the lending business

Provisions for risks arising from the lending business are set up for risks arising in particular from impending draw-downs on framework agreements or as a provision against liability assumed for customer transactions (particularly issued financial guarantees and granted loan commitments). Provisions are made both for individual cases and at portfolio level and measured in accordance with IFRS 9.

Changes in provisions for risks arising from the lending business affecting profit or loss are reported in the income statement under the item "Credit loss expenses on financial assets".

27.3. Provisions for restructuring

Provisions for restructuring are only recorded if the general criteria for recording provisions in accordance with IAS 37.72 are fulfilled. This requires the existence of a constructive obligation for the company, which is fulfilled by the existence of a formal, detailed restructuring plan and the announcement of the measures set out in this plan to those affected. For disclosure of restructuring expenses, see note (34) Other operating income and other operating expenses.

27.4. Other provisions

Other provisions are recorded if there is a present liability related to a past event towards a third party, if the assertion of the relevant claim is probable and if the amount of the claim can be determined reliably. If the effect is significant, non-current provisions are discounted. The measurement of provisions for contingent liabilities and impending losses is based on reliable (best) estimates according to IAS 37.36 et seq. Provisions for legal cases include disputes with business partners, customers and external institutions, and are created based on an evaluation of the probability of a court case being lost by the Group. In certain cases, the legal risk-related loss is calculated using statistical methods with the expected value being the sum of the products of the probabilities of specific litigation resolutions and the loss calculated for each scenario, taking into account alternative prediction methods with respect to the number of disputes within the relevant time horizon.

(28) Other liabilities

This item includes deferred income and non-financial liabilities that due to their nature could not be classified in specific balance sheet item.

(29) Share-based payments

29.1. Share-settled share-based payments

The fair value of deferred shares granted to the management board under the variable remuneration scheme is recognised as Personnel expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date and is recognised in equity in the share-based payment reserve included in Other reserves. At initial recognition, the granted amount is estimated based on expected fulfillment of vesting conditions. The estimates of service conditions and non-market performance conditions are revised at the end of the reporting period, and adjustments are recognised in profit or loss and in the share-based payment reserve. Where shares are forfeited due to a failure by the employee to satisfy the service conditions during the vesting period, any expenses previously recognised in relation to such shares are reversed or, if shares are forfeited after the vesting period, they are transferred with the equity.

29.2. Cash-settled share-based payments

Liabilities for the group's cash-settled share-based payments are recognised as Personnel expenses over the relevant service period. The liabilities are remeasured to fair value at each reporting date until the settlement and are presented as Provisions in the balance sheet. The ultimate cost of a cash-settled award is the cash paid to the beneficiary, which is the fair value at settlement date. Changes in the measurement of the liability are reflected in the statement of profit or loss.

(30) Equity (including non-controlling interests)

Equity evidences the residual interest in the assets of an entity after deduction of all liabilities or obligations which cannot be terminated by the investor.

Subscribed (registered) capital represents the amounts paid in by shareholders in accordance with the articles of association.

Capital reserve includes share premium which is the amount by which the issue price of the shares exceeded their nominal value. In addition, direct capital contributions are presented in this position.

Fair value reserve includes the measurement results – after taking deferred taxes into account – for the financial assets measured at fair value through other comprehensive income.

Foreign currency reserve includes the translation of financial statements of Addiko Group subsidiaries (for further detail, see the note (9) Foreign currency translation).

The cumulative result includes the cumulated profits generated by the Group with the exception of the share of profit to which external parties are entitled. The other reserves include the statutory reserves, the liability reserve and equity-settled share-based payment transactions.

Notes to the profit or loss statement

(31) Net interest income

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Interest income calculated using the effective interest method	**192.9**	**185.5**
Financial assets at fair value through other comprehensive income	11.1	12.1
Financial assets at amortised cost	181.6	172.9
Negative interest from financial liabilities	0.2	0.4
Other interest income	**2.3**	**2.2**
Financial assets held for trading	1.1	1.7
Other assets	1.2	0.5
Total interest income	**195.1**	**187.7**
Financial liabilities measured at amortised cost	-16.5	-14.8
o/w lease liabilities	-0.2	-0.4
Other liabilities	0.0	-0.1
Financial liabilities held for trading	-0.7	-1.3
Negative interest from financial assets	-1.6	-2.0
Total interest expense	**-18.7**	**-18.2**
Net interest income	**176.4**	**169.5**

Interest expense of financial liabilities measured at amortised cost in the amount of EUR -16.5 million (YE21: EUR -14.8 million) includes expenses of EUR -7.8 million (YE21: EUR -7.7 million) related to customer deposits. The negative interest income on TLTRO III financial liabilities amounts to EUR 0.1 million (YE21: EUR 0.3 million).

Interest income break down by instrument and sector as follows:

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Derivatives	**0.4**	**1.1**
Debt securities	**13.1**	**12.7**
Governments	11.3	10.4
Credit institutions	0.8	1.1
Other financial corporations	0.1	0.1
Non-financial corporations	0.9	1.1
Loans and advances	**180.2**	**172.9**
Central banks	0.9	0.0
Governments	1.8	2.5
Credit institutions	0.2	0.0
Other financial corporations	0.5	0.6
Non-financial corporations	47.8	43.6
Households	129.0	126.3
Other assets	**1.2**	**0.5**
Negative interest from financial liabilities	**0.2**	**0.4**
Central banks	0.1	0.4
Credit institutions	0.1	0.0
Non-financial corporations	0.0	0.1
Total	**195.1**	**187.7**

The negative interest income on TLTRO III financial liabilities amounts to EUR 0.1 million (YE21: EUR 0.3 million) is reported in the line item “Negative interest from financial liabilities, Central banks”.

Interest expenses break down by instrument and sector as follows:

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Derivatives	-0.7	-1.3
Deposits	-16.1	-14.4
Governments	-0.9	-1.1
Credit institutions	-1.8	-1.5
Other financial corporations	-1.4	-1.1
Non-financial corporations	-4.2	-3.0
Households	-7.8	-7.7
Other liabilities	-0.4	-0.4
Negative interest from financial assets	**-1.6**	**-2.0**
Debt securities (Governments)	-0.1	-0.1
Loans and advances (Central banks)	-1.5	-1.9
Total	**-18.7**	**-18.2**

(32) Net fee and commission income

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Transactions	20.4	21.0
Accounts and Packages	26.1	21.3
Cards	14.3	12.1
Foreign exchange & Dynamic currency conversion	13.6	11.2
Securities	0.2	1.9
Bancassurance	5.5	4.6
Loans	5.2	5.0
Deposits	0.7	0.9
Trade finance	5.4	5.4
Other	1.0	0.9
Fee and commission income	**92.3**	**84.3**
Cards	-10.8	-9.7
Transactions	-4.5	-4.0
Client incentives	-0.4	-0.3
Securities	-0.2	-0.5
Accounts and Packages	-1.2	-1.0
Bancassurance	-0.4	-0.4
Trade finance	-0.1	0.0
FX changes	-0.2	-0.1
Loans	-0.7	-0.5
Other	-1.6	-0.9
Fee and commission expenses	**-19.8**	**-17.5**
Net fee and commission income	**72.5**	**66.8**

The fees and commission presented in this note include income of EUR 46.3 million (YE21: EUR 38.4 million) and expenses of EUR -12.6 million (YE21: EUR -10.7 million) relating to financial assets and liabilities not measured at FVTPL.

(33) Net result on financial instruments

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Held for trading financial instruments	-0.7	-2.4
Foreign exchange	2.6	4.0
Non-trading financial assets mandatorily at fair value through profit or loss	-0.1	0.0
Financial assets at fair value through other comprehensive income	0.0	3.8
Financial assets at amortised cost	0.0	0.9
Total	**1.9**	**6.2**

33.1. Gains or losses on financial instruments held for trading, net - by instrument

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Derivatives	0.8	-2.4
Debt securities	-1.5	-0.1
Other financial liabilities	-0.1	0.1
Total	**-0.7**	**-2.4**

33.2. Gains or losses on financial assets and liabilities held for trading, net - by risk

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Interest rate instruments and related derivatives	0.0	0.3
Foreign exchange trading and derivatives related to foreign exchange and gold	-0.6	-2.9
Credit risk instruments and related derivatives	0.0	0.1
Other	-0.1	0.0
Total	**-0.7**	**-2.4**

33.3. Gains or losses on financial assets and liabilities, not measured at fair value through profit or loss - by instrument

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Debt securities	-0.6	3.8
Loans and advances	0.6	0.9
Total	**0.0**	**4.7**

(34) Other operating income and other operating expenses

Other operating income and other operating expenses - net

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Deposit guarantee	-6.5	-5.8
Recovery and resolution fund	-0.6	-1.2
Banking levies and other taxes	-3.8	-4.2
Restructuring expenses	0.0	-5.3
Net result from provision on tax litigation	0.8	0.0
Net result from sale of non financial assets	2.2	2.0
Net result from sale of assets classified as held for sale	0.0	0.1
Result from operate lease assets	0.1	0.0
Result from other income and other expenses	-1.4	-2.1
Total	**-9.2**	**-16.5**

Other operating income and other operating expenses - gross

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Other operating income	**5.1**	**3.8**
Gain from sale of non financial assets	2.7	2.3
Release of provisions for tax litigations	0.8	0.0
Income from operating lease assets	0.6	0.3
Gain from the sale of assets classified as held for sale and disposal groups	0.0	0.1
Other income	1.1	1.1
Other operating expenses	**-14.3**	**-20.3**
Losses from sale of non financial assets	-0.4	-0.3
Expense incurred in earning the operating lease assets income	-0.5	-0.3
Restructuring expenses	0.0	-5.3
Recovery and resolution fund	-0.6	-1.2
Deposit guarantee	-6.5	-5.8
Banking levies and other taxes	-3.8	-4.2
Other expenses	-2.4	-3.2
Total	**-9.2**	**-16.5**

During 2022 the Croatian subsidiary, Addiko Bank d.d., received the final decision from the Croatian tax authorities in relation to the tax treatment of real estate acquired in bankruptcy proceedings in 2015, as collection of claims from the collateral. Addiko applied reverse charge VAT to the acquisition of the asset, which was acquired for the purpose of resale or rent in period until resale. Following this decision, a provision for tax litigations, which was recognised in the previous years in amount of EUR 0.8 million, was released.

(35) Personnel expenses

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Wages and salaries	-55.9	-57.4
Social security contribution	-9.8	-10.5
Variable remuneration	-8.8	-7.8
Bonuses and sales incentives	-7.7	-6.3
Cash-settled share-based payments	-0.6	-1.1
Equity-settled share-based payments	-0.5	-0.5
Other personal tax expenses	-1.0	-1.1
Voluntary social expenses	-3.8	-3.3
Expenses for retirement benefits	-8.4	-8.7
Expenses for severance payments	-0.9	-2.1
Income from release of employee provisions	0.9	0.3
Other personnel expenses	-1.1	-1.1
Total	**-88.9**	**-92.0**

(36) Other administrative expenses

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
IT expenses	-32.0	-32.7
Premises expenses (rent and other building expenses)	-12.2	-11.6
Legal and advisory costs	-3.0	-3.6
Advertising costs	-6.8	-5.7
Other administrative expenses	-7.9	-7.6
Total	**-61.8**	**-61.1**

(37) Depreciation and amortisation

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Property, plant and equipment	-10.5	-11.4
o/w right of use assets	-5.9	-6.3
Intangible assets	-6.9	-6.6
Total	**-17.4**	**-18.0**

(38) Other result

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Net result from legal provision and legal income/expense	**-26.2**	**-16.4**
Release of provisions for legal cases and income from legal cases	2.1	3.9
Allocation of provisions for passive legal cases and legal costs	-28.3	-20.3
Result from assets classified as held for sale and disposal groups	**-0.1**	**-0.2**
Reversal of impairment	0.0	0.0
Impairment	-0.1	-0.2
Impairment / reversal of impairment on non financial assets	**-0.8**	**-4.2**
Reversal of impairment	0.0	0.3
Impairment	-0.8	-4.5
Modification gains or losses	0.0	-0.1
Total	**-27.0**	**-20.9**

The net result from legal provision and legal income/expense amounting to EUR -26.2 million at YE22 (YE21: EUR -16.4 million) was mainly impacted by credit linked and portfolio based provisions for expected legal matters on Swiss-franc denominated loans in Croatia, provisions for planned settlements of legacy legal damage claims as well as costs from the legal actions taken in connection with the "Slovenian CHF Law". On 14 December 2022, the Slovenian Constitutional Court published the rejection of the Swiss Franc Law that came into force in February 2022. Therefore, there will be no further outflow in this regard.

Further details regarding provisions for legal cases are included in note (52) Provisions.

(39) 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. - 31.12.2022	01.01. - 31.12.2021
Change in CL on financial instruments at FVTOCI	**0.0**	**1.8**
Change in CL on financial instruments at amortised cost	**-14.1**	**-18.3**
Net allocation to risk provision	-21.7	-25.4
Proceeds from loans and receivables previously impaired	9.5	8.5
Directly recognised impairment losses	-2.0	-1.4
Net allocation of provisions for commitments and guarantees given	-1.3	3.2
Total	**-15.4**	**-13.2**

(40) Taxes on income

EUR m

	01.01. - 31.12.2022	01.01. - 31.12.2021
Current tax	-4.1	-7.4
Deferred tax	-1.3	0.2
thereof: temporary differences	-1.3	1.4
thereof: tax losses carried forward	-0.1	-1.2
Total	**-5.5**	**-7.2**

40.1. Reconciliation of effective tax rate

The reconciliation from calculated income tax to the effective tax is as follows:

EUR m

	31.12.2022	31.12.2022	31.12.2021	31.12.2021[1]
Result before tax		**31.2**		**20.8**
Theoretical tax expense based on corporate tax rate of 25%	25.0%	-7.8	25.0%	-5.2
Effects from divergent foreign tax rates	-16.5%	5.1	-18.8%	3.9
Tax effect of:				
Tax-exempt income	-3.3%	1.0	-2.8%	0.6
Investment tax relief and other effects reducing the tax burden	-6.6%	2.1	-13.8%	2.9
Non-deductible expenses and withholding taxes	11.5%	-3.6	17.6%	-3.7
Current-year losses for which no deferred tax asset is recognised	25.4%	-7.9	32.7%	-6.8
Recognition of previously unrecognised tax losses and re-assessment of related DTA stock	-8.9%	2.8	-12.7%	2.6
Recognition/non-recognition of temporary differences	-5.3%	1.6	4.3%	-0.9
Adjustments tax return previous years	-3.7%	1.1	0.6%	-0.1
Other	0.0%	0.0	2.7%	-0.6
Actual income tax (effective tax rate: 17.6% (2021: 34.8%))	**17.6%**	**-5.5**	**34.8%**	**-7.2**

[1] The line items presented in the table have been amended in order to improve the readability. The comparative figures have been accordingly restated.

40.2. Movements in deferred tax balances

In the financial year, deferred tax assets and liabilities were netted as far as the requirements according to IAS 12 were fulfilled.

Deferred taxes (tax assets or tax liabilities) have been recorded for the differences between carrying amounts for tax purposes and IFRS values and for unused tax losses as presented in the following table:

EUR m

2022	Net balance 1.1.	Recognised in profit or loss	Recognised in OCI	Balance at 31 December Net	Deferred tax assets	Deferred tax liabilities
Financial assets designated at FVTPL	0.2	-0.2	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	-0.1	0.0	14.1	14.0	14.0	0.0
Financial assets at amortised cost	2.9	-1.0	0.0	1.9	2.5	-0.5
Tangible assets	2.6	-1.0	0.0	1.6	1.7	-0.1
Intangible assets	0.5	-0.1	0.0	0.4	0.4	0.0
Financial liabilities held for trading	0.1	0.0	0.0	0.1	0.1	0.0
Provisions	7.0	1.1	0.0	8.1	8.1	0.0
Other	0.4	0.0	0.1	0.6	0.6	0.0
Tax losses carried forward	10.4	-0.1	0.0	10.3	10.3	0.0
Tax assets (liabilities) before set-off	**24.1**	**-1.4**	**14.2**	**37.0**	**37.6**	**-0.6**
Set-off of tax	0.0	0.0	0.0	0.0	-0.6	0.6
Tax assets (liabilities)	**24.1**	**-1.4**	**14.2**	**37.0**	**37.0**	**0.0**

EUR m

2021	Net balance 1.1.	Recognised in profit or loss	Recognised in OCI	Balance at 31 December Net	Deferred tax assets	Deferred tax liabilities
Financial assets designated at FVTPL	0.2	0.0	0.0	0.2	0.2	0.0
Financial assets at fair value through other comprehensive income	-2.4	-0.1	2.4	-0.1	0.2	-0.3
Financial assets at amortised cost	2.8	0.2	0.0	2.9	2.9	0.0
Tangible assets	3.1	-0.5	0.0	2.6	2.7	-0.1
Intangible assets	0.6	-0.1	0.0	0.5	0.5	0.0
Financial liabilities held for trading	0.3	-0.2	0.0	0.1	0.1	0.0
Provisions	4.6	2.4	0.0	7.0	7.0	0.0
Other	0.4	-0.2	0.2	0.4	0.5	0.0
Tax losses carried forward	11.6	-1.2	0.0	10.4	10.4	0.0
Tax assets (liabilities) before set-off	**21.3**	**0.2**	**2.6**	**24.1**	**24.6**	**-0.4**
Set-off of tax	0.0	0.0	0.0	0.0	-0.4	0.4
Tax assets (liabilities)	**21.3**	**0.2**	**2.6**	**24.1**	**24.1**	**0.0**

The total change in deferred taxes in the consolidated financial statements is EUR 12.9 million (2021: EUR 2.8 million). Of this, EUR -1.4 million (2021: EUR 0.2 million) is reflected in the current income statement as deferred tax expense and an amount of EUR 14.2 million (2021: EUR 2.6 million) is shown in other comprehensive income in equity.

40.3. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probably that future taxable profits will be available in the next 5 years against which the Group can use the benefit therefrom.

EUR m

	2022		2021	
	Gross amounts	Tax effect	Gross amounts	Tax effect
Deductible temporary differences	0.0	0.0	0.0	0.0
Tax losses	322.4	74.5	278.2	62.7
Total	**376.7**	**74.5**	**278.2**	**62.7**

40.4. Tax losses carried forward

The utilisation of the unused tax losses from previous years and their possibility to be carried forward are presented in the following table:

EUR m

Tax losses per country	ABC	ABS	ABBL	ABSA	ABSE	ABM	ABH	Total
applicable tax rate	**18.0%**	**19.0%**	**10.0%**	**10.0%**	**15.0%**	**9.0%**	**25.0%**	
Total tax losses carried forward	**0.0**	**156.7**	**0.0**	**0.0**	**0.0**	**0.0**	**220.0**	**376.7**
thereof fully/ unlimited utilisable	0.0	156.7	0.0	0.0	0.0	0.0	220.0	376.7
thereof restricted utilisable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1st following year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2nd following year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3rd following year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4th following year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Theoretical Deferred Tax asset	**0.0**	**29.8**	**0.0**	**0.0**	**0.0**	**0.0**	**55.0**	**84.8**
Recognised DTA	**0.0**	**10.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**10.3**
Unrecognised DTA	**0.0**	**19.5**	**0.0**	**0.0**	**0.0**	**0.0**	**55.0**	**74.5**

In 2022, the management of the Slovenian subsidiary, based on the updated five-year business plan and taking into account the reversal of existing taxable temporary differences, updated its estimate of the future taxable profits and the Group used EUR 1.4 million of previously unrecognised tax losses, which has a positive tax impact of EUR 0.3 million. By assuming that the entity will generate enough taxable profits in the future years to entirely utilise the existing taxable losses, additional deferred tax assets and related tax benefit of EUR 19.5 million (2021: EUR 21.8 million) could be recognised.

In 2022, the Group's parent company, recognised additional tax losses in amount of EUR 31.7 million (2021: EUR 30.5 million), increasing the cumulative tax losses to EUR 220.0 million (2021: EUR 188.3 million – amount restated to reflect the settlement reached in December 2022 with the Austrian tax authority). Although the tax losses are unlimited utilisable, Addiko has determined that the recoverability of cumulative tax losses is uncertain as it is not probable that in the foreseeable future taxable profit will be available against which the Group can use the benefits. According to the Eco Social Tax Reform Act, the standard corporate income tax (CIT) rate in Austria will be reduced from 25% to 24% in calendar year 2023 and further to 23% in calendar year 2024. However, due to the above described situation, this change resulted in no impact on the amount of deferred tax assets and liabilities recognised during the year ended 31 December 2022.

EUR m

Tax losses per country	ABC	ABS	ABBL	ABSA	ABSE	ABM	ABH[1)]	Total
applicable tax rate	**18.0%**	**19.0%**	**10.0%**	**10.0%**	**15.0%**	**9.0%**	**25.0%**	
Total tax losses carried forward	**0.0**	**167.6**	**0.0**	**3.0**	**0.0**	**0.0**	**163.6**	**334.2**
thereof fully/ unlimited utilisable	0.0	167.6	0.0	0.0	0.0	0.0	163.6	331.2
thereof restricted utilisable	0.0	0.0	0.0	3.0	0.0	0.0	0.0	3.0
1st following year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2nd following year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3rd following year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4th following year	0.0	0.0	0.0	3.0	0.0	0.0	0.0	3.0
Theoretical Deferred Tax asset	0.0	31.8	0.0	0.3	0.0	0.0	40.9	73.0
Recognised DTA	0.0	10.1	0.0	0.3	0.0	0.0	0.0	10.4
Unrecognised DTA December	0.0	21.8	0.0	0.0	0.0	0.0	40.9	62.7

[1)] The ABH amount of total tax carried forward do not include the impact from the settlement reached in December 2022 with the Austrian tax authority which increased the tax loss carried forward by EUR 24.7 million, from EUR 163.6 million to EUR 188.3 million.

40.5. Uncertainty over income tax treatments

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.

Of the Group's current tax assets, EUR 1 million (2021: nil) relates to the estimation of the amount of tax receivable by the parent company, Addiko Bank AG, in relation to a dispute with the Austrian tax authority. The Austrian tax authority examined the 2016-18 tax returns and challenged the tax treatment of certain gains. Following the examination, the Group was required to make an immediate payment to avoid penalty charges. However, based on the advice received from its tax and legal experts, the Group believed that it was entitled to the applied tax treatment and lodged an appeal to dispute the tax authority's challenge. The dispute process took place in December 2022 whereby Addiko and the Austrian tax authority identified a settlement agreement based on which Addiko recognised the above mentioned tax asset. Addiko received the related payment from the Austrian tax authority on the 15 February 2022.

In 2020 the tax authorities in Montenegro issued a decision in relation to a tax audit covering the period from 2008 to 2012 based on which the local subsidiary was charged with understating CIT, WHT and VAT. Upon that decision, the Bank was required to make an immediate payment in amount of EUR 1.6 million. However the bank, based on advice received from its tax and legal experts, appealed against the decision of the tax authority. The dispute lasted till 2020, when a newly appointed commission from Tax Authority issued a decision that overrules initial decision and states that the Bank has correctly stated tax obligations concerning mentioned taxes. After this, the Bank has officially requested return of funds which were initially paid and recognised a receivable against the tax authorities.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

40.6. Global minimum tax

To address concerns about uneven profit distribution and tax contributions of large multinational groups, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Cooperation and Development (OECD) released a draft legislative framework, followed by detailed guidance released in March 2022, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. Based on the OECD's draft legislative framework, the global minimum tax will apply only to multinational enterprise groups with a total consolidated group revenues of EUR 750 million or more in at least two of the four preceding years. Unless jurisdictions will introduce a lower threshold, the Addiko Group was not exceeding in the previous years the above-mentioned thresholds and for this reason it is not expecting that it will be subject to the top-up tax.

Notes to the consolidated statement of financial position

(41) Cash reserves

EUR m

31.12.2022	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash reserves	119.9	0.0	119.9
Cash balances at central banks	1,185.0	0.0	1,185.0
Other demand deposits	78.0	0.0	78.0
Total	**1,383.0**	**-0.1**	**1,382.9**

EUR m

31.12.2021	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash reserves	126.8	0.0	126.8
Cash balances at central banks	1,116.8	0.0	1,116.7
Other demand deposits	118.3	-0.1	118.2
Total	**1,361.9**	**-0.1**	**1,361.7**

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).

The cash balances at central banks include EUR 212.2 million (YE21: EUR 269.1 million) minimum reserves which subsidiaries were holding at the reporting date in their current accounts at their national central banks in order to meet on average during the maintenance period the prescribed requirements.

41.1. Cash reserves at central banks and other demand deposits - development of gross carrying amount

EUR m

2022	Stage 1
Gross carrying amount at 01.01.	**1,235.1**
Changes in the gross carrying amount	28.4
Transfer between stages	0.0
Write-offs/utilisation	0.0
Foreign exchange and other movements	-0.5
Gross carrying amount at 31.12.	**1,263.0**

EUR m

2021	Stage 1
Gross carrying amount at 01.01.	**1,039.9**
Changes in the gross carrying amount	193.5
Transfer between stages	0.0
Write-offs/utilisation	0.0
Foreign exchange and other movements	1.6
Gross carrying amount at 31.12.	**1,235.1**

41.2. Cash reserves at central banks and other demand deposits - development of ECL allowance

EUR m

2022	Stage 1
ECL allowance as at 01.01.	**-0.1**
Changes in the loss allowance	0.0
ECL allowance as at 31.12.	**-0.1**

EUR m

2021	Stage 1
ECL allowance as at 01.01.	**-0.4**
Changes in the loss allowance	0.3
ECL allowance as at 31.12.	**-0.1**

Although the gross carrying amount of cash reserves at central banks and other demand deposits increased in the period, the ECL amount stayed the same level due to improvement in macroeconomic indicators and expectations.

(42) Financial assets held for trading

EUR m

	31.12.2022	31.12.2021
Derivatives	**5.0**	**1.1**
Debt securities	**17.9**	**31.5**
Governments	17.9	31.5
Total	**22.8**	**32.6**

(43) Loans and advances

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

43.1. Loans and advances to credit institutions

EUR m

31.12.2022	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and advances to credit institutions	**89.2**	**0.0**	**89.2**

The increase of the loans and advances to credit institutions during the reporting period was mainly driven by the EUR 51.6 million cash collateral provided to the Croatian Central Bank in connection with the preparations for the change over to EURO.

EUR m

31.12.2021	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and advances to credit institutions	**5.7**	**0.0**	**5.7**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**5.7**	**0.0**	**0.0**	**0.0**	**5.7**
Changes in the gross carrying amount	82.6	0.0	0.0	0.0	82.6
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.9	0.0	0.0	0.0	0.9
Gross carrying amount at 31.12.	**89.2**	**0.0**	**0.0**	**0.0**	**89.2**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**56.5**	**0.0**	**0.0**	**0.0**	**56.5**
Changes in the gross carrying amount	-59.2	8.2	0.0	0.0	-51.0
Transfer between stages	8.3	-8.3	0.0	0.0	0.0
Foreign exchange and other movements	0.2	0.0	0.0	0.0	0.2
Gross carrying amount at 31.12.	**5.7**	**0.0**	**0.0**	**0.0**	**5.7**

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

43.2. Loans and advances to customers

EUR m

31.12.2022	Gross carrying amount	ECL				Carrying amount (net)
		Stage 1	Stage 2	Stage 3	POCI	
Households	2,130.4	-13.7	-26.9	-71.3	-1.2	2,017.2
Non-financial corporations	1,283.6	-7.1	-16.5	-45.6	0.0	1,214.4
Governments	37.4	-0.1	0.0	0.0	0.0	37.3
Other financial corporations	24.8	-0.1	-0.8	-0.1	0.0	23.8
Total	**3,476.2**	**-21.0**	**-44.3**	**-117.0**	**-1.2**	**3,292.7**

EUR m

31.12.2021	Gross carrying amount	ECL				Carrying amount (net)
		Stage 1	Stage 2	Stage 3	POCI	
Households	2,093.0	-15.4	-33.0	-93.7	-2.1	1,948.8
Non-financial corporations	1,320.9	-8.0	-17.2	-40.0	0.0	1,255.7
Governments	51.8	-0.1	-0.1	0.0	0.0	51.6
Other financial corporations	23.4	-0.1	-0.6	-0.1	0.0	22.7
Total	**3,489.2**	**-23.6**	**-50.9**	**-133.8**	**-2.1**	**3,278.7**

Development of ECL allowance:

43.2.1. LOANS AND ADVANCES TO HOUSEHOLDS

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**1,687.0**	**279.6**	**118.2**	**8.1**	**2,093.0**
Changes in the gross carrying amount	148.8	-56.8	-13.2	0.5	79.2
Transfer between stages	-68.8	42.1	26.8	0.0	0.0
Write-offs/utilisation	-0.1	-2.5	-44.1	-1.9	-48.5
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	11.7	-7.3	2.3	0.0	6.7
Gross carrying amount at 31.12.	**1,778.6**	**255.0**	**90.1**	**6.7**	**2,130.4**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**1,670.5**	**305.6**	**145.7**	**9.4**	**2,131.2**
Changes in the gross carrying amount	129.8	-114.0	-16.0	-0.7	-0.8
Transfer between stages	-116.2	87.8	28.4	0.0	0.0
Write-offs/utilisation	-0.1	-0.2	-39.2	-0.8	-40.2
Changes due to modifications that did not result in derecognition	0.0	-0.1	-0.1	0.0	-0.1
Foreign exchange and other movements	3.1	0.4	-0.6	0.2	3.0
Gross carrying amount at 31.12.	**1,687.0**	**279.6**	**118.2**	**8.1**	**2,093.0**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-15.4**	**-33.0**	**-93.7**	**-2.1**	**-144.3**
Changes in the loss allowance	6.1	-0.3	-14.7	0.3	-8.7
Transfer between stages	-4.5	4.8	-0.3	0.0	0.0
Write-offs/utilisation	0.0	2.4	43.0	1.9	47.3
Foreign exchange and other movements	0.0	-0.8	-5.6	-1.2	-7.6
ECL allowance as at 31.12.	**-13.7**	**-26.9**	**-71.3**	**-1.2**	**-113.2**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-16.5**	**-40.1**	**-113.6**	**-2.4**	**-172.6**
Changes in the loss allowance	19.1	-13.2	-21.0	-0.2	-15.3
Transfer between stages	-18.0	20.2	-2.1	0.0	0.0
Write-offs/utilisation	0.0	0.1	49.1	0.8	50.0
Foreign exchange and other movements	0.0	0.0	-6.2	-0.3	-6.4
ECL allowance as at 31.12.	**-15.4**	**-33.0**	**-93.7**	**-2.1**	**-144.3**

Overall gross carrying amount slightly increased during 2022, mostly through disbursements of new loans - outperforming the repayments and write offs – accompanied by slightly decreasing ECL coverage for performing portfolio despite increase of absolute amount of ECL allowances .

43.2.2. LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**1,090.4**	**164.8**	**65.8**	**0.0**	**1,320.9**
Changes in the gross carrying amount	48.5	-64.6	-8.2	1.0	-23.3
Transfer between stages	-36.8	21.9	15.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	-11.6	0.0	-11.6
Changes due to modifications that did not result in derecognition	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	-2.5	-0.7	0.7	0.0	-2.5
Gross carrying amount at 31.12.	**1,099.5**	**121.4**	**61.7**	**1.0**	**1,283.6**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**1,274.0**	**249.4**	**81.9**	**0.0**	**1,605.3**
Changes in the gross carrying amount	-100.3	-113.3	-17.9	0.0	-231.6
Transfer between stages	-72.2	28.3	43.9	0.0	0.0
Write-offs/utilisation	0.0	0.0	-42.1	0.0	-42.1
Foreign exchange and other movements	-11.2	0.5	0.0	0.0	-10.7
Gross carrying amount at 30.12.	**1,090.4**	**164.8**	**65.8**	**0.0**	**1,320.9**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-8.0**	**-17.2**	**-40.0**	**0.0**	**-65.2**
Changes in the loss allowance	0.4	-0.7	-12.7	0.0	-13.0
Transfer between stages	0.5	1.3	-1.8	0.0	0.0
Write-offs/utilisation	0.0	0.0	11.0	0.0	11.0
Foreign exchange and other movements	0.0	0.0	-2.0	0.0	-2.0
ECL allowance as at 31.12.	**-7.1**	**-16.5**	**-45.6**	**0.0**	**-69.2**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-12.8**	**-21.7**	**-58.0**	**0.0**	**-92.5**
Changes in the loss allowance	1.8	-1.6	-11.3	0.0	-11.1
Transfer between stages	3.0	6.1	-9.1	0.0	0.0
Write-offs/utilisation	0.0	0.0	42.5	0.0	42.5
Foreign exchange and other movements	0.0	0.0	-4.1	0.0	-4.1
ECL allowance as at 31.12.	**-8.0**	**-17.2**	**-40.0**	**0.0**	**-65.2**

Overall gross carrying amount of loans and advances to non-financial corporations remains on generally the same level as YE21 (with a slight decreasing trend) accompanied by a concurrent increase in ECL in stage 3 (increasing ECL coverage for stage 3), and minor decrease of absolute ECL amount in performing portfolio. The decrease of carrying amount in stage 2 is resulting in material increased ECL coverage for stage 2 exposures.

43.2.3. LOANS AND ADVANCES TO GENERAL GOVERNMENTS

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**45.2**	**6.6**	**0.0**	**0.0**	**51.8**
Changes in the gross carrying amount	-12.0	-3.2	0.4	0.0	-14.7
Transfer between stages	1.3	-1.3	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	-0.3	0.0	-0.3
Foreign exchange and other movements	0.7	0.0	-0.2	0.0	0.5
Gross carrying amount at 31.12.	**35.3**	**2.1**	**0.0**	**0.0**	**37.4**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**79.7**	**2.6**	**0.3**	**0.0**	**82.6**
Changes in the gross carrying amount	-29.1	-0.9	-0.1	0.0	-30.1
Transfer between stages	-4.7	4.9	-0.2	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	-0.7	0.0	0.0	0.0	-0.7
Gross carrying amount at 31.12.	**45.2**	**6.6**	**0.0**	**0.0**	**51.8**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-0.1**	**-0.1**	**0.0**	**0.0**	**-0.2**
Changes in the loss allowance	0.1	0.1	0.0	0.0	0.2
ECL allowance as at 31.12.	**-0.1**	**0.0**	**0.0**	**0.0**	**-0.1**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-0.4**	**-0.3**	**-0.1**	**0.0**	**-0.8**
Changes in the loss allowance	0.3	0.3	0.0	0.0	0.5
ECL allowance as at 31.12.	**-0.1**	**-0.1**	**0.0**	**0.0**	**-0.2**

43.2.4. LOANS AND ADVANCES TO OTHER FINANCIAL CORPORATIONS

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**20.3**	**3.0**	**0.1**	**0.0**	**23.4**
Changes in the gross carrying amount	1.6	-0.4	0.0	0.0	1.3
Transfer between stages	0.1	-0.1	0.0	0.0	0.0
Foreign exchange and other movements	0.2	0.0	0.0	0.0	0.2
Gross carrying amount at 31.12.	**22.2**	**2.5**	**0.1**	**0.0**	**24.8**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**25.6**	**6.6**	**0.0**	**0.0**	**32.3**
Changes in the gross carrying amount	-7.0	-2.0	0.1	0.0	-8.9
Transfer between stages	1.6	-1.6	0.0	0.0	0.0
Foreign exchange and other movements	0.1	0.0	0.0	0.0	0.1
Gross carrying amount at 31.12.	**20.3**	**3.0**	**0.1**	**0.0**	**23.4**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-0.1**	**-0.6**	**-0.1**	**0.0**	**-0.8**
Changes in the loss allowance	0.0	-0.2	0.0	0.0	-0.2
ECL allowance as at 31.12.	**-0.1**	**-0.8**	**-0.1**	**0.0**	**-1.0**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-0.3**	**-0.5**	**0.0**	**0.0**	**-0.8**
Changes in the loss allowance	0.2	-0.1	0.0	0.0	0.0
Transfer between stages	-0.1	0.1	0.0	0.0	0.0
ECL allowance as at 31.12.	**-0.1**	**-0.6**	**-0.1**	**0.0**	**-0.8**

43.3. Loans and advances subject to contractual modifications that did not result in derecognition

The table below shows debt financial instruments measured at amortised costs, assigned to stage 2 or stage 3, that were subject to contractual modification that did not result in derecognition during the reporting period.

EUR m

	31.12.2022		31.12.2021	
	Amortised costs before the modification	Modification gains or losses	Amortised costs before the modification	Modification gains or losses
Non-financial corporations	5.6	0.0	21.2	0.0
Households	5.7	0.0	17.2	-0.2
Total	**11.3**	**0.0**	**38.4**	**-0.2**

The total gross carrying amount of debt financial assets measured at amortised costs, which were impacted by contractual modifications that did not result in derecognition at a time when they were assigned to stage 2 or stage 3 and reassigned to stage 1 during the year 2022 amounted to EUR 0.2 million as at 31 December 2022 (2021: EUR 0.3 million).

(44) Investment securities

EUR m

	31.12.2022	31.12.2021
Fair value through other comprehensive income (FVTOCI)	877.6	1,009.2
Mandatorily at fair value through profit or loss (FVTPL)	1.8	3.0
At amortised cost	182.2	0.0
Total	**1,061.6**	**1,012.2**

Due to its solid liquidity levels and the fact that new business volumes in the focus segments are expected to be funded by the accelerated run-down of the non-focus segments, Addiko adapted in the 2022 Business Plan its treasury strategy to keep the predominant part of its investments in high quality bonds until maturity for yield enhancement purposes and essentially the collection of interest income until maturity to support the main income driver, the net banking income. As a consequence of this change Addiko started a new Business Model for the treasury portfolio, by classifying new investments in the Held to Collect category.

44.1. Fair value through other comprehensive income (FVTOCI)

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**994.8**	**0.0**	**0.0**	**0.0**	**994.8**
Changes in the gross carrying amount	-44.1	0.0	0.0	0.0	-44.1
Foreign exchange and other movements	9.4	0.0	0.0	0.0	9.4
Gross carrying amount at 31.12.	**960.1**	**0.0**	**0.0**	**0.0**	**960.1**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**911.8**	**0.0**	**0.0**	**0.0**	**911.8**
Changes in the gross carrying amount	81.9	0.0	0.0	0.0	81.9
Foreign exchange and other movements	1.0	0.0	0.0	0.0	1.0
Gross carrying amount at 31.12.	**994.8**	**0.0**	**0.0**	**0.0**	**994.8**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-0.3**	**0.0**	**0.0**	**0.0**	**-0.3**
Changes in the loss allowance	0.0	0.0	0.0	0.0	0.0
ECL allowance as at 31.12.	**-0.3**	**0.0**	**0.0**	**0.0**	**-0.3**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-2.1**	**0.0**	**0.0**	**0.0**	**-2.1**
Changes in the loss allowance	1.8	0.0	0.0	0.0	1.8
ECL allowance as at 31.12.	**-0.3**	**0.0**	**0.0**	**0.0**	**-0.3**

EUR m

	31.12.2022	31.12.2021
Debt securities	**859.9**	**992.4**
Governments	724.7	754.4
Credit institutions	116.1	167.6
Other financial corporations	12.2	18.8
Non-financial corporations	7.0	51.6
Equity instruments	**17.7**	**16.7**
Governments[1)]	12.6	13.1
Other financial corporations	4.6	3.2
Non-financial corporations	0.6	0.4
Total	**877.6**	**1,009.2**

[1)] Slovenian Bank Resolution Fund

The following table shows equity investment securities designated to be measured at FVTOCI and their fair values:

EUR m

	31.12.2022	31.12.2021
Slovenian Bank Resolution Fund	12.6	13.1
VISA Inc (Class A Shares)	4.2	2.9
Other equity instruments	0.9	0.7
Total	**17.7**	**16.7**

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

EUR m

	31.12.2022	31.12.2021
Debt securities	**1.5**	**2.7**
Other financial corporations	1.5	2.7
Equity instruments	**0.3**	**0.3**
Non-financial corporations	0.3	0.3
Total	**1.8**	**3.0**

44.3. At amortised cost

EUR m

	31.12.2022	31.12.2021
Debt securities	**182.2**	**0.0**
Governments	180.1	0.0
Credit institutions	2.1	0.0
Total	**182.2**	**0.0**

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

(45) Tangible assets

EUR m

	31.12.2022	31.12.2021
Owned property, plant and equipment	**40.1**	**46.2**
Land and buildings	31.5	36.6
Plant and equipment	7.8	8.9
Plant and equipment - under construction	0.8	0.8
Right of use assets	**18.0**	**19.3**
Land and buildings	16.2	17.4
Plant and equipment	1.0	1.9
Investment property	0.8	0.0
Investment property	**3.5**	**5.1**
Total	**61.6**	**70.6**

(46) Intangible assets

EUR m

	31.12.2022	31.12.2021
Goodwill	0.0	0.0
Purchased software	18.3	19.9
Developed software	1.8	1.8
Intangible assets under development	3.4	3.8
Total	**24.5**	**26.7**

(47) Development of tangible and intangible assets

47.1. Development of cost and carrying amounts

The development of cost and carrying amounts of owned property, plant and equipment is presented in the table below.

EUR m

2022	Land and buildings	Plant and equipment - internally used	Plant and equipment - under construction	Investment properties	Total
Acquisition cost 1.1.	**83.7**	**67.2**	**0.8**	**12.2**	**163.9**
Foreign exchange differences	-0.1	-0.1	0.0	0.0	-0.1
Additions	0.4	1.3	1.4	0.0	3.1
Disposals	-8.7	-15.8	0.0	-4.9	-29.4
Other changes	-3.4	0.5	-1.4	2.5	-1.7
Acquisition cost 31.12.	**71.8**	**53.2**	**0.8**	**9.8**	**135.6**
Cumulative depreciation and amortisation 31.12.	**-40.3**	**-45.4**	**0.0**	**-6.3**	**-92.0**
Carrying amount 31.12.	**31.5**	**7.8**	**0.8**	**3.5**	**43.6**

EUR m

2021	Land and buildings	Plant and equipment - internally used	Plant and equipment - under construction	Investment properties	Total
Acquisition cost 1.1.	**92.5**	**81.2**	**0.8**	**9.8**	**184.3**
Foreign exchange differences	0.2	0.2	0.0	0.0	0.4
Additions	0.4	1.7	1.0	0.1	3.2
Disposals	-7.4	-15.3	0.0	-0.7	-23.5
Other changes	-2.0	-0.6	-1.1	3.1	-0.5
Acquisition cost 31.12.	**83.7**	**67.2**	**0.8**	**12.2**	**163.9**
Cumulative depreciation and amortisation 31.12.	**-47.1**	**-58.3**	**0.0**	**-7.1**	**-112.5**
Carrying amount 31.12.	**36.6**	**8.9**	**0.8**	**5.1**	**51.3**

The development of cost and carrying amounts of right of use assets is presented in the table below.

EUR m

2022	Land and buildings	Plant and equipment	Investment properties	Total
Acquisition cost 1.1.	**31.1**	**4.9**	**0.0**	**36.1**
Foreign exchange differences	0.0	0.0	0.0	0.0
Additions	3.9	0.2	0.9	5.1
Disposals	-5.6	-0.3	0.0	-5.9
Other changes	0.7	0.0	0.0	0.7
Acquisition cost 31.12.	**30.1**	**4.9**	**0.9**	**35.9**
Cumulative depreciation and amortisation 31.12.	**-13.9**	**-3.9**	**-0.2**	**-18.0**
Carrying amount 31.12.	**16.2**	**1.0**	**0.8**	**18.0**

EUR m

2021	Land and buildings	Plant and equipment	Investment properties	Total
Acquisition cost 1.1.	**29.8**	**4.4**	**0.0**	**34.2**
Foreign exchange differences	0.0	0.0	0.0	0.1
Additions	3.9	0.9	0.0	4.9
Disposals	-2.5	-0.4	0.0	-2.9
Other changes	-0.1	0.0	0.0	-0.1
Acquisition cost 31.12.	**31.1**	**4.9**	**0.0**	**36.1**
Cumulative depreciation and amortisation 31.12.	**-13.7**	**-3.0**	**0.0**	**-16.8**
Carrying amount 31.12.	**17.4**	**1.9**	**0.0**	**19.3**

The development of cost and carrying amounts on intangible assets is presented in the table below.

EUR m

2022	Purchased software	Developed software	Under development	Total
Acquisition cost 1.1.	**115.7**	**3.0**	**3.8**	**122.5**
Foreign exchange differences	0.0	0.0	0.0	0.0
Additions	1.6	0.0	2.0	3.6
Internal development	0.0	0.0	1.2	1.2
Disposals	-11.7	0.0	0.0	-11.7
Other changes	2.9	0.7	-3.6	0.0
Acquisition cost 31.12.	**108.5**	**3.7**	**3.4**	**115.5**
Cumulative depreciation and amortisation 31.12.	**-89.1**	**-1.9**	**0.0**	**-91.0**
Carrying amount 31.12.	**19.3**	**1.8**	**3.4**	**24.5**

EUR m

2021	Purchased software	Developed software	Under development	Total
Acquisition cost 1.1.	**124.0**	**1.0**	**5.5**	**130.5**
Foreign exchange differences	0.2	0.0	0.0	0.2
Additions	2.4	0.0	4.8	7.2
Internal development	0.0	0.0	0.6	0.6
Disposals	-15.5	0.0	-0.6	-16.1
Other changes	4.6	2.0	-6.6	0.0
Acquisition cost 31.12.	**115.7**	**3.0**	**3.8**	**122.5**
Cumulative depreciation and amortisation 31.12.	**-94.5**	**-1.3**	**0.0**	**-95.7**
Carrying amount 31.12.	**21.2**	**1.8**	**3.8**	**26.7**

47.2. Development of depreciation and amortisation

The development of depreciation and amortisation of owned property, plant and equipment is presented in the table below.

EUR m

2022	Land and buildings	Plant and equipment - internally used	Plant and equipment - under construction	Investment properties	Total
Cumulative depreciation and amortisation 01.01.	**-47.1**	**-58.3**	**0.0**	**-7.1**	**-112.5**
Foreign exchange differences	0.1	0.0	0.0	0.0	0.1
Disposals	6.1	15.5	0.0	2.6	24.2
Scheduled depreciation and amortisation	-1.9	-2.6	0.0	-0.2	-4.7
Impairment	-0.3	-0.1	0.0	-0.1	-0.5
Other changes	2.8	0.0	0.0	-1.6	1.2
Write-up	0.2	0.0	0.0	0.1	0.2
Cumulative depreciation and amortisation 31.12.	**-40.3**	**-45.4**	**0.0**	**-6.3**	**-92.0**

EUR m

2021	Land and buildings	Plant and equipment - internally used	Plant and equipment - under construction	Investment properties	Total
Cumulative depreciation and amortisation 01.01.	**-51.3**	**-70.4**	**0.0**	**-5.0**	**-126.8**
Foreign exchange differences	-0.1	-0.1	0.0	0.0	-0.3
Disposals	5.0	13.9	0.0	0.4	19.2
Scheduled depreciation and amortisation	-2.1	-3.0	0.0	-0.2	-5.3
Impairment	-0.8	-0.2	0.0	-0.7	-1.7
Other changes	1.5	0.8	0.0	-1.6	0.7
Write-up	0.8	0.8	0.0	0.0	1.6
Cumulative depreciation and amortisation 31.12.	**-47.1**	**-58.3**	**0.0**	**-7.1**	**-112.5**

The development of depreciation and amortisation of right of use is presented in the table below.

EUR m

2022	Land and buildings	Plant and equipment	Investment properties	Total
Cumulative depreciation and amortisation 01.01.	**-13.7**	**-3.0**	**0.0**	**-16.8**
Foreign exchange differences	0.0	0.0	0.0	0.0
Disposals	4.7	0.2	0.0	4.9
Scheduled depreciation and amortisation	-4.8	-1.1	-0.2	-6.1
Impairment	0.0	0.0	0.0	0.0
Other changes	0.0	0.1	0.0	0.1
Write-up	0.0	0.0	0.0	0.0
Cumulative depreciation and amortisation 31.12.	**-13.9**	**-3.9**	**-0.2**	**-18.0**

EUR m

2021	Land and buildings	Plant and equipment	Investment properties	Total
Cumulative depreciation and amortisation 01.01.	**-10,7**	**-2,3**	**0,0**	**-12,9**
Foreign exchange differences	0,0	0,0	0,0	0,0
Disposals	2,1	0,4	0,0	2,4
Scheduled depreciation and amortisation	-5,1	-1,1	0,0	-6,3
Impairment	0,0	0,0	0,0	0,0
Other changes	0,0	0,0	0,0	0,0
Write-up	0,0	0,0	0,0	0,0
Cumulative depreciation and amortisation 31.12.	**-13,7**	**-3,0**	**0,0**	**-16,8**

The development of depreciation and amortisation of intangible assets is presented in the table below.

EUR m

2022	Purchased software	Developed software	Under development	Total
Cumulative depreciation and amortisation 01.01.	**-94.5**	**-1.3**	**0.0**	**-95.7**
Foreign exchange differences	0.0	0.0	0.0	0.0
Disposals	11.6	0.0	0.0	11.6
Scheduled depreciation and amortisation	-6.3	-0.6	0.0	-6.9
Impairment	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0
Write-up	0.0	0.0	0.0	0.0
Cumulative depreciation and amortisation 31.12.	**-89.1**	**-1.9**	**0.0**	**-91.0**

EUR m

2021	Purchased software	Developed software	Under development	Total
Cumulative depreciation and amortisation 01.01.	**-103.4**	**-0.7**	**0.0**	**-104.1**
Foreign exchange differences	-0.2	0.0	0.0	-0.2
Disposals	15.4	0.0	0.6	16.0
Scheduled depreciation and amortisation	-6.3	-0.3	0.0	-6.6
Impairment	-0.1	-0.1	-0.6	-0.8
Other changes	0.2	-0.2	0.0	0.0
Write-up	0.0	0.0	0.0	0.0
Cumulative depreciation and amortisation 31.12.	**-94.5**	**-1.3**	**0.0**	**-95.7**

(48) Other assets

The other assets contain the following main positions:

EUR m

	31.12.2022	31.12.2021
Prepayments and accrued income	8.4	7.9
Inventories (repossessed assets, emergency acquired assets, leases to go, etc.)	1.2	1.8
Other remaining assets	7.5	5.2
Total	**17.1**	**14.9**

The line item “other remaining assets” includes EUR 4.2 million receivables from card business, which arise from pending cash movements related to the credit cards (YE21: EUR 1.5 million).

(49) Non-current assets and disposal groups classified as held for sale

EUR m

	31.12.2022	31.12.2021
Loans and advances	0.1	11.3
Property plant and equipment	1.5	1.0
Total	**1.6**	**12.3**

The position non-current assets held for sale included at YE21 a portfolio of loans to customers for which a sale agreement has been signed on the 28 December 2021. The closing of the transaction was subject to certain conditions which were fulfilled in 2022 and therefore the sale could be finalised during the first half of 2022.

(50) Financial liabilities held for trading

EUR m

	31.12.2022	31.12.2021
Derivatives	3.1	2.3
Total	**3.1**	**2.3**

(51) Financial liabilities measured at amortised cost

EUR m

	31.12.2022	31.12.2021
Deposits and borrowings of credit institutions	128.5	174.6
Deposits and borrowings of customers	4,959.6	4,708.2
Other financial liabilities	48.8	50.8
o/w lease liabilities	18.8	19.6
Total	**5,136.8**	**4,933.6**

The position "Deposits" includes borrowed funds in amount of EUR 127.0 million (YE21: 229.6 million) from supranational and local institutions for refinancing purposes of specific loans to customers under the specific funding criteria (purpose of the loan, compliance with environmental and social legislative provisions, other funding criteria). The full refinancing of TLTRO III was paid back in the year 2022 (YE21: EUR 54.7 million).

51.1. Deposits and borrowings of credit institutions

EUR m

	31.12.2022	31.12.2021
Current accounts / overnight deposits	4.4	6.6
Deposits with agreed terms	99.8	168.0
Repurchase agreements	24.3	0.0
Total	**128.5**	**174.6**

51.2. Deposits and borrowings of customers

EUR m

	31.12.2022	31.12.2021
Current accounts / overnight deposits	**3,353.4**	**3,251.6**
Governments	82.4	113.0
Other financial corporations	67.6	77.6
Non-financial corporations	951.9	957.5
Households	2,251.6	2,103.5
Deposits with agreed terms	**1,599.9**	**1,447.4**
Governments	85.0	108.0
Other financial corporations	190.7	183.6
Non-financial corporations	258.1	295.7
Households	1,066.0	860.2
Deposits redeemable at notice	**6.2**	**9.2**
Governments	1.0	1.0
Non-financial corporations	5.2	8.2
Total	**4,959.6**	**4,708.2**

51.3. Debt securities issued

EUR m

	31.12.2022	31.12.2021
Certificates of deposit	0.1	0.1
Total	**0.1**	**0.1**

(52) Provision

EUR m

	31.12.2022	31.12.2021
Pending legal disputes	58.2	42.6
Commitments and guarantees granted	8.5	7.2
Provisions for variable payments	10.9	10.4
Cash-settled share-based payments	0.1	1.1
Pensions and other post employment defined benefit obligations	2.0	2.1
Restructuring measures	1.0	2.4
Other long term employee benefits	0.3	0.4
Other provisions	2.4	3.7
Total	**83.4**	**69.9**

52.1. Provisions for pending legal disputes

The item “Pending legal disputes” includes provisions for litigations from lending business or litigations with customer protection associations.

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 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.

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 (69) Legal risk. The reassessment was leading to the recognition in the income statement of additional provisions in amount of EUR 20.8 million (YE21: EUR 13.4 million), whereby the related total amount of the provision as of YE22 was EUR 43.2 million (YE21: EUR 28.5 million), with EUR 5.9 million (YE21: EUR 3.4 million) utilised during the year mainly in relation to lawyers and court costs. 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 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 three 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:

EUR m

	31.12.2022
Change in number of expected court cases +25%	2.9
Change in number of expected court cases -25%	-2.9
Change in the percentage of individual court decisions in favor of the customer +10%	2.2
Change in the percentage of individual court decisions in favor of the customer -10%	-2.2
Change in the estimated loss by individual contract +15%	2.4
Change in the estimated loss by individual contract -15%	-2.3

EUR m

	31.12.2021
Change in number of expected court cases +25%	2.1
Change in number of expected court cases -25%	-2.1
Change in the percentage of individual court decisions in favor of the customer +10%	1.5
Change in the percentage of individual court decisions in favor of the customer -10%	-1.5
Change in the estimated loss by individual contract +15%	1.6
Change in the estimated loss by individual contract -15%	-1.6

A further topic which was leading to the recognition of provisions is based on corporate variable interest margin claims with an amount in dispute of EUR 1.6 million at 31.12.2022, where the right to change the margin is allegedly not precisely enough aligned and which were lost for the majority of the cases in the first instance in favour of clients.

In addition, provisions for pending legal disputes have been recognised for claims against the Serbian subsidiary regarding loan processing fees. The total amount in dispute as of 31.12.2022 is EUR 1.4 million for approximately 5,500 cases. On 16 September 2021 the Serbian Supreme Court issued a new opinion on the validity of loan processing fees in essence finding thee fees to be valid if banks provided written offers to the clients before signing of the loan agreement which led to a significant lower number of new claims, i.e. 221 claims filed and received after 16 September 2021. All banks in Serbia are confronted with these kinds of claims and joint initiatives via the Serbian Banking Association were made and are envisaged for the future.

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.

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

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Nominal value at 01.01.	**947.8**	**31.3**	**6.1**	**0.0**	**985.1**
Changes in the nominal value	-77.4	-6.4	-0.7	0.0	-84.5
Transfer between stages	-31.3	25.8	5.5	0.0	0.0
Foreign exchange and other movements	2.4	-2.3	-3.3	0.0	-3.2
Nominal value at 31.12.	**841.5**	**48.4**	**7.5**	**0.0**	**897.5**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
Nominal value at 01.01.	**942.2**	**66.2**	**9.7**	**0.0**	**1,018.1**
Changes in the nominal value	-6.6	-24.5	-3.0	0.0	-34.1
Transfer between stages	11.0	-10.4	-0.6	0.0	0.0
Foreign exchange and other movements	1.1	0.1	0.0	0.0	1.2
Nominal value at 31.12.	**947.8**	**31.3**	**6.1**	**0.0**	**985.1**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-2.6**	**-1.1**	**-3.6**	**0.0**	**-7.2**
Changes in the loss allowance	0.3	-0.8	-0.8	0.0	-1.3
Transfer between stages	0.4	-0.3	0.0	0.0	0.0
ECL allowance as at 31.12.	**-1.9**	**-2.2**	**-4.5**	**0.0**	**-8.5**

EUR m

2021	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-3.6**	**-1.9**	**-5.0**	**0.0**	**-10.4**
Changes in the loss allowance	1.7	0.2	1.4	0.0	3.2
Transfer between stages	-0.6	0.6	0.0	0.0	0.0
ECL allowance as at 31.12.	**-2.6**	**-1.1**	**-3.7**	**0.0**	**-7.2**

52.3. Provisions – development of other provisions

EUR m

2022	Carrying amount 01.01.	Foreign-exchange-differences	Allocations	Use	Releases	Other changes	Carrying amount 31.12.
Pensions and other post employment defined benefit obligations	2.1	0.0	0.2	0.0	-0.2	0.0	2.0
Other long term employee benefits	0.4	0.0	0.0	0.0	-0.1	0.0	0.3
Restructuring measures	2.4	0.0	0.7	-2.1	0.0	0.0	1.0
Pending legal disputes	42.6	-0.1	26.5	-9.8	-1.1	0.0	58.2
Provision for variable payments	10.4	0.0	7.3	-7.4	0.0	0.0	10.2
Cash-settled share-based payments	1.1	0.0	0.6	-0.8	-0.2	0.0	0.7
Other provisions	3.6	0.0	0.9	-1.5	-0.7	0.0	2.4
Total	**62.6**	**-0.1**	**36.3**	**-20.8**	**-2.1**	**0.0**	**74.8**

EUR m

2021	Carrying amount 01.01.	Foreign-exchange-differences	Allocations	Use	Releases	Other changes	Carrying amount 31.12.
Pensions and other post employment defined benefit obligations	2.0	0.0	0.3	-0.1	0.0	0.0	2.1
Other long term employee benefits	0.4	0.0	0.1	0.0	0.0	0.0	0.4
Restructuring measures	1.0	0.0	4.8	-1.9	0.0	-1.5	2.4
Pending legal disputes	34.0	0.1	19.3	-9.0	-1.8	0.0	42.6
Provision for variable payments	6.6	0.0	8.5	-3.9	-0.1	-0.8	10.4
Cash-settled share-based payments	0.0	0.0	1.1	0.0	0.0	0.0	1.1
Other provisions	3.8	0.0	2.1	-2.0	-0.2	0.0	3.7
Total	**47.8**	**0.1**	**36.1**	**-16.9**	**-2.2**	**-2.3**	**62.6**

52.4. Provisions – development of provisions for retirement benefits and severance payments

The development of the present value of obligations relating to retirement benefits and severance payments is displayed below. For reasons of immateriality, disclosures were summarised.

EUR m

	2022	2021
Present value of the defined benefit obligations as of 01.01	**2.1**	2.0
+ Current service cost	0.2	0.2
+ Contributions paid to the plan	0.0	0.0
+/- Actuarial gains/losses	-0.3	-0.1
+/- Actuarial gains/losses arising from changes in demographic assumptions	-0.2	0.0
+/- Actuarial gains/losses arising from changes in financial assumptions	-0.1	-0.1
+/- Actuarial gains/losses arising from changes from experience assumptions	0.0	-0.1
- Payments from the plan	0.0	0.0
+ Past service cost	0.0	0.0
+/- through business combinations and disposals	0.0	0.0
+/- Other changes	0.0	0.0
Present value of the defined benefit obligations as of 31.12	**2.0**	**2.1**

Due to the low amount of personnel provisions for the Addiko Group as at 31 December 2022, further disclosures according to IAS 19 are omitted.

(53) Other liabilities

EUR m

	31.12.2022	31.12.2021
Deferred income	1.0	0.9
Accruals and other liabilities	25.2	24.8
Total	**26.2**	**25.7**

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

(54) Equity

EUR m

	31.12.2022	31.12.2021
Equity holders of parent	**746.3**	**805.1**
Subscribed capital	195.0	195.0
Treasury shares	-0.4	0.0
Capital reserves	237.9	237.9
Fair value reserve	-83.3	0.9
Foreign currency reserve	-11.5	-10.8
Cumulated result and other reserves	408.5	382.1
Non-controlling interest	**0.0**	**0.0**
Total	**746.3**	**805.1**

The subscribed capital is based on the separate financial statements prepared by Addiko Bank AG under UGB/BWG as at 31 December 2022. The total amount of EUR 195.0 million (2021: EUR 195.0 million) corresponds to the fully paid in share capital of Addiko Bank AG, which is divided into 19,500,000 (2021: 19,500,000) no-par registered shares. The proportionate amount of the share capital per share amounts EUR 10.0 (2021: EUR 10.0). Since the General Assembly dated 6 June 2019, the Management Board – pursuant to Section 169 Austrian Stock Corporation Act (AktG) – has been authorised to increase the share capital subject to approval of the Supervisory Board, if necessary in several tranches, by up to EUR 97,500,000 by issuing up to 9,750,000 new voting no-par value bearer shares against cash and/or non-cash contributions (also indirectly through a credit institution pursuant to Section 153 (6) AktG) within five years after entering the corresponding amendment to the Company's statutes into the Austrian Commercial Register, and to determine the issue price and terms of issue in agreement with the Supervisory Board.

The position treasury shares refers to the share buyback programme, which started on 22 March 2022, by Addiko Bank AG on the basis of the authorisation resolution of the Annual General Meeting of 27 November 2020 pursuant to § 65 para 1 no 4 Stock Corporation Act. The Management Board of Addiko Bank AG announced on 16 March 2022 to exercise the authorisation of the Annual General Meeting and to implement the share buyback. The share buyback programme was finalised on 11 April 2022 as the maximum amount of EUR 569,030 was reached. In total, 47,633 shares, at a weighted average price per share of EUR 11.95 and a total value of EUR 596,030, corresponding to approximately 0.2% of the share capital of Addiko Bank AG, were acquired. The shares were exclusively bought on the Vienna Stock Exchange by a credit institution which made its decision concerning the timing of the purchases inde-pendently of Addiko Bank AG. The purpose of the repurchase was to offer the shares to members of the Management Board of Addiko Bank AG under the variable remuneration plan. In 2022, 13.714 shares were distributed to the Management Board of Addiko Bank AG, corresponding to approximately 0.07% of the share capital of Addiko Bank AG, based on the variable remuneration plan 2021

The capital reserves include contributions from former shareholders that do not represent subscribed capital.

The fair value reserve includes the measurement results – after taking deferred taxes into account – for the financial assets measured at fair value through other comprehensive income.

Cumulated results and other reserves developed during the business year as follows:

EUR m

	Legal Reserve	Liability Reserve	Other Reserves	Retained earnings
Opening Balance 01.01.	**19.5**	**22.7**	**55.0**	**284.8**
Allocations	0.0	0.0	0.3	0.0
Releases	0.0	0.0	0.0	0.3
Transfers	0.0	0.0	0.0	0.0
Transfers to capital reserves	0.0	0.0	0.0	0.0
Result after tax	0.0	0.0	0.0	25.7
Closing Balance 31.12.	**19.5**	**22.7**	**55.3**	**310.9**

Liability reserves and legal reserves present only the reserves of Addiko Bank AG in Austria. Liability reserves need to be set up for credit institutions according to Section 57 (5) BWG. For the legal reserve a certain percentage of the profit for the year is required to be allocated.

Pursuant to Austrian GAAP in connection with the Austrian Banking Act, Addiko Bank AG generated retained earnings in the amount of EUR 31.3 million in the financial year 2022. In the next General Assembly, a proposal will be made to distribute an amount of EUR 23.6 million by the Company, equivalent to a dividend of EUR 1.21 per share. The dividends have not been recognised as liability and there are not tax consequences.

(55) Statement of cash flows

The statement of cash flows according to IAS 7 represents the changes in cash and cash equivalents of the Addiko Group due to cash flows from operating, investment and financing activities.

The cash flow from operating activities of the Addiko Group contains cash inflows and outflows arising from loans and receivables from credit institutions and customers, liabilities to credit institutions and customers, and debt securities. Changes in assets and liabilities held for trading are also included, as are the cash flow from dividends received and taxes.

The cash flow from investing activities includes cash inflows and outflows arising from intangible assets, property, plant and equipment and assets held for sale. Reclassifications regarding non-current assets and liabilities classified as held for sale are considered in the respective items.

Lease payments and cash flows from the sale and purchase of equity instruments are disclosed in the cash flow from financing activities. In addition the position includes capital increases/decreases and dividend payments.

Cash and cash equivalents include cash, cash balances at central banks that are daily due and deposits that are daily due.

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 Segment, 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.

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 49.5 million. The majority of the IGC in the amount of EUR 43.6 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 minimum 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 and other result 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 redistributed 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: The Consumer segment serves c. 0.7 million customers, which includes Private Individuals (excluding mortgage and housing loans) through a hybrid distribution consisting of a network of 154 branches and state of the art digital channels.

SME: The SME segment serves approximately 40 thousand SME clients (companies and private entrepreneurs with annual turnover between EUR 0 million and EUR 50 million) in the CSEE region.

Mortgage: The Mortgage segment comprises Retail customers with loans related to real estate purchase (housing loans also excluding a collateral) or leveraging private real estate as collateral.

Large Corporates: The Large Corporate segment includes legal entities with annual gross revenues of more than EUR 50 million.

Public Finance: The Public Finance segment comprises businesses oriented on participation in public tenders for the financing requirements of key public institutions in CSEE countries, ministries of finance, state enterprises and local governments.

Corporate Center: The Corporate Center segment consists of the Treasury business in the parent company and the banking subsidiaries as well as central functions items such as overhead, project-related operating expenses, contributions to the Single Resolution Fund, bank levies and the intercompany reconciliation. In addition, this segment includes direct deposit activities with customers in Austria and Germany.

Segments overview

EUR m

31.12.2022	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	148.6	72.1	16.0	8.6	4.8	-1.3	248.9
Net interest income	108.0	44.1	16.0	5.3	3.6	-0.6	176.4
o/w regular interest income	101.5	41.5	16.5	5.1	1.7	16.1	182.3
Net fee and commission income	40.5	28.0	0.0	3.4	1.2	-0.7	72.5
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	1.9	1.9
Other operating result	0.0	0.0	0.0	0.0	0.0	-9.2	-9.2
Operating income	**148.6**	**72.1**	**16.0**	**8.6**	**4.8**	**-8.6**	**241.6**
Operating expenses	**-80.4**	**-30.0**	**-1.5**	**-3.5**	**-1.6**	**-51.0**	**-168.0**
Operating result before change in credit loss expense	**68.2**	**42.1**	**14.6**	**5.1**	**3.2**	**-59.6**	**73.6**
Other result	0.0	0.0	0.0	0.0	0.0	-27.0	-27.0
Credit loss expenses on financial assets	-9.0	-12.5	8.4	-1.6	-0.8	-0.1	-15.4
Result before tax	**59.2**	**29.6**	**23.0**	**3.6**	**2.4**	**-86.7**	**31.2**
Business volume							
Loans and advances	1,519.3	1,185.8	436.6	101.5	46.3	92.4	3,381.9
o/w gross performing loans customers	1,534.5	1,187.7	434.7	101.2	45.7		3,303.8
Gross disbursements	611.5	710.1	1.0	44.4	2.6		1,369.6
Financial liabilities at AC [1]	2,627.1	1,090.8	0.0	290.8	329.4	798.8	5,136.8
RWA [2]	1,145.9	871.1	259.8	138.7	25.7	488.1	2,929.2
Key ratios							
NIM [3]	5.5%	2.9%	1.0%	1.8%	1.0%		3.0%
Cost/Income Ratio	54.1%	41.6%	9.1%	40.5%	33.0%		67.5%
Cost of risk ratio	-0.5%	-0.7%	1.8%	-0.7%	-1.3%		-0.3%
Loan to deposit ratio	57.8%	108.7%	0.0%	34.9%	14.1%		66.4%
NPE ratio (on-balance loans)	4.0%	4.1%	5.8%	8.9%	5.5%		3.3%
NPE coverage ratio	78.7%	68.6%	77.4%	91.0%	61.8%		75.4%
NPE collateral coverage	2.4%	51.4%	79.9%	90.5%	99.0%		39.9%
Change CL/GPL (simply Ø)	-0.6%	-1.1%	1.7%	-0.9%	-1.4%		-0.5%
Yield GPL (simply Ø)	6.9%	3.7%	3.4%	3.0%	3.0%		5.0%

[1] Financial liabilities YE22 include the Direct deposits (Austria/Germany) amounting to EUR 544 million, EUR 128 million Deposits of credit institutions, EUR 127 million Other liabilities. 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 Corporate Center segment includes consolidation items in amount of EUR 27.4 million, relating to the elimination of intragroup dividends, measurement of consolidated participations, credit loss expenses on intragroup refinancing lines and gains/losses from the intragroup sale of debt instruments.

EUR m

31.12.2021	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	136.3	55.7	16.9	13.4	5.7	8.4	236.3
Net interest income	100.2	30.5	16.9	8.7	4.5	8.7	169.5
o/w regular interest income	95.1	31.9	19.8	9.8	3.1	14.3	174.0
Net fee and commission income	36.1	25.2	0.0	4.7	1.2	-0.3	66.8
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	6.2	6.2
Other operating result	0.0	0.0	0.0	0.0	0.0	-16.5	-16.5
Operating income	**136.3**	**55.7**	**16.9**	**13.4**	**5.7**	**-1.9**	**226.0**
Operating expenses	**-81.1**	**-30.9**	**-2.2**	**-5.9**	**-2.2**	**-48.8**	**-171.1**
Operating result before change in credit loss expense	**55.1**	**24.8**	**14.7**	**7.5**	**3.5**	**-50.7**	**54.9**
Other result	0.0	0.0	0.0	0.0	0.0	-20.9	-20.9
Credit loss expenses on financial assets	-15.9	-5.4	7.6	-2.1	0.5	2.0	-13.2
Result before tax	**39.2**	**19.4**	**22.3**	**5.4**	**4.0**	**-69.6**	**20.8**
Business volume							
Loans and advances	1,364.3	1,061.8	541.6	239.4	68.1	9.1	3,284.4
o/w gross performing loans customers	1,388.9	1,057.1	534.7	239.2	67.4		3,287.3
Gross disbursements	500.6	565.8	6.0	78.0	4.7		1,155.1
Financial liabilities at AC [1]	2,461.6	1,078.1	0.0	304.8	398.2	690.9	4,933.6
RWA [2]	1,028.9	870.1	327.1	278.8	49.3	545.6	3,099.8
Key ratios							
NIM [3]	5.7%	2.2%	1.4%	1.3%	1.3%		2.9%
Cost/Income Ratio	59.5%	55.5%	12.9%	43.9%	38.7%		72.4%
Cost of risk ratio	-1.0%	-0.3%	1.3%	-0.5%	0.5%		-0.3%
Loan to deposit ratio	55.4%	98.5%	0.0%	78.5%	17.1%		69.6%
NPE ratio (on-balance loans)	4.3%	5.0%	9.4%	4.4%	2.8%		4.0%
NPE coverage ratio	78.8%	64.1%	77.6%	53.5%	40.6%		71.9%
NPE collateral coverage	4.3%	65.4%	74.5%	83.3%	95.8%		49.5%
Change CL/GPL (simply Ø)	-1.2%	-0.5%	1.3%	-0.6%	0.5%		-0.4%
Yield GPL (simply Ø)	7.1%	3.0%	3.4%	2.7%	3.1%		4.6%

[1] Financial liabilities YE21 include the Direct deposits (Austria/Germany) amounting to EUR 383 million presented, EUR 175 million Deposits of credit institutions, EUR 133 million Other liabilities. [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 Corporate Center segment includes consolidation items in amount of EUR 74.5 million, relating to the elimination of intragroup dividends, measurement of consolidated participations, credit loss expenses on intragroup refinancing lines and gains/losses from the intragroup sale of debt instruments.

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

31.12.2022	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net interest income	**108.0**	**44.1**	**16.0**	**5.3**	**3.6**	**-0.6**	**176.4**
o/w Interest income	**108.0**	**45.6**	**17.8**	**5.8**	**1.8**	**16.1**	**195.1**
o/w Regular Interest Income	101.5	41.5	16.5	5.1	1.7	16.1	182.3
o/w Interest income on NPE	1.3	0.5	0.6	0.1	0.1	0.0	2.5
o/w Interest like income	5.3	3.6	0.8	0.6	0.0	0.0	10.3
o/w Interest expenses	**-5.8**	**-3.3**	**0.0**	**-1.7**	**-1.7**	**-6.2**	**-18.7**
o/w FTP (asset & liabilities)	**-14.1**	**-9.0**	**-12.4**	**-0.2**	**2.5**	**-16.3**	**-49.5**
o/w Interest gap contribution	**19.9**	**10.8**	**10.6**	**1.4**	**1.0**	**5.9**	**49.5**
o/w Asset contribution	19.9	10.8	10.6	1.4	1.0	-43.6	0.0
o/w Interest gap contribution	0.0	0.0	0.0	0.0	0.0	49.5	49.5

EUR m

31.12.2021	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net interest income	**100.2**	**30.5**	**16.9**	**8.7**	**4.5**	**8.7**	**169.5**
o/w Interest income	102.4	35.1	21.8	10.9	3.2	14.3	187.7
o/w Regular Interest Income	95.1	31.9	19.8	9.8	3.1	14.3	174.0
o/w Interest income on NPE	1.3	0.8	1.0	0.3	0.1	0.0	3.5
o/w Interest like income	6.0	2.4	1.0	0.8	0.1	0.0	10.2
o/w Interest expenses	**-6.3**	**-2.6**	**0.0**	**-1.4**	**-1.4**	**-6.5**	**-18.2**
o/w FTP (asset & liabilities)	**-12.3**	**-8.1**	**-12.4**	**-3.9**	**1.6**	**-5.7**	**-40.8**
o/w Interest gap contribution	**16.3**	**6.1**	**7.6**	**3.1**	**1.1**	**6.6**	**40.8**
o/w Asset contribution	16.3	6.1	7.6	3.1	1.1	-34.2	0.0
o/w Interest gap contribution	0.0	0.0	0.0	0.0	0.0	40.8	40.8

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

EUR m

31.12.2022	Focus segments		Non-focus segments		Corporate Center	Total
	Consumer	SME Business	Large Corporates	Public Finance		
Accounts and Packages	20.6	5.1	0.2	0.2	0.0	26.1
Transactions	4.8	12.7	1.5	0.8	0.6	20.4
Cards	12.3	1.9	0.0	0.0	0.0	14.3
FX&DCC	7.8	4.7	0.5	0.1	0.4	13.6
Trade finance	0.0	4.3	1.0	0.1	0.0	5.4
Deposits	0.1	0.3	0.2	0.2	0.0	0.7
Loans	3.0	2.0	0.2	0.0	0.0	5.2
Bancassurance	5.5	0.0	0.0	0.0	0.0	5.5
Securities	0.2	0.0	0.1	0.0	-0.1	0.2
Other	0.5	0.2	0.2	0.0	0.0	1.0
Fee and commission income	**54.8**	**31.2**	**3.9**	**1.4**	**1.0**	**92.3**
Cards	-10.1	-0.6	0.0	0.0	0.0	-10.8
Transactions	-1.6	-2.2	-0.2	-0.2	-0.3	-4.5
Accounts and Packages	-0.8	-0.2	0.0	0.0	-0.1	-1.2
Securities	0.0	0.0	-0.1	0.0	-0.1	-0.2
Loans	-0.5	-0.1	0.0	0.0	0.0	-0.7
Bancassurance	-0.4	0.0	0.0	0.0	0.0	-0.4
Client incentives	-0.4	0.0	0.0	0.0	0.0	-0.4
Other	-0.5	-0.1	-0.2	0.0	-1.1	-1.8
Fee and commission expenses	**-14.3**	**-3.2**	**-0.6**	**-0.2**	**-1.6**	**-19.8**
Net fee and commission income	**40.5**	**28.0**	**3.4**	**1.2**	**-0.7**	**72.5**

EUR m

31.12.2021	Focus segments		Non-focus segments		Corporate Center	Total
	Consumer	SME Business	Large Corporates	Public Finance		
Accounts and Packages	19.3	1.9	0.1	0.1	0.0	21.3
Transactions	4.4	13.7	1.4	0.8	0.6	21.0
Cards	10.4	1.6	0.0	0.0	0.0	12.1
FX&DCC	6.4	4.2	0.3	0.1	0.2	11.2
Trade finance	0.0	4.2	1.1	0.1	0.0	5.4
Deposits	0.1	0.4	0.2	0.2	0.0	0.9
Loans	2.7	1.8	0.5	0.0	0.0	5.0
Bancassurance	4.6	0.0	0.0	0.0	0.0	4.6
Securities	0.3	0.1	1.6	0.0	-0.1	1.9
Other	0.5	0.2	0.2	0.0	0.0	0.9
Fee and commission income	**48.7**	**28.0**	**5.5**	**1.3**	**0.8**	**84.3**
Cards	-9.1	-0.6	0.0	0.0	0.0	-9.7
Transactions	-1.5	-1.8	-0.2	-0.1	-0.3	-4.0
Accounts and Packages	-0.7	-0.2	0.0	0.0	-0.1	-1.0
Securities	0.0	0.0	-0.4	0.0	-0.2	-0.5
Loans	-0.4	-0.1	0.0	0.0	0.0	-0.5
Bancassurance	-0.4	0.0	0.0	0.0	0.0	-0.4
Client incentives	-0.3	0.0	0.0	0.0	0.0	-0.3
Other	-0.2	-0.1	-0.2	0.0	-0.6	-1.1
Fee and commission expenses	**-12.7**	**-2.8**	**-0.8**	**-0.2**	**-1.1**	**-17.5**
Net fee and commission income	**36.1**	**25.2**	**4.7**	**1.2**	**-0.3**	**66.8**

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

31.12.2022	ABC	ABS	ABSE	ABSA	ABBL	ABM	ABH [4]	Reco	Addiko Group
Net banking income	80.3	57.3	46.1	23.4	25.1	13.3	3.4	0.0	248.9
Net interest income	53.6	42.7	33.8	15.0	16.3	10.9	4.1	-0.1	176.4
o/w regular interest income [1]	54.7	41.4	39.6	15.1	17.8	11.5	7.2	-4.9	182.3
Net fee and commission income	26.7	14.5	12.3	8.4	8.8	2.4	-0.7	0.0	72.5
Net result on financial instruments	1.9	0.4	-2.0	0.1	0.0	0.1	27.5	-26.1	1.9
Other operating result	-0.3	-1.5	-2.0	-1.0	-0.6	-1.6	-0.2	-1.8	-9.2
Operating income	**81.9**	**56.1**	**42.1**	**22.5**	**24.5**	**11.8**	**30.6**	**-27.9**	**241.6**
Operating expenses	**-46.3**	**-27.0**	**-24.8**	**-14.9**	**-14.8**	**-7.8**	**-27.6**	**-4.7**	**-168.0**
Operating result before change in credit loss expense	**35.6**	**29.1**	**17.3**	**7.5**	**9.7**	**4.0**	**3.1**	**-32.7**	**73.6**
Other result	**-22.9**	**-0.5**	**-1.4**	**0.0**	**0.0**	**-0.1**	**-0.2**	**-1.9**	**-27.0**
Credit loss expenses on financial assets	-2.9	-5.7	-9.9	2.1	3.4	0.8	0.1	-3.3	-15.4
Result before tax	**9.8**	**22.8**	**6.1**	**9.6**	**13.1**	**4.7**	**3.0**	**-37.8**	**31.2**
Total assets	**2,285.8**	**1,329.6**	**874.7**	**524.5**	**501.9**	**218.5**	**1,142.6**	**-881.3**	**5,996.4**
Business volume									
Net loans and receivables	1,115.4	990.4	597.9	261.4	323.0	163.9	59.5	-129.6	3,381.9
o/w gross performing loans customers	1,049.7	953.2	559.0	260.7	319.5	161.7	0.0	0.0	3,303.8
Gross disbursements	461.9	304.9	240.4	151.0	143.6	67.7	0.0	0.0	1,369.6
Financial liabilities at AC [2]	1,859.5	1,117.9	669.9	423.6	409.1	184.2	617.0	-144.2	5,136.8
RWA [3]	913.8	718.2	529.3	289.3	286.5	162.6	22.6	6.9	2,929.2
Cost/Income Ratio									
NIM [1]	2.4%	3.2%	3.9%	2.8%	3.3%	5.0%	0.4%		3.0%
Cost/Income Ratio	57.7%	47.2%	53.8%	63.7%	59.1%	58.5%	816.6%		67.5%
Cost of risk ratio	-0.2%	-0.5%	-1.2%	0.5%	0.8%	0.4%	2.1%		-0.3%
Loan to deposit ratio	59.8%	91.2%	89.6%	63.2%	80.4%	93.0%			66.4%
NPE ratio (on-balance loans)	3.6%	2.1%	3.7%	3.8%	3.8%	6.8%			3.3%
NPE coverage ratio	80.7%	68.4%	67.3%	81.4%	81.7%	67.7%			75.4%
NPE collateral coverage	51.0%	49.0%	21.2%	20.0%	18.1%	55.1%			39.9%
Change CL/GPL (simply Ø)	-0.3%	-0.6%	-1.7%	0.8%	1.1%	0.5%			-0.5%
Yield GPL (simply Ø)	4.7%	4.2%	6.0%	5.5%	5.6%	7.1%			5.0%

[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 544 million presented in ABH. [3] Includes only credit risk (without application on IFRS 9 transitional rules). [4] In ABH intragroup exposure is included.

EUR m

31.12.2021	ABC	ABS	ABSE	ABSA	ABBL	ABM [4]	ABH	Reco	Addiko Group
Net banking income	80.5	52.0	42.9	21.4	21.5	12.5	46.7	-41.1	236.3
Net interest income	54.6	38.6	32.0	13.9	13.9	10.6	47.0	-41.1	169.5
o/w regular interest income [1]	56.6	37.3	35.3	14.3	15.7	11.3	49.7	-46.2	174.0
Net fee and commission income	25.8	13.3	10.9	7.6	7.5	1.9	-0.3	0.0	66.8
Net result on financial instruments	2.3	1.6	0.3	0.3	0.3	0.1	32.2	-30.9	6.2
Other operating result	-3.8	-2.0	-1.9	-1.2	-0.4	-1.7	-3.8	-1.7	-16.5
Operating income	**79.0**	**51.6**	**41.4**	**20.5**	**21.3**	**10.8**	**75.0**	**-73.6**	**226.0**
Operating expenses	**-45.3**	**-25.5**	**-25.3**	**-15.2**	**-14.8**	**-7.8**	**-32.6**	**-4.7**	**-171.1**
Operating result before change in credit loss expense	**33.7**	**26.1**	**16.1**	**5.3**	**6.6**	**3.0**	**42.4**	**-78.3**	**54.9**
Other result	-19.3	-0.3	-4.4	1.4	-0.5	-0.2	-1.7	4.1	-20.9
Credit loss expenses on financial assets	-4.6	1.6	-3.7	-1.4	-0.7	-2.1	2.1	-4.5	-13.2
Result before tax	**9.9**	**27.4**	**8.0**	**5.4**	**5.4**	**0.7**	**42.8**	**-78.7**	**20.8**
Total assets	**2,248.8**	**1,370.4**	**874.1**	**532.9**	**485.3**	**214.9**	**1,009.5**	**-893.6**	**5,842.3**
Business volume									
Net loans and receivables	1,051.9	981.7	617.7	241.0	292.7	163.9	51.3	-116.0	3,284.3
o/w gross performing loans customers	1,036.1	941.7	611.7	242.5	293.9	161.4	0.0	0.0	3,287.3
Gross disbursements	419.6	192.5	267.3	110.9	115.9	49.0	0.0	0.0	1,155.1
Financial liabilities at AC [2]	1,784.1	1,172.4	667.8	412.9	399.1	185.2	469.6	-157.5	4,933.6
RWA [3]	1,002.9	771.7	583.6	287.9	276.7	154.6	17.9	4.6	3,099.8
Cost/Income Ratio									
NIM	2.4%	2.7%	3.7%	2.6%	3.1%	5.0%	4.9%		2.9%
Cost/Income Ratio	56.2%	49.1%	58.9%	70.8%	68.8%	62.7%	69.8%		72.4%
Cost of risk ratio	-0.3%	0.1%	-0.4%	-0.4%	-0.2%	-1.0%	4.2%		-0.3%
Loan to deposit ratio	61.1%	91.1%	100.1%	59.0%	74.7%	92.4%			69.6%
NPE ratio (on-balance loans)	4.6%	2.0%	3.6%	5.4%	5.2%	8.7%			4.0%
NPE coverage ratio	75.3%	61.4%	64.5%	83.8%	85.2%	55.6%			71.9%
NPE collateral coverage	58.2%	59.6%	29.0%	39.4%	34.9%	54.6%			49.5%
Change CL/GPL (simply Ø)	-0.4%	0.2%	-0.6%	-0.5%	-0.2%	-1.3%			-0.4%
Yield GPL (simply Ø)	4.6%	3.6%	5.2%	5.4%	5.3%	6.8%			4.6%

[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 383 million presented in ABH. [3] Includes only credit risk (without application on IFRS 9 transitional rules). [4] In ABH intragroup exposure is included.

Risk Report

(56) Risk control and monitoring

The Addiko Group steers and monitors its risks across all business segments, with the aim of optimising the risk/performance profile and guaranteeing risk-bearing capacity at all times and therefore protecting the bank's creditors. In this respect, it influences the business and risk policies of its participations through its involvement in shareholder and supervisory committees. In the case of participations, compatible risk control processes, strategies and methods are implemented.

The following central principles apply in the Addiko Group to the bank's overall controlling:

- Clearly defined processes and organisational structures are in place for all risk types, according to which all tasks, competencies and responsibilities of participants can be aligned.
- Front and back office as well as trading and settlement/monitoring units are functionally separated to prevent conflicts of interest in accordance with the Austrian Minimum Standards for the Credit Business (FMA-MSK) and the Austrian Banking Act (BWG).
- The Group implements appropriate, mutually compatible procedures for identifying, analysing, measuring, combining, controlling and monitoring the risk types.
- Appropriate limits are set and effectively monitored for material risk types.

(57) Risk strategy & Risk Appetite Statement (RAS)

The Addiko Group's risk strategy is derived from the business strategy and describes the planned business structure, strategic development and growth, taking into consideration processes, methodologies and the organisational structure relevant for the management of risk factors. As such, the risk strategy represents the bridge between the Company's business strategy and risk positioning. It is also a management tool of the highest level for the purposes of bank's risk steering and as such it provides a framework for controlling, monitoring and limiting risks inherent in the banking business, as well as ensuring the adequacy of the internal capital, the bank's liquidity position and the overall through-the-cycle profitability.

The Addiko Group's risk strategy reflects key risk management approaches included in the business strategy. This is mirrored in the bank's risk objectives which will support safe and sustainable growth and ensure the preservation of the bank in line with regulatory requirements for adequate own funds with regard to risk-taking activities.

The Addiko Group has established a Risk Appetite Statement (RAS) which sets the bank's risk appetite and forms part of the process of development and implementation of the bank's business and risk strategy. Furthermore, it determines the risks undertaken in relation to its risk capacity. The framework of risk appetite measures defines the risk level the bank is willing to accept. The calibration of measures takes into consideration the budget, risk strategy and the Recovery Plan giving an interlinked framework for proper internal steering and surveillance.

(58) Risk organisation

Ensuring adequate risk management structures and processes is in the responsibility of the Group's Chief Risk Officer (CRO), who is a member of the Addiko Bank AG Management Board. The CRO acts independently of market and trading units, with a focus on the Austrian Minimum Standards for the Credit Business as well as appropriate internal controls.

The core tasks of risk management are the individual risk management of counterparty default risks, the reorganisation of troubled loans, loan settlement, as well as risk control and monitoring of counterparty default, market, liquidity, operational and other risks at the portfolio level.

In 2022, the following organisational units were operative:

Group Credit Risk Management contains Retail Risk Management and Corporate Credit Risk:

Retail Risk Management monitors and manages credit risk in the Retail lending portfolio of Addiko Group through portfolio reporting and analysis, tracking and evaluation of activities. The function has both an operational as well as strategic role in the credit risk management. Operationally it covers assessment and opinion of lending products and test initiatives as well as defines policies, procedures, manuals and guidelines related to the management of credit activities and collections. Additionally, also ensures that the risk appetite is in line with Addiko Group's budget expectations. Besides this, it continuously monitors the portfolio development and ensures the development and maintenance of a reporting toolkit that serves this purpose.

Corporate Credit Risk provides underwriting, individual risk assessment, monitoring, and review for all non-Retail client segments and group wide standards for pre-workout, restructuring, collection and workout for all non-Retail client segments i.e. SME, Corporate, Public Finance, Sovereigns and Sub sovereigns and Financial institutions. Within Corporate Credit Risk, the function covers also Real Estate Valuations by provideing group wide standards for real estate sale including monitoring of results and group wide steering for immovable and movable property value monitoring. It develops the group valuation monitoring strategy and processes for local execution.

Group Integrated Risk Management identifies, monitors, controls and reports on all material risks to Management and Supervisory Boards, proposes mitigation measures, initiates escalation in case defined limits are breached and defines methodology for risk measurement and assessment. GIRM also encompasses the CISO area, as well as the Outsourcing management function. GIRM is actively involved in all major decisions relating to risk management and, thus, also the development and execution of the risk strategy as well as the forecasting of risk costs. Furthermore, GIRM is responsible to initiate and coordinate the escalation process prescribed in the Recovery Plan. Organisationally the following functions are embedded in Group Integrated Risk Management:

Group Market & Liquidity Risk defines methodologies, produces internal and external reporting and oversees management and control activities related to market and liquidity risk. The function is located in Austria within Integrated Risk Management unit.

Strategic Risk Management is operationnaly responsible for the update of the risk strategy, own funds and economic capital management, stress testing, credit risk budgeting, tracking of risk exposure and steering of the ICAAP and SREP process as well manages the same processes from methodological point of view and reports on them to the management. SRM also coordinates the preparation of and reporting on the Recovery Plan. Additionally, the relationship management towards supervisory authorities as well as the coordination of requested deliverables is in the responsibility of SRM.

Non-Financial Risk Management is responsible for setting the strategic direction to efficiently manage all non-financial risk related activities and aims to ensure the adequate identification, measurement, management and mitigation of non-financial risks, a prudent conduct of business respecting all relevant laws, regulations, supervisory requirements and internal rules and decisions, thus supporting prudent, effective and efficient business operations.

Group Models and Data contains the following CSF functions and the oversees and drives the GSS Group Risk Validation:

Group Risk Modelling (GRM) manages model risk portfolio in terms of methodology, target model architecture, and the model landscape for regulatory and business purpose. Oversee the portfolio development process to deliver risk targets and deliver insightful reports and analysis which explain credit metrics related to capital, provisions and business development. GRM is responsible for leading continuous improvements in modelling methodology for credit and market risk models and sharing knowledge about these topics within the Group.

Group Data Architecture is the main responsible function for the enterprise data architecture in Addiko Group. GDA develops and maintains group-wide concepts and principles for enterprise data. In operational matters the GDA team is supporting business functions jointly with GIT to have adequate infrastructure to be able to have on time regular and ad-hoc reporting and access to data as needed. GDA also acts as local Data Architecture for Addiko Bank AG and in that capacity is applying its concepts and principles to the local ABH data landscape and the relevant connections to group data. Although GDA, is reporting to the Group Model & Data, its responsibilities and methods apply in principle to all functions of Addiko Group.

Group Data Management (GDM) is the main responsible function for the business aspects of enterprise data management in Addiko Group. GDM develops and maintains group-wide methods, standards and definitions to achieve a common and harmonised view on enterprise data. In operational matters the GDM team is supporting business functions in regular and ad-hoc reporting, common/central data transformations and calculations and data quality monitoring and reporting. GDM also acts as local Data Office for Addiko Bank AG and in that capacity is applying its methods to the local ABH data landscape and the relevant connections to group data. Although GDM, is reporting to the Group Model & Data, its responsibilities and methods apply in principle to all functions of Addiko Group.

Data Engine Reporting & Analytics and Support Services, located in Serbia, is preparing standardised portfolio reporting covering the entire credit cycle for Retail and Corporate portfolio, as well as supporting the governance setting over credit policy rules and changes in the Group selected decision engine (CRIF Credit Decision Engine). In addition, DERA is maintaining and developing group data engines, application process reports, collection reports, while providing the corresponding analytics.

Group Risk Validation is responsible for ensuring adequacy and consistency of risk relevant processes and risk models with regards to regulatory expectation and business needs. GRV defines the quality standard for the whole group with regards to risk models. Furthermore, it controls and ensures the quality of new models, as well as models already in place. Jointly with business owners GRV enhances processes and resolves issues related to models. GRV also conducts analysis of new regulation and its effects on risk models.

The respective country CROs ensure compliance with the risk principles among all subsidiaries situated in the country.

(59) Internal risk management guidelines

The Addiko Group defines Group wide standard risk management guidelines to ensure that risks are dealt with in a standardised manner. These guidelines are promptly adjusted to reflect organisational changes as well as changes to parts of the regulations such as processes, methodologies and procedures. The existing guidelines are reviewed yearly to determine whether an update is required. This ensures that the actual and documented processes match.

The Addiko Group has clearly defined responsibilities for all risk guidelines, including preparation, review and update as well as roll-out to the subsidiaries. Each of these guidelines must be implemented at local level by the subsidiaries and adjusted to local conditions. Compliance with these guidelines is ensured by those directly involved in the risk management process. The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

(60) Credit risk

60.1. Definition

In terms of scale, credit risk constitutes the most significant risk for the Addiko Group. Credit risk mainly arises from the lending business. Credit risk (or counterparty default risk) occurs when transactions result in claims against debtors, issuers of securities or counterparties. If these parties do not meet their obligations, losses result in the amount of non-received benefits less utilised collaterals, reduced by the achieved recovery rate of unsecured portions. This definition includes default and surety risks from credit transactions as well as issuer, replacement and fulfilment risks from trading transactions.

60.2. General requirements

The credit risk strategy within Addiko Risk Strategy provides concrete specifications for the organisational structure of the bank in the lending business as well as for risk control methods, and is supplemented by further policies as well as specific instructions.

In line with a Group wide instruction on authority levels as defined by the Management and Supervisory Boards, credit decisions are made by the Supervisory Board, Management Board and Credit Committee as well as by key staff in the back office and the analysis units of the Risk Office.

The Credit Committee is a permanent institution of the Addiko Group and the highest body for making credit decisions, subordinated only to the Management Board.

The Group Risk Executive Committee (GREC) is responsible for all methodological matters relating to credit risk, unless a decision by the Management Board is required.

60.3. Risk measurement

The Addiko Group uses its own rating procedures to analyse and assess each individual borrower’s credit rating. The allocation of debtors to rating classes is carried out on the basis of default probabilities on a 25-level master rating scale.

60.4. Risk limitation

The steering of total Group wide commitments with an individual customers or a group of affiliated customers (“group of borrowers”) depends on the respective customer segment or business area.

In the Addiko Group, limits towards financial institutions are set and monitored independently by a responsible unit. If limits are exceeded, this is communicated immediately to operative risk unit as well as front office and reported to the Group Risk Executive Committee. In all other segments, limit control is carried out through a Group wide authorisation level policy (“Pouvoir-Ordnung”). At portfolio level, there are country limits to prevent the formation of risk concentrations; limit breaches are escalated to the Management Board, and the front office is required to work together with the back office to define measures to control these risk concentrations.

Another important instrument in limiting risk is the acceptance and crediting of common banking collateral. The measurement and processing is carried out in line with the collateral policy, which defines in particular the measurement procedures as well as measurement discounts and frequencies of individual collateral types. Framework contracts for netting out mutual risks (close-out netting) are usually concluded for trading transactions involving derivatives. There are collateral agreements in place with certain business partners which limit the default risk with individual trading partners to an agreed maximum amount, and provide an entitlement to request additional collateral if the amount is exceeded. The methods used to accept collateral (formal requirements, preconditions) are governed by the internal processing guidelines for each individual type of collateral.

60.5. 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 classified in the Held-to-Collect&Sale business model, whereas amortised cost is used for loans and securities classified in the Held-to-Collect business model. 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 7.35M as at 31 December 2022:

EUR m

31.12.2022		Performing			Non Performing			Total
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash reserves [1]	1,263.0	-0.1	1,263.0	0.0	0.0	0.0	1,263.0	1,263.0
Financial assets held for trading	22.8		22.8	0.0		0.0	22.8	22.8
Loans and receivables	3,410.3	-65.3	3,345.0	155.1	-118.2	36.9	3,565.4	3,381.9
of which credit institutions	89.2	0.0	89.2	0.0	0.0	0.0	89.2	89.2
of which customer loans	3,321.1	-65.3	3,255.8	155.1	-118.2	36.9	3,476.2	3,292.7
Investment Securities [2][3]	1,156.3	-0.3	1,056.1	0.0	0.0	0.0	1,156.3	1,056.1
Other Assets - IFRS 5	0.0	0.0	0.0	0.5	-0.4	0.1	0.5	0.1
On balance total	**5,852.4**	**-65.6**	**5,686.9**	**155.6**	**-118.7**	**37.0**	**6,008.0**	**5,723.9**
Off Balance	889.9	-4.2	885.8	7.5	-4.4	3.2	897.5	888.9
ECL and FV on FVTOCI debt securities [3]	-100.2	0.3	0.0	0.0	0.0	0.0	-100.2	0.0
Total	**6,642.2**	**-69.5**	**6,572.6**	**163.2**	**-123.0**	**40.1**	**6,805.3**	**6,612.8**
Adjustment [4]	-4.0		-4.0			0.0	-4.0	-4.0
Total credit risk exposure	**6,638.2**	**-69.5**	**6,568.6**	**163.2**	**-123.0**	**40.1**	**6,801.3**	**6,608.8**

[1] The position does not include cash on hand in amount of EUR 119.9 million. [2] Investment securities, without equity instruments, including participation in the bank resolution fund in Slovenia. [3] 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. [4] Adjustment 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 7.35M as at 31 December 2021:

EUR m

31.12.2021		Performing		Non Performing				Total
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash reserves [1]	1,235.1	-0.1	1,235.0	0.0	0.0	0.0	1,235.1	1,235.0
Financial assets held for trading	32.6		32.6	0.0		0.0	32.6	32.6
Loans and receivables	3,307.0	-74.5	3,232.4	187.9	-136.0	52.0	3,494.9	3,284.4
of which credit institutions	5.7	0.0	5.7	0.0	0.0	0.0	5.7	5.7
of which customer loans	3,301.3	-74.5	3,226.7	187.9	-136.0	52.0	3,489.2	3,278.7
Investment securities [2] [3]	1,010.6	-0.3	1,008.3	0.0	0.0	0.0	1,010.6	1,008.3
Other Assets - IFRS 5	11.1	0.0	11.1	0.2	0.0	0.2	11.3	11.3
On balance total	**5,596.3**	**-74.9**	**5,519.4**	**188.1**	**-136.0**	**52.2**	**5,784.5**	**5,571.5**
Off Balance	979.1	-3.7	975.4	6.1	-3.6	2.5	985.1	977.9
ECL and FV on FVTOCI debt securities [3]	-2.4	0.3	0.0	0.0	0.0	0.0	-2.4	0.0
Total	**6,573.1**	**-78.3**	**6,494.8**	**194.2**	**-139.5**	**54.7**	**6,767.3**	**6,549.5**
Adjustment [4]	-1.5		-1.5			0.0	-1.5	-1.5
Total credit risk exposure	**6,571.6**	**-78.3**	**6,493.3**	**194.2**	**-139.5**	**54.7**	**6,765.8**	**6,548.0**

[1] The position does not include cash on hand in amount of EUR 126.8 million. [2] Investment securities, without equity instruments, including participation in the bank resolution fund in Slovenia. [3] 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. [4] Adjustment includes reconciliation differences between the gross carrying amount and the carrying amount of the credit risk exposure components.

60.6. Allocation of credit risk exposure within the Group

At YE22, the overall gross exposure within the Group remains on generally the same level compared to YE21. In line with the business strategy, reduction since beginning of the year is recognised in the non focus portfolio, which is compensated by an increase in the focus portfolio as well as in the Corporate Center. On the overall level, increases in the exposures are recognised in all legal entities except in Addiko Bank Slovenia and Addiko Bank Croatia. Within the Group, the credit risk exposure breaks down as presented in the following table.

EUR m

	31.12.2022	31.12.2021
Addiko Croatia	2,448.6	2,482.2
Addiko Slovenia	1,553.8	1,615.9
Addiko Serbia	1,071.1	1,070.9
Addiko in Bosnia & Herzegovina	1,142.7	1,133.9
Addiko in Montenegro	231.4	231.3
Addiko Holding	353.7	231.5
Total	**6,801.3**	**6,765.8**

60.7. Credit risk exposure by rating class

At 31 December 2022 roughly 38.6% (YE21: 25.1%) 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 2022 the NPE Stock reduced by EUR 31.0 million (or -16.0%), primarily in the non-focus portfolio as well as within the SME portfolio as a result of write offs / portfolio sales as well as due to collection effects. These reductions are partially compensated by NPE stock increase in the Consumer portfolio (in all Legal Entities except Addiko Bank Banja Luka, Addiko Bank Montenegro and Addiko Bank Slovenia).

The following table shows the exposure by rating classes and market segment as at 31 December 2022:

EUR m

31.12.2022	1A-1E	2A-2E	3A-3E	4A-4E [2]	NPE	No rating	Total
Consumer	298.0	888.6	326.4	154.8	64.9	15.2	1,747.9
SME	208.6	1,029.6	451.8	107.4	58.4	2.7	1,858.5
Non Focus	263.4	314.5	87.2	48.9	39.8	1.8	755.5
o/w Large Corporate	32.3	118.4	52.9	18.8	10.6	0.8	233.8
o/w Mortgage	220.3	169.6	23.9	19.8	26.6	1.0	461.1
o/w Public Finance	10.8	26.5	10.4	10.3	2.7	0.0	60.7
Corporate Center [1]	1,854.6	327.2	249.6	0.0	0.0	8.1	2,439.4
Total	**2,624.7**	**2,559.8**	**1,114.9**	**311.0**	**163.2**	**27.7**	**6,801.3**

[1] Corporate Center includes financial institutions considering national bank exposure, on demand deposits as well as securities. [2] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged.

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

EUR m

31.12.2021	1A-1E	2A-2E	3A-3E	4A-4E [2]	NPE	No rating	Total
Consumer	262.2	790.5	293.5	151.2	63.3	18.8	1,579.3
SME	217.3	859.7	476.1	143.6	61.6	7.4	1,765.8
Non Focus	331.5	493.8	156.9	75.6	69.3	1.7	1,128.9
o/w Large Corporate	43.3	224.8	120.3	36.4	11.5	0.8	437.2
o/w Mortgage	273.5	212.4	25.0	23.0	55.6	1.0	590.5
o/w Public Finance	14.7	56.5	11.6	16.2	2.3	0.0	101.3
Corporate Center [1]	889.9	1,150.0	251.6	0.0	0.0	0.2	2,291.7
Total	**1,700.9**	**3,294.0**	**1,178.2**	**370.4**	**194.2**	**28.1**	**6,765.8**

[1] Corporate Center includes financial institutions considering national bank exposure, deposits as well as securities. [2] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged.

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,
- 4A-4E: 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 all the customer´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

31.12.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	544.5	17.6	0.0	1.0	563.0
2A-2E	1,697.6	48.5	0.0	1.9	1,747.9
3A-3E	639.7	77.8	0.1	1.3	718.8
4A-4E [1)]	45.1	237.0	2.2	0.5	284.8
NPE	0.0	0.0	135.2	3.1	138.3
No rating	8.8	0.2	14.4	0.0	23.4
Total gross carrying amount	**2,935.6**	**381.0**	**151.8**	**7.8**	**3,476.2**
Loss allowance	-21.0	-44.3	-117.0	-1.2	-183.5
Carrying amount	**2,914.6**	**336.8**	**34.8**	**6.5**	**3,292.7**

[1)] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged.

EUR m

31.12.2021	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	557.7	22.2	0.0	0.9	580.8
2A-2E	1,568.9	46.4	0.0	1.9	1,617.2
3A-3E	655.9	84.1	0.0	0.9	741.0
4A-4E [1)]	48.7	300.8	0.7	0.7	350.9
NPE	0.0	0.0	183.3	3.7	187.1
No rating	11.8	0.5	0.0	0.0	12.3
Total gross carrying amount	**2,842.9**	**454.1**	**184.1**	**8.1**	**3,489.2**
Loss allowance	-23.6	-50.9	-133.8	-2.1	-210.5
Carrying amount	**2,819.3**	**403.1**	**50.3**	**6.0**	**3,278.7**

[1)] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged.

Loans and advances to banks at amortised cost:

EUR m

31.12.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	51.9	0.0	0.0	0.0	51.9
2A-2E	36.7	0.0	0.0	0.0	36.7
3A-3E	0.6	0.0	0.0	0.0	0.6
4A-4E [1)]	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	**89.2**	**0.0**	**0.0**	**0.0**	**89.2**
Loss allowance	0.0	0.0	0.0	0.0	0.0
Carrying amount	**89.2**	**0.0**	**0.0**	**0.0**	**89.2**

[1)] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged.

EUR m

31.12.2021	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	3.8	0.0	0.0	0.0	3.8
2A-2E	1.3	0.0	0.0	0.0	1.3
3A-3E	0.6	0.0	0.0	0.0	0.6
4A-4E [1]	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	**5.7**	**0.0**	**0.0**	**0.0**	**5.7**
Loss allowance	0.0	0.0	0.0	0.0	0.0
Carrying amount	**5.7**	**0.0**	**0.0**	**0.0**	**5.7**

[1] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged.

Debt instruments measured at FVTOCI:

EUR m

31.12.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	703.3	0.0	0.0	0.0	703.3
2A-2E	204.8	0.0	0.0	0.0	204.8
3A-3E	35.3	0.0	0.0	0.0	35.3
4A-4E [1]	0.0	0.0	0.0	0.0	0.0
NPE	0.0	0.0	0.0	0.0	0.0
No rating	16.8	0.0	0.0	0.0	16.8
Total gross carrying amount	**960.1**	**0.0**	**0.0**	**0.0**	**960.1**
Loss allowance	-0.3	0.0	0.0	0.0	-0.3
FV [2]	-99.9	0.0	0.0	0.0	-99.9
Carrying amount	**859.9**	**0.0**	**0.0**	**0.0**	**859.9**

[1] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged. [2] 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.

EUR m

31.12.2021	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	467.5	0.0	0.0	0.0	467.5
2A-2E	474.9	0.0	0.0	0.0	474.9
3A-3E	30.5	0.0	0.0	0.0	30.5
4A-4E [1]	0.0	0.0	0.0	0.0	0.0
NPE	0.0	0.0	0.0	0.0	0.0
No rating	21.9	0.0	0.0	0.0	21.9
Total gross carrying amount	**994.8**	**0.0**	**0.0**	**0.0**	**994.8**
Loss allowance	-0.3	0.0	0.0	0.0	-0.3
FV [2]	-2.1	0.0	0.0	0.0	-2.1
Carrying amount	**992.4**	**0.0**	**0.0**	**0.0**	**992.4**

[1] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged. [2] 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.

Debt instruments measured at amortised cost:

EUR m

31.12.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	165.6	0.0	0.0	0.0	165.6
2A-2E	14.7	0.0	0.0	0.0	14.7
3A-3E	1.9	0.0	0.0	0.0	1.9
4A-4E [1]	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	**182.2**	**0.0**	**0.0**	**0.0**	**182.2**
Loss allowance	0.0	0.0	0.0	0.0	0.0
Carrying amount	**182.2**	**0.0**	**0.0**	**0.0**	**182.2**

[1] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged.

Addiko Group did not hold any debt investments measured at amortised cost as of YE21.

Commitments and financial guarantees given:

EUR m

31.12.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	211.1	0.7	0.0	0.0	211.8
2A-2E	476.8	12.5	0.0	0.0	489.3
3A-3E	144.5	13.6	0.0	0.0	158.1
4A-4E [1]	9.0	21.7	0.1	0.0	30.8
NPE	0.0	0.0	7.1	0.0	7.1
No rating	0.1	0.0	0.3	0.0	0.4
Total gross carrying amount	**841.5**	**48.4**	**7.5**	**0.0**	**897.5**
Loss allowance	-1.9	-2.2	-4.4	0.0	-8.5
Carrying amount	**839.6**	**46.1**	**3.2**	**0.0**	**888.9**

[1] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged.

EUR m

31.12.2021	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	236.5	1.3	0.0	0.0	237.8
2A-2E	520.1	1.2	0.0	0.0	521.3
3A-3E	185.7	11.4	0.0	0.0	197.1
4A-4E [1]	5.4	17.4	0.0	0.0	22.8
NPE	0.0	0.0	6.1	0.0	6.1
No rating	0.1	0.0	0.0	0.0	0.1
Total gross carrying amount	**947.8**	**31.3**	**6.1**	**0.0**	**985.1**
Loss allowance	-2.6	-1.1	-3.6	0.0	-7.2
Carrying amount	**945.2**	**30.2**	**2.5**	**0.0**	**977.9**

[1] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged.

60.8. 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

	31.12.2022	31.12.2021
SEE	6,005.3	6,089.6
Europe (excl. CEE/SEE)	479.4	367.7
CEE	246.0	252.1
Other	70.6	56.4
Total	**6,801.3**	**6,765.8**

60.9. 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 36.9% at YE22 (YE21: 35.0%). The well-diversified private customers sector accounts for a share of 28.1% (YE21: 27.8%).

EUR m

31.12.2022 Business sector	Europe (excl. CEE/SEE)	SEE	CEE	Other	Total
Private	1.7	1,908.1	0.0	0.1	1,909.9
Financial services	397.8	1,072.1	0.0	35.4	1,505.3
Public sector	72.8	650.6	246.0	33.0	1,002.4
Industry	5.4	930.5	0.0	1.2	937.1
Trade and commerce	0.0	529.6	0.0	0.0	529.6
Services	1.3	465.8	0.0	0.0	467.1
Real estate business	0.0	36.6	0.0	0.0	36.6
Tourism	0.0	62.3	0.0	0.0	62.3
Agriculture	0.0	40.4	0.0	0.0	40.4
Other	0.4	309.3	0.0	1.0	310.7
Total	**479.4**	**6,005.3**	**246.0**	**70.6**	**6,801.3**

The following table shows the exposure by business sector and region as at 31 December 2021:

EUR m

31.12.2021 Business sector	Europe (excl. CEE/SEE)	SEE	CEE	Other	Total
Private	2.2	1,878.6	0.0	0.1	1,880.8
Financial services	332.4	1,118.0	0.0	44.1	1,494.5
Public sector	11.8	604.1	252.1	5.0	873.0
Industry	14.3	963.7	0.0	0.0	978.1
Trade and commerce	0.0	570.4	0.0	4.5	574.9
Services	0.7	452.0	0.0	0.0	452.7
Real estate business	0.0	69.5	0.0	0.0	69.5
Tourism	0.0	78.5	0.0	0.0	78.5
Agriculture	0.0	51.9	0.0	0.0	51.9
Other	6.2	302.9	0.0	2.8	311.9
Total	**367.7**	**6,089.6**	**252.1**	**56.4**	**6,765.8**

The figures are broken down according to the country of the customer's registered office. Corporate and Consumer 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 Consumer business.

60.10. Presentation of exposure by overdue days

EUR m

31.12.2022	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,631.4	58.6	8.5	4.7	44.8	1,747.9
SME	1,785.2	32.2	5.9	1.3	33.8	1,858.5
Non Focus	711.7	14.8	1.5	0.6	26.9	755.5
o/w Large Corporate	215.3	8.2	0.0	0.0	10.2	233.8
o/w Mortgage	435.7	6.6	1.5	0.6	16.7	461.1
o/w Public Finance	60.7	0.0	0.0	0.0	0.0	60.7
Corporate Center	2,438.0	1.4	0.0	0.0	0.0	2,439.4
Total	**6,566.2**	**107.1**	**15.8**	**6.7**	**105.5**	**6,801.3**

The volatile macroeconomic environment accompanied by inflationary pressures did not result in a material increase of days past due on the portfolio level – partially also supported by (predominantly already expired) moratoria, which were in all Addiko entities granted based on local regulation and the EBA guideline 2020/02/20 from April 2020 (including updates). The Group granted, during 2020 and 2021, 75,698 such moratoria of which 1 account (1 customers) with minor exposure is still active at YE22.

EUR m

31.12.2021	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,459.1	62.0	8.6	4.3	45.3	1,579.3
SME	1,691.4	41.4	7.2	2.2	23.5	1,765.8
Non-Focus	1,064.8	16.6	3.8	1.5	42.3	1,128.9
o/w Large Corporate	431.3	5.2	0.0	0.0	0.7	437.2
o/w Mortgage	536.8	10.3	2.5	1.5	39.3	590.5
o/w Public Finance	96.8	1.0	1.2	0.0	2.3	101.3
Corporate Center	2,290.3	1.4	0.0	0.0	0.0	2,291.7
Total	**6,505.6**	**121.4**	**19.6**	**8.0**	**111.1**	**6,765.8**

60.11. Presentation of exposure by size classes

As of 31 December 2022 around 47.5% (YE21: 43.6%) 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 1,908.7 million (YE21: EUR 1,618.5 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	31.12.2022 GoBs	Exposure EUR m	31.12.2021 GoBs
< 10,000	611.0	333,513	567.2	303,003
10,000-50,000	1,416.2	71,670	1,312.8	65,554
50,000-100,000	258.0	3,713	281.9	4,074
100,000-250,000	321.8	2,104	287.2	1,920
250,000-500,000	333.1	923	232.5	662
500,000-1,000,000	293.6	419	268.4	386
1,000,000-10,000,000	1,166.2	479	1,481.4	538
10,000,000-50,000,000	377.0	18	444.9	23
50,000,000-100,000,000	115.8	2	271.0	4
> 100,000,000	1,908.7	8	1,618.5	6
Total	**6,801.3**	**412,849**	**6,765.8**	**376,170**

60.12. Breakdown of financial assets by degree of impairment

Overdue but not impaired financial assets:

EUR m

	31.12.2022 Exposure	31.12.2022 Collateral	31.12.2021 Exposure	31.12.2021 Collateral
Loans and advances to customers (on- and off-balance)				
- overdue to 30 days	99.0	16.8	112.1	17.4
- overdue 31 to 60 days	11.8	1.8	11.8	1.9
- overdue 61 to 90 days	4.3	0.5	3.3	0.4
- overdue 91 to 180 days	0.0	0.0	0.1	0.0
- overdue 181 to 365 days	0.1	0.1	0.0	0.0
- overdue over 1 year	0.2	0.2	0.4	0.4
Total	**115.3**	**19.3**	**127.7**	**20.2**

Impaired financial instruments:

EUR m

Loans and advances to customers (on- and off-balance)	31.12.2022	31.12.2021
Exposure	161.1	192.6
Provisions	123.0	139.5
Collateral	63.3	95.0

All financial assets to which one or several of those events apply (positive impairment trigger) are to be tested for the potential necessity to apply the provisioning methodology. Consequently, an impairment calculation according to note (61.1) “Method of calculating provisions” of the 2022 Group annual report is performed. Receivables with rating category 4A or worse are regularly tested for potential impairment triggers within the monitoring and pre-workout process.

60.12.1. 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 and Retail risk management. Additionally, forbearance measures represent an indicator that financial assets might be credit impaired.

The following chart provides an overview of the forbearance status at the Addiko Group in the course of 2022. The off-balance positions only include loan commitments:

EUR m

	01.01.2022	Classified as forborne during the year (+)	Transferred to non-forborne during the year (-)	Changes due to IFRS 5 (+/-)	FX (+/-)	Repayments and other changes (+/-)	31.12.2022
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments and government related entities	1.5	0.0	-1.5	0.0	0.0	0.0	0.0
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	80.7	7.4	-17.7	0.0	0.0	-16.1	54.3
Households	61.9	7.0	-15.2	0.0	0.0	-9.9	43.8
Loans and advances	**144.1**	**14.5**	**-34.4**	**0.0**	**-0.1**	**-26.1**	**98.0**
Loan commitments given	0.7	0.0	-0.4	0.0	0.0	-0.1	0.2

The following table shows the forbearance status in the course of the year 2021:

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 (+/-)	31.12.2021
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	-0.2	0.0	0.0	0.0	1.5
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	42.5	-21.0	0.0	0.1	-8.8	80.7
Households	46.4	24.0	-6.9	0.0	0.1	-1.7	61.9
Loans and advances	**116.0**	**66.5**	**-28.1**	**0.0**	**0.2**	**-10.5**	**144.1**
Loan commitments given	0.7	0.4	-0.5	0.0	0.0	0.1	0.7

The forbearance exposure as of December 2022 can be broken down as follows:

EUR m

	31.12.2022	Neither past due nor impaired	Past due but not impaired (> 0 days)	Impaired
General governments and government related entities	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0
Non-financial corporations	54.3	27.9	1.2	25.2
Households	43.8	25.3	3.6	14.9
Loans and advances	**98.0**	**53.2**	**4.8**	**40.1**

The forbearance exposure as of December 2021 can be broken down as follows:

EUR m

	31.12.2021	Neither past due nor impaired	Past due but not impaired (> 0 days)	Impaired
General governments and government related entities	1.5	0.0	1.5	0.0
Credit institutions	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0
Non-financial corporations	80.7	45.7	2.0	33.1
Households	61.9	33.4	6.2	22.3
Loans and advances	**144.1**	**79.1**	**9.7**	**55.4**

The following table shows the collateral allocation for the forbearance exposure at the YE22:

EUR m

Internal Collateral Value (ICV) in respect of forborne assets	ICV	thereof CRE	thereof RRE	thereof financial collateral	thereof guarantees	thereof other
Large Corporate	4.4	4.4	0.0	0.0	0.0	0.0
Medium and Small Corporate	33.6	20.2	0.7	0.2	9.3	3.1
Retail	21.9	6.0	14.1	0.0	1.6	0.2
Total	**61.5**	**32.3**	**14.8**	**0.3**	**11.0**	**3.2**

Following table shows the collateral allocation for the forbearance exposure at the YE21:

EUR m

Internal Collateral Value (ICV) in respect of forborne assets	ICV	thereof CRE	thereof RRE	thereof financial collateral	thereof guarantees	thereof other
Large Corporate	5.5	5.5	0.0	0.0	0.0	0.0
Medium and Small Corporate	53.9	33.7	3.7	0.2	9.8	6.5
Retail	30.8	8.6	20.3	0.0	1.7	0.2
Total	**93.6**	**51.2**	**24.0**	**0.2**	**11.4**	**6.8**

(61) Risk provisions

61.1. Method of calculating risk provisions

Provisions are calculated in line with the international accounting standard for financial instruments (IFRS 9). Different approaches are applied, depending on the stage a transaction is allocated to. Stage 1 requires the recognition of twelve-month expected credit losses. If there is a significant increase in credit risk, the loss allowance must be increased up to the amount of the expected lifetime loss (stage 2). For transactions which have a determined contractual date, lifetime loss is calculated for the time until maturity. For transactions where a contractual date does not exist due to the nature of the product (for instance revolving loans), 3 years from the reporting date is used as maturity for the purpose of calculation of lifetime loss. In case of an objective indication of an impairment (NPE, stage 3) the lifetime expected credit loss is also recognised.

As for the non-performing part (stage 3) two approaches are of relevance, namely collective assessment based on risk parameters for small exposures and individual assessment with expert based cashflow estimation for larger exposures. For the part of the non performing portfolio where the exposure at default (EAD) on group of borrowers level is below a certain country-specific materiality threshold the calculation of provisions for impairment losses is performed as a collective assessment (rule-based approach). Collective assessment is done based on estimation/projection of main recovery parameters for groups of portfolios (exposures showing similar characteristics related to credit risk profile and recovery potential).

Individual assessment, or calculation of specific risk provisions based on the individual assessment of impairment losses considers that the underlying credit exposure is subject to an individual analysis in accordance with regulations regarding the calculation of provisions for impairment losses. In this calculation, repayments from a company's operating business (primary cash flows) and from the utilisation of collaterals and guarantees (secondary cash flows) are taken into consideration. Depending on the assumed recovery scenario (restructuring, settlement, debt sale, court procedure and/or collaterals repossession), expected repayments are assessed individually in terms of type, amount and time, the underlying assumptions are documented and justified on a case-by-case basis and expected cash flows are discounted to the net present value and offset against the outstanding current exposure. In terms of the calculation of recovery cash flows from potential repossession of available collaterals (primarily real-estates), the Addiko Group bases its assumptions on the collateral's market value, which is updated annually. Haircuts to be applied on market value are assigned individually on a case-by-case basis, depending on the determined usability and based on a variety of factors such as concrete offers or sales of similar collaterals, market liquidity, location, utilisation period and legal situation in relation to the real estate.

The risk provisions are calculated on transaction level and reflect the most recent macroeconomic forecasts provided by the Vienna Institute for International Economic Studies (wiiw). Compared to the previous outlook, the number and magnitude of the risks has increased. Uncertainty regarding the downside risks persists largely due to the stack up of both war- and energy-related risks, as well as Chinese lockdown policies. Also, with the CPI inflation figures reaching the two-digit levels in some parts of the Euro area, public pressure might force the regulators to increase interest rates more aggressively than originally anticipated. Doing so too quickly, however, would dampen global economic growth even more. Furthermore, this could lead to credit risks materialisation bringing forth unintended consequences of accommodative monetary policy during the pandemic on the real-estate markets, which is of particular concern for regulators. This is reflected in cautious adjustment of scenario-probabilities increasingly giving more weight to negative outcomes (probability of the pessimistic scenario is raised from 35% to 45%, while a probability of 50% was assigned to the baseline scenario).

Scenario probabilities[1)]	Baseline case	Optimistic case	Pesimistic case
YE21	55%	10%	35%
YE22	50%	5%	45%

[1)] wiiw calibrates also adverse scenario that reflects extreme severity of calibrated shocks, used for static and dynamic stress testing purposes. No probability is assigned to this type of scenario, considered to be highly unlikely, yet plausible.

The following table provides quantitative aspects of the baseline case, upside (optimistic) case and downside (pessimistic) case scenarios for selected forward-looking information/variables used to estimate the ECL for 31.12.2022 The values 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 case			Optimistic case	Pessimistic case
Sample period	2021	2022	2023-2025			
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	10.2	5.0	2.5	3.3	4.8	0.6
Slovenia	8.2	5.7	1.9	3.0	4.3	-0.3
Bosnia & Herzegovina	7.5	2.6	1.5	2.7	3.6	-2.7
Serbia	7.4	3.6	1.9	3.1	4.0	-3.9
Montenegro	13.0	5.1	2.6	3.3	4.4	-3.6
Euroarea	5.2	3.1	0.2	1.9	2.8	-0.1
Unemployment Rate (ILO, average %)						
Croatia	7.6	7.3	7.4	6.8	3.9	10.6
Slovenia	4.8	4.1	4.0	4.3	1.5	6.9
Bosnia & Herzegovina	17.4	16.4	16.1	15.4	13.6	17.7
Serbia	11.0	9.5	9.0	8.3	6.5	10.6
Montenegro	16.6	15.2	14.9	13.7	12.0	16.1
Euroarea	7.7	6.8	7.1	6.6	4.5	8.9
Real-Estate (% of change)						
Croatia	7.3	8.5	2.8	2.6	6.1	0.3
Slovenia	11.5	13.9	4.5	4.2	7.3	2.2
Serbia	5.0	11.0	3.6	3.4	7.5	3.1
Euroarea	7.7	9.5	3.1	2.9	5.9	1.0
CPI Inflation (average % YoY)						
Croatia	2.7	9.5	6.0	2.8	2.6	6.2
Slovenia	2.0	9.4	5.5	2.4	1.7	5.9
Bosnia & Herzegovina	2.0	13.0	6.0	2.5	2.7	13.3
Serbia	4.1	11.0	8.0	3.5	3.6	10.2
Montenegro	2.4	12.5	6.0	2.5	2.4	9.5
Euroarea	2.6	8.5	6.0	2.2	2.8	5.1

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

The baseline forecast is the outcome of assessment of current economic developments, medium-term outlooks in the real and financial sector, and risks surrounding them. The scenarios are differentiated by:

(i) the length and intensity of warfare between Russia and Ukraine, global market price changes and European gas consumption measures conditional on the winter season;
(ii) climate transition risks reflecting assumptions on decarbonisation policies impacting core economic scenarios.

The calibration of economic shocks that leads to core alternative scenarios is implicitly derived from the last available EBA's stress testing assumptions, i.e. any factor of conservativism that affected original deviation from the baseline path in EBA's exercise is indirectly transposed into the internal framework. Technically, the core adverse scenario depends on EBA´s deviation of adverse to baseline, which is imposed to wiiw's baseline. Optimistic and pessimistic cases are ½ of the deviation used as described above. On the other hand, climate-related and environmental risk factors were calibrated based on econometric modelling of carbon pricing policies. They are specifically designed only for pessimistic and worst-case scenarios, while the baseline and optimistic case are already assumed to reflect climate effects stemming from "Paris Agreement setting" that implies no carbon dioxide removal efforts beyond the already established limits keeping the global warming below 2.5°C. Therefore, the climate effects in the baseline and optimistic scenarios are not quantitatively isolated at this stage, while for the negative scenarios they are added as annual deviations on top of core economic scenario values, reflecting carbon pricing policies targeting more ambitious limits of emissions, i.e. to reduce global warming below 1.6°C. This leads now to asymetricaly dispersed distribution of potential outcomes, conditional on risk assessment and its materialisation.

The respective narratives are as follows:

- Baseline: The first half of 2022 was a period of strong post-Covid recovery, especially in Montenegro and Croatia when focusing on Addiko´s countries of operation. These largely positive developments are now heavily knocked back by the emerging real estate crisis in China, the consequences of Russia's war in Ukraine, and the turmoil on energy markets due to the introduction of Western sanctions against the Russian petrochemicals. The war in Ukraine additionally amplified the spike in global food and energy prices leading to growing concerns over the next "Great Stagflation". Real wages as well as consumer sentiment are starting to decline almost everywhere in the region, which will be a serious drag on the economies where Addiko operates in the coming months. However, inflation should gradually get under control over medium term (it is expected to be cut in half in 2023, and again by the same rate in 2024), reflecting interest rate hikes and market bottlenecks eventually fading away. Unemployment rates should continue to fall, demonstrating modest structural stabilisiation potential of these economies, although further strong fiscal support across the region is unlikely. Of course, for Addiko countries of operation, external factors play a decisive role still. While there should not be any strong direct impact from the energy crisis, some indirect effects might arise through reduced demand from Germany, since a recession in the largest EU economy might be especially troublesome for Slovenia, with a significant export share attributed to Germany's demand (cca 1/6 of its GDP). Therefore, it is expected that regional economies will grow on average by 4.4% and 2.1% in 2022 and 2023 respectively, converging slowly to long-term path afterwards. Climate risks are largely of the long-term nature for this sample of countries. The main physical risk for the region is the disproportionally growing temperature in the summer season, greater occurrence of droughts, and loss of precipitation. This could lead to decreasing productivity in agriculture, decreasing production capacities of hydro power plants, and negative impact on tourism in the winter season over the long run. Nonetheless, the countries in Addiko's focus are far from the global frontier in implementing the climate change mitigation policies. Considering that most of the physical risks are skewed towards the second half of the century, it can be expected that both the transition and physical risks are to remain minor over the forecast period.

- Optimistic: The positive scenario assumes that warfare between Russia and Ukraine ends in 2023, followed by lengthy political negotiations with gradual easing of delivery restrictions for essential goods. The ability to reopen trade routes would certainly relieve pressure from the markets for food and metal, potentially bringing us closer to the aim of desired price stability (with average inflation assumed to go down to 3.2% already in next year). The winter conditions in 2022 and 2023 are assumed to be benign and the EU member states should manage to reduce gas consumption without causing major disruption to the global energy market. China starts treating Covid-19 as an endemic virus and abolishes mobility restrictions in major production areas. In this situation, credit risks built up so far should not materialise, and emerging markets would enjoy increased capital flows with appreciated exchange rates. Consequently, regional growth performance would be 1.5 percentage points higher in 2023-25 in comparison to the baseline, with Croatia, Montenegro and Slovenia in the lead. For the period 2025-27, macroeconomic indicators are simulated to converge to the baseline scenario, according to the assumption that in the long run the economy operates on its potential level, and that the ongoing pandemic will not affect the productive capacities of the economies. Regarding the climate effects, this scenario assumes that all countries meet their existing unconditional nationally determined contributions (NDC) commitments, i.e. individual country plans to reduce its emissions follow the Paris Agreement and no need to change existing policy ambitions. Therefore, increases in carbon pricing over the forecast horizon is not to be expected and what is more, regional climate policy variations will remain quite low.

- Pessimistic: There are three major risks, heavily skewed in favour of negative outcomes. First, there is a high uncertainty regarding the inflation trajectory over the coming months. It is possible that the pace of the monetary tightening might be too slow to impact the expectations. Second, the volatility on energy markets might reach new peaks if the winter season will be colder than the average and supplies of the Russian gas experience further disruptions, with Russia-Ukraine conflict continuing with little possibility for political negotiations in sight until the end of the next year. Third, Chinese authorities might stick to the lockdown policies until 2Q23, preventing supply bottlenecks from being resolved with the local real estate market being heavily recapitalised by the state. Credit risks would materialise on the real estate markets outside the European Union but without unmanageable negative externalities to the European financial system. These conditions would lead emerging markets to face capital outflows with local currencies depreciating. In conjunction with global and regional climate policies targeting a 1.6°C limit to global warming, implemented immediately, albeit gradually, with European countries increasing carbon prices by 5.5% and the rest of the world by more then 10%, this would put regional economies on recessionary path lasting up until 2027 (average decline in economic activity of 6.6%). Otherwise, i.e. without climate transition risk, observed fragile recovery in these economies would morph into slower consumption growth, bringing forth only modest and short-lived recessionary impulses (concentrated in 2023). Of course, one has to admit there is a sizable chance that the global leaders may fail to coordinate on implementation of the climate action programs beyond the nationally determined contributions, which may be the source of additional risks and distrubancies in both directions.

The following table provides quantitative aspects of the baseline case, upside (optimistic) case and downside (pessimistic) case scenario forecasts for selected forward-looking information/variables used to estimate the ECL for 31.12.2021 The values 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 case			Optimistic case	Pessimistic case
Sample period	2020	2021	2022-2024			
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	-8.0	7.2	5.0	4.2	6.2	2.8
Slovenia	-4.2	5.2	4.1	3.0	5.1	1.7
Bosnia & Herzegovina	-3.2	3.7	3.1	3.3	4.5	1.9
Serbia	-1.0	6.6	4.6	4.4	5.8	3.2
Montenegro	-15.3	8.4	4.8	3.0	4.9	2.2
Euroarea	-6.3	4.8	4.4	2.1	4.3	1.4
Unemployment Rate (ILO, average %)						
Croatia	7.5	7.0	6.8	6.5	3.1	10.0
Slovenia	5.0	4.7	4.3	4.1	1.4	7.0
Bosnia & Herzegovina	15.9	16.9	16.5	15.7	13.8	17.9
Serbia	9.0	11.0	10.0	8.8	7.2	11.2
Montenegro	17.9	16.0	15.5	15.2	13.1	17.2
Euroarea	7.9	8.1	7.8	7.2	5.2	9.5
Real-Estate (% of change)						
Croatia	7.7	5.0	4.0	4.0	7.5	0.5
Slovenia	4.6	3.0	2.2	2.2	5.1	-0.7
Serbia	1.8	6.0	5.5	5.0	9.2	1.1
Euroarea	5.2	5.5	3.5	3.0	6.1	0.2
CPI Inflation (average % YoY)						
Croatia	0.0	1.9	1.8	1.5	1.9	1.3
Slovenia	-0.3	1.8	1.6	1.6	1.8	1.4
Bosnia & Herzegovina	-1.1	1.3	1.0	1.6	1.5	1.3
Serbia	1.6	3.5	3.0	2.4	2.6	2.9
Montenegro	-0.3	1.9	1.3	1.5	1.5	1.3
Euroarea	0.3	2.1	1.6	1.5	1.7	1.3

1) The numbers represent average values for the quoted periods

The provisions in the 31.12.2022 consolidated financial statements include also post model adjustments of EUR 20.7 million, EUR 11.7 million higher compared with the EUR 9.0 million recognised in the consolidated financial statements at 31.12.2021. The PMA amount includes:

- a PMA in amount of EUR 8.9 million to address the positive impact of the macroeconomic development during late 2021 and early 2022 on the PD models, where some models recognise current development as a significant improvement compared to last recognised position;
- a PMA in amount of EUR 11.8 million to address the significant increase of uncertainty of the future macroeconomic environment and high overall volatility following the beginning of the Russia military invasion f Ukraine and the turmoil on energy markets due to the introduction of Western sanctions against Russian and Belarus. As observed in last years, macroeconomic projections changed quite frequent and could be significantly different depending on the institute providing the projections. IFRS 9 modelling framework can not reasonably capture this uncertainty and high volatility in the macroeconomic environment.

The post-model adjustment is booked across IFRS 9 stages 1 and 2.

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 adjustment, which is included in the total ECL stock after probability weighting the ECL of each scenario. The assumed distribution of scenario probabilities (baseline 50%, optimistic 5% and pessimistic 45%) allows the Group to cover the broad range of future expectations.

EUR m

31.12.2022	ECL incl. post model adjustment	ECL excl. post model adjustment	Optimistic Case	Base Case	Pessimistic Case
Retail	38.8	27.5	21.4	24.3	31.7
Non-Retail	30.5	21.2	14.3	17.3	26.3
Corporate Center	0.2	0.1	0.1	0.1	0.1
Total	**69.5**	**48.8**	**35.7**	**41.6**	**58.2**

EUR m

31.12.2021	ECL incl. Post model adjustment	ECL excl. Post model adjustment	Optimistc Case	Base Case	Pessimistic Case
Retail	41.6	41.6	36.4	40.4	45.1
Non-Retail	27.5	27.5	20.9	25.8	32.1
Corporate Center	9.1	0.1	0.0	0.1	0.2
Total	**78.3**	**69.3**	**57.3**	**66.2**	**77.5**

61.2. Development of risk provisions

The development of risk provisions in 2022 is mainly influenced by provision requirements in the consumer portfolio as well as by provisions for big tickets within the Large Corporate segment (mainly in Croatia), mainly driven by allocation in the NPE portfolio. On the other hand, the overall ECL coverage for performing loans (Stage 1 and 2) decreased during 2022 especially due to consideration of updated macro-economic outlook within the ECL calculation, which was partially offset by the recognition of the post model adjustment (to address the uncertainty of the future of the macroeconomic environment and high overall volatility). Despite the tense macroeconomic environment and inflationary pressure, there was no material deterioration in asset quality in 2022 recognised (no significant increase in NPE and related risk provisions), whereby the ongoing development of the portfolio with regard to migrations to the NPE portfolio is subject to continuous monitoring.

61.3. Changes in the calculation of portfolio risk provisions

Based on the ongoing model improvement framework at the Addiko Group, updates are performed regularly to make sure that the latest available information is considered. In 2022 a refinement/recalibration included a prolongation of timeseries with more recent available data used for calculation of PDs, introduction of modelled prepayment rates, introduction of modelled CCF parameter, introduction of modelled LGD parameter for Corporate portfolios and re-estimation of existing LGD parameters for Retail portfolios, update of the staging criteria (equal to AQR staging requirements) and an update of the macro forecasts to reflect latest available information.

61.4. Development of the NPE coverage ratio

The NPE coverage ratio 1 increased (75.4%) compared to the YE21 (71.9%). Increases are recognised in all legal entities except Addiko Bank Banja Luka and Addiko Bank Sarajevo - and is mainly driven by increases in the focus portfolio as well as in the large corporate portfolio due to provision allocation for certain big tickets during 2022.

The following tables show the NPE and NPE coverage ratios at YE22 and YE21:

EUR m

31.12.2022	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	NPE Coverage Ratio 1	NPE Coverage Ratio 3
Consumer	1,747.9	64.9	51.1	1.5	3.7%	4.0%	78.7%	81.1%
SME	1,858.5	58.4	40.1	30.1	3.1%	4.1%	68.6%	120.1%
Non Focus	755.5	39.8	31.8	33.4	5.3%	6.3%	79.9%	163.9%
o/w Large Corporate	233.8	10.6	9.6	9.6	4.5%	8.9%	91.0%	181.6%
o/w Mortgage	461.1	26.6	20.6	21.2	5.8%	5.8%	77.4%	157.3%
o/w Public Finance	60.7	2.7	1.7	2.7	4.5%	5.5%	61.8%	160.8%
Corporate Center	2,439.4	0.0	0.0	0.0	0.0%	0.0%	5.0%	5.0%
Total	**6,801.3**	**163.2**	**123.0**	**65.1**	**2.4%**	**3.3%**	**75.4%**	**115.3%**
o/w Credit Risk Bearing	**4,446.9**	**163.2**	**123.0**	**65.1**	**3.7%**	**4.4%**	**75.4%**	**115.3%**

EUR m

31.12.2021	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	NPE Coverage Ratio 1	NPE Coverage Ratio 3
Consumer	1,579.3	63.3	49.9	2.7	4.0%	4.3%	78.8%	83.1%
SME	1,765.8	61.6	39.5	40.3	3.5%	5.0%	64.1%	129.5%
Non Focus	1,128.9	69.3	50.2	53.1	6.1%	7.5%	72.4%	149.0%
o/w Large Corporate	437.2	11.5	6.1	9.5	2.6%	4.4%	53.5%	136.8%
o/w Mortgage	590.5	55.6	43.1	41.4	9.4%	9.4%	77.6%	152.0%
o/w Public Finance	101.3	2.3	0.9	2.2	2.3%	2.8%	40.6%	136.4%
Corporate Center	2,291.7	0.0	0.0	0.0	0.0%	0.0%	85.0%	85.0%
Total	**6,765.8**	**194.2**	**139.5**	**96.1**	**2.9%**	**4.0%**	**71.9%**	**121.4%**
o/w Credit Risk Bearing	**4,605.1**	**194.2**	**139.5**	**96.1**	**4.2%**	**5.2%**	**71.9%**	**121.4%**

(62) Measurement of real estate collateral and other collateral

The real estate market in Addiko operating countries is closely monitored on a quarterly basis. According to newest available statistical data all markets still show growth in market values in all property segments. On the other hand the continuous increases of the base interest rate by the ECB has increased the cost of financing for developers and buyers alike. Consequently, a slowdown of the market is expected in the coming year. The slowdown is expected to hit the total sales volume initially and could spill over to market values in the second half of 2023.

Addiko is using conservative haircuts in the calculation of 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 financial statements.

Pursuant to the Addiko Group Collateral Management Policy and the Addiko Group Real Estate Valuation Policy, all commercial real estate and real estates which are collateral for NPE exposures are monitored annually, values of residential real estate are monitored at least once every three years. The monitoring of all commercial real estate is performed on an individual level if the market value is above EUR 1.0 million, pursuant to the Addiko Group Collateral Management Policy. The market value of the ones with lower value is monitored using a statistical model. Thresholds for individual monitoring for residential real estate are more conservative, and those correspond to a market value of over EUR 400,000 are monitored manually. The market values of residential real estate with MV below EUR 400,000 are monitored statistically.

The internal collateral values (ICV) are shown in the following table for 31 December 2022 as well as 31 December 2022:

EUR m

Collateral Distribution	31.12.2022	31.12.2021
Exposure	6,801.3	6,765.8
Internal Collateral Value (ICV)	978.2	1,279.5
thereof CRE	346.9	484.1
thereof RRE	375.8	474.1
thereof financial collateral	30.8	29.0
thereof guarantees	176.1	219.7
thereof other	48.5	72.5
ICV coverage rate	**14.4%**	**18.9%**

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 Mortgages loans were reduced, due to the decrease of the mortgage loan portfolio in Retail. Collateral coverage reduces (14.4%) compared to YE21 (18.9%).

The table below provides an analysis of the current fair value of collateral held and credit enhancements for stage 3 assets in accordance with IFRS 7R35K(c).

Dependent on the value of collateral, some stage 3 exposures may not have individual ECLs assigned, if the expected discounted cash flows from realisation of collateral is greater that the outstanding amount, even if the expected discounted cash flows from realisation of collateral is forecasted using multiple economic scenarios. However, the stage 3 ECL amount can be higher than the net exposure shown below when the expected discounted cash flows from realisation of collateral is not individually determined but estimated based on a portfolio approach.

In determining provision coverage for NPE, Addiko aims to be fully aligned with the supervisory expectations for prudential provisioning of non-performing exposures published by the European Central Bank.

EUR m

31.12.2022	Gross Carrying amount	Fair value of collateral held under the base case scenario Property	Other	Off-setting	Surplus collateral	Total collateral	Exposure w/o collateral	ECL
Loans and advances	**155.0**	**22.0**	**0.5**	**0.0**	**1.5**	**24.1**	**130.9**	**-118.2**
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.1	0.0	0.0	0.0	0.0	0.0	0.1	-0.1
Non-financial corporations	62.7	14.8	0.5	0.0	1.5	16.9	45.8	-45.6
Households	92.2	7.1	0.0	0.0	0.0	7.1	85.1	-72.6
Commitments and financial guarantees	**7.5**	**2.2**	**0.0**	**0.1**	**0.0**	**2.3**	**5.2**	**4.4**
Loan commitments given	0.6	0.1	0.0	0.0	0.0	0.1	0.6	0.4
Financial guarantees given	3.7	0.2	0.0	0.1	0.0	0.3	3.4	2.7
Other commitments given	3.2	2.0	0.0	0.0	0.0	2.0	1.2	1.2

EUR m

31.12.2021	Gross Carrying amount	Fair value of collateral held under the base case scenario Property	Other	Off-setting	Surplus collateral	Total collateral	Exposure w/o collateral	ECL
Loans and advances	**187.9**	**38.4**	**0.9**	**0.0**	**1.3**	**40.6**	**147.2**	**-136.0**
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.1	0.0	0.0	0.0	0.0	0.0	0.1	-0.1
Non-financial corporations	65.8	24.4	0.9	0.0	1.3	26.6	39.1	-40.0
Households	122.0	14.0	0.0	0.0	0.0	14.0	108.0	-95.9
Commitments and financial guarantees	**6.1**	**0.7**	**0.0**	**0.2**	**0.0**	**0.9**	**5.1**	**3.6**
Loan commitments given	1.3	0.2	0.0	0.0	0.0	0.2	1.1	0.6
Financial guarantees given	3.7	0.3	0.0	0.2	0.0	0.5	3.2	2.1
Other commitments given	1.1	0.2	0.0	0.0	0.0	0.2	0.9	0.9

The expected discounted cash flows from realisation of collateral presented in the above table are determined - for the not individually impaired loans - as difference between the outstanding amount and the ECL calculated on the portfolio principle and for this reason do not correspond to the collateral values presented in the previous tables.

(63) Market risk

63.1. Definition

Market risks consist of potential losses arising from a change in market prices. The Addiko Group structures market price risks according to the risk factors in interest rate, credit spread, currency and equity price risk. The Addiko Group places a special emphasis on identifying, measuring, analysing and managing market risk. Market price risks may result from securities (and products similar to securities), money and foreign currency products, derivatives, exchange rate hedges and results hedging, assets similar to equity or from the management of assets and equity/liabilities. In addition to market risks, market liquidity risks may also arise if, in the event of low market demand, the bank is unable to sell trading positions during liquidity bottlenecks (or due to risk-based offsetting requirements) in the short-term. For existing positions, these are taken into account as part of the risk limitations for market risks.

63.2. Risk measurement

The Addiko Group calculates market risk as part of daily monitoring with value-at-risk methods on the basis of a one-day holding period, with a confidence level of 99.0%. The VaR risk measure estimates the potential loss over the given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99.0% VaR number used by the bank reflects the 99.0% probability that the daily loss should not exceed the reported VaR. The VaR methodology employed to estimate daily risk numbers is a Monte Carlo simulation with 10,000 runs, or a simulation under Variance-Covariance method. While the latter method is used to estimate interest rate risk for non-trading activities, the Monte Carlo approach is then used to estimate potential losses of other market risk types. The bank uses VaR to capture potential losses arising from changes in the risk free rates, security issuers' credit margins, foreign exchange rates, equity prices and commodity prices. All VaR methods in place rest on assumption of exponentially weighted moving averages and correlations in the market risk factors collected for the historical series of 250 days.

63.3. Overview – market price risk

63.3.1. INTEREST RATE RISK

The value at risk of the interest rate risk (including the interest rate risk of the trading book) for the Addiko Group per 31.12.2022 is EUR 2.3 million (comparable VaR figure as at 31 December 2021: EUR 1.3 million). The interest rate gap profile for the Addiko Group contains all interest-rate-sensitive items (Assets, liabilities and off-balance-sheet items in the non-trading book) which are either contractually fixed, floating or based on behavioural assumptions. The stochastic cash flows are illustrated using uniform Group standards as well as local models for country-specific transactions. All interest sensitive items in the balance sheet are taken as the basis for calculating economic value and earnings-based measures, as well as other measures of IRRBB, based on the interest rate shock and stress scenarios. Any non-interest-sensitive items are not comprised in the interest risk calculation but dealt with in association with other risk factors, such as the participation risk.

The methodology of regulatory interest risk calculation is based on the EBA Guidelines on the management of interest rate risk arising from non-trading activities (EBA/GL/2018/02) and specifications of the Oesterreichische Nationalbank (OeNB) regarding the calculation of interest risk statistics.

Regulatory requirements state that impact on EVE of a sudden parallel +/-200 basis points shift of the yield curve in total own funds may not exceed 20.0%, with the relevant risk estimation at 1.1% at 31.12.2022 versus 6.6% at 31.12.2021. Under the EVE of scenarios 1 to 6 as set out in Annex III of EBA/GL/2018/02, the impact may not exceed 15% of Tier 1 capital, with the relevant risk estimation at 3.4% at 31.12.2022 versus 7.8% at 31.12.2021.

The change in present value of the banking book with a parallel rise in the interest rate curves by 1 base point in all maturity bands and currencies as at 31 December 2022 amounts to EUR -0.3 million (entire aggregated effect of this interest rate simulation), which is almost the same level as af 31 December 2021 (EUR -0.3 million).

63.3.2. FOREIGN EXCHANGE RISK

The database for determining the value at risk for foreign exchange risks at the Group level of the Addiko Group is based on the figures in the regulatory report as well as positions arising from participations, and contains operational business activities. Foreign exchange risk thereby covers the entire FX risk of the Addiko Group. The main foreign exchange risk drivers are the HRK and RSD currencies. The total volume of open currency positions is at EUR 576.1 million as of 31 December 2022, which was slightly higher than the volume of EUR 646.7 million per 31 December 2021. The value at risk for foreign exchange risk was EUR 0.4 million per day as at 31 December 2022 versus EUR 0.8 million value at risk as at 31 December 2021, with both figures at a confidence interval of 99.0%. The limit of EUR 2.0 million was adhered to as at 31 December 2022.

Aside from foreign exchange risk from operating activities, majority of the Addiko Group's exposure to foreign exchange risk implicitly arises from the parent company's participations in the companies Addiko Bank d.d. Zagreb and Addiko Bank a.d. Beograd, where the share capital is booked in the local currency and secondly invested in the same currency in the local asset-side business. In addition to monitoring VaR in respect of foreign currency, the Addiko Group also monitors any concentration of relevant single foreign exchange positions on single currency level – this is reported on monthly basis within the Group Asset Liability Committee.

63.3.3. EQUITY RISK

The share capital held in the Group is susceptible to market price risks, which arise from the uncertainty surrounding the future value of these shares. Exposure to equity risk under the standard VaR methods implemented in Addiko Group is estimated at EUR 0.1 million as of 31 December 2022 against the estimation of EUR 0.1 million as of 31 December 2021. Size of risk exposure to movements in equity market prices is seen as low given that Addiko Group's strategy is, in general, not to invest into such asset classes. If the comparison is done on each separate risk type, equity risk exposure thus displays that no major concentration risk arises from therein.

63.3.4. CREDIT SPREAD RISK

The credit spread risk within the Addiko Group stood at EUR 1.3 million at 31 December 2022 with a one-day value at risk and a confidence level of 99.0%, versus value at risk of EUR 0.7 million as at 31 December 2021. The greatest influencing factor in credit spread risk is the holding of liquidity reserves in the form of securities in the Addiko entities in Bosnia and Serbia. In addition to monitoring VaR in respect to the credit spread risk, the Addiko Group also monitors concentration risks within the bond portfolio – within the respective risk reports concentrations on single bank level of the bond portfolio over the whole Addiko Group are monitored as well as concentrations of bonds within the categories of government bonds, financial bonds as well as corporate bonds.

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

EUR m

	31.12.2022	31.12.2021
Interest Rate Risk (Banking and Trading Book)	42.9	23.6
Credit Spread Risk	24.7	13.7
Foreign Exchange Risk	7.4	14.4
Equity Risk - Investments	2.6	2.1
Equity Risk - Client Default	0.1	0.1

Total market risk exposure was higher at end of the year 2022 compared with the end of the year 2021 largely on the back of higher volatility in the financial markets also connected to the Russia/Ukraine crises feeding mainly into higher interest rate and credit spread risk. The latter mostly reflect increased movements in risk free rates amid growing inflationary pressures and the resultant influences on the key central banks' response via monetary policy tools. The increase within the credit spread risk per end of December 2022 to EUR 24.7 million compared to EUR 13.7 million per 31.12.2021 was mainly driven out of higher volatilities of credit default swaps.

Bigger movements in the interest rates as well as the mentioned market developments resulted in the decrease of the value of the financial assets measured at Fair Value through other comprehensive income (OCI) despite the solid credit quality of the securities in the Addiko Group portfolio (consisting mostly of exposures to sovereigns and central banks). Impacts are closely monitored in respect to the internal capital ratio limits which were not endangered at any point in the previous financial year. The business and investment strategy follows a prudent definition based on a hold-to-collect business model.

63.3.5. IBOR REFORM

The interest rate benchmark reform was implemented successfully within the Addiko Group. Respective contracts and fallbacks have been signed and new IBOR curves used for valuations have been implemented in the respective systems from 1 January 2022 onwards.

(64) Liquidity risk

64.1. Definition

The Addiko Group defines liquidity risk as the risk of not being able to fully or timely meet payment obligations due, or – in the event of a liquidity crisis – only being able to procure refinancing at increased market rates, or only being able to sell assets if a discount has been included to the market prices.

64.2. General requirements

At the Addiko Group, liquidity controlling and management at Group level are the responsibility of Group Treasury & ALM. It is here that the steering of situational and structural liquidity and the coordination of funding potential at Group level takes place. The local treasury units are responsible for operational liquidity steering and liquidity offset. The liquidity risk control at Group level is the responsibility of Group Market & Liquidity Risk Managament. At a local level, the respective risk control units are in charge. Risk measurement and mitigation as well as timely and consistent reporting are carried out there.

The Addiko Group has emergency liquidity planning in place which has been set out in writing. It sets out the processes and control or hedging instruments which are required to avert imminent crises or to overcome acute crises. In the event of a liquidity crisis, the top priorities of the bank are to rigorously maintain solvency and to prevent damage to the bank’s reputation.

64.3. Risk control

A bundle of different liquidity reserves ensures the Addiko Group’s solvency at all times, even during crisis situations. These liquidity reserves are subject to different stress scenarios in order to maintain an overview of available liquidity resources through the respective units even during crisis situations. Moreover, the bank holds its own liquidity buffer for stress situations, composed of ECB-eligible securities.

In 2022, the Liquidity Coverage Ratio (LCR) has been moving between its lowest level of 244.6% in May 2022 and its peak of 307.4% in December 2022.

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

EUR m

Counterbalancing Capacity	31.12.2022	31.12.2021
Coins and bank notes	120.0	126.8
Withdrawable central bank reserves	1,080.5	826.5
Level 1 tradable assets	838.1	678.1
Level 2A tradable assets	0.0	4.5
Level 2B tradable assets	10.3	26.3
Total Counterbalancing Capacity	**2,048.9**	**1,662.2**

64.4. Overview – liquidity situation

The liquidity situation of the Addiko Group in 2022 was characterised by a liquidity surplus. No capital market activities were therefore necessary during the reporting period.

During the financial year 2022, the Addiko Group recorded a stable level of deposits around EUR 4.9 billion. Based on anticipated inflows and outflows, it is also expected a stable liquidity situation in the year 2023.

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 sight and term-deposits. The most important currency in funding with 63.4% is EUR, followed by HRK and BAM. Both, products and currencies are tracked through different time buckets and time frames. In addition, the Group is monitoring the impact of customers with high volume business: the biggest customers are compared with the volume of total financial liabilities.

Collateral exchanges as part of the relevant margining procedures underlying the derivatives business is taken into account in all the relevant liquidity risk calculations and as such form the relevant input used in both regulatory reporting as well as internal management.

Below is a breakdown of contractual maturities of undiscounted cash flows for the financial liabilities of the Addiko Group:

EUR m

31.12.2022	Carrying amount	Contractual cash flows	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years
Financial liabilities measured at amortised cost	5,136.8	5,188.0	3,430.4	500.3	782.8	420.4	54.2
Deposits of customers	4,959.6	4,961.4	3,383.1	453.5	763.2	331.8	29.8
Deposits of credit institutions	128.5	177.7	17.3	31.1	18.7	86.5	24.1
Other financial liabilities	48.8	48.9	29.9	15.7	0.9	2.1	0.3
Derivatives	3.1	3.1	2.5	0.1	0.0	0.0	0.5
Loan commitments	0.0	455.7	436.3	0.0	8.9	9.9	0.6
Financial guarantees	0.0	184.1	67.3	0.0	3.7	73.7	39.3
Other commitments	0.0	257.7	257.5	0.0	0.2	0.0	0.0
Total	**5,140.0**	**6,088.6**	**4,194.0**	**500.4**	**795.6**	**504.0**	**94.6**

EUR m

31.12.2021	Carrying amount	Contractual cash flows	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years
Financial liabilities measured at amortised cost	4,933.6	4,953.2	3,327.3	497.7	601.1	447.3	79.7
Deposits of customers	4,708.2	4,712.1	3,294.9	477.6	579.8	327.7	32.2
Deposits of credit institutions	174.6	189.8	6.6	1.6	20.8	115.5	45.1
Other financial liabilities	50.9	51.4	25.8	18.5	0.5	4.2	2.4
Derivatives	2.3	2.3	0.3	1.3	0.3	0.4	0.0
Loan commitments	0.0	504.5	504.5	0.0	0.0	0.0	0.0
Financial guarantees	0.0	211.7	87.9	0.1	9.1	78.0	36.6
Other commitments	0.0	269.0	265.1	0.0	3.9	0.0	0.0
Total	**4,935.9**	**5,940.7**	**4,185.1**	**499.1**	**614.4**	**525.7**	**116.3**

(65) Operational risk

65.1. Definition

The Addiko Group defines operational risk as the risk of direct and indirect losses resulting from inadequate or failed internal processes, systems, people or external factors other than credit, market and liquidity risks. This definition includes legal risk, but excludes reputational risk and strategic risk.

65.2. General requirements - Operational risk management framework

Operational risk management (ORM) is at the core of a bank's operations, integrating risk management practices in processes, systems and culture. As a pro-active partner to senior management, ORM's value lies in supporting and challenging senior management to align the business control environment with the bank's strategy by measuring and mitigating risk loss exposure, contributing to optimal return for stakeholders.

A robust framework of operational risk management which includes identifying, measuring, managing, monitoring and reporting operational risk provides a mechanism for discussion and effective escalation of issues leading to better risk management and increasing institutional resilience.

The comprehensive data collection, which the framework supports, allows analysis of complex issues and facilitates tailored risk mitigation actions.

Operational risk management is a continuous cyclic process which includes risk and control self-assessment, risk decision making, scenario analysis and implementation of risk controls, which results in acceptance, mitigation, or avoidance of risk.

65.3. Risk monitoring

Operational Risk Management reports on a monthly basis to the Group Management Board and on a quarterly basis to the Group Risk Executive Committee and Group Governance Risk and Compliance Committee in order to provide an overview of the operational risk situation to the management to enable the related risk steering and to integrate the operational risk management into the bank processes.

65.4. Exposure & capital overview

Operational risk, in its cyclical process, shows changes in loss realisation thus impacting operational risk management which is visible through the loss collection and risk and control self-assessment processes, the two most important tools in operational risk management.

The operational risk capital requirement within the Pillar 1 capital requirement is calculated using the Standardised Approach based on operating income (using relevant indicator and multiplier for relevant business lines). The operational risk measurement model for internal capital adequacy is calculated the same way as for Pillar 1 and includes operational risk sub-types which the Bank considers material under Pillar 2.

(66) Object risk

Object risk at the Addiko Group covers all possible losses that may arise from fluctuations in the market values of movable equipment and real estate held. Real estate risks arising from collateral for mortgages (residual risk) are not taken into account, as these are already covered by credit risk.

The capital requirements for object risk are calculated according to the methodology of the Standardised Approach and included in the ICAAP evaluation. To this end, the market value is multiplied by a risk weighting of 100.0% and then by a weighting factor.

(67) Other risks

The following risk types are backed up with capital under “Other risks”:

- Reputational risk,
- Macro-economic risks,
- Systemic risks,
- Business risk/Strategic risk.

For material “Other risks”, economic capital is considered in the risk bearing capacity calculation.

(68) Environmental, Social and Governance (ESG) Risks

ESG risks include all risks arising from potential negative impacts, direct or indirect, on the environment, people and communities and more generally all stakeholders, in addition to those arising from corporate governance. ESG risk could affect profitability, reputation and credit quality and could lead to legal consequences.

As also described in the Consolidated Non-financial Report Addiko takes into account the environmental, social and governance (“ESG)” risks, associated with the activities of customer companies and pays particular attention to in-depth analysis of sustainability issues related to sectors which are considered sensitive. Addiko does not treat the ESG risks as a separate risk type but integrates them in the existing risk classification and into the existing risk management framework, as drivers for other risk types (e.g. credit risk or operational risk).

In line with regulatory expectations, Addiko puts a special focus on climate-related and other environmental risk (C&E risk) management. In this context Addiko considers both physical and transition risks:

- Physical risk refers to the direct impact from climate-related or environmental changes, which can be "acute" (e.g. extreme weather events such as hurricanes, floods and wildfires) or "chronic" in case of progressive changes, such as sustained higher temperatures, heat waves, droughts and rising sea levels.
- Transition risk refers to the potential losses resulting from the adjustment towards a lower-carbon and more environmentally sustainable economy (e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand).

Addiko Group performed an assessment of climate-related and other environmental risks in two consecutive steps. In a first step Addiko Group assessed the impact of climate and environmental change on its countries of operation considering various scenarios for the short, medium and long-term. In a second step Addiko Group analysed how the impact identified in the first step will transmit onto the Group. Based on this analysis, Addiko concluded that in particular its credit risk can be impacted climate-related and other environmental risk drivers. While due to the granularity and diversification of Addiko Group's loan portfolio, there is no immediate material threat to the quality of assets of Addiko Group, the potential impact on the economy in the area of Addiko operation drives the systemic risk Addiko is exposed to. In this context it is evident that acute and chronic climate and environmental risks already do impact macroeconomic indicators, whereby the severity of this impact over the medium- to long term is highly dependent on the measures taken to curb climate change. Consequently, Addiko also considered the impact from climate-related transition risks in the macroeconomic financial forecasts used in the calculation of the Expected Credit Loss, thus, directly impacting the risk provisions of the loan book.

While no immediate danger for Addiko Group was identified in the assessment of climate-related and other environmental risks, the urgency and uncertainty of the matter require continuous monitoring. Addiko focuses in particular on the strict limitation of any idiosyncratuic C&E risk. In this context, Addiko has identified industries which are and might in the future be impacted by climate and environmental risk, and set prudent limits on the maximum exposure to these limits, which are diligently tracked. Furthermore, within the operational credit-granting process, Addiko has defined measures to recognise the potential impact of climate and environmental risk on the asset quality of the clients. Proper assessment is necessary in order to prevent potential financial, legal or reputational consequences for the bank that might appear in case that bank supports financing of the respective company.

(69) Legal risk

69.1. Passive legal disputes: monitoring and provisioning of legal risks

The overall number of passive legal disputes increased in 2022 due to FX transactions, margin increases and interest rate clauses at the Croatian subsidiary and loan processing fees collected by the Serbian subsidiary. Despite the increase of number of cases in these two entities, the overall amount in dispute for passive legal disputes was reduced as of 31.12.2022 (EUR 212 million) versus 31.12.2021 (EUR 261 million) by EUR 49 million.

There is a future risk of further increasing numbers of proceedings and amounts in dispute due to changed court practice, binding sample proceedings decision and new laws (e.g. conversion laws, amendments to consumer credit acts, consumer protection acts).

Across the Addiko Group, a centralised legal data base has been established, which enables monitoring and steering by the holding company, as well as early perception of possible new developments and reasonings in the jurisdictions the Addiko Group is doing business in. Besides, other monitoring and steering tools have been implemented to establish and secure reliable data quality and dispute handling quality, and to monitor daily litigation work and the development of court cases.

Legal provisions for the legal risk inherent in passive legal proceedings, specifically the risk of losing the case and having to bear the associated costs, are generally calculated in accordance with international accounting principles applicable across the entire Addiko Group. Accordingly, no legal provision is required to be set up if the Addiko Group is more likely than not to prevail in the proceedings. If the probability of success is equal to or below 50%, legal provisions are recognised. Local legal divisions familiar with the respective case and/or external appraisers are responsible for assessing the chances of success. The latter especially applies in the case of particularly complex cases or particularly high amounts in dispute. In addition to these general requirements, legal provisions are also formed for particularly complex and/or high-profile legal disputes, which of course carry a greater inherent legal risk. Group wide monitoring of foreign currency legal disputes has been intensified as a consequence of the increasing number of regulations and rulings on handling foreign currency loans in the Central and South Eastern European countries (e.g. “forced conversion”).

Besides the legal data base, where data can be seen on a daily level, regular reports on the local legal situation and the latest developments in the pending legal proceedings, as well as ad-hoc reports on new legal disputes are actively requested from Addiko subsidiaries. The resulting stocktaking allows, at any time, for an overview of the total number of pending legal proceedings the Group is involved in as well as the legal risk inherent in these proceedings (as measured by the chances of success), the recording of risk-adequate legal provisions at an appropriate amount, an effective monitoring of changes and the adopting of measures, if necessary.

69.2. Historical unilateral interest changes and Suisse Frank clause risk

As at 31 December 2022 the total amount in dispute related to retail cases (F/X, unilateral interest change disputes or claims for payment) in which the Group are respondent was EUR 96.0 million (YE21: EUR 80.5 million).

Particularly between 2004 and 2009, numerous private customers in Central and South Eastern Europe have taken out foreign currency loans (especially CHF loans). In the previous years, such loan agreements have increasingly become the subject of customer complaints and legal proceedings, the latter being a course of action initiated in particular by consumer protection organisations. The main allegation is that customers were not provided with sufficient information on the consequences of such agreements when they were concluded, and/or that the foreign currency and/or interest rate adjustment clauses applied were void. This is an attempt to renegotiate the terms and conditions of foreign currency loans.

At the time of writing, Croatia, Slovenia, Bosnia & Herzegovina, Serbia and Montenegro show different decision-making practice in the CHF clause cases; some of the local court practices and verdicts went against the defendant subsidiary banks, but other cases were ruled in their favour.

The subsidiary bank in Slovenia has 63 ongoing legal disputes in connection with CHF loans, whereby a positive outcome is expected for Addiko as confirmed by the current court practice for the cases where Addiko is involved. In February 2022 the Slovenian parliament enacted a so-called Swiss Franc Law aimed at retroactively redistributing the foreign-currency risk to banks. The law was suspended by the Slovenian Constitutional Court on 10 March 2022 until its final decision which was published on 13 December 2022. According to the decision, not all conditions for a constitutionally permissible retroactivity were met. Since new measures for a regulation of the CHF loan topic in the future cannot be excluded, Addiko will continue to actively pursue a solution together with other banks and the government to ensure definitive legal certainty and a balanced approach.

In Bosnia & Herzegovina, the lawfulness of foreign currency clauses used at the subsidiary banks in Sarajevo and Banja Luka was confirmed by a supreme court statement of the Republic of Bosnia & Herzegovina, which has a binding effect for lower-instance courts thus put an end to filing of new claims. Both Bosnian subsidiary banks have implemented a voluntary settlement project for conversion of CHF loans into the national currency BAM. Since then, numbers of new claims in this regard significantly decreased and requests for conversion and/or restructuring of loans increased. Until 31 December 2022, approx. 79% of the CHF loans were converted. In the Republika Srpska 16.3 % were closed without conversion. The number of claims in this respect has therefore decreased considerably. On 19 January 2021 the parliament of the Federation in Bosnia voted on the application of the 2017 draft of a CHF Conversion Law (“Draft”). Although the parliament voted in favour on the motion to introduce the Draft it requested the petitioner to add all objections against the Draft stated during the parliamentary discussions when bringing the Draft again for voting. In 2022 the petitioner of the Draft withdraw his support. Since then, no new attempts were taken to introduce a CHF Conversion Law in Bosnia.

In Croatia the most relevant decisions that preceded the considerable increase of the number of individual consumer CHF court's proceedings against the Bank during 2019 and 2022 are the following (i) May 2015 – the Supreme Court of the Republic of Croatia has fully confirmed the decision of the High Commercial Court of the Republic of Croatia on the nullity of the unilateral interest change provision in CHF loan agreements, and (ii) September 2019 - the Supreme Court of the Republic of Croatia has confirmed the 2018 decision of the High Commercial Court of the Republic of Croatia on the nullity of the currency clause provision in CHF loan agreements. Borrowers whether participating in the class action or not cannot exert any direct claims from the verdict but have to file individual complaints regarding any potential overpayment claims due to the FX clause. In May 2022 the European Court of Justice (CJEU) ruled in a case regarding converted CHF loans, that a) CJEU has no jurisdiction over the CHF loan itself since the loan agreement was concluded before Croatia’s accession to the EU and b) that the Consumer Protection Directive might not be applicable if the Conversion law 2015 was intended to bring balance between banks and consumers. The task of checking whether this is the case is up to local courts. On 20 December 2022 the Croatian Supreme Court published its opinion regarding converted CHF loans. The opinion states that clients who converted under Conversion Law 2015 are entitled to additional payments according to the General Obligations Act, which should consist of penalty interest until the conversion. As per publication by the Croatian Supreme Court dated 22 December 2022 this opinion is not legally binding to lower instances but must be confirmed in an individual case with the Supreme Court. Addiko as well as other banks will seek any possible legal remedy on national and international level against a negative outcome in individual cases as well as any other court decision following this opinion. The opinion does not contain any indication on the calculation method regarding the additional compensation. In addition, there is no connex between the requests made in the already pending disputes and the legal contend of the opinion.

In the class action against Addiko Bank AD Montenegro regarding the validity of the CHF clause the first instance ruled that this clause is invalid. Nevertheless, plaintiffs’ request for compensation was denied and plaintiffs were ordered by the court to request conversion under the Conversion law 2015. An appeal was filed.

In relation to the requests filed by the Group in September 2017 for Arbitration with the ICSID in Washington, DC against the Republic of Croatia regarding the Conversion Law reference is made to the disclosures in note (75) "Contingent liabilities and other liabilities not included in the statement of financial position".

EUR m

		31.12.2022		31.12.2021
	Exposure	thereof CHF	Exposure	thereof CHF
Addiko Bank Croatia	2,448.6	23.3	2,482.2	30.0
Addiko Bank Slovenia	1,553.8	33.6	1,615.9	43.3
Addiko Bank Serbia	1,071.1	7.0	1,070.9	2.7
Addiko Bank Sarajevo	597.4	3.0	597.1	3.6
Addiko Bank Banja Luka	545.3	4.3	536.8	6.2
Addiko Bank Montenegro	231.4	2.8	231.3	3.5
Addiko Holding	353.7	0.0	231.5	0.0
Total	**6,801.3**	**74.0**	**6,765.8**	**89.2**

During the business year 2022, CHF portfolio decreased from EUR 89.2 million at the end of 2021 to EUR 74.0 million at YE22.

Supplementary information required by IFRS

(70) Analysis of remaining maturities

EUR m

31.12.2022	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash reserves	1,188.8	187.7	3.6	2.8	0.1	1,380.0	2.9	1,382.9
Financial assets held for trading	1.6	0.3	0.0	18.1	2.7	2.0	20.9	22.8
Financial assets mandatorily at fair value through profit or loss	0.3	1.5	0.0	0.0	0.0	1.8	0.0	1.8
Financial assets at fair value through other comprehensive income	17.6	60.9	123.7	468.8	206.6	202.2	675.4	877.6
Financial assets at amortised cost	114.7	333.1	624.1	1,664.5	827.6	1,071.9	2,492.1	3,564.0
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0	61.6	61.6
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	24.5	24.5
Tax assets	0.0	0.0	0.0	0.0	0.0	41.8	0.6	42.4
Current tax assets	0.0	0.0	0.0	0.0	0.0	5.4	0.0	5.4
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	36.4	0.6	37.0
Other assets	0.0	0.0	0.0	0.0	0.0	17.1	0.1	17.1
Non-current assets and disposal groups classified as held for sale, financial instruments	0.0	0.0	0.0	0.0	0.0	1.6	0.0	1.6
Total	**1,323.0**	**583.5**	**751.4**	**2,154.2**	**1,037.1**	**2,718.4**	**3,278.1**	**5,996.4**
Financial liabilities held for trading	2.5	0.1	0.0	0.0	0.5	2.6	0.5	3.1
Financial liabilities measured at amortised cost	3,512.9	556.8	690.8	321.8	54.6	4,760.5	376.3	5,136.8
Provisions	0.0	0.0	0.0	0.0	0.0	75.3	8.1	83.4
Tax liabilities	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.6
Current tax liabilities	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.6
Other liabilities	0.0	0.0	0.0	0.0	0.0	26.1	0.1	26.2
Total	**3,515.4**	**556.9**	**690.8**	**321.8**	**55.1**	**4,865.1**	**385.1**	**5,250.2**

Remaining maturity refers to the period between the reporting date and the expected payment date for the receivable or liability. Where receivables or liabilities fall due in partial amounts, the remaining maturity is reported separately for each partial amount. An analysis regarding recovery or settlement up to 1 year after the reporting date and over 1 year after the reporting date, as requested in IAS 1, is presented. The breakdown by remaining maturities is based on the carrying amounts included in the statement of financial position.

EUR m

31.12.2021	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash reserves	1,092.6	262.1	4.9	0.9	1.2	1,359.6	2.1	1,361.7
Financial assets held for trading	0.8	2.0	0.2	26.9	2.7	3.0	29.6	32.6
Financial assets mandatorily at fair value through profit or loss	0.3	2.7	0.0	0.0	0.0	3.0	0.0	3.0
Financial assets at fair value through other comprehensive income	61.6	37.1	103.4	409.3	397.8	202.1	807.0	1,009.2
Financial assets at amortised cost	105.7	243.9	528.3	1,441.1	965.4	877.9	2,406.5	3,284.4
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0	70.6	70.6
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	26.7	26.7
Tax assets	0.0	0.0	0.0	0.0	0.0	26.2	0.7	26.9
Current tax assets	0.0	0.0	0.0	0.0	0.0	2.7	0.0	2.7
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	23.5	0.7	24.1
Other assets	0.0	0.0	0.0	0.0	0.0	14.9	0.0	14.9
Non-current assets and disposal groups classified as held for sale, financial instruments	0.0	0.0	0.0	0.0	0.0	12.3	0.0	12.3
Total	**1,261.1**	**547.7**	**636.8**	**1,878.2**	**1,367.0**	**2,499.1**	**3,343.3**	**5,842.3**
Financial liabilities held for trading	0.3	1.1	0.0	0.6	0.2	1.4	0.9	2.3
Financial liabilities measured at amortised cost	3,322.8	567.5	546.1	432.2	64.9	4,436.5	497.1	4,933.6
Provisions	0.0	0.0	0.0	0.0	0.0	65.0	4.8	69.9
Tax liabilities	0.0	0.0	0.0	0.0	0.0	5.8	0.0	5.8
Current tax liabilities	0.0	0.0	0.0	0.0	0.0	5.8	0.0	5.8
Other liabilities	0.0	0.0	0.0	0.0	0.0	25.4	0.3	25.7
Total	**3,323.2**	**568.6**	**546.1**	**432.9**	**65.1**	**4,534.1**	**503.1**	**5,037.2**

(71) Leases from the view of Addiko Group as lessor

71.1. Finance leases

The receivables under finance lease are included in loans and receivables, breaking down as follows:

EUR m

	31.12.2022	31.12.2021
Minimum lease payments (agreed instalments + guaranteed residual value)	1.7	4.6
Unguaranteed Residual Value (+)	0.0	0.0
Gross investment value (=)	1.7	4.6
up to 1 year	1.7	2.9
from 1 year to 2 years	0.0	1.8
from 2 year to 3 years	0.0	0.0
from 3 year to 4 years	0.0	0.0
from 4 year to 5 years	0.0	0.0
over 5 years	0.0	0.0
Unrealised financial income (interest) (-)	0.0	-0.1
Net investment value (=)	1.7	4.5
Present value of non-guaranteed residual values	0.0	0.0
Present value of the minimum lease payments	1.7	4.5
up to 1 year	1.7	2.7
from 1 year to 2 years	0.0	1.7
from 2 year to 3 years	0.0	0.0
from 3 year to 4 years	0.0	0.0
from 4 year to 5 years	0.0	0.0
over 5 years	0.0	0.0

Assets leased under finance leases (leased assets) break down as follows:

EUR m

	31.12.2022	31.12.2021
Movable Assets	1.7	4.5
Total	**1.7**	**4.5**

71.2. Operating leases

The undiscounted minimum lease payments to be received after the reporting date from operating leases for each of the years of the lease contract are shown as follows:

EUR m

	31.12.2022	31.12.2021
up to 1 year	0.1	0.3
from 1 year to 2 years	0.0	0.1
from 2 year to 3 years	0.0	0.0
from 3 year to 4 years	0.0	0.0
from 4 year to 5 years	0.0	0.0
over 5 years	0.0	0.0
Total	**0.1**	**0.5**

The breakdown of minimum lease payments from non-cancellable operating leases, by leased assets, is as follows:

EUR m

	31.12.2022	31.12.2021
Investment properties	0.1	0.3
Land and buildings	0.0	0.2
Total	**0.1**	**0.5**

Rental income recognised by the Group during the year 2022 is EUR 0.2 million (2021: EUR 0.2 million).

(72) Leases from the view of Addiko Group as lessee

The Group leases the majority of its offices and branches under various rental agreements. The Group leases also equipment and vehicles. Most of the lease contracts are made under usual terms and conditions and include price adjustment clauses in line with general office rental market conditions. Rental contracts are typically made for fixed periods up to 10 years. Extension and termination options are included in a number of property and equipment leases across the Group. Several lease contracts have indefinite lease term and several contracts contain insignificant residual value guarantees. There are no restrictions placed upon the lessee by entering into these contracts. There are no lease contracts with variable payments other than that depending on an index or a rate. For further details regarding lease contracts please refer to note (10) Leases, and to note (5) Use of estimates and assumptions/material uncertainties in relation to estimates.

The lease agreements do not include any clauses that impose any restrictions on the Group's ability to pay dividends, engage in debt financing transactions or enter into further lease agreements.

The Group had total cash outflows for leases of EUR -7.8 million in 2022 (2021: EUR -8.2 million).

EUR m

	31.12.2022	31.12.2021
Payments for principal portion of lease liability	-5.8	-6.1
Payments for interest portion of lease liability	-0.4	-0.4
Payments for short-term, low value assets and variable lease payments not included in the measurement of the lease liability	-1.6	-1.7
Total	**-7.8**	**-8.2**

The undiscounted maturity analysis of lease liabilities under IFRS 16 is as follows:

EUR m

Maturity analysis - contractual undiscounted cashflow	31.12.2022	31.12.2021
up to 1 year	6.7	3.8
from 1 year to 5 years	11.6	15.3
more than 5 years	0.9	0.9
Total undiscounted lease liabilities	**19.2**	**20.0**

The expenses relating to payments not included in the measurement of the lease liability are as follows:

EUR m

	31.12.2022	31.12.2021
Short-term leases	0.3	0.3
Leases of low value assets	0.9	1.0
Variable lease payments	0.3	0.3
Total	**1.6**	**1.6**

Addiko Group has no commitments for future cash outflows which are not reflected in the measurement of lease liabilities at the current reporting date. As of 31 December 2021, the total undiscounted cash flow amounted to EUR 1.4 million, mainly relating to a rental agreement signed in 2021 with commencement date April 2022 and lease term of 7 years.

(73) Assets/liabilities denominated in foreign currencies

The following amounts in the statement of financial position are denominated in foreign currencies:

EUR m

	31.12.2022	31.12.2021
Assets	2,572.5	2,494.9
Liabilities	1,956.3	1,788.9

The majority of the differences between the respective sums is hedged through foreign exchange swaps (FX swaps and cross-currency swaps) and forward exchange transactions.

(74) Transfer of financial assets - repurchase agreements

The following financial assets included in the statement of financial position have been transferred under repurchase agreements:

EUR m

31.12.2022	Carrying amount of transferred assets	Of which: repurchase agreements	Carrying amount of associated liabilities	Of which: repurchase agreements
Financial assets at amortised cost	25.5	25.5	24.3	24.3
Debt securities	25.5	25.5	24.3	24.3
Total	**25.5**	**25.5**	**24.3**	**24.3**

No financial assets have been transferred under repurchase agreements at the reporting date of the comparative period.

(75) 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

	31.12.2022	31.12.2021
Loan commitments given	455.7	504.5
Financial guarantees given	184.1	211.7
Other commitments, given	257.7	269.0
Total	**897.5**	**985.1**

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 Group is subject to a number of legal proceedings that are often highly complex, take considerable time and are difficult to predict or estimate. As of 31 December 2022, Addiko Group's passive legal disputes (i.e., disputes where Addiko Group is the defendant), for which the probability of a cash outflow was deemed to be not-likely (and consequently no provisions were recognised), amounted to claims of EUR 51.8 million (excluding accrued interest) relating to 2,958 cases. The outcome of such proceedings is difficult to predict or estimate until late in the proceedings, which may also last for several years. Nevertheless, based on legal advice, management believes that its defense of the action will be successful.

From the overall amount of EUR 51.8 million (excluding accrued interest), 51% (or EUR 21.6 million) relate to damage cases where plaintiffs request contractual or extra contractual damages. The remaining amounts in dispute relate to certain standard contractual provisions concerning retail FX clauses in CHF loans of Addiko Group, unilateral interest rate changes and refunds of loan processing fees or to corporate payment requests. Two of the damage proceedings, having an amount in dispute between EUR 5 to 10 million are briefly described below:

- One claim is pending against a subsidiary of Addiko Group relating to a case where the plaintiff requests contractual damages. The opinion of the Group's legal counsel is that the claim does not have meritorious grounds. As result, management believes that its defense will be successful.
- In the other claim pending the plaintiff requests damages due to alleged inability registering shares with the company register. However, the plaintiff already lost several cases based on the same factual situation against the bank. Hence, based on legal advice, management believes that its defense of the action will be successful.

In addition to the above the Slovenia subsidiary received during 2022 a class action claim by a consumer protection organisation aimed at reimbursement of overpayments due to aligned "zero floor" clauses in the amount of dispute of EUR 11.7 million. According to external legal opinion the probability of a cash outflow was deemed to be not-likely.

Addiko Group is also involved in a number of active legal disputes (i.e., disputes where Addiko Group is the claimant). The principal one is regarding the request for arbitration that the Group filed in September 2017 with the ICSID in Washington, DC against the Republic of Croatia regarding the Conversion Laws claiming EUR 153 million. The Group claims that the Bilateral Investment Treaties (BIT) regarding the fair and equivalent treatment under the BIT was violated. The main hearing was conducted in March 2021 and parties are waiting for the final award. If the action is unsuccessful, then court fees and legal costs could amount up to ca. EUR 11 million. Based on legal advice, management believes that the action will be successful or that Addiko will reach a settlement agreement with the Republic of Croatia.

(76) 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 and as a result out of the IBOR reform, the new benchmark indices are used for discounting in the measurement of OTC derivatives secured by collateral. In Addiko Group the fair value for all derivatives where the respective collateral €STR is used as interest rate, €STR is used as discount rate.

76.1. 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

31.12.2022	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	2.1	20.7	0.0	22.8
Derivatives	0.0	5.0	0.0	5.0
Debt securities	2.1	15.7	0.0	17.9
Investment securities mandatorily at FVTPL	0.0	1.5	0.3	1.8
Equity instruments	0.0	0.0	0.3	0.3
Debt securities	0.0	1.5	0.0	1.5
Investment securities at FVTOCI	626.4	245.4	5.9	877.6
Equity instruments	16.8	0.0	0.9	17.7
Debt securities	609.6	245.3	5.0	859.9
Total	**628.5**	**267.5**	**6.2**	**902.2**
Liabilities				
Financial liabilities held for trading	0.0	3.1	0.0	3.1
Derivatives	0.0	3.1	0.0	3.1
Total	**0.0**	**3.1**	**0.0**	**3.1**

EUR m

31.12.2021	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	14.7	18.0	0.0	32.6
Derivatives	0.0	1.1	0.0	1.1
Debt securities	14.7	16.8	0.0	31.5
Investment securities mandatorily at FVTPL	0.0	2.7	0.3	3.0
Equity instruments	0.0	0.0	0.3	0.3
Debt securities	0.0	2.7	0.0	2.7
Investment securities at FVTOCI	812.9	191.1	5.2	1,009.2
Equity instruments	16.0	0.0	0.7	16.7
Debt securities	796.9	191.1	4.5	992.4
Total	**827.5**	**211.7**	**5.5**	**1,044.8**
Liabilities				
Financial liabilities held for trading	0.0	2.3	0.0	2.3
Derivatives	0.0	2.3	0.0	2.3
Total	**0.0**	**2.3**	**0.0**	**2.3**

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 transfers between levels took place.

Unobservable inputs and sensitivity analysis for level III measurements

For investment securities classified in level III, which are illiquid unlisted corporate bonds, 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 31 December 2022 would have decreased by EUR 0.2 million (YE21: 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 31 December 2022 would have increased by EUR 0.2 million (YE21: EUR 0.1 million).

The development of level III is presented as follows:

EUR m

2022	01.01.	Valuation gains/losses - PnL	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	Settlement (-)	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	5.2	0.0	0.0	3.3	-0.1	-2.5	5.9
Equity instruments	0.7	0.0	0.0	0.3	-0.1	0.0	0.9
Debt securities	4.5	0.0	0.0	3.0	0.0	-2.5	5.0
Total	**5.5**	**0.0**	**0.0**	**3.3**	**-0.1**	**-2.5**	**6.2**

EUR m

2021	01.01.	Valuation gains/losses - PnL	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	31.12.
Assets						
Investment securities mandatorily at FVTPL	0.3	0.0	0.0	0.0	0.0	0.3
Equity instruments	0.3	0.0	0.0	0.0	0.0	0.3
Investment securities at FVTOCI	2.6	0.0	0.0	2.6	0.0	5.2
Equity instruments	0.6	0.0	0.0	0.1	0.0	0.7
Debt securities	2.0	0.0	0.0	2.5	0.0	4.5
Total	**2.9**	**0.0**	**0.0**	**2.6**	**0.0**	**5.5**

With regard to level III in the current and in the previous reporting period no transfers into/out of other levels took place.

76.2. 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

31.12.2022	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]	1,382.9	1,382.9	0.0	0.0	0.0	0.0
Financial assets at amortised cost	3,564.0	3,532.4	-31.6	110.7	66.8	3,354.9
Debt securities	182.2	177.5	-4.7	110.7	66.8	0.0
Loans and advances	3,381.9	3,354.9	-27.0	0.0	0.0	3,354.9
Non-current assets held for sale	0.1	0.1	0.0	0.0	0.0	0.1
Total	**4,947.1**	**4,915.4**	**-31.6**	**110.7**	**66.8**	**3,355.0**
Liabilities						
Financial liabilities measured at amortised cost	5,136.8	5,101.9	35.0	0.0	0.0	5,101.9
Deposits	5,088.0	5,053.1	35.0	0.0	0.0	5,053.1
Other financial liabilities[2]	48.8	48.8	0.0	0.0	0.0	48.8
Total	**5,136.8**	**5,101.9**	**35.0**	**0.0**	**0.0**	**5,101.9**

[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.

[2] The position "Issued bonds, subordinated and supplementary capital" in the amount of EUR 0.1 million (YE21: EUR 0.1 million) is presented within "Other financial liabilities" starting from 2022.

EUR m

31.12.2021	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]	1,361.7	1,361.7	0.0	0.0	0.0	0.0
Financial assets at amortised cost	3,284.4	3,421.3	136.9	0.0	0.0	3,421.3
Loans and advances	3,284.4	3,421.3	136.9	0.0	0.0	3,421.3
Non-current assets held for sale	12.3	12.3	0.0	0.0	0.0	12.3
Total	**4,658.4**	**4,795.3**	**136.9**	**0.0**	**0.0**	**3,433.6**
Liabilities						
Financial liabilities measured at amortised cost	4,933.6	4,938.6	-5.0	0.0	0.0	4,938.6
Deposits	4,882.8	4,887.8	-5.0	0.0	0.0	4,887.8
Other financial liabilities [2]	50.8	50.8	0.0	0.0	0.0	50.8
Total	**4,933.6**	**4,938.6**	**-5.0**	**0.0**	**0.0**	**4,938.6**

[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.

[2] The position "Issued bonds, subordinated and supplementary capital" in the amount of EUR 0.1 million (YE21: EUR 0.1 million) is presented within "Other financial liabilities" starting from 2022. Comparative period was adjusted accordingly.

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. The fair value valuation of debt securities at amortised costs is based on quoted prices or other observable inputs on the markets. 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 the 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 the cash positions approximately corresponds to their carrying amounts largely due to the short-term maturities of these instruments.

76.3. 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 31 December 2022 the carrying amount of investment properties amounts to EUR 3.5 million (YE21: EUR 5.1 million), whereas the fair value amounts to EUR 4.5 million (YE21: EUR 5.3 million). All investment properties are classified in level III (YE21: level III).

(77) Offsetting financial assets and financial liabilities

The following tables show the reconciliation of gross amounts to the offset net amounts, separately for all recognised financial assets and financial liabilities. Furthermore, the amounts that are subject to a legally enforceable global netting or similar agreement but have not been offset in the statement of financial position.

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position where Addiko has currently an enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The impact of offsetting is presented in the line “Amounts that are set off for financial instruments I”. The impact of potential offsetting if all set-off rights would be exercised is presented in the line “Net amounts of financial instruments I and II (c-d)”.

EUR m

31.12.2022	Derivatives	Reverse repo	Total
ASSETS			
a) Gross amounts of recognised financial instruments (I and II)	**3.8**	**4.7**	**8.6**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**3.8**	**4.7**	**8.6**
d) Master netting arrangements (that are not included in b)			
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.0	0.0	0.0
Amounts related to financial collateral (including cash collateral);	1.4	0.0	1.4
Amounts related to non-cash financial collateral received (excluding cash collateral);	0.0	4.7	4.7
e) Net amounts of financial instruments I and II (c-d)	**2.4**	**0.0**	**2.4**

[1]Financial instruments I: Financial assets that are already offset in the statement of financial position
Financial instruments II: Financial assets that are subject to a netting agreement but are not offset in the statement of financial position

EUR m

31.12.2021	Derivatives	Reverse repo	Total
ASSETS			
a) Gross amounts of recognised financial instruments (I and II)[1]	**0.1**	**2.7**	**2.7**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**0.1**	**2.7**	**2.7**
d) Master netting arrangements (that are not included in b)			
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.1	0.0	0.1
Amounts related to financial collateral (including cash collateral);	0.0	0.0	0.0
Amounts related to non-cash financial collateral received (excluding cash collateral);	0.0	2.7	2.7
e) Net amounts of financial instruments I and II (c-d)	**0.0**	**0.0**	**0.0**

[1]Financial instruments I: Financial assets that are already offset in the statement of financial position
Financial instruments II: Financial assets that are subject to a netting agreement but are not offset in the statement of financial position

EUR m

31.12.2022	Derivatives	Direct repo	Total
LIABILITIES			
a) Gross amounts of recognised financial instruments (I and II)	**0.0**	**24.3**	**24.3**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**0.0**	**24.3**	**24.3**
d) Master netting arrangements (that are not included in b)			
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.0	0.0	0.0
Amounts related to financial collateral (including cash collateral);	0.0	0.0	0.0
Amounts related to non-cash financial collateral pledged (excluding cash collateral)	0.0	24.3	24.3
e) Net amounts of financial instruments I and II (c-d)	**0.0**	**0.0**	**0.0**

[1]Financial instruments I: financial liabilities that are already offset in the statement of financial position
Financial instruments II: financial liabilities that are subject to a netting agreement but are not offset in the statement of financial position

EUR m

31.12.2021	Derivatives	Direct repo	Total
LIABILITIES			
a) Gross amounts of recognised financial instruments (I and II)[1]	**1.8**	**0.0**	**1.8**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**1.8**	**0.0**	**1.8**
d) Master netting arrangements (that are not included in b)			
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.1	0.0	0.1
Amounts related to financial collateral (including cash collateral);	1.8	0.0	1.8
Amounts related to non-cash financial collateral pledged (excluding cash collateral)	0.0	0.0	0.0
e) Net amounts of financial instruments I and II (c-d)	**0.0**	**0.0**	**0.0**

[1]Financial instruments I: financial liabilities that are already offset in the statement of financial position
Financial instruments II: financial liabilities that are subject to a netting agreement but are not offset in the statement of financial position

Framework agreements are concluded with business partners for offsetting derivative transactions, so that positive and negative market values of the derivative contracts covered by the framework agreements can be offset against each other. Repurchase agreements qualify as potential offsetting agreements. Since such offsetting cannot be performed in the ordinary course of business but only in case following an event of default, insolvency or bankruptcy or following other predetermined events, the positions are not offset in the statement of financial position.

(78) Derivative financial instruments

78.1. Derivatives held for trading

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

EUR m

	31.12.2022			31.12.2021		
		Fair values			Fair values	
	Nominal amounts	Positive	Negative	Nominal amounts	Positive	Negative
a) Interest rate						
OTC-products	**109.0**	**4.6**	**3.0**	**155.6**	**0.9**	**1.1**
OTC options	19.3	0.8	0.8	20.2	0.0	0.0
OTC other	89.7	3.8	2.2	135.4	0.8	1.1
b) Foreign exchange and gold						
OTC-products	**63.5**	**0.4**	**0.2**	**118.2**	**0.2**	**1.2**
OTC other	63.5	0.4	0.2	118.2	0.2	1.2

(79) Related party disclosures

As of the reporting date, there are no companies with significant influence, as around 56.9% (YE21: 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.

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

EUR m

Key personnel of the institution or its parent	31.12.2022	31.12.2021
Financial assets (loans and advances)	0.1	0.1
Financial liabilities (deposits)	2.6	3.1

The compensation received by the key management personnel in the Addiko Group is presented as follows:

EUR m

	31.12.2022	31.12.2021
Short term employee benefits	-8.6	-8.8
Termination benefits	-0.1	-1.6
Share-based payments	-1.1	-1.2
Total	**-9.9**	**-11.7**

The amounts disclosed represent estimated payments as of the balance sheet date and may differ from those ultimately paid.

The relationships with members of the Management Board and Supervisory Board of Addiko Bank AG are shown in detail in note (89) Relationships with members of the Company's Boards.

(80) Share-based payments

Since 2021 the Group offers, in addition to the annual bonus, a Performance Acceleration Incentive Framework (PAIF) based on which Addiko granted to defined employees (including management board) variable remuneration components in the form of share-based payments. The program is intended to ensure alignment of the interests of the senior leadership team with those of the shareholders and is set up as a multi-year incentive scheme. Vesting of the shares depends on the fulfillment of certain conditions. In addition, in alignment with EBA guidelines, the program is activated only if regulatory requirements in respect of own funds and liquidity are met and no breaches of specific risk indicators took place within a pre-defined timeframe. According to the remuneration policy of Addiko Group, the remuneration program includes both share-settled and cash-settled share-based payments.

In the reporting period, one of the predefined knock-out criteria was not fulfilled and consequently the PAIF incentive scheme for 2022 was not activated. For this reason, in 2022 only part of the regular annual bonus scheme has been accounted for in accordance with IFRS 2.

Equity-settled share-based payments: Under the variable remuneration scheme, the Group Management Board members receive 50% of the allocated annual variable remuneration in cash and 50% in the form of issued shares of Addiko Bank AG, payable in six annual tranches (up-front instalment and 5 deferred instalments). Rewards are granted after the results of the performance year are confirmed and vest in the period of one year after the grant date. The beneficiaries do not receive any dividends and are not entitled to vote in relation to the deferred shares during the vesting period and until the settlement. The deferred shares, which are acquired on market are held as treasury shares until they are transferred to the beneficiaries. Shares with a value equal to fixed cash amount are granted. The granted amount is determined based on the estimation or the achievement of preselected criteria. The variable remuneration will only be activated if certain knock-out criteria are met. Those knock-out criteria are based on capital, liquidity and risk requirements. Only once they are achieved the second step for the regular annual bonus scheme is the achievement of the individual targets. For the total equity-settled share-based payments from 2021, settled in 2022, see the consolidated statement of changes in equity and for expense 2021 and 2022 see the note (35) Personal expenses. There were no settlements in 2021 due to the fact that the first settlements for the share based payment program took place in 2022.

No cash-settled share-based payments will take place under the Addiko Group's 2022 PAIF scheme, as one of the knock-out criteria was not fulfilled. For the total carrying amount of liabilities arising from cash-settled share-based payments, see the note (52) Provisions. There were no settlements during 2021.

(81) Capital management

Own funds and capital requirements

Own funds according to 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 amount. The determination of the eligible total capital in accordance with the applicable regulations is based on international accounting standards. The regulatory minimum capital ratios including the regulatory buffers as of 31 December 2022 and 31 December 2021 amount to:

	31.12.2022			31.12.2021		
	CET1	T1	TCR	CET1	T1	TCR
Pillar 1 requirement	4.50%	6.00%	8.00%	4.50%	6.00%	8.00%
Pillar 2 requirement	1.83%	2.44%	3.25%	4.10%	4.10%	4.10%
Total SREP Capital Requirement (TSCR)	**6.33%**	**8.44%**	**11.25%**	**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 (CCyB)	0.00%[1)]	0.00%[1)]	0.00%[1)]	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)	**8.83%**	**10.94%**	**13.75%**	**11.10%**	**12.60%**	**14.60%**
Pillar 2 guidance (P2G)	2.00%	2.00%	2.00%	4.00%	4.00%	4.00%
OCR + P2G	**10.83%**	**12.94%**	**15.75%**	**15.10%**	**16.60%**	**18.60%**

[1)] The countercyclical capital buffer on 31 December 2022 amounts to 0.0001%.

In addition to the 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 SREP 2021 decision, applicable from 1 March 2022, prescribes a P2R of 3.25% (at least 56.25% must be held in CET1 and at least 75% in Tier 1), decreasing from the 2020 SREP assessment which specified a P2R of 4.1% at all levels of capital. On 14 December 2022 Addiko Bank AG received the SREP 2022 decision which continues to stipulate a P2R of 3.25% from 1 January 2023.

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 22 (1) BWG, Addiko Group has to establish a capital conservation buffer in the amount of 2.5%.

At year-end 2022 the CCyB requirement amounts to 0.0001%. At the end of the first quarter of 2023, the CCyB rate of Croatia will be set to 0.5% which is expected to increase the CCyB requirement of Addiko Group by approximately 0.15%, resulting in an increase in the capital requirement of EUR 5.4 million. By the end of 2023, the CCyB rate of Croatia will be set to 1.0% resulting in a total CCyB requirement of 0.31% and an increase in capital requirement of EUR 10.8 million. The Slovenian National Bank has announced in its press release from 12 July 2022 to raise the CCyB rate from 0 to 0.5%.[1] As soon as the European Systemic Risk Board (ESRB) will publish this CCyB rate for Slovenia the CCyB requirement would raise additionally by 0.13% (increase of capital requirement in the amount of EUR 4.7 million).

According to § 8 of the Kapitalpuffer-Verordnung as published by the FMA on 21 December 2022, Addiko shall be subject to a systemic risk buffer (SyRB) of 0.5% at the consolidated level on the grounds of systemic concentration risk. The

[1] https://www.bsi.si/en/media/1953/v-banki-slovenije-ob-povecevanju-sistemskih-tveganj-dvigujemo-proticiklicni-kapitalski-blazilnik

SyRB will be raised gradually by 0.25 percentage points starting from the 1 January until the 31 December 2023 and reaching the full level starting from the 1 January 2024. Addiko cannot follow the rationale regarding systemic concentration risk, and has therefore submitted an appeal against the FMA ordinance regarding the SyRB to the Federal Administrative Court.

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. Following the SREP 2021, Addiko Group was expected to meet a Pillar 2 guidance (P2G) of 2% to be fully met by CET1, valid as of 1 March 2022 onwards, replacing the previous P2G of 4%. As of 1 January 2023, the P2G according to the SREP 2022 decision will be 3.25% on consolidated level, to be fully held in CET1.

In response to the Covid-19 pandemic, the ECB communicated on 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. In its announcement letter from 28 July 2020, the ECB clarified that banks do not need to start refilling combined buffer requirements and P2G before the end of 2022. Given its solid capital structure Addiko had no need to make use of these options. The capital requirements in force during the reporting period, including a sufficient buffer, were met at all times on a consolidated basis. From 1 January 2023, the capital relief measures will be removed again, which means that the banks' total capital requirement will again be above the P2G.

The regulatory reporting on a consolidated basis is performed at 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 the own funds of the Group by applying the transitional rules as per 31 December 2022 and 31 December 2021 pursuant to CRR using IFRS figures.

EUR m

Ref[1]		31.12.2022	31.12.2021
	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	284.4	270.8
3	Accumulated other comprehensive income (and other reserves)	241.1	325.2
5a	Independently audited and eligible profits net of any foreseeable charge or dividend	2.1	13.6
5aa	o/w eligible profit of the current year	25.7	13.6
5ab	o/w Foreseeable charge or dividend	-23.6	0.0
6	**CET1 capital before regulatory adjustments**	**722.6**	**804.6**
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-0.9	-1.1
8	Intangible assets (net of related tax liability)	-15.4	-16.1
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)	-10.3	-10.4
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-0.4	0.0
25a	Losses of the current financial year (negative amount)	0.0	0.0
27a	Other regulatory adjustments (including IFRS 9 transitional rules)	40.9	27.1
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**13.9**	**-0.4**
29	**Common Equity Tier 1 (CET1) capital**	**736.5**	**804.3**
	Tier 2 (T2) capital: instruments and provisions		
58	**Tier 2 (T2) capital**	**0.0**	**0.0**
59	**Total capital (TC = T1 + T2)**	**736.5**	**804.3**
60	Total risk weighted assets	3,487.3	3,624.9
	Capital ratios and buffers %		
61	**CET1 ratio**	**21.1%**	**22.2%**
63	**TC ratio**	**21.1%**	**22.2%**
64	Institution CET1 overall capital requirement	8.8%	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)	9.9%	10.1%
	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)	4.7	3.3
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)	26.7	13.8

[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.

Total capital decreased by EUR 67.8 million during the reporting period, reflecting the net impact of the following components:

- A negative development of EUR -53.5 million from financial instruments measured at FVTOCI: The OCI from debt instruments measured at FVTOCI decreased by EUR -83.7 million due to the impact on the financial markets of the Russian military invasion of Ukraine and the ECB decision to raise interest rates. This development was partially neutralised by applying Article 468 CRR, based on which 40% of the unrealised gains and losses on government instruments measured at FVTOCI can be added back to the capital (EUR +31.0 million). In addition, a minor impact on

capital was resulting from the decrease of the foreign currency reserves (EUR -0.6 million), the market development of equity instruments (EUR -0.4 million) and actuarial gains on defined benefit plans (EUR +0.2 million).
- A negative effect of EUR -17.1 million resulted from the IFRS 9 transitional rule with the following two components: based on the relevant regulation, starting with 1 January 2022, the portion of the ECL from the initial application of IFRS 9 which can be added back to capital decreased from 50% to 25%, leading to EUR -10.0 million negative impact on capital. The dynamic component of the capital add-on from the IFRS 9 transitional rule as amended on 24 June 2020 by the regulation (EU) 2020/873 allows to add back to capital 75% (down from 100% in the years 2020/21) of the increase in stock of stage 1 and stage 2 ECL since 1 January 2020. Since the stage 1 and 2 ECL fell below the stock of 1 January 2020 the dynamic component amounted to 0 and was reduced by EUR -7.1 million.
- A decrease in other regulatory deduction items in the amount of EUR 0.8 million reflecting the following items: (i) a lower amount of intangible assets determined in accordance with the Draft Regulatory Standards on the prudential treatment on software assets – EBA/CP/2020/11 (EUR +0.7 million capital effect), (ii) a decrease in the prudential valuation adjustments connected with assets/liabilities measured at fair value (EUR +0.1 million) and (iii) a "new" deduction item out of non-performing exposures in context with the SREP process (EUR -0.1 million). The deferred tax assets on existing taxable losses remained stable during the period (EUR +0.1 million).
- A negative effect of EUR -0.1 million connected with the share buy-back program. The Governing Council of the ECB has adopted the decision of Addiko to buy-back round EUR 0.6 million of its own CET1 instruments pursuant to Article 77 (1) lit. a and Article 78 (1) lit. b CRR. The CET1 instruments still held in the bank's treasury stock in the amount of EUR -0.4 million were considered as deduction item in accordance with Article 36 (1) lit. f CRR. This deduction item in capital was partially compensated from the reduction of provisions for equity-settled share-based payments which had a positive impact in equity of EUR 0.3 million.
- Consideration of the audited result in the amount of EUR 25.7 million, less foreseeable dividends in the amount of EUR -23.6 million.

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 the credit and operational risk, which partly explains a relatively high risk density, measured by comparing RWA to assets, of 58.2% at the end of 2022 (2021: 62.0%), while the bank's focus on unsecured consumer lending and SME business is another important source of the reported risk density.

The risk-weighted assets (RWA) decreased by EUR -137.6 million during the reporting period:

- The **RWA for credit risk** decreased by EUR -191.5 million. The business-related decrease in the amount of EUR -110 million was mainly driven by the exposure reduction in the non-focus segments: Large Corporates (EUR -131 million), Corporate Center (EUR -59 million), Mortgages (EUR -59 million) and Public Finance (EUR –20 million). Further elements contributing to the RWA reduction were the following: (i) Croatia's rating improvement impacting the weight of debt instruments (EUR -20 million) and (ii) sales of defaulted portfolio (EUR -14 million). The above described RWA decrease was partially compensated by (i) the new disbursements in the focus segments Consumer and SME (EUR +175 million), (ii) and the growth in deferred tax assets (EUR +18 million). On the other hand several optimisation initiatives were responsible for a reduction of RWA in the amount of EUR -60.6 million: (i) the optimisation of credit conversion factors (EUR -17 million), (ii) SME supporting factor according to Article 501 CRR (EUR -22 million) and (iii) the implementation of further RWA improvement measures (EUR -21.6 million). Ultimately the RWA calculation was also impacted by the application of the IFRS 9 transitional capital rules (EUR -17.1 million) and the partial neutralisation of the unrealised gains and losses on government instruments measured at FVTOCI (EUR -3.7 million) as described in the previous paragraph concerning own funds.
- **RWA for counterparty credit risk** (CVA) remained stable during the reporting period.
- The **RWAs for market risk** increased by EUR 54.9 million. The increase was mainly driven by the implementation of the guideline on structural FX under Article 352 (2) CRR - EBA/GL/2020/09 - (EUR +140.2 million). Addiko received on the 3 August 2022 ECB approval of its waiver application to exclude the structural FX positions HRK and RSD, which have been deliberately taken to hedge capital ratios, from the calculation of own funds requirements for

foreign exchange risks in line with the EBA guidance. The impact of the approval, simulated based on year-end 2022 figures, amounts to a EUR -85.3 million reduction of the RWAs for market risk.

- The **RWA for operational risk** decreased by EUR -0.9 million. The decrease is due to the fact that the RWA for operational risk is based on the three-year average of relevant income, which is now EUR 6.5 million lower compared to year 2019 which is no longer part of the three-year average.

EUR m

Ref[1]	31.12.2022	31.12.2021
1 Credit risk pursuant to Standardised Approach	2,935.5	3,126.9
6 Counterparty credit risk	4.0	4.1
20 Market risk	144.8	89.9
23 Operational risk	403.0	404.0
29 Total risk exposure amount	**3,487.3**	**3,624.9**

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 the Addiko Group, calculated in accordance with the CRD IV, was 11.6% at 31 December 2022 (2021: 12.9%). The development is due to the above-mentioned development of the Tier 1 capital and the leverage ratio exposure, with the capital measure being more affected in relative terms.

EUR m

Ref[1]	31.12.2022	31.12.2021
2 Tier 1 capital	736.5	804.3
13 Total leverage ratio exposure	6,334.0	6,227.9
14 Leverage ratio %	**11.6%**	**12.9%**

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

Disclosure template IFRS 9/Article 468 CRR

This table shows the comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR.

EUR m

Ref[1]	31.12.2022	31.12.2021
Available capital (amounts)		
1 Common Equity Tier 1 (CET1) capital	736.5	804.3
2 CET1 capital as if IFRS 9 had not been applied	726.5	777.1
2a CET1 capital as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	705.4	n.a.
2b CET1 capital as if all temporary treatments had not been applied	695.4	777.1
5 Total capital (TC)	736.5	804.3
6 TC as if IFRS 9 transitional rules had not been applied	726.5	777.1
6a TC as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	705.4	n.a.
6b TC as if all temporary treatments had not been applied	695.4	777.1
Risk-weighted assets		
7 Total RWAs	3,487.3	3,624.9
8 Total RWAs as if IFRS 9 transitional rules had not been applied	3,477.3	3,597.7
8a Total RWAs as if the temporary treatment of unrealised gains and losses measured at FVT OCI had not been applied (Art. 468 CRR)	3,491.1	n.a.
8b Total RWAs as if all temporary treatments had not been applied	3,481.0	3,597.7
Capital ratios %		
9 CET1	21.1%	22.2%
10 CET1 as if IFRS 9 transitional rules had not been applied	20.9%	21.6%
10a CET1 as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	20.3%	n.a.
10b CET1 as if all temporary treatments had not been applied	20.0%	21.6%
13 TC	21.1%	22.2%
14 TC as if IFRS 9 transitional rules had not been applied	20.9%	21.6%
14a TC as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	20.3%	n.a.
14b TC as if all temporary treatments had not been applied	20.0%	21.6%
Leverage ratio (LR)		
15 LR total exposure measure	6,334.0	6,227.9
16 LR	11.6%	12.9%
17 LR as if IFRS 9 transitional rules had not been applied	11.5%	12.5%
17a LR as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	11.2%	n.a.
17b LR as if all temporary treatments had not been applied	11.1%	12.5%

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. The possibility to include this static component in own funds will expire at the beginning of 2023. In addition, with the introduction of the regulation EU 2020/873, which was issued due to the Covid-19 pandemic additional loan loss allowances recognised since 1 January 2020 and resulting from stages 1 and 2 can be included in own funds with a share of 100%, 100%, 75%, 50% and 25% each year until 2024. Due to a decrease in the provisions of the stages 1 and 2 only the portion of the initial application of IFRS 9 was added back to capital at year end 2022.

In March 2022 Addiko decided to make use of the temporary treatment in accordance with Article 468 CRR of the regulation EU 2020/873 in order to limit the potential future impacts of the currently unpredictable developments in the Ukraine-Russia conflict on the markets, which allows to add back to CET1 during 2022 40% of the unrealised gains and losses from government instruments measured at FVOCI. As of 1 January 2023, this transitional arrangement will also expire.

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 28 January 2022, Addiko received the yearly resolution plan from the Single Resolution Board (SRB). The resolution plan is in line with the previous year decision, whereby only Addiko Bank d.d. (Croatia) is identified to provide critical functions to the market and for this reason classified as resolution entity. This means that there are no MREL requirement defined for the whole Addiko Group, but the recapitalisation amount is defined only for the Croatian entity, which are already covered by the available local own funds and eligible liabilities.

Supplementary information required by Austrian Law

(82) Assets pledged as collateral

All assets were pledged as collateral for own debts to third parties at terms which are usual and customary for such activities. The carrying amount of financial assets pledged as collaterals is presented in the following table:

EUR m

	31.12.2022	31.12.2021
Cash, cash balances at central banks and other demand deposits	7.3	6.7
Financial assets at fair value through other comprehensive income	0.0	45.2
Financial assets at amortised cost	33.6	22.6
Total	**40.9**	**74.4**

Cash collaterals were pledged in relation to derivatives. Financial assets at fair value through other comprehensive income and financial assets at amortised costs were pledged as collateral for liabilities arising from refinancing transactions and other collateral arrangements. In addition, collaterals (debt securities) in the amount of EUR 25.5 million (2021: EUR 0.0 million) were pledged in connection with repurchase agreements.

The fair value of debt securities received as collateral, that Addiko Group is permitted to sell or repledge irrespective of the default of the owner of the collateral, amounts to EUR 8.3 million as of YE22 (2021: EUR 5.2 million) and primarily relates to reverse repurchase agreements. All transactions were conducted under terms which are usual and customary to standard repurchase agreements.

(83) Breakdown of securities admitted to listing on a stock exchange

EUR m

			31.12.2022			31.12.2021
	thereof listed	thereof unlisted	Total	thereof listed	thereof unlisted	Total
Financial assets held for trading						
Debt securities	2.1	15.7	17.9	14.7	16.8	31.5
Financial assets mandatorily at fair value through profit or loss						
Equity instruments	0.0	0.3	0.3	0.0	0.3	0.3
Debt securities	0.0	1.5	1.5	0.0	2.7	2.7
Financial assets at fair value through other comprehensive income						
Equity instruments	0.0	17.7	17.7	0.0	16.7	16.7
Debt securities	804.5	55.4	859.9	907.0	85.4	992.4
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost						
Debt securities	111.7	62.9	174.7	0.0	0.0	0.0

(84) Return on total assets

As at 31 December 2022, the return on total assets pursuant to Section 64 (1) No. 19 BWG amounts to 0.4% (2021: 0.02%). The ratio is calculated by dividing the result after tax for the year by total assets at the reporting date.

(85) Expenses for the auditor

In the reporting period, the following expenses for the group auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna incurred.

EUR m

	31.12.2022	31.12.2021
Audit fees for the annual financial statements	**-0.2**	**-0.2**
Expenses for the current year	-0.2	-0.2
Expenses relating to the previous year	0.0	0.0
Fees for other services	**0.0**	**-0.1**
Other services	0.0	-0.1
Total services	**-0.3**	**-0.3**

The audit expenses incurred in the financial year include the audit fee (including VAT) as well as the related cash expenditure.

The expenses for the audit of the annual financial statements relate to costs for auditing the (local) financial statements of Addiko Bank AG as well as the consolidated financial statements.

(86) Trading book

The volume of the trading book of Addiko Group breaks down as follows:

EUR m

	31.12.2022	31.12.2021
Derivatives in trading book (nominal)	99.0	155.7
Debt securities (carrying amount)	17.9	31.5
Trading book volume	**116.8**	**187.2**

(87) Employee data

	31.12.2022	31.12.2021
Employees at closing date (Full Time Equivalent - FTE)	2.444	2,475
Employees average (FTE)	2,454	2,600

(88) Expenses for severance payments and pensions

The following expenses were incurred for severance and pension payments at the ultimate Group parent institution:

in TEUR

	31.12.2022		31.12.2021	
	Severance payments	Pensions	Severance payments	Pensions
Members of Management Board	29.0	0.0	36.6	0.0
Key management personnel	36.9	12.7	45.4	6.5
Other employees	146.8	60.6	232.7	50.3
Total	**212.7**	**73.3**	**314.7**	**56.8**

Expenses for severance payments and pensions contain contributions to defined contribution plans totaling EUR 184.7 thousand (2021: EUR 259.2 thousand).

(89) Relationship with members of the Company's Boards

89.1. Advances, loans and liabilities with regard to Board members

As at 31 December 2022, the Addiko Bank AG Boards had not received any advances or loans, nor had any liabilities been assumed on their behalf. As at year-end, the persons serving on the Supervisory Board during the financial year had not received, be it for themselves or on behalf of the companies for which they are personally liable, any loans from Addiko Bank AG, nor did Addiko Bank AG assume any liabilities on their behalf.

89.2. Breakdown of remuneration received by Board members of the ultimate Group parent institution

in TEUR

	31.12.2022	31.12.2021
Management Board	-3,386.8	-2,054.8
Supervisory Board	-556.1	-335.8
Remuneration paid to former members of the Management and Supervisory Board and their surviving dependants	-1,485.1	-1,263.8
Total	**-5,428.0**	**-3,654.4**

The amounts disclosed correspond to the estimated disbursement as of the balance sheet date and may deviate from the ones which will be finally paid.

The members of the Management Board and Supervisory Board are stated in note (90) Boards and Officers of the Company.

(90) Boards and Officers of the Company

1 January to 31 December 2022

Supervisory Board

Chairman of the Supervisory Board:
Kurt Pribil

Deputy Chairman of the Supervisory Board:
Sava Ivanov Dalbokov (since 26.04.2022)
Pieter van Groos (from 28.04.2021 until 14.04.2022)

Members of the Supervisory Board:
Monika Wildner
Frank Schwab
Johannes Proksch (since 14.04.2022)
Sava Ivanov Dalbokov (since 14.04.2022 until 25.04.2022)
Dragica Pilipović-Chaffey (until 14.04.2022)
Sebastian Prinz Schoenaich-Carolath (until 14.04.2022)

Delegated by the Works Council:
Christian Lobner
Thomas Wieser

Federal Supervisory Authorities

State Commissioner:
Vanessa Koch

Deputy State Commissioner:
Lisa-Maria Haas

Management Board

Herbert Juranek, Chairman of the Management Board
Tadej Krašovec, Member of the Management Board
Ganesh Krishnamoorthi, Member of the Management Board
Edgar Flaggl, Member of the Management Board (since 01.06.2022)

(91) Scope of consolidation

The consolidated group of companies as defined under IFRS as at 31 December 2022 includes the following direct subsidiaries of Addiko Bank AG, using the full consolidation method:

Company	Registered office	Ownership (direct) in %	Closing date	Type
Addiko Bank d.d.	Ljubljana	100.0	31.12.2022	CI
Addiko Bank d.d.	Zagreb	100.0	31.12.2022	CI
Addiko Bank a.d.	Beograd	100.0	31.12.2022	CI
ADDIKO BANK A.D.	Podgorica	100.0	31.12.2022	CI
Addiko Bank d.d.	Sarajevo	100.0	31.12.2022	CI
Addiko Bank a.d.	Banja Luka	99.9	31.12.2022	CI

(92) Events after the reporting date

There were no events after the reporting date.

Vienna, 21 February 2023
Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek
Chairman

Edgar Flaggl
Member of the Management Board

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 consolidated 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 the development and performance of the business, together with a description of the principal risks and uncertainties the Group faces.

Vienna, 21 February 2023
Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek
Chairman

Edgar Flaggl
Member of the Management Board

Tadej Krašovec
Member of the Management Board

Ganesh Krishnamoorthi
Member of the Management Board

Audit Opinion

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

Addiko Bank AG, Vienna, Austria,

and its subsidiaries ("the Group"), which comprise the consolidated Statement of Financial Position as at 31 December 2022, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements comply with the legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as Section § 59 BWG (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 ("AP Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor's report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Valuation of loans and advances to customers

Risk for the Consolidated Financial Statements

Loans and advances to customers are included in the balance sheet item "Loans and advances to customers" with a total amount of EUR 3,292.7 million after deduction of loan loss allowances. They are mainly comprised loans and advances to households and non-financial corporations in South-Eastern European countries.

Loan loss allowances of EUR 183.5 million were recognized for these loans and advances to customer as of the balance sheet date.

The Management Board describes the approach for determining loan loss allowances in section 17.2 "Impairment" and section 61.1 "Method of calculating risk provisions" in the notes to the consolidated financial statements.

As part of the loan monitoring process, the Group assesses whether there are any credit defaults and therefore whether loan loss allowances need to be recognized. This also includes the assessment of whether customers are able to make the contractually agreed repayments in full.

The calculation of the loan loss allowances for defaulted individually significant loans is based on an analysis of estimated and scenario-weighted future recoveries. This analysis reflects the assessment of the economic situation and development of the individual customer, the valuation of collaterals and the estimated amount and timing of future cash flows.

For defaulted loans that are not individually significant, the Group performs a collective assessment of loan loss allowances based on common risk characteristics. The parameters used in the collective assessment are based on statistical expectations and assumptions about future risk.

For all other loans, a portfolio loan loss allowance is recognized for the expected credit loss ("ECL"). The 12-month ECL (Stage 1) is generally used for this purpose. In the event of a significant increase in credit risk, the lifetime ECL is calculated (Stage 2). Extensive estimates and assumptions are required in determining the ECL. These include rating-based probabilities of default and loss rates that take into account present and forward-looking information.

As the loan loss allowance model used to date cannot adequately reflect extraordinary circum- stances such current market volatilities, an increase in the provision amount ("post model adjustment") has been applied by the Group in addition to the model results on the basis of internal bank estimates using external forecasts of economic developments.

This means that the stage transfers and the loan loss allowances taking into account the post model adjustment are depend on the assumptions and estimates stated above, leading to margins of discretions and estimate uncertainty with regard to the amount of the loan loss allowances. For the consolidated financial statements, this results in the risk of a possible misstatement regarding the amount of the required loan loss allowances.

Our Response

We audited valuation of loans and advances to customers as following:

- We obtained the existing documentation of the Group's processes for monitoring and assessment of loan loss allowances for loans and advances to customers, and assessed whether these processes are appropriate for identifying defaults and adequately reflecting loan loss allowances. We tested the key internal controls with regard to their design and implementation and tested their effectiveness on a sample basis.
- On the basis of samples from different loan portfolios, we examined whether indicators for loan defaults exist. The samples were selected on a risk-oriented basis, taking particular account of rating levels and local market characteristics. In the case of defaults of individually significant loans, the assumptions made by the local banks were examined on a sample basis with regard to conclusiveness and consistency of the timing and amount of the assumed recoveries.
- For all other loans for which specific or portfolio-based loan loss allowances were calculated, we analyzed the Group's methodological documentation for consistency with the requirements of IFRS 9. Furthermore, on the basis of internal bank validations, we tested the models and the parameters used therein to determine whether they are adequate for calculating appropriate amount of loan loss allowances. We assessed the appropriateness of the 12- months and lifetime default probabilities as well as loss rates. In addition, the selection and measurement of forward-looking estimates and scenarios were analyzed and their consideration in parameter estimation was verified. We also assessed the derivation and rationale of the post model overlay, as well as the underlying assumptions with regard to their appropriateness. We have verified the mathematical accuracy of the loan loss allowances on a sample basis. We have involved financial risk management specialists in these audit procedures.

Recognition and valuation of legal risks provisions in connection with consumer loans in Croatia

Risk for the Consolidated Financial Statements

The Group recognizes provisions related to existing and potential litigation in Croatia under the balance sheet item "Provisions", thereof "Provisions for pending legal disputes". The legal risks are related to consumer complaints regarding unilateral interest rate adjustment clauses and the CHF currency clauses in CHF loan agreements.

The Management Board describes the process for monitoring and providing for legal risks in Note 68 "Legal risks" in the notes to the consolidated financial statements.

The amount of the provision is estimated by the Group taking into account ongoing litigation developments. These estimates relate to the duration and costs of the proceedings and the out- come of the proceedings. In assessing the amount of the provision and the related uncertainties, the Group relies on opinions and estimates of external legal counsel, who have been engaged to provide legal representation, as well as opinions of the Group's internal legal department and analyses of court opinions.

The risk to the Group' s financial statements arises from uncertainties and judgments associated with the assessment of the above factors, in particular the prospects of success of the ongoing proceedings and the amount and timing of payments due under the proceedings.

Our audit procedures

In our audit of the recognition and determination of provisions for legal risks related to consumer loans in Croatia, we performed the following key audit procedures:

- As part of our audit, we assessed the methodology used to determine the amount of provisions related to existing and potential litigation in Croatia for appropriateness and compliance with accounting standards.
- We assessed the appropriateness of the Group's assumptions and estimates used in connection with existing and potential litigation. This included assessing the likelihood of an unfavorable outcome of litigation as well as the reliability of estimated damage claims and legal fees; this was done by inspecting, for example, individual court files, decisions of superior courts, opinions and analyses of the Group's internal and external lawyers. Further- more, we analyzed developments in court practice in Croatia in order to assess the reason- ableness of management's key estimates in the restitution process.
- We inspected the minutes of the Management Board and Supervisory Board meetings of the Croatian bank and the Group parent in Austria in order to compare the reporting of these legal risks with the key judgment and estimation assumptions made by management in the provisioning process, as well as to identify additional potential liabilities.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as Section 59a BWG and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the AP Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the AP Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

— We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

— We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

— We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

— We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

— From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements.

Management is responsible for the preparation of the group management report in accordance with Austrian company law.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 26 April 2021 and were appointed by the supervisory board on 27 April 2021 to audit the financial statements of Company for the financial year ending on 31 December 2022.

During the Annual General Meeting on 14 April 2022, we have been elected as auditors for the following financial year ending 31 December 2023 and appointed by the supervisory board on 27 April 2022.

We have been auditors of the Company, without interruption, since the financial statements at 31 December 2021.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accordance with Article 11 AP Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 AP Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr Mag Christian Grinschgl.

Vienna, 24 February 2023

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Mag Christian Grinschgl
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.
The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

Report of the Supervisory Board

Dear Shareholders,

In a year of unprecedented challenges and economic uncertainty caused by Russia-Ukraine war, Addiko has secured strong operational and financial results. With the successful finalisation of Transformation Program which saw Addiko repositioned as a Specialist Bank in Consumer and SME lending, the Bank remains committed to further deliver its services in Central and South-Eastern Europe in a fast, digitally advanced, and innovative fashion. 2022 also gave life to the company´s brand character and main communicator – Oskar. Combined with more than a 100 marketing campaigns, Oskar helped raise brand awareness and bring consistent client growth across all countries to fulfil Addiko´s promise of being that extra financial boost whenever and wherever.

In addition to sound cost efficiency and maintaining balanced risk profile, in 2022 Addiko embarked on a path towards contributing to a more environmentally sustainable future. With the adoption of the first ESG strategy the Bank is sending a clear message: Addiko strives to be a part of the solution, not the problem.

Activities of the Supervisory Board
During the reporting year, the Supervisory Board performed all of the duties incumbent upon it in a highly conscientious manner and in accordance with the law, the Company's statutes and its own rules of procedure.

It held ten meetings in total in the financial year 2022, adopted four circular decisions and assisted the Management Board in its advisory capacity and by continually monitoring the governance of the company. At the meetings of the Supervisory Board and its Committees, the Management Board reported in depth on Addiko Group's financial situation, risks and their mitigation and business performance. The Management Board discussed in detail strategies and related measures with the Supervisory Board. Legal transactions requiring approval were submitted to the Supervisory Board, and the Supervisory Board was given sufficient opportunity to thoroughly examine any reports and resolutions proposed by the Management Board. In addition, the Supervisory Board conducted ten Working Group sessions in which specific strategic measures were discussed in detail with the Management Board.

In this context, the Supervisory Board undertook the measures necessary to assure that the governance of the Addiko Group's affairs was effective, lawful, compliant and appropriate.

The Supervisory Board had formed the following five standing Committees:

- the Audit and Compliance Committee/Audit, Compliance & AML Committee (which held five meetings in 2022),
- the Credit & Risk Committee (which is a merger of the former Credit and the Risk Committee held six meetings and adopted three circular decisions in 2022),
- the Digitalisation & IT Committee (which held four meeting in 2022),
- the Nomination & Remuneration Committee (which held six meetings in 2022) and
- the Committee for Management Board Matters (which held three meetings and adopted one circular decision in 2022).

The Chairman of the Supervisory Board, as well as the Chairmen of the Committees of Addiko Bank AG's Supervisory Board were in regular contact with the Management Board.

Within meetings taking place at least once every quarter in person and via virtual meetings, the Supervisory Board regularly received information on the following topics: business performance in the previous quarter, financial performance, risk development and significant matters, as well as major legal disputes. Between the quarterly reports, the Management Board also informed the Supervisory Board of current economic developments. In addition, the Supervisory Board received regular reports of key executives, especially of the Compliance Officer and Internal Audit Officer.

Changes to the Management Board and the Supervisory Board
The Management Board of Addiko Bank AG changed during the reported business year, i.e. one management board members Mr. Edgar Flaggl was appointed as management board member. Hence, the management board consists of four members.

In 2022, the Supervisory Board of Addiko Bank AG changed in such a way that Mrs. Dragica Pilipovic-Chaffey, Mr. Pieter van Groos and Mr. Sebastian Prinz von Schoenaich-Carolath were not re-elected as members of the Supervisory Board and Mr. Sava Ivanov Dalbokov and Mr. Johannes Proksch were appointed to the Supervisory Board by the General Meetings on 14 April 2022. Accordingly, the Supervisory Board consists of seven members, thereof two delegated by the Workers Council.

Consolidated Corporate Governance Report, Austrian Code of Corporate Governance
Since the 2020 Consolidated Corporate Governance Report of Addiko Bank AG was audited by Deloitte Audit Wirtschaftsprüfungs GmbH (with regard to Rules 1 to 76 of the Austrian Code of Corporate Governance) and CMS Reich-Rohrwig Heinz Rechtsanwälte GmbH (with regard to Rules 77 to 83 of the Austrian Code of Corporate Governance) pursuant to Section 96 (2) Austrian Stock Corporation Act, the Corporate Governance Report 2022 was not audited. Nevertheless, being a publicly listed entity, Addiko Bank AG adheres to the Austrian Code of Corporate Governance. The Supervisory Board determined that Addiko Bank AG has to comply with the Austrian Code of Corporate Governance as amended in January 2023. The Supervisory Board strives to consistently comply with the provisions of the Code that relate to the Supervisory Board. In this context, the Supervisory Board complies with all Rules relating to the cooperation of the Supervisory Board and the Management Board, and to the Supervisory Board itself, except for the deviations presented in the Corporate Governance Report.

Separate and Consolidated Financial Statements 2022
KPMG Wirtschaftsprüfungs GmbH audited the separate Financial Statements of Addiko Bank AG and the Consolidated Financial Statements of the Addiko Group as at 31 December 2022, issuing unqualified audit opinions. Pursuant to statutory provisions, the Management Report and the Group Management Report have been audited as to whether they are consistent with the separate and Consolidated Financial Statements and have been prepared in accordance with the applicable legal requirements. The Consolidated Non-Financial Report was read and considered not to be materially inconsistent with the Consolidated Financial Statements nor to be materially misstated.

The separate Financial Statements of Addiko Bank AG were prepared in accordance with the regulations of the Austrian Banking Act (BWG) and – where applicable – with the provisions of the Austrian Commercial Code (UGB). The Consolidated Financial Statements of the Addiko Group were prepared in accordance with IFRS as adopted by the EU and in compliance with the requirements under Section 245a Austrian Commercial Code (UGB) and Article 59a Austrian Banking Act (BWG). The Annual Report, the Group Annual Report, the Consolidated Corporate Governance Report, the Consolidated Non-Financial Report and the Management Board’s proposal for the allocation of the annual profit 2022 – all prepared by the Management Board – were discussed in detail with KPMG Audit Wirtschaftsprüfungs GmbH at the meeting of the Audit and Compliance Committee held on 2 March 2023.

At the meeting, the aforementioned Committee inter alia resolved to propose approval of the separate Financial Statements of Addiko Bank AG by the Supervisory Board.

The Chairwoman of the Audit, Compliance and AML Committee reported on the Committee’s recommendations at the meeting of the Supervisory Board on 3 March 2022. At this meeting, the separate and Consolidated Financial Statements were examined thoroughly in the presence of the auditor and verified by the Supervisory Board to ensure, in particular, that they were lawful, compliant and appropriate.

The Management Report of Addiko Bank AG as well as that of the Addiko Group, the Consolidated Corporate Governance Report and the Consolidated Non-Financial-Report were examined and found, in the opinion of the Supervisory Board, to be consistent with legal requirements.

Pursuant to Austrian GAAP in connection with the Austrian Banking Act, Addiko Bank AG generated net accumulated profits in the amount of EUR 31.3 million in the financial year 2022, which includes the communicated 2021 balance sheet profit of EUR 38.8 million (carried forward to the financial year 2022The Management Board of the Addiko Bank AG intends to propose to the upcoming General Assembly on 21 April 2023 a dividend proposal of EUR 23.6 million equivalent to EUR 1.21 per share. The dividend proposal is based on the currently valid dividend policy of distributing 60% of the group result, and also includes a distribution of 60% the group result for the year 2021, which follows the decision on the rejection of the so-called Swiss Franc Law by the Constitutional Court of the Republic of Slovenia. The remaining amount of EUR 7.7 million shall be carried forward to the balance sheet of the following year.

The result of the examination is that the Supervisory Board had no objections to the separate Financial Statements, the Consolidated Financial Statements and the audit performed by the auditor.

The Supervisory Board, therefore, concurred with the results of the audit on 3 March 2022 and approved the separate Financial Statements of Addiko Bank AG. The separate Financial Statements have, therefore, been adopted. In addition, the Supervisory Board reviewed the separate consolidated non-financial report. The consolidated financial statements were noted by the Supervisory Board.

The Supervisory Board would like to express thanks to the members of the Management Board, the leadership team and to the entire staff for their outstanding commitment and achievements in 2022.

On behalf of the Supervisory Board

Dr. Kurt Pribil m.p.
Chairman of the Supervisory Board

Vienna, 3 March 2023

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
AGM	Annual general meeting
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
Banking book	All risk-bearing on- and off-balance-sheet positions of a bank that are not assigned to the trading book
CDS	Credit default swap; a financial instrument that securitises 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
CMA & CML	Customer Margin Assets (CMA) and Liabilities (CML) is as Gross Margin respectively on the asset and liability side, including the booked regular and interest like income and calculatoric costs and benefits defined within the Fund Transfer Pricing methodology
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
Cost of risk ratio (net loans)	Credit loss expenses on financial assets/net loans customers
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)
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
CRE	Commercial Real Estate Collaterals
CSEE	Central and South-Eastern Europe
CSF	"Central Steering Functions" and designated services that have the character of shareholder activities and are therefore provided and charged solely to Addiko. CSF are related to strategic direction, coordination, support, monitoring and steering, e.g. human resources, legal, marketing
Customer loans	Exposure of on balance loans including accrued interest, gross amount of provisions of performing and non performing loans
C&E	Climate & environmental
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
ECL	Expected Credit Loss
ESG	Environmental, social, governance
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
FDI	Foreign Direct Investment
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
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	Exposure of on balance loans without accrued interest and no deduction of provisions of performing loans
GSS	Means "group shared services" and designates services that are aimed at providing economic or commercial value to Group members by means of enhancing or maintaining their business position, e.g. transaction banking, back office, digital banking. GSS do not relate to shareholder activities, i.e. activities performed solely because of a shareholding interest in one or more other Group members, and are provided and charged to the respective receiving Group member
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
ICAAP	Internal Capital Adequacy Assessment Process; an internal procedure to ensure that a bank has sufficient own funds to cover all material types of risk
ICSID	International Center for Settlement of Investment Disputes
Large Corporates	The segment Large Corporates includes legal entities and entrepreneurs with annual gross revenues of more than EUR 50 million
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
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
Loss identification period (LIP)	The time span from the default of the client until the recognition of the default in the Bank
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 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/credit risk bearing exposure (on and off 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
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	The segment Public Finance includes all state-owner 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
Rescue acquisitions	Emergency acquired assets, which are assets acquired during the foreclosure procedures of a loan
Risk-weighted assets (RWA)	On-balance and off balance positions, which shall be risk weighted according to (EU) Nbr 575/2013
Return on tangible equity	Calculated as adjusted result after tax divided by the simple average of equity attributable to the owners of the parent for the respective period

RRE	Residential Real Estate Collaterals
SME	Within this corporate segment small & medium corporate businesses are included. The small business subsegment includes clients with an annual gross revenue up to EUR 10 million. The medium business subsegment includes corporate clients with an annual gross revenue between EUR 10 million and EUR 50 million
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 (simply Ø)	Regular interest income / simply Ø gross performing loans

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