Addiko Bank

Consolidated Interim Report
Half Year 2022

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

			EUR m
Selected items of the Profit or Loss statement	**1H22**	**1H21**	**(%)**
Net banking income	120.7	115.8	4.2%
Net interest income	84.6	84.2	0.6%
Net fee and commission income	36.1	31.6	14.2%
Net result on financial instruments	0.2	3.9	-94.5%
Other operating result	-5.9	-4.8	22.5%
Operating expenses	-82.8	-86.8	-4.6%
Operating result before impairments and provisions	**32.3**	**28.1**	**14.8%**
Other result	-8.6	-9.0	-4.4%
Credit loss expenses on financial assets	-8.8	-10.2	-14.0%
Tax on income	-2.3	-2.8	-18.1%
Result after tax	**12.6**	**6.1**	**>100%**
Performance ratios	**1H22**	**1H21**	**(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	68.6%	75.0%	-6.4
Cost of risk ratio	-0.2%	-0.2%	0.0
Cost of risk ratio (net loans)	-0.3%	-0.3%	0.0
Earnings/loss per share (in EUR) [1]	0.65	0.31	33.4
Selected items of the Statement of financial position	**Jun22**	**Dec21**	**(%)**
Loans and advances to customers	3,363.0	3,278.7	2.6%
o/w gross performing loans	3,385.3	3,287.3	3.0%
Deposits and borrowings of customers	4,634.7	4,708.2	-1.6%
Equity	738.3	805.1	-8.3%
Total assets	5,700.0	5,842.3	-2.4%
Risk-weighted assets[2]	3,728.0	3,624.9	2.8%
Balance sheet ratios	**Jun22**	**Dec21**	**(pts)**
Loan to deposit ratio	72.6%	69.6%	3.0
NPE ratio	2.8%	2.9%	-0.1
NPE Ratio (on balance loans)	3.8%	4.0%	-0.2
NPE coverage ratio	76.7%	71.9%	4.8
Liquidity coverage ratio	246.1%	252.1%	-6.0
Common equity tier 1 ratio[2]	20.0%	22.2%	-2.2
Total capital ratio[2]	20.0%	22.2%	-2.2
Moody's Rating	**Jun22**	**Dec21**	
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

The first half 2022 was successful for Addiko Group. The economic recovery after the peak of the pandemic and our Transformation Program to boost growth, lower costs and reduce non-performing loans have been key to double our net profit to EUR 12.6 million compared to the previous year.

Overall, the Transformation Program proves that we are on the right course:

- Operating result increases by almost 15%
- Growth in focus loan book reaches 18% excluding medium SME loans
- Micro & Small SMEs improve by 33%
- New business in focus area is up 39%
- NPE volume reduction by EUR 55 million since the end of 2021 and improved NPE ratio of 2.8%
- Operating Expenses were down almost 5% YoY, reflecting our cost initiatives
- Constant improvement of digital capabilities in our specialist strategy
- Transitional CET1 ratio of 20%, underpinning Addiko's strong balance sheet

Our transformation efforts are also supported by the new brand strategy, which aligned Addiko's specialist strategy with its brand promise. Oskar, our new animated character and brand ambassador acts as the central message carrier.

Addiko's new brand promise is: "As experts in Consumer and SME lending, we stand for speed and flexibility, and we promise to be there for the customers - whenever and wherever they need that extra boost." In everyday life, this means we want to be close to our customers, and we strive to become better and faster to help them achieve their goals.

Another milestone was the decision that our largest market Croatia will become the 20th member of the monetary union in 2023, and Addiko Bank Croatia is ready to serve its customers as part of the Eurozone.

Overall, the economy in our region during the first half of 2022 was influenced by the Russia-Ukraine war, inflationary headwinds, volatility in the energy markets and ongoing international supply chain disruptions. While growth forecasts for our region remain positive, these clouds are expected to have an impact on household income and business activities.

For the rest of 2022, we revised our outlook upwards to reflect higher income from strong business development as well as higher costs due to inflationary pressures.

As we still operate in a pandemic environment and in a period of geopolitical conflict, I am fully aware of the toll this takes on our employees and their families. I therefore want to express my appreciation and gratitude to all employees for their efforts, their passion and their professional behavior which has enabled to deliver our strong set of results.

Despite the challenging environment I am convinced that we will continue to create value for all our stakeholders and become the leading specialist bank for Consumer & SME customers in our region.

Yours sincerely,

Herbert Juranek
CEO

Half Year Financial 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.

Condensed 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, a 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. Through its banks, the Group services as of 30 June 2022 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 lending, Public Lending and Large Corporate lending portfolios (its “non-focus areas”) have been gradually reduced over time, thereby providing liquidity and capital for the growth in its Consumer and SME lending. With the Transformation Program initiated during the second half 2021, the new management team has committed themselves to an accelerated transformation towards the focus areas via business growth initiatives and a faster reduction of the non-focus loan books, as well as gradual exit from low-yielding and high-ticket medium enterprises within the SME segment.

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 63% of the bank's shares are in free float, the rest of the shareholder base is well diversified with a broad geographic spread and different investment strategies. The institutional investors are primarily from Western Europe and North America.

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

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

2. Significant Events

2.1. Results from ECB 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.

2.2. Addiko Brand Repositioning

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

Following the management assessment back in 2021 that Addiko's marketing approach needs to be refreshed and improved, the executive team together with Group Marketing & Corporate Communications redefined what Addiko stands for.

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.

To decide how to deliver the brand promise to the customers, an extensive research was conducted and it was decided that a brand character is an effective method for driving long-term market share and building brand equity.

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 tactics. The new brand character, Oskar, replaces the previous triangle symbol. Oskar will from now on be 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 will continue to be visible across all media channels such as TV ads, outdoor billboards, social media, digital advertising and mobile in all Addiko's markets 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 there to serve young employees, pensioners, starting entrepreneurs and digital-savvy people.

The management team of Addiko is confident that the recruitment of Oskar and the new marketing approach will create positive awareness in the market, strengthen the brand value and, most importantly, support the growth ambitions in the focus business.

2.3. 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 the bank 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 the bank.

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 0.1% 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.

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 Group CFO. Previously, Edgar Flaggl has been serving in this role since 1 June 2021 with a direct report to the CEO.

4. Financial development of the Group

4.1. Detailed analysis of the result

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021	(abs)	(%)
Net banking income	120.7	115.8	4.9	4.2%
Net interest income	84.6	84.2	0.5	0.6%
Net fee and commission income	36.1	31.6	4.5	14.2%
Net result on financial instruments	0.2	3.9	-3.7	-94.5%
Other operating result	-5.9	-4.8	-1.1	22.5%
Operating income	**115.1**	**114.9**	**0.2**	**0.1%**
Operating expenses	**-82.8**	**-86.8**	**4.0**	**-4.6%**
Operating result before impairments and provisions	**32.3**	**28.1**	**4.2**	**14.8%**
Other result	-8.6	-9.0	0.4	-4.4%
Credit loss expenses on financial assets	-8.8	-10.2	1.4	-14.0%
Result before tax	**14.9**	**8.9**	**6.0**	**67.3%**
Tax on income	-2.3	-2.8	0.5	-18.1%
Result after tax	**12.6**	**6.1**	**6.5**	**>100%**

The **net banking income** improved by EUR 4.9 million to EUR 120.7 million (1H21: EUR 115.8 million) mainly driven by the strong development in both the Consumer and SME segment, with an increase of EUR 5.1 million compared with the previous year and EUR 5.6 million respectively. The positive development in the focus segments was partially consumed by the intentionally accelerated reduction in the non-focus business, with a decrease of net interest income of EUR -6.0 million.

The **net interest income** was positively impacted by the Consumer and SME segment, which increased by EUR 5.3 million compared with 1H21. This development was mainly driven by a higher loan volume of EUR 144 million in the Consumer segment which compensated slightly lower loan book interest rates (-21bps YoY), leading to an overall increase of interest income in the amount of EUR 2.1 million. The increase in interest income in the SME segment of EUR 3.6 million was driven by both higher loan volumes of EUR 72 million as well as improved interest rates (+43bps YoY). The intentionally accelerated run-down of the non-focus segments is visible in the decrease of EUR 361 million in volume over the previous year, mainly due to early repayments in Large Corporates and portfolio sales in the Public Finance segment. This was reflected in a reduction in interest income amounting to EUR 5.7 million, partially consuming the positive development in the focus segments. On the liability side, the interest expenses were positively influenced in the amount of EUR 1.2 million by the further reduction of deposit interest rates (-5bps YoY) driven by the share of lower yielding a-vista deposits (share in a-vista increased from 68% at 1H21 to 71% in 1H22) and further deposits repricing.

Overall, by including the decrease of interest income generated by the treasury business, down by EUR -0.5 million from a lower bond portfolio and EUR -0.5 million from a higher cash portfolio with negative interest rates, the net interest income increased from EUR 84.2 million at 1H21, to EUR 84.6 million at 1H22, which reflects an increase of EUR 0.5 million, or 0.6% compared to 1H21.

The **net fee and commission income** increased to EUR 36.1 million (1H21: EUR 31.6 million) as a result of increasing business activities in the Consumer (EUR +3.0 million) and SME business segments (EUR +2.0 million). In Consumer, this was mainly driven by the increase in Accounts & Packages, bancassurance and FX&DCC, while in SME the increase was mainly related to more transactions, deposit fees and FX&DCC.

The **net result on financial instruments** amounted to EUR 0.2 million at 1H22, compared to EUR 3.9 million at 1H21. The lower result compared with the previous period is resulting from the change in the treasury strategy in relation to investments in government debt instruments which took place in line with the new Business Strategy & Plan as approved in 2021. According to the new treasury strategy, internally approved in the second quarter of 2022, Addiko decided to invest the excess liquidity in long-term high-quality government bonds and keep them until maturity for yield enhancement purposes and consequently to focus on the collection of interest income instead of generating gains from the sale of the instruments.

The **other operating result** as the sum of the other operating income and the other operating expense decreased by EUR -1.1 million from EUR -4.8 million at 1H21 to

EUR - 5.9 million at 1H22. This position includes the following significant items:

- Front-loaded regulatory charges from the recovery and resolution fund of EUR -0.6 million (1H21: EUR -1.2 million). The decrease is due to the alignment between the calculation of the recovery and resolution fund between SRB and the local regulator in Croatia, leading to a lower required amount.
- Deposit guarantee expenses of EUR -4.0 million (1H21: EUR -2.7 million). The increase is due to the fact that in 2021 the Croatian Deposit Insurance Agency stopped charging the ex-ante premium for deposit insurance to banks until further notice. As in the first quarter of 2022 the amount of deposit insurance fell below the target level, deposit insurance was charged again.
- Bank levies and other taxes remained steady at EUR -1.8 million at 1H22 (1H21: EUR -1.8 million)
- No restructuring costs were recognised in 1H22, compared with EUR -0.2 million at 1H21.

Operating expenses decreased from EUR -86.8 million at 1H21 to EUR -82.8 million at the current reporting date, as a result of executed Transformation Program measures:

- Personnel expenses decreased compared to the previous period from EUR -46.2 million at 1H21 to EUR -42.8 million at 1H22. The decrease in 1H22 mainly consists of lower expenses for wages and salaries as a direct consequence of the Transformation Program initiated by the new Management team during the second half of 2021 as well as the fact, that the previous period was negatively affected by the recognition of severance expenses in amount of EUR 1.5 million connected with the management board changes during the first half of 2021.
- Despite higher costs for the brand repositioning, costs connected with the EURO implementation project in Croatia and costs from the "Slovenian CHF Law", Addiko managed to decrease the Other administrative expenses from EUR -31.5 million at 1H21 by EUR 0.4 million to EUR -31.1 million at 1H22. This achievement could be reached by tenaciously implementing the measures defined in the Transformation Program, allowing a significant reduction of IT costs (EUR 0.9 million) and advisory costs (EUR 1.0 million) compared with the previous reporting period.
- Depreciation and amortisation decreased from EUR -9.1 million at 1H21, by EUR -0.2 million, to EUR -8.9 million at 1H22.

The other result amounting to EUR -8.6 million (1H21: EUR -9.0 million) was mainly impacted by credit linked and portfolio based provisions for expected legal matters on Swiss-franc denominated loans in Croatia as well as costs from the legal actions taken in connection with the "Slovenian CHF Law". In addition, the Group recognised provisions for the potential negative impacts of consumer associations actions on floor practices in Slovenia.

Credit loss expenses on financial assets amounted to EUR -8.8 million compared to EUR -10.2 million in 1H21. While the underlying asset quality continued to be strong, Addiko decided to remain prudent in provisioning given the strongly increased volatility of the economic environment related to inflationary pressures, potential disturbances in gas deliveries to the EU and the resurgence of Covid-19, which are not comparable to the historic data in the existing models. Therefore, the existing post-model adjustment was increased by EUR 4 million to a total amount of EUR 13 million at end of June 2022.

As of the reporting date, the remaining portfolio in moratoria, which was linked to the measures mitigating the Covid-19 impact, is reduced to an insignificant exposure of only EUR 0.1 million (1H21: EUR 105.2 million).

Tax on income amounted to EUR -2.3 million at 1H22 compared to EUR -2.8 million at 1H21.

4.2. Detailed analysis of the statement of financial position

EUR m

	30.06.2022	31.12.2021	(abs)	(%)
Cash reserves	1,185.1	1,361.7	-176.6	-13.0%
Financial assets held for trading	21.5	32.6	-11.1	-34.2%
Loans and advances	3,367.9	3,284.4	83.5	2.5%
Loans and advances to credit institutions	4.9	5.7	-0.8	-13.6%
Loans and advances to customers	3,363.0	3,278.7	84.2	2.6%
Investment securities	972.5	1,012.2	-39.7	-3.9%
Tangible assets	67.2	70.6	-3.4	-4.8%
Intangible assets	24.4	26.7	-2.3	-8.6%
Tax assets	40.6	26.9	13.7	51.1%
Current tax assets	2.8	2.7	0.0	1.0%
Deferred tax assets	37.8	24.1	13.7	56.7%
Other assets	19.9	14.9	5.0	33.2%
Non-current assets held for sale	0.9	12.3	-11.4	-92.6%
Total assets	**5,700.0**	**5,842.3**	**-142.4**	**-2.4%**

The statement of financial position of Addiko Group showed a simple and solid interest-bearing asset structure: 59% of the assets were represented by customer loans, most of which belonged to the focus areas. In addition, a substantial part of the residual assets was represented by cash reserves and high rated plain vanilla debt securities predominantly related to CSEE 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 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 78.0% of the total gross performing loan book (YE21: 74.4%).

As of 1H22, the **total assets** of Addiko Group stood at EUR 5,700.0 million and decreased by EUR -142.4 million or -2.4% 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), increased to EUR 3,728.0 million (YE21: EUR 3,624.9 million), mainly driven by the one-off increase related to the implementation of the new EBA guideline on structural FX at the beginning of the year 2022.

The **cash reserves** decreased to EUR 1,185.1 million as of 30 June 2022 while maintaining a solid liquidity position (YE21: EUR 1,361.7 million).

Overall, **loans and advances** increased to EUR 3,367.9 million from EUR 3,284.4 million at YE21:

- Loans and advances to credit institutions (net) decreased by EUR -0.8 million to EUR 4.9 million (YE21: EUR 5.7 million).
- Loans and advances to customers (net) increased by EUR 84.2 million to EUR 3,363.0 million (YE21: EUR 3,278.7 million). The development was mainly driven by lending growth in the focus segments Consumer and SME with an increase of EUR 189.4 million to EUR 2,615.5 million in 1H22 (YE21: EUR 2,426.1 million), while in the non-focus segments, Large Corporate, Mortgage and Public Finance this position decreased by EUR 101.9 million to EUR 747.3 million in first half 2022 (YE21: EUR 849.2 million).

The **investment securities** decreased from 1,012.2 million at YE21 to EUR 972.5 million at 1H22, reflecting the changes in the fair value of the instruments measured at fair value through other comprehensive income (FVTOCI). The investments are largely in high rated and investment grade government bonds mainly from the CSEE 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 to hold the predominant part of its investments in high quality bonds to maturity for yield enhancement and interest income generation purposes.

Tax assets increased to EUR 40.6 million (YE21: EUR 26.9 million), thereof EUR 11.3 million refer to deferred taxes on tax loss carried forward (YE21: EUR 10.4 million). The increase was mainly due to the recognition of deferred tax assets on the negative fair value development of investment securities in other comprehensive income.

Other assets increased to EUR 19.9 million (YE21: EUR 14.9 million). The main part in this position was related to prepaid expenses and accruals as well as receivables for paid in deposits and receivables related to the card business.

EUR m

	30.06.2022	31.12.2021	(abs)	(%)
Financial liabilities held for trading	2.9	2.3	0.6	28.0%
Financial liabilities measured at amortised cost	4,862.5	4,933.6	-71.1	-1.4%
Deposits and borrowings of credit institutions	177.9	174.6	3.4	1.9%
Deposits and borrowings of customers	4,634.7	4,708.2	-73.5	-1.6%
Other financial liabilities [1)]	49.8	50.8	-1.0	-2.0%
Provisions	65.7	69.9	-4.1	-5.9%
Tax liabilities	0.6	5.8	-5.2	-89.6%
Current tax liabilities	0.6	5.8	-5.2	-89.6%
Other liabilities	29.9	25.7	4.2	16.4%
Equity	738.3	805.1	-66.8	-8.3%
Total equity and liabilities	**5,700.0**	**5,842.3**	**-142.4**	**-2.4%**

[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.

On the liabilities' side, **financial liabilities measured at amortised cost** remained stable, with a slight decrease to EUR 4,862.5 million compared to EUR 4,933.6 million at YE21:

- Deposits and borrowings of credit institutions increased slightly from EUR 174.6 million at YE21 to EUR 177.9 million as of 1H22 and included EUR 34.7 million from the participation in targeted longer-term refinancing operations (TLTRO) with the Slovenian National Bank (YE21: EUR 54.7 million).
- Deposits and borrowings of customers remained stable, with a slight reduction to EUR 4.634,7 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 30% 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 49.8 million at 1H22.

Provisions decreased from EUR 69.9 million at YE21 to EUR 65.7 million at 1H22. This position included mainly credit linked and portfolio-based provision 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 29.9 million in 1H22, mainly reflecting accruals for services received but not yet invoiced (1H22: EUR 29.0 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 738.3 million was mainly driven by the impact of the Russian military invasion of Ukraine in February 2022 on the financial markets, and determined a considerable increase in the volatility of market prices. Since the beginning of the year, the market value of the debt positions measured at FVTOCI significantly decreased by EUR -77.8 million (net of related DTA). However, 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. By assuming a measurement at amortised cost of the positions where the change in steering is applicable, at the level of the consolidated subsidiaries, to the whole local portfolio of government instruments, the negative impact in equity would be limited to EUR -24.6 million (net of related DTA), thus the equity would have a theoretical amount of EUR 791.6 million at the reporting date. Addiko is consequently not expecting any operative impacts from the volatility in market values, as by keeping the positions until maturity and collecting the related interest income the currently negative OCI will neutralise until the maturity of the instruments, given their high credit quality. No material impact was generated in the first half of 2022 by the FX reserves, subject of a minor decrease of EUR -0.6 million. A positive impact on equity was derived from the profit for the reporting period in the amount of EUR 12.6 million. The effects from the share buyback programme concluded in April 2022 amounted to EUR -0.4 million.

4.3. Capital and liquidity requirements

Starting from 1 March 2022, the new SREP decision for 2021 is applicable, prescribing an Overall Capital Requirement (OCR) of 13.75% for the Group:

- 11.25% TSCR (8% Pillar 1 Requirement and 3.25% Pillar 2 Requirement decreased from 4.10% from the previous decision); and
- 2.5% CBR (2.5% Capital Conservation Buffer and 0% Countercyclical Buffer).

In addition to the capital requirement, the SREP decision includes a reduction of the Pillar 2 Guidance (P2G) to 2.0%, down from 4.0% in the previous period

Based on the new requirements and guidance, the regulator therefore expects Addiko to maintain a total capital ratio of 15.75% (11.25% SREP requirement, plus 2.5% CCB, plus 2% P2G).

The ECB finalised the Comprehensive Assessment Stress Test in July 2022, whose result is expected to be included in the next SREP letter and in particular in the determination of the P2G going forward.

As of 30 June 2022, the **capital base** of Addiko Group was solely made up of CET1, and stood at 20.0% (YE21: 22.2%) on a transitional basis which is significantly above applicable requirements and the guidance (P2G). Addiko's fully loaded CET1 stood at a solid 18.8% (YE21: 21.6%), which is also significantly above applicable requirements and the guidance (P2G).

The development of the capital on a transitional basis during the second half of 2022 was mainly driven by the following two items:

- the decrease of the portion that banks may add to the capital from the initial application of IFRS 9 in accordance with the prescribed phase-in rules in the amount of EUR 11.9 million, and
- the negative changes in OCI driven by the market volatility following the start of the Russian-Ukrainian war of EUR 78.8 million. This negative impact was partially neutralised (EUR 29.3 million) by the decision to apply, starting with 1Q22, article 468 CRR which allows to exclude during 2022 40% of the amount of unrealised gains and losses for exposures to central governments measured at fair value through other comprehensive income.

In accordance with article 26 CRR, the interim profit was not included in the calculation of the regulatory capital.

The RWAs increased from EUR 3,624.9 million to EUR 3,728.0 million on a transitional basis, and from EUR 3,597.7 million to EUR 3,715.6 million on a fully loaded basis. The increase of EUR 103.1 million (fully loaded: EUR 117.9 million) was mainly driven by the implementation of the guideline on structural FX under Article 352 (2) CRR (EBA/GL/2020/09) at the beginning of 2022.

On 3 August 2022, Addiko received the ECB approval of its waiver application to exclude the structural FX positions HRK and RSD from the calculation of own funds requirements. According to 1H22 figures, the impact would result in a reduction of the RWAs for market risk of EUR 98.2 million.

Addiko’s leverage ratio remained sound at 12.3% at the end of 1H22 (YE21: 12.9%).

The **liquidity position** of the Group remained strong, with the LTD ratio (net) of 72.6% (YE21: 69.6%), thus fulfilling all liquidity indicators with significant headroom to regulatory requirements.

5. Segment information

The segment reporting 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 contraction of lower margin Large Corporate, Mortgage and Public Finance lending is managed accordingly.

EUR m

30.06.2022	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	70.6	32.0	6.9	4.7	2.2	4.3	120.7
Net interest income	50.9	18.1	6.9	2.8	1.5	4.5	84.6
o/w regular interest income	49.4	18.2	8.3	3.0	0.8	6.6	86.3
Net fee and commission income	19.8	13.8	0.0	1.9	0.7	-0.2	36.1
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	0.2	0.2
Other operating result	0.0	0.0	0.0	0.0	0.0	-5.9	-5.9
Operating income	**70.6**	**32.0**	**6.9**	**4.7**	**2.2**	**-1.3**	**115.1**
Operating expenses	**-40.4**	**-14.9**	**-0.9**	**-1.9**	**-0.9**	**-23.8**	**-82.8**
Operating result before impairments and provisions	**30.3**	**17.0**	**6.0**	**2.8**	**1.3**	**-25.1**	**32.3**
Other result	0.0	0.0	0.0	0.0	0.0	-8.6	-8.6
Credit loss expenses on financial assets	-10.6	0.6	4.2	-2.9	0.1	0.0	-8.8
Result before tax	**19.6**	**17.6**	**10.1**	**-0.1**	**1.3**	**-33.7**	**14.9**
Business volume							
Net loans and receivables	1,450.4	1,165.1	489.3	200.3	57.8	5.2	3,367.9
o/w gross performing loans customers	1,476.4	1,164.3	485.8	201.8	57.0		3,385.3
Gross disbursements	314.3	379.8	1.0	28.9	2.4		726.4
Financial liabilities at AC [1]	2,434.8	1,033.5	0.0	282.9	365.1	746.2	4,862.5
RWA [2]	1,096.6	886.9	297.8	234.9	32.1	519.1	3,067.4
Key ratios							
NIM [3]	5.6%	2.8%	1.3%	1.7%	0.8%		3.0%
Cost/Income Ratio	57.1%	46.7%	13.1%	40.3%	42.3%		68.6%
Cost of risk ratio	-0.6%	0.0%	0.8%	-0.8%	0.1%		-0.2%
Loan to deposit ratio	59.6%	112.7%	-	70.8%	15.8%		72.6%
NPE ratio (on-balance loans)	4.4%	4.3%	8.2%	4.9%	3.9%		3.8%
NPE coverage ratio	79.2%	69.9%	80.1%	91.2%	45.7%		76.7%
NPE collateral coverage	2.6%	59.4%	73.1%	87.2%	95.6%		43.6%
Change CL/GPL (simply Ø)	-0.7%	0.1%	0.8%	-1.3%	0.1%		-0.3%
Yield GPL (simply Ø)	7.0%	3.3%	3.3%	2.7%	2.7%		4.8%

[1] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 441 million, EUR 178 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

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

[1] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 433 million, EUR 188 million Deposits of credit institutions, EUR 172 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. [4] The NPE Ratio (On-balance loans) as at 1H21 is restated compared to the last year financial statement and considers exposure to national bank within the denominator.

5.1. Consumer

Consumer 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 segment Consumer the focus is on unsecured lending, followed by account packages with regular transactions. 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 1H22 business review

The net interest income increased by EUR 1.4 million to EUR 50.9 million at 1H22, compared to the same period last year (1H21: EUR 49.5 million) at a NIM of 5.6%, 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 3.0 million to EUR 19.8 million in 1H22, compared to EUR 16.8 million at 1H21, driven by higher income from accounts & packages, cards, transactions, loans, bancassurance and FX&DCC. The Cost/Income ratio improved to 57.1% (1H21: 62.2%) driven by the overall positive development in 2022. The operating result before impairments and provisions at 1H22 amounted to EUR 30.3 million, up 20.9% versus 1H21, mainly driven by higher operating income (EUR 70.6 million in 1H22 versus EUR 66.3 million in 1H21). The result before tax amounted to EUR 19.6 million (1H21: EUR 10.0 million), reflecting an increase of 96.7% YoY, also influenced by lower allocations of credit loss expenses.

The gross disbursements at 1H22 reflected the acceleration of business activities in the markets where Addiko is present. Consequently, the 1H22 consumer gross performing loans significantly increased by +10.8% compared to 1H21. The NPE ratio (on-balance loans) also improved with a decrease of 88bps illustrating the continued focus on the asset quality of the portfolio.

5.2. SME Business

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 customers. Addiko has been further increasing the focus on untapped niches of micro and small enterprises in need of financing, whilst reducing large ticket and low value adding medium SME lending, while increasing the loan book to drive interest and commission income growth.

SME 1H22 business review

At 1H22, the net interest income increased significantly by EUR 4.0 million (+28.1% YoY) to EUR 18.1 million compared to EUR 14.1 million at 1H21. NIM increased to 2.8% (1H21: 2.1%), due to the strong growth during the first six months 2022, related to business with micro and small enterprises at higher interest yields (yields up 45bps YoY, based on simple average).

The net fee and commission income increased by a strong 16.5% compared to 1H21, due to higher income from accounts & packages, loans and FX & DCC transactions. This increase was delivered on the back of targeted initiatives and the continued economic recovery across the region compared to the same period last year.

Consequently, the operating result before impairments and provisions at 1H22 amounted to EUR 17.0 million, up by 67.7% compared to 1H21. The Cost/Income ratio significantly decreased to 46.7% (1H21: 61.0%) driven by the overall positive development in the operating income and lower operating expenses during 2022 driven by lower personnel expenses following FTE reductions and lower overhead costs.

The gross disbursements at 1H22 amounted to EUR 379.8 million, reflecting an improvement of 44.4% compared to 1H21.

The result before tax amount to EUR 17.6 million (1H21: EUR 7.9 million), which is also related to releases of credit loss expenses on financial assets. The NPE ratio (on-balance loans) came down to 4.3% (1H21: 5.8%) and related to the solid quality of the SME portfolio.

5.3. Mortgage

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 6.9 million at 1H22, representing an 19.2% decrease in comparison to EUR 8.5 million at 1H21. This reduction in operating income is mainly driven by a EUR 97.8 million lower gross performing loan book which consequently results in lower net interest income.

5.4. Large Corporates

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 turnover of above EUR 50 million. An accelerated run-down path is pursued in this segment, as initiated during the second half of 2021 while Addiko will continue to serve selected customers with a favourable and balanced view on value generation

Large Corporates 1H22 business review

As a non-focus segment Large Corporates records lower gross performing loans and consequently lower operating income in comparison to the same period last year. During the first six months of 2022 the Large Corporate portfolio was influenced by repayments, low new business activity and managed reduction in line with the accelerated run-down path initiated in the second half of the year 2021.

The net interest income of this non-focus portfolio consequently decreased by EUR 1.7 million to EUR 2.8 million at 1H22 compared to EUR 4.5 million at 1H21. Net fee and commission income amounted to EUR 4.7 million and decreased compared to 1H21 by EUR 2.4 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 -0.1 million at 1H22 (1H21: EUR 3.8 million) which was also impacted by credit loss expenses on financial assets.

The NPE ratio (on-balance loans) increased by 135bps to 4.9% mainly driven by the reduced loan book versus 1H21 rather than an overall worsening of the credit quality of the portfolio.

5.5. Public Finance

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 1H22 business review

The net interest income amounted to EUR 1.5 million at 1H22 (1H21: EUR 2.4 million), with NIM at 0.8%. The decrease in net interest income was related to the run-down of the portfolio (gross performing loans down 50.2% compared to 1H21). The net fee and commission income slightly increased to EUR 0.7 million compared to the same period last year (1H21: EUR 0.5 million). The Public Finance segment generated an operating income of EUR 2.2 million (1H21: EUR 2.9 million) and a result before tax of EUR 1.3 million at 1H22 (1H21: EUR 2.1 million). The Cost/Income Ratio increased to 42.3% (1H21: 40.5%) due to lower operating income.

The NPE ratio (on-balance loans) increased by 169bps at 1H22 predominantly driven by a reduction in the gross performing loan balance.

5.6. Corporate Center

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 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 in CSEE.

Corporate Center 1H22 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 following point) and 3) the consolidation effects.

The net interest income at 1H22 amounted to EUR 4.5 million (1H21: EUR 5.1 million) driven by a decrease of interest income from the treasury bond portfolio mainly related to lower yields and higher negative interests on the cash portfolio.

The net result on financial instruments amounted to EUR 0.2 million at 1H22, compared to EUR 3.9 million at 1H21 and is resulting from the change in the treasury strategy which took place in line with the new Business Strategy & Plan as 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 the instruments.

The **other operating result** as the sum of the other operating income and the other operating expense decreased by EUR -1.1 million from EUR -4.8 million at 1H21 to EUR -5.9 million at 1H22. This position includes the following significant items:

- Front-loaded regulatory charges from the recovery and resolution fund of EUR -0.6 million (1H21: EUR -1.2 million). The decrease was due to the alignment between the calculation of the recovery and resolution fund between SRB and the local regulator in Croatia, leading to a lower required amount.
- Deposit guarantee expenses of EUR -4.0 million (1H21: EUR -2.7 million). The increase was due to the fact that in 2021 the Croatian Deposit Insurance Agency stopped charging the ex-ante premium for deposit insurance to banks until further notice. As in the first quarter of 2022 the amount of deposit insurance fell below the target level, deposit insurance was charged again.
- Bank levies and other taxes remained steady at EUR -1.8 million at 1H22 (1H21: EUR -1.8 million)
- No restructuring costs were recognised in 1H22, compared with EUR -0.2 million at 1H21.

Operating expenses decreased by EUR -0.3 million, to EUR -23.8 million at 1H22 (1H21: EUR -24.1 million), driven by the Transformation Program initiated during the second half of 2021.

The other result amounting to EUR -8.6 million (1H21: EUR -9.0 million) was mainly impacted by credit linked and portfolio based provisions for expected legal matters on Swiss-franc denominated loans in Croatia as well as costs from the legal actions taken in connection with the "Slovenian CHF Law". In addition, the Group recognised provisions for the potential negative impacts of consumer associations actions on floor practices in Slovenia.

Asset Contribution

The net interest income in the Corporate Center at 1H22 included only a fraction of the positive impact from interest and liquidity gap contribution (IGC) of EUR 20.0 million. The majority of the IGC in the amount of EUR 15.5 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.

6. Risk management & Related parties

With respect to the explanations on financial and legal risk at Addiko Group as well as the goals and methods of risk management, please refer to the risk report section of the condensed consolidated interim financial statements. Furthermore, with regard to related party transactions, please refer to note (37) on related party disclosures.

7. Outlook & Risk factors

7.1. Outlook

The countries in the region where the Group operates have demonstrated a strong rebound during 2021 and are still expected to grow robustly in the short run. These largely positive developments will be partly knocked back by the Russia-Ukraine conflict and Western sanctions. Although the countries Addiko operates in are not directly exposed to the conflict zone, inflation has risen everywhere, and economic sentiment has declined sharply.

Faced by inflationary pressures, the monetary policy stance of the major central banks and central banks from the region is turning hawkish. The era of low interest rates has already come to an end, which will further depress economic activity and will put public finances to a serious test in the coming period, but also means a gradual return to more normalised market conditions.

Despite that the region of Addiko's operation is expected to grow, with modest lagging of growth dynamics in Bosnia and Herzegovina, which experienced weaker rebound than the other countries. The inflationary pressures should diminish in the long run, although the carry-over effects will be felt for some time, most notably in Serbia and Bosnia and Herzegovina. The labor markets are still shielded from major disturbances, and it seems they will help stabilize consumption and consumer sentiment in the near future.

Addiko's strategic pillars will continue to be the focus on the specialist strategy for Consumer and SME in the CSEE market, a prudent risk approach and the transformation of the balance sheet to generate value in the long term by a clear focus and leading digital operations. In addition, the brand repositioning will allow to support the growth momentum, complemented by dedicated campaigns and product offerings. The non-focus reduction will continue in line with the strategy.

During the year 2022, Addiko expects to be able to compensate the impact of inflation on operating expenses by the strong development in net banking income.

As a result, the targets for 2022 have been slightly revised upwards on the back of recent developments:

- Gross performing loans at ca. EUR 3.3 billion with more than 10% growth in focus, despite further reduction in medium SMEs (unchanged),
- Net Banking Income above EUR 240 million as a result of improved business activities despite the accelerated run-down in non-focus (prev. stable at 2021 level of ca. EUR 236 million),
- Operating expenses below EUR 167 million due to increased inflationary pressures, excluding the EURO implementation in Croatia (costs in the mid-single digit million range) (prev. operating expenses below EUR 165 million),
- TCR above 18.6% on a transitional basis (unchanged),
- Sum of other result and credit loss expenses on financial assets at ca. 1% on average net loans and advances to customers (unchanged).

The above Outlook 2022 does not consider any potential impacts from the Slovenian CHF Law, which has been suspended temporarily in its entirety by the Constitutional Court of the Republic of Slovenia on 10 March 2022 until having reached a final decision regarding its constitutionality.

7.2. Risk factors

Addiko operates in countries with heightened levels of political risk and recourse in case of default is more difficult given the less developed legal systems. The changed economic and political environment may cause longstanding problems to resurface – political instability in the region, structural issues, poor infrastructure (including soft infrastructure) and the like.

Thus, the main risks are seen in a potential flareup of inflationary pressures, parallel with immense 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. Therefore, compared to the previous outlook, the number and magnitude of the risks and uncertainties have significantly increased.

Due to several material influences being largely unknowable (the length and effects of the Russian – Ukraine conflict and related sanctions, the extent of mitigation activities by regulatory mechanism, as well as potential resurgence of Covid-19) the macro-economic environment can at this point in time be only described as very volatile and highly unpredictable.

Specific risks impacting Addiko due to exposure to Russia and/or Ukraine are being constantly monitored. Direct exposure to the impacted countries is non-material (below EUR 15 ths).

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 by end of the year.

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.

On 2 February 2022, the Slovenian Parliament passed the "Law on limitation and distribution of foreign exchange risk between creditors and borrowers concerning loan agreements in Swiss francs". Since the Law affects civil law contractual relationships retroactively, Addiko will challenge its constitutionality and intends to use all legal remedies against the law. If outlined legal remedies are unsuccessful, Addiko assessed a worst case negative impact caused by the implementation of the law in the range of approximately EUR 100 to 110 million, as already disclosed on the 2 February 2022. Based on the preliminary impact assessment, Addiko Bank AG reiterates the expectation that both Addiko Bank AG and Addiko Group will remain well above mandatory capital requirements and its existing capitalisation will be sufficient to cover the impact from the implementation of the law.

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.

Vienna, 16 August 2022
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

Condensed Consolidated Interim Financial Statements

I. Consolidated statement of comprehensive income

Statement of profit or loss

EUR m

	Note	01.01. - 30.06.2022	01.01. - 30.06.2021
Interest income calculated using the effective interest method		92.3	92.4
Other interest income		0.6	1.2
Interest expenses		-8.2	-9.5
Net interest income	**(6)**	**84.6**	**84.2**
Fee and commission income		45.2	39.9
Fee and commission expenses		-9.2	-8.3
Net fee and commission income	**(7)**	**36.1**	**31.6**
Net result on financial instruments	(8)	0.2	3.9
Other operating income	(9)	1.9	2.3
Other operating expenses	(9)	-7.8	-7.1
Operating income		**115.1**	**114.9**
Personnel expenses	(10)	-42.8	-46.2
Other administrative expenses	(11)	-31.1	-31.5
Depreciation and amortisation	(12)	-8.9	-9.1
Operating expenses		**-82.8**	**-86.8**
Operating result before impairments and provisions		**32.3**	**28.1**
Other result	(13)	-8.6	-9.0
Credit loss expenses on financial assets	(14)	-8.8	-10.2
Result before tax		**14.9**	**8.9**
Tax on income	(15)	-2.3	-2.8
Result after tax		**12.6**	**6.1**
thereof attributable to equity holders of parent		12.6	6.1

	30.06.2022	30.06.2021
Result after tax attributable to ordinary shareholders (in EUR m)	12.6	6.1
Weighted-average number of ordinary shares (in units of shares)	19,500,000	19,500,000
Earnings/loss per share (in EUR)	0.65	0.31
Weighted-average diluted number of ordinary shares (in units of shares)	19,482,246	19,500,000
Diluted earnings/loss per share (in EUR)	0.65	0.31

The following notes (1) - (40) are an integral part of these consolidated financial statements

Statement of other comprehensive income

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
Result after tax	**12.6**	**6.1**
Other comprehensive income	**-78.8**	**-1.2**
Items that will not be reclassified to profit or loss	**-0.4**	**0.3**
Fair value reserve - equity instruments	-0.4	0.3
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	**-78.4**	**-1.6**
Foreign currency translation	-0.6	3.2
Gains/losses of the current period	-0.6	3.2
Fair value reserve - debt instruments	-77.8	-4.7
Net change in fair value	-90.9	-3.1
Net amount transferred to profit or loss	-0.1	-2.4
Income Tax	13.1	0.7
Total comprehensive income for the year	**-66.2**	**4.9**
thereof attributable to equity holders of parent	-66.2	4.9

The following notes (1) - (40) are an integral part of these consolidated financial statements

II. Consolidated statement of financial position

EUR m

	Note	30.06.2022	31.12.2021
Assets			
Cash reserves	(16)	1,185.1	1,361.7
Financial assets held for trading	(17)	21.5	32.6
Loans and advances	(18)	3,367.9	3,284.4
Loans and advances to credit institutions		4.9	5.7
Loans and advances to customers		3,363.0	3,278.7
Investment securities	(19)	972.5	1,012.2
Tangible assets	(20)	67.2	70.6
Property, plant and equipment		63.0	65.5
Investment property		4.2	5.1
Intangible assets		24.4	26.7
Tax assets		40.6	26.9
Current tax assets		2.8	2.7
Deferred tax assets		37.8	24.1
Other assets	(21)	19.9	14.9
Non-current assets held for sale	(22)	0.9	12.3
Total assets		**5,700.0**	**5,842.3**
Equity and liabilities			
Financial liabilities held for trading	(23)	2.9	2.3
Financial liabilities measured at amortised cost	(24)	4,862.5	4,933.6
Deposits and borrowings of credit institutions		177.9	174.6
Deposits and borrowings of customers		4,634.7	4,708.2
Other financial liabilities [1)]		49.8	50.8
Provisions	(25)	65.7	69.9
Tax liabilities		0.6	5.8
Current tax liabilities		0.6	5.8
Other liabilities	(26)	29.9	25.7
Equity		738.3	805.1
thereof attributable to equity holders of parent		738.3	805.1
Total equity and liabilities		**5,700.0**	**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. Comparative period was adjusted accordingly.

The following notes (1) - (40) 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 30.06.2022 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	12.6	12.6	0.0	12.6
Other comprehensive income	0.0	0.0	0.0	-78.2	-0.6	0.0	-78.8	0.0	-78.8
Total comprehensive income	0.0	0.0	0.0	-78.2	-0.6	12.6	-66.2	0.0	-66.2
Transactions with equity holders:	0.0	-0.4	0.0	0.0	0.0	-0.2	-0.6	0.0	-0.6
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	-0.2	0.0	0.0	0.0
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 30.06.	**195.0**	**-0.4**	**237.9**	**-77.4**	**-11.4**	**394.6**	**738.3**	**0.0**	**738.3**

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

EUR m

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

The following notes (1) - (40) are an integral part of these consolidated financial statements

IV. Condensed consolidated statement of cash flows

EUR m

	2022	2021[1]
Result after tax	**12.6**	**6.1**
Non-cash items included in profit and reconciliation to cash flows from operating activities	**-39.2**	**-52.4**
Changes in assets and liabilities arising from operating activities after corrections for non-cash positions	-231.8	-36.6
Interests received	95.3	98.5
Interests paid	-11.7	-10.5
Dividends received	0.0	0.0
Cash flows from operating activities	**-174.8**	**5.1**
Proceeds from sales of:	4.0	1.4
Non-current assets held for sale	0.2	0.0
Tangible assets, investment properties, lease assets and intangible assets	3.8	1.4
Payments for purchases of:	-3.3	-3.7
Tangible assets, investment properties, lease assets and intangible assets	-3.3	-3.7
Cash flows from investing activities	**0.7**	**-2.3**
Dividends paid	0.0	-7.0
Lease payments	-1.9	-2.9
Cash flows from financing activities	**-1.9**	**-9.9**
Net (decrease) increase in cash and cash equivalents	**-176.0**	**-7.1**
Cash reserves at the end of previous period (01.01.)	**1,361.8**	**1,156.7**
Effect of exchange rate changes	-0.6	3.2
Cash and cash equivalents at end of period (30.06.)	**1,185.2**	**1,152.7**

[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) - (40) are an integral part of these consolidated financial statements

V. Condensed notes

Group accounting policies

(1) Accounting principles

The condensed consolidated interim financial statements ("interim financial statements") of Addiko Group for the period from 1 January to 30 June 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) and in accordance with their interpretation by the IFRS Interpretations Committee (IFRIC) as adopted by the European Union (EU) as they apply in the European Union pursuant to Regulation (EC) No. 1606/2002 (IAS Regulation), in compliance with the requirements of IAS 34 "Interim Financial Reporting".

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

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements. As these interim financial statements do not include all information and disclosures required in the annual consolidated financial statements, this document should be read in conjunction with Addiko Bank's Group annual report as of 31 December 2021.

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

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

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

(2) Changes in presentation of the cash flow statement

Starting with the financial year 2022 in the condensed consolidated statement of cash flows 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 -84.1 million in the position "Non-cash items included in profit and reconciliation to cash flows from operating activities" and consequently EUR +84.1 million in the position "Changes in assets and liabilities arising from operating activities after corrections for non-cash positions".

(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 Standards 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

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. 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.

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 derecognise 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.

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.

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.

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.

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

The interim 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, which provides for future losses not yet occurred, 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 associated with events like the inflationary pressures, potential disturbances in gas deliveries to EU and the resurgence of Covid-19. 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 a post model adjustment. Continuing economic uncertainty resulting from heightened inflation could cause ECL model inputs to produce modelled loss results that are in hindsight overestimated or underestimated.

For further information on this topic reference is made to the note (28.1) Method of calculating 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.

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

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

Provisions

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

Provisions for legal proceedings typically require a higher degree of judgment than other types of provisions. When matters are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better-defined set of possible outcomes. The calculation of potential losses takes generally into account possible scenarios of how the litigation would be resolved and their probability, considering the history of former verdicts and assessments by independent law firms. In certain cases, due to a short horizon of available historical data and significant uncertainty as to the direction of court decisions as well as the market conditions, the adopted methodology and assumptions may be subjects of updates in subsequent reporting periods. Details regarding provisions for legal cases and uncertainty of estimates are described in note (25.1) 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.

(5) Scope of consolidation

There were no changes to the scope of consolidation during the reporting period. For further information on this topic reference is made to the note of the same name in the 2021 Group annual report.

Notes to the profit or loss statement

(6) Net interest income

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
Interest income calculated using the effective interest method	**92.3**	**92.4**
Financial assets at fair value through other comprehensive income	5.6	6.1
Financial assets at amortised cost	86.5	86.1
Negative interest from financial liabilities	0.2	0.2
Other interest income	**0.6**	**1.2**
Financial assets held for trading	0.6	0.9
Other assets	0.0	0.2
Total interest income	**92.9**	**93.6**
Financial liabilities measured at amortised cost	-6.5	-7.8
o/w lease liabilities	-0.2	-0.2
Financial liabilities held for trading	-0.5	-0.7
Negative interest from financial assets	-1.2	-1.0
Total interest expense	**-8.2**	**-9.5**
Net interest income	**84.6**	**84.2**

Interest expense of financial liabilities measured at amortised cost in the amount of EUR -6.5 million (1H21: EUR -7.8 million) includes expenses of EUR -3.0 million (1H21: EUR -4.3 million) related to customer deposits. The negative interest income on TLTRO III financial liabilities amounts to EUR 0.1 million (1H21: EUR 0.2 million).

(7) Net fee and commission income

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
Accounts and Packages	12.8	10.8
Transactions	10.1	9.8
Foreign exchange& Dynamic currency conversion	6.4	4.9
Cards	6.3	5.8
Bancassurance	3.0	2.0
Loans	2.8	2.4
Trade finance	2.7	2.6
Deposits	0.6	0.0
Securities	0.1	1.2
Other	0.5	0.4
Fee and commission income	**45.2**	**39.9**
Cards	-5.0	-4.5
Transactions	-2.2	-1.9
Accounts and Packages	-0.5	-0.5
Loans	-0.3	-0.3
Client incentives	-0.2	-0.1
Bancassurance	-0.2	-0.2
Securities	-0.1	-0.3
FX changes	-0.1	0.0
Other	-0.6	-0.5
Fee and commission expenses	**-9.2**	**-8.3**
Net fee and commission income	**36.1**	**31.6**

The fees and commission presented in this note include income of EUR 22.5 million (1H21: EUR 19.0 million) and expenses of EUR -5.8 million (1H21: EUR -5.0 million) relating to financial assets and liabilities not measured at FVTPL.

(8) Net result on financial instruments

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
Held for trading financial instruments	0.5	1.4
o/w exchange difference	2.5	-1.0
o/w gain or losses on financial instruments	-2.0	2.4
Non-trading financial assets mandatorily at fair value through profit or loss	-0.2	0.2
Financial assets at fair value through other comprehensive income	0.0	2.3
Total	**0.2**	**3.9**

(9) Other operating income and other operating expenses

Other operating income and other operating expenses - net

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
Deposit guarantee	-4.0	-2.7
Recovery and resolution fund	-0.6	-1.2
Banking levies and other taxes	-1.8	-1.8
Restructuring expenses	0.0	-0.2
Net result from sale of non financial assets	1.0	1.0
Result from other income and other expenses	-0.6	0.1
Total	**-5.9**	**-4.8**

Other operating income and other operating expenses - gross

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
Other operating income	**1.9**	**2.3**
Gain from sale of non financial assets	1.2	1.1
Income from operating lease assets	0.3	0.2
Other income	0.5	1.0
Other operating expenses	**-7.8**	**-7.1**
Losses from sale of non financial assets	-0.1	-0.1
Expense incurred in earning the operating lease assets income	-0.3	-0.1
Restructuring expenses	0.0	-0.2
Recovery and resolution fund	-0.6	-1.2
Deposit guarantee	-4.0	-2.7
Banking levies and other taxes	-1.8	-1.8
Other expenses	-1.0	-0.9
Total	**-5.9**	**-4.8**

(10) Personnel expenses

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
Wages and salaries	-27.9	-29.3
Social security	-4.8	-5.3
Variable remuneration	-3.6	-3.5
Bonuses and sales incentives	-3.8	-3.5
Cash-settled share-based payments	0.2	0.0
Equity-settled share-based payments	0.0	0.0
Other personal tax expenses	-0.5	-0.6
Voluntary social expenses	-1.4	-1.4
Expenses for retirement benefits	-4.1	-3.9
Expenses for severance payments	-0.2	-2.2
Income from release of other employee provisions	0.1	0.1
Other personnel expenses	-0.5	0.0
Total	**-42.8**	**-46.2**

(11) Other administrative expenses

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
IT expenses	-15.7	-16.6
Premises expenses (rent and other building expenses)	-5.9	-5.7
Legal and advisory costs	-1.4	-2.3
Advertising costs	-4.1	-2.9
Other administrative expenses	-4.0	-3.9
Total	**-31.1**	**-31.5**

(12) Depreciation and amortisation

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
Property, plant and equipment	-5.3	-5.8
o/w right of use assets	-3.0	-3.1
Intangible assets	-3.5	-3.3
Total	**-8.9**	**-9.1**

(13) Other result

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
Net result from legal provision and legal income/expense	**-8.4**	**-8.9**
Release of provisions for legal cases and income from legal cases	1.2	0.4
Allocation of provisions for passive legal cases and legal costs	-9.6	-9.4
Impairment / reversal of impairment on non financial assets	**-0.2**	**0.0**
Reversal of impairment	0.0	0.0
Impairment	-0.2	0.0
Total	**-8.6**	**-9.0**

The net amount of EUR -8.4 million expenses for legal cases mainly relate to legal matters for existing and expected legal proceedings in relation to Swiss franc unilateral interest rate change in Croatia. In addition, the Group recognised provisions for the potential negative impacts of consumer associations actions on floor practices in Slovenia.

Further details regarding provisions for legal cases are included in note (25) Provisions.

(14) Credit loss expenses on financial assets

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

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
Change in CL on financial instruments at FVTOCI	**0.0**	**1.6**
Change in CL on financial instruments at amortised cost	**-9.1**	**-11.7**
Net allocation to risk provision	-12.6	-14.6
Proceeds from loans and advances previously impaired	4.3	3.5
Directly recognised impairment losses	-0.8	-0.6
Net allocation of provisions for commitments and guarantees given	**0.3**	**-0.1**
Total	**-8.8**	**-10.2**

(15) Taxes on income

EUR m

	01.01. - 30.06.2022	01.01. - 30.06.2021
Current tax	-2.8	-3.2
Deferred tax	0.5	0.4
thereof: temporary differences	-0.5	0.8
thereof: tax losses carried forward	1.0	-0.4
Total	**-2.3**	**-2.8**

Notes to the consolidated statement of financial position

(16) Cash reserves

EUR m

30.06.2022	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash reserves	127.0	0.0	127.0
Cash balances at central banks	956.9	0.0	956.9
Other demand deposits	101.3	-0.1	101.2
Total	**1,185.2**	**-0.1**	**1,185.1**

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 258.9 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.

(17) Financial assets held for trading

EUR m

	30.06.2022	31.12.2021
Derivatives	**3.0**	**1.1**
Debt securities	**18.5**	**31.5**
Governments	18.5	31.5
Total	**21.5**	**32.6**

(18) Loans and advances

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

18.1. Loans and advances to credit institutions

EUR m

30.06.2022	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and advances to credit institutions	4.9	0.0	4.9

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

18.2. Loans and advances to customers

EUR m

30.06.2022	Gross carrying amount	ECL				Carrying amount (net)
		Stage 1	Stage 2	Stage 3	POCI	
Households	2,139.7	-17.7	-34.1	-89.8	-2.0	1,996.0
Non-financial corporations	1,367.8	-8.7	-13.2	-44.6	0.0	1,301.2
Governments	41.4	-0.1	-0.1	0.0	0.0	41.3
Other financial corporations	25.2	-0.1	-0.5	-0.1	0.0	24.5
Total	**3,574.1**	**-26.7**	**-47.9**	**-134.5**	**-2.0**	**3,363.0**

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:

18.2.1. LOANS AND ADVANCES TO HOUSEHOLDS

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	4.0	-6.9	-7.8	0.1	-10.6
Transfer between stages	-6.3	5.8	0.6	0.0	0.0
Write-offs/utilisation	0.0	0.0	12.4	0.0	12.5
Foreign exchange and other movements	0.0	0.0	-1.2	0.0	-1.2
ECL allowance as at 30.06.	**-17.7**	**-34.1**	**-89.8**	**-2.0**	**-143.6**

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 the first half of 2022, mostly through disbursements of new loans - outperforming the repayments and write offs – accompanied by increased ECL allowances with a slightly increased ECL Coverage for the performing portfolio (mainly driven by stage 2).

18.2.2. LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS

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	0.2	3.4	-5.7	0.0	-2.1
Transfer between stages	-1.0	0.6	0.4	0.0	0.0
Write-offs/utilisation	0.0	0.0	1.7	0.0	1.7
Foreign exchange and other movements	0.0	0.0	-1.0	0.0	-1.0
ECL allowance as at 30.06.	**-8.7**	**-13.2**	**-44.6**	**0.0**	**-66.6**

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 the same level as YE21 (with a slight increasing trend) accompanied by a concurrent increase in ECL in stage 1 (with stable ECL coverage for stage 1), while the reduction in stage 2 ECL is strongly impacted by repayments. The increase in stage 3 is predominantly resulting out of provision requirements for big tickets.

18.2.3. LOANS AND ADVANCES TO GENERAL GOVERNMENTS

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	0.0	0.0	0.0	0.0	0.1
ECL allowance as at 30.06.	**-0.1**	**-0.1**	**0.0**	**0.0**	**-0.2**

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**

The overall gross carrying amount of loans and advances to general governments decreased during first half of 2022 resulting in a minor impact on ECL.

18.2.4. LOANS AND ADVANCES TO OTHER FINANCIAL CORPORATIONS

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	0.1	0.0	0.0	0.1
ECL allowance as at 30.06.	**-0.1**	**-0.5**	**-0.1**	**0.0**	**-0.7**

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**

The overall loss allowance for other financial corporations slightly reduced driven by releases in stage 2.

(19) Investment securities

EUR m

	30.06.2022	31.12.2021
Fair value through other comprehensive income (FVTOCI)	923.3	1,009.2
Mandatorily at fair value through profit or loss (FVTPL)	2.9	3.0
At amortised cost	46.2	0.0
Total	**972.5**	**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. 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.

The overall loss allowance for investment securities remains on the same level.

Fair value through other comprehensive income (FVTOCI)

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 30.06.	**-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**

For instruments measured at amortised cost the ECL allowance are below EUR 0.1 million and therefore not disclosed separately.

19.1. Fair value through other comprehensive income (FVTOCI)

EUR m

	30.06.2022	31.12.2021
Debt securities	**907.2**	**992.4**
Governments	738.4	754.4
Credit institutions	120.2	167.6
Other financial corporations	12.3	18.8
Non-financial corporations	36.2	51.6
Equity instruments	**16.1**	**16.7**
Governments [1)]	12.7	13.1
Other financial corporations	3.1	3.2
Non-financial corporations	0.3	0.4
Total	**923.3**	**1,009.2**

[1)] Slovenian Bank Resolution Fund

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

EUR m

	30.06.2022	31.12.2021
Debt securities	**2.6**	**2.7**
Other financial corporations	2.6	2.7
Equity instruments	**0.3**	**0.3**
Non-financial corporations	0.3	0.3
Total	**2.9**	**3.0**

19.3. At amortised cost

EUR m

	30.06.2022	31.12.2021
Debt securities	**46.2**	**0.0**
Governments	46.2	0.0
Total	**46.2**	**0.0**

(20) Tangible assets

EUR m

	30.06.2022	31.12.2021
Owned property, plant and equipment	**43.6**	**46.2**
Land and buildings	35.2	36.6
Plant and equipment	8.3	8.9
Plant and equipment - under construction	0.1	0.8
Right of use assets	**19.4**	**19.3**
Land and buildings	17.8	17.4
Plant and equipment	1.5	1.9
Investment property	**4.2**	**5.1**
Total	**67.2**	**70.6**

(21) Other assets

The other assets contain the following main positions:

EUR m

	30.06.2022	31.12.2021
Prepayments and accrued income	8.4	7.9
Inventories (repossessed assets, emergency acquired assets, etc.)	1.5	1.8
Other remaining assets	9.9	5.2
Total	**19.9**	**14.9**

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

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.

EUR m

	30.06.2022	31.12.2021
Loans and receivables	0.1	11.3
Property plant and equipment	0.8	1.0
Total	**0.9**	**12.3**

(23) Financial liabilities held for trading

EUR m

	30.06.2022	31.12.2021
Derivatives	2.9	2.3
Total	**2.9**	**2.3**

(24) Financial liabilities measured at amortised cost

EUR m

	30.06.2022	31.12.2021
Deposits	**4,812.7**	**4,882.8**
Deposits and borrowings of credit institutions	177.9	174.6
Deposits and borrowings of customers	4,634.7	4,708.2
Issued bonds, subordinated and supplementary capital	**0.1**	**0.1**
Debt securities issued	0.1	0.1
Other financial liabilities	**49.8**	**50.8**
o/w lease liabilities	20.7	19.6
Total	**4,862.5**	**4,933.6**

The position “Deposits” includes borrowed funds in amount of EUR 186.1 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). Thereof the carrying amount of TLTRO III liabilities amounted to EUR 34.7 million as of 30 June 2022 (YE21: EUR 54.7 million).

24.1. Deposits and borrowings of credit institutions

EUR m

	30.06.2022	31.12.2021
Current accounts / overnight deposits	6.9	6.6
Deposits with agreed terms	151.1	168.0
Repurchase agreements	20.0	0.0
Total	**177.9**	**174.6**

24.2. Deposits and borrowings of customers

EUR m

	30.06.2022	31.12.2021
Current accounts / overnight deposits	**3,226.5**	**3,251.6**
Governments	98.8	113.0
Other financial corporations	76.6	77.6
Non-financial corporations	900.3	957.5
Households	2,150.8	2,103.5
Deposits with agreed terms	**1,399.9**	**1,447.4**
Governments	97.9	108.0
Other financial corporations	178.1	183.6
Non-financial corporations	269.7	295.7
Households	854.2	860.2
Deposits redeemable at notice	**8.4**	**9.2**
Governments	1.0	1.0
Non-financial corporations	7.4	8.2
Total	**4,634.7**	**4,708.2**

(25) Provision

EUR m

	30.06.2022	31.12.2021
Pending legal disputes	44.7	42.6
Commitments and guarantees granted	6.9	7.2
Provisions for variable payments	7.3	10.4
Cash-settled share-based payments	0.1	1.1
Pensions and other post employment defined benefit obligations	2.1	2.1
Restructuring measures	1.2	2.4
Other long term employee benefits	0.4	0.4
Other provisions	2.9	3.7
Total	**65.7**	**69.9**

25.1. Provisions for pending legal disputes

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

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

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 (33) Legal risk of the consolidated financial statements as of 31 December 2021. The reassessment was leading to the recognition in the income statement of additional provisions in amount of EUR 4.7 million, whereby the related total amount of the provision as of 30 June 2022 was EUR 29.3 million (YE21: EUR 28.0 million), with 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 decide to sue the bank, the outcome of individual court decisions, the estimated loss by individual contract. Outflows of economically useful resources are to be expected in the course of the next four business years. However, it should be considered that the outcome of the underlying proceedings is in many cases difficult to predict and for this reason final timing could significantly deviate from original estimate.

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

EUR m

	30.06.2022
Change in number of expected court cases +25%	2.3
Change in number of expected court cases -25%	-2.3
Change in the percentage of individual court decisions in favor of the customer +10%	1.7
Change in the percentage of individual court decisions in favor of the customer -10%	-1.7
Change in the estimated loss by individual contract +15%	1.8
Change in the estimated loss by individual contract -15%	-1.8

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

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

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	0.2	0.2	-0.2	0.0	0.3
Transfer between stages	-0.1	0.0	0.1	0.0	0.0
ECL allowance as at 30.06.	**-2.4**	**-0.9**	**-3.7**	**0.0**	**-6.9**

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**

The overall ECL allowance for loan commitments, financial guarantees and other commitments decreased coinciding with a decrease of nominal value.

(26) Other liabilities

EUR m

	30.06.2022	31.12.2021
Deferred income	0.9	0.9
Accruals and other liabilities	29.0	24.8
Total	**29.9**	**25.7**

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

Segment Reporting

The Addiko Group’s segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment data is prepared based on internal management reporting that is regularly reviewed by the leadership team as chief operating decision makers (CODM) to assess the performance of the segments and make decisions regarding the allocation of resources. The business segmentation is subdivided into Consumer and SME 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 20.0 million. The majority of the IGC in the amount of EUR 15.5 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 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

30.06.2022	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	70.6	32.0	6.9	4.7	2.2	4.3	120.7
Net interest income	50.9	18.1	6.9	2.8	1.5	4.5	84.6
o/w regular interest income	49.4	18.2	8.3	3.0	0.8	6.6	86.3
Net fee and commission income	19.8	13.8	0.0	1.9	0.7	-0.2	36.1
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	0.2	0.2
Other operating result	0.0	0.0	0.0	0.0	0.0	-5.9	-5.9
Operating income	**70.6**	**32.0**	**6.9**	**4.7**	**2.2**	**-1.3**	**115.1**
Operating expenses	**-40.4**	**-14.9**	**-0.9**	**-1.9**	**-0.9**	**-23.8**	**-82.8**
Operating result before impairments and provisions	**30.3**	**17.0**	**6.0**	**2.8**	**1.3**	**-25.1**	**32.3**
Other result	0.0	0.0	0.0	0.0	0.0	-8.6	-8.6
Credit loss expenses on financial assets	-10.6	0.6	4.2	-2.9	0.1	0.0	-8.8
Result before tax	**19.6**	**17.6**	**10.1**	**-0.1**	**1.3**	**-33.7**	**14.9**
Business volume							
Net loans and receivables	1,450.4	1,165.1	489.3	200.3	57.8	5.2	3,367.9
o/w gross performing loans customers	1,476.4	1,164.3	485.8	201.8	57.0		3,385.3
Gross disbursements	314.3	379.8	1.0	28.9	2.4		726.4
Financial liabilities at AC [1]	2,434.8	1,033.5	0.0	282.9	365.1	746.2	4,862.5
RWA [2]	1,096.6	886.9	297.8	234.9	32.1	519.1	3,067.4
Key ratios							
NIM [3]	5.6%	2.8%	1.3%	1.7%	0.8%		3.0%
Cost/Income Ratio	57.1%	46.7%	13.1%	40.3%	42.3%		68.6%
Cost of risk ratio	-0.6%	0.0%	0.8%	-0.8%	0.1%		-0.2%
Loan to deposit ratio	59.6%	112.7%	-	70.8%	15.8%		72.6%
NPE ratio (on-balance loans)	4.4%	4.3%	8.2%	4.9%	3.9%		3.8%
NPE coverage ratio	79.2%	69.9%	80.1%	91.2%	45.7%		76.7%
NPE collateral coverage	2.6%	59.4%	73.1%	87.2%	95.6%		43.6%
Change CL/GPL (simply Ø)	-0.7%	0.1%	0.8%	-1.3%	0.1%		-0.3%
Yield GPL (simply Ø)	7.0%	3.3%	3.3%	2.7%	2.7%		4.8%

[1] Financial liabilities 1H22 include the Direct deposits (Austria/Germany) amounting to EUR 441 million, EUR 178 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

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

[1] Financial liabilities at AC at 1H21 include the Direct deposits (Austria/Germany) amounting to EUR 433 million, EUR 188 million Deposits of credit institutions, EUR 172 million Other 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. [4] The NPE Ratio (On-balance loans) as at 1H21 is restated compared to the last year financial statement and considers exposure to national bank within the denominator.

The net interest income breakdown explains the net interest income details per segment up to total bank. It lists all subpositions of the net interest income including the customer margin assets & liabilities, the basic items within the interest Gap Contribution and Asset Contribution.

EUR m

	Focus Segments		Non-focus segments			Corporate Center	Total
30.06.2022	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net interest income	**50.9**	**18.1**	**6.9**	**2.8**	**1.5**	**4.5**	**84.6**
o/w Interest income	**52.8**	**20.1**	**9.0**	**3.4**	**0.9**	**6.6**	**92.9**
o/w Regular interest income	49.4	18.2	8.3	3.0	0.8	6.6	86.3
o/w Interest income on NPE	0.6	0.3	0.3	0.1	0.0	0.0	1.4
o/w Interest like income	2.7	1.6	0.4	0.3	0.0	0.0	5.1
o/w Interest expenses	**-2.3**	**-1.3**	**0.0**	**-0.7**	**-0.6**	**-3.3**	**-8.2**
o/w FTP (assets & liabilities)	**-7.7**	**-3.7**	**-5.5**	**-0.6**	**0.9**	**-3.4**	**-20.0**
o/w Interest gap contribution	**8.0**	**3.0**	**3.4**	**0.7**	**0.4**	**4.5**	**20.0**
o/w Asset contribution	8.0	3.0	3.4	0.7	0.4	-15.5	0.0
o/w Interest gap contribution	0.0	0.0	0.0	0.0	0.0	20.0	20.0

EUR m

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

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

EUR m

30.06.2022	Focus segments		Non-focus segments		Corporate Center	Total
	Consumer	SME Business	Large Corporates	Public Finance		
Accounts and Packages	10.2	2.4	0.1	0.1	0.0	12.8
Transactions	2.4	6.1	0.9	0.4	0.3	10.1
Foreign exchange & Dynamic currency conversion	3.5	2.4	0.3	0.1	0.2	6.4
Cards	5.4	0.9	0.0	0.0	0.0	6.3
Bancassurance	3.0	0.0	0.0	0.0	0.0	3.0
Loans	1.6	1.0	0.1	0.0	0.0	2.8
Trade finance	0.0	2.2	0.5	0.0	0.0	2.7
Deposits	0.1	0.3	0.2	0.1	0.0	0.6
Securities	0.1	0.0	0.0	0.0	0.0	0.1
Other	0.3	0.1	0.1	0.0	0.0	0.5
Fee and commission income	**26.4**	**15.3**	**2.2**	**0.8**	**0.5**	**45.2**
Cards	-4.7	-0.3	0.0	0.0	0.0	-5.0
Transactions	-0.8	-1.0	-0.1	-0.1	-0.1	-2.2
Accounts and Packages	-0.4	-0.1	0.0	0.0	-0.1	-0.5
Loans	-0.2	0.0	0.0	0.0	0.0	-0.3
Client incentives	-0.2	0.0	0.0	0.0	0.0	-0.2
Bancassurance	-0.2	0.0	0.0	0.0	0.0	-0.2
Securities	0.0	0.0	-0.1	0.0	-0.1	-0.1
FX Changes	0.0	0.0	0.0	0.0	0.0	-0.1
Other	-0.2	0.0	-0.1	0.0	-0.3	-0.6
Fee and commission expenses	**-6.7**	**-1.5**	**-0.3**	**-0.1**	**-0.7**	**-9.2**
Net fee and commission income	**19.8**	**13.8**	**1.9**	**0.7**	**-0.2**	**36.1**

EUR m

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

Geographical Segmentation

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

EUR m

30.06.2022	ABC	ABS	ABBL	ABSA	ABSE	ABM	ABH [4]	Reco	Addiko Group
Net banking income	39.7	27.0	11.7	11.1	22.9	6.5	1.7	-0.1	120.7
Net interest income	26.4	19.5	7.6	7.2	16.7	5.4	2.0	-0.1	84.6
o/w regular interest income [1]	26.6	18.5	8.3	7.2	18.4	5.6	2.9	-1.3	86.3
Net fee and commission income	13.4	7.5	4.1	3.9	6.2	1.2	-0.2	0.0	36.1
Net result on financial instruments	0.7	0.2	0.0	0.1	-0.9	0.0	20.2	-20.0	0.2
Other operating result	-1.6	-0.9	-0.1	-0.5	-1.0	-0.8	-0.4	-0.6	-5.9
Operating income	**38.8**	**26.3**	**11.6**	**10.7**	**21.0**	**5.7**	**21.5**	**-20.7**	**115.1**
Operating expenses	**-22.2**	**-13.1**	**-7.2**	**-7.4**	**-12.6**	**-3.8**	**-14.5**	**-2.0**	**-82.8**
Operating result before impairments and provisions	**16.6**	**13.2**	**4.4**	**3.4**	**8.5**	**1.9**	**7.0**	**-22.7**	**32.3**
Other result	-5.5	-0.3	-0.2	0.2	-0.6	0.0	-0.4	-1.8	-8.6
Credit loss expenses on financial assets	-2.3	1.0	0.6	-0.7	-2.8	-0.4	-0.1	-4.0	-8.8
Result before tax	**8.8**	**13.8**	**4.8**	**2.9**	**5.0**	**1.5**	**6.6**	**-28.5**	**14.9**
Total assets	**2,172.2**	**1,332.0**	**486.8**	**478.3**	**884.9**	**215.1**	**1,055.6**	**-924.8**	**5,700.0**
Business volume									
Net loans and receivables	1,078.0	993.0	321.6	253.2	628.8	169.2	84.3	-160.2	3,367.9
o/w gross performing loans customers	1,066.4	954.8	315.3	255.2	626.6	167.0	0.0		3,385.3
Gross disbursements	247.1	147.8	77.6	70.9	147.2	35.8	0.0		726.4
Financial liabilities at AC [2]	1,752.7	1,126.5	401.1	375.3	682.7	183.9	526.4	-186.0	4,862.5
RWA [3]	989.3	738.3	282.6	288.2	589.0	155.4	18.6	6.0	3,067.4
Key ratios									
Net interest margin (NIM)	2.4%	2.9%	3.2%	2.9%	3.8%	5.0%	0.4%		3.0%
Cost/Income Ratio	55.9%	48.5%	61.5%	66.1%	54.9%	59.0%	834.8%		68.6%
Cost of risk ratio	-0.2%	0.1%	0.1%	-0.2%	-0.3%	-0.2%	-0.7%		-0.2%
Loan to deposit ratio	64.3%	94.4%	82.8%	68.4%	103.9%	95.8%			72.6%
NPE ratio (on-balance loans)	4.5%	1.9%	3.8%	5.8%	3.9%	8.6%			3.8%
NPE coverage ratio	84.5%	65.0%	82.6%	83.9%	70.4%	61.4%			76.7%
NPE collateral coverage	55.1%	53.2%	21.1%	29.4%	23.6%	50.9%			43.6%
Change CL/GPL (simple Ø)	-0.2%	0.1%	0.2%	-0.3%	-0.5%	-0.3%			-0.3%
Yield GPL (simple Ø)	4.6%	3.9%	5.4%	5.5%	5.4%	6.9%			4.8%

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

EUR m

30.06.2021	ABC	ABS	ABBL	ABSA	ABSE	ABM	ABH [4]	Reco	Addiko Group
Net banking income	39.1	25.5	10.3	10.5	20.7	6.1	3.5	0.0	115.8
Net interest income	26.6	19.3	6.8	6.8	15.7	5.3	3.6	0.0	84.2
o/w regular interest income [1]	28.8	18.8	7.9	7.1	17.2	5.7	5.2	-3.7	87.0
Net fee and commission income	12.5	6.2	3.6	3.7	4.9	0.9	-0.2	0.0	31.6
Net result on financial instruments	1.8	0.4	0.2	0.2	0.4	0.0	0.4	0.4	3.9
Other operating result	-0.6	-1.1	-0.1	-0.4	-0.9	-0.6	-0.8	-0.2	-4.8
Operating income	**40.3**	**24.9**	**10.5**	**10.3**	**20.1**	**5.6**	**3.1**	**0.2**	**114.9**
Operating expenses	**-22.9**	**-12.7**	**-7.3**	**-7.6**	**-12.8**	**-3.9**	**-17.3**	**-2.2**	**-86.8**
Operating result before impairments and provisions	**17.3**	**12.2**	**3.1**	**2.7**	**7.4**	**1.7**	**-14.3**	**-2.0**	**28.1**
Other result	-3.8	0.0	0.2	0.0	-1.2	0.0	-0.1	-4.1	-9.0
Credit loss expenses on financial assets	-2.7	-1.1	-0.5	-2.4	-0.9	-1.0	2.0	-3.7	-10.2
Result before tax	**10.9**	**11.1**	**2.8**	**0.3**	**5.3**	**0.7**	**-12.3**	**-9.8**	**8.9**
Total assets	**2,319.9**	**1,407.3**	**473.4**	**480.4**	**852.8**	**213.3**	**1,033.8**	**-848.6**	**5,932.4**
Business volume									
Net loans and receivables	1,191.7	1,050.7	286.9	251.2	626.4	170.9	59.8	-117.6	3,520.0
o/w gross performing loans customers	1,165.1	1,019.6	293.3	257.1	625.5	169.2	0.0		3,529.8
Gross disbursements	209.5	85.9	50.9	54.3	129.1	22.8	0.0		552.6
Financial liabilities at AC [2]	1,847.0	1,196.9	389.2	365.0	647.5	183.4	510.2	-152.8	4,986.5
RWA [3]	1,169.9	778.3	365.0	361.3	608.6	157.2	34.8	3.9	3,479.0
Key ratios									
Net interest margin (NIM)	2.3%	2.7%	3.1%	2.7%	3.7%	5.0%	0.7%		2.9%
Cost/Income Ratio	58.6%	49.6%	70.9%	72.7%	61.8%	62.9%	502.3%		75.0%
Cost of risk ratio	-0.2%	-0.1%	-0.1%	-0.6%	-0.1%	-0.5%	3.0%		-0.2%
Loan to deposit ratio	66.7%	98.4%	76.0%	69.7%	103.7%	100.4%			74.1%
NPE ratio (on-balance loans) [5]	8.9%	1.8%	6.9%	10.1%	3.5%	10.1%			4.8%
NPE coverage ratio	70.5%	64.2%	83.6%	81.6%	69.9%	55.0%			71.7%
NPE collateral coverage	49.8%	54.0%	36.8%	43.5%	29.6%	50.9%			46.2%
Change CL/GPL (simple Ø)	-0.2%	-0.1%	-0.2%	-0.9%	-0.1%	-0.6%			-0.3%
Yield GPL (simple Ø)	4.4%	3.5%	5.3%	5.3%	5.0%	6.8%			4.5%

[1] Regular interest income is related to booked interests excluding interest like income, interest income on NPE and funds transfer pricing. [2] Direct deposits (Austria/Germany) amounting to EUR 433 million presented in ABH. [3] Includes only credit risk (without application of IFRS 9 transitional rules). [4] In ABH Intragroup exposure is included.[5] The NPE Ratio (On-balance loans) as at 1H21 is restated compared to the last year financial statement and considers exposure to national bank within the denominator.

Risk Report

A summary of Addiko risk policies in relation to risk management, internal organisation, risk strategy and risk appetite framework organisation is set out in the Note of the same name in the consolidated financial statements as of 31 December 2021.

(27) Credit risk

27.1. Reconciliation between Financial instruments classes and Credit risk exposure

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet exposures) without taking into account expected credit losses (including those for guarantees), any collateral held, netting effects, other credit enhancements or credit risk mitigating transactions. Market values are used to calculate the relevant exposure for securities classified in the Held-to-Collect&Sale business model, whereas amortised cost is used for loans and securities classifies 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 30 June 2022:

EUR m

30.06.2022		Performing			Non Performing			Total
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash reserves [1]	1,058.2	-0.1	1,058.1	0.0	0.0	0.0	1,058.2	1,058.1
Financial assets held for trading	21.5		21.5	0.0		0.0	21.5	21.5
Loans and receivables	3,401.9	-74.6	3,327.3	177.1	-136.5	40.6	3,579.0	3,367.9
of which credit institutions	4.9	0.0	4.9	0.0	0.0	0.0	4.9	4.9
of which customer loans	3,397.0	-74.6	3,322.4	177.1	-136.5	40.6	3,574.1	3,363.0
Investment Securities [2] [3]	1,062.0	-0.3	968.7	0.0	0.0	0.0	1,062.0	968.7
Other Assets - IFRS 5	0.0	0.0	0.0	0.4	-0.3	0.1	0.4	0.1
On balance total	**5,543.7**	**-75.0**	**5,375.6**	**177.4**	**-136.8**	**40.7**	**5,721.1**	**5,416.3**
Off Balance	903.7	-3.3	900.4	5.5	-3.6	1.9	909.2	902.3
ECL and FV on FVTOCI debt securities [3]	-93.3	0.3	0.0	0.0	0.0	0.0	-93.3	0.0
Total	**6,354.1**	**-78.0**	**6,276.1**	**182.9**	**-140.4**	**42.5**	**6,537.0**	**6,318.6**
Adjustment [4]	0.3		0.3			0.0	0.3	0.3
Total credit risk exposure	**6,354.4**	**-78.0**	**6,276.3**	**182.9**	**-140.4**	**42.5**	**6,537.3**	**6,318.9**

[1] The position does not include cash on hand in amount of EUR 127.0 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.

27.2. Allocation of credit risk exposure within the Group

As at 30 June 2022, the overall gross exposure within the Group is reduced by EUR 228.4 million (or - 3.4%) compared to YE21. In line with the business strategy, most of the reduction since beginning of the year is recognised in the corporate center as well as in the non focus portfolio, which is partially compensated by an increase in the focus portfolio. On the overall level, decreases in the exposures are recognised in all legal entities except in Addiko Bank Serbia, Addiko Bank Montenegro and Addiko Holding. Within the Group, the credit risk exposure breaks down as presented in the following table.

EUR m

	30.06.2022	31.12.2021
Addiko Croatia	2,369.2	2,482.2
Addiko Slovenia	1,541.8	1,615.9
Addiko Serbia	1,075.3	1,070.9
Addiko Bosnia & Herzegovina	1,075.0	1,133.9
Addiko in Montenegro	232.4	231.3
Addiko Holding	243.7	231.5
Total	**6,537.3**	**6,765.8**

27.3. Credit risk exposure by rating class

At 30 June 2022 roughly 24.5% (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 the first half of 2022 the NPE Stock reduced by EUR 11.3 million (or -5.8%), 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 Banja Luka).

The following table shows the exposure by rating classes and market segment as at 30 June 2022:

EUR m

30.06.2022	1A-1E	2A-2E	3A-3E	4A-4E [2]	NPE	No rating	Total
Consumer	277.6	835.7	334.4	153.9	68.1	21.3	1,691.0
SME	225.6	979.5	457.7	112.5	58.3	2.3	1,835.9
Non Focus	301.0	394.9	145.0	50.9	56.6	1.5	949.9
o/w Large Corporate	38.0	171.2	112.1	14.1	10.9	1.3	347.5
o/w Mortgage	249.7	190.1	23.1	22.6	43.4	0.2	529.0
o/w Public Finance	13.3	33.6	9.9	14.2	2.3	0.0	73.3
Corporate Center [1]	798.4	1,067.8	194.4	0.0	0.0	0.0	2,060.6
Total	**1,602.5**	**3,278.0**	**1,131.5**	**317.3**	**182.9**	**25.2**	**6,537.3**

[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 the customers performing transactions are classified as non-performing as well. The classifications per rating class and ECL stage can be seen in the tables below.

Loans and advances to customers at amortised cost:

EUR m

30.06.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	554.4	21.1	0.0	1.0	576.6
2A-2E	1,680.1	49.5	0.0	2.0	1,731.6
3A-3E	679.0	92.1	0.1	0.8	772.0
4A-4E [1]	50.4	254.3	0.8	1.0	306.5
NPE	0.0	0.0	172.9	3.2	176.1
No rating	11.2	0.1	0.0	0.0	11.3
Total gross carrying amount	**2,975.1**	**417.2**	**173.8**	**8.0**	**3,574.1**
Loss allowance	-26.7	-47.9	-134.5	-2.0	-211.1
Carrying amount	**2,948.4**	**369.2**	**39.3**	**6.0**	**3,363.0**

[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

30.06.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	3.3	0.0	0.0	0.0	3.3
2A-2E	1.2	0.0	0.0	0.0	1.2
3A-3E	0.4	0.0	0.0	0.0	0.4
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	**4.9**	**0.0**	**0.0**	**0.0**	**4.9**
Loss allowance	0.0	0.0	0.0	0.0	0.0
Carrying amount	**4.9**	**0.0**	**0.0**	**0.0**	**4.9**

[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	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

30.06.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	382.4	0.0	0.0	0.0	382.4
2A-2E	565.6	0.0	0.0	0.0	565.6
3A-3E	35.6	0.0	0.0	0.0	35.6
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	16.9	0.0	0.0	0.0	16.9
Total gross carrying amount	**1,000.5**	**0.0**	**0.0**	**0.0**	**1,000.5**
Loss allowance	-0.3	0.0	0.0	0.0	-0.3
Carrying amount	**1,000.2**	**0.0**	**0.0**	**0.0**	**1,000.2**

[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	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
Carrying amount	**994.5**	**0.0**	**0.0**	**0.0**	**994.5**

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

Debt instruments measured at at amortised cost:

EUR m

30.06.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	28.8	0.0	0.0	0.0	28.8
2A-2E	15.6	0.0	0.0	0.0	15.6
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	**46.3**	**0.0**	**0.0**	**0.0**	**46.3**
Loss allowance	0.0	0.0	0.0	0.0	0.0
Carrying amount	**46.2**	**0.0**	**0.0**	**0.0**	**46.2**

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

Addiko Group did not hold any investment securities measured at amortised cost as of YE21.

Commitments and financial guarantees given:

EUR m

30.06.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	230.1	1.5	0.0	0.0	231.6
2A-2E	484.6	3.3	0.0	0.0	487.9
3A-3E	153.5	10.4	0.0	0.0	163.9
4A-4E [1]	6.5	13.4	0.0	0.0	19.9
NPE	0.0	0.0	5.5	0.0	5.5
No rating	0.4	0.0	0.0	0.0	0.4
Total gross carrying amount	**875.2**	**28.6**	**5.5**	**0.0**	**909.2**
Loss allowance	-2.4	-0.9	-3.6	0.0	-6.9
Carrying amount	**872.8**	**27.7**	**1.9**	**0.0**	**902.3**

[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.

27.4. Credit risk exposure by region

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

EUR m

	30.06.2022	31.12.2021
SEE	5,935.6	6,089.6
Europe (excl. CEE/SEE)	354.0	367.7
CEE	188.6	252.1
Other	59.1	56.4
Total	**6,537.3**	**6,765.8**

27.5. Exposure by business sector and region

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

The lower-risk business sector groups - financial institutions and the public sector - account for a share of 32.7% at June 2022 (YE21: 35.0%). The well-diversified private customers sector accounts for a share of 29.4% (YE21: 27.8%).

EUR m

30.06.2022 Business sector	Europe (excl. CEE/SEE)	SEE	CEE	Other	Total
Private	2.2	1,916.8	0.0	0.1	1,919.1
Financial services	324.3	893.6	0.0	35.5	1,253.5
Public sector	20.7	655.5	188.6	17.2	882.0
Industry	5.9	967.1	0.0	0.0	973.0
Trade and commerce	0.0	561.2	0.0	4.5	565.7
Services	0.8	461.8	0.0	0.0	462.7
Real estate business	0.0	51.8	0.0	0.0	51.8
Tourism	0.0	67.8	0.0	0.0	67.8
Agriculture	0.0	47.0	0.0	0.0	47.0
Other	0.0	312.9	0.0	1.9	314.8
Total	**354.0**	**5,935.6**	**188.6**	**59.1**	**6,537.3**

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.

27.6. Presentation of exposure by overdue days

EUR m

30.06.2022	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,560.0	71.7	6.0	4.5	48.7	1,691.0
SME	1,750.1	47.9	3.9	2.2	31.7	1,835.9
Non Focus	888.1	12.9	11.0	2.6	35.3	949.9
o/w Large Corporate	331.7	3.3	9.5	1.7	1.4	347.5
o/w Mortgage	485.5	9.6	1.5	0.9	31.6	529.0
o/w Public Finance	71.0	0.0	0.0	0.0	2.3	73.3
Corporate Center	2,059.2	1.4	0.0	0.0	0.0	2,060.6
Total	**6,257.5**	**133.9**	**21.0**	**9.4**	**115.6**	**6,537.3**

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 25 accounts (21 customers) with an exposure of EUR 0.1 million were still active at 1H22.

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**

27.7. Presentation of exposure by size classes

As of 30 June 2022 around 48.4% (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 1,547.1 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	30.06.2022 GoBs	Exposure EUR m	31.12.2021 GoBs
< 10,000	602.2	321,277	567.2	303,003
10,000-50,000	1,380.6	69,725	1,312.8	65,554
50,000-100,000	270.2	3,888	281.9	4,074
100,000-250,000	315.6	2,068	287.2	1,920
250,000-500,000	309.2	856	232.5	662
500,000-1,000,000	289.0	412	268.4	386
1,000,000-10,000,000	1,297.1	498	1,481.4	538
10,000,000-50,000,000	349.0	18	444.9	23
50,000,000-100,000,000	177.3	3	271.0	4
> 100,000,000	1,547.1	7	1,618.5	6
Total	**6,537.3**	**398,752**	**6,765.8**	**376,170**

27.8. Breakdown of financial assets by degree of impairment

Overdue but not impaired financial assets:

EUR m

	Exposure	30.06.2022 Collateral	Exposure	31.12.2021 Collateral
Loans and advances to customers (on- and off-balance)				
- overdue to 30 days	124.2	15.1	112.1	17.4
- overdue 31 to 60 days	7.3	0.8	11.8	1.9
- overdue 61 to 90 days	6.2	1.9	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	0.1	0.4	0.4
Total	**138.0**	**18.0**	**127.7**	**20.2**

Impaired financial instruments:

EUR m

Loans and advances to customers (on- and off-balance)	30.06.2022	31.12.2021
Exposure	182.1	192.6
Provisions	140.4	139.5
Collateral	79.0	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 2021 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.

27.8.1. FORBEARANCE

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

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

The following chart provides an overview of the forbearance status at the Addiko Group in the course of the first half 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 (+/-)	30.06.2022
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	-0.1	0.0	0.0	0.0	1.3
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	2.7	-3.1	0.0	0.0	-7.2	73.0
Households	61.9	4.1	-3.3	0.0	0.0	-4.4	58.3
Loans and advances	**144.1**	**6.8**	**-6.6**	**0.0**	**-0.1**	**-11.7**	**132.6**
Loan commitments given	0.7	0.0	-0.4	0.0	0.0	0.0	0.3

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 June 2022 can be broken down as follows:

EUR m

	30.06.2022	Neither past due nor impaired	Past due but not impaired (> 0 days)	Impaired
General governments and government related entities	1.3	1.3	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	73.0	41.0	2.3	29.6
Households	58.3	32.9	5.6	19.8
Loans and advances	**132.6**	**75.3**	**7.9**	**49.4**

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 1H22:

EUR m

Internal Collateral Value (ICV) in respect of forborne assets	ICV	thereof CRE	thereof RRE	thereof financial collateral	thereof guarantees	thereof other
Public Finance	3.3	3.3	0.0	0.0	0.0	0.0
Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0
Large Corporate	5.4	5.4	0.0	0.0	0.0	0.0
Medium and Small Corporate	46.3	26.2	3.0	0.3	13.0	3.7
Retail	29.3	8.8	18.2	0.0	2.0	0.2
Total	**84.2**	**43.7**	**21.3**	**0.3**	**15.0**	**3.9**

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
Public Finance	3.4	3.4	0.0	0.0	0.0	0.0
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**

(28) Risk provisions

28.1. 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). 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 were modeled on transactional level and reflect the macroeconomic scenarios provided by the Vienna Institute for International Economic Studies (wiiw). Due to strongly volatile macroeconomic environment, for provision calculation on 30.06.2022 Addiko decided to continue using macroeconomic information which was used for YE21 provisioning cycle, the details of which are set out in the note 61.1 "Method of calculating provisions" in the consolidated financial statements as of 31 December 2021.

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 55%, optimistic 10% and pessimistic 35%, unchanged compared with YE21) allows the Group to cover the broad range of future expectations.

The provisions in the 30.06.2022 consolidated financial statements include also a post model adjustment of EUR 13.0 million, which is EUR 4.0 million higher compared with the EUR 9.0 million recognised in the consolidated financial statements at 31.12.2021.

The main reasons for the necessity of the post model adjustment are the following:

- the models currently applied for estimation of PD used in ECL calculation have been calibrated based on a historical period which does not include the unprecedented crisis conditions of the Covid-19 pandemic as seen in the current environment. In particular the existing models are not designed to integrate the effects on government interventions, such as full or partial lockdowns, quarantines, moratoria, supplier chain effects, inflation on the future probability of default.
- the dynamic and the type of change of macro-economic conditions, under influence of constant cropping-up of Covid-19 variants and different reactions by various involved sovereigns and regulators is too swift and unpredictable to be accurately captured in macroeconomic scenarios and timely implemented in the ECL calculation.
- strong increase in uncertainty of the economic environment fueled by the recent events (resurgence of Covid-19, inflationary pressures and very possible disturbances in gas deliveries to EU which might have significant negative affect on economies)

The post model adjustment has been determined by performing a critical assessment of the most recent available macro-economic projections and adjusting the probabilities for the individual scenario. The final adjustments were done qualitatively (specific expert-based assumptions).

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

EUR m

30.06.2022	ECL incl. post model adjustment	ECL excl. post model adjustment	Optimistic Case	Base Case	Pessimistic Case
Retail	41.9	41.9	36.7	40.7	45.4
Non-Retail	18.4	18.4	14.0	17.2	21.4
Corporate Center	17.7	4.7	3.2	4.3	5.9
Total	**78.0**	**65.0**	**53.9**	**62.2**	**72.7**

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**

28.2. Development of risk provisions

The development of risk provisions in first half of 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. The overall ECL Coverage for performing loans (stage 1 and 2) remains stable during the first half of 2022 at the level of the YE21. Due to the current uncertainties regarding the Ukraine crisis and its macroeconomic impact, the consideration of updated macro-economic outlook within the ECL calculation was dispensed. Despite the tense macroeconomic environment, there was no material deterioration in asset quality in the first half of 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.

28.3. Development of the coverage ratio

The coverage ratio 1 increased (76.7%) 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 the first half of 2022.

The following tables show the NPE and coverage ratios at 1H22 and YE21:

EUR m

30.06.2022	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	Coverage Ratio 1	Coverage Ratio 3
Consumer	1,691.0	68.1	53.9	1.8	4.0%	4.4%	79.2%	81.8%
SME	1,835.9	58.3	40.7	34.6	3.2%	4.3%	69.9%	129.4%
Non Focus	949.9	56.6	45.7	43.4	6.0%	7.0%	80.9%	157.6%
o/w Large Corporate	347.5	10.9	9.9	9.5	3.1%	4.9%	91.2%	178.4%
o/w Mortgage	529.0	43.4	34.8	31.7	8.2%	8.2%	80.1%	153.2%
o/w Public Finance	73.3	2.3	1.1	2.2	3.2%	3.9%	45.7%	141.3%
Corporate Center	2,060.6	0.0	0.0	0.0	0.0%	0.0%	0.0%	0.0%
Total	**6,537.3**	**182.9**	**140.4**	**79.8**	**2.8%**	**3.8%**	**76.7%**	**120.4%**
o/w Credit Risk Bearing	**4,586.5**	**182.9**	**140.4**	**79.8**	**4.0%**	**4.8%**	**76.7%**	**120.4%**

EUR m

31.12.2021	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	Coverage Ratio 1	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%**

(29) Measurement of real estate collateral and other collateral

The real estate market in Addiko operating countries is closely monitored on a quarterly basis. During the initial lock down stages of the Covid -19 the real estate market was inactive, after the lock down the activity resumed and reached pre-2019 levels by the end of 2021 in most segments. There was a steady increase in property values through 2021 and across the region, especially in the RRE segment. The recent increase of key ECB interest rates and commercial loan rates are likely to slow down the market as the demand will decrease, however an imminent decrease in property values is not expected. 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 real estate is regularly monitored annually for all commercial real estate and real estates which are collateral for NPE, and at least once in three years for residential real estate. 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 Real Estate Valuation 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 700,000 if the RRE is located inside capital cities and over EUR 400,000 if the residential real estate is located elsewhere (will be reduced to EUR 400.000 for all RRE properties with the next policy review). The market values of residential real estate below these levels are monitored statistically.

The internal collateral values (ICV) are shown in the following table for 30 June 2022 as well as 31 December 2021:

EUR m

Collateral Distribution	30.06.2022	31.12.2021
Exposure	6,537.3	6,765.8
Internal Collateral Value (ICV)	1,110.4	1,279.5
thereof CRE	413.9	484.1
thereof RRE	422.9	474.1
thereof financial collateral	25.3	29.0
thereof guarantees	194.0	219.7
thereof other	54.3	72.5
ICV coverage rate	**17.0%**	**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 (17.0%) 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

30.06.2022	Gross Carrying amount	Fair value of collateral held under the base case scenario					Net exposure	ECL
		Property	Other	Off-setting	Surplus collateral	Total collateral		
Loans and advances	**177.1**	**19.3**	**0.0**	**0.0**	**0.0**	**19.3**	**157.7**	**-136.5**
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	62.2	9.2	0.0	0.0	0.0	9.2	53.0	-44.6
Households	114.8	10.1	0.0	0.0	0.0	10.1	104.7	-91.8
Commitments and financial guarantees	**5.5**	**0.3**	**0.0**	**0.0**	**0.0**	**0.3**	**5.2**	**3.6**
Loan commitments given	1.4	0.2	0.0	0.0	0.0	0.2	1.3	0.4
Financial guarantees given	3.0	0.0	0.0	0.0	0.0	0.0	3.0	2.2
Other commitments given	1.1	0.2	0.0	0.0	0.0	0.2	0.9	1.1

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	Net exposure	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.

(30) Market risk

A summary of Addiko policies in relation to the market risk is set out in the note (63) of the same name in the consolidated financial statements as of 31 December 2021.

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

EUR m

	30.06.2022	31.12.2021
Interest Rate Risk (Banking and Trading Book)	48.6	23.6
Credit Spread Risk	43.9	13.7
Foreign Exchange Risk	12.1	14.4
Equity Risk - Investments	2.7	2.1
Equity Risk - Client Default	0.1	0.1

Total market risk exposure was higher at end of the half 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 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 June 2022 to EUR 43.9 million compared to EUR 13.7 million per 31.12.2021 was mainly driven out of higher volatilities of credit default swaps.

These market developments also had an impact on the valuation of the security portfolio of Addiko, where correction of prices are reflected also in the decrease of OCI. These impacts are carefully monitored and did not endanger any of the capital ratio limits. As the business strategy of Addiko related to the treasury portfolio is to keep the majority of the instruments, and in particular all government instruments in the EU entities, to maturity, and the credit quality of securities portfolio (consisting mostly of exposures to sovereigns and central banks) was not changed, this volatility of valuation does not represent an actual risk for the bank.

(31) Liquidity risk

A summary of Addiko policies in relation to the liquidity risk is set out in the note (64) of the same name in the consolidated financial statements as of 31 December 2021.

In 2022, the Liquidity Coverage Ratio (LCR) has been moving between its lowest level of 244.6% and its peak of 259.2%.

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

EUR m

Counterbalancing Capacity	30.06.2022	31.12.2021
Coins and bank notes	127.1	126.8
Withdrawable central bank reserves	666.4	826.5
Level 1 tradable assets	692.2	678.1
Level 2A tradable assets	4.5	4.5
Level 2B tradable assets	7.5	26.3
Total Counterbalancing Capacity	**1,497.7**	**1,662.2**

The liquidity situation of the Addiko Group in 2022 was characterised by a liquidity surplus. Any capital market activities were therefore not necessary.

During the first half of the financial year 2022, the Addiko Group recorded a stable level of deposits around EUR 4.8 billion. Based on anticipated inflows and outflows, a stable liquidity situation is also expected for the second half of the year 2022.

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 64.8% 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.

(32) Operational risk

Within the definition and approach to risk measurement for operational risk there were no material changes compared to disclosures from the consolidated financial statements as of 31 December 2021.

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

The monitoring of Operational Risk losses in the first six months of 2022 shows a non material loss impact.

(33) Legal risk

A summary of Addiko policies in relation to legal risk is set out in the note (68) of the same name in the consolidated financial statements as of 31 December 2021.

33.1. Passive legal disputes

The overall number of passive legal disputes increased in the first half of 2022 due to FX transactions, margin increases and interest rate clauses at the Croatian subsidiary and loan processing fees collected by the Serbian subsidiary. However, it should be noted that in relation to the loan processing fees collected by the Serbian subsidiary, the opinion by the Serbian Supreme Court of September 2021, which states that loan processing fees are valid if banks provided written offers to the clients before signing of the loan agreement, shows its effects. In comparison to the first half of 2021 loan processing fee cases in Serbia decreased by 50% and the majority of the success rate (including also waived cases) in the first instance courts changed in favor of the banks.

Still, 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).

In the first half of 2022 Addiko could close high volume damage claims with amounts in dispute of approx. EUR 42 million overall. For this reason, despite the increase of number of cases in Croatia and Serbia, the amount in dispute for passive legal disputes was reduced as of 30.06.2022 by EUR 56 million to EUR 205 million (YE21: EUR 261 million).

33.2. Historical unilateral interest change and Suisse Frank clause risk

As at 30 June 2022 the total amount in dispute related to retail cases (FX, unilateral interest change disputes or claims for payment) in which the Group are respondent was EUR 79.1 million.

In relation to the decision passed on the 25 January 2022 by the National Assembly of Slovenia on the “Law on limitation and distribution of currency risk among creditors and borrowers on loans in Swiss francs” reference is made to the disclosures in note (34) "Contingent liabilities and other liabilities not included in the statement of financial position".

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 (34) "Contingent liabilities and other liabilities not included in the statement of financial position".

There are no material changes compared to disclosures from the consolidated financial statements as of 31 December 2021 in relation to foreign currency claims.

Supplementary information required by IFRS

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

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

EUR m

	30.06.2022	31.12.2021
Loan commitments given	461.6	504.5
Financial guarantees given	191.3	211.7
Other commitments, given	256.3	269.0
Total	**909.2**	**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 30 June 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 42.1 million (excluding accrued interest) relating to 3,189 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 42.1 million (excluding accrued interest), 67% (or EUR 28.1 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 and damage 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 passive legal disputes, Addiko Group is also involved in the following main active legal disputes, (i.e., disputes where Addiko Group is the claimant):

- 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 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.
- On 25 January 2022, the National Assembly of Slovenia passed the "Law on limitation and distribution of currency risk among creditors and borrowers on loans in Swiss francs" ("Slovenian CHF Law"). The purpose of the law is to restructure consumer loans denominated in CHF (or containing a currency clause in CHF) that were concluded up to 18 years ago, between 28 June 2004 and 31 December 2010 (regardless of whether the agreements are still in force). Inter alia, lenders are required to retroactively introduce an exchange rate cap clause in relation to all such agreements for CHF loans concluded in the aforementioned period. During the validity of the FX cap, the

value of instalments and other payments under such loans shall equal the amount at which the FX cap has been triggered and the lender would be required to repay any overpayment to the relevant borrower. This means that almost all currency developments that are disadvantageous for the borrower must be borne by the lending banks. Further, any overpayment on such loans by the relevant borrowers shall be subject to default interest to be paid by the lender. The rule would apply from the time of the conclusion of the loan and would be applicable to any fluctuation in the exchange rate of more than 10%. Since the law affects civil law contractual relationships retroactively, the constitutionality of the law has been extensively debated during the legislative process with a number of national and European authorities considering the law to violate the Slovenian Constitution. The shareholders of affected Slovenian banks (including Addiko) submitted a joint letter to several Slovenian and European authorities expressing great concern regarding the law. On 28 February 2022, Addiko and eight other banks filed an appeal against the CHF law with the Constitutional Court in Slovenia, combined with a request for suspensive effect, as the law contradicts European law and the Slovenian Constitution in the view of Addiko which was confirmed by several Slovenian and international law firms. In addition, Addiko filed a request for arbitration with the ICSID in Washington, DC against the Republic of Slovenia on the infringement of the bilateral investment treaty (BIT claim). The Constitutional Court of the Republic of Slovenia adopted a decision on 10 March 2022 to temporarily suspend the implementation of the law in its entirety. The decision was adopted unanimously. The court stated that the enactment of the law, which entered into force at the end of February, was suspended until having reached a final decision regarding its constitutionality. During this time the deadlines set for individual liabilities of banks do not apply. Also, in the meantime the Slovenian National Bank filed itself a constitutional claim against the CHF Law and the Slovenian Government submitted an opinion to the Slovenian Constitutional Court staging that the CHF Law in its view is violating Slovenian and European Laws. Based on the assessment of the law by Addiko and opinion of external lawyers, Addiko deems it unlikely that the law will pass the constitutional assessment and for this reason no provisions were necessary to be recognised. In the unlikely case that the legal remedies are unsuccessful, Addiko Bank AG has conducted a preliminary impact analysis, according to which it determined a potential negative pre-tax impact in the range of approximately EUR 100 to 110 million, as disclosed on the 2 February 2022, based on its own interpretation and assuming a worst-case scenario.

(35) 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.

35.1. Fair value of financial instruments carried at fair value

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

EUR m

30.06.2022	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	2.2	19.3	0.0	21.5
Derivatives	0.0	3.0	0.0	3.0
Debt securities	2.2	16.3	0.0	18.5
Investment securities mandatorily at FVTPL	0.0	2.6	0.3	2.9
Equity instruments	0.0	0.0	0.3	0.3
Debt securities	0.0	2.6	0.0	2.6
Investment securities at FVTOCI	746.9	170.8	5.6	923.3
Equity instruments	15.5	0.0	0.6	16.1
Debt securities	731.4	170.8	5.0	907.2
Total	**749.0**	**192.8**	**5.9**	**947.7**
Liabilities				
Financial liabilities held for trading	0.0	2.9	0.0	2.9
Derivatives	0.0	2.9	0.0	2.9
Total	**0.0**	**2.9**	**0.0**	**2.9**

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 30 June 2022 would have decreased by EUR 0.1 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 30 June 2022 would have increased by EUR 0.1 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 (-)	30.06.
Assets							
Investment securities mandatorily at FVTPL	0.3	0.0	0.0	0.0	0.0	0.0	0.3
Equity instruments	0.3	0.0	0.0	0.0	0.0	0.0	0.3
Investment securities at FVTOCI	5.2	0.0	0.0	3.0	-0.1	-2.4	5.6
Equity instruments	0.7	0.0	0.0	0.0	-0.1	0.0	0.6
Debt securities	4.5	0.0	0.0	3.0	0.0	-2.4	5.0
Total	**5.5**	**0.0**	**0.0**	**3.0**	**-0.1**	**-2.4**	**5.9**

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.

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

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

EUR m

30.06.2022	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]	1,185.1	1,185.1	0.0	0.0	0.0	0.0
Financial assets at amortised cost	3,414.1	3,491.4	77.3	17.5	28.6	3,445.4
Debt securities	46.2	46.1	-0.2	17.5	28.6	0.0
Loans and advances	3,367.9	3,445.4	77.5	0.0	0.0	3,445.4
Non-current assets held for sale	0.1	0.1	0.0	0.0	0.0	0.1
Total	**4,599.3**	**4,676.7**	**77.3**	**17.5**	**28.6**	**3,445.5**
Liabilities						
Financial liabilities measured at amortised cost	4,862.5	4,845.7	16.8	0.0	0.0	4,845.7
Deposits	4,812.7	4,795.9	16.8	0.0	0.0	4,795.9
Other financial liabilities [2]	49.8	49.8	0.0	0.0	0.0	49.8
Total	**4,862.5**	**4,845.7**	**16.8**	**0.0**	**0.0**	**4,845.7**

[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.

35.3. Fair value of Investment properties

The fair value of investment properties is determined using market-based estimates which are generally calculated by experts. If no market-based estimate exists, the fair value is determined using a discounted cash flow method. At 30 June 2022 the carrying amount of investment properties amounts to EUR 4.2 million (YE21: EUR 5.1 million), whereas the fair value amounts to EUR 4.3 million (YE21: EUR 5.3 million). All investment properties are classified in level III (YE21: level III).

(36) Derivative financial instruments

36.1. Derivatives held for trading

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

EUR m

	30.06.2022			31.12.2021		
	Nominal amounts	Fair values Positive	Fair values Negative	Nominal amounts	Fair values Positive	Fair values Negative
a) Interest rate						
OTC-products	**133.8**	**2.6**	**1.6**	**155.6**	**0.9**	**1.1**
OTC options	22.3	0.5	0.5	20.2	0.0	0.0
OTC other	111.5	2.1	1.1	135.4	0.8	1.1
b) Foreign exchange and gold						
OTC-products	**88.2**	**0.3**	**1.3**	**118.2**	**0.2**	**1.2**
OTC other	88.2	0.3	1.3	118.2	0.2	1.2

(37) Related party disclosures

As of the reporting date, there are no companies with significant influence, as around 62.9% (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	30.06.2022	31.12.2021
Financial assets (loans and advances)	0.1	0.1
Financial liabilities (deposits)	3.1	3.0

(38) 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 the variable remuneration including annual bonus and PAIF 2022 was granted and is, same as in 2021, 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 annual variable remuneration achieved in cash and 50% in the form of issued shares of Addiko Bank AG deferred over six years in tranches. Rewards are granted in the current year when the service and performance conditions are met and vest at the year end. 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 bonus is the achievement of the individual targets. For the 2022 PAIF program the amount depends in addition on the average price of Addiko Bank AG between November and December 2022 and the net growth of focus clients. If achieved, 50% of the variable remuneration for 2022 for the Group Management Board members will be converted in 2023 based on the average volume weighted share price in the month preceding the month in which the Supervisory Board will confirm the 2022 results.

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 (10) Personal expenses. There were no settlements in 2021.

Cash-settled share-based payments: Under the Addiko Group’s 2022 PAIF scheme, executives and selected managers receive an additional variable remuneration in the form of issued cash payments which is based on the average price of Addiko Bank AG’s shares between November and December 2022. As described for the equity settled share-based payment several knock-out criteria must be met in order to activate the PAIF incentive scheme. In case the overall amount of the normal bonus and the remuneration granted under the PAIF program exceeds pre-defined threshold, the payments are deferred over a period of six years in tranches.

For the total carrying amount of liabilities arising from cash-settled share based payments, see the note (25) Provisions and for expense see the note (10) Personnel expenses. There were no settlements during 2021.

(39) 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 30 June 2022 and 31 December 2021 amount to:

	30.06.2022			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	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Combined Buffer Requirements (CBR)	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**
Overall Capital Requirement (OCR)	**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%**

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.
- 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%.
- 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 is 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%.

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.

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 own funds of the Group by applying transitional rules as per 30 June 2022 and 31 December 2021 pursuant to CRR applying IFRS figures.

EUR m

Ref[1)]		30.06.2022	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	284.3	270.8
3	Accumulated other comprehensive income (and other reserves)	246.8	325.2
5a	Independently reviewed (interim) and eligible profits net of any foreseeable charge or dividend	0.0	13.6
5aa	o/w Interim eligible profit of the current year	0.0	13.6
5ab	o/w Foreseeable charge or dividend	0.0	0.0
6	**CET1 capital before regulatory adjustments**	**726.1**	**804.6**
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-1.0	-1.1
8	Intangible assets (net of related tax liability)	-14.0	-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)	-11.4	-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)	44.5	27.1
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**17.7**	**-0.4**
29	**Common Equity Tier 1 (CET1) capital**	**743.9**	**804.3**
	Tier 2 (T2) capital: instruments and provisions		
58	**Tier 2 (T2) capital**	**0.0**	**0.0**
59	**Total capital (TC = T1 + T2)**	**743.9**	**804.3**
60	Total risk weighted assets	3,728.0	3,624.9
	Capital ratios and buffers %		
61	**CET1 ratio**	**20.0%**	**22.2%**
63	**TC ratio**	**20.0%**	**22.2%**
64	Institution CET1 overall capital requirement	8.8%	11.1%
65	o/w capital conservation buffer requirement	2.5%	2.5%
68	CET 1 available to meet buffer (as % of risk exposure amount)	8.7%	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)	3.3	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)	26.4	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 60.4 million during the reporting period, reflecting the net impact of the following components:

- The other comprehensive income (OCI) summed up to a negative development of EUR 49.5 million. The OCI from debt instruments measured at FVTOCI decreased by EUR 77.8 million due to the impact on the financial markets of the Russian military invasion of Ukraine and the ECB decision to raise interest rates. More than half of the negative development during the first six months of 2022 was related to sovereign bonds of Croatia and Serbia. 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 29.3 million). In addition, a minor impact on capital was resulting from the decrease of the foreign currency reserves (EUR -0.6 million) and the market development of equity instruments (EUR -0.4 million). Addiko is not expecting any operative impacts from the current volatility in market values, as due to the new treasury strategy to keep the major part of its investments, high-quality government bonds, until maturity for yield enhancement purposes, the negative OCI will neutralise until the maturity of the instruments based on the expectation that no sovereign defaults occur. By excluding the fair value changes of the positions where the change in steering is applicable to the whole government bond segment, and assuming a measurement at amortised cost, the OCI negative impact of the debt instruments would be limited to EUR -24.6 million (net of related DTA), resulting in a pro-forma CET1 of EUR 774.9 million on a transitional basis (EUR 752.6 million on a fully loaded basis). The related Total Capital ratio and CET1 ratio would amount to 20.9% (20.4% on a fully loaded basis).

- A negative effect of EUR 11.9 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, was reduced by EUR 1.9 million.
- A decrease in other regulatory deduction items in the amount of EUR 1.1 million due to the decrease of the amount of intangible assets determined in accordance with the Draft Regulatory Standards on the prudential treatment on software assets – EBA/CP/2020/11 (EUR 2.1 million) and an increase in deferred tax assets on existing taxable losses (EUR 1.0 million). Moreover, 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 at the end of first half of the year were considered as deduction item in accordance with Article 36 (1) lit. f CRR. In the course of this, there was also a positive impact in the amount of EUR 0.3 million in equity from the recognition of equity-settled share-based payments.
- With reference to Article 26 CRR, the interim profit of the half-year 2022 was not included.

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 65.4% at the end of second quarter 2022 (YE21: 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) increased by EUR 103.1 million during the reporting period:

- The RWA for credit risk decreased by EUR 47.2 million in the non-focus segments Corporate Center (EUR –62 million, mainly financial institutions in Addiko Croatia, Slovenia and Sarajevo), Large Corporates (EUR -32 million, mainly in Addiko Slovenia, Croatia and Banja Luka), Mortgages (EUR -25 million, mainly in Addiko Slovenia and Croatia) and Public Finance (EUR –17 million in Addiko Slovenia). New disbursements in the focus segments Consumer and SME throughout the Addiko Group led to an increase in RWA of EUR 112 million. Due to a growth in deferred tax assets and fixed assets, mainly in Addiko Croatia and Serbia, RWA increased by EUR 36 million. The RWA of the NPE portfolio decreased by EUR -7 million due to provision increases and migrations from default. Further RWA relief was achieved by the optimisation of credit conversion factors - CCF (EUR -17 million, mainly in Addiko Serbia) and other RWA improvements (EUR -19 million – mainly in Addiko Slovenia and in the Bosnian entities). The residual RWA decrease of EUR -12 million was mainly connected with the application of the IFRS 9 transitional capital rules described in the previous paragraph.
- RWA for counterparty credit risk (CVA) decreased by EUR 0.3 million.
- The RWAs for market risk increased by EUR 150.6 million. The increase was mainly driven by the implementation of the guideline on structural FX under Article 352 (2) CRR (EBA/GL/2020/09). 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 1H22 figures, would have been a EUR 98.2 million reduction of the RWAs for market risk.
- The RWA for operational risk remained stable in line with the previous quarter. The RWA for operational risk is based on the three-year average of relevant income, which represents the basis for the calculation.

EUR m

Ref[1)]		30.06.2022	31.12.2021
1	Credit risk pursuant to Standardised Approach	3,079.7	3,126.9
6	Counterparty credit risk	3.8	4.1
19	Market risk	240.5	89.9
23	Operational risk	404.0	404.0
Total risk exposure amount		**3,728.0**	**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 12.9% at 31 December 2021, down to 12.3% at 30 June 2022. 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)]		30.06.2022	31.12.2021
2	Tier 1 capital	743.9	804.3
13	Total leverage ratio exposure	6,063.4	6,227.9
14	**Leverage ratio %**	**12.3%**	**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

Comparison of institutions' 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]		30.06.2022	31.12.2021
	Available capital (amounts)		
1	Common Equity Tier 1 (CET1) capital	743.9	804.3
2	CET1 capital as if IFRS 9 had not been applied	728.7	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)	714.6	n.a.
2b	CET1 capital as if all temporary treatments had not been applied	699.4	777.1
5	Total capital (TC)	743.9	804.3
6	TC as if IFRS 9 transitional rules had not been applied	728.7	777.1
6a	TC as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	714.6	n.a.
6b	TC as if all temporary treatments had not been applied	699.4	777.1
	Risk-weighted assets		
7	Total RWAs	3,728.0	3,624.9
8	Total RWAs as if IFRS 9 transitional rules had not been applied	3,712.8	3,597.7
8a	Total RWAs as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	3,730.8	n.a.
8b	Total RWAs as if all temporary treatments had not been applied	3,715.6	3,597.7
	Capital ratios %		
9	CET1	20.0%	22.2%
10	CET1 as if IFRS 9 transitional rules had not been applied	19.6%	21.6%
10a	CET1 as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	19.2%	n.a.
10b	CET1 as if all temporary treatments had not been applied	18.8%	21.6%
13	TC	20.0%	22.2%
14	TC as if IFRS 9 transitional rules had not been applied	19.6%	21.6%
14a	TC as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	19.2%	n.a.
14b	TC as if all temporary treatments had not been applied	18.8%	21.6%
	Leverage ratio (LR)		
15	LR total exposure measure	6,063.4	6,227.9
16	LR	12.3%	12.9%
17	LR as if IFRS 9 transitional rules had not been applied	12.0%	12.5%
17a	LR as if the temporary treatment of unrealised gains and losses measured at FVT OCI had not been applied (Art. 468 CRR)	11.8%	n.a.
17b	LR as if all temporary treatments had not been applied	11.6%	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. With introduction of the regulation EU 2020/873 additional loan loss allowances since 1 January 2020 resulting from stages 1 and 2 due to Covid-19 pandemic can be included in own funds with a share of 100%, 100%, 75%, 50% and 25% each year until 2024.

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 fair value through OCI.

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 only for the Croatian entity, which are already covered by the local own funds and eligible liabilities.

(40) Events after the reporting date

Based on the application submitted in November 2021 an approval was granted by the ECB on 3 August 2022 regarding the exclusion of the Structural Foreign Exchange (FX) positions HRK and RSD from the calculation of the net open currency positions (Art. 352 (2) CRR). The impact of the approval, simulated based on 1H22 figures, will be a EUR 98.2 million reduction of the RWAs for market risk. The pro-forma TC ratio would therefore increase from 20.0% to 20.5% on a transitional basis and from 18.8% to 19.3% on a fully loaded basis.

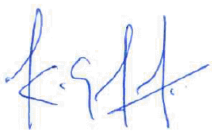
Vienna, 16 August 2022
Addiko Bank AG

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

Vienna, 16 August 2022
Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek
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Member of the Management Board

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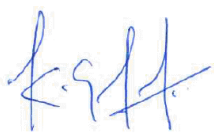

Ganesh Krishnamoorthi
Member of the Management Board

Glossary

ABC	Addiko Bank d.d., Croatia
ABBL	Addiko Bank a.d., Bosnia & Herzegovina (Banja Luka)
ABH	Addiko Bank AG, Austria (Holding)
ABM	Addiko Bank a.d., Montenegro
ABS	Addiko Bank d.d., Slovenia
ABSA	Addiko Bank d.d., Bosnia & Herzegovina (Sarajevo)
AC	Amortised costs
Additional Tier 1 (AT1)	Own funds as defined by Art 51 et seq. CRR
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
BaSAG	Federal Act on the Recovery and Resolution of Banks ("Sanierungs- und Abwicklungsgesetz" von Banken – BaSAG)
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
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
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
PMA	Post model adjustment
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
YoY	Year over year

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