



Addiko Bank

Consolidated Non-Financial Report 2021

Table of contents

Foreword by the Management	3
Year 2021 - Key Highlights	3
About This Report	4
1. Addiko Bank - About Us	5
1.1. Addiko Group's Strategy	6
1.2. Addiko's Role in Society	7
2. Our Clients	8
2.1. Selling Practices & Product Labelling	8
2.2. Access & Affordability of Products	8
2.3. Consumer Business	9
2.4. SME and Corporate Business	10
3. Our People and Principles	10
3.1. Addiko Group's People Strategy - mission and vision	10
3.1.1. Number of Employees	11
3.1.2. Age Structure and Seniority at Addiko Bank	11
3.1.3. Educational Level	13
3.1.4. Inactive employees	13
3.1.5. Headcount Development	13
3.1.6. Employee Health & Safety	14
3.1.7. Diversity and Equal Opportunities	15
3.1.8. Recruitment	16
3.1.9. Learning and Personal Growth	17
3.1.10. Performance Culture	17
3.1.11. Remuneration	17
3.1.12. Employer Brand Awards	18
3.2. Group-Wide Compliance	18
3.2.1. Code of Business Conduct and Ethics	18
3.2.2. Human Rights	18
3.2.3. Anti-Corruption, Anti-Bribery	19
3.2.4. Whistleblowing	19
3.2.5. Transparency	19
3.2.6. Conflict of Interest	20
3.2.7. Compliance Management	20
3.2.8. Training	20
3.2.9. Customer Privacy	20
3.2.10. Information Security	21
3.3. ESG and Taxonomy	21
3.3.1. Environmental Matters	21
3.3.2. Space Optimisation	22
3.3.3. Energy Saving	22
3.3.4. Reduction of CO ₂ emissions	23
3.3.5. Travel Management	24
3.3.6. Document Management System	24
3.3.7. Effects of Digital Banking	24
3.3.8. Paper Reduction and Sustainable Printing	24
3.3.9. General Awareness Raising	24
3.3.10. Supplier management	24
3.3.11. Climate Risks Assessment	24
3.3.12. Article 8 of EU Taxonomy	25
3.3.13. Green Assets Ratio and Green Products	26
4. Glossary	28
5. Imprint	29

Foreword by the Management

Dear all,

Apart from presentation of the financial results in the Annual Report, we would like to provide you with further insights into our activities from a non-financial point of view. This report focuses on our main initiatives in various areas relevant for our customers, employees and the general environment.

All of these activities are prerequisites for achieving the main goals presented in Addiko's strategy. Our principles are our compass which navigates us in the current fast-changing world.

In 2021, we have continuously been developing and establishing an organisational framework for the further enhancement of sustainable business practices, the wellbeing of our employees as well the inclusion of ESG into our existing governance model.

Year 2021 - Key Highlights

2021 was an eventful year. At the beginning of June 2021, the changes in the Management Team of Addiko were completed. On 1 May 2021, Herbert Juranek took over as CEO. He was joined by Edgar Flagggl as CFO, reporting directly to him, and Tadej Krasovec as CRO on 1 June 2021.

Together, the new Management Team started the Transformation Program to boost growth in the focus areas and to lower costs by streamlining operations with the overall aim to make Addiko the leading specialist bank for Consumer & SME customers in the CSEE region.

The program already yielded first results:

- Acceleration of the loan book transformation: Addiko focuses even more on smaller SME customers while reducing the concentration in the higher-size medium SME segment resulting in an overall focus book growth by 9.5% excluding the medium SME segment. At the same time, the run-down of the non-focus book proceeded as planned and decreased by 33%.
- Reduction of the operational OPEX run-rate by approximately EUR 10 million compared to the EUR 174 million guidance for 2021. First results are already visible with reported operating expenses of EUR 171.1 million (down EUR 2.9 million vs. the 2021 guidance).
- Push for NPE reduction: Initiatives started in the second half of 2021 resulted in a decrease of the NPE volume by EUR 50 million, thereby improving the NPE ratio to 2.9% at the end of 2021 compared to 2020's 3.5%. The NPE ratio related to on-balance loans decreased to 4.0% (2020: 4.7%).

Overall, the economies in CSEE showed solid growth and exceeded previous forecasts with strong household consumption, flourishing business investments and a rebound in tourism. The still ongoing pandemic had no significant effect on the economy. Business activities seem to be normalising. People and enterprises have adapted to the new normality and are acting as if there were no pandemic.

The favourable economic environment is also reflected in the financial results. For 2021, Addiko Group posted a profit of EUR 13.6 million supported by a solid operating performance and the Transformation Program. The focus areas are growing, the accelerated run-down of the non-focus book is progressing as planned, and the Group is well on track to achieve the 95% goal of the loan book in the focus areas in the mid-term. At the end of the year 2021, the share of the two focus segments Consumer and SME of the gross performing loan book increased to 74% (YE20: 65%). The size of the overall gross performing loan book declined to EUR 3.28 billion (YE20: EUR 3.60 billion) as a result of the managed run-down of the non-focus portfolios as well as the reduction in the higher-size medium SME segment.

In autumn 2021, Addiko received the draft SREP letter 2021 from the European Central Bank, which was confirmed in February 2022. The new SREP foresees a considerable reduction in the Group's capital requirements. The Pillar 2 Requirement (P2R) decreased to 3.25% (4.1% in 2020) and the Pillar 2 Guidance (P2G) to 2% (4% in 2020).

Overall, Addiko Group's financial position remained solid. The CET1 ratio further improved to 22.2% on a transitional basis (21.6% IFRS 9 fully loaded) proving the resilient asset quality and the strong balance sheet of the Group.

About This Report

Addiko Bank is a large corporation of public interest, which fulfils the criteria set out in sections 243b and 267a of the Austrian Commercial Code and may therefore employ an annual average of more than 500 employees on a consolidated basis. Since it fulfils these specific criteria, Addiko Group draws up a Consolidated Non-Financial Report pursuant to applicable law.

Addiko Group formed a systematic panel of experts from various departments to carry out a materiality check to define and specify the relevant non-financial topics. The aim was, inter alia, to collect information about the economic, social and environmental impact of Addiko Group's business operations. This impact was examined in terms of extent, probability and influence. Sections 243b and 267a of the Austrian Commercial Code focusing on environmental, social and labour topics, human rights, combating corruption and bribery were taken into consideration in the decision-making process, along with the Sustainability Accounting Standards Board's Materiality Map¹.

Based on the panel of experts' findings and following appropriate analysis, Addiko Group identified its most important stakeholders. These include customers, employees, the Works Council, the Supervisory Board, shareholders, regulators, suppliers and service providers, interest groups, competitors, and rating agencies. Furthermore, the topics listed in this Non-Financial Report were deemed to be significant. It was also determined that Addiko Group, its business relationships, products and services neither pose any significant risks nor cause negative effects in connection with product design & lifecycle management, as Addiko Group simply offers products associated with daily banking activities, which require little to no advisory support and are suitable for standardisation.

The main topics covered in this Non-Financial Report include Addiko's Role in Society, Selling Practices & Product Labelling, Access & Affordability of Products, Addiko Group's People Strategy - mission and vision (including equality, fair working conditions, remuneration and development) and Group-Wide Compliance (including the Code of Business Conduct and Ethics, Anti-Corruption, Anti-Bribery, Customer Privacy and Information Security).

As part of its business activities, Addiko Group acknowledges the importance of sustainability initiatives and strives to contribute to them accordingly. It is able to play a part by implementing the following SDGs: "Good Health and Well-Being" (3), "Gender Equality" (5), "Decent Work and Economic Growth" (8) and "Climate Action" (13).

Good Health and Well-Being (3)



Addiko Group supports Good Health and Well-Being. Its employees are encouraged to live a healthy, active lifestyle. Office kitchens promote healthy eating habits. Employees are also encouraged to join local gyms as well as participate in business runs and local marathons. In addition, there are frequent in-office health checks and health-awareness guest speakers at Addiko Group. For further details please see chapter 1.5.12.

Gender Equality (5)



Addiko Group has formalised and implemented its Group Diversity and Inclusion Policy across all Addiko Group countries, setting group-wide diversity targets for its Management and Supervisory Boards. All leadership training programmes have been revised to embrace diversity and inclusion. A "Diversity Forum" has been organised for two years in a row to discuss and brainstorm initiatives that would encourage an inclusive working environment. One of the resulting targets is to achieve top employer recognition in all Addiko Group's entities by 2022. Such certificates of recognition confirm that equality exists in the workplace, and inclusion practices and policies have been implemented. For further details please see chapter 0.

Decent Work and Economic Growth (8)



As part of Addiko Group's efforts to create well-paid quality jobs and provide employment opportunities for young professionals, in 2019 Addiko Bank Serbia and Addiko Bank Bosnia & Herzegovina (Sarajevo) signed collaboration agreements with the University of Belgrade and the University of Sarajevo respectively. The purpose is to encourage traineeships and cooperation. In addition, Addiko Bank Croatia and Addiko Bank Montenegro work closely with universities and student organisations across each respective country to enhance employment opportunities for

young graduates. Addiko Group also plays an essential role in developing and further improving financial intermediation and digital transformation in its operating regions. For further details please see chapter 1.4



Climate Action (13)

Climate protection is an important element in Addiko Group's operational business. Addiko Group endeavours to contribute to better environmental awareness. Optimised business processes lead to a sustainable approach to continuously reduce CO₂ emissions, energy and plastic. For further details please see chapter 1.7.

1. Addiko Bank - About Us

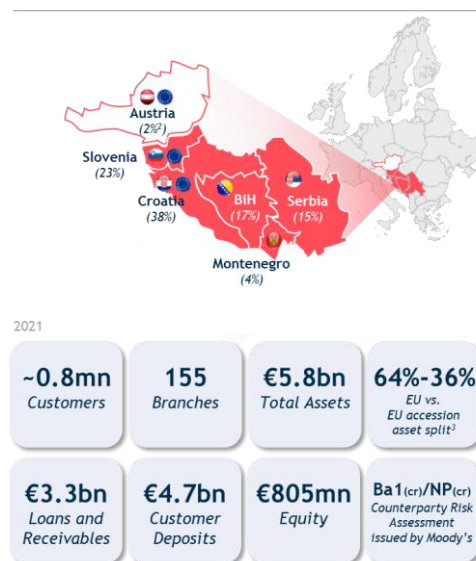
Addiko Group is a consumer as well as small and medium-sized enterprises (SME) specialist banking group in Central and South Eastern Europe (CSEE) headquartered in Vienna (Austria). The group operates through six subsidiary banks in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates two banks), Serbia and Montenegro. Through its six subsidiary banks, Addiko Group services approximately 0.8 million customers in CSEE using a well-dispersed network of 155 branches and modern digital banking channels.

Addiko Bank AG, the Austrian holding company, is a fully licensed parent bank registered in Vienna, Austria, listed on the Vienna Stock Exchange and supervised by the Austrian Financial Market Authority (FMA) as well as the European Central Bank (ECB). It steers its subsidiary banks through group-wide strategies, policies and controls. It also manages Addiko Group's liquidity reserve.

Addiko Group has positioned itself as a specialist Consumer and SME banking group with a focus on increasing its Consumer and SME lending activities as well as payment services (its "focus areas"). It offers unsecured personal loan products for Consumers and working capital loans for its SME customers and is largely funded by retail deposits. Addiko Group's Mortgage, Public and Large Corporate lending portfolios (its "non-focus areas") have been gradually reduced over time, thereby providing liquidity and capital for continuous growth in its Consumer and SME portfolios. 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 non-the 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 via superior online and mobile banking services as well as new innovative banking channels. Banking products and services have been standardised in the Consumer and SME segments to improve efficiency and simplicity while maintaining a high asset quality. Establishing strong competencies in risk management is necessary for managing the portfolio in line with Addiko Group's prudent risk approach. Successful Consumer and SME lending requires excellent risk evaluation, automation and collection. Addiko Group has continuously invested in talent to deliver strong risk management capabilities.

Addiko Group at a glance 2021, % of Group Assets (rounded)



1.1. Addiko Group's Strategy

Addiko Group focuses its activities on the Consumer and SME segments, providing both unsecured lending and payment services to Consumers and SMEs. The value proposition across these focus areas is based on convenience (a single interaction whenever possible) and speed (fast enough so the customers do not require alternative solutions), as customers from these groups are more likely to require standardised and simple products and services for which convenience and speed are more important than advisory services.

Addiko Group has a well-established physical branch network in the region to promote its digital offerings while, at the same time, providing current and potential new customers with the reassurance of being able to speak to bank representatives in person as well as the opportunity to provide physical signatures where legally required.

The development of digital capabilities is an essential pillar in the implementation of Addiko Group's strategy. By digitalising sales and service, Addiko Group is able to deliver increased convenience and speed to its target customers, operate efficiently, optimise costs and achieve wider coverage compared to its physical branch network alone, whilst the degree of digital maturity in Addiko Group's markets increases.

The following primary strengths are the main drivers enabling Addiko Group to successfully pursue its strategy:

Well positioned region for convergence of underpenetrated banking sector

Addiko Group operates in the last EU convergence region in which financial intermediation is low and digital transformation is still nascent. In addition, the unsecured consumer lending market is growing faster in this region than in the EU. Addiko Group believes its offering of straightforward banking with enhanced digital capabilities will provide a solid basis for increasing its future business in the region.

Well-established, pan-regional platform with potential for synergies and operational leverage for future competitiveness

Addiko Group has a powerful combination of in-depth international expertise and local capabilities with CSEE presence, creating a regional team that provides a lean and efficient platform for pursuing its business strategy. Addiko Group has an efficient operating model with key functions outsourced across the network of subsidiaries, which enables a reduction in costs due to the centralisation of services, economies of scale, agility and execution power as well as talent attraction.

Successfully transforming into a focused Consumer and SME specialist

Addiko Group transformed from a universal bank into a specialist bank for the CSEE region, focusing on highly profitable Consumer and SME Business lending ("focus areas") and providing simple, convenient and digitally empowered banking services. Addiko Group offers straightforward banking, which is consistently reflected in its customer communication.

Convenience and speed are among the most important factors for customers in the Consumer and SME Business segments. Addiko Group's specialisation in Consumer and SME lending is supported by prudent risk management of a solid, well-provisioned portfolio from past business, which it can utilise in the framework of a managed run-down to finance its expansion into Consumer and SME Business.

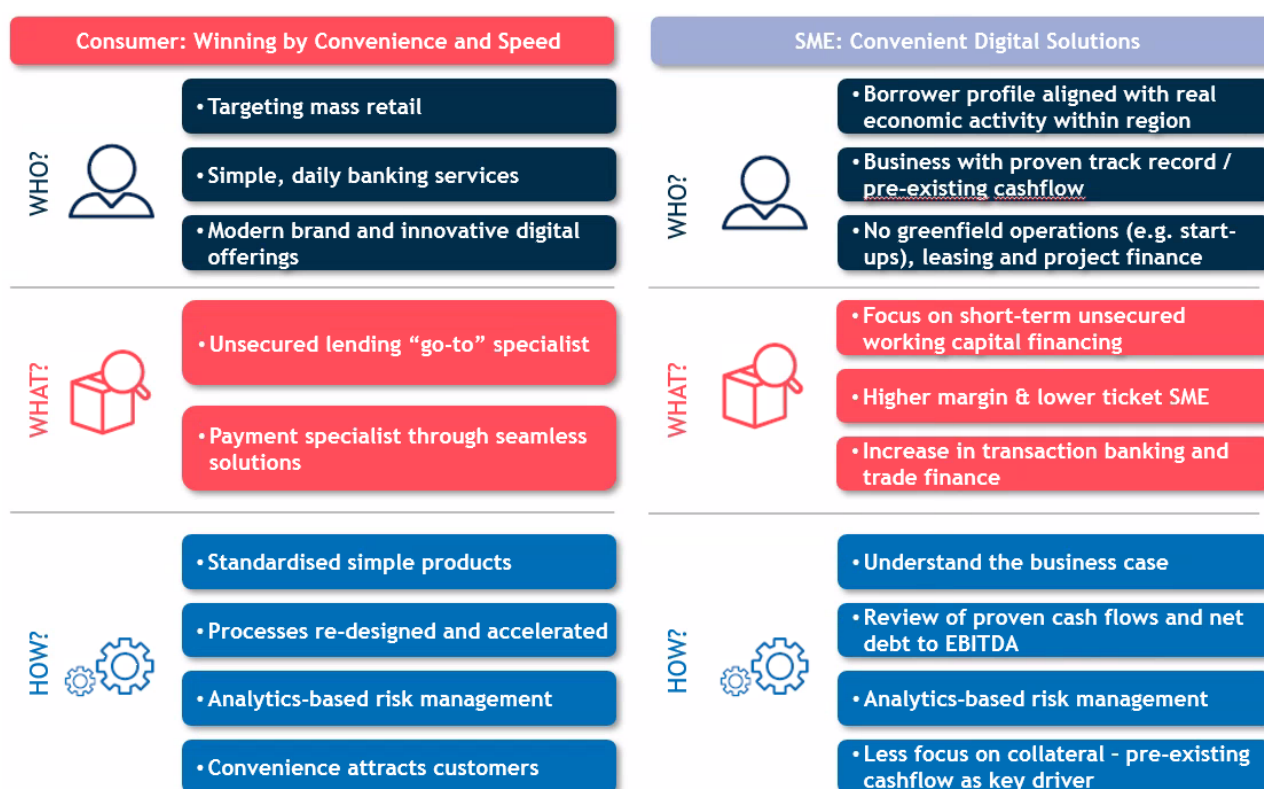
Unlocking opportunities in traditional markets with innovative digital solutions

Addiko Group has placed the further development of digital banking at the core of its strategy. Addiko Group has implemented technological solutions that have already been thoroughly proven in more developed markets but are viewed as innovative in CSEE markets. Addiko Group believes that its focus on digital banking will help it to gain market share in its focus areas without having to expand its branch network.

Solid balance sheet foundation enabling increases in profit

Addiko Group has a solid and well-capitalised balance sheet that supports the expansion of its business in its focus areas of Consumer and SME lending. In relation to funding, risk parameters and capital base, Addiko Group operates with strong parameters, which provide it with the financial ability to pursue its strategy.

Consumer and SME Approach of Addiko Group



1.2. Addiko's Role in Society

Addiko Group takes its responsibility towards society and its stakeholders seriously. It is actively engaged in Corporate Social Responsibility (CSR), constantly trying to make a contribution across its region of operation by supporting charity projects and initiatives by means of corporate volunteering and donations. Many of these activities are part of the 'Addiko Cares' initiative and are reflected in Addiko's corporate value system - in other words, this is Addiko's way of

giving back to the communities in which it lives, work and operate. In recent years, hundreds of employees have participated in CSR projects, dedicating their time and efforts to a good cause.

The Covid-19 pandemic is still affecting the world, and the region where the bank operates, with periodic waves occurring every several months. However, this does not seem to have any significant effect on the economy. People and enterprises have adapted to the new normality. Addiko Group continues to focus on evolving towards end-to-end services to provide its customers with pure digital loans and current accounts. Addiko Group also maintains its direction in supporting clients in their financial challenges as well as targeted support programmes.

2. Our Clients

2.1. Selling Practices & Product Labelling

In line with its straightforward banking principle, Addiko Group pays special attention to transparent, direct, and clear communication, which is represented by its communication approach on all platforms.

The three principles of straightforward banking are: Focus on Essentials, Deliver on Efficiency and Communicate Simplicity. This means that Addiko Group provides its clients with an easier choice and convenient service while, at the same time, ensuring that Addiko Group is seen as a responsible lender. Such efforts have been recognised by independent authorities and rewarded with customer service certificates, such as the “Customers’ Friend Certificate” awarded by the International Certification Association (ICERTIAS) to Addiko Bank a.d. Bosnia & Herzegovina (Banja Luka) as well as Addiko Bank d.d. Bosnia & Herzegovina (Sarajevo). Certificates were also granted to Addiko Bank d.d. Croatia and Addiko Bank d.d. Slovenia. Addiko Group representatives are also members of the national banking associations and, as such, are also closely involved in setting and implementing professional industry standards that are aligned with the highest ethical principles.

Addiko Group’s dedication to being a responsible lender is particularly evident in its product design, as well as in its communication and advertisements, addressing product characteristics in a direct and transparent manner in complete alignment with sales and prudent risk management.

In product advertising, Addiko Group uses clear and direct messages along with representative examples to ensure full transparency and to provide customers with the information required for them to be able to make a conscious decision concerning their finances. Even more detailed information on products and services is always available on Addiko Group’s websites.

Throughout the global crisis caused by the Covid-19 pandemic, Addiko Group has maintained the direction defined by its mission and strategy: to support clients in their financial challenges, giving them quick access to moratoria, support programmes and help to make informed decisions. Extra help is offered to clients who have lost their jobs by providing them with a practical and understandable manual on how to prepare for the online job application process. In a customer survey of 1865 moratoria users, 92% of them expressed satisfaction with the measures and 74% said that they would recommend Addiko Group to their friends and family.

Customers recognised Addiko Group’s marketing efforts. In terms of brand consideration, customers are willing to consider Addiko Group as a bank they want to do business with, which has displayed stable growth over the years and is one of the main indicators of customer perception. Together with the fact that Addiko Group’s brand awareness is showing desirable growth in all markets, this undisputedly illustrates Addiko Group’s good image, which has been recognised for its straightforward advertising and encompasses the highest standards and values a responsible lender should have, and Addiko Group does have.

2.2. Access & Affordability of Products

In order to ensure the broadest possible access to its products and services, Addiko Group is able to answer questions related to general financial needs by applying its “Focus on Essentials” approach. Addiko Group is fully compliant with local laws and regulations in terms of enabling access to people with disabilities. Moreover, besides fulfilling the legal

requirements, Addiko Group is steadily improving its branches' access conditions for disabled persons (wheelchair ramps, etc.).

2.3. Consumer Business

Addiko Group's retail customers are able to conduct digital banking transactions using Addiko Group's digital banking services. Non-customers can find out details and apply for Addiko Group's consumer products via specific Addiko Bank lending pages, which consist of interactive calculators, contact forms and a multichannel acquisition platform / chatbot that performs sales dialogues with a focus on the products provided in each particular market. Addiko has implemented chat banking and was one of the first banks in the region to include banking services on the messaging and voice platform Viber.

Addiko's contact centres play an essential role in providing services to customers, accelerating cross-selling activities, improving customer care programmes, and digital acquisition. Moreover, the ATM fleet, consisting of updated machines and new functionalities, ensures that ATMs are available in sufficient quantity.

Addiko Group primarily approaches its retail customers through branches and expects an increased contribution from digital and alternative touchpoints (such as express facilities with more self-service multi-functional machines, virtual branches, teams of skilled sellers present at the customers' work premises), digital channels and partnerships with third parties over the coming years.

Throughout the Covid-19 pandemic, Addiko Group strengthened its remote capabilities, offering its customers a wide variety of possibilities to get in contact. Both online and telephone assistance are offered so that customers can easily manage their daily banking business, acquire new products, and block or replace cards.

The capacity of Addiko's contact centres was enlarged and new functionalities were introduced to facilitate better communication with customers, including video functionalities, IVR chat and branch appointment.

Addiko Bank@Work continued to be an important pillar of Addiko Group's business strategy, delivering on the convenience promise Addiko Group makes to its customers through its proactive approach. With respect to daily banking, Addiko Group aims to differentiate itself from the competition through superior online and mobile banking services, innovative banking channels, and innovative ways of helping customers manage their daily financial needs, for instance by giving them the ability to utilise various types of payment methods.

Capitalising on its end-to-end virtual branch banking solution launched in Croatia in 2019, Addiko Bank in previous years launched a new release of this app in order to enhance the customer experience and started developing the same concept at Addiko Bank Slovenia (ABS) as well.

In addition to mLoan launched in Serbia in 2019, through which existing Addiko Bank customers can apply for and obtain a new loan, Addiko Bank a.d. Serbia launched a similar end-to-end solution for opening current accounts and made the end-to-end loan experience available for all Serbian consumers in 2021 through its mobile banking app.

Since Q4 2020, the mLoan solution has also been available for Addiko Bank customers in Addiko Bank's entities in Montenegro (Addiko Bank a.d. Montenegro) and Bosnia (Addiko Bank a.d. Banja Luka and Addiko Bank d.d. Sarajevo). To support modern customer service, Addiko Group entirely re-launched new internet and mobile banking concepts, based on the latest standards of user interface and user experience. Solutions such as photo pay and the introduction of chat services are examples of how Addiko Group is committed to continuously introducing improved service standards.

Addiko Group particularly focuses on selling standardised products (unsecured loans and account packages) via digital channels, in line with specific restrictions/limitations in the individual markets. Products are accessible digitally, allowing simulations where appropriate, end-to-end sales where legally possible, and lead generation.

A state-of-the-art loan application processing system combined with a credit decision engine, which had already been rolled out at Addiko Bank entities in Serbia, Bosnia & Herzegovina and Montenegro, was as well implemented in Croatia and Slovenia. Content delivery through social media, support of regular digital communication, the implementation of features such as chat pay via Viber, a chatbot, and branch designs compatible with the digital age - all of these features contribute to the strengthening of the digital dimension of Addiko Group's brand, customers' accessibility and convenience. Addiko Group continued to have a creative marketing approach in all of the markets it covers by organising so-called Red Days, presenting consumers with exciting promotional offers mainly for consumer loans. During the

promotional period, consumers can apply for loans with up to 50% discount on the interest rate, may get the first installment back in their current accounts, or have the chance to win a car.

2.4. SME and Corporate Business

In its corporate segment, Addiko Group's SME customers have their own relationship managers. Relationship managers are located in SME business centres across Addiko Group's countries of operation. The role of the relationship managers is not only to sell banking products, but also to serve as trusted financial advisors to their respective customers.

Addiko Bank branches located in SME business centres offer a full range of products to walk-in customers, while all other Addiko Bank branches provide basic account keeping services to all SME customers. SME relationship managers actively contact their current and prospective customers.

In 2018, Addiko Bank entities in Serbia and Slovenia started selling working capital loans and trade finance products via a digital platform, allowing corporate customers to either apply for such products in one of Addiko Bank's SME centres or via a relationship manager equipped with an iPad visiting the customer on-site. Customers are then served within a streamlined digital process resulting in an effective credit decision.

In 2019, Addiko developed the same functionality for SME customers in Croatia, followed by Montenegro and Bosnia & Herzegovina in third quarter of 2020. In parallel, Addiko Group is working on the introduction of further products and product categories to its digital channels.

In 2019, Addiko completed the unification of the e-banking experience across all of its countries of operation. In this respect, Addiko recently introduced a completely revamped e-banking platform for corporate customers in Slovenia and Montenegro (2019) as well as Croatia, Bosnia & Herzegovina and Serbia (2018).

The new e-banking platform was developed in cooperation with key customers and focuses heavily on convenience and user experience, especially regarding transactional banking. Moreover, it provides the technical foundation for moving the e-banking distribution channel increasingly away from a pure information gathering channel towards a self-service channel offering digital product applications initiated by the customer.

3. Our People and Principles

3.1. Addiko Group's People Strategy - mission and vision

At Addiko Group, we believe that employee success is focused on Accountability, Collaboration and Execution. As our business strategy develops, fundamental principles of our identity remain unchanged - integrity and performance delivery. The consistent focus on transformation is an organizational strength through which Addiko employees demonstrate high organizational agility. This explains the cohesive, collaborative business teams who continually innovate and adapt.

The role of Human Resources (HR) is to elevate People Management, supporting the business to deliver the Bank's unique Business Strategy through its employees. In 2021, dedicated HR teams worked with the Business to shape the COVID-impacted Workplace and re-connect employees. Key PEOPLE process such as engaging, hiring, development, talent and performance management were thoroughly revised setting Addiko's Culture Road Map. It will enable culture-fitting employees to achieve profitable business growth whilst adhering to the rules of sound corporate governance.

As Non-Typical and Non-Conventional Bankers, our employees are the building blocks of our bank, defining the skills, culture code and success of the Bank. Retaining and engaging qualified staff while attracting new talent is an enabler to the Bank's successful business transformation.

Year end 2021 saw the completion of the three-year D&I Scorecard and Action Plan through which principles of Diversity and Inclusion were strengthened across the Group. The 3-year targets to increase gender diversity were achieved, promoting Women to Board positions at the Management and Supervisory level and introducing significant changes to recruitment, remuneration and talent management policies and process.

Addiko Bank has consistently and systematically strengthened Talent management and succession. Annually leadership development and 'People Forum' talent discussions identify and develop future leaders and expert talent. Proof of the collaborative learning culture can be demonstrated through the Addiko Mentoring program. In 2021, Mentoring with Purpose resulted in over 120 mentoring partnerships across Addiko Group. Seventy percent of participants were women and over 90% of Board Members were Mentors.

3.1.1. Number of Employees

At the end of 2021, a total of 2,702 employees were employed at Addiko Bank.

The majority of Addiko Bank's employees have full-time, permanent employment contracts.

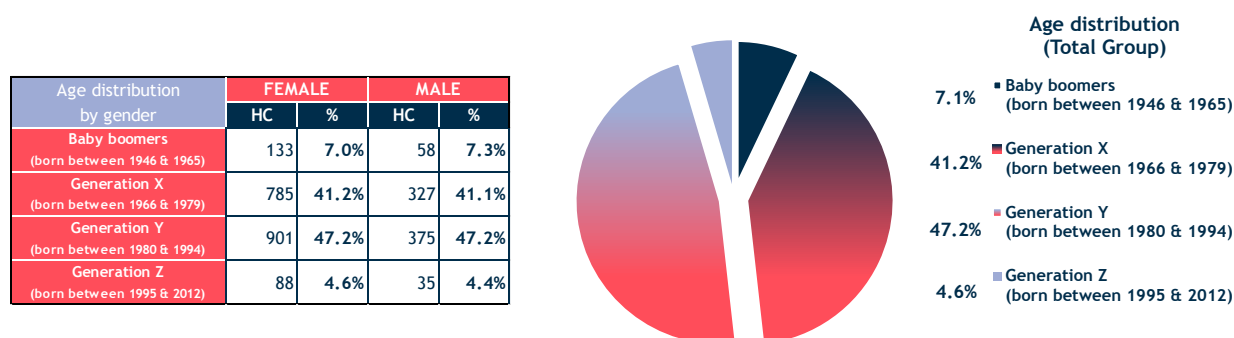
Overview of headcount, Type of Contract and Working Time YE 2021

EoY 2021 (Gender, Type of contract, Working time)	Gender distribution			Type of contract		Working time	
	TOTAL	FEMALE Headcount	MALE Headcount	PERMANENT	TEMPORARY	FULL TIME	PART TIME
ADDIKO GROUP TOTAL	100%	70.6%	29.4%	93.9%	6.1%	98.0%	2.0%
	2,702	1,907	795	2,538	164	2,649	53
Addiko Bank AG Vienna	129	49	80	124	5	114	15
Addiko Bank d.d. Zagreb	846	610	236	816	30	844	2
Addiko Bank d.d. Ljubljana	321	199	122	310	11	315	6
Addiko Bank d.d., Sarajevo	343	269	74	305	38	343	0
Addiko Bank a.d., Banja Luka	351	274	77	325	26	351	0
Addiko Bank a.d. Beograd	546	390	156	504	42	517	29
Addiko Bank a.d. Podgorica	166	116	50	154	12	165	1

3.1.2. Age Structure and Seniority at Addiko Bank

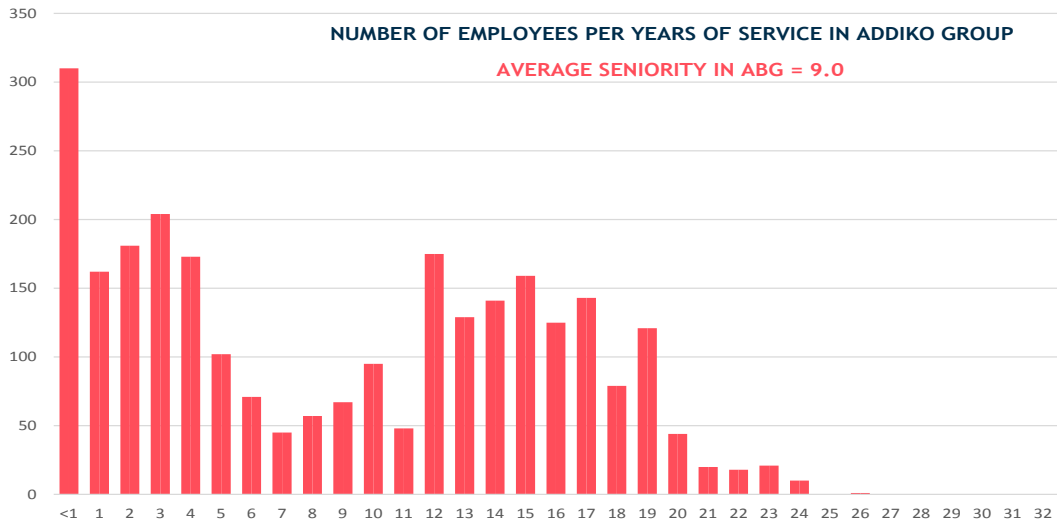
The average overall age of Addiko Bank's employees is 39.7 years of age and Addiko Bank's employees are getting younger. The average age in 2020 was 40.9 years. Also, there is an increasing number of "Generation Z" employees (+1.8 compared to 2020 and +2.8% compared to 2019).

Overview of Age Distribution as of YE 2021



The average seniority at Addiko Bank is 9.0 years. More than 11% of employees have less than 1 year of seniority within Addiko Group and more than 38% have less than 5 years of seniority in Addiko Group.

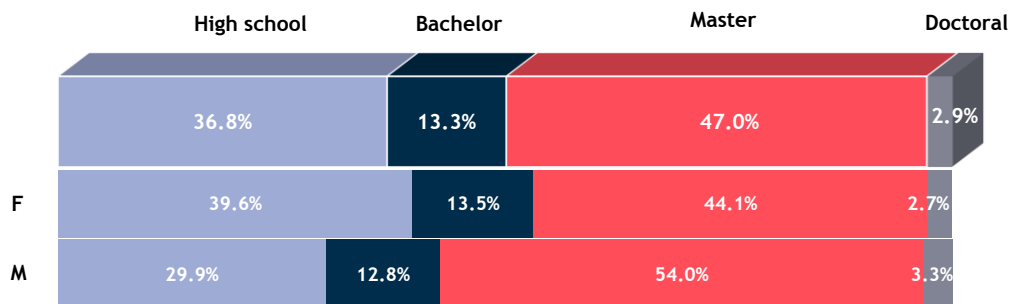
Overview of Seniority distribution as of YE 2021



3.1.3. Educational Level

The education level across Addiko Bank shows that more than 63% of employees are educated with a bachelor’s degree or higher. The statistics show differences in educational level, whereby approximately 60% of female employees and around 70% of male employees have academic degrees.

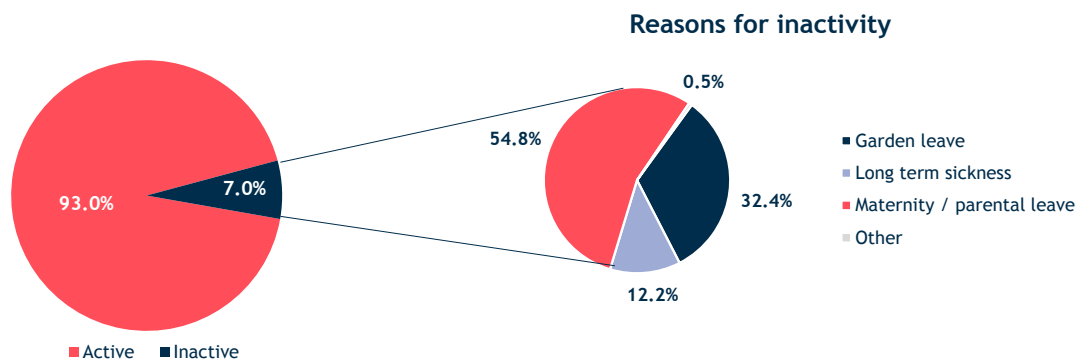
Formal Educational Level at YE 2021



3.1.4. Inactive employees

At the end of 2021, the overall total percentage of inactive employees at Addiko Bank was 7.0% of the total headcount, with maternity / paternity leave as the major reason.

Activity and Reason for Inactivity at YE 2021

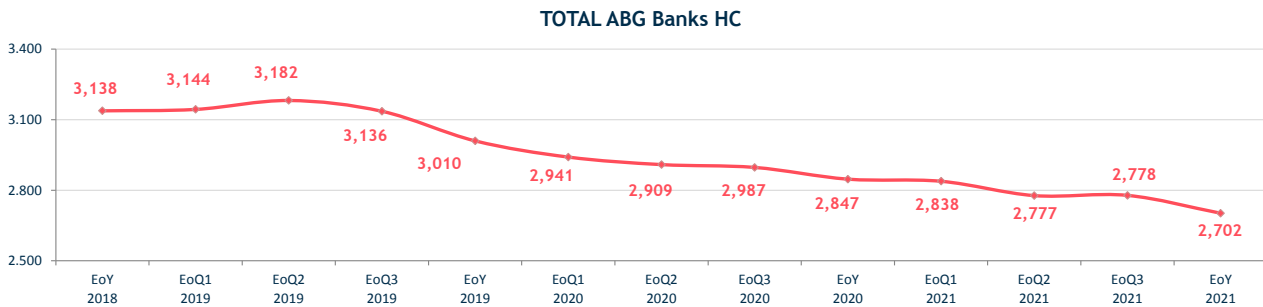


Of all employees across Addiko Bank, 8.2% were on maternity / paternity leave (239 employees), of whom 230 were female and 9 were male employees.

3.1.5. Headcount Development

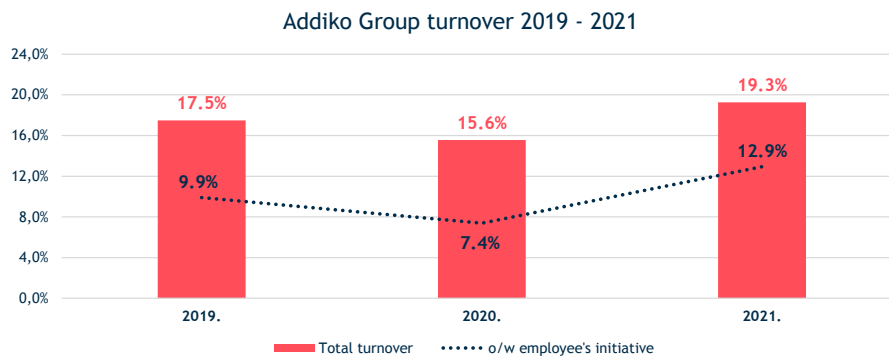
As of 31 December 2021, 2,702 employees were employed at Addiko Bank, equalling 145 less than the end of 2020.

Addiko Bank headcount development YE 2018 - YE 2021



In 2021, turnover has increased in comparison to the previous year. This was made evident by measuring total employee turnover and turnover initiated by employees.

Turnover in 2019, 2020 & 2021



3.1.6. Employee Health & Safety

Taking the learnings from 2020, health and safety of Addiko employees remained a priority in 2021. Travel and meeting restrictions remained in place for the larger part of the year. Home office was a norm. Each Bank put forward guidelines that managed flexibility, encouraging employees to safely return to the office when local COVID-19 restrictions allowed. Several employee events were organized including Family Day, Oktoberfest, leadership forums, employee workplace vaccinations and small team events in an effort to reconnect employees.

One third of Addiko Bank employees continued to work in the offices and branches due to the nature of their jobs. Social distancing, behaviour guidelines and increased office hygiene measures have become the standard across Addiko Bank offices and branches. Branch networks quickly adapted to the availability of staff and working hours to ensure business continuity during the local COVID-19 pandemic outbreaks throughout 2021. All branches are equipped with physical distancing measures, including plexiglass screens and sanitary measures for staff and clients. Social distancing measures are in place in each branch to control the number of clients and employees per square metre. Clients are required to wear masks when entering Addiko branches while staff must wear masks and are spaciouly positioned. Due to strict safety measures, no infection clusters were identified in branches or in offices during 2021.

Benefits (in kind) are provided as a means to stimulate well-being and to support work-life balance. The benefits include flexible working time, study leave, parental leave, days off for specific life events (marriage, death, birth of child, moving) as well as days off on the first day of school for employees who have children. Although the benefits vary across Addiko Group, Addiko is committed to actively supporting employees to identify and manage health risks. Health promotion activities including promoting healthy-active life-styles, encouraging vacation usage and providing information about stress prevention, well-being and health promotion. On the topic of health and healthcare benefits, Addiko Bank AG provides employees with accident insurance and pays half of the premium for additional private health insurance. In most of Addiko Bank's entities, the employer pays for additional private healthcare checks.

As shown in the ABG sick leave overview, the statistics indicate a relatively stable total amount of sick leaves in previous three years, despite the challenges caused by the COVID-19 pandemic. This is the direct result of the numerous measures implemented to protect employee health and safety.

AGB sick leave overview 2019, 2020 & 2021

ABG Sick leaves 2019, 2020 & 2021 (without Maternity / Paternity leaves)	2019.	2020.	2021.
TOTAL hours of Sick leaves	198,105	177,909	178,000
TOTAL Sick leaves % (vs. total working hours)	3.3%	3.2%	3.3%
o/w FEMALE hours of Sick leaves	161,492	150,453	146,177
FEMALE Sick leaves % (vs. total working hours)	3.9%	3.9%	3.9%
o/w MALE hours of Sick leaves	36,613	27,455	31,823
MALE Sick leaves % (vs. total working hours)	2.0%	1.6%	1.9%

Out of 3.3% of absences due to sick leave in 2021, only 0.05% were related to workplace accidents. During 2021 only 1 female employee went on sick leave due to an accident at work, whereby the accident occurred on the journey to work.

3.1.7. Diversity and Equal Opportunities

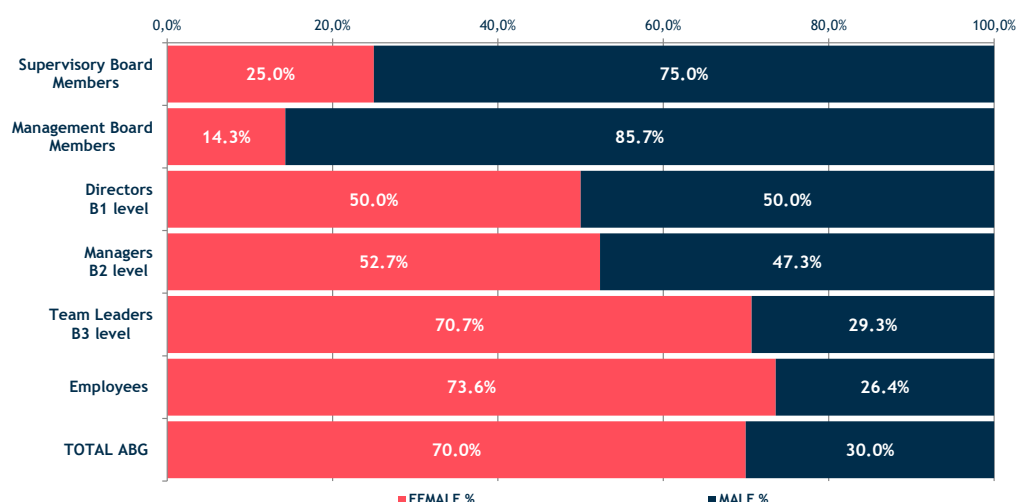
Addiko Bank is committed to establishing a diverse and inclusive workforce irrespective of gender, race, nationality, religion, national origin, ethnicity, LGBTIQ sexual orientation, age, colour, marital status and parental status.

The principles of diversity and inclusion are embedded in the Bank's corporate culture and can be seen in a way in which selection, recruitment, development, financial equity, talent discussions and internal promotion are conducted.

The Bank has adopted a new set of 3-year Diversity and Inclusion targets which will be in focus of 2022-2024. The aim remains to strengthen and continue to implement workplace benefits and practices that will leverage inclusive and diverse, internal and external talent, ensure financial equality, provide 'non typical' career opportunities and promote flexible working arrangements for employees.

In 2021 no incidents of discrimination were identified.

Diversity and Equal Opportunity YE 2021



Throughout most of 2021, the number of women in the Supervisory Board of Addiko Bank AG was 33% however due to resignations and related organizational changes, female representation in Addiko Bank AG's Supervisory Board has temporarily returned to 25% effective December 31, 2021. The talent pool for female representatives is an area of specific focus where the addition or departure of a single female board member can have a seemingly significant impact on the statistical representation.

Closing the 3 - year Diversity and Inclusion Plan in 2021, Addiko can proudly confirm that over 90% of the measures that were outlined in the 3- year D&I Plan were achieved as well as achieving 33% female representation for most of 2021. There are up to five new female candidates in the process of regulatory approval who will be entering Addiko Bank Supervisory Board positions in 2022.

In addition, there are four successful programs that have been introduced in 2021 with the aim to build bench strength through which more women are expected to be promoted to Management and Supervisory Board positions in the future.

1) Recognition & Awards:

Addiko Bank Croatia and Addiko Bank Serbia each achieved the EU-supported prestigious 'Mamforce' top employer recognition, an award given to companies who actively promote and implement diversity and inclusion in their workplace practices. The award is given only after an in-depth audit of the Company's metrics, policies, and practices. The award confirms that the organization is actively committed to achieving measurable Diversity targets by Year End 2024. The audit is repeated annually to ensure diversity & inclusion is improved year on year.

Addiko Slovenia was awarded by the Managers' association of Slovenia as a company that supports diversity and inclusion through the Include.All award.

2) Addiko and the Community

Numerous initiatives have been launched with the aim to support a diverse and inclusive workplace and to support community awareness on the topic. In line with that:

- Addiko Bank Sarajevo partnered with Deloitte to launch The Women's Mentoring Program through which 50 women could apply and be mentored by 50 well known female role models in Bosnia and Herzegovina. The mentoring program included seminars, guest speakers, networking opportunities as well as mentoring programs focused upon female leadership and development.
- Addiko Bank Croatia sponsored and participated in the regional conference 'Adria Women in Banking' providing guest speakers who shared their experiences and learnings
- Addiko Bank Serbia joined UN's global initiative Women's Empowerment Principles that promotes inclusion and equal rights for women. The Bank has also raised awareness on diversity and inclusion topics in the workplace, celebrating International Women's Day and organizing projects through which inclusion of people with disabilities has been increased.

3) Addiko Mentoring Program

- The successful implementation of the Addiko Mentoring program in which 90% of Addiko Bank's board members are mentoring future leaders. Over 70% of mentoring participants are females with over 120 mentoring partnerships completed or in place by YE 2021.

4) Succession Pool Development

- Group level succession planning of Supervisory Boards with specific focus on recruiting female representatives across Supervisory Boards in the subsidiaries. In order to increase the percentage of female representatives in the managing bodies, close focus is placed on identifying qualified internal and external candidates that match our diversity strategy.
-
- The Addiko Senior Leadership Development Center was developed and launched in three of Addiko's countries in 2021. The program has identified future succession pools and talents. This will be continued in 2022 ensuring gender-balanced talent succession.
-
- All vacancies for managerial and leadership positions aim to include equal gender representation. Supervisory Board membership across the Group reflects the wide aspects of diversity and inclusion regarding gender, age structure and nationality. Further consistent attention will be required to achieve the new 2022-2024 D&I targets building on strong foundations that have been put in place.

3.1.8. Recruitment

The selection and recruitment of employees is based on clearly defined business needs. Addiko Bank creates an environment that enables the employment of candidates with different backgrounds, experiences and perspectives in order to achieve the best results without limitations.

For key functions, an assessment of the applicant's ability and suitability (fit & proper) is also carried out in line with EU and local regulatory guidelines. Priority is given to internal placements and promotions. The focus is on identifying talent. The internal fill rate for managerial roles is 77%, and over 65% of all vacant positions are internally filled.

3.1.9. Learning and Personal Growth

There are many on-the-job, in-class and digital learning and development opportunities available to Addiko Bank's employees over the course of their careers. Addiko Bank encourages employees to apply for jobs internally and supports cross-departmental transfers. Participation in transformation and group projects also enhances career experiences.

Addiko Bank believes in:

- life-long learning and a 'can do' attitude;
- the 10-20-70 development rule -10% in class training, 20% mentoring and feedback, and 70% on the job development;
- every employee taking ownership and proactively managing their career.

Virtual learning zones are created for employees to encourage micro learning. Addiko Bank's Intranet is one of the main sources of leadership development materials. Interactive business lectures are also organised in the form of master classes with guest speakers. Individual development is especially emphasised for those in key roles as well as for other identified staff.

Addiko Bank launched the Addiko Bank Academy in 2016, which offers leadership, banking, risk management, sales and compliance training opportunities. Addiko Bank's focus is to ensure effective leadership skills, regulatory compliance, strengthened competencies for dealing with customers, the establishment of data analytic competencies and to highlight the prudent risk approach through eLearning as well as other internal and external training opportunities. New board members are provided with extensive internal and external onboarding support to help them integrate into the Culture and Ways of Working at Addiko Bank. Along with senior managers, all members of Addiko Bank's Management Boards are taken through a 360° feedback process in their professional development. In addition, professional development and coaching opportunities are consistently offered, ensuring effective employee competencies, skills and capabilities.

3.1.10. Performance Culture

Addiko Bank promotes a performance and feedback culture. Managers are annually trained to provide constructive and engagement feedback related to business performance and professional growth. The annual performance cycle conducted from January through March of each year, provides a systematic platform for performance evaluation and target setting for the year to come. The performance management system at Addiko Bank is recognised as a key process for all employees. Over 95% of employees surveyed in 2021 said they received regular performance or career reviews in 2021. The cultural transformation of Addiko Group links performance management and rewards by balancing quantitative and qualitative aspects. Sales incentive schemes comprise of both sales-drive key performance indicators and team driven, customer satisfaction indicators, balancing the drive for business targets with purpose-drive, collaborative behaviours that reflect the Corporate Culture.

3.1.11. Remuneration

The remuneration strategy rewards performance and contribution in an appropriate mix of fixed and variable remuneration. This is market based, preventing Addiko Bank from taking excessive risk, while rewarding sustainability and long-term results.

The remuneration policy is governed by the provisions of the applicable legislation, guidelines of the European Banking Authority (EBA), the decisions defined by each local national bank, and EU directives on capital requirements. These regulations set out criteria and conditions for the payment of variable compensation to managerial staff and employees.

The key functions that can significantly affect Addiko Bank's risk profile within their duties, tasks and activities include members of the Management Board and directors of individual departments, including risk management and internal audit.

Addiko Bank's variable compensation is awarded according to a variable pay framework and is closely linked to target-oriented management. By paying variable compensation, outstanding individual performance is recognised as well as organisational team performance.

3.1.12. Employer Brand Awards

Addiko Group continues to work on its reputation as an employer, aiming to be recognised as an attractive employer in each country it operates in. The consistent efforts consolidated in 2021. Through the 'Employer Partner Certificate' issued by SELECTIO Group, Addiko Banks Sarajevo, Montenegro, Croatia and Serbia retained their recognised status as companies with high standards of Human Resource management, positioning themselves amongst the Top Employers in their respective countries. In Slovenia, Addiko Bank received the prestigious 'Vključi.Vse' (Include.All) Award issued by The Managers' Association of Slovenia and given to companies that support diversity and inclusion.

Addiko Bank was also recognised for the new Employer Branding Communication Strategy launched in 2021. It emphasizes **Addiko's specialist strategy** and the **specialist corporate culture** based on **Accountability, Collaboration and Execution** through the new visual identity and the slogan:

Addiko Bank. Bank for unconventional bankers.

The communication messages were derived directly from our employees, while the visual identity was derived from the corporate brand. As a result, Addiko Bank Croatia received **two Best Employer Brand Awards Adria: the Best Employer Brand Award in the Banking Industry and the Best Employer and Corporate Brand Integration Award.**

3.2. Group-Wide Compliance

3.2.1. Code of Business Conduct and Ethics

Addiko Bank demands from its employees a particular responsibility in complying with legal, regulatory and internal requirements as well as with the ethical principles described in Addiko Bank's Code of Business Conduct and Ethics.

The Code of Business Conduct and Ethics is Addiko Bank's shared commitment to operating with the highest level of integrity and ethical conduct, which is a mandatory regulatory framework applicable in the Addiko Bank for all employees, third-party service providers and business partners.

It outlines Addiko's ethical principles and provides general guidelines on how employees should behave, as well as specific guidance for employee interactions with customers, competitors, business partners, governmental authorities, shareholders as well as with each other.

As compliance is part of the organisational culture, the compliance function is decentralised at Addiko Bank. Functional managers have organisational and supervisory tasks to ensure that violations of the applicable principles and laws governing the financial industry, which could have been prevented by adequate measures, control and monitoring, do not occur.

The main Addiko Bank norms are:

- Treat others with dignity & respect;
- Act ethically & lawfully;
- Conduct business fairly, openly & responsibly.

3.2.2. Human Rights

Addiko Bank respects the protection of internationally proclaimed human rights. Addiko Bank is committed to upholding the fundamental human rights of its employees, and expects vendors, partners and others who provide services on behalf of Addiko Bank to adhere to the same high standards.

Addiko Bank is committed to a workplace that is free from sexual, racial and other unlawful harassment, and from threats or acts of violence or physical intimidation. Abusive, harassing or other offensive conduct is unacceptable, whether verbal, physical or visual.

Addiko Bank's values and workplace behaviours are built on trust, respect and integrity. Addiko Bank is an equal opportunity employer and bases its recruitment, employment, development and promotion decisions solely on a person's ability and potential in relation to the needs of the job.

3.2.3. Anti-Corruption, Anti-Bribery

Addiko Bank has a zero-tolerance approach when it comes to bribery and corruption. Addiko Bank expects that all employees at every level of the organisation follow the Group's standards and policies.

All forms of bribery and corruption, including giving or promising, directly or indirectly, anything of value to any employee or government official (including state-owned companies) or a political party, candidate for office, or to any person performing public duties or state functions in order to obtain or retain business or to secure an improper advantage with respect to any aspect of Addiko Bank's business, are strictly prohibited. Gifts and invitations must always be proportionate and must not create a conflict of interest or the perception thereof. Addiko Bank expects the same from clients, business partners and third parties. Bribery and corruption are not accepted in any form.

It is strictly forbidden to request, take or offer any form of under-the-table payment, kickback, bribe, barter or other improper payment or gratuity in connection with any corporate expenditure or sale of goods or services.

In alignment with international guidelines and Addiko Bank's strategy, it is illicit for all Addiko Bank entities and colleagues working for or on behalf of Addiko Bank to provide, compensate, give, promise or authorise the payment of any money or of anything of value, directly or indirectly, to any foreign government official or employee, foreign political party or candidate thereof for the purpose of obtaining or retaining business or to secure an improper advantage (direct and indirect).

Addiko Bank requires that all third-party agreements include a provision to comply with applicable anti-corruption laws. In 2021, Addiko Bank did not discover or record any incident of corruption.

3.2.4. Whistleblowing

Addiko Bank is committed to supporting a culture in which all employees are encouraged to raise concerns about unacceptable practices and misconduct, and has therefore implemented a whistleblowing process - as an early warning system - that enables employees to raise concerns about potential risks related to serious wrongdoing (including unethical, illegal, corrupt or other inappropriate conduct) via various channels such as e-mail, post, Intranet, Internet, etc.

"Whistleblowers" will not suffer any disadvantage as a consequence of their whistleblowing undertakings. Addiko Bank strictly forbids retaliation against anyone who reports a possible infringement in good faith, no matter who is included in their report.

Reports are always handled in a strictly confidential manner, analysed thoroughly, and managed with due care.

3.2.5. Transparency

Addiko Bank's standard business model is to communicate in an impartial, clear, open, transparent and non-deceptive way that contributes essential, adequate and timely information for its clients and other stakeholders.

Hence, Addiko Bank is committed to complete, unbiased, accurate, timely and reasonable disclosure in public reports and documents that each entity of Addiko Bank presents or provides to the regulatory authorities, employees, clients, business partners, stakeholders and the public altogether.

3.2.6. Conflict of Interest

In line with the Addiko Bank Code of Business Conduct and Ethics, Compliance and Conflict of Interest Policy, respective guidelines and applicable legal stipulations, Addiko Bank is able to identify potential or actual conflicts of interest and manage them appropriately.

Addiko Bank's employees are expected to manage their relationships with each other, within Addiko Bank and outside of Addiko Bank with impartiality and honesty in order to commit to the highest level of integrity.

Employees must not use their positions for personal advantage. As a general rule, all employees must keep away from and disclose ethical, legal, financial, or other conflicts of interest involving Addiko Bank and/or its clients and/or third parties and exclude themselves from a position of decision-making authority with respect to any conflict situation involving Addiko Bank. Special rules have been defined within the respective rules of procedure for Management and Supervisory Board members.

3.2.7. Compliance Management

Addiko Bank aims to utilise its compliance management system in order to:

- a) Foster and reinforce conduct per compliance requirements;
- b) Minimise and eliminate compliance violations;
- c) Identify risks for potential violations;
- d) Implement preventive measures;
- e) Uncover, remedy and proactively eliminate any occurrence of any compliance violations committed by individuals acting without authorisation and in breach of clear rules; and
- f) Achieve continuous improvement of its compliance management system.

The Chief Compliance Officer oversees compliance activities and reports directly to the Management and Supervisory Boards in this capacity. The central compliance department coordinates compliance activities throughout the Group.

A local Compliance Officer has also been appointed for each country Addiko Bank is present in. This person serves as a local point of contact for employees in all questions regarding legally and ethically correct conduct in business situations.

3.2.8. Training

Addiko Bank systematically conducts training courses on compliance. Once the areas of emphasis have been specified, specialists define target groups for each course content category and determine which employees require which type of training.

Addiko Bank expressly encourages its employees to openly address any doubts about proper conduct in business situations, to solicit advice and informs all employees about who they can contact if they have any doubts or questions.

3.2.9. Customer Privacy

Data protection is an issue of increasing social significance, particularly since the GDPR entered into force on 25 May 2018. GDPR strengthened the rights of data subjects, imposed new requirements on data controllers and data processors when managing and handling personal data, and increased expectations of clients, employees and regulators.

As Addiko Bank's business involves the processing of personal data, protecting such data is of utmost importance.

Within Addiko Bank, a data protection implementation project was performed in order to align the existing data processing activities with the GDPR requirements and to amend existing vendor contracts to take GDPR requirements into account.

Addiko Bank has established a data protection compliance management system, which, inter alia, sets forth policies and processes as well as technical and organisational measures. This group-wide data protection compliance framework also applies to the Addiko Bank entities established in non-EU countries, which have to comply with GDPR standards unless mandatory local data protection and privacy laws require otherwise. All Addiko Bank entities run individual data processing inventories and have implemented standard processes for dealing with requests when data subjects exercise their rights (e.g. access, erasure, objection).

Education and training about data protection requirements play a key role in ensuring effective data protection within Addiko Bank. All employees are regularly trained on the implications of data protection via an online tool (eLearning programme) in relation to data protection compliance. In addition, data protection impact assessments are carried out for the most critical systems. Addiko Bank uses multi-party data protection agreements (in line with the requirements set out in Art 28 GDPR) when a vendor or a third party provides a service to at least two affiliates of Addiko Bank. Therefore, compliance with data protection requirements is ensured and oversight enabled.

Each Addiko Bank entity has appointed a Data Protection Officer (DPO) within a specialised, independent role, who reports directly to the respective Management Board. In addition, a group DPO coordinates data protection tasks in relation to the entire Addiko Bank. This ensures proper direct and indirect reporting lines as well as regular exchange on data protection topics within the entire Addiko Bank.

Addiko Bank has applied for the approval of binding corporate rules to facilitate intra-group transfers from its entities within the EU to those outside. Addiko Bank has implemented various reporting and escalation processes to ensure that potential data breaches can be assessed and dealt with in a timely manner. No data breaches of systemic relevance were observed in 2021.

3.2.10. Information Security

Addiko Bank has established a state-of-the-art information security framework that adequately protects information assets and associated technologies, applications, systems, and processes in the digital ecosystem Addiko Bank operates in.

Addiko Bank applies high standards in its IT infrastructure and has developed and implemented comprehensive information security management.

Furthermore, to underpin the importance of information security, Addiko Bank has information security policies, standards and manuals in place alongside its annual training of employees on this topic.

Moreover, Addiko Bank has introduced countermeasures to guarantee the protection of data from a technical perspective.

Addiko Bank performs vulnerability scans on a monthly basis and penetration tests on both an annual and ad hoc basis. Finally, weekly meetings with its major IT partners are held to remain informed of any possible problems or security breaches.

3.3. ESG and Taxonomy

3.3.1. Environmental Matters

Acting in an environmentally responsible way is both the responsibility and legal duty of each and every person and organisation. Although a direct impact of banks on the environment may be regarded as rather limited and not as significant as in other industries, Addiko Bank recognises its responsibility in preserving the environment. Addiko Bank addresses environmental matters and is committed to reducing its own consumption of natural resources, mainly in terms of electricity and heating as well as fuel and paper consumption.

Protection of the environment is an important part of Addiko Bank's strategy, which aims to achieve sustainable improvement of living and working environment conditions. In 2021, there were no cases of non-compliance with environmental regulations.

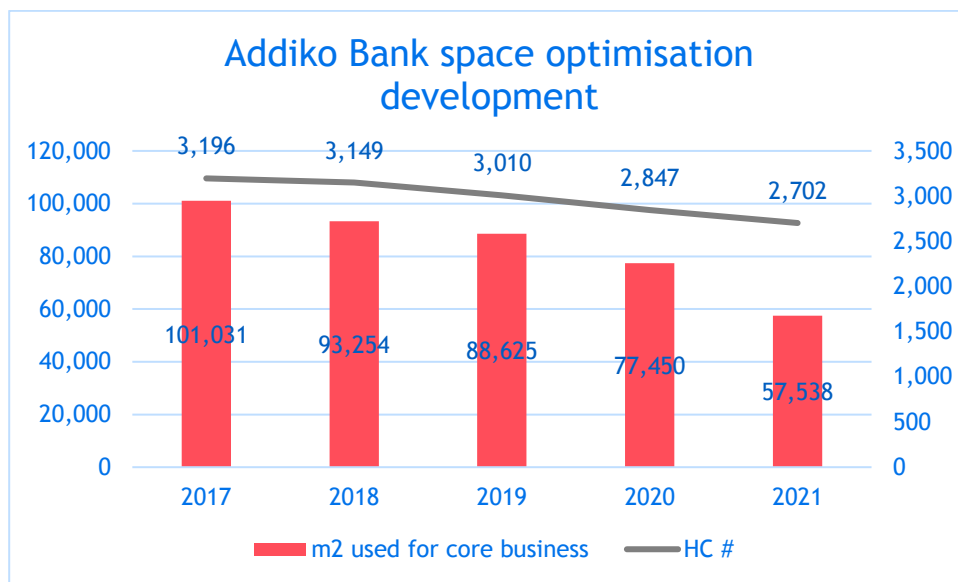
Addiko Bank's current activities in connection with environmental issues are explored in the following sub-chapters.

3.3.2. Space Optimisation

One of Addiko Bank's long-term measures is a group-wide space optimisation initiative aiming to reduce the space used for Addiko Bank's core business. Addiko Bank follows an open-plan concept in all of its head offices in the CSEE region, as well as in back offices. Furthermore, due to Addiko Bank's switch to modern sales concepts, such as the Addiko Bank Express Bank and the Addiko Bank Virtual Branch Offices, the sales floor is being continuously reduced. These efforts have resulted in a 43% reduction in office space over the past 5 years with a further positive outlook for 2022. Such an approach is effective in terms of the usage of heating and cooling systems and shows positive ecological effects resulting from less electricity and water consumption.

Due to the current Covid-19 pandemic, this positive development was enhanced even further. At the Addiko Bank headquarters, many workplaces and even complete office floors have been replaced by home office and flexible working concepts. As a result used office space for head office (HQ) purposes decreased by 16% from 25.222sqm to 21.056sqm during 2021, downsizing the HQ in ABSE, ABC, ABM and ABS. Further reduction is planned also in Vienna with moving ABH to a smaller office in 2022. The new office building provides also additional possibility for energy saving, being more energy efficient, than the current HQ.

Space Optimisation

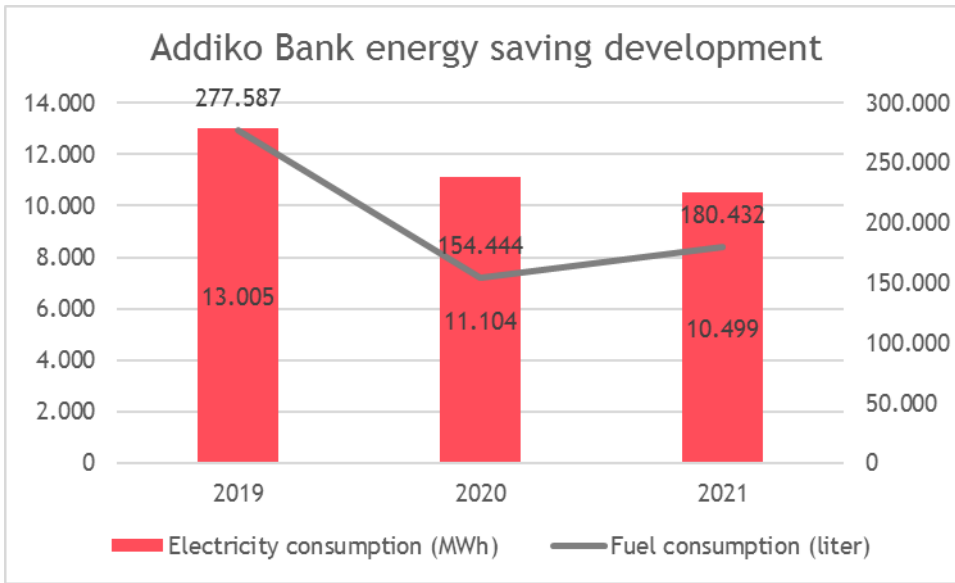


3.3.3. Energy Saving

Addiko Bank continues to promote the reduction of energy consumption also by applying energy efficient solutions in case of all renovations and investments. Installing light-emitting diode (LED) lighting as an energy saving solution is standard for the entire Addiko Bank network. In the procurement of electricity, Addiko Bank places an increasing emphasis upon purchasing renewable energy. Improvements have already been made at the Addiko Banks in Austria, Croatia, Slovenia and Serbia, where 10-30% of electricity comes from renewable "green" sources.

Since Addiko Bank has launched an initiative to save energy and natural resources, awareness of the importance of rational use and saving resources is at a high level in all entities. Regardless of the continuous efforts made over the past few years, the consumption of power and fuel recorded for 2020 and 2021 does not represent real consumption in normal circumstances, but affected by Covid-19. Work from home and travel limitations are reflected in the numbers for both 2020 and 2021.

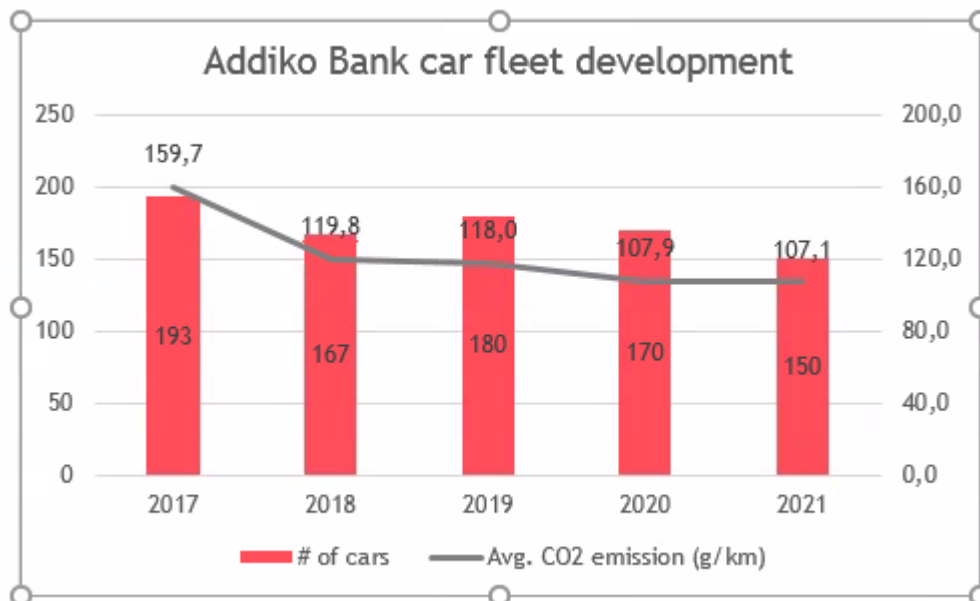
Energy consumption in kWh



3.3.4. Reduction of CO₂ emissions

With the renewal of Addiko Bank's carpool to a newer generation of vehicles every 4 years and a constant reduction in the numbers of vehicles. In 2021 the fleet included only 150 vehicles, which is historical lowest and 22% less, than 5 years ago. Addiko Bank continues to reduce its vehicle fleet's CO₂ emissions (g/km) also. CO₂ emissions have dropped 5 years in a row by a total of 33% to a weighted average CO₂ emission of 107.1 g/km in 2021, as shown in the table below.

Reduction of CO₂ Emissions (rounded)



Conscious fuel consumption is promoted throughout Addiko Bank. Nevertheless, a reduction of CO₂ emissions could be further driven by the replacement of fossil fuel-powered company cars with hybrid or electric cars. In 2021 Addiko Group adopted a policy, which prefers to lease electric and hybrid engine cars over traditional vehicles. Also in some of the countries employees are forced to use electric cars for short distance trips, wherever it is possible (e.g.: ABS, Ljubljana)

3.3.5. Travel Management

The best way to reduce CO₂ emissions on business trips is to generally avoid them or keep such trips limited. Addiko Bank has therefore implemented a sophisticated video conferencing system in all of its entities and encourages its employees to use video calls as alternatives to holding onsite business meetings whenever possible. For unavoidable business trips, however, Addiko Bank has introduced travel guidelines, with clear preference of using environmentally friendly public transportation. In order to avoid commutes at the business trip destination, Addiko Bank provides its employees with a list of recommended hotels, which can be booked at special rates and are in close proximity to regular meeting locations.

3.3.6. Document Management System

Addiko Bank is engaged in the continuous improvement of its internal procedures in order to be more efficient and to save resources (especially paper) wherever possible. While some organisational units are legally required to use paper, other documents are fully digitalised as result of previous years' initiatives to optimise Addiko Bank's document management.

3.3.7. Effects of Digital Banking

Besides the obvious benefits for the customer, Addiko Bank's promotion of digital banking services such as e-banking, m-banking and fully digitalised loan processing, also leads to positive environmental impacts in the form of a reduction in printing and paper (e.g. less payment and deposit slips and other documents, less toner consumption, etc.).

3.3.8. Paper Reduction and Sustainable Printing

Optimised printing management does not only save paper. It also has a substantial influence on waste in connection with toners and energy consumption. Addiko Bank uses common, multifunctional large-scale printers, classified as energy efficiency category "A". The default printer settings are set to print in duplex mode and in black and white.

3.3.9. General Awareness Raising

Addiko Bank shall continue to improve its environmental footprint. Group-wide environmental protection campaigns are carried out to encourage more efficient usage of company resources (for example, use of company cars, conscious use of electricity, electronic documents instead of paper print, etc.).

3.3.10. Supplier management

The Procurement Policy of Addiko Group has been updated in 2021 by defining our expectations towards suppliers with regards to environmental protection. This obligates our suppliers to respect the fundamental rights, health and safety of their employees and refers to anti-corruption regulations. In the course of the supplier evaluation, commercial, professional/technical, legal and general parameters surrounding the future cooperation are comprehensively examined and evaluated. The policy regulates all topics relating to the organization, procedures and systems in the procurement process. When awarding contracts for external services, it stipulates that when multiple tenders are received, environmental matters are weighted high in the comparison of the offers and preference shall be given to sustainable companies.

3.3.11. Climate Risks Assessment

Addiko Group analysed the potential impact of climate-related and environmental risks (C/E risks) on its business model both from a market/income and a cost perspective via an internal climate risk assessment and concluded that climate related and environment risks are not material for Addiko Group.

The outcomes of qualitative and quantitative assessments showed on one hand that Addiko Group's Focus segments will be able to benefit more from substitution effects under a market/income view (e.g. as Addiko Groups Consumer loans are not bound to a specific purpose, the financing of less climate friendly goods can be easily substituted by the financing of more climate-friendly consumer goods in case consumer sentiment moves towards this direction), on the other hand, the focus on granular Consumer and SME loans allows to reduce the idiosyncratic risk driven by C/E risks via diversification.

Hence, Addiko Group's non-focus segments are more susceptible to C/E risks (both physical and transition risks) as they are affected both via microeconomic and macroeconomic transmission channels.

The performed analysis highlighted once more the necessity to further accelerate Addiko Group's transformation and to further increase its focus on granular Consumer and SME loans.

Due to the granularity and diversification of Addiko Group's loan portfolio in its Focus segments, we assume that Addiko Group will be mainly impacted via macroeconomic transmission channels. Acute and chronic C/E risks already have an impact on macroeconomic indicators, whereby the severity of this impact over the medium- to long term is highly dependent on the measures taken to curb climate change.

While no immediate danger for Addiko Group was identified in the analysis of C/E risks, the urgency and uncertainty of C/E risks require the continuous monitoring of physical risks as well as their potential impact on the macroeconomy.

Despite the fact that highly affected industries are already now impacted by transition risks, Addiko Group's loan portfolio does not show any concentration in these industries.

Addiko Bank AG's board oversights the climate and/or environmental-related risks and created an ESG working group in course of year 2021 whose role is to implement ESG requirements and processes to identify and report on adverse environmental impact on business activities of Addiko Group including Key Performance Indicators (KPIs) and/or Key Risk Indicators (KRIs). ESG working group is responsible for identifying, assessing and managing climate and/or environmental-related risks in alignment with respective internal stakeholders and in regular intervals for overall risk assessment. Addiko Bank AG is in the process of climate-related and/or environmental scenario analysis or stress testing. Addiko Group environmental and/or climate related targets are derived from generally binding regulations applicable in countries of its presence.

3.3.12. Article 8 of EU Taxonomy

Exposures in economic activities that are not taxonomy-eligible	170.897.708,33	3%
Total assets	5.842.342.567,00	
Exposures in economic activities that are taxonomy-eligible	470.620.582,00	8%
Total assets	5.842.342.567,00	
Exposures in sovereigns, central banks, supranational issuers and derivatives	1.169.415.089,00	20%
Total assets	5.842.342.567,00	

Proportion of exposures in undertakings not subject to NFRD	4.125.679.027,67	71%
<hr/>		
total assets	5.842.342.567,00	

Credit institutions also report the share of their trading portfolio and on demand interbank loans in their total assets.

trading portfolio and on demand interbank loans	150.853.841,00	3%
<hr/>		
total assets	5.842.342.567,00	

In support of the quantitative indicators including the scope of assets and activities covered by the KPIs, we would like to disclose that all information were taken from Addiko's internal data sources and IT systems.

Addiko considers Regulation (EU) 2020/852 in its business strategy, product design processes and engagement with clients and counterparties.

Limited trading portfolios of Addiko Group and its composition reflects Regulation (EU) 2020/852.

3.3.13. Green Assets Ratio and Green Products

On 6 July 2021, the European Commission adopted the Delegated Act supplementing Article 8 of the Taxonomy Regulation (“the Disclosures Delegated Act”), which requires large financial and non-financial companies to provide information to investors about the environmental performance of their assets and economic activities.

In the case of financial undertakings (investment firms, asset managers, insurers, credit institutions), key performance indicators (KPIs) relate to the proportion of environmentally sustainable economic activities in their financing activities, such as lending, investment and insurance

Addiko started internal initiatives to disclose its Green Asset Ratio to assess banks' sustainable commitments.

As of the date of issuing this report, Addiko does not classify any of its products as green and/or as Taxonomy eligible.

Based on latest drafts of ITS, institutions will have to disclose the information from 28 June 2022. The disclosure will be annual in the first year and semi-annual thereafter. This means that the first disclosure will take place in 2023 for the disclosure reference date as of 31 December 2022.

Vienna, 23.02.2022

Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek m.p.
(Chairman)

Tadej Krasovec m.p.

Ganesh Krishnamoorthi m.p.

4. Glossary

Addiko Bank	Addiko Bank Group
ABH	Addiko Bank AG, Austria
ABC	Addiko Bank d.d., Croatia
ABG	Addiko Bank Group
ABS	Addiko Bank d.d., Slovenia
ABSA	Addiko Bank d.d., Bosnia & Herzegovina (Sarajevo)
ABBL	Addiko Bank a.d., Bosnia & Herzegovina (Banja Luka)
ABSE	Addiko Bank a.d., Serbia
ABM	Addiko Bank a.d., Montenegro
ARZ	ARZ Allgemeines Rechenzentrum GmbH
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
CRBO	Chief Retail Banking Officer
CO2	Carbon Dioxide
CSEE	Central and South-Eastern Europe
CSR	Corporate Social Responsibility
DPO	Data Protection Officer
DXC	DXC Technology
EBA	European Banking Authority
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
EU	European Union
etc.	et cetera
GDPR	General Data Protection Regulation
HC	Headcount
HR	Human Resources
ICERTIAS	International Certification Association
ISO 9001	The international standard that specifies requirements for a quality management system
KPI	Key Performance Indicator/s
LED	Light-Emitting Diode
Large Corporates	The segment Large Corporates includes legal entities and entrepreneurs with annual gross revenues of more than EUR 40mn
LGBTIQ	Lesbian, Gay, Bisexual, Transgender, Intersex and Queer
NGO	Non-Governmental Organisation/s
NORBS	National organisation for rare diseases
oGA	Ordinary General Assembly
PI	Private Individual
PPI	Payment Protect Insurance
Consumer (PI/Micro)	Consumer includes the following categories: (i) PI, private individuals, who do not represent a group, company, or organisation and (ii) Micro, Includes private entrepreneurs and profit-oriented entities with annual gross revenues of less than EUR 0.5 million
SME	Small and Medium-Sized Enterprises
UNICEF	United Nations International Children's Emergency Fund
YE	Year End

5. Imprint

Owner and publisher:

Addiko Bank AG

Headquarters:

Wipplingerstraße 34/4. OG, 1010 Vienna, Austria

Management Board:

Herbert Juranek (CEO), Tadej Krasovec (CRO) and Ganesh Krishnamoorthi (CRBO/IT/Dig.)

Addiko Bank AG Shareholders: split by investors (62.9% free float)

- DDM INVEST III AG (Switzerland) - Switzerland (9.90%)
- European Bank for Reconstruction and Development (EBRD) - UK (8.40%)
- Wellington Management Group LLP - USA (7.18%)
- Dr. Jelitzka + Partner Gesellschaft für Immobilienberatung und -verwertung GmbH - Austria (6.99%)
- WINEGG Realitäten GmbH - Austria (6.84%)
- Brandes Investment Partners, L.P. - USA (5.07%)
- MW Funds PTE.LTD - Singapore (5.00%)
- RWC Asset Management LLP - UK (4.01%)
- Management Board & Supervisory Board (0.16%)
- Other Shareholders (46.44%)

Responsible for content:

Compliance