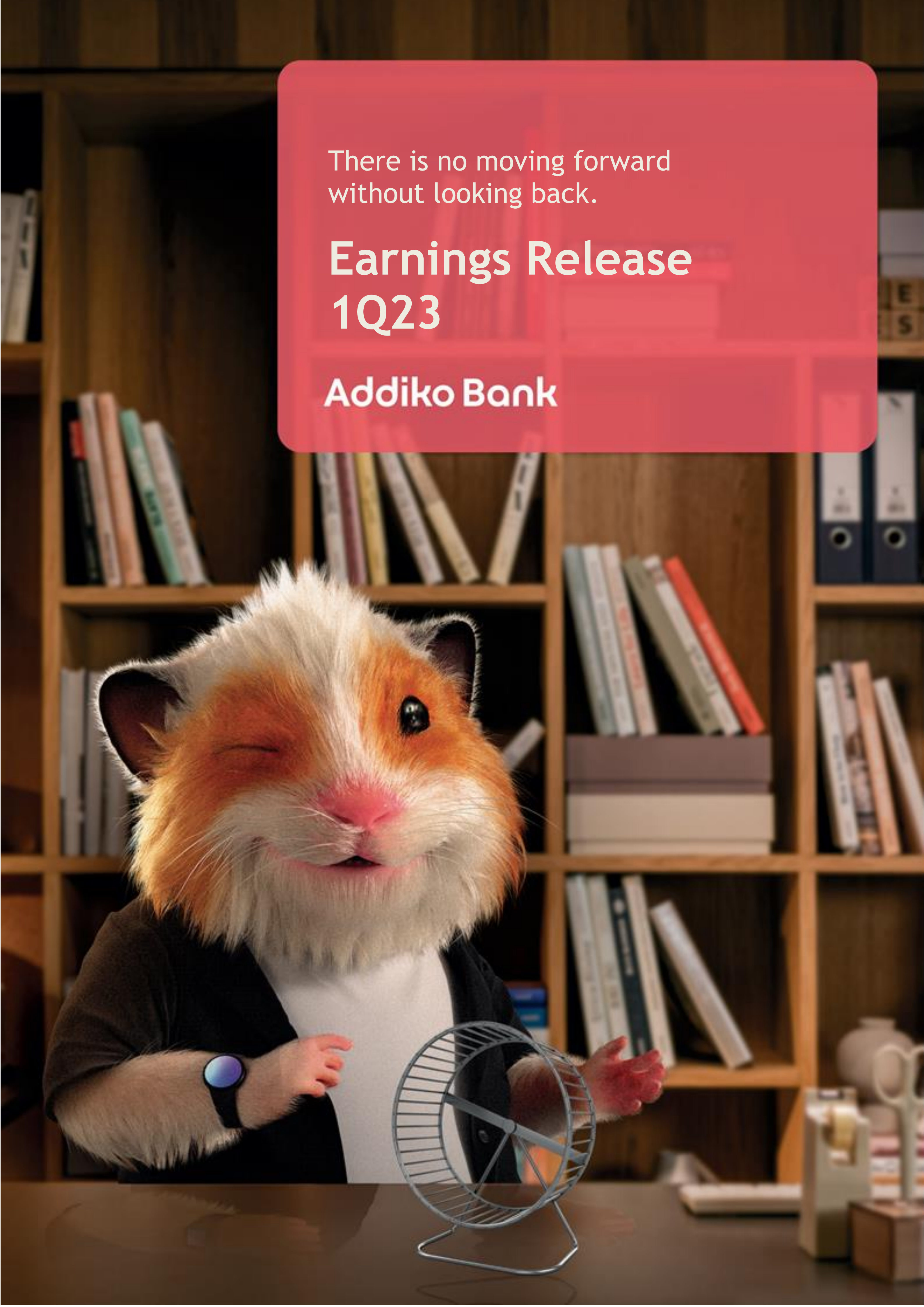
There is no moving forward
without looking back.

Earnings Release 1Q23

Addiko Bank



HIGHLIGHTS

2 Business development

- Focus Book 11% YoY growth, 16% YoY growth excluding the medium SME loan book
- New business yields increased in Consumer to 7.5% and SME to 5.3%
- Operating Result up by 42% YoY to €20.3m reflects improved operative income generation despite inflation impacts on cost base
- Dividend of €1.21 per share distributed to shareholders on 4 May 2023
- ESG Strategy & Action Plan on track

1 Key financial data

Earnings	
Net Profit	€9.7m
Operating Result	€20.3m
EPS	€0.5
NIM	3.5%
Asset Quality	
Cost of Risk	-0.1%
NPE Ratio	2.4%
NPE Volume	€161.3m
Capital	
CET1 Ratio	20.0%

3 Outlook 2023 unchanged

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

1. About Addiko Bank

Addiko Group is a specialist banking group focusing on providing banking products and services to Consumers and Small and Medium-sized Enterprises (SME) in Central and South-Eastern Europe (CSEE). The Group consists of Addiko Bank AG, the fully-licensed Austrian parent bank registered in Vienna, Austria, and regulated by the Austrian Market Authority (FMA) and the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates via two banks), Serbia and Montenegro. Addiko Bank AG is a publicly listed company owned by a diversified investor base. Through its banks, the group services approximately 0.8 million customers, using a network of 154 branches and modern digital banking channels.

Based on its strategy, Addiko Group repositioned itself as a specialist Consumer and SME banking group with a focus on growing its Consumer and SME lending activities as well as payment services (its "focus areas"), offering unsecured personal loan products for consumers and working capital loans for its SME customers. These core activities are largely funded by retail deposits. Addiko Group's Mortgage, Public and Large Corporate lending portfolios (its "non-focus areas") are subject of an accelerated run-down process, thereby providing liquidity and capital for the growth in its Consumer and SME lending.

Addiko Group delivers a modern customer experience in line with its strategy. Banking products and services have been standardised, especially in the Consumer and the SME segment, to improve efficiency, manage risks and maintain asset quality. This specialist approach is continuously fine-tuned to react to customer needs and the market environment.

2. Business update

2.1. Share buyback

On 6 April 2023 the Management Board of Addiko Bank AG resolved to exercise the authorisation of the Annual General Meeting pursuant to § 65 para 1 no 4 and no 8 Stock Corporation Act and launch the share buyback programme 2023. The expected duration of the share buyback programme 2023 is from 11 April 2023 until 29 March 2024 at the longest. The planned volume comprises up to 350,000 shares, corresponding to approximately 1.3% of the current share capital of the company, with a maximum pecuniary amount of EUR 3,205,625. The purpose of the repurchase is to offer the shares to employees, executives and members of the Management Board of Addiko Bank AG or a company affiliated with it under the variable remuneration plan.

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

3.1. AGM 2023

On 21 April 2023, Addiko Bank AG held its first physical Annual General Meeting (AGM2023). All proposed agenda items were approved with ca. 78% of shareholders present. The AGM 2023 prematurely extended the term of office of Dr. Kurt Pribil, the Chairman of the Supervisory Board, until the end of the Annual General Meeting for the business year 2025. The AGM 2023 also renewed the authorization of the Management Board to acquire own shares in an amount of up to 10% of the share capital for remuneration purposes for a period of 30 months from the day of the resolution.

4. Outlook

The Group will continue to accelerate its specialist strategy in the CSEE markets, focusing on sustainable business growth in the segments Consumer and with a specific focus on micro and small enterprises within SME, supported by the brand repositioning which was introduced in the year 2022.

The outlook for the full year 2023 remains unchanged (as published on 8 March 2023):

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

5. Financial development of the Group

5.1. Detailed analysis of the result

EUR m

	01.01. - 31.03.2023	01.01. - 31.03.2022	(abs)	(%)
Net banking income	67.8	58.2	9.5	16.4%
Net interest income	52.2	41.3	10.9	26.5%
Net fee and commission income	15.6	17.0	-1.4	-8.3%
Net result on financial instruments	0.2	0.5	-0.3	-57.5%
Other operating result	-4.0	-3.3	-0.7	20.0%
Operating income	**64.0**	**55.4**	**8.6**	**15.5%**
Operating expenses	**-43.7**	**-41.1**	**-2.6**	**6.4%**
Operating result before impairments and provisions	**20.3**	**14.3**	**6.0**	**41.6%**
Other result	-4.7	-5.1	0.5	-9.2%
Credit loss expenses on financial assets	-4.5	-1.2	-3.2	>100%
Result before tax	**11.2**	**8.0**	**3.2**	**40.1%**
Tax on income	-1.5	-1.5	0.0	-2.4%
Result after tax	**9.7**	**6.5**	**3.2**	**50.0%**

Net banking income improved by EUR 9.5 million to EUR 67.8 million in the first quarter 2023. **Net interest income** increased significantly by EUR 10.9 million driven by the focus segments Consumer and SME and income related to liquidity management and treasury. The Consumer segment recorded higher regular interest income of EUR 2.5 million on the back of an increased loan book volume (up EUR 130.5 million YoY) compared with 1Q22 and unchanged premium pricing versus incumbent banks. The increase in the SME segment of EUR 5.6 million was driven by both higher loan volumes (up EUR 136.6 million YoY) as well as significantly improved lending interest rates (up 150bps YoY). In addition, the recorded interest income was positively complemented by EUR 7.7 million from cash balances at central banks and investment in debt securities, reflecting the changed interest rate environment. The regular interest income from the non-focus segment remained stable, with the increase in interest rates compensating the intentionally accelerated run-down of the non-focus portfolio (down EUR 250.2 million YoY). On the liability side, the interest expenses naturally increased by EUR 4.6 million due to both higher customer deposit volumes (up EUR 217.4 million YoY) and slightly higher deposit interest rates (up 38bps YoY). **Net fee and commission income** decreased to EUR 15.6 million compared to EUR 17.0 million in the first quarter 2022 mainly driven by lost income from FX&DCC as a consequence of introduction of the Euro in Croatia since 1 January 2023, despite growth in card business, accounts & packages and transactions.

The **net result on financial instruments** amounted to EUR 0.2 million at 1Q23 resulting from FX and trading activities, compared to EUR 0.5 million at 1Q22. No income from the disposal of debt instruments measured at FVTOCI was recorded, in line with the new treasury strategy to invest excess liquidity in long-term and high-quality government bonds with the intention to keep them until maturity for yield enhancement purposes.

Other operating result as the sum of the other operating income and the other operating expense increased by EUR -0.7 million from EUR -3.3 million at 1Q22 to EUR -4.0 million at 1Q23. This position included the following significant items:

- Slightly lower frontloaded regulatory charges from the recovery and resolution fund of EUR -1.1 million (1Q22: EUR -1.3 million).
- Higher deposit guarantee expenses of EUR -2.2 million (1Q22: EUR -1.4 million). The increase was primarily due to the fact that in the comparative period no contributions were charged in Croatia as the required amount of the local deposit insurance was already reached.
- Bank levies and other taxes stayed at EUR -0.9 million at 1Q23 (1Q22: EUR -0.9 million), thereof EUR -0.5 million (1Q22: EUR -0.6 million) refer to banking levies from ECB, SRB and local banking agencies.

Operating expenses changed from EUR -41.1 million at 1Q22 to EUR -43.7 million at 1Q23, as the cost reduction initiatives executed as part of the Transformation Program were partially consumed by a significant increase of inflation (EUR 1.3 million), expenses of EUR 0.5 million connected with the Euro implementation project in Croatia, accruals for variable payments increased by EUR 0.4 million compared to the same period in 2022 and the recognition of EUR 0.5 million full year auditors costs already in the first quarter. The Cost/Income ratio improved to 64.5% (1Q22: 70.5%).

The **other result** at EUR -4.7 million (1Q22: EUR -5.1 million) was impacted by credit linked and portfolio based provisions for expected legal matters on Swiss franc denominated loans in Croatia, provisions connected with consumer protection initiatives and events related to operational banking risks.

Credit loss expenses on financial assets were EUR -4.5 million in the first quarter 2023, an increase of EUR -3.2 million compared to 1Q22 (EUR -1.2 million), partially driven by the introduction of more prudent stage 2 migration rules. In the first quarter 2023, there were no updates on forward-looking economic indicators. Addiko decided to maintain the management overlay of EUR 20.7 million unchanged, in light of the increased volatility of the economic environment and uncertainties regarding future developments, which are not comparable to the historic data in the existing models.

Tax on income remained stable at EUR -1.5 million at 1Q23 compared to 1Q22, due to tax reliefs in certain countries leading to an improved effective tax rate of 13% (1Q22: 19%).

Overall, the **result after tax** increased significantly by 50% to EUR 9.7 million (1Q22: EUR 6.5 million).

5.2. Detailed analysis of the statement of financial position

EUR m

	31.03.2023	31.12.2022	(abs)	(%)
Cash reserves	1,194.1	1,382.9	-188.8	-13.7%
Financial assets held for trading	23.1	22.8	0.3	1.2%
Loans and advances to credit institutions	60.4	89.2	-28.7	-32.2%
Loans and advances to customers	3,350.3	3,292.7	57.6	1.7%
Investment securities	1,164.8	1,061.6	103.3	9.7%
Tangible assets	60.1	61.6	-1.5	-2.4%
Intangible assets	23.4	24.5	-1.1	-4.6%
Tax assets	40.9	42.4	-1.5	-3.6%
Current tax assets	4.8	5.4	-0.7	-12.3%
Deferred tax assets	36.2	37.0	-0.9	-2.3%
Other assets	21.8	17.1	4.6	26.9%
Non-current assets held for sale	1.6	1.6	0.0	-0.4%
Total assets	**5,940.5**	**5,996.4**	**-56.0**	**-0.9%**

The statement of financial position of Addiko Group continues with a simple and solid interest-bearing asset structure: 56% of the assets were represented by customer loans, the majority thereof belonged to the focus areas. In addition, a substantial part of the residual assets consisted of cash reserves and high-rated plain vanilla debt securities predominantly related to CESEE sovereign bonds.

The **cash reserves** decreased to EUR 1,194.1 million as of 31 March 2023, maintaining a solid liquidity position (YE22: EUR 1,382.9 million) predominantly related to planned outflows.

Loans and advances to credit institutions decreased by EUR -28.7 million to EUR 60.4 million (YE22: EUR 89.2 million) as a result of the implementation of the Euro in Croatia and the reduction of the cash collateral which had to be provided to the Croatian Central Bank during the preparation phase of the Euro introduction.

Loans and advances to customers increased by EUR 57.6 million to EUR 3,350.3 million (YE22: EUR 3,292.7 million). The development was in line with Addiko's strategy to further pursue the accelerated change in the business composition from lower margin Large Corporate, Mortgage and Public Finance lending towards higher value-adding lending business in the focus segments Consumer and SME. As a result of activities launched during the Transformation Program, the focus segments continued the growth trajectory and increased by EUR 82.5 million to EUR 2,804.7 million (YE22: EUR 2,722.2 million), representing 83.5% of the total gross performing loans and advances to customers (YE22: 82.4%). The non-focus segments decreased as planned by EUR 25.4 million to EUR 556.2 million at 1Q23 (YE22: EUR 581.6 million).

The **investment securities** increased from EUR 1,061.6 million at YE22 to EUR 1,164.8 million at 1Q23. The investments are predominantly in high-rated and investment grade government bonds mainly issued by governments of the CESEE region.

Tax assets decreased to EUR 40.9 million (YE22: EUR 42.4 million), thereof EUR 10.4 million refer to deferred taxes on tax loss carried forward (YE22: EUR 10.3 million). The decrease is principally reflecting the deferred tax assets recognised on the back of the fair value development of the investment securities measured at fair value through other comprehensive income (FVTOCI).

Other assets increased to EUR 21.8 million (YE22: EUR 17.1 million). This position includes prepaid expenses and accruals as well as receivables for paid in deposits and receivables related to the card business. The increase compared with year end is due to the prepayment executed in the first quarter for a large service provider.

As of 1Q23, the **total assets** of Addiko Group remained relatively stable and stood at EUR 5,940.5 million, down EUR 56.0 million or -0.9% compared to YE22 (EUR 5,996.4 million). The total risk, i.e. risk-weighted assets including credit, market and operational risk, slightly increased to EUR 3,506.9 million (YE22: EUR 3,481.0 million) on the back of growth in the focus loan book.

EUR m

	31.03.2023	31.12.2022	(abs)	(%)
Financial liabilities held for trading	3.4	3.1	0.3	8.0%
Deposits and borrowings of credit institutions	113.8	128.5	-14.6	-11.4%
Deposits and borrowings of customers	4,901.8	4,959.6	-57.8	-1.2%
Other financial liabilities	46.9	48.8	-1.9	-3.8%
Provisions	85.2	83.4	1.8	2.2%
Tax liabilities	1.3	0.6	0.6	96.6%
Current tax liabilities	1.2	0.6	0.6	>100%
Other liabilities	24.5	26.2	-1.8	-6.7%
Equity	763.7	746.3	17.4	2.3%
Total equity and liabilities	**5,940.5**	**5,996.4**	**-56.0**	**-0.9%**

Deposits and borrowings of credit institutions decreased from EUR 128.5 million at YE22 to EUR 113.8 million as of 1Q23.

Deposits and borrowings of customers remained relatively stable, and recorded a -1.2% decrease to EUR 4,901.8 million during the first quarter of 2023 (YE22: EUR 4,959.6 million). The solid funding profile is one of the strengths of the Group, which drives its low dependence on market funding. Around 35% of the deposits were term deposits, mainly Euro denominated, followed by Bosnia & Herzegovina Convertible Marka (BAM) and Serbian Dinar (RSD).

Other financial liabilities decreased from EUR 48.8 million at YE22 to EUR 46.9 million at 1Q23.

Provisions increased from EUR 83.4 million at YE22 to EUR 85.2 million during the first quarter 2023. This position included mainly credit linked and portfolio-based provisions in relation to expected court rulings on Swiss franc denominated loans. This balance sheet position also included provisions for variable performance-based bonus.

Other liabilities decreased from EUR 26.2 million at YE22 to EUR 24.5 million in the first quarter 2023, mainly reflecting accruals for services received but not yet invoiced (1Q22: EUR 23.1 million, YE22: EUR 25.2 million) as well as liabilities for salaries and salary compensations not yet paid.

Equity rose from EUR 746.3 million to EUR 763.7 million driven by the first quarter profit, as well as the positive development in the other comprehensive income (EUR 7.7 million) mainly reflecting the recovery of market values and the related fair value measurement of debt instruments measured at FVTOCI. As disclosed in the YE22 Consolidated Financial Statements, the current classification of the debt instruments in the business model Hold-to-Collect&Sell in the EU entities of the Group and the related fair value measurement is not fully reflecting the new business and treasury strategy to invest in long-term high-quality bonds and hold it to maturity for yield enhancement purposes. Addiko is for this reason expecting that the current amount of negative fair value reserves from debt instruments of EUR 78.0 million will continuously decrease until the maturity of the instruments, given the high credit quality and the expectation that none of the issuers, predominantly CESEE governments, will default in the foreseeable future.

5.3. Capital and liquidity requirements

As of 1 January 2023, the transitional arrangements in accordance with Article 468 CRR of the regulation EU 2020/873 as well as the static component of the IFRS 9 transitional capital rules, as published by the EU on 21 December 2017 and amended on the 24 June 2020, expired. For this reason, as of 31 March 2023, there is no difference between the transitional and the **fully loaded regulatory capital base**, which remained standing strong at 20.0%, stable compared to YE22 (21.1% on a transitional basis and 20.0% on a fully loaded basis) and significantly above the applicable requirements and the Pillar 2 Guidance (P2G). In the regulatory capital calculation, the Group deducted the dividend of EUR 23.6 million equivalent to EUR 1.21 per share, which following the resolution on the 21 April 2023 Annual General Meeting was distributed on 4 May 2023. The interim profit for the first quarter of the year is not reflected in the capital base.

The **liquidity position** of the Group remained strong, with the LTD ratio (net) of 68.3% (YE22: 66.4%) and the Liquidity Coverage Ratio (LCR) moving between its lowest level of 244.6% in May 2022 and its peak of 361.0% in March 2023. All liquidity indicators were fulfilled during the reporting period with significant headroom to regulatory requirements.

6. 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

31.03.2023	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	36.2	22.5	5.2	2.2	1.4	0.1	67.8
Net interest income	27.5	16.4	5.2	1.6	1.2	0.3	52.2
o/w regular interest income	26.8	14.1	4.6	1.1	0.5	11.1	58.2
Net fee and commission income	8.8	6.1	0.0	0.7	0.2	-0.2	15.6
Net result from 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	-4.0	-4.0
Operating income	**36.2**	**22.5**	**5.2**	**2.2**	**1.4**	**-3.6**	**64.0**
Operating expenses	**-20.9**	**-7.8**	**-0.4**	**-0.8**	**-0.4**	**-13.3**	**-43.7**
Operating result before change in credit loss expense	**15.3**	**14.7**	**4.8**	**1.4**	**1.0**	**-16.9**	**20.3**
Other result	0.0	0.0	0.0	0.0	0.0	-4.7	-4.7
Credit loss expenses on financial assets	-3.4	-2.8	1.2	0.5	0.1	0.0	-4.5
Result before tax	**11.9**	**11.9**	**6.1**	**1.9**	**1.0**	**-21.6**	**11.2**
Business volume							
Net loans and receivables	1,547.1	1,242.1	412.4	103.2	43.3	62.5	3,410.7
o/w gross performing loans customers	1,561.7	1,243.0	411.1	102.6	42.5		3,360.9
Gross disbursements	148.0	198.3	0.0	2.9	0.0		349.2
Financial liabilities at AC[1]	2,691.0	1,080.9	0.0	201.5	291.5	797.5	5,062.5
RWA[2]	1,180.6	895.3	246.7	137.3	20.7	508.8	2,989.4
Key ratios							
NIM [3]	5.4%	3.3%	0.2%	2.4%	1.3%		3.5%
Cost/Income Ratio	57.7%	34.7%	7.9%	37.1%	31.9%		64.5%
Cost of risk ratio	-0.2%	-0.1%	0.3%	0.2%	0.2%		-0.1%
Loan to deposit ratio	57.5%	114.9%	0.0%	51.2%	14.9%		68.3%
NPE ratio (on balance loans)	4.0%	4.0%	5.6%	8.8%	5.9%		3.4%
NPE coverage ratio	79.0%	72.3%	78.3%	91.0%	62.2%		77.0%
NPE collateral coverage	2.5%	46.3%	79.8%	90.5%	100.0%		37.5%
Change CL/GPL (simple average)	-0.2%	-0.2%	0.3%	0.5%	0.2%		-0.1%
Yield GPL (simple average)	7.0%	4.7%	4.4%	4.5%	4.1%		5.7%

[1] Financial liabilities at AC at 1Q23 include the Direct deposits (Austria/Germany) amounting to EUR 553 million, EUR 114 million Deposits of credit institutions, EUR 130 million Other. [2] Includes only credit risk. [3] Net interest margin on segment level is the sum of interest income (without interest income on NPE) and expenses including funds transfer pricing divided by the respective average business volume using daily balances.

EUR m

31.03.2022	Focus segments Consumer	 SME Business	Non-focus segments Mortgage	 Large Corporates	 Public Finance	Corporate Center	Total
Net banking income	34.6	14.9	3.7	2.2	1.2	1.6	58.2
Net interest income	25.2	8.5	3.7	1.3	0.8	1.8	41.3
o/w regular interest income	24.3	8.6	4.2	1.5	0.4	3.3	42.3
Net fee and commission income	9.3	6.5	0.0	0.9	0.4	-0.2	17.0
Net result from financial instruments	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Other operating result	0.0	0.0	0.0	0.0	0.0	-3.3	-3.3
Operating income	**34.6**	**14.9**	**3.7**	**2.2**	**1.2**	**-1.2**	**55.4**
Operating expenses	**-20.0**	**-7.5**	**-0.5**	**-1.0**	**-0.5**	**-11.7**	**-41.1**
Operating result before change in credit loss expense	**14.6**	**7.5**	**3.2**	**1.3**	**0.7**	**-13.0**	**14.3**
Other result	0.0	0.0	0.0	0.0	0.0	-5.1	-5.1
Credit loss expenses on financial assets	-4.3	1.2	1.6	0.2	0.1	-0.1	-1.2
Result before tax	**10.3**	**8.7**	**4.8**	**1.5**	**0.8**	**-18.2**	**8.0**
Business volume							
Net loans and receivables	1,407.6	1,110.7	513.5	233.2	65.9	35.2	3,366.0
o/w gross performing loans customers	1,431.2	1,106.4	509.0	232.5	64.9		3,343.9
Gross disbursements	149.4	175.4	0.9	18.3	2.3		346.4
Financial liabilities at AC[1)]	2,453.2	1,045.1	0.0	274.4	388.1	766.9	4,927.7
RWA[2)]	1,062.7	869.8	313.0	275.4	36.6	536.0	3,093.4
Key ratios							
NIM [3)]	5.7%	2.6%	1.3%	1.4%	0.8%		2.9%
Cost/Income Ratio	57.7%	50.0%	12.8%	43.2%	40.8%		70.5%
Cost of risk ratio	-0.3%	0.1%	0.3%	0.1%	0.1%		0.0%
Loan to deposit ratio	57.4%	106.3%	0.0%	85.0%	17.0%		71.2%
NPE ratio (on balance loans)	4.5%	4.7%	8.3%	4.6%	3.4%		3.9%
NPE coverage ratio	78.9%	64.5%	78.6%	53.6%	40.1%		72.2%
NPE collateral coverage	5.1%	63.1%	72.9%	83.3%	95.7%		46.3%
Change CL/GPL (simple average)	-0.3%	0.1%	0.3%	0.1%	0.2%		0.0%
Yield GPL (simple average)	7.0%	3.2%	3.3%	2.5%	2.6%		4.8%

[1)] Financial liabilities at AC at 1Q22 include the Direct deposits (Austria/Germany) amounting to EUR 438 million, EUR 190 million Deposits of credit institutions, EUR 139 million Other. [2)] Includes only credit risk (without application of IFRS 9 transitional rules). [3)] Net interest margin on segment level is the 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.

Consumer strategy

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

Consumer 1Q23 business review

In comparison to 1Q22 the net interest income increased by EUR 2.2 million to EUR 27.5 million (1Q22: EUR 25.2 million) resulting from strong business activities by keeping the premium price compared to the incumbent banks. The net fee and commission income decreased by EUR 0.6 million to EUR 8.8 million at 1Q23 compared to EUR 9.3 million at 1Q22, mainly due to the lost income from FX&DCC (EUR -0.4 million) following the concluded Euro introduction in Croatia.

In the first quarter 2023 the operating result before change in credit loss expenses amounted to EUR 15.3 million, up 4.9% versus 1Q22 driven by the overall positive development in the operating income, partially consumed by higher operating expenses as a result of the high inflation environment. The Cost/Income ratio remained at 57.7% (1Q22: 57.7%). The result before tax amounted to EUR 11.9 million (1Q22: EUR 10.3 million), up 15.6%, also influenced by lower allocations of credit loss expenses on financial assets.

The gross disbursements amounted to EUR 148.0 million in the first quarter 2023 stable YoY (1Q22: EUR 149.4 million). The 1Q23 consumer gross performing loans increased by 9.1%. The NPE ratio (on balance loans) further improved with a decrease of 51bps YoY illustrating the continued focus on asset quality containment.

SME strategy

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

SME 1Q23 business review

The net interest income in 1Q23 increased significantly by EUR 8.0 million, up 94.2% YoY to EUR 16.4 million, compared to EUR 8.5 million at 1Q22. NIM stood at 3.3%, due to the accelerated growth of micro and small enterprises with higher interest yields (yields up by +150bps YoY based on simple average) also supported by the change in market rates and repricing of both, new business and the variable back book. The net fee and commission income decreased by 6.3% compared to the same period last year, mainly related to lost income from FX&DCC (EUR -0.6 million) as a consequence of the Euro introduction in Croatia. Excluding this effect, the net fee and commission income would have increased by 3% compared to 1Q22, driven by higher income from accounts & packages, transactions and loans.

The operating result before change in credit loss expenses at 1Q23 amounted to EUR 14.7 million, up 96.5% versus 1Q22 driven by the overall strong development in operating income partially consumed by higher operating expenses as a result of the high inflation environment. The Cost/Income ratio improved to 34.7% (1Q22: 50.0%). The result before tax amounted to EUR 11.9 million (1Q22: EUR 8.7 million), up 37.4% YoY, despite higher allocations of credit loss expenses on financial assets in the first quarter 2023.

The gross disbursements on the 31 March 2023 increased by 13.0% YoY to EUR 198.3 million. Consequently, gross performing loans in SME increased by 12.3% YoY. The NPE ratio (on balance loans) further improved with a decrease of 64bps YoY illustrating the continued focus on asset quality containment.

Mortgage strategy and 1Q23 business review

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

Despite the volume decrease, the operating income of EUR 5.2 million at 1Q23 increased by 41.7% in comparison to EUR 3.7 million at 1Q22. This increase is due to changed market rates observed since the second half of the year 2022, overcompensating the forgone income from the intentional reduction of gross performing loans of EUR 98 million.

Large Corporates strategy and 1Q23 business review

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

As a non-focus segment Large Corporates recorded lower gross performing loans while the operating income remained at same level in comparison to the period last year due to changed market rates and related repricing of the variable back book. The net interest income slightly increased by EUR 0.3 million to EUR 1.6 million during 1Q23 compared to EUR 1.3 million at 1Q22. Net fee and commission income decreased to EUR 0.7 million (1Q22: EUR 0.9 million) due to the intentional reduction in gross performing loans. The result before tax amounted to EUR 1.9 million at 1Q23 (1Q22: EUR 1.5 million), which is up 24.4% compared to 1Q22, impacted by higher releases on credit loss expenses on financial assets.

The NPE ratio (on balance loans) increased to 8.8% (1Q22 at 4.6%) mainly driven by the reduced loan book rather than the overall worsening of the credit quality of the portfolio.

Public Finance strategy and 1Q23 business review

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.

The net interest income amounted to EUR 1.2 million at 1Q23 (1Q22: EUR 0.8 million). The increase in net interest income was also supported by the changed market rates compensating the effects from the intentional run-down of the portfolio (gross performing loans down by 34.5% compared to 1Q22). As a consequence, the net fee and commission income decreased by EUR 0.2 million compared to the same period last year. The Public Finance segment generated operating income of EUR 1.4 million (1Q22: EUR 1.2 million) and a result before tax of EUR 1.0 million at 1Q23 (1Q22: EUR 0.8 million).

The NPE ratio increased by 225bps at 1Q23 predominantly driven by a reduction in the gross performing loan balance.

Corporate Center strategy

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

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

Corporate Center 1Q23 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 Asset Contribution) and 3) the consolidation effects.

The net interest income at 1Q23 amounted to EUR 0.3 million (1Q22: EUR 1.8 million) driven by higher interest income from the bond portfolio in treasury, was well higher interest income from national bank deposits, consumed by higher FTP costs linked to the new market interest environment.

For the explanation of net result on financial instruments, other operating result, operating expense and other result please see chapter 4.1 detailed analysis of the result.

Asset Contribution

The net interest income in the Corporate Center at 1Q23 includes a fraction of the positive impact from interest and liquidity gap contribution (IGC) in the amount of EUR 18.5 million. The majority of the IGC in the amount of EUR 17.0 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 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 FTP methodology. By compensating those market segments delivering longer term assets against shorter term liabilities, the respective part of IGC is re-distributed from the segment Corporate Center to the originator of the IGC, i.e. the respective market segment.

7. Summary of consolidated statement of profit or loss

EUR m

	01.01. - 31.03.2023	01.01. - 31.03.2022
Interest income calculated using the effective interest method	58.1	45.1
Other interest income	2.9	0.4
Interest expenses	-8.7	-4.1
Net interest income	**52.2**	**41.3**
Fee and commission income	21.0	21.5
Fee and commission expenses	-5.4	-4.6
Net fee and commission income	**15.6**	**17.0**
Net result on financial instruments	0.2	0.5
Other operating income	0.9	1.1
Other operating expenses	-4.9	-4.4
Operating income	**64.0**	**55.4**
Personnel expenses	-23.0	-21.2
Other administrative expenses	-16.4	-15.4
Depreciation and amortisation	-4.3	-4.4
Operating expenses	**-43.7**	**-41.1**
Operating result before impairments and provisions	**20.3**	**14.3**
Other result	-4.7	-5.1
Credit loss expenses on financial assets	-4.5	-1.2
Result before tax	**11.2**	**8.0**
Tax on income	-1.5	-1.5
Result after tax	**9.7**	**6.5**
thereof attributable to equity holders of parent	9.7	6.5

EUR m

	01.01. - 31.03.2023	01.01. - 31.03.2022
Result after tax	**9.7**	**6.5**
Other comprehensive income	**7.7**	**-40.9**
Items that will not be reclassified to profit or loss	**0.3**	**-0.1**
Fair value reserve - equity instruments	0.3	-0.1
Net change in fair value	0.4	-0.1
Income Tax	-0.1	0.0
Items that are or may be reclassified to profit or loss	**7.4**	**-40.8**
Foreign currency translation	0.1	-3.5
Fair value reserve - debt instruments	7.3	-37.3
Net change in fair value	8.6	-43.9
Net amount transferred to profit or loss	0.0	0.2
Income Tax	-1.3	6.4
Total comprehensive income for the year	**17.4**	**-34.4**
thereof attributable to equity holders of parent	17.4	-34.4

8. Summary of consolidated statement of financial position

EUR m

	31.03.2023	31.12.2022
Assets		
Cash reserves	1,194.1	1,382.9
Financial assets held for trading	23.1	22.8
Loans and advances to credit institutions	60.4	89.2
Loans and advances to customers	3,350.3	3,292.7
Investment securities	1,164.8	1,061.6
Tangible assets	60.1	61.6
Property, plant and equipment	55.9	57.3
Investment property	4.2	4.3
Intangible assets	23.4	24.5
Tax assets	40.9	42.4
Current tax assets	4.8	5.4
Deferred tax assets	36.2	37.0
Other assets	21.8	17.1
Non-current assets held for sale	1.6	1.6
Total assets	**5,940.5**	**5,996.4**
Equity and liabilities		
Financial liabilities held for trading	3.4	3.1
Deposits and borrowings of credit institutions	113.8	128.5
Deposits and borrowings of customers	4,901.8	4,959.6
Other financial liabilities	46.9	48.8
Provisions	85.2	83.4
Tax liabilities	1.3	0.6
Current tax liabilities	1.2	0.6
Other liabilities	24.5	26.2
Equity	763.7	746.3
thereof attributable to equity holders of parent	763.7	746.3
Total equity and liabilities	**5,940.5**	**5,996.4**

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 2022.

(1) Credit risk

1.1. Allocation of credit risk exposure within the Group

As of 31 March 2023, the overall gross exposure within the Group is reduced by EUR 100.5 million (or -1.5%) compared to YE22. Following the business strategy, most of the reduction since beginning of the year is recognised in the Corporate Center, due to reduction of exposure towards local National Banks, as well as in the non-focus portfolio, which is partially compensated by an increase in the consumer and SME portfolio. On the overall level, reductions in the exposures are recognised in Addiko Bank Croatia, Addiko Bank Serbia, Addiko Bank Montentegro and in Addiko Bank Banja Luka. Within the Group, the credit risk exposure breaks down as presented in the following table.

EUR m

	31.03.2023	31.12.2022
Addiko Croatia	2,319.5	2,448.6
Addiko Slovenia	1,587.0	1,553.8
Addiko Serbia	1,045.2	1,071.1
Addiko Bosnia & Herzegovina	1,146.9	1,142.7
Addiko Montenegro	230.5	231.4
Addiko Holding	371.8	353.7
Total	**6,700.9**	**6,801.3**

1.2. Credit risk exposure by rating class

At 31 March 2023 roughly 37.9% (YE22: 38.6%) 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 quarter 2023 the NPE Stock remains on the same level as at YE22 ending up at EUR 161.3 million (EUR -1.8 million), while reductions in the non-focus Portfolio are partially compensated by NPE increases in the SME Portfolio (in all legal entities except in Addiko Bank Sarajevo and Addiko Bank Montenegro).

The following table shows the exposure by rating classes and market segment as at 31 March 2023:

EUR m

31.03.2023	1A-1E	2A-2E	3A-3E	4A-4E	NPE	No rating	Total
Consumer	305.9	908.6	322.3	153.1	64.9	21.8	1,776.6
SME	215.0	1,056.1	445.8	92.9	58.9	3.4	1,872.2
Non-Focus	249.5	316.6	81.3	46.2	37.5	1.6	732.8
o/w Large Corporate	31.8	129.1	51.9	17.4	10.6	0.7	241.3
o/w Mortgage	207.1	162.5	21.0	19.5	24.3	0.9	435.3
o/w Public Finance	10.7	25.1	8.5	9.3	2.7	0.0	56.2
Corporate Center [1)]	1,769.6	333.4	216.1	0.0	0.0	0.1	2,319.3
Total	**2,540.1**	**2,614.7**	**1,065.5**	**292.2**	**161.3**	**27.0**	**6,700.9**

[1)] Corporate Center includes financial institutions considering national bank exposure, on demand deposits as well as securities.

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

EUR m

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

[1] Corporate Center includes financial institutions considering national bank exposure, deposits as well as securities.

1.3. Credit risk exposure by region

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

EUR m

	31.03.2023	31.12.2022
SEE	5,818.8	6,005.3
Europe (excl. CEE/SEE)	489.4	479.4
CEE	329.7	246.0
Other	62.9	70.6
Total	**6,700.9**	**6,801.3**

1.4. Presentation of exposure by overdue days

EUR m

31.03.2023	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,644.8	73.0	9.0	5.0	44.9	1,776.6
SME	1,798.0	25.5	9.4	2.0	37.2	1,872.2
Non-Focus	686.4	16.5	2.8	1.6	25.4	732.8
o/w Large Corporates	223.4	7.7	0.0	0.0	10.2	241.3
o/w Mortgage	409.6	7.1	2.8	0.6	15.2	435.3
o/w Public Finance	53.4	1.7	0.0	1.0	0.0	56.2
Corporate Center	2,319.3	0.0	0.0	0.0	0.0	2,319.3
Total	**6,448.5**	**115.1**	**21.2**	**8.7**	**107.5**	**6,700.9**

The volatile macroeconomic environment accompanied by inflationary pressures did not result in a material increase of days past due on the portfolio level.

EUR m

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

1.5. Development of the NPE coverage ratio

The NPE coverage ratio 1 (77.0%) slightly increased compared to the YE22 (75.4%). Increases are recognised in all legal entities except Addiko Bank Banja Luka and Addiko Bank Sarajevo - and are mainly driven by increases in the Consumer portfolio as well as by the SME portfolio due to provision allocation for certain bigger tickets during 1Q23.

The following tables show the NPE and NPE coverage ratios at 1Q23 and YE22:

EUR m

31.03.2023	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On balance loans)	Coverage Ratio 1	Coverage Ratio 3
Consumer	1,776.6	64.9	51.3	1.6	3.7%	4.0%	79.0%	81.5%
SME	1,872.2	58.9	42.6	27.2	3.1%	4.0%	72.3%	118.6%
Non-Focus	732.8	37.5	30.3	31.6	5.1%	6.2%	80.7%	165.0%
o/w Large Corporates	241.3	10.6	9.6	9.6	4.4%	8.8%	91.0%	181.6%
o/w Mortgage	435.3	24.3	19.0	19.4	5.6%	5.6%	78.3%	158.1%
o/w Public Finance	56.2	2.7	1.7	2.7	4.8%	5.9%	62.2%	162.2%
Corporate Center	2,319.3	0.0	0.0	0.0	0.0%	0.0%	3.8%	3.8%
Total	**6,700.9**	**161.3**	**124.2**	**60.5**	**2.4%**	**3.4%**	**77.0%**	**114.5%**
o/w Credit Risk Bearing	**4,494.7**	**161.3**	**124.2**	**60.5**	**3.6%**	**4.3%**	**77.0%**	**114.5%**

EUR m

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

Own funds and capital requirements

Capital requirements

Addiko Group regulatory minimum capital ratios, including the regulatory buffers and the capital requirements determined in the Supervisory Review and Evaluation Process (SREP) are presented in the following table:

	31.03.2023			31.12.2022		
	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%	1.83%	2.44%	3.25%
Total SREP Capital Requirement (TSCR)	**6.33%**	**8.44%**	**11.25%**	**6.33%**	**8.44%**	**11.25%**
Capital Conservation Buffer (CCB)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Counter-Cyclical Capital Buffer (CCyB)	0.16%	0.16%	0.16%	0.00%	0.00%	0.00%
Systemic Risk Buffer (SyRB)	0.25%	0.25%	0.25%	n.a.	n.a.	n.a.
Combined Buffer Requirements (CBR)	**2.91%**	**2.91%**	**2.91%**	**2.50%**	**2.50%**	**2.50%**
Overall Capital Requirement (OCR)	**9.24%**	**11.35%**	**14.16%**	**8.83%**	**10.94%**	**13.75%**
Pillar 2 guidance (P2G)	3.25%	3.25%	3.25%	2.00%	2.00%	2.00%
OCR + P2G	**12.49%**	**14.60%**	**17.41%**	**10.83%**	**12.94%**	**15.75%**

As a result of the 2022 SREP process performed by the European Central Bank (ECB), Addiko Bank AG received on 14 December 2022 the decision which continues to stipulate a P2R of 3.25% from 1 January 2023 (at least 56.25% must be held in CET1 and at least 75% in Tier 1).

In relation to the combined buffer requirement (CBR) it should be noted that at the end of the first quarter of 2023, the countercyclical capital buffer (CCyB) amounts to 0.16%. The CCyB rate of Croatia was 0.5% which increased the CCyB requirement of Addiko Group by almost 0.16%. On 31.12.2023 the CCyB rate of Croatia will be set to 1.0%. At the same time the CCyB rate of Slovenia will raise from 0 to 0.5%. Both will raise the CCyB requirement by approximately 0.29% to 0.45%. In addition, the FMA published on 21 December 2022 that Addiko is subject to a systemic risk buffer (SyRB) of 0.5% at the consolidated level on the grounds of systemic concentration risk. The SyRB will be raised gradually by 0.25 percentage points starting from the 1 January until the 31 December 2023 and reaching the full level starting from the 1 January 2024. Addiko cannot follow the rationale regarding systemic concentration risk and has therefore submitted an appeal against the FMA ordinance regarding the SyRB to the Federal Administrative Court.

Following the SREP 2022, Addiko Group is expected to meet a Pillar 2 guidance (P2G) of 3.25% with CET1 valid as of 1 January 2023 onwards, up from 2% from the SREP 2021 decision.

The capital requirements in force during the reporting period, including a sufficient buffer, were met at all times on a consolidated basis.

Consolidated own funds

The regulatory reporting on a consolidated basis is performed at the level of Addiko Bank AG as the EU parent financial holding company of the group of credit institutions.

As of 1 January 2023, the transitional arrangements in accordance with Article 468 CRR of the regulation EU 2020/873 as well as in relation to the static component of the IFRS 9 transitional capital rules published by the EU on 21 December 2017 and amended on the 24 June 2020 expired. For this reason, as of 31 March 2023, there is no difference between the transitional and the fully loaded regulatory capital base.
The following table shows the breakdown of the own funds of the Group as per 31 March 2023 and 31 December 2022 pursuant to CRR using IFRS figures. All comparative figures are prepared on a fully loaded basis.

EUR m

Ref		31.03.2023	31.12.2022[1]
	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	286.5	284.4
3	Accumulated other comprehensive income (and other reserves)	249.1	241.1
5a	Independently reviewed (interim) and eligible profits net of any foreseeable charge or dividend	0.0	2.1
5aa	o/w Interim eligible profit of the current year	0.0	25.7
5ab	o/w Foreseeable charge or dividend	0.0	-23.6
6	**CET1 capital before regulatory adjustments**	**730.6**	**722.6**
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-0.9	-0.9
8	Intangible assets (net of related tax liability)	-14.3	-15.4
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met)	-10.4	-10.3
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-3.2	-0.4
25a	Losses of the current financial year (negative amount)	0.0	0.0
27a	Other regulatory adjustments	-0.1	-0.1
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-29.0**	**-27.2**
29	**Common Equity Tier 1 (CET1) capital**	**701.7**	**695.4**
	Tier 2 (T2) capital: instruments and provisions		
58	**Tier 2 (T2) capital**	**0.0**	**0.0**
59	**Total capital (TC = T1 + T2)**	**701.7**	**695.4**
60	Total risk weighted assets	3,506.9	3,481.0
	Capital ratios and buffers %		
61	**CET1 ratio**	**20.0%**	**20.0%**
63	**TC ratio**	**20.0%**	**20.0%**
64	Institution CET1 overall capital requirement	9.2%	8.8%
65	o/w capital conservation buffer requirement	2.5%	2.5%
66	o/w countercyclical buffer requirement	0.2%	0.0%
68	CET 1 available to meet buffer (as % of risk exposure amount)	8.8%	8.7%
	Amounts below the thresholds for deduction (before risk weighting)		
72	Not significant direct and indirect holdings of own funds and eligible liabilities of financial sector entities (amount below 10% threshold and net of eligible short positions)	4.9	4.7
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)	25.7	26.7

[1] Comparative figures are prepared on a fully loaded basis.

Total capital increased by EUR 6.3 million during the reporting period, reflecting the following components:

- The positive OCI development of EUR 7.7 million: EUR +7.3 million from debt instruments and EUR +0.3 million from equity instruments measured at FVTOCI, EUR +0.1 million from the change of foreign currency reserves.
- The EUR 1.0 million decrease of other regulatory deduction items resulting from: a lower amount of intangible assets (EUR +1.1 million), the decrease in the prudential valuation adjustments connected with assets/liabilities measured at fair value (EUR +0.1 million) and the increase of a deduction item out of non-performing exposures in context with the SREP process (EUR -0.1 million). The deferred tax assets on existing taxable losses remained stable during the period (EUR -0.1 million).
- The negative effect of EUR -2.8 million connected with the share buy-back program deriving from the combined effect of equity-settled share-based payments (EUR +0.4 million) and the ECB approval for the buy-back of additional EUR 3.2 million of Addiko own CET1 instruments.
- The CET1 includes the YE22 audited result of EUR 25.7 million, less the foreseeable dividends of EUR -23.6 million which have been approved by the Annual General Meeting on 21 April 2023 and distributed to shareholders on 4 May 2023. With reference to Article 26 CRR, the interim profit of the first quarter of 2023 was not included into the calculation of the regulatory capital.

Risk structure

Addiko Group uses the standardised approach in the calculation of the credit and operational risk, which partly explains the relatively high risk density (measured by comparing RWA to assets) of 59.0% (YE22: 58.2%). 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 25.9 million during the reporting period:

- The RWA for credit risk increased by EUR 60.2 million, mainly driven by new disbursements in the focus segments Consumer and SME (EUR 55 million). This development was partially compensated by the exposure reduction in the non-focus segments Mortgages (EUR -12 million), Public Finance (EUR –3 million) and Large Corporates (EUR -1 million). Furthermore, the application of the article 500a of the regulation (EU) 2020/873 led to higher risk weights for certain sovereigns and financial institutions (EUR 14 million). IT investment (EUR 4 million) as well as an increase in the risk position value in the higher weighted credit conversion factors (EUR 3 million) led to higher EAD and thus RWA.
- RWA for counterparty credit risk (CVA) remained stable during the reporting period (EUR -0.3 million).
- The RWAs for market risk decreased by EUR -34.0 million, principally driven by the introduction of EURO in Croatia which eliminated the residual HRK open position, reducing RWA by EUR -26 million.
- 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	31.03.2023	31.12.2022[1)]
1 Credit risk pursuant to Standardised Approach	2,989.4	2,929.2
6 Counterparty credit risk	3.7	4.0
20 Market risk	110.8	144.8
23 Operational risk	403.0	403.0
29 Total risk exposure amount	**3,506.9**	**3,481.0**

1) Comparative figures are prepared on a fully loaded basis.

Leverage ratio

The leverage ratio for the Addiko Group, calculated in accordance with the CRD IV, was 11.3% on 31 March 2023 (YE22: 11.1%). The development is due to the above-mentioned development of the Tier 1 capital and the leverage ratio exposure, with both components contributing equally to the increase in the ratio.

EUR m

Ref	31.03.2023	31.12.2022[1)]
2 Tier 1 capital	701.7	695.4
13 Total leverage ratio exposure	6,237.0	6,293.0
14 Leverage ratio %	**11.3%**	**11.1%**

1) Comparative figures are prepared on a fully loaded basis.

MREL

The Bank Recovery and Resolution Directive (BRRD) provides that institutions established in the European Union (EU) should meet a minimum requirement for own funds and eligible liabilities (MREL) to ensure an effective and credible application of the bail-in tool. 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.

Based on the yearly resolution plan received on 28 January 2022 from the SRB, only Addiko Bank d.d. (Croatia) was identified to provide critical functions to the market and for this reason classified as resolution entity. The recapitalisation amount defined for the Croatian entity is already covered by the available local own funds and eligible liabilities. On 22 February 2023, Addiko received the draft decision of the new yearly resolution plan. Based on this draft decision, the Internal Resolution Team presented that, in addition to Addiko Bank d.d. (Croatia), also Addiko Bank d.d. (Slovenia) would provide critical functions to the local market. Addiko is currently in dialogue with the SRB expressing its different view in relation to this assessment as part of the right to be heard process. By the time of the finalisation of the quarterly report, Addiko did not yet receive any updated resolution plan decision. In case SRB would maintain its preliminary view, Addiko estimates that the expected recapitalisation amount will be covered by the already available local own funds and eligible liabilities.

Addiko Bank

9. 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
BaSAG	Bundesgesetz über die Sanierung und Abwicklung von Banken, "Austrian Banking Recovery and Resolution Act"
Change CL/GPL (simple Ø)	Change in CL / simple Ø gross performing loans
CL	Credit loss
Common Equity Tier 1 (CET1)	Own funds as defined by Art 26 et seq. CRR which represent the highest quality of capital
Additional Tier 1 (AT1)	Own funds as defined by Art 51 et seq. CRR
Cost/Income ratio (CIR)	Operating expenses / (Net interest income + Net fee and commission income)
Cost of risk ratio	Credit loss expenses on financial assets/Credit risk bearing exposures (not annualised)
Credit institutions	Any institution covered by the definition in Article 4(1)(1) of CRR ("undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account") and multilateral development banks (MDBs)
Coverage Ratio 1	Describes to which extent defaulted non-performing exposure have been covered by impairments (individual and portfolio-based loan loss provisions) thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses set in relation to defaulted non-performing exposure
Coverage Ratio 3	Describes to which extent defaulted non-performing exposure have been covered by impairments (individual and portfolio-based loan loss provisions) as well as by collaterals at internally recongised value, thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses plus allocated collaterals set in relation to defaulted non-performing exposure
CRR	Capital requirements regulation; Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Text with EEA relevance
CESEE	Central Eastern and South-Eastern Europe
Customer loans	Exposure of on balance loans including accrued interest, gross amount of provisions of performing and non-performing loans
Derivatives	Financial instruments whose value depends on the value of an underlying asset (such as stocks or bonds)
ECB	European central bank
ECL	Expected credit loss
Fair value	Price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date
FMA	Finanzmarktaufsicht
FVTOCI	Fair value through other comprehensive income
FX&DCC	Foreign exchange and dynamic currency conversion
Gross disbursements	Disbursements include disbursements of term loans (Consumer- Mortgage and Housing loans and Corporate term loans, not including revolving loans) and internal refinancing which relates to intra – bank transactions.
Gross exposure	Exposure of on and off-balance loans including accrued interest and gross amount of provisions for performing loans and non-performing loans
Gross performing loans (GPL)	Exposure of on balance loans without accrued interest but including gross amount of provisions of performing loans
Households	Individuals or groups of individuals as consumers and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market

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

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

Addiko Bank

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11. Disclaimer

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