Addiko Bank

Disclosure Report 2021

pursuant to Part Eight
of the Capital Requirements Regulation (CRR)

Addiko Bank

Disclosure Report 2021

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1 Introduction

Addiko Group is a consumer and small and medium-sized enterprises (SME) specialist banking group in Central and South Eastern Europe (CSEE). Addiko Group consists of Addiko Bank AG, the listed fully-licensed Austrian parent bank registered in Vienna, Austria, and regulated by the Austrian Financial Markets Authority and by the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates via two banks), Serbia and Montenegro. Addiko Group, through its six subsidiary banks, services as of 31 December 2021 approximately 0.8 million customers in CSEE, using a well-dispersed network of 155 branches and modern digital banking channels.

The purpose of this report is to provide disclosures as required by the global regulatory framework for capital and liquidity, established by the Basel Committee on Banking Supervision. From a risk perspective, the main bank-wide steering processes are performed by Addiko Bank AG. These processes are disclosed in this report.

1.1 Disclosure policy and structure

Art 431, 433 and 434 CRR

The Disclosure Report of Addiko Group meets the disclosure requirements of Part Eight of the CRR and is in accordance with Art 431 to 455 CRR, which took effect on 1 January 2014. In addition, the report complies with the requirements set in relevant technical standards, the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards (ITS) with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 and other relevant guidelines.

The preparation of the Disclosure Report and the formal review for completeness and compliance with the applicable requirements is carried out by a structured process within the relevant departments of Addiko. Quantitative reports are precisely aligned with the information disclosed in the year-end financial statements or the reports prepared for the regulator (Corep and Finrep). The report is unaudited.

All disclosures are prepared on a consolidated basis and in EUR million, unless stated otherwise. EU banking legislation and EBA guidelines require Addiko Group as “other institution” according to Art. 433c CRR to disclose all the information required under Part Eight on an annual basis and certain information on a semi-annual basis.

Pursuant to Article 434 (1) CRR, Addiko has opted for the internet as the medium of publication of the Disclosure Report. Details are available on the website of Addiko at www.addiko.com.

1.2 Regulatory framework for disclosures

Implementation of Basel 3 in the European Union (EU)

On 16 April 2013, the European Parliament adopted the new capital and liquidity requirements for the implementation of Basel 3 in the EU. On 27 June 2013, the final Capital Requirements Directive IV (CRD IV) and the final Capital Requirements Regulation (CRR) were published in the Official Journal of the EU. The application of the new regulatory requirements for credit institutions and investment firms became effective as of 1 January 2014. As of this time, Addiko Group has been calculating regulatory capital and regulatory capital requirements according to Basel 3. On 27 June 2019, an amendment of CRR was published (Regulation (EU) No.2019/876) with some of its provisions already valid, as well as an amendment of CRD (Directive (EU) 2019/878 –CRD V). On 26 June 2020 another amendment to CRR was published (Regulation (EU) No. 2020/873) as response to the COVID-19 pandemic.

In the context of this document, the ‘EU banking legislation’ describes the package of CRR, CRD and regulatory/implementing technical standards. It commonly refers as containing the following three Pillars:

- **Pillar 1 – Minimum requirements**
  Pillar 1 contains mechanisms and requirements for the calculation by financial institutions of their minimum capital requirements for credit risk, market risk and operational risk. As such, it details the different methods available for calculating risk weighted assets for the three risk types and provides information on the eligibility criteria for the constituents of the capital base. Under Basel 3, a leverage exposure requirement was introduced to complement the minimum risk-based capital requirements; however, the leverage ratio is not yet a binding requirement for EU institutions as the date of application was deferred by one year (until 1 January 2023) in the context of the CRR amendments approved in June 2020. Basel 3 extended minimum requirements to also cover liquidity in addition to capital. In this regard, Pillar 1 specifies the requirements for the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), with the latter not yet a binding requirement in the EU.

- **Pillar 2 – Supervisory review process**
  Pillar 2 requires banks to conduct an Internal Capital Adequacy Assessment Process (ICAAP) to demonstrate that they have implemented methods and procedures to safeguard capital adequacy with due attention to all material risks. The ICAAP supplements the minimum regulatory requirements of Pillar 1. It considers a broader range of risk types as well as Addiko Group's risk and capital management capabilities. Simultaneously with the introduction of Pillar 1 requirements for liquidity through the Basel 3 framework, the ICAAP was complemented with an Internal Liquidity Adequacy Assessment Process (ILAAP) to ensure that banks have implemented processes and tools to safeguard the adequacy of their funding and liquidity. Furthermore, Pillar 2 requires supervisors to conduct a Supervisory Review and Evaluation Process (SREP) to assess the soundness of banks' ICAAP and ILAAP and take any appropriate actions that may be required.

- **Pillar 3 – Market discipline**
  Pillar 3 is intended to complement Pillar 1 and Pillar 2. It requires that financial institutions produce disclosures that allow market participants to assess the scope of application by banks of the Basel Committee's framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy. Pillar 3 requires all material risks to be disclosed to provide a comprehensive view of a bank's risk profile.

In December 2016, the European Banking Authority (EBA) published final guidelines on the Pillar 3 disclosure requirements aimed at improving and enhancing the consistency and comparability of institutions' disclosures. These guidelines apply from 31 December 2017 and Addiko Group's disclosures have been prepared in accordance with these guidelines.

The Group has adopted the EU's regulatory transitional arrangements for International Financial Reporting Standard ('IFRS') 9 Financial instruments. All exposure tables in this document have been prepared on an IFRS 9 transitional basis.

1.3 CRR 'Quick Fix'

The European Commission published on 26 June 2020 an amending regulation (two regulations were amended) to address the impact of Covid-19 pandemic on the economy in order to maximise the capacity of credit institutions to lend and absorb losses related to the pandemic.

Amendment of CRR (EU) No. 575/2013:

- Modification of the calculation of the leverage ratio to exclude central bank reserves,
- Extension of the provisions of ECL accounting under the IFRS 9 from 2018-2022 to 2020-2024,
- Temporary treatment of public debt issued in the currency of another Member State,
- Extension of the preferential treatment regarding provisioning requirements to exposures guaranteed by the public sector for 7 years. The preferential treatment is usually only available for NPLs guaranteed of official export credit agencies.

Amendment of CRR II (EU) No. 2019/876:

- Bringing forward the implementation of:
  - Provisions on the treatment of certain loans granted by credit institutions to pensioners or employees,
  - Adjustments of risk weighted non-defaulted SME exposures (SME supporting factor)
  - The preferential treatment of exposures to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential public services (Infrastructure supporting factor),
- Exempt prudently valued software assets from CET1 calculations.

The amending application applied directly the day after publication in the Official Journal, starting on 27 June 2020, only temporary exclusion of certain central bank reserves applied from 28 June 2021.

The amending Capital Requirements Regulation (EU) No 2019/876 (CRR II) introduced new disclosure requirements for institutions, and a mandate for the EBA to implement them in a way that conveys sufficiently comprehensive and comparable information for market participants to assess the risk profiles of institutions (Article 434a of the CRR II). The new Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards (ITS) with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 aims to reinforce market discipline, by increasing consistency and comparability of institutions' public disclosures, and to implement the CRR II regulatory changes in alignment with the revised Basel Pillar 3 standards. This Regulation apply from 28 June 2021 and Addiko Group's disclosures have been prepared in accordance with this guideline.

1.4 Environmental, Social and Governance (ESG) Risks

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

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

As a first step, and in line with available regulatory inputs, Addiko concentrates on environmental risk management. During 2021 Addiko performed a Climate & Environmental risks materiality assessment, paying attention both to physical as well as transmission risks, with the results indicating that, due to the granularity and diversification of Addiko Group's loan portfolio, there is no immediate material threat to quality of Assets of Addiko Group, while potential impact on the macroeconomy in the area of Addiko operation means Addiko Group will be mainly impacted via macroeconomic transmission channels.

Acute and chronic climate and environmental risks already impact macroeconomic indicators, whereby the severity of this impact over the medium- to long term is highly dependent on the measures taken to curb climate change. While no immediate danger for Addiko Group was identified, the urgency and uncertainty of the ESG risks require the continuous monitoring.

Addiko has already identified industries which are and might in the future be impacted by climate and environmental risk, but at end of 2021, Addiko Group's loan portfolio does not show any concentration in these industries, and measures are being put in place to monitor and limit such exposures.

Within operational credit-granting process, Addiko has defined measures to recognise the potential impact of climate and environmental risk on the asset quality of the clients in affected industries. Proper assessment is necessary in order to prevent potential financial, legal or reputational consequences for the bank that might appear in case that bank supports financing of the respective company.

Chapter 10 contains a description about the assessment of the materiality of climate-related and environmental risks (C/E risks) under various scenarios for the short, medium and long-term.

1.5 Governance arrangements

Art 435 (2) a CRR

The table below provides information about the number of directorships held by members of the Management Board of Addiko Bank AG per 31 December 2021:

Name of Member of the Management Board	Function in Addiko Bank A	Number of directorships			
		Internal functions		External functions	
		Management	Supervisory	Management	Supervisory
Herbert Juranek	Chairman of the Management Board	1	1	2	0
Tadej Krasovec	Member of the Management Board	2	1	0	0
Ganesh Krishnamoorthi	Member of the Management Board	2	0	0	0

Table 1: Information about the number of directorships held by members of the Management Board

The following table shows information about the number of directorships held by members of the Supervisory Board of Addiko Bank AG per 31 December 2021:

Name of Member of the Supervisory Board	Function in Addiko Bank AG	Number of directorships			
		Internal functions		External functions	
		Management	Supervisory	Management	Supervisory
Kurt Pribil	Chairman of the Supervisory Board	0	1	0	1
Pieter van Groos	Member of the Supervisory Board	0	1	3	1
Dragica Pilipović-Chaffey	Member of the Supervisory Board	0	1	5	0
Sebastian Prinz Schoenaich-Carolath	Member of the Supervisory Board	0	1	0	2
Monika Wildner	Member of the Supervisory Board	0	1	0	2
Frank Schwab	Member of the Supervisory Board	0	1	2	1
Christian Lobner	Member of the Supervisory Board	0	1	0	0
Thomas Wieser	Member of the Supervisory Board	0	1	0	0

Table 2: Information about the number of directorships held by members of the Supervisory Board

Art 435 (2) b CRR

The selection and the process for the evaluation of the suitability of the members of the Management and Supervisory Board as well as the key function holders are defined in the Addiko Fit & Proper Policy.

Assessment criteria for the selection of members of the Management Board (Professional Competences) are:

- Education: Completion of relevant studies or courses (studies at a university or a university of applied sciences in economics, law or sciences) or external or internal training or relevant training and continuing education measures
- Sufficient work experience, in particular managerial experience as an executive or expert, which can be assumed if it is proved that the management function has been held with an organization of a similar or larger size and line of business for at least three years

- Knowledge of financial markets; regulatory framework conditions (European Banking Supervision Law, the Austrian Banking Act, FMA Circular Letters and Minimum Standards, etc.); strategic planning and business management; risk management; business organization, governance and control knowing the articles of association; accounting for banking operations; interpretation of banking ratios; basic knowledge of corporate law and the law of business organizations; depending on the business model and the responsibilities foreign language skills

In this regard the Management Board needs to be sufficiently suitable as a whole. Specific members possessing distinct skills may compensate less distinct skills of other members in such areas, in particular in view of the schedule of responsibilities. Skills and expertise of each member of the Management Body of Addiko Bank AG are presented on the website of Addiko.

Art 435 (2) c CRR

All external communications and employer branding activities are organized to attract the most talented potential employees and are free of any discrimination that might detain from business activities with Addiko Group. The selection and recruitment process of candidates is transparent and promotes equal opportunities and equal treatment with all candidates. While recruiting, the selection criteria must not be based on any of the diversity dimensions, it is necessary to create an environment that allows employing candidates of different backgrounds, experiences and perspectives to contribute to united achievements without limitation.

Art 435 (2) d CRR

The Risk Committee is one of the committees set up by the Supervisory Board (SB) of the Addiko Group. In 2021 it was joined with the Credit Committee to the Credit and Risk Committee. The committee is responsible for granting of loans and credits to customers or to a group of affiliated customers in accordance with the Rules of Procedure of the Supervisory Board and to advice the management body with regard to the current and future risk appetite and the risk strategy of the bank. In order to monitor the implementation of this risk strategy in connection with the management, monitoring and limitation of risks pursuant to section 39 (2b) points 1 to 14 Austrian Banking Act, capital adequacy and liquidity, is a key responsibility.

As the central risk control body the Credit and Risk Committee has frequent meetings. In 2021 it was held nine times.

Art 435 (2) e CRR

The Management Board is informed on a monthly basis via the Group Risk Report on the current risk situation which includes the ICAAP figures. Additionally, MB members who are also part of the Group Risk Executive Committee Meetings (GREC) are informed in more detail on the risk situation including methodological decisions, changes in parameter values as well as adoption of measures based on stress test results and limit breaches.

The Group Risk Reports are also presented in the Supervisory Board meetings along with the quarterly figures. Additionally, the SB members, who are part of the Risk Committee, receive an overview of the developments in the risk area since the last Risk Committee meeting and a deep dive in focus topics (e.g. portfolio quality development, migration analysis, rating report).

Moreover, the Management Body receives Market and Liquidity Risk Reports as well as Operational Risk, Compliance and Audit Reports.

1.6 Scope of application

1.6.1 Consolidation for accounting and regulatory purposes

Article 436 a - d CRR

Consolidation for regulatory purposes is carried out in accordance with Article 18 and 19 of Regulation No 575/2013 (CRR), with the financial statements of the individual companies and the consolidated financial statements being prepared in accordance with the principles of the IFRS (International Financial Reporting Standards). The criteria used to determine the scope of consolidation are total assets and off-balance sheet items. The scope of consolidation for regulatory purposes is identical to the scope of consolidation for accounting purposes.

Name of the institution, for which this Disclosure Report is published: **Addiko Bank AG.**

As of 31 December 2021, the scope of consolidation included 7 fully consolidated companies. The following table shows an overview of the consolidated companies:

			Method of prudential consolidation					
Name of the entity	City	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the entity
Addiko Bank AG	Vienna	Full consolidation	x	-	-	-	-	Credit institution
Addiko Bank d.d.	Ljubljana	Full consolidation	x	-	-	-	-	Credit institution
Addiko Bank d.d.	Zagreb	Full consolidation	x	-	-	-	-	Credit institution
Addiko Bank d.d.	Sarajevo	Full consolidation	x	-	-	-	-	Credit institution
Addiko Bank a.d. Banja Luka	Banja Luka	Full consolidation	x	-	-	-	-	Credit institution
Addiko Bank a.d. BEOGRAD	Beograd	Full consolidation	x	-	-	-	-	Credit institution
ADDIKO BANK A.D. PODGORICA	Podgorica	Full consolidation	x	-	-	-	-	Credit institution

Table 3: Template EU LI3 - Outline of the differences in the scopes of consolidation (entity by entity)

1.6.2 Breakdown of assets and liabilities of the consolidated financial statements

EUR m

Breakdown by asset classes according to the balance sheet in the published financial statements	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Cash reserves	1,361.7	1,361.7	1,361.7	0.0	0.0	0.0	0.0
Financial assets held for trading	32.6	32.6	20.8	11.8	0.0	0.0	0.0
Loans and advances to credit institutions	5.7	5.7	5.7	0.0	0.0	0.0	0.0
Loans and advances to customers	3,278.7	3,278.7	3,287.1	0.0	0.0	0.0	0.0
Investment securities	1,012.2	1,012.2	1,009.5	2.7	0.0	0.0	0.0
Property, plant and equipment	65.5	65.5	65.7	0.0	0.0	0.0	0.0
Investment property	5.1	5.1	5.1	0.0	0.0	0.0	0.0
Intangible assets	26.7	26.7	26.7	0.0	0.0	0.0	0.0
Current tax assets	2.7	2.7	2.7	0.0	0.0	0.0	0.0
Deferred tax assets	24.1	24.1	24.9	0.0	0.0	0.0	0.0
Other assets	14.9	14.9	14.9	0.0	0.0	0.0	0.0
Non-current assets held for sale	12.3	12.3	12.3	0.0	0.0	0.0	0.0
Total assets	**5,842.3**	**5,842.3**	**5,837.1**	**14.5**	**0.0**	**0.0**	**0.0**

Table 4: Template EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories (total assets)

EUR m

Breakdown by liability classes according to the balance sheet in the published financial statements	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Financial liabilities held for trading	2.3	2.3	0.0	0.0	0.0	0.0	0.0
Financial liabilities measured at amortised cost	4,933.6	4,933.6	0.0	0.0	0.0	0.0	0.0
Provisions	69.9	69.9	0.0	0.0	0.0	0.0	0.0
Current tax liabilities	5.8	5.8	0.0	0.0	0.0	0.0	0.0
Other liabilities	25.7	25.7	0.0	0.0	0.0	0.0	0.0
Total liabilities	**5,037.3**	**5,037.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Table 5: Template EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories (total liabilities)

EUR m

	Total	Items subject to			
		Credit risk framework	Securitisation framework	CCR framework	Market risk framework
Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	**5,842.3**	**5,837.1**	**0.0**	**14.5**	**0.0**
Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total net amount under the scope of prudential consolidation	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Off-balance-sheet amounts	**985.4**	**985.4**	**0.0**	**0.0**	**0.0**
Differences in valuations	-1.1	-1.1	0.0	0.0	0.0
Differences due to different netting rules, other than those already included in row 2	0.0	0.0	0.0	0.0	0.0
Differences due to consideration of provisions	7.2	7.2	0.0	0.0	0.0
Differences due to the use of credit risk mitigation techniques (CRMs)	33.3	33.3	0.0	0.0	0.0
Differences due to credit conversion factors	630.4	630.4	0.0	0.0	0.0
Differences due to Securitisation with risk transfer	0.0	0.0	0.0	0.0	0.0
Other differences	37.1	37.1	0.0	0.0	0.0
Exposure amounts considered for regulatory purposes	**6,120.8**	**6,189.8**	**0.0**	**14.5**	**0.0**

Table 6: Template EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

1.6.3 Impediments to the transfer of own funds

Art 436 f CRR

Currently there are no restrictions or other significant impediments to the transfer of own funds or regulatory capital known within Addiko Group. Generally, a transfer of own funds would be possible only under the precondition of fulfilling existing capital minimum ratios on the level of the individual entities.

1.6.4 Total shortfall in own funds of all subsidiaries not included in the scope of consolidation

Art 436 g CRR

As of 31 December 2021 there was no capital shortfall at any of the companies included in Addiko Group's consolidation.

1.6.5 Usage of the provisions laid down in Articles 7 and 9

Art 436 h CRR

There are no issues for the usage of Articles 7 and 9 CRR in Addiko Group.

2 Risk management objectives and policies

For a detailed description of Addiko's risk strategies and processes, the structure and organization of the relevant risk management functions, as well as risk identification and risk management objectives and policies for each separate category of risk, please refer to the Risk Report in the Notes of the Addiko Group's Annual Report 2021.

Art 435 (1) a-f CRR

2.1 Risk control and monitoring

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

The following central principles apply to Addiko's overall risk controlling and monitoring:

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

The risk bearing capacity is calculated on a monthly basis. The calculation and its components are discussed and reported regularly to the entire Management Board in the Group Risk Executive Meeting.

KPI Risk Metrics	31.12.2021
RBC Utilisation	44.3%
TCR Addiko Group	22.2%
RWA Pillar I - Addiko Group (EURm)	3,624.9
Leverage Ratio	12.9%
LCR	252.1%
NSFR	162.2%
Share of NPE (EBA Definition)	4.0%

Table 7: KPI Risk Metrics

Other important figures and information according to Article 435 (1) f CRR can be found in note (78) Related party disclosure of the Group Annual Report 2021.

The Management Board of Addiko bank declares that :

- Risk profile of the Addiko can be described as simple and streamlined, focused mainly on taking and managing credit risk stemming from exposure to loans to focus segments, while keeping other risks to the minimum possible needed to effectively operate the business.
- Risk management systems of Addiko are adequate with regard to the institution's profile and strategy.

Addiko Group currently does not apply any form of hedge accounting according to IFRS accounting standards. The hedging of interest rate risk of Addiko entities investment portfolios and balance sheet is currently performed only in Addiko Croatia and Addiko Holding via interest rate swaps at a very small scale, both in terms of overall volume and number of transactions. Notwithstanding the above, the interest rate risk in the banking book is being continuously monitored and presented in the monthly Group Asset and Liability Committee meetings. Furthermore, foreign exchange risk across Addiko Group entities is hedged via standardized instruments such as fx swap, fx outright and fx spot transactions. Addiko concentrates its business model on consumer and SME lending, where derivatives are in most cases executed as side-business to support clients' needs from the above-mentioned focus business channels. As such, all derivatives conducted with non-financial clients are always closed back-to-back, hence mitigating or even completely eliminating the trading activity influences. Pricing of derivatives is always completely conducted by respecting the market conditions.

2.2 Risk strategy & Risk Appetite Framework (RAF) & Risk Appetite Statement

Addiko Group is the leading specialist in Consumer and SME financing in the SEE region. To support this vision Addiko Group closely aligned its business strategy and its Risk strategy, which represents the bridge between business and risk orientation. Considering key risk principles, the risk strategy is translated into risk dimensions and further broken-down into sub-risk strategies. The Risk strategy formulates the fundamental attitudes toward risk and risk management.

Considering both its business/risk objectives and its Risk Capacity, Addiko derives its Risk Appetite, which is further specified in the Risk Appetite Statement. Statement defines the aggregated level of risk and types of risk that Addiko Group is willing to accept. The aggregated risk appetite statement is subsequently allocated to more granular levels via individual risk limits. Risk limits are aligned with the recovery indicators, which ensures that the Risk Appetite and the Recovery Plan are interlinked and consistent.

The Risk Appetite Framework comprises on the one hand the risk appetite statement and the risk limits and on the other hand relevant governance arrangements (which also form part of the overall Risk Management Framework; e.g. ICAAP/ILAAP process).

The monitoring of the Key Risk Indicators is done on a monthly basis and is reported to the Management Board.

2.3 Risk organisation

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

Risk Management Function (RMF) in Addiko encompasses the CRO (who is also Head of the Risk Management Function) as well as the following departments reporting to CRO:
- Group Credit Risk Management
- Group Integrated Risk Management
- Group Models and Data

The Risk Management Function (RMF) facilitates the implementation of a sound risk management framework throughout the institution and has the responsibility for identifying, monitoring, measuring and reporting risks and forming a holistic view on all risks on an individual and consolidated basis. In doing so, it represents (together with the Compliance Function) the "second line of defense" in the "three lines of defense" model.

The RMF is actively involved in all strategic decisions, as well as in decisions on material changes and implementation of new products. The RMF oversees the robustness and sustainability of the Risk Strategy and the Risk Appetite as well as their translation into operative risk limits. Subsequently the RMF is responsible to monitor breaches of Risk Appetite thresholds, and initiate escalation processes.

The RMF is actively involved in all strategic decisions, as well as in decisions on material changes and implementation of new products. The RMF oversees the robustness and sustainability of the Risk Strategy and the Risk Appetite as well as their translation into operative risk limits. Subsequently the RMF is responsible to monitor breaches of Risk Appetite thresholds, and initiate escalation processes.

The RMF provides the Group Management Board with independent information, analyses and expert judgement on risk exposures, and advice on proposals and the consistency of risk decisions with Addiko Group's risk strategy and risk appetite.

This encompasses the requirements of relevant risk-related information that enables the Group Management Board to set Addiko Group's risk appetite level.

The involvement and decision-making power of RMF is in particular ensured via:

- the role of the Head of the Risk management Function as member of the Group Management board
- internal decision-making model reflected in Rules of Procedure of Management Board and Supervisory Board and its committees,
- Product implementation Process, and
- Exposure approval rights structure.

The RMF evaluates risks and proposes ways to mitigate them. It modifies and proposes modifications and improvements of processes and tools of risk management.
The RMF may also recommend improvements to the Risk Management Framework and corrective measures to remedy breaches of risk policies, procedures and limits.
The RMF gives support to the first line of defense and defines controls for the departments that actively take on risks (e.g. Market, Treasury).
The accountability for the decisions taken remain with the business and internal units, and ultimately the management body.

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

2.4 Internal risk management guidelines

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

Addiko has clearly defined responsibilities for all risk guidelines, including preparation, review and update as well as roll-out to the subsidiaries. Each of these guidelines must be implemented at local level by the subsidiaries and adjusted to local conditions. Compliance with these guidelines is ensured by those directly involved in the risk management process. Process-independent responsibility control is carried out by Internal Audit.

3 Capital and RWAs

3.1 Own funds

Art. 437 (1) a, d-f CRR

The following table presents the capital structure according to EU regulation 573/2013 (CRR):

		EUR m	
		Amounts	Source based on reference numbers/letters of the balance sheet (EU CC2) under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	195.0	Subscribed capital
	of which: Instrument type 1	195.0	Subscribed capital
	of which: Instrument type 2	0.0	
	of which: Instrument type 3	0.0	
2	Retained earnings	270.8	o/w Retained earnings (previous years)
3	Accumulated other comprehensive income (and other reserves)	325.2	Capital reserves, Fair value reserve, o/w Legal Reserve, o/w Liability Reserve, o/w Other Reserves
EU-3a	Funds for general banking risk	0.0	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0.0	
5	Minority interests (amount allowed in consolidated CET1)	0.0	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	13.6	o/w Retained earnings (current year)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	804.6	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-1.1	Financial assets held for trading, Investment securities, Financial liabilities held for trading - AVA simplified approach
8	Intangible assets (net of related tax liability) (negative amount)	-16.1	Intangible assets after application of prudential treatment on software assets - EBA/CP/2020/11
9	Empty set in the EU	0.0	
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) (negative amount)	-10.4	Deferred tax assets acc.to Art.36 (1) c CRR
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0.0	
12	Negative amounts resulting from the calculation of expected loss amounts	0.0	
13	Any increase in equity that results from securitised assets (negative amount)	0.0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0.0	
15	Defined-benefit pension fund assets (negative amount)	0.0	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0.0	

17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	
20	Empty set in the EU	0.0	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0.0	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0.0	
EU-20c	of which: securitisation positions (negative amount)	0.0	
EU-20d	of which: free deliveries (negative amount)	0.0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0.0	
22	Amount exceeding the 17.65% threshold (negative amount)	0.0	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0.0	
24	Empty set in the EU	0.0	
25	of which: deferred tax assets arising from temporary differences	0.0	
EU-25a	Losses for the current financial year (negative amount)	0.0	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0.0	
26	Empty set in the EU	0.0	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0.0	
27a	Other regulatory adjustments (including IFRS 9 transitional adjustments when relevant)	27.1	n/a (exclusively regulatory requirement Art. 473a CRR)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-0.4**	
29	**Common Equity Tier 1 (CET1) capital**	**804.3**	
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	0.0	
31	of which: classified as equity under applicable accounting standards	0.0	
32	of which: classified as liabilities under applicable accounting standards	0.0	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) of CRR	0.0	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	0.0	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	0.0	

34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0.0
35	of which: instruments issued by subsidiaries subject to phase out	0.0
36	Additional Tier 1 (AT1) capital before regulatory adjustments	0.0
	Additional Tier 1 (AT1) capital: regulatory adjustments	
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0.0
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.0
41	Empty set in the EU	0.0
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0.0
42a	Other regulatory adjustments to AT1 capital	0.0
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0.0**
44	**Additional Tier 1 (AT1) capital**	**0.0**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**0.0**
	Tier 2 (T2) capital: instruments	
46	Capital instruments and the related share premium accounts	0.0
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	0.0
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	0.0
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	0.0
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	0.0
49	of which: instruments issued by subsidiaries subject to phase out	0.0
50	Credit risk adjustments	0.0
51	**Tier 2 (T2) capital before regulatory adjustments**	**0.0**
	Tier 2 (T2) capital: regulatory adjustments	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0.0
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0

54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	
54a	Empty set in the EU	0.0	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.0	
56	Empty set in the EU	0.0	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0.0	
56b	Other regulatory adjusments to T2 capital	0.0	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0.0**	
58	**Tier 2 (T2) capital**	**0.0**	
59	**Total capital (TC = T1 + T2)**	**804.3**	
60	**Total risk exposure amount**	**3,624.9**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	22.19%	
62	Tier 1 (as a percentage of total risk exposure amount)	22.19%	
63	Total capital (as a percentage of total risk exposure amount)	22.19%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	11.10%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.00%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	4.10%	
68	**Common Equity Tier 1 available to meet buffer (as a percentage of risk exposure amount)**	**10.09%**	
69	[non relevant in EU regulation]	0.0	
70	[non relevant in EU regulation]	0.0	
71	[non relevant in EU regulation]	0.0	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	3.3	Investment securities
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	0.0	
74	Empty set in the EU	0.0	
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)	13.8	Deferred tax assets

	Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0.0
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0.0
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0.0
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0.0
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
80	Current cap on CET1 instruments subject to phase out arrangements	0.0
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0.0
82	Current cap on AT1 instruments subject to phase out arrangements	0.0
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0.0
84	Current cap on T2 instruments subject to phase out arrangements	0.0
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0.0

Table 8: Template EU CC1 - Composition of regulatory own funds

EUR m

Assets - Breakdown by asset classes according to the balance sheet in the published financial statements	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to EU CC1
	As at period end	As at period end	
Cash reserves	1,361.7	1,361.7	
Financial assets held for trading	32.6	32.6	7
Loans and advances to credit institutions	5.7	5.7	
Loans and advances to customers	3,278.7	3,278.7	
Investment securities	1,012.2	1,012.2	7, 72
Property, plant and equipment	65.5	65.5	
Investment property	5.1	5.1	
Intangible assets	26.7	26.7	8
Current tax assets	2.7	2.7	
Deferred tax assets	24.1	24.1	10, 75
Other assets	14.9	14.9	
Non-current assets held for sale	12.3	12.3	
Total assets	**5,842.3**	**5,842.3**	

Table 9: Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements (total assets)

EUR m

Liabilities – Breakdown by liability classes according to the balance sheet in the published financial statements	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to EU CC1
	As at period end	As at period end	
Financial liabilities held for trading	2.3	2.3	7
Financial liabilities measured at amortised cost	4,933.6	4,933.6	
Deposits and borrowings of credit institutions	174.6	174.6	
Deposits and borrowings of customers	4,708.2	4,708.2	
Issued bonds, subordinated and supplementary capital	0.1	0.1	
Other financial liabilities	50.8	50.8	
Provisions	69.9	69.9	
Tax liabilities	5.8	5.8	
Other liabilities	25.7	25.7	
Total liabilities	**5,037.3**	**5,037.3**	

Table 10: Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements (total liabilities)

EUR m

Shareholders' Equity	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference to EU CC1
	As at period end	As at period end	
Equity holders of parent	805.1	805.1	
Subscribed capital	195.0	195.0	1
Capital reserves	237.9	237.9	3
Fair value reserve	0.9	0.9	3
Foreign currency reserve	-10.8	-10.8	3
Cumulated result and other reserves	382.1	382.1	
o/w Legal Reserve	19.5	19.5	3
o/w Liability Reserve	22.7	22.7	3
o/w Other Reserves	55.0	55.0	3
o/w Retained earnings (previous years)	270.8	270.8	2
o/w Retained earnings (current year)	13.6	13.6	EU 5a
o/w Share-based payments	0.5	0.5	
Non-controlling interest	0.0	0.0	
Total shareholders' equity	**805.1**	**805.1**	

Table 11: Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements (total shareholders' equity)

Common Equity Tier 1 according to Art. 26 et seq. and 51 et seq. of CRR consists of subscribed capital, reserves, comprehensive income and the audited profit for the financial year 2021 net of any forseeable charge or dividend. Regulatory adjustments of Tier 1 capital are considered according to Art. 36 and 56 of CRR.

The deductible item "intangible assets" consists of banking software solutions and other intangible assets and corresponds to the line item "Intangible assets" as disclosed in the audited financial statements 2021. The Draft Regulatory Standards on the prudential treatment on software assets – EBA/CP/2020/11 are applied and split the position into a capital deduction part and another part to be risk weighted by 100%.

The simplified approach is applied for additional value adjustments (AVA -prudent valuation). Consequently, the adjustment is directly proportional to the items measured at fair value as disclosed in the audited financial statements 2021.

The calculation of the deductible item "deferred tax assets" is done according to Art. 38 paragraph 5 of CRR and corresponds to deferred tax assets for tax losses carried forward as disclosed in the audited financial statements 2021.

Apart from the mentioned adjustments no further material deductions were made. All regulatory adjustments are in accordance with Art. 32-35, 36, 47-48, 56, 66 and 79 CRR.

There are no restrictions applied to the calculation of own funds in accordance with the Regulation (EU) 575/2013.

3.1.1 Main features, full terms and conditions of capital instruments

Art. 437 (1) b-c CRR

Capital instruments and main features	31.12.2021
1 Issuer	Addiko Bank AG
2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	AT000ADDIKO0
2a Public or private placement	Public
3 Governing law(s) of the instrument	Austria
3a Contractual recognition of write down and conversion powers of resolution authorities	N/A
Regulatory treatment	
4 Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1
5 Post-transitional CRR rules	Common Equity Tier 1
6 Eligible at solo/ (sub-)consolidated/ solo & (sub-)consolidated	Solo & sub-consolidated
7 Instrument type (types to be specified by each jurisdiction)	Share capital
8 Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 195.0m
9 Nominal amount of instrument	EUR 195.0m
9a Issue price	16 EUR
9b Redemption price	N/A
10 Accounting classification	Shareholders' equity
11 Original date of issuance	12.07.2019
12 Perpetual or dated	Perpetual
13 Original maturity date	No maturity
14 Issuer call subject to prior supervisory approval	No
15 Optional call date, contingent call dates, and redemption amount	N/A
16 Subsequent call dates, if applicable	N/A
Coupons / dividends	
17 Fixed or floating dividend/coupon	Floating
18 Coupon rate and any related index	N/A
19 Existence of a dividend stopper	N/A
20a Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21 Existence of step up or other incentive to redeem	N/A
22 Non-cumulative or cumulative	Non-cumulative
23 Convertible or non-convertible	Non-convertible
24 If convertible, conversion trigger (s)	N/A
25 If convertible, fully or partially	N/A
26 If convertible, conversion rate	N/A
27 If convertible, mandatory or optional conversion	N/A
28 If convertible, specify instrument type convertible into	N/A
29 If convertible, specify issuer of instrument it converts into	N/A
30 Write-down features	N/A
31 If write-down, write-down trigger (s)	N/A
32 If write-down, full or partial	N/A
33 If write-down, permanent or temporary	N/A
34 If temporary write-down, description of write-up mechanism	N/A
35 Position in subordination hierarchy in liquidation	N/A
36 Non-compliant transitioned features	No
37 If yes, specify non-compliant features	N/A
37a Link to the full term and conditions of the instrument (signposting	https://www.addiko.com/static/uploads/Addiko-Bank-AG-Listing-Prospectus-2019.pdf

Table 12: Template EU CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

3.1.2 Impact on own funds of the introduction of IFRS 9

Art. 473a CRR

On 1 January 2018, IFRS 9, the new accounting standard for financial instruments, took effect and replaced IAS 39, the previous accounting standard for measurements and classification of financial instruments.

Addiko has opted at the level of the Addiko Group to take advantage of the transitional capital rules in respect of IFRS 9 published by the EU on 21 December 2017 and amended on the 24 June 2020. These permit banks to add back to their capital base a portion of the impact that IFRS 9 has upon their loan loss allowances during the first five years of use. The portion that banks may add back resulting from initial application of IFRS9 amounts to 95%, 85%, 70%, 50% and 25% each in the first five years of IFRS 9. With introduction of regulation EU 2020/873 additional loan loss allowances since 1 January 2020 resulting from stages 1 and 2 due to Covid-19 pandemic can be included in own funds with a share of 100%, 100%, 75%, 50% and 25% each year until 2024.

As at 31 December 2021, by taking into consideration the above described transitional rules, the total capital ratio (Basel 3) in relation to the total risk (total eligible qualifying capital in relation to total risk pursuant to CRR) was 22.2% (YE20: 20.3%), well above the legal minimum requirement (8.0%). The total capital ratio calculated without applying IFRS 9 transitional rules would amount to 21.6% (YE20: 19.3%).

The table below discloses the impact of the adoption of IFRS 9 on own funds in accordance with guideline EBA/GL/2020/12:

EUR m

Available capital (amounts)		31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
1	Common Equity Tier 1 (CET1) capital	804.3	812.1	814.8	811.4	823.5
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	777.1	773.2	772.7	769.3	773.4
3	Tier 1 capital	804.3	812.1	814.8	811.4	823.5
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	777.1	773.2	772.7	769.3	773.4
5	Total capital	804.3	812.1	814.8	811.4	823.5
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	777.1	773.2	772.7	769.3	773.4
Risk-weighted assets (amounts)		31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
7	Total risk-weighted assets	3,624.9	4,091.6	4,124.1	4,053.3	4,053.1
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,597.7	4,052.8	4,082.0	4,011.2	4,003.0
Capital ratios		31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	22.19%	19.85%	19.76%	20.02%	20.32%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.60%	19.08%	18.93%	19.18%	19.32%
11	Tier 1 (as a percentage of risk exposure amount)	22.19%	19.85%	19.76%	20.02%	20.32%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.60%	19.08%	18.93%	19.18%	19.32%
13	Total capital (as a percentage of risk exposure amount)	22.19%	19.85%	19.76%	20.02%	20.32%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	21.60%	19.08%	18.93%	19.18%	19.32%
Leverage ratio		31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
15	Leverage ratio total exposure measure	6,227.9	6,422.4	6,340.0	6,313.1	6,286.9
16	Leverage ratio	12.91%	12.64%	12.85%	12.85%	13.10%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.53%	12.11%	12.27%	12.27%	12.40%

Table 13: Impact of the adoption of IFRS 9 on own funds and capital requirements

3.2 Capital requirements

3.2.1 Summary of the approach to assessing the adequacy of internal capital and result of the institution's internal capital adequacy assessment process

Art. 438 a, c CRR

For Addiko and its subsidiaries, the capital requirements are calculated for the Pillar 1 risk types credit, market and operational risk. Within the meaning of Article 92 (3) (a) and (f) CRR for the determination of risk-weighted assets and the capital requirement the Credit Risk Standardized Approach (CRSA) was used. For the ICAAP, within economic perspective, internal models are applied, wherein the forward looking risk parameters are used, and the internal capital requirements are calculated for all risk types identified as material

Capital requirements calculated using the approach above are contrasted with the available risk bearing capital under the economic perspective, to ensure adequacy of capital available to support current and future activities.

EUR m

	31.12.2021
Total economic capital amount	344.5
Total risk coverage capital amount	777.5
Excess capital	433.0

3.2.2 Amount of the additional own funds requirements based on the supervisory review process

Art. 447 CRR, 438 b CRR

Template EU KM1 shows the own funds, risk-weighted exposure amounts, buffer and own funds requirements as well as important ratios related to capital, leverage, liquidity coverage and net stable funding during 2021:

EUR m

		31.12.2021	30.09.2021	30.06.2021	31.03.2021	31.12.2020
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	804.3	812.1	814.8	811.4	823.5
2	Tier 1 capital	804.3	812.1	814.8	811.4	823.5
3	Total capital	804.3	812.1	814.8	811.4	823.5
Risk-weighted exposure amounts (RWEA)						
4	Total risk-weighted exposure amount	3,624.9	4,091.6	4,124.1	4,053.3	4,053.1
Capital ratios (as % of RWEA)						
5	Common Equity Tier 1 ratio (%)	22.19%	19.85%	19.76%	20.02%	20.32%
6	Tier 1 ratio (%)	22.19%	19.85%	19.76%	20.02%	20.32%
7	Total capital ratio (%)	22.19%	19.85%	19.76%	20.02%	20.32%
Additional own funds requirements to address risks other than the risk of excessive leverage (as % of RWEA)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	4.10%	4.10%	4.10%	4.10%	4.10%
EU 7b	o/w: to be made up of CET1 capital (%)	4.10%	4.10%	4.10%	4.10%	4.10%
EU 7c	o/w: to be made up of Tier 1 capital (%)	4.10%	4.10%	4.10%	4.10%	4.10%
EU 7d	Total SREP own funds requirements (%)	12.10%	12.10%	12.10%	12.10%	12.10%
Combined buffer requirement (as % of RWEA)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	0.00%	0.00%	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	14.60%	14.60%	14.60%	14.60%	14.60%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.09%	7.75%	7.66%	7.92%	8.22%
Leverage ratio (LR)						
13	Leverage ratio total exposure measure	6,227.9	6,422.4	6,340.0	6,313.1	6,286.9
14	Leverage ratio (%)	12.91%	12.64%	12.85%	12.85%	13.10%
Additional own funds requirements to address risks of excessive leverage (as % of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14b	of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as % of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1,648.3	1,465.7	1,474.0	1,451.1	1,395.4
16a	Cash outflows - Total weighted value	895.7	886.3	871.8	840.7	826.2
16b	Cash inflows - Total weighted value	210.8	217.1	213.7	204.8	204.7
16	Total net cash outflows (adjusted value)	684.9	669.1	658.1	635.9	621.5
17	Liquidity coverage ratio (%)	218.7%	214.3%	210.0%	205.0%	197.9%
Net Stable Funding Ratio						
18	Total available stable funding	4,719.9	4,753.7	4,744.9	4,724.1	4,710.3
19	Total required stable funding	2,902.3	3,054.1	3,085.6	3,277.6	3,155.4
20	NSFR ratio (%)	162.62%	155.65%	153.77%	144.13%	149.28%

Table 14: EU KM1 - Key metrics template

3.2.3 Risk-weighted exposure amounts and minimum capital requirements

Art. 438 d CRR

Based on the business activities of Addiko, capital requirements are derived for the Pillar 1 risk types credit risk, market risk and operational risk. The capital requirements were complied with at all times during the reporting period.

The table below gives an overview of the RWA and capital requirements calculated in accordance with the Article 92 of the CRR (only applicable row numbers are disclosed):

EUR m

		31.12.2021	31.12.2020	31.12.2021
		Total risk exposure amounts		Total own funds requirements
1	Credit risk (excluding CCR)	3,120.0	3,486.7	249.6
2	Of which the standardised approach	3,120.0	3,486.7	249.6
6	Counterparty credit risk - CCR	11.0	9.8	0.9
EU8b	Of which credit valuation adjustment - CVA	4.1	3.1	0.3
9	Of which other CCR	6.9	6.7	0.6
20	Position, foreign exchange and commodities risks (Market risk)	89.9	151.8	7.2
21	Of which the standardised approach	89.9	151.8	7.2
EU22a	Large exposures	0.0	0.0	0.0
23	Operational risk	404.0	404.8	32.3
EU23b	Of which standardised approach	404.0	404.8	32.3
24	Amounts below thresholds for deduction (subject to 250 % risk weight)	13.8	9.7	1.1
29	**Total**	**3,624.9**	**4,053.1**	**290.0**

Table 15: Template EU OV1 - Overview of total risk exposure amounts

In 2021 the risk-weighted assets (RWA) decreased by EUR 428.3 million:

- The RWA for credit risk decreased by EUR 366.5 million. The European Commission's decision (EU) 2021/1753 from 1 October 2021 to include Bosnia in the list of equivalent third countries affected Bosnian Sovereign exposure, which - in local currency - received a risk weight of 0%, resulting in a reduction of RWA by EUR 180 million. The implementation of (EU) 2019/876, which affected exposure calculation of derivative portfolio, brought an RWA increase of EUR 6 million. The following changes occurred in the portfolio: The year 2021 led to a sharp decline in the exposure to Large Corporates, resulting in lower RWA in the amount of EUR 247 million, mainly in Addiko Croatia, Slovenia and Serbia. While the decrease in mortgages, mainly in Addiko Croatia and Slovenia, reduced RWA by EUR 56 million, this was partly offset by the loss of collateral in Addiko Slovenia (RWA increase of EUR 10 million). There was also a decrease in SMEs (RWA of EUR 50 million), mainly in Addiko Croatia, as well as write-offs and higher provisions for defaulted portfolios, mainly in Addiko Croatia, reduced RWA by EUR 10 million. Higher exposures in the Financial Institutions segments, mainly in the two Bosnian subsidiaries, were partly offset by a decline in Public Finance, resulting in an increase in RWA of EUR 32 million. Growth in the Consumer and Standard portfolio resulted in an RWA increase of EUR 159 million. The residual RWA decrease in the amount of EUR 30 million was mainly connected with the application of the IFRS 9 transitional capital rules described in total capital above (RWA decrease of EUR 23 million) and other assets (EUR 7 million)

- The RWAs for market risk went down by EUR 62.0 million. After the market values of the relevant trading book positions fall below the threshold values from Article 94 CRR, according to paragraph 2, no more own funds need to be backed in market risk for the trading book positions (EUR 53.6 million RWA decrease). Lower open positions in the currencies BAM and USD led to a EUR 8.4 million RWA decrease.

- The RWA for operational risks diminished marginally by EUR 0.8 million compared to the previous year. The RWA for operational risks is based on the three-year average of relevant income, which represents the basis for the calculation. RWA for counterparty credit risk (CVA) raised due to the switch from the mark-to-market method to the new Original Exposure Method required by CRR II for calculating derivative exposure (EUR 1.0 million higher RWA).

The table below shows an overview of capital requirements to cover credit risk and counterparty credit risk. The capital requirements are broken down into the relevant exposure classes:

EUR m

Banking activities	Relevant indicator			Own funds require-ments	Risk weighted exposure amount
	Year-3	Year-2	Last year		
Banking activities subject to basic indicator approach (BIA)	0.0	0.0	0.0	0.0	0.0
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	252.6	239.9	241.3	32.3	404.0
Subject to TSA:	*252.6*	*239.9*	*241.3*	*0.0*	*0.0*
Subject to ASA:	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Banking activities subject to advanced measurement approaches AMA	0.0	0.0	0.0	0.0	0.0

Table 16: Template EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

3.3 Capital buffers

Art 440 (1) a-b CRR

Addiko Group calculates countercyclical buffer requirements at consolidated level in accordance with Title VII, Chapter 4 of Directive 2013/36/EU (CRD IV). As of 31 December 2021, only a few of the relevant jurisdictions applied counter-cyclical buffer rates.

The table below sets out the geographical distribution of credit exposures relevant for the calculation of the counter-cyclical buffer as well as the institution-specific countercyclical buffer rate for the Group as of 31 December 2021. The disclosure follows templates prescribed by Commission Delegated Regulation (EU) 2015/1555 with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer.

The table detailing the distribution of credit exposures has been simplified by listing individually only those relevant countries which represent material exposures for the Group.

EUR m

	General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for non-trading book		Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total			
Breakdown by country:													
AT	13.6	0.0	0.0	0.0	0.0	13.6	1.1	0.0	0.0	1.1	13.5	0.49%	0.00%
BA	672.2	0.0	0.0	0.0	0.0	672.2	38.1	0.0	0.0	38.1	475.7	17.27%	0.00%
BE	0.9	0.0	0.0	0.0	0.0	0.9	0.1	0.0	0.0	0.1	0.9	0.03%	0.00%
DE	2.4	0.0	0.0	0.0	0.0	2.4	0.2	0.0	0.0	0.2	2.3	0.08%	0.00%
GB	4.0	0.0	0.0	0.0	0.0	4.0	0.3	0.0	0.0	0.3	4.0	0.15%	0.00%
HR	1,196.2	0.0	0.0	0.0	0.0	1,196.2	67.9	0.0	0.0	67.9	849.0	30.83%	0.00%
ME	194.0	0.0	0.0	0.0	0.0	194.0	10.4	0.0	0.0	10.4	129.8	4.71%	0.00%
NL	23.1	0.0	0.0	0.0	0.0	23.1	1.1	0.0	0.0	1.1	13.9	0.50%	0.00%
RS	719.4	0.0	0.0	0.0	0.0	719.4	41.4	0.0	0.0	41.4	517.9	18.81%	0.00%
SI	1,072.8	0.0	0.0	0.0	0.0	1,072.8	58.6	0.0	0.0	58.6	732.3	26.59%	0.00%
US	20.2	0.0	0.0	0.0	0.0	20.2	1.1	0.0	0.0	1.1	13.9	0.51%	0.00%
Other	0.7	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.5	0.02%	0.00%
Total	**3,919.7**	**0.0**	**0.0**	**0.0**	**0.0**	**3,919.7**	**220.3**	**0.0**	**0.0**	**220.3**	**2,753.7**	**100.00%**	

Table 17: Template EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

EUR m

Total risk exposure amount	3,624.9
Institution specific countercyclical capital buffer rate	0.00%
Institution specific countercyclical capital buffer requirement[1)]	0.0

Table 18: Template EU CCyB2 - Amount of institution-specific countercyclical capital buffer
1) The countercyclical buffer requirement as of 31.12.2021 amounted to EUR 564,45.

4 Credit risk and dilution risk

4.1 Definition of past due, default and impaired

Art 442 a CRR

Addiko is applying the default definition according to Art. 178 CRR for regulatory purposes. A loan is considered defaulted if at least one of the following criteria applies:

- A material delay of the debtor in fulfilling the obligation towards the Bank, which is overdue for more than 90 days (Internal Ratings Based Counter)
- The bank considers that the obligor is unlikely to pay its credit obligations without recourse to actions such as realising security
- Risk-oriented restructuring measures (forbearance) of the customer
- Booked specific risk provision (IFRS)
- Write-offs of liabilities
- Risk-driven sale of assets
- Insolvency/bankruptcy

Past due performing loans are exposures to borrowers where past-due amounts at the reporting data are between 1 and 90 days overdue. Loans are "Overdue > 90 Days" if the borrower is overdue with an amount exceeding EUR 250 or 2,5% of the total exposure for more than 90 days.
For retail exposures the definition of default is applied at the level of an individual credit facility rather than in relation to the total obligations of a borrower.

For accounting purposes, a financial asset is considered credit-impaired in accordance with IFRS 9 Appendix A and has to be transferred to Stage 3, if one or more events that have a detrimental impact on the estimated future cash flows have occurred. A financial asset may become credit impaired if at least one of the following criteria (examples) apply:

- Significant financial difficulty of the issuer or borrower
- a breach of contract, such as a default of past due event
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties
- the purchase of origination of the financial asset at a deep discount that reflects the incurred credit loss

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused the financial asset to become credit impaired.

The definitions of defaulted and credit-impaired in Addiko Group have been harmonized as far as possible. In general a financial asset is considered credit-impaired, if the debtor is in default and all exposures of this customer have to be allocated to Stage 3 unless they satisfy the conditions for treatment as “purchased or originated credit impaired” (POCI). A transfer back to stage 2 is only possible after cure of the debtor (under internal definition of cure).

4.2 Credit risk adjustments

Art 442 b CRR

Credit risk adjustments are calculated in line with the international financial reporting standard on financial instruments (IFRS 9), which stipulates a future oriented model (expected losses). For financial instruments, whose credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit losses. In case of a significant increase in credit risk, the loss allowance must be increased up to the amount of the expected lifetime losses (Stage 2). For credit-impaired financial assets (Stage 3) the lifetime expected credit losses are recognised as well. Additionally, interest revenue is calculated by applying the effective interest rate to the amortised cost of the financial asset (i.e. the gross carrying amount adjusted for loss allowances).

For credit-impaired financial instruments (Stage 3) two approaches are of relevance, namely collective assessment based on risk parameters for small exposures and individual assessment with expert based cashflow estimation for larger exposures.

Collective assessment is done based on estimation/projection of main recovery parameters for groups of portfolios (exposures showing similar characteristics related to credit risk profile and recovery potential).

Individual assessment, or calculation of specific risk provisions based on individual assessment of impairment losses considers that the underlying credit exposure is subject to an individual analysis in accordance with regulations regarding the calculation of provisions for impairment losses. In this calculation, repayments from a company's operating business (primary cash flows) and from the utilisation of collaterals and non-core assets (secondary cash flows) are taken into consideration. Taking into consideration the assumed default scenario (restructuring or utilisation), expected repayments are assessed individually in terms of amount and timing. The expected cash flows are discounted to the net present value and offset against the outstanding current exposure. In terms of the calculation of recovery cash flows from real estate, Addiko Group bases its assumptions on the collateral's market value, which is updated annually in commercial real estate business. Haircuts are measured individually on a case-by-case basis, depending on the determined usability and based on a variety of factors such as market liquidity, location, utilisation period and legal situation in relation to the real estate. The underlying assumptions for all individual assessments are documented and justified on a case-by-case basis.

The calculation of loss allowances for financial instruments, whose exposure at default (EAD) on group of borrowers level is below a certain country specific materiality threshold, is performed as a collective assessment. The provision amount is calculated as product of EAD and loss given default (LGD) discounted to the respective reporting period, where LGD is based on relevant characteristics such as time in default, risk segment and entity.

Art 442 c, e-f CRR

For a detailed overview on impaired exposures, specific and general risk adjustments as wells as charges for specific and general credit risk adjustments, please refer to Notes 42-45 and 60 in the Addiko Group's Annual Report 2021. In this context general credit risk adjustments correspond to Stage 1/2 and specific risk adjustments to Stage 3. Specific provisions for exposures considered individually immaterial are calculated based on the Specific Risk Provision Collective Impaired method ("SRP Collective Impaired") instead of an individual analysis (i.e. while the provisions are assigned individually to each account, the calculation is based on credit risk parameters).

The following table provides an overview of the performing and non-performing exposures and related provisions by portfolio and exposure class:

EUR m

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On per-forming exposures	On non-per-forming exposures
		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
Cash balances at central banks and other demand deposits	1,235.1	1,235.1	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	3,307.1	2,848.6	454.1	187.9	0.0	184.1	-74.5	-23.6	-50.9	-136.0	0.0	-133.8	-6.5	1,003.6	31.1
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	51.8	45.2	6.6	0.0	0.0	0.0	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	3.6	0.0
Credit institutions	5.7	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	23.4	20.3	3.0	0.1	0.0	0.1	-0.7	-0.1	-0.6	-0.1	0.0	-0.1	0.0	4.2	0.0
Non-financial corporations	1,255.1	1,090.4	164.8	65.8	0.0	65.8	-25.2	-8.0	-17.2	-40.0	0.0	-40.0	-0.7	458.8	18.7
Of which: SMEs	1,010.4	871.3	139.2	46.0	0.0	46.0	-19.2	-5.8	-13.4	-27.9	0.0	-27.9	-0.4	386.1	14.3
Households	1,971.0	1,687.0	279.6	122.0	0.0	118.2	-48.4	-15.4	-33.0	-95.9	0.0	-93.7	-5.7	537.0	12.3
Debt Securities	997.5	994.8	0.0	0.0	0.0	0.0	-0.3	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	755.9	755.9	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	168.7	168.7	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	21.4	18.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	51.6	51.6	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Off-balance sheet exposures	979.1	947.8	31.3	6.1	0.0	6.1	3.7	2.6	1.1	3.6	0.0	3.6	0.0	52.3	1.3
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Credit institutions	7.9	7.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.8	0.0
Other financial corporations	5.7	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
Non-financial corporations	827.0	800.5	26.5	5.8	0.0	5.8	3.3	2.4	0.9	3.4	0.0	3.4	0.0	43.3	1.2
Households	137.0	132.2	4.8	0.3	0.0	0.3	0.3	0.2	0.2	0.2	0.0	0.2	0.0	0.6	0.1
Total	**6,518.7**	**6,026.3**	**485.4**	**193.9**	**0.0**	**190.2**	**-78.6**	**-26.6**	**-52.0**	**-139.5**	**0.0**	**-137.4**	**-6.5**	**1,056.0**	**32.3**

Table 19: Template EU CR1: Performing and non-performing exposures and related provisions
Off balance provisions are presented as positive amounts, however they are included as negative amounts in the Total.

The following table provides an overview of the credit quality of forborne exposures:

EUR m

	Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		
			Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	88.5	55.6	55.6	55.6	-8.0	-34.4	60.9	18.1
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	47.7	33.1	33.1	33.1	-5.3	-17.6	41.0	14.1
Households	39.4	22.6	22.6	22.6	-2.7	-16.8	19.8	4.0
Debt Securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan commitments given	0.2	0.5	0.0	0.5	0.0	0.3	0.1	0.1
Total	**88.7**	**56.1**	**55.6**	**56.1**	**-8.0**	**-34.7**	**61.0**	**18.3**

Table 20: Template EU CQ1: Credit quality of forborne exposures
Off balance provisions are presented as positive amounts, however they are included as negative amounts in the Total.

Please see Note 60.12 of Addiko Group's Annual Report 2021 for details on the development of forborne exposures.

The following table provides an overview of collateral obtained by taking possession and execution processes:

EUR m

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property Plant and Equipment (PP&E)	0.0	0.0
Other than Property Plant and Equipment	6.2	-3.9
Residential immovable property	3.6	-2.3
Commercial Immovable property	2.5	-1.6
Movable property (auto, shipping, etc.)	0.0	0.0
Equity and debt instruments	0.0	0.0
Other collateral	0.0	0.0
Total	**6.2**	**-3.9**

Table 21: Template EU CQ7: Collateral obtained by taking possession and execution processes

The table below provides an overview about the quality of non-performing exposures by geographical areas:

EUR m

	Gross carrying/Nominal amount				Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non-performing		of which: subject to impairment			
			of which: defaulted				
On-balance-sheet exposures	4,492.4	187.9	187.9	4,489.7	-210.8		0.0
Austria	13.6	0.0	0.0	13.6	0.0		0.0
Slovenia	962.8	24.0	24.0	962.8	-26.4		0.0
Croatia	1,435.5	77.3	77.3	1,435.5	-83.8		0.0
Serbia	801.8	26.0	26.0	801.8	-29.7		0.0
Bosnia and Herzegovina	611.0	42.1	42.1	611.0	-53.6		0.0
Montenegro	188.1	18.4	18.4	188.1	-17.0		0.0
Switzerland	0.1	0.1	0.1	0.1	-0.1		0.0
Germany	24.5	0.0	0.0	24.5	0.0		0.0
France	52.2	0.0	0.0	52.2	0.0		0.0
Great Britain	10.2	0.0	0.0	10.2	0.0		0.0
Italy	41.9	0.0	0.0	41.9	0.0		0.0
Netherland	23.0	0.0	0.0	23.0	0.0		0.0
USA	41.0	0.0	0.0	38.4	0.0		0.0
Czech Republic	14.7	0.0	0.0	14.7	0.0		0.0
Hungary	36.1	0.0	0.0	36.1	0.0		0.0
Romania	153.6	0.0	0.0	153.6	0.0		0.0
Poland	20.4	0.0	0.0	20.4	0.0		0.0
Bulgarien	30.4	0.0	0.0	30.4	0.0		0.0
Other countries	31.3	0.1	0.1	31.3	-0.1		0.0
Off-balance-sheet exposures	985.1	6.1	**6.1**			7.2	
Austria	0.0	0.0	0.0			0.0	
Slovenia	302.2	3.7	3.7			3.7	
Croatia	264.2	0.8	0.8			1.6	
Serbia	225.1	0.0	0.0			0.5	
Bosnia and Herzegovina	165.7	0.0	0.0			1.4	
Montenegro	21.3	1.5	1.5			0.1	
Other countries	6.6	0.0	0.0			0.0	
Total	**5,477.6**	**193.9**	**193.9**	**4,489.7**	**-210.8**	**7.2**	**0.0**

Table 22: Template EU CQ4: Quality of non-performing exposures by geography

The following table presents the credit quality of loans and advances to non-financial corporations by industry type as of 31. December 2021:

EUR m

	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non-performing	of which: defaulted	of which: loans and advances subject to impairment		
Agriculture, forestry and fishing	45.0	4.0	4.0	45.0	-2.0	0.0
Mining and quarrying	21.0	0.0	0.0	21.0	-0.2	0.0
Manufacturing	390.3	27.0	27.0	390.3	-23.3	0.0
Electricity, gas, steam and air conditioning supply	29.1	0.1	0.1	29.1	-1.1	0.0
Water supply	16.0	0.2	0.2	16.0	-0.2	0.0
Construction	127.7	3.7	3.7	127.7	-4.3	0.0
Wholesale and retail trade	341.4	15.8	15.8	341.4	-16.9	0.0
Transport and storage	64.9	1.5	1.5	64.9	-2.0	0.0
Accommodation and food service activities	67.6	6.9	6.9	67.6	-6.4	0.0
Information and communication	39.0	0.1	0.1	39.0	-0.3	0.0
Real estate activities	4.7	0.0	0.0	4.7	-0.5	0.0
Financial and insurance actvities	64.5	0.0	0.0	64.5	-1.1	0.0
Professional, scientific and technical activities	43.9	3.0	3.0	43.9	-3.3	0.0
Administrative and support service activities	32.6	2.3	2.3	32.6	-2.5	0.0
Public administration and defense, compulsory social security	0.0	0.0	0.0	0.0	0.0	0.0
Education	2.6	0.0	0.0	2.6	-0.1	0.0
Human health services and social work activities	9.4	0.1	0.1	9.4	-0.4	0.0
Arts, entertainment and recreation	6.2	0.1	0.1	6.2	-0.3	0.0
Other services	15.0	1.0	1.0	15.0	-0.4	0.0
Total	**1,320.9**	**65.8**	**65.8**	**1,320.9**	**-65.2**	**0.0**

Table 23: Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

The table below provides the changes in the stock of non-performing loans and advances as of 31. December 2021:

EUR m

	Gross carrying amount
Initial stock of non-performing loans and advances	**233.4**
Inflows to non-performing portfolios	116.5
Outflows from non-performing portfolios	-162.1
Outflows due to write-offs	-90.9
Outflow due to other situations	-71.2
Final stock of non-performing loans and advances	**187.9**

Table 24: Template EU CR2: Changes in the stock of non-performing loans and advances

Art 442 d CRR

The following table provides an overview of the credit quality of performing and non-performing exposures by past due days

EUR m

	Gross carrying amount / Nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	1,235.1	1,235.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	3,307.1	3,288.9	18.2	187.9	78.2	16.6	17.7	20.2	24.2	6.8	24.3	187.9
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	51.8	51.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	5.7	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	23.4	23.4	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Non-financial corporations	1,255.1	1,252.2	3.0	65.8	42.2	5.0	2.4	5.0	7.9	1.1	2.2	65.8
Of which SMEs	1,010.4	1,008.7	1.8	46.0	31.1	3.0	2.4	4.8	2.9	0.8	1.0	46.0
Households	1,971.0	1,955.9	15.2	122.0	35.9	11.6	15.2	15.2	16.3	5.7	22.0	122.0
Debt Securities	997.5	997.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	755.9	755.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	168.7	168.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	21.4	21.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	51.6	51.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Off-balance sheet exposures	979.1	0.0	0.0	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.1
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	7.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	5.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	827.0	0.0	0.0	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.8
Households	137.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Total	**6,518.7**	**5,521.5**	**18.2**	**193.9**	**78.2**	**16.6**	**17.7**	**20.2**	**24.2**	**6.8**	**24.3**	**193.9**

Table 25: Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

The gross NPL ratio as of 31 December 2021 amounts to 4.0%. The NPE Ratio (On-balance loans) as at YE20 amounts to 4,7% and is restated compared to the financial statements as of 31 December 2020 and also considers exposure to national bank within the denominator.

Art 442 g CRR

The table below provides information on the breakdown of the net credit risk exposure to loans and debt securities by residual maturity.

EUR m

	Net exposure value					
	On demand	< = 1 year	> 1 year < = 5 years	> 5 years	No stated maturity	Total
Loans and advances	143.5	216.8	794.3	2,117.7	12.1	3,284.4
Debt securities	0.0	2.5	140.2	851.8	2.7	997.2
Total	143.5	219.2	934.5	2,969.6	14.8	4,281.6

Table 26: Template EU CR1-A: Maturity of exposures

4.3 COVID-19

The Covid-19 pandemic is still affecting the world, and the region where the bank operates, with periodic waves occurring every several months. Also, the vaccination rates have peaked after an initial increase and remain low, also related to vaccine skepticism. However, this does not seem to have any significant effect on the economy. People and enterprises have adapted to the new normality over time and are behaving as if there was no pandemic. Governments are acting in the same way, avoiding lock-downs and introducing, if any, just mild restrictions.

Based on intervention acts relating to the debt payment moratorium imposed by governments where Addiko operates, the Group banking members during 2020 and 2021 granted 75,698 such moratoria of which 111 accounts (103 customers) were still active at 31 December 2021.

EUR m

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to moratorium	0.1	0.0	0.0	0.0	0.1	0.0	0.1	-0.1	-0.0	-0.0	-0.0	-0.1	-0.0	-0.1	0.1
of which: Households	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0
of which: Collateralised by residential immovable property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0
of which: Non-financial corporations	0.1	0.0	0.0	0.0	0.1	0.0	0.1	-0.1	-0.0	-0.0	-0.0	-0.1	-0.0	-0.1	0.1
of which: Small and Medium-sized Enterprises	0.1	0.0	0.0	0.0	0.1	0.0	0.1	-0.1	-0.0	-0.0	-0.0	-0.1	-0.0	-0.1	0.1
of which: Collateralised by commercial immovable property	0.1	0.0	0.0	0.0	0.1	0.0	0.1	-0.1	-0.0	-0.0	-0.0	-0.1	-0.0	-0.1	0.1

Table 27: Covid-19/Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

EUR m

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratori				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	43,734	529.7							
Loans and advances subject to moratorium (granted)	43,734	529.7	425.7	529.6	0.0	0.0	0.1	0.0	0.0
of which: Households		305.7	248.9	305.7	0.0	0.0	0.0	0.0	0.0
of which: Collateralised by residential immovable property		87.4	64.8	87.4	0.0	0.0	0.0	0.0	0.0
of which: Non-financial corporations		217.7	171.7	217.6	0.0	0.0	0.1	0.0	0.0
of which: Small and Medium-sized Enterprises		69.7	55.6	69.6	0.0	0.0	0.1	0.0	0.0
of which: Collateralised by commercial immovable property		172.1	135.0	172.0	0.0	0.0	0.1	0.0	0.0

Table 28: Covid-19/Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

EUR m

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**0.0**	**0.0**	**0.0**	**0.0**
of which: Households	0.0			0.0
of which: Collateralised by residential immovable property	0.0			0.0
of which: Non-financial corporations	0.0	0.0	0.0	0.0
of which: Small and Medium-sized Enterprises	0.0			0.0
of which: Collateralised by commercial immovable property	0.0			0.0

Table 29: Covid-19/Template 3: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

4.4 Use of ECAIs

4.4.1 Scope of application and use of external ratings

Art 444 a-d CRR

Pursuant to Article 4 (98) CRR, External Credit Assessment Institution (ECAI) means a credit rating agency that is registered or certified in accordance with Regulation (EC) No 1060/2009. Addiko Group uses the Standardised Approach for determining the minimum capital requirements pursuant to Basel 3.

The calculation of risk weighted exposures is based on ECAI rating (Moody's Investor Service ("Moody's")). Addiko Group has not nominated any Export Credit Insurance Agency (ECA). The assignment of the rating grades to credit quality steps is undertaken according to Article 136 CRR and published EBA Implementing technical Standard on the mapping of ECAIs credit assessments. ECAI risk assessments are used for all exposure classes.

The transfer of the issuer credit ratings onto comparable assets in the banking book is pursuant to Article 138 CRR.

4.4.2 Exposure values associated with credit quality steps

Art 444 e CRR, Art 453 g-i CRR

Addiko Group generally uses Moody's Investor Service ("Moody's") ratings. The assignment of the rating grades to credit quality steps is undertaken according to Article 136 CRR.

External ratings are used to a limited extent in some exposure classes to calculate the RWA in the Standardised Approach:
- in case of institutions, if an external rating by an ECAI of the counterparty is available, the risk weight (RW) has to be determined pursuant to Article 120 CRR, in case an external rating by an ECAI of the counterparty is not available, the RW has to be determined pursuant to Article 121 CRR;
- in case of central governments and central banks, the RW has to be determined pursuant to Article 114 CRR;
- in case of corporate clients, the RW has to be determined pursuant to Article 122 CRR

The allocation of the external ratings to credit quality steps and risk weights is as follows:

Moody's Investor Service	Credit Quality Step
Aaa to Aa3	1
A1 to A3	2
Baa1 to Baa3	3
Ba1 to Ba3	4
B1 to B3	5
Caa1 and below	6

Table 30: Credit quality steps

The following table illustrates the effect of CRM techniques:

EUR m

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWEA	RWEA density (%)
Central governments or central banks	1,923.0	0.0	1,949.4	0.0	231.2	11.9%
Regional government or local authorities	21.6	0.5	21.6	0.0	6.7	31.2%
Public sector entities	15.0	5.3	15.0	1.6	16.3	98.1%
Multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0%
International organisations	0.0	0.0	0.0	0.0	0.0	0.0%
Institutions	291.0	7.9	281.3	4.9	115.8	40.5%
Corporates	663.1	334.6	646.0	127.6	682.2	88.2%
Retail	2,160.9	598.6	2,146.2	181.0	1,650.5	70.9%
Secured by mortgages on immovable property	430.7	28.2	430.7	14.4	185.3	41.6%
Exposures in default	52.4	3.1	51.2	1.3	55.5	105.8%
Exposures associated with particularly high risk	1.2	0.0	1.2	0.0	1.8	150.0%
Covered bonds	0.0	0.0	0.0	0.0	0.0	0.0%
Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0%
Collective investment undertakings	13.1	0.0	13.1	0.0	1.7	12.9%
Equity	3.9	0.0	3.9	0.0	3.9	100.0%
Other items	299.4	0.0	299.4	0.0	169.1	56.5%
TOTAL	**5,875.3**	**978.2**	**5,858.9**	**330.8**	**3,120.0**	**50.4%**

Table 31: Template EU CR4 - standardised approach - Credit risk exposure and CRM effects

The table below provides a breakdown of exposures by asset class and risk weight:

EUR m

Exposure classes	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Central governments or central banks	1,706.0	0.0	0.0	0.0	9.4	0.0	9.4	0.0	0.0	224.6	0.0	0.0	0.0	0.0	0.0	1,949.4	1,949.4
Regional government or local authorities	0.0	0.0	0.0	0.0	18.6	0.0	0.0	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	21.6	21.6
Public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	16.0	0.0	0.0	0.0	0.0	0.0	16.6	16.6
Multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
International organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Institutions	0.0	0.0	0.0	0.0	93.4	0.0	191.3	0.0	0.0	1.4	0.0	0.0	0.0	0.0	0.0	286.2	28.3
Corporates	0.0	0.0	0.0	0.0	4.5	0.0	32.0	0.0	0.0	737.0	0.0	0.0	0.0	0.0	0.0	773.5	773.5
Retail	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,327.2	0.0	0.0	0.0	0.0	0.0	0.0	2,327.2	2,327.2
Secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	212.8	185.2	0.0	47.2	0.0	0.0	0.0	0.0	0.0	0.0	445.1	445.1
Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	46.4	6.1	0.0	0.0	0.0	0.0	52.5	52.5
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	1.2	1.2
Covered bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unit or shares in collective investment undertakings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.1	13.1	13.1
Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.9	0.0	0.0	0.0	0.0	0.0	3.9	3.9
Other items	150.3	0.0	0.0	0.0	0.8	0.0	0.0	0.0	0.0	134.6	0.0	13.8	0.0	0.0	0.0	299.4	276.6
TOTAL	1,856.3	0.0	0.0	0.0	126.7	212.8	418.5	0.0	2,374.4	1,166.9	7.3	13.8	0.0	0.0	13.1	6,189.8	5,909.0

Table 32: Template EU CR5 - standardised approach

4.5 Leverage

4.5.1 Leverage ratio

Art 451 (1) a-c CRR, Art 451 (2) CRR, Art. 451 (3) CRR

The leverage ratio represents the relationship between Tier 1 capital and the leverage exposure pursuant to Article 429 CRR, more specifically the Delegated Regulation (EU) 2015/62 with regard to leverage ratio (Delegated Act) of 10 October 2014, which was published in the Official Journal of the European Union on 17 January 2015. Essentially, the leverage exposure represents the sum of unweighted on-balance sheet and off-balance sheet positions considering valuation and risk adjustments as defined in the Delegated Act.

As of 31 December 2021, the leverage ratio for Addiko Group at consolidated level amounted to 12.91% (according to IFRS 9 transitional rules) and 12.53% (as if IFRS 9 or analogous ECL transitional arrangements had not been applied), comfortably above the 3.0% minimum requirement (according to Art. 92 of the Regulation (EU) 2019/876). The ratio is calculated on period-end values as of 31 December 2021 for both leverage exposure and Tier 1 capital.

The IFRS 9 transitional rules are presented in chapter 3.1.2.

4.5.2 Leverage exposure breakdown and reconciliation

The table below provides a reconciliation of Addiko Group's published financial statements to the total leverage ratio exposure as of 31 December 2021:

EUR m

Summary reconciliation of accounting assets and leverage ratio exposures		Applicable amount
1	Total assets as per published financial statements	5,842.3
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0.0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0.0
4	(Adjustment for temporary exemption of exposures to central bank (if applicable))	0.0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a(1) CRR)	0.0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0.0
7	Adjustment for eligible cash pooling transactions	0.0
8	Adjustments for derivative financial instruments	10.7
9	Adjustment for securities financing transactions (SFTs)	0.0
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	365.6
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0.0
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0.0
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0.0
12	Other adjustments	9.2
13	Leverage ratio total exposure measure	6,227.9

Table 33: Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

The following table provides a breakdown of the total leverage exposure measure into its main constituent parts as well as the calculation of the period-end leverage ratio as of 31 December 2021:

EUR m

		CRR leverage ratio exposures	
		31.12.2021	31.12.2020
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	5,875.3	5,965.4
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0.0	0.0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.0	0.0
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	0.0	0.0
5	(General credit risk adjustments to on-balance sheet items)	0.0	0.0
6	(Asset amounts deducted in determining Tier 1 capital)	-27.5	-31.8
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	5,847.8	5,933.7
	Derivative exposures	**0.0**	**0.0**
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	0.0	0.0
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0.0	0.0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	0.0	0.0
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0.0	0.0
EU-9b	Exposure determined under Original Exposure Method	11.8	*6.6
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0.0	0.0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0.0	0.0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	0.0	0.0
11	Adjusted effective notional amount of written credit derivatives	0.0	0.0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.0	0.0
13	**Total derivatives exposures**	**11.8**	**6.6**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	2.7	2.0
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.0	0.0
16	Counterparty credit risk exposure for SFT assets	0.0	0.0
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0.0	0.0
17	Agent transaction exposures	0.0	0.0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0.0	0.0
18	**Total securities financing transaction exposures**	**2.7**	**2.0**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	985.4	1,017.8
20	(Adjustments for conversion to credit equivalent amounts)	-619.8	-673.3
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	0.0	0.0
22	**Off-balance sheet exposures**	**365.6**	**344.6**

***Values from 31.12.2020 have been calculated according to Article 274 CRR I.**

	Excluded exposures		
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0.0	0.0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	0.0	0.0
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	0.0	0.0
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	0.0	0.0
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	0.0	0.0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0.0	0.0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0.0	0.0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0.0	0.0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0.0	0.0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0.0	0.0
EU-22k	**(Total exempted exposures)**	**0.0**	**0.0**
	Capital and total exposure measure		
23	**Tier 1 capital**	**804.3**	**823.5**
24	**Leverage ratio total exposure measure**	**6,227.9**	**6,286.9**
	Leverage ratio		
25	Leverage ratio	12.91%	13.10%
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks - Public sector investments) (%)	12.91%	13.10%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12.91%	13.10%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
	Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	2.7	2.0
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-

31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-

Table 34: Template EU LR2 - LRCom: Leverage ratio common disclosure

The following table provides a breakdown of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by exposure class as of 31 December 2021:

EUR m

	CRR leverage ratio exposures
EU-1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**5,875.3**
EU-2 Trading book exposures	31.5
EU-3 Banking book exposures, of which:	**5,843.8**
EU-4 Covered bonds	0.0
EU-5 Exposures treated as sovereigns	1,891.5
EU-6 Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	36.6
EU-7 Institutions	291.0
EU-8 Secured by mortgages of immovable properties	430.7
EU-9 Retail exposures	2,160.9
EU-10 Corporate	663.1
EU-11 Exposures in default	52.4
EU-12 Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	317.6

Table 35: Template EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

4.5.3 Management of the risk of excessive leverage

Art 451 (1) d CRR

The leverage ratio is planned during the yearly planning process and is monthly monitored in the Group Risk Report. It is also part of the Addiko Recovery Indicators list with thresholds regularly monitored and reported to Management and Supervisory Board. Leverage ratio thresholds are also defined on the level of each individual entity and monitoring is undertaken at local entity level.

Addiko Group: The year end 2021 leverage ratios are with 12.91% (according IFRS 9 transitional rules) and 12.53% (as if IFRS 9 or analogous ECL transitional arrangements had not been applied) comfortably above the regulatory Leverage Ratio threshold of 3% (and the related Recovery Indicator thresholds).

4.5.4 Factors influencing the development of leverage exposure

Art 451 (1) e CRR

The leverage ratio of Addiko was calculated for the first time in September 2015. As of 31 December 2021, the leverage ratio amounts to 12.91% (according to IFRS 9 transitional rules) and 12.53% (as if IFRS 9 or analogous ECL transitional arrangements had not been applied).

Development of the Leverage Ratios (YE 2021 vs. YE 2020):
a.) IFRS 9 transitional view: 2021 LR 12.91% vs. 2020 LR 13.10%
b.) IFRS 9 fully-loaded view: 2021 LR 12.53% vs. 2020 LR 12.40%

Development of the two leverage ratio drivers (Tier 1 capital & risk position value) between 31 December 2021 and 31 December 2020:

Tier 1 capital (transitional) decrease amounting to EUR 19.2m (NB: Addiko Tier 1 capital consists of pure CET1 capital). The drivers are:
a.) the IFRS 9 2021 phase-in (EUR -23.0m) and
b.) other capital items amounting to EUR +3.8m (Profit +13.6m, OCI -14.1m, +3.1m Intangible Assets, DTA +1.2m and AVA -0.1m)

Risk position value (transitional) decrease amounting to EUR 59.0m. The main drivers are:
a.) Increase in focus business (means SME & Consumer) and in Financial Institutions
b.) Reduction of non-focus business (means Mortgage, Large corporate, Public Finance)

4.6 Credit risk mitigation techniques

4.6.1 Core features of policies and processes for, and an indication of the extent to which the entity makes use of, on- and off- balance sheet netting

Art 453 a CRR

Netting is not used in Addiko Group.

4.6.2 Core features of the policies and processes for collateral valuation and management

Art 453 b CRR

Collateral valuation of properties and other types of collateral

Overall collateral management is covered under Group Collateral Management Policy. The regulation of this policy is obligatory for all subsidiaries. Country-specific adaptations must be defined in local policies, whereby discrepancies regarding minimum standard and maximum lending values are only allowed in cases of stricter interpretation, whereby the principle follows that collateral security take precedence over debt obligations.

For each guarantee or collateral type, eligibility (if collateral is eligible to be treated as mitigation factor, with respective internal value) and valuation criteria (criteria for determination of internal value) are defined in Group Collateral Management Policy. Legal feasibility is the main eligibility criteria, but there are others precisely defined for each guarantee and collateral type.

The ongoing legal monitoring is ensured and in cases which are based on foreign legal systems, foreign lawyers, respectively the subsidiaries are involved.

The internal collateral valuation is calculated in such a way that a haircut is deducted from the market value, whereby the amount of the haircut depends on the type of collateral.

The haircut is a percentage applied on given appraised value (presumably market value) in order to calculate potential liquidation value. The main reason for application of predefined haircuts is to reflect time (which might be very long) and costs necessary for the collateral realization, fluctuations present due to recessions and general market values fluctuations in long term period, as well as limited quantity and quality of market data for the purpose of adequate market value calculation, using comparison methodology. Very often it happens that market data are either not present/not present in acceptable number or not available for the adequate comparison purpose and market value obtaining.

4.6.3 Main types of collateral taken by the institution

Art 453 c CRR

To hedge credit risk positions sustainable collaterals are provided.

The main importance is given to the group-wide management of real estates pledged as collateral, as this type of collateral represents the majority of obtained and all internally valued collaterals. These collaterals are divided into Commercial Real Estates (CRE) and Residential Real Estates (RRE). For all commercial real estates with market value higher than EUR 1 million, and residential real estates with market value higher than EUR 400 thousand, individual (case by case) regular periodical monitoring is performed, with aim to question market value and see if it is valid. If not, new appraisal is ordered according to the Real Estate Valuation Standard.

Information about real estates for which monitoring is to become due is available in advance, on basis of report which provides info on all the real estates for which valuation matures within the next four months, so that needed monitoring and revaluations can be performed in due time.

For all commercial real estates with market value lower than 1 million EUR, and residential real estates with market value lower than 400 thousand EUR, regular monitoring is based on a statistically validated electronic valuation tool (Marktwertfortschreibungsmethode), whereby the initial calculation is always an individual evaluation based on the assessment of a qualified appraiser.

In addition, following deductions must be considered:

- Land registry inscription and potential issues (CRE / RRE), primarily prior ranked mortgages
- Deduction for financial collaterals in cases of currency mismatch
- Deduction for guarantees, depending on segment and rating of the guarantor

Other valuable credit risk mitigation types within the Group are different types of guarantees (primarily bank and corporate guarantees), as well as the following collateral types: financial collaterals (deposits, securities), movables and receivables.

4.6.4 Main types of guarantor and credit derivative counterparty and their creditworthiness

Art 453 d CRR

EUR m

Guarantors by Credit quality step and asset class	Central governments or central banks	Institutions	Corporates	Total
Credit quality step 1	0.0	0.7	0.0	0.7
Credit quality step 2	26.4	0.0	0.0	26.4
Total	**26.4**	**0.7**	**0.0**	**27.1**

Table 36: Guarantors by Credit quality step and asset class

The allocation of the credit quality steps to the external ratings can be seen under chapter 4.4.2.

4.6.5 Risk concentrations within credit risk mitigation

Art 453 e CRR

Concentration risk exists when significant portions of the group-wide collateral values (on portfolio level) are concentrated on a small number of types of collateral, instruments, sectors or specific guarantors.

Addiko has no concentration risk related to collaterals, as the risk is reduced by diversifying the portfolio in terms of size/volume, client segment, countries and different collateral instruments (including different real-estates, movables, guarantees, bonds, receivables etc.). Furthermore, collateral correlates with the level of exposure. In Addiko there are no significant concentrations in terms of exposure.
Although Addiko predominantly accepts two types of collateral, commercial and residential real estates, these assets are distributed among different countries, without concentration in terms of size, value or a specific country. Furthermore, Addiko implemented a limit monitoring system in order to properly monitor the country exposures.

4.6.6 Information of the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments

Art 453 f CRR

EUR m

	Unsecured carrying amount	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	3,695.3	1,034.7	1,009.4	25.2	0.0
Debt securities	997.5	0.0	0.0	0.0	0.0
Total	4,692.8	1,034.7	1,009.4	25.2	0.0
Of which non-performing exposures	*156.8*	*31.1*	*30.6*	*0.4*	*0.0*
Of which defaulted	*156.8*	*31.1*	*30.6*	*0.4*	*0.0*

Table 37: Template EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

4.7 FX Exposure

Art 431 (3) CRR

In accordance with the FMA Minimum Standards for the Risk Management and Granting of Foreign Currency Loans and Loans with Repayment Vehicles (FMA- FXTT-MS), Addiko Group assessed whether additional disclosure regarding foreign currency loans and loans with repayment vehicle is necessary to convey its risk profile comprehensively to market participants.

As of 31 December 2021, the total exposure from bullet loans with repayment vehicles is mainly attributable to loans in Croatia. The total impact of these types of loans on the risk profile of Addiko Group is not significant.

The table below represents an overview of loans and advances in the banking books, which are not denoted in EUR or the respective local currency (the exposures are translated to EUR):

	Addiko Group (EUR m)	in % of total Bank Book portfolio
USD	162.8	2.4%
CHF	12.4	0.2%
Total	**175.2**	**2.6%**

Table 38: Overview of loans and advances in the banking books not denoted in EUR or the respective local currency

While the impact from outstanding foreign currency loans on the risk profile of Addiko Group is not decisive, the Group is subject to legal risk stemming from the invalidity of agreed foreign currency, interest and interest rate adjustment clauses following judicial decisions or changes to statutory provisions. Information on these legal risks are shown in detail in Note 68 of Addiko Group’s Annual Report 2021.

5 Counterparty credit risk

Art 439 a-d CRR

Master Agreements and individual Credit Support Annexes, which stipulate the conditions for the charging of mutual risks (Close-out-Netting) and in turn reduce the counterparty risk, are used in the trading business with derivatives.

Therefore, the individual agreement between the counterpart and Addiko, comprising a valid Master Agreement for derivatives business (ISDA Master Agreement, German/ Austrian Master Agreement) and an amending valid Credit Support Annex (CSA) with the counterparts, is the basis for the Collateral Management. The content of the CSA regulates the operative handling of the Collateral Management. Furthermore, it includes frameworks such as threshold amount, independent amount, minimum transfer amount, rounding rules for the transfer amount, type of collateral, valuation agent and period of collateral valuations.

The actual collateral value is calculated based on daily netted market valuation of the underlying derivatives with the external counterparts and with one subsidiary. For the other subsidiaries the collateral is calculated based on a weekly netted market valuation of the underlying derivatives. Basis for the market valuation is close of business market data. Only EUR cash is accepted within Addiko as collateral.

The actual economic risk is reduced to a not reached Minimum Transfer Amount. The Minimum Transfer Amount specifies the amount which triggers the exchange of collateral. All received or paid collaterals are also documented in the respective systems. The evaluated collateral amount is also included in the daily steering.

As of year-end 2021 Addiko Group does not have any single name CDS on the portfolio.

Addiko is using various daily standardized reports to identify wrong-way risk. Based on these reports, control mechanisms are set in order to avoid general and specific wrong-way risk (e.g. limitations for acceptable collateral for OTC and repurchase agreements, limitations on trades where specific wrong-way risk could occur). Besides that, Addiko only accepts cash collaterals in EUR for collateral management purposes, which also reduces the wrong way risk to a minimum.

The steering of the risk mitigation techniques is situated in the department Central Steering Unit Group Market & Liquidity Risk.

The counterparty credit risk is assessed as part of the RWA calculation in Pillar 1 and quantified in Pillar 2 with the IRB approach and treated in both pillars as a component of credit risk. Counterparty credit risk is incorporated into the Risk Bearing Capacity calculation and is limited within the limits for the single name credit risk. The Group Risk Report which contains the counterparty credit risk is reported monthly to the management board. Furthermore a credit limit for counterparties at individual customer level is requested and approved according to the foreseen credit processing channels.

Netting is not used for regulatory purposes in Addiko Group. No further collateral is considered to mitigate counterparty credit risk for regulatory purposes under Pillar 1.

Contractual clauses concerning dependencies between collateral management and the credit rating of Addiko exist in the context of collateral agreements. The points affected by this in some of the collateral agreements are the exposure-independent amount of collateral (independent amount), the amount of exposure the counterparty is willing to accept before Addiko is required to post collateral (the threshold amount), and the minimum amount of additional collateral that may be requested (the minimum transfer amount).

Based on existing agreements in place with counterparties, a rating downgrade of Addiko would not have any material effect on the additional amount to be provided connected to collateral management.

5.1 Segregated and unsegregated collateral received and posted per type of collateral

Art 439 e CRR

EUR m

Collateral type	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Un-segregated	Segregated	Un-segregated	Segregated	Un-segregated	Segregated	Un-segregated
Cash - domestic currency	0.0	0.0	0.0	6.7	0.0	0.0	0.0	0.0
Cash - other currencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic sovereign debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sovereign debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government agency debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporate bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity securities	0.0	0.0	0.0	0.0	0.0	5.4	0.0	2.7
Other collateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**6.7**	**0.0**	**5.4**	**0.0**	**2.7**

Table 39: Template EU CCR5 - Composition of collateral for CCR exposures

5.2 Derivative and securities financing transactions

Art 439 f-g, k CRR

EUR m

	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU - Original Exposure Method (for derivatives)	1.1	7.3		1.4	11.8	11.8	11.8	6.4
EU - Simplified SA-CCR (for derivatives)	0.0	0.0		1.4	0.0	0.0	0.0	0.0
SA-CCR (for derivatives)	0.0	0.0		1.4	0.0	0.0	0.0	0.0
IMM (for derivatives and SFTs)			0.0	0.0	0.0	0.0	0.0	0.0
Of which securities financing transactions netting sets			0.0		0.0	0.0	0.0	0.0
Of which derivatives and long settlement transactions netting sets			0.0		0.0	0.0	0.0	0.0
Of which from contractual cross-product netting sets			0.0		0.0	0.0	0.0	0.0
Financial collateral simple method (for SFTs)					0.0	0.0	0.0	0.0
Financial collateral comprehensive method (for SFTs)					2.7	2.7	2.7	0.5
VaR for SFTs					0.0	0.0	0.0	0.0
Total	**1.1**	**7.3**	**0.0**	**0.0**	**14.5**	**14.5**	**14.5**	**6.9**

Table 40: Template EU CCR1 - Analysis of CCR exposure by approach

5.3 Transactions subject to own funds requirements for CVA risk

Art 439 h CRR

The table below provides an overview of the exposures subject to CVA capital charges in accordance with Part three, Title VI, Article 382 in the CRR. Addiko Group applies the standardized method to compute CVA capital charges exclusively.

EUR m

	Exposure value	RWEA
Total transactions subject to the Advanced method	0.0	0.0
(i) VaR component (including the 3× multiplier)		0.0
(ii) stressed VaR component (including the 3× multiplier)		0.0
Transactions subject to the Standardised method	16.1	4.1
Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0.0	0.0
Total transactions subject to own funds requirements for CVA risk	**16.1**	**4.1**

Table 41: Template EU CCR2 - Transactions subject to own funds requirements for CVA risk

5.4 Exposure value to central counterparties and the associated risk exposures

Art 439 i CRR

As of 31. December 2021 Addiko Group does not have any exposure value to central counterparties (qualifying and non-qualifying central counterparties) and the associated risk exposures.

5.5 Notional amounts and fair value of credit derivative transactions

Art 439 j CRR

As of year-end 2021 Addiko Group does not have any single name CDS on the portfolio.

5.6 CCR exposures by regulatory exposure class and risk weights

Art 439 l CRR

EUR m

Exposure classes	Risk weight											Total exposure value
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
Central governments or central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.6
Regional government or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
International organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Institutions	0.0	0.0	0.0	0.0	8.0	2.2	0.0	0.0	0.1	0.0	0.0	10.2
Corporates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.3	0.0	0.0	3.3
Retail	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.4
Institutions and corporates with a short-term credit assessment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total exposure value	**0.0**	**0.0**	**0.0**	**0.0**	**8.0**	**2.2**	**0.0**	**0.4**	**4.0**	**0.0**	**0.0**	**14.5**

Table 42: Template EU CCR3 - Standardised approach - CCR exposures by regulatory exposure class and risk weights

5.7 Size of on- and off-balance-sheet derivative business

Art 439 m CRR

Addiko Group applies the Original Exposure Method (OEM) calculated in accordance with Article 282 CRR (Chapter 6 of Title II Part Three, Section 5) as alternative approach to the Standardised Approach for counterparty credit risk (SA-CCR). The precondition to apply this approach is that according to Article 273a (2) CRR the sum of the absolute market values of on and off balance sheet derivatives must not exceed EUR 100 million on a monthly basis. In addition, these must as well not exceed 5 % of the total assets. The following table shows the development of the absolute market values since the application of the original risk method since 30.06.2021.

EUR m

	Absolute market value	Total assets	Percentage
31.06.2021	14.3	5,932.4	0.24 %
31.07.2021	5.2	6,000.0	0.09 %
31.08.2021	3.7	6,033.9	0.06 %
30.09.2021	3.2	6,001.2	0.05 %
31.10.2021	3.3	5,926.8	0.06 %
30.11.2021	4.0	5,893.5	0.07 %
31.12.2021	3.5	5,842.3	0.06 %

Table 43: Size of monthly on- and off-balance-sheet derivative business

6 Market risk

Art 435 (1), 445 CRR

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

6.1 Risk measurement

The Addiko Group calculates market risk as part of daily monitoring with value-at-risk methods on the basis of a one-day holding period, with a confidence level of 99.0%. The VaR risk measure estimates the potential loss over the given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99.0% VaR number used by the bank reflects the 99% probability that the daily loss should not exceed the reported VaR. The VaR methodology employed to estimate daily risk numbers is a Monte Carlo simulation with 10,000 runs, or a simulation under Variance-Covariance method. While the latter method is used to estimate interest rate risk for non-trading activities, the Monte Carlo approach is then used to estimate potential losses of other market risk types. The bank uses VaR to capture potential losses arising from changes in the risk free rates, security issuers' credit margins, foreign exchange rates, equity prices and commodity prices. All VaR methods in place rest on assumption of exponentially weighted moving averages and correlations in the market risk factors collected for the historical series of 250 days.

6.2 Overview market risk

Interest Rate Risk

The value at risk of the interest rate risk (including the interest rate risk of the trading book) for the Addiko Group per 31.12.2021 is EUR 1.3 million (comparable VaR figure as at 31 December 2020: EUR 0.7 million). The interest rate gap profile for the Addiko Group contains all interest-rate-sensitive items (Assets, liabilities and off-balance-sheet items in the non-trading book) which are either contractually fixed, floating or based on behavioural assumptions. The stochastic cash flows are illustrated using uniform Group standards as well as local models for country-specific transactions. All interest sensitive items in the balance sheet are taken as the basis for calculating economic value and earnings-based measures, as well as other measures of IRRBB, based on the interest rate shock and stress scenarios. Any non-interest-sensitive items are not comprised in the interest risk calculation but dealt with in association with other risk factors, such as the participation risk.

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

Regulatory requirements state that impact on EVE of a sudden parallel +/-200 basis points shift of the yield curve in total own funds may not exceed 20.0%, with the relevant risk estimation at 6.6% at 31.12.2021 versus 2.7% at 31.12.2020. Under the EVE of scenarios 1 to 6 as set out in Annex III of EBA/GL/2018/02, the impact may not exceed 15% of Tier 1 capital, with the relevant risk estimation at 7.8% at 31.12.2021 versus 4.0% at 31.12.2020.

The change in present value of the banking book with a parallel rise in the interest rate curves by 1 base point in all maturity bands and currencies as at 31 December 2021 amounts to EUR -0.3 million (entire aggregated effect of this interest rate simulation), which is slightly higher than the aggregated effect of EUR -0.2 million as at 31 December 2020.

Foreign Currency Risk

The database for determining the value at risk for foreign exchange risks at the Group level of the Addiko Group is based on the figures in the regulatory report as well as positions arising from participations, and contains operational business activities. Foreign exchange risk thereby covers the entire FX risk of the Addiko Group. The main foreign exchange risk drivers are the HRK and RSD currencies. The total volume of open currency positions is at EUR 646.7 million as of 31 December 2021, which was slightly higher than the volume of EUR 607.0 million per 31 December 2020. The value at risk for foreign exchange risk was EUR 0.8 million per day as at 31 December 2021 versus EUR 0.4 million value at risk as at 31 December 2020, with both figures at a confidence interval of 99.0%. The limit of EUR 1.9 million was adhered to as at 31 December 2021.

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

Equity Price Risk

The share capital held in the Group is susceptible to market price risks, which arise from the uncertainty surrounding the future value of these shares. Exposure to equity risk under the standard VaR methods implemented in Addiko Group is estimated at EUR 0.1 million as of 31 December 2021 against the estimation of EUR 0.01 million as of 31 December 2020. Size of risk exposure to movements in equity market prices is seen as low given that Addiko Group's strategy is, in general, not to invest into such asset classes. If the comparison is done on each separate risk type, equity risk exposure thus displays that no major concentration risk arises from therein.

Credit Spread Risk

The credit spread risk within the Addiko Group stood at EUR 0.7 million at 31 December 2021 with a one-day value at risk and a confidence level of 99.0%, versus value at risk of EUR 0.8 million as at 31 December 2020. The limit of EUR 2.9 million was adhered to as at 31 December 2021. The greatest influencing factor in credit spread risk is the holding of liquidity reserves in the form of securities. In addition to monitoring VaR in respect to the credit spread risk, the Addiko Group also monitors concentration risks within the bond portfolio – within the respective risk reports concentrations on single bank level of the bond portfolio over the whole Addiko Group are monitored as well as concentrations of bonds within the categories of government bonds, financial bonds as well as corporate bonds.

6.3 Exposure to market risk

The table below provides an overview of the capital requirements of Addiko Group for market risk covered by the Standardised Approach, broken down by risk type:

EUR m

31.12.2021	RWEAs
Outright products	
Interest rate risk (general and specific)	0.0
Equity risk (general and specific)	0.0
Foreign exchange risk	89.5
Commodity risk	0.0
Options	
Simplified approach	0.0
Delta-plus approach	0.0
Scenario approach	0.4
Securitisation (specific risk)	0.0
Total	**89.9**

Table 44: Template EU MR1 - Market risk under the standardised approach

7 Operational risk

7.1 Principles of operational risk management

Art 446 a-c CRR

Addiko uses on a consolidated level The Standardised Approach (TSA) for the operational risk capital requirements. More information is stated in the chapter “Capital requirements” of this disclosure referring to Art. 438 CRR.

In accordance with Article 4 (52) of 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 Addiko Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

7.1.1 Organisation

The comprehensive system of operational risk monitoring and management of Addiko Group has the aim to enable active management of operational risk. As the operational risk, in accordance to its definition, is not centralised in one organisational or hierarchical level, the system for its management encompasses in general all activities in the Group.

Appropriate responsibility for the management of operational risk is essential, therefore clear accountability and ownership for operational risk management is implemented on different levels of the organisation, which encompasses day-to-day management of operational risk, oversight and analysis of results of operational risk management and strategic risk management.

Group Operational Risk Management is responsible for setting the strategic direction for managing all operational risk related activities, proposing policies and tools for managing, measuring and controlling operational risks according to defined Group standards. Additionally, Group Operational Risk Management ensures and monitors a harmonized approach to all operational risk activities based on common standards and regularly reports on operational risk and issues to relevant stakeholders.

7.1.2 Risk measurement and reporting

Apart from capital calculation based on gross income as a quantitative measure of operational risk, quantification of internal loss data, collected throughout the Group using a standardised methodology, is performed. Internal operational risk loss data supplemented by relevant mitigation measures is collected and entered into a central database. Additionally, measurement of operational risk also relies on qualitative approaches such as Risk and Control Self Assessment (RCSA).

Appropriate reporting mechanisms are set up at the Board (Supervisory and Management) and senior management levels with the results and proposal for risk control derived from both quantitative and qualitative processes that support proactive management of operational risk.

7.1.3 Calculation of own fund requirements

The operational risk measurement model is set to meet the Standardised Approach (TSA) requirements as defined in Regulation (EU) 575/2013 articles 315, 316, 317, 318 and 320. The Addiko Group on a consolidated level is using the Standardised Approach (TSA) measurement model for calculating own fund requirements for operational risk, while Banks in the Group may use TSA or Basic Indicator Approach (BIA).

The source for the gross income data used in the calculation of the relevant indicator is accounting data.

8 Interest rate risk

8.1 Qualitative information on interest rate risk of non-trading book activities

Art 448 (1) c-g CRR

Interest rate risk of non-trading book activities (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of the bank's assets, liabilities and off-balance sheet items and hence its economic value of equity (EVE). Changes in interest rates also affect the bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). Economic value measures reflect changes in value over the remaining life of the bank's assets, liabilities and off-balance sheet items, until all positions have run off, while earnings-based measure covers only the rolling 12-month period. The sub-types of interest rate risk of non-trading book activities to which the Addiko bank is exposed are:

- Gap risk

Risk resulting from the term structure of interest rate sensitive instruments that arises from differences in the timing of their rate changes, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk). Non-parallel gap risk refers to the risk associated with a change in the relative interest rates of instruments at different tenors. In other words, it represents the risk arising from changes in the slope and the shape of the yield curve as opposed to a parallel shift.

- Basis risk

Risk arising from the impact of relative changes in interest rates on interest rate sensitive instruments that have similar tenors but are priced using different interest rate indices. Basis risk arises from the imperfect correlation in the adjustment of the rates earned and paid on different interest rate sensitive instruments with otherwise similar rate change characteristics.

- Option risk

Risk arising from options (embedded and explicit), where the institution or its customer can alter the level and timing of their cash flows, namely the risk arising from interest rate sensitive instruments where the holder will almost certainly exercise the option if it is in their financial interest to do so (embedded or explicit automatic options) and the risk arising from flexibility embedded implicitly or within the terms of interest rate sensitive instruments, such that changes in interest rates may affect a change in the behaviour of the client (embedded behavioral option risk).

The following measures are being used to monitor interest rate risk of non-trading book activities in Addiko:

- EVE - economic value of equity measures the theoretical change in the net present value of the balance sheet excluding equity. The measure therefore depicts the change in equity value resulting from an interest rate shock. All cash flows from on-balance sheet and off-balance sheet interest rate sensitive items in the banking book may be included in the computation. The market value of equity is computed as the present value of asset cash flows, less the present value of liability cash flows, without including assumptions on the interest rate sensitivity of equity.

- VaR – value at risk measures maximum potential loss in value of an (off)balance sheet item or portfolio over a defined period (1 day) at a given confidence interval (99%). It arises from the portfolio sensitivity vector i.e. change in the portfolio value due to a change of the risk factor value (shifted by 1 bp). Sensitivity vector is then multiplied by the variance-covariance matrix.

- NII - Change in Net Interest Income (NII) looks at the expected increase or reduction in NII over a shorter time horizon (one year) resulting from interest rate shock. The change in NII is the difference in the expected NII between a base scenario and an alternative, more stressful scenario. It reflects a full going-concern perspective and depending on the design of the alternative scenarios, this method is able to capture all different types of interest rate risk sensitivity.

- PV01 - present value of a single basis point change in interest rates based on gap analysis. This analysis is used to derive the duration profile of the banking book or, equivalently, the profile of the present value of a single basis point change in interest rates. Gap analysis allocates all relevant interest rate-sensitive as-sets and liabilities to a certain number of predefined time buckets according to their next contractual re-set date. This method gives a visual impression of the risk exposure dispersion relative to the repricing pro-file, reflecting exposures to parallel as well as non-parallel gap risk.

All listed measures are calculated and reported to the Group Asset Liability Committee (ALCO) on a monthly basis.
Additionally, Addiko bank conducts regular stress testing in order to measure the vulnerability of the Legal Entities or of the Group under stressful market conditions.

Group Asset Liability Committee acts to establish an integrated and consistent interest rate risk management framework within the Group, having regard to the overall operations of the Group and the interest rate risks to which it is exposed. The main responsibilities are as follows:
- Approve IRRBB framework indicators & limits
- Approve behavioral models / assumptions
- Decide the actions to be taken in case of limits breaches
- Review the IRRBB exposures
- Approve hedging strategy
- Approve Internal Capital against IRRBB

Addiko bank applies the following stress scenarios to estimate IRRBB risks:

- Parallel shifts up and down for 200 basis points
- SOT (supervisory outlier test) scenarios in line with Annex III EBA/GL/2018/02 (Parallel up, Parallel down, Steepener, Flattener, Short rates up, Short rates down)
- Customized scenarios that reflect changes to current market/macro conditions and possible development of the economic environment (baseline, pessimistic and adverse view).

The prescribed regulatory limits in amount of 20% of the own funds (6.6% at 31.12.2021 versus 2.7% at 31.12.2020) and 15% of Tier I capital (7.8% at 31.12.2021 versus 4.0% at 31.12.2020) are fully respected on the Group and single entity level. Year to Year change in the ratios is driven by the business developments toward the more interest sensitive instruments in average.

Addiko Group currently does not apply any form of hedge accounting according to IFRS accounting standards. Hedging interest rate risk of Addiko entities investment portfolios and balance sheet is currently performed only in Addiko Croatia and Addiko Holding via interest rate swaps at a very small scale, both in terms of overall volume and number of transactions. Notwithstanding the above, the interest rate risk in the banking book is being continuously monitored and presented in the monthly GALCO meetings.
Furthermore, foreign exchange risk across Addiko Group entities is hedged via standardized instruments such as fx swap, fx outright and fx spot transactions. Addiko Bank concentrates its businessmodel on consumer and SME lending, where derivatives are in most cases executed as side-business to support clients' needs from the above-mentioned focus business channels. As such, all derivatives conducted with non-financial clients are always closed back-to-back, hence mitigating or even completely eliminating the trading activity influences. Pricing of derivatives is always completely conducted by respecting the market conditions.

The models for products with embedded behavioral optionality are included in IRRBB framework and consistent with historical experience. Addiko bank calculates regularly economic value and NII measures with and without demand deposit behavioral model in order to isolate the effect of modelling. The none-maturing deposit model is based on the observed historical behaviour on the entity, currency and business segment level. Average repricing maturity of the retail none-maturing deposits amounted 2.06 years (4.98 only core part) while the longest repricing maturity is assigned to 10Y time bucket. In terms of non-financial wholesale counterparties, the average repricing maturity was equal to 0.93 years (2.53 core part) with the longest repricing maturity of 5Y.
Similar to the demand deposits, loans and term deposits are clustered combining products with similar characteristics (entity, segment, type, currency, interest rate behaviour, maturity bucket) and the ratio is estimated from historical observations. The modelled cash flows from off-balance exposures (loan commitments, credit card/overdraft limits) are incorporated as well in the IRRBB measurement.

In order to ensure appropriate model validation, the IRRBB validation framework includes:

- Evaluation of conceptual/methodological soundness, including developmental evidence
- Ongoing model monitoring, including process verification and benchmarking
- Outcomes analysis, including backtesting of key internal parameters

8.2 Quantitative information on interest rate risk of non-trading book activities

Art 448 (1) a-b CRR

EUR m

Supervisory shock scenarios	Changes of the economic value of equity		Changes of the net interest income	
	Current period	Last period	Current period	Last period
Parallel up	-62.3	-30.0	-1.4	-0.5
Parallel down	14.7	10.0	-2.3	6.6
Steepener	4.6	11.0		
Flattener	-24.9	-23.3		
Short rates up	-45.2	-31.8		
Short rates down	17.2	17.2		

Table 45: Template EU IRRBB1 - Interest rate risks of non-trading book activities

9 Other risks

9.1 Encumbered and unencumbered assets

Art 443 CRR

Addiko is obliged to report encumbered and unencumbered assets at Group level based on the CRR scope of consolidation in the manner set out in the EBA guidelines on disclosure of encumbered and unencumbered assets.

On 31 December 2021, EUR 259.0 million of assets have been identified as encumbered within Addiko Group. The major part of encumbered assets have been loans.

EUR m

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	259.0	143.8			5,583.4	1,256.2		
Equity instruments	0.0	0.0	0.0	0.0	17.0	0.0	3.2	0.0
Debt securities	55.6	43.3	55.6	43.3	971.0	543.4	699.4	500.9
of which: covered bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: securitisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: issued by general governments	35.5	35.5	35.5	35.5	750.5	497.6	538.3	480.6
of which: issued by financial corporations	20.1	7.8	20.1	7.8	168.9	20.4	116.3	0.0
of which: issued by non-financial corporations	0.0	0.0	0.0	0.0	51.6	25.4	44.8	20.3
Other assets	203.4	100.5			4,595.4	712.8		

Table 46: Template EU AE1 - Encumbered and unencumbered assets

EUR m

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution	0.0	0.0	149.4	0.0
Loans on demand	0.0	0.0	0.0	0.0
Equity instruments	0.0	0.0	5.2	0.0
Debt securities	0.0	0.0	0.0	0.0
of which: covered bonds	0.0	0.0	0.0	0.0
of which: securitisations	0.0	0.0	0.0	0.0
of which: issued by general governments	0.0	0.0	0.0	0.0
of which: issued by financial corporations	0.0	0.0	0.0	0.0
of which: issued by non-financial corporations	0.0	0.0	0.0	0.0
Loans and advances other than loans on demand	0.0	0.0	144.2	0.0
Other collateral received	0.0	0.0	0.0	0.0
Own debt securities issued other than own covered bonds or securitisations	0.0	0.0	0.0	0.0
Own covered bonds and asset-backed securities issued and not yet pledged			0.0	0.0
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	259.0	143.8		

Table 47: Template EU AE2 - Collateral received and own debt securities issued

EUR m

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	54.9	61.2

Table 48: Template EU AE3 - Sources of encumbrance

The actual Group level of asset encumbrance is reviewed quarterly, where material changes are discussed in the respective committees and potential steering measures are approved.

The funding strategy of Addiko Group is based on its stable unsecured customer deposit base consisting predominantly of retail and corporate deposits. Due to its business model, the share of encumbered assets and used collaterals in the total assets and collaterals is very low. Addiko Group does not have covered bonds outstanding. Encumbered assets were mainly used for operational steering of liquidity and consist of customer loans, receivables and debt securities. To a small extend cash collateral for derivatives is provided under standard CSAs.

Asset encumbrance is managed by the Group's ALM function. The main sources and types of encumbrance include:

- Collateral for tender facilities
- Collateral for repurchase agreements
- Cash collateral for derivatives
- Other collateral

Addiko Group follows the principle of self-funding for each entity within the Group. For this reason, there is no material intragroup encumbrance within Addiko Group.

9.2 Liquidity risk

Art 451a CRR

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

Realization of the overall liquidity risk strategy of the Addiko Group is ensured through:

- definition of the risk appetite identification and measurement on the overall level as well as for single risk types taking into account business strategies and targets of the Addiko Group.
- appropriate identification and quantification of each single risk, particularly in terms of liquidity requirements, definition of current/target limits for the following business year and adequate management and steering mechanisms.
- translation of strategic targets to more detailed risk guidelines and rules through comprehensive internal regulations.
- set up of an adequate risk management organizational framework with clear responsibilities for execution of the group liquidity risk strategy.

In addition to the above-mentioned framework that supports the execution of the business and risk strategy, hereby in case of liquidity risk exposure and the relevant appetite, the Group Management Board and Group Asset Liability Committee are responsible:

- approval and carrying out of the liquidity risk strategy,
- clear definition of organizational structures as well as risk management processes,
- for the approval of liquidity risk limits.

At Addiko Group, liquidity management is both strategically and operationally in the responsibility of the Treasury unit, taking care of the respective business activities both for the Addiko Bank AG level as well as the consolidated management. It is here that the steering of situational and structural liquidity and the coordination of funding potential at Group level takes place. The treasury units of each Addiko legal entities are responsible for strategical and operational liquidity steering of their respective legal persons. The liquidity risk control at Group consolidated level plus level of Addiko Bank AG is in the responsibility of respective Market & Liquidity Risk unit of the Addiko Bank AG. At a level of all Addiko legal entities, the respective risk control units are in charge for the local risk control activities. It is here that risk measurement and mitigation as well as timely and consistent reporting are carried out.

Liquidity risk exposures are estimated, monitored, reported and, in case of need, escalated under the internally implemented ILAAP standards. These also cover the respective regulatory reporting as well as high frequent reporting to the relevant management in Addiko Group.

Addiko Group has emergency liquidity planning in place which defines processes, control and hedging instruments required to avert imminent crises or to overcome acute crises. In the event of a liquidity crisis, the top priorities of the bank are to rigorously maintain solvency and to prevent damage to the bank's reputation. Derivatives are mainly done on back to back base where also cash collaterals are exchanged.

The Liquidity Coverage Ratio (LCR) measures the coverage of net liquidity outflows with the adequate liquidity buffer under severe conditions over a period of 30 days. Aside from the regulatory limit of 100%, Addiko Group has defined internal limit for the LCR at 110%, while the warning level is defined at 120%.

During 2021, Addiko Group’s LCR was on average at the level of 219% and was moving in a range of minimum 204% to maximum of 255%, ending the year at 252% with a strong support in robust liquidity reserve in high quality liquid assets. Within the structure of net cash outflows, the outflows are largely driven by customer deposit positions from retail segment.

EUR m

	Total unweighted value (average)				Total weighted value (average)			
EU 1a Quarter ending on (DD Month YYY)	31.03.21	30.06.21	30.09.21	31.12.21	31.03.21	30.06.21	30.09.21	31.12.21
EU 1b Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS								
1 Total high-quality liquid assets (HQLA)					1,301.6	1,379.7	1,431.2	1,492.9
CASH - OUTFLOWS								
2 Retail deposits and deposits from small business customers, of which:	3,008.4	3,052.9	3,073.8	3,098.6	290.2	297.3	295.7	293.5
3 Stable deposits	1,635.6	1,625.8	1,652.5	1,680.7	81.8	81.3	82.6	84.0
4 Less stable deposits	1,333.7	1,389.8	1,390.4	1,395.3	182.1	187.5	186.6	186.8
5 Unsecured wholesale funding	919.0	960.4	1,005.2	1,038.8	459.5	487.2	512.0	526.8
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	0.5	0.2	0.2	0.0	0.1	0.0	0.0	0.0
7 Non-operational deposits (all counterparties)	918.4	960.2	1,005.0	1,038.8	459.4	487.1	512.0	526.8
8 Unsecured debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9 Secured wholesale funding					0.0	0.0	0.0	0.0
10 Additional requirements	411.0	425.0	446.2	457.2	33.7	34.8	35.1	34.2
11 Outflows related to derivative exposures and other collateral requirements	5.6	5.8	4.2	2.5	5.6	5.8	4.2	2.5
12 Outflows related to loss of funding on debt products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13 Credit and liquidity facilities	405.4	419.2	442.0	454.7	28.1	29.1	30.8	31.7
14 Other contractual funding obligations	17.3	12.6	5.1	3.3	10.0	7.9	3.1	3.3
15 Other contingent funding obligations	513.3	496.5	464.4	447.1	47.2	44.7	40.3	37.9
16 TOTAL CASH OUTFLOWS					840.7	871.8	886.3	895.7
CASH - INFLOWS								
17 Secured lending (e.g. reverse repos)	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18 Inflows from fully performing exposures	235.8	239.6	240.0	228.8	197.7	202.1	202.3	192.8
19 Other cash inflows	11.0	33.8	57.0	81.3	7.1	11.6	14.9	18.0
EU-19a (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0.0	0.0	0.0	0.0
EU-19b (Excess inflows from a related specialised credit institution)					0.0	0.0	0.0	0.0
20 TOTAL CASH INFLOWS	247.1	273.4	297.0	310.1	204.8	213.7	217.1	210.8
EU-20a Fully exempt inflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU-20b Inflows subject to 90% cap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU-20c Inflows subject to 75% cap	0.0	0.0	0.0	0.0	205.8	214.7	218.1	211.8
TOTAL ADJUSTED VALUE								
EU-21 LIQUIDITY BUFFER					1,301.6	1,379.7	1,431.2	1,492.9
22 TOTAL NET CASH OUTFLOWS					635.9	658.1	669.1	684.9
23 LIQUIDITY COVERAGE RATIO					205.0%	210.0%	214.3%	218.7%

Table 49: Template EU LIQ1 - Quantitative information of LCR

Net stable funding ratio (NSFR) seeks to calculate the proportion of Available Stable Funding (ASF) via the liabilities over Required Stable Funding (RSF) for the assets. Sources of available stable funding's include customer deposits, long-term wholesale funding (from the Interbank Lending market), and equity. Aside from the regulatory limit of 100%, Addiko Group has defined internal limit for the NSFR at 105%, while the warning level is defined at 110%.

During 2021, Addiko Group's NSFR was on average at the level of 154% and was moving in a range of minimum 144% to maximum of 163% which was also the year end ratio. The NSFR ratio reflects Addiko Group's structurally strong liquidity position, with sizeable share of stable retail deposits alongside low share of funding from financial institutions. Also, Addiko Group holds its own liquidity buffer for stress situations, composed of ECB-eligible securities and securities that can be quickly sold.

EUR m

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items					
1 Capital items and instruments	804.3	0.0	0.0	0.0	804.3
2 Own funds	804.3	0.0	0.0	0.0	804.3
3 Other capital instruments		0.0	0.0	0.0	0.0
4 Retail deposits		3,165.7	118.7	102.2	3,147.6
5 Stable deposits		1,763.6	24.7	18.6	1,717.5
6 Less stable deposits		1,402.1	94.0	83.6	1,430.1
7 Wholesale funding:		1,211.6	58.8	246.2	768.1
8 Operational deposits		0.0	0.0	0.0	0.0
9 Other wholesale funding		1,211.6	58.8	246.2	768.1
10 Interdependent liabilities		0.0	0.0	0.0	0.0
11 Other liabilities:	7.1	80.1	0.0	0.0	0.0
12 NSFR derivative liabilities	7.1				
13 All other liabilities and capital instruments not included in the above categories		80.1	0.0	0.0	0.0
14 Total available stable funding (ASF)					**4,719.9**
Required stable funding (RSF) Items					
15 Total high-quality liquid assets (HQLA)					13.8
EU-15a Assets encumbered for more than 12m in cover pool		0.0	0.0	0.0	0.0
16 Deposits held at other financial institutions for operational purposes		0.0	0.0	0.0	0.0
17 Performing loans and securities:		800.0	391.4	2,468.9	2,584.4
18 Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		0.0	0.0	0.0	0.0
19 Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		125.8	2.9	13.4	27.5
20 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		665.7	355.3	2,238.5	2,351.6
21 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		15.6	15.2	307.9	215.5
22 Performing residential mortgages, of which:		0.0	0.0	0.0	0.0
23 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0.0	0.0	0.0	0.0
24 Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		8.5	33.1	217.1	205.3
25 Interdependent assets		0.0	0.0	0.0	0.0

26 Other assets:		404.6	0.0	0.0	258.5
27 Physical traded commodities				0.0	0.0
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0.0			0.0
29 NSFR derivative assets		7.8			7.8
30 NSFR derivative liabilities before deduction of variation margin posted		0.0			0.0
31 All other assets not included in the above categories		396.8	0.0	0.0	250.7
32 Off-balance sheet items		912.4	0.0	0.0	45.6
33 Total RSF					**2,902.3**
34 Net Stable Funding Ratio (%)					**162.6%**

Table 50: Template EU LIQ2: Net Stable Funding Ratio

Addiko Group has a robust and conservative liquidity stress testing rule, strongly connected to the principles of the ECB’s liquidity risk stress testing which for Addiko’s purposes are expanded into seven different stress scenarios. In the named stress scenarios, the maturing cash flows are faced with the stress roll-over rates, considering both the idiosyncratic, systemic and combined influences. All internally-defined limits within the respective stress scenario are respected.

The concentration of the liquidity risk is in line with the diversification of funding based on the main products and the most relevant currencies. The biggest positions in the funding are sight and term deposits from retail customers. The most important currency in funding is EUR, followed by HRK and BAM.

10 Climate-related and environmental risks

10.1 Addiko Group's approach on the assessment of climate-related and environmental risks and corresponding Governance arrangements

Addiko Group performed its assessment of climate-related and environmental risks in two consecutive steps. In a first step Addiko Group assessed the impact of climate and environmental change on its countries of operation considering various scenarios for the short, medium and long-term. Given the complexity of climate-change and its impact, a multitude of scenarios have been developed which reflect different aspects and drivers of climate change. Addiko Group chose to build its assessment on the following sets of scenarios

- **"Representative Concentration Pathways" (RCP)** developed by the "Intergovernmental Panel on Climate Change" (IPCC)
- **"NGFS Climate Scenarios"** developed by the "Network of Central Banks and Supervisors for Greening the Financial System"

In a second step Addiko Group analysed how the impact identified in the first step will transmit onto the Group. In this context both the influence of physical as well as transition risk drivers on the business model as well as the risk profile has been assessed.

Given the urgency and uncertainty of climate-related and environmental risks, Addiko Group decided to further strengthen its Governance on the matter. In this context the overall responsibility of the matter was taken over by the Head of the Risk Management Function. Additionally, a dedicated working group was established including the Head of the Compliance Function to ensure close alignment within the second line of defense, whereby also the Audit Function is closely involved on the matter and continuously aligns with the dedicated working group.

10.2 First step - Analysis of climate change and environmental change

10.2.1 Physical climate-related risks

In its Climate Change 2014 Synthesis Report the IPCC identified as key risks from climate change for the European area
- Increased damages from extreme heat events
- Increased damages from river and coastal floods
- Increased water restrictions

The key risks identified by the IPCC refer in general to **risks impacting the human population, physical and biological systems**. Whether these key risks will impact Addiko Group depends on
- their classification as risk driver and
- how they will affect the economy and the financial system (transmission channels)

Temperature rise
Global mean temperatures have increased by around 1.2°C from pre-industrial levels. Temperature changes lead to chronic changes in living conditions affecting health, labour productivity, agriculture, ecosystems and sea-level rise. It is also changing the frequency and severity of weather events such as heatwaves, droughts, wildfires, tropical cyclones and flooding. Thus, resulting in both acute and chronic climate-related risks.

In scenarios where climate goals are met, deep reductions in emissions are needed to limit the rise in global mean temperatures to below 1.5°C or 2°C by the end of the century. In case these reductions are not achieved, a temperature rise exceeding 3°C and severe and irreversible impacts are to be expected. Hence, coinciding with the increase in physical risks, the pressure on policy makers, the incentive for the development of new technologies and the trend in changes of sentiments increases (resulting in additional transition risks for affected industries).

While temperatures are increasing unevenly across the world, the impact on Addiko Group's country of operation is expected to be homogenous due to their close geographical proximity.

Over the short- to medium-term an expected average increase of 1.5°C in line with the global average is evident for the SEE region. In line with the analysis from the IPCC a medium risk is to be expected over the short- to medium term for the human population, physical and biological systems. However, significant uncertainties in the expected temperature rise are evident over the long-term in Addiko Group's countries of operation. Worst case scenarios without any stringent climate policies and innovation would result in a devastating impact for the human population, physical and biological systems in the SEE region.

Sea Level Rise

The analysis of the sea level rise was based on a 1 meter increase in the global sea level, which corresponds to the upper-bound of the RCP 8.5 scenario for the long-term view. While the risk of coastal flooding will increase with a rise in the sea-level, the overall impact from a sea level rise is limited to individual regions in Addiko Group's countries of operation (as opposed to the risk of large-scale flooding in e.g. the Veneto region or the Netherlands).

Flooding risk

Annual river floods increased in north-western and parts of central Europe but decreased in southern and north-eastern Europe over the period 1960-2010 due to climate change. This trend will likely continue in short to medium-term and a decrease of the expected land fraction exposed to river floods is evident both under the "NGFS current policies" and the "NGFS 2°C delayed" scenario in Addiko Group's countries of operation.
Also under a long-term view and even in case only currently implemented policies are preserved, the land fraction exposed to river floods is expected to remain stable or to reduce in Addiko Group's countries of operation.

Precipitation and drought risk

In line with the past development, future scenarios predict a significant increase in annual precipitation in large parts of central and northern Europe and a decrease in southern Europe, resulting in potential risks of drought for Addiko Group's countries of operation.
While the level of precipitation is expected to remain relatively stable in the short to medium term, the level of precipitation is expected to significantly drop over a long-term view in Addiko Group's countries of operation in the **long-term**, unless stringent measures to counter climate change are introduced.

10.2.2 Physical environmental risks

Biodiversity loss

Ecosystem services are the benefits that nature provides to society and the economy, whereby biodiversity loss threatens the availability of these ecosystem services. Companies that depend on ecosystem services are exposed to physical risks via their production processes. On a European level, biodiversity in Addiko Group's countries of operation are comparatively intact. However, in particular in Croatia and Serbia the biodiversity in some regions is more impacted, which might in particular impact the agricultural industry.

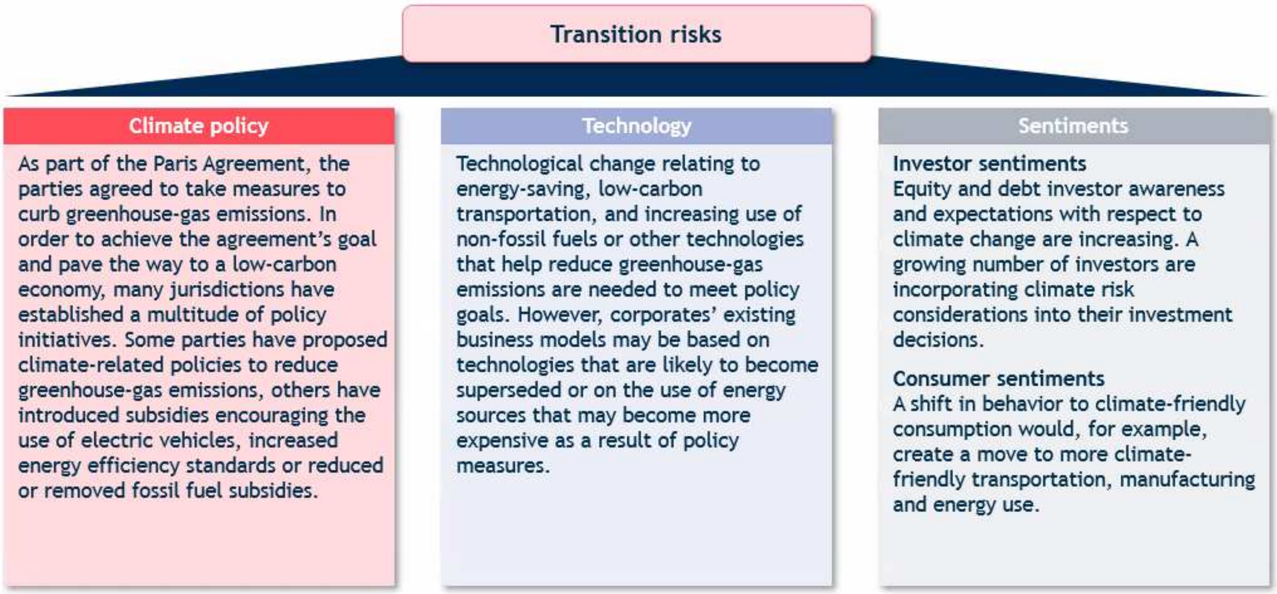
Air pollution

The burden of ambient air pollution both impacts the life and health of the population and results in significant costs for the economy. The European Air Quality Index indicates that Addiko Group's countries of operation are exposed to higher levels of air pollution compared to western parts of Europe.

Soil Contamination

Soil contamination refers to reduced soil quality due to the presence of harmful substances resulting from human activity. Soil is essentially a non-renewable resource, which performs many functions and delivers services vital to human activities and to ecosystem survival. Hence, soil contamination can harm human health and result in significant costs for the economy., whereby the analysis performed indicates that Addiko Group's countries of operation show a low level of registered contaminated sites on an European level.

10.2.3 Transition risks



Given the increased awareness on climate change and environmental challenges, Addiko Group assumes that transition risk will increase to manifest over the short-term for highly affected industries. The effect on the whole economy will further develop over the medium to long-term.

10.2.4 Macroeconomic impact

While the negative impact on the macroeconomic environment can be mitigated by strict regulations over the medium to long-term, a continuous deterioration of macroeconomic indicators in Addiko Group's countries of operation is to be expected if no countermeasures are taken.

10.2.5 Impact on Highly affected industries

Affected Industries

Based on the analysis of physical and transition risks as well as publicly available studies and benchmark analysis Addiko Group identified 6 industries which are specifically prone to the affects of climate change

Agriculture
Agricultural production, both in terms of crop yields and the location where different types of crops can be grown, will be significantly impacted by climate and environmental change. The growing season has lengthened and is projected to increase further due to earlier onset of growth in spring and longer growing season in autumn. While this would allow a northward expansion of warm-season crops to areas that were not previously suitable, southern regions will be hit, expecting an overall negative impact on agriculture. In the long term, high temperatures, water shortage and extreme weather events may cause lower yields, higher yield variability and, a reduction in suitable areas for cultivation. The impacts will depend on precipitation patterns and the crops considered.

Mining / Quarrying
The mining and quarrying sector has a large climate and environmental impact both regarding their energy consumption in mining processing operations as well as in refining and smelting operations.

Efforts to decarbonize are focused on improved energy efficiency, fuel substitutions, deployment of carbon capture storage, electrification and renewable energy use, hence, it is to be expected that the industry will be increasingly affected by additional regulatory requirements and policies.

Automotive
Automotive carbon emissions are a combination of tail-pipe and vehicle manufacturing emissions, whereby the sector significantly contributes to global emissions. Electric vehicles and alternative fuel sources, as well as recycling of construction materials or the use of low-carbon materials are options to reduce the climate and environmental impact of the industry. Additionally, a shift in vehicle use towards car sharing or self-drive vehicles, and a reduction in the number of vehicles, could play an important role. Debtors in the automotive sector will be impacted by policy and regulatory changes targeting cleaner fuel standards and technological advancement as well as a change in consumer preferences.

Extraction of crude petroleum and natural gas
The oil and gas sector is one of the largest contributors to greenhouse-gas emissions, both via its own operations and via the use of the fuel by end users. Introducing new regulations/policies as well as technologies can help to substantially reduce emissions from this sector, hence, it is to be expected that the industry will be increasingly affected by transition risks. Additionally, the shift of other sectors and end users to alternative energy sources will also have a material impact on this industry.

Energy
Climate change is expected to reduce demand for heating in northern and north-western Europe and to strongly increase energy demand for cooling in southern Europe, which may further exacerbate peaks in electricity supply in the summer. More intense and frequent heat waves will shift energy supply and demand patterns, often in opposite directions. Moreover, greater magnitude and frequency of extreme weather events will cause threats for physical energy infrastructure. Climate change also brings increased uncertainty in weather patterns across Europe. This has a direct negative impact in the long term on the production of renewable energy.
Besides physical risks, the industry will be affected by transition risks from additional regulatory requirements/policies and new technologies already in the short-term.

Chemical industry
The chemical industry accounts for approximately one fourth of total primary demand for oil and gas, and significantly contributes to carbon dioxide emissions through its energy intensive manufacturing processes. While the sector faces a challenge to reduce emissions, it also provides chemical products that will enable decarbonisation in the energy sector. It can be assumed that the sector will be affected by transition risks from additional regulatory requirements/policies and new technologies in the short-term.

10.3 Second step - Risk drivers and transmission channels

10.3.1 Business Model

While all acute and chronic physical risks can impact the business model of a bank (in particular in case it renders it less profitable), the concrete impact on a specific business model is highly dependent on the transmission channels of the physical risks. However, compared to physical risks, transition risk will result in a more directed impact on specialized business models in case they are in conflict with developments in policies, technologies and sentiment trends (e.g. business models focused on automotive financing).

Expected impact of C/E risks on the business model

Non-Focus Segments

Mortgage

Market/Income side

While developments in regulations, technologies and sentiments (i.e. transitions risk) will impact the type of financed residential real estate (i.e. green building), it is to be expected that this will not impact the demand for RRE financing overall. Additionally, mortgage loans are part of Addiko Group's Non-Focus portfolio. Consequently, Addiko Group primarily targets the retention of existing, profitable customers. Given this gradual run-down strategy, mortgage lending products are not actively marketed and only a negligible impact of C/E risk on the market/income side for Addiko Group is to be expected.

Cost side

Cost-of-risk could be negatively impacted both from a deterioration of macroeconomic indicators (e.g. drop in GDP) as well as a negative impact on collateral valuation.

Large Corporate

Market/Income side

C/E risk might negatively impact the origination to large corporate clients (in particular in highly affected industries) in the short to medium-term. Large Corporates are part of Addiko Group's Non-Focus portfolio, hence new loans are only originated on an opportunistic basis and only a negligible impact of C/E risks on the market/income side for Addiko Group is to be expected.

Cost side

In particular debtors active in highly affected industries are susceptible to the impact from C/E risks, which potentially impacts cost-of-risk.

Public Finance

Market/Income side

Public Finance is part of Addiko Group's Non-Focus portfolio. Given the gradual run-down strategy, lending products in the Public Finance segment are not actively marketed and only a negligible impact of C/E risk on the market/income side for Addiko Group is to be expected.

Cost side

Depending on the susceptible of the debtor to the impact from C/E risks, also in Public Finance a negative impact on cost-of-risk is possible.

Focus Segments

Consumer

Market/Income side

While consumer sentiments are already changing, it is to be expected that a substitution effect will mitigate this impact. As Addiko Group's Consumer loans are not bound to specific purposes, also changed consumer preferences can and will be financed via this segment. While the origination of Consumer loans to finance vacations to remote locations might reduce with changed Consumer sentiments, this reduction might e.g. be compensated by the financing of environmentally sustainable renovation of buildings.

Cost side

While the cost-of-risk in the Consumer segment can be affected via microeconomic transmission channels, the large number of debtors and granularity of the portfolio effectively result in a full diversification. Hence, the cost-of-risk in the Consumer segment will mainly be impact via macroeconomic transmission channels (e.g. drop in GDP).
Macroeconomic/systemic risks (and their impact on Addiko Group's profitability) are already managed under the current Risk Management framework of Addiko. However, given the urgency and the unpredictability of C/E risks, a continuous update and monitoring of their impact on macroeconomic indicators is advisable.

SME

Market/Income side

Addiko Group does not focus on individual industries in its SME portfolio but strives for a high granularity and strong diversification. Hence, due to the diversification over many individual industries, it is to be expected that substitution effects will mitigate the impact from C/E risks on the market/income side.

Cost side

While the cost-of-risk in the SME segment can be affected via microeconomic transmission channels, granularity of the portfolio effectively result in a significant diversification. Hence, the cost-of-risk in the Consumer segment will mainly be impacted via macroeconomic transmission channels (e.g. drop in GDP).
A deterioration of macroeconomic indicators (e.g. drop in GDP) could increase cost-of-risk also in the SME loan portfolio. Macroeconomic/systemic risks (and their impact on Addiko Group's profitability) are already managed under the current Risk Management framework of Addiko. However, given the urgency and the unpredictability of C/E risks, a continuous update and monitoring of their impact on macroeconomic indicators is advisable.

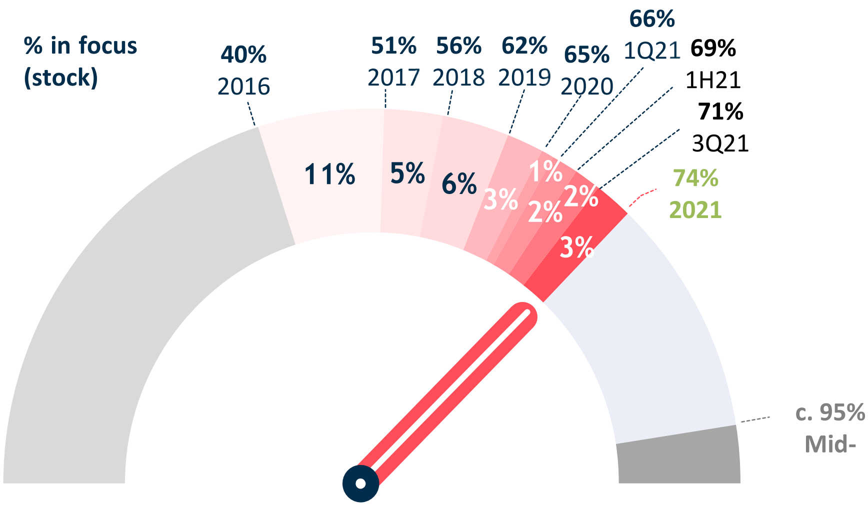
On the one hand, Addiko Group's Focus segments will be able to benefit from substitution effects under the market/income view (e.g. as Addiko Groups Consumer loans are not bound to a specific purpose, the financing of less climate friendly goods can be easily substituted by the financing of more climate-friendly 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 climate-related and environmental risks via diversification. While the Non-Focus segments will not be able to benefit to the same extent from the substitution effect under the market/income effect, the idiosyncratic risk will also be reduced to a lesser extend than in the Focus segment (due to a lower level of granularity), rendering the non-focus segments more susceptible to climate-related and environmental risks (both physical and transition risks).

Thus, while climate-related and environmental risks do not result in an immediate danger for Addiko Group's current business model (due to missing concentration in highly affected industries), the analysis highlights the materiality of climate-related and environmental risks and underscores once more the necessity to further accelerate Addiko Group's transformation and to further increase its focus on granular Consumer and SME loans.

Hence, the share of the Addiko Group's focus portfolio represents the most relevant performance indicator for the management of climate-related and environmental risks from a strategic and business model perspective:

Gross performing loans in focus segments

Gross loans of focus segments as % of total gross performing loans



% change of gross performing loans in focus vs. previous period

10.3.2 Credit risk

Corporate and SME Exposure

Corporate and SME debtors will be subject to both physical acute and chronic climate-related and environmental risks, whereby it is to be assumed that the effect will occur first and will be strongest for debtors in highly affected industries (e.g. automotive). Similarly, to physical risks, also transition risks will in particular impact debtors in highly affected industries (e.g. automotive). However, the impact of climate-related and environmental risks on the macroeconomic environment (e.g. lower GDP or increased unemployment) will indirectly impact all Non-Retail debtors and, thus, the resulting credit risk.

EURm	A - Agriculture	B - Mining / Quarring	B6 - Petroleum / Gas	C29 - Automotive	D - Energy	C20 - Chemical Industry	Total Non Retail & SME exposure
ABBL	2,40	2,81	-	0,00	21,04	3,43	**330,74**
ABC	32,88	0,80	-	5,82	4,83	6,25	**1.790,27**
ABM	3,05	2,89	-	-	7,31	0,00	**105,10**
ABS	1,22	13,88	-	4,82	16,06	1,63	**1.076,00**
ABSA	0,77	6,53	-	0,00	0,93	0,00	**396,65**
ABSE	26,22	1,64	-	2,95	3,81	0,48	**753,67**
Total	**66,53**	**28,55**	**-**	**13,58**	**53,99**	**11,79**	**4.452,43**

% of total exposure	A - Agriculture	B - Mining / Quarring	B6 - Petroleum / Gas	C29 - Automotive	D - Energy	C20 - Chemical Industry
ABBL	0,73%	0,85%	0,00%	0,00%	6,36%	1,04%
ABC	1,84%	0,04%	0,00%	0,33%	0,27%	0,35%
ABM	2,90%	2,75%	0,00%	0,00%	6,96%	0,00%
ABS	0,11%	1,29%	0,00%	0,45%	1,49%	0,15%
ABSA	0,19%	1,65%	0,00%	0,00%	0,24%	0,00%
ABSE	3,48%	0,22%	0,00%	0,39%	0,51%	0,06%
Total	**1,49%**	**0,64%**	**0,00%**	**0,31%**	**1,21%**	**0,26%**

Table 51: Share of Addiko Group's exposure to highly affected industries as of 31.12.2021

As Addiko Group's Non-Retail portfolios do not show any concentration of exposure in highly affected industries, it is to be expected that physical and transition risks will not substantially impact Addiko Group through microeconomic transmission channels over the short- to medium term.

However, the debt service capacity of the individual debtors can be negatively affected via macroeconomic transmission channels. The severity of this impact over the medium- to long term is highly dependant on the measures taken to curb climate change.

Consumer loans
While Consumer debtors can be affected via the effect on their income, the large number of debtors and job mobility, effectively result in a full diversification of the income effect through microeconomic transmission channels. Hence, the income effect for Consumer debtors will impact Addiko Group solely via macroeconomic transmission channels.
The severity of this impact over the medium- to long term is highly dependant on the measures taken to curb climate change.

Mortgage portfolio
The impact of climate-related and environmental risks is most prominent via the wealth effect (i.e. the potential impact on the collateral value). Hence, Addiko Group analysed its mortgage portfolio in the Non-Focus segment on potential risks for the pledged collateral considering the climate-related and environmental risks identified in step 1 of the analysis.

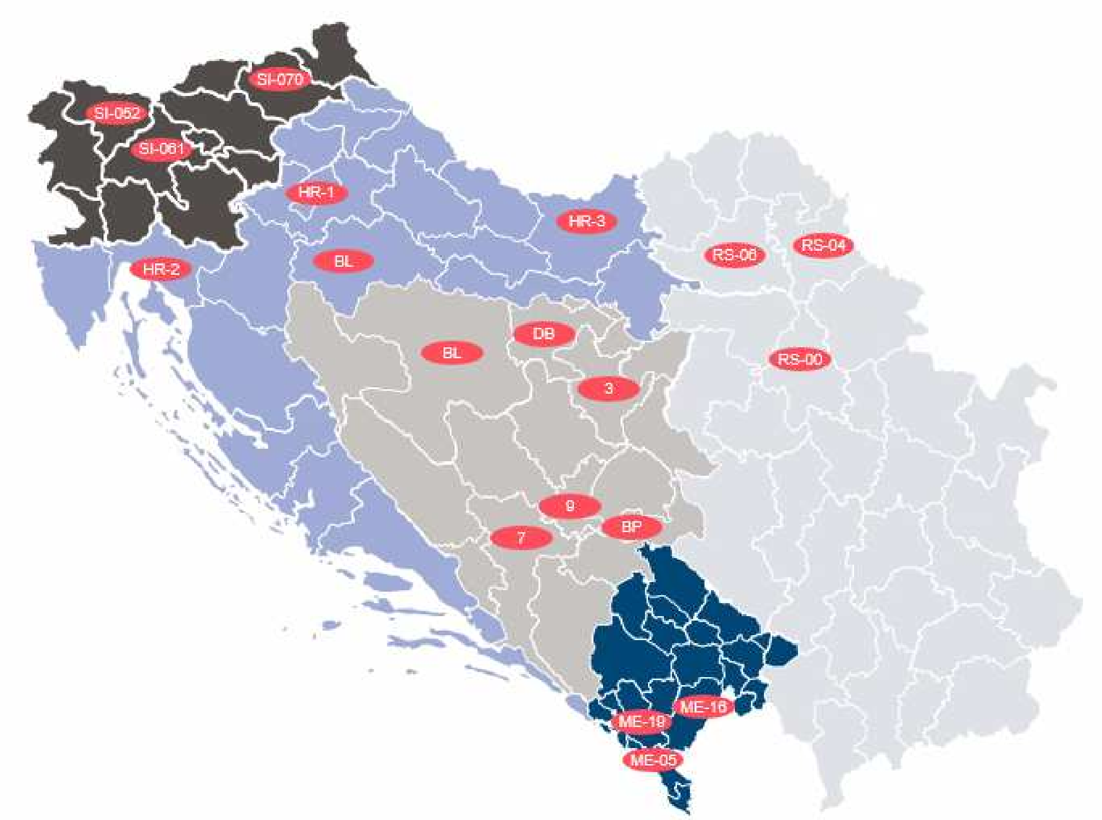


Figure: Regions with highest value of pledged real estate in Addiko Group's mortgage portfolio

Due to the missing concentration of pledged real estate in areas highly endangered from physical risks, it was concluded that a negative impact on Addiko Group Mortgage portfolio via the wealth effect is not to be expected over the short to medium-term. While also mortgage debtors can be affected via the effect on their, the large number of debtors and job mobility, effectively result in a full diversification of the income effect through microeconomic transmission channels. Hence, the income effect for mortgage debtors will impact Addiko Group via macroeconomic transmission channels.

Expected impact of climate-related and environmental risks on credit risk

While no immediate danger for Addiko Group's portfolio was identified in the analysis, it highlights the materiality of climate-related and environmental risks. Due to the urgency and uncertainty of climate-related and environmental risks the continuous monitoring of the concentration in highly affected industries as well as the expected impact of C/E risks on the macroeconomy is required.

Hence, in order to avoid concentrations in highly-affected industries the share of exposure in highly-affected industries is the most relevant performance indicator for the management of climate-related and environmental risks from a credit risk perspective. Consequently, Addiko Group established a dedicated limit on the share of exposure in highly-affected industries in line with its risk appetite.

10.3.3 Market risk

Climate-related and environmental risks will mainly transmit to market risks via their impact on the market value of the individual assets. As Addiko Group's financial assets measured at fair value mainly consist of government bonds, the main transmissions channels are the impact of C/E risks on the tax income and the expenses of the respective governments and consequently the credit risk associated with the respective sovereign.
As no extraordinary vulnerability of the debt service capacity of issuers due to C/E risks have been identified, no material impact of climate-related and environmental risks on Addiko Group's market risk is expected in the short to medium term.

10.3.4 Operational risk

In particular, acute physical climate risks can potentially drive OP-risk via damage of properties but also by forced facility/office closure, which might even raise "Business Continuity" issues. However, no increased vulnerability of Addiko Group's branches and headquarters from potential sea level rising or flood risks in general has been identified. While a limited number of branches is close to the coast and could be affected, relocation would be possible in time, as well as (partial) redistribution of services to online channels. Also, the outlook on average temperatures does not indicate a significant increase in the region, that could not be handled with existing or slight upgrading of existing cooling systems. Hence, based on the analysis performed, it is estimated that physical risks will only have a minor impact on Addiko main buildings. Furthermore, the increasing possibilities of Addiko Group's employees to work from home helps to mitigate the operational risk from damaged property.
While, the financing of stigmatized industries (and other actions of the bank) might also result in additional legal or reputational risks, given Addiko Group's negligible exposure in stigmatized industries, it is to be expected that this risk driver will not materially impact Addiko Group.

10.3.5 Liquidity risk

Flooding and other acute risk drivers are assumed to be of low influence for liquidity risk as Addiko Group's funding is not concentrated in individual geographical areas. Furthermore, changes in the eligibility-criteria of bonds pledged used for refinancing at central banks could drive liquidity risk of a bank depending on the composition of its liquidity portfolio. However, since Addiko Group's liquidity portfolio mainly consists of government bonds from EU-countries, the impact on Addiko Group from this transition risk is expected to be marginal.
Based on the current assessment, Addiko Group concluded that climate-related and environmental risks will likely not materially impact liquidity risk.

10.4 Financed Scope 3 greenhouse gas emissions

The financed Scope 3 greenhouse gases (GHG) emissions of an institution, corresponds to the greenhouse gas emissions of the underlying debtors attributable to the capital provided by the institution. The amount of financed Scope 3 greenhouse gases emissions can give indications on the susceptibility of an institution to transition risks (in particular in the context of legal and reputational risks).

The following table illustrates the estimated Scope 3 GHG emissions of Non-Financial Corporations financed by Addiko Group. The financing provided to households and private individuals was excluded from the estimation.

Industry	Financed Scope 3 GHG emissions in tonnes
Agriculture, forestry and fishing	6,089.5
Mining and quarrying	887.2
Manufacturing	34,551.2
Electricity, gas, steam and air conditioning supply	1,125.7
Water supply; sewerage, waste management and remediation activities	1,564.4
Construction	743.1
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,827.6
Transportation and storage	2,722.7
Accommodation and food service activities	52.5
Information and communication	5,182.9
Financial and insurance activities	10,971.7
Real estate activities	16.4
Professional, scientific and technical activities	454.9
Administrative and support service activities	3,549.0
Public administration and defence; compulsory social security	0.0
Education	373.3
Human health and social work activities	1,541.0
Arts, entertainment and recreation	680.7
Other service activities	1,637.9
Total	**74,971.7**

Table 52: Table on Scope 3 GHG emissions of non-financial corporations financed by Addiko Group

The estimations of Addiko Group’s financed Scope 3 greenhouse gases emissions builds on the estimation of the average GHG emissions by € financed based on the following publicly available data:

1. Data on the sum of Scope 1 and 2 GHG emission on industry level for a representative country
2. Total loans by industry in the representative country
3. The average relation of scope 1, 2, 3 distribution by industry
4. Average debt/equity ratios by industry

Debtors that cannot be assigned a relevant industry are excluded from the estimation of financed Scope 3 GHG emissions, hence in particular Addiko Groups unsecured Consumer portfolio has been excluded from the estimation.

11 Overview of non-applicable disclosures or covered in other published reports

The following table provides an overview of disclosure requirements not covered by the Disclosure Report or other group reports, including the reasons for non-disclosure.

CRR article	Disclosures requested in the CRR article	Reasons for inapplicability
Art 436 e CRR Exposures from the trading and the non-trading book	For exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book position.	Addiko Group does not apply the core approach, but the simplified approach for the determination of the additional valuation adjustment.
Art 437 (1) f CRR Own funds	Where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	Addiko Group does not disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in the CRR.
Art 437a CRR Disclosure of own funds and eligible liabilities	Institutions that are subject to Article 92a or 92b shall disclose information regarding their own funds and eligible liabilities.	The Article 437a CRR is not applicable as Addiko Group is not a G-SIIs or a non-EU G-SII.
Art 438 c CRR Capital requirements	Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104-1 of Directive 2013/36/EU.	There is no demand from the relevant competent authority.
Art 438 e CRR Capital requirements	Disclosure of on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for certain category of specialised lending.	Addiko Group does not use the simple risk-weighted approach.
Art 438 f CRR Insurance participations	Disclosure of own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	Addiko Group does not held any insurance or re-insurance undertakings or insurance holding company.
Art 438 g CRR Financial conglomerates information on own funds and capital adequacy ratio	Disclosure of financial conglomerates information on own funds and capital adequacy ratio	The Article 438 g CRR is not applicable as Addiko Group is not part of a financial conglomerate.
Art 438 h CRR Capital requirements	The variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models.	Addiko Group does not apply the IRB approach, IMM or IMA.

Art 439 i CRR Exposure value to central counterparties	The exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three.	As of 31. December 2021 Addiko Group does not have any exposure value to central counterparties (QCCPs and non-QCCPs).
Art 439 j CRR Notional amounts and fair value of credit derivative transactions	Credit derivative transactions shall be broken down by product type.	As of year-end 2021 Addiko Group does not have any single name CDS on the portfolio.
Art 439 k CRR Exposure to counterparty credit risk	Estimate of α (alpha) if the institution has received the permission of the competent authorities to estimate α.	Addiko Group does not apply any own estimates of the scaling factor.
Art 441 CRR Indicators of global systemic importance	Institutions identified as G-SIIs in accordance with Article 131 of Directive 2013/36/EU shall disclose, on an annual basis, the values of the indicators used for determining the score of the institutions in accordance with the identification methodology referred to in that Article.	The Article 441 CRR is not applicable for Addiko Group, as it does not belong to the institutions of global systemic importance in accordance with Article 131 of 2013/36/EU.
Art 449 CRR Exposure to securitisation positions	Institutions calculating risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 5 or own funds requirements in accordance with Article 337 or 338 shall disclose selected information, where relevant, separately for their trading and non-trading book.	The Article 449 CRR is not applicable for Addiko Group, as no securitisation transactions are currently in place.
Art 452 CRR, Art.453 j CRR Use of the IRB Approach to credit risk	Institutions calculating the risk-weighted exposure amounts under the IRB Approach shall disclose selected information.	Only the Standardised Approach is used within Addiko Group.
Art 454 CRR Use of the Advanced Measurement Approaches to operational risk	The institutions using the Advanced Measurement Approaches set out in Articles 321 to 324 for the calculation of their own funds requirements for operational risk shall disclose a description of the use of insurances and other risk transfer mechanisms for the purpose of mitigation of this risk.	Addiko Group does not apply the Advanced Measurement Approach to operational risk.
Art 455 CRR Use of Internal Market Risk Models	Institutions calculating their capital requirements in accordance with Article 363 shall disclose certain information about the characteristics of the models used.	Article 455 CRR is not applicable, as Addiko Group does not use internal models for incremental default and migration risk and does not have a correlation trading portfolio.

12 Glossary

ALCO	Asset Liability Committee
AT1	Additional Tier 1
ALM	Asset Liability Management
BIA	Basic Indicator Approach
BPV	Basis Point Value
BWG	Austrian Banking Act
CCB	Countercyclical Buffer
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CDS	Credit Default Swap
CEBS	Committee of European Banking Supervisors
CET1	Common Equity Tier 1
CHF	Swiss Francs
CIU	Collective Investments Undertakings
CQS	Credit Quality Step
CRD	Capital Requirements Directive
CRE	Commercial Real Estate
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRSA	Credit Risk Standard Approach
CSA	Credit Support Annex
CSEE	Central and South-Eastern Europe
CVA	Credit Value Adjustment
DVA	Debit Value Adjustment
EAD	Exposure at Default
EB	Executive Board
EBA	European Banking Authority
EBM	Executive Board Member
EC	European Commission
ECA	Export Credit Agency
ECAI	External Credit Assessment Institution
ECB	European Central Bank
ECL	Expected credit loss
EHQLA	Extremely high quality liquid assets
EMU	European Monetary Union
EU	European Union
EVE	Economic Value of Equity
FMA	Financial Market Authority
FMA FXTT-MS	FMA Minimum Standards for the Risk Management and Granting of Foreign Currency Loans and Loans with Repayment Vehicles

FMA-MSK	Austrian Minimum Standards for Credit Business
FTE	Full Time Equivalent
FX	Foreign exchange
GHG	Greenhouse gases
GHR	Group Human Resources
GL	Guidelines
GREC	Group Risk Executive Committee
Gross NPL Ratio	Gross Carrying amount of Non-Performing Loans divided by total Gross carrying amount of Loans and advances
GRR	Group Risk Report
G-SII	Global Systemically Important Institution
HC	Headcount
HHI	Herfindahl Hirschman Index
HQLA	High Quality Liquid Assets
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Assessment Process
IMM	Internal Model Method
IPCC	Intergovernmental Panel on Climate Change
IR	Interest Rate
IR Gap	Interest Rate Gap
IRB	Internal-Ratings-Based approach
IRRBB	Interest Rate Risk of the Banking Book
KPI	Key Performance Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LLSFR	Local Loan Stable Funding Ratio
LR	Leverage Ratio
LVaR	Liquidity value at risk
MB	Management Board
MREL	Minimum Requirement for own funds and Eligible Liabilities
n/a	not applicable
NGFS	Network of Central Banks and Supervisors for Greening the Financial System
NIB	Non-Interest-Bearing positions
NII sensitivity	Net interest income (NII) sensitivity
NMD	Non-Maturity Deposits
NPL	Non-Performing Loans
NSFR	Net Stable Funding Ratio
OeNB	Oesterreichische Nationalbank

OIS	Overnight Index Swap
o/w	Of which
PD	Probability of Default
PFD	Provisioning, Forbearance, Default methodology
PFE	Potential Future Exposure
PMS	Portfolio Management System
POCI	Purchased or originated credit impaired assets
PSE	Public Sector Entity
RAF	Risk Appetite Framework
RBC	Risk-Based Capital
RCP	Representative Concentration Pathways
RCSA	Risk and Control Self Assessment
REPO	Repurchase agreement
RMF	Risk Management Function
RRE	Residential Real Estate
RWA	Risk Weighted Assets
RWEA	Risk Weighted Exposure Amount
SA	Standardised Approach
SB	Supervisory Board
SFT	Securities financing transactions
SME	Small and medium-sized enterprises according to Commission Recommendation (2003/361/EC)
SPOC	Single Point of Contact
SREP	Supervisory Review Evaluation Process
SRP CI	Specific Risk Provision Collective Impaired method
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
SB	Supervisory Board
T1	Tier 1 Capital
T2	Tier 2 Capital
TC	Total Capital
TLTRO	Targeted Longer-Term Refinancing Operation
TSA	The Standardised Approach
UFN	Until Further Notice
VaR	Value at Risk

13 Imprint

**Publisher of the Public Disclosure Report
and responsible for the content:**

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