Disclosure Report 2017

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

AI Lake (Luxembourg) Holding S.à r. l.

Disclosure Report 2017

1 Overview of non-applicable disclosures

The following table provides an overview of the Articles of the CRR not covered by the Disclosure Report or included in other disclosures as mentioned above with an explanation of reasons for non-disclosure in this report.

CRR article	Disclosures requested in the CRR article	Reasons for non-applicable disclosure
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	AI Lake 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 439 i CRR Exposure to counterparty credit risk	Estimate of α if the institution has received the permission of the competent authorities to estimate	AI Lake 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 the AI Lake 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 the AI Lake Group, as no securitisation transactions are currently in place.
Art 452 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 SA is used within AI Lake 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.	AI Lake Group does not apply the Advanced Measurement Approaches 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 AI Lake Group does not use internal models for incremental default and migration risk and does not have a correlation trading portfolio.

2 Introduction

According to Article 13 of the Regulation No. 575/2013 of the European Parliament (hereinafter referred to as the Capital Requirements Regulation (CRR)), this Disclosure Report is published on AI Lake (Luxembourg) Holding S.à r. l. (hereinafter referred to as AI Lake) level. AI Lake is a financial holding company in form of a limited liability company with four managing directors. Its main business purpose is the management of the company´s assets, which consists indirectly of Addiko Bank AG (hereinafter referred to as Addiko Bank) and its subsidiaries. From a risk perspective, the main bank-wide steering processes are performed by its subsidiary, Addiko Bank. These processes are disclosed in this report.

Addiko Bank is an international banking group headquartered in Vienna, Austria, operating through six banks with its core business in Croatia, Slovenia, Bosnia & Herzegovina, Serbia and Montenegro. All in all, Addiko Group provides services to over 1 million clients. The Group's strategy is focused on these six markets in the SEE region delivering core products and services relevant to Retail as well as Small and Medium Enterprises (SME) and Corporate customers, while also providing online deposit services in Austria and Germany.

2.1 Disclosure policy and structure

Art 431, 433 and 434 CRR

The Disclosure Report of AI Lake 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, report complies with the requirements set in Guidelines on disclosure requirements under Part Eight of the Regulation (EU) No 575/2013 (EBA/GL/2016/11, version 2, published on 9 June 2017) and other disclosure related guidelines. The main document is published once a year in English.

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 the Bank.

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

2.2 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, AI Lake Group has been calculating regulatory capital and regulatory capital requirements according to Basel 3.

The Basel Committee’s framework is structured around three "pillars": the Pillar 1 minimum capital requirements and Pillar 2 Supervisory Review Process are complemented by Pillar 3 market discipline. The aim of Pillar 3 is to 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.

Pillar 1 – Minimum requirements

As introduced by Basel 2, Pillar 1 covers the calculation of 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.

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 AI Lake Group's risk and capital management capabilities.

In parallel to 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 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

Taking account of Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review Process), Pillar 3 aims to increase market transparency by providing information on the scope of application, regulatory capital, risk positions, risk measurement approaches and therefore, the capital adequacy of a bank.

2.3 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 per 31 December 2017:

Name of Member of the Management Board	Function in Addiko Bank AG	Number of directorships			
		Internal functions		External functions	
		Management	Supervisory	Management	Supervisory
Ulrich Kissing	Chairman of the Executive Board	1	0	2	1
Johannes Proksch	Member of the Management Board	1	2	1	0
Christian Kubitschek	Member of the Management Board	1	0	0	0
Markus Krause	Member of the Management Board	1	1	0	0
Csongor Bulcsu Nèmeth	Member of the Management Board	1	1	0	0
Martin Stefan Thomas	Member of the Management Board	1	1	2	0
Razvan Munteanu	Member of the Management Board	1	2	0	0

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 Bank 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.

Art 435 (2) c CRR

All external communications and employer branding activities shall attract the most talented potential employees and shall be 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 Addiko Group. Its purpose is to advice the management body with regard to the current and future risk appetite and the risk strategy of the bank. 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, capital adequacy and liquidity, is a key responsibility.

As the central risk control body, the Risk Committee takes place on a frequently basis. In 2017 it was held six 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 and parameters changes as well as setting measures based on stress test results and limit breaches.

The Group Risk Report is also part of the Supervisory Board Meetings in which quarterly figures are shown. In the Risk Committee the invited SB members get beside the GRR an overview of the developments in the risk area since the last Risk Committee Meeting and a deep dive in focus topics like e.g. the portfolio quality development, a migration analysis and a rating report.

Additional reports for the Management Body are Market and Liquidity Risk Reports as well as Operational Risk, Compliance and Audit Reports.

2.4 Scope of application

2.4.1 Consolidation for accounting and regulatory purposes

Article 436 a-b 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:

AI Lake (Luxembourg) Holding S.à r. l.

As of 31 December 2017, the scope of consolidation included 12 fully consolidated companies. The following table shows an overview of the consolidated companies:

Name of the entity	City	Method of accounting consolidation	Method of regulatory consolidation	Description of the entity
AI Lake (Luxembourg) Holding S.a.r.l.	Luxembourg	Full consolidation	Full consolidation	Financial institution
AI Lake (Luxembourg) Management S.a.r.l.	Luxembourg	Full consolidation	Full consolidation	Financial institution
AI Lake (Luxembourg) S.a.r.l.	Luxembourg	Full consolidation	Full consolidation	Financial institution
AI Lake S.a.r.l.	Luxembourg	Full consolidation	Full consolidation	Financial institution
AI Lake & Cy S.C.A.	Luxembourg	Full consolidation	Full consolidation	Financial institution
Addiko Bank AG	Vienna	Full consolidation	Full consolidation	Credit institution
Addiko Bank d.d.	Ljubljana	Full consolidation	Full consolidation	Credit institution
Addiko Bank d.d.	Zagreb	Full consolidation	Full consolidation	Credit institution
Addiko Bank d.d.	Sarajevo	Full consolidation	Full consolidation	Credit institution
Addiko Bank a.d. Banja Luka	Banja Luka	Full consolidation	Full consolidation	Credit institution
Addiko Bank a.d. BEOGRAD	Beograd	Full consolidation	Full consolidation	Credit institution
ADDIKO BANK A.D. PODGORICA	Podgorica	Full consolidation	Full consolidation	Credit institution

2.4.2 Impediments to the transfer of own funds

Art 436 c CRR

Currently there are no restrictions or other significant impediments to the transfer of own funds or regulatory capital known within AI Lake.

2.4.3 Total shortfall in own funds of all subsidiaries not included in the scope of consolidation and the circumstance of making use of the provisions laid down in Articles 7 and 9

Art 436 d-e CRR

As of 31 December 2017, there was no capital shortfall at any of the companies included in AI Lake Group's consolidation.

3 Risk management objectives and policies

Art 435 (1) CRR

3.1 Risk control and monitoring

AI Lake 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. In the case of participations, compatible risk control processes, strategies and methods are implemented.

The following central principles apply in AI Lake to the Bank's overall controlling:

- 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, analyzing, measuring, combining, controlling and monitoring the risk types.
- Appropriate limits are set and effectively monitored for material risk types.

3.2 Risk strategy & Risk Appetite Framework (RAF)

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

AI Lake's risk strategy reflects key risk management approaches included in the business strategy. This is mirrored in the bank's risk objectives which will support safe and sustainable growth and ensure the preservation of the bank in line with regulatory requirements for adequate own funds with regard to risk-taking activities. In 2017, the risk strategy was enriched with sub risk strategies for the major risk types.

AI Lake has also established a Risk Appetite Framework (RAF) which sets the bank's risk profile and forms part of the process of development and implementation of the bank's business and risk strategy. Furthermore, it determines the risks undertaken in relation to its risk capacity. The Risk Dimensions cluster the measures with a clear statement of risks covered within and guiding principles for monitoring and steering. The framework of risk appetite measures defines the risk level the bank is willing to accept. Measures are split in primary measures giving calibrated numerical limits and secondary measures giving additional support. The calibration of measures takes into consideration the Budget 2018 and the Recovery Plan giving an interlinked framework for proper internal steering and surveillance.

3.3 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 Executive Board. The CRO acts independently of market and trading units, with a focus on the Austrian Minimum Standards for the Credit Business as well as appropriate internal controls.
The core tasks of risk management are the individual risk management of counterparty default risks, the reorganization of problem loans, loan settlement, as well as risk control and monitoring of counterparty default, market, liquidity, operational and other risks at the portfolio level. The CRO is also responsible for monitoring the risk-bearing capacity and managing the Pillar 2 risk capital that is required from an economic point of view.

In 2017, the following organizational units were operative:

Corporate Credit Risk is responsible for underwriting as well as individual risk assessment, review and monitoring for all non-Retail customer segments i.e. SME, Corporate, Public Finance, Sovereigns and Sub sovereigns and Financial Institutions. The function has both an operational and strategic role related to credit risk management. Operationally it covers analysis and approval of credit applications above internally defined subsidiary approval authority levels, while strategically it defines policies, procedures, manuals, guidelines and all other documents for above mentioned activities.

Retail Risk oversees all the Retail Risk and Collections departments across all entities of Al Lake Group. Its aim is to support the profitable growth of the Retail portfolio while ensuring the credit risk is aligned to the overall bank budget. It covers portfolio reporting and analysis, retail collections and modelling.

Distressed Asset Management is responsible for early warning system and portfolio monitoring, pre-workout, restructuring, collection and workout to all non-Retail customer segments i.e. SME, Corporate, Public Finance, Sovereigns and Sub sovereigns and Financial institutions.

Credit Risk Portfolio Management provides credit reporting and credit portfolio steering activities for Al Lake as well as the respective individual institutes. In particular, the following activities are included: data governance, preparation of monthly risk reports, regulatory reports, coordinating the risk budget process including monthly steering and limit steering.

Integrated Risk Management manages all risk and regulatory topics which are of strategic importance across the entire Al Lake. It provides the Group's risk strategy, economic capital management, stress testing, recovery plans, resolution plans and MREL steering, coordination of national bank examinations, managing the regulatory office and SPOC function, steering of the SREP process and coordination of risk projects across the entire Al Lake.

Provisioning, Forbearance, Default (PFD) Methodology provides and manages methodologies for provisioning, forbearance and default detection/recovery topics. PFD Methodology includes: calculation of portfolio IFRS provisions for all subsidiaries, technical implementation of forbearance rules and technical and methodological definitions of default triggers (including delay counters, definition of materiality thresholds, recovery criteria, etc.).

Risk Validation provides the validation of the credit risk models to all the subsidiaries across the Al Lake, which are used for the steering of the economic capital, risk provisions and business underwriting. The function is situated in Austria and works closely with local Credit Risk functions.

Market Risk & Liquidity Risk oversees activities related to market risk (foreign exchange risk, interest rate risk, credit spread risk and equity risk) and the bank's liquidity risk. The team is partially situated in Austria and Slovenia and works closely with locally based Market and Liquidity Risk teams in each of the countries.

Operational Risk provides strategic direction, controls and monitoring for all operational risk-related activities. This includes risk assessments, scenario analysis, loss management, and training activities.
The respective country CROs must ensure compliance with the risk principles among all subsidiaries situated in the country.

3.4 Internal risk management guidelines

Al Lake states its group-wide standard risk management guidelines in the form of risk guidelines to ensure that risks are dealt with in a standardized manner. These guidelines are promptly adjusted to reflect organizational changes as well as changes to parts of the regulations such as processes, methodologies and procedures. The existing regulations are assessed at least once a year to determine whether an update is required. This ensures that the actual and documented processes match.

Al Lake 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 is carried out by Internal Audit. AI Lake therefore has fully comprehensive and state-of-the-art internal risk management guidelines in place.

Within the process of Internal Capital Adequacy Assessment (ICAAP), credit, market, liquidity, operational and object Risk are recognized as material risks which are quantified an backed with capital. Additional risk types as listed below are qualitatively assessed within ICAAP and collectively covered by a capital buffer included in the Risk Bearing Capacity calculation.

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

- Reputational risk
- Model risks
- Risks arising from money laundering and financing of terrorism
- Residual risk arising from loan-reducing methods
- Risk arising from excessive debt
- Macro-economic risks
- Systemic risks
- Strategic risk and business risk
- Risks arising from new business or new markets
- Conduct risk
- Capital risk

4 Capital and RWAs

4.1 Own funds

Art. 437 (1) a CRR

EUR m

Common Equity Tier 1 (CET1) capital: Instruments and reserves	Regulation (EU) No 573/2013 Article Reference	31.12.2017
Capital instruments and the related share premium accounts	26 (1), 27, 28, 29,	54.3
- ordinary shares	acc. to Art 26 (3) EBA	50.4
Retained earnings	26 (1) (c)	1,767.3
Accumulated other comprehensive income (and other reserves)	26 (1)	-977.8
Funds for general banking risk	26 (1) (f)	0.0
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	486 (2)	0.0
Minority interests (amount allowed in consolidated CET1)	84, 479, 480	0.0
Independently reviewed interim profits net of any forseeable charge or dividend	26 (2)	0.0
Common Equity Tier 1 (CET1) capital before regulatory adjustments		**843.8**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments	34, 105	-4.2
Intangible assets (net of related deferred tax liability)	36 (1) (b), 37, 472 (4)	-21.8
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	36 (1) (c), 38, 472 (5)	-10.3
Fair value reserves related to gains or losses on cash flow hedges	33 (1) (a)	0.0
Negative amounts resulting from the calculation of expected loss amounts	36 (1) (d), 40, 159, 472 (6)	0.0
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	32 (1)	0.0
Total regulatory adjustments to common equity tier 1		-36.3
Common equity tier 1 capital		807.5
Tier 1 capital (T1 = CET1 + AT1)		807.5
Total capital (TC = T1 + T2)		807.5
Total risk-weighted assets		4,671.0
Capital ratios and buffers		
CET1 Capital ratio	92 (2) (a), 465	17.29%
T1 Capital ratio	92 (2) (b), 465	17.29%
Total capital ratio	92 (2) (c)	17.29%
Institution specific buffer requirement	CRD 128, 129, 130	1.2506%
Of which : capital conservation buffer requirement		0.6250%
Of which : counter-cyclical buffer requirement		0.0006%
Of which : Global Systemically Important Institution (‘G-SII’) buffer		0.0000%
Common equity tier 1 available to meet buffers	CRD 128	0.00625
Amounts below the threshold for deduction (before risk weighting)		
Direct and indirect holdings of the capital 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)	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	38,110.0
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 10% threshold and net of eligible short positions)	36 (1) (i), 45, 48, 470, 472 (11)	10,902.3
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	36 (1) (c), 38, 48, 470, 472 (5)	0.0

The following table presents the changes in the consolidated equity of AI Lake during 2017:

EUR m

Sources of equity changes	Capital	Capital reserves	Available for-Sale-reserves	FX reserves	Accumulated profit or loss and other reserves	Attributable to owners of the parent	Attributable to minority interest	Total
Opening balance	56.0	13.3	7.4	-3.1	983.4	1,056.9	50.9	1,107.8
Profit or loss after tax	0.0	0.0	0.9	0.0	231.5	231.5	10.8	243.2
Other result	0.0	0.0	4.0	13.1	0.0	18.0	0.8	18.0
Total result	0.0	0.0	4.9	13.1	231.5	249.5	11.6	261.1
Increase / Decrease in equity	-5.6	0.0	0.0	0.0	-277.5	-292.5	-14.8	-307.3
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	-9.4	0.0	0.0	0.0	0.0	-0.2	-0.2
Closing balance	**50.4**	**3.9**	**12.2**	**10.1**	**937.4**	**1,013.8**	**47.6**	**1,061.4**

EUR m

Financial assets measured at Fair Value	31.12.2017
Financial assets held for trading	19.8
Financial assets available for sale	1,234.3
Total	**1,254.1**

EUR m

Financial liabilities measured at Fair Value	31.12.2017
Financial liabilities held for trading	1.8
Total	**1.8**

The following table presents the capital structure according to EU regulation 573/2013 (CRR). Regulatory own funds consist of Tier 1 and Tier 2 capital. Apart from the adjustments presented in the table no further deductions were made. All regulatory adjustments are in accordance with Art. 47, 48, 56, 66 and 79 CRR.

Common Equity Tier 1 according to Art. 26 et seq. and 51 et seq. of CRR mainly consists of subscribed capital, reserves and comprehensive income. 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. The simplified approach is applied for additional value adjustments (prudent valuation). The calculation of the deductible item "deferred tax assets" is done according to Art. 38 paragraph 5 of CRR.

4.1.1 Main features, full terms and conditions of capital instruments

Art. 437 (1) b-c CRR

Capital instruments and main features	31.12.2017
1 Issuer	AI Lake (Luxembourg) Holding S.à.r.l.
2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3 Governing law(s) of the instrument	Grand Duchy of Luxembourg
Regulatory treatment	
4 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 54.3m
9 Nominal amount of instrument	EUR 50.4m
9a Issue price	N/A
9b Redemption price	N/A
10 Accounting classification	Shareholders' equity
11 Original date of issuance	N/A
12 Perpeptual 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	N/A
23 Convertible or non-convertible	N/A
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	Additional Tier 1
36 Non-compliant transitioned features	No
37 If yes, specify non-compliant features	N/A

Art. 437 (1) d-e CRR

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

Common Equity Tier 1 according to Art. 26 et seq. and 51 et seq. of CRR mainly consists of subscribed capital, reserves and comprehensive income. Regulatory adjustments of Tier 1 capital are considered according to Art. 36 and 56 of CRR.

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

4.2 Capital requirements

4.2.1 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-b CRR

For Al Lake and its subsidiaries, the capital requirements are calculated for the Pillar I 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 internal models are applied and the additional risk types (like concentration risk, FX induced credit risk, country risk, participation risk, interest rate risk in the banking book, foreign exchange risk, credit spread risk, funding spread risk, object risk and other risks) are considered in the capital requirement calculation. At YE 2017 the risk bearing capacity was utilized with 56.3% and is well in distance to the internally set limit of 85%.

4.2.2 Risk-weighted exposure amounts and minimum capital requirements

Art. 438 c-d CRR

Based on the business activities of Al Lake, 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 (EU OV1- EBA/GL/2016/11):

Risk Weighted Assets and minimum capital requirements	RWA 31.12.2017	RWA 31.12.2016	Minimum capital requirements 31.12.2017
CREDIT RISK (excluding Counterparty Credit Risk)	**4,092.6**	**3,952.6**	**327.4**
Of which the standardised approach	4,092.6	3,952.6	327.4
COUNTERPARTY CREDIT RISK	**8.7**	**7.5**	**0.7**
Of which CVA	8.7	7.5	0.7
SETTLEMENT RISK	**0.0**	**0.0**	**0.0**
MARKET RISK	**176.3**	**128.2**	**14.1**
Of which the standardised approach	176.3	128.2	14.1
LARGE EXPOSURES	**0.0**	**0.0**	**0.0**
OPERATIONAL RISK	**393.4**	**397.3**	**31.5**
Of which basic indicator approach	393.4	397.3	31.5
AMOUNTS BELOW THE THRESHOLDS FOR DEDUCTION (subject to 250% risk weight)	**0.0**	**0.0**	**0.0**
FLOOR ADJUSTMENT	**0.0**	**0.0**	**0.0**
TOTAL	**4,671.0**	**4,485.7**	**373.7**

Within the Al Lake Group the risk positions are covered by the Standardised Approach.

Art. 438 e-f CRR

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

Risk Weighted Assets and minimum capital requirements	RWA 31.12.2017	Minimum capital requirements 31.12.2017
Exposures to central governments or central banks	524.1	41.9
Exposures to regional governments or local authorities	27.5	2.2
Exposures to public sector entities	49.2	3.9
Exposures to multilateral development banks	0.0	0.0
Exposures to International Organisations	0.0	0.0
Exposures to institutions	231.7	18.5
Exposures to corporates	1,239.6	99.2
Retail exposures	1,456.9	116.6
Exposures secured by mortgages on immovable property	170.8	13.7
Exposures in default	214.5	17.2
Exposures associated with particularly high risk	42.2	3.4
Exposures in the form of covered bonds	0.9	0.1
Securitisation positions SA	0.0	0.0
Exposures to Collective Investments Undertakings (CIU)	0.0	0.0
Equity exposures	4.5	0.4
Other items	130.6	10.4
Total Exposure Value	**4,092.6**	**327.4**

4.3 Capital buffers

Art 440 (1) a-b CRR

AI Lake 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 2017, a small number of jurisdictions (e.g. Norway) applied countercyclical buffer rates of more than 0%, resulting in an overall countercyclical buffer rate for the Group of 0.00058%.

The table below sets out the geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer as well as the institution-specific countercyclical buffer rate for the Group as of 31 December 2017. 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 either represent core markets for the Group or have communicated countercyclical buffer rates other than zero.

EUR m

31.12.2017	Relevant credit exposures - Standardised Approach	Own funds requirements o/w for CCB	Own funds requirements o/w for credit risk	Own funds requirements weights (%)	Countercyclical capital buffer rate	Institution-specific countercyclical capital buffer rate
Austria	25.2	1.6	1.6	0.60%	0.00%	0.00%
Bosnia	630.5	41.7	41.7	16.01%	0.00%	0.00%
Croatia	1,465.5	95.3	95.3	36.54%	0.00%	0.00%
France	11.0	0.8	0.8	0.31%	0.00%	0.00%
Germany	0.6	0.0	0.0	0.02%	0.00%	0.00%
Great Britain	0.3	0.0	0.0	0.01%	0.00%	0.00%
Marshall Islands	0.9	0.1	0.1	0.03%	0.00%	0.00%
Montenegro	220.0	14.2	14.2	5.44%	0.00%	0.00%
Netherlands	18.8	0.8	0.8	0.29%	0.00%	0.00%
Norway	9.0	0.1	0.1	0.03%	2.00%	0.00%
Serbia	577.7	38.7	38.7	14.85%	0.00%	0.00%
Slovenia	1,192.2	65.8	65.8	25.22%	0.00%	0.00%
Spain	19.2	0.8	0.8	0.29%	0.00%	0.00%
Switzerland	11.7	0.5	0.5	0.18%	0.00%	0.00%
United States	15.6	0.4	0.4	0.17%	0.00%	0.00%

5 Credit risk

5.1 Definition of past due, substandard, defaulted and impaired

Art 442 a CRR

AI Lake is applying a Basel III compliant default definition according to pillar II.

A non-performing loan (default) exists 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 significantly doubts the customer's credit standing
- 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.

As "Overdue > 90 Days" are considered Non Performing Loans that are past due for over 90 days and the overdue amount exceeds EUR 250 or 2,5% of the total exposure.

Defined as "non-performing" are exposures / receivables where it is expected that a contracting party will be unable to meet its obligations to perform the debt service on a sustainable basis (specific risk provisions, risk orientated restructuring, insolvency or sale of assets). If a customer is in default, an impairment process is triggered. Depending on the outcome of the discounted cash flow analysis, the financial asset of the defaulted customer is regarded as impaired or not.

5.2 Credit risk adjustments

Art 442 b CRR

As part of the calculation of specific risk provisions for impairment losses, 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 utilization of collaterals and non-core assets (secondary cash flows) are taken into consideration. Depending on the assumed default scenario (restructuring or utilization), expected repayments are assessed individually in terms of amount and time, the underlying assumptions are documented and justified on a case-by-case basis and expected cash flows are discounted to the net present value and offset against the outstanding current exposure. In terms of the calculation of recovery cash flows from real estate, AI Lake bases its assumptions on the collateral's market value, which is up-dated 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, utilization period and legal situation in relation to the real estate.

For individual, non-significant exposures (that are below certain thresholds), the Specific Risk Provision Collective Impaired method (SRP CI) is used instead of an individual analysis. Receivables not subject to the calculation of (collective) specific provisions for impairment losses are included in the calculation of portfolio impairment. Incurred but not reported losses are used to calculate the portfolio impairment („Incurred but not Reported Loss Model").

Development of risk provision

The positive development of the portfolio is mainly due to effects resulting from successful restructuring measures among larger individual customers primarily in the Corporate Segment as well as due to settlement agreements and debt sales within the Retail Segment. This resulted in a reduced NPL portfolio in 2017, and the release of risk provisions at the same time. The result was partially offset by provision allocations impacted by financial difficulties of one of the largest retailers in the region where Al Lake is operating. Besides the mentioned debt sale and settlement agreements (especially in Croatia and Serbia), the release of the holding period of CHF converted loans in Croatia resulted in further risk provision releases primarily within the Retail segment. Further positive effects were achieved by process improvements.

The introduced daily monitoring supported by clear performance goals regarding early collections, together with an incentive program leads to considerable improvements in the early collections result and a significant reduction of the NPL portfolio.

Development of the coverage ratio

The coverage ratio (calculated as the ratio of the entire risk provisions to non-performing loans) slightly decreased from 67.5% to 67.0% during the financial year 2017.

Art 442 c CRR

In the following table total and average credit risk exposure over the period by significant exposure classes is provided. Table comprises all asset positions and off-balance items relevant for credit risk framework and based on the accounting values reported in financial statements.

Exposure is reported net of the credit risk adjustments. Exposures related to counterparty credit risk are not subject of this chapter.

EUR m

Asset Class (Standard Approach)	Net exposure as of 31.12.2017	Average exposures over the period
Central governments or central banks	1,949.1	1,798.6
Regional governments or local authorities	79.4	61.3
Public sector entities	58.7	85.1
Multilateral development banks	6.1	4.5
International Organisations	0.0	1.9
Institutions	537.0	538.0
Corporates	1,603.9	1,551.3
Of which: SMEs	326.0	545.0
Retail	2,226.9	2,120.7
Of which: SMEs	320.3	290.1
Secured by mortgages on immovable property	438.8	480.8
Of which: SMEs	25.1	65.1
Exposures in default	207.3	243.2
Items associated with particularly high risk	43.3	41.2
Covered bonds	9.0	9.0
Collective Investments Undertakings (CIU)	0.0	0.0
Equity exposures	4.5	4.6
Other exposures	244.5	261.0
Total standardised approach	**7,408.6**	**8,101.3**

Art 442 d CRR

Table below presents net credit risk exposure (net value of the on-balance and off-balance sheet exposure corresponding to accounting values) by significant geographical areas based on country of residence of the counterparty.

EUR m

Asset Class (Standard Approach)	Asia	Middle and Eastern Europe	Near and middle east	North America	West and Central Europe	Others
Central governments or central banks	0.0	1,629.7	0.0	16.6	247.1	55.6
Regional governments or local authorities	0.0	63.9	0.0	0.0	9.5	6.0
Public sector entities	0.0	56.6	0.0	0.0	0.0	2.1
Multilateral development banks	0.0	0.0	0.0	0.0	6.1	0.0
International Organisations	0.0	0.0	0.0	0.0	0.0	0.0
Institutions	0.0	22.6	0.0	111.6	390.3	12.4
Corporates	0.0	1,421.3	0.0	13.1	75.8	93.7
Retail	0.0	2,099.8	0.0	0.3	1.4	125.4
Secured by mortgages on immovable property	0.0	438.3	0.0	0.0	0.5	0.0
Exposures in default	0.0	191.8	0.0	0.0	0.5	15.1
Items associated with particularly high risk	0.0	43.3	0.0	0.0	0.0	0.0
Covered bonds	0.0	0.0	0.0	0.0	9.0	0.0
Collective Investments Undertakings (CIU)	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	0.0	1.2	0.0	2.2	0.1	1.0
Other exposures	0.0	228.5	0.0	0.2	1.9	13.9
Net exposure	**0.0**	**6,197.1**	**0.0**	**144.0**	**742.2**	**325.3**

Table below presents net exposure for Middle and Eastern Europe:

EUR m

Asset Class (Standard Approach)	Bosnia & Herzegovina	Croatia	Serbia	Slovenia	Montenegro	Other regions
Central governments or central banks	150.1	835.8	233.2	206.1	47.8	156.8
Regional governments or local authorities	6.3	19.6	4.9	33.1	0.0	0.0
Public sector entities	17.7	2.3	34.8	1.9	0.0	0.0
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	0.0	19.1	0.0	3.1	0.0	0.4
Corporates	255.0	445.1	218.4	429.8	73.0	0.0
Retail	341.5	824.8	276.9	531.3	125.4	0.0
Secured by mortgages on immovable property	0.7	116.6	126.8	184.3	9.9	0.0
Exposures in default	24.8	94.9	38.8	21.8	11.5	0.0
Items associated with particularly high risk	0.1	17.7	5.0	20.5	0.0	0.0
Covered bonds	0.0	0.0	0.0	0.0	0.0	0.0
Collective Investments Undertakings (CIU)	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	0.5	0.4	0.0	0.3	0.0	0.0
Other exposures	73.4	94.5	29.3	19.1	12.3	0.0
Net exposure	**870.1**	**2,470.7**	**968.0**	**1,451.4**	**279.8**	**157.1**

Table below presents net exposure for West and Central Europe:

EUR m

Asset Class (Standard Approach)	France	Austria	Belgium	Germany	Great Britain	Other
Central governments or central banks	0.0	145.9	0.0	0.0	0.0	101.2
Regional governments or local authorities	0.0	0.9	0.0	0.0	0.0	0.0
Public sector entities	0.0	0.0	0.0	9.5	0.0	0.0
Multilateral development banks	0.0	0.0	0.0	0.0	6.1	0.0
International Organisations	0.0	0.0	0.0	0.0	0.0	0.0
Institutions	53.7	5.9	33.5	125.0	105.9	66.8
Corporates	10.8	8.9	0.0	0.3	0.0	55.5
Retail	0.2	0.4	0.0	0.3	0.1	0.4
Secured by mortgages on immovable property	0.0	0.1	0.0	0.0	0.2	0.1
Exposures in default	0.0	0.2	0.0	0.0	0.0	0.2
Items associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0
Covered bonds	0.0	0.0	0.0	0.0	0.0	9.0
Collective Investments Undertakings (CIU)	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	0.0	0.0	0.1	0.0	0.0	0.0
Other exposures	0.0	0.0	0.0	0.0	0.0	1.0
Net exposure	**64.7**	**162.2**	**33.6**	**135.1**	**112.4**	**234.3**

Art 442 e CRR

Table below provides the breakdown of the net credit risk exposure by significant industries:

EUR m

Asset Class (Standard Approach)	Public administration	Financial & Insurance	Whole-sale and retail trade	Admini-strative services	Con-struction	Food services	others	TOTAL
Central governments or central banks	954.8	789.6	0.0	0.0	0.0	0.0	204.7	1,949.1
Regional governments or local authorities	73.2	0.0	0.0	0.0	0.0	0.0	6.2	79.4
Public sector entities	3.0	0.0	0.0	0.9	4.9	10.3	39.5	58.7
Multilateral development banks	6.1	0.0	0.0	0.0	0.0	0.0	0.0	6.1
International Organisations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Institutions	0.0	412.5	0.0	0.0	0.0	0.0	124.5	537.0
Corporates	95.4	24.8	345.0	122.8	231.0	154.7	630.1	1,603.9
Retail	7.0	0.0	95.7	29.7	78.6	50.5	1,965.5	2,226.9
Secured by mortgages on immovable property	3.8	0.0	30.5	10.9	24.5	27.7	341.5	438.8
Exposures in default	20.5	0.0	30.9	34.7	8.2	8.1	104.9	207.3
Items associated with particularly high risk	1.0	0.0	0.0	2.8	0.1	1.2	38.3	43.3
Covered bonds	0.0	0.0	0.0	0.0	0.0	0.0	9.0	9.0
Collective Investments Undertakings (CIU)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	0.0	0.0	0.0	0.2	0.0	0.0	4.3	4.5
Other exposures	0.1	18.7	1.4	0.2	0.7	0.0	223.5	244.5
Net exposure	**1,164.9**	**1,245.6**	**503.5**	**202.2**	**347.9**	**252.5**	**3,692.0**	**7,408.6**

Art 442 f CRR

Table below provides information on the breakdown of the net credit risk exposure to residual maturity by significant exposure classes.

EUR m

Asset Class (Standard Approach)	On demand	<= 1 year	> 1 year <= 5 Years	> 5 years	No stated maturity	Total
Central governments or central banks	653.9	170.1	611.2	221.7	292.2	1,949.1
Regional governments or local authorities	0.1	4.4	20.9	9.5	44.5	79.4
Public sector entities	2.2	11.6	33.7	0.0	11.2	58.7
Multilateral development banks	0.0	0.0	6.1	0.0	0.0	6.1
International Organisations	0.0	0.0	0.0	0.0	0.0	0.0
Institutions	5.3	67.2	209.3	37.4	217.9	537.0
Corporates	44.2	579.6	500.3	11.9	467.9	1,603.9
Retail	80.6	316.4	516.8	0.0	1,313.1	2,226.9
Secured by mortgages on immovable property	0.0	24.4	75.6	0.0	338.9	438.8
Exposures in default	3.0	81.3	55.3	0.0	67.8	207.3
Items associated with particularly high risk	0.0	0.2	3.0	0.0	40.0	43.3
Covered bonds	0.0	0.0	0.0	9.0	0.0	9.0
Collective Investments Undertakings (CIU)	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	0.0	0.0	0.0	0.0	4.5	4.5
Other exposures	0.0	7.7	0.0	11.9	224.9	244.5
Net exposure	**789.4**	**1,262.8**	**2,032.3**	**301.4**	**3,022.7**	**7,408.6**

Art 442 g-i CRR

	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collateral received and financial guarantees received	
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non performing				On performing exposure		On non- performing exposure		On non-performing exposure	Of which forborne exposures
					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Debt securities	**1,262.4**	**1,262.4**	**0.0**	**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	0.0
General governments	878.4	878.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	312.2	312.2	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	25.7	25.7	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	46.0	46.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	**5,385.9**	**4,838.2**	**51.0**	**547.7**	**538.3**	**544.6**	**132.2**	**-37.2**	**-3.3**	**-379.0**	**-71.2**	**144.6**	**100.2**
Central banks	971.3	971.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	137.5	135.7	2.8	1.9	0.0	1.8	1.5	-0.6	0.0	0.0	-0.2	0.0	3.8
Credit institutions	301.4	301.4	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Other financial corporations	46.0	39.4	0.0	6.7	6.6	6.6	0.0	-0.7	0.0	-3.9	0.0	0.0	0.0
Non-financial corporations	1,604.4	1,360.9	34.5	243.5	241.5	242.9	101.0	-14.4	-3.0	-140.6	-51.5	85.7	76.9
Households	2,325.2	2,029.6	13.7	295.6	290.2	293.3	29.6	-21.4	-0.3	-234.4	-19.5	58.9	19.6
OFF-BALANCE SHEET EXPOSURES	**819.9**	**798.5**	**0.1**	**21.4**	**19.7**	**0.0**	**0.3**	**-5.2**	**0.0**	**-6.1**	**-0.1**	**12.3**	**0.1**
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
General governments	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	2.1	2.1	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	24.6	20.0	0.0	4.5	4.5	0.0	0.0	0.0	0.0	-1.0	0.0	2.5	0.0
Non-financial corporations	668.6	652.9	0.1	15.7	14.2	0.0	0.3	-4.7	0.0	-4.3	-0.1	9.7	0.1
Households	123.9	122.7	0.0	1.2	1.0	0.0	0.0	-0.4	0.0	-0.8	0.0	0.2	0.0
Total	**7,468.1**	**6,899.1**	**51.1**	**569.1**	**558.0**	**544.6**	**132.5**	**-42.4**	**-3.3**	**-385.1**	**-71.3**	**156.9**	**100.4**

	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collateral received and financial guarantees received	
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non performing				On performing exposure		On non- performing exposure		On non-performing exposure	Of which forborne exposures
					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Croatia	3,143.1	2,913.1	14.1	230.0	228.6	218.8	37.0	-10.9	-0.3	-141.0	-20.5	71.9	30.2
Slovenia	1,668.4	1,610.7	5.0	57.7	57.6	46.3	28.6	-9.3	-0.2	-37.3	-19.2	13.9	10.0
Serbia	948.2	846.4	6.6	101.8	101.8	101.8	34.5	-9.4	-0.2	-64.7	-19.4	37.8	19.1
B&H	1,014.7	865.5	21.4	149.2	139.8	148.8	26.4	-8.8	-2.5	-125.2	-10.4	19.7	34.1
Montenegro	298.9	268.5	3.9	30.3	30.3	28.9	6.0	-4.0	-0.1	-16.8	-1.8	13.7	7.1
Other EU countries	394.9	394.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**7,468.1**	**6,899.1**	**51.1**	**569.1**	**558.0**	**544.6**	**132.5**	**-42.4**	**-3.3**	**-385.1**	**-71.3**	**156.9**	**100.4**

EUR m

	As at 1.1.2017	Foreign-exchange-differences	Allocations	Releases	Utilization	Unwinding	Other	As at 31.12.2017
Allowances for financial assets	-474.9	7.3	-138.7	128.2	52.2	9.2	37.7	-379.0
Portfolio provisions	-33.0	-0.3	-22.0	10.7	9.7	0.3	-2.5	-37.2
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	-33.0	-0.3	-22.0	10.7	9.7	0.3	-2.5	-37.2
Subtotal credit risk provisions on loans and receivables	**-508.0**	**7.0**	**-160.8**	**138.9**	**61.9**	**9.5**	**35.2**	**-416.2**
Provisions for risks arising from the lending business	**-12.6**	**-0.1**	**-13.2**	**14.5**	**0.0**	**0.0**	**0.0**	**-11.3**
Specific provisions	-8.4	-0.1	-3.1	5.5	0.0	0.0	0.0	-6.1
Portfolio provisions	-4.2	0.0	-10.1	9.1	0.0	0.0	0.0	-5.2
Total	**-520.5**	**6.9**	**-174.0**	**153.5**	**61.9**	**9.5**	**35.2**	**-427.6**

5.3 Use of ECAIs

5.3.1 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. AI Lake Group uses the Standardised Approach for determining the minimum capital requirements pursuant to Basel 3.

Two ECAIs have been selected: Moody's Investor Service ("Moody's") and Standard and Poor's rating agency ("S&P"). AI Lake Group has not nominated any ECAs. The assignment of the rating grades to credit quality steps is undertaken according to Article 136 CRR. ECAI risk assessments are used for all exposure classes.

The mapping of the external credit assessment institutions to the credit quality steps is done in line with the published EBA Mapping Part 3 title 2 chapter 2.

5.3.2 Exposure values associated with credit quality steps

Art 444 e CRR

Table below provides information about regulatory exposure by exposure classes and credit quality steps:

EUR m

Asset Class (Standardised Approach)	Credit Quality Step	Net exposure	Exposure Value
Central governments or central banks	1	1,384.0	1,425.4
	2	13.9	13.9
	3	49.4	49.4
	4	501.8	496.6
Regional governments or local authorities	unrated	79.4	78.9
Public sector entities	unrated	58.7	49.3
Multilateral development banks	unrated	6.1	6.1
Institutions	unrated	34.4	34.3
	1	176.3	175.4
	2	326.4	324.6
Corporates	unrated	1,522.4	1,195.7
	1	13.4	13.4
	2	37.9	37.9
	3	20.4	20.4
	4	9.8	9.8
Retail	unrated	2,226.9	1,995.8
Secured by mortgages on immovable property	unrated	438.8	430.6
Exposures in default	unrated	207.3	194.3
Items associated with particularly high risk	unrated	43.3	43.2
	1	9.0	9.0
Equity exposures	unrated	4.5	4.5
Other exposures	unrated	244.5	244.5
Total		**7,408.6**	**6,853.0**

5.4 Leverage

5.4.1 Leverage ratio

Art 451 (1) a 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 2017, the leverage ratio for AI Lake Group at consolidated level amounted to 11.93%, comfortably above the 3.0% minimum requirement expected to apply from 2018. The ratio is calculated on period-end values as of 31 December 2017 for both leverage exposure and Tier 1 capital, while the Tier 1 capital is determined based on fully-fledged CRR definitions, i.e. not including any transitional provisions.

5.4.2 Leverage exposure breakdown and reconciliation

Art 451 (1) a-c CRR

The table below provides a reconciliation of AI Lake Group's published financial statements to the total leverage ratio exposure as of 31 December 2017:

EUR m

Summary reconciliation of accounting assets and leverage ratio exposures		Applicable Amount
1	Total assets as per published financial statements	6,524.7
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0.0
3	(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 Article 429(13) of Regulation (EU) No 575/2013)	0.0
4	Adjustments for derivative financial instruments	0.0
5	Adjustment for Securities Financing Transactions (SFTs)	13.4
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	224.7
EU-6a	Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0.0
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0.0
7	Other adjustments	8.4
8	**Leverage ratio total exposure measure**	**6,771.2**

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 2017:

EUR m

Leverage ratio common disclosure		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	6,549.5
2	(Asset amounts deducted in determining Tier 1 capital)	-37.7
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**6,511.8**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	13.0
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	8.3
EU-5a	Exposure determined under Original Exposure Method	0.0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0.0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.0
8	(Exempted CCP leg of client-cleared trade exposures)	0.0
9	Adjusted effective notional amount of written credit derivatives	0.0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.0
11	**Total derivatives exposures (sum of lines 4 to 10)**	**21.3**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	13.4
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.0
14	Counterparty credit risk exposure for SFT assets	0.0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0.0
15	Agent transaction exposures	0.0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0.0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**13.4**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	881.4
18	(Adjustments for conversion to credit equivalent amounts)	-656.7
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**224.7**
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0.0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0.0
Capital and total exposure measure		
20	**Tier 1 capital**	**807.5**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**6,771.2**
Leverage ratio		
22	**Leverage ratio**	**11.93%**
Leverage ratio		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0.0

The following table provides a breakdown of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by exposure class as of 31 December 2017:

EUR m

		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**6,505.2**
EU-2	Trading book exposures	4.5
EU-3	**Banking book exposures, of which:**	**6,500.7**
EU-4	Covered bonds	9.0
EU-5	Exposures treated as sovereigns	1,957.4
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	110.7
EU-7	Institutions	514.6
EU-8	Secured by mortgages of immovable properties	425.4
EU-9	Retail exposures	1,884.2
EU-10	Corporate	1,100.7
EU-11	Exposures in default	185.0
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	313.7

5.4.3 Management of the risk of excessive leverage

Art 451 (1) d CRR

The risk of excessive leverage (debt) is calculated on a quarterly basis. Key input factors for the calculation are the CET1 and the risk position value. The monitoring takes place in the area of Integrated Risk Management and is forwarded to the Management Board as part of the regular reporting and is discussed in the responsible committees (such as the Group Risk Executive Meeting). During 2017 on Al Lake level the leverage ratio increased from 11.37% (March) to 12.01% (December) due to an increase in CET1.

5.4.4 Factors influencing the development of leverage exposure

Art 451 (1) e CRR

The leverage ratio of Al Lake was calculated for the first time in September 2015. As of 31 December 2017, the leverage ratio amounts to 12.01%.

5.5 Credit risk mitigation techniques

5.5.1 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 at Al Lake.

5.5.2 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 manuals, 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.

ICV = Market value * haircut in % (according "Group Collateral Management Policy")

This haircut includes a lump sum to determine an appropriate 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, 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.

5.5.3 Main types of collateral taken by the institution

Art 453 c CRR

To hedge credit risk positions AI Lake provides sustainable collaterals.

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 all internally valued collaterals. These collaterals are divided into Commercial Real Estates (CRE) and Residential Real Estates (RRE). The valuation is carried out for all real estates with a market value of more than EUR 1 million by individual evaluations according to the Real Estate Valuation Standard.

Market/Sales units orders all needed valuations in advance, before they mature for revision or potential re-valuation, all on basis of report which provides info on all the real estates for which valuation matures within the next four months.

For real estates with a market value of less than EUR 1 million valuation 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 security (CRE / RRE), potentially 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 for sure different types of guarantees (primarily bank and corporate guarantees), as well as following collateral types: financial collaterals (deposits, securities), movables and receivables.

5.5.4 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 govern-ments or central banks	Regional govern-ments or local authorities	Public sector entities	Institutions	Corporates	Total
unrated	0.0	0.0	0.0	0.0	0.0	0.0
Credit quality step 1	41.5	0.0	0.0	0.0	0.0	41.5
Credit quality step 2	0.0	0.0	0.0	0.0	0.0	0.0
Credit quality step 3	0.0	0.0	0.0	0.0	11.5	11.5
Credit quality step 4	0.0	0.0	0.0	0.0	0.0	0.0
Credit quality step 5	0.0	0.0	0.0	0.0	0.0	0.0
Credit quality step 6	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**41.5**	**0.0**	**0.0**	**0.0**	**11.5**	**53.0**

5.5.5 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 in a small number of types of collateral, instruments, sectors or specific guarantors.

Al Lake 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 Al Lake there are no significant concentrations in term of exposure.

Fact is that Al Lake depends on two types of collateral, commercial and residential real estates. However, it can be said that these collaterals are distributed among different countries, without concentration in terms of size, value or a specific country. Furthermore, Al Lake implemented in the countries the limit monitoring system in order to achieve that the country exposures are properly controlled / monitored.

5.5.6 Information of the value of exposure separately for each single exposure class, which are secured by financial security, mortgage security and guarantees

Art 453 f-g CRR

The values in the table below represent the collateralized exposure values of AI Lake:

EUR m

	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Guarantees	Credit derivatives	Other funded credit protection o/w residential real estate	Other funded credit protection o/w Commercial real estate	Financial collateral
Central governments or central banks	1,943.9	5.2	0.0	0.0	0.0	0.0	5.2
Regional governments or local authorities	79.4	0.0	0.0	0.0	0.0	0.0	0.0
Public sector entities	57.0	1.7	1.6	0.0	0.0	0.0	0.1
Multilateral development banks	6.1	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
Institutions	535.2	1.8	0.0	0.0	0.0	0.0	1.8
Corporates	1,533.5	70.4	47.4	0.0	0.0	0.0	23.0
Retail	2,201.9	25.0	3.2	0.0	0.0	0.0	21.8
Secured by mortgages on immovable property	0.0	438.8	0.0	0.0	288.9	149.9	0.0
Exposures in default	187.8	19.5	0.8	0.0	0.0	11.4	7.3
Items associated with particularly high risk	43.3	0.0	0.0	0.0	0.0	0.0	0.0
Covered bonds	9.0	0.0	0.0	0.0	0.0	0.0	0.0
Collective Investments Undertakings (CIU)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	4.5	0.0	0.0	0.0	0.0	0.0	0.0
Other exposures	244.6	0.0	0.0	0.0	0.0	0.0	0.0
Total	**6,846.2**	**562.4**	**53.0**	**0.0**	**288.9**	**161.3**	**59.2**

Art 444 e CRR

The table below provides a breakdown of CCR exposure calculated in accordance with Part Three, Title II, Chapter 6 of the CRR and risk-weighted according to Chapter 3 of the same title: by portfolio (type of counterparties) and by risk weight (riskiness attribute according to the Standardised Approach).

EUR m

Asset Class	Risk weight										Total	Of which unrated
	0.0%	10.0%	20.0%	35.0%	50.0%	75.0%	100.0%	150.0%	250.0%	Others		
Central governments or central banks	1,425.3	0.0	13.9	0.0	49.4	0.0	496.6	0.0	0.0	0.0	1,985.2	0.0
Regional governments or local authorities	9.5	0.0	52.4	0.0	0.0	0.0	17.0	0.0	0.0	0.0	78.9	78.9
Public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	49.3	0.0	0.0	0.0	49.3	49.3
Multilateral development banks	6.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.1	6.1
Institutions	0.0	0.0	175.4	0.0	324.6	0.0	34.3	0.0	0.0	0.0	534.3	34.3
Corporates	0.0	0.0	13.5	0.0	37.9	0.0	1,225.9	0.0	0.0	0.0	1,277.3	1,195.7
Retail	0.0	0.0	0.0	0.0	0.0	1,995.8	0.0	0.0	0.0	0.0	1,995.8	1,995.8
Secured by mortgages on immovable property	0.0	0.0	0.0	288.6	142.0	0.0	0.0	0.0	0.0	0.0	430.6	430.6
Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	153.8	40.5	0.0	0.0	194.3	194.3
Items associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	8.9	21.2	0.0	13.1	43.2	43.2
Covered bonds	0.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.0	0.0
Equity exposures	0.0	0.0	0.0	0.0	0.0	0.0	4.5	0.0	0.0	0.0	4.5	4.5
Other exposures	124.8	0.0	0.1	0.0	0.0	0.0	112.3	0.0	7.3	0.0	244.5	244.5
Total	**1,565.7**	**9.0**	**255.3**	**288.6**	**553.9**	**1,995.8**	**2,102.6**	**61.7**	**7.3**	**13.1**	**6,853.0**	**4,277.3**

6 Counterparty credit risk

Art 439 a-e and g-h CRR

In the trading business with derivatives there are basically Master Agreements and amending valid Credit Support Annexes for the charging of mutual risks (Close-out-Netting) in use and which therefore reduce the counterparty risk.

The actual collateral value is calculated based on daily netted market valuation of the underlying derivatives which the external counterparts and with one subsidiary. For the other subsidiaries the collateral is calculated based on weekly netted market valuation of the underlying derivatives. Basis for the market valuation are Close of Business market data. Actually only EUR cash is accepted within AI Lake 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.

AI Lake uses derivative instruments to be able to reduce the market price risk as well as the counterparty risk. For the end of the year 2017 there are also single name CDS in the amount of USD 10 million in the portfolio which were bought for protection purposes.

Basis for the Collateral Management is an individual agreement between the counterpart and AI Lake. This comprises 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. The content of the CSA regulates the operative handling of the Collateral Management. It includes also the frameworks like threshold amount, independent amount, minimum transfer amount, rounding rules for the transfer amount, type of collateral, valuation agent and period of collateral valuations.

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

The table below represents an overview of counterparty credit risk exposure by approach of AI Lake:

EUR m

Analysis of CCR exposure by approach	Notional	Replacement cost / current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		384.1	41.9			20.7	8.7
Original exposure	0.0					0.0	0.0
Standardised Approach		0.0			0.0	0.0	0.0
IMM (for derivatives and SFTs)				0.0	0.0	0.0	0.0
Of which securities financing transactions				0.0	0.0	0.0	0.0
Of which derivatives and long settlement transactions				0.0	0.0	0.0	0.0
Of which from contractual cross-product netting				0.0	0.0	0.0	0.0
Financial collateral simple method (or SFTs)						0.0	0.0
Financial collateral comprehensive method (for SFTs)						0.0	0.0
VaR for SFTs						0.0	0.0
TOTAL	**0.0**	**384.1**	**41.9**	**0.0**	**0.0**	**20.7**	**8.7**

6.1 Exposure to counterparty credit risk

Art 439 f 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. AI Lake Group applies the standardized method to compute CVA capital charges exclusively.

EUR m

CVA capital charge 31.12.2017	Exposure value	RWAs
Total portfolios subject to the advanced method		
(i) VaR component (including the 3x multiplier)		
(ii) VaR component (including the 3x multiplier)		
All portfolios subject to the standardised method	20.7	8.7
Based on the original exposure method		
Total subject to the CVA capital charge	**20.7**	**8.7**

7 Market risk

Art 445 CRR

Market risks consist of potential losses arising from a change in market prices. AI Lake structures market price risks according to the risk factors in interest rate, credit spread, currency and equity price risk. AI Lake places a special emphasis on identifying, measuring, analyzing 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.

7.1 General requirements

The bank develops its market risk strategy on the basis of strategy discussions with the relevant treasury unit. Resolutions on the combined business and risk strategy at Group level are passed exclusively in the Group Asset Liability Committee (Group ALCO) and are discussed in the Risk Committee.

7.2 Risk measurement

AI Lake 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 main instrument used in this process is the Monte Carlo simulation involving exponentially weighted volatilities and correlations from a history of 250 days. For the purpose of determining the tied-up economic market risk capital for the risk-bearing capacity calculation, VaR (value at risk) figures (99.0%, 1 day) are scaled to the uniform confidence level of 99.9% and a 250 days holding period. The models calculate potential losses taking into account historical market fluctuations (volatilities) and market context (correlations).

While the VaR that is determined for monitoring requirements is used to forecast potential losses under normal market conditions, future-oriented analyses using extreme assumptions are also carried out. Market positions are subjected to exceptional market price changes, crisis situations and worst-case scenarios as part of so-called “stress tests”, and analyzed for hazardous risk potentials using the simulated results. The stress scenarios are monitored for appropriateness and adjusted if required. Corresponding back-testing is performed on the applied methods and models for defined market risk factors and portfolios at Group level. The interest rate risk in the banking book is determined as a present value risk, as are all market risks of the Addiko Group. The interest rate risk in the banking book is predominantly integrated into ongoing risk monitoring according to the value at risk in market risk controlling.

Contractual cancellation rights are modelled as an option and taken into account in the risk calculation. All stochastic positions are accounted for in accordance with internal models.

The method parameters for Until Further Notice (UFN) product modelling are based on an elasticity concept. Alongside the value at risk calculation, classic interest rate gap analysis is also used to measure interest rate risk in the banking book. Present value changes from the 200 base points interest shock scenario, which is still a regulatory requirement, always remain under the threshold of 20% of own capital funds at the Addiko Group. Furthermore, an array of potential market fluctuations from interest rate risks is calculated through standard, forward, historical and extreme scenarios.

7.3 Risk limitation

A limit for market risk of the distributable risk capital has been set for AI Lake. This defined risk capital represents the maximum loss for assuming market risks. The allocation of market risk capital is carried out based on a defined limit application process, setting risk-factor limits for the individual market risk factors (interest risk, currency risk, equity price risk (customer default and investments) and credit spread risk) and taking into account a market risk limit reserve. Furthermore, differentiation of these risk factor limits is made by assigning them to defined sub-portfolios. The risk and loss thresholds defined for risk mitigation act as an early-warning system to show any negative developments in the market risk limit system early on.

7.4 Risk control and monitoring

In market risk reporting, the value at risk and performance figures for the trading book, banking book investments and market risk steering figures as well as the corresponding risk capital view are updated on a daily basis. Should limits be exceeded, escalation processes are defined up to the level of the Management Board. The Group Management Board also receives a monthly report on the current market risk situation of the Addiko Group.

The control of interest risk is carried out on an institutionalized basis in compliance with the regulatory requirements related to interest risk statistics. The Group Asset Liability Committee – which consists of the Group's Management Board as well as key staff in Treasury, Risk Management and Financial Controlling – meets on a regular basis to analyze and decide on measures related to controlling the structure of the statement of financial position as well as liquidity. In addition to Group-level controlling, all subsidiaries and subsidiary portfolios are also monitored and controlled.

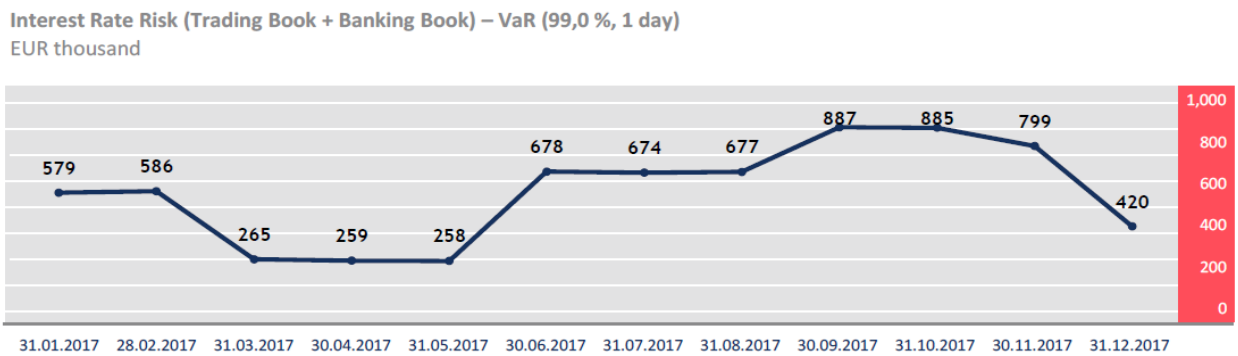
7.5 Overview Market Risk

Interest Rate Risk

The chart below shows the progression of economic interest rate risk (including the interest rate risk of the trading book) for Al Lake in 2017 (comparable VaR figure as at 31 December 2016: EUR 0.58 million).

The interest rate gap profile for Al Lake contains all interest rate-relevant items (whether included in the statement of financial position or not) with their next interest rate fixing date and/or their replicated interest sensitivity. The stochastic cash flows are illustrated using uniform Group standards as well as local models for country -specific transactions.

All interest rate gap profiles of local banks and local leasing companies are consolidated at Group level and combined into the Group interest rate gap profile. All interest-bearing items in the statement of financial position are taken as the basis for calculating interest-rate risk and thus limited risks. Any non-interest-bearing items are not comprised in the interest risk calculation but dealt with in association with other risk factors, such as the participation risk. Development in interest risk for AI in 2017:



The trading items of Al Lake were relatively stable in 2017. Changes in interest risk mainly resulted from adjustments to rolling interest positions and the shortening of the terms of fixed-rate transactions.
The methodology of regulatory interest risk calculation is based on the specifications of the Oesterreichische Nationalbank (OeNB) regarding the calculation of interest risk statistics. Initially, interest risks per defined currency are determined on the basis of the Group interest rate gap profile; a second step calculates the risk/equity ratio as a percentage of own capital funds.

The regulatory limit of 20.0% and the internal limit of 15.0% were not even close to being reached or exceeded at any point in the year.

The main instruments used to control the interest rate gap profile are derivatives, which establish a hedging relationship for both assets and liabilities in the form of effective micro-hedges (fair value hedges), thereby mitigating interest risk.

Regulatory requirements state that the proportion of interest risk – in the form of the standardized 200-BP rise in directly affected interest-bearing positions (excluding Non-Interest-Bearing Positions – ex NIB) – in equity may not exceed 20.0%. An internal limit of a maximum of 15.0% has been set; however, this has only been used sparingly because of the interest rate gap profiles being well-balanced. Non-Interest-Bearing (NIB) positions are therefore not assumed to have an interest-bearing effect in the interest rate gap profiles – this conforms to modern international standards and guidelines such as the German Minimum Requirements for Risk Management (MaRisk).

The change in present value of the banking book in EUR thousands with a parallel rise in the interest rate curves by 1 base point in all maturity bands and currencies as at 31 December 2017 amounts to EUR -94 thousand (entire aggregated effect of this interest rate simulation) – the aggregated effect in 2016 was EUR 153 thousand.

Foreign Currency Risk

The database for determining the value at risk for foreign currency risks at the Group level of Al Lake is based on the figures in the regulatory report and participations and contains operational business activities. Foreign currency risk thereby covers the entire FX risk of Al Lake. The main foreign currency risk drivers are the HRK and RSD currencies. The total volume of open currency positions as at 31 December 2017 is roughly EUR 0.64 billion (volume per 31 December 2016 of approx. EUR 0.80 billion), with the majority attributed to the currencies HRK and RSD. The value at risk for foreign currency risk was approximately EUR 1.57 million per day as at 31 December 2017 (value at risk as at 31 December 2016: EUR 0.73 million), at a confidence interval of 99.0%. The limit of EUR 2.03 million was adhered to as at 31 December 2017.

Development in foreign currency risk of the Addiko Group in 2017:

Aside from foreign currency risk from operating activities, Al Lake is also exposed to an additional foreign currency risk from the consolidation of Addiko Bank's strategic investment in Addiko a.d. Beograd (volume of approx. EUR 0.19 billion) and Addiko d.d. Zagreb (volume of approx. EUR 0.38 billion) as recorded in the statement of financial position. The strategic currency risk thus represents the majority of the risk in open currency items at Al Lake. In addition to monitoring VaR in respect of foreign currency, Al Lake 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.

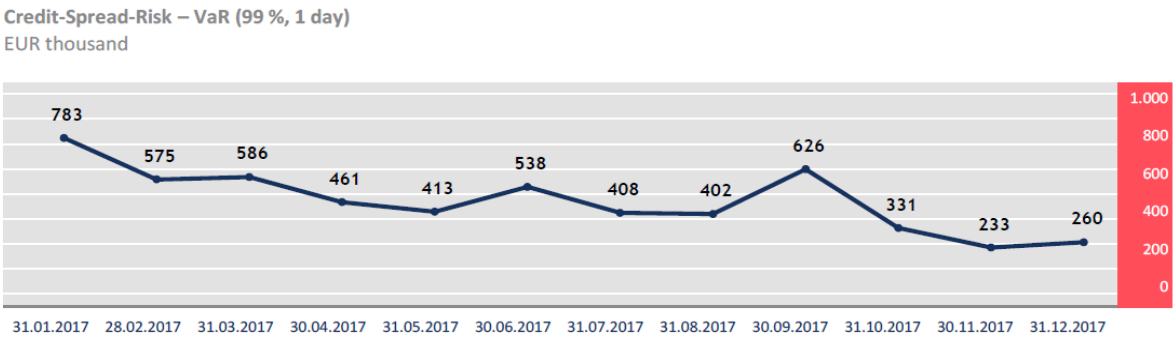
Equity Price Risk

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. The Addiko Group makes a distinction between equity price risks which arise from utilizing collateral related to credit risk transactions where utilization is not currently possible for reasons of illiquidity or because of regulations or agreements (customer default), and equity price risks from an investment point of view (investments). The value at risk for the equity price risk (customer default) at Al Lake amounted to EUR 4,272 as at 31 December 2017 (value at risk as at 31 December 2016: EUR 4,704) with a one-day holding period and a confidence level of 99.0% and EUR 2,488 (value at risk as at 31 December 2016: EUR 2,280) for the equity price risk from an investment point of view. Under the risk strategy, no further share positions from an investment point of view are scheduled to be established at Al Lake – which is why Al Lake is only exposed to an extremely low level of risk from share items as at 31 December 2017 and therefore also no major concentration risk exists here.

Credit Spread Risk

The credit spread risk within AI Lake stood at EUR 0.26 million at 31 December 2017 with a one-day value at risk and a confidence level of 99.0% (value at risk as at 31 December 2016: EUR 0.84 million). The limit of EUR 2.50 million was adhered to as at 31 December 2017. The greatest influencing factor in credit spread risk is the holding of liquidity reserves in the form of securities at AI Lake. Consequently, there is not much room for reducing risk from these items. In addition to monitoring VaR in respect to the credit spread risk, AI Lake 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 AI Lake are monitored as well as concentrations of bonds within the categories of government bonds, financial bonds as well as corporate bonds.

Development in credit spread risk at AI Lake in 2017:



7.6 Exposure to market risk

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

EUR m

31.12.2017	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	72.2	5.8
Equity risk (general and specific	0.0	0.0
Foreign exchange risk	104.1	8.3
Commodity risk	0.0	0.0
Options		
Simplified approach	0.0	0.0
Delta-plus method	0.0	0.0
Scenario approach	0.0	0.0
Securitisation (Specific risk)	0.0	0.0
Total	**176.3**	**14.1**

8 Operational risk

8.1 Principles of operational risk management

Art 446 CRR

Al Lake uses the basis indicator approach for the operational risk capital requirements. More information is stated in Art. 438 of this disclosure.

In accordance to 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 Al Lake Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

8.1.1 Organisation

With the aim of active management of operational risk Al Lake Group defines the comprehensive system of operational risk monitoring and management. As the operational risk, in accordance to its definition, is not centralised in one organisational or hierarchical level, the system for its management also encompasses in general all activities.

Appropriate responsibility for the management of operational risk is essential, therefore clear accountability and ownership for operational risk management is recognized in different levels of the organization, that encompasses day-to-day management of operational risk, oversight and analysis of results of operational risk management and strategic risk management.

Group Operational Risk 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. Also ensuring and monitoring a harmonized approach to all operational risk activities based on the same standards and regular reporting on operational risk and issues to relevant stakeholders.

8.1.2 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 is collected and entered into a central database as well as relevant mitigation measures. Measurement of operational risk management also relies on qualitative approaches used to determine operational risk 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.

8.1.3 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. Al Lake Group on a consolidated level is using Basic Indicator Approach (BIA) measurement model for calculating own fund requirements for operational risk, while Banks in the Group may use TSA or BIA.

The gross income data source for calculating relevant indicator is accounting data.

9 Interest rate risk

9.1 Exposure to interest rate risk on positions not included in the trading book

Art 448 CRR

The methodology of regulatory interest risk calculation is based on the specifications of the Oesterreichische Nationalbank (OeNB) regarding the calculation of interest risk statistics. The measurement of the group wide interest rate risk within the Bank Book is done from Central Steering Unit Group Market & Liquidity Risk. For the interest rate sensitive steering portfolios in the bank and trading books (Treasury Books) a daily interest rate risk measurement is done on portfolio level. Beside the interest risk measures based on the regulatory demands and the interest rate risk sensitive steering treasury books, there is for internal steering and limitation aspects the variance / covariance approach based of JPMorgan Risk Metrics used and regularly calculated.

The interest rate gap profile for the Addiko Group contains all interest rate-relevant items (whether included in the statement of financial position or not) with their next interest rate fixing date and/or their replicated interest sensitivity. The stochastic cash flows are illustrated using uniform Group standards as well as local models for country -specific transactions. All interest rate gap profiles of local banks and local leasing companies are consolidated at Group level and combined into the Group interest rate gap profile. All interest-bearing items in the statement of financial position are taken as the basis for calculating interest-rate risk and thus limited risks. Any non-interest-bearing items are not comprised in the interest risk calculation but dealt with in association with other risk factors, such as the participation risk.

In AI Lake there are also deposits and loans with undefined fixed interest rates and maturities. This business is modelled in the subsidiaries with historical data on the basis of the elasticity concept. In case of not enough or available data history also the concept is used, but on the basis of subjective probabilities, which are evaluated with the help of a structured expert based questionnaire. This type of business – also driven through the new established consumerism in the markets of the Balkan – trends to result in decrease. The major focus is set in business with clearly defined interest rate conventions as e.g. Euribor or Libor interest rates.

The methodology of regulatory interest risk calculation is based on the specifications of the Oesterreichische Nationalbank (OeNB) regarding the calculation of interest risk statistics. Initially, interest risks per defined currency are determined on the basis of the Group interest rate gap profile; a second step calculates the risk/equity ratio as a percentage of own capital funds.

EUR m

	31.12.2017
Weighted interest rate risk/ EUR	10,583.1
Weighted interest rate risk/ USD	1,830.6
Weighted interest rate risk/ CHF	2,175.9
Weighted interest rate risk/ JPY	0.1
Weighted interest rate risk/ GBP	129.8
Weighted interest rate risk/ CAD	68.3
Weighted interest rate risk/ HRK	2,114.9
Weighted interest rate risk/ BAM	5,301.4
Weighted interest rate risk/ RSD	2,288.6
Weighted interest rate risk/ MISC.	257.9
Total adjusted interest rate risk	**24,750.7**

Regulatory requirements state that the proportion of interest risk – in the form of the standardized 200-BP rise in directly affected interest-bearing positions (excluding Non-Interest-Bearing positions – ex NIB) – in equity may not exceed 20.0%. An internal limit of a maximum of 15.0% has been set; however, this has only been used sparingly because of the interest rate gap profiles being well-balanced. Non-Interest-Bearing (NIB) positions are therefore not assumed to have an interest-bearing effect in the interest rate gap profiles – this conforms to modern international standards and guidelines such as the German Minimum Requirements for Risk Management (MaRisk).

10 Other risks

10.1 Encumbered and unencumbered assets

Art 443 CRR

AI Lake 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.

Per 31 December 2017 EUR 536 million of assets have been identified as encumbered assets within AI Lake. The major part of encumbered assets have been debt securities.

EUR m

Encumbered and unencumbered assets	Carrying amount of encumbered assets	Carrying amount of unencumbered assets
Loans on demand	101.0	1,106.0
Equity instruments	0.0	22.0
Debt securities	191.0	1,076.0
Loans and advances (other than loans on demand)	242.0	3,522.0
Other assets	2.0	263.0

EUR m

Collateral received	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Loans on demand	0.0	0.0
Equity instruments	0.0	3.0
Debt securities	0.0	12.0
Loans and advances (other than loans on demand)	0.0	358.0
Other assets	0.0	0.0

EUR m

Encumbered assets/collateral received and associated liabilities	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	202.0	224.0

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. It is worth mentioning that the levels of individual asset encumbrance vary on single entity level mainly due to heterogeneous business models within the Group. Any risk arising from such discrepancies is sufficiently monitored and managed at both Group and individual entity level. In addition, an internal governance framework is in place, which includes a group-wide policy on reporting, steering and limiting the level of asset encumbrance on Group and individual entity level.

10.2 Exposures in equities not included in the trading book

Art 447 a-b CRR

Non-consolidated participations are assigned to the category ‘Available for sale financial assets’. The valuation is based on the market value. If the market value cannot be reliably determined, the valuation is based on acquisition costs. Extraordinary write-downs are not subsequently written up again according to IAS 39.

EUR m

Participations and objectives	31.12.2017
Core business	2.9
Auxiliaries	0.4
Other participations	0.5
Total of not fully consolidated companies	**3.9**

EUR m

Shares in non-consolidated companies	31.12.2017
Shares categorized as "Available for sale"	**3.9**
Shares in credit institutions	0.0
Subsidiaries	0.0
Associates	0.0
Other shares	0.0
Shares in other companies	3.9
Subsidiaries	1.4
Associates	0.0
Other shares	2.5
Shares accounted for using the equity method	0.0
Associates	0.0
Total shares in not fully consolidated companies	**3.9**

Art 447 c CRR

The following table presents an overview of the types of individual exposures not included in the trading book as of 31 December 2017:

EUR m

Type of instruments	Carrying amount
Credit institutions	**2.7**
Exchange traded instruments	0.0
Instruments not traded on an equity exchange	0.0
Other equity instruments	2.7
Financial institutions	**18.9**
Exchange traded instruments	13.3
Instruments not traded on an equity exchange	5.0
Other equity instruments	0.6
Others	**0.7**
Exchange traded instruments	0.1
Instruments not traded on an equity exchange	0.0
Other equity instruments	0.5
TOTAL	**22.3**

Art 447 d CRR

Cumulative realised profit from the sale of participations in AI Lake Group amounts to EUR 1,7 million.

Art 447 e CRR

As of 31 December 2017, there were total unrealised gains in the amount of EUR 0,8 million.

11 Remuneration

Art 450 CRR

11.1 Remuneration policy and practices

11.1.1 Qualitative information on remuneration

No Remuneration Committee has been established at AI Lake. Instead, the Remuneration Committee at Addiko Bank level acts for AI Lake.

In the financial year 2017, 3 meetings were held for the purposes of approving and monitoring the general remuneration policy principles. The documents and data required in the process are made available by Group Human Resources (GHR) at Group level and presented to the 6 members of the Remuneration Committee. Furthermore, design and implementation of the remuneration system are actively monitored by the entire Executive Board of the holding company. GHR advises the Executive Board on remuneration matters and Group Audit verifies compliance with remuneration provisions, both at Group level.

Design and development of remuneration and its alignment with the strategic direction of the Group's material business activities are part of a continuous process. For example, a new Group-wide Remuneration Policy was implemented in 2017. Remuneration modes and procedures are continuously checked, verified and adapted in line with the business targets at Group level and the requirements of the supervisory authorities under European and national law.

Remuneration Committees were also established at the institution Group's subsidiary banks with total assets of more than one billion. Group standards are monitored by these committees as well as by the local Supervisory Boards and Management Boards, supported by consulting and auditing services provided by the local human resources and audit units.

11.1.2 Risk bearers

Risk bearers are those members of staff, who have a material impact on the risk profile. This includes executive boards and senior management (division managers) as well as members of staff with supervisory functions and who count as risk bearers due to the nature of their activities.

Approx. 8% of the Group's members of staff are risk bearers.

11.1.3 Fixed remuneration

The main parameters for determining the amount of fixed remuneration are:

- Statutory and collective remuneration regulations
- Group Remuneration Policy
- Job or role performed
- Position within the company (hierarchy levels, assuming corporate responsibility as well as assessing past performance)
- Basic remuneration in line with market rates and the specific role (fulfillment of this parameter is assessed by remuneration benchmarks)

11.1.4 Variable remuneration

Following the transposition of the European Banking Authority's CEBS Guidelines on Remuneration Policies and Practices into national law in Section 39b Austrian Banking Act (BWG), including the associated annex, the holding company created a Bonus Policy in line with legal requirements and implemented it throughout the entire institution Group.

The Policy includes all of the Group's credit institutions as well as Group companies that are themselves not credit institutions.

Corporate success is measured using defined (performance and risk) indicators. If certain minimum profitability and/or minimum risk criteria are not met, the staff member is not entitled to a bonus, or only entitled to a significantly reduced bonus. The staff member's individual performance is assessed via an MBO & performance evaluation process.

The prerequisite for fulfilling this performance criterion is the documented achievement of targets, with financial and non-financial or quantitative and qualitative staff and departmental targets having been agreed.

The potential amount of the bonus depends on the job or function performed by the risk bearer and is capped at a maximum amount. Generally, the maximum variable remuneration of an individual person may not exceed 100%.

Criteria for variable remuneration received by the Group Executive Board are determined by the Supervisory Board.

In accordance with the Group Policy, only 60% [40%] of the performance-based remuneration can be paid out to risk bearers with immediate effect when the entitled amount exceeds EUR 30,000.00 [EUR 150,000.00] or 25% of fixed gross remuneration. 40% [60%] are deferred and distributed over a period of 5 years (8% [12%] p.a.).

The annual remuneration reserve may be partially or wholly paid out only in the event that the corporate result is positive and individual performance has been assessed favorably in the respective financial year.

Parts of the variable remuneration may be paid out in the form of non-cash instruments if these are regulated by the local legislator or apply on the basis of individual agreements.
For services provided for the remuneration year 2017, an amount of EUR 5,678,486 in variable remuneration was granted to risk bearers, corresponding to 30% in relation to fixed remuneration.

11.2 Quantitative information on remuneration in 2017

The tables below provide information on the remuneration of identified staff (information on the remuneration of identified staff is prepared based on the EBA/GL/2014/08 of 16.07.2014):

EUR

Business area	Management Body in its supervisory function (SB) [1]	Management Body in its management function (EB) [2]	Balance Sheet Management & Treasury [3]	Retail Banking [4]	Asset Management [5]	Corporate functions [6]	Independent control functions [7]	All Other [8]	Total
Number of members of SB and EBM (Headcount)	15	32							**47**
Number of identified staff (FTE)			12	43	1	65.5	41	43.5	**206.0**
of which: number of identified staff in senior management positions	0	0	5	23	1	40.5	22	7.5	**99.0**
Total fixed remuneration (incl. Benefits)	233,167.7	7,333,608.7	817,068.8	2,897,813.8	65,611.9	4,345,422.6	2,198,158.4	951,558.6	**18,842,410.5**
of which: fixed in cash	233,167.7	7,333,608.7	817,068.8	2,897,813.8	65,611.9	4,345,422.6	2,198,158.4	951,558.6	**18,842,410.5**
of which: fixed in shares and share-linked instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
of which: fixed in other types of instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total variable remuneration	0.0	3,940,148.9	175,338.0	568,588.8	13,315.2	614,929.7	243,990.7	72,529.2	**5,628,840.5**
of which: variable in cash	0.0	3,505,685.9	175,338.0	568,588.8	13,315.2	614,929.7	243,990.7	72,529.2	**5,194,377.5**
of which: variable in shares and share-linked instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
of which: variables in other types of instruments	0.0	434,463.0	0.0	0.0	0.0	0.0	0.0	0.0	**434,463.0**
Total amount of variable remuneration which has been deferred	0.0	1,977,902.7	22,000.0	47,200.0	0.0	5,742.8	5,418.9	0.0	**2,058,264.4**
of which: deferred variable in cash	0.0	1,766,683.2	22,000.0	47,200.0	0.0	5,742.8	5,418.9	0.0	**1,847,044.9**
of which: deferred variable in shares and share-linked instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
of which: deferred variable in other types of instruments	0.0	211,219.6	0.0	0.0	0.0	0.0	0.0	0.0	**211,219.6**

[1] Members of the management body in its supervisory function; this includes non-executive directors of any board in the scope of consolidation, according to Article 3(1)(8) of Directive 2013/36/EU. Members should be assigned to this category taking into account point 5.7 of these guidelines. Attendance fees should be reported as remuneration.

[2] Members of the management body in its management function according to Article 3(1)(7) of Directive 2013/36/EU who have executive functions within the management body; this includes all executive directors of any board in the scope of consolidation.

[3] This position represents the Investment Banking category acc. to EBA templates.

[4] Including total lending activity (to individuals and enterprises).

[5] Including portfolio management, managing of UCITS and other forms of asset management.

[6] All functions that have responsibilities for the whole institution at the consolidated level and for subsidiaries with such functions at the solo level, e.g. Human Resources, IT.

[7] Staff active in the independent risk management, compliance and internal audit functions as described in the EBA's guidelines on internal governance. Such reporting requirements should apply to these functions at the consolidated level and for subsidiaries with such functions at the solo level.

[8] Staff who cannot be mapped into one of the other business areas.

EUR

Additional information	Management Body in its supervisory function (SB) [1]	Management Body in its management function (EB) [2]	Balance Sheet Management & Treasury [3]	Retail Banking [4]	Asset Management [5]	Corporate functions [6]	Independent control functions [7]	All Other [8]	Total
Total amount of outstanding deferred variable remuneration awarded in previous years	0.0	1,393,533.1	12,800.0	0.0	0.0	25,200.0	0.0	0.0	**1,431,533.1**
Total amount of explicit "ex post" performance adjustment for remuneration awarded in previous years	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Number of beneficiaries of guaranteed variable remuneration (sign-on/contractual payments)	0	1	0	0	0	1	0	0	**2**
Total amount of guaranteed variable remuneration (sign-on/contractual payments)	0.0	101,966.7	0.0	0.0	0.0	8,000.0	0.0	0.0	**109,966.7**
Number of beneficiaries of severance payments (termination of employment contract)	0	2	0	2	0	1	6	1	**12**
Total amount of severance payments (termination of employment contracts)	0.0	271,767.8	0.0	12,099.7	0.0	16,011.4	64,948.3	9,370.1	**374,197.3**
Highest severance payment to a single person	0.0	145,838.0	0.0	8,413.2	0.0	16,011.4	26,603.6	9,370.1	**145,838.0**
Number of beneficiaries of contributions to discretionary pension benefits	0	0	0	0	0	0	0	0	**0**
Total amount of contributions to discretionary pension benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total amount of variable remuneration awarded for multi-year periods under programmes which are not revolved annually	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**

High earners
There was one employee with a gross remuneration (total of fixed and variable remuneration) of 1 million EUR or more in the reported year.

[1] Members of the management body in its supervisory function; this includes non-executive directors of any board in the scope of consolidation, according to Article 3(1)(8) of Directive 2013/36/EU. Members should be assigned to this category taking into account point 5.7 of these guidelines. Attendance fees should be reported as remuneration.
[2] Members of the management body in its management function according to Article 3(1)(7) of Directive 2013/36/EU who have executive functions within the management body; this includes all executive directors of any board in the scope of consolidation.
[3] This position represents the Investment Banking category acc. to EBA templates.
[4] Including total lending activity (to individuals and enterprises).
[5] Including portfolio management, managing of UCITS and other forms of asset management.
[6] All functions that have responsibilities for the whole institution at the consolidated level and for subsidiaries with such functions at the solo level, e.g. Human Resources, IT.
[7] Staff active in the independent risk management, compliance and internal audit functions as described in the EBA's guidelines on internal governance. Such reporting requirements should apply to these functions at the consolidated level and for subsidiaries with such functions at the solo level.
[8] Staff who cannot be mapped into one of the other business areas.

12 Glossary

AI Lake	AI Lake (Luxembourg) Holding S.à.r.l.
ALCO	Asset Liability Committee
AT1	Additional Tier 1
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
CVA	Credit Value Adjustment
DVA	Debit Value Adjustment
EBA	European Banking Authority
EC	European Commission
ECA	Export Credit Agency
ECAI	External Credit Assessment Institution
EMU	European Monetary Union
EU	European Union
FMA	Financial Market Authority
FMA-MSK	Austrian Minimum Standards for Credit Business
GHR	Group Human Resources
GL	Guidelines
GREC	Group Risk Executive Committee
GRR	Group Risk Report
G-SII	Global Systemically Important Institution
HHI	Herfindahl Hirschman Index
IAS	International Accounting Standards
ICAAP	Internal Capital Adequancy Assessment Process
ICV	Internal Collateral Value
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Assessment Process

IMM	Internal Model Method
IR	Interest Rate
IR Gap	Interest Rate Gap
IRB	Internal-Ratings-Based approach
IRRBB	Interest Rate Risk of the Banking Book
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LLSFR	Local Loan Stable Funding Ratio
LR	Leverage Ratio
LVaR	Liquidity value at risk
MREL	Minimum Requirement for own funds and Eligible Liabilities
n/a	not applicable
NIB	Non-Interest-Bearing positions
NII sensitivity	Net interest income (NII) sensitivity
NPL	Non-Performing Loans
NSFR	Net Stable Funding Ratio
OeNB	Oesterreichische Nationalbank
OIS	Overnight Index Swap
PD	Probability of Default
PFD	Provisioning, Forbearance, Default methodology
PFE	Potential Future Exposure
PMS	Portfolio Management System
PSE	Public Sector Entity
RAF	Risk Appetite Framework
RCSA	Risk and Control Self Assessment
RRE	Residential Real Estate
RWA	Risk Weighted Assets
SA	Standardised Approach
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
T1	Tier 1 Capital
TC	Total Capital
UFN	Until Further Notice
VaR	Value at Risk

13 Imprint

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