Addiko Bank

3Q22 Earnings Release

1. About Addiko Bank

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

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

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

2. Business updates

2.1. Change in the steering of the treasury portfolio

During the second quarter of 2022 the new treasury investment strategy has been finalised and approved. This strategy operationalises the changes in the steering of the treasury portfolio required by the 2022 Business Plan approved in 2021. Addiko decided to invest the excess liquidity in long-term high-quality government bonds and keep such instruments until maturity for yield enhancement purposes and consequently to focus on the collection of interest income instead of generating gains from the sale of the instruments.

This change in the strategy for the treasury portfolio was directly derived from the change in the overall strategy of the bank, connected with the liquidity generation from the accelerated run-down of the non-focus segments. This allowed the Group’s entities, located within the EU, to stop the previous business model Hold-to-Collect-and-Sell (“HTC&S”) within Treasury and to start a new Hold-to-Collect (“HTC”) business model. As established by IFRS 9, the stopping of the old business model HTC&S and the starting of the new business model HTC, both representing an activity significant to the bank’s operations, required the transfer of debt securities from the financial asset at fair value through other comprehensive income to the financial asset at amortised cost. The fair value of these assets at the date of the transfer, 1 July 2022, was EUR 617.0 million and the amortised cost EUR 684.4 million.

2.2. ECB waiver for structural FX positions

Addiko received on 3 August 2022 the ECB approval of its waiver application to exclude the structural FX positions of Croatian Kuna (HRK) and Serbian Dinar (RSD), which have been deliberately taken to hedge capital, from the calculation of own funds requirements for foreign exchange risks, in line with the EBA guidance. The impact of the ECB approval, calculated based on 3Q22 figures, led to a EUR 92.7 million reduction of the RWAs for market risk.

3. Outlook

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

Despite the challenging economic environment, Addiko confirms the positive outlook published in the 1H22 interim report:

- Gross performing loans at ca. EUR 3.3 billion with more than 10% growth in focus,
- Net Banking Income above EUR 240 million as a result of improved business activities,
- Operating expenses below EUR 167 million, excluding the EURO implementation in Croatia (costs in the mid-single digit million range),
- TCR above 18.6% on a transitional basis,
- Sum of other result and credit loss expenses on financial assets at ca. 1% on average net loans and advances to customers.

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

Addiko Bank

4. Financial development of the Group

4.1. Detailed analysis of the result

EUR m

	01.01. - 30.09.2022	01.01. - 30.09.2021	(abs)	(%)
Net banking income	184.7	176.2	8.4	4.8%
Net interest income	129.3	126.8	2.5	2.0%
Net fee and commission income	55.4	49.5	5.9	11.9%
Net result on financial instruments	1.6	4.6	-3.0	-65.1%
Other operating result	-5.9	-9.9	4.0	-40.2%
Operating income	**180.4**	**170.9**	**9.4**	**5.5%**
Operating expenses	**-124.7**	**-127.5**	**2.7**	**-2.2%**
Operating result before impairments and provisions	**55.6**	**43.5**	**12.2**	**28.0%**
Other result	-15.2	-15.9	0.7	-4.4%
Credit loss expenses on financial assets	-16.3	-12.9	-3.4	26.6%
Result before tax	**24.2**	**14.8**	**9.4**	**63.9%**
Tax on income	-4.6	-5.2	0.6	-11.7%
Result after tax	**19.6**	**9.6**	**10.0**	**>100%**

The **net banking income** improved by EUR 8.4 million to EUR 184.7 million (3Q21: EUR 176.2 million) driven by the strong development in both focus segments Consumer (increase of EUR 8.3 million) and SME (increase of EUR 10.1 million). This positive development was partially compensated by the intentionally accelerated reduction in the non-focus business (decrease of EUR 6.3 million).

The **net interest income** was positively impacted by the developments within the Consumer and SME segments, which increased by EUR 11.6 million compared with 3Q21. This development was achieved by a higher loan volume of EUR 154.7 million in the Consumer segment which compensated slightly lower loan book interest rates (-26bps YoY), leading to an overall increase of interest income in the amount of EUR 3.9 million. The increase in interest income in the SME segment of EUR 6.4 million was driven by both higher loan volumes of EUR 74.0 million as well as significantly improved interest rates (+51bps YoY). The intentionally accelerated run-down of the non-focus segments is visible in the decrease of EUR 366.4 million in volume over the previous year, mainly due to managed and early repayments in Large Corporates as well as portfolio sales in the Public Finance segment. This intentional reduction was reflected in a reduction in interest income amounting to EUR 8.2 million, partially consuming the positive development generated by the focus segments. On the liability side, the interest expenses were positively influenced in the amount of EUR 1.0 million by the further reduction of deposit interest rates (-2bps YoY) driven by the share of lower yielding a-vista deposits (share in a-vista increased from 70% at 3Q21 to 72% in 3Q22). Overall, the net interest income increased from EUR 126.8 million at 3Q21, to EUR 129.3 million at 3Q22, which reflects an increase of EUR 2.5 million, or 2.0% compared to 3Q21.

The **net fee and commission income** increased to EUR 55.4 million (3Q21: EUR 49.5 million) as a result of increasing business activities in the Consumer (EUR +4.3 million) and SME business segments (EUR +2.5 million). In Consumer, this was mainly achieved by the increase in Accounts & Packages, cards, bancassurance and FX&DCC, while in SME the increase was mainly related to an increase in Accounts & Packages, trade finance, loans and FX&DCC.

The **net result on financial instruments** amounted to EUR 1.6 million at 3Q22 resulting from FX and trading activities, compared to EUR 4.6 million at 3Q21. The previous year included, in addition to FX and trading activities, also EUR 2.9 million from the disposal of debt instruments measured at FVTOCI. The 2022 figures do not include any effects from the sale of FVTOCI debt instruments in line with the change in the treasury strategy which operationalises the 2022 Business Plan. According to the new treasury strategy, internally approved in the second quarter of 2022, Addiko decided to invest the excess liquidity in long-term high-quality government bonds and keep them until maturity for yield enhancement purposes instead of generating gains from the sale of the instruments as in previous years. Further disclosures on the topic are included in chapter "8. Investment securities".

The **other operating result** as the sum of the other operating income and the other operating expense decreased by EUR 4.0 million from EUR -9.9 million at 3Q21 to

EUR -5.9 million at 3Q22. This position includes the following significant items:

- Front-loaded regulatory charges from the recovery and resolution fund of EUR -0.6 million (3Q21: EUR -1.2 million). The decrease is due to the alignment between the calculation of the recovery and resolution fund between SRB and the local regulator in Croatia, leading to a lower required contribution.
- Deposit guarantee expenses of EUR -4.6 million (3Q21: EUR -4.1 million). The slight increase is due to the fact that in 2021 the Croatian Deposit Insurance Agency did not charge any premiums for deposit insurance to banks, while in 2022 EUR 0.7 million have been charged.
- Bank levies and other taxes decreased to EUR -1.9 million at 3Q22 (3Q21: EUR -2.8 million), mainly due to the positive outcome of a real estate tax dispute.
- No restructuring costs were recognised in 3Q22, compared with EUR -2.7 million at 3Q21.
- Gain on sale on non-financial assets amounted at the reporting date to EUR 2.2 million from the disposal of non-core real estate assets (3Q21: EUR 1.7 million).

Operating expenses decreased from EUR -127.5 million at 3Q21 to EUR -124.7 million at the current reporting date, as a result of the executed Transformation Program measures, despite the inflationary pressure, and relate to the following main items:

- Personnel expenses decreased, compared to the previous period, from EUR -69.0 million at 3Q21 to EUR -66.1 million at 3Q22. The decrease in 3Q22 mainly consists of lower expenses for wages and salaries as a direct consequence of the Transformation Program initiated by the new Management team during the second half of 2021 as well as the fact, that the previous period was negatively affected by the recognition of severance expenses in the amount of EUR 1.5 million connected with the management board changes during the first half of 2021.
- Other administrative expenses increased by EUR 0.5 million from EUR -45.0 million at 3Q21 to EUR -45.5 million at 3Q22 mainly due to higher costs for the brand repositioning executed during the second quarter 2022.
- Depreciation and amortisation decreased from EUR -13.5 million at 3Q21, by EUR -0.3 million, to EUR -13.1 million at 3Q22.

The other result amounting to EUR -15.2 million at 3Q22 (3Q21: EUR -15.9 million) was mainly impacted by credit linked and portfolio based provisions for expected legal matters on Swiss-franc denominated loans in Croatia as well as costs from the legal actions taken in connection with the "Slovenian CHF Law".

Credit loss expenses on financial assets amounted to EUR -16.3 million compared to EUR -12.9 million in 3Q21. While the underlying asset quality continued to be strong, Addiko decided to remain prudent in provisioning given the increased volatility of the economic environment resulting from a combination of residual pandemic-related effects, significantly elevated inflation, increase in the interest rates, deterioration of the business climate, geopolitical risks and uncertainties regarding future developments, which are not comparable to the historic data in the existing models. Therefore, the existing post-model adjustment was increased by EUR 4.0 million to a total amount of EUR 13.0 million during the second quarter of 2022.

Tax on income amounted to EUR -4.6 million at 3Q22 compared to EUR -5.2 million at 3Q21.

4.2. Detailed analysis of the statement of financial position

EUR m

	30.09.2022	31.12.2021	(abs)	(%)
Cash reserves	1,204.2	1,361.7	-157.5	-11.6%
Financial assets held for trading	24.1	32.6	-8.5	-26.0%
Loans and advances	3,336.0	3,284.4	51.6	1.6%
Loans and advances to credit institutions	9.0	5.7	3.3	57.4%
Loans and advances to customers	3,327.0	3,278.7	48.3	1.5%
Investment securities	1,094.5	1,012.2	82.4	8.1%
Tangible assets	63.6	70.6	-7.0	-9.9%
Intangible assets	23.8	26.7	-2.9	-10.8%
Tax assets	30.8	26.9	4.0	14.7%
Current tax assets	2.8	2.7	0.0	1.6%
Deferred tax assets	28.0	24.1	3.9	16.2%
Other assets	17.2	14.9	2.3	15.2%
Non-current assets held for sale	0.9	12.3	-11.3	-92.4%
Total assets	**5,795.3**	**5,842.3**	**-47.0**	**-0.8%**

The statement of financial position of Addiko Group showed a simple and solid interest-bearing asset structure: 57% of the assets were represented by customer loans, most of which belonged to the focus areas. In addition, a substantial part of the residual assets consisted of cash reserves and high rated plain vanilla debt securities predominantly related to CSEE sovereign bonds. With regard to the statement of financial position, Addiko's strategy further pursued the accelerated change in the business composition from lower margin Large Corporate, Mortgage and Public Finance lending towards higher value-adding lending business in the focus segments Consumer and SME. This was reflected in a further increase in the share of these two segments, corresponding to a focus book share of 80.8% of the total gross performing loan book at the reporting date (YE21: 74.4%).

As of 3Q22, the **total assets** of Addiko Group stood at EUR 5,795.3 million, EUR -47.0 million or -0.8% compared to YE21 (EUR 5,842.3 million). The total risk, i.e. risk-weighted assets including credit, market and operational risk, (Basel III considering IFRS 9 transitional arrangements), decreased to EUR 3,553.3 million (YE21: EUR 3,624.9 million).

The **cash reserves** decreased to EUR 1,204.2 million as of 30 September 2022 while maintaining a solid liquidity position (YE21: EUR 1,361.7 million).

Overall, **loans and advances** increased to EUR 3,336.0 million from EUR 3,284.4 million at YE21:

- Loans and advances to credit institutions (net) increased by EUR 3.3 million to EUR 9.0 million (YE21: EUR 5.7 million).
- Loans and advances to customers (net) increased by EUR 48.3 million to EUR 3,327.0 million (YE21: EUR 3,278.7 million). The development was mainly driven by successful lending growth in the focus segments Consumer and SME representing an increase of EUR 255.8 million to EUR 2,681.9 million in 3Q22 (YE21: EUR 2,426.1 million), while in the non-focus segments, Large Corporate, Mortgage and Public Finance decreased by EUR 203.8 million to EUR 645.4 million in the first three quarters of 2022 (YE21: EUR 849.2 million), in line with the strategy.

The **investment securities** increased from 1,012.2 million at YE21 to EUR 1,094.5 million at 3Q22. The development of the position reflects the transfer of debt securities which took place at the beginning of the third quarter from financial asset at FVTOCI to financial asset at amortised cost. The fair value of these assets at the date of the transfer was EUR 617.0 million and the amortised cost EUR 684.4 million. As established in IFRS 9, the aforementioned transfer was made prospectively, recognising the difference between the fair value of the transferred financial assets and their amortised cost in other comprehensive income. The transfer was triggered by the new treasury strategy, directly derived from the change in the overall strategy for the bank, which was elaborated and approved in the first half of 2022 to operationalise the changes in managing the assets of the treasury portfolio required by the new management as reflected in the 2022 Business Plan, as approved in 2021. The 2022 Business Plan was prepared following significant changes in the governance structure of Addiko Bank AG during 2021, with the Supervisory Board replacing the previous CEO, CFO and CRO. This had a direct impact on the strategy of the bank going forward, with the new management, who has been appointed with the task to reshape the business strategy of Addiko Group, aiming to increase the overall profitability. Based on the new treasury strategy, the treasury departments of the major entities of the Group stopped the previous business model Hold-to-Collect-and-Sell ("HTC&S") and started a new business model Hold-to-Collect ("HTC") with the aim to invest in long-term high-quality bonds to maturity for yield enhancement purposes and essentially the collection of interest income until maturity to support the main income driver, the net banking income.

Tax assets increased to EUR 30.8 million (YE21: EUR 26.9 million), thereof EUR 10.4 million refer to deferred taxes on tax loss carried forward (YE21: EUR 10.4 million). The increase was mainly due to the recognition of deferred tax assets on the negative fair value development of investment securities in other comprehensive income.

Other assets increased to EUR 17.2 million (YE21: EUR 14.9 million). The main part in this position was related to prepaid expenses and accruals as well as receivables for paid in deposits and receivables related to the card business.

EUR m

	30.09.2022	31.12.2021	(abs)	(%)
Financial liabilities held for trading	3.9	2.3	1.7	72.6%
Financial liabilities measured at amortised cost	4,890.9	4,933.6	-42.7	-0.9%
Deposits and borrowings of credit institutions	133.9	174.6	-40.7	-23.3%
Deposits and borrowings of customers	4,702.9	4,708.2	-5.3	-0.1%
Other financial liabilities[1)]	54.1	50.8	3.2	6.4%
Provisions	73.4	69.9	3.6	5.1%
Tax liabilities	0.9	5.8	-4.9	-84.4%
Current tax liabilities	0.9	5.8	-4.9	-84.4%
Other liabilities	28.3	25.7	2.6	10.2%
Equity	797.8	805.1	-7.3	-0.9%
Total equity and liabilities	**5,795.3**	**5,842.3**	**-47.0**	**-0.8%**

[1)]The position "Issued bonds, subordinated and supplementary capital" in the amount of EUR 0.1 million (YE21: EUR 0.1 million) is presented within "Other financial liabilities" starting from 2022.

On the liabilities' side, **financial liabilities measured at amortised cost** remained stable, with a slight decrease to EUR 4,890.9 million compared to EUR 4,933.6 million at YE21:

- Deposits and borrowings of credit institutions decreased from EUR 174.6 million at YE21 to EUR 133.9 million as of 3Q22 and included at YE21 EUR 54.7 million from the participation in targeted longer-term refinancing operations (TLTRO) with the Slovenian National Bank. In the third quarter 2022 the full TLTRO refinancing was paid back.
- Deposits and borrowings of customers remained stable, with a slight reduction to EUR 4,702.9 million (YE21: EUR 4,708.2 million). The solid funding profile is one of the strengths of the Group, which drives its low dependence on market funding. Around 29% of the deposits were term deposits, mainly Euro denominated, followed by Croatian Kuna (HRK), Bosnia-Herzegovina Convertible Marka (BAM) and Serbian Dinar (RSD).
- Other financial liabilities increased from EUR 50.8 million at YE21 to EUR 54.1 million at 3Q22.

Provisions increased from EUR 69.9 million at YE21 to EUR 73.4 million at 3Q22. This position included mainly credit linked and portfolio-based provisions in relation to expected court rulings on Swiss-franc denominated loans. This balance sheet position also included provisions for variable performance-based bonus expenses.

Other liabilities increased from EUR 25.7 million at YE21 to EUR 28.3 million in 3Q22, mainly reflecting accruals for services received but not yet invoiced (3Q22: EUR 27.4 million, YE21: EUR 24.8 million) as well as liabilities for salaries and salary compensations not yet paid.

The development of **equity** from EUR 805.1 million to EUR 797.8 million reflected the total comprehensive income, which includes the profit and loss for the reporting period in the amount of EUR 19.6 million, as well as changes in other comprehensive income in the amount of EUR -26.3 million. These changes were mainly driven by the impact of the Russian military invasion of Ukraine in February 2022 on the financial markets, which determined a decrease of the carrying amount of the debt instruments measured at FVTOCI.

4.3. Capital and liquidity requirements

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

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

In addition to the capital requirement, the SREP decision includes a reduction of the Pillar 2 Guidance (P2G) to 2.0%, down from 4.0% in the previous period. Based on the new requirements and guidance, the regulator therefore expects Addiko to maintain a total capital ratio of 15.75% (11.25% SREP requirement, plus 2.5% CCB, plus 2% P2G).

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

As of 30 September 2022, the **capital base** of Addiko Group was solely made up of CET1, and stood at 21.8% (YE21: 22.2%) on a transitional basis and at 21.3% (YE21: 21.6%) on a fully loaded, significantly above the applicable requirements and the P2G.

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

- the decrease of the portion that banks may add to the capital from the initial application of IFRS 9 in accordance with the prescribed phase-in rules in the amount of EUR 13.7 million, and
- the negative changes in OCI driven by the market volatility following the start of the Russian-Ukrainian war of EUR 26.3 million. This negative impact was partially neutralised (EUR 8.3 million) by the decision to apply, starting with 1Q22, article 468 CRR which allows to exclude 40% of the amount of unrealised gains and losses for exposures to central governments measured at FVTOCI during 2022.

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

The RWAs decreased from EUR 3,624.9 million to EUR 3,553.3 million on a transitional basis, and from EUR 3,597.7 million to EUR 3,537.7 million on a fully loaded basis. The development was driven by the reduction of the RWAs for credit risk by EUR 134.1 million, which was partially compensated by the RWAs increase for market risk by EUR 61.7 million. The RWAs for market risk includes the combined impact of the implementation of the guideline on structural FX under Article 352 (2) CRR and the ECB waiver approval received on the 3 August 2022 to exclude the structural FX positions HRK and RSD.

Addiko's leverage ratio remained sound at 12.6% at the end of 3Q22 (YE21: 12.9%).

The **liquidity position** of the Group remained strong, with the LTD ratio (net) of 70.7% (YE21: 69.6%), thus fulfilling all liquidity indicators with significant headroom to regulatory requirements.

5. Segment information

The segment reporting presents the results of the operating business segments of Addiko Group, prepared on the basis of the internal reports used by the Management to assess the performance of the business segments and is used as a source for decision making. The business segmentation is subdivided into the higher value adding Consumer and SME segments, which represent the focus segments of Addiko Group, and into the non-focus segments, which comprise Large Corporates, Mortgages and Public Finance. According to the Group's strategy, the accelerated contraction of lower margin Large Corporate, Mortgage and Public Finance lending is managed accordingly.

EUR m

30.09.2022	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	109.8	50.6	10.9	6.8	3.3	3.1	184.7
Net interest income	78.8	29.6	10.9	4.1	2.4	3.5	129.3
o/w regular interest income	75.2	29.0	12.3	4.1	1.2	10.3	132.3
Net fee and commission income	31.0	21.0	0.0	2.7	1.0	-0.4	55.4
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	1.6	1.6
Other operating result	0.0	0.0	0.0	0.0	0.0	-5.9	-5.9
Operating income	**109.8**	**50.6**	**10.9**	**6.8**	**3.3**	**-1.2**	**180.4**
Operating expenses	**-60.1**	**-22.6**	**-1.1**	**-2.6**	**-1.3**	**-37.0**	**-124.7**
Operating result before impairments and provisions	**49.8**	**28.0**	**9.8**	**4.2**	**2.0**	**-38.2**	**55.6**
Other result	0.0	0.0	0.0	0.0	0.0	-15.1	-15.2
Credit loss expenses on financial assets	-15.6	-3.4	6.5	-3.2	-0.6	0.0	-16.3
Result before tax	**34.2**	**24.6**	**16.4**	**1.0**	**1.4**	**-53.4**	**24.2**
Business volume							
Net loans and receivables	1,500.5	1,181.4	465.2	126.3	53.9	8.8	3,336.0
o/w gross performing loans customers	1,524.9	1,177.1	461.4	126.4	53.9		3,343.7
Gross disbursements	475.5	532.8	1.0	40.5	2.6		1,052.4
Financial liabilities at AC [1]	2,491.7	1,082.7		274.0	359.6	682.9	4,890.9
RWA [2]	1,133.8	864.8	278.3	163.0	27.1	510.2	2,977.2
Key ratios							
Net interest margin (NIM) [3]	5.5%	2.9%	1.1%	1.8%	0.9%		3.0%
Cost/Income Ratio	54.7%	44.6%	10.2%	38.5%	39.4%		67.5%
Cost of risk ratio	-0.9%	-0.2%	1.3%	-1.2%	-0.9%		-0.4%
Loan to deposit ratio	60.2%	109.1%	-	46.1%	15.0%		70.7%
NPE ratio (on-balance loans)	4.4%	4.4%	8.3%	8.3%	3.5%		3.9%
NPE coverage ratio	79.3%	76.3%	79.4%	85.8%	90.0%		78.9%
NPE collateral coverage	2.4%	57.1%	72.7%	87.1%	99.8%		42.2%
Change CL/GPL (simple Ø)	-1.1%	-0.3%	1.3%	-1.8%	-1.0%		-0.5%
Yield GPL (simple Ø)	6.9%	3.5%	3.3%	3.0%	2.7%		4.9%

[1] Financial liabilities at AC at 3Q22 include the Direct deposits (Austria/Germany) amounting to EUR 408 million, EUR 134 million Deposits of credit institutions, EUR 142 million Other. [2] Includes only credit risk (without application of IFRS 9 transitional rules). [3] Net interest margin on segment level is sum of interest income (without interest income on NPE) and expenses including funds transfer pricing divided by the respective average business volume using daily balances.

EUR m

30.09.2021	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	101.5	40.5	12.7	10.3	4.3	6.7	176.2
Net interest income	74.8	22.1	12.7	6.7	3.5	7.0	126.8
o/w regular interest income	70.9	23.5	15.2	7.9	2.4	10.9	130.7
Net fee and commission income	26.7	18.5	0.0	3.7	0.8	-0.2	49.5
Net result on financial instruments	0.0	0.0	0.0	0.0	0.0	4.6	4.6
Other operating result	0.0	0.0	0.0	0.0	0.0	-9.9	-9.9
Operating income	**101.5**	**40.5**	**12.7**	**10.3**	**4.3**	**1.4**	**170.9**
Operating expenses	**-60.8**	**-23.3**	**-1.7**	**-4.7**	**-1.8**	**-35.2**	**-127.5**
Operating result before impairments and provisions	**40.7**	**17.2**	**11.1**	**5.7**	**2.6**	**-33.8**	**43.5**
Other result	0.0	0.0	0.0	0.0	0.0	-15.9	-15.9
Credit loss expenses on financial assets	-18.4	-2.5	6.0	0.0	0.4	1.7	-12.9
Result before tax	**22.3**	**14.7**	**17.1**	**5.6**	**2.9**	**-47.9**	**14.8**
Business volume							
Net loans and receivables	1,340.1	1,102.7	571.4	347.5	106.6	68.1	3,536.4
o/w gross performing loans customers	1,370.1	1,103.1	559.3	343.4	105.4		3,481.4
Gross disbursements	373.0	404.2	4.6	63.8	1.3		847.0
Financial liabilities at AC [1]	2,466.2	1,028.6		390.4	401.8	753.6	5,040.6
RWA [2]	1,014.6	897.5	350.1	391.2	62.6	820.7	3,536.7
Key ratios							
Net interest margin (NIM) [3]	5.8%	2.2%	1.4%	1.3%	1.4%		2.8%
Cost/Income Ratio	59.9%	57.5%	13.0%	45.2%	41.0%		72.3%
Cost of risk ratio	-1.2%	-0.1%	1.0%	0.0%	0.3%		-0.3%
Loan to deposit ratio	54.3%	107.2%	-	89.0%	26.5%		72.7%
NPE ratio (on-balance loans) [4]	5.3%	5.4%	11.2%	4.5%	2.3%		4.7%
NPE coverage ratio	81.4%	65.8%	72.6%	45.5%	34.4%		71.2%
NPE collateral coverage	4.3%	51.3%	73.9%	71.4%	85.6%		44.5%
Change CL/GPL (simple Ø)	-1.4%	-0.2%	1.0%	0.0%	0.3%		-0.4%
Yield GPL (simple Ø)	7.1%	2.9%	3.4%	2.5%	2.8%		4.5%

[1] Financial liabilities at AC at 3Q21 include the Direct deposits (Austria/Germany) amounting to EUR 401 million, EUR 206 million Deposits of credit institutions, EUR 146 million Other. [2] Includes only credit risk (without application of IFRS 9 transitional rules). [3] Net interest margin on segment level is sum of interest income (without interest income on NPE) and expenses including funds transfer pricing divided by the respective average business volume using daily balances. [4] The NPE Ratio (On-balance loans) is restated compared to the 3Q21 earning releases from last year and considers exposure to national bank within the denominator.

Addiko Bank

Consumer strategy

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

Consumer 3Q22 Business review

In comparison to 3Q21 the net interest income increased by EUR 4.0 million to EUR 78.8 million (3Q21: EUR 74.8 million) at a NIM of 5.5% resulting from strong business activities, despite general margin pressure and regulatory caps on interest rates that can be charged in Addiko's largest market Croatia. The net fee and commission income increased by EUR 4.3 million to EUR 31.0 million at 3Q22 compared to EUR 26.7 million at 3Q21, due to higher income from accounts & packages, cards, bancassurance and FX&DCC.

The operating result before impairments and provisions at 3Q22 amounted to EUR 49.8 million, up 22.3% versus 3Q21 driven by the overall positive development in the operating income with further reduction on operating expenses. The Cost/Income ratio improved to 54.7% (3Q21: 59.9%). The result before tax amounted to EUR 34.2 million (3Q21: EUR 22.3 million), which is up 53.5% YoY, also influenced positive development in net banking income and by lower allocations of credit loss expenses on financial assets.

The gross disbursements at 3Q22 increased by 27.5% compared to 3Q21 and reflect the full recovery of business activities in the markets where Addiko is present and the efforts of the Transformation Program. Consequently, the 3Q22 consumer gross performing loans significantly increased by 11.3% compared to 3Q21. The NPE ratio (on-balance loans) also further improved with a decrease of 97bps illustrating the continued focus on the asset quality of the portfolio.

SME strategy

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

SME 3Q22 Business review

The net interest income increased by EUR 7.6 million or 34.3% to EUR 29.6 million at 3Q22 compared to EUR 22.1 million at 3Q21 with NIM at 2.9%, due to the further accelerated growth related to micro and small enterprises with higher interest yields. The net fee and commission income increased by 13.5% compared to 3Q21, due to higher income from accounts & packages, trade finance and FX&DCC on the back of targeted initiatives and the economic recovery across the region, and as a consequence of the Transformationn Program.

Operating expenses decreased by EUR 0.7 million compared to 3Q21 driven by lower personnel expenses following FTE reductions and lower overhead costs from Holding. Consequently, the operating result before impairments and provisions at 3Q22 amounted to EUR 28.0 million, 62.8% better compared to 3Q21. The Cost/Income ratio decreased to 44.6% (3Q21: 57.5%) driven by the overall positive development in the operating income with further reduction on operating expenses. The result before tax amounts to EUR 24.6 million (3Q21: EUR 14.7 million), despite slightly higher allocations of credit loss expenses on financial assets.

The gross disbursements at 3Q22 increased by 31.8% compared to 3Q21. Consequently, the 3Q22 SME gross performing loans increased by 6.7% compared to 3Q21. The NPE ratio (on-balance loans) also further improved with a decrease of 102bps illustrating the continued focus on the asset quality of the portfolio.

Mortgage 3Q22 Business review

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

This is reflected in the operating income which amounted to EUR 10.9 million at 3Q22, representing a 14.2% decrease in comparison to EUR 12.7 million at 3Q21. This reduction in operating income is mainly driven by a EUR 97.9 million lower gross performing loan book which consequently results in lower net interest income.

Large Corporates 3Q22 Business review

The Large Corporates segment comprises Addiko's business activities relating to loan products, services and deposit products, as well as other complementary products to companies with an annual turnover of above EUR 50 million. An accelerated run-down path is pursued in this segment, as initiated during the second half of 2021 while Addiko will continue to serve selected customers with a favourable and balanced view on value generation.

As a non-focus segment Large Corporates records lower gross performing loans and consequently lower operating income in comparison to the same period last year. The net interest income decreased by EUR 2.6 million to EUR 4.1 million at 3Q22 compared to EUR 6.7 million at 3Q21 with NIM at 1.8%. Net fee and commission income amounted to EUR 2.7 million (3Q21: EUR 3.7 million) decreased due to the reduction in gross performing loans and the gradual exit from non-focus custody business in Croatia. The result before tax amounted to EUR 1.0 million at 3Q22 (3Q21: EUR 5.6 million) which was also impacted by credit loss expenses on financial assets.

The NPE ratio (on-balance loans) increased to 8.3% (3Q21 at 4.5%) mainly driven by the reduced loan book versus 3Q21 rather than the overall worsening of the credit quality of the portfolio.

Public Finance 3Q22 Business review

The Public Finance segment is part of the non-focus area and comprises Addiko's business with key public institutions in CSEE countries, such as ministries of finance, state enterprises and local governments. Given the run-down strategy, lending products in the Public Finance segment are not actively marketed.

The net interest income amounted to EUR 2.4 million at 3Q22 (3Q21: EUR 3.5 million), with NIM at 0.9%. The decrease in net interest income was related to the run-down of the portfolio (48.9% lower gross performing loans compared to 3Q21). The net fee and commission income slightly increased by EUR 0.2 million compared to the same period last year due to higher accounts & packages and FX&DCC. The Public Finance segment generated an operating income of EUR 3.3 million (3Q21: EUR 4.3 million) and a result before tax of EUR 1.4 million at 3Q22 (3Q21: EUR 2.9 million).

The NPE ratio increased by 119bps at 3Q22 predominantly driven by a reduction in the gross performing loan balance.

Corporate Center

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

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

Corporate Center 3Q21 Business review

The segment reporting illustrates combined figures for treasury and positions related to central functions. The net interest income in the Corporate Center covers the following aspects: 1) the customer margin assets and liabilities of the treasury segment, 2) the interest and liquidity gap contribution (IGC) reduced by the distribution of the IGC to the market segments (see explanation in following point Asset Contribution) and 3) the consolidation effects.

The net interest income at 3Q22 decreased to EUR 3.5 million (3Q21: EUR 7.0 million) mainly resulting from rising FTP costs linked to the changed market rates in last months. The net result on financial instruments amounted to EUR 1.6 million at 3Q22, resulting from FX and trading activities, compared to EUR 4.6 million at 3Q21. The previous year included, in addition to FX and trading activities, also EUR 2.9 million from the disposal of debt instruments measured at FVTOCI. The 2022 figures do not include any effects from the sale of FVTOCI debt instruments. This is in line with the change in the treasury strategy to invest in long-term high-quality bonds for yield enhancement purposes and essentially collection of interest income until maturity to support the main income driver, the net banking income.

The other operating result as the sum of the other operating income and the other operating expense increased by EUR 4.0 million from EUR -9.9 million at 3Q21 to EUR -5.9 million at 3Q22. This position includes the following significant items:

- Front-loaded regulatory charges from the recovery and resolution fund of EUR -0.6 million (3Q21: EUR -1.2 million). The decrease is due to the alignment between the calculation of the recovery and resolution fund between SRB and the local regulator in Croatia, leading to a lower required amount.
- Deposit guarantee expenses of EUR -4.6 million (3Q21: EUR -4.1 million). The slight increase is due to the fact that in 2021 the Croatian Deposit Insurance Agency did not charge any premiums for deposit insurance to banks, while in 2022 EUR 0.7 million have been charged.
- Bank levies and other taxes decreased to EUR -1.9 million at 3Q22 (3Q21: EUR -2.8 million), mainly due to the positive outcome of a real estate tax dispute.
- No restructuring costs were recognised in 3Q22, compared with EUR -2.7 million at 3Q21.
- Gain on sale on non-financial assets amounted in at the reporting date to EUR 2.2 million from the disposal of non-core real estate assets (3Q21: EUR 1.7 million).

Operating expenses increased by EUR 1.8 million, to EUR -37.0 million at 3Q22 (3Q21: EUR -35.2 million). The other result amounting to EUR -15.2 million (3Q21: EUR -15.9 million) was mainly impacted by credit-linked and portfolio-based provisions for expected legal matters on Swiss-franc denominated loans in Croatia as well as costs from the legal actions taken in connection with the "Slovenian CHF Law".

Asset Contribution

The net interest income in the Corporate Center at 3Q22 includes only a fraction of the positive impact from interest and liquidity gap contribution (IGC) of EUR 31.4 million. The majority of the IGC in the amount of EUR 27.0 million is distributed to the market segments according to their respective asset contribution. IGC is the result of partially funding longer term assets with stable but shorter-term liabilities. The extent of this maturity transformation is strictly managed in accordance with regulatory and internal limits. The Addiko Funds Transfer Pricing (FTP) methodology assigns internal funding costs to assets and internal funding benefits to liabilities on a matched maturity basis. This means, if maturities of loans and deposits of a certain segment were the same, IGC would be zero. Since a certain percentage of longer-term assets is funded by shorter term liabilities, market segments are therefore charged more for their assets than compensated for their liabilities within the applied funds transfer pricing (FTP) methodology. By compensating those market segments delivering longer term assets against shorter term liabilities, the respective part of IGC is re-distributed from the segment Corporate Center to the originator of the IGC, i.e. the respective market segment.

6. Summary of consolidated statement of profit or loss

EUR m

	01.01. - 30.09.2022	01.01. - 30.09.2021
Interest income calculated using the effective interest method	141.2	138.9
Other interest income	0.9	1.7
Interest expenses	-12.8	-13.8
Net interest income	**129.3**	**126.8**
Fee and commission income	69.6	62.4
Fee and commission expenses	-14.3	-13.0
Net fee and commission income	**55.4**	**49.5**
Net result on financial instruments	1.6	4.6
Other operating income	3.3	3.4
Other operating expenses	-9.2	-13.4
Operating income	**180.4**	**170.9**
Personnel expenses	-66.1	-69.0
Other administrative expenses	-45.5	-45.0
Depreciation and amortisation	-13.1	-13.5
Operating expenses	**-124.7**	**-127.5**
Operating result before impairments and provisions	**55.6**	**43.5**
Other result	-15.2	-15.9
Credit loss expenses on financial assets	-16.3	-12.9
Result before tax	**24.2**	**14.8**
Tax on income	-4.6	-5.2
Result after tax	**19.6**	**9.6**
thereof attributable to equity holders of parent	19.6	9.6

EUR m

	01.01. - 30.09.2022	01.01. - 30.09.2021
Result after tax	**19.6**	**9.6**
Other comprehensive income	**-26.3**	**-2.2**
Items that will not be reclassified to profit or loss	**-0.6**	**0.3**
Fair value reserve - equity instruments	-0.6	0.3
Net change in fair value	-0.8	0.2
Income Tax	0.2	0.1
Items that are or may be reclassified to profit or loss	**-25.7**	**-2.5**
Foreign currency translation	-0.1	3.3
Gains/losses of the current period	-0.1	3.3
Fair value reserve - debt instruments	-25.7	-5.8
Net change in fair value	-96.3	-3.8
Net amount transferred to profit or loss	0.0	-2.9
Reclassification	67.1	0.0
Income Tax	3.4	0.9
Total comprehensive income for the year	**-6.7**	**7.4**
thereof attributable to equity holders of parent	-6.7	7.4

7. Summary of consolidated statement of financial position

EUR m

	30.09.2022	31.12.2021
Assets		
Cash reserves	1,204.2	1,361.7
Financial assets held for trading	24.1	32.6
Loans and advances	3,336.0	3,284.4
Loans and advances to credit institutions	9.0	5.7
Loans and advances to customers	3,327.0	3,278.7
Investment securities	1,094.5	1,012.2
Tangible assets	63.6	70.6
Property, plant and equipment	59.1	65.5
Investment property	4.6	5.1
Intangible assets	23.8	26.7
Tax assets	30.8	26.9
Current tax assets	2.8	2.7
Deferred tax assets	28.0	24.1
Other assets	17.2	14.9
Non-current assets held for sale	0.9	12.3
Total assets	**5,795.3**	**5,842.3**
Equity and liabilities		
Financial liabilities held for trading	3.9	2.3
Financial liabilities measured at amortised cost	4,890.9	4,933.6
Deposits and borrowings of credit institutions	133.9	174.6
Deposits and borrowings of customers	4,702.9	4,708.2
Other financial liabilities[1)]	54.1	50.8
Provisions	73.4	69.9
Tax liabilities	0.9	5.8
Current tax liabilities	0.9	5.8
Other liabilities	28.3	25.7
Equity	797.8	805.1
thereof attributable to equity holders of parent	797.8	805.1
Total equity and liabilities	**5,795.3**	**5,842.3**

[1)]The position "Issued bonds, subordinated and supplementary capital" in the amount of EUR 0.1 million (YE21: EUR 0.1 million) is presented within "Other financial liabilities" starting from 2022.

8. Investment securities

During 2021 significant changes took place in the governance structure of Addiko Bank AG, with the Supervisory Board replacing the previous CEO, CFO and CRO. This had a direct impact on the strategy of the bank going forward, with the new management initiating a "Transformation Program" aiming to increase the overall profitability of the bank.

The "Transformation Program" had, as one of the key impacts on the 2022 Business Plan, the fact that new business volumes in the focus segments are entirely funded by the accelerated run-down of the non-focus segments as well as the exit from low-yielding and high-ticket medium enterprise loans within the SME segment, thus maintaining the current solid liquidity levels. This allowed to implement a change in the management of the treasury portfolio with the aim to reduce the costs in steering the portfolio and to have a stable volume of instruments aimed to collect interest income until maturity to support the main income driver, the net banking income. The change in the management of the treasury portfolio, which was directly derived from the change in the overall strategy for the bank, has been operationalised in the new investment strategy elaborated and approved in the first half of 2022. The described change, in addition to the fact that the EU entities of the Group can efficiently generate any necessary liquidity by executing repo business with the ECB, allowed such entities to stop the previous business model Hold-to-Collect-and-Sell ("HTC&S") within Treasury, and to start a new business model Hold-to-Collect ("HTC"), both representing an activity significant to the bank's operations.

As established by IFRS 9, the change in the business model triggered the reclassification of the affected portfolio from the category financial asset at fair value through other comprehensive income to financial asset at amortised cost. The fair value of these assets at the date of the transfer, 1 July 2022, was EUR 617.0 million and the amortised cost EUR 684.4 million. In accordance with the standard, the transfer was made prospectively, recognizing the difference between the fair value of the transferred financial assets and their amortised cost in other comprehensive income. The effective interest rate and the measurement of expected credit losses were not adjusted as a result of the transfer.

The fair value as of 30 September 2022 of the reclassified assets, amounted to EUR 584.6 million. If the reclassification had not been made, the Group's OCI for the period ended 30 September 2022 would have included additional fair value losses of EUR 85.7 million (EUR 72.7 million net of the related deferred tax impact). The Group regulatory capital would have decreased from 21.8% to 20.4% on a transitional basis and from 21.3% to 19.1% on a fully-loaded basis (thus still being significantly above applicable requirements and P2G).

Addiko's assessment of the rules in relation to the change in the business model in accordance with IFRS 9.4.4. has been already confirmed by the group auditors and is currently being verified by the regulators, ahead of the publication of the year-end 2022 consolidated financial statements.

EUR m

	30.09.2022	31.12.2021
Fair value through other comprehensive income (FVTOCI)	263.6	1,009.2
Mandatorily at fair value through profit or loss (FVTPL)	1.7	3.0
At amortised cost	829.2	0.0
Total	**1,094.5**	**1,012.2**

Risk Report

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

Credit risk

1.1. Allocation of credit risk exposure within the Group

As of 30 September 2022, the overall gross exposure within the Group is reduced by EUR 145.6 million (or –2.2%) compared to YE21. In line with the business strategy, most of the reduction since beginning of the year is recognised in the corporate center as well as in the non-focus portfolio, which is partially compensated by an increase in the focus portfolio. On the overall level, decreases in the exposures are recognised in Addiko Bank Slovenia as well as in both bosnian entities. Within the Group, the credit risk exposure breaks down as presented in the following table.

EUR m

	30.09.2022	31.12.2021
Addiko Croatia	2,482.4	2,482.2
Addiko Slovenia	1,496.5	1,615.9
Addiko Serbia	1,083.6	1,070.9
Addiko in Bosnia & Herzegovina	1,083.4	1,133.9
Addiko in Montenegro	232.8	231.3
Addiko Holding	241.4	231.5
Total	**6,620.2**	**6,765.8**

1.2. Credit risk exposure by rating class

At 30 September 2022 roughly 30.0% (YE21: 25.1%) of the exposure is categorised as rating classes 1A to 1E. This exposure mainly relates to receivables from financial institutions and private individuals with a minor part within corporate and sovereigns.

During the first three quarters of 2022 the NPE Stock reduced by EUR 11.1 million (or -5.7%), primarily in the non-focus portfolio as well as within the SME portfolio as a result of write-offs / portfolio sales as well as due to collection effects. These reductions are partially compensated by NPE stock increase in the Consumer portfolio (in all Legal Entities except Addiko Banja Luka).

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

EUR m

30.09.2022	1A-1E	2A-2E	3A-3E	4A-4E [2]	NPE	No rating	Total
Consumer	289.0	876.5	335.8	151.6	69.8	19.0	1,741.6
SME	199.2	999.3	465.8	102.8	57.6	2.2	1,827.1
Non-focus	284.2	346.9	106.3	44.1	55.7	1.6	838.9
o/w Large Corporate	34.9	138.1	72.8	9.7	11.9	0.8	268.2
o/w Mortgage	237.7	177.3	23.1	21.6	41.8	0.8	502.3
o/w Public Finance	11.6	31.5	10.5	12.8	1.9	0.0	68.4
Corporate Center [1]	1,216.5	794.3	201.8	0.0	0.0	0.0	2,212.6
Total	**1,989.0**	**3,017.0**	**1,109.7**	**298.5**	**183.1**	**22.8**	**6,620.2**

[1] Corporate Center includes financial institutions considering national bank exposure, on demand deposits as well as securities. [2] The item “Watch” has been renamed to “4A-4E”, while the content remains unchanged.

The following table shows the exposure by rating classes and market segment as of 31 December 2021:

EUR m

31.12.2021	1A-1E	2A-2E	3A-3E	4A-4E[2]	NPE	No rating	Total
Consumer	262.2	790.5	293.5	151.2	63.3	18.8	1,579.3
SME	217.3	859.7	476.1	143.6	61.6	7.4	1,765.8
Non-focus	331.5	493.8	156.9	75.6	69.3	1.7	1,128.9
o/w Large Corporate	43.3	224.8	120.3	36.4	11.5	0.8	437.2
o/w Mortgage	273.5	212.4	25.0	23.0	55.6	1.0	590.5
o/w Public Finance	14.7	56.5	11.6	16.2	2.3	0.0	101.3
Corporate Center [1]	889.9	1,150.0	251.6	0.0	0.0	0.2	2,291.7
Total	**1,700.9**	**3,294.0**	**1,178.2**	**370.4**	**194.2**	**28.1**	**6,765.8**

[1] Corporate Center includes financial institutions considering national bank exposure, deposits as well as securities. [2] The item "Watch" has been renamed to "4A-4E", while the content remains unchanged.

1.3. Credit risk exposure by region

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

EUR m

	30.09.2022	31.12.2021
SEE	5,955.5	6,089.6
Europe (excl. CEE/SEE)	362.5	367.7
CEE	230.1	252.1
Other	72.1	56.4
Total	**6,620.2**	**6,765.8**

1.4. Presentation of exposure by overdue days

EUR m

30.09.2022	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,606.7	75.1	6.5	4.6	48.7	1,741.6
SME	1,750.7	39.4	1.9	2.7	32.3	1,827.1
Non Focus	772.3	20.3	0.7	0.9	44.8	838.9
o/w Large Corporate	245.2	11.1	0.0	0.0	11.9	268.2
o/w Mortgage	460.6	9.2	0.7	0.8	30.9	502.3
o/w Public Finance	66.5	0.0	0.0	0.0	1.9	68.4
Corporate Center	2,212.6	0.0	0.0	0.0	0.0	2,212.6
Total	**6,342.3**	**134.8**	**9.1**	**8.1**	**125.8**	**6,620.2**

The volatile macroeconomic environment accompanied by inflationary pressures did not result in a material increase of days past due on the portfolio level – partially also supported by (predominantly already expired) moratoria, which were in all Addiko entities granted based on local regulation and the EBA guideline 2020/02/20 from April 2020 (including updates). The Group granted during 2020 and 2021 75,698 such moratoria of which 6 accounts (6 customers) with an exposure of EUR 0.03 million were still active at 3Q22.

EUR m

31.12.2021	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,459.1	62.0	8.6	4.3	45.3	1,579.3
SME	1,691.4	41.4	7.2	2.2	23.5	1,765.8
Non Focus	1,064.8	16.6	3.8	1.5	42.3	1,128.9
o/w Large Corporate	431.3	5.2	0.0	0.0	0.7	437.2
o/w Mortgage	536.8	10.3	2.5	1.5	39.3	590.5
o/w Public Finance	96.8	1.0	1.2	0.0	2.3	101.3
Corporate Center	2,290.3	1.4	0.0	0.0	0.0	2,291.7
Total	**6,505.6**	**121.4**	**19.6**	**8.0**	**111.1**	**6,765.8**

1.5. Development of the coverage ratio

The coverage ratio 1 increased (78.9%) compared to the YE21 (71.9%). Increases are recognised in all legal entities except Addiko Bank Banja Luka - and are mainly driven by increases in the focus portfolio as well as in the SME and large corporate portfolio due to provision allocation for certain big tickets during the first 3 quarters of 2022.

The following tables show the NPE and coverage ratios at 3Q22 and YE21:

EUR m

30.09.2022	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	Coverage Ratio 1	Coverage Ratio 3
Consumer	1,741.6	69.8	55.3	1.7	4.0%	4.4%	79.3%	81.7%
SME	1,827.1	57.6	43.9	32.9	3.2%	4.4%	76.3%	133.4%
Non-focus	838.9	55.7	45.2	42.8	6.6%	7.9%	81.2%	157.9%
o/w Large Corporate	268.2	11.9	10.2	10.4	4.4%	8.3%	85.8%	172.9%
o/w Mortgage	502.3	41.8	33.2	30.4	8.3%	8.3%	79.4%	152.2%
o/w Public Finance	68.4	1.9	1.8	1.9	2.8%	3.5%	90.0%	189.7%
Corporate Center	2,212.6	0.0	0.0	0.0	0.0%	0.0%	1.0%	1.0%
Total	**6,620.2**	**183.1**	**144.5**	**77.3**	**2.8%**	**3.9%**	**78.9%**	**121.2%**
o/w Credit Risk Bearing	**4,508.3**	**183.1**	**144.5**	**77.3**	**4.1%**	**4.9%**	**78.9%**	**121.2%**

EUR m

31.12.2021	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	Coverage Ratio 1	Coverage Ratio 3
Consumer	1,579.3	63.3	49.9	2.7	4.0%	4.3%	78.8%	83.1%
SME	1,765.8	61.6	39.5	40.3	3.5%	5.0%	64.1%	129.5%
Non-focus	1,128.9	69.3	50.2	53.1	6.1%	7.5%	72.4%	149.0%
o/w Large Corporate	437.2	11.5	6.1	9.5	2.6%	4.4%	53.5%	136.8%
o/w Mortgage	590.5	55.6	43.1	41.4	9.4%	9.4%	77.6%	152.0%
o/w Public Finance	101.3	2.3	0.9	2.2	2.3%	2.8%	40.6%	136.4%
Corporate Center	2,291.7	0.0	0.0	0.0	0.0%	0.0%	85.0%	85.0%
Total	**6,765.8**	**194.2**	**139.5**	**96.1**	**2.9%**	**4.0%**	**71.9%**	**121.4%**
o/w Credit Risk Bearing	**4,605.1**	**194.2**	**139.5**	**96.1**	**4.2%**	**5.2%**	**71.9%**	**121.4%**

Own funds and capital requirements

Own funds according to CRR consist of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2). In order to determine the capital ratios, each respective capital component – after application of all regulatory deductions and filters – is considered in relation to the total risk amount. The determination of the eligible total capital in accordance with the applicable regulations is based on international accounting standards. The regulatory minimum capital ratios including the regulatory buffers as of 30 September 2022 and 31 December 2021 amount to:

	30.09.2022			31.12.2021		
	CET1	T1	TCR	CET1	T1	TCR
Pillar 1 requirement	4.50%	6.00%	8.00%	4.50%	6.00%	8.00%
Pillar 2 requirement	1.83%	2.44%	3.25%	4.10%	4.10%	4.10%
Total SREP Capital Requirement (TSCR)	**6.33%**	**8.44%**	**11.25%**	**8.60%**	**10.10%**	**12.10%**
Capital Conservation Buffer (CCB)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Counter-Cyclical Capital Buffer	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Combined Buffer Requirements (CBR)	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**
Overall Capital Requirement (OCR)	**8.83%**	**10.94%**	**13.75%**	**11.10%**	**12.60%**	**14.60%**
Pillar 2 guidance (P2G)	2.00%	2.00%	2.00%	4.00%	4.00%	4.00%
OCR + P2G	**10.83%**	**12.94%**	**15.75%**	**15.10%**	**16.60%**	**18.60%**

In addition to the Pillar 1 minimum capital ratios, institutions also have to fulfil other capital requirements that are being imposed by the supervisory institution or by the legislation:

- Pillar 2 requirement (SREP requirement): bank specific, obligatory requirement set by the supervisory institution through the Supervisory Review and Evaluation Process (SREP) (together with the Pillar 1 requirement it represents the minimum total SREP requirement – TSCR). The SREP 2021 decision, applicable from 1 March 2022, prescribes a P2R of 3.25% (at least 56.25% must be held in CET1 and at least 75% in Tier 1), decreasing from the 2020 SREP assessment which specified a P2R of 4.1% at all levels of capital.
- Applicable combined buffer requirement (CBR): system of capital buffers to be added on top of TSCR – breaching of the CBR is not a breach of capital requirement, but triggers limitations in the payment of dividends and other distributions from capital. Some of the buffers are prescribed by law for all banks and some of them are bank specific, set by the supervisory institution (CBR and TSCR together form the overall capital requirement – OCR). According to Section 22 (1) BWG, Addiko Group has to establish a capital conservation buffer in the amount of 2.5%.
- Pillar 2 Guidance: capital recommendation over and above the OCR, set by the supervisory institution through the SREP process. It is bank specific, and as a recommendation not obligatory. Any non-compliance does not affect dividends or other distributions from capital, however, it might lead to intensified supervision and imposition of measures to re-establish a prudent level of capital. Following the SREP 2021, Addiko group is expected to meet a Pillar 2 guidance (P2G) of 2% to be fully met by CET1, valid as of 1 March 2022 onwards, replacing the previous P2G of 4%.

In response to the Covid-19 pandemic, the ECB communicated on 12 March 2020 temporary capital relief measures with regard to the full usage of the capital conservation buffer as well as the P2G, allowing institutions temporarily to operate below these requirements. In its announcement letter from 28 July 2020, the ECB clarified that banks do not need to start refilling combined buffer requirements and P2G before the end of 2022. Given its solid capital structure Addiko had no need to make use of these options. The capital requirements in force during the reporting period, including a sufficient buffer, were met at all times on a consolidated basis.

Regulatory reporting on a consolidated basis is performed at the level of Addiko Bank AG as the EU parent financial holding company of the group of credit institutions. The following table shows the breakdown of own funds of the Group by applying transitional rules as per 30 September 2022 and 31 December 2021 pursuant to CRR applying IFRS figures.

EUR m

Ref[1]		30.09.2022	31.12.2021
	Common Equity Tier 1 (CET1) capital: Instruments and reserves		
1	Capital instruments and the related share premium accounts	195.0	195.0
2	Retained earnings	284.4	270.8
3	Accumulated other comprehensive income (and other reserves)	299.3	325.2
5a	Independently reviewed (interim) and eligible profits net of any foreseeable charge or dividend	0.0	13.6
5aa	o/w Interim eligible profit of the current year	0.0	13.6
5ab	o/w Foreseeable charge or dividend	0.0	0.0
6	**CET1 capital before regulatory adjustments**	**778.6**	**804.6**
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-0.3	-1.1
8	Intangible assets (net of related tax liability)	-14.7	-16.1
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met)	-10.4	-10.4
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-0.4	0.0
27a	Other regulatory adjustments (including IFRS 9 transitional rules)	20.9	27.1
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-4.9**	**-0.4**
29	**Common Equity Tier 1 (CET1) capital**	**773.7**	**804.3**
	Tier 2 (T2) capital: instruments and provisions		
58	**Tier 2 (T2) capital**	**0.0**	**0.0**
59	**Total capital (TC = T1 + T2)**	**773.7**	**804.3**
60	Total risk weighted assets	3,553.3	3,624.9
	Capital ratios and buffers %		
61	CET1 ratio	21.8%	22.2%
63	**TC ratio**	**21.8%**	**22.2%**
64	**Institution CET1 overall capital requirement**	**8.8%**	**11.1%**
65	o/w capital conservation buffer requirement	2.5%	2.5%
66	o/w countercyclical buffer requirement	0.0%	0.0%
68	CET 1 available to meet buffer (as % of risk exposure amount)	10.5%	10.1%
	Amounts below the thresholds for deduction (before risk weighting)		
72	Not significant direct and indirect holdings of own funds and eligible liabilities of financial sector entities (amount below 10% threshold and net of eligible short positions)	4.4	3.3
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	17.7	13.8

[1] The references identify the lines prescribed in the EU template, which are applicable and where there is a value. The structure is based on the technical standards included in (EU) 2021/637 of 15 March 2021.

Total capital decreased by EUR 30.6 million during the reporting period, reflecting the net impact of the following components:

- A negative development of EUR 18.0 million from financial instruments measured at FVTOCI. The OCI from debt instruments measured at FVTOCI decreased by EUR 25.7 million due to the impact on the financial markets of the Russian military invasion of Ukraine and the ECB decision to raise interest rates. This development was partially neutralised by applying Article 468 CRR, based on which 40% of the unrealised gains and losses on government instruments measured at FVTOCI can be added back to the capital (EUR 8.3 million). In addition, a minor impact on capital was resulting from the market development of equity instruments (EUR -0.6 million).
- A negative effect of EUR 13.7 million resulted from the IFRS 9 transitional rule with the following two components: based on the relevant regulation, starting with 1 January 2022, the portion of the ECL from the initial application of IFRS 9 which can be added back to capital decreased from 50% to 25%, leading to EUR 10.0 million negative impact on capital. The dynamic component of the capital add-on from the IFRS 9 transitional rule as amended on 24 June 2020 by the regulation (EU) 2020/873 allows to add back to capital 75% (down from 100% in the years 2020/21) of the increase in stock of stage 1 and stage 2 ECL since 1 January 2020, was reduced by EUR 3.7 million.

- A decrease in other regulatory deduction items in the amount of EUR 1.2 million reflecting the following items: (i) a lower amount of intangible assets determined in accordance with the Draft Regulatory Standards on the prudential treatment on software assets – EBA/CP/2020/11 (EUR 1.3 million), (ii) a decrease in the prudential valuation adjustments connected with assets/liabilities measured at fair value (EUR 0.7 million) and (iii) a 'new' deduction item out of non-performing exposures in context with the SREP process (EUR -0.9 million). The deferred tax assets on existing taxable losses remained stable during the period.
- A negative effect of EUR 0.1 million connected with the share buy-back program. The Governing Council of the ECB has adopted the decision of Addiko to buy-back round EUR 0.6 million of its own CET1 instruments pursuant to Article 77 (1) lit. a and Article 78 (1) lit. b CRR. The CET1 instruments still held in the bank's treasury stock in the amount of EUR 0.4 million were considered as deduction item in accordance with Article 36 (1) lit. f CRR. This deduction item in capital was partially compensated from the reduction of provisions for equity-settled share-based payments which had a positive impact in equity of EUR 0.3 million.
- With reference to Article 26 CRR, the interim profit of the three quarters in 2022 was not included.

Capital requirements (risk-weighted assets) based on a transitional basis

In the scope of regulatory risks, which include credit risk, operational risk and market risk, Addiko Group uses the standardised approach in the calculation of the credit and operational risk, which partly explains a relatively high risk density, measured by comparing RWA to assets, of 61.3% at the end of third quarter 2022 (YE21: 62.0%), while the bank's focus on unsecured consumer lending and SME business is another important source of the reported risk density.

The risk-weighted assets (RWA) decreased by EUR 71.6 million during the reporting period:

- The **RWA for credit risk** decreased by EUR 134.1 million. The decrease was mainly driven by the exposure reduction in the non-focus segments: Corporate Center (EUR –42 million), Large Corporates (EUR -112 million), Mortgages (EUR -44 million) and Public Finance (EUR –21 million). Further elements contributing to the RWA reduction were the following: (i) Croatia's rating improvement impacting the weight of deb instruments (EUR -20 million), (ii) provision increases and migrations from default of the NPE portfolio (EUR -12 million), (iii) the optimisation of credit conversion factors (EUR -17 million) and SME supporting factor (EUR -22 million). The above described RWA decrease was partially compensated by (i) the new disbursements in the focus segments Consumer and SME (EUR +161 million), (ii) the impact of the bond reclassification from FVTOCI to amortised cost (EUR +13 million) and (iii) the growth in other assets (EUR +17 million). Ultimately the RWA calculation was impacted by the application of the IFRS 9 transitional capital rules described in the previous paragraph (EUR -14 million).
- **RWA for counterparty credit risk** (CVA) increased by EUR 0.8 million.
- The **RWAs for market risk** increased by EUR 61.7 million. The increase was mainly driven by the implementation of the guideline on structural FX under Article 352 (2) CRR (EBA/GL/2020/09). Addiko received on the 3 August 2022 ECB approval of its waiver application to exclude the structural FX positions HRK and RSD, which have been deliberately taken to hedge capital, from the calculation of own funds requirements for foreign exchange risks in line with the EBA guidance. The impact of the approval, calculated based on 3Q22 figures, led to a EUR 92.7 million reduction of the RWAs for market risk.
- The **RWA for operational risk** remained stable in line with the previous quarter. The RWA for operational risk is based on the three-year average of relevant income, which represents the basis for the calculation.

EUR m

Ref[1]		30.09.2022	31.12.2021
1	Credit risk pursuant to Standardised Approach	2,992.8	3,126.9
6	Counterparty credit risk	4.9	4.1
20	Market risk	151.6	89.9
23	Operational risk	404.0	404.0
29	**Total risk exposure amount**	**3,553.3**	**3,624.9**

[1] The references identify the lines prescribed in the EU template, which are applicable and where there is a value.

Leverage ratio on a transitional basis

The leverage ratio for the Addiko Group, calculated in accordance with the CRD IV, was 12.9% as of 31 December 2021, down to 12.6% as of 30 September 2022. The development is due to the above-mentioned development of the Tier 1 capital and the leverage ratio exposure, with the capital measure being more affected in relative terms.

EUR m

Ref[1]		30.09.2022	31.12.2021
2	Tier 1 capital	773.7	804.3
13	Total leverage ratio exposure	6,127.5	6,227.9
14	**Leverage ratio %**	**12.6%**	**12.9%**

[1] The references identify the lines prescribed in the EU template, which are applicable and where there is a value.

Disclosure template IFRS 9/Article 468 CRR

Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 and with and without the application of the temporary treatment in accordance with Article 468 of the CRR.

EUR m

Ref[1]	30.09.2022	31.12.2021
Available capital (amounts)		
1 Common Equity Tier 1 (CET1) capital	773.7	804.3
2 CET1 capital as if IFRS 9 had not been applied	760.2	777.1
2a CET1 capital as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	765.3	n.a.
2b CET1 capital as if all temporary treatments had not been applied	751.9	777.1
5 Total capital (TC)	773.7	804.3
6 TC as if IFRS 9 transitional rules had not been applied	760.2	777.1
6a TC as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	765.3	n.a.
6b TC as if all temporary treatments had not been applied	751.9	777.1
Risk-weighted assets		
7 Total RWAs	3,553.3	3,624.9
8 Total RWAs as if IFRS 9 transitional rules had not been applied	3,539.8	3,597.7
8a Total RWAs as if the temporary treatment of unrealised gains and losses measured at FVT OCI had not been applied (Art. 468 CRR)	3,551.1	n.a.
8b Total RWAs as if all temporary treatments had not been applied	3,537.7	3,597.7
Capital ratios %		
9 CET1	21.8%	22.2%
10 CET1 as if IFRS 9 transitional rules had not been applied	21.5%	21.6%
10a CET1 as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	21.5%	n.a.
10b CET1 as if all temporary treatments had not been applied	21.3%	21.6%
13 TC	21.8%	22.2%
14 TC as if IFRS 9 transitional rules had not been applied	21.5%	21.6%
14a TC as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	21.5%	n.a.
14b TC as if all temporary treatments had not been applied	21.3%	21.6%
Leverage ratio (LR)		
15 LR total exposure measure	6,127.5	6,227.9
16 LR	12.6%	12.9%
17 LR as if IFRS 9 transitional rules had not been applied	12.4%	12.5%
17a LR as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	12.5%	n.a.
17b LR as if all temporary treatments had not been applied	12.3%	12.5%

[1] The references identify the lines prescribed in the EU template, which are applicable and where there is a value.

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

In March 2022 Addiko decided to make use of the temporary treatment in accordance with Article 468 CRR of the regulation EU 2020/873 in order to limit the potential future impacts of the currently unpredictable developments in the Ukraine-Russia conflict on the markets, which allows to add back to CET1 during 2022 40% of the unrealised gains and losses from government instruments measured at fair value through OCI.

MREL

In order for banks to have in place a sufficient amount of equity and debt which is eligible to absorb losses in resolution and may be used for a bail-in so that banks can be resolved without recourse to public financial support, Austrian banks are required by the BaSAG to meet MREL (minimum requirement for own funds and eligible liabilities) at all times. MREL targets are determined on a case-by-case basis for each institution or banking group by the competent resolution authority, which is the SRB (Single Resolution Board) in the case of Addiko Group.

On 28 January 2022, Addiko received the yearly resolution plan from the Single Resolution Board (SRB). The resolution plan is in line with the previous year decision, whereby only Addiko Bank d.d. (Croatia) is identified to provide critical functions to the market and for this reason classified as resolution entity. This means that there are no MREL requirement defined for the whole Addiko Group, but only for the Croatian entity, which are already covered by the local own funds and eligible liabilities.

9. Glossary

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

	goods and non-financial and financial services provided that their activities are not those of quasi-corporations. Non-profit institutions which serve households ("NPISH") and which are principally engaged in the production of non- market goods and services intended for particular groups of households shall be included
HTC	Hold to collect
HTC&S	Hold to collect and sell
Interest like income	Includes penalty interest income and accrued fees on loan processing
Large Corporates	The segment Large Corporates includes legal entities and entrepreneurs with annual gross revenues of more than EUR 40 million
Leverage ratio	The ratio of Tier 1 capital to specific exposures on and off the statement of financial position calculated in accordance with the methodology set out in CRR
Loans and receivables	Gross carrying amount of loans and receivables less ECL allowance
Loan to deposit ratio	Indicates a bank's ability to refinance its loans by deposits rather than wholesale funding. It is based on net customer loans and calculated with loans to non-financial corporations and households in relation to deposits from non-financial corporations and households. Segment level: Loans and receivables divided by financial liabilities at amortised costs
MREL	Minimum requirement for own funds and eligible liabilities
Net banking income	The sum of net interest income and net fee and commission income
Net interest income (segment level)	Net interest income on segment level includes total interest income related to effective interest rate from gross performing loans, interest income from NPE, interest like income, interest expenses from customer deposits, consideration of funds transfer pricing and allocated contribution from interest and liquidity gap
NIM	Net interest margin is used for external comparison with other banks as well as an internal profitability measurement of products and segments. It is calculated with net interest income set in relation to average interest-bearing assets (total assets less investments in subsidiaries, joint ventures and associates, intangible fixed assets, tangible fixed assets, tax assets and other assets)
Non-financial corporations	Corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services according to the ECB BSI Regulation
NPE	Defaulted, non-performing exposure (Gross Carrying Amount). A default and thus a non-performing exposure applies if it can be assumed that a customer is unlikely to fulfill all of its credit obligations to the bank, or if the debtor is overdue at least 90 days on any material credit obligation to the bank
NPE ratio	Is an economic ratio to demonstrate the proportion of loans that have been classified as defaulted non-performing in relation to the entire customer loan portfolio. The definition of non-performing has been adopted from regulatory standards and guidelines and comprises in general those customers where repayment is doubtful, a realisation of collaterals is expected, and which thus have been moved to a defaulted customer rating segment. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management. Non-performing exposure/total exposure (on and off balance)
NPE Ratio (On-balance loans)	Ratio to demonstrate the proportion of loans (only on-balance exposure considered) that have been classified as defaulted non-performing in relation to the credit risk bearing Exposure (on balance)
Option	The right to buy (call) or sell (put) an underlying reference asset at an agreed price within a specific period of time or at a fixed point in time
PI	Private individuals
Pillar 2 Guidance (P2G)	The level and quality of own funds the institution is expected to hold in excess of its overall capital requirements. The Pillar 2 guidance is a non-legally binding expectation of the regulatory authorities
Pillar 2 Requirement (P2R)	Additional own funds requirements imposed in accordance with Article 104(1)(a) of Directive 2013/36/EU. The Pillar 2 requirement covers risks underestimated or not covered by Pillar 1

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

10. Contact

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