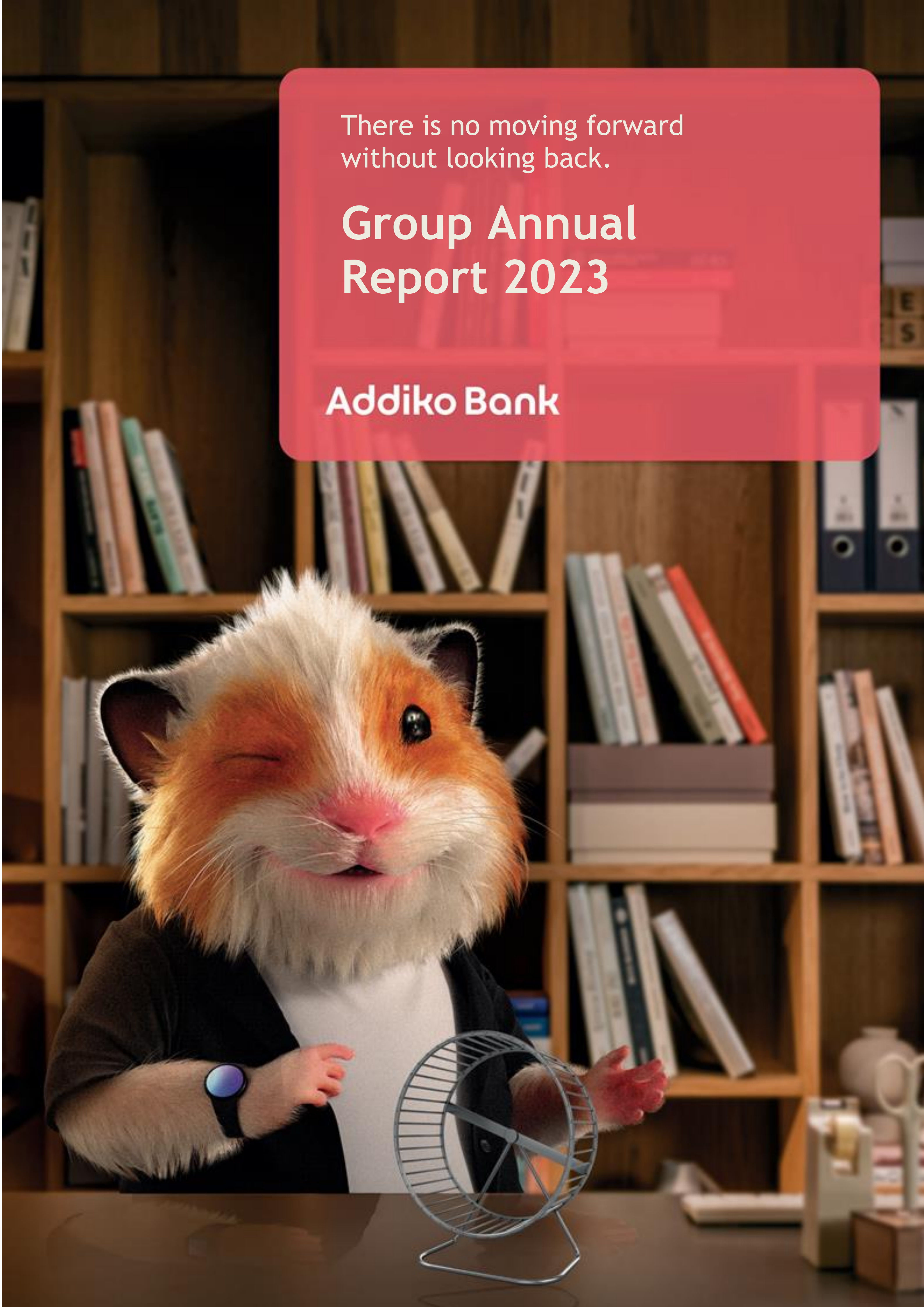
There is no moving forward without looking back.

Group Annual Report 2023

Addiko Bank



HIGHLIGHTS

1 Key financial data

EARNINGS	
NET PROFIT	€41.1m
OPERATING RESULT	€103.9m
EPS	€2.12
NIM	3.8%
ASSET QUALITY	
COST OF RISK	-0.3 %
NPE RATIO	2.0 %
NPE VOLUME	€138.0m
CAPITAL	
CET1 RATIO	20.4%

2 Business development

- ACCELERATION PROGRAM ENABLED DOUBLE-DIGIT GROWTH IN CONSUMER AND SME WHILE MAINTAINING COST DISCIPLINE
- OPERATING RESULT UP 41% YOY TO €103.9m REFLECTING CONTINUED POSITIVE MOMENTUM ON TOP-LINE
- DIVIDEND OF €24.6m (€1.26 DPS) TO BE PROPOSED AT AGM 2024
- ESG STRATEGY & ACTION PLAN FOR 2023 COMPLETED, INITIATIVES ON TRACK FOR 2024

3 Outlook

NEW OUTLOOK 2024 AND MID-TERM GUIDANCE DEFINED ON THE BACK OF ACCELERATION PROGRAM AND STRONG MOMENTUM

Key data

Selected items of the Profit or loss statement (EUR m)	2023	2022	(%)
Net banking income	295.2	248.9	18.6%
Net interest income	228.0	176.4	29.2%
Net fee and commission income	67.1	72.5	-7.4%
Net result on financial instruments	0.4	1.9	-78.6%
Other operating result	-13.1	-9.2	42.5%
Operating income	**282.5**	**241.6**	**16.9%**
General administrative expenses	**-178.6**	**-168.0**	**6.3%**
Operating result before impairments and provisions	**103.9**	**73.6**	**41.1%**
Other result	-44.7	-27.0	65.4%
Expected credit loss expenses on financial assets	-11.8	-15.4	-23.8%
Taxes on income	-6.3	-5.5	15.9%
Result after tax	**41.1**	**25.7**	**59.9%**

Performance ratios	2023	2022	(pts)
Net interest income/total average assets	3.8%	3.0%	0.8
Return on average tangible equity	5.5%	3.4%	2.1
Cost/income ratio	60.5%	67.5%	-7.0
Cost of risk ratio	-0.3%	-0.3%	0.0
Cost of risk ratio (net loans)	-0.3%	-0.5%	0.2
Earnings per share (in EUR)	2.12	1.32	79.6

Selected items of the Statement of financial position	2023	2022	(%)
Loans and advances to customers	3,489.2	3,292.7	6.0%
Deposits and borrowings from customers	5,032.6	4,959.6	1.5%
Equity	801.1	746.3	7.4%
Total assets	6,151.5	5,996.4	2.6%
Risk-weighted assets [1)]	3,653.2	3,481.0	4.9%

Balance sheet ratios	2023	2022	(pts)
Loan to deposit ratio	69.3%	66.4%	2.9
NPE ratio	2.0%	2.4%	-0.4
NPE Ratio (on balance loans)	2.8%	3.3%	-0.5
NPE coverage ratio	80.9%	75.4%	5.5
Liquidity coverage ratio	313.4%	307.4%	28.4
Common equity tier 1 ratio [1)]	20.4%	20.0%	0.4
Total capital ratio [1)]	20.4%	20.0%	0.4

[1)] As of 1 January 2023, there is no difference between the transitional and the fully-loaded regulatory capital base due to the expiry of the IFRS 9 and Article 468 CRR (EU 2020/873) transitional capital rules. Comparative figures on a fully-loaded basis.

Group Annual Report 2023

The tables in this report may contain rounding differences. Any data is presented on the Addiko Group level (referred to as Addiko Bank or the Group throughout the document) unless stated otherwise.

The English version of the report is a translation. Only the German is the authentic language version.

Letter from the CEO

I am pleased to reflect on the remarkable journey we have undertaken at Addiko Group during 2023. In addition to achieving significant milestones, we also solidified our position as a specialist bank known for its fast loans, improved digital services, and strong commitment to customer satisfaction.

Addiko Group posted a net profit of EUR 41.1 million for the year 2023, up 60% from 2022. Our operating result also improved significantly with a 41% increase to EUR 103.9 million, an achievement that was supported by double-digit year-on-year growth in our focus areas Consumers and SME.

Our performance on cost management in times of elevated inflation is also evident from an improved cost/income ratio of 60% (YE22: 67%). Moreover, we managed to decrease our NPEs to a historic low of EUR 138 million, representing an NPE ratio of 2.0%. These developments are a continuation of the solid results, allowing us to propose a dividend for the year 2023 of EUR 24.6 million or EUR 1.26 per share to our shareholders at the AGM on 26 April 2024.

As we respond to changing customer needs, our group-wide Acceleration Program is focused on growing our business in our key areas Consumers and SME, improving our operations and boosting our digital capabilities. The program is based on three pillars:

<u>Business Growth in Focus Areas:</u> In 2023, Addiko significantly improved its digital platform to better serve its customers. The next step is to leverage, optimise and extract the maximum out of the existing platform. We will continue to launch E2E digital capabilities to attract digital customers and further expand through our partnership ecosystem.

<u>Operational Excellence & Digital:</u> With the 'Operational Excellence' stream established in 2023, Addiko has focused on creating the fastest processes through back-office excellence, automation and a customer-first approach. We have made substantial improvements in our business intelligence reporting systems, which help us to enhance customer understanding and drive innovation in E2E processes. In Slovenia for instance, the time of obtaining a business account number was significantly reduced from 2 days to just 10 minutes. For the onboarding process, customers now just need 4 documents as opposed to 14 in the prior year. Looking forward, it's crucial to highlight that the Operational Excellence stream is an ongoing process. We are dedicated to implementing further improvements in 2024, ensuring sustained optimisation and continuous enhancement of our core operational processes.

<u>Best-in-Class Risk Management:</u> We believe that Addiko can only reach its goal of becoming the best specialist bank for Consumers and SMEs in CSEE by being superior in risk management. In the current economic situation, the importance of data management and analytics in the risk management area is more significant than ever. We have recorded a considerable increase in the rate of automatic decisions in the Consumer segment. We have also successfully launched a group-wide comprehensive risk reporting platform, which further improved our capabilities to control and manage risks on a group-wide basis. Moreover, the ongoing NPE reduction initiatives allowed us to further decrease the non-performing exposure to an all-time low in the year 2023.

On the back of our solid results and the momentum of our Acceleration Program, we have updated our Mid-Term Guidance. The new guidance maintains consistency with previously disclosed goals, yet exhibits a higher level of transparency and granularity. Key enhancements include the harmonisation of targets for the Outlook 2024 and the Mid-Term Guidance, along with the provision of additional yearly targets and information leading up to the mid-term period.

In a strategic move to further strengthen our position in the CESEE region, we have decided to enter the Romanian market in 2024. We will meticulously balance investments and risks and establish a reasonable timeframe to generate value-adding returns. This move aligns with the company's overall vision of becoming the leading specialist bank for Consumers and SMEs in the region. By leveraging our well-established digital platform, we aim to offer innovative financial solutions and unparalleled customer service in the Romanian market via our digital channels, contributing to the continued success of our growth initiatives.

ESG was another focal point in 2023. We have launched 15 initiatives aimed at achieving our sustainable development goals. Central to our focus is the reduction of our carbon footprint and the promotion of social equality, both within and beyond our organisation. Looking ahead, we are determined to further intensify our efforts in this domain by allocating more resources to contribute expediently to sustainable development.

I am pleased with these outcomes. They reflect the significant progress we have achieved collectively as a team and the rapid steps we've made as a business in our journey. My sincere gratitude goes to all our dedicated employees for their commitment and great work in serving our customers every day. I am convinced that we will continue to create value for all our stakeholders and become the leading specialist bank for Consumer & SME customers in our region.

Kind regards,

Herbert Juranek (CEO)

Report of the Supervisory Board

Dear Shareholders,

The global economic slowdown, intensified by geopolitical tensions, results in an environment marked by lower visibility and somewhat less economic activity. For banks, it becomes even more crucial to adapt and maintain their strategic focus. Despite the challenging environment, Addiko Group continues to prioritize growth in its focus areas of Consumers and small and medium-sized enterprises (SMEs), combined with operational excellence and the further enhancement of digital capabilities. This dedicated approach involves monitoring economic indicators, adapting product offerings to meet changing customer needs and ensuring resilience in the face of uncertainty.

Addiko Group remains confident for the CSEE region as it shows impressive resilience compared to the rest of Europe. Amid the complexity ahead in 2024, the company continues to be focused on its commitment of becoming the leading specialist bank for Consumer and SME customers in Central and South-Eastern Europe by offering the best service combined with highly attractive product offerings.

The Group posted a net profit of EUR 41.1 million for the year 2023, up 60% from 2022, allowing Addiko to propose a dividend for the year 2023 of EUR 24.6 million or EUR 1.26 per share to its shareholders at the AGM on 26 April 2024.

Addiko’s Acceleration Program, launched at the beginning of the year 2023, is designed to address evolving customer needs, with a primary focus on expanding Addiko Group's presence among Consumers and SMEs. The program aims to enhance operational efficiency and elevate digital capabilities. It is structured around three key pillars: Business Growth in Focus Areas, Operational Excellence & Digital and Best-in-Class Risk Management.

2023 was also the year of dynamic marketing campaigns through which Addiko prioritized customer acquisition and solidifying its image as the preferred fast loan provider. Leveraging the popular 3D animated character, Oskar, across six CSEE markets, Addiko executed over 80 campaigns through diverse media channels. The "no time" image campaign reinforced the bank's identity as a swift and approachable financial institution. In the latter half, Addiko focused on customer segmentation research and digital team expansion. The emphasis on high-quality creative paid off, with Brand Tracker measurements showing substantial growth in spontaneous awareness and consideration for fast cash loans.

Building on the solid result for the financial year 2023 and the momentum of the Acceleration Program, Addiko has updated its Mid-Term Guidance. The company maintains consistency with previously disclosed goals yet exhibits a higher level of transparency and granularity.

In a strategic move to further strengthen its market position in the CESEE region, Addiko has decided to enter the Romanian market in 2024. In this context, Addiko will meticulously balance investments and risks and establish a reasonable timeframe to generate value-adding returns. This move aligns with the company's overall vision of becoming the leading specialist bank for Consumers and SMEs in the region.

Another important topic that took centre stage in 2023 is ESG which will continue to grow in 2024 and onwards. Addiko launched 15 initiatives aimed at achieving sustainable development goals. Central to the focus is the reduction of Addiko’s carbon footprint and the promotion of social equality, both within and beyond the organization. Looking ahead, the Bank is determined to further intensify its efforts in this domain, allocating more resources to contribute meaningfully to sustainable development.

Activities of the Supervisory Board

During the reporting year, the Supervisory Board performed all of the duties incumbent upon it in a highly conscientious manner and in accordance with the law, the Company's statutes and its own rules of procedure.

It held eight meetings in total in the financial year 2023, adopted six circular decisions and assisted the Management Board in its advisory capacity and by continually monitoring the governance of the company. At the meetings of the Supervisory Board and its Committees, the Management Board reported in depth on Addiko Group's financial situation, risks and their mitigation and business performance. The Management Board discussed in detail strategies and related measures with the Supervisory Board. Legal transactions requiring approval were submitted to the Supervisory Board, and the Supervisory Board was given sufficient opportunity to thoroughly examine any reports and resolutions proposed by the Management Board. In addition, the Supervisory Board conducted ten Working Group sessions in which specific strategic measures were discussed in detail with the Management Board.

In this context, the Supervisory Board undertook the measures necessary to assure that the governance of the Addiko Group's affairs was effective, lawful, compliant, and appropriate.

The Supervisory Board had formed the following five standing Committees:

- the Audit and Compliance Committee/Audit, Compliance & AML Committee (which held six meetings and adopted one circular decision in 2023),
- the Credit & Risk Committee (which held five meetings and adopted two circular decisions in 2023),
- the Digitalization & IT Committee (which held four meetings in 2023),
- the Nomination & Remuneration Committee (which held four meetings and adopted three circular decisions in 2023) and
- the Committee for Management Board Matters (which held three meetings in 2023).

The Chairman of the Supervisory Board, as well as the Chairmen of the Committees of Addiko Bank AG's Supervisory Board were in regular contact with the Management Board.

Within meetings taking place at least once every quarter in person and via virtual meetings, the Supervisory Board regularly received information on the following topics: business performance in the previous quarter, financial performance, risk development and significant matters, as well as major legal disputes. Between the quarterly reports, the Management Board also informed the Supervisory Board of current economic developments. In addition, the Supervisory Board received regular reports of key executives, especially of the Compliance Officer and Internal Audit Officer.

Changes to the Management Board and the Supervisory Board

There were no changes within the Management Board of Addiko Bank AG but the terms of the mandates of Mr. Herbert Juranek, CEO, Mr. Edgar Flaggl, CFO and Mr. Tadej Krasovec, CRO, were prolonged until 31 December 2025 whereas the mandate for Mr. Ganesh Krishnamoorthi, CMO/CIT was prolonged until 31 July 2026. This was done to ensure continuity in the leadership of Addiko especially after the acceleration process successfully started in 2022 and continuous showing positive results in 2023. In the view of the Supervisory Board this was and is key to the recent positive developments in all aspects of Addiko's business, risk and financial management.

In 2023, Mr. Kurt Pribil, the Chair of the Supervisory Board, was re-elected by the General Meeting on 21 April 2023. Accordingly, the Supervisory Board consists of seven members, thereof two delegated by the Workers' Council.

Consolidated Corporate Governance Report, Austrian Code of Corporate Governance

The Consolidated Corporate Governance Report of Addiko Bank AG was audited by Deloitte Audit Wirtschaftsprüfungs GmbH pursuant to Section 96 (2) Austrian Stock Corporation Act. Deloitte Audit Wirtschaftsprüfungs GmbH confirmed that Addiko complied with the rules of the ACGC in the financial year 2023 - insofar as these were included in the Addiko declaration of conformity.

The Supervisory Board determined that Addiko Bank AG has to comply with the Austrian Code of Corporate Governance as amended in January 2023. The Supervisory Board strives to consistently comply with the provisions of the Code that relate to the Supervisory Board. In this context, the Supervisory Board complies with all Rules relating to the cooperation of the Supervisory Board and the Management Board, and to the Supervisory Board itself, except for the deviations presented in the Corporate Governance Report.

Separate and Consolidated Financial Statements 2023

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft audited the separate Financial Statements of Addiko Bank AG and the Consolidated Financial Statements of the Addiko Group as of 31 December 2023, issuing unqualified audit opinions. Pursuant to statutory provisions, the Management Report and the Group Management Report have been audited as to whether they are consistent with the separate and Consolidated Financial Statements and have been prepared in accordance with the applicable legal requirements. The Sustainability Report was read and considered not to be materially inconsistent with the Consolidated Financial Statements nor to be materially misstated.

The separate Financial Statements of Addiko Bank AG were prepared in accordance with the regulations of the Austrian Banking Act (BWG) and – where applicable – with the provisions of the Austrian Commercial Code (UGB). The Consolidated Financial Statements of the Addiko Group were prepared in accordance with IFRS as adopted by the EU and in compliance with the requirements under Section 245a Austrian Commercial Code (UGB) and Article 59a Austrian Banking Act (BWG). The separate Financial Statements, the Consolidated Financial Statements, the Consolidated Corporate Governance Report, the Consolidated Non-Financial Report ("Sustainability Report 2023") and the Management Board's proposal for the allocation of the annual profit 2023 – all prepared by the Management Board – were discussed in detail with KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft at the meeting of the Audit and Compliance Committee held on 4 March 2024.

At the meeting, the aforementioned Committee, inter alia, resolved to propose approval of the separate Financial Statements of Addiko Bank AG by the Supervisory Board.

The Chairwoman of the Audit, Compliance and AML Committee reported on the Committee's recommendations at the meeting of the Supervisory Board on 5 March 2024. At this meeting, the separate and Consolidated Financial Statements were examined thoroughly in the presence of the auditor and verified by the Supervisory Board to ensure, in particular, that they were lawful, compliant and appropriate.

The Financial Statements of Addiko Bank AG as well as that of the Addiko Group, the Consolidated Corporate Governance Report and the Consolidated Non-Financial Report ("Sustainability Report 2023") were reviewed and found, in the opinion of the Supervisory Board, to be consistent with legal requirements.

The Supervisory Board has reviewed the proposal by the Management Board regarding the allocation of profits and approved this as follows.

Addiko Bank AG posts in its separate Financial Statements according to UGB/BWG at 31 December 2023 net accumulated profits available for distribution in the amount of EUR 38.94 million. In the next Annual General Meeting on 26 April 2024 the Management Board intends proposing a dividend payment amount of EUR 1.26 per share, which equals an amount of up to EUR 24.57 million overall. The dividend proposal is based on the dividend policy applicable for the year 2023 of distributing 60 % of the group result. The remaining amount of EUR 14.37 million shall be carried forward to the balance sheet of the following year.

The result of the examination is that the Supervisory Board had no objections to the separate Financial Statements, the Consolidated Financial Statements and the audit performed by the auditor.

The Supervisory Board, therefore, concurred with the results of the audit on 5 March 2024 and approved the separate Financial Statements of Addiko Bank AG. The separate Financial Statements have, therefore, been adopted. The consolidated Financial Statements were noted by the Supervisory Board. In addition, the Supervisory Board reviewed the separate Consolidated Non-Financial Report ("Sustainability report 2023").

The Supervisory Board would like to express thanks to the members of the Management Board, the leadership team and to the entire staff for their outstanding commitment and achievements in 2023.

On behalf of the Supervisory Board

Dr. Kurt Pribil
Chairman of the Supervisory Board

Vienna, 5 March 2024

Group Management Report

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, listed on the Vienna Stock Exchange and supervised by the Austrian Financial Market Authority and the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates via two banks), Serbia and Montenegro. Through its six subsidiary banks, Addiko Group services as of 31 December 2023 approximately 0.9 million customers in CSEE using a well-dispersed network of 154 branches and modern digital banking channels.

Based on its strategy, Addiko Group has 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'). It offers unsecured personal loan products for Consumers and working capital loans for its SME customers and is largely funded by retail deposits. Addiko Group's Mortgage business, 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.

1. Macroeconomic environment

In Europe, the year 2023 was once again dominated by the impact of Russia's war in Ukraine, which has been ongoing for two years now and continues to cause instability and new levels of uncertainty.

Distortions on commodity and energy markets fuelled inflation, which peaked in the Eurozone at 10.6% in October 2022 followed by a noteworthy descent throughout 2023, diminishing from 8.6% in January to 2.9% in December. However, depending on the measures taken by governments to combat inflation in the individual member states, the rates of price increases in December 2023 varied widely, ranging from a low of 0.4% in Denmark and 0.5% in Belgium to 7.0% in Rumania and 7.6% in the Czech Republic. With a 5.7% increase in consumer prices compared with December 2022, Austria was in the upper range of the Euro area.

In order to reattain its inflation target of 2.0%, the ECB has responded with significant interest rate hikes. following the initial increase in the key interest rate from 0.0% to 0.5% in July 2022, a series of ten interest rate increases has been implemented, culminating in a rise in the reference rate for loans to 4.5% on 20 September 2023.

Propelled by diminishing purchasing power resulting from inflation and a reluctance to spend by consumers, GDP in the Eurozone registered a modest growth of merely 0.5% on a year-over-year basis in 2023. The seasonally adjusted number of unemployed people in the Euro area experienced a marginal decrease to 6.4% in November 2023, marking a 0.1 percentage point reduction compared with November 2022.

Addiko is forecasting a predominantly positive economic scenario for its core markets. Although inflation in the CSEE countries remained significantly higher than in the rest of Europe in 2023, there was a significant reduction compared to 2022. Price increases in the Eurozone member states Slovenia (7.2%) and Croatia (7.5%) were relatively low compared to inflation rates in Montenegro (9.1%) and Serbia (12.5%). Bosnia & Herzegovina achieved a notable reduction in inflation, decreasing from 14.0% (2022) to 7.5% (2023).

Contrary to the low GDP growth in the Eurozone, the CSEE markets posted stronger growth in 2023. Both the Eurozone countries Croatia (+2.5%) and Slovenia (+1.3%) as well as the other countries where Addiko operates - Bosnia & Herzegovina (+1.7%), Montenegro (+4.5%) and Serbia (+1.5%) - are expected to post a strong increase in GDP in 2023, well above the average in the European Union. With the exception of Serbia, the labour markets in all other countries of operation exhibited positive development, resulting in a notable decline in the unemployment rate.

On 8 August 2023, the worst flood in decades hit Slovenia, resulting in damages amounting to EUR 4.7 billion as per the government's preliminary assessment, necessitating approximately EUR 7 billion of funding to finance the reconstruction of buildings and infrastructure. Consequently, the government is seeking funding from both external (EU funds) well as internal sources (higher tax rates and the introduction of a special tax for banks). As a result, GDP growth in Slovenia is expected to slow to a mere 1.3% in 2023. While the price of energy dropped significantly, spending on housing and food was still much higher. The Slovenian labour market is characterised by a historically low unemployment rate, projected to settle at close to 3.7% for the full year 2023.

Croatia's economy benefited from the introduction of the Euro at the beginning of 2023 and from its accession to the Schengen area, both of which will improve conditions for the economically indispensable tourism sector. Tourism has already witnessed substantial gains, particularly during the summer, resulting in a total of 108 million overnight stays for the entire year 2023, which represents an increase of 3% over the previous year. While GDP is expected to grow by 2.5%, unemployment is expected to drop to 6.8%, 0.2 percentage points lower than in 2022.

Bosnia & Herzegovina also benefited from increased tourism, in addition to positive effects from remittances from abroad and continued investments. As a result, GDP is expected to grow in 2023 by 3.9%, while unemployment—although showing a very positive trend over the last two years—remains high at 13.8%. Despite political tensions in the Republika Srpska (one of the two entities comprising Bosnia & Herzegovina), the country was making progress towards fulfilling EU requirements for 'BiH's' accession and saw its Standard & Poor's sovereign debt rating improve in August 2023.

In Serbia, high inflation has significantly reduced disposable household income, resulting in a reluctance to spend. Despite subdued performance in the manufacturing and trade sectors, the construction, agriculture and communications sectors made favourable contributions to GDP. Fuelled by lower energy costs in comparison to the previous year, real GDP is expected to grow by 1.5% in 2023. This modest GDP growth is not expected to yield a positive effect on the labour market, marked by an unemployment rate of 9.5% that increased by 0.1 percentage points compared to 2022.

Montenegro is expected to record a significant GDP growth for 2023, driven by strong private consumption, lower energy prices, an improved business sentiment, a tighter labour market and, notably, the tourism industry serving as the primary growth driver. Although a substantial proportion of the growth in tourism originated from Ukrainian and Russian citizens, the sector returned to pre-Covid levels. This resurgence is reflected in GDP, which is forecasted to achieve a robust growth rate of 4.5% in 2023.

(Source: Eurostat, WIIW)

2. Acceleration Program

In order to further drive value generation, Addiko established a group-wide 'Acceleration Program' in 2023. The overall goal of the program is to align with Addiko's ambition to become the best specialist bank for Consumers and SMEs in CSEE. The intention is to accelerate the Group's capabilities to create incremental value for its customers and to assure a faster achievement of the Group's mid-term targets. The program is based on three main pillars: Business Growth in Focus Areas, Operational Excellence & Digital innovation, and Best-in-Class Risk Management.

2.1. First pillar: Business Growth in Focus Areas

The first pillar of the Acceleration Program is dedicated to enabling consistent and sustainable business growth within the current geographical footprint. In recent years, Addiko significantly improved its digital platform to better serve its customers. Addiko's strategy is to further leverage, optimise and extract the maximum benefit from its existing platform.

During 2023, in line with the program targets, Addiko concentrated its efforts in the Consumer segment on the following key areas:

- The Group extended its partnership network to more than 500 partners and its presence in over 1,200 locations. This move has enabled Addiko to tap into a new customer segment that values financing at the point-of-sale.
- In addition, further actions were taken to grow non-lending product revenue streams, with a particular focus on cards and insurance. In fact, the innovations in cards led to a remarkable 94% year-over-year increase in cards commission income. This helped to offset the reduction in net commission income related to FX&DCC that occurred as a result the introduction of the Euro in Croatia.

In the SME segment, the following growth initiatives were put into action:

- The Group leveraged its 'Digital Agent' platform to deliver lower size ticket loans and mandatory account packages to the underserved Micro and Small segments.
- Furthermore, a new online channel was introduced, which enables SME clients to apply for loans online, eliminating the need for direct interaction with sales staff. This innovation sets Addiko apart as the only bank offering this bespoke digital service in the key markets of Croatia, Slovenia and most recently in Serbia.
- Addiko's dedication to diligently work on product expansion is expected to further enhance its SME ecosystem and revenue stream via the establishment of new products.

In the Consumer segment, Addiko has achieved robust growth of 51% in new customer acquisition, accompanied by a 124 basis points increase in loan yields and a 10% year-over-year rise in gross disbursement (new business), along with an increase in customer deposits. In the Micro business segment, Addiko has achieved an impressive growth rate of 44% year-over-year. Additionally, across the Small and Micro landscape, the Group achieved 22% growth in new business, with a substantial increase of 157 basis points in loan pricing year-over-year.

Addiko will continue to launch E2E digital capabilities to attract digital customers and expand through its partnership ecosystem. Furthermore, the product offering to Consumers and SMEs shall be expanded by introducing bespoke functionalities in the cards business. At the same time, unprofitable products and services will be retired.

Marketing capabilities are an essential part of this pillar and will be further improved and refined. These actions will contribute to the continued growth of the focus business areas in a sustainable and profitable manner, while maintaining a prudent underwriting approach.

In addition to the growth initiatives in the focus segments of Consumers and SMEs, Addiko also assessed the possibility of expanding into a new CESEE market in 2023, which would leverage on the Group's digital platform and further increase scalability in the long term. Based on the outcome from this assessment, Addiko decided on the expansion of its digital business model into the Romania market.

2.2. Second pillar: Operational Excellence & Digital

The second pillar of the Acceleration Program is designed to address Operational Excellence & Digital to achieve further E2E optimisation of core processes across the Group.

During 2023, Addiko established an 'Operational Excellence' stream, which is aimed at creating the fastest account and loan processing in the Consumer and SME business by establishing back-office excellence, enabling fintech-oriented, highly automatised and 'hands-free' processing.

Addiko prioritizes the customer experience. This means: aiming for best-in-class customer experience across focus areas and products, irrespective of which distribution channel the customer opts to use, fostering a customer-first culture and driving innovation of key end-to-end processes. This is contemplated by introducing new digital solutions and automating back-office tasks while enabling efficiency enhancements over time.

Some of the new digital solutions introduced during 2023 relate to the following initiatives:

- Evolutionary upgrade of the existing branch-based digital solution to offer an end-to-end digital customer experience that eliminates the need for customers to visit physical branches, where legally possible. This upgrade has been launched already in Croatia and will soon be introduced into other countries.
- Streamlining of the loan application process, resulting in a reduction of time-to-cash and a commensurate improvement of Addiko's unique selling proposition. This, in turn, enabled the Group to implement price increases on loans above the market average.

Furthermore, Addiko made substantial improvements in its business intelligence reporting systems. This enables the Group to better understand its customers and reap the benefits through fine-tuning products and services to the advantage of both the customer and the bank.

2.3. Third pillar: Best-in-Class Risk Management

The clear objective to become best-in-class in risk management forms the third pillar of the Acceleration Program. Addiko is convinced that its goal to become the best specialist bank for Consumers and SMEs in CSEE also entails superior risk management. In the current economic situation and ongoing digital evolution, Addiko acknowledges the growing importance of data management and analytics in the risk management area.

During 2023, Addiko successfully launched a new and comprehensive risk reporting platform across the Group, which further improved on its expertise in managing and controlling risks on a group-wide basis. Moreover, Addiko also embarked on a project exploring the potential for additional improvements in the area of collections. The ongoing initiatives to reduce NPEs that were launched as part of the Transformation Program in the second half 2022 facilitated a further decrease in non-performing exposure to an all-time low in 2023.

Addiko will continue to invest in its IT systems to establish a scalable and automated cutting-edge underwriting, monitoring and reporting environment. Addiko will also continue to concentrate on effective NPE management to generate additional value for the bank.

3. Business updates

3.1. Marketing activities in 2023

In 2023, marketing played a pivotal role in not only driving customer acquisition but also reinforcing the image and brand awareness of Addiko as the specialist bank for fast loans, available anytime and anywhere.

Thanks to the well-liked 3D animated brand character Oskar, Addiko consistently delivered brand and product messaging in an efficient and differentiated way, localised to each of the six CSEE markets. In over 80 campaigns executed in 2023, on all media channels—from TV, radio, Out-of-Home to social networks and the vast ecosystem of online media—Addiko delivered transparent and understandable information about its products.

The key branding initiative was a new image campaign rolled out in the region under the 'no time' umbrella message, executed in a dynamic, modular and creative way that reinforces Addiko's image of the exceptionally fast yet approachable bank.

Product communication highlights included:

- Launching 'The postman' campaign in Croatia, which announced the unique possibility to complete and sign all documentation from home, with the help of a courier service;
- Launching of the 'Irresistible offer' campaign in several markets, promising record short feedback time to customers (time-to-decision) on their loan applications, with tangible rewards in the event of a delay (answer in 30 minutes or the first instalment is free);
- Promotion of seamless lending at PoS available in over 300 stores in Serbia, approved in 15 minutes, requiring only the customer's ID;
- Offering of car loans at point-of-sale in Bosnia & Herzegovina;
- Various campaigns in cooperation with Mastercard, such as Shopping Weekend discount initiatives in Bosnia & Herzegovina;
- Promoting the unique and convenient small ticket loans in Bosnia & Herzegovina—requiring nothing more than an ID for application.

According to the latest Brand Tracker measurements, Addiko's 'Spontaneous Awareness' continued to grow across markets, averaging 10% across markets year-over-year. At the same time, the number of people open to the possibility of taking out a fast cash loan ('Consideration') grew by 17% on average. Enhanced creativity and storytelling centred on customer needs—with the help of the brand character Oskar, —have increased 'Advertising Awareness' by 10% on average.

As part of the Acceleration Program, 2023 was also marked by strategic initiatives in market research in connection with marketing activities and process optimisation. This included customer segmentation research in Slovenia, Croatia and Serbia to enable data-driven marketing decisions and more precise targeting. Additionally, the digital marketing team was expanded to grow in-house knowledge and enable enhanced central steering of digital marketing activities.

To improve on the efficiency of media spending, Media Mix Modelling was conducted for the Croatian, Slovenian and Serbian markets in order to better understand how different parts of the media mix, working in synergy with external variables, result in different levels of product applications and offers. These findings will serve as a basis for a further optimisation of the media strategy in the year 2024.

3.2. Expansion into Romania

During 2023, Addiko assessed the possibility of expanding into a new CESEE market. The assessment revealed a range of opportunities in the Romanian market, driven by positive macroeconomic trends, low indebtedness, a stable banking sector and legislative digital readiness. The household debt to GDP ratio of only 35% illustrates a low level of indebtedness in the country, which provides an opportunity to grow in lending. As a Member State of the European Union with approximately 18.8 million inhabitants, Romania is one of the largest markets in the CESEE region. The country's high rate of adoption of digital banking in recent years suggests the right fit for Addiko Group's expansion plans.

The value proposition in retail banking in Romania centres on unsecured personal loans, followed by term deposits and savings accounts, which will be delivered via digital channels. As the Romanian market alone has a population equivalent to all other countries of CSEE where Addiko currently operates its network of banks, the expansion is expected to provide additional scalability for the Group over the long term.

Addiko plans to enter the Romanian market with caution, carefully balancing investments, risks and a reasonable timeframe to generate value adding returns. Consequently, the Group plans to apply a prudent approach in order to achieve maximum impact, while at the same time allowing for the calibration of its business practices and the full use of existing capabilities within the Group.

The existing platform and business practices, digital infrastructure and expertise in risk management form the basis for the Group's purely digital entry into the Romanian market. The European passporting framework was selected as the optimal and primary choice for an efficient business model with minimal investment outlay.

Based on an assessment of operational, technical, regulatory, digital and business capabilities within the Group companies, Addiko decided to enter the Romanian market under the cross-border license of the Addiko Slovenian subsidiary.

3.3. Swiss franc loans: end of statute of limitation and current status

Since 2012 Addiko and seven other major banks in the Republic of Croatia have been subject of collective and individual lawsuits in relation to Swiss Franc consumer loan agreements. The consumers' association and individuals raised their claims asserting that consumers' rights have been violated with regard to contractual clauses used in Swiss Franc-denominated loans between 2003/2004 and 2008. No new loans in Swiss francs have been disbursed since 2008.

The Swiss Franc loan conversion, imposed in 2015 by changes in local regulations placed borrowers of Swiss franc-denominated loans in the same position they would have been if their loans had been denominated in Euros at the time of disbursement.

During 2023 Addiko recognized an increase in provisions reflecting current circumstances, including the increased number of court cases that have been initiated by customers who did not convert their loans under applicable regulations enacted in 2015 (non-converted cases).

Since the deadline for filing new claims by customers expired on 14 June 2023, Addiko has more knowledge in terms of the total number of potential cases. The Group has initiated activities on a settlement strategy for non-converted cases in 4th quarter 2023 to support their resolving.

Despite the inherent uncertainties in estimating the future outcome of legal proceedings, Addiko expects that future developments of unconverted cases will not have a significant adverse impact on capital adequacy.

In relation to the claims filed by customers, who have converted their loans according to the applicable laws enacted in 2015 (converted cases), the Supreme Court of Croatia adopted the view in December 2022 that consumers are entitled to additional compensation only in the amount of defaulted interest on overpayments (if any) made until the conversion of Swiss franc-linked loans into EUR-linked loans in 2015. However, this non binding view did not pass the control by the Register for Judicial Practice of the Supreme Court.

Considering that the Supreme Court ruled that the annexes for converted cases are valid (March 2020) and that Court of Justice of the European Union ruled that compensation claims of converted customers cannot be based on Directive 93/13 (May 2022), Addiko is of the opinion that future decisions of the Supreme Court on converted loans, in an environment characterized by legal certainty and where precedents established by the country's highest courts, particularly those pertaining to converted cases, are maintained, should not result in significant additional provisions above the amounts provided for as of 31 December 2023.

3.4. 2023 SREP letter

On 30 November 2023, Addiko Bank AG received the final SREP (Supervisory Review and Evaluation Process) letter from the 2023 process under which the Pillar 2 Requirement (P2R) remains unchanged at 3.25% and the Pillar 2 Guidance (P2G) decreased from 3.25% to 3.00%. The new SREP decision applies from 1 January 2024.

According to Section 8 of the Capital Buffer Regulation 2021 as published by the FMA on 21 December 2022, Addiko shall be subject to a systemic risk buffer (SyRB) of 0.5% at the consolidated level on the grounds of systemic concentration risk. The SyRB will be raised gradually by 0.25 percentage point increments, starting 1 January until 31 December 2023, reaching the full level on 1 January 2024. Addiko is unable to follow the rationale regarding systemic concentration risk and has therefore filed an appeal against the FMA ordinance regarding the SyRB with the Federal Administrative Court. The Federal Administrative Court's final decision is expected until the beginning of March 2024. Further details on the capital and liquidity situation are presented in chapter 5.

3.5. Share Buyback

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

Between 11 April and 31 December 2023, a total of 152,029 shares were repurchased on the Vienna Stock Exchange at an average price of EUR 12.98. Together with 47,633 own treasury shares repurchased under the Share Buyback Programme 2022 and excluding 32,828 own treasury shares distributed to the Management Board during 2022 and 2023, Addiko holds, as of 31 December 2023, a total of 166,884 own shares (corresponding to 0.8558% of subscribed capital) at an average price of EUR 12.74. Further information on the share buyback programme can be found on the website of Addiko Bank AG (https://www.addiko.com/sharebuyback).

3.6. Rating

On 7 August 2023, Fitch Ratings assigned Addiko Bank AG a first-time Long-Term Issuer Default Rating (IDR) of 'BB' and Viability Rating (VR) of 'bb'. The Outlook on the Long-Term IDR is stable. At the same time, Addiko Bank AG terminated its relationship with Moody's Investors Service (ba2 Baseline Credit Assessment), which lead to a withdrawal of the respective rating by Moody's for business reasons.

For further information, please refer to the Group's website (https://www.addiko.com/de/ratings/).

4. Financial development of the Group

4.1. Overview of financial performance

- **Operating result before impairments and provisions up 41.1% to EUR 103.9 million vs. EUR 73.6 million last year**
- **General administrative expenses remained below guidance**
- **Cost of Risk at 0.3% or EUR 11.8 million compared to EUR 15.4 million a year earlier**
- **NPE ratio decreased to historic low of 2.0% (YE22: 2.4%) with increased NPE coverage at 80.9% (YE22: 75.4%)**
- **Return on average tangible equity up to 5.5% (YE22: 3.4%)**
- **EPS of EUR 2.12 in 2023 compared to EUR 1.32 a year earlier**
- **Dividend proposal of EUR 1.26 per share to AGM 2024**

The **result after tax** of EUR 41.1 million (YE22: EUR 25.7 million) reflected the strong business development, successful repricing, provisions for legal claims and relatively benign credit losses. **Expected credit loss expenses** stood at EUR 11.8 million or 0.3% Cost of Risk (YE22: EUR 15.4 million).

The **share of the two focus segments Consumer and SME** as a percentage of the gross performing loan book increased to 86.5% compared to 82.4% at year-end 2022. The overall customer gross performing loan book continued along its growth trajectory, expanding to EUR 3.49 billion compared to EUR 3.29 billion at the end of 2022, while the non-focus as well as the medium SME loan book decreased. The overall focus book grew by 11% YoY, while the focus portfolio excluding the medium SME loans showed significant growth of 15%.

Net interest income achieved robust growth of 29.2%, rising to EUR 228.0 million (YE22: EUR 176.4 million) with improved NIM at 3.75% (YE22: 2.98%). The **net fee and commission income** decreased by 7.4% YoY to EUR 67.1 million (YE22: EUR 72.5 million), mainly driven by lost income from FX&DCC in Croatia following their introduction of the Euro on 1 January 2023. **General administrative expenses** increased to EUR 178.6 million (YE22: EUR 168.0 million) as result of the high level of inflation. The cost-income ratio saw further improvement, reaching 60.5% (YE22: 67.5%), an improvement by 7 percentage points.

The **NPE ratio** reached a historic low of 2.0% (YE22: 2.4%) at an improved NPE coverage ratio of 80.9% (YE22: 75.4%); the NPE ratio related to on-balance loans came in at 2.8% (YE22: 3.3%), based on a non-performing exposure (NPE) of EUR 138.0 million (YE22: EUR 163.2 million).

The **CET1 ratio** stood at 20.4% (YE22: fully-loaded 20.0%). As of 1 January 2023, there is no difference between the transitional and the fully-loaded regulatory capital base due to the expiry of the IFRS 9 and Article 468 CRR (EU 2020/873) transitional capital rules.

4.2. Detailed analysis of the result

EUR m

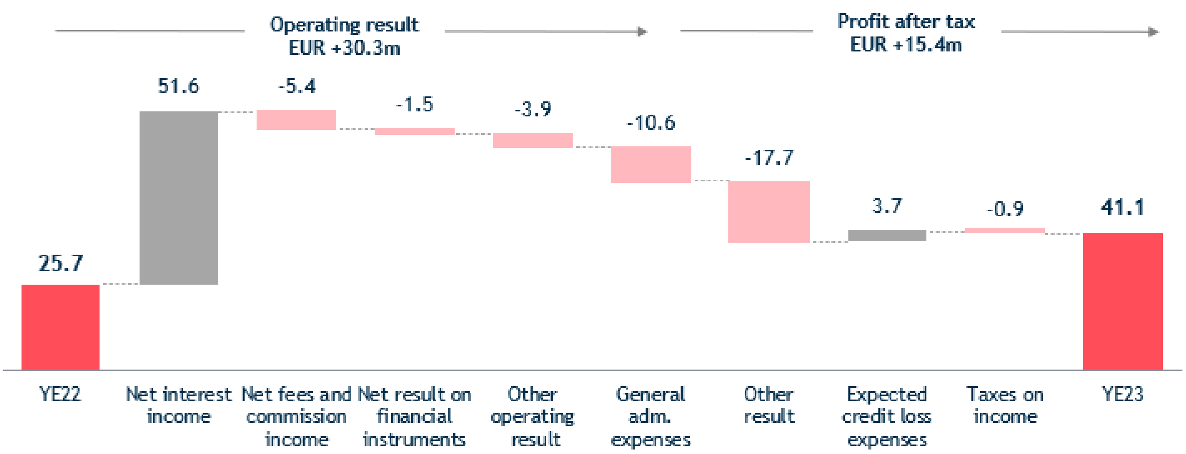
	01.01. - 31.12.2023	01.01. - 31.12.2022	(abs)	(%)
Net banking income	295.2	248.9	46.2	18.6%
Net interest income	228.0	176.4	51.6	29.2%
Net fee and commission income	67.1	72.5	-5.4	-7.4%
Net result on financial instruments	0.4	1.9	-1.5	-78.6%
Other operating result	-13.1	-9.2	-3.9	42.5%
Operating income	**282.5**	**241.6**	**40.9**	**16.9%**
General administrative expenses	**-178.6**	**-168.0**	**-10.6**	**6.3%**
Operating result before impairments and provisions	**103.9**	**73.6**	**30.3**	**41.1%**
Other result	-44.7	-27.0	-17.7	65.4%
Expected credit loss expenses on financial assets	-11.8	-15.4	3.7	-23.8%
Result before tax	**47.4**	**31.2**	**16.3**	**52.2%**
Taxes on income	-6.3	-5.5	-0.9	15.9%
Result after tax	**41.1**	**25.7**	**15.4**	**59.9%**

Net banking income improved in 2023 by EUR 46.2 million to EUR 295.2 million.

Net interest income increased significantly by EUR 51.6 million, driven by the focus segments Consumer and SME as well as income related to liquidity management and treasury. The Consumer segment recorded higher regular interest income of EUR 13.7 million on the back of an increased loan book volume (up EUR 171.9 million) compared with YE22 as the Group retained and further extended its premium pricing relative to incumbent banks. The increase in the SME segment of EUR 24.6 million was driven by both higher loan volumes (up by EUR 122.6 million YoY) as well as significantly improved loan pricing (interest rate on loans up +160bps YoY calculated on simple average), supported by the change in market rates in most markets and both, new business at higher rates and repricing of the variable back book. Interest income was additionally complemented by EUR 25.7 million derived from cash balances at central banks and EUR 10.9 million from investments in debt securities, reflecting the evolving interest rate environment. The regular interest income from the non-focus segment remained stable, with the increase in interest rates outweighing the impact from the intentionally accelerated run-down of the non-focus portfolio (down EUR 112.7 million YoY). On the liabilities side, interest expenses naturally increased by EUR 30.2 million due to both higher customer deposit volumes (up EUR 73.4 million YoY), whereby the volume of term deposits increased by EUR 352.5 million, and the changed market environment (interest rate increased by 123bps YoY), while a-vista/demand deposits decreased by EUR 271.3 million (interest rate increased by 8bps YoY).

Net fee and commission income decreased at YE23 to EUR 67.1 million (YE22: EUR 72.5 million), mainly driven by lost income from FX&DCC as a consequence of the introduction of the Euro in Croatia on 1 January 2023, despite growth in income related to the card business and accounts & packages.

Result after tax of Addiko Group – *development YoY (in EUR million)*



The **net result on financial instruments** amounted to EUR 0.4 million at YE23, resulting from FX and related trading activities, compared to EUR 1.9 million at YE22. No income from the disposal of debt instruments measured at FVTOCI was recorded, in line with the new treasury strategy implemented in 2022 to invest excess liquidity in long-term and high-quality government bonds with the intention of holding them until maturity for the purpose of yield enhancement.

Other operating result, which is the sum of other operating income and other operating expense, decreased by EUR 3.9 million from EUR –9.2 million at YE22 to EUR –13.1 million at YE23. This position included the following significant items:

- Deposit guarantee expenses of EUR 7.1 million (YE22: EUR 6.5 million).
- Lower regulatory charges from the recovery and resolution fund in Croatia and Slovenia of EUR 0.2 million (YE22: EUR 0.6 million).
- Bank levies and other taxes at EUR 4.6 million (YE22: EUR 3.8 million), of which EUR 1.9 million (YE22: EUR 1.7 million) pertains to banking levies from ECB, SRB and local banking agencies.
- Recognition of restructuring provisions in the amount of EUR 1.4 million (YE22: EUR 0.0 million), resulting from the Operational Excellence Stream, which includes improvements to the operating platform overall, back-office process optimisation and automation, and further enhancements to the credit risk operating model.
- Gains from the sale of non-financial assets, resulting from the disposal of non-core real estate assets decreased to EUR 1.0 million (YE22: EUR 2.7 million).
- In addition, the other operating result in 2022 included the positive effect from the release of provisions for tax litigations in amount of EUR 0.8 million, resulting from the positive outcome of a real estate tax dispute. No comparable effects were recorded in 2023.

General administrative expenses increased from EUR 168.0 million at YE22 to EUR 178.6 million at YE23:

- Personnel expenses increased by EUR 8.9 million to EUR 97.8 million in the reporting period. The increase is mainly due to inflation-related salary increases and rising bonus payments, also in connection with the Group's improved earnings situation.
- Other administrative expenses increased by EUR 1.8 million to EUR 63.5 million due to start-up costs in connection with the planned expansion into Romania and inflation-related adjustments to the cost base.
- Depreciation and amortisation decreased by EUR 0.1 million to EUR 17.3 million.

Despite the increase in general administrative expenses, significantly higher net banking income led to an improvement of the cost/income ratio from 67.5% to 60.5%, down 7 percentage points compared to the previous year.

The **other result,** at EUR –44.7 million (YE22: EUR –27.0 million), was mainly impacted by credit-linked and portfolio-based provisions for expected legal proceedings on Swiss franc-denominated loans in Croatia. The increase in provisions reflects updates in the underlying assumptions, based on the regular back testing process. A higher inflow of new cases shortly before the statute of limitations expired in June 2023 compared to the estimated number of expected claims for unconverted claims in Croatia was the primary driver. Despite the inherent uncertainties in predicting the future outcome of legal proceedings, no additional material changes are expected for unconverted cases in the subsequent years following the expiration of the statute of limitations in June 2023.

In addition to the claims from Swiss franc loans in Croatia, Addiko recognised additional one-off expenses reflecting the following events:

- In 2023, the government of Serbia introduced a cap on interest rates applicable to specific housing loans to customers. This triggered the recognition of modification losses in accordance with IFRS 9.
- Both subsidiaries located in Bosnia & Herzegovina, in addition to all other local banks, were subject to a VAT audit in 2023, which focussed on the treatment of card transactions and all related services provided by VISA/MasterCard/American Express. Since the Law on VAT in Bosnia & Herzegovina was passed in 2006, the common understanding of the market participants was that card business transactions were to be treated as financial services and were therefore exempt from VAT charges (a stance which had also been accepted by the local tax authority). As a result of the latest audits, the tax authority has surprisingly adopted a different stance, claiming that such

services are now subject to VAT. Addiko, among other banks, initiated a legal dispute against the tax authority. Provisions were recognised to cover the identified risks.

- In Slovenia, the National Bank provided additional guidance in 2023 related to the treatment of early loan repayments (the 'Lexitor case'), which forced banks to adopt specific behaviours despite the legal ambiguity. Furthermore, in Slovenia, court practice in cases related to Swiss franc-denominated loans changed to the detriment of the banks during 2023. Despite the very limited number of cases affected by changes to the legal treatment of legacy Swiss franc-denominated loans, additional provisions were nonetheless recognized.
- Expenses were recognised in connection with customer-related operational risk cases in Slovenia and Serbia.

Expected credit loss expenses on financial assets totalled EUR 11.8 million at year end 2023, a decrease of EUR 3.7 million compared to YE22 (EUR 15.4 million). During 2023, Addiko performed a review of several Probability of Default (PD) and Loss Given Default (LGD) models and updated the macroeconomic data used for PD calculations. The Post Model Adjustment (PMA) was also reduced to EUR 6.5 million (YE22: EUR 20.7 million) as a result of an update of macroeconomic data, which included a reduction in expected macroeconomic volatility (both modelled and observed), partially reversing the PMA taken in the previous period (based on higher anticipated macroeconomic volatility at the time). This was booked in full in the individual Addiko entities.

Taxes on income increased to EUR 6.3 million at YE23 compared to EUR 5.5 million at YE22. The development mainly reflects the higher Result before tax in YE23 compared to YE22, which was partially offset by the positive effect from the remeasurement of deferred tax assets on existing taxable losses following the future increase of the corporate income tax rate in Slovenia. The effective tax rate decreased from 17.6% to 13.4%, however by excluding the impact of deferred tax measurement on existing taxable losses in both reporting periods, the adjusted effective tax rate increased to 18.6% (YE22: 17.6%).

Overall, the **result after tax** increased significantly by 59.9% to EUR 41.1 million (YE22: EUR 25.7 million).

4.3. Detailed analysis of the statement of financial position

EUR m

	31.12.2023	31.12.2022	(abs)	(%)
Cash and cash equivalents	1,254.5	1,382.9	**-128.4**	-9.3%
Financial assets held for trading	29.5	22.8	**6.7**	29.4%
Loans and advances to credit institutions	66.6	89.2	**-22.5**	-25.3%
Loans and advances to customers	3,489.2	3,292.7	**196.5**	6.0%
Investment securities	1,178.6	1,061.6	**117.0**	11.0%
Tangible assets	57.6	61.6	**-4.0**	-6.5%
Intangible assets	23.3	24.5	**-1.1**	-4.7%
Tax assets	36.8	42.4	**-5.6**	-13.2%
Current tax assets	1.7	5.4	**-3.7**	-68.7%
Deferred tax assets	35.1	37.0	**-1.9**	-5.1%
Other assets	14.0	17.1	**-3.2**	-18.5%
Non-current assets held for sale	1.3	1.6	**-0.3**	-17.8%
Total assets	**6,151.5**	**5,996.4**	**155.1**	**2.6%**

The statement of financial position of Addiko Group continues to evidence a simple and solid interest-bearing asset structure: 57% of the assets were represented by customer loans, predominantly concentrated in the focus areas. In addition, a substantial part of the residual assets consisted of cash reserves and high-rated plain vanilla debt securities predominantly related to CESEE sovereign bonds.

Cash and cash equivalents decreased to EUR 1,254.5 million at year end 2023 (YE22: EUR 1,382.9 million) and thus maintained a solid liquidity position. The reduction compared to the previous year is mainly driven by the shift of short-term balances at central banks to longer-term fixed-interest securities.

Loans and advances to credit institutions decreased by EUR -22.5 million to EUR 66.6 million (YE22: EUR 89.2 million) as a result of the introduction of the Euro in Croatia and the reduction of the amount of cash collateral that had to be provided to the Croatian Central Bank at the end of 2022 during the preparation phase of the introduction of the single currency, the Euro.

Loans and advances to customers increased by EUR 196.5 million to EUR 3,489.2 million (YE22: EUR 3,292.7 million). Their rate of growth was commensurate with Addiko's strategy to continue the accelerated run-down of lower yielding Large Corporate, Mortgage and Public Finance lending to change the business composition in favour of higher value-adding lending business in the focus segments: Consumer and SME. As a result of activities initiated under the Transformation Program and additional initiatives undertaken as part of the Acceleration Program, the focus segments continued their growth trajectory and grew loans by EUR 294.5 million to EUR 3,016.7 million (YE22: EUR 2,722.2 million), representing 86.5% of the total gross performing loans and advances to customers (YE22: 82.4%). The non-focus segments decreased as planned by EUR 112.7 million to EUR 468.9 million at YE23 (YE22: EUR 581.6 million).

Investment securities increased from EUR 1,061.6 million at YE22 to EUR 1,178.6 million at YE23. The investments are predominantly in high-rated and investment grade government bonds, mainly issued by governments of the CESEE region. In line with the new treasury strategy implemented during 2Q22, all new investments made by EU group entities were classified in the Hold-to-Collect category, which increased during the reporting period from EUR 182.2 million to EUR 447.9 million.

Tax assets decreased to EUR 36.8 million (YE22: EUR 42.4 million), of which EUR 12.8 million relate to deferred tax assets from tax losses carried forward (YE22: EUR 10.3 million). The decrease principally reflects the deferred tax assets recognised on the back of the fair value development of investment securities measured at fair value through other comprehensive income (FVTOCI).

Other assets decreased to EUR 14.0 million (YE22: EUR 17.1 million). This position includes prepaid expenses and accruals as well as other receivables. The change was caused by the sale of repossessed assets during the reporting period.

Compared to year-end 2022, the total assets of Addiko Group remained relatively stable and stood at EUR 6,151.5 million, up EUR 155.1 million or 2.6%. The total risk, i.e. risk-weighted assets including credit, market and operational risk, increased slightly to EUR 3,653.2 million (YE22: EUR 3,487.3 million on a transitional basis and EUR 3,481.0 million on a fully-loaded basis) on the back of growth in the focus loan book.

EUR m

	31.12.2023	31.12.2022	(abs)	(%)
Financial liabilities held for trading	4.2	3.1	1.0	33.3%
Deposits and borrowings from credit institutions	106.8	128.5	-21.7	-16.9%
Deposits and borrowings from customers	5,032.6	4,959.6	73.0	1.5%
Other financial liabilities	59.3	48.8	10.6	21.6%
Provisions	99.2	72.5	26.7	36.9%
Tax liabilities	4.1	0.6	3.5	>100%
Current tax liabilities	4.1	0.6	3.5	>100%
Other liabilities	44.2	37.1	7.1	19.1%
Equity	801.1	746.3	54.9	7.4%
Total equity and liabilities	**6,151.5**	**5,996.4**	**155.1**	**2.6%**

Deposits and borrowings from credit institutions decreased from EUR 128.5 million at YE22 to EUR 106.8 million at YE23.

Deposits and borrowings from customers remained stable, and recorded a slight 1.5% increase to EUR 5,032.6 million during 2023 (YE22: EUR 4,959.6 million). The solid funding profile is one of the strengths of the Group, which drives its low dependence on market funding. Around 38% of the deposits are term deposits, mainly denominated in Euros, followed by Bosnia & Herzegovina Convertible Marka (BAM) and Serbian Dinar (RSD).

Other financial liabilities increased from EUR 48.8 million at YE22 to EUR 59.3 million at YE23.

Provisions increased from EUR 72.5 million at YE22 to EUR 99.2 million at YE23. This position included mainly credit-linked and portfolio-based provisions in connection with expected court rulings on Swiss franc-denominated loans as well as provisions for proportional fee reimbursements in Slovenia in case of early loan repayments ('Lexitor case'). Obligations for variable performance-based payments are now presented under the line item 'Other liabilities'. The comparative figures of the previous period have been amended accordingly.

Other liabilities increased from EUR 37.1 million at YE22 to EUR 44.2 million at YE23, mainly reflecting accruals for services received but not yet invoiced (YE23: EUR 42.7 million, YE22: EUR 36.1 million) as well as liabilities for salaries and accrued compensation, including obligations for variable performance-based payments (previously presented under Provisions).

Equity rose from EUR 746.3 million to EUR 801.1 million, driven by the year end result as well as the positive development in the other comprehensive income (EUR 38.2 million), which mainly reflects the recovery of market values and the related fair value measurement of debt instruments measured at FVTOCI. As disclosed in the YE22 Consolidated Financial Statements, the current classification of the debt instruments under the 'Hold-to-Collect and Sell' business model in the EU entities of the Group and the related fair value measurement is not fully reflective of the new business and treasury strategy to invest in long-term high-quality bonds and hold them to maturity for yield enhancement purposes. For this reason, Addiko is expecting that the current negative fair value reserves of EUR -48.6 million (YE22: EUR -84.5 million) from debt instruments will continuously decrease until the maturity of the instruments, given the high credit quality and the expectation that the issuers, predominantly CESEE governments, will repay those bonds at maturity.

5. Capital and liquidity

As of 31 December 2023, the capital base of Addiko Group comprised solely of CET1 and stood at 20.4% (YE22: 20.0% on a fully-loaded basis), significantly above the currently applicable requirements and the Pillar 2 Guidance (P2G) of 17.71% in total (YE22: 15.75%).

Regulatory capital requirements

The Overall Capital Requirement (OCR) for the Addiko Group was 14.46%, consisting of:

- 11.25% Total SREP Capital Requirement (TSCR), comprising an 8.00% Pillar 1 requirement and a 3.25% Pillar 2 requirement; and
- 3.21% Combined Buffer Requirement (CBR), comprising a 2.50% Capital Conservation Buffer (CCB), a 0.46% Counter-Cyclical Capital Buffer (CCyB) and a 0.25% Systemic Risk Buffer (SyRB).

The Pillar 2 Guidance (P2G) amounts to 3.25%. The regulator therefore expects Addiko to maintain at Group level a Total Capital Ratio of 17.71% (11.25% SREP requirement, plus 3.21% CBR, plus 3.25% P2G).

Compared with 31 December 2022 the following changes came into effect:

- The CCyB increased from 0.00% to 0.46%, mainly driven by the CCyB rate for Croatia (1.0%) and Slovenia (0.5%). In June 2024, the CCyB rate for Croatia will be set to 1.5%, leading to an expected increase of the CCyB requirement for the Group of 0.16%. In January 2025, the CCyB rate of Slovenia will raise from 0.5% to 1.0%, leading to an expected further increase of the CCyB requirement for the Group of 0.13%. The planned CCyB increase is already reflected in the bank's current target capital ratio of >18.35%.
- On 21 December 2022, FMA published that Addiko is subject to a SyRB of 0.5% at the consolidated level on the grounds of systemic concentration risk. The SyRB will be raised gradually by 0.25 percentage points starting from 1 January until 31 December 2023, reaching the full level on 1 January 2024. In Addiko's, view the rationale applied to identify systemic concentration risk as well as the procedural steps taken are incorrect. Consequently, Addiko submitted an appeal against the FMA regulation regarding the SyRB to the Federal Administrative Court. The deadline for the final decision was prolonged until the beginning of March 2024.
- The 2023 SREP decision includes a decrease of the P2G from 3.25% to 3.00%, valid from 1 January 2024.

Consolidated own funds

Starting at the beginning of the reporting period, the transitional arrangements in accordance with Article 468 CRR of the regulation EU 2020/873 allowing partial neutralisation of unrealised losses for exposures to central governments measured at FVTOCI as well as the static component of the IFRS 9 transitional capital rules, as published by the EU on 21 December 2017 and amended on the 24 June 2020, expired. For this reason, in the current reporting period, no difference is drawn between the transitional and the fully-loaded regulatory capital base anymore.

During the reporting period, taking into consideration fully-loaded figures as a starting point, the capital base increased by EUR 50.7 million reflecting the following components:

- Positive OCI development of EUR 38.2 million, mainly resulting from the fair value measurement of debt instruments measured at FVTOCI.
- EUR 2.4 million increase of other regulatory deduction items, principally driven by a higher amount of deferred tax assets on existing taxable losses (total capital decrease of EUR 2.5 million), slightly compensated by the decrease in the prudential valuation adjustments connected with assets/liabilities measured at fair value (total capital increase of EUR 0.1 million);
- Negative effects of EUR 1.6 million in connection with the share buyback program 2023;
- The capital calculation includes the audited result in the amount of EUR 41.1 million, less foreseeable dividends in the amount of EUR 24.6 million.

Risk-weighted assets (RWA) increased by EUR 172.1 million during the reporting period, whereby EUR 131.3 million of the recorded RWA increase was related to credit risk, EUR 32 million to operational risk and EUR 9.2 million RWA to market risk (mainly due to higher open BAM and RSD positions), which was slightly compensated by EUR 0.4 million lower RWA for counterparty credit risk.

Liquidity position

The liquidity position of the Group remained strong and amply exceeded regulatory requirements. The economic focus was on inflation and, as a result, potential liquidity crises and how these can be overcome or managed within the Group. The Group has a very strong liquidity position at group and individual subsidiary bank level, well above the risk appetite, with the Liquidity Coverage Ratio (LCR) ranging from its low of 301.0% in November 2023 to its high of 361.0% in March 2023, well above the required minimum coverage of 100%. As of December 2023, the LCR stood at 313.4%.

Unencumbered liquidity reserves of the Group amounted to EUR 1,991.7 million, corresponding to 32.4% of total assets (31 December 2022: EUR 2,048.9 million, 34.2% of total assets). The debt securities portfolio increased from EUR 1,061.4 million at YE22 to EUR 1,183.7 million at YE23.

The banking book securities, which accounted for 50.1% of the Group's liquidity reserves (31 December 2022: 41.4%), largely comprise high-rated and investment grade government bonds, mainly issued by governments of the CESEE region. All investments are ‘plain vanilla’, without any embedded options or other structured features.

The main funding base at the Group and individual subsidiary bank level predominately consists of customer deposits, especially in the retail segment, which represents a highly stable and steadily growing base. The group’s Loan to Deposit ratio (LTD), the ratio between net loans to customers and deposits from customers, stood at 69.3% (YE22: 66.4%), which represents a very comfortable level and provides the Group with the potential for further customer loan origination.

ECB stress test 2023

Addiko Group participated in the EU-wide stress test conducted by the ECB in the first half of 2023, which is based on EBA methodology and is aimed at assessing the performance of banks under a baseline and adverse scenario during the period 2023-25. The adverse scenario assumed a hypothetical worsening of geopolitical tensions leading to a severe decline in GDP with persistent inflation and high interest rates resulting in strong adverse effects on private consumption and investments, both domestically and globally.

Although the 2023 adverse scenario was the most severe one used in the EU-wide stress tests to date, Addiko demonstrated an overall higher level of resilience in the simulated scenarios compared with the previous stress test exercises, commensurate with the results published by the ECB at the end of July 2023.

6. Segment information

Addiko Group's business segments reflect its strategy focused on repositioning itself as a specialist Consumer and SME banking group with a focus on growth in these two 'focus segments' while simultaneously conducting an accelerated run-down in the lower yielding non-focus segments, which include Large Corporate, Mortgage and Public Finance.

EUR m

31.12.2023	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	162.4	104.9	23.9	8.4	6.0	-10.4	295.2
Net interest income	123.7	79.2	23.9	5.8	5.2	-9.8	228.0
o/w regular interest income	115.1	66.2	18.0	4.8	1.9	58.8	264.9
Net fee and commission income	38.7	25.7	0.0	2.6	0.8	-0.7	67.1
Net result from financial instruments	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Other operating result	0.0	0.0	0.0	0.0	0.0	-13.1	-13.1
Operating income	**162.4**	**104.9**	**23.9**	**8.4**	**6.0**	**-23.1**	**282.5**
General administrative expenses	**-84.7**	**-34.5**	**-1.3**	**-3.4**	**-1.8**	**-52.7**	**-178.6**
Operating result before impairments and provisions	**77.7**	**70.3**	**22.6**	**5.0**	**4.2**	**-75.8**	**103.9**
Other result	0.0	0.0	0.0	0.0	0.0	-44.7	-44.7
Expected credit loss expenses on financial assets	-5.9	-13.5	4.5	3.3	0.6	-0.7	-11.8
Result before tax	**71.8**	**56.8**	**27.1**	**8.2**	**4.7**	**-121.3**	**47.4**
Business volume							
Net loans and receivables	1,688.5	1,301.3	363.8	76.5	32.2	93.6	3,555.8
o/w gross performing loans customers	1,706.4	1,310.3	363.8	74.1	30.9		3,485.6
Gross disbursements	706.9	814.7	0.0	14.6	2.1		1,538.3
Financial liabilities at AC [1)]	2,841.6	1,116.5	0.0	250.6	231.7	758.3	5,198.7
RWA [2)]	1,287.6	924.8	215.6	105.8	17.8	509.3	3,060.9
Key ratios							
NIM [3)]	5.3%	3.4%	-0.4%	2.3%	0.9%		3.8%
Cost/Income Ratio	52.2%	33.0%	5.6%	40.9%	30.2%		60.5%
Cost of risk ratio	-0.3%	-0.7%	1.2%	1.6%	1.1%		-0.3%
Loan to deposit ratio	59.4%	116.6%	-	30.5%	13.9%		69.3%
NPE ratio (on-balance loans)	3.3%	3.1%	4.8%	13.8%	4.9%		2.8%
NPE coverage ratio	80.8%	81.8%	82.0%	78.1%	73.2%		80.9%
NPE collateral coverage	0.7%	28.6%	81.8%	67.9%	66.4%		28.5%
Change CL/GPL (simple average)	-0.4%	-1.1%	1.1%	3.7%	1.5%		-0.3%
Yield GPL (simple average)	7.1%	5.3%	4.5%	5.5%	5.1%		6.1%

[1)] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 494 million, EUR 107 million Deposits from credit institutions and EUR 157 million Other liabilities. [2)] Includes only credit risk. [3)] Net interest margin at segment level is the sum of interest income (without interest income on NPE) and expenses, including funds transfer pricing, divided by the respective average business volume using daily balances.

EUR m

31.12.2022	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	148.6	72.1	16.0	8.6	4.8	-1.3	248.9
Net interest income	108.0	44.1	16.0	5.3	3.6	-0.6	176.4
o/w regular interest income	101.5	41.5	16.5	5.1	1.7	16.1	182.3
Net fee and commission income	40.5	28.0	0.0	3.4	1.2	-0.7	72.5
Net result from financial instruments	0.0	0.0	0.0	0.0	0.0	1.9	1.9
Other operating result	0.0	0.0	0.0	0.0	0.0	-9.2	-9.2
Operating income	**148.6**	**72.1**	**16.0**	**8.6**	**4.8**	**-8.6**	**241.6**
General administrative expenses	**-80.4**	**-30.0**	**-1.5**	**-3.5**	**-1.6**	**-51.0**	**-168.0**
Operating result before impairments and provisions	**68.2**	**42.1**	**14.6**	**5.1**	**3.2**	**-59.6**	**73.6**
Other result	0.0	0.0	0.0	0.0	0.0	-27.0	-27.0
Expected credit loss expenses on financial assets	-9.0	-12.5	8.4	-1.6	-0.8	-0.1	-15.4
Result before tax	**59.2**	**29.6**	**23.0**	**3.6**	**2.4**	**-86.7**	**31.2**
Business volume							
Net loans and receivables	1,519.3	1,185.8	436.6	101.5	46.3	92.4	3,381.9
o/w gross performing loans customers	1,534.5	1,187.7	434.7	101.2	45.7		3,303.8
Gross disbursements	611.5	710.1	1.0	44.4	2.6		1,369.6
Financial liabilities at AC [1]	2,627.1	1,090.8	0.0	290.8	329.4	798.8	5,136.8
RWA [2]	1,145.9	871.1	259.8	138.7	25.7	488.1	2,929.2
Key ratios							
NIM [3]	5.5%	2.9%	1.0%	1.8%	1.0%		3.0%
Cost/Income Ratio	54.1%	41.6%	9.1%	40.5%	33.0%		67.5%
Cost of risk ratio	-0.5%	-0.7%	1.8%	-0.7%	-1.3%		-0.3%
Loan to deposit ratio	57.8%	108.7%	-	34.9%	14.1%		66.4%
NPE ratio (on-balance loans)	4.0%	4.1%	5.8%	8.9%	5.5%		3.3%
NPE coverage ratio	78.7%	68.6%	77.4%	91.0%	61.8%		75.4%
NPE collateral coverage	2.4%	51.4%	79.9%	90.5%	99.0%		39.9%
Change CL/GPL (simple average)	-0.6%	-1.1%	1.7%	-0.9%	-1.4%		-0.5%
Yield GPL (simple average)	6.9%	3.7%	3.4%	3.0%	3.0%		5.0%

[1] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 544 million, EUR 128 million Deposits from credit institutions, EUR 127 million Other liabilities. 2) Includes only credit risk (without application of IFRS 9 transitional rules). 3) Net interest margin at segment level is the sum of interest income (without interest income on NPE) and expenses, including funds transfer pricing, divided by the respective average business volume using daily balances.

6.1. Consumer

EUR m

Consumer Business			
Profit or loss statement	**2023**	**2022**	**(%)**
Net interest income	123.7	108.0	14.5%
o/w regular interest income	115.1	101.5	13.5%
Net fee and commission income	38.7	40.5	-4.4%
Operating income	**162.4**	**148.6**	**9.3%**
General administrative expenses	**-84.7**	**-80.4**	**5.4%**
Operating result before impairments and provisions	**77.7**	**68.2**	**13.9%**
Other result	0.0	0.0	485.2%
Expected credit loss expenses on financial assets	-5.9	-9.0	-34.5%
Result before tax	**71.8**	**59.2**	**21.3%**
Business volume	**2023**	**2022**	**(%)**
Net loans and receivables	1,688.5	1,519.3	11.1%
o/w gross performing loans customers	1,706.4	1,534.5	11.2%
Gross disbursements	706.9	611.5	15.6%
Financial liabilities at AC	2,841.6	2,627.1	8.2%
Key ratios	**2023**	**2022**	**(bps)**
NIM	5.3%	5.5%	-16
Cost/Income Ratio	52.2%	54.1%	-193
Cost of risk ratio	-0.3%	-0.5%	21
Loan to deposit ratio	59.4%	57.8%	159
NPE ratio (on-balance loans)	3.3%	4.0%	-79
NPE coverage ratio	80.8%	78.7%	209
NPE collateral coverage	0.7%	2.4%	-172
Change CL/GPL (simple average)	-0.4%	-0.6%	25
Yield GPL (simple average)	7.1%	6.9%	16

Consumer strategy

Addiko's strategy is to offer modern banking, focusing on products for the essential needs of customers via unsecured loans, payments and cards. This approach is communicated in a simple and transparent manner and delivered efficiently via a hybrid distribution approach, utilizing both physical branches and modern digital channels. The Consumer segment focuses on unsecured lending, followed by account packages and deposit products, regular transactions and cards. Addiko also dedicates substantial efforts to continuously improving its 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 YE23 business review

The net interest income during 2023 increased by EUR 15.7 million, up 14.5% YoY to EUR 123.7 million, compared to EUR 108.0 million at YE22. This was the result of strong business activity and of both retaining and extending Addiko’s premium pricing relative to the incumbent banks. The principal incremental drivers are:

- Digital E2E as differentiated USP towards competition
- Improvements in speed and convenience, resulting in better USPs
- Significant expansion in the partnership acquisition through the use of new digital platforms
- Leveraging proactive customer acquisition using Bank@Work and CRM channels

Net fee and commission income decreased by EUR 1.8 million to EUR 38.7 million at YE23 compared to EUR 40.5 million at YE22, mainly due to the loss of income from FX&DCC (EUR 2.6 million) following the introduction of the Euro in

Croatia on 1 January 2023. The bank's strategy on net fee and commission income was to improve its customers' engagement with a higher cross selling ratio by offering credit cards and account packages to recently acquired clients. In 2023, the operating result before impairments and provisions amounted to EUR 77.7 million, up 13.9% on YE22, driven by the overall positive development in operating income, slightly offset by higher operating expenses as a result of the high inflation environment. The cost/income ratio improved to 52.2% (YE22: 54.1%). The result before tax amounted to EUR 71.8 million (YE22: EUR 59.2 million), up 21.3%, and was also supported by lower allowances for expected credit losses on financial assets.

The gross disbursements totalled EUR 706.9 million in 2023 and increased YoY by 15.6% (YE22: EUR 611.5 million). In the Consumer segment, gross performing loans at YE23 grew 11.2%. The NPE ratio (on-balance loans) further improved as demonstrated by the 79bps YoY decrease in the ratio, underscoring the Group's continued focus on asset quality containment.

6.2. SME Business

EUR m

SME Business			
Profit or loss statement	**2023**	**2022**	**(%)**
Net interest income	79.2	44.1	79.6%
o/w regular interest income	66.2	41.5	59.3%
Net fee and commission income	25.7	28.0	-8.4%
Operating income	**104.9**	**72.1**	**45.4%**
General administrative expenses	**-34.5**	**-30.0**	**15.1%**
Operating result before impairments and provisions	**70.3**	**42.1**	**67.1%**
Other result	0.0	0.0	2.2%
Expected credit loss expenses on financial assets	-13.5	-12.5	8.2%
Result before tax	**56.8**	**29.6**	**91.8%**
Business volume	**2023**	**2022**	**(%)**
Net loans and receivables	1,301.3	1,185.8	9.7%
o/w gross performing loans customers	1,310.3	1,187.7	10.3%
Gross disbursements	814.7	710.1	14.7%
Financial liabilities at AC	1,116.5	1,090.8	2.4%
Key ratios	**2023**	**2022**	**(bps)**
NIM	3.4%	2.9%	48
Cost/Income Ratio	33.0%	41.6%	-869
Cost of risk ratio	-0.7%	-0.7%	-2
Loan to deposit ratio	116.6%	108.7%	784
NPE ratio (on-balance loans)	3.1%	4.1%	-97
NPE coverage ratio	81.8%	68.6%	1319
NPE collateral coverage	28.6%	51.4%	-2288
Change CL/GPL (simple average)	-1.1%	-1.1%	3
Yield GPL (simple average)	5.3%	3.7%	160

SME strategy

Addiko's strategy is to offer modern banking, focusing on products for the essential needs of customers via unsecured loans and payments. This approach is communicated in a simple and transparent manner and delivered efficiently via a hybrid distribution approach, utilising both physical branches and modern digital channels. In the SME segment, the focus is on short to mid-term unsecured financing, followed by transaction banking and trade finance products complemented by deposit products. The focus continues to be on offering a compelling value proposition for digitally enabled loan products and online self-services capabilities that further reduce the cost to serve Addiko's customers.

Addiko continues its focus on untapped niches of micro and small enterprises in need of financing. Despite reducing large ticket and less value-adding medium-size SME lending, Addiko managed to increase its overall loan book in this segment while driving both interest and commission income growth.

SME YE23 business review

Net interest income increased significantly during 2023 by EUR 35.1 million, up 79.6% YoY to EUR 79.2 million, compared to EUR 44.1 million at YE22. NIM stood at 3.4% thanks to the accelerated growth of micro and small enterprises with higher interest yields (yields up by 160bps YoY based on simple average), also supported by the change in market rates and repricing of both new business and the variable-rate back book.

Net fee and commission income decreased by EUR 2.3 million to EUR 25.7 million at YE23 compared to EUR 28.0 million at YE22, mainly due to the lost income from FX&DCC (EUR 2.8 million) following the introduction of the EUR in Croatia on 1 January 2023.

The operating result before impairments and provisions at YE23 amounted to EUR 70.3 million, up 67.1% versus YE22, driven by the overall strong development in operating income, partially offset by higher operating expenses as a result of the high inflation environment. The cost/income ratio improved to 33.0% (YE22: 41.6%). The result before tax amounted to EUR 56.8 million (YE22: EUR 29.6 million), up 91.8% YoY despite slightly higher allowances for credit losses on financial assets.

Gross disbursements totalled EUR 814.7 million during the reporting period and increased YoY by 14.7% (YE22: EUR 710.1 million). Total gross performing SME loans increased by 10.3% at YE23. The NPE ratio (on-balance loans) further improved by 97bps YoY, further underscoring the Group’s continued focus on asset quality containment.

6.3. Mortgage

EUR m

Mortgages			
Profit or loss statement	**2023**	**2022**	**(%)**
Net interest income	23.9	16.0	49.0%
o/w regular interest income	18.0	16.5	9.5%
Net fee and commission income	0.0	0.0	-
Operating income	**23.9**	**16.0**	**49.0%**
General administrative expenses	**-1.3**	**-1.5**	**-8.1%**
Operating result before impairments and provisions	**22.6**	**14.6**	**54.8%**
Other result	0.0	0.0	-
Expected credit loss expenses on financial assets	4.5	8.4	-46.7%
Result before tax	**27.1**	**23.0**	**17.5%**
Business volume	**2023**	**2022**	**(%)**
Net loans and receivables	363.8	436.6	-16.7%
o/w gross performing loans customers	363.8	434.7	-16.3%
Gross disbursements	0.0	1.0	-100.0%
Financial liabilities at AC	0.0	0.0	-
Key ratios	**2023**	**2022**	**(bps)**
NIM	-0.4%	1.0%	-140
Cost/Income Ratio	5.6%	9.1%	-349
Cost of risk ratio	1.2%	1.8%	-65
Loan to deposit ratio	-	-	-
NPE ratio (on-balance loans)	4.8%	5.8%	-97
NPE coverage ratio	82.0%	77.4%	461
NPE collateral coverage	81.8%	79.9%	190
Change CL/GPL (simple average)	1.1%	1.7%	-62
Yield GPL (simple average)	4.5%	3.4%	112

Mortgage strategy and YE23 business review

Mortgage lending is defined as a non-focus business area. Consequently, the Group's objectives are primarily to execute a well-managed and gradual run-down of existing and profitable customer loans until their contractual maturity. Given the run-down strategy, mortgage lending products are not being actively marketed.

Despite the decrease in lending volumes, operating income of EUR 23.9 million was recorded during 2023, an increase of 49.0% over the EUR 16.0 million realised at YE22. This increase is attributable to a change in market rates observed since the second half of 2022, which offset the forgone income from the intentional reduction of EUR 71.0 million in gross performing loans.

6.4. Large Corporates

EUR m

Large Corporates			
Profit or loss statement	**2023**	**2022**	**(%)**
Net interest income	5.8	5.3	10.0%
o/w regular interest income	4.8	5.1	-4.6%
Net fee and commission income	2.6	3.4	-22.5%
Operating income	**8.4**	**8.6**	**-2.7%**
General administrative expenses	**-3.4**	**-3.5**	**-1.6%**
Operating result before impairments and provisions	**5.0**	**5.1**	**-3.4%**
Other result	0.0	0.0	-
Expected credit loss expenses on financial assets	3.3	-1.6	>100%
Result before tax	**8.2**	**3.6**	**131.4%**
Business volume	**2023**	**2022**	**(%)**
Net loans and receivables	76.5	101.5	-24.6%
o/w gross performing loans customers	74.1	101.2	-26.7%
Gross disbursements	14.6	44.4	-67.1%
Financial liabilities at AC	250.6	290.8	-13.8%
Key ratios	**2023**	**2022**	**(bps)**
NIM	2.3%	1.8%	51
Cost/Income Ratio	40.9%	40.5%	42
Cost of risk ratio	1.6%	-0.7%	231
Loan to deposit ratio	30.5%	34.9%	-437
NPE ratio (on-balance loans)	13.8%	8.9%	491
NPE coverage ratio	78.1%	91.0%	-1293
NPE collateral coverage	67.9%	90.5%	-2265
Change CL/GPL (simple average)	3.7%	-0.9%	466
Yield GPL (simple average)	5.5%	3.0%	253

Large Corporates strategy and YE23 business review

The Large Corporates segment comprises Addiko's business activities relating to loan products, services and deposit products, as well as other complementary products, to companies with an annual gross turnover of above EUR 50 million. An accelerated run-down path was initiated during the second half of 2021 and continues unabated. Addiko will continue serving selected customers with a favourable yet balanced view on value generation while at the same time limiting overall single-name exposures.

As a non-focus segment, Large Corporates recorded a reduction in gross performing loans at YE23 while its operating income remained nearly unchanged year-over-year due to changes in interest rates and the related repricing of the variable-rate back book. Net interest income showed a slight increase, rising by EUR 0.5 million to EUR 5.8 million during YE23 compared to EUR 5.3 million at YE22. Net fee and commission income fell to EUR 2.6 million (YE22: EUR 3.4 million) as a result of the intentional reduction in gross performing loans. The result before tax totalled EUR 8.2 million at YE23 (YE22: EUR 3.6 million), which is up >100% compared to YE22, impacted by releases of provisions for expected credit losses on financial assets.

The NPE ratio (for on-balance sheet loans) Increased to 13.8% (YE22 at 8.9%), mainly driven by the decrease in the size of the loan book rather than the overall worsening of the credit quality of the portfolio.

6.5. Public Finance

EUR m

Public Finance			
Profit or loss statement	**2023**	**2022**	**(%)**
Net interest income	5.2	3.6	45.7%
o/w regular interest income	1.9	1.7	15.0%
Net fee and commission income	0.8	1.2	-38.1%
Operating income	**6.0**	**4.8**	**24.4%**
General administrative expenses	**-1.8**	**-1.6**	**13.8%**
Operating result before impairments and provisions	**4.2**	**3.2**	**29.6%**
Other result	0.0	0.0	-
Expected credit loss expenses on financial assets	0.6	-0.8	>100%
Result before tax	**4.7**	**2.4**	**96.3%**
Business volume	**2023**	**2022**	**(%)**
Net loans and receivables	32.2	46.3	-30.5%
o/w gross performing loans customers	30.9	45.7	-32.3%
Gross disbursements	2.1	2.6	-16.8%
Financial liabilities at AC	231.7	329.4	-29.6%
Key ratios	**2023**	**2022**	**(bps)**
NIM	0.9%	1.0%	-11
Cost/Income Ratio	30.2%	33.0%	-281
Cost of risk ratio	1.1%	-1.3%	240
Loan to deposit ratio	13.9%	14.1%	-17
NPE ratio (on-balance loans)	4.9%	5.5%	-66
NPE coverage ratio	73.2%	61.8%	1148
NPE collateral coverage	66.4%	99.0%	-3258
Change CL/GPL (simple average)	1.5%	-1.4%	290
Yield GPL (simple average)	5.1%	3.0%	208

Public Finance strategy and YE23 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-off strategy, lending products in the Public Finance segment are not actively marketed.

Net interest income totalled EUR 5.2 million at YE23 (YE22: EUR 3.6 million), supported by changes in interest rates that offset the effects from the intentional run-down of the portfolio (gross performing loans down 32.3% compared to YE22). Consequently, net fee and commission income decreased by EUR 0.5 million compared to the previous year. The Public Finance segment generated operating income of EUR 6.0 million (YE22: EUR 4.8 million) and a result before tax of EUR 4.7 million at YE23 (YE22: EUR 2.4 million).

The NPE ratio (on-balance loans) decreased by 66bps at YE23 while the stock of gross performing loans also decreased.

6.6. Corporate Center

EUR m

Corporate Center			
Profit or loss statement	**2023**	**2022**	**(%)**
Net interest income	-9.8	-0.6	>100.0%
Net fee and commission income	-0.7	-0.7	0.2%
Net result from financial instruments	0.4	1.9	-78.6%
Other operating result	-13.1	-9.2	43%
Operating income	**-23.1**	**-8.6**	**>100.0%**
General administrative expenses	**-52.7**	**-51.0**	**3.3%**
Operating result before impairments and provisions	**-75.8**	**-59.6**	**27.2%**
Other result	-44.7	-27.0	65.5%
Expected credit loss expenses on financial assets	-0.7	-0.1	>100.0%
Result before tax	**-121.3**	**-86.7**	**39.9%**
Business volume	**2023**	**2022**	**(%)**
Net loans and receivables	93.6	92.4	1.3%
Financial liabilities at AC	758.3	798.8	-5.1%

Corporate Center strategy

The Corporate Center segment is primarily an internal segment without direct product offerings to customers and comprises the results from Addiko's liquidity and capital management activities. This segment reflects Addiko's treasury activities as well as other functions, such as related 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). Moreover, this segment contains the 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 primary responsibilities encompass the Group-wide asset and liability management (ALM), oversight of liquidity portfolios to. meet regulatory requirements and the optimisation of the funding mix of Addiko's banking subsidiaries.

Corporate Center YE23 business review

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

Net interest income at YE23 totalled EUR9.8 million (YE22: EUR g-0.6 million) as the higher interest income from the bond portfolio in treasury as well higher interest income from national bank deposits were fully offset by higher FTP costs linked to the market interest rate environment. The operating expenses increased by EUR 1.7 million, to EUR 52.7 million at YE23 (YE22: EUR 51.0 million), driven by the high inflation environment as well higher variable payments.

For the explanation of net result on financial instruments, other operating result and other result, please consult chapter 4.2 ‘Detailed analysis of the result’.

Asset Contribution

The net interest income in the Corporate Center at YE23 includes a fraction of the positive impact from interest and liquidity gap contribution (IGC) in the amount of EUR 102.2 million. The majority of the IGC in the amount of EUR 94.0 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. As a result, if maturities of loans and deposits of a certain segment were equal, 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 they are compensated for their liabilities within the FTP methodology. By compensating those market segments delivering longer term assets against shorter term liabilities, the respective part of IGC is re-distributed from the segment Corporate Center to the originator of the IGC, i.e. the respective market segment.

7. Sustainability

7.1. Managing Sustainability in 2023

As Addiko embarked on a transformative journey, it recognised the crucial role that financial institutions play in shaping a more sustainable future. With a steadfast commitment to integrating sustainability into its operations, Addiko diligently embedded environmental, social and governance principles into its core values. Building upon this foundation, the year 2023 marked a significant milestone as Addiko undertook key initiatives to translate its sustainability vision into impactful actions.

7.2. Transparent Reporting

Addiko Group published its Sustainability Report according to the Corporate Sustainability Reporting Directive (CSRD) for the first time in 2023, underscoring the group's proactive approach to fulfilling the recently adopted European Sustainability Reporting Standards (ESRS). Addiko has voluntarily adopted a best-effort basis in the application of these standards. This initiative provided Addiko with an opportunity to review its methodology for assessing impacts, risks, and opportunities using the double materiality approach. Additionally, Addiko established diligent data gathering processes to collect quantitative ESG data for further reporting and steering measures throughout the Addiko Group. By fostering transparent reporting mechanisms, Addiko aims to provide stakeholders with insights into the results of its environmental, social, and governance policies, thereby reinforcing its commitment to responsible banking practices.

7.3. Climate-Related Risk Assessment

Addiko recognises the urgency of addressing climate change and its associated risks. In response, Addiko has undertaken a thorough climate-related and environmental risks assessment, aligning with guidelines from the European Banking Authority (EBA). This evaluation aims to identify potential risk factors and understand their impact on Addiko's business model. By proactively engaging in this assessment, Addiko can effectively mitigate climate-related risks while also identifying opportunities for sustainable growth in line with the market demands.

Furthermore, Addiko is committed to reducing its carbon footprint by closely monitoring energy consumption and greenhouse gas (GHG) emissions. The bank is proactively formulating and implementing initiatives to minimise its environmental impact and transition towards more sustainable practices. In line with these efforts, Addiko is actively pursuing environmental initiatives, including transitioning to renewable energy sources, transitioning to an electric car fleet and implementing loan restrictions on industries that make substantial contributions to climate change. These measures not only help mitigate climate risks but also contribute to fostering a greener and more sustainable future.

7.4. ESG Strategy

In January 2023, Addiko presented a comprehensive ESG strategy, closely linked to its business and risk strategy, outlining targets to achieve its sustainable development ambitions. This strategy focuses on four key areas within the UN Sustainable Development Goals, supported by 15 Group-wide initiatives with clear targets and performance indicators. A dedicated working group steers the implementation of these initiatives within Addiko's subsidiaries and provides regular updates on the implementation process. Addiko's commitment to achieving these goals promotes ESG awareness and sustainable performance among its group companies.

7.5. ESG Governance and Responsible Practice

Addiko implemented a robust sustainability governance framework, integrating sustainability considerations across various organisational levels. This framework ensures that sustainability receives attention from leading decision-makers while also being integrated into daily operations. With clearly defined structures and assigned responsibilities, Addiko established the groundwork for comprehensive sustainability governance throughout its operations. Its proactive due diligence process involves embedding responsible business conduct into policies and management systems, identifying and assessing adverse impacts, and tracking implementation and results, thereby upholding sound principles of responsible business conduct.

7.6. Stakeholder Engagement

Addiko places great importance on engaging with its stakeholders, including customers, employees, shareholders, and regulatory authorities. At present, Addiko is in the process of formalising processes to facilitate regular exchanges with both internal and external stakeholders, ensuring that their concerns are not only heard but also integrated into its sustainability initiatives. A significant aspect of this engagement strategy involves enhancing sustainability awareness among employees through a series of internal and external training initiatives. By fostering a culture of sustainability and shared responsibility, Addiko aims to empower its workforce to actively contribute to the company's sustainability goals and initiatives.

7.7. Looking Ahead

As Addiko continues along its sustainability journey, it remains committed to setting ambitious ESG goals and actively engaging with stakeholders to drive positive change.
Having initiated the implementation of ESRS disclosure requirements in 2023, Addiko is dedicated to further improving the data collection processes, ensuring preparedness to fulfil the reporting obligations in 2024, while enhancing the target setting and execution of further ESG initiatives.

8. Research & Development

In recent years, Addiko's research and development activities in the field of digitalisation have played a key role in driving innovation and supporting business growth through various initiatives in the business areas in focus.

In the Consumer segment, the Group's top priority in 2023 was the development of various end-to-end lending processes tailored to consumers. By aligning the various different levels of digital maturity and the customer preferences in the markets where Addiko operates, an online lending process was introduced that includes the possibility of customer identification via a staff member of the Post Office, with loan contracts also exchanged by post. This permits customers who are reluctant to use remote methods for identification or digital certificates for signatures to access Addiko's services from the comfort of their own home. Addiko is constantly rethinking and streamlining its processes to provide customers with more accessible and easier-to-use products and services via ongoing optimisation and adaptation in accordance with local market customs and applicable regulations. In a similar fashion, the Group has also introduced video identification and online signing of contracts in select markets where the regulatory framework supports such initiatives.

During 2023, Addiko continued to work on the development of its mobile banking app, with a special focus on improving the user interface and user experience, which is considered an essential element for the success of mobile banking apps.

Addiko's customers acknowledge the company's dedication, as evidenced by growth of over 8% in the number of customers with mobile banking service in 2023, continuing the longer-term upward trajectory.

Besides improvements in the Consumer segment, Addiko also aims to bring its services closer to its SME customers by building online lending platforms. In 2023, the Group extended personalised offers to its SME customers and facilitated a seamless initiation of the loan process through a fully online platform. In parallel with the development of its online lending platform, Addiko has continued with various optimisations of its lending system in order to further simplify and improve the underlying processes and increase convenience for its customers.

During 2023, Addiko achieved a successful expansion of its mobile banking services for SME clients. Following the introduction of its newly introduced mobile banking app in 2022, the Group launched the new app in two additional Addiko markets in 2023 and is currently in the process of preparing an introduction in two additional markets in CSEE. The new mobile banking app has been well-received by clients, marking a significant achievement in Addiko's digital journey.
For the Consumer segment, Addiko will continue to expand the implementation of its online loan processes to its entire footprint during 2024, bearing in mind the need to align certain processes with the ability to implement digital solutions that are subject to applicable local legislation and regulation. Simultaneously, Addiko will continue exploring its customers' preferences. Ongoing innovation has enabled Addiko to streamline and expedite lending procedures to get closer to its customers. For the SME segment, Addiko plans to continue working on improvements and introducing new features to the existing platforms in 2024, with the ultimate goal of enabling a full end-to-end experience for its SME customers in jurisdictions where the regulatory framework supports such initiatives. The innovations introduced during 2023 underscore Addiko's commitment and ability to leverage technology and make banking more accessible, efficient, and customer centric.

9. Outlook & Mid-Term Guidance, dividend policy and risk factors

9.1. Outlook & Mid-Term Guidance

With the exception of Montenegro, which posted strong GDP growth rates in the last two years of 6.4% (2022) and 4.5% (2023) and which is expected to post solid 2.9% growth in 2024, all other CSEE countries where Addiko operates are forecasting GDP growth for 2024. While Bosnia & Herzegovina and Serbia are expected to achieve GDP growth of 1.9% and 2.5%, respectively, the growth rates for the EU countries Slovenia and Croatia are estimated at 2.7% and 2.9%, respectively. Such comparatively high rates of growth would permit the CSEE-region to outpace growth in the Eurozone, which is forecasted to grow at a slower 0.5% to 1.0% pace in 2024.

Inflation is expected to come down significantly in all five countries in 2024, ranging from 3.0% to 4.0% in Bosnia & Herzegovina, Slovenia and Croatia and between 5.0% to 5.5% in Montenegro and Serbia. Although significantly lower than in 2022 and 2023, inflation is expected to be much higher in the CSEE-region than in the Eurozone.

After the ECB implemented ten interest rate hikes in the period from July 2022 to September 2023, the key interest rate for ECB loans rose from below 0% to 4.5%, reaching the highest level of the past two decades. The primary goal of the ECB's tightening measures is to curb inflation by suppressing demand. Since the producer price index in the Eurozone fell by 8.8% year-on-year in November 2023 and energy prices, which are an important component of inflation, have also fallen significantly in 2023, pressure on the ECB to conduct a tight monetary policy has eased and the ECB indicated at its January 2024 session that peak interest rates have been reached. For 2024, there is growing anticipation in the market that the ECB will start to lower interest rates. This stems from the notable decrease in Eurozone inflation, which dropped sharply to 2.9% year-on-year in December 2023. The high level of interest rates at present is imposing a burden on the economy, which has prompted the outlook for the ECB to take initial steps towards reducing interest rates.

On the back of the solid results for the financial year 2023, and the momentum of the Acceleration Program, Addiko has updated its Mid-Term Guidance. The new guidance maintains consistency with previously disclosed goals, yet exhibits a higher level of transparency and granularity. Key enhancements include the harmonisation of targets for the Outlook 2024 and the Mid-Term Guidance, along with the provision of additional yearly targets and information leading up to the mid-term period. The expansion into Romania is not expected to have a notable impact on business until 2026, the start-up costs are reflected in the guidance.

	Actuals 2023	Outlook 2024	Guidance 2025	Guidance 2026	Previous Guidance
Income & Business					
Total loan book growth [1]	**€3.5b**		>6% CAGR 2023-2026		ca. 10% CAGR in focus book
NIM [2]	**3.8%**	>3.8%	>4.0%	>4.1%	>3.8%
NBI (growth YoY) [2]	**€295.2m**	>4.5%	ca. 9%	ca. 9%	n.a.
OPEX	**€178.6m**		<€191m		(CIR ca. 50%)
Risk & Liquidity					
CoR [3]	**0.34%**	ca. 1%	<1.1%	<1.2%	ca. 1.2%
NPE ratio [4]	**2.8%**		<3% as guiding principle		n.a.
Total capital ratio	**20.4%**		>18.35% subject to yearly SREP		>18.6%
LDR	**69%**		Ramping up to <80%		<100%
Profitability					
RoATE [5]	**5.5%**	ca. 6.5%	ca. 9%	>10%	>10%
DPS [6]	**€1.26**	>€1.2	>€1.6	>€2	60% of net profit

[1] Gross performing loans. [2] Assuming an average yearly deposit facility rate of 385bp in 2024, 325bp in 2025 and 263bp in 2026. [3] On net loans. [4] On on-balance loans (EBA). [5] Assuming an effective tax rate of ≤19% and considering pull-to-par effect of majority of negative fair value reserves in FVTOCI. [6] Dividend for result of the respective year, distributed in the following calendar year subject to AGM decision, in line with new dividend policy.

To achieve these objectives, Addiko intends to continue to accelerate the execution of its specialist strategy in the CSEE markets during 2024, focusing on sustainable business growth in the focus segments Consumer and SME, with a particular focus on Micro and Small enterprises within SME. The overall ambition remains to become the leading CSEE specialist bank for these segments. Addiko's prudent risk approach will remain a key anchor for growth.

The clear focus on Consumer and SME business will further transform Addiko's balance sheet towards the higher value generating focus segments. In doing so, the Group will continue the managed run-down of the non-focus business to free up capital for growth in the Consumer and SME portfolios while further reducing single-name exposures.

As one of its short-term ambitions, Addiko intends to further increase its efficiency by implementing measures in the context of the Operational Excellence stream during 2024 to contain costs and enable the further optimisation and the continuous enhancement of core operational processes.

9.2. Dividend Policy

For the financial year 2023, Addiko's management board proposes a dividend payout of 60% of consolidated net profit attributable to shareholders, in line with its dividend policy set in the past. This proposal is subject to approval at the Annual General Meeting of shareholders scheduled for 26 April 2024.

The regulator of the banking group (the ECB) expressed their recommendation to banks to limit the dividend payout ratio to 50% and also asked management to rethink their guidance given the geopolitical and economic uncertainties. The Management Board together with the Supervisory Board evaluated the mid-term plan and the recommendation by the ECB and ultimately decided to take a prudent step to revise their dividend guidance towards a targeted dividend per share in the short to medium term, which reflects a payout ratio of approximately 50% for dividends distributed in the calendar year 2025 (refering to dividend payout for year 2024) and onwards.

Given the robust financial performance of the Group and the importance of maintaining good relations with the banking regulators, the Management Board believes that the adaption of the dividend policy should have positive effects while enabling stronger organic growth and creating an opportunity to increase our market share in the highly attractive CESEE region. Consequently, we expect to see profitability for the Group rise, which will benefit our shareholders.

Addiko's ability and intention to pay dividends depends on its financial position, results of operations, regulatory capital requirements, including capital buffer requirements, MREL targets, investment alternatives and other factors that the

Management Board and the Supervisory Board may deem relevant, and any proposals by the Management Board and Supervisory Board regarding dividend payments will be subject to approval at the Annual General Meeting of shareholders. Dividend payments are also subject to the Group's ability to maintain the relevant minimum capital and liquidity ratios which requires, among other things, that the payment of such dividends is consistent with the Group's long-term and sustainable business and compliant with applicable regulatory requirements at the time. Furthermore, a dividend distribution may not conflict with a recommendation by the ECB not to pay out dividends or a statutory restriction on distributions.

9.3. Risk factors

Given Addiko's focus on Consumer and SME segments, its business is particularly tied to the economic cycle and economic developments in its core countries Slovenia, Croatia, Bosnia & Herzegovina, Serbia and Montenegro. Some of those countries are marked by significant political instability in various forms, with nationalist-conservative rhetoric dominating the local political stage. A severe local political crisis is hard to predict as it could emerge out of a minor event, to which little attention may have been paid previously.

Besides an escalation of Russia's war in Ukraine or a major geopolitical crisis, economic risks could materialise. Four major factors play a decisive role for the local economies: employment, inflation, the pace and extent of monetary policy tightening to fight inflation and economic growth—all of which can have a major impact on domestic demand for loans or the ability of customers to repay outstanding amounts. In a scenario of galloping inflation set off by a wage-price-spiral, central banks would be forced to further increase the reference rate, which might not only lead to financial market volatility but could also cause a severe recession.

The bank faces regulatory risks from the implementation of various regulatory and consumer protection initiatives, e.g. MREL, PSD2, GPDR, etc. Potential regulatory constraints could also negatively impact the group's ability to improve efficiency.

Moreover, Addiko Group is exposed to non-financial and legal risks that may materialise regardless of the economic environment. The Group is involved in a number of passive legal disputes. The majority of pending proceedings relate to FX transactions, margin increases, and interest rate clauses at Addiko Bank AG's subsidiaries, particularly the Croatian and Slovenian subsidiaries. There is a future risk of additional legal proceedings and amounts becoming disputed due to changed court practice, binding sample proceeding decisions and new laws (e.g. conversion laws, amendments to consumer credit acts, consumer protection acts). A lack of legal certainty or Addiko Group's inability to obtain effective legal remedies in a reasonably timely manner may have a material adverse effect on Addiko Group's business, financial position and results of operations.

Due to the fact that Addiko Group is subject to a large number of tax regulations that in some cases have only been in effect for a short period of time, are frequently amended and enforced by various political subdivisions, there is a risk that tax audits could, on account of diverging interpretations, result in assessments of tax deficiencies, which could require Addiko Group to pay additional taxes that were not previously expected.

In September 2017, the Group filed a Requests for Arbitration with the ICSID in Washington, DC against the Republic of Croatia regarding the Conversion Laws claiming EUR 153 million. The Group claims that the Bilateral Investment Treaty (BIT) regarding the fair and equivalent treatment under the respective BIT was violated. The main hearing was conducted in March 2021 and parties are awaiting the final outcome. If the action is unsuccessful, court fees and legal costs could amount up to approximately EUR 11 million. Based on legal advice, management believes that the action will prove successful.

Addiko also regularly assesses and reports on ESG risks that may impact the group. Therefore, Addiko conducts an annual self-assessment on the exposure to ESG risks, which currently encompasses climate-related and environmental risks. The results thereof are used to define the key areas of action for Addiko.

10. Corporate Governance

10.1. AGM 2023

On 21 April 2023, Addiko Bank AG held its ordinary Annual General Meeting (AGM 2023) as a physical meeting. All proposed agenda items were approved with ca. 78% of shareholders present. The AGM 2023 prematurely extended the term of office of Mr. Kurt Pribil, the Chairman of the Supervisory Board, until the end of the Annual General Meeting for the business year 2025. The AGM 2023 also renewed the authorisation of the Management Board to acquire own shares in an amount of up to 10% of the share capital for remuneration purposes for a period of 30 months from the day of the resolution. Further details of the resolved capital measures are presented in chapter 11.

10.2. Management Board

After extending the contract of Herbert Juranek for a term until 31 December 2025 at the Supervisory Board meeting held on 19 December 2022, the Supervisory Board, at its meeting on 2 August 2023, unanimously approved the extension of the existing mandates of Tadej Krašovec and Edgar Flaggl until the same date, 31 December 2025. Also at this meeting, following the expiration of the mandate of Ganesh Krishnamoorthi, his mandate was renewed for another 3 years, until 31 July 2026.

10.3. Supervisory Board

During the extraordinary Supervisory Board session of 21 April 2023, Johannes Proksch was appointed as Deputy Chairman of the Supervisory Board, effective 1 June 2023.

10.4. Austrian Code of Corporate Governance

Addiko Bank AG is committed to adhering to the Austrian Code of Corporate Governance (https://www.corporate-governance.at). The Code contains rules based on compulsory legal requirements (L rules), rules that should be complied with, rules where deviations must be explained and justified in order for the company's conduct to conform with the Code (C rules, comply or explain) and rules that are recommendations, where noncompliance is not required to be disclosed or justified (R rules).

The Consolidated Corporate Governance Report of Addiko Bank AG will be published on the Addiko Group website under https://www.addiko.com/corporate-governance-reports/

11. Capital-, share-, voting and control rights

The following information complies with the regulations of Section 243a para. 1 UGB:

1. At the reporting date, the company's share capital amounted to EUR 195.000.000,00 and was divided into 19.500.000 voting common bearer shares. As at 31 December 2023, 166,884 (YE22: 33,919) of those were own shares, and consequently 19,333,116 shares (YE22: 19,466,081) were outstanding at the reporting date.

2. The Company's statutes do not contain any restrictions relating to voting rights or the transfer of shares, and neither is the Management Board aware of any other such provisions.

3. The Management Board is not aware of any shareholder who holds directly or indirectly more than 9.99% of the Company's share capital. Around 52.9% of the shares were in free float at the end of the reporting period.

4. The Company's statutes do not contain any particular control rights of shareholders, and neither is the Management Board aware of any other such provisions.

5. There is no control of voting rights for employees who own shares.

6. Deviating from the provisions required by law, the removal of a member of the Supervisory Board only requires a simple majority. All other provisions are as stipulated by law regarding the appointment and removal of the members

of the Management Board and Supervisory Board. The Supervisory Board may resolve on amendments relating only to the form of the Company's statutes. The Supervisory Board is authorised to resolve on the amendments of the Company's statues relating to the issue of shares in the course of an authorised conditional capital increase or a conditional capital increase. There are no further provisions other than those required by law relating to the amendment of the Company's statutes.

Since the General Assembly dated 21 April 2023, the Management Board pursuant to Section 169 Austrian Stock Corporation Act (AktG) has been authorised to increase the share capital subject to approval of the Supervisory Board, if necessary, in several tranches, by up to EUR 78,000,000 by issuing up to 7,800,000 new voting no-par value bearer in return for contributions in cash and/or in kind (also indirectly through a credit institution pursuant to Section 153 para. 6 AktG), and to determine the issue price (which may not be below the proportionate amount per share in the company's registered share capital), the share rights and the issuing conditions in agreement with the Supervisory Board within five years after entering the corresponding amendment to the Company's statutes into the Austrian Commercial Register (Authorised Capital 2023). Subject to approval of the Supervisory Board, the Management Board is authorised (i) to exclude the shareholders' statutory subscription right if the capital increase is in return for a contribution in kind or (ii) shares are issued to employees, executives and members of the Management Board of the Company or companies affiliated with it in the context of a stock option program or employee participation program. These measures can also be combined.

Authorised capital which is used to serve stock options to employees, executives and members of the Management Board of the company or companies affiliated with it, and authorised conditional capital which is used to serve stock options to employees, executives and members of the Management Board of the Company or companies affiliated with it in total must not, together with shares from other eligible sources, exceed EUR 39,000,000 (thirty-nine million Euro).

The Supervisory Board is authorised to resolve on any amendments of the Articles of Association resulting from the issuance of new shares out of the authorised capital. In the General Assembly dated 21 April 2023 and pursuant to Section 159 para. 3 AktG, the Management Board is authorised within five years from registration of the respective amendment of the Company's Articles of Association in the commercial register, to conditionally increase the Company's registered share capital with the approval of the Supervisory Board, if necessary in several tranches, by an amount of up to EUR 19,500,000 (nineteen million five hundred thousand Euro) by issuing up to 1,950,000 (one million nine hundred fifty thousand) new ordinary voting bearer shares, and to determine the issue price (which may not be below the proportionate amount per share in the company's registered share capital), the share rights and the issuing conditions in agreement with the Supervisory Board (Authorised Conditional Capital 2023).

The authorised conditional increase of capital shall be implemented only for the purpose of granting stock options to employees, executives and members of the Management Board of the Company or companies affiliated with it. Authorised conditional capital which is used to serve stock options to employees, executives and members of the Management Board of the company or companies affiliated with it, and authorised capital which is used to serve stock options to employees, executives and members of the Management Board of the company or companies affiliated with it in total must not, together with shares from other eligible sources, exceed EUR 39,000,000 (thirty-nine million Euro).

The Supervisory Board is authorised to resolve on any amendments of the Articles of Association resulting from the issuance of new shares out of the authorised conditional capital.

Within the meaning of Section 65 AktG, the Management Board was authorised in the General Assembly on 21 April 2023 to acquire own shares of up to 10% of the share capital of the Company for no specific purpose for a period of 30 months from the day of the resolution of the AGM pursuant to Section 65 para. 1 no. 8 AktG. Trading in own shares for profit is expressly excluded as a reason for the repurchase. The equivalent value per no-par value share to be acquired may not exceed or fall below the arithmetic average of the official closing prices published by the Vienna Stock Exchange of the shares of Addiko Bank AG listed on the Vienna Stock Exchange on the 20 trading days preceding the acquisition by more than 20%.

The Management Board is authorised to sell shares acquired based on this resolution. The Management Board is obliged to publish the respective buyback program as well as its duration and any resale program immediately before implementation in accordance with the provisions of the AktG. Every buyback and, if applicable, resale program must comply with the principle of equal treatment of shareholders in accordance with Section 47a AktG. The share of the share capital associated with own shares acquired by the company in accordance with Section 65 para. 1 no. 1, 4, 7 and 8 AktG, together with other own shares that the company has already acquired and still owns, may not exceed 10% of the share capital. The Management Board was also authorised, for a period of 30 months from the date of the resolution by the General Assembly, to acquire own shares for the purpose of offering them to employees, executive employees and members of the Management Board of the Company or an affiliated company for purchase pursuant to Section 65 para. 1 no. 4 AktG up to 10% of the share capital.

7. There are no significant agreements in place to which Addiko Bank AG is a party and which take effect, are altered or terminated upon a change of control of Addiko Bank AG resulting from a takeover bid.

8. No compensation agreements have been concluded between Addiko Bank AG and its Management Board and Supervisory Board members or employees in case of a public takeover bid.

12. Internal Control System for accounting procedures

Addiko Bank has an internal control system (ICS) for accounting procedures, in which suitable structures and processes are defined and implemented throughout the organisation.

The aim of the internal control system of the Addiko Group is to ensure effective and efficient operations, adequate identification, measurement and mitigation of risks, prudent conduct of business, reliability of financial and non-financial information reported, both internally and externally, and compliance with laws, regulations, supervisory requirements and the institution’s internal rules and decisions.

The internal control system consists of a set of rules, procedures and organisational structures which aim to:

- ensure that corporate strategy is implemented,
- achieve effective and efficient corporate processes,
- safeguard the value of corporate assets,
- ensure the reliability and integrity of accounting and management data,
- ensure that operations comply with all relevant rules and regulations.

The particular objectives with regard to Addiko Group accounting procedures are that the ICS ensures that all business transactions are recorded immediately, accurately and in a uniform way for accounting purposes. The implementation of the internal control system in relation to the financial reporting process is also set out in the internal rules and regulations.

The internal control system of the Addiko Group is built on a process-oriented approach. Addiko Group deploys control activities through process documentation, which incorporates the tracking and documentation of each process, including the information about process flow according to the internally set up guidelines for process management.
The overall effectiveness of the internal controls is monitored on an ongoing basis. The monitoring of key risks is part of the daily activities of the Group as well as periodic evaluations by the business lines, internal control functions, risk management, compliance and internal audit.

Regular internal control system monitoring and promptly reporting on internal control deficiency and escalation to relevant stakeholders (e.g. committees) is established. Internal control deficiencies, whether identified by business line, internal audit, or other control functions are reported in a timely manner to the appropriate management level for further decision and addressed promptly.

Internal Audit performs independent and regular reviews in compliance with legal provisions and internal rules.

The internal control system itself is not a static system but is continuously adapted to the changing environment. The implementation of the internal control system is fundamentally based on the integrity and ethical behaviour of the employees. The Management Board and the leadership team actively and consciously embrace their role of leading by example by promoting high ethical and integrity standards and establishing a risk and control culture within the organisation that emphasises and demonstrates to all levels the importance of internal controls.

13. Consolidated non-financial report

Pursuant to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG), the consolidated non-financial statement, which has to be prepared in accordance with Section 267a Austrian Commercial Code (UGB) and which also includes the non-financial key performance indicators, is issued as a separate non-financial report (Sustainability Report 2023). The report will be published online – on https://www.addiko.com/financial-reports/ - and also contains the disclosure for the parent company in accordance with Section 243b UGB.

14. Other disclosures in the notes

The following information is disclosed in the notes to the consolidated financial statements:

- explanations on substantial financial and non-financial risk as well as the goals and methods of risk management to achieve effective and efficient corporate processes see note (56) Risk Report
- information on financial instruments see note (73) Fair value disclosures

Vienna, 20 February 2024
Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek m.p.
Chairman

Edgar Flaggl m.p.	Tadej Krašovec m.p.	Ganesh Krishnamoorthi m.p.
Member of the Management Board	Member of the Management Board	Member of the Management Board

Consolidated Financial Statements

I. Consolidated statement of comprehensive income

Statement of profit or loss

EUR m

	Note	01.01. - 31.12.2023	01.01. - 31.12.2022
Interest income calculated using the effective interest method		247.3	192.9
Other interest income		29.7	2.3
Interest expenses		-49.0	-18.7
Net interest income	**(31)**	**228.0**	**176.4**
Fee and commission income		90.4	92.3
Fee and commission expenses		-23.3	-19.8
Net fee and commission income	**(32)**	**67.1**	**72.5**
Net result on financial instruments	(33)	0.4	1.9
Other operating income	(34)	3.7	5.1
Other operating expenses	(34)	-16.7	-14.3
Personnel expenses	(35)	-97.8	-88.9
Other administrative expenses	(36)	-63.5	-61.8
Depreciation and amortisation	(37)	-17.3	-17.4
Operating result before impairments and provisions		**103.9**	**73.6**
Other result	(38)	-44.7	-27.0
Expected credit loss expenses on financial assets	(39)	-11.8	-15.4
Result before tax		**47.4**	**31.2**
Taxes on income	(40)	-6.3	-5.5
Result after tax		**41.1**	**25.7**
thereof attributable to equity holders of parent		41.1	25.7

	Note	31.12.2023	31.12.2022
Result after tax attributable to equity holders of parent (in EUR m)	(30)	41.1	25.7
Weighted-average number of outstanding ordinary shares (in units of shares)	(30)	19,422,603	19,473,361
Earnings per share (in EUR) – undiluted/diluted	(30)	2.12	1.32

Statement of other comprehensive income

EUR m

	Note	01.01. - 31.12.2023	01.01. - 31.12.2022
Result after tax		**41.1**	**25.7**
Other comprehensive income		**38.2**	**-84.5**
Items that will not be reclassified to profit or loss		**1.3**	**-0.1**
Actuarial gains or losses on defined benefit plans	(52.3)	0.1	0.3
Fair value reserve - equity instruments		1.2	-0.4
Net change in fair value		1.4	-0.5
Taxes on income		-0.3	0.1
Items that are or may be reclassified to profit or loss		**37.0**	**-84.3**
Foreign currency translation		0.3	-0.6
Gains/losses of the current period		0.3	-0.6
Fair value reserve - debt instruments		36.7	-83.7
Net change in fair value		42.6	-97.8
Net amount transferred to profit or loss	(33)	0.0	0.0
Taxes on income		-5.9	14.1
Total comprehensive income for the year		**79.3**	**-58.8**
thereof attributable to equity holders of parent		79.3	-58.8

II. Consolidated statement of financial position

EUR m

	Note	31.12.2023	31.12.2022[1]
Assets			
Cash and cash equivalents	(41)	1,254.5	1,382.9
Financial assets held for trading	(42)	29.5	22.8
Loans and advances to credit institutions	(43)	66.6	89.2
Loans and advances to customers	(43)	3,489.2	3,292.7
Investment securities	(44)	1,178.6	1,061.6
Tangible assets	(45)	57.6	61.6
Property, plant and equipment		54.3	57.3
Investment property		3.3	4.3
Intangible assets	(46)	23.3	24.5
Tax assets		36.8	42.4
Current tax assets		1.7	5.4
Deferred tax assets	(40)	35.1	37.0
Other assets	(48)	14.0	17.1
Non-current assets held for sale	(49)	1.3	1.6
Total assets		**6,151.5**	**5,996.4**
Equity and liabilities			
Financial liabilities held for trading	(50)	4.2	3.1
Deposits and borrowings of credit institutions	(51)	106.8	128.5
Deposits and borrowings of customers	(51)	5,032.6	4,959.6
Other financial liabilities	(51)	59.3	48.8
Provisions [1]	(52)	99.2	72.5
Tax liabilities		4.1	0.6
Current tax liabilities		4.1	0.6
Other liabilities [1]	(53)	44.2	37.1
Equity	(54)	801.1	746.3
thereof attributable to equity holders of parent		801.1	746.3
Total equity and liabilities		**6,151.5**	**5,996.4**

[1] The comparative figures have been amended. Reference to note (2) Changes in the presentation of the financial statements for further details.

III. Consolidated statement of changes in equity

EUR m

2023	Subscribed capital	Treasury shares	Capital reserves	Fair value reserve debt instruments	Fair value reserve equity instruments	Remeasur-ement on defined benefit plans	Foreign currency reserve	Cumulated result and other reserves	Equity holders of parent	Non-controlling interest	Total
Equity as at 01.01.	**195.0**	**-0.4**	**237.9**	**-85.3**	**2.0**	**0.4**	**-11.5**	**408.1**	**746.3**	**0.0**	**746.3**
Result after tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	41.1	41.1	0.0	41.1
Other comprehensive income	0.0	0.0	0.0	36.7	1.2	0.1	0.3	0.0	38.2	0.0	38.2
Total comprehensive income	0.0	0.0	0.0	36.7	1.2	0.1	0.3	41.1	79.3	0.0	79.3
Transactions with equity holders	0.0	-1.7	0.0	0.0	0.0	0.0	0.0	-22.7	-24.5	0.0	-24.5
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-23.6	-23.6	0.0	-23.6
Share-based payments	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.8	1.1	0.0	1.1
Purchase of treasury shares	0.0	-2.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.0	0.0	-2.0
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity as at 31.12.	**195.0**	**-2.2**	**237.9**	**-48.6**	**3.2**	**0.5**	**-11.2**	**426.5**	**801.1**	**0.0**	**801.1**

EUR m

2022	Subscribed capital	Treasury shares	Capital reserves	Fair value reserve debt instruments	Fair value reserve equity instruments	Remeasur-ement on defined benefit plans	Foreign currency reserve	Cumulated result and other reserves	Equity holders of parent	Non-controlling interest	Total
Equity as at 01.01.	**195.0**	**0.0**	**237.9**	**-1.6**	**2.5**	**0.1**	**-10.8**	**382.0**	**805.1**	**0.0**	**805.1**
Result after tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.7	25.7	0.0	25.7
Other comprehensive income	0.0	0.0	0.0	-83.7	-0.4	0.3	-0.6	0.0	-84.5	0.0	-84.5
Total comprehensive income	0.0	0.0	0.0	-83.7	-0.4	0.3	-0.6	25.7	-58.8	0.0	-58.8
Transactions with equity holders	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.3	-0.1	0.0	-0.1
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based payments	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.3	0.5	0.0	0.5
Purchase of treasury shares	0.0	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	0.0	-0.6
Other changes	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.1	0.0	0.0	0.0
Equity as at 31.12.	**195.0**	**-0.4**	**237.9**	**-85.3**	**2.0**	**0.4**	**-11.5**	**408.1**	**746.3**	**0.0**	**746.3**

IV. Consolidated statement of cash flows

EUR m

	2023	2022[1)]
Result after tax	**41.1**	**25.7**
Adjustments for:		
Net interest income	-228.0	-176.4
Depreciation and amortisation of intangible assets, tangible fixed assets and financial investments	17.3	18.0
Change in risk provisions on financial instruments	11.7	15.4
Modification gains or losses	1.6	0.0
Change in provision	39.2	26.2
Gains or losses on investment securities	0.0	0.0
Gains or losses from disposals of intangible assets and tangible fixed assets	-1.0	-2.2
Gains or losses on financial instruments at FVTPL	1.4	0.7
Impairment of other non financial assets	0.9	0.0
Gains or losses on financial assets and liabilities, measured at amortised costs	0.0	0.0
Subtotal	**-116.7**	**-92.6**
Loans and advances to credit institutions and customers	-231.3	-98.9
Investment securities [1)]	189.8	48.6
Financial assets held for trading	-8.1	9.1
Other assets	13.1	-20.8
Financial liabilities measured at amortised cost	56.4	210.5
Financial liabilities held for trading	1.0	0.8
Provisions	-11.1	-14.0
Other liabilities	10.5	-3.2
Payments for taxes on income	-4.4	3.0
Interests received	316.6	193.6
Interests paid	-41.4	-24.8
Dividends received	0.0	0.0
Cash flows from operating activities	**174.7**	**211.4**
Proceeds from sales or collection of principal and interest of:	75.7	22.5
Financial investments at amortised cost [1)]	71.5	15.4
Tangible assets, investment properties, lease assets and intangible assets	4.2	7.1
Payments for purchases of:	-347.4	-205.4
Financial investments at amortised cost [1)]	-337.4	-197.5
Tangible assets, investment properties, lease assets and intangible assets	-9.9	-7.9
Cash flows from investing activities	**-271.7**	**-182.9**
Dividends paid	-23.6	0.0
Lease payments	-6.1	-6.2
Purchase of treasury shares	-2.0	-0.6
Cash flows from financing activities	**-31.6**	**-6.7**
Net (decrease) increase in cash and cash equivalents	**-128.7**	**21.7**
Cash and cash equivalents at the end of previous period (01.01.)	**1,382.9**	**1,361.8**
Effect of exchange rate changes	0.3	-0.6
Cash and cash equivalents at end of period (31.12.)	**1,254.5**	**1,382.9**

[1)] The comparative figures have been amended. Reference to note (2) Changes in the presentation of the financial statements for further details.

The following notes (1) - (89) are an integral part of these consolidated financial statements.

V. Notes to the consolidated financial statements

Accounting and measurement policies

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, listed on the Vienna Stock Exchange and supervised by the Austrian Financial Market Authority and the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates via two banks), Serbia and Montenegro. Through its six subsidiary banks, Addiko Group services as of 31 December 2023 approximately 0.9 million (YE22: 0.8 million) customers in CSEE using a well-dispersed network of 154 branches (YE22: 154 branches) and modern digital banking channels.

Based on its strategy, Addiko Group has 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'). It offers unsecured personal loan products for Consumers and working capital loans for its SME customers. Addiko Group's Mortgage business, Public and Large Corporate lending portfolios (its 'non-focus areas') are subject of an accelerated run-down process.

Addiko Bank AG is registered in the commercial register of the Commercial Court of Vienna under company registration number FN 350921k. The Groups headquarter is located at Canettistraße 5/12, 1100 Vienna (Austria).

The consolidated financial statements are published on the digital official gazette of the Republic of Austria 'EVI' (www.evi.gv.at).

As a credit institution Addiko Bank AG is subject to regulatory supervision by the Financial Market Authority (FMA) at Otto-Wagner-Platz 5 in 1090 Vienna and - in addition – by the European Central Bank (ECB) at Sonnemannstrasse 20 in 60314 Frankfurt am Main.

Addiko Bank AG fulfils the disclosure obligation of Part 8 of EU Regulation 575/2013 on prudential requirements for credit institutions (CRR) on the basis of the consolidated financial position of the Addiko Group. Disclosure is made on its homepage at www.addiko.com (-> Investor Relations -> Financial Reports). The consolidated own funds and consolidated own funds requirements are presented in the consolidated financial statements.

(1) Accounting principles

The consolidated financial statements of Addiko Group were prepared in accordance with the International Financial Reporting Standards (IFRS) and in accordance with their interpretation by the IFRS Interpretations Committee (IFRIC) as adopted by the European Union (EU) as they apply in the European Union pursuant to Regulation (EC) No. 1606/2002 (IAS Regulation), and in compliance with the requirements of Section 245a Austrian Commercial Code (UGB) and Section 59a Austrian Banking Act (BWG).

The consolidated financial statements consist of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements. In principle, the statement of financial position is structured in descending order of liquidity. Amounts due or realisable within twelve or more than twelve months after the reporting date are described in note (64.4) Maturity analysis.

All subsidiaries included in the consolidated financial statements of Addiko Group prepare their financial statements as at 31 December. Uniform accounting and measurement principles according to IFRS 10 are applied throughout the Addiko Group. The consolidated financial statements are prepared on a going concern basis. Regarding estimates and assumptions according to IAS 1, please refer to note (4) Use of estimates and assumptions/material uncertainties in relation to estimates.

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, they are made in accordance with the respective standards. They are based on past experience and other factors, such as planning and expectations or forecasts of future events that appear likely from the current perspective. This primarily affects impairment losses in the credit business, the fair value and the impairment of financial instruments, deferred taxes and assessments of legal risks from legal proceedings and the recognition of provisions regarding such risks. The actual values may deviate from the estimated figures.

The euro (EUR) is the reporting currency of the consolidated financial statements. All figures are in millions of euros (EUR m), except otherwise stated. The tables shown may contain rounding differences.

On 20 February 2024, the Management Board of Addiko Bank AG approved the consolidated financial statements as at 31 December 2023 for publication by submitting them to the Supervisory Board. The Supervisory Board is responsible for examining the consolidated financial statements and announcing whether it approves the consolidated financial statements as at 31 December 2023.

(2) Changes in the presentation of the financial statements

In 2023 Addiko Group reviewed the **consolidated statement of cash flows**. The result of the review led to a change in the presentation of cash flows from investment in debt securities measured at amortised cost, which are now reported as part of the investment activities. Previously they were reported as part of the net cash flows from operating activities. The cash flow of the previous period was adjusted by EUR 182.1 million in the position Investment securities and consequently by EUR +15.4 million in the position Proceeds from the sale or collection of principal and interest of financial investments at amortised cost and by EUR -197.5 million in the position Payments for purchases of financial investments at amortised cost. As a result from the change in the presentation, the consolidated financial statements provide a more relevant information about the cash flows from treasury activities. As at 31 December 2021 the whole portfolio of debt securities was classified within the measurement category FVTOCI and for this reason the above described changes in the presentation – impacting only the investment in debt securities measured at amortised cost - have no impact on the cash flow for the year 2021.

EUR m

31.12.2022	As previously reported	Amendments	Amended
Consolidated statement of cash flows			
Investment securities	-133.5	182.1	48.6
Cash flows from operating activities	29.3	182.1	211.5
Proceeds from sales or collection of principal and interest of financial investments at amortised cost	0.0	15.4	15.4
Payments for purchases of:			
Financial investments at amortised cost	-7.9	-197.5	-205.4
Cash flows from investing activities	-0.8	-182.1	-182.9

In 2023 Addiko Group reviewed presentation of certain items in the **consolidated statement of financial position**. The result of the review led to a change in the presentation of obligations for variable payments and cash-settled share-based payments, which are now reported as part of the Other liabilities. Previously they were reported as part of the Provisions. The previous reporting period was adjusted by EUR -10.9 million in the position Provisions and consequently by EUR +10.9 million in the position Other liabilities. As a result from the change in the presentation, the consolidated financial statements provide a more relevant information about the level of uncertainty of the reclassified position.

Based on the described changes, the position Change in provision, in the consolidated statement of cash flows decreased by EUR 8.0 million and the position 'Provisions' increased in the same amount, neutral impact on the cash flow from operating activities. Total equity is not impacted as the reclassification is performed applying the same amounts. As the allocation to and release of those provisions respectively other liabilities are recorded in the same line item, no impact on the presentation of profit or loss.

The table below shows the effects of this change in presentation:

EUR m

31.12.2022	As previously reported	Amendments	Amended
Consolidated statement of financial position			
Provisions	83.4	-10.9	72.5
Other liabilities	35.2	+10.9	37.1
Consolidated statement of cash flows			
Change in provision	34.2	-8.0	26.2
Provisions	-22.0	+8.0	-14.0

In 2023 the presentation in the **note (38) Other result** was also reviewed. For the purpose of a transparent presentation of expenses connected with operational risk items, the following new line item has been introduced within the note: ‘Net result from operational risks’. The new position is used for the presentation of the following Basel II event types: 1 – Internal Fraud, 2 – External Fraud, 3 – Employment practices and workplace safety, 4 – Clients, products and business practices and 7 – Execution, delivery and process management, with the exemption of losses connected with lawsuits (which will be further reported in the line item ‘Net result from legal cases’ and losses connected with credit risk (which will be further reported as part of the ‘Expected credit loss expenses on financial assets’). The changes in the presentation were triggered by the identification, during the reporting period, of some specific material operational risk cases. Figures of the comparative year were not adapted as no material operational risk items, on an individual or aggregated bases, have been identified, other than the losses related to legal cases which, as previously described, are reported under the line item ‘Net result from legal cases’.

Furthermore, the Group reviewed in 2023 the presentation of **sales incentives** paid to Addiko employees based on the achievement of pre-defined sales targets in the Statement of profit or loss. In the previous years these costs (EUR 2.1 million) were shown under personnel expenses. Starting with 2023 these costs are presented as part of the Net fee and commission income based on a by function presentation approach and reflecting the internal management and steering of this cost category. Previous-year figures were not amended due to minor amounts, no impact on net result as well as total equity.

The **Statement of profit or loss** was amended in 2023 by excluding the subtotals ‘Operating income’ and ‘Operating expenses’ to achieve higher grade of comparability with peer competitors. No impact on net result.

The **Consolidated statement of changes in equity** and the presentation in **note (54) Equity** was amended in 2023 by introducing separate presentation of the fair value reserve of debt instruments, of equity instruments and of the remeasurement on defined benefit plans. The previous reporting period was adjusted by splitting the position ‘Fair value reserve’ (YE22: EUR -83.3 million) into Fair value reserve of debt instruments (YE22 amended: EUR -85.3 million) and Fair value reserve of equity instruments (YE22 amended: EUR 2.0 million). Furthermore, the effects from the remeasurement on defined benefit plans, previously presented as part of the ‘Cumulative result and other reserves’ (YE22: EUR 408.5 million) are now presented separately in the position ‘Remeasurement on defined benefit plans’ (YE22: EUR 0.4 million). The change in presentation was adopted to increase the transparency and allow for easier reconciliation with the figures presented in the ‘Statement of other comprehensive income’.

(3) Application of new standards and amendments

3.1. New currently effective requirements

The following new standards, interpretations and amendments to existing standards are mandatory for periods beginning on 1 January 2023:

Standard	Name	Description	Impact on Addiko
IFRS 17	IFRS 17 Insurance contracts	New Standard replacing IFRS 4	No impact
IFRS 17	Amendments to IFRS 17 Insurance contracts	Initial application of IFRS 17 and IFRS 9 - Comparative information	No impact
IAS 1	Amendments to IAS 1 Presentation of Financial Statements	Disclosure of Accounting policies	No significant changes
IAS 8	Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates	No significant changes
IAS 12	IAS 12 Income Taxes	Deferred Tax related to Assets and liabilities arising from a Single Transaction	No significant changes
IAS 12	Amendments to IAS 12 Income Taxes	International Tax Reform - Pillar Two Model Rules	No impact

New standard **IFRS 17** Insurance contracts replaced IFRS 4 Insurance contracts. It applies to annual reporting periods beginning on or after 1 January 2023. Insurance contract is a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Addiko Group assessed of the relevant criteria whether the issued contract is an insurance contract and the impact of IFRS 17 Insurance contracts on the following business areas:

Financial guarantees
Financial guarantee contracts require the issuer to make specified payments, to reimburse the holder for a loss that it incurs because a specified debtor fails to make a payment when due, meet the definition of an insurance contract. They are, however, outside the scope of IFRS 17, unless the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has used the accounting guidance applicable to insurance contracts. Addiko Group chose to treat financial guarantees according to IFRS 9.

Credit cards and other payment arrangements
Some credit card contracts (or similar contracts that provide credit or payment arrangements) meet the definition of an insurance contract, because they make payments to the card holder in circumstances that meet the definition of insurance risk. Examples include if the holder uses the card to purchase goods or services that turn out to be faulty or are not delivered, or if the holder is 'scammed' into making an invalid payment. Addiko Group´s contract pricing does not reflect an assessment of the individual customer's insurance risk, IFRS 17 does not apply to the contract in its entirety.

Performance guarantees
In Addiko Group performance guarantees compensate the beneficiary, if Group's client fails to perform his obligations (i.e. to design, develop, manufacture, construct or produce products or production facilities (and related non-monetary obligations) or to provide services related to any of the foregoing) according to the requirements specified in client's contract with the beneficiary of the guarantee. An adverse affect on the policyholder is a precondition for the payment. Some contracts require a payment if a specified uncertain future event occurs, but do not require an adverse effect on the policyholder as a precondition for the payment. This type of contract is not an insurance contract even if the holder uses it to mitigate an underlying risk exposure (IFRS 17.B13, IFRS 4.B14).

In Addiko Group the payment of a guarantee is made, when the guarantee is called, independent of whether the specified uncertain event has caused an adverse impact on the beneficiary or not.

The bank does not have the right to investigate whether the event actually caused an adverse effect and to deny the payment if it is not satisfied that the event caused an adverse effect. This means that a main feature of the definition of insurance contract is not fulfilled. Therefore, the performance guarantees, which are offered by Addiko Group, cannot be considered as insurance contracts that are in scope of IFRS 17.

Addiko Group does not bear any risk to pay additional amounts, in the cases where the bank has a contractual right to receive back the money that it paid to the beneficiary from its client's account. This means that there is a risk of loss of money, if the customer defaults. There is a regular credit risk whose existence is conditional on occurrence of an event rather than an insurance risk.

Insurance contracts
When Addiko Group offer insurance (e.g. travel insurance), Addiko Group always acts as Agent, not as a Principal (as defined in IFRS 15), therefore there is no transfer of insurance risk.

Death waivers
In case of the death of loan costumer, insurance will cover the outstanding balance of the loan principal determined on the day of death. Addiko Group is a policyholder, therefore there is no transfer of insurance risk and no application of IFRS 17. Provided that no other scope exclusions apply (according to IFRS 17.7), an entity can choose to apply either IFRS 9 or IFRS 17 to contracts which limit the compensation to the amount otherwise required to settle the policyholder's obligation created by the contract.

After the assessment the group came to the conclusion that the new standard IFRS 17 Insurance contracts and its amendments do not result in an impact and changes within the Addiko Group.

The amendments to **IAS 1** clarify the requirements for disclosure of material accounting policy instead of significant accounting policies. The amendment applies to annual reporting periods beginning on or after 1 January 2023. These amendments do not result in any significant changes within the Addiko Group.

The amendments to **IAS 8** replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The amendment applies to annual reporting periods beginning on or after 1 January 2023. These amendments do not to result in any significant changes within the Addiko Group.

The amendments to **IAS 12** provide a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. Following the amendments to IAS 12, when tax deductions are attributable to the lease liability, temporary differences associated with the lease asset and lease liability arise on initial recognition of the lease, an entity is required to recognise the related deferred tax asset and liability. The amendment applies to annual reporting periods beginning on or after 1 January 2023, applying to transactions that occurred on or after the beginning of the earliest comparative period. There was no impact on the statement of financial position because the of IAS balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change.

The amendments to **IAS 12** create a temporary mandatory exception to the requirements of IAS 12 Income Taxes from recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes, in case Pillar Two legislation has been enacted in jurisdictions the Group operates. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes. Pillar Two model rules generally apply to multinational groups with revenue in their consolidated financial statements exceeding EUR 750 million in at least two of the four preceding fiscal years. The mandatory temporary exception applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. These amendments are not relevant for the Addiko Group as its consolidated revenue is lower than EUR 750 million.

3.2. Forthcoming requirements

The following new standards, interpretations and amendments to existing standards issued by the IASB and adopted by the EU were not yet effective and were not early adopted by the Addiko Group:

Standard	Name	Description	Impact on Addiko
IFRS 16	Amendments to IFRS 16 Leases	Lease liability in sale and leaseback	No significant changes
IAS 1	Amendments to IAS 1 Presentation of Financial Statements	Classification of liabilities as current or non-current	No impact

The amendments to **IFRS 16** Leases require the seller-lessee to determine lease payments or revised lease payments such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. It applies to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. These amendments are not expected to result in any significant changes within the Addiko Group.

The amendments to **IAS 1** clarify the requirements for classifying liabilities as current or non-current. The amendment applies to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. These amendments are not expected to result in any significant changes within the Addiko Group as assets and liabilities of Addiko Group are presented in decreasing order of liquidity.

The following new standards and interpretations issued by the IASB have not yet been adopted by the EU:

Standard	Name	Description	Impact on Addiko
IAS 7 and IFRS 7	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures	Supplier Finance Arrangements	No significant changes
IAS 21	Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates	Lack of Exchangeability	No significant changes

The amendments to **IAS 7** and **IFRS 7** describe the characteristics of an arrangement for which an entity is required to provide the information. The amendments note that arrangements that are solely credit enhancements for the entity or instruments used by the entity to settle directly with a supplier the amounts owed are not supplier finance arrangements. Entities will have to disclose in the notes information that enables users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. New disclosure requirements are added. The amendment applies to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. These amendments are not expected to result in any significant changes within the Addiko Group.

The amendments to **IAS 21** introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency. New disclosure requirements are added. The amendment applies to annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. These amendments are not expected to result in any significant changes within the Addiko Group.

(4) Use of estimates and assumptions/material uncertainties in relation to estimates

The consolidated financial statements contain values based on judgments and calculated using estimates and assumptions. Estimates and assumptions are based on historical experiences and other factors such as planning and expectations or forecasts of future events that appear likely from a current perspective. Since estimates and assumptions made are subject to uncertainties, this may lead to results that require carrying amount adjustments of the respective assets and liabilities in future periods. Significant estimates and assumptions in the Addiko Group relate to:

Credit risk provisions

Estimates as to the amount, duration and probable occurrence of expected return cash flows are made when assessing recoverability of Addiko Group´s financial assets. This assessment is based on a detailed analysis and assumptions made, which are however subject to uncertainties. A different estimate of these assumptions may result in a significantly different measurement of credit risk provisions.

The model for measurement of expected credit losses requires the assessment of significant increase in credit risk and uses historical data and their extrapolations, the observed data and individual estimations as well as grouping of similar assets when credit risk deterioration has to be assessed on a collective basis. The uncertainty which is inherent to estimating expected credit losses is currently elevated, due to the increased volatility of the economic environment as consequences of still ongoing conflicts in Russia and in the Middle East, as well as still present inflationary pressures.

Due to the fact that the current developments are not fully comparable to the historic data used for development and calibrations of the existing PD models, Addiko has addressed the uncertainty by considering post model adjustments (PMAs). These adjustments mainly cover the ability of the PD models to correctly capture uncertainty of the future and high overall volatility of the macroeconomic environment.

For further information on credit risk provisioning methodology, reference is made to financial assets in note (16) Financial instruments as well as to the Risk Report under note (61.2) Development of risk provisions and note (61.1) Method of calculating risk provisions.

Deferred tax assets

Deferred tax assets on deductible temporary differences and on losses carried forward are only recognised when future tax profits that allow utilisation appear to be highly likely. These estimates are based on the respective 5 years tax plans prepared by the management of the subsidiaries. These naturally reflect the management's evaluations, which are in turn subject to a degree of predictive uncertainty. The Group regularly re-evaluates its estimates related to deferred tax assets, including its assumptions about future profitability. Due to the current macroeconomic environment, affected by inflationary pressures, increase in the interest rates, deterioration of the business climate, geopolitical risks and the remaining pandemic-related effects, there is substantially more uncertainty than under normal market conditions, which may affect the projections of future taxable profits. In addition, although Addiko Group currently has no information or indications of a change of the relevant tax regulations, this may be revised in the future, with the imposition of a time limit or reduction for carry forward losses. For further details regarding tax loss carried forward please refer to note (40) Taxes on income.

Provisions

Setting up provisions is also based on judgments. A decision has to be made on the extent to which the Group has an obligation resulting from a past event and if an outflow of economically useful resources to fulfill these obligations is likely. Furthermore, estimates are also required with regard to the amount and maturity of future cash flows.

Provisions for legal proceedings typically require a higher degree of judgment than other types of provisions. When matters are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better-defined set of possible outcomes. The calculation of potential losses takes generally into account possible scenarios of how the litigation would be resolved and their probability, considering the history of former verdicts and assessments by independent law firms. In certain cases, due to a short horizon of available historical data and significant uncertainty as to the direction of court decisions as well as the market conditions, the adopted methodology and assumptions may be subjects of updates in subsequent reporting periods. Details regarding provisions for legal cases and uncertainty of estimates are described in note (52.2) Provisions for pending legal disputes.

Pension obligations are measured based on the projected unit credit method for defined benefit pension plans. In measuring such obligations, assumptions have to be made regarding long-term trends for salaries, pensions and future mortality in particular. Changes in the underlying assumptions from year to year and divergences from the actual effects each year are reported under actuarial gains and losses.

Lease contracts

The application of IFRS 16 requires the Addiko Group to make judgments that affect the valuation of lease liabilities and the valuation of right of use assets. The lease term determined by Addiko Group comprises the non-cancellable periods of lease contracts, periods covered by an option to extend the lease if the Addiko Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Addiko Group is reasonably certain not to exercise that option. If there is a significant event or significant changes in circumstances within the Groups control, the lease terms are reassessed, especially with regards to extension or termination options. For lease contracts with indefinite term the Addiko Group estimates the length of the contract by using planning models.

The present value of the lease payments is determined using the incremental borrowing rate (discount rate) representing the risk free rate, adjusted by country default swap rates to be applicable for the country and currency of the lease contract and for similar tenor, adjusted by add-on based on mid-to-long credit facilities. The Addiko secured interest rate curve reflects a loan-to-value ratio of 60%. In general, the determination of the discount rates is based on an arm's length pricing principal.

For further details regarding the treatment of leasing contracts please refer to the note (9) Leases.

The other most significant uses of judgements, assumptions and estimates are described in the notes of the respective assets and liabilities and relate to:

- Classification of financial assets (business model assessment, SPPI assessment) – the note (16) Financial instruments
- Determination of control over investees – the note (7) Basis of consolidation and business combinations

(5) Impact of climate change on consolidated financial statements

Addiko supports the transition to a carbon-neutral economy and will lower its footprint by reducing its direct emissions from own banking operations and indirect through its lending activities. Regarding its own banking operations measures planned until 2030 or already taken include a significant increase of the share of battery electric vehicles (BEV) in the group's car fleet, the installation of photovoltaic modules on self-owned buildings, the replacement of fossil fuel heating systems and switch to renewable energy sources used for electricity or heating.

In preparing the financial report, Addiko has considered climate change and the inherent risk on non-financial and financial assets. The impact of climate-related risks were assessed as follows:

- Impairment of assets: Addiko's ESG strategy and the planned replacement measures were considered in determining the carrying amount of non-current assets (property, plant and equipment and investment properties). Based on the assessment no impairment need was identified.

- Useful lives of assets: The impact of it's sustainability strategy and the planned measures on the useful lives of non-current assets. The assessment did not identify any impact on the consolidated financial statements.
- Expected credit losses (ECL): Based on an assessment of climate-related and other environmental risks (C&E risks) Addiko concluded that an impact on the credit risk exists, although there is no immediate material threat given the granularity and diversification of the loan portfolio. As C&E risks already do impact macroeconomic indicators, Addiko considered the impact from climate-related transition risks in the macroeconomic financial forecasts used in the calculation of the ECL, thus, directly impacting the risk provisions of the loan book and consequently, the consolidated financial statements. Furthermore, an assessment of climate-related and environmental risks was incorporated in the loan origination process of relevant SME clients, which can impact the rating and in turn the ECL of these clients.

(6) Scope of consolidation

Subsidiaries are consolidated from the date when control is obtained until the date when control is lost. Control is achieved when Addiko Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the relevant activities of the investee. Relevant activities are those which most significantly affect the variable returns of an entity.

As at 31 December 2023, Addiko Group includes in its scope of consolidation 7 entities (31 December 2022: 7, 1 January 2022: 7), consisting of the Austrian parent company, Addiko Bank AG, and 6 foreign subsidiaries.

Company	Country	Ownership (direct) in %	Closing date
Addiko Bank d.d., Zagreb	Croatia	100.0	31.12.2023
Addiko Bank d.d., Ljubljana	Slovenia	100.0	31.12.2023
Addiko Bank d.d., Sarajevo	Bosnia & Herzegovina	100.0[1)]	31.12.2023
Addiko Bank a.d., Banja Luka	Bosnia & Herzegovina	99.9[1)]	31.12.2023
Addiko Bank a.d., Beograd	Serbia	100.0	31.12.2023
Addiko Bank AD, Podgorica	Montenegro	100.0	31.12.2023

[1)] Rounded figures

Neither the parent company nor any of its subsidiaries holds a participation in other companies >20%.

In 2023, Addiko Bank AG initiated a squeeze out process regarding the remaining shares held by minority shareholders in Addiko Bank d.d., Sarajevo and Addiko Bank a.d., Banja Luka. Whereas the process for Addiko Bank d.d., Sarajevo has been finalised in January 2024 by transferring all outstanding shares to Addiko Bank AG (now holding 100.0%), the procedure for Addiko Bank a.d., Banja Luka is ongoing and expected to be finalised during 2024. Given the small number of shares held by minority shareholders, no material effects on the consolidated financial statements are expected.

(7) Basis of consolidation and business combinations

Business combinations are accounted for following the consolidation principles pursuant to IFRS 3 'Business Combinations', using the acquisition method when control is transferred to the Group. According to this method, all assets and liabilities of the respective subsidiary are to be measured at fair value at the acquisition date. The cost of a business acquisition is calculated as the total of consideration transferred, measured at fair value at the acquisition date, and non-controlling interests in the entity acquired. Goodwill, if any, is initially measured at cost, calculated as the excess of the total consideration transferred as well as the amount of non-controlling interests in the identifiable assets and assumed liabilities acquired by the Group. If a negative difference remains after reassessment, it is recognised immediately in profit or loss.

IFRS 10 Consolidated Financial Statements defines the investor's control over an investee in terms of the investor having all of the following:

- Power to direct the relevant activities of the investee, i.e. activities that significantly affect the investee's returns,

- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use the power over the investee to affect the amount of the investor's returns.

Assessing the existence of control requires judgements, assumptions and estimates on power stemming from voting rights, contractual agreements and rights arising from the lending transactions which could lead to the Addiko Group having power over an investee.

The date of initial consolidation corresponds to the date when the Group acquires control over the entity in question. Subsidiaries acquired during the year are included in the Group statement of comprehensive income from the date of acquisition. The results of subsidiaries disposed of during the year are included in the statement of comprehensive income until the date of disposal.

If further investments are acquired in an already fully consolidated but not yet wholly-owned entity, any resulting differences are reported directly in equity as transaction with non-controlling interests.

Intra-group balances and transactions between consolidated subsidiaries are fully eliminated. In the same way, intragroup income and expenses are offset within the framework of expense and income consolidation.

The share of equity and results of the consolidated subsidiaries allocated to non-Group third parties is reported separately in equity and in profit or loss under non-controlling interests. A subsidiary’s comprehensive income is attributed to non-controlling interests even if this results in a negative balance.

When Addiko Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss.

(8) Foreign currency translation

Foreign currency translation within the Addiko Group follows the provisions of IAS 21. Accordingly, all monetary assets and liabilities have to be converted at the exchange rate prevailing at the reporting date. Insofar as monetary items are not part of a net investment in foreign operations, the result of the conversion is generally reported under exchange differences through profit or loss. Open forward transactions are translated at forward rates at the reporting date.

The assets and liabilities of foreign operations are translated into euros at the exchange rates prevailing at the reporting date. Income and expenses are translated using the average rates for the period, as long as they do not fluctuate markedly. The resulting exchange differences are reported in other comprehensive income (OCI) under foreign currency translation. The amount for a foreign operation recorded in other comprehensive income (OCI) is to be reclassified into the statement of profit or loss in the event of the sale of the foreign operation. Exchange differences attributable to non-controlling interests are shown under non-controlling interests.

The respective local currency is the functional currency for all entities.

The following exchange rates published by the European Central Bank or the Oesterreichische Nationalbank (OeNB) have been used for the currency conversion of the foreign financial statements:

Foreign currency translation Rates in units per EUR	Closing date 31.12.2023	Average 2023	Closing date 31.12.2022	Average 2022
Bosnian mark (BAM)	1.95583	1.95583	1.95583	1.95583
Croatian kuna (HRK)	-	-	7.53450	7.53816
Serbian dinar (RSD)	117.17370	117.251469	117.32240	117.47580

The conversion rate between EUR and HRK as of 31 December 2022 reflects the rate determined by ECB in connection with the approval of the accession of Croatia to the EURO area on 1 January 2023.

(9) Leases

9.1. Leases in which Addiko Group is a lessee

At inception of each the Addiko Group assesses whether a contract is or contains a lease. A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. This assessment involves the exercise of judgment about whether the contract contains an identified asset, whether the Addiko Group obtains substantially all the economic benefits from the use of that asset throughout the period of use, and whether the Addiko Group has the right to direct the use of the asset.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle, remove or restore the underlying asset, less any lease incentives received. The right of use asset is subsequently depreciated over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The Addiko Group also assess the right of use asset for impairment in accordance with IAS 36 Impairment of assets when such indicators exist. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group´s incremental borrowing rate. Thus, all lease obligations are generally recognised pursuant to the ‘right-of-use’ approach in the statement of financial position. The only exception is for leases with a total lease term of 12 months or less, as well as for leases for which the underlying asset has a low value when new, with the IASB considering a lease to be of low value if it is USD 5,000 or less. In such cases Addiko Group elected to recognise such lease contracts off the statement of financial position and lease expenses are accounted on straight-line basis over the remaining lease term.

IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Addiko Group has not used this practical expedient.

Lease payments generally include fixed payments less lease incentives and variable payments that depend on an index or an interest rate. Prolongation options, termination options and purchase options are also considered (see note 4) ‘Use of estimates and assumptions/material uncertainties in relation to estimates”), and also the amounts expected to be payable under a residual value guarantee have to be included in the measurement of lease liability.

Subsequent to initial measurement, the lease liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset, or profit or loss if the right of use asset is already reduced to zero.

9.2. Presentation in the financial statements

The Addiko Group as a lessee presents the right of use assets in the line item ‘Property, plant and equipment’ in tangible assets in the statement of financial position. Lease liabilities are presented in the line item ‘Other financial liabilities’ in the statement of financial position. Depreciation charge for the right of use assets is presented in the line item ‘Depreciation and amortisation’ in the statement of profit or loss. The interest expense on lease liabilities is presented in the line item ‘Interest expenses’ in the statement of profit or loss.

With regards to the presentation in the Cashflow Statement, lessees must present short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities. Cash paid for the interest portion of lease liability must be presented as either operating activities or financing activities. Addiko Group has chosen to include the interest paid as well as cash payments for the principal portion as part of financing activities.

(10) Earnings per share

The Addiko Group presents earnings per share (EPS) in accordance with IAS 33 Earnings per share for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the bank by weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares and increasing the weighted average number of ordinary shares outstanding by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. As there are no stock options issued by Addiko Bank AG, the basic (undiluted) earnings per share equal the diluted earnings per share.

(11) Net interest income

For all financial instruments measured at amortised cost as well as interest-bearing financial assets measured at fair value through other comprehensive income and non-trading financial assets measured at fair value through profit or loss, interest income and interest expenses are recorded based on the effective interest rate.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using effective interest rate method of any difference between that initial amount and the maturity amount. For financial assets the amount is adjusted for any expected credit losses. The gross carrying amount of financial asset is the amortised cost of financial asset before adjusting for any loss allowance. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Effective interest rate method is the calculation rate used to exactly discount the estimated future cash inflows and outflows over the expected term of the financial instrument, or a shorter period if applicable, to the gross carrying amount of the financial asset, other than purchased or originated credit-impaired financial assets or to the amortised cost of the financial liability. The calculation includes transaction costs and fees and points paid or received that are an integral part of effective interest rate (apart from financial instruments measured at fair value through profit or loss) and premiums and discounts. The expected credit losses are disregarded.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset (with the exception of purchased or originated credit-impaired financial assets where the calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves).

Interest income from assets held for trading, as well as interest components of derivatives are presented in ‘Net interest income’. Changes in clean fair value resulting from trading assets and liabilities are presented in ‘Net result on financial instruments’.

Negative interest from financial assets and financial liabilities is presented in ‘Net interest income’.

(12) Net fee and commission income

Fee and commission income (other than those that are integral part of effective interest rate on a financial asset or financial liability) are accounted for in accordance with IFRS 15 Revenue from contracts with customer and are reported in ‘Net fee and commission income’. Addiko Group derives its revenue from contracts with customers for the transfer of services over time and at a point in time in the business segments. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments.

In accordance with IFRS 15, income is recognised when the Group satisfies a performance obligation by transferring a promised service to a customer. It must be probable that the Group will derive an economic benefit from it and the amount can be reliably determined, regardless of the point in time in which payment is made. Income is measured at the fair value of consideration received or to be claimed, taking into account contractually stipulated payment terms, but without taking into account taxes or other levies.

Fees earned for the provision of services over a period of time are accrued over that period. Conversely, fee income earned from providing particular services to third parties or the occurrence of a certain event is recognised upon completion of the underlying transaction. Taking into consideration Addiko product classes the following services are accrued over the period:

- *Accounts and packages*, this category includes fee income and expense from monthly regular account/package fees, including monthly charges for standalone internet banking, mobile banking, SMS services and other services (not related to credit cards).
- *Loans and Deposits*, representing Fee income and expense that are not an integral part of the effective interest rate related directly to credit business (e.g. origination fee of the limit).
- *Securities*, representing commission income and expense from asset management.
- *Bancassurance*, representing commission income and expense from insurance brokerage.

The fees generated by the following products are recognised upon completion of the underlying transaction:

- *Transaction services*, representing fee income charged to clients for transactions performed (except credit cards) like payment order or standing order.
- *Cards*, representing fee income related to prepaid and credit cards and acquiring business like interchange fees, scheme fees, service fees, etc.
- *FX & DCC*, representing fee income related to foreign exchange transactions like fees from FX spot transaction or Dynamic currency conversions.
- *Trade finance*, representing fee income earned from providing transaction services to third parties, such as arranging the acquisition of shares or other securities.

Other fee and commission expenses relate mainly to transaction and service fees which are expensed as the services are received. Fee and commission expenses includes in the position *Client incentives* sales incentives paid to Addiko employees based on the achievement of pre-defined sales targets.

In the note (32) Net fee and commission income the product view is used as a base for presentation.

(13) Net result on financial instruments

Net result on financial instruments held for trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, realised gains and losses from derecognition, the result from trading in securities and derivatives, dividends and foreign exchange gains and losses on monetary assets and liabilities. The Group has elected to present the clean fair value movements of trading assets and liabilities in trading income, excluding any related interest income and interest expense, which are presented in 'Net interest income'.

Net result on non-trading financial assets mandatorily at fair value through profit or loss includes all gains and losses from changes in the fair value of these assets, realised gains and losses from derecognition and dividends.

Net result on financial instruments at fair value through other comprehensive income includes gains and losses from derecognition and dividends. Financial assets and liabilities at amortised cost includes all gains and losses from derecognition.

(14) Other operating income and other operating expenses

Other operating income and other operating expenses reflect all other income and expenses not directly attributable to ordinary activities as expenses for restructuring or income from operating lease assets. In addition, it encompasses expenses for other taxes and certain regulatory charges (bank levy, the contributions to the deposit guarantee scheme and to the Single Resolution Fund).

(15) Other result

The other result shows the result from legal cases, the result from operational risks and impairment losses and reversal of impairment losses for non-financial assets and for assets classified as held for sale and disposal groups. Furthermore, the insignificant modification gains and losses are presented in this position.

(16) Financial instruments

The presentation of the items in the statement of financial position in classes reflects the nature of the financial instruments.

A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party.

16.1. Classification and measurement

Business models

All financial assets have to be assigned to one of the business models described below. It must be assessed for each solely payments of principal and interest (SPPI) compliant financial asset at initial recognition, if it belongs to the following category:

- *Hold to collect:* a financial asset held with the objective to collect contractual cash flows.
- *Hold to collect and sell:* a financial asset held with the objective of both collecting the contractual cash flows and selling financial assets.
- *Other:* a financial asset held with trading intent or that does not meet the criteria of the categories above. In Addiko Group, two subsidiaries have classified part of their bond portfolios under the ‘Other’ business model, as such instruments are connected with the trading activities of the Group, especially in connection with customer business.

In the infrequent case that the entity changes its business model for managing certain financial assets and specific IFRS 9 requirements would be fulfilled, a reclassification of all affected financial assets would be required. Such subsequent changes do not lead to reclassifications or prior period corrections. Sales due to increase in credit risk, sales close to maturity and infrequent sales triggered by a non-recurring event are not considered as contradicting the held to collect business model.

Contractual cash flow characteristics

For the assessment whether contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, Addiko Group considers the contractual terms of the instrument and analyses the existing portfolio based on a checklist for SPPI criteria. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows in a way that it would not meet this condition, considering the following: contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the Group's claim to cash flows from specified assets and features that modify consideration for the time value of money.

Significant areas of judgements are unilateral changes in margins and interest rates, prepayment clauses, other contingent payment features, project financing and benchmark test for loans with interest mismatch features.

The SPPI compliance is assessed as follows:

- Unilateral changes of margins and interest rates: passing on costs related to the basic lending agreement, introducing the clauses designed to maintain a stable profit margin, and the changes of interest rates that reflect the worsening of the credit rating, are not SPPI harmful.
- Prepayment clauses: if the prepaid amount reflects the outstanding principal, interest and fees associated with the early redemption they are not critical. The prepayment fee has to be smaller than the loss of interest margin and loss of interest.
- Other contingent payment features: those could be typically side business clauses where the penalty represents the increased costs for risk monitoring or the reimbursement of lost profit which is associated with the triggering event. Such clauses are not SPPI harmful.
- Project financing: if there is no reference to the performance of the underlying business project and the borrower has adequate equity for the project to absorb losses before affecting ability to meet payments on the loan, it may pass the SPPI test.
- Loans with floating interest rates: if the loan contains interest mismatch features (fixation date is before the start of the period, reference rate's tenor is different to the rate reset frequency, etc.), it has to be assessed whether the time value of money element of interest has been significantly modified (whether the interest mismatch feature could result in contractual undiscounted cash flows that are significantly different from benchmark deal), and a quantitative benchmark test has to be performed.
- Financial instruments with environmental, social and governance (ESG) features that change contractual cash flows based on the borrower meeting certain contractually specified ESG targets: in case of issuance or acquisition of instruments with ESG feature, Addiko policy is first to verify if the effect of the ESG feature could only have a de minimis effect on the contractual cash flows of the loan, then the feature does not affect the classification of the loan. However, if the effect of the ESG feature could be more than de minimis, then the feature will assessed as to whether it is consistent with a basic lending arrangement and meet the SPPI criterion.

When performing the benchmark test, at the initial recognition, contractual undiscounted cash flows of financial instrument are compared with the benchmark cash flow, i.e. contractual undiscounted cash flows that would arise if the time value of money element was not modified. The effect of the modified time value of money element is considered in each reporting period and cumulatively over the lifetime of the financial instrument. The benchmark test is based on a range of reasonable scenarios. The appropriate comparable benchmark financial instrument is the one with the same credit quality and the same contractual terms except for the modification, either real existing or hypothetical asset. If an entity concludes that the contractual (undiscounted) cash flows could be significantly different (10% threshold) from the (undiscounted) benchmark cash flows (either periodical or cumulative), the financial asset does not meet the condition in the IFRS 9 paragraphs 4.1.2(b) and 4.1.2A(b) and therefore cannot be measured at amortised cost or at FVTOCI.

During 2022 and 2023, there were no financial instruments with interest mismatch features or ESG features which would lead to the classification at FVTPL. Significant volumes of financial instruments with critical features are not expected due to the internal policy for new products which eliminates potentially SPPI non-compliant features.

Classification and measurement of financial assets and financial liabilities

Financial assets

Based on the entity's business model and the contractual cash flow characteristics Addiko Group classifies financial assets in the following categories:

- A financial asset is measured at amortised cost only if the object of the entity's business model is to hold the financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding ('SPPI criteria').
- A financial asset is measured at fair value through other comprehensive income (FVTOCI) if the asset is held in a business model in which assets are managed both in order to collect contractual cash flows to sell them and the contractual cash flows are solely payments of principal and interest on the principal outstanding (simple loan feature).
- Financial assets that do not meet these criteria are measured at fair value through profit or loss (FVTPL). Furthermore, embedded derivatives will no longer be separated from the financial host asset. The financial instrument is assessed in its entirety and measured at fair value through profit or loss.

A financial asset is recognised when Addiko becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value including transaction costs (except for FVTPL financial instruments, for which transaction costs are recognised directly in the statement of profit or loss). Regular way (spot) purchases and sales of financial assets are recognised on the trade date.

Financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract – leading to the situation that from the perspective of the holder of the asset there may be a so-called negative compensation (the prepayment amount could be less than the unpaid amount of principal and interest) – can be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss. To qualify for amortised cost measurement, the asset must be held within a “held to collect” business model.

On initial recognition, a financial asset is classified into one of the categories set out below, the basis of this classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Subsequent measurement is determined by the classification category.

Financial assets at amortised costs
A financial asset is classified and subsequently measured at amortised costs, if the financial asset is held in a hold to collect business model and the contractual cash flows are SPPI compliant. Financial assets are measured at fair value at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount and adjusted for any expected credit losses. Interest income is presented in the line "Interest income calculated using the effective interest rate method". Expected credit losses are presented in the line "Expected credit loss expenses on financial assets". The major volume of financial assets of the Addiko Group are measured at amortised cost. Gains and losses from derecognition are presented in the line "Net result on financial instruments".

Financial assets at fair value through other comprehensive income
A financial asset is classified and subsequently measured at fair value through other comprehensive income, if the financial asset is held in a hold to collect and sell business model and the contractual cash flows are SPPI compliant. Financial assets are measured at fair value with any movements being recognised in other comprehensive income and are assessed for impairment under the expected credit loss (ECL) model.

Interest income is presented in the line "Interest income calculated using the effective interest rate method". Expected credit losses are presented in the line "Credit loss expense on financial assets". The difference between fair value and amortised cost is presented in "Fair value reserve" in the consolidated statement of changes in equity. The changes in fair value during the reporting period for debt instruments are presented in the line "Fair value reserve - debt instruments" in the statement of other comprehensive income. Dividend income and gains and losses from derecognition are presented in the line "Net result on financial instruments".

For equity instruments that are not held for trading, entities can make an irrevocable election at initial recognition to classify the instruments at FVTOCI. This election is available for each separate investment. All subsequent changes in fair value are presented in the line "Fair value reserve - equity instruments" in the statement of other comprehensive income without recycling in the statement of profit or loss.

Addiko Group has designated at FVTOCI investments a small portfolio of equity instruments. This presentation alternative was chosen because the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose these investments in the short or medium term.

Financial assets at fair value through profit or loss
A financial asset that is held for trading or that does not fall into the hold to collect nor hold to collect and sell business models shall be assigned into the other business model and is measured at fair value through profit or loss. In addition, Addiko Group may use option to designate some financial assets as measured at FVTPL. Interest income is presented in the line "Other interest income". Dividend income and gains and losses from revaluation and derecognition are presented in the line "Net result on financial instruments". In addition, any financial instrument for which the contractual cash

flow characteristics are not SPPI compliant must be measured in this category, even if held in a hold to collect or hold to collect and sell business model.

Non-trading financial assets consist of the two following subcategories and shall be assigned into the other business model and are measured at fair value through profit or loss.

- *Financial assets designated at fair value through profit or loss*
  At initial recognition, Addiko Group may irrevocably designate a financial asset that would otherwise be measured subsequently at amortised costs or FVTOCI, as measured at FVTPL, if such designation eliminates or significantly reduces a recognition and measurement inconsistency (i.e. "accounting mismatch") that would otherwise arise from measuring assets and liabilities or recognising the gains or losses on a different basis. Currently there is not such case in Addiko Group.
- *Financial assets mandatorily at fair value through profit or loss*
  Financial assets are classified in this category if their cash flows are not SPPI compliant or they are held as part of residual business models that are other than held for trading.

Equity instruments that are held for trading as well as equity instruments that are not held for trading (and they were not designated at FVTOCI at initial recognition) are measured at FVTPL.

Financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss.

Financial liabilities measured at FVTPL consist of financial liabilities held for trading and financial liabilities measured at FVTPL at initial recognition. Changes to the fair value of liabilities designated at FVTPL resulting from changes in own credit risk of the liability are recognised in other comprehensive income, the remaining amount of the change in the fair value has to be presented in profit or loss. Addiko Group did not make a use of the option to designate some financial liabilities as measured at FVTPL during 2023 and 2022.

The Addiko Group has not designated any hedge accounting relationships in the current or in the previous year.

16.2. Impairment

While applying the forward-looking ECL model, Addiko Bank recognises ECL and updates the amount of ECL recognised at each reporting date to reflect changes in the credit risk of financial assets. Addiko estimates ECL based on reasonable and supportable information that includes historical, current and forecast information, thus considering possible future credit loss events in different scenarios.

The lifetime ECL is the expected present value of losses based on expectation of borrowers' probability to default on their obligations at some time during the complete maturity of the financial assets with simultaneous consideration of probability of recovery (loss given default).

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: as the carrying amount of these assets is their fair value, loss allowances are recognised in OCI with opposite entry in the statement of profit or loss. Loss allowances are disclosed in note (44) Investment securities.

Overview ECL calculation

Addiko Group determines an ECL amount on a probability-weighted basis as the difference between the cash flows that are due to the bank in accordance with the contractual terms of a financial instrument and the cash flows that the bank expects to receive. Although IFRS 9 establishes this objective, it generally does not prescribe detailed methods or techniques for achieving it.

In determining the cash flows that the bank expects to receive, following the recommendation of the GPPC (Global Public Policy Committee), Addiko Bank is using a sum of marginal losses approach whereby ECLs are calculated as the sum of the marginal losses occurring in each time period from the reporting date. The marginal losses are derived from individual parameters that estimate exposures and losses in the case of default and the conditional probability of default for each period (the probability of a default in time period X conditional upon an exposure having survived to time period X). The (lifetime) ECL is calculated for different scenarios separately, considering current and future forward looking information. The aggregation to the final ECL is performed at the end by probability weighting of the different individual scenarios. When estimating ECL, Addiko calculates in total three outcomes: Base case, optimistic case and pessimistic case. For additionally analyses Addiko simulates more adverse scenarios to understand dynamics and potential portfolio risks.

The observed period and the applied parameters within the ECL calculation depend on the maturity of the transaction, the IFRS 9 stage of the transaction and the macro scenario applied. For stage 1 the up to one year expected credit loss has to be considered while for stage 2 and 3 the expected lifetime loss has to be recognised.

The PD (probability of default) parameters reflects the probability of default for a certain period of time. The PDs used for the ECL calculation are derived by models/methodology which were developed by Addiko Bank internal model development units. Generally, the models are country and segment specific whenever possible and plausible. For certain parts of the portfolio Group wide models are applied to reflect data availability and portfolio characteristics. In certain cases, also external data from rating agencies is applied for the same reason. Methodology wise, an indirect modeling approach is chosen. This means that underlying existing Basel III methodology is used as a starting point and is adapted in a way to be fully IFRS 9 compliant. This includes the removal of any conservatism from the models, the inclusion of forward-looking point-in-time information within the methodology as well as the estimation of lifetime PD term structures.

EAD (exposure at default) is an estimate of the exposure including repayments of principal and interest and expected drawdowns on committed facilities. EAD is specified as the gross carrying amount at time of default while using the effective interest rate to discount cash flows to a present value at the reporting date. In cases where no contractual maturity is given, quantitative and/or qualitative criteria are applied for determining cashflow structure (e.g. frames). For the EAD parameter internally developed statistical models are used. Also, Addiko Bank uses statistically developed models to estimate the prepayment rates in its portfolios.

LGD (loss given default) is an estimate of the economic loss under condition of a default. For the LGD parameter in both retail and Corporate internally developed statistical models are applied. Those values are internally aligned while qualitative checks are performed to ensure an adequate level.

In addition to the generalised ECL calculation based on internal estimated risk parameters/methodology a portfolio approach is applied for certain circumstances which cannot not be appropriately considered in a different way within the general framework while being relevant for the reporting date. These aspects are related but not limited to data availability and quality, model/parameter weaknesses, limited timeseries and/or time lags in data. A formalised approach is defined to ensure a consistent and sound application within the overall calculation logic.

Considering the ability of models to correctly capture the forward-lookig information and predict the development of PDs, consequently development of ECL, Addiko regularly (quarterly) estimates the need to introduce or revoke post-model adjustments (“overlays”) into the ECL calculation with the aim to ensure that the risk is not underestimated while the models are adjusted. The process of estimation and introduction of such post-model adjustment (PMAs) is strongly governed.

During 2023 Addiko implemented improvements into several models, and re-evaluated the need for post-model adjustment, which was booked with the end of 2022, introduced to cover the ability of the PD models to correctly capture uncertainty of the future and high overall volatility of the macroeconomic environment. The Post Model Adjustment (PMA) was reduced to EUR 6.5 million (YE22: EUR 20.7 million) as a result of an update of macroeconomic data, which included a reduction in expected macroeconomic volatility, partially reversing the PMA taken in the previous period (based on higher anticipated macroeconomic volatility at the time). This was booked in full in the individual Addiko entities.

Significant increase in credit risk

Addiko Bank measures ECL in three stages as the deterioration in credit quality takes place. Namely, for stage 1 up to 12-month ECL is reported and for stage 2 and 3 the full lifetime expected credit loss is recognised.

Stage 1 begins as soon as a financial instrument is originated and up to 12-month ECL are recognised as an expense and a loss allowance is established. For financial assets, interest revenue is calculated on the gross carrying amount. Unless its credit quality changes, the same treatment applies every time until its maturity.

When credit quality is deemed to deteriorate significantly assets move into stage 2, referring to Addiko Banks´ staging criteria (as described further below in more detail). At this point, the full lifetime ECL is applied, resulting in a significant increase in the provisions.

Stage 3 occurs when the credit quality of a financial asset deteriorates to the point that:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising collateral (if any is held), or
- The borrower is more than 90 days past due on any material credit obligation to the Group.

Lifetime ECL continuous to be applied for loans in this stage of credit deterioration but interest income is calculated based on the lower net amortised cost carrying amount (gross carrying amount adjusted for the loss allowance).

Addiko Group uses the definition of default according to CRR Article 178, as this is the industry standard, and it allows consistency between entities and risk management processes. The determination that a financial asset is credit-impaired is achieved through the tracking of default criteria defined in the Default detection and recovery policy.

For the ECL calculation Addiko Bank classifies transactions in the different stages based on qualitative and quantitative criteria. Those are determined both by the standard itself as well as by internal analyses which are undertaken across countries and portfolio types. The staging indicators are classified as follows:

Qualitative staging criteria:

- 30 days past due: Addiko Bank identifies a staging criterion trigger when contractual payments are more than 30 days past due.
- Forborne exposures: are those exposures where Addiko Bank has extended forbearance measures because of the debtor facing financial difficulties. Forbearance events may result in an exposure being classified as performing or non-performing which implies a stage transfer into stage 2 or 3.

Further qualitative criteria in connection with the watchlist/early warning systems are reflected in the PD via the automatic downgrade of the client (as incorporated within the rating models and processes) or as a specific stage trigger depending on the portfolio.

Quantitative criteria are applied based on the probability of default, namely significant adverse changes in the 12-months probability of default at the reporting date compared to the initial recognition of the exposure with significance being assessed as a threefold increase of PD. In addition, for some parts of the portfolios leverage is applied as an additional stage criterion to reflect changes in exposure caused by macroeconomic circumstances which were not foreseeable at initial recognition and/or are not directly reflected in the PD at the reporting date. Due to limited timeseries there are cases where the rating at origination is not available. For such cases, a simplified proxy approach based on historically simulated ratings is used (PD at certain point in time is used as a proxy for the initial recognition) while additional mechanisms are applied to account for potential adverse effects resulting from this assumption.

Both, the qualitative and quantitative factors used for the staging determination are undergoing a constant validation and monitoring process to ensure their appropriateness and applicability over time (see chapter "Validation").

Forward-looking information

Addiko Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. Addiko Bank has identified and documented key drivers of credit risk for each portfolio of financial instruments incorporating historical data analysis and estimated relationships between macroeconomic variables and credit risk. These key drivers used for the analyses include in addition to other important factors the following major indicators: unemployment rates, GDP growth rates, real estate prices, industrial production. To account for the potential effect of climate-related and environmental risk on credit risk, Addiko considers the impact of transitional risks on the macroeconomic indicators. For this purpose the effect of a significant increase of carbon prices, which would be needed to meet "net-zero targets", is simulated.

All variables incorporated are at country and portfolio level whenever possible and plausible.

Forecast of these economic variables are regularly evaluated and updated. The input data for the forecasts is collected from external data sources. An extensive internal check and (if needed) adjustment is performed to make sure that forecasts reflect Addiko's view on future outcomes. This includes also different future scenarios and their probabilities. These scenarios are the baseline economic scenario, the optimistic and pessimistic scenario forecast and probability weights for each of them. The forecasted parameters are consistently used for various bank internal processes.

The forward-looking statements contained in this report are based on current estimates, assumptions and projections of Addiko Group as well as currently available public information. They are not guaranteeing future performance and involve certain known and yet unknown risks and uncertainties and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the current results or performance to be materially different from those that may be expressed or implied by such statements.

Validation

The methodology and the assumptions undertaken in the ECL calculation are embedded in the internal validation process. This means that models/methodologies are constantly undertaken a quality review and an improvement process. The validation standards applied are formalised upfront in a way to ensure a consistent evaluation over time. The validation is generally performed on an annual base.

Addiko distinguishes between an initial and an ongoing validation:

- An initial validation is performed in case of a new model development, major changes in the existing methodology and/or significant shifts in the values
- Ongoing validations represent the regular review of the existing methodology (when no initial validation was performed).

In addition to the yearly process a close monthly monitoring is undertaken to ensure that portfolio and model developments are timely identified while already raised findings are timely tackled.

The validation is performed by an independent internal unit which deliver reports to local and Group senior management.

Write-offs

When the Group has no reasonable expectations of recovery, a write-off event occurs. A write-off constitutes a derecognition event typically triggered by concessions given to borrowers in significant financial difficulties and/or by the Group’s judgment that it is no longer reasonable to expect any recovery of that amount.

Write-off can be done only against already recognised ECL. The amount written off can be either a full write-off or a partial write-off.

In addition to the general derecognition criteria (see chapter "Derecognition and contract modification") the following specific criteria fulfilment would lead to the derecognition of financial assets:

- Unsecured financial asset if the debtor is already undergoing bankruptcy proceedings,
- Financial asset can be written off if fully impaired (100% ECL) when all local regulatory requirements are fulfilled,
- Financial assets which have been subject to restructuring three or more times and the bank assessed the debtor as not able to repay their obligations,
- Financial asset for which the bank´s right to claim repayment from the debtor in judicial or other proceedings has been terminated by approval of compulsory settlement,
- Other triggers were defined for financial assets that are treated as non-recoverable.

16.3. Derecognition and contract modification

A financial asset is derecognised when:

- The contractual rights to receive cash flows from the asset have expired, or
- Addiko Group transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement,
- And either: (i) it has transferred substantially all risks and rewards connected with ownership of the asset, or (ii) has neither transferred nor retained substantially all risks and rewards connected with ownership of the asset but has transferred control of the asset.

Contractual adjustments resulting from negotiations with borrowers can lead to two types of modifications of initial contractual cash flows: (i) significant modifications or (ii) Insignificant modifications.

The following main criteria result in significant modifications:

- Quantitative - significant change of the contractual cash flows when the present value of the cash flows under the new terms is discounted using the original effective interest rate and differs from the discounted present value of the original financial instrument for at least 10%.
- Qualitative:
  - change of debtor,
  - currency change,
  - change of the purpose of financing,
  - SPPI critical features are removed or introduced in the loan contract.

Significant modifications leading to derecognition of financial assets
If the contractual cash flows of a financial asset are modified or renegotiated substantially, it results in derecognition (due to expiry of contractual rights to the cash flows) of that financial asset. A new financial asset with modified terms is recognised and the difference between the amortised cost of derecognised financial asset and the fair value of the new financial asset is reported in the profit or loss statement. If the borrower is not in default or the significant modification does not lead to default, then the new asset will be classified in stage 1. If the borrower is in default or the modification leads to the derecognition of the original financial asset and to the origination of a new financial asset at a deep discount that reflects the incurred credit losses, then the new asset will be treated as purchased or originated credit impaired (POCI) at initial recognition. For POCI financial assets no loss allowances are recognised and lifetime ECLs are reflected in the credit adjusted effective interest rate at initial recognition. Subsequently, the amount of

change in lifetime ECLs since the initial recognition of POCI financial asset should be recognised as an impairment gain or loss in profit or loss. Even if the lifetime ECLs are less than the amount of ECLs that were included in the estimated cash flows on initial recognition, favorable changes in lifetime ECLs have to be recognised as an impairment gain.

For financial instruments in stage 1 and 2 measured at amortised costs, the unamortised balance of the origination fees and transaction costs considered in the effective interest rate is presented in the line "Net interest income" and for financial instruments in stage 3 measured at amortised costs, it is presented in the line "Expected credit loss expenses on financial assets". The release of the credit loss allowances of the original asset and the recognition of credit loss allowance for the new asset are presented in the line "Expected credit loss expenses on financial assets".

Insignificant modifications not leading to derecognition of financial assets
If the contractual cash flows of financial asset are modified or renegotiated in such a way that does not result in the derecognition of that financial asset, entities should recalculate the gross carrying amount of the financial asset on the basis of the renegotiated or modified contractual cash flows using initial effective interest rate for discounting. A modification gain or loss is recognised in profit or loss in the line "Other result".

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

16.4. Interest rate benchmark reform

The Addiko Group has exposure to IBORs (Interbank Offered Rates) on its financial instruments that were reformed. LIBOR reference rates EUR, GPB, CHF, JPY for all tenors and USD LIBOR reference rates for 1W and 2M tenors ceased at the end of 2021. The remaining USD LIBOR tenors ceased as at 30 June 2023. New alternative reference rates (SONIA, SARON, TONAR, SOFR) are available as a replacement of the ceased rates.

The main risks to which the Group has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves, revision of operational controls related to the reform and assessing of potential litigation risk. Financial risk is predominantly limited to interest rate risk.

The main focus of the Addiko Group during 2022 was the transition of CHF LIBOR. The transition of USD LIBOR contracts was performed during the year 2023 and SOFR (Secured Overnight Financing rate) rates were applied.

The Addiko Group applied the practical expedient in relation to accounting for modifications of financial assets and financial liabilities required by IBOR reform. If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the effective interest rate of the financial asset or financial liability is updated to reflect the change that is required by the reform. There is consequently no adjustment of the carrying amount and no gain or loss is recognised. In effect, the change is treated as akin to a movement in the market rate of interest. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

(17) Repurchase agreements

A repurchase agreement is an agreement between two parties under which one party transfers to the other party the ownership of assets at a specified price for a limited period of time, and at the same time it is agreed that these assets, upon expiry of the said term, should or may be repurchased at a previously agreed-upon amount. Under IFRS 9, the seller continues to recognise the asset in its statement of financial position if the seller retains substantially all risks and rewards of ownership. The cash amount received or paid is presented as a liability by the seller, whereas the buyer recognises a receivable.

(18) Fiduciary transactions

Fiduciary transactions concluded by the Addiko Group in its own name but on account of a third party are not reported in the statement of financial position according to IFRS. Commission fees are included in the net fee and commission income in profit or loss.

(19) Financial guarantees

Financial guarantees are contracts that oblige the Addiko Group to make compensation payments to the guarantee holder for losses incurred. Such losses arise if a certain debtor does not meet the payment obligations pursuant to the contractual terms and conditions. Financial guarantees are initially recognised as liabilities at fair value including transaction costs directly related to the guarantee issued. Initial measurement is the premium received and this amount is subsequently amortised to fee income. Liabilities are subsequently measured at the higher of the amount of ECL provision and the amortised balance of initially recognised premium.

(20) Cash and cash equivalents

Cash and cash equivalents comprise cash, cash balances at central banks that are daily due, deposits that are daily due, as well as the minimum reserve. These amounts are stated at amortised costs. Debt instruments issued by public authorities eligible for refinancing at central banks are not shown in this item but, depending on their measurement category, are shown as financial assets.

The mandatory minimum reserve requirement is calculated based on defined items of the statement of financial position and has to be fulfilled in average through an extended period of time. Minimum reserve requirement deposits are not subject to any restraints.

(21) Tangible assets: Property, plant and equipment and investment properties

Land and buildings used by the Addiko Group in the course of its own business activities as well as operating and office equipment are reported under property, plant and equipment. Real estate acquired to generate returns is reported under investment properties.

Property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. Scheduled depreciation is recorded on a straight-line basis over the expected useful life. Factors involved in determining the useful life include the asset’s age when purchased, how frequently the asset will be used, technology changes and changes due to climate risks. The following depreciation rates and expected useful lives are used:

Depreciation rate	in percent	in years
for immovable assets (buildings)	2 - 4 %	25 - 50 yrs
for movable assets (plant and equipment)	5 - 33 %	3 - 20 yrs

Investment properties are land and buildings held to earn rental income or to benefit from expected increases in value. Provided that they can be let or sold separately, material parts of mixed-use properties that are used by third parties are also treated as investment property.

Investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses, according to the cost method admissible under IAS 40, with straight-line depreciation being applied over the useful lives applicable to property, plant and equipment.

Scheduled depreciation on property, plant and equipment used by the Group is reported separately under depreciation and amortisation in the income statement. Scheduled depreciation on investment property is reported separately under "Other operating expenses" in the income statement. Gains and losses on disposal of property, plant and equipment and investment properties are reported under "Other operating income" or "Other operating expenses".

The assets are reviewed for indications of possible impairment at every reporting date. For this purpose, the current carrying amount is offset against the recoverable amount pursuant to IAS 36. Therefore, the recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount, an impairment has to be recognised. Insofar as the asset generates cash inflows that are largely independent of the cash inflows of other assets, the impairment test is performed on the basis of the individual asset. Otherwise, the impairment test is performed for the cash-generating unit the asset belongs to. IAS 36 defines a cash-generating unit as the smallest identifiable group of assets generating cash inflows that are largely independent from the cash inflows of other assets or groups of assets. The existence of a plan for energy efficient replacement investments which is in line with the Group's carbon reduction strategy qualifies as an impairment trigger. Impairment or reversal of impairment, if any, is reported under the item "Other result". If the reasons for the impairment cease to exist, the previously recognised impairment is reversed. The reversal is limited in that the asset's carrying amount is not permitted to exceed the amount that would have been reported after depreciation if no impairment loss had been recorded for the asset in previous years.

(22) Intangible assets

Purchased software as well as prepayments made on intangible assets are reported under intangible assets. Expenditure on internally generated software is recognised as an asset when Addiko is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. These assets are measured at cost less amortisation.

Scheduled amortisation is recorded on a straight-line basis over the expected useful life and reported under depreciation and amortisation. The following amortisation rates and expected useful lives are used:

Amortisation rate or useful life	in percent	in years
for software	14 -50%	2 -7 yrs

If there are indications of impairment, an impairment test is performed according to IAS 36 as described under tangible assets, and impairments are recorded through profit or loss. Impairment or reversal of impairment and gains and losses from disposal, if any, are reported under the item "Other result".

(23) Tax assets and tax liabilities

Current and deferred income tax assets and liabilities are jointly reported in the statement of financial position under "Tax assets" and "Tax liabilities". Current income taxes are determined according to the tax law regulations of the respective countries.

Deferred tax assets and liabilities are accounted for using the liability method, which compares the tax base of the items in the statement of financial position with the amounts stated pursuant to IFRS. In the case of expected taxable temporary differences, taxes are deferred. A deferred tax liability shall be recognised if the reversal of taxable temporary differences will lead to an effective tax burden. Deferred tax assets are recognised for taxable temporary differences that result in a tax credit when recovered. Deferred tax assets and deferred tax liabilities have been offset as required by IAS 12. The recognition of deferred tax is only allowed if there is convincing other evidence that sufficient taxable profits will be available.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. In accordance with IAS 12, non-current deferred taxes are not discounted. Deferred tax assets are recorded for tax loss carry-forwards if there is convincing evidence that future taxable profits will be available against which losses can be utilised. This assessment is made on tax plans which are based on business plans as agreed by the Management Board.

The recoverability of a deferred tax asset due to tax losses carried forward and taxable temporary differences is reviewed at the end of each reporting period. Recognition and reversal of tax assets and tax liabilities is recorded either in the income statement or in other comprehensive income, shown as a separate position.

The Group maintains provisions for uncertain tax positions that it believes appropriately reflect the risk of the tax positions under discussion, audit, dispute or appeal with tax authorities. These provisions are made using the Group's best estimate of the amount expected to be paid based on an assessment of all relevant factors, which are reviewed at the end of each reporting period.

(24) Other assets

Other assets mainly consist of prepayments, accrued expenses and real estates held as current assets, but do not comprise financial instruments.

Deferred assets are recognised at their nominal value, the real estate held as current asset with the lower of the carrying amount and the fair value less cost to sell.

(25) Non-current assets and disposal groups classified as held for sale

Pursuant to IFRS 5, an asset (or a disposal group) held for sale is classified as such if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Essential conditions that, cumulatively fulfilled, result in such a classification pursuant to IFRS 5.7 and 5.8 are:

- Immediate availability, i.e. the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets,
- Commitment to a plan to sell the asset, active search to locate a buyer,
- High probability of sale,
- Sale within a period of twelve months.

If the requirements are met, the disposal item must thus be measured according to the special provisions under IFRS 5 as at the reporting date and written down to the lower of the carrying amount or the fair value less costs to sell.

Assets classified as held for sale and the associated liabilities are each recorded in a separate main item in the statement of financial position. “Impairment losses and reversal of impairment losses for assets classified as held for sale and disposal groups" are presented in “Other result”. Gains and losses from disposal for assets classified as held for sale and disposal groups are presented in “Other operating income and other operating expense”.

(26) Provisions

26.1. Provisions for risks arising from the lending business

Provisions for risks arising from the lending business are set up for risks arising in particular from impending draw-downs on framework agreements or as a provision against liability assumed for customer transactions (particularly issued financial guarantees and granted loan commitments). This item includes provisions for expected credit losses from loan commitments, financial guarantees and other commitments given. Provisions are made both for individual cases and at portfolio level and measured in accordance with IFRS 9.

Changes in provisions for risks arising from the lending business affecting profit or loss are reported in the income statement under the item “Expected credit loss expenses on financial assets”.

26.2. Provisions for legal disputes and other provisions

Provisions for legal disputes and other provisions are recorded if there is a present liability related to a past event towards a third party, if the assertion of the relevant claim is probable and if the amount of the claim can be determined reliably. If the time value of the money effect due to passage of time is material, then provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised as interest expense. The measurement of provisions for contingent liabilities and impending losses is based on reliable (best) estimates according to IAS 37.36 et seq. Provisions for legal cases include disputes with business partners, customers and external institutions, and are created based on an evaluation of the probability of a court case being lost by the Group. In certain cases, the legal risk-related loss is calculated using statistical methods with the expected value being the sum of the products of the probabilities of specific litigation resolutions and the loss calculated for each scenario, taking into account alternative prediction methods with respect to the number of disputes within the relevant time horizon.

26.3. Provisions for retirement benefits and similar obligations

The Addiko Group maintains both defined contribution and defined benefit plans. Under defined contribution plans, a fixed contribution is paid to an external provider. These payments are recognised under personnel expenses in the income statement. Except for these, there are no further legal or other obligations on the part of the employer. Therefore, no provision is required.

Defined benefit obligations relate to pension commitments and severance obligations. These schemes are unfunded, i.e. all of the funds required for coverage remain within the Company.

Non-current personnel provisions are determined according to IAS 19 – Employee Benefits – using the projected unit credit method. The valuation of future obligations is based on actuarial opinions prepared by independent actuaries. The present value of the defined benefit obligation is reported in the statement of financial position. According to the provisions of IAS 19, the resulting actuarial gains and losses are recorded under equity in other comprehensive income without affecting profit or loss. The key parameters underlying the actuarial calculations for staff members in Austria can be found in the table below. Biometric basic data are taken into account using the AVÖ 2018 P generation mortality tables for salaried employees (2022: AVÖ 2018 P generation mortality tables for salaried employees). Non-current personnel provisions are calculated on the basis of the earliest possible legal retirement age.

For staff members employed abroad, calculations are based on local parameters.

		31.12.2023			31.12.2022	
Actuarial parameters	Austria	Slovenia	Serbia	Austria	Slovenia	Serbia
Interest rate	3.85%	3.60%	3.00%	3.05%	3.50%	3.00%
Salary increase	4.00%	3.50%	0.00%	3.71%	4.00%	0.00%
Fluctuation discount	6.90%	6.33%	0.00%	4.03%	5.58%	0.00%

The expenditure to be recognised through profit or loss consists of service cost reported under personnel expenses and interest expense which is recorded as such; actuarial gains and losses are reported under equity in other comprehensive income without affecting profit or loss.

26.4. Provisions for restructuring

Provisions for restructuring are only recorded if the general criteria for recording provisions in accordance with IAS 37.72 are fulfilled. This requires the existence of a constructive obligation for the company, which is fulfilled by the existence of a formal, detailed restructuring plan and the announcement of the measures set out in this plan to those affected. For disclosure of restructuring expenses, see note (34) Other operating income and other operating expenses.

(27) Other liabilities

This item includes deferred income and non-financial liabilities that due to their nature could not be classified in specific balance sheet item.

(28) Share-based payments

28.1. Share-settled share-based payments

The fair value of deferred shares granted to the management board under the variable remuneration scheme is recognised as Personnel expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date and is recognised in equity in the share-based payment reserve included in Other reserves. At initial recognition, the granted amount is estimated based on expected fulfillment of vesting conditions. The estimates of service conditions and non-market performance conditions are revised at the end of the reporting period, and adjustments are recognised in profit or loss and in the share-based payment reserve. Where shares are forfeited due to a failure by the employee to satisfy the service conditions during the vesting period, any expenses previously recognised in relation to such shares are reversed or, if shares are forfeited after the vesting period, they are transferred with the equity.

28.2. Cash-settled share-based payments

Liabilities for the group's cash-settled share-based payments are recognised as Personnel expenses over the relevant service period. The liabilities are remeasured to fair value at each reporting date until the settlement and are presented as Provisions in the balance sheet. The ultimate cost of a cash-settled award is the cash paid to the beneficiary, which is the fair value at settlement date. Changes in the measurement of the liability are reflected in the statement of profit or loss.

(29) Equity (including non-controlling interests)

Equity evidences the residual interest in the assets of an entity after deduction of all liabilities or obligations which cannot be terminated by the investor:

- **Subscribed (registered) capital** represents the amounts paid in by shareholders in accordance with the articles of association.
- **Capital reserve** includes share premium which is the amount by which the issue price of the shares exceeded their nominal value. In addition, direct capital contributions are presented in this position.
- The **fair value reserves** of debt instruments and of equity instruments include the measurement results – after taking deferred taxes into account – for the financial assets measured at fair value through other comprehensive income.
- The **remeasurement on defined benefit plans** consists of actuarial gains and losses on the defined benefit obligations.
- **Foreign currency reserve** includes the translation of financial statements of Addiko Group subsidiaries (for further detail, see the note (8) Foreign currency translation).
- The **cumulative result** includes the cumulated profits generated by the Group with the exception of the share of profit to which external parties are entitled.
- The **other reserves** include the statutory reserves, the liability reserve and equity-settled share-based payment transactions.

Notes to the profit or loss statement

(30) Earnings per share

	31.12.2023	31.12.2022
Shares outstanding as of 1 January	19,466,081	19,500,000
Purchase of treasury shares	-152,079	-47,633
Disposal of treasury shares	19,114	13,714
Shares outstanding as of 31 December	**19,333,116**	**19,466,081**
Treasury Shares	-166,884	-33,919
Number of shares issued at the reporting date	19,500,000	19,500,000
Weighted average number of outstanding shares	19,422,603	19,473,361

The basic earnings per share is calculated by dividing the net result by the weighted average number of ordinary shares. As there are no stock options issued by Addiko Bank AG, the basic (undiluted) earnings per share equal the diluted earnings per share.

	31.12.2023	31.12.2022
Result after tax attributable to ordinary shareholders (in EUR m)	41.1	25.7
Weighted-average number of outstanding ordinary shares (in units of shares)	19,422,603	19,473,361
Earnings per share (in EUR)	2.12	1.32

(31) Net interest income

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Interest income calculated using the effective interest method	**247.3**	**192.9**
Financial assets at fair value through other comprehensive income	11.9	11.1
Financial assets at amortised cost	235.5	181.6
Negative interest from financial liabilities	0.0	0.2
Other interest income	**29.7**	**2.3**
Financial assets held for trading	3.0	1.1
Other assets (incl. cash balances at central banks and other demand deposits)	26.6	1.2
Total interest income	**277.0**	**195.1**
Financial liabilities measured at amortised cost	-46.3	-16.5
o/w households	-28.8	-7.8
o/w lease liabilities	-0.5	-0.3
Other liabilities	-1.4	0.0
Financial liabilities held for trading	-1.3	-0.7
Negative interest from financial assets	0.0	-1.6
Total interest expense	**-49.0**	**-18.7**
Net interest income	**228.0**	**176.4**

Interest income break down by instrument and sector as follows:

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Derivatives - Trading	**2.4**	**0.4**
Debt securities	**24.0**	**13.1**
Central banks	0.0	0.0
Governments	22.6	11.3
Credit institutions	1.1	0.8
Other financial corporations	0.0	0.1
Non-financial corporations	0.3	0.9
Loans and advances	**223.9**	**180.2**
Central banks	2.8	0.9
Governments	1.9	1.8
Credit institutions	2.5	0.2
Other financial corporations	0.9	0.5
Non-financial corporations	70.2	47.8
Households	145.5	129.0
Other assets	**26.6**	**1.2**
Negative interest from financial liabilities	**0.0**	**0.2**
Central banks	0.0	0.1
Credit institutions	0.0	0.1
Non-financial corporations	0.0	0.0
Total	**277.0**	**195.1**

Interest expenses break down by instrument and sector as follows:

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Derivatives - Trading	**-1.3**	**-0.7**
Deposits	**-45.9**	**-16.1**
Governments	-1.0	-0.9
Credit institutions	-4.7	-1.8
Other financial corporations	-3.8	-1.4
Non-financial corporations	-7.5	-4.2
Households	-28.8	-7.8
Other liabilities	**-1.8**	**-0.4**
Negative interest from financial assets	**0.0**	**-1.6**
Debt securities	**0.0**	**-0.1**
Central banks	0.0	0.0
Governments	0.0	-0.1
Loans and advances	**0.0**	**-1.5**
Central banks	0.0	-1.5
Credit institutions	0.0	0.0
Total	**-49.0**	**-18.7**

(32) Net fee and commission income

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Transactions	19.8	20.4
Accounts and Packages	28.1	26.1
Cards	17.6	14.3
Foreign exchange & Dynamic currency conversion	7.8	13.6
Securities	0.1	0.2
Bancassurance	5.7	5.5
Loans	5.0	5.2
Deposits	0.0	0.7
Trade finance	5.3	5.4
Other	1.1	1.0
Fee and commission income	**90.4**	**92.3**
Transactions	-4.2	-4.5
Accounts and Packages	-1.5	-1.2
Cards	-12.3	-10.8
Foreign exchange & Dynamic currency conversion	-0.1	-0.2
Securities	-0.2	-0.2
Bancassurance	-0.4	-0.4
Loans	-1.2	-0.7
Deposits	0.0	0.0
Trade finance	-0.1	-0.1
Client and sales incentives	-2.3	-0.4
Other	-1.1	-1.6
Fee and commission expenses	**-23.3**	**-19.8**
Net fee and commission income	**67.1**	**72.5**

The fee and commissions presented in this note include income of EUR 50.7 million (2022: EUR 46.3 million) and expenses of EUR -14.9 million (2022: EUR -12.6 million) relating to financial assets and liabilities not measured at FVTPL. The fees and commissions include EUR 84.7 million (2022: EUR 85.8 million) from contracts with customers in the scope of IFRS 15 Revenues from Contracts with Customers and EUR 5.7 million (2022: EUR 6.6 million) from financial guarantee contracts and loan commitments. Furthermore, the position Client and sales incentives includes EUR 2.1 million sales incentives paid to Addiko employees based on the achievement of pre-defined sales targets. In 2022 sales incentives were shown under personnel expenses; previous-year figures were not amended due to minor amounts.

(33) Net result on financial instruments

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Held for trading financial instruments	-1.4	-0.7
Foreign exchange	1.4	2.6
Non-trading financial assets mandatorily at fair value through profit or loss	0.4	-0.1
Financial assets at fair value through other comprehensive income	0.0	0.0
Financial assets at amortised cost	0.0	0.0
Total	**0.4**	**1.8**

33.1. Gains or losses on financial instruments held for trading, net - by instrument

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Derivatives	-1.9	0.8
Debt securities	0.6	-1.5
Other financial liabilities	-0.1	-0.1
Total	**-1.4**	**-0.7**

33.2. Gains or losses on financial assets and liabilities held for trading, net - by risk

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Interest rate instruments and related derivatives	-0.6	0.0
Foreign exchange trading and derivatives related to foreign exchange and gold	-1.3	-0.6
Credit risk instruments and related derivatives	0.0	0.0
Other	0.6	-0.1
Total	**-1.4**	**-0.7**

33.3. Gains or losses on financial assets and liabilities, not measured at fair value through profit or loss - by instrument

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Debt securities	0.0	-0.6
Loans and advances	0.0	0.6
Other financial liabilities	0.0	0.0
Total	**0.0**	**0.0**

(34) Other operating income and other operating expenses

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Other operating income	**3.7**	**5.1**
Gain from sale of non financial assets	1.0	2.7
Release of provisions for tax litigations	0.0	0.8
Income from operating lease assets	0.5	0.6
Restructuring income	0.1	0.0
Gain from the sale of assets classified as held for sale and disposal groups	0.7	0.0
Other income	1.3	1.1
Other operating expenses	**-16.7**	**-14.3**
Losses from sale of non financial assets	-0.1	-0.4
Expense incurred in earning the operating lease assets income	-0.5	-0.5
Restructuring expenses	-1.4	0.0
Recovery and resolution fund	-0.2	-0.6
Deposit guarantee	-7.1	-6.5
Banking levies and other taxes	-4.6	-3.8
Other expenses	-2.9	-2.4
Total	**-13.1**	**-9.2**

(35) Personnel expenses

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Wages and salaries	-60.3	-55.9
Social security contribution	-10.5	-9.8
Variable remuneration	-10.4	-8.8
Bonuses	-7.1	-7.7
Cash-settled share-based payments	-2.3	-0.6
Equity-settled share-based payments	-1.1	-0.5
Voluntary social expenses	-4.6	-3.8
Expenses for retirement and severance payments	-9.7	-9.3
Income from release of employee provisions	0.6	0.9
Other personnel expenses	-2.9	-2.1
Total	**-97.8**	**-88.9**

Certain incentives are paid to Addiko sales employees based on the achievement of pre-defined targets. For the year 2023 we believe it is more appropriate to show such volume and pricing based incentives under Fees and commission expenses whereas before (2022) such incentives were disclosed under personnel expenses. Considering EUR -2.1 million sales incentives paid during 2023 the overall personnel expenses would amount to EUR -99.9 million (YE22: EUR -88.9 million).

(36) Other administrative expenses

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
IT expenses	-31.1	-32.0
Premises expenses (rent and other building expenses)	-13.0	-12.2
Legal and advisory costs	-4.0	-3.0
Advertising costs	-7.5	-6.8
Remaining other administrative expenses	-8.0	-7.9
Total	**-63.5**	**-61.8**

(37) Depreciation and amortisation

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Property, plant and equipment	-10.0	-10.5
o/w right of use assets	-5.6	-5.9
Intangible assets	-7.3	-6.9
Total	**-17.3**	**-17.4**

(38) Other result

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Net result from legal cases	**-37.4**	**-26.2**
Release of provisions for legal cases and income from legal cases	2.2	2.1
Allocation of provisions for passive legal cases and legal costs	-39.6	-28.3
Net result from operational risks [1]	**-5.6**	**0.0**
Release of provisions from operational risk and income from operational risk cases	0.0	0.0
Allocation of provisions from operational risk and operational risk expenses	-5.6	0.0
Impairment / reversal of impairment on non financial assets	**-0.2**	**-0.8**
Reversal of impairment	0.6	0.0
Impairment	-0.9	-0.8
Modification gains or losses	**-1.6**	**0.0**
Total	**-44.7**	**-27.0**

[1] New line item introduced for the purpose of a transparent presentation of the expenses connected with operational risk items. Previous-year figures were not adapted as no material operational risk items, on an individual or aggregated bases, have been identified, other than the losses related to legal cases which, were and will be further reported under the line item "Net result from legal cases".

The net result from legal cases amounting to EUR -37.4 million during the year 2023 (2022: EUR -26.2 million) was mainly impacted by credit linked and portfolio based provisions for expected legal matters on Swiss franc denominated loans in Croatia, Slovenia and Montenegro. Further details regarding provisions for legal cases are included in note (26) Provisions.

The net result from operational risk amounting to EUR -5.6 million during the year 2023 (2022: EUR 0.0 million) includes provisions connected with proportional fee reimbursements in Slovenia in case of early loan repayments ("Lexitor case"), with the impact from the decision of the Indirect Taxation Authority in Bosnia & Herzegovina to reverse their previous instructions and apply VAT on credit card services retroactively and going forward and expenses in connection with customer-related operational risk cases.

(39) Expected credit loss expenses on financial assets

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Change in CL on financial instruments at FVTOCI	**-0.3**	**0.0**
Change in CL on financial instruments at amortised cost	**-12.8**	**-14.1**
Net allocation to risk provision	-22.7	-21.7
Proceeds from loans and receivables previously impaired	10.9	9.5
Directly recognised impairment losses	-1.0	-2.0
Net allocation of provisions for commitments and guarantees given	**1.4**	**-1.3**
Total	**-11.8**	**-15.4**

(40) Taxes on income

EUR m

	01.01. - 31.12.2023	01.01. - 31.12.2022
Current tax	-10.6	-4.1
Deferred tax	4.3	-1.3
thereof: temporary differences	1.8	-1.3
thereof: tax losses carried forward	2.5	-0.1
Total	**-6.3**	**-5.5**

40.1. Reconciliation of effective tax rate

The reconciliation from calculated income tax to the effective tax is as follows:

EUR m

	31.12.2023	31.12.2022
Result before tax	**47.4**	**31.2**
Theoretical income tax expense based on Austrian corporate tax rate of 24% (2022: 25%)	-11.4	-7.8
Effects from divergent foreign tax rates	5.9	5.1
Tax effect of:		
Tax-exempt income	0.2	1.0
Investment related tax relief and other effects reducing the tax burden	1.5	2.1
Non-deductible expenses and withholding taxes	-1.6	-3.6
Current-year losses for which no deferred tax asset is recognised	-5.5	-7.9
Recognition of previously unrecognised tax losses and re-assessment of existing stock of DTA from taxable losses	5.0	2.8
Recognition/non-recognition of temporary differences	-0.3	1.6
Previous years	0.0	1.1
Other	-0.2	0.0
Actual income tax	**-6.3**	**-5.5**
Effective tax rate	**13.4%**	**17.6%**

40.2. Movements in deferred tax balances

In the financial year, deferred tax assets and liabilities were netted as far as the requirements according to IAS 12 were fulfilled. Deferred taxes (tax assets or tax liabilities) have been recorded for the differences between carrying amounts for tax purposes and IFRS values and for unused tax losses as presented in the following table:

EUR m

				Balance at 31 December		
2023	Net balance 01.01.	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax assets	Deferred tax liabilities
Financial assets designated at FVTPL	0.0	0.3	0.0	0.3	0.3	0.0
Financial assets at fair value through other comprehensive income	14.0	0.0	-6.3	7.7	7.7	0.0
Financial assets at amortised cost	1.9	-1.5	0.0	0.5	0.8	-0.3
Tangible assets (including right-of-use assets)	-1.2	0.1	0.0	-1.1	1.6	-2.7
Intangible assets	0.4	-0.1	0.0	0.3	0.3	0.0
Financial liabilities held for trading	0.1	0.3	0.0	0.5	0.5	0.0
Financial liabilities measured at amortised cost (including lease liabilities)	2.8	-0.3	0.0	2.5	2.5	0.0
Provisions	7.3	3.0	0.0	10.3	10.3	0.0
Other	1.3	0.0	0.0	1.3	1.3	0.0
Tax losses carried forward	10.3	2.5	0.0	12.8	12.8	0.0
Tax assets (liabilities) before set-off	**37.0**	**4.4**	**-6.3**	**35.1**	**38.1**	**-3.0**
Set-off of tax	0.0	0.0	0.0	0.0	-3.0	3.0
Tax assets (liabilities)	**37.0**	**4.4**	**-6.3**	**35.1**	**35.1**	**0.0**

EUR m

2022	Net balance 01.01.	Recognised in profit or loss	Recognised in OCI	Balance at 31 December Net	Deferred tax assets	Deferred tax liabilities
Financial assets designated at FVTPL	0.2	-0.2	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	-0.1	0.0	14.1	14.0	14.0	0.0
Financial assets at amortised cost	2.9	-1.0	0.0	1.9	2.5	-0.5
Tangible assets (including right-of-use assets)	-0.6	-0.6	0.0	-1.2	1.7	-2.9
Intangible assets	0.5	-0.1	0.0	0.4	0.4	0.0
Financial liabilities held for trading	0.1	0.0	0.0	0.1	0.1	0.0
Financial liabilities measured at amortised cost (including lease liabilities)	3.2	-0.4	0.0	2.8	2.8	0.0
Provisions	6.2	1.1	0.0	7.3	7.3	0.0
Other	1.2	0.0	0.1	1.3	1.3	0.0
Tax losses carried forward	10.4	-0.1	0.0	10.3	10.3	0.0
Tax assets (liabilities) before set-off	**24.1**	**-1.4**	**14.2**	**37.0**	**40.5**	**-3.5**
Set-off of tax	0.0	0.0	0.0	0.0	-3.5	3.5
Tax assets (liabilities)	**24.1**	**-1.4**	**14.2**	**37.0**	**37.0**	**0.0**

Note: Deferred tax assets arising from obligations for variable payments in the amount of EUR 0.8 million in the opening balances and EUR 0.8 million in the closing balances have been transferred from Provisions to Other (Other liabilities).

The total change in deferred taxes is EUR -1.9 million (2022: EUR 12.8 million). Of this, EUR 4.4 million (2022: EUR -1.4 million) is reflected in the current income statement as deferred tax income and an amount of EUR -6.3 million (2022: EUR 14.2 million) is shown in other comprehensive income in equity.

Addiko Group applied the Amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction. Following the Amendments, Addiko Group presents separately a deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right of use assets. The carrying amount in the opening balance as of 1 January 2022 for Tangible assets (including right of use assets) was adjusted by EUR -3.2 million and for financial liabilities measured at amortised costs (including lease liabilities) by EUR 3.2 million. The closing balance at YE22 for Tangible assets (including right of use assets) was adjusted by EUR -2.8 million and for financial liabilities measured at amortised costs (including lease liabilities) by EUR 2.8 million. For further information about the impact, please see note (3.1) New currently effective requirements.

40.3. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profits will be available in the next 5 years against which the Group can use the benefit therefrom.

EUR m

	2023		2022	
	Gross amounts	Tax effect	Gross amounts	Tax effect
Deductible temporary differences	0.0	0.0	0.0	0.0
Tax losses	324.8	73.9	322.4	70.1
Total	**324.8**	**73.9**	**322.4**	**70.1**

40.4. Tax losses carried forward

The utilisation of the unused tax losses from previous years and their possibility to be carried forward are presented in the following table:

EUR m

Tax losses per country - 2023	ABS	ABH	Total
applicable tax rate	22.0%	23.0%	
Total tax losses carried forward (never expire)	**143.4**	**239.8**	**383.2**
Theoretical Deferred Tax asset	**31.5**	**55.2**	**86.7**
Recognised DTA	12.8	0.0	12.8
Unrecognised DTA	18.7	55.2	73.9

EUR m

Tax losses per country - 2022	ABS	ABH	Total
applicable tax rate	19.0%	23.0%	
Total tax losses carried forward (never expire)	**156.7**	**220.0**	**376.7**
Theoretical Deferred Tax asset	**29.8**	**50.6**	**80.4**
Recognised DTA	10.3	0.0	10.3
Unrecognised DTA	19.5	50.6	70.1

In 2023 the Slovenian parliament approved a temporary increase of the corporate tax rate from 19% to 22% that will apply for the calendar years 2024, 2025, 2026, 2027 and 2028 to fund measures to support areas affected by the floods of August 2023. The increased corporate tax rate, applied to the updated five-year business plan approved by the management of the Slovenian subsidiary, resulted in the recognition during the year ended 31 December 2023 of additional EUR 2.5 million deferred tax assets. By assuming that the entity will generate enough taxable profits in the future years to entirely utilise the existing taxable losses, additional deferred tax assets and related tax benefit of EUR 18.7 million (2022: EUR 19.5 million) could be recognised.

In 2023, the Group's parent company, recognised additional tax losses in amount of EUR 19.9 million (2022: EUR 31.7 million), increasing the cumulative tax losses to EUR 239.8 million (2022: EUR 220.0 million). Although the tax losses are unlimited utilisable, Addiko has determined that the recoverability of cumulative tax losses is uncertain as it is not probable that in the foreseeable future taxable profit will be available against which the Group can use the benefits. According to the Eco Social Tax Reform Act, the standard corporate income tax (CIT) rate in Austria was reduced from 25% to 24% in calendar year 2023 and will be reduced further to 23% in calendar year 2024. However, due to the above-described situation, this change resulted in no impact on the amount of deferred tax assets and liabilities recognised during the year ended 31 December 2023.

40.5. Uncertainty over income tax treatments

Addiko Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. Addiko Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. However, due to the fact that Addiko Group is subject to a large number of tax regulations that in some cases have only been in effect for a short period of time, are frequently amended and enforced by various political subdivisions, there is a risk that tax audits could, on account of diverging interpretations, result in assessments of tax deficiencies, which could require Addiko Group to pay additional taxes not previously expected.

In 2020 the tax authorities in Montenegro issued a decision in relation to a tax audit covering the period from 2008 to 2012 based on which the local subsidiary was charged with understating CIT, WHT and VAT. Upon that decision, the Bank was required to make an immediate payment in amount of EUR 1.6 million. However, the bank, based on advice received from its tax and legal experts, appealed against the decision of the tax authority. The dispute lasted till 2020, when a newly appointed commission from the Tax Authority issued a decision that overruled the initial decision and stated that the Bank has correctly stated tax obligations concerning mentioned taxes. After this, the Bank has officially requested return of funds which were initially paid and recognised a receivable against the tax authorities.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

40.6. Global minimum tax

To address concerns about uneven profit distribution and tax contributions of large multinational groups, various agreements have been reached at the global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Cooperation and Development (OECD) released a draft legislative framework, followed by detailed guidance released in March 2022, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. Based on the OECD’s draft legislative framework, the global minimum tax will apply only to multinational enterprise groups with a total consolidated group revenues of EUR 750 million or more in at least two of the four preceding years. Unless jurisdictions will introduce a lower threshold, the Addiko Group was not exceeding in the previous years the above-mentioned thresholds and for this reason it is not expecting that it will be subject to the top-up tax.

Notes to the consolidated statement of financial position

(41) Cash and cash equivalents

EUR m

31.12.2023	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash on hand	114.4	0.0	114.4
Cash balances at central banks	1,045.6	-0.1	1,045.5
Other demand deposits	94.7	-0.1	94.6
Total	**1,254.6**	**-0.2**	**1,254.5**

EUR m

31.12.2022	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash on hand	119.9	0.0	119.9
Cash balances at central banks	1,185.0	0.0	1,185.0
Other demand deposits	78.0	0.0	78.0
Total	**1,383.0**	**-0.1**	**1,382.9**

The total amount of cash balances at central banks and other demand deposits is considered as low risk business and is classified within stage 1 (12-month ECL).

The cash balances at central banks include EUR 232.3 million (YE22: EUR 212.2 million) minimum reserves which subsidiaries were holding at the reporting date in their current accounts at their national central banks in order to meet on average during the maintenance period the prescribed requirements.

41.1. Cash balances at central banks and other demand deposits - development of gross carrying amount

EUR m

2023	Stage 1
Gross carrying amount at 01.01.	**1,263.0**
New financial assets originated or purchased	471.4
Financial assets that have been derecognised	-472.6
Changes in the gross carrying amount of existing assets	-121.5
Write-offs/utilisation	0.0
Foreign exchange and other movements	-0.1
Gross carrying amount at 31.12.	**1,140.2**

EUR m

2022	Stage 1
Gross carrying amount at 01.01.	**1,235.1**
New financial assets originated or purchased	8.4
Financial assets that have been derecognised	-60.8
Changes in the gross carrying amount of existing assets	80.8
Write-offs/utilisation	0.0
Foreign exchange and other movements	-0.5
Gross carrying amount at 31.12.	**1,263.0**

As the ECL allowance amounts to less than EUR 0.1 million, no breakdown into stages is provided.

(42) Financial assets held for trading

EUR m

	31.12.2023	31.12.2022
Derivatives	**4.9**	**5.0**
Debt securities	**24.6**	**17.9**
Governments	24.6	17.9
Total	**29.5**	**22.8**

(43) Loans and advances

The Addiko Group measures all loans and advances at amortised cost.

43.1. Loans and advances to credit institutions

EUR m

31.12.2023	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and advances to credit institutions	66.7	-0.1	66.6

EUR m

31.12.2022	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and advances to credit institutions	89.2	0.0	89.2

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**89.2**	**0.0**	**0.0**	**0.0**	**89.2**
New financial assets originated or purchased	32.7	0.0	0.0	0.0	32.7
Financial assets that have been derecognised	-122.6	0.0	0.0	0.0	-122.6
Changes in the gross carrying amount of existing assets	64.3	0.0	0.0	0.0	64.3
Transfer between stages	-0.3	0.3	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	2.6	0.6	0.0	0.0	3.2
Gross carrying amount at 31.12.	**65.8**	**0.9**	**0.0**	**0.0**	**66.7**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**5.7**	**0.0**	**0.0**	**0.0**	**5.7**
New financial assets originated or purchased	294.4	0.0	0.0	0.0	294.4
Financial assets that have been derecognised	-355.3	0.0	0.0	0.0	-355.3
Changes in the gross carrying amount of existing assets	143.6	0.0	0.0	0.0	143.6
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.9	0.0	0.0	0.0	0.9
Gross carrying amount at 31.12.	**89.2**	**0.0**	**0.0**	**0.0**	**89.2**

As the ECL allowance amounts to less than EUR 0.1 million, no breakdown into stages is provided.

43.2. Loans and advances to customers

EUR m

31.12.2023	Gross carrying amount	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL POCI	Carrying amount (net)
Households	2,247.7	-11.5	-21.1	-61.9	-1.1	2,152.0
Non-financial corporations	1,341.9	-6.7	-12.9	-45.2	0.0	1,277.1
Governments	35.9	-0.1	-0.1	0.0	0.0	35.7
Other financial corporations	24.8	-0.1	-0.4	0.0	0.0	24.4
Total	**3,650.3**	**-18.4**	**-34.5**	**-107.1**	**-1.1**	**3,489.2**

EUR m

31.12.2022	Gross carrying amount	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL POCI	Carrying amount (net)
Households	2,130.4	-13.7	-26.9	-71.3	-1.2	2,017.2
Non-financial corporations	1,283.6	-7.1	-16.5	-45.6	0.0	1,214.4
Governments	37.4	-0.1	0.0	0.0	0.0	37.3
Other financial corporations	24.8	-0.1	-0.8	-0.1	0.0	23.8
Total	**3,476.2**	**-21.0**	**-44.3**	**-117.0**	**-1.2**	**3,292.7**

Development of ECL allowance:

43.2.1. LOANS AND ADVANCES TO HOUSEHOLDS

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**1,778.6**	**255.0**	**90.1**	**6.7**	**2,130.4**
New financial assets originated or purchased	742.1	17.2	0.5	0.2	760.0
Financial assets that have been derecognised	-257.1	-24.3	-13.1	-0.4	-294.9
Changes in the gross carrying amount of existing assets	-273.0	-50.1	9.7	-1.1	-314.5
Transfer between stages	-118.1	96.4	21.7	0.0	0.0
Write-offs/utilisation	0.0	0.0	-28.8	0.0	-28.8
Foreign exchange and other movements	2.5	-3.0	-4.1	0.0	-4.6
Gross carrying amount at 31.12.	**1,875.0**	**291.2**	**76.0**	**5.4**	**2,247.7**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**1,687.0**	**279.6**	**118.2**	**8.1**	**2,093.0**
New financial assets originated or purchased	629.2	17.1	0.5	0.0	646.8
Financial assets that have been derecognised	-211.0	-24.5	-18.3	-0.4	-254.1
Changes in the gross carrying amount of existing assets	-269.5	-49.5	4.6	0.8	-313.5
Transfer between stages	-68.8	42.1	26.8	0.0	0.0
Write-offs/utilisation	-0.1	-2.5	-44.1	-1.9	-48.5
Foreign exchange and other movements	11.7	-7.4	2.3	0.0	8.6
Gross carrying amount at 31.12.	**1,778.6**	**255.0**	**90.1**	**6.7**	**2,130.4**

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-13.7**	**-26.9**	**-71.3**	**-1.2**	**-113.2**
New remeasurement of loss allowance	16.2	0.0	-24.2	0.1	-8.0
Increases due to origination and acquisition	-7.1	-2.1	0.0	0.0	-9.2
Decreases due to derecognition	2.7	1.8	3.0	0.1	7.5
Transfer between stages	-9.8	6.2	3.6	0.0	0.0
Write-offs/utilisation	0.0	0.0	28.1	0.0	28.1
Foreign exchange and other movements	0.2	-0.1	-1.0	0.0	-0.9
ECL allowance as at 31.12.	**-11.5**	**-21.1**	**-61.9**	**-1.1**	**-95.6**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-15.4**	**-33.0**	**-93.7**	**-2.1**	**-144.3**
New remeasurement of loss allowance	13.0	0.6	-19.3	0.2	-5.5
Increases due to origination and acquisition	-7.9	-3.0	-0.2	0.0	-11.0
Decreases due to derecognition	1.0	2.0	4.7	0.1	7.8
Transfer between stages	-4.5	4.8	-0.3	0.0	0.0
Write-offs/utilisation	0.0	2.4	43.0	1.9	47.3
Foreign exchange and other movements	0.0	-0.8	-5.6	-1.2	-7.6
ECL allowance as at 31.12.	**-13.7**	**-26.9**	**-71.3**	**-1.2**	**-113.2**

Overall gross carrying amount slightly increased during the year 2023, mostly through disbursements of new loans - outperforming the repayments and write-offs. Average coverage slightly increased on stage 3, and decreased on stage 2, due to increased prudency of stage 2 classification, which caused inflow of lower risk exposures into stage 2.

43.2.2. LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**1,099.5**	**121.4**	**61.7**	**1.0**	**1,283.6**
New financial assets originated or purchased	779.7	21.5	0.5	0.0	801.6
Financial assets that have been derecognised	-297.7	-29.8	-21.2	0.0	-348.7
Changes in the gross carrying amount of existing assets	-374.8	-18.5	22.1	-0.3	-371.5
Transfer between stages	-117.3	103.3	14.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	-21.1	0.0	-21.1
Foreign exchange and other movements	-3.1	2.2	-1.1	0.0	-2.1
Gross carrying amount at 31.12.	**1,086.1**	**200.1**	**54.9**	**0.8**	**1,341.9**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**1,090.4**	**164.8**	**65.8**	**0.0**	**1,320.9**
New financial assets originated or purchased	751.7	12.9	0.0	0.0	764.7
Financial assets that have been derecognised	-325.2	-34.5	-19.7	0.0	-379.4
Changes in the gross carrying amount of existing assets	-378.1	-43.0	11.6	1.0	-408.6
Transfer between stages	-36.8	21.9	15.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	-11.6	0.0	-11.6
Foreign exchange and other movements	-2.5	-0.7	0.7	0.0	-2.5
Gross carrying amount at 31.12.	**1,099.5**	**121.4**	**61.7**	**1.0**	**1,283.6**

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-7.1**	**-16.5**	**-45.6**	**0.0**	**-69.2**
New remeasurement of loss allowance	5.6	0.7	-19.4	0.0	-13.1
Increases due to origination and acquisition	-6.6	-0.8	0.0	0.0	-7.4
Decreases due to derecognition	1.4	2.5	3.5	0.0	7.4
Transfer between stages	0.0	1.4	-1.3	0.0	0.0
Write-offs/utilisation	0.0	0.0	20.8	0.0	20.9
Foreign exchange and other movements	0.0	-0.1	-3.2	0.0	-3.3
ECL allowance as at 31.12.	**-6.7**	**-12.9**	**-45.2**	**0.0**	**-64.9**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-8.0**	**-17.2**	**-40.0**	**0.0**	**-65.2**
New remeasurement of loss allowance	4.7	-1.6	-16.5	0.0	-13.4
Increases due to origination and acquisition	-5.6	-0.6	0.0	0.0	-6.2
Decreases due to derecognition	1.2	1.5	3.8	0.0	6.5
Transfer between stages	0.5	1.3	-1.8	0.0	0.0
Write-offs/utilisation	0.0	0.0	11.0	0.0	11.0
Foreign exchange and other movements	0.0	0.0	-2.0	0.0	-2.0
ECL allowance as at 31.12.	**-7.1**	**-16.5**	**-45.6**	**0.0**	**-69.2**

Overall gross carrying amount slightly increased during the year 2023, mostly through disbursements of new loans - outperforming the repayments and write-offs. Average coverage slightly increased on stage 3, and decreased on stage 2, due to increased prudency of stage 2 classification, which caused inflow of lower risk exposures into stage 2.

43.2.3. LOANS AND ADVANCES TO GENERAL GOVERNMENTS

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**35.3**	**2.1**	**0.0**	**0.0**	**37.4**
New financial assets originated or purchased	37.3	0.8	0.0	0.0	38.1
Financial assets that have been derecognised	-25.9	-0.9	0.0	0.0	-26.8
Changes in the gross carrying amount of existing assets	-15.4	2.2	0.0	0.0	-13.2
Transfer between stages	1.9	-1.9	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.4	0.0	0.0	0.0	0.4
Gross carrying amount at 31.12.	**33.6**	**2.4**	**0.0**	**0.0**	**35.9**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**45.2**	**6.6**	**0.0**	**0.0**	**51.8**
New financial assets originated or purchased	27.6	2.3	0.3	0.0	30.2
Financial assets that have been derecognised	-25.9	-2.8	-0.1	0.0	-28.8
Changes in the gross carrying amount of existing assets	-13.7	-2.7	0.3	0.0	-16.1
Transfer between stages	1.3	-1.3	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	-0.3	0.0	-0.3
Foreign exchange and other movements	0.7	0.0	-0.2	0.0	0.5
Gross carrying amount at 31.12.	**35.3**	**2.1**	**0.0**	**0.0**	**37.4**

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-0.1**	**0.0**	**0.0**	**0.0**	**-0.1**
New remeasurement of loss allowance	0.0	0.0	0.0	0.0	0.0
Increases due to origination and acquisition	-0.1	0.0	0.0	0.0	-0.1
Decreases due to derecognition	0.0	0.0	0.0	0.0	0.0
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
ECL allowance as at 31.12.	**-0.1**	**-0.1**	**0.0**	**0.0**	**-0.2**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-0.1**	**-0.1**	**0.0**	**0.0**	**-0.2**
New remeasurement of loss allowance	0.1	0.1	0.0	0.0	0.2
Increases due to origination and acquisition	0.0	0.0	0.0	0.0	0.0
Decreases due to derecognition	0.0	0.0	0.0	0.0	0.0
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
ECL allowance as at 31.12.	**-0.1**	**0.0**	**0.0**	**0.0**	**-0.1**

43.2.4. LOANS AND ADVANCES TO OTHER FINANCIAL CORPORATIONS

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**22.2**	**2.5**	**0.1**	**0.0**	**24.8**
New financial assets originated or purchased	36.6	0.8	0.0	0.0	37.4
Financial assets that have been derecognised	-34.4	-0.5	0.0	0.0	-34.9
Changes in the gross carrying amount of existing assets	-2.4	0.0	0.0	0.0	-2.4
Transfer between stages	-2.0	2.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
Gross carrying amount at 31.12.	**20.1**	**4.8**	**0.0**	**0.0**	**24.8**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**20.3**	**3.0**	**0.1**	**0.0**	**23.4**
New financial assets originated or purchased	20.7	0.1	0.0	0.0	20.8
Financial assets that have been derecognised	-15.3	0.0	0.0	0.0	-15.3
Changes in the gross carrying amount of existing assets	-3.7	-0.5	0.0	0.0	-4.1
Transfer between stages	0.1	-0.1	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.2	0.0	0.0	0.0	0.2
Gross carrying amount at 31.12.	**22.2**	**2.5**	**0.1**	**0.0**	**24.8**

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-0.1**	**-0.8**	**-0.1**	**0.0**	**-1.0**
New remeasurement of loss allowance	0.0	0.5	0.0	0.0	0.5
Increases due to origination and acquisition	0.0	0.0	0.0	0.0	0.0
Decreases due to derecognition	0.0	0.0	0.0	0.0	0.0
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
ECL allowance as at 31.12.	**-0.1**	**-0.4**	**0.0**	**0.0**	**-0.5**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-0.1**	**-0.6**	**-0.1**	**0.0**	**-0.8**
New remeasurement of loss allowance	0.1	-0.2	0.0	0.0	-0.2
Increases due to origination and acquisition	-0.1	0.0	0.0	0.0	-0.1
Decreases due to derecognition	0.0	0.0	0.0	0.0	0.0
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
ECL allowance as at 31.12.	**-0.1**	**-0.8**	**-0.1**	**0.0**	**-1.0**

43.3. Loans and advances subject to contractual modifications that did not result in derecognition

The table below shows debt financial instruments measured at amortised costs, assigned to stage 2 or stage 3, that were subject to contractual modification that did not result in derecognition during the reporting period.

EUR m

	31.12.2023		31.12.2022	
	Amortised costs before the modification	Modification gains or losses	Amortised costs before the modification	Modification gains or losses
Other financial corporations	0.0	0.0	0.0	0.0
Non-financial corporations	2.8	0.0	21.2	0.0
Households	2.4	0.0	17.2	-0.2
Total	**5.2**	**0.0**	**38.4**	**-0.2**

The total gross carrying amount of debt financial assets measured at amortised costs, which were impacted by contractual modifications that did not result in derecognition at a time when they were assigned to stage 2 or stage 3 and reassigned to stage 1 during the year 2023 amounted to EUR 0.4 million as at 31 December 2023 (YE22: EUR 0.2 million).

(44) Investment securities

EUR m

	31.12.2023	31.12.2022
Fair value through other comprehensive income (FVTOCI)	728.7	877.6
Mandatorily at fair value through profit or loss (FVTPL)	2.1	1.8
At amortised cost	447.9	182.2
Total	**1,178.6**	**1,061.6**

44.1. Fair value through other comprehensive income (FVTOCI)

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**960.1**	**0.0**	**0.0**	**0.0**	**960.1**
New financial assets originated or purchased	9.5	0.0	0.0	0.0	9.5
Financial assets that have been derecognised	-179.3	0.0	0.0	0.0	-179.3
Changes in the gross carrying amount of existing assets	-18.5	0.0	0.0	0.0	-18.5
Transfer between stages	-3.0	3.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	-4.5	0.0	0.0	0.0	-4.5
Gross carrying amount at 31.12.	**764.3**	**3.0**	**0.0**	**0.0**	**767.3**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**994.8**	**0.0**	**0.0**	**0.0**	**994.8**
New financial assets originated or purchased	635.3	0.0	0.0	0.0	635.3
Financial assets that have been derecognised	-690.3	0.0	0.0	0.0	-690.3
Changes in the gross carrying amount of existing assets	10.9	0.0	0.0	0.0	10.9
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	9.4	0.0	0.0	0.0	9.4
Gross carrying amount at 31.12.	**960.1**	**0.0**	**0.0**	**0.0**	**960.1**

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-0.3**	**0.0**	**0.0**	**0.0**	**-0.3**
New remeasurement of loss allowance	-0.2	0.0	0.0	0.0	-0.2
Increases due to origination and acquisition	-0.1	0.0	0.0	0.0	-0.1
Decreases due to derecognition	0.0	0.0	0.0	0.0	0.0
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
ECL allowance as at 31.12.	**-0.5**	**0.0**	**0.0**	**0.0**	**-0.6**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-0.3**	**0.0**	**0.0**	**0.0**	**-0.3**
New remeasurement of loss allowance	0.0	0.0	0.0	0.0	0.0
Increases due to origination and acquisition	0.0	0.0	0.0	0.0	0.0
Decreases due to derecognition	0.0	0.0	0.0	0.0	0.0
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
ECL allowance as at 31.12.	**-0.3**	**0.0**	**0.0**	**0.0**	**-0.3**

EUR m

	31.12.2023	31.12.2022
Debt securities	**709.5**	**859.9**
Governments	599.0	724.7
Credit institutions	103.5	116.1
Other financial corporations	5.0	12.2
Non-financial corporations	2.0	7.0
Equity instruments	**19.2**	**17.7**
Governments	13.1	12.6
Other financial corporations	5.6	4.6
Non-financial corporations	0.5	0.6
Total	**728.7**	**877.6**

The following table shows equity instruments designated to be measured at FVTOCI and their fair values:

EUR m

	31.12.2023	31.12.2022
Slovenian Bank Resolution Fund	13.1	12.6
VISA Inc.	5.1	4.2
Other equity instruments	1.0	0.9
Total	**19.2**	**17.7**

44.2. Mandatorily at fair value through profit or loss (FVTPL)

EUR m

	31.12.2023	31.12.2022
Debt securities	**1.8**	**1.5**
Other financial corporations	1.8	1.5
Equity instruments	**0.3**	**0.3**
Non-financial corporations	0.3	0.3
Total	**2.1**	**1.8**

44.3. At amortised cost

EUR m

	31.12.2023	31.12.2022
Debt securities	**447.9**	**182.2**
Governments	434.5	180.1
Credit institutions	10.4	2.1
Non-financial corporations	3.0	0.0
Total	**447.9**	**182.2**

For instruments measured at amortised cost the ECL allowance are below EUR 0.1 million and therefore no breakdown into stages is provided.

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**182.2**	**0.0**	**0.0**	**0.0**	**182.2**
New financial assets originated or purchased	311.2	0.0	0.0	0.0	311.2
Financial assets that have been derecognised	-66.6	0.0	0.0	0.0	-66.6
Changes in the gross carrying amount of existing assets	21.4	0.0	0.0	0.0	21.4
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	-0.1	0.0	0.0	0.0	-0.1
Gross carrying amount at 31.12.	**448.1**	**0.0**	**0.0**	**0.0**	**448.1**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
New financial assets originated or purchased	191.1	0.0	0.0	0.0	191.1
Financial assets that have been derecognised	-15.0	0.0	0.0	0.0	-15.0
Changes in the gross carrying amount of existing assets	6.0	0.0	0.0	0.0	6.0
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.1	0.0	0.0	0.0	0.1
Gross carrying amount at 31.12.	**182.2**	**0.0**	**0.0**	**0.0**	**182.2**

For instruments measured at amortised cost the ECL allowance are below EUR 0.1 million and therefore no breakdown into stages is provided.

(45) Tangible assets

EUR m

	31.12.2023	31.12.2022
Owned property, plant and equipment	**38.8**	**40.1**
Land and buildings	30.4	31.5
Plant and equipment	7.1	7.8
Plant and equipment - under construction	1.3	0.8
Right of use assets	**16.1**	**18.0**
Land and buildings	14.2	16.2
Plant and equipment	1.3	1.0
Investment property	0.6	0.8
Investment property	**2.7**	**3.5**
Total	**57.6**	**61.6**

(46) Intangible assets

EUR m

	31.12.2023	31.12.2022
Goodwill	0.0	0.0
Purchased software	18.0	19.4
Internally generated software	1.8	1.8
Intangible assets under development	3.5	3.4
Total	**23.3**	**24.5**

(47) Development of tangible and intangible assets

47.1. Development of cost and carrying amounts

The development of cost and carrying amounts of owned property, plant and equipment is presented in the table below.

EUR m

2023	Land and buildings	Plant and equipment	Plant and equipment - under construction	Investment properties	Total
Acquisition cost 01.01.	**71.8**	**53.2**	**0.8**	**9.8**	**135.6**
Foreign exchange differences	0.0	0.0	0.0	0.0	0.0
Additions	0.6	1.8	1.1	0.0	3.5
Disposals	-0.9	-3.5	0.0	-4.8	-9.2
Other changes	0.0	0.2	-0.6	0.7	0.3
Acquisition cost 31.12.	**71.5**	**51.6**	**1.3**	**5.7**	**130.2**
Cumulative depreciation and amortisation 31.12.	**-41.2**	**-44.5**	**0.0**	**-3.0**	**-88.7**
Carrying amount 31.12.	**30.4**	**7.1**	**1.3**	**2.7**	**41.5**

EUR m

2022	Land and buildings	Plant and equipment	Plant and equipment - under construction	Investment properties	Total
Acquisition cost 01.01.	**83.7**	**67.2**	**0.8**	**12.2**	**163.9**
Foreign exchange differences	-0.1	-0.1	0.0	0.0	-0.1
Additions	0.4	1.3	1.4	0.0	3.1
Disposals	-8.7	-15.8	0.0	-4.9	-29.4
Other changes	-3.4	0.5	-1.4	2.5	-1.7
Acquisition cost 31.12.	**71.8**	**53.2**	**0.8**	**9.8**	**135.6**
Cumulative depreciation and amortisation 31.12.	**-40.3**	**-45.4**	**0.0**	**-6.3**	**-92.0**
Carrying amount 31.12.	**31.5**	**7.8**	**0.8**	**3.5**	**43.6**

The development of cost and carrying amounts of right of use assets is presented in the table below:

EUR m

2023	Land and buildings	Plant and equipment	Investment properties	Total
Acquisition cost 01.01.	**30.1**	**4.9**	**0.9**	**35.9**
Foreign exchange differences	0.0	0.0	0.0	0.0
Additions	2.0	0.6	0.0	2.6
Disposals	-1.3	-0.7	0.0	-2.0
Other changes	1.1	0.5	0.0	1.6
Acquisition cost 31.12.	**31.9**	**5.2**	**1.0**	**38.1**
Cumulative depreciation and amortisation 31.12.	**-17.8**	**-3.9**	**-0.4**	**-22.0**
Carrying amount 31.12.	**14.2**	**1.3**	**0.6**	**16.1**

EUR m

2022	Land and buildings	Plant and equipment	Investment properties	Total
Acquisition cost 01.01.	**31.1**	**4.9**	**0.0**	**36.1**
Foreign exchange differences	0.0	0.0	0.0	0.0
Additions	3.9	0.2	0.9	5.1
Disposals	-5.6	-0.3	0.0	-5.9
Other changes	0.7	0.0	0.0	0.7
Acquisition cost 31.12.	**30.1**	**4.9**	**0.9**	**35.9**
Cumulative depreciation and amortisation 31.12.	**-13.9**	**-3.9**	**-0.2**	**-18.0**
Carrying amount 31.12.	**16.2**	**1.0**	**0.8**	**18.0**

The development of cost and carrying amounts on intangible assets is presented in the table below:

EUR m

2023	Purchased software	Internally generated software	Under development	Total
Acquisition cost 01.01.	**108.5**	**3.7**	**3.4**	**115.5**
Foreign exchange differences	0.0	0.0	0.0	0.0
Additions	2.5	0.0	2.6	5.1
Internal development	0.0	0.0	1.2	1.2
Disposals	-0.3	0.0	0.0	-0.3
Other changes	2.9	0.8	-3.7	0.0
Acquisition cost 31.12.	**113.7**	**4.5**	**3.5**	**121.7**
Cumulative depreciation and amortisation 31.12.	**-95.7**	**-2.6**	**0.0**	**-98.3**
Carrying amount 31.12.	**18.0**	**1.8**	**3.5**	**23.3**

EUR m

2022	Purchased software	Internally generated software	Under development	Total
Acquisition cost 01.01.	**115.7**	**3.0**	**3.8**	**122.5**
Foreign exchange differences	0.0	0.0	0.0	0.0
Additions	1.6	0.0	2.0	3.6
Internal development	0.0	0.0	1.2	1.2
Disposals	-11.7	0.0	0.0	-11.7
Other changes	2.9	0.7	-3.6	0.0
Acquisition cost 31.12.	**108.5**	**3.7**	**3.4**	**115.5**
Cumulative depreciation and amortisation 31.12.	**-89.1**	**-1.9**	**0.0**	**-91.0**
Carrying amount 31.12.	**19.3**	**1.8**	**3.4**	**24.5**

47.2. Development of depreciation and amortisation

The development of depreciation and amortisation of owned property, plant and equipment is presented in the table below:

EUR m

2023	Land and buildings	Plant and equipment	Plant and equipment - under construction	Investment properties	Total
Cumulative depreciation and amortisation 01.01.	**-40.3**	**-45.4**	**0.0**	**-6.3**	**-92.0**
Foreign exchange differences	0.0	0.0	0.0	0.0	0.0
Disposals	0.6	2.7	0.0	3.1	6.3
Scheduled depreciation and amortisation	-1.9	-2.5	0.0	-0.1	-4.5
Impairment	-0.1	0.0	0.0	0.0	-0.1
Other changes	0.4	0.8	0.0	-0.2	1.0
Write-up	0.1	0.0	0.0	0.5	0.6
Cumulative depreciation and amortisation 31.12.	**-41.2**	**-44.5**	**0.0**	**-3.0**	**-88.7**

EUR m

2022	Land and buildings	Plant and equipment	Plant and equipment - under construction	Investment properties	Total
Cumulative depreciation and amortisation 01.01.	**-47.1**	**-58.3**	**0.0**	**-7.1**	**-112.5**
Foreign exchange differences	0.1	0.0	0.0	0.0	0.1
Disposals	6.1	15.5	0.0	2.6	24.2
Scheduled depreciation and amortisation	-1.9	-2.6	0.0	-0.2	-4.7
Impairment	-0.3	-0.1	0.0	-0.1	-0.5
Other changes	2.8	0.0	0.0	-1.6	1.2
Write-up	0.2	0.0	0.0	0.1	0.2
Cumulative depreciation and amortisation 31.12.	**-40.3**	**-45.4**	**0.0**	**-6.3**	**-92.0**

The development of depreciation and amortisation of right of use is presented in the table below.

EUR m

2023	Land and buildings	Plant and equipment	Investment properties	Total
Cumulative depreciation and amortisation 01.01.	**-13.9**	**-3.9**	**-0.2**	**-18.0**
Foreign exchange differences	0.0	0.0	0.0	0.0
Disposals	1.0	0.7	0.0	1.8
Scheduled depreciation and amortisation	-4.9	-0.7	-0.2	-5.8
Impairment	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0
Write-up	0.0	0.0	0.0	0.0
Cumulative depreciation and amortisation 31.12.	**-17.8**	**-3.9**	**-0.4**	**-22.0**

EUR m

2022	Land and buildings	Plant and equipment	Investment properties	Total
Cumulative depreciation and amortisation 01.01.	**-13.7**	**-3.0**	**0.0**	**-16.8**
Foreign exchange differences	0.0	0.0	0.0	0.0
Disposals	4.7	0.2	0.0	4.9
Scheduled depreciation and amortisation	-4.8	-1.1	-0.2	-6.1
Impairment	0.0	0.0	0.0	0.0
Other changes	0.0	0.1	0.0	0.1
Write-up	0.0	0.0	0.0	0.0
Cumulative depreciation and amortisation 31.12.	**-13.9**	**-3.9**	**-0.2**	**-18.0**

The development of depreciation and amortisation of intangible assets is presented in the table below.

EUR m

	Intangible assets			
2023	Purchased software	Internally generated software	Under development	Total
Cumulative depreciation and amortisation 01.01.	**-89.1**	**-1.9**	**0.0**	**-91.0**
Foreign exchange differences	0.0	0.0	0.0	0.0
Disposals	0.3	0.0	0.0	0.3
Scheduled depreciation and amortisation	-6.5	-0.7	0.0	-7.3
Impairment	-0.3	0.0	0.0	-0.3
Other changes	0.0	0.0	0.0	0.0
Write-up	0.0	0.0	0.0	0.0
Cumulative depreciation and amortisation 31.12.	**-95.7**	**-2.6**	**0.0**	**-98.3**

EUR m

	Intangible assets			
2022	Purchased software	Internally generated software	Under development	Total
Cumulative depreciation and amortisation 01.01.	**-94.5**	**-1.3**	**0.0**	**-95.7**
Foreign exchange differences	0.0	0.0	0.0	0.0
Disposals	11.6	0.0	0.0	11.6
Scheduled depreciation and amortisation	-6.3	-0.6	0.0	-6.9
Impairment	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.0	0.0
Write-up	0.0	0.0	0.0	0.0
Cumulative depreciation and amortisation 31.12.	**-89.1**	**-1.9**	**0.0**	**-91.0**

(48) Other assets

EUR m

	31.12.2023	31.12.2022
Prepayments and accrued income	8.2	8.4
Inventories (repossessed assets, emergency acquired assets, leases to go, etc.)	0.4	1.2
Other remaining assets	5.4	7.5
o/w receivables from card business	1.5	4.2
Total	**14.0**	**17.1**

(49) Non-current assets held for sale

EUR m

	31.12.2023	31.12.2022
Loans and advances	0.2	0.1
Property plant and equipment	1.2	1.5
Total	**1.3**	**1.6**

(50) Financial liabilities held for trading

EUR m

	31.12.2023	31.12.2022
Derivatives	4.2	3.1
Total	**4.2**	**3.1**

(51) Financial liabilities measured at amortised cost

EUR m

	31.12.2023	31.12.2022
Deposits and borrowings of credit institutions	106.8	128.5
Deposits and borrowings of customers	5,032.6	4,959.6
Lease liabilities	16.7	18.8
Other financial liabilities [1]	42.6	30.0
Total	**5,198.7**	**5,136.8**

[1] The position "Other financial liabilities" include risk EUR 0.1 million (YE22: EUR 0.1 million) of liabilities arising from issued bonds.

51.1. Deposits and borrowings of credit institutions

EUR m

	31.12.2023	31.12.2022
Current accounts / overnight deposits	10.2	4.4
Deposits with agreed terms	96.6	99.8
Repurchase agreements	0.0	24.3
Total	**106.8**	**128.5**

51.2. Deposits and borrowings of customers

EUR m

	31.12.2023	31.12.2022
Current accounts / overnight deposits	**3,124.6**	**3,353.4**
Governments	92.8	82.4
Other financial corporations	42.3	67.6
Non-financial corporations	889.1	951.9
Households	2,100.3	2,251.6
Deposits with agreed terms	**1,903.4**	**1,599.9**
Governments	54.7	85.0
Other financial corporations	182.5	190.7
Non-financial corporations	268.3	258.1
Households	1,397.9	1,066.0
Deposits redeemable at notice	**4.6**	**6.2**
Governments	1.0	1.0
Non-financial corporations	3.5	5.2
Total	**5,032.6**	**4,959.6**

(52) Provisions

EUR m

	31.12.2023	31.12.2022[1)]
Commitments and guarantees granted	7.2	8.5
Pending legal disputes	85.1	58.2
Other provisions	6.9	5.7
Pensions and other post employment defined benefit obligations	2.1	2.0
Other long term employee benefits	0.3	0.3
Restructuring measures	1.4	1.0
Provisions for operational risk	0.7	0.0
Remaining other provisions	2.5	2.4
Total	**99.2**	**72.5**

[1)] Note: In 2023 obligations for variable payments in the amount of EUR 10.9 million (YE22: EUR 10.2 million) and obligations for cash-settled share-based payments in amount of EUR 2.5 million (YE22: EUR 0.7 million) are presented under Other liabilities. In the previous reporting period they were presented under Provisions. The comparative figures have been amended accordingly.

52.1. Provisions for commitments and guarantees granted

Development of loan commitments, financial guarantees and other commitments granted are presented below:

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Nominal value at 01.01.	**841.5**	**48.4**	**7.5**	**0.0**	**897.5**
New commitments and guarantees originated	256.2	8.0	0.3	0.0	264.4
Commitments and guarantees derecognised	-272.6	-14.9	-2.4	0.0	-290.0
Changes in the nominal value of existing instruments	-36.6	42.4	-1.0	0.0	4.8
Transfer between stages	3.4	-4.0	0.6	0.0	0.0
Foreign exchange and other movements	4.2	-2.5	-0.7	0.0	1.0
Nominal value at 31.12.	**796.1**	**77.5**	**4.2**	**0.0**	**877.8**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Nominal value at 01.01.	**947.8**	**31.3**	**6.1**	**0.0**	**985.1**
New commitments and guarantees originated	356.9	7.0	0.0	0.0	363.9
Commitments and guarantees derecognised	-315.0	-6.0	-1.5	0.0	-322.5
Changes in the nominal value of existing instruments	-119.2	-7.4	0.7	0.0	-125.9
Transfer between stages	-31.3	25.8	5.5	0.0	0.0
Foreign exchange and other movements	2.4	-2.3	-3.3	0.0	-3.2
Nominal value at 31.12.	**841.5**	**48.4**	**7.5**	**0.0**	**897.5**

EUR m

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-1.9**	**-2.2**	**-4.4**	**0.0**	**-8.5**
New remeasurement of loss allowance	0.0	-0.2	0.4	0.0	0.2
Increases due to origination and acquisition	-0.7	-0.3	0.0	0.0	-1.0
Decreases due to derecognition	0.4	0.9	1.0	0.0	2.2
Transfer between stages	0.1	0.0	-0.1	0.0	0.0
Foreign exchange and other movements	-0.1	-0.1	0.2	0.0	0.0
ECL allowance as at 31.12.	**-2.3**	**-2.0**	**-3.0**	**0.0**	**-7.2**

EUR m

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.	**-2.6**	**-1.1**	**-3.6**	**0.0**	**-7.2**
New remeasurement of loss allowance	1.2	-0.8	-1.6	0.0	-1.2
Increases due to origination and acquisition	-1.6	-0.3	0.0	0.0	-1.9
Decreases due to derecognition	0.7	0.3	0.8	0.0	1.8
Transfer between stages	0.4	-0.3	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
ECL allowance as at 31.12.	**-1.9**	**-2.2**	**-4.4**	**0.0**	**-8.5**

52.2. Provisions for pending legal disputes

The item “Pending legal disputes” includes provisions for litigations from lending business or litigations with customer protection associations. Several subsidiaries of Addiko Group are involved in legal disputes regarding consumer protection claims. The proceedings mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and that all payments made by both parties under a contract or certain fees or parts of interest payments charged to customers in the past for the adjustment of interest rates and currencies must be repaid. In some jurisdictions, the legal risks in connection with loans granted in the past are also increased by the enactment of politically motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers, as well as a level of unpredictability of judicial decisions beyond the level of uncertainty generally inherent in court proceedings.

The following tables set out the development of the provisions for pending legal disputes:

EUR m

2023	Carrying amount 01.01.	Foreign-exchange-differences	Allocations	Use	Releases	Effect of discounting	Carrying amount 31.12.
Pending legal disputes	58.2	0.0	37.3	-10.3	-1.4	1.3	85.1

EUR m

2022	Carrying amount 01.01.	Foreign-exchange-differences	Allocations	Use	Releases	Effect of discounting	Carrying amount 31.12.
Pending legal disputes	42.6	-0.1	26.5	-9.8	-1.1	0.0	58.2

The provisions for pending legal disputes are mainly relating to claims raised by consumers' association and individuals in Croatia, which did not make use in 2015 of the Swiss Franc loan conversion and which are asserting that consumers' rights have been violated in relation to contractual clauses used in Swiss Franc loans between 2004 and 2008.

During 2023 a significant increase in provisions for such claims was recognised to reflect the most recent developments and available information, such as a higher number of cases filed until the deadline to file new claims passed in June 2023. Addiko recognised in the income statement additional provisions in amount of EUR 28.4 million (YE22: EUR 20.8 million), whereby the related total amount of the provision was EUR 65.8 million (YE22: EUR 43.1 million), with EUR 7.0 million (YE22: EUR 5.9 million) utilised during the year and EUR 1.3 million discounting effect (YE22: no discounting effects).

The calculation is based on the best possible estimate according to IAS 37 of expected outflows of economically useful resources as at the reporting date and is based on a statistical method that takes into account the impact of customer characteristics and the probability weight of various scenarios. Estimation of the costs of legal risk in relation to Swiss franc unilateral interest rate change and Swiss franc currency clauses is complex and requires a considerable degree of judgement with respect to the key assumptions, in particular in relation to:

- The **outcome of individual court decisions**, especially regarding the assessment if the bank engaged in unfair business practices, which is affecting the level of loss. As currently there are little number of final court judgments, there is a significant uncertainty in relation to this estimate.
- The **estimated loss by individual contract** was calculated taking into account the average amount to be refunded to the customers and was performed by clustering the potential lawsuits into specific groups. Uncertainties relate in particular to the potential inclusion of penalty interest, which in turn are connected with Addiko ability to demonstrate that acted in good faith.

Compared with the previous reporting period the uncertainty regarding the overall number of customers which will file a lawsuit against the bank significantly decreased, because the deadline for filing new claims expired on 14 June 2023.

Outflows of economically useful resources are expected in the course of the next two or three business years. It should be considered that the outcome of the underlying proceedings is in many cases difficult to predict and for this reason the final timing could significantly deviate from the original estimate.

The following table presents a sensitivity analysis for each of the following main assumptions showing how the provision amount would be impacted by changes in the relevant assumptions (while other assumptions remain constant) that were reasonably possible at the reporting date:

EUR m

	31.12.2023	31.12.2022
Change in the percentage of change in individual court decisions +10%	3.9	2.2
Change in the percentage of change in individual court decisions -10%	-3.9	-2.2
Change in the estimated loss by individual contract +10% (until YE22: +15%)	5.9	2.4
Change in the estimated loss by individual contract -10% (until YE22: -15%)	-5.9	-2.3

Additional information in relation to legal proceedings connected to Swiss franc unilateral interest rate change and Swiss franc currency clauses are presented in note (67) Legal risk.

A further topic for which provisions for pending legal disputes have been recognised is based on corporate variable interest margin claims, with an amount in dispute (excluding penalty interests) of EUR 1.6 million at 31 December 2023

(YE22: EUR 1.6 million), where the right to change the margin is challenged. The Group recognized provisions for such claims in amount of EUR 2.1 million (YE22: EUR 1.4 million).

In addition, provisions for pending legal disputes have been recognised for claims against the Serbian subsidiary regarding loan processing fees. The total amount in dispute (excluding penalty interests) as of 31 December 2023 is EUR 1.3 million (YE22: EUR 1.4 million) for 5,412 cases. On 16 September 2021 the Serbian Supreme Court issued a new opinion on the validity of loan processing fees in essence finding the fees to be valid if banks provided written offers to the clients before signing of the loan agreement, which led to a significant lower number of new claims, i.e. 468 claims filed and received after 16 September 2021. All banks in Serbia are confronted with these kinds of claims and joint initiatives via the Serbian Banking Association were made and are envisaged for the future. The Group recognized provisions for such claims in amount of EUR 1.7 million (YE22: EUR 1.7 million).

During 2023 provisions for pending legal disputes in amount of EUR 3.7 million (YE22: EUR 0.0 million) have been also recognised following the retroactively change of interpretation by the Slovenian Supreme Court in non Addiko cases of local consumer protection law, establishing higher requirements for the information duty vis-á-vis the customer.

52.3. Other provisions

The following tables set out the other provisions:

EUR m

2023	Carrying amount 01.01.	Allocations	Use	Releases	Other changes	Carrying amount 31.12.
Pensions and other post employment defined benefit obligations	2.0	0.3	-0.2	0.0	-0.1	2.1
Other long term employee benefits	0.3	0.0	0.0	0.0	0.0	0.3
Restructuring measures	1.0	1.5	-0.8	0.0	-0.2	1.4
Provisions for operational risk	0.0	1.7	-1.0	0.0	0.0	0.7
Remaining other provisions	2.4	0.8	0.0	-0.2	-0.5	2.5
Total	**5.7**	**4.3**	**-2.1**	**-0.2**	**-0.8**	**6.9**

EUR m

2022 [1]	Carrying amount 01.01.	Allocations	Use	Releases	Other changes	Carrying amount 31.12.
Pensions and other post employment defined benefit obligations	2.1	0.2	0.0	-0.2	0.0	2.0
Other long term employee benefits	0.4	0.0	0.0	-0.1	0.0	0.3
Restructuring measures	2.4	0.7	-2.1	0.0	0.0	1.0
Provisions for operational risk	0.0	0.0	0.0	0.0	0.0	0.0
Remaining other provisions	3.6	0.9	-1.5	-0.7	0.0	2.4
Total	**8.5**	**1.7**	**-3.6**	**-1.0**	**0.0**	**5.7**

[1] Obligations for variable payments with a carrying amount as of 1 January 2022 of EUR 10.4 million, allocations during 2022 of EUR 7.3 million and utilizations of EUR -7.4 million and thus a carrying amount as of 31 December 2022 of EUR 10.2 million were transferred from provisions to Other liabilities. Obligations for cash-settled share based payments with a carrying amount as of 1 January 2022 of EUR 1.1 million, allocations during 2022 of EUR 0.6 million, utilizations of EUR -0.8 million, releases of EUR -0.2 million and thus a carrying amount as of 31 December 2023 of EUR 0,7 Mio. were transferred from provisions to Other liabilities. The carrying amounts were adjusted accordingly in the consolidated statement of financial position. Reference to note (2) Changes in the presentation of the financial statements for further details.

52.3.1. DEFINED BENEFIT OBLIGATIONS

The development of the present value of obligations relating to retirement benefits and severance payments is presented below. For reasons of immateriality, disclosures were summarised.

EUR m

	2023	2022
Present value of the defined benefit obligations as of 01.01.	**2.0**	2.1
+ Current service cost	0.2	0.2
+ Contributions paid to the plan	0.0	0.0
+/- Actuarial gains/losses	-0.1	-0.3
+/- Actuarial gains/losses arising from changes in demographic assumptions	0.0	-0.2
+/- Actuarial gains/losses arising from changes in financial assumptions	0.0	-0.1
+/- Actuarial gains/losses arising from changes from experience assumptions	0.0	0.0
- Payments from the plan	0.0	0.0
+ Past service cost	0.0	0.0
+/- through business combinations and disposals	0.0	0.0
+/- Other changes	0.0	0.0
Present value of the defined benefit obligations as of 31.12.	**2.1**	**2.0**

52.3.2. RESTRUCTURING MEASURES

In accordance with the second pillar of the “Acceleration Program”, the associated Operational Excellence stream, which is aimed to achieve further E2E optimisation of core processes across the Group, the Group recognized restructuring provisions in amount of EUR -1.4 million (YE22: EUR 0.0 million). The provisions are expected to be used during the year ending 31 December 2024.

52.3.3. PROVISIONS FOR OPERATIONAL RISK

During 2023 Addiko recognized provisions for operational risk in connection with the additional guidance that the National Bank in Slovenia was providing in 2023 in relation to the treatment of early loan repayments (“Lexitor case”), which forced banks to specific behaviors despite the unclear legal situation. Furthermore, operational risk provisions were recognised in connection with the controls performed by the tax authorities in Bosnia & Herzegovina during 2023 to all local banks. The main focus of the control was the treatment of card transactions and all related services provided by VISA/MasterCard/AMERICAN. Since the Law on VAT in Bosnia & Herzegovina was passed in 2006, the common understanding of the market was that card business transactions are treated as financial services and therefore exempt from VAT charges (also previously accepted by the local tax authority). As a result of these latest controls, the tax authority surprisingly took a different stand, claiming that such services are now subject to VAT. Addiko, among other banks, initiated a legal dispute against the tax authority, however operational risk provisions were recognised to cover the identified risks.

(53) Other liabilities

EUR m

	31.12.2023	31.12.2022
Deferred income	1.5	1.0
Liabilities for variable payments	10.9	10.2
Liabilities for cash-settled share-based payments	2.5	0.7
Liabilities for other taxes	2.5	1.7
Liabilities for other taxes on salaries	0.8	0.8
Liabilities for contributions on salaries	1.3	1.3
Liabilities for net salaries	2.7	2.0
Accruals and other liabilities	30.2	23.5
Total	**44.2**	**37.1**

Note: Obligations for variable payments in the amount of EUR 10.9 million (YE22: EUR 10.2 million) and obligations for cash-settled share-based payments in the amount of EUR 2.5 million (YE22: EUR 0.7 million) have been transferred from Provisions to Other liabilities. The comparative figures have been amended accordingly.

Deferred income as at 31 December 2023 contains contract liabilities in accordance with IFRS 15 in the amount of EUR million (31 December 2022: EUR 1.0 million; 1 January 2022: EUR 0.9 million). The amount of EUR 0.7 million included in contract liabilities as at 31 December 2022 has been recognised as revenue for the year ended 31 December 2023 (2022: EUR 0.6 million).

(54) Equity

EUR m

	31.12.2023	31.12.2022[1)]
Equity holders of parent	**801.1**	**746.3**
Subscribed capital	195.0	195.0
Treasury shares	-2.2	-0.4
Capital reserves	237.9	237.9
Fair value reserve debt instruments	-48.6	-85.3
Fair value reserve equity instruments	3.2	2.0
Remeasurement on defined benefit plans	0.5	0.4
Foreign currency reserve	-11.2	-11.5
Cumulated result and other reserves	426.5	408.1
Total	**801.1**	**746.3**

1) Previous year figures have been amended by introducing a separate presentation of the fair value reserve of debt instruments, of equity instruments and of the remeasurement on defined benefit plans. Further information presented in note (2) Changes in the presentation of the financial statements.

The subscribed capital is based on the separate financial statements prepared by Addiko Bank AG under UGB/BWG as at 31 December 2023. The total amount of EUR 195.0 million (2022: EUR 195.0 million) corresponds to the fully paid in share capital of Addiko Bank AG, which is divided into 19,500,000 (2022: 19,500,000) no-par registered shares. The proportionate amount of the share capital per share amounts EUR 10.0 (2022: EUR 10.0). As at 31 December 2023, 166,884 (2022: 33,919) of those were own shares, and consequently 19,333,116 shares (2022: 19,466,081) were outstanding.

Within the meaning of Section 65 Austrian Stock Corporation Act (AktG), the Management Board was authorised in the General Assembly on 21 April 2023 to acquire own shares of up to 10% of the share capital of the Company for no specific purpose for a period of 30 months from the day of the resolution of the AGM pursuant to Section 65 para. 1 no. 8 AktG. Trading in own shares for profit is expressly excluded as a reason for the repurchase.

Since the General Assembly dated 21 April 2023, the Management Board pursuant to Section 169 AktG has been authorised to increase the share capital subject to approval of the Supervisory Board, if necessary, in several tranches, by up to EUR 78.0 million by issuing up to 7,800,000 new voting no-par value bearer in return for contributions in cash and/or in kind (also indirectly through a credit institution pursuant to Section 153 para. 6 AktG), and to determine the issue price (which may not be below the proportionate amount per share in the company's registered share capital), the share rights and the issuing conditions in agreement with the Supervisory Board within five years after entering the corresponding amendment to the Company's statutes into the Austrian Commercial Register (Authorised Capital 2023).

In the General Assembly dated 21 April 2023 and pursuant to Section 159 para. 3 AktG, the Management Board is authorised within five years from registration of the respective amendment of the Company's Articles of Association in the commercial register, to conditionally increase the Company's registered share capital with the approval of the Supervisory Board, if necessary in several tranches, by an amount of up to EUR 19.5 million by issuing up to 1,950,000 new ordinary voting bearer shares, and to determine the issue price (which may not be below the proportionate amount per share in the company's registered share capital), the share rights and the issuing conditions in agreement with the Supervisory Board (Authorised Conditional Capital 2023).

Cumulated results and other reserves developed during the business year as follows:

EUR m

2023	Legal Reserve	Liability Reserve	Other Reserves	Retained earnings	**Cumulated result and other reserves**
Opening Balance 01.01.	**19.5**	**22.7**	**55.1**	**310.8**	**408.1**
Dividends paid	0.0	0.0	0.0	-23.6	**-23.6**
Share-based payments and purchase of treasury shares	0.0	0.0	0.0	0.8	**0.8**
Result after tax	0.0	0.0	0.0	41.1	**41.1**
Other changes	0.0	0.0	0.3	-0.3	**0.0**
Closing Balance 31.12.	**19.5**	**22.7**	**55.4**	**328.9**	**426.5**

EUR m

2022[1)]	Legal Reserve	Liability Reserve	Other Reserves	Retained earnings	**Cumulated result and other reserves**
Opening Balance 01.01.	**19.5**	**22.7**	**54.8**	**285.0**	**382.1**
Dividends paid	0.0	0.0	0.0	0.0	**0.0**
Share-based payments and purchase of treasury shares	0.0	0.0	0.0	0.3	**0.3**
Result after tax	0.0	0.0	0.0	25.7	**25.7**
Other changes	0.0	0.0	0.3	-0.2	**0.1**
Closing Balance 31.12.	**19.5**	**22.7**	**55.1**	**310.8**	**408.1**

1) Previous year figures have been amended to reflect separate presentation of the remeasurement on defined benefit plans. Further information presented in note (2) Changes in the presentation of the financial statements.

Liability reserves and legal reserves present only the reserves of Addiko Bank AG in Austria. Liability reserves need to be set up for credit institutions according to Section 57 para. 5 BWG. For the legal reserve a certain percentage of the profit for the year is required to be allocated until an amount equal to 10% of subscribed capital is reached.

Addiko Bank AG posts in its financial statements according to UGB/BWG as at 31 December 2023 net accumulated profits available for distribution in the amount of EUR 38.9 million (YE22: EUR 31.3 million). In the next Annual General Meeeting a proposal for a dividend payment amounting to EUR 1.26 per share (YE22: 1.21 per share), i.e., a maximum in amount of EUR 24.6 million (YE22: EUR 23.6 million) in total will be voted for. The company is not entitled to any dividends from own shares, which will reduce the actual dividend payout amount accordingly. The dividend distribution was not recognized as a liability as at 31 December 2023 and has no tax consequences for Addiko.

(55) Statement of cash flows

The statement of cash flows according to IAS 7 represents the changes in cash and cash equivalents of the Addiko Group due to cash flows from operating, investment and financing activities:

- The cash flow from **operating activities** of the Addiko Group contains cash inflows and outflows arising from loans and receivables from credit institutions and customers, liabilities to credit institutions and customers, and debt securities (except of securities at amortised costs). Changes in assets and liabilities held for trading are also included, as are the cash flow from dividends received and taxes.
- The cash flow from **investing activities** includes cash inflows and outflows arising from debt securities at amortised costs intangible assets, property, plant and equipment and assets held for sale. Reclassifications regarding non-current assets and liabilities classified as held for sale are considered in the respective items.
- **Lease payments** and cash flows from **own equity instruments** are disclosed in the cash flow from financing activities. In addition the position includes capital increases/decreases and dividend payments.
- **Cash and cash equivalents** include cash, cash balances at central banks that are daily due and deposits that are daily due.

Segment Reporting

The Addiko Group segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment data is prepared based on the internal management reporting that is regularly reviewed by the leadership team as chief operating decision makers (CODM) to assess the performance of the segments and make decisions regarding the allocation of resources. The business segmentation is subdivided into Consumer and SME Segment, which are the focus segments and into non-focus segments, which are Large Corporates, Public Finance and Mortgages.

The Addiko Group evaluates performance for each segment on the basis of a) result before tax, b) selected KPIs, c) performing loans volumes and d) deposit volumes.

The accounting policies of the operating segments are the same as those described in the significant accounting policies. In the profit or loss statement of the segment report interest income and interest expenses are enhanced by Addiko Funds Transfer Pricings (FTPs) as well as allocated asset contribution. Those aspects are netted in the position of net interest income. This is reflected within the internal reporting and thus is basis for further steering of the Group by the Management Board.

Net interest income in Corporate Center includes only as small fraction of the positive impact from interest and liquidity gap contribution (IGC) of EUR 102.2 million. The majority of the IGC in the amount of EUR 94.0 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 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 (after deduction of deposit insurance and minimum reserve costs) would be approximately zero. In addition, the net result on financial instruments and the other operating result, consisting out of other operating income and other operating expense and other result are included in the Corporate Center.

In reality a certain percentage of longer-term assets is funded by shorter term liabilities. Within the FTP methodology market segments are therefore charged more for their assets than compensated for their liabilities. By compensating those market segments delivering longer term assets against shorter term liabilities, the respective part of IGC is redistributed from the segment “Corporate Center” to the creator of the IGC, i.e. the respective market segment.

The Addiko Group does not have revenues from transactions with one single external customer amounting to 10% or more of the Addiko Group's total revenues.

Business Segmentation

The segment reporting comprises the following business segments:

- **Consumer:** serves ca. 0.8 million customers, which includes Private Individuals (excluding mortgage and housing loans) through a hybrid distribution consisting of a network of 154 branches and digital channels.
- **SME**: serves approximately 40 thousand SME clients (companies and private entrepreneurs with annual turnover between EUR 0 million and EUR 50 million) in the CSEE region.
- **Mortgage**: comprises Retail customers with loans related to real estate purchase (housing loans also excluding a collateral) or leveraging private real estate as collateral.
- **Large Corporates**: includes legal entities with annual gross revenues of more than EUR 50 million.
- **Public Finance:** comprises businesses oriented on participation in public tenders for the financing requirements of key public institutions in CSEE countries, ministries of finance, state enterprises and local governments.
- **Corporate Center**: consists of the Treasury business as well as central functions items such as overhead, project-related operating expenses, contributions to the Single Resolution Fund, bank levies and the intercompany reconciliation. In addition, this segment includes direct deposit activities with customers in Austria and Germany.

Segments overview

EUR m

31.12.2023	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net banking income	162.4	104.9	23.9	8.4	6.0	-10.4	295.2
Net interest income	123.7	79.2	23.9	5.8	5.2	-9.8	228.0
o/w regular interest income	115.1	66.2	18.0	4.8	1.9	58.8	264.9
Net fee and commission income	38.7	25.7	0.0	2.6	0.8	-0.7	67.1
Net result from financial instruments	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Other operating result	0.0	0.0	0.0	0.0	0.0	-13.1	-13.1
Operating income	**162.4**	**104.9**	**23.9**	**8.4**	**6.0**	**-23.1**	**282.5**
General administrative expenses	**-84.7**	**-34.5**	**-1.3**	**-3.4**	**-1.8**	**-52.7**	**-178.6**
Operating result before impairments and provisions	**77.7**	**70.3**	**22.6**	**5.0**	**4.2**	**-75.8**	**103.9**
Other result	0.0	0.0	0.0	0.0	0.0	-44.7	-44.7
Expected credit loss expenses on financial assets	-5.9	-13.5	4.5	3.3	0.6	-0.7	-11.8
Result before tax	**71.8**	**56.8**	**27.1**	**8.2**	**4.7**	**-121.3**	**47.4**
Business volume							
Net loans and receivables	1,688.5	1,301.3	363.8	76.5	32.2	93.6	3,555.8
o/w gross performing loans customers	1,706.4	1,310.3	363.8	74.1	30.9		3,485.6
Gross disbursements	706.9	814.7	0.0	14.6	2.1		1,538.3
Financial liabilities at AC [1]	2,841.6	1,116.5	0.0	250.6	231.7	758.3	5,198.7
RWA [2]	1,287.6	924.8	215.6	105.8	17.8	509.3	3,060.9
Key ratios							
NIM [3]	5.3%	3.4%	-0.4%	2.3%	0.9%		3.8%
Cost/Income Ratio	52.2%	33.0%	5.6%	40.9%	30.2%		60.5%
Cost of risk ratio	-0.3%	-0.7%	1.2%	1.6%	1.1%		-0.3%
Loan to deposit ratio	59.4%	116.6%	-	30.5%	13.9%		69.3%
NPE ratio (on-balance loans)	3.3%	3.1%	4.8%	13.8%	4.9%		2.8%
NPE coverage ratio	80.8%	81.8%	82.0%	78.1%	73.2%		80.9%
NPE collateral coverage	0.7%	28.6%	81.8%	67.9%	66.4%		28.5%
Change CL/GPL (simple average)	-0.4%	-1.1%	1.1%	3.7%	1.5%		-0.3%
Yield GPL (simple average)	7.1%	5.3%	4.5%	5.5%	5.1%		6.1%

[1] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 494 million, EUR 107 million Deposits from credit institutions and EUR 157 million Other liabilities. [2] Includes only credit risk. [3] Net interest margin on segment level is the sum of interest income (without interest income on NPE) and expenses including funds transfer pricing divided by the respective average business volume using daily balances.

The Corporate Center segment includes consolidation items in amount of EUR 68.6 million, relating to the elimination of intragroup dividends, measurement of consolidated participations, credit loss expenses on intragroup refinancing lines and gains/losses from the intragroup sale of debt instruments.

EUR m

31.12.2022	Focus segments Consumer	Focus segments SME Business	Non-focus segments Mortgage	Non-focus segments Large Corporates	Non-focus segments Public Finance	Corporate Center	Total
Net banking income	148.6	72.1	16.0	8.6	4.8	-1.3	248.9
Net interest income	108.0	44.1	16.0	5.3	3.6	-0.6	176.4
o/w regular interest income	101.5	41.5	16.5	5.1	1.7	16.1	182.3
Net fee and commission income	40.5	28.0	0.0	3.4	1.2	-0.7	72.5
Net result from financial instruments	0.0	0.0	0.0	0.0	0.0	1.9	1.9
Other operating result	0.0	0.0	0.0	0.0	0.0	-9.2	-9.2
Operating income	**148.6**	**72.1**	**16.0**	**8.6**	**4.8**	**-8.6**	**241.6**
General administrative expenses	**-80.4**	**-30.0**	**-1.5**	**-3.5**	**-1.6**	**-51.0**	**-168.0**
Operating result before impairments and provisions	**68.2**	**42.1**	**14.6**	**5.1**	**3.2**	**-59.6**	**73.6**
Other result	0.0	0.0	0.0	0.0	0.0	-27.0	-27.0
Expected credit loss expenses on financial assets	-9.0	-12.5	8.4	-1.6	-0.8	-0.1	-15.4
Result before tax	**59.2**	**29.6**	**23.0**	**3.6**	**2.4**	**-86.7**	**31.2**
Business volume							
Net loans and receivables	1,519.3	1,185.8	436.6	101.5	46.3	92.4	3,381.9
o/w gross performing loans customers	1,534.5	1,187.7	434.7	101.2	45.7		3,303.8
Gross disbursements	611.5	710.1	1.0	44.4	2.6		1,369.6
Financial liabilities at AC [1]	2,627.1	1,090.8	0.0	290.8	329.4	798.8	5,136.8
RWA [2]	1,145.9	871.1	259.8	138.7	25.7	488.1	2,929.2
Key ratios							
NIM [3]	5.5%	2.9%	1.0%	1.8%	1.0%		3.0%
Cost/Income Ratio	54.1%	41.6%	9.1%	40.5%	33.0%		67.5%
Cost of risk ratio	-0.5%	-0.7%	1.8%	-0.7%	-1.3%		-0.3%
Loan to deposit ratio	57.8%	108.7%	-	34.9%	14.1%		66.4%
NPE ratio (on-balance loans)	4.0%	4.1%	5.8%	8.9%	5.5%		3.3%
NPE coverage ratio	78.7%	68.6%	77.4%	91.0%	61.8%		75.4%
NPE collateral coverage	2.4%	51.4%	79.9%	90.5%	99.0%		39.9%
Change CL/GPL (simple average)	-0.6%	-1.1%	1.7%	-0.9%	-1.4%		-0.5%
Yield GPL (simple average)	6.9%	3.7%	3.4%	3.0%	3.0%		5.0%

[1] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 544 million, EUR 128 million Deposits from credit institutions, EUR 127 million Other liabilities. 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.

The Corporate Center segment includes consolidation items in amount of EUR 35.0 million, relating to the elimination of intragroup dividends, measurement of consolidated participations, credit loss expenses on intragroup refinancing lines and gains/losses from the intragroup sale of debt instruments.
The net interest income breakdown explains the net interest income details per segment up to total bank. It lists all subpositions of the net interest income including the customer margin assets and liabilities, the basic items within the interest Gap Contribution and Asset Contribution.

EUR m

31.12.2023	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net interest income	**123.7**	**79.2**	**23.9**	**5.8**	**5.2**	**-9.8**	**228.0**
o/w Interest income	**121.2**	**70.6**	**19.2**	**5.1**	**2.0**	**58.8**	**277.0**
o/w Regular interest income	115.1	66.2	18.0	4.8	1.9	58.8	264.9
o/w Interest income on NPE	1.1	0.5	0.4	0.1	0.1	0.0	2.0
o/w Interest like income	5.0	4.0	0.8	0.2	0.0	0.0	10.0
o/w Interest expenses	**-17.5**	**-5.0**	**0.0**	**-3.6**	**-2.2**	**-20.7**	**-49.0**
o/w FTP (assets & liabilities)	**-6.4**	**-24.0**	**-20.4**	**2.0**	**2.7**	**-56.0**	**-102.2**
o/w Interest gap contribution	**26.4**	**37.6**	**25.1**	**2.3**	**2.7**	**8.1**	**102.2**
o/w Asset contribution	26.4	37.6	25.1	2.3	2.7	-94.0	0.0
o/w Interest gap contribution	0.0	0.0	0.0	0.0	0.0	102.2	102.2

EUR m

31.12.2022	Focus segments		Non-focus segments			Corporate Center	Total
	Consumer	SME Business	Mortgage	Large Corporates	Public Finance		
Net interest income	**108.0**	**44.1**	**16.0**	**5.3**	**3.6**	**-0.6**	**176.4**
o/w Interest income	**108.0**	**45.6**	**17.8**	**5.8**	**1.8**	**16.1**	**195.1**
o/w Regular Interest Income	101.5	41.5	16.5	5.1	1.7	16.1	182.3
o/w Interest income on NPE	1.3	0.5	0.6	0.1	0.1	0.0	2.5
o/w Interest like income	5.3	3.6	0.8	0.6	0.0	0.0	10.3
o/w Interest expenses	**-5.8**	**-3.3**	**0.0**	**-1.7**	**-1.7**	**-6.2**	**-18.7**
o/w FTP (asset & liabilities)	**-14.1**	**-9.0**	**-12.4**	**-0.2**	**2.5**	**-16.3**	**-49.5**
o/w Interest gap contribution	**19.9**	**10.8**	**10.6**	**1.4**	**1.0**	**5.9**	**49.5**
o/w Asset contribution	19.9	10.8	10.6	1.4	1.0	-43.6	0.0
o/w Interest gap contribution	0.0	0.0	0.0	0.0	0.0	49.5	49.5

The relation between net commission income and reportable segments can be seen in the tables below:

EUR m

31.12.2023	Focus segments: Consumer	Focus segments: SME Business	Non-focus segments [1]: Large Corporates	Non-focus segments [1]: Public Finance	Corporate Center	Total
Accounts and Packages	21.8	5.9	0.2	0.2	0.0	28.1
Transactions	4.9	12.3	1.4	0.7	0.5	19.8
Cards	15.6	2.0	0.0	0.0	0.0	17.6
Foreign exchange & Dynamic currency conversion	5.2	1.9	0.4	0.0	0.4	7.8
Bancassurance	5.7	0.0	0.0	0.0	0.0	5.7
Trade finance	0.0	4.4	0.8	0.1	0.0	5.2
Loans	2.6	2.3	0.1	0.0	0.0	5.0
Securities	0.0	0.0	0.1	0.0	-0.1	0.1
Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.5	0.3	0.2	0.0	0.0	1.1
Fee and commission income	**56.3**	**29.2**	**3.2**	**0.9**	**0.8**	**90.4**
Cards	-11.6	-0.7	0.0	0.0	0.0	-12.3
Transactions	-1.7	-1.9	-0.2	-0.2	-0.3	-4.2
Total incentives	-1.7	-0.6	0.0	0.0	0.0	-2.3
Accounts and Packages	-1.1	-0.1	-0.1	0.0	-0.2	-1.5
Loans	-1.0	-0.1	0.0	0.0	0.0	-1.2
Bancassurance	-0.4	0.0	0.0	0.0	0.0	-0.4
Securities	0.0	0.0	-0.1	0.0	-0.1	-0.2
Foreign exchange & Dynamic currency conversion	0.0	0.0	0.0	0.0	-0.1	-0.1
Trade finance	0.0	-0.1	0.0	0.0	0.0	-0.1
Other	-0.1	0.0	-0.2	0.0	-0.8	-1.1
Fee and commission expenses	**-17.6**	**-3.5**	**-0.6**	**-0.2**	**-1.5**	**-23.3**
Net fee and commission income	**38.7**	**25.7**	**2.6**	**0.8**	**-0.7**	**67.1**

[1] Segment Mortgage not presented in this table as the segment does not generate net commission income.

EUR m

31.12.2022	Focus segments		Non-focus segments [1]		Corporate Center	Total
	Consumer	SME Business	Large Corporates	Public Finance		
Accounts und Packages	20.6	5.1	0.2	0.2	0.0	26.1
Transactions	4.8	12.7	1.5	0.8	0.6	20.4
Cards	12.3	1.9	0.0	0.0	0.0	14.3
Foreign exchange & Dynamic currency conversion	7.8	4.7	0.5	0.1	0.4	13.6
Bancassurance	5.5	0.0	0.0	0.0	0.0	5.5
Trade finance	0.0	4.3	1.0	0.1	0.0	5.4
Loans	3.0	2.0	0.2	0.0	0.0	5.2
Deposits	0.1	0.3	0.2	0.2	0.0	0.7
Securities	0.2	0.0	0.1	0.0	-0.1	0.2
Other	0.5	0.2	0.2	0.0	0.0	1.0
Fee and commission income	**54.8**	**31.2**	**3.9**	**1.4**	**1.0**	**92.3**
Cards	-10.1	-0.6	0.0	0.0	0.0	-10.8
Transactions	-1.6	-2.2	-0.2	-0.2	-0.3	-4.5
Accounts and Packages	-0.8	-0.2	0.0	0.0	-0.1	-1.2
Loans	-0.5	-0.1	0.0	0.0	0.0	-0.7
Client incentives	-0.4	0.0	0.0	0.0	0.0	-0.4
Bancassurance	-0.4	0.0	0.0	0.0	0.0	-0.4
Securities	0.0	0.0	-0.1	0.0	-0.1	-0.2
Foreign exchange & Dynamic currency conversion	-0.1	0.0	0.0	0.0	-0.1	-0.2
Trade finance	0.0	0.0	0.0	0.0	0.0	-0.1
Other	-0.4	0.0	-0.2	0.0	-0.9	-1.6
Fee and commission expenses	**-14.3**	**-3.2**	**-0.6**	**-0.2**	**-1.6**	**-19.8**
Net fee and commission income	**40.5**	**28.0**	**3.4**	**1.2**	**-0.7**	**72.5**

[1] Segment Mortgage not presented in this table as the segment does not generate net commission income.

Geographical Segmentation

Addiko Bank is an international banking group headquartered in Vienna, Austria, operating through six banks with its core business in Croatia (ABC), Slovenia (ABS), Bosnia & Herzegovina with two separate banks in Banja Luka (ABBL) and Sarajevo (ABSA), Serbia (ABSE) and Montenegro (ABM). Therefore, the revenues are generated in the CSEE region. In Austria only online deposits for clients in Austria and Germany are provided. Customer groups are not aggregated and assigned to a single country but allocated to their respective countries on single entity level. The geographical segmentation of income from external customers is shown in compliance with IFRSs and does not reflect the Group's management structure, the Management believes that the business segmentation provides a more informative description of the Group's activities. The Reco column includes mainly the intercompany reconciliation.

EUR m

31.12.2023	ABS	ABC	ABSE	ABSA	ABBL	ABM	ABH[4]	Reco	Addiko Group
Net banking income	72.6	93.8	52.9	28.4	30.3	14.8	3.5	-1.1	295.2
Net interest income	58.2	72.4	41.2	19.8	21.3	12.3	4.0	-1.1	228.0
o/w regular interest income [1]	68.4	76.4	53.2	20.3	23.3	13.0	17.2	-6.8	264.9
Net fee and commission income	14.4	21.4	11.6	8.6	9.0	2.4	-0.4	0.0	67.1
Net result from financial instruments	0.7	0.6	0.0	0.1	0.0	0.1	57.9	-58.9	0.4
Other operating result	-1.3	-4.0	-2.2	-0.4	-1.0	-1.2	-0.9	-2.0	-13.1
Operating income	**72.0**	**90.4**	**50.6**	**28.0**	**29.2**	**13.6**	**60.6**	**-62.0**	**282.5**
General administrative expenses	**-29.5**	**-44.4**	**-27.6**	**-15.4**	**-15.7**	**-8.1**	**-29.9**	**-7.9**	**-178.6**
Operating result before impairments and provisions	**42.5**	**45.9**	**23.1**	**12.6**	**13.5**	**5.5**	**30.7**	**-69.9**	**103.9**
Other result	-6.4	-31.5	-4.3	-1.2	-0.8	-0.8	0.0	-6.2	-44.7
Expected credit loss expenses on financial assets	-9.5	-2.3	-12.5	-0.8	0.1	0.9	-0.7	12.9	-11.8
Result before tax	**26.6**	**12.1**	**6.3**	**10.7**	**12.8**	**5.6**	**30.0**	**-63.2**	**47.4**
Total assets	**1,447.8**	**2,204.6**	**942.3**	**575.8**	**523.7**	**234.0**	**1,116.2**	**-893.0**	**6,151.5**
Business volume									
Net loans and receivables	1,029.4	1,154.0	640.9	286.0	332.8	164.0	57.2	-108.6	3,555.8
o/w gross performing loans customers	997.0	1,133.7	577.8	283.0	333.5	160.5	0.0		3,485.6
Gross disbursements	338.2	515.1	315.8	155.6	145.4	68.2	0.0		1,538.3
Financial liabilities at AC [2]	1,224.6	1,728.7	725.7	468.6	423.7	194.0	585.6	-152.2	5,198.7
RWA [3]	730.8	979.2	539.4	305.2	299.2	168.4	34.8	4.0	3,060.9
Key ratios									
Net interest margin (NIM)	4.2%	3.2%	4.5%	3.6%	4.2%	5.4%	0.4%		3.8%
CIR	40.6%	47.4%	52.2%	54.2%	51.9%	55.1%	n.m.		60.5%
Cost of risk ratio	-0.7%	-0.2%	-1.5%	-0.2%	0.0%	0.5%	-1.0%		-0.3%
Loan to deposit ratio	84.3%	69.3%	88.1%	61.7%	80.4%	87.2%			69.3%
NPE ratio (on-balance loans)	1.8%	2.8%	4.0%	2.4%	3.5%	5.1%			2.8%
NPE coverage ratio	86.4%	85.4%	69.7%	79.5%	87.6%	73.3%			80.9%
NPE collateral coverage	16.5%	48.8%	16.0%	16.3%	9.4%	44.6%			28.5%
Change CL/GPL (simple average)	-1.0%	-0.2%	-2.2%	-0.3%	0.0%	0.6%			-0.3%
Yield GPL (simple average)	6.0%	4.9%	7.9%	6.1%	6.4%	7.5%			6.1%

[1] Regular interest income is related to booked interests excluding interest like income, interest income on NPE and funds transfer pricing. [2] Direct deposits (Austria/Germany) amounting to EUR 494 million presented in ABH. [3] Includes only credit risk. [4] In ABH intragroup exposures are included.

EUR m

31.12.2022	ABS	ABC	ABSE	ABSA	ABBL	ABM	ABH[4]	Reco	Addiko Group
Net banking income	57.3	80.3	46.1	23.4	25.1	13.3	3.4	0.0	248.9
Net interest income	42.7	53.6	33.8	15.0	16.3	10.9	4.1	-0.1	176.4
o/w regular interest income [1]	41.4	54.7	39.6	15.1	17.8	11.5	7.2	-4.9	182.3
Net fee and commission income	14.5	26.7	12.3	8.4	8.8	2.4	-0.7	0.0	72.5
Net result from financial instruments	0.4	1.9	-2.0	0.1	0.0	0.1	27.5	-26.1	1.9
Other operating result	-1.5	-0.3	-2.0	-1.0	-0.6	-1.6	-0.2	-1.8	-9.2
Operating income	**56.1**	**81.9**	**42.1**	**22.5**	**24.5**	**11.8**	**30.6**	**-27.9**	**241.6**
General administrative expenses	**-27.0**	**-46.3**	**-24.8**	**-14.9**	**-14.8**	**-7.8**	**-27.6**	**-4.7**	**-168.0**
Operating result before impairments and provisions	**29.1**	**35.6**	**17.3**	**7.5**	**9.7**	**4.0**	**3.1**	**-32.7**	**73.6**
Other result	-0.5	-22.9	-1.4	0.0	0.0	-0.1	-0.2	-2.4	-27.0
Expected credit loss expenses on financial assets	-5.7	-2.9	-9.9	2.1	3.4	0.8	0.1	-3.3	-15.4
Result before tax	**22.8**	**9.8**	**6.1**	**9.6**	**13.1**	**4.7**	**3.0**	**-38.4**	**31.2**
Total assets	**1,329.6**	**2,285.8**	**874.7**	**524.5**	**501.9**	**218.5**	**1,142.6**	**-881.3**	**5,996.4**
Business volume									
Net loans and receivables	990.4	1,115.4	597.9	261.4	323.0	163.9	59.5	-129.6	3,381.9
o/w gross performing loans customers	953.2	1,049.7	559.0	260.7	319.5	161.7	0.0		3,303.8
Gross disbursements	304.9	461.9	240.4	151.0	143.6	67.7	0.0		1,369.6
Financial liabilities at AC [2]	1,117.9	1,859.5	669.9	423.6	409.1	184.2	617.0	-144.2	5,136.8
RWA [3]	718.2	913.8	529.3	289.3	286.5	162.6	22.6	6.9	2,929.2
Key ratios									
Net interest margin (NIM)	3.2%	2.4%	3.9%	2.8%	3.3%	5.0%	0.4%		3.0%
CIR	47.2%	57.7%	53.8%	63.7%	59.1%	58.5%	n.m.		67.5%
Cost of risk ratio	-0.5%	-0.2%	-1.2%	0.5%	0.8%	0.4%	2.1%		-0.3%
Loan to deposit ratio	91.2%	59.8%	89.6%	63.2%	80.4%	93.0%			66.4%
NPE ratio (on-balance loans)	2.1%	3.6%	3.7%	3.8%	3.8%	6.8%			3.3%
NPE coverage ratio	68.4%	80.7%	67.3%	81.4%	81.7%	67.7%			75.4%
NPE collateral coverage	49.0%	51.0%	21.2%	20.0%	18.1%	55.1%			39.9%
Change CL/GPL (simple average)	-0.6%	-0.3%	-1.7%	0.8%	1.1%	0.5%			-0.5%
Yield GPL (simple average)	4.2%	4.7%	6.0%	5.5%	5.6%	7.1%			5.0%

[1] Regular interest income is related to booked interests excluding interest like income, interest income on NPE and funds transfer pricing. [2] Direct deposits (Austria/Germany) amounting to EUR 544 million presented in ABH. [3] Includes only credit risk (without application on IFRS 9 transitional rules). [4] In ABH intragroup exposures are included.

Risk Report

(56) Risk control and monitoring

The Addiko Group steers and monitors its risks across all business segments, with the aim of optimising 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 the Addiko Group to the bank's overall controlling:

- Clearly defined processes and organisational 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 identifying, analysing, measuring, combining, controlling and monitoring the risk types.
- Appropriate limits are set and effectively monitored for material risk types.

(57) Risk strategy & Risk Appetite Statement (RAS)

The Addiko Group'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 organisational 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.

The Addiko Group'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.

The Addiko Group has established a Risk Appetite Statement (RAS) which sets the bank's risk appetite 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 framework of risk appetite measures defines the risk level the bank is willing to accept. The calibration of measures takes into consideration the budget, risk strategy and the Recovery Plan giving an interlinked framework for proper internal steering and surveillance.

(58) Risk organisation

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

The core tasks of risk management are the individual risk management of counterparty default risks, the reorganisation of troubled loans, loan settlement, as well as risk control and monitoring of counterparty default, market, liquidity, operational and other risks at the portfolio level.

In 2023, the following organisational units were operative:

Group Credit Risk Management contains Retail Risk Management and Corporate Credit Risk:

- **Retail Risk Management** monitors and manages credit risk in the Retail lending portfolio of Addiko Group through portfolio reporting and analysis, tracking and evaluation of activities. The function has both an operational as well as strategic role in the credit risk management. Operationally it covers assessment and opinion of lending products and test initiatives as well as defines policies, procedures, manuals and guidelines related to the management of credit activities and collections. Additionally, also ensures that the risk appetite is in line with Addiko Group's budget expectations. Besides this, it continuously monitors the portfolio development and ensures the development and maintenance of a reporting toolkit that serves this purpose.
- **Corporate Credit Risk** provides risk opinion on individual cases with high risk, monitoring, and review for all non-Retail client segments and group wide standards for pre-workout, restructuring, collection and workout for all non-Retail client segments i.e. Standard segment, SME, Corporate, Public Finance, Sovereigns and Sub sovereigns and Financial institutions. Within Corporate Credit Risk, the function covers also Real Estate Valuations by providing group wide standards for real estate sale including monitoring of results and group wide steering for immovable and movable property value monitoring. It develops the group valuation monitoring strategy and processes for local execution.

Group Integrated Risk Management identifies, monitors, controls and reports on all material risks to Management and Supervisory Boards, proposes mitigation measures, initiates escalation in case defined limits are breached and defines methodology for risk measurement and assessment. GIRM also encompasses the CISO area, as well as the Outsourcing management function. GIRM is actively involved in all major decisions relating to risk management and, thus, also the development and execution of the risk strategy as well as the forecasting of risk costs. Furthermore, GIRM is responsible to initiate and coordinate the escalation process prescribed in the Recovery Plan. Organisationally the following functions are embedded in Group Integrated Risk Management:

- **Group Market & Liquidity Risk** defines methodologies, produces internal and external reporting and oversees management and control activities related to market and liquidity risk. The function is located in Austria within Integrated Risk Management unit.
- **Strategic Risk Management** is operationally responsible for the update of the risk strategy, own funds and economic capital management, stress testing, credit risk budgeting, tracking of risk exposure and steering of the ICAAP and SREP process as well manages the same processes from methodological point of view and reports on them to the management. SRM also coordinates the preparation of and reporting on the Recovery Plan. Additionally, the relationship management towards supervisory authorities as well as the coordination of requested deliverables is in the responsibility of SRM.
- **Non-Financial Risk Management** is responsible for setting the strategic direction to efficiently manage all non-financial risk related activities and aims to ensure the adequate identification, measurement, management and mitigation of non-financial risks, a prudent conduct of business respecting all relevant laws, regulations, supervisory requirements and internal rules and decisions, thus supporting prudent, effective and efficient business operations.

Group Models and Data contains the following CSF functions and the oversees and drives the GSS Group Risk Validation:

- **Group Risk Modelling (GRM)** manages model risk portfolio in terms of methodology, target model architecture, and the model landscape for regulatory and business purpose. Oversee the portfolio development process to deliver risk targets and deliver insightful reports and analysis which explain credit metrics related to capital, provisions and business development. GRM is responsible for leading continuous improvements in modelling methodology for credit and market risk models and sharing knowledge about these topics within the Group.
- **Group Data Architecture** is the main responsible function for the enterprise data architecture in Addiko Group. GDA develops and maintains group-wide concepts and principles for enterprise data. In operational matters the GDA team is supporting business functions jointly with GIT to have adequate infrastructure to be able to have on time regular and ad-hoc reporting and access to data as needed. GDA also acts as local Data Architecture for Addiko Bank AG and in that capacity is applying its concepts and principles to the local ABH data landscape and the

relevant connections to group data. Although GDA, is reporting to the Group Model & Data, its responsibilities and methods apply in principle to all functions of Addiko Group.

Group Data Management (GDM) is the main responsible function for the business aspects of enterprise data management in Addiko Group. GDM develops and maintains group-wide methods, standards and definitions to achieve a common and harmonised view on enterprise data. In operational matters the GDM team is supporting business functions in regular and ad-hoc reporting, common/central data transformations and calculations and data quality monitoring and reporting. GDM also acts as local Data Office for Addiko Bank AG and in that capacity is applying its methods to the local ABH data landscape and the relevant connections to group data. Although GDM, is reporting to the Group Model & Data, its responsibilities and methods apply in principle to all functions of Addiko Group.

Data Engine Reporting & Analytics and Support Services, located in Serbia, is preparing standardised portfolio reporting covering the entire credit cycle for Retail and Corporate portfolio, as well as supporting the governance setting over credit policy rules and changes in the Group selected decision engine (CRIF Credit Decision Engine). In addition, DERA is maintaining and developing group data engines, application process reports, collection reports, while providing the corresponding analytics.

Group Risk Validation is responsible for ensuring adequacy and consistency of risk relevant processes and risk models with regards to regulatory expectation and business needs. GRV defines the quality standard for the whole group with regards to risk models. Furthermore, it controls and ensures the quality of new models, as well as models already in place. Jointly with business owners GRV enhances processes and resolves issues related to models. GRV also conducts analysis of new regulation and its effects on risk models.

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

(59) Internal risk management guidelines

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

The Addiko Group 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. The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

(60) Credit risk

60.1. Definition

In terms of scale, credit risk constitutes the most significant risk for the Addiko Group. Credit risk mainly arises from the lending business. Credit risk (or counterparty default risk) occurs when transactions result in claims against debtors, issuers of securities or counterparties. If these parties do not meet their obligations, losses result in the amount of non-received benefits less utilised collaterals, reduced by the achieved recovery rate of unsecured portions. This definition includes default and surety risks from credit transactions as well as issuer, replacement and fulfilment risks from trading transactions.

60.2. General requirements

The credit risk strategy within Addiko Risk Strategy provides concrete specifications for the organisational structure of the bank in the lending business as well as for risk control methods, and is supplemented by further policies as well as specific instructions.

In line with a Group wide instruction on authority levels as defined by the Management and Supervisory Boards, credit decisions are made by the Supervisory Board, Management Board and Credit Committee as well as by key staff in the back office and the analysis units of the Risk Office.

The Credit Committee is a permanent institution of the Addiko Group and the highest body for making credit decisions, subordinated only to the Management Board.

The Group Risk Executive Committee (GREC) is responsible for all methodological matters relating to credit risk, unless a decision by the Management Board is required.

60.3. Risk measurement

The Addiko Group uses its own rating procedures to analyse and assess each individual borrower's credit rating. The allocation of debtors to rating classes is carried out on the basis of default probabilities on a 25-level master rating scale.

60.4. Risk limitation

The steering of total Group wide commitments with an individual customers or a group of affiliated customers ("group of borrowers") depends on the respective customer segment or business area.

In the Addiko Group, limits towards financial institutions are set and monitored independently by a responsible unit. If limits are exceeded, this is communicated immediately to operative risk unit as well as front office and reported to the Group Risk Executive Committee. In all other segments, limit control is carried out through a Group wide authorisation level policy ("Pouvoir-Ordnung"). At portfolio level, there are country limits to prevent the formation of risk concentrations; limit breaches are escalated to the Management Board, and the front office is required to work together with the back office to define measures to control these risk concentrations.

Another important instrument in limiting risk is the acceptance and crediting of common banking collateral. The measurement and processing is carried out in line with the collateral policy, which defines in particular the measurement procedures as well as measurement discounts and frequencies of individual collateral types. Framework contracts for netting out mutual risks (close-out netting) are usually concluded for trading transactions involving derivatives. There are collateral agreements in place with certain business partners which limit the default risk with individual trading partners to an agreed maximum amount, and provide an entitlement to request additional collateral if the amount is exceeded. The methods used to accept collateral (formal requirements, preconditions) are governed by the internal processing guidelines for each individual type of collateral.

60.5. Reconciliation between Financial instruments classes and Credit risk exposure

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet exposures) without taking into account expected credit losses (including those for guarantees), any collateral held, netting effects, other credit enhancements or credit risk mitigating transactions. Market values are used to calculate the relevant exposure for securities classified in the Hold-to-Collect&Sale business model, whereas amortised cost is used for loans and securities classified in the Hold-to-Collect business model. Unless explicitly stated differently, all values in the risk report are shown inclusive of the portfolio that is classified as held for sale according to IFRS 5.

Breakdown of net exposure within the Group in accordance with IFRS 7.35M as at 31 December 2023:

EUR m

31.12.2023		Performing			Non Performing			Total
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash and cash equivalents [1]	1,140.3	-0.2	1,140.1	0.0	0.0	0.0	1,140.3	1,140.1
Financial assets held for trading	29.5		29.5	0.0		0.0	29.5	29.5
Loans and receivables	3,584.0	-53.0	3,530.9	133.1	-108.2	24.9	3,717.1	3,555.8
of which credit institutions	66.7	-0.1	66.6	0.0	0.0	0.0	66.7	66.6
of which customer loans	3,517.2	-53.0	3,464.3	133.1	-108.2	24.9	3,650.3	3,489.2
Investment Securities [2][3]	1,230.2	-0.8	1,172.2	0.0	0.0	0.0	1,230.2	1,172.2
Other Assets - IFRS 5	0.0	0.0	0.0	0.6	-0.5	0.2	0.6	0.2
On balance total	**5,984.0**	**-54.0**	**5,872.8**	**133.7**	**-108.7**	**25.1**	**6,117.7**	**5,897.8**
Off Balance	873.6	-4.2	869.3	4.2	-2.9	1.3	877.8	870.6
ECL on FVTOCI debt securities [3]	-57.8	0.6	0.0	0.0	0.0	0.0	-57.8	0.0
Total	**6,799.7**	**-57.6**	**6,742.1**	**138.0**	**-111.6**	**26.4**	**6,937.7**	**6,768.4**
Adjustment [4]	-8.4		-8.4			0.0	-8.4	-8.4
Total credit risk exposure	**6,791.3**	**-57.6**	**6,733.7**	**138.0**	**-111.6**	**26.4**	**6,929.3**	**6,760.1**

[1] The position does not include cash on hand in amount of EUR 114.4 million. [2] Investment securities, without equity instruments, including participation in the bank resolution fund in Slovenia. [3] For debt securities at FVTOCI the exposure is calculated based on the amortised cost before adjusting for any loss allowance and for this reason it does not include any changes of the fair value of the instruments. For credit risk purposes the fair value of the instruments is considered. For this reason, also the related ECL is not included as this is already reflected in the fair value of the underlying instruments. [4] Adjsutment includes reconciliation differences between the gross carrying amount and the carrying amount of the credit risk exposure components as well as temporary accounts which are used for the recognition of withdrawals from ATMs during the last weekend of the year.

The following table shows the exposure in accordance with IFRS 7.35M as at 31 December 2022:

EUR m

31.12.2022		Performing			Non Performing			Total
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash and cash equivalents [1]	1,263.0	-0.1	1,263.0	0.0	0.0	0.0	1,263.0	1,263.0
Financial assets held for trading	22.8		22.8	0.0		0.0	22.8	22.8
Loans and receivables	3,410.3	-65.3	3,345.0	155.1	-118.2	36.9	3,565.4	3,381.9
of which credit institutions	89.2	0.0	89.2	0.0	0.0	0.0	89.2	89.2
of which customer loans	3,321.1	-65.3	3,255.8	155.1	-118.2	36.9	3,476.2	3,292.7
Investment Securities [2][3]	1,156.3	-0.3	1,056.1	0.0	0.0	0.0	1,156.3	1,056.1
Other Assets - IFRS 5	0.0	0.0	0.0	0.5	-0.4	0.1	0.5	0.1
On balance total	**5,852.4**	**-65.6**	**5,686.9**	**155.6**	**-118.7**	**37.0**	**6,008.0**	**5,723.9**
Off-balance	889.9	-4.2	885.8	7.5	-4.4	3.2	897.5	888.9
ECL and FV on FVTOCI debt securities [3]	-100.2	0.3	0.0	0.0	0.0	0.0	-100.2	0.0
Total	**6,642.2**	**-69.5**	**6,572.6**	**163.2**	**-123.0**	**40.1**	**6,805.3**	**6,612.8**
Adjustment [4]	-4.0		-4.0			0.0	-4.0	-4.0
Total credit risk exposure	**6,638.2**	**-69.5**	**6,568.6**	**163.2**	**-123.0**	**40.1**	**6,801.3**	**6,608.8**

[1] The position does not include cash on hand in amount of EUR 119.9 million. [2] Investment securities, without equity instruments, including participation in the bank resolution fund in Slovenia. [3] For debt securities at FVTOCI the exposure is calculated based on the amortised cost before adjusting for any loss allowance and for this reason it does not include any changes of the fair value of the instruments. For credit risk purposes the fair value of the instruments is considered. For this reason, also the related ECL is not included as this is already reflected in the fair value of the underlying instruments. [4] Adjustment includes reconciliation differences between the gross carrying amount and the carrying amount of the credit risk exposure components.

60.6. Allocation of credit risk exposure within the Group

As of 31 December 2023, the overall gross exposure within the Group is increased by EUR 128.0 million (or +1.9%) compared to YE22. In line with the business strategy, the increase was driven by the new business generated in the focus segments Consumer and SME, while the non-focus portfolio further decreased as planned.

The gross exposure increased in all group entities, except in Addiko Holding and Addiko Bank Croatia, where the exposure towards the local National Bank was subject of a significant reduction as a result of the implementation of the Euro in

Croatia and the reduction of the cash collateral which had to be provided to the Croatian Central Bank during the preparation phase of the Euro introduction during 2022.

Within the Group, the credit risk exposure breaks down as presented in the following table.

EUR m

	31.12.2023	31.12.2022
Addiko Croatia	2,356.6	2,448.6
Addiko Slovenia	1,678.9	1,553.8
Addiko Serbia	1,130.5	1,071.1
Addiko in Bosnia & Herzegovina	1,213.1	1,142.7
Addiko in Montenegro	236.4	231.4
Addiko Holding	313.8	353.7
Total	**6,929.3**	**6,801.3**

60.7. Credit risk exposure by rating class

At 31 December 2023 roughly 37.3% (YE22: 38.6%) of the exposure is categorised as rating classes 1A to 1E. This exposure mainly relates to receivables from financial institutions and private individuals with a minor part within corporate and sovereigns.

During 2023 the NPE Stock further reduced by EUR 25.2 million (or -15.5%), primarily in the SME and Consumer portfolio as well as within the non-focus segment as a result of write offs / portfolio sales, re-migrations to performing as well as due to collection effects and are especially driven by reductions in Addiko Bank Croatia, Addiko Bank Slovenia, Addiko Bank Sarajevo and Addiko Bank Montenegro.

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

EUR m

31.12.2023	1A-1E	2A-2E	3A-3E	4A-4E	NPE	No rating	Total
Consumer	328.8	1,014.8	347.5	158.4	57.7	17.7	1,924.9
SME	255.1	1,118.7	438.0	97.1	45.7	3.5	1,958.1
Non Focus	245.7	264.2	65.9	23.0	34.5	1.6	634.9
o/w Large Corporate	31.0	105.0	38.6	9.7	14.1	1.3	199.7
o/w Mortgage	185.0	144.7	22.1	11.9	18.3	0.2	382.3
o/w Public Finance	29.7	14.5	5.2	1.4	2.1	0.0	53.0
Corporate Center [1]	1,754.2	372.3	275.0	0.0	0.0	10.0	2,411.4
Total	**2,583.8**	**2,770.0**	**1,126.4**	**278.4**	**138.0**	**32.8**	**6,929.3**

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

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

EUR m

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

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

The classification of credit assets into risk grades is based on Addiko internal ratings. For external reporting, internal rating grades are grouped into the following five risk categories:

- 1A-1E: representing customers with a very low risk, having the best, excellent or very good credit standing (this is equivalent to Moody's rating Aaa-Baa3),
- 2A-2E: representing customers with a good or moderate credit standing (this is equivalent to Moody's rating Ba1-B1),
- 3A-3E: representing customers with a medium or high credit risk (this is equivalent to Moody's rating B2-Caa1),
- 4A-4E: representing customers with a very high credit risk or who are likely to default. This class includes customers which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term (this is equivalent to Moody's rating Caa2-C),
- NPE (default): one or more of the default criteria under Article 178 CRR are met: among others, interest or principal payments on a material exposure have been overdue for more than 90 days, the bank significantly doubts the customer's credit standing, there are risk-oriented restructuring measures leading to a forborne non-performing exposure, there is a realisation of a loan loss or bankruptcy proceedings are initiated (this is equivalent to Moody's rating Default).

The Addiko Group applies the customer view to all customer segments, including retail clients. If an obligor defaults on one deal, then all the customer's performing transactions are classified as non-performing as well. The classifications per rating class and ECL stage can be seen in the tables below.

Loans and advances to customers at amortised cost:

EUR m

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	577.8	20.8	0.0	1.0	599.6
2A-2E	1,803.3	127.7	0.3	1.7	1,933.0
3A-3E	596.9	117.3	0.1	0.9	715.3
4A-4E	28.3	232.5	1.5	0.4	262.6
NPE	0.0	0.0	129.0	2.2	131.2
No rating	8.5	0.2	0.0	0.0	8.7
Total gross carrying amount	**3,014.8**	**498.5**	**130.9**	**6.2**	**3,650.3**
Loss allowance	-18.4	-34.5	-107.1	-1.1	-161.2
Carrying amount	**2,996.3**	**464.0**	**23.8**	**5.1**	**3,489.2**

EUR m

31.12.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	544.5	17.6	0.0	1.0	563.0
2A-2E	1,697.6	48.5	0.0	1.9	1,747.9
3A-3E	639.7	77.8	0.1	1.3	718.8
4A-4E	45.1	237.0	2.2	0.5	284.8
NPE	0.0	0.0	135.2	3.1	138.3
No rating	8.8	0.2	14.4	0.0	23.4
Total gross carrying amount	**2,935.6**	**381.0**	**151.8**	**7.8**	**3,476.2**
Loss allowance	-21.0	-44.3	-117.0	-1.2	-183.5
Carrying amount	**2,914.6**	**336.8**	**34.8**	**6.5**	**3,292.7**

Loans and advances to credit institutions at amortised cost, cash balances at central banks and other demand deposits:

EUR m

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	793.3	0.0	0.0	0.0	793.3
2A-2E	178.1	0.9	0.0	0.0	179.0
3A-3E	224.6	0.0	0.0	0.0	224.6
4A-4E	0.0	0.0	0.0	0.0	0.0
NPE	0.0	0.0	0.0	0.0	0.0
No rating	10.0	0.0	0.0	0.0	10.0
Total gross carrying amount	**1,206.0**	**1.0**	**0.0**	**0.0**	**1,207.0**
Loss allowance	-0.2	0.0	0.0	0.0	-0.2
Carrying amount	**1,205.8**	**0.9**	**0.0**	**0.0**	**1,206.7**

EUR m

31.12.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	51.9	0.0	0.0	0.0	51.9
2A-2E	36.7	0.0	0.0	0.0	36.7
3A-3E	0.6	0.0	0.0	0.0	0.6
4A-4E	0.0	0.0	0.0	0.0	0.0
NPE	0.0	0.0	0.0	0.0	0.0
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**89.2**	**0.0**	**0.0**	**0.0**	**89.2**
Loss allowance	0.0	0.0	0.0	0.0	0.0
Carrying amount	**89.2**	**0.0**	**0.0**	**0.0**	**89.2**

Debt instruments measured at FVTOCI:

EUR m

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	579.7	3.0	0.0	0.0	582.7
2A-2E	147.7	0.0	0.0	0.0	147.7
3A-3E	36.9	0.0	0.0	0.0	36.9
4A-4E	0.0	0.0	0.0	0.0	0.0
NPE	0.0	0.0	0.0	0.0	0.0
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**764.3**	**3.0**	**0.0**	**0.0**	**767.3**
Loss allowance	-0.5	0.0	0.0	0.0	-0.6
FV [1)]	-57.0	-0.2	0.0	0.0	-57.2
Carrying amount	**706.8**	**2.7**	**0.0**	**0.0**	**709.5**

[1)] For debt securities at FVTOCI the exposure is calculated based on the amortised cost before adjusting for any loss allowance and for this reason it does not include any changes of the fair value of the instruments. For credit risk purposes the fair value of the instruments is considered. For this reason, also the related ECL is not included as this is already reflected in the fair value of the underlying instruments.

EUR m

31.12.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	703.3	0.0	0.0	0.0	703.3
2A-2E	204.8	0.0	0.0	0.0	204.8
3A-3E [2]	52.1	0.0	0.0	0.0	52.1
4A-4E	0.0	0.0	0.0	0.0	0.0
NPE	0.0	0.0	0.0	0.0	0.0
No rating [2]	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**960.1**	**0.0**	**0.0**	**0.0**	**960.1**
Loss allowance	-0.3	0.0	0.0	0.0	-0.3
FV [1]	-99.9	0.0	0.0	0.0	-99.9
Carrying amount	**859.9**	**0.0**	**0.0**	**0.0**	**859.9**

[1] For debt securities at FVTOCI the exposure is calculated based on the amortised cost before adjusting for any loss allowance and for this reason it does not include any changes of the fair value of the instruments. For credit risk purposes the fair value of the instruments is considered. For this reason, also the related ECL is not included as this is already reflected in the fair value of the underlying instruments. [2] Previous year figures amended: reclassification of 2 securities with a carrying amount of EUR 16.8 million from the class "No rating" to the class "3A-3E".

Debt instruments measured at amortised cost:

EUR m

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	428.7	0.0	0.0	0.0	428.7
2A-2E	4.9	0.0	0.0	0.0	4.9
3A-3E	14.5	0.0	0.0	0.0	14.5
4A-4E	0.0	0.0	0.0	0.0	0.0
NPE	0.0	0.0	0.0	0.0	0.0
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**448.1**	**0.0**	**0.0**	**0.0**	**448.1**
Loss allowance	-0.2	0.0	0.0	0.0	-0.2
Carrying amount	**447.9**	**0.0**	**0.0**	**0.0**	**447.9**

EUR m

31.12.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	165.6	0.0	0.0	0.0	165.6
2A-2E	14.7	0.0	0.0	0.0	14.7
3A-3E	1.9	0.0	0.0	0.0	1.9
4A-4E	0.0	0.0	0.0	0.0	0.0
NPE	0.0	0.0	0.0	0.0	0.0
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**182.2**	**0.0**	**0.0**	**0.0**	**182.2**
Loss allowance	0.0	0.0	0.0	0.0	0.0
Carrying amount	**182.2**	**0.0**	**0.0**	**0.0**	**182.2**

Commitments and financial guarantees given:

EUR m

31.12.2023	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	232.4	1.9	0.0	0.0	234.3
2A-2E	438.4	31.6	0.0	0.0	470.0
3A-3E	123.5	25.8	0.0	0.0	149.2
4A-4E	1.7	18.2	0.0	0.0	19.9
NPE	0.0	0.0	4.2	0.0	4.2
No rating	0.1	0.0	0.0	0.0	0.1
Total gross carrying amount	**796.1**	**77.5**	**4.2**	**0.0**	**877.8**
Loss allowance	-2.3	-2.0	-2.9	0.0	-7.2
Carrying amount	**793.8**	**75.5**	**1.3**	**0.0**	**870.6**

EUR m

31.12.2022	Stage 1	Stage 2	Stage 3	POCI	Total
Rating class					
1A-1E	211.1	0.7	0.0	0.0	211.8
2A-2E	476.8	12.5	0.0	0.0	489.3
3A-3E	144.5	13.6	0.0	0.0	158.1
4A-4E	9.0	21.7	0.1	0.0	30.8
NPE	0.0	0.0	7.1	0.0	7.1
No rating	0.1	0.0	0.3	0.0	0.4
Total gross carrying amount	**841.5**	**48.4**	**7.5**	**0.0**	**897.5**
Loss allowance	-1.9	-2.2	-4.4	0.0	-8.5
Carrying amount	**839.6**	**46.1**	**3.2**	**0.0**	**888.9**

60.8. 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

	31.12.2023	31.12.2022
SEE	6,120.4	6,005.3
Europe (excl. CEE/SEE)	354.7	479.4
CEE	384.2	246.0
Other	70.0	70.6
Total	**6,929.3**	**6,801.3**

60.9. Exposure by business sector and region

The following tables present the exposure by industry based on the classification code "NACE Code 2.0". This code is mapped into ten business sectors for reporting purposes.

The lower-risk business sector groups - financial institutions and the public sector - account for a share of 35.8% at YE23 (YE22: 36.9%). The well-diversified private customers sector accounts for a share of 24.3% (YE22: 28.1%).

EUR m

Business sector	Europe (excl. CEE/SEE)	SEE	CEE	Other	Total
Private	1.7	1,674.0	4.8	0.1	1,680.6
Financial services	285.2	1,056.6	0.4	34.6	1,376.8
Public sector	61.1	632.5	378.9	32.2	1,104.7
Industry	4.6	909.2	0.0	3.0	916.9
Trade and commerce	0.1	527.2	0.0	0.0	527.3
Services	1.6	541.2	0.0	0.0	542.8
Real estate business	0.0	33.5	0.0	0.0	33.5
Tourism	0.0	64.9	0.0	0.0	64.9
Agriculture	0.0	43.8	0.0	0.0	43.8
Other	0.3	637.6	0.0	0.0	638.0
Total	**354.7**	**6,120.4**	**384.2**	**70.0**	**6,929.3**

EUR m

31.12.2022 Business sector	Europe (excl. CEE/SEE)	SEE	CEE	Other	Total
Private	1.7	1,908.1	0.0	0.1	1,909.9
Financial services	397.8	1,072.1	0.0	35.4	1,505.3
Public sector	72.8	650.6	246.0	33.0	1,002.4
Industry	5.4	930.5	0.0	1.2	937.1
Trade and commerce	0.0	529.6	0.0	0.0	529.6
Services	1.3	465.8	0.0	0.0	467.1
Real estate business	0.0	36.6	0.0	0.0	36.6
Tourism	0.0	62.3	0.0	0.0	62.3
Agriculture	0.0	40.4	0.0	0.0	40.4
Other	0.4	309.3	0.0	1.0	310.7
Total	**479.4**	**6,005.3**	**246.0**	**70.6**	**6,801.3**

The figures are broken down according to the country of the customer's registered office. Corporate and Consumer business is mainly focused on the Addiko Group's core countries in Central and South Eastern Europe. The business strategy envisages a further increase in this portion, particularly in the Consumer business.

60.10. Presentation of exposure by overdue days

EUR m

31.12.2023	No Overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	1,804.7	66.5	9.0	5.2	39.5	1,924.9
SME	1,877.5	37.8	6.3	5.8	30.6	1,958.1
Non Focus	599.3	10.2	1.4	1.5	22.5	634.9
o/w Large Corporate	183.1	6.1	0.0	0.0	10.6	199.7
o/w Mortgage	363.9	4.2	1.4	0.8	12.0	382.3
o/w Public Finance	52.2	0.0	0.0	0.7	0.0	53.0
Corporate Center	2,411.4	0.0	0.0	0.0	0.0	2,411.4
Total	**6,692.9**	**114.6**	**16.7**	**12.5**	**92.6**	**6,929.3**

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

EUR m

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

60.11. Presentation of exposure by size classes

As of 31 December 2023 around 51.5% (YE22: 47.5%) of the exposure is found in the size range < EUR 1 million. The bank pursues a strict strategy of reducing concentration risk in the corporate banking area.

The amount of EUR 1,855.7 million (YE22: EUR 1,908.7 million) of exposure in the range > EUR 100 million is entirely attributable to national banks or the public sector. These transactions are necessary for securing liquidity, minimum deposit levels and long-term investments as well as for hedge transactions. The presentation is based on the group of borrowers (GoBs).

		31.12.2023		31.12.2022
Size classes	Exposure EUR m	GoBs	Exposure EUR m	GoBs
< 10,000	662.5	371,782	611.0	333,513
10,000-50,000	1,536.3	77,300	1,416.2	71,670
50,000-100,000	257.1	3,678	258.0	3,713
100,000-250,000	371.5	2,367	321.8	2,104
250,000-500,000	391.9	1,114	333.1	923
500,000-1,000,000	347.8	497	293.6	419
1,000,000-10,000,000	982.3	421	1,166.2	479
10,000,000-50,000,000	386.7	16	377.0	18
50,000,000-100,000,000	137.4	2	115.8	2
> 100,000,000	1,855.7	9	1,908.7	8
Total	**6,929.3**	**457,186**	**6,801.3**	**412,849**

60.12. Breakdown of financial assets by degree of impairment

Overdue but not impaired financial assets:

EUR m

	31.12.2023		31.12.2022	
	Exposure	Collateral	Exposure	Collateral
Loans and advances to customers (on- and off-balance)				
- overdue to 30 days	109.2	12.0	99.0	16.8
- overdue 31 to 60 days	13.2	2.4	11.8	1.8
- overdue 61 to 90 days	5.2	0.3	4.3	0.5
- overdue 91 to 180 days	0.8	0.6	0.0	0.0
- overdue 181 to 365 days	0.0	0.0	0.1	0.1
- overdue over 1 year	0.0	0.0	0.2	0.2
Total	**128.4**	**15.4**	**115.3**	**19.3**

Impaired financial instruments:

EUR m

Loans and advances to customers (on- and off-balance)	31.12.2023	31.12.2022
Exposure	137.1	161.1
Provisions	111.6	123.0
Collateral	38.7	63.3

All financial assets to which one or several of those events apply (positive impairment trigger) are to be tested for the potential necessity to apply the provisioning methodology. Consequently, an impairment calculation according to note (61.1) "Method of calculating provisions" of the group financial statements 2023 is performed. Receivables with rating category 4A or worse are regularly tested for potential impairment triggers within the monitoring and pre-workout process.

60.12.1. FORBEARANCE

Forbearance measures are defined as concessions towards a borrower facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). Forbearance measures and risks are monitored by the operative risk units responsible for Corporate and Retail risk management. Additionally, forbearance measures represent an indicator that financial assets might be credit impaired.

The following chart provides an overview of the forbearance status at the Addiko Group in the course of 2023. The off-balance positions only include loan commitments:

EUR m

	01.01.2023	Classified as forborne during the year (+)	Transferred to non-forborne during the year (-)	Changes due to IFRS 5 (+/-)	FX (+/-)	Repayments and other changes (+/-)	31.12.2023
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments and government related entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	54.3	6.4	-22.1	0.0	0.0	-8.3	30.2
Households	43.8	5.9	-12.9	0.0	0.0	-5.6	31.2
Loans and advances	**98.0**	**12.3**	**-34.9**	**0.0**	**0.0**	**-14.0**	**61.4**
Loan commitments given	0.2	0.0	0.0	0.0	0.0	-0.1	0.1

EUR m

	01.01.2022	Classified as forborne during the year (+)	Transferred to non-forborne during the year (-)	Changes due to IFRS 5 (+/-)	FX (+/-)	Repayments and other changes (+/-)	31.12.2022
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments and government related entities	1.5	0.0	-1.5	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	80.7	7.4	-17.7	0.0	0.0	-16.1	54.3
Households	61.9	7.0	-15.2	0.0	0.0	-9.9	43.8
Loans and advances	**144.1**	**14.5**	**-34.4**	**0.0**	**-0.1**	**-26.1**	**98.0**
Loan commitments given	0.7	0.0	-0.4	0.0	0.0	-0.1	0.2

The forbearance exposure as of YE23 as well as YE22 can be broken down as follows:

EUR m

	31.12.2023	Neither past due nor impaired	Past due but not impaired	Impaired
General governments and government related entities	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0
Non-financial corporations	30.2	16.1	0.7	13.4
Households	31.2	17.5	2.4	11.3
Loans and advances	**61.4**	**33.6**	**3.1**	**24.7**

EUR m

	31.12.2022	Neither past due nor impaired	Past due but not impaired	Impaired
General governments and government related entities	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0
Non-financial corporations	54.3	27.9	1.2	25.2
Households	43.8	25.3	3.6	14.9
Loans and advances	**98.0**	**53.2**	**4.8**	**40.1**

The following tables show the collateral allocation for the forbearance exposure at the YE23 as well as at the YE22:

EUR m

Internal Collateral Value (ICV) in respect of forborne assets	ICV	thereof CRE	thereof RRE	thereof financial collateral	thereof guarantees	thereof other
Large Corporate	0.0	0.0	0.0	0.0	0.0	0.0
Medium and Small Corporate	18.1	13.3	0.4	0.3	2.1	2.0
Retail	13.0	2.7	9.5	0.0	0.8	0.0
Total	**31.2**	**16.0**	**9.9**	**0.3**	**2.9**	**2.0**

EUR m

Internal Collateral Value (ICV) in respect of forborne assets	ICV	thereof CRE	thereof RRE	thereof financial collateral	thereof guarantees	thereof other
Large Corporate	4.4	4.4	0.0	0.0	0.0	0.0
Medium and Small Corporate	33.6	20.2	0.7	0.2	9.3	3.1
Retail	21.9	6.0	14.1	0.0	1.6	0.2
Total	**61.5**	**32.3**	**14.8**	**0.3**	**11.0**	**3.2**

(61) Risk provisions

61.1. Method of calculating risk provisions

Provisions are calculated in line with the international accounting standard for financial instruments (IFRS 9). Different approaches are applied, depending on the stage a transaction is allocated to. Stage 1 requires the recognition of twelve-month expected credit losses. If there is a significant increase in credit risk, the loss allowance must be increased up to the amount of the expected lifetime loss (stage 2). For transactions which have a determined contractual date, lifetime loss is calculated for the time until maturity. For transactions where a contractual date does not exist due to the nature of the product (for instance revolving loans), 3 years from the reporting date is used as maturity for the purpose of calculation of lifetime loss. In case of an objective indication of an impairment (NPE, stage 3) the lifetime expected credit loss is also recognised.

As for the non-performing part (stage 3) two approaches are of relevance, namely collective assessment based on risk parameters for small exposures and individual assessment with expert based cashflow estimation for larger exposures. For the part of the non-performing portfolio where the exposure at default (EAD) on group of borrowers level is below a certain country-specific materiality threshold the calculation of provisions for impairment losses is performed as a collective assessment (rule-based approach). The collective assessment is done based on the estimation/projection of the main recovery parameters for groups of portfolios (exposures showing similar characteristics related to credit risk profile and recovery potential).

Individual assessment, or calculation of specific risk provisions based on the individual assessment of impairment losses considers that the underlying credit exposure is subject to an individual analysis in accordance with regulations regarding the calculation of provisions for impairment losses. In this calculation, repayments from a company's operating business (primary cash flows) and from the utilisation of collaterals and guarantees (secondary cash flows) are taken into consideration. Depending on the assumed recovery scenario (restructuring, settlement, debt sale, court procedure and/or collaterals repossession), expected repayments are assessed individually in terms of type, 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 potential repossession of available collaterals (primarily real estates), Addiko Group bases its assumptions on the collateral's market value, which is updated regularly. Haircuts to be applied on market value are assigned individually on a case-by-case basis, depending on the determined usability and based on a variety of factors such as concrete offers or sales of similar collaterals, market liquidity, location, utilisation period and legal situation in relation to the real estate.

The risk provisions were modeled on transactional level and reflect the most recent macroeconomic forecasts provided by the Vienna Institute for International Economic Studies (wiiw). The likelihood for pessimistic scenario is set at 35%, which is second consecutive downward revision that reflects high and persistent inflation materializing already, with monetary policy adjusting for some time. Nevertheless, three major risks are present at the moment, heavily skewed in favour of negative outcomes, which is why optimistic scenario probability remains at low level. First, there is a possibility that transmission of the monetary policy will not be effective to anchor inflation expectations over the coming months. Second, European financial institutions and corporates are facing serious challenges due to increasing interest

[1] wiiw calibrates also adverse scenario that reflects extreme severity of calibrated shocks, used for static and dynamic stress testing purposes. No probability is assigned to this type of scenario, considered to be highly unlikely, yet plausible.

rates that might trigger risks built-up during the era of quantitative easing. Third, geopolitical risks may lead to further trade fragmentation leading to another round of inflation and macro-financial instability.

Scenario probabilities[1)]	Baseline case	Optimistic case	Pessimistic case
YE22	50%	5%	45%
YE23	60%	5%	35%

The following table provides quantitative aspects of the baseline case, upside (optimistic) case and downside (pessimistic) case scenarios for selected forward-looking information/variables used to estimate the ECL for 31 December 2023. The values shown represent the average value of the macroeconomic variables over the first 12 months and the remaining 2-year forecast period for the baseline case, as well as average values of the entire projection horizon (3-year) for the optimistic and pessimistic cases.

Scenario	Historical	Baseline case			Optimistic case	Pessimistic case
Sample period	2022	2023	2024-2026			
Sub-sample			First 12 months [1)]	Remaining 2-year period [1)]	3-year period [1)]	3-year period [1)]
Real GDP (constant prices YoY, %)						
Croatia	6.2	2.5	2.9	2.9	5.0	0.2
Slovenia	2.5	1.3	2.7	2.9	4.4	0.0
Bosnia & Herzegovina	3.9	1.7	1.9	2.1	4.3	-4.0
Serbia	2.3	1.5	2.0	2.5	4.7	-5.2
Montenegro	6.4	4.5	2.9	2.9	5.2	-4.7
Euroarea	3.3	0.5	1.2	1.6	3.0	0.0
Unemployment Rate (ILO, average %)						
Croatia	7.0	6.8	6.7	6.5	4.2	8.9
Slovenia	4.0	3.7	3.7	3.7	1.8	5.6
Bosnia & Herzegovina	15.4	13.8	13.5	13.1	11.8	14.6
Serbia	9.4	9.5	9.0	8.3	7.1	9.9
Montenegro	14.7	13.8	13.1	11.8	10.8	13.6
Euroarea	6.8	6.6	6.6	6.6	4.8	8.4
Real-Estate (% of change)						
Croatia	14.8	9.0	6.5	5.0	12.5	-0.3
Slovenia	14.7	-1.5	0.6	3.8	6.7	-0.4
Serbia	17.2	2.0	2.5	3.3	8.2	1.5
Euroarea	7.1	-1.3	-0.1	2.6	5.8	-1.5
CPI Inflation (average % YoY)						
Croatia	10.7	7.5	4.0	2.8	2.6	4.9
Slovenia	9.3	7.2	3.6	2.5	2.2	4.3
Bosnia & Herzegovina	14.0	7.5	3.0	2.5	2.0	12.0
Serbia	11.9	12.5	5.5	3.3	3.3	8.3
Montenegro	13.0	9.1	5.0	2.7	2.8	8.7
Euroarea	8.4	5.7	3.2	2.3	1.7	4.4

[1)] The numbers represent average values for the quoted periods
Source: WIIW (October 2023)

The following table provides quantitative aspects of the baseline case, upside (optimistic) case and downside (pessimistic) case scenarios for selected forward-looking information/variables used to estimate the ECL for 31 December 2022.

Scenario	Historical	Baseline case			Optimistic case	Pessimistic case
Sample period	2021	2022	2023-2025			
Sub-sample			First 12 months [1)]	Remaining 2-year period [1)]	3-year Period [1)]	3-year Period [1)]
Real GDP (constant prices YoY, %)						
Croatia	10.2	5.0	2.5	3.3	4.8	0.6
Slovenia	8.2	5.7	1.9	3.0	4.3	-0.3
Bosnia & Herzegovina	7.5	2.6	1.5	2.7	3.6	-2.7
Serbia	7.4	3.6	1.9	3.1	4.0	-3.9
Montenegro	13.0	5.1	2.6	3.3	4.4	-3.6
Euroarea	5.2	3.1	0.2	1.9	2.8	-0.1
Unemployment Rate (ILO, average %)						
Croatia	7.6	7.3	7.4	6.8	3.9	10.6
Slovenia	4.8	4.1	4.0	4.3	1.5	6.9
Bosnia & Herzegovina	17.4	16.4	16.1	15.4	13.6	17.7
Serbia	11.0	9.5	9.0	8.3	6.5	10.6
Montenegro	16.6	15.2	14.9	13.7	12.0	16.1
Euroarea	7.7	6.8	7.1	6.6	4.5	8.9
Real-Estate (% of change)						
Croatia	7.3	8.5	2.8	2.6	6.1	0.3
Slovenia	11.5	13.9	4.5	4.2	7.3	2.2
Serbia	5.0	11.0	3.6	3.4	7.5	3.1
Euroarea	7.7	9.5	3.1	2.9	5.9	1.0
CPI Inflation (average % YoY)						
Croatia	2.7	9.5	6.0	2.8	2.6	6.2
Slovenia	2.0	9.4	5.5	2.4	1.7	5.9
Bosnia & Herzegovina	2.0	13.0	6.0	2.5	2.7	13.3
Serbia	4.1	11.0	8.0	3.5	3.6	10.2
Montenegro	2.4	12.5	6.0	2.5	2.4	9.5
Euroarea	2.6	8.5	6.0	2.2	2.8	5.1

The baseline forecast is the outcome of assessment of current economic developments, medium-term outlooks in the real and financial sector, and risks surrounding them. The scenarios are differentiated by:

(i) economic and geopolitical risks, mainly reflecting the prolonged war conditions in Ukraine, further trade fragmentation and mild resurgence of protectionism, higher interest rates, widespread recession;
(ii) climate transition risks reflecting assumptions on decarbonisation policies impacting core economic scenarios.

The calibration of economic shocks that leads to core alternative scenarios is implicitly derived from the last available EBA´s stress testing assumptions, i.e. any factor of conservativism that affected original deviation from the baseline path in EBA´s exercise is indirectly transposed into the internal framework. Technically, the core adverse scenario (not shown in the table above as it is used for internal stress testing and not in ECL calculation) depends on EBA´s deviation of adverse to baseline, which is imposed to wiiw´s baseline trajectories. Optimistic and pessimistic cases are half of the deviation used as described above. On the other hand, climate-related and environmental risk factors were calibrated based on econometric modelling of carbon pricing policies. They are specifically designed only for negative scenarios, while the baseline and optimistic case are already assumed to reflect climate effects stemming from "Paris Agreement setting" that implies no carbon dioxide removal efforts beyond the already established limits keeping the global warming below 2.5°C. Therefore, the climate effects in the baseline and optimistic scenarios are not quantitatively isolated at this stage, while for the negative scenarios they are added as annual deviations on top of core economic scenario values, reflecting carbon pricing policies targeting more ambitious limits of emissions, i.e. to reduce global warming below 1.6°C. This leads to asymetricaly dispersed distribution of potential outcomes, conditional on risk assessment and its materialisation.

The respective narratives are as follows:

- Baseline: The 2023 carried greater risks for economic growth and solvency of the private sector, in contrast to the previous period when European economies faced uncertainty related mostly to price increases and deteriorating incomes. Although monetary policy stance of the major central banks and those from the region gradually switched from hawkish to neutral, the effects of increasing interest rates on the balance sheets and households come with a certain lag and are yet to be seen in full. This puts solvency of both financial institutions and corporates, which have been enjoying ultra-low interest rates for a long time, to a test. For the most part, the materialized inflation seems to be manageable although regulators have not achieved a decisive victory in their fight against it. Addiko countries of operation proved to be quite resilient so far, owing much to the conflict zone distance, flourishing tourism sector and the euro-integration processes. However, short-term outlook may be jeopardized by recessionary impulses in large eurozone economies, bearing significant weight in the external trade as a major driver of regional growth. Most worryingly, mid-year growth in Germany and Italy was rather disappointing, suggesting that recovery will most likely not take place in the second half of 2023, and this pattern could be expected in a number of European economies. Stabilization over medium-run can still be assumed. In general, over a three years horizon, this group of countries can be expected to grow at 2.6%, with Slovenia and Croatia, that have largest portfolio-share, in the lead, alongside Montenegro. Due to the moderation of inflation, and the policies for supporting wages implemented by governments, real wages saw a turnaround in the second quarter of 2023. With unemployment steadily coming down in addition, it is all likely to stimulate consumption in the short-run, and help economic activity to a certain extent. However, it may also complicate the inflationary dynamics and make inflation more entrenched, especially if labor shortages contribute. Turning to the climate risks, the European Commission has proposed ambitious goals regarding the reduction of GHG emissions over the next decade through the REPowerEU plan and the New Green Deal. By 2030, the share of renewables is supposed to be 45% of final energy (raised by 5 percentage points from the previous target). Additionally, the EU has set itself the binding goal of reducing emissions by at least 55% (compared to 1990 levels) until 2030. These plans are going to impact the EU economy. However, the aggregated output will not be greatly affected by these plans, rather will lead to a shift in the composition of GDP, where investment-consumption ratio could rise. High impact climate shocks are still largely to be expected in the long-run. The main physical risk for the region is the disproportionally growing temperature in the summer season, greater occurrence of droughts, and loss of precipitation. Nonetheless, the countries in Addiko´s focus are far from the global frontier in implementing the climate change mitigation policies. Considering that most of the physical risks are skewed towards the second half of the century, it can be expected that both the transition and physical risks are to remain minor over the forecast period.

- Optimistic: The positive scenario assumes warfare between Russia and Ukraine ends by the end of 2024 followed by lengthy political negotiations with gradual easing of delivery restrictions for essential goods. The ability to reopen trade routes relieves pressure from the markets for food and metal, putting the downward price pressures on the respective markets. Additionally, the tensions between the US and China subside leading to easing on the global markets of manufacturing production while global commodity prices do not increase. Monetary policy tightening brings its fruits with inflation declining ahead of expectations. New credit risks do not materialize, emerging markets enjoy increased capital flows and appreciated exchange rates versus EUR. This would increase consumption levels and open possibilities for higher investment rates that would enable European economies to grow considerably faster, even more so for Addiko sample of countries. Regional scenario gains for this sample could surpass 2 percentage points in relation to the baseline growth over the 2024-26 period, with Non-EU sub-sample of countries growing faster than the rest. For the period 2027-28, macroeconomic indicators are simulated to converge to the baseline scenario, according to the assumption that in the long run the economy will operate on its potential level, although reached by growth moderation in this scenario. These conditions may foster strengthening of the ambition regarding the greenhouse gas emissions and policies advocated by largest CO2 emitters, but one can still expect, in line with the latest Climate Action Tracker, that policy ambitions will stay within existing unconditional nationally determined contributions (NDC) commitments, i.e. individual country plans to reduce its emissions follow the Paris Agreement. Therefore, increases in carbon pricing over the forecast horizon is not to be expected and what is more, regional climate policy variations will remain quite low.

- Pessimistic: The negative scenario assumes that active warfare between Russia and Ukraine continues with little possibility for political negotiations in sight until the end of the next year. Trade costs for essential goods are assumed to increase due to trade fragmentation caused by the sanctions' policies, while energy transition of the EU triggers upward repricing of the energy commodities leading to a 25% increase above the current level. Price stabilization would then be delayed of course, whereas labour markets are hit by the tighter lending constraints decreasing the pace of the interest rate increase. These negative outcomes would be followed by mild resurgence of protectionism, which contributes to secondary upward pricing pressures and more volatile capital flows, alongside potentially colder winter conditions in Europe. Eurozone economic crisis would be unavoidable and could last until 2025, spilling-over to the regional markets asymmetrically if it weren´t for climate factors simultaniously kicking-in. This would not necessarily be true for segmented markets, what is more, real-estate crisis would be more then likely in this case across entre region, regardless of the climate transition risks materializing. In this scenario, however, Croatia and Slovenia would start recovering more quickly than the rest of the Addiko sample, already in 2026 GDP growth would turn positive. It is assumed that this capacity lacks in the rest of the sample for the entire simulation horizon. The climate shocks mentioned in this context are related to the global and regional climate policies targeting a 1.6°C limit to global warming, implemented immediately, albeit gradually, with European countries increasing carbon prices by 5.5% and the rest of the world by more then 12%. Of course, one has to admit there is a sizable chance that the global leaders may fail to coordinate on implementation of the climate action programs beyond the nationally determined contributions, which may be the source of additional risks and disturbances in both directions.

The provisions in the YE23 consolidated financial statements include also post-model adjustments (PMA) of EUR 6.5 million, which is EUR 14.2 million lower compared to the PMA amount in the 31 December 2022 consolidated financial statements. The decrease of PMA is based on the view that the volatilities in the macroeconomic environment are still present, therefore the PMA is needed, but as the volatilities are of a lower intensity compared to previous year, therefore the PMA is lower. The same assumption is reflected in the decreased probability of pessimistic scenario occurence. The determination of PMA amount is based on the difference between ECL calculated using the through-the-cycle probability of default, and ECL calculated using the point-in-time probability of default.

The following table illustrates the weighted impairment allowance as well as the results of the sensitivity analysis where stage 1 and stage 2 ECLs are measured under each scenario with 100% weight. The sensitivity analysis is based on the baseline ECL excluding the applied management adjustment, which is included in the total ECL stock after probability weighting the ECL of each scenario. The assumed distribution of scenario probabilities (baseline 60%, optimistic 5% and pessimistic 35%) allows the Group to cover the broad range of future expectations.

EUR m

31.12.2023	ECL incl. post model adjustment	ECL excl. post model adjustment	Optimistic scenario	Baseline scenario	Pessimistic scenario
Retail	31.6	30.8	29.6	30.4	31.6
Non-Retail	25.2	19.5	17.7	19.0	20.8
Corporate Center	0.8	0.8	0.6	0.7	0.9
Total	**57.6**	**51.1**	**47.9**	**50.1**	**53.4**

EUR m

31.12.2022	ECL incl. post model adjustment	ECL excl. post model adjustment	Optimistic scenario	Baseline scenario	Pessimistic scenario
Retail	38.8	27.5	21.4	24.3	31.7
Non-Retail	30.5	21.2	14.3	17.3	26.3
Corporate Center	0.2	0.1	0.1	0.1	0.1
Total	**69.5**	**48.8**	**35.7**	**41.6**	**58.2**

61.2. Development of risk provisions

The development of risk provisions in 2023 is mainly influenced by provision requirements in the consumer portfolio (EUR 5.9m Cost of Risk) as well as by provisions for big tickets within the SME segment (EUR 13.5m Cost or Risk) (mainly in Addiko Bank Slovenia, Addiko Bank Sarajevo and Addiko Bank Serbia), mainly driven by allocation in the NPE portfolio. On the other hand, the overall ECL coverage for performing loans (stage 1 and 2) decreased during 2023 from 1.6% to 1.3%, also impacted by the updated macro-economic outlook within the ECL calculation, as well as by the release of the post model adjustment on group level and lower considered post model adjustments on legal entity level compared to YE22.
Despite the still tense macroeconomic environment and inflationary pressure, there was no material deterioration in asset quality during 2023 recognised (no significant increase in NPE and related risk provisions), whereby the ongoing development of the portfolio with regard to migrations to the NPE portfolio is subject to continuous monitoring.

61.3. Changes in the calculation of portfolio risk provisions

Based on the ongoing model improvement framework at the Addiko Group, updates are performed regularly to make sure that the latest available information is considered. During 2023 a significant number of models for estimating credit risk parameters has undergone regular reviews.

61.4. Development of the coverage ratio

The NPE coverage ratio 1 (80.9%) increased compared to the YE22 (75.4%). Increases are recognised in all legal entities except Addiko Bank Sarajevo – and are mainly driven by increases in the consumer and mortgage portfolio as well as by the SME portfolio due to provision allocation for certain bigger tickets during 2023.

The following tables show the NPE and coverage ratios at YE23 and YE22:

EUR m

31.12.2023	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Ratio (On-balance loans)	Coverage Ratio 1	Coverage Ratio 3
Consumer	1,924.9	57.7	46.6	0.4	3.0%	3.3%	80.8%	81.4%
SME	1,958.1	45.7	37.4	13.1	2.3%	3.1%	81.8%	110.4%
Non Focus	634.9	34.5	27.6	26.0	5.4%	6.5%	79.9%	155.0%
o/w Large Corporate	199.7	14.1	11.0	9.6	7.1%	13.8%	78.1%	146.0%
o/w Mortgage	382.3	18.3	15.0	15.0	4.8%	4.8%	82.0%	163.8%
o/w Public Finance	53.0	2.1	1.6	1.4	4.0%	4.9%	73.2%	139.7%
Corporate Center	2,411.4	0.0	0.0	0.0	0.0%	0.0%	1.6%	1.6%
Total	**6,929.3**	**138.0**	**111.6**	**39.4**	**2.0%**	**2.8%**	**80.9%**	**109.4%**
o/w Credit Risk Bearing	**4,619.6**	**138.0**	**111.6**	**39.4**	**3.0%**	**3.6%**	**80.9%**	**109.4%**

EUR m

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

(62) Measurement of real estate collateral and other collateral

The real estate market in Addiko operating countries is closely monitored on a quarterly basis. According to newest available statistical data all markets still generally show diminishing growth in market values, while market values in some in all property segments (e.g. new RRE in large cities) have stalled or decreased slightly. On the other hand, the high base interest rate set by the ECB has increased the cost of financing for both developers and buyers. Consequently, a further slowdown of the market activities is expected in the coming year. Data from the markets expose a decrease in total sales volume which could spill over to market values in 2024.

Addiko is using conservative haircuts in the calculation of internal collateral values, which buffer potential losses. Furthermore, all eligible collateral values are recorded at their original value established at loan origination (i.e. not indexed upwards). They are regularly monitored and, a re-assessment of the market values for collaterals was not considered to be necessary in the preparation of the year end financial statements.

Pursuant to the Addiko Group Collateral Management Policy and the Addiko Group Real Estate Valuation Policy values of residential real estate (RRE) are monitored at least once every three years. All commercial real estate (CRE) and all real estates which are collateral for NPE or FB exposures (both CRE and RRE) are monitored annually. The monitoring of all commercial real estate is performed on an individual level if the market value is above EUR 1.0 million. The market value of the properties with value below 1 million is monitored using a statistical model. Thresholds for individual monitoring for residential real estate are more conservative, and those correspond to all RRE with market value of over EUR 400,000 are monitored manually. The market values of residential real estate with MV below EUR 400,000 are monitored statistically. Any outliers identified through statistical monitoring (CRE and RRE) are additionally monitored manually.

The following table shows the development of the internal collateral values (ICV):

EUR m

Collateral Distribution	31.12.2023	31.12.2022
Exposure	6,929.3	6,801.3
Internal Collateral Value (ICV)	806.6	978.2
thereof CRE	268.2	346.9
thereof RRE	335.1	375.8
thereof financial collateral	30.9	30.8
thereof guarantees	129.8	176.1
thereof other	42.7	48.5
ICV coverage rate	**11.6%**	**14.4%**

The predominant part of the reflected stated collaterals is provided for loans and advances (negligible collaterals for other exposure types). With the decrease of gross exposure also internal collateral value decreased. Primarily residential real estates given as collaterals for Mortgages loans were reduced, due to the decrease of the mortgage loan portfolio in Retail. Collateral coverage at YE23 (11.6%) reduces compared to YE22 (14.4%).

(63) Market risk

63.1. Definition

Market risks consist of potential losses arising from a change in market prices. The Addiko Group structures market price risks according to the risk factors in interest rate, credit spread, currency and equity price risk. The Addiko Group places a special emphasis on identifying, measuring, analysing and managing market risk. Market price risks may result from securities (and products similar to securities), money and foreign currency products, derivatives, exchange rate hedges, 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.

63.2. Risk Management

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

63.3. Overview – market price risk

63.3.1. INTEREST RATE RISK

The value at risk of the interest rate risk (including the interest rate risk of the trading book) for the Addiko Group per 31.12.2023 is EUR 1.1 million (YE22: EUR 2.3 million). The interest rate gap profile for the Addiko Group contains all interest-rate-sensitive items (Assets, liabilities and off-balance-sheet items in the non-trading book) which are either contractually fixed, floating or based on behavioural assumptions. The stochastic cash flows are illustrated using uniform Group standards as well as local models for country-specific transactions. All interest sensitive items in the balance sheet are taken as the basis for calculating economic value and earnings-based measures, as well as other measures of IRRBB, based on the interest rate shock and stress scenarios. Any non-interest-sensitive items are not comprised in the interest risk calculation but dealt with in association with other risk factors, such as the participation risk.

The methodology of regulatory interest risk calculation is based on the EBA Guidelines on the management of interest rate risk arising from non-trading activities (EBA/GL/2018/02) and and the Guidelines on IRRBB and credit spread risk arsing from non-trading book activities (CSRBB).

Regulatory requirements state that impact on EVE (Economic Value of Equity) of a sudden parallel +/-200 basis points shift of the yield curve in total own funds may not exceed 20.0%, with the relevant risk estimation at 4.1% at 31.12.2023 versus 1.1% at 31.12.2022. Under the EVE of scenarios 1 to 6 as set out in Annex III of EBA/GL/2018/02 and the final draft RTS (Regulatory Technical Standards) on IRRBB supervisory outlier tests (SOT – Supervisory Outlier Tests), the impact may not exceed 15% of Tier 1 capital, with the relevant risk estimation at 4.8% at 31.12.2023 versus 3.4% at 31.12.2022.

The change in present value of the banking book with a parallel rise in the interest rate curves by 1 base point in all maturity bands and currencies as at 31 December 2023 amounts to EUR -0.2 million (entire aggregated effect of this interest rate simulation), which is almost the same level as af 31 December 2022 (EUR -0.3 million).

Sensitivity of the reported equity to interest rate movements:

EUR m

2023	Parallel up 200bp	Parallel down 200bp	Parallel shock up BSBS	Parallel shock down BSBS
At 31 December	-29.0	14.6	-34.4	17.8
Average of period	-20.5	10.6	-25.7	13.4
Maximum for the period	-10.3	19.8	-15.1	23.3
Minimum for the period	-34.3	2.7	-40.9	5.4

EUR m

2022	Parallel up 200bp	Parallel down 200bp	Parallel shock up BSBS	Parallel shock down BSBS
At 31 December	-5.3	2.5	-10.0	5.3
Average of period	-20.8	5.4	-28.1	8.1
Maximum for the period	-5.3	20.0	-10.0	23.9
Minimum for the period	-47.5	0.3	-57.2	2.8

Sensitivity of projected net interest income:

EUR m

2023	Parallel up 200bp	Parallel down 200bp	Parallel shock up BSBS	Parallel shock down BSBS
At 31 December	1.5	-1.1	1.4	-1.0
Average of period	2.1	-1.7	2.1	-1.6
Maximum for the period	5.3	3.8	5.4	3.6
Minimum for the period	-3.5	-4.7	-3.2	-4.9

EUR m

2022	Parallel up 200bp	Parallel down 200bp	Parallel shock up BSBS	Parallel shock down BSBS
At 31 December	6.8	-6.2	7.7	-6.2
Average of period	3.5	-6.6	4.1	-7.3
Maximum for the period	7.6	-3.6	8.8	-4.0
Minimum for the period	-1.0	-10.4	-0.1	-12.3

Differences in the sensitivity estimates arise from the implementation of the Draft Regulatory Technical Standards specifying supervisory shock scenarios, common modelling and parametric assumptions and what constitutes a large decline for the calculation of the economic value of equity and of the net interest income in accordance with Article 98(5a) of Directive 2013/36/EU (EBA/RTS/2022/10).

63.3.2. FOREIGN EXCHANGE RISK

The database for determining the value at risk for foreign exchange risks at the Group level of the Addiko Group is based on the figures in the regulatory report as well as positions arising from participations, and contains operational business activities. Foreign exchange risk thereby covers the entire FX risk of the Addiko Group. The main foreign exchange risk drivers are the RSD and USD currencies. The total volume of open currency positions is at EUR 351.8 million as of 31 December 2023, which was lower than the volume of EUR 576.1 million per 31 December 2022. The value at risk for foreign exchange risk was EUR 0.2 million per day as at 31 December 2023 versus EUR 0.4 million value at risk as at 31 December 2022, with both figures at a confidence interval of 99.0%. The limit of EUR 0.3 million was adhered to as at 31 December 2023.

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

63.3.3. EQUITY RISK

The share capital held in the Group is susceptible to market price risks, which arise from the uncertainty surrounding the future value of these shares. Exposure to equity risk under the standard VaR methods implemented in Addiko Group is estimated at EUR 0.1 million as of 31 December 2023 against the estimation of EUR 0.1 million as of 31 December 2022. Size of risk exposure to movements in equity market prices is seen as low given that Addiko Group's strategy is, in general, not to invest into such asset classes. If the comparison is done on each separate risk type, equity risk exposure thus displays that no major concentration risk arises from therein.

63.3.4. CREDIT SPREAD RISK

The credit spread risk within the Addiko Group stood at EUR 0.7 million at 31 December 2023 with a one-day value at risk and a confidence level of 99.0%, versus value at risk of EUR 1.3 million as at 31 December 2022. The greatest influencing factor in credit spread risk is the holding of liquidity reserves in the form of securities in the Addiko entities in Bosnia and Serbia. In addition to monitoring VaR in respect to the credit spread risk, the Addiko Group also monitors concentration risks within the bond portfolio – within the respective risk reports concentrations on single bank level of the bond portfolio over the whole Addiko Group are monitored as well as concentrations of bonds within the categories of government bonds, financial bonds as well as corporate bonds.

The following table shows the estimated values of market risks, which Addiko uses for internal risk management:

EUR m

	31.12.2023	31.12.2022
Interest Rate Risk (Banking and Trading Book)	23.4	42.9
Credit Spread Risk	15.2	24.7
Foreign Exchange Risk	3.5	7.4
Equity Risk - Investments	1.9	2.6
Equity Risk - Client Default	0.1	0.1

Total market risk exposure was lower at year end 2023 compared with the end of the year 2022, highly influenced by the lower volatility arising from the lower interest rate and credit spread risk. Additional improvements have been done in area of the IRRBB governance mainly driven by the implementation the statistically based models (both prepayments and non-maturing deposits) as well as the requirements arising from the IRRBB RTS, resulting in the decrease of the internal capital charges for IRRBB.

The business and investment strategy of Addiko Bank follows a prudent definition based on a Hold-to-Collect business model.

(64) Liquidity risk

64.1. Definition

The Addiko Group defines liquidity risk as the risk of not being able to fully or timely meet obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risks also includes the risk, in the event of a liquidity crisis, to only being able to procure refinancing at increased market rates, or only being able to sell assets if a discount has been included to the market prices. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's operations and investments.

64.2. Management of liquidity risk

The controlling and management of liquidity at Group level is under the responsibility of Group Treasury & ALM. It is here that the steering of situational and structural liquidity and the coordination of funding potential at Group level takes place. The local treasury units are responsible for operational liquidity steering and liquidity offset. The liquidity risk control at Group level is under the responsibility of Group Market & Liquidity Risk Managament. At a local level, the respective risk control units are in charge. Risk measurement and mitigation as well as timely and consistent reporting are carried out there.

The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Addiko Group has liquidity contingent plans in place, which set out the instruments and the measures required to avert imminent crises or to overcome acute crises. A bundle of different liquidity reserves, including also ECB-eligible securities, ensures the Addiko Group's solvency at all times, even during crisis situations.

Regular liquidity stress testing is conducted under a variety of scenarios, developed taking into account market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes) and Group-specific events (e.g. a reputation deterioration).

64.3. Exposure to liquidity risk

The liquidity position of the Group remained strong, with the Loan to deposit ratio (LDR) (net) of 69.3% (YE22: 66.4%).

The Group primarily manages its liquidity position via the liquidity coverage ratio (LCR), which the regulator defines as the ratio of a credit institution's liquidity buffer to its net liquidity outflows over a 30 calendar day stress period. In 2023 the LCR has moving between its lowest level of 301.0% in November 2023 and its peak of 361.0% in March 2023 (during 2022 the LCR was moving between 244.6% in May and 307.4% in December) and was significantly above the minimum regulatory requirement of 100%.

The following table represents levels of liquidity coverage ratio reached by the Group in 2023 and 2022 and calculated out of daily values:

	31.12.2023	31.12.2022
End of period	313.4%	307.4%
Average for the period	324.7%	263.7%
Maximum for the period	361.0%	307.4%
Minimum for the period	301.0%	244.6%

In addition to the LCR ratio, the Group manages its long-term liquidity through the regulatory Net Stable Funding Ratio (NSFR). The NSFR ratio is a liquidity standard requiring banks to hold sufficient stable funding to cover the duration of their long-term assets.

In 2023, the NSFR has been moving between its lowest level of 167.1% in October 2023 and its peak of 171.7% in September 2023 (during 2022 the NSFR was moving between 159.4% in June and 170.6% in December).

The following table represents levels of NSFR ratio obtained by the Bank in 2023 and 2022 and calculated out of quarterly values:

	31.12.2023	31.12.2022
End of period	170.2%	170.6%
Average for the period	169.4%	162.9%
Maximum for the period	171.7%	170.6%
Minimum for the period	167.1%	159.4%

64.4. Maturity analysis

64.4.1. CONTRACTUAL MATURITIES

The following tables set out the contractual maturities of undiscounted cash flows of the Group's financial liabilities and off-balance:

EUR m

31.12.2023	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash and cash equivalents	1,022.2	225.0	4.0	3.2	0.1	1,251.2	3.3	1,254.5
Financial assets held for trading	0.9	8.5	16.6	1.9	2.2	26.0	4.1	30.1
Financial assets mandatorily at fair value through profit or loss	0.3	1.8	0.0	0.0	0.0	2.1	0.0	2.1
Financial assets at fair value through other comprehensive income	54.1	29.9	96.1	511.6	87.5	180.1	599.1	779.2
Financial assets at amortised cost	151.9	404.7	815.8	2,328.0	980.9	1,372.5	3,308.9	4,681.4
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0	57.6	57.6
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	23.3	23.3
Tax assets	0.0	0.0	0.0	0.0	0.0	36.8	0.0	36.8
Current tax assets	0.0	0.0	0.0	0.0	0.0	1.7	0.0	1.7
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	35.1	0.0	35.1
Other assets	0.0	0.0	0.0	0.0	0.0	13.9	0.1	14.0
Non-current assets and disposal groups classified as held for sale, financial instruments	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3
Total	**1,229.5**	**669.9**	**932.5**	**2,844.8**	**1,070.6**	**2,883.9**	**3,996.4**	**6,880.3**
Financial liabilities held for trading	1.3	2.6	0.0	0.3	0.0	3.9	0.3	4.2
Financial liabilities measured at amortised cost	3,059.0	995.6	841.1	317.4	35.1	4,895.7	352.5	5,248.3
Provisions	0.0	0.0	0.0	0.0	0.0	94.0	5.2	99.2
Tax liabilities	0.0	0.0	0.0	0.0	0.0	4.1	0.0	4.1
Current tax liabilities	0.0	0.0	0.0	0.0	0.0	4.1	0.0	4.1
Other liabilities	0.0	0.0	0.0	0.0	0.0	39.1	5.1	44.2
Derivative	1.3	1.7	0.9	0.3	0.0	3.9	0.3	4.2
Loan commitments	389.4	6.1	18.0	11.7	7.4	413.5	19.1	432.6
Financial guarantees	28.6	1.6	2.1	17.5	16.1	32.3	33.6	65.9
Other commitments	227.2	0.6	21.9	93.0	36.6	249.7	129.6	379.3
Total	**3,706.8**	**1,008.2**	**884.1**	**440.2**	**95.2**	**5,736.2**	**545.7**	**6,281.9**

EUR m

31.12.2022	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash and cash equivalents	1,188.8	187.7	3.6	2.8	0.1	1,380.1	2.9	1,383.0
Financial assets held for trading	1.6	0.3	0.6	18.8	2.8	2.5	21.6	24.2
Financial assets mandatorily at fair value through profit or loss	0.3	1.8	0.0	0.0	0.0	2.1	0.0	2.1
Financial assets at fair value through other comprehensive income	18.3	62.4	127.6	486.1	208.5	208.2	694.6	902.9
Financial assets at amortised cost	126.0	367.8	755.1	2,071.3	988.2	1,249.0	3,059.5	4,308.4
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0	61.6	61.6
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	24.5	24.5
Tax assets	0.0	0.0	0.0	0.0	0.0	41.8	0.6	42.4
Current tax assets	0.0	0.0	0.0	0.0	0.0	5.4	0.0	5.4
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	36.4	0.6	37.0
Other assets	0.0	0.0	0.0	0.0	0.0	17.1	0.1	17.2
Non-current assets and disposal groups classified as held for sale, financial instruments	0.0	0.0	0.0	0.0	0.0	1.6	0.0	1.6
Total	**1,335.0**	**620.0**	**886.9**	**2,579.0**	**1,199.6**	**2,902.4**	**3,865.4**	**6,767.9**
Financial liabilities held for trading	2.5	2.6	0.0	0.3	0.0	3.9	0.3	4.2
Financial liabilities measured at amortised cost	3,513.9	559.0	707.5	337.2	56.0	4,780.4	393.3	5,173.7
Provisions	0.0	0.0	0.0	0.0	0.0	94.0	5.2	99.2
Tax liabilities	0.0	0.0	0.0	0.0	0.0	4.1	0.0	4.1
Current tax liabilities	0.0	0.0	0.0	0.0	0.0	4.1	0.0	4.1
Other liabilities	0.0	0.0	0.0	0.0	0.0	39.1	5.1	44.2
Derivatives	2.5	0.1	0.0	0.0	0.5	2.6	0.5	3.1
Loan commitments	436.3	0.0	8.9	9.9	0.6	445.2	10.5	455.7
Financial guarantees	67.3	0.0	3.7	73.7	39.3	71.0	113.0	184.0
Other commitments	257.5	0.0	0.2	0.0	0.0	257.7	0.0	257.7
Total	**4,280.1**	**561.8**	**720.4**	**421.2**	**96.5**	**5,698.1**	**528.0**	**6,226.0**

The amounts in the table above have been compiled as follows:

Type of financial instrument	Basis on which amounts are complied
Non-derivative financial liabilities	Undiscounted cash flows, which include estimated interest payments.
Issued financial guarantee contracts, and unrecognized loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial liabilities and financial assets held for risk management purposes	Contractual undiscounted cash flows.
Trading derivative liabilities and assets forming part of the Group's proprietary trading operations that are expected to be closed out before contractual maturity	Fair values at the date of the statement of financial position. This is because contractual maturities do not reflect the liquidity risk exposure arising from these positions. These fair values are disclosed in the 'daily due' column.
Trading derivative liabilities and assets that are entered into by the Group with its customers	Contractual undiscounted cash flows. This is because these instruments are not usually closed out before contractual maturity and so the Group believes that contractual maturities are essential for understanding the timing of cash flows associated with these derivative positions.

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain stable or increase;
- unrecognised loan commitments are not all expected to be drawn down immediately; and
- unsecured retail loans have an original weighted contractual maturity of 7.9 years but an average expected maturity of 6.1 years because customers take advantage of early repayment options.

64.4.2. EXPECTED MATURITIES

The following table sets out the carrying amount of assets and liabilities by remaining maturities, taking into consideration the period between the reporting date and the expected payment date for the receivable or liability. Where receivables or liabilities fall due in partial amounts, the remaining maturity is reported separately for each partial amount.

EUR m

31.12.2023	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash and cash equivalents	1,022.2	225.0	4.0	3.2	0.1	1,251.2	3.3	1,254.5
Financial assets held for trading	0.9	8.5	16.0	1.9	2.2	25.4	4.1	29.5
Financial assets mandatorily at fair value through profit or loss	0.3	1.8	0.0	0.0	0.0	2.1	0.0	2.1
Financial assets at fair value through other comprehensive income	50.9	28.5	87.7	476.6	85.0	167.1	561.6	728.7
Financial assets at amortised cost	137.2	366.2	679.9	1,962.5	857.8	1,183.4	2,820.3	4,003.7
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0	57.6	57.6
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	23.3	23.3
Tax assets	0.0	0.0	0.0	0.0	0.0	36.8	0.0	36.8
Current tax assets	0.0	0.0	0.0	0.0	0.0	1.7	0.0	1.7
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	35.1	0.0	35.1
Other assets	0.0	0.0	0.0	0.0	0.0	13.9	0.1	14.0
Non-current assets and disposal groups classified as held for sale, financial instruments	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3
Total	**1,211.5**	**630.0**	**787.6**	**2,444.2**	**945.1**	**2,681.2**	**3,470.3**	**6,151.5**
Financial liabilities held for trading	1.3	2.6	0.0	0.3	0.0	3.9	0.3	4.2
Financial liabilities measured at amortised cost	899.5	1,062.9	950.1	1,417.7	868.5	2,912.4	2,286.3	5,198.7
Provisions	0.0	0.0	0.0	0.0	0.0	94.0	5.2	99.2
Tax liabilities	0.0	0.0	0.0	0.0	0.0	4.1	0.0	4.1
Current tax liabilities	0.0	0.0	0.0	0.0	0.0	4.1	0.0	4.1
Other liabilities	0.0	0.0	0.0	0.0	0.0	39.1	5.1	44.2
Total	**900.8**	**1,065.5**	**950.1**	**1,418.0**	**868.5**	**3,053.5**	**2,296.9**	**5,350.4**

EUR m

31.12.2022	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash and cash equivalents	1,188.8	187.7	3.6	2.8	0.1	1,380.0	2.9	1,382.9
Financial assets held for trading	1.6	0.3	0.0	18.1	2.7	2.0	20.9	22.8
Financial assets mandatorily at fair value through profit or loss	0.3	1.5	0.0	0.0	0.0	1.8	0.0	1.8
Financial assets at fair value through other comprehensive income	17.6	60.9	123.7	468.8	206.6	202.2	675.4	877.6
Financial assets at amortised cost	114.7	333.1	624.1	1,664.5	827.6	1,071.9	2,492.1	3,564.0
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0	61.6	61.6
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	24.5	24.5
Tax assets	0.0	0.0	0.0	0.0	0.0	41.8	0.6	42.4
Current tax assets	0.0	0.0	0.0	0.0	0.0	5.4	0.0	5.4
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	36.4	0.6	37.0
Other assets	0.0	0.0	0.0	0.0	0.0	17.1	0.1	17.1
Non-current assets and disposal groups classified as held for sale, financial instruments	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3
Total	**1,323.0**	**583.5**	**751.4**	**2,154.2**	**1,037.0**	**2,718.1**	**3,278.1**	**5,996.0**
Financial liabilities held for trading	1.3	2.6	0.0	0.3	0.0	3.9	0.3	3.1
Financial liabilities measured at amortised cost	1,034.0	642.2	843.6	1,604.0	1,013.2	2,519.7	2,617.2	5,136.8
Provisions	0.0	0.0	0.0	0.0	0.0	94.0	5.2	83.4
Tax liabilities	0.0	0.0	0.0	0.0	0.0	4.1	0.0	0.6
Current tax liabilities	0.0	0.0	0.0	0.0	0.0	4.1	0.0	0.6
Other liabilities	0.0	0.0	0.0	0.0	0.0	39.1	5.1	26.2
Total	**1,035.4**	**644.9**	**843.7**	**1,604.4**	**1,013.3**	**2,660.9**	**2,627.9**	**5,250.2**

64.5. Liquidity reserves

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, balances with central banks and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Group holds unencumbered assets eligible for use as collateral with central banks.

The following table sets out the counterbalancing capacity of the Addiko Group:

EUR m

Counterbalancing Capacity	31.12.2023		31.12.2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Coins and bank notes	117.1	117.1	120.0	120.0
Withdrawable central bank reserves	876.2	876.2	1,080.5	1,080.5
Level 1 tradable assets	999,50	992.5	876.9	838.1
Level 2A tradable assets	5.9	5.9	0.0	0.0
Level 2B tradable assets	0	0,0	10.3	10.3
Total Counterbalancing Capacity	**1,998.7**	**1,991.7**	**2,087.7**	**2,048.9**

64.6. Financial assets available to support future funding

The following table sets out the availability of the Group's financial assets (carrying amount) to support future funding.

EUR m

31.12.2023	Encumbered assets	Unencumbered assets
Cash balances at central banks and other demand deposits	93.7	1,046.5
Equity instruments	0.0	19.5
Debt securities	14.4	1,169.3
Loans and advances	16.4	3,555.8
Total	**124.5**	**5,774.6**

EUR m

31.12.2022	Encumbered assets	Unencumbered assets
Cash balances at central banks and other demand deposits	81.2	1,181.7
Equity instruments	0.0	18.0
Debt securities	38.1	1,023.2
Loans and advances	71.0	3,310.9
Total	**190.4**	**5,533.9**

64.7. Financial assets pledged as collateral

The carrying amount of financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 December 2023 and 2022 is shown in the following table:

EUR m

	31.12.2023	31.12.2022
Cash, cash balances at central banks and other demand deposits	5.0	7.3
Financial assets at fair value through other comprehensive income	0.0	0.0
Financial assets at amortised cost	6.7	33.6
Total	**11.7**	**40.9**

Financial assets are pledged as collateral as part of sales and repurchases and securities borrowing under terms that are usual and customary for such activities. Cash collaterals were pledged in relation to derivatives. Financial assets at amortised costs were pledged as collateral for liabilities arising from refinancing transactions, repurchase agreements and other collateral arrangements:

As of 31 December 2023 no financial assets have been transferred under repurchase agreements.

EUR m

31.12.2022	Carrying amount of transferred assets	Of which: repurchase agreements	Carrying amount of associated liabilities	Of which: repurchase agreements
Financial assets at amortised cost	25.5	25.5	24.3	24.3
Debt securities	25.5	25.5	24.3	24.3

The Group has received collateral that it is permitted to sell or repledge in the absence of default.

The fair value of debt securities received as collateral, that Addiko Group is permitted to sell or repledge irrespective of the default of the owner of the collateral, amounts to EUR 6.8 million as of YE23 (YE22: EUR 8.3 million) and relates to reverse repurchase agreements. All transactions were conducted under terms which are usual and customary to standard repurchase agreements.

(65) Operational risk

65.1. Definition
The Addiko Group defines operational risk as the risk of direct and indirect losses resulting from inadequate or failed internal processes, systems, people or external factors other than credit, market and liquidity risks. This definition includes legal risk but excludes reputational risk and strategic risk.

65.2. General requirements - Operational risk management framework
Operational risk management (ORM) is at the core of a bank's operations, integrating risk management practices in processes, systems and culture. As a pro-active partner to senior management, ORM's value lies in supporting and challenging senior management to align the business control environment with the bank's strategy by measuring and mitigating risk loss exposure, contributing to optimal return for stakeholders.
A robust framework of operational risk management which includes identifying, measuring, managing, monitoring and reporting operational risk provides a mechanism for discussion and effective escalation of issues leading to better risk management and increasing institutional resilience.
The comprehensive data collection, which the framework supports, allows analysis of complex issues and facilitates tailored risk mitigation actions.
Operational risk management is a continuous cyclic process which includes risk and control self-assessment, risk decision making, scenario analysis and implementation of risk controls, which results in acceptance, mitigation, or avoidance of risk.

65.3. Risk monitoring
Operational Risk Management reports on a monthly basis to the Group Management Board and on a quarterly basis to the Group Risk Executive Committee and Group Governance Risk and Compliance Committee in order to provide an overview of the operational risk situation to the management to enable the related risk steering and to integrate the operational risk management into the bank processes.

The monitoring of Operational Risk losses in 2023 shows impacts for expected legal matters on Swiss franc denominated loans in Croatia and Slovenia (see note (67) Legal Risk for details), slightly increased number of fraud cases, the impact of National Bank of Slovenia guidance related to the treatment of early loan repayments (the ‘Lexitor case’) and the impact from the decision of the Indirect Taxation Authority in Bosnia & Herzegovina to reverse their previous instructions and apply VAT on credit card services retroactively and going forward.

(66) Sustainability (Environmental, Social and Governance – ESG) Risks

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

Addiko does not treat the ESG risks as a separate risk type but integrates them in the existing risk classification and into the existing risk management framework, as drivers for other risk types (e.g. credit risk or operational risk). In line with regulatory expectations, Addiko puts a special focus on climate-related and other environmental risk (C&E risk) management. In this context Addiko considers both physical and transition risks:

- Physical risk refers to the direct impact from climate-related or environmental changes, which can be “acute” (e.g. extreme weather events such as hurricanes, floods and wildfires) or “chronic” in case of progressive changes, such as sustained higher temperatures, heat waves, droughts and rising sea levels.
- Transition risk refers to the potential losses resulting from the adjustment towards a lower-carbon and more environmentally sustainable economy (e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand).

Addiko Group performed an assessment of climate-related and other environmental risks in two consecutive steps. In a first step Addiko Group assessed the impact of climate and environmental change on its countries of operation considering various scenarios for the short, medium and long-term. In a second step Addiko Group analysed how the impact identified in the first step will transmit onto the Group. Based on this analysis, Addiko concluded that in particular its credit risk can be impacted by climate-related and other environmental risk drivers. While due to the granularity and diversification of Addiko Group's loan portfolio, there is no immediate material threat to the quality of assets of Addiko Group, the potential impact on the economy in the area of Addiko operation drives the systemic risk Addiko is exposed to. In this context it is evident that acute and chronic climate and environmental risks already do impact macroeconomic indicators, whereby the severity of this impact over the medium- to long term is highly dependent on the measures taken to curb climate change. Consequently, Addiko also considered the impact from climate-related transition risks in the macroeconomic financial forecasts used in the calculation of the Expected Credit Loss, thus, directly impacting the risk provisions of the loan book.

While no immediate danger for Addiko Group was identified in the assessment of climate-related and other environmental risks, the urgency and uncertainty of the matter require continuous monitoring. Addiko focuses in particular on the strict limitation of any idiosyncratic C&E risk. In this context, Addiko has identified industries which are and might in the future be impacted by climate and environmental risk, and set prudent limits on the maximum exposure to these limits, which are diligently tracked. Furthermore, within the operational credit-granting process, Addiko has defined measures to recognise the potential impact of climate and environmental risk on the asset quality of the clients. Proper assessment is necessary in order to prevent potential financial, legal or reputational consequences for the bank that might appear in case that bank supports financing of the respective company.

(67) Legal risk

67.1. Passive legal disputes: monitoring and provisioning of legal risks

The overall number of passive legal disputes increased during 2023 due to cases linked to FX transactions (Croatian and Slovenian subsidiary), margin increases and interest rate clauses (Croatian subsidiary) and loan processing fees (Serbian subsidiary). As a consequence, the amount in dispute increased as of 31 December 2023 (EUR 218.5 million) versus 31 December 2022 (EUR 212 million) by EUR 6.5 million.

There is a future risk of further increasing numbers of proceedings and amounts in dispute due to changed court practice, binding sample proceedings decision and new laws (e.g. conversion laws, amendments to consumer credit acts, consumer protection acts).

Across the Addiko Group, a centralised legal data base has been established, which enables monitoring and steering by the holding company, as well as early perception of possible new developments and reasonings in the jurisdictions the Addiko Group is doing business in. Besides, other monitoring and steering tools have been implemented to establish and secure reliable data quality and dispute handling quality, and to monitor daily litigation work and the development of court cases.

Legal provisions for the legal risk inherent in passive legal proceedings, specifically the risk of losing the case and having to bear the associated costs, are generally calculated in accordance with international accounting principles applicable across the entire Addiko Group. Accordingly, no legal provision is required to be set up if the Addiko Group is more likely than not to prevail in the proceedings. If the probability of success is equal to or below 50%, legal provisions are recognised. Local legal divisions familiar with the respective case and/or external appraisers are responsible for assessing the chances of success. The latter especially applies in the case of particularly complex cases or particularly high amounts in dispute. In addition to these general requirements, legal provisions are also formed for particularly complex and/or high-profile legal disputes, which of course carry a greater inherent legal risk. Group wide monitoring of foreign currency legal disputes has been intensified as a consequence of the increasing number of regulations and rulings on handling foreign currency loans in the Central and South Eastern European countries (e.g. "forced conversion").

Addiko practises an active legal monitoring on local legal risk trends, inter alia via the legal data bases, regular reports on the local legal situation and the latest developments in the pending legal proceedings, as well as ad-hoc reports on new legal disputes are actively requested from Addiko subsidiaries. The resulting stocktaking allows for an timely overview of the total number of pending legal proceedings the Group is involved in as well as the legal risk inherent in these proceedings (as measured by the chances of success), the recording of risk-adequate legal provisions at an appropriate amount, an effective monitoring of changes and the adopting of measures, if necessary.

67.2. Historical unilateral interest changes and Suisse Frank clause risk

As of 31 December 2023, 16,184 individual court proceedings (YE22: 14,799 proceedings) were pending against the Group by its customers, with the total amount in dispute related to retail cases (FX, unilateral interest change disputes or claims for payment) in which the Group is respondent of EUR 106 million (YE22: EUR 96 million).

Particularly between 2004 and 2008, numerous private customers in Central and South-Eastern Europe have taken out foreign currency loans (especially CHF loans). In the previous years, such loan agreements have increasingly become the subject of customer complaints and legal proceedings, the latter being a course of action initiated in particular by consumer protection organisations. The main allegation is that customers were not provided with sufficient information on the consequences of such agreements when they were concluded, and/or that the foreign currency and/or interest rate adjustment clauses applied or the whole FX contracts were void.

At the time of writing, there is only in Serbia different decision-making practice in Retail CHF clause cases; some of the local court practices and verdicts went against the defendant subsidiary banks, but other cases were ruled in their favour. In general Croatian, Montenegrinian and since first half of 2023 Slovenian courts regard CHF clauses as void in contrast to Bosnian courts, which regard them as valid.

In first half of 2023 the **Slovenian** Supreme Court changed in non Addiko cases retroactively interpretation of local consumer protection law, establishing higher requirements for the information duty vis-á-vis the customer. These new considerations of the Supreme Court have already been included in the assessment of the chances of success of the pending cases. Although Swiss Franc Law enacted in February 2022 was abolished by the Slovenian Constitutional Court due to unconstitutionality, new legislative measures with respect to the CHF topic cannot be excluded for the future. Addiko will therefore continue to actively pursue a solution together with other banks and the government to ensure definitive legal certainty and a balanced approach.

In **Bosnia & Herzegovina**, the lawfulness of foreign currency clauses used at the subsidiary banks in Sarajevo and Banja Luka was confirmed by a Supreme Court statement of the Republic of Bosnia & Herzegovina, which has a binding effect for lower-instance courts thus put an end to filing of new claims. Both Bosnian subsidiary banks have implemented a voluntary settlement project for conversion of CHF loans into the national currency BAM. Since then, numbers of new claims in this regard significantly decreased and requests for conversion and/or restructuring of loans increased. As of 31 December 2023, approx. 95% of the CHF loans were converted or closed. The number of claims in this respect has therefore decreased considerably. Since the last attempt to introduce a CHF conversion law was withdrawn in 2022, no new attempts were made.

In **Croatia** the most relevant decisions that preceded the considerable increase of the number of individual consumer CHF court's proceedings against the Bank during 2019 and 2023 are the following:

- May 2015 – the Supreme Court of the Republic of Croatia has fully confirmed the decision of the High Commercial Court of the Republic of Croatia on the nullity of the unilateral interest change provision in CHF loan agreements, and
- September 2019 – the Supreme Court of the Republic of Croatia has confirmed the 2018 decision of the High Commercial Court Zagreb on the nullity of the currency clause provision in CHF loan agreements. Borrowers, whether participating in the class action or not, cannot exert any direct claims from the verdict but have to file individual complaints regarding any potential overpayment claims due to the FX clause.
- May 2022 – the European Court of Justice (“CJEU”) ruled in a case regarding converted CHF loans, that a) CJEU has no jurisdiction over the CHF loan itself since the loan agreement was concluded before Croatia’s accession to the EU and b) that the Consumer Protection Directive might not be applicable if the Conversion law 2015 was intended to bring balance between banks and consumers. The task of checking whether this is the case is up to local courts.
- December 2022 – the Croatian Supreme Court published a non-binding opinion, granting clients who converted under Conversion Law 2015 penalty interest until the conversion. In 2022 the Supreme Court published a non-binding opinion, granting penalty interest on overpayments to clients who converted under the Conversion Law 2015 until the

conversion. However, this non-binding opinion did not pass the control by the Register for Judicial Practice of the Supreme Court.
- As of 14 June 2023 - all FX claims filed after this date are time bared according to the rulings of the Croatian Supreme Court.

In **Montenegro**, in relation to the class action against the local Addiko subsidiary regarding the validity of the CHF clause, the second instance ruled that this clause is invalid. Nevertheless, plaintiff's request for compensation was denied and plaintiffs were ordered by the court to request conversion under the Conversion law 2015. One of the High Courts awarded clients in one of the mass claim proceedings parts of the litigation costs. Also, the Constitutional Court confirmed in one individual case partial cost claim of the client although client withdraw the claim while exercising his Conversion right.

In relation to the request filed by the Group in September 2017 for Arbitration with the ICSID in Washington, DC against the Republic of Croatia regarding the Conversion Law reference is made to the disclosures in note (72) Contingent liabilities.

EUR m

		31.12.2023		31.12.2022
	Exposure	thereof CHF	Exposure	thereof CHF
Addiko Bank Croatia	2,356.6	20.2	2,448.6	23.3
Addiko Bank Slovenia	1,678.9	29.9	1,553.8	33.6
Addiko Bank Serbia	1,130.5	3.0	1,071.1	7.0
Addiko Bank Sarajevo	643.0	2.6	597.4	3.0
Addiko Bank Banja Luka	570.0	5.2	545.3	4.3
Addiko Bank Montenegro	236.4	2.1	231.4	2.8
Addiko Holding	313.8	0.0	353.7	0.0
Total	**6,929.3**	**63.1**	**6,801.3**	**74.0**

The CHF portfolio decreased from EUR 74.0 million at the end of 2022 to EUR 63.1 million at YE23.

(68) EU-wide Stress Test

Addiko Group participated in the EU-wide stress test conducted by the ECB in the first half of 2023, which is based on EBA methodology, with necessary adjustments for smaller banks to ensure proportionate treatment. The EU-wide stress test analyses how a bank's capital position will develop over a period of three years, under both a baseline and an adverse scenario and is based on 2022 year-end data.

In line with the results published by the ECB at the end of July 2023, Addiko Group's CET1 ratio depletion under the adverse scenario is classified in the bucket "> 900bps", while the CET1 ratio is classified in the bucket "CET1R <8%". While the 2023 adverse scenario assumed the most severe GDP decline in an EU wide stress yet, Addiko showed overall a higher resilience in the simulated scenarios than in previous stress test exercises.

Supplementary information required by IFRS

(69) Leases from the view of Addiko Group as lessor

Addiko Group doesn´t provide disclosures for leases from the view as lessor as specified by IFRS Standards due to the fact that the information resulting from these disclosures are not material.

(70) Leases from the view of Addiko Group as lessee

The majority of offices and branches are leased under various rental agreements. The Group leases also equipment and vehicles. Most of the lease contracts are made under usual terms and conditions and include price adjustment clauses in line with general office rental market conditions. Rental contracts are typically made for fixed periods up to 10 years. Extension and termination options are included in a number of property and equipment leases. Several lease contracts have indefinite lease term and several contracts contain insignificant residual value guarantees. There are no restrictions placed upon the lessee by entering into these contracts. There are no lease contracts with variable payments other than that depending on an index or a rate. For further details regarding lease contracts please refer to note (9) Leases, and to note (4) Use of estimates and assumptions/material uncertainties in relation to estimates.

The lease agreements do not include any clauses that impose any restrictions on the Group's ability to pay dividends, engage in debt financing transactions or enter into further lease agreements.

The total cash outflows for leases are as follows:

EUR m

	31.12.2023	31.12.2022
Payments for principal portion of lease liability	-6.4	-5.8
Payments for interest portion of lease liability	-0.5	-0.4
Payments for short-term, low value assets and variable lease payments not included in the measurement of the lease liability	-1.5	-1.6
Total	**-8.4**	**-7.8**

The undiscounted maturity analysis of lease liabilities under IFRS 16 is as follows:

EUR m

Maturity analysis - contractual undiscounted cashflow	31.12.2023	31.12.2022
up to 1 year	4.7	6.7
from 1 year to 5 years	12.1	11.6
more than 5 years	0.6	0.9
Total undiscounted lease liabilities	**17.4**	**19.2**

The expenses relating to payments not included in the measurement of the lease liability are as follows:

EUR m

	31.12.2023	31.12.2022
Short-term leases	-0.5	-0.3
Leases of low value assets	-1.0	-0.9
Variable lease payments	0.0	-0.3
Total	**-1.4**	**-1.6**

Addiko Group has no commitments for future cash outflows which are not reflected in the measurement of lease liabilities at the current reporting date.

(71) Assets/liabilities denominated in foreign currencies

The following amounts in the statement of financial position are denominated in foreign currencies:

EUR m

	31.12.2023	31.12.2022[1)]
Assets	1,425.7	2,572.5
Liabilities	1,039.4	1,956.3

1) 2022 figures contain assets and liabilities denominated in HRK

The majority of the differences between the respective sums is hedged through foreign exchange swaps (FX swaps and cross-currency swaps) and forward exchange transactions.

(72) Contingent liabilities

EUR m

	31.12.2023	31.12.2022
Loan commitments	432.6	455.7
Financial guarantees	65.9	184.1
Other commitments	379.3	257.7
Total	**877.8**	**897.5**

The position other commitments includes mainly non-financial guarantees, like performance guarantees or warranty guarantees and guarantee frames.

Contingent liabilities in relation to legal cases

Addiko Group is subject to a number of legal proceedings that are often highly complex, take considerable time and are difficult to predict or estimate. As of 31 December 2023, Addiko Group's passive legal disputes (i.e., disputes where Addiko Group is the defendant), for which the probability of a cash outflow was deemed to be not-likely (and consequently no provisions were recognised), amounted to claims of EUR 43.6 million (YE22: EUR 51.8 million) (excluding accrued interest) relating to 2,514 cases (YE22: 2,958 cases). The outcome of such proceedings is difficult to predict or estimate until late in the proceedings, which may also last for several years. Nevertheless, based on legal advice, management believes that its defense of the action will be successful.

From the overall amount of EUR 43.6 million (excluding accrued interest), 45% (or EUR 19.7 million) (YE22: 51%, EUR 21.6 million) relate to damage cases where plaintiffs request contractual or extra contractual damages. The remaining amounts in dispute relate to certain standard contractual provisions concerning retail FX clauses in CHF loans of Addiko Group, unilateral interest rate changes and refunds of loan processing fees or to corporate payment requests. Two of the damage proceedings, having an amount in dispute between EUR 5 to 10 million are briefly described below:

- One claim is pending against a subsidiary of Addiko Group relating to a case where the plaintiff requests contractual damages. The opinion of the external legal counsel is that the claim does not have meritorious grounds. As result, management believes that its defense will be successful.
- In the other claim pending the plaintiff requests damages due to alleged inability registering shares with the company register. However, the plaintiff already lost several cases based on the same factual situation against the bank. Hence, based on legal advice, management believes that its defense of the action will be successful.

In the above numbers is also included the claim the Slovenian subsidiary received during 2022 by a consumer protection organisation aimed at reimbursement of overpayments due to aligned “zero floor” clauses in the amount of dispute of EUR 11.7 million. According to external legal opinion the probability of a cash outflow was deemed to be not-likely.

Addiko Group is also involved in a number of active legal disputes (i.e., disputes where Addiko Group is the claimant). The principal one is regarding the request for arbitration that the Group filed in September 2017 with the ICSID in Washington, DC against the Republic of Croatia regarding the Conversion Laws claiming EUR 153 million. The Group claims that the Bilateral Investment Treaties (BIT) regarding the fair and equivalent treatment under the BIT was violated. The main hearing was conducted in March 2021 and parties are waiting for the final award. If the action is unsuccessful, then court fees and legal costs could amount up to ca. EUR 11 million. Based on external legal advice, management believes that the action will be successful.

(73) Fair value disclosures

Fair value is the price that would be received for the sale of an asset or paid to transfer a debt in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

IFRS 13 specifies the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- **Level I - Quoted prices in active markets.** The fair value of financial instruments traded in active markets is best established through quoted prices of identical financial instruments where these quoted prices represent market values/prices used in regularly occurring transactions. This applies above all to equity instruments traded on an active market, debt instruments traded on the interbank market and quoted derivatives.
- **Level II - Value determined using observable parameters.** If there are no quoted prices for individual financial instruments, the market prices of comparable financial instruments or accepted measurement models applying directly or indirectly observable prices or parameters (interest rates, yield curves, implied volatilities and credit spreads) must be used to determine the fair value. This level includes the majority of the OTC derivatives and non-quoted debt instruments. A financial instrument is classified in level II if all significant inputs in the valuation are observable on the market.
- **Level III - Value determined using non-observable parameters.** This category includes financial instruments for which there are no observable market rates or prices. The fair value is therefore determined using measurement models and unobservable inputs (typically internally derived credit spreads) appropriate for the respective financial instrument. These models make use of management assumptions and estimates depending on the pricing transparency and complexity of the financial instrument. A financial instrument is classified in level III if one or more significant inputs are not directly observable on the market.

The used valuation models are regularly reviewed, validated and calibrated. All valuations are performed independently of the trading departments.

Financial assets and financial liabilities are reported by instrument in the following way:

- Equity instruments - Equity instruments are reported under level I if prices are quoted in an active market. If no quoted prices are available, they are reported under level III. Valuation models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple method.
- Derivatives - The fair value of derivatives that are not options is determined by discounting the relevant cash flows with the corresponding yield curves. These are reported under level II if they are measured on the basis of observable input factors. If non-observable significant input factors are used, these derivatives are reported under level III. The fair value of structured financial products is calculated according to the type of embedded derivative using a measurement model; they are reported under level II or level III depending on the input factors used.
- Debt financial assets and liabilities - The method used to measure debt financial assets and liabilities depends on the liquidity in the relevant market. Liquid instruments measured on the basis of the relevant market value are reported under level I. The fair value is determined using valuation techniques whereby expected cash flows are

discounted by the risk premium adjusted curves in the event that there is no active market. The proximity to the risk premium curve used determines whether these instruments are reported under level II or level III. They are reported under level III in the event that a significant, non-observable risk premium is used. Market prices provided either at a low frequency or only from one source are reported under level III.

Measurement methods used to determine the fair value of level II and level III items

The accepted measurement models according to IFRS 13 are the market approach, the cost approach and the income approach. The measurement method using the market approach is based on identical or comparable assets and liabilities. With the income approach, future cash flows, expenses or revenue are discounted at the measurement date. The fair value determined in this manner reflects current market expectations regarding these future amounts. It primarily includes present value models and also option price models used for the measurement of financial instruments or option-based cash flows. The cost approach is not used. The fair value of financial instruments with short-terms where the carrying amount is an adequate approximation of the fair value was not separately determined.

The following measurement techniques are applied to items that are measured internally based on models:

- Present value of the future cash flows (discounted cash flow method) - Level II and III items that are not traded in active markets but where the date and amount of the cash flows are known are measured at the present value of the future cash flows. Discounting takes a risk premium into account. All significant input factors are observable for level II instruments while some significant parameters cannot be directly observed for level III.
- Option measurement models - The existing portfolio of level III items includes cash flows with amounts tied to various market variables such as swap rates, stock market indexes and FX rates, or with dates that cannot be determined. Accepted interest and option measurement models calibrated daily with market data (swaption prices, market prices, FX rates) are used for the measurement of such cash flows.

Non-observable input factors for level III items:

- Volatilities and correlations - Volatilities are important input parameters for all option measurement models. The volatilities are derived from market data using accepted models.
- Risk premiums - Credit risk premiums indicate the default risk of an issuer. They provide information about the expected loss if the issuer defaults and therefore reflect the loss given default and the probability of default. For some issuers, risk premiums can be observed directly in the market. When single-name CDS curves are not available for an issuer, the risk premiums have to be estimated based on similarities to other issuers or based on the issuer's country and sector. This applies to the risk premium of the Addiko Group. Increase (decrease) in the credit risk premiums would decrease (increase) the fair value.
- Loss given default - The loss given default is a parameter that is never directly observable before an entity defaults.
- Probability of default - Risk premiums and loss given default are used to estimate the probability of default, which is used for possible fair value adjustments.

Fair value adjustments - Credit value adjustment (CVA) and debt value adjustment (DVA)

Credit value adjustment (CVA) and debt value adjustment (DVA) are reported for all OTC derivatives. The calculation is based on a Monte Carlo simulation of the future replacement value (exposure), taking into account the effects of CSA agreements (credit support annex, CSA) by path. This results in a distribution of replacement values for all future dates. To determine the CVA, the absolute expected values from the positive exposure paths are multiplied by the counterparty's marginal probabilities of default and discounted. The DVA, on the other hand, is determined by multiplying and discounting the absolute expected values from the negative exposure paths with the bank's own marginal probabilities of default.

For counterparties with a collateral contract, the CVA and DVA have to be calculated at the portfolio level. The calculation takes into account contractual parameters such as minimum transfer amount, threshold, rounding and netting. The relative CVA approach is used to allocate the portfolio CVA to specific items. Here, the portfolio CVA is distributed in proportion to the individual CVAs. The full CVA approach is applied to items not secured by collateral. This approach calculates the CVA at the individual item level. A waterfall principle is applied to determine the probabilities of default.

First, the probabilities of default are derived from CDS curves. Synthetic curves are used if there are no single-name curves available; and are composed of country-specific curves and an internal rating.

OIS discounting

The Addiko Group measures derivatives taking into account base spread influences by applying various interest curves to calculate the forward rates and discount factors (multi-curve framework). According to the current market standards and as a result out of the IBOR reform, the new benchmark indices are used for discounting in the measurement of OTC derivatives secured by collateral. In Addiko Group the fair value for all derivatives where the respective collateral €STR is used as interest rate, €STR is used as discount rate.

73.1. Fair value of financial instruments carried at fair value

EUR m

31.12.2023	Level I - from active market	Level II - based on market assumptions	Level III - based on non market assumptions	Total
Assets				
Financial assets held for trading	8.6	20.9	0.0	29.5
Derivatives	0.0	4.9	0.0	4.9
Debt securities	8.6	16.0	0.0	24.6
Investment securities mandatorily at FVTPL	0.0	1.8	0.3	2.1
Equity instruments	0.0	0.0	0.3	0.3
Debt securities	0.0	1.8	0.0	1.8
Investment securities at FVTOCI	561.1	164.8	2.7	728.7
Equity instruments	18.4	0.0	0.7	19.2
Debt securities	542.8	164.7	2.0	709.5
Total	**569.7**	**187.4**	**3.1**	**760.2**
Liabilities				
Financial liabilities held for trading	0.0	4.2	0.0	4.2
Derivatives	0.0	4.2	0.0	4.2
Total	**0.0**	**4.2**	**0.0**	**4.2**

EUR m

31.12.2022	Level I - from active market	Level II - based on market assumptions	Level III - based on non market assumptions	Total
Assets				
Financial assets held for trading	2.1	20.7	0.0	22.8
Derivatives	0.0	5.0	0.0	5.0
Debt securities	2.1	15.7	0.0	17.9
Investment securities mandatorily at FVTPL	0.0	1.5	0.3	1.8
Equity instruments	0.0	0.0	0.3	0.3
Debt securities	0.0	1.5	0.0	1.5
Investment securities at FVTOCI	626.4	245.4	5.9	877.6
Equity instruments	16.8	0.0	0.9	17.7
Debt securities	609.6	245.3	5.0	859.9
Total	**628.5**	**267.5**	**6.2**	**902.2**
Liabilities				
Financial liabilities held for trading	0.0	3.1	0.0	3.1
Derivatives	0.0	3.1	0.0	3.1
Total	**0.0**	**3.1**	**0.0**	**3.1**

Transfers between level I and level II

Addiko Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the financial instrument does no longer meet the criteria described above for the categorisation in the respective level.

In the current and the previous reporting period no transfers between levels took place.

Unobservable inputs and sensitivity analysis for level III measurements

For investment securities classified in level III, which are illiquid unlisted corporate bonds, the main input parameter is the discount factor. If the credit spreads used in the calculation of the fair value increased by 100 basis points, the cumulative valuation result as of 31 December 2023 would have decreased by EUR 0.1 million (YE22: EUR 0.1 million). If the credit spreads used in the calculation of the fair value decreased by 100 basis points, the cumulative valuation result as of 31 December 2023 would have increased by EUR 0.1 million (YE22: EUR 0.1 million).

The development of level III is presented as follows:

EUR m

2023	01.01.	Valuation gains/losses - profit or loss	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	Settlement (-)	Transfer into/out of other Levels	31.12.
Assets								
Investment securities mandatorily at FVTPL	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Equity instruments	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Investment securities at FVTOCI	5.9	0.0	0.0	0.0	0.0	-3.0	-0.2	2.7
Equity instruments	0.9	0.0	0.0	0.0	0.0	0.0	-0.2	0.7
Debt securities	5.0	0.0	0.0	0.0	0.0	-3.0	0.0	2.0
Total	**6.2**	**0.0**	**0.0**	**0.0**	**0.0**	**-3.0**	**-0.2**	**3.1**

EUR m

2022	01.01.	Valuation gains/losses - profit or loss	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	Settlement (-)	Transfer into/out of other Levels	31.12.
Assets								
Investment securities mandatorily at FVTPL	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Equity instruments	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Investment securities at FVTOCI	5.2	0.0	0.0	3.3	-0.1	-2.5	0.0	5.9
Equity instruments	0.7	0.0	0.0	0.3	-0.1	0.0	0.0	0.9
Debt securities	4.5	0.0	0.0	3.0	0.0	-2.5	0.0	5.0
Total	**5.5**	**0.0**	**0.0**	**3.3**	**-0.1**	**-2.5**	**0.0**	**6.2**

Due to the appearance of active market and daily valuation, there was a transfer of one bond in the amount of EUR 0,2 million from level III into level I in the current reporting period. In the previous reporting period no transfers into/out of other levels took place.

Fair value of financial instruments and assets not carried at fair value

EUR m

31.12.2023	Carrying amount	Fair Value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non market assumptions
Assets						
Cash and cash equivalents [1]	1,254.5	1,254.5	0.0	0.0	0.0	0.0
Financial assets at amortised cost	4,003.7	4,105.6	101.9	321.2	134.7	3,649.7
Debt securities	447.9	458.8	10.9	321.2	134.7	2.9
Loans and advances	3,555.8	3,646.8	91.0	0.0	0.0	3,646.8
Non-current assets held for sale	0.2	0.2	0.0	0.0	0.0	0.2
Total	**5,258.3**	**5,360.2**	**101.9**	**321.2**	**134.7**	**3,649.8**
Liabilities						
Financial liabilities at amortised cost	5,198.7	5,176.1	22.6	0.0	0.0	5,176.1
Deposits	5,139.4	5,116.7	22.6	0.0	0.0	5,116.7
Other financial liabilities	59.3	59.3	0.0	0.0	0.0	59.3
Total	**5,198.7**	**5,176.1**	**22.6**	**0.0**	**0.0**	**5,176.1**

[1] Cash and cash equivalents have not been assigned to a level as the carrying amount always approximates their fair value due to their short-term nature.

EUR m

31.12.2022	Carrying amount	Fair Value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non market assumptions
Assets						
Cash and cash equivalents [1]	1,382.9	1,382.9	0.0	0.0	0.0	0.0
Financial assets at amortised cost	3,564.0	3,532.4	-31.6	110.7	66.8	3,354.9
Debt securities	182.2	177.5	-4.7	110.7	66.8	0.0
Loans and advances	3,381.9	3,354.9	-27.0	0.0	0.0	3,354.9
Non-current assets held for sale	0.1	0.1	0.0	0.0	0.0	0.1
Total	**4,947.1**	**4,915.3**	**-31.6**	**110.7**	**66.8**	**3,355.0**
Liabilities						
Financial liabilities at amortised cost	5,136.8	5,101.9	35.0	0.0	0.0	5,101.9
Deposits	5,088.0	5,053.1	35.0	0.0	0.0	5,053.1
Other financial liabilities	48.8	48.8	0.0	0.0	0.0	48.8
Total	**5,136.8**	**5,101.9**	**35.0**	**0.0**	**0.0**	**5,101.9**

[1] Cash and cash equivalents have not been assigned to a level as the carrying amount always approximates their fair value due to their short-term nature.

Financial instruments not carried at fair value are not managed on a fair value basis and their fair values are calculated only for disclosure purposes and do not impact the statement of financial position and the income statement. The fair value of receivables and liabilities is determined according to the present value of future cash flows. The risk premium amounts for receivables depend on the internal or external rating of the borrower taking into account the country risk. The fair value valuation of debt securities at amortised costs is based on quoted prices or other observable inputs on the markets. For liabilities, the own credit spread is taken into account in the discount factor. Due to the fact that no debt issues of the Addiko Group are placed on the market, the calculation of the credit spread curves for senior unsecured liabilities is based on quoted credit default swap curves or credit spreads from senior unsecured bonds in a weighted peer group consisting of banking groups operating in CSEE whose markets and estimated credit standing is as similar to that of the Addiko Group as possible. For liabilities covered, a weighted credit spread curve from available benchmark-covered bonds from the peer group was used. Due to the existing uncertainties, a broad range exists for the fair values to be determined.

Addiko Group assessed that the fair value of the cash positions approximately corresponds to their carrying amounts largely due to the short-term maturities of these instruments.

73.2. Fair value of Investment properties

The fair value of investment properties is determined using market-based estimates which are generally calculated by experts. If no market-based estimate exists, the fair value is determined using a discounted cash flow method. At 31 December 2023 the carrying amount of investment properties amounts to EUR 2.5 million (YE22: EUR 3.5 million), whereas the fair value amounts to EUR 3.5 million (YE22: EUR 4.5 million). All investment properties are classified in level III (YE22: level III).

(74) Offsetting financial assets and financial liabilities

The following tables show the reconciliation of gross amounts to the offset net amounts, separately for all recognised financial assets and financial liabilities. Furthermore, the amounts that are subject to a legally enforceable global netting or similar agreement but have not been offset in the statement of financial position.

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position where Addiko has currently an enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The impact of offsetting is presented in the line “Amounts that are set off for financial instruments I”. The impact of potential offsetting if all set-off rights would be exercised is presented in the line “Net amounts of financial instruments I and II (c-d)”.

EUR m

31.12.2023	Derivatives	Reverse repo	Total
ASSETS			
a) Gross amounts of recognised financial instruments (I and II) [1)]	**4.4**	**3.7**	**8.0**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**4.4**	**3.7**	**8.0**
d) Master netting arrangements (that are not included in b)			
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.8	0.0	0.8
Amounts related to financial collateral (including cash collateral);	2.8	0.0	2.8
Amounts related to non-cash financial collateral received (excluding cash collateral);	0.0	3.7	3.7
e) Net amounts of financial instruments I and II (c-d)	**0.7**	**0.0**	**0.7**

[1)] Financial instruments I: Financial assets that are already offset in the statement of financial position
Financial instruments II: Financial assets that are subject to a netting agreement but are not offset in the statement of financial position

EUR m

31.12.2022	Derivatives	Reverse repo	Total
ASSETS			
a) Gross amounts of recognised financial instruments (I and II) [1]	**3.8**	**4.7**	**8.6**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**3.8**	**4.7**	**8.6**
d) Master netting arrangements (that are not included in b)			
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.0	0.0	0.0
Amounts related to financial collateral (including cash collateral);	1.4	0.0	1.4
Amounts related to non-cash financial collateral received (excluding cash collateral);	0.0	4.7	4.7
e) Net amounts of financial instruments I and II (c-d)	**2.4**	**0.0**	**2.4**

[1] Financial instruments I: Financial assets that are already offset in the statement of financial position
Financial instruments II: Financial assets that are subject to a netting agreement but are not offset in the statement of financial position

EUR m

31.12.2023	Derivatives	Direct repo	Total
LIABILITIES			
a) Gross amounts of recognised financial instruments (I and II) [1]	**3.1**	**0.0**	**3.1**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**3.1**	**0.0**	**3.1**
d) Master netting arrangements (that are not included in b)			
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.8	0.0	0.8
Amounts related to financial collateral (including cash collateral);	2.0	0.0	2.0
Amounts related to non-cash financial collateral pledged (excluding cash collateral)	0.0	0.0	0.0
e) Net amounts of financial instruments I and II (c-d)	**0.3**	**0.0**	**0.3**

EUR m

31.12.2022	Derivatives	Direct repo	Total
LIABILITIES			
a) Gross amounts of recognised financial instruments (I and II) [1]	**0.0**	**24.3**	**24.3**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**0.0**	**24.3**	**24.3**
d) Master netting arrangements (that are not included in b)			
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.0	0.0	0.0
Amounts related to financial collateral (including cash collateral);	0.0	24.3	24.3
Amounts related to non-cash financial collateral pledged (excluding cash collateral)	0.0	0.0	0.0
e) Net amounts of financial instruments I and II (c-d)	**0.0**	**0.0**	**0.0**

[1] Financial instruments I: financial liabilities that are already offset in the statement of financial position
Financial instruments II: financial liabilities that are subject to a netting agreement but are not offset in the statement of financial position

Framework agreements are concluded with business partners for offsetting derivative transactions, so that positive and negative market values of the derivative contracts covered by the framework agreements can be offset against each other. Repurchase agreements qualify as potential offsetting agreements. Since such offsetting cannot be per-formed in the ordinary course of business but only in case following an event of default, insolvency or bankruptcy or following other predetermined events, the positions are not offset in the statement of financial position.

(75) Derivative financial instruments

75.1. Derivatives held for trading

The following derivatives existed at the reporting date:

EUR m

	31.12.2023			31.12.2022		
		Fair values			Fair values	
	Nominal amounts	Positive	Negative	Nominal amounts	Positive	Negative
a) Interest rate						
OTC-products	**84.3**	**2.5**	**1.5**	**109.0**	**4.6**	**3.0**
OTC options	16.5	0.4	0.4	19.3	0.8	0.8
OTC other	67.7	2.0	1.1	89.7	3.8	2.2
b) Foreign exchange and gold						
OTC-products	**263.4**	**2.5**	**2.7**	**63.5**	**0.4**	**0.2**
OTC other	263.4	2.5	2.7	63.5	0.4	0.2

(76) Related party disclosures

According to IAS 29 a related party is a person or entity that has control or joint control, has a significant influence or is a key management personnel of the company.

The shares of Addiko Bank AG are listed on the stock exchange and as of the reporting date, no individual investor holds a stake of more than 10% in the Addiko Bank AG.

Transactions between Addiko Bank AG and the fully consolidated entities are not disclosed in the notes to the consolidated financial statements, as they are eliminated in the course of consolidation. No group company holds participations >20%.

Key personnel of the company are the Management Board and the Supervisory Board of Addiko Bank AG as well as local management and supervisory boards of its subsidiaries. The definition of key personnel includes also close family members in the form of that person’s spouse or domestic partner as well as of their children.

Transactions with related parties are done at arm's length.

Relations with related parties arising out of the banking business are as follows at the respective reporting date:

TEUR

Key personnel of the institution or its parent	31.12.2023	31.12.2022
Financial assets (loans and advances)	13.2	131.2
Financial liabilities (deposits)	2,079.2	2,592.6

The compensation received by the key management personnel in the Addiko Group is presented as follows:

TEUR

	31.12.2023	31.12.2022
Short term employee benefits	8,764.0	8,639.7
Post-employment benefits	0.0	6.0
Other long term benefits	1,262.4	0.0
Termination benefits	0.0	146.1
Share-based payments	5,557.9	1,134.4
Total	**15,584.3**	**9,926.1**

The amounts disclosed for variable payments represent estimated payments and may differ from those ultimately paid.

The relationships with members of the Management Board and Supervisory Board of Addiko Bank AG are shown in detail in note (85) Relationships with members of the Company's Boards.

(77) Share-based payments

Under the variable remuneration scheme, the members of the management board of Addiko Bank AG receive 50% of the annual variable remuneration achieved in cash and 50% in the form of shares of Addiko Bank AG while all other beneficiaries receive the remuneration fully in cash. In case that the amount of the variable remuneration is above the defined threshold (the amount is equal to or higher than EUR 50,000 or the amount exceeds 1/3 (one third) of the annual fixed remuneration), the payout of cash amount and the physical transfer of shares is deferred over six years in different tranches, starting in the year following the bonus period. Rewards are granted in the current year when the service and performance conditions are met and vest at the year end. The beneficiaries do not receive any dividends and are not entitled to vote in relation to the deferred shares during the vesting period and until the settlement when the shares are transferred to the beneficiaries who are not allowed to sell the shares within a 12-month period. The deferred shares, which are acquired via a share buyback program are held as treasury shares until they are transferred to the beneficiaries. Shares with a value equal to fixed cash amount are granted. The granted amount is determined based on the estimation or the achievement of preselected criteria. The variable remuneration will only be activated if certain knock-out criteria are met. Those knock-out criteria are based on capital, liquidity and risk requirements. Only once they are achieved the second step for the regular bonus is the achievement of the individual targets.

In addition to the annual bonus Addiko offers a Performance Acceleration Incentive Framework (PAIF) based on which Addiko granted to defined key employees (including management board of Addiko Bank AG) variable remuneration components in the form of share-based payments. The program is intended to ensure alignment of the interests of the senior leadership team with those of the shareholders and is set up as a multi-year incentive scheme. Vesting of the shares depends on the fulfillment of certain conditions. In addition, in alignment with EBA guidelines, the program is activated only if regulatory requirements in respect of own funds and liquidity are met and no breaches of specific risk indicators took place within a pre-defined timeframe. According to the remuneration policy of Addiko Group, the remuneration program includes combined cash-settled and share-settled applicable for the group management board members and only cash-settled share-based payments for all other participants of the program.

For their performance during financial year 2021 Group Management Board members were entitled to receive 31,179 shares of Addiko Bank AG of which in 2022 and 2023 17,207 shares were already transferred, 13,972 shares will be transferred in the years 2024 – 2027. For the year 2022 Group Management Board members were entitled to 39,046 shares of which 15,621 were transferred in 2023 and 23,425 will be transferred in the years 2024 – 2028.

For the performance during the financial year 2023, Group Management Board members will again be, provided that variable remuneration is activated, entitled to the 50% of their total variable remuneration in shares. As the share price to be used to determine the number of shares corresponds to the average volume weighted share price of Addiko Bank AG on the Vienna Stock Exchange in the three months prior to the calendar month in which the Supervisory Board of Addiko Bank AG will approve the remuneration for the financial year 2023, the number of shares which will be defined will be known only at the beginning of March, after the Supervisory Board confirms the activation of the variable remuneration for 2023 and after the relevant average volume weighted share price is known.

(78) Capital management

78.1. Own funds and capital requirements

The regulatory capital of Addiko Group is calculated according to the Capital Requirements Regulation (CRR, Regulation (EU) No. 575/2013) and the Capital Requirement Directive (CRD IV, Directive (EU) 2013/36/EU). Both CRD IV and CRR have been amended since the entry into force in 2014 inter alia with directive (EU) 2019/878 (CRD V) as well as regulations (EU) 2019/876 (CRR 2) and (EU) 2020/873 (CRR Quick Fix). Both the CRD IV and CRD V were transposed into national law in the Austrian Banking Act (BWG).

The European Central Bank (ECB) is the competent authority in charge for the direct supervision of Addiko Group, the parent entity and the two subsidiaries operating in Slovenia and Croatia. The individual banking operations in the other countries are directly supervised by their local regulators.

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

	31.12.2023			31.12.2022		
	CET1	T1	TCR	CET1	T1	TCR
Pillar 1 requirement	4.50%	6.00%	8.00%	4.50%	6.00%	8.00%
Pillar 2 requirement	1.83%	2.44%	3.25%	1.83%	2.44%	3.25%
Total SREP Capital Requirement (TSCR)	**6.33%**	**8.44%**	**11.25%**	**6.33%**	**8.44%**	**11.25%**
Capital Conservation Buffer (CCB)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Counter-Cyclical Capital Buffer (CCyB)	0.46%	0.46%	0.46%	0.00%	0.00%	0.00%
Systemic Risk Buffer (SyRB)	0.25%	0.25%	0.25%	n.a.	n.a.	n.a.
Combined Buffer Requirements (CBR)	**3.21%**	**3.21%**	**3.21%**	**2.50%**	**2.50%**	**2.50%**
Overall Capital Requirement (OCR)	**9.54%**	**11.65%**	**14.46%**	**8.83%**	**10.94%**	**13.75%**
Pillar 2 guidance (P2G)	3.25%	3.25%	3.25%	2.00%	2.00%	2.00%
OCR + P2G	**12.79%**	**14.90%**	**17.71%**	**10.83%**	**12.94%**	**15.75%**

As a result of the 2022 SREP process performed by the European Central Bank (ECB), Addiko Bank AG received on 14 December 2022 the decision which continued to stipulate a **Pillar 2 Requirement** (P2R) of 3.25% from 1 January 2023 (unchanged compared to 2022). On 30 November 2023 the bank received the 2023 SREP decision, on the basis of which the Addiko Group must continue to meet an unchanged P2R of 3.25% as of 1 January 2024.

In relation to the **combined buffer requirement** (CBR) it should be noted that as of 31 December 2023, the **countercyclical capital buffer** (CCyB) amounted to 0.46% due to the fact that the CCyB rates of especially two countries increased: for Croatia it was set to 1.0% (Addiko Group's CCyB requirement increased by 0.32%) and for Slovenia to 0.5% (CCyB requirement increased by 0.13%). In June 2024 the CCyB rate of Croatia will be set to 1.5% (CCyB requirement increase by 0.16%); in January 2025 the CCyB rate of Slovenia will be set to 1% (CCyB requirement increase by 0.13%). In addition, the FMA published on 21 December 2022 that Addiko is subject to a **systemic risk buffer** (SyRB) of 0.5% at the consolidated level on the grounds of systemic concentration risk. The SyRB was raised by 0.25 percentage points starting from the 1 January until the 31 December 2023 and will reach the full level starting from the 1 January 2024. In Addiko's view the rationale applied to identify systemic concentration risk as well as the procedural steps taken are incorrect. Therefore, Addiko submitted an appeal against the FMA regulation regarding the SyRB to the Federal Administrative Court. The Federal Administrative Court was granted a deadline for the final decision until the beginning of March 2024.

Following the SREP 2022, Addiko Group was required to fulfill a **Pillar 2 guidance** (P2G) of 3.25% valid as of 1 January 2023 onwards - up from 2.0% valid for 2022. According to the 2023 SREP decision, the Addiko Group must meet a reduced P2G of 3.0% as of 1 January 2024.

Consolidated own funds

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

The Group's regulatory capital consists entirely of Common Equity Tier 1 capital, which includes ordinary share capital, related share premiums, retained earnings, reserves and accumulated other comprehensive income after adjustment for dividends proposed after the end of the reporting period and deductions for goodwill, intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

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

EUR m

		31.12.2023	31.12.2022[2)]
	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 [2)]	286.0	284.4
3	Accumulated other comprehensive income (and other reserves) [2)]	281.2	241.1
5a	Independently reviewed (interim) and eligible profits net of any foreseeable charge or dividend	16.5	2.1
5aa	o/w Interim eligible profit of the current year	41.1	25.7
5ab	o/w Foreseeable charge or dividend	-24.6	-23.6
6	**CET1 capital before regulatory adjustments**	**778.7**	**722.6**
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-0.8	-0.9
8	Intangible assets (net of related tax liability)	-15.3	-15.4
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met)	-12.8	-10.3
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-2.9	-0.4
25a	Losses of the current financial year (negative amount)	0.0	0.0
27a	Other regulatory adjustments (including IFRS 9 transitional rules)	-0.7	-0.1
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-32.6**	**-27.2**
29	**Common Equity Tier 1 (CET1) capital**	**746.1**	**695.4**
	Tier 2 (T2) capital: instruments and provisions		
58	**Tier 2 (T2) capital**	**0.0**	**0.0**
59	**Total capital (TC = T1 + T2)**	**746.1**	**695.4**
60	Total risk weighted assets	3,653.2	3,481.0
	Capital ratios and buffers %		
61	**CET1 ratio**	**20.4%**	**20.0%**
63	**TC ratio**	**20.4%**	**20.0%**
64	Institution CET1 overall capital requirement	9.5%	8.8%
65	o/w capital conservation buffer requirement	2.5%	2.5%
66	o/w countercyclical buffer requirement	0.5%	0.0%
67	o/w systemic risk buffer requirement	0.3%	0.0%
68	CET 1 available to meet buffer (as % of risk exposure amount)	9.2%	8.7%
	Amounts below the thresholds for deduction (before risk weighting)		
72	Not significant direct and indirect holdings of own funds and eligible liabilities of financial sector entities (amount below 10% threshold and net of eligible short positions)	5.6	4.7
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	22.3	26.7

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. 2) Comparative figures are prepared on a fully-loaded basis.

The capital requirements in force during the reporting period, including a sufficient buffer, were met at all times both on a consolidated basis as well as in its individually regulated operations.

Total capital increased by EUR 50.7 million during the reporting period, reflecting the following components:

- The positive **OCI development** of EUR 38.2 million resulted from the following parts: EUR 36.7 million from debt instruments measured at FVTOCI, EUR 1.2 million from equity instruments and EUR 0.3 million from the change of foreign currency reserves.
- The EUR 2.4 million increase of **other regulatory deduction items** resulting from: the increase of deferred tax assets on existing taxable losses (total capital decreased by EUR 2.5 million), slightly compensated by the decrease in the prudential valuation adjustments connected with assets/liabilities measured at fair value (total capital increased by EUR 0.1 million). The amount of intangible assets to be deducted from capital and the deduction item out of non-performing exposures in context with the SREP process remained stable during the period.
- The negative effect of EUR 1.6 million connected with the **share buy-back program** deriving from the combined effect of equity-settled share-based payments (total capital increased by EUR 1.4 million) and the ECB approval for the buy-back of additional EUR 3.2 million of Addiko own CET1 instruments translating into an increase of the deduction item by EUR 3.0 million.
- Consideration of the audited result in the amount of EUR 41.1 million, less foreseeable dividends in the amount of EUR 24.6 million according to article 26 CRR.

Risk structure

Addiko Group uses the standardised approach in the calculation of the credit, market and operational risk, which partly explains the relatively high risk density (measured by comparing RWA to assets) of 59.4% (YE22: 58.2%). The bank's focus on unsecured consumer lending and SME business is another important source of the reported risk density.

The risk-weighted assets (RWA) increased by EUR 172.1 million during the reporting period:

- The **RWA for credit risk** increased by EUR 131.3 million, mainly driven by new disbursements in the focus segments Consumer and SME (EUR 195.4 million). This development was partially compensated by early payments in the non-focus segments Mortgages (EUR 44.2 million), exposure reduction in Large Corporates (EUR 32.9 million) and Public Finance (EUR 7.9 million). Furthermore, the application of the article 500a of the regulation (EU) 2020/873 led to higher risk weights for certain sovereigns and financial institutions, which represents the most important effect in the segment Corporate Center (EUR 20.9 million).
- The **RWA for counterparty credit risk (CVA)** decreased marginally during the reporting period by EUR 0.4 million.
- The **RWAs for market risk** increased by EUR 9.2 million, principally driven by higher open positions in BAM (RWA increase of EUR 22.6 million), RSD (EUR 8.8 million) and others (EUR 3.4 million; mainly USD). This effect was partially compensated by the introduction of Euro in Croatia which eliminated the residual HRK open position, reducing RWA by EUR 25.6 million.
- The **RWA for operational risk** increased by EUR 32.0 million predominantly due to higher net interest income in 2023. The RWA for operational risk is based on the three-year average of relevant income, which represents the basis for the calculation.

EUR m

		31.12.2023	31.12.2022[1]
1	Credit risk pursuant to Standardised Approach	3,060.5	2,929.2
6	Counterparty credit risk	3.6	4.0
20	Market risk	154.0	144.8
23	Operational risk	435.0	403.0
29	**Total risk exposure amount**	**3,653.2**	**3,481.0**

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

Leverage ratio

The leverage ratio for the Addiko Group, calculated in accordance with Article 429 CRR, was 11.6% at 31 December 2023 (YE22: 11.1%). The development is due to the above-mentioned increase of the Tier 1 capital.

EUR m

		31.12.2023	31.12.2022[1)]
2	Tier 1 capital	746.1	695.4
13	Total leverage ratio exposure	6,421.8	6,293.0
14	**Leverage ratio %**	**11.6%**	**11.1%**

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

Capital allocation

The Group's policy aims to keep a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group employs a centralised capital management process which covers both normative and economic perspectives of capital management. Securing the Group's ability to satisfy capital requirements in economic perspective forms a central part of the "Internal Capital Adequacy Assessment Process" (ICAAP) steering activities. The starting point for performing the risk-bearing capacity calculation is the identification of all material risks through an annual risk inventory. The value at risk (VaR) method is applied for calculating risk capital requirements for credit, market and liquidity risk, the main risk categories applies the confidence level of 99.9%.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific operations and activities is undertaken during the budgeting process. Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of expectations of specific risk drivers development in the following period, synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer-term strategic objectives.

78.2. MREL requirements

The Bank Recovery and Resolution Directive (BRRD) provides that institutions established in the European Union (EU) should meet a minimum requirement for own funds and eligible liabilities (MREL) to ensure an effective and credible application of the bail-in tool. MREL targets are determined on a case-by-case basis for each institution or banking group by the competent resolution authority, which is the SRB (Single Resolution Board) in the case of Addiko Group.

Based on the resolution plan received on 25 May 2023 from the SRB, Addiko Group consists of two resolution entities - Addiko Bank d.d. (Croatia) and Addiko Bank d.d. (Slovenia) – as both entities were assessed by the resolution authority to provide critical functions to the local market. Addiko Bank AG is the liquidation entity. The SRB concluded that a multiple point of entry (MPE) is the most suitable strategy for Addiko Group and determined the following minimum requirements for own funds and eligible liabilities:

- Addiko Bank d.d. (Croatia) 25.4% of TREA and 5.9% of LRE on an individual basis from 1 January 2022.
- Addiko Bank d.d. (Slovenia) 11.3% of TREA and 3.0% of LRE on an individual basis from 1 January 2022. The bank has to assure a linear build-up of own funds and eligible liabilities towards the MREL requirement applicable as of 2 June 2025 of 20.7% of TREA and 5.2% of LRE on an individual basis.
- Addiko Bank AG 11.3% of TREA and 3.0% of LRE from 1 January 2022.

In the year 2023 the MREL ratio of all entities was above the respective requirements.

Supplementary information required by Austrian Law

(79) Residual maturity according to Section 64 para. 1 No. 4 BWG

The residual maturity based on discounted contractual cash flows.

EUR m

31.12.2023	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash and cash equivalents	1,022.2	225.0	4.0	3.2	0.1	1,251.2	3.3	1,254.5
Financial assets held for trading	0.9	8.5	16.0	1.9	2.2	25.4	4.1	29.5
Financial assets mandatorily at fair value through profit or loss	0.3	1.8	0.0	0.0	0.0	2.1	0.0	2.1
Financial assets at fair value through other comprehensive income	50.9	28.5	87.7	476.6	85.0	167.1	561.6	728.7
Financial assets at amortised cost	137.2	366.2	679.9	1,962.5	857.8	1,183.4	2,820.3	4,003.7
Other assets	0.0	0.0	0.0	0.0	0.0	13.9	0.1	14.0
Non-current assets and disposal groups classified as held for sale	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3
Total	**1,211.5**	**630.0**	**787.6**	**2,444.2**	**945.1**	**2,644.4**	**3,389.4**	**6,033.8**
Financial liabilities held for trading	1.3	2.6	0.0	0.3	0.0	3.9	0.3	4.2
Financial liabilities at amortised cost	3,056.2	988.6	817.2	302.2	34.6	4,861.9	336.8	5,198.7
Other liabilities	0.0	0.0	0.0	0.0	0.0	39.1	5.1	44.2
Total	**3,057.5**	**991.2**	**817.2**	**302.5**	**34.6**	**4,904.9**	**342.2**	**5,247.1**

EUR m

31.12.2022	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash and cash equivalents	1,188.8	187.7	3.6	2.8	0.1	1,380.0	2.9	1,382.9
Financial assets held for trading	1.6	0.3	0.0	18.1	2.7	2.0	20.9	22.8
Financial assets mandatorily at fair value through profit or loss	0.3	1.5	0.0	0.0	0.0	1.8	0.0	1.8
Financial assets at fair value through other comprehensive income	17.6	60.9	123.7	468.8	206.6	202.2	675.4	877.6
Financial assets at amortised cost	114.7	333.1	624.1	1,664.5	827.6	1,071.9	2,492.1	3,564.0
Other assets	0.0	0.0	0.0	0.0	0.0	17.1	0.1	17.1
Non-current assets and disposal groups classified as held for sale	0.0	0.0	0.0	0.0	0.0	1.6	0.0	1.6
Total	**1,323.0**	**583.5**	**751.4**	**2,154.2**	**1,037.0**	**2,676.6**	**3,191.4**	**5,867.8**
Financial liabilities held for trading	2.5	0.1	0.0	0.0	0.5	2.6	0.5	3.1
Financial liabilities at amortised cost	3,512.9	556.8	690.8	321.8	54.6	4,760.5	376.3	5,136.8
Other liabilities	0.0	0.0	0.0	0.0	0.0	26.1	0.1	26.2
Total	**3,515.4**	**556.9**	**690.8**	**321.8**	**55.1**	**4,789.2**	**376.9**	**5,166.1**

(80) Breakdown of securities admitted to listing on a stock exchange

EUR m

	31.12.2023			31.12.2022		
	thereof listed	thereof unlisted	Total	thereof listed	thereof unlisted	Total
Financial assets held for trading						
Debt securities	8.6	16.0	24.6	2.1	15.7	17.9
Financial assets mandatorily at fair value through profit or loss						
Equity instruments	0.0	0.3	0.3	0.0	0.3	0.3
Debt securities	0.0	1.8	1.8	0.0	1.5	1.5
Financial assets at fair value through other comprehensive income						
Equity instruments	0.0	19.2	19.2	0.0	17.7	17.7
Debt securities	668.4	41.1	709.5	804.5	55.4	859.9
Financial assets at amortised cost						
Debt securities	312.8	111.8	424.6	111.7	62.9	174.7

(81) Return on total assets

As at 31 December 2023, the return on total assets pursuant to Section 64 para. 1 No. 19 BWG, which is calculated by dividing the result after tax for the year by total assets at the reporting date, amounts to 0.7% (2022: 0.4%).

(82) Expenses for the auditor

In Other administrative expenses the following fees charged by the group auditor KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna are included:

in TEUR

	31.12.2023	31.12.2022[1)]
Audit fees for the annual financial statements	**-207,0**	**-199.6**
Expenses for the current year	-183,4	-167.5
Expenses relating to the previous year	-23,6	-32.1
Fees for other services	**-43,7**	**-96.5**
Other assurance services mandatory to be provided by the statutory auditors	-29,1	-26.6
Other assurance services	-14,6	-65.9
Other services	0,0	-4.0
Total services	**-250,7**	**-296.1**

[1)] Previous year figures 2022 were amended.

The amounts include cash expenditure and VAT. The fees for the audit of the financial statements relate to costs for auditing the separate financial statements as well as the consolidated financial statements of Addiko Bank AG. No fees were charged from group auditor to other group companies in 2023.

(83) Trading book

The volume of the trading book of Addiko Group breaks down as follows:

EUR m

	31.12.2023	31.12.2022
Derivatives in trading book (nominal)	288.0	99.0
Debt securities (carrying amount)	24.6	17.9
Trading book volume	**312.6**	**116.8**

(84) Employee data

The following figures do not include the members of the Group Management Board:

	31.12.2023	31.12.2022
Employees at closing date (Full Time Equivalent - FTE)	2,562	2,471
Employees average (FTE)	2,508	2,596

(85) Expenses for severance payments and pensions

The following expenses were incurred for severance and pension payments at Addiko Bank AG:

in TEUR

	31.12.2023		31.12.2022	
	Severance payments	Pensions	Severance payments	Pensions
Members of Management Board	32.5	0.0	29.0	0.0
Key management personnel	37.2	12.7	36.9	12.7
Other employees	421.5	76.3	146.8	60.6
Total	**491.2**	**89.0**	**212.7**	**73.3**

Expenses for severance payments contain contributions to defined contribution plans totaling EUR 198.6 thousand (2022: EUR 184.7 thousand). The expenses for pensions relate only to defined contribution plans.

(86) Relationship with members of the Company's Boards

86.1. Advances, loans and liabilities with regard to Board members

As at 31 December 2023, the Addiko Bank AG Boards had not received any advances or loans, nor had any liabilities been assumed on their behalf. As at year-end, the persons serving on the Supervisory Board during the financial year had not received, be it for themselves or on behalf of the companies for which they are personally liable, any loans from Addiko Bank AG, nor did Addiko Bank AG assume any liabilities on their behalf.

86.2. Breakdown of remuneration received by Board members of the Addiko Bank AG

in TEUR

	31.12.2023	31.12.2022[1)]
Management Board	-4,807.6	-3,386.8
Supervisory Board	-630.6	-556.1
Remuneration paid to former members of the Management and Supervisory Board and their close family members [1)]	0.0	-97.8
Total	**-5,438.2**	**-4,040.7**

[1)] Previous year figures for the line item "Remuneration paid to former members of the Management and Supervisory Board and their close family members" have been amended.

The amounts disclosed correspond to the estimated disbursement at the reporting date and may deviate from the ones which will be finally paid.

(87) Boards and Officers of the Company

1 January to 31 December 2023

Supervisory Board

Chairman of the Supervisory Board:
Kurt Pribil

Deputy Chairman of the Supervisory Board:
Johannes Proksch (since June 2023)
Sava Ivanov Dalbokov (until May 2023)

Members of the Supervisory Board:
Monika Wildner
Sava Ivanov Dalbokov
Johannes Proksch
Frank Schwab

Delegated by the Works Council:
Christian Lobner
Thomas Wieser

Federal Supervisory Authorities

State Commissioner:
Vanessa Koch

Deputy State Commissioner:
Lisa-Maria Haas

Management Board

Herbert Juranek, Chairman of the Management Board
Edgar Flaggl, Member of the Management Board
Tadej Krašovec, Member of the Management Board
Ganesh Krishnamoorthi, Member of the Management Board

(88) Events after the reporting date

There were no material events after the reporting date.

(89) Alternative performance measures

Addiko uses alternative performance measures (APM) to describe it’s performance or financial position which are not defined or specified in the financial (IFRS) or regulatory (CRR) reporting framework. The following additional information provide a reconciliation of the APM to the reconciled line item, subtotal or total presented in the financial statements and explaining the material reconciling items.

Change CL/GPL (simple av.)	Change in credit loss (CL) divided by simple average gross performing loans
Cost/income ratio (CIR)	Operating expenses divided by (net interest income + net fee and commission income)
Cost of funding	Interest expense on customer deposit costs, costs for deposits from credit institutions and Treasury costs. Denominator based on simple average
Cost of risk ratio	Credit loss expenses on financial assets divided by credit risk bearing exposures
Cost of risk ratio (net loans)	Credit loss expenses on financial assets divided by net loans customers
Effective tax rate	Taxes on income divided by result before tax
Fokus RWA / total RWA	Based on segment credit risk weighted assets (RWA), excluding operational, market and counterparty RWA, divided by total RWA excluding Corporate Center
Gross yield	Calculated as annualised regular interest income divided by the simple average of gross performing loans based on beginning and end of period amounts. New business yields are calculated using daily averages
LCR	Liquidity coverage ratio; the ratio of high-quality liquid assets and net cash flows in the next 30 days
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
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
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 assets, tangible assets, tax assets and other assets)
Operating income	Sum of net interest income, net fee and commission income, net result on financial instruments, other operating income and other operating expenses
Operating result before impairments and provisions	Operating income less general administrative expenses
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/credit risk bearing exposure (on and off-balance)
NPE coverage ratio	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
NPE collateral coverage	Collaterals allocated to non-performing exposure divided by non-performing exposure
Result before tax	Sum of operating income and general administrative expenses

Result after tax	Result before tax after deduction of taxes on income
Return on average tangible equity	Calculated as result after tax divided by the simple average of equity less intangible assets
RWA / assets ratio	Calculated as total risk weighted assets (RWA) divided by total assets
Stage 1 & 2 (performing) coverage	Calculated as stock of expected credit losses (ECL) by performing loan exposures (stage 1 & 2 exposures)

Vienna, 20 February 2024
Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek m.p.
Chairman

Edgar Flaggl m.p.
Member of the Management Board

Tadej Krašovec m.p.
Member of the Management Board

Ganesh Krishnamoorthi m.p.
Member of the Management Board

Statement of all Legal Representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the Group faces.

Vienna, 20 February 2024
Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek m.p.
Chairman

Edgar Flaggl m.p.
Member of the Management Board

Tadej Krašovec m.p.
Member of the Management Board

Ganesh Krishnamoorthi m.p.
Member of the Management Board

Auditor’s Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

Addiko Bank AG,
Vienna, Austria,

and its subsidiaries ("the Group"), which comprise the consolidated Statement of Financial Position as at 31 December 2023, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and the Notes to the Consolidated Financial Statements.

In our opinion, the consolidated financial statements comply with the legal requirements and present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as Section 59 BWG (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 537/2014 ("EU Regulation") and Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor’s Responsibilities" section of our report. We are independent of the audited Group in accordance with Austrian company law and professional regulations, and we have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained up to the date of the auditor’s report is sufficient and appropriate to provide a basis for our audit opinion on this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Valuation of loans and advances to customers

Risk for the Consolidated Financial Statements

Loans and advances to customers included in the balance sheet item "Loans and advances to customers" amount to 3,650.3 Mio EUR; the loan loss allowances for these loans and advances amount to 161.1 Mio EUR.

The Management Board describes the approach for determining loan loss allowances in Note 16.2 "Impairment" and Note 61.1 "Method of calculating risk provisions" in the notes to the consolidated financial statements.

As part of the loan monitoring process, the Group assesses whether there are any credit defaults and therefore whether loan loss allowances (Stage 3) need to be recognized. This also includes the assessment whether customers are able to make the contractually agreed repayments in full. The calculation of the expected credit loss (ECL) for defaulted individually significant loans is based on an analysis of expected and scenario-weighted future cash flows. This analysis reflects the assessment of the economic situation and development of the individual customer, the valuation of collaterals and the estimation of amount and timing of future cash flows. For defaulted loans that are not individually significant, the Group performs a collective assessment of loan loss allowances based on common risk characteristics. The parameters used are based on empirical statistical values and assumptions about risk projections.

For non-defaulted loans, a portfolio loan loss allowance is recognized for the expected credit loss. The basis for this is the 12 months ECL (Stage 1); in the event of a significant increase in credit risk, the lifetime ECL is calculated (Stage

2). To a considerable extent, estimates and assumptions are required in determining the ECL. These include rating-based probabilities of default and loss rates that take into account present and forward-looking information.

As the loan loss allowance model used for non-defaulted loans to date cannot adequately reflect extraordinary circumstances such as the current uncertainties of macroeconomic factors, the Group increased the model results on the basis of internal bank estimates using external forecasts of economic developments ("post model adjustment").

The risk to the consolidated financial statements lies in the fact that the determination of loan loss allowances, taking into account the post model adjustment, is based on estimates and asumptions to a significant extent. This may result in the risk of a possible misstatement regarding the amount of loan loss allowances in the consolidated financial statements.

Our Response

In our audit of the valuation of loans and advances to customers, we performed the following key audit procedures

- We obtained the documentation of the Group's processes for monitoring and assessment of loan loss allowances for loans and advances to customers, and assessed whether these processes are appropriate for identifying defaults and adequately determining loan loss allowances. We tested the internal key controls with regard to their design and implementation and tested their effectiveness on a sample basis.
- On the basis of samples from different loan portfolios, we examined whether indicators for loan defaults exist. The samples were selected on a riskoriented basis, taking into particular account rating levels and local market characteristics. In the case of defaults of individually significant loans, the assumptions made by the local banks were examined on a sample basis with regard to conclusiveness and consistency of the timing and amount of the assumed cash flows.
- For all other loans for which specific or portfolio-based loan loss allowances were calculated, we analyzed the Group's methodological documentation for consistency with the requirements of IFRS 9. Furthermore, on the basis of internal bank validations, we tested the models and the parameters used therein to determine whether they are adequate for calculating appropriate amount of loan loss allowances. We assessed the appropriateness of the 12 months and lifetime probabilities of default as well as loss rates. In addition, the selection and measurement of forward-looking estimates and scenarios were analyzed and their consi- deration in parameter estimation was verified. We also assessed the derivation and rationale of the post model adjustment, as well as the underlying assumptions with regard to their appropriateness. We have verified the mathematical accuracy of the loan loss allowances on a sample basis. We have involved our financial risk management specialists in these audit procedures.

Recognition and valuation of legal risks provisions in connection with consumer loans in Croatia

Risk for the Consolidated Financial Statements

The Group recognizes provisions relating to existing and potential litigation in Croatia under the balance sheet item "Provisions", thereof "Provisions for pending legal disputes". The legal risks are related to consumer complaints regarding unilateral interest rate adjustment clauses and CHF currency clauses in loan agreements.

The Management Board describes the process for monitoring and providing for legal risks in Note
26.2 "Provisions for legal disputes and other provisions " and Note 67 "Legal risk" in the notes to the consolidated financial statements.

The amount of the provision is estimated by the Group taking into account ongoing litigation developments. These estimates relate to the expectations concerning duration, costs and out- come of the proceedings. In assessing the amount of the provision and the related uncertainties, the Group relies on opinions and estimates of external legal counsels, who have been engaged to provide legal representation, as well as opinions of the Group's internal legal department and analyses of court opinions.

The risk to the Group' s financial statements arises from uncertainties and judgments associated with the assessment of the above factors, in particular the prospects of success of the ongoing proceedings and the amount and timing of payments due under the proceedings.

Our audit procedures

In our audit of the recognition and determination of provisions for legal risks related to consumer loans in Croatia, we performed the following key audit procedures:

- We assessed the methodology used to determine the amount of provisions related to existing and potential litigation in Croatia for appropriateness and compliance with accounting standards.
- We verified the appropriateness of the Group's assumptions and estimates used in connection with existing and potential litigation. This assessment included assessing the likelihood of an unfavorable outcome of litigation as well as the reliability of estimated damage claims and legal fees; this was performed by inspecting, for example, individual court files, decisions of superior courts, opinions and analyses of the Group's internal and external legal counsels. Furthermore, we analyzed developments in court practice in Croatia in order to assess the reasonableness of management's key estimates in the restitution process.
- We inspected the minutes of the Management Board and Supervisory Board meetings of the Croatian bank and the Group parent in Austria in order to reconcile the reporting of these legal risks with the key judgments and estimation assumptions made by management in the provisioning process, as well as to identify additional potential claims.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the consolidated financial statements, the group management report and the auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we do not provide any kind of assurance thereon.

In conjunction with our audit, it is our responsibility to read this other information and to assess whether, based on knowledge gained during our audit, it contains any material inconsistencies with the consolidated financial statements or any apparent material misstatement of fact.

If we conclude that there is a material misstatement of fact in other information, we must report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) as well as Section 59a BWG and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intents to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor’s Responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our audit opinion. Reasonable assurance represents a high level of assurance, but provides no guarantee that an audit conducted in accordance with the EU Regulation and Austrian Standards on Auditing (and therefore ISAs), will always detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and Austrian Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Moreover:

— We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

— We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— We conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the consolidated financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— We evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— We obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

— We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.

— We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.

— From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor’s report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Group Management Report

In accordance with Austrian company law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and prepared in accordance with legal requirements

Management is responsible for the preparation of the group management report in accordance with Austrian company.

We have conducted our audit in accordance with generally accepted standards on the audit of group management reports.

Opinion

In our opinion, the group management report is consistent with the consolidated financial statements and has been prepared in accordance with legal requirements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Statement

Based on our knowledge gained in the course of the audit of the consolidated financial statements and our understanding of the Group and its environment, we did not note any material misstatements in the group management report.

Additional Information in accordance with Article 10 EU Regulation

We were elected as auditors at the Annual General Meeting on 14 April 2022 and were appointed by the supervisory board on 27 April 2022 to audit the financial statements of Company for the financial year ending on 31 December 2023.

During the Annual General Meeting on 21 April 2023, we have been elected as auditors for the following financial year ending 31 December 2024 and appointed by the supervisory board on 21 April 2023.

We have been auditors of the Company, without interruption, since the consolidated financial statements at 31 December 2021.

We declare that our opinion expressed in the "Report on the Consolidated Financial Statements" section of our report is consistent with our additional report to the Audit Committee, in accor- dance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Group.

Engagement Partner

The engagement partner is Mr Christian Grinschgl.

Vienna

23 February 2024

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
Grinschgl
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.
The consolidated financial statements together with our auditor's opinion may only be published if the consolidated financial statements and the group management report are identical with the audited version attached to this report. Section 281 Paragraph 2 UGB (Austrian Commercial Code) applies.

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Tel. +43 (0) 50 232-0
Fax +43 (0) 50 232-3000
www.addiko.com

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