



Addiko Bank

Disclosure Report 2019
pursuant to Part Eight
of the Capital Requirements Regulation (CRR)

Disclosure Report 2019

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

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

CRR article	Disclosures requested in the CRR article	Reasons for inapplicability
Art 437 (1) f CRR Own funds	Where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	Addiko Group does not disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in the CRR.
Art 438 b CRR Capital requirements	Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104-1 of Directive 2013/36/EU.	There is no demand from the relevant competent authority.
Art 439 i CRR Exposure to counterparty credit risk	Estimate of α (alpha) if the institution has received the permission of the competent authorities to estimate α .	Addiko Group does not apply any own estimates of the scaling factor.
Art 441 CRR Indicators of global systemic importance	Institutions identified as G-SIIs in accordance with Article 131 of Directive 2013/36/EU shall disclose, on an annual basis, the values of the indicators used for determining the score of the institutions in accordance with the identification methodology referred to in that Article.	The Article 441 CRR is not applicable for Addiko Group, as it does not belong to the institutions of global systemic importance in accordance with Article 131 of 2013/36/EU.
Art 449 CRR Exposure to securitisation positions	Institutions calculating risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 5 or own funds requirements in accordance with Article 337 or 338 shall disclose selected information, where relevant, separately for their trading and non-trading book.	The Article 449 CRR is not applicable for Addiko Group, as no securitisation transactions are currently in place.
Art 450 CRR Remuneration Policy	Institutions shall disclose information regarding the remuneration policy and practices of the institution for those categories of staff whose professional activities have a material impact on its risk profile.	Information on the remuneration policy and practices at Addiko Group is disclosed in a separate document, which is published on Addiko's website.
Art 452 CRR Use of the IRB Approach to credit risk	Institutions calculating the risk-weighted exposure amounts under the IRB Approach shall disclose selected information.	Only the Standardised Approach is used within Addiko Group.
Art 454 CRR Use of the Advanced Measurement Approaches to operational risk	The institutions using the Advanced Measurement Approaches set out in Articles 321 to 324 for the calculation of their own funds requirements for operational risk shall disclose a description of the use of insurances and other risk transfer mechanisms for the purpose of mitigation of this risk.	Addiko Group does not apply the Advanced Measurement Approaches to operational risk.
Art 455 CRR Use of Internal Market Risk Models	Institutions calculating their capital requirements in accordance with Article 363 shall disclose certain information about the characteristics of the models used.	Article 455 CRR is not applicable, as Addiko Group does not use internal models for incremental default and migration risk and does not have a correlation trading portfolio.

2 Introduction

According to Article 13 of the Regulation No. 575/2013 of the European Parliament (hereinafter also referred to as the Capital Requirements Regulation (CRR)), this Disclosure Report is published on Addiko Group (hereinafter also referred to as Addiko) level.

Addiko Group is a consumer and small and medium-sized enterprises (SME) specialist banking group in Central and South Eastern Europe (CSEE). Addiko Group consists of Addiko Bank AG, the fully-licensed Austrian parent bank registered in Vienna, Austria, and regulated by the Austrian Financial Markets Authority, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates two banks), Serbia and Montenegro. Addiko Group, through its six subsidiary banks, services as of 31 December 2019 approximately 0.8 million customers in CSEE, using a well-dispersed network of 179 branches and modern digital banking channels.

From a risk perspective, the main bank-wide steering processes are performed by Addiko Bank AG. These processes are disclosed in this report.

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

2.1 Disclosure policy and structure

Art 431, 433 and 434 CRR

The Disclosure Report of Addiko Group meets the disclosure requirements of Part Eight of the CRR and is in accordance with Art 431 to 455 CRR, which took effect on 1 January 2014. In addition, the report complies with the requirements set in relevant technical standards, the guidelines on disclosure requirements under Part Eight of the Regulation (EU) No 575/2013 (EBA/GL/2016/11, version 2, published on 9 June 2017), and other relevant guidelines. The main document is published annually in English.

The preparation of the Disclosure Report and the formal review for completeness and compliance with the applicable requirements is carried out by a structured process within the relevant departments of Addiko.

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

2.2 Regulatory framework for disclosures

Implementation of Basel 3 in the European Union (EU)

On 16 April 2013, the European Parliament adopted the new capital and liquidity requirements for the implementation of Basel 3 in the EU. On 27 June 2013, the final Capital Requirements Directive IV (CRD IV) and the final Capital Requirements Regulation (CRR) were published in the Official Journal of the EU. The application of the new regulatory requirements for credit institutions and investment firms became effective as of 1 January 2014. As of this time, Addiko Group has been calculating regulatory capital and regulatory capital requirements according to Basel 3.

The Basel Committee's framework is based on three "Pillars": The Pillar 1 minimum capital requirements and Pillar 2 supervisory review process are complemented by Pillar 3 market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel Committee's framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy. Pillar 3 requires all material risks to be disclosed to provide a comprehensive view of a bank's risk profile.

Pillar 1 - Minimum requirements

As introduced by Basel 2, Pillar 1 covers the calculation of capital requirements for credit risk, market risk and operational risk. As such, it details the different methods available for calculating risk weighted assets for the three risk types and provides information on the eligibility criteria for the constituents of the capital base. Under Basel 3, a leverage exposure requirement was introduced to complement the minimum risk-based capital requirements; however, the leverage ratio is not yet a binding requirement for EU institutions.

Basel 3 extended minimum requirements to also cover liquidity in addition to capital. In this regard, Pillar 1 specifies the requirements for the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), with the latter not yet a binding requirement in the EU.

Pillar 2 - Supervisory review process

Pillar 2 requires banks to conduct an Internal Capital Adequacy Assessment Process (ICAAP) to demonstrate that they have implemented methods and procedures to safeguard capital adequacy with due attention to all material risks. The ICAAP supplements the minimum regulatory requirements of Pillar 1. It considers a broader range of risk types as well as Addiko Group's risk and capital management capabilities.

Simultaneously with the introduction of Pillar 1 requirements for liquidity through the Basel 3 framework, the ICAAP was complemented with an Internal Liquidity Adequacy Assessment Process (ILAAP) to ensure that banks have implemented processes and tools to safeguard the adequacy of their funding and liquidity.

Furthermore, Pillar 2 requires supervisors to conduct a Supervisory Review and Evaluation Process (SREP) to assess the soundness of banks' ICAAP and ILAAP and take any appropriate actions that may be required.

Pillar 3 - Market discipline

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

2.3 Governance arrangements

Art 435 (2) a CRR

The table below provides information about the number of directorships held by members of the Management Board of Addiko Bank AG per 31 December 2019:

Name of Member of the Management Board	Function in Addiko Bank AG	Number of directorships			
		Internal functions		External functions	
		Management	Supervisory	Management	Supervisory
Razvan Munteanu	Chairman of the Management Board	1	2	0	0
Johannes Proksch	Member of the Management Board	1	2	1	0
Markus Krause	Member of the Management Board	1	1	0	0
Csongor Bulcsu Németh	Member of the Management Board	1	1	0	0

Art 435 (2) b CRR

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

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

- Education: Completion of relevant studies or courses (studies at a university or a university of applied sciences in economics, law or sciences) or external or internal training or relevant training and continuing education measures
- Sufficient work experience, in particular managerial experience as an executive or expert, which can be assumed if it is proved that the management function has been held with an organization of a similar or larger size and line of business for at least three years
- Knowledge of financial markets; regulatory framework conditions (European Banking Supervision Law, the Austrian Banking Act, FMA Circular Letters and Minimum Standards, etc.); strategic planning and business management; risk management; business organization, governance and control knowing the articles of association; accounting for banking operations; interpretation of banking ratios; basic knowledge of corporate law and the law of business organizations; depending on the business model and the responsibilities foreign language skills

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

Art 435 (2) c CRR

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

Art 435 (2) d CRR

The Risk Committee is one of the committees set up by the Supervisory Board (SB) of the Addiko Group. Its purpose is to advise the management body with regard to the current and future risk appetite and the risk strategy of the bank. In order to monitor the implementation of this risk strategy in connection with the management, monitoring and limitation of risks pursuant to section 39 (2b) points 1 to 14 Austrian Banking Act, capital adequacy and liquidity, is a key responsibility.

As the central risk control body the Risk Committee has frequent meetings. In 2019 it was held five times.

Art 435 (2) e CRR

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

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

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

2.4 Scope of application

2.4.1 Consolidation for accounting and regulatory purposes

Article 436 a-b CRR

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

Name of the institution, for which this Disclosure Report is published:

Addiko Bank AG

As of 31 December 2019, the scope of consolidation included 7 fully consolidated companies. The following table shows an overview of the consolidated companies:

Name of the entity	City	Method of accounting consolidation	Method of regulatory consolidation	Description of the entity
Addiko Bank AG	Vienna	Full consolidation	Full consolidation	Credit institution
Addiko Bank d.d.	Ljubljana	Full consolidation	Full consolidation	Credit institution
Addiko Bank d.d.	Zagreb	Full consolidation	Full consolidation	Credit institution
Addiko Bank d.d.	Sarajevo	Full consolidation	Full consolidation	Credit institution
Addiko Bank a.d. Banja Luka	Banja Luka	Full consolidation	Full consolidation	Credit institution
Addiko Bank a.d. BEOGRAD	Beograd	Full consolidation	Full consolidation	Credit institution
ADDIKO BANK A.D. PODGORICA	Podgorica	Full consolidation	Full consolidation	Credit institution

2.4.2 Impediments to the transfer of own funds

Art 436 c CRR

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

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

Art 436 d-e CRR

As of 31 December 2019, there was no capital shortfall at any of the companies included in Addiko Group's consolidation.

3 Risk management objectives and policies

For a detailed description of Addiko's risk strategies and processes, the structure and organization of the relevant risk management functions, as well as risk identification and risk management objectives and policies for each separate category of risk, please refer to the Risk Report in the Notes of the Addiko Group's Annual Report 2019 (page 103 et seq.).

Art 435 (1) CRR

3.1 Risk control and monitoring

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

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

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

Within the yearly risk inventory process the following risks have been identified as material:

Risk Type	Sub Type	Materiality	Managing Unit
Credit Risk	Single Name Credit Risk	M	Group Corporate Credit Risk & Retail Risk Mgmt
	FX-induced Credit Risk	M	Group Corporate Credit Risk & Retail Risk Mgmt
	Concentration Risk	M	Group Corporate Credit Risk & Retail Risk Mgmt
Market Risk	Interest Rate Risk	M	Group Market and Liquidity Risk
	Credit Spread Risk	M	Group Market and Liquidity Risk
	FX Risk	M	Group Market and Liquidity Risk
	CVA	M	Group Market and Liquidity Risk
Liquidity Risk	Market Liquidity risk	M	Group Market and Liquidity Risk
	Funding Spread Risk	M	Group Market and Liquidity Risk
Operational Risk	Overall including Legal Risk	M	Group Operational Risk Management
	ICT Risk	M	Group IT
	Outsourcing Risk	M	Group BCM/Outsourcing Management
	Conduct Risk	M	Group Operational Risk Management
	Model Risk	M	Group Model & Credit Portfolio Management
	Laundry Risk/Risk of financing terrorism	M	Group Compliance & Corporate Governance (incl AML)
Object Risk		M	Group Operational Excellence
Reputational Risk		M	Group Corporate Communications
Macroeconomic Risk		M	Group Finance Control
Systemic Risk		M	Group Finance Control
Business Risk / Strategic Risk		M	Group Finance Control

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

The following table gives an overview of the monthly steered KPIs, including the values for YE 2019.:

KPI Risk Metrics	Dec 2019
RBC Utilisation	63.7%
TCR Addiko Group	17.7%
RWA Pillar I - Addiko Group (EURm)	4,571.50
Leverage Ratio	12.5%
LCR	175.4%
NSFR	132.7%
Share of NPE (EBA Definition)	5.3%

The MB members have declared that risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy.

3.2 Risk strategy & Risk Appetite Framework (RAF)

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.

Addiko has established a Risk Appetite Framework (RAF) 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.

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

3.3 Risk organisation

Ensuring adequate risk management structures and processes is in the responsibility of the Group's Chief Risk Officer (CRO), who is a member of the Addiko Bank 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 risk control and monitoring of counterparty default, market, liquidity, operational and other risks at the portfolio level, as well as implementation and monitoring of comprehensive risk management standards in entities of Addiko Group.

In 2019, the following organisational units were operative:

- Group Corporate Credit Risk
- Group Retail Risk Management
- Integrated Risk Management (including a Market and Liquidity Risk Team)

- Model and Credit Risk Portfolio Management
- Group Data Office
- Group Operational Risk Management

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

3.4 Internal risk management guidelines

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

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

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

At Addiko, liquidity controlling and management at Group level are the responsibility of Group Balance Sheet Management & Treasury. 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 the responsibility of Central Steering Function Group Market & Liquidity Risk. At a local level, the respective risk control units are in charge. It is here that risk measurement and mitigation as well as timely and consistent reporting are carried out.

The Addiko Group has emergency liquidity planning in place which defines processes, control and hedging instruments required to avert imminent crises or to overcome acute crises. In the event of a liquidity crisis, the top priorities of the bank are to rigorously maintain solvency and to prevent damage to the bank's reputation.

The Liquidity Coverage Ratio (LCR) measures the coverage of net liquidity outflows with the adequate liquidity buffer under severe conditions over a period of 30 days. For monitoring purposes warning triggers have been defined and set above the regulatory requirement of 100%.

In 2019, the Liquidity Coverage Ratio (LCR) has been moving between its lowest level of 147.9 % in April 2019 and its peak of 179.7 % in November 2019.

Scope of consolidation (consolidated)	Total weighted			
Currency and units (EUR million)				
Quarter ending on:	31.03.2019	30.06.2019	30.09.2019	31.12.2019
Number of data points used for calculation of averages	3	3	3	3
21 Liquidity Buffer	1,072.6	1,105.3	1,164.8	1,167.0
22 Total Net Cash Outflows	679.8	732.7	783.0	665.4
23 Liquidity Ratio (%)	157.8%	150.8%	157.8%	175.4%

4 Capital and RWAs

4.1 Own funds

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

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

	Regulation (EU) No 573/2013 Article Reference	EUR m 31.12.2019
Common Equity Tier 1 (CET1) capital: Instruments and reserves		
Capital instruments and the related share premium accounts	26 (1), 27, 28, 29, acc. to Art 26 (3) EBA	195.0
- ordinary shares		195.0
Retained earnings	26 (1) (c)	615.3
Accumulated other comprehensive income (and other reserves)	26 (1)	15.9
Funds for general banking risk	26 (1) (f)	0.0
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	486 (2)	0.0
Minority interests (amount allowed in consolidated CET1)	84, 479, 480	0.0
Independently reviewed interim profits net of any foreseeable charge or dividend	26 (2)	-4.9
Common Equity Tier 1 (CET1) capital before regulatory adjustments		821.3
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments	34, 105	-1.1
Intangible assets (net of related deferred tax liability)	36 (1) (b), 37, 472 (4)	-27.9
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	36 (1) (c), 38, 472 (5)	-16.4
IFRS 9 transitional arrangement	473a	34.0
Fair value reserves related to gains or losses on cash flow hedges	33 (1) (a)	0.0
Negative amounts resulting from the calculation of expected loss amounts	36 (1) (d), 40, 159, 472 (6)	0.0
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	32 (1)	0.0
Total regulatory adjustments to common equity tier 1		-11.4
Common Equity Tier 1 capital		809.8
Additional tier 1 ('AT1') capital: instruments		
Additional tier 1 capital before regulatory adjustments		0.0
Additional tier 1 capital: regulatory adjustments		
Additional tier 1 capital		0.0
Tier 1 capital (T1 = CET1 + AT1)		809.8
Tier 2 capital: regulatory adjustments		
Tier 2 capital: instruments		0.0
Total capital (TC = T1 + T2)		809.8
Total risk-weighted assets		4,571.5

Capital ratios and buffers		
CET1 Capital ratio	92 (2) (a), 465	17.71%
CET1 Capital ratio as if IFRS 9 transitional rules had not been applied		17.11%
T1 Capital ratio	92 (2) (b), 465	17.71%
T1 Capital ratio as if IFRS 9 transitional rules had not been applied		17.11%
Total capital ratio	92 (2) (c)	17.71%
Total capital ratio as if IFRS 9 transitional rules had not been applied		17.11%
Institution specific buffer requirement	CRD 128, 129, 130	2.50%
Of which : capital conservation buffer requirement		2.50%
Of which : counter-cyclical buffer requirement (Buffer: 0.003%)		0.00%
Of which : Global Systemically Important Institution ('G-SII') buffer		0.00%
Common equity tier 1 available to meet buffers	CRD 128	2.50%
Amounts below the threshold for deduction (before risk weighting)		
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	23.8
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 (1) (i), 45, 48, 470, 472 (11)	0.0
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	36 (1) (c), 38, 48, 470, 472 (5)	7.5

Common Equity Tier 1 according to Art. 26 et seq. and 51 et seq. of CRR consists of subscribed capital, reserves, comprehensive income and the audited profit for the financial year 2019 net of any foreseeable charge or dividend. Regulatory adjustments of Tier 1 capital are considered according to Art. 36 and 56 of CRR.

The deductible item "intangible assets" consists of banking software solutions and other intangible assets and corresponds to the line item "Intangible assets" as disclosed in the audited financial statements 2019.

The simplified approach is applied for additional value adjustments (prudent valuation). Consequently the adjustment is directly proportional to the items measured at fair value as disclosed in the audited financial statements 2019.

The calculation of the deductible item "deferred tax assets" is done according to Art. 38 paragraph 5 of CRR and corresponds to deferred tax assets for tax losses carried forward as disclosed in the audited financial statements 2019.

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

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

The following table presents the changes in the consolidated equity of Addiko during 2019:

EUR m

Sources of equity changes	Subscribed capital	Capital reserves	Fair value reserve	Foreign currency reserves	Cumulated results and other reserves	Equity holders of parent	Non-controlling interest	Total
Equity as at 01.01.2019	195.0	476.5	5.4	-6.1	188.7	859.5	0.0	859.5
Impact of adopting IFRS 9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity as at 01.01.2019	195.0	476.5	5.4	-6.1	188.7	859.5	0.0	859.5
Profit or loss after tax	0.0	0.0	0.0	0.0	35.1	35.1	0.0	35.1
Other comprehensive income	0.0	0.0	17.2	-0.5	0.0	16.7	0.0	16.7
Total comprehensive income	0.0	0.0	17.2	-0.5	35.1	51.7	0.0	51.7
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	-50.0	-50.0	0.0	-50.0
Other changes	0.0	-177.8	0.0	0.0	177.8	0.0	0.0	0.0
Closing balance	195.0	298.7	22.5	-6.6	351.7	861.3	0.0	861.3

4.1.1 Main features, full terms and conditions of capital instruments

Art. 437 (1) b-c CRR

	EUR m
Capital instruments and main features	
	31.12.2019
1 Issuer	Addiko Bank AG
2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	AT000ADDIK00
3 Governing law(s) of the instrument	Austria
Regulatory treatment	
4 Transitional CRR rules	Common Equity Tier 1
5 Post-transitional CRR rules	Common Equity Tier 1
6 Eligible at solo/ (sub-)consolidated/ solo & (sub-)consolidated	Solo & sub-consolidated
7 Instrument type (types to be specified by each jurisdiction)	Share capital
8 Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 195.0m
9 Nominal amount of instrument	EUR 195.0m
9a Issue price	16 EUR
9b Redemption price	N/A
10 Accounting classification	Shareholders' equity
11 Original date of issuance	12.07.2019
12 Perpetual or dated	Perpetual
13 Original maturity date	No maturity
14 Issuer call subject to prior supervisory approval	No
15 Optional call date, contingent call dates, and redemption amount	N/A
16 Subsequent call dates, if applicable	N/A
Coupons / dividends	
17 Fixed or floating dividend/coupon	Floating
18 Coupon rate and any related index	N/A
19 Existence of a dividend stopper	N/A
20a Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21 Existence of step up or other incentive to redeem	N/A
22 Non-cumulative or cumulative	Noncumulative
23 Convertible or non-convertible	Non-convertible
24 If convertible, conversion trigger (s)	N/A
25 If convertible, fully or partially	N/A
26 If convertible, conversion rate	N/A
27 If convertible, mandatory or optional conversion	N/A
28 If convertible, specify instrument type convertible into	N/A
29 If convertible, specify issuer of instrument it converts into	N/A
30 Write-down features	N/A
31 If write-down, write-down trigger (s)	N/A
32 If write-down, full or partial	N/A
33 If write-down, permanent or temporary	N/A
34 If temporary write-down, description of write-up mechanism	N/A
35 Position in subordination hierarchy in liquidation	N/A
36 Non-compliant transitioned features	No
37 If yes, specify non-compliant features	N/A

4.1.2 Impact on own funds of the introduction of IFRS 9

Art. 473a CRR

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

Addiko has elected to take advantage of the transitional capital rules in respect of IFRS 9 published by the EU on 21 December 2017. These permit banks to add back to their capital base a portion of the impact that IFRS 9 has upon their loan loss allowances during the first five years of use. The portion that banks may add back amounts to 95%, 85%, 70%, 50% and 25% each in the first five years of IFRS 9. The impact of IFRS 9 on loan loss allowances is defined as:

- the increase in loan loss allowances on day one of IFRS 9 adoption; plus
- any subsequent increase in expected credit losses in the non-credit-impaired portfolio (stage 1 and stage 2) booked thereafter.

Any add-back must be tax-affected and accompanied by a recalculation of capital deduction thresholds, exposures and RWAs. As at 31 December 2019, by taking into consideration the above described transitional rules, the total capital ratio (Basel 3) in relation to the total risk (total eligible qualifying capital in relation to total risk pursuant to CRR) was 17.7% (YE18: 17.7%), well above the legal minimum requirement (8.0%). The total capital ratio calculated without applying IFRS 9 transitional rules would amount to 17.1%. While the adoption of the IFRS 9 transitional capital rules has a negligible impact on CET1 capital in 2019, it would mitigate the impact on capital in adverse economic conditions.

The table below presents impact of the introduction of IFRS 9 on own funds:

	EUR m	
	31.12.2019	31.12.2018
Available capital (amounts)		
Common Equity Tier 1 (CET1) capital	809.8	802.8
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	775.8	759.0
Tier 1 capital	809.8	802.8
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	775.8	759.0
Total capital	809.8	802.8
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	775.8	759.0
Risk-weighted assets (amounts)		
Total risk-weighted assets	4,571.5	4,545.0
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,534.5	4,501.3
Capital ratios		
Common Equity Tier 1 (as a percentage of risk exposure amount)	17.71%	17.66%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.11%	16.86%
Tier 1 (as a percentage of risk exposure amount)	17.71%	17.66%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.11%	16.86%
Total capital (as a percentage of risk exposure amount)	17.71%	17.66%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.11%	16.86%
Leverage ratio		
Leverage ratio total exposure measure	6,475.8	6,559.0
Leverage ratio	12.51%	12.24%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.04%	11.65%

4.2 Capital requirements

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

Art. 438 a-b CRR

For Addiko and its subsidiaries, the capital requirements are calculated for the Pillar 1 risk types credit, market and operational risk. Within the meaning of Article 92 (3) (a) and (f) CRR for the determination of risk-weighted assets and the capital requirement the Credit Risk Standardized Approach (CRSA) was used. For the ICAAP internal models are applied and the additional risk types (concentration risk, FX induced credit risk, interest rate risk in the banking book, foreign exchange risk, credit spread risk, funding spread risk, object risk and other risks) are considered in the capital requirement calculation. At YE 2019 the risk bearing capacity was utilized with 63.6% and is well below the internally set limit of 85%.

	EUR m
	Dec 2019
Total economic capital amount	514.2
Total risk coverage capital amount	807.8
Excess capital	293.7

4.2.2 Risk-weighted exposure amounts and minimum capital requirements

Art. 438 c-f CRR

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

The table below gives an overview of the RWA and capital requirements calculated in accordance with the Article 92 of the CRR (EU OV1- EBA/GL/2016/11):

	EUR m					
	RWA with IFRS 9 transitional rule 31.12.2019	RWA w/o IFRS 9 transitional rule 31.12.2019	Minimum capital requirements (*) 31.12.2019	RWA with IFRS 9 transitional rule 31.12.2018	RWA w/o IFRS 9 transitional rule (**) 31.12.2018	Minimum capital requirements (*) 31.12.2018
Risk Weighted Assets and minimum capital requirements						
CREDIT RISK (excluding Counterparty Credit Risk)	3,958.0	3,921.0	316.6	3,958.5	3,914.8	316.7
Of which the standardised approach	3,958.0	3,921.0	316.6	3,958.5	3,914.8	316.7
COUNTERPARTY CREDIT RISK	3.8	3.8	0.3	5.4	5.4	0.4
Of which CVA	3.8	3.8	0.3	5.4	5.4	0.4
MARKET RISK	204.2	204.2	16.3	173.2	173.2	13.9
Of which the standardised approach	204.2	204.2	16.3	173.2	173.2	13.9
OPERATIONAL RISK	405.5	405.5	32.4	407.9	407.9	32.6
Of which standardised approach	405.5	405.5	32.4	407.9	407.9	32.6
TOTAL	4,571.5	4,534.5	365.7	4,545.0	4,501.3	363.6

*Minimum capital requirements under consideration of IFRS 9 transitional rules

**Prior period figures adjusted

Within the Addiko Group the risk positions are covered by the Standardised Approach.

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

	EUR m			
	RWA with IFRS 9 transitional rule 31.12.2019	RWA w/o IFRS 9 transitional rule 31.12.2019	Minimum capital requirements with IFRS 9 transitional rule 31.12.2019	Minimum capital requirements w/o IFRS 9 transitional rule 31.12.2019
Risk Weighted Assets and minimum capital requirements				
Exposures to central governments or central banks	436.9	436.8	34.9	34.9
Exposures to regional governments or local authorities	11.1	11.1	0.9	0.9
Exposures to public sector entities	16.6	16.6	1.3	1.3
Exposures to multilateral development banks	0.0	0.0	0.0	0.0
Exposures to International Organisations	0.0	0.0	0.0	0.0
Exposures to institutions	138.7	138.7	11.1	11.1
Exposures to corporates	1,188.2	1,187.0	95.1	95.0
Retail exposures	1,595.1	1,590.4	127.6	127.2
Exposures secured by mortgages on immovable property	271.1	270.8	21.7	21.7
Exposures in default	105.7	75.1	8.5	6.0
Exposures associated with particularly high risk	28.7	28.6	2.3	2.3
Exposures in the form of covered bonds	0.0	0.0	0.0	0.0
Securitisation positions SA	0.0	0.0	0.0	0.0
Exposures to Collective investments undertakings (CIU)	18.1	18.1	1.5	1.5
Other items	144.5	144.5	11.6	11.6
Equity exposures	3.2	3.2	0.3	0.3
TOTAL	3,958.0	3,921.0	316.6	313.7

*Minimum capital requirements under consideration of IFRS 9 transitional rules

4.3 Capital buffers

Art 440 (1) a-b CRR

Addiko Group calculates countercyclical buffer requirements at consolidated level in accordance with Title VII, Chapter 4 of Directive 2013/36/EU (CRD IV). As of 31 December 2019, a small number of jurisdictions (e.g. Great Britain) applied countercyclical buffer rates of more than 0%, resulting in an overall countercyclical buffer rate for the Group of 0.003%.

The table below sets out the geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer as well as the institution-specific countercyclical buffer rate for the Group as of 31 December 2019. The disclosure follows templates prescribed by Commission Delegated Regulation (EU) 2015/1555 with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer.

The table detailing the distribution of credit exposures has been simplified by listing individually only those relevant countries which either represent core markets for the Group or have communicated countercyclical buffer rates other than zero.

EUR m

31.12.2019	Relevant credit exposures - Standardised Approach	Own funds requirements o/w for credit risk	Own funds requirements weights (%)	Countercyclical capital buffer rate	Institution-specific countercyclical capital buffer rate	Institution-specific countercyclical buffer requirement
Austria	20.6	1.2	0.45%	0.00%	0.00%	0.0
Bosnia	728.6	44.1	16.44%	0.00%	0.00%	0.0
Croatia	1542.4	95.2	35.48%	0.00%	0.00%	0.0
France	1.9	0.1	0.03%	0.25%	0.00%	0.0
Montenegro	224.2	12.4	4.63%	0.00%	0.00%	0.0
Netherlands	34.6	1.5	0.56%	0.00%	0.00%	0.0
Serbia	675.2	40.9	15.24%	0.00%	0.00%	0.0
Slovenia	1253.3	71.1	26.49%	0.00%	0.00%	0.0
United Kingdom	9.2	0.7	0.27%	1.00%	0.00%	0.1
United States	21.0	1.1	0.41%	0.00%	0.00%	0.0

5 Credit risk

5.1 Definition of past due, defaulted and impaired

Art 442 a CRR

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

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

Past due performing loans are exposures to borrowers where past-due amounts at the reporting data are between 1 and 90 days overdue. Loans are "Overdue > 90 Days" if the borrower is overdue with an amount exceeding EUR 250 or 2,5% of the total exposure for more than 90 days.

For retail exposures the definition of default is applied at the level of an individual credit facility rather than in relation to the total obligations of a borrower.

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

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

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

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

5.2 Credit risk adjustments

Art 442 b CRR

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

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

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

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

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

Art 442 c CRR

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

Exposure in all the following tables is reported net of the credit risk adjustments, which are calculated taking into account the IFRS 9 transitional rules. Counterparty credit risk is not subject of this chapter.

The total and average credit risk exposure reported in the following tables represent the exposure subject to the Credit Risk Framework in accordance with Part One, Chapter II of the Regulation (EU) No 575/2013.

EUR m

Asset Class (Standard Approach)	Net exposure as of 31.12.2019	Average exposures over the period
Central governments or central banks	1,489.9	1,511.1
Regional governments or local authorities	37.0	44.8
Public sector entities	26.0	33.0
Multilateral development banks	0.0	1.7
International Organisations	0.0	0.0
Institutions	346.2	364.6
Corporates	1,530.7	1,579.5
Of which: SMEs	601.2	619.6
Retail	2,630.2	2,626.8
Of which: SMEs	685.1	674.4
Secured by mortgages on immovable property	637.3	569.8
Of which: SMEs	207.0	174.7
Exposures in default	103.9	115.7
Items associated with particularly high risk	19.2	19.8
Covered bonds	0.0	0.0
Collective investments undertakings (CIU)	29.6	28.1
Other exposures	279.6	275.1
Equity exposures	3.2	4.7
Total standardised approach	7,132.8	7,174.7

Art 442 d CRR

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

EUR m

Asset Class (Standard Approach)	Middle and Eastern Europe	North America	West and Central Europe	Others
Exposures to central governments or central banks	1,312.0	0.0	177.8	0.0
Exposures to regional governments or local authorities	37.0	0.0	0.0	0.0
Exposures to public sector entities	26.0	0.0	0.0	0.0
Exposures to institutions	19.1	50.5	275.6	1.0
Exposures to corporates	1,454.4	16.2	60.1	0.0
Retail exposures	2,629.3	0.1	0.8	0.0
Exposures secured by mortgages on immovable property	636.8	0.0	0.4	0.1
Exposures in default	102.6	0.0	0.4	0.9
Exposures associated with particularly high risk	19.2	0.0	0.0	0.0
Exposures in the form of units or shares in collective	29.6	0.0	0.0	0.0
Other items	269.0	2.4	8.2	0.0
Equity exposures	0.8	2.3	0.1	0.0
Total Exposure Net	6,535.8	71.6	523.4	2.0

Table below presents net exposure for Middle and Eastern Europe:

Asset Class (Standard Approach)	Bosnia & Herzegovina	Bulgaria	Croatia	Montenegro	Poland	Romania
Exposures to central governments or central banks	89.3	36.6	636.4	31.3	41.4	88.9
Exposures to regional governments or local authorities	2.2	0.0	9.7	0.0	0.0	0.0
Exposures to public sector entities	9.1	0.0	0.9	0.1	0.0	0.0
Exposures to institutions	0.0	0.0	9.0	0.0	0.0	0.0
Exposures to corporates	229.6	0.0	472.4	40.0	0.0	0.0
Retail exposures	399.0	0.0	1,018.2	126.9	0.0	0.0
Exposures secured by mortgages on immovable property	91.6	0.0	113.5	48.3	0.0	0.0
Exposures in default	23.6	0.0	47.1	7.3	0.0	0.0
Exposures associated with particularly high risk	0.1	0.0	15.8	0.0	0.0	0.0
Exposures in the form of units or shares in collective	0.0	0.0	16.4	0.0	0.0	0.0
Other items	85.6	0.0	98.9	12.3	0.0	0.0
Equity exposures	0.1	0.0	0.4	0.0	0.0	0.0
Total Exposure Net	930.3	36.6	2,438.5	266.2	41.4	88.9

EUR m

Asset Class (Standard Approach)	Serbia	Slovenia	Czech	Hungary	Others
Exposures to central governments or central banks	176.6	148.9	14.0	48.5	0.0
Exposures to regional governments or local authorities	2.7	22.4	0.0	0.0	0.0
Exposures to public sector entities	14.7	1.2	0.0	0.0	0.0
Exposures to institutions	0.0	10.1	0.0	0.0	0.0
Exposures to corporates	278.2	434.2	0.0	0.0	0.0
Retail exposures	394.9	690.2	0.0	0.0	0.1
Exposures secured by mortgages on immovable property	82.8	300.6	0.0	0.0	0.0
Exposures in default	11.6	12.9	0.0	0.0	0.0
Exposures associated with particularly high risk	0.0	3.4	0.0	0.0	0.0
Exposures in the form of units or shares in collective	0.0	13.2	0.0	0.0	0.0
Other items	45.9	26.3	0.0	0.0	0.0
Equity exposures	0.0	0.3	0.0	0.0	0.0
Total Exposure Net	1,007.4	1,663.8	14.0	48.5	0.1

Table below presents net exposure for West and Central Europe:

EUR m

Asset Class (Standard Approach)	Italy	Austria	Spain	Germany	France
Exposures to central governments or central banks	47.8	80.5	49.5	0.0	0.0
Exposures to regional governments or local authorities	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	0.0	0.0	0.0	0.0	0.0
Exposures to institutions	33.5	4.0	15.3	80.1	67.4
Exposures to corporates	0.0	13.1	0.0	0.0	1.8
Retail exposures	0.1	0.3	0.0	0.1	0.1
Exposures secured by mortgages on immovable property	0.0	0.0	0.0	0.1	0.0
Exposures in default	0.0	0.2	0.0	0.0	0.0
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0
Exposures in the form of units or shares in collective	0.0	0.0	0.0	0.0	0.0
Other items	0.0	7.1	0.0	0.4	0.0
Equity exposures	0.0	0.0	0.0	0.0	0.0
Total Exposure Net	81.4	105.2	64.8	80.7	69.4

EUR m

Asset Class (Standard Approach)	Great Britain	Ireland	Netherlands	Other
Exposures to central governments or central banks	0.0	0.0	0.0	0.0
Exposures to regional governments or local authorities	0.0	0.0	0.0	0.0
Exposures to public sector entities	0.0	0.0	0.0	0.0
Exposures to institutions	22.5	38.4	0.0	14.3
Exposures to corporates	8.9	0.0	36.2	0.0
Retail exposures	0.0	0.0	0.0	0.0
Exposures secured by mortgages on immovable property	0.2	0.0	0.0	0.2
Exposures in default	0.0	0.0	0.0	0.2
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0
Exposures in the form of units or shares in collective	0.0	0.0	0.0	0.0
Other items	0.1	0.0	0.0	0.6
Equity exposures	0.0	0.0	0.0	0.1
Total Exposure Net	31.7	38.4	36.2	15.4

Table below presents net exposure for North America:

EUR m

Asset Class (Standard Approach)	USA	Others
Exposures to central governments or central banks	0.0	0.0
Exposures to regional governments or local authorities	0.0	0.0
Exposures to public sector entities	0.0	0.0
Exposures to institutions	50.2	0.3
Exposures to corporates	16.2	0.0
Retail exposures	0.1	0.0
Exposures secured by mortgages on immovable property	0.0	0.0
Exposures in default	0.0	0.0
Exposures associated with particularly high risk	0.0	0.0
Exposures in the form of units or shares in collective	0.0	0.0
Other items	2.4	0.0
Equity exposures	2.3	0.0
Total Exposure Net	71.3	0.3

Art 442 e CRR

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

Asset Class (Standard Approach)	EUR m									
	A	B	C	D	E	F	G	H	I	J
Exposures to central governments or central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to regional governments or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	0.1	0.0	0.1	12.2	6.9	2.5	0.0	0.1	0.0	0.1
Exposures to institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to corporates	28.1	24.5	381.3	46.1	35.2	171.5	355.5	69.8	38.1	61.0
Retail exposures	28.5	0.4	166.6	9.9	10.4	173.0	238.7	67.5	19.6	22.5
Exposures secured by mortgages on immovable property	7.7	4.2	53.7	2.1	0.8	29.0	77.4	26.0	49.1	3.9
Exposures in default	2.1	0.0	10.4	0.6	0.6	4.5	9.3	2.2	2.4	2.6
Exposures associated with particularly high risk	0.7	0.0	0.0	0.0	0.0	15.2	0.0	0.0	0.0	0.0
Exposures in the form of units or shares in collective	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Total Exposure Net	67.3	29.2	612.1	71.2	53.9	395.7	681.0	165.6	109.3	90.1

A - Agriculture, forestry and fishing, B - Mining and quarrying, C - Manufacturing, D - Electricity, gas, steam and air conditioning supply, E - Water supply; sewerage; waste management and remediation activities, F - Construction, G - Wholesale and retail trade; repair of motor vehicles and motorcycles, H - Transporting and storage, I - Accommodation and food service activities, J - Information and communication

Asset Class (Standard Approach)	EUR m									
	K	M	N	O	P	Q	R	S	T	U
Exposures to central governments or central banks	540.9	0.0	0.0	782.8	32.2	0.0	0.0	10.4	0.0	123.5
Exposures to regional governments or local authorities	0.0	0.1	0.0	36.9	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	0.1	1.3	0.0	0.8	0.2	1.2	0.2	0.2	0.0	0.0
Exposures to institutions	233.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	113.0
Exposures to corporates	158.9	59.0	31.8	2.9	0.8	12.0	4.2	19.7	10.8	19.4
Retail exposures	10.7	49.0	18.1	0.2	1.7	2.9	3.5	4.7	1,802.4	0.0
Exposures secured by mortgages on immovable property	28.0	11.4	4.8	1.2	1.2	12.0	1.8	1.7	321.1	0.0
Exposures in default	8.2	1.6	0.4	1.7	0.0	0.3	0.0	3.7	53.2	0.0
Exposures associated with particularly high risk	1.1	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of units or shares in collective	29.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items	14.8	0.0	0.0	0.0	0.0	0.0	0.0	261.7	2.4	0.5
Equity exposures	2.7	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Exposure Net	1,028.1	124.8	55.1	826.3	36.1	28.4	9.8	302.2	2,190.0	256.5

K - Financial and insurance activities, M - Professional, scientific and technical activities, N - Administrative and support service activities, O - Public administration and defence; compulsory social security, P - Education, Q - Human health and social work activities, R - Arts, entertainment and recreation, S - Other services activities, T - Activities of households as employers; undifferentiated goods - and services - producing activities of households for own use, U - Activities of extraterritorial organisations and bodies

Please see disclosure on Art 442 c CRR for details on exposure to SMEs.

Art 442 f CRR

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

	EUR m					
Asset Class (Standard Approach)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Exposures to central governments or central banks	569.4	0.0	170.5	749.9	0.0	1,489.9
Exposures to regional governments or local authorities	0.5	0.2	0.9	35.4	0.0	37.0
Exposures to public sector entities	2.7	4.3	3.3	15.7	0.0	26.0
Exposures to institutions	54.9	36.2	99.2	155.9	0.0	346.2
Exposures to corporates	239.0	245.2	417.6	628.4	0.5	1,530.7
Retail exposures	386.5	199.2	548.8	1,493.9	1.7	2,630.2
Exposures secured by mortgages on immovable property	15.0	13.7	59.7	548.9	0.0	637.3
Exposures in default	3.7	6.1	19.2	74.7	0.3	103.9
Exposures associated with particularly high risk	0.0	0.0	1.5	17.7	0.0	19.2
Exposures in the form of units or shares in collective	0.0	0.0	0.0	29.6	0.0	29.6
Other items	117.0	0.0	0.0	3.0	159.6	279.6
Equity exposures	0.0	0.0	0.0	0.3	2.9	3.2
Net exposure	1,388.7	505.1	1,320.7	3,753.3	165.0	7,132.8

Art 442 g-i CRR

For a detailed overview on impaired exposures, specific and general risk adjustments as well as charges for specific and general credit risk adjustments, please refer also to Notes 36-39 and 55 in the Addiko Group's Annual Report 2019. In this context general credit risk adjustments correspond to Stage 1/2 and specific risk adjustments to Stage 3. Please note that specific provisions for exposures considered individually immaterial are calculated based on the Specific Risk Provision Collective Impaired method ("SRP Collective Impaired") instead of an individual analysis.

In order to present the clear view of the credit risk in the following tables, loans and receivables and debt securities are presented. On top of the asset relevant positions, off-balance items are included. Cash balances at central banks and other demand deposits are not included in the following tables.

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

	Performing exposures with forbearance measures	Non-performing exposures with forbearance measures			Performing exposures with forbearance measures	Non-performing exposures with forbearance measures	Collateral received and financial guarantees received	
		of which: Defaulted	of which: Impaired	Collateral and Financial guarantees received on exposures with forbearance measures				
				Of which: Financial guarantees received on non-performing exposures with forbearance measures				
Loans and advances	29.8	56.9	56.9	56.9	-2.2	-31.9	0.0	0.6
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	0.0	1.8	1.8	1.8	0.0	-0.6	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.3	0.3	0.3	0.0	-0.3	0.0	0.0
Non-financial corporations	11.8	38.0	38.0	38.0	-0.8	-20.8	0.0	0.6
Households	18.0	16.8	16.8	16.8	-1.3	-10.3	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan commitments given	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Total	30.0	57.1	56.9	57.1	-2.2	-31.9	0.0	0.6

Please see Note 55.12 of Addiko Group's Annual Report 2019 for details on the development of forborne exposures.

The following table provides an overview of credit quality of performing and non-performing exposures:

EUR m

-	Gross carrying amount/nominal amount											
	Performing			Non-performing								
	Not past due or past due <= 30 days	Past due > 30 days <= 90 days		Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which: defaulted	
Loans and advances	3,885.6	3,871.7	13.9	264.1	58.6	18.7	32.2	24.9	51.8	22.5	55.6	264.1
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	92.6	92.6	0.0	2.2	2.2	0.0	0.0	0.0	0.0	0.0	0.0	2.2
Credit institutions	13.6	13.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	31.3	31.3	0.0	0.4	0.1	0.0	0.0	0.3	0.0	0.0	0.0	0.4
Non-financial corporations	1,641.5	1,639.9	1.6	89.7	25.0	8.7	19.7	8.2	17.1	6.2	4.8	89.7
Of which: Small and Medium-sized Enterprises	1,062.0	1,060.4	1.6	68.2	22.3	8.4	9.9	8.1	10.6	6.1	2.6	68.2
Households	2,106.6	2,094.3	12.3	171.9	31.3	10.0	12.6	16.4	34.6	16.2	50.8	171.9
Debt securities	1,114.3	1,078.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	779.4	743.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	222.1	222.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	50.8	50.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	62.1	62.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OFF-BALANCE SHEET EXPOSURES	993.7			13.5								0.0
Central banks	0.0			0.0								0.0
General governments	0.7			0.0								0.0
Credit institutions	3.2			0.0								0.0
Other financial corporations	4.2			4.5								0.0
Non-financial corporations	865.6			8.0								0.0
Households	120.0			1.0								0.0
Total	5,993.7	4,950.0	13.9	277.7	58.6	18.7	32.2	24.9	51.8	22.5	55.6	264.2

The gross NPL ratio as of December 31, 2019 amounts to 9,5%. The overall NPE stock was further reduced in 2019, mainly influenced by repayments, settlements and portfolio sales, as well as impacted by a mandatory write-off in ABSE related to exposures in CHF and collection effects in all countries.

The following table provides an overview of the credit quality of performing and non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class:

													EUR m		
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-offs (negative sign)	Collateral received and financial guarantees received	
	Performing			Non-performing			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Loans and advances	3,885.6	3,659.8	225.7	264.1	0.0	264.1	-67.1	-30.9	-36.2	-197.1	0.0	-197.1	-51.2	1,255.0	29.2
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	92.6	92.2	0.4	2.2	0.0	2.2	-0.3	-0.3	0.0	-0.7	0.0	-0.7	0.0	2.3	1.1
Credit institutions	13.6	14.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	31.3	31.3	0.0	0.4	0.0	0.4	-0.2	-0.2	0.0	-0.4	0.0	-0.4	0.0	15.0	0.0
Non-financial corporations	1,641.5	1,602.3	39.2	89.7	0.0	89.7	-13.6	-10.1	-3.5	-59.6	0.0	-59.6	-2.4	559.0	12.1
Of which: Small and Medium-sized Enterprises	1,062.0	1,039.6	22.3	68.2	0.0	68.2	-10.0	-6.0	-3.9	-44.8	0.0	-44.8	-2.2	328.8	7.3
Households	2,106.6	1,920.0	186.6	171.9	0.0	171.9	-53.0	-20.3	-32.7	-136.5	0.0	-136.5	-48.8	678.7	16.0
Debt securities	1,114.3	1,062.0	0.0	0.0	0.0	0.0	-0.7	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	779.4	743.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	222.1	222.1	0.0	0.0	0.0	0.0	-0.5	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	50.8	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	62.1	62.1	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OFF-BALANCE SHEET EXPOSURES	993.7	983.4	10.4	13.5	0.0	13.5	-3.4	-2.8	-0.6	-6.6	0.0	-6.6		0.0	0.0
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
General governments	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Credit institutions	3.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Other financial corporations	4.2	4.2	0.0	4.5	0.0	4.5	0.0	0.0	0.0	-1.0	0.0	-1.0		0.0	0.0
Non-financial corporations	865.6	857.1	8.6	8.0	0.0	8.0	-2.9	-2.6	-0.3	-4.7	0.0	-4.7		0.0	0.0
Households	120.0	118.3	1.8	1.0	0.0	1.0	-0.4	-0.2	-0.2	-0.8	0.0	-0.8		0.0	0.0
Total	5,993.7	5,705.2	236.1	277.7	0.0	277.7	-71.2	-34.4	-36.8	-203.7	0.0	-203.7	-51.2	1,255.0	29.2

The following table provides an overview of foreclosed assets obtained from non-performing exposures:

	EUR m	
	Collateral obtained by taking possession accumulated	
	Value at initial recognition	Accumulated negative changes
Property, Plant and Equipment	2.7	1.5
Other than Property Plant and Equipment	8.7	3.5
Residential immovable property	7.4	2.7
Commercial immovable property	1.3	0.8
Movable property	0.0	0.0
Equity and debt securities	0.0	0.0
Other	0.0	0.0
Total	11.4	5.1

In the financial year 2019 no significant changes of the foreclosed assets obtained from non-performing exposures occurred.

The following table provides a breakdown of loans and advances to non-financial corporations by industry type:

	EUR m		
	Gross carrying amount	Of which: non-performing	(-) Accumulated impairment (Stages 1 to 3), included POCI
A Agriculture, forestry and fishing	50.2	2.3	-1.5
B Mining and quarrying	17.9	0.0	-0.1
C Manufacturing	453.8	27.5	-23.5
D Electricity, gas, steam and air conditioning supply	45.5	2.2	-2.4
E Water supply	15.9	0.7	-0.4
F Construction	140.7	8.0	-7.6
G Wholesale and retail trade	470.6	17.6	-15.1
H Transport and storage	110.1	5.2	-4.6
I Accommodation and food service activities	107.8	3.2	-2.3
J Information and communication	60.0	4.8	-2.8
K Financial and insurance activities	30.9	7.1	-4.0
L Real estate activities	85.9	5.1	-2.0
M Professional, scientific and technical activities	69.2	3.8	-3.8
N Administrative and support service activities	29.6	1.3	-1.5
O Public administration and defence, compulsory social security	3.2	0.0	-0.0
P Education	2.4	0.1	-0.1
Q Human health services and social work activities	24.1	0.5	-0.7
R Arts, entertainment and recreation	6.8	0.1	-0.2
S Other services	6.5	0.4	-0.5
LOANS AND ADVANCES	1,731.2	89.7	-73.2

The following table provides a breakdown of the performing and non-performing exposures by geographical areas:

	EUR m				
	Performing	Non-performing	Performing exposures - Accumulated impairment and provisions	Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Accumulated partial write-offs (negative sign)
Austria	158.3	0.0	-0.2	0.0	0.0
Croatia	2,245.9	115.4	-13.5	-76.2	-9.8
Sarajevo	469.9	47.0	-7.1	-40.5	-36.8
Montenegro	208.2	16.6	-8.6	-10.0	0.0
Banja Luka	387.8	43.5	-7.3	-37.6	-4.6
Slovenia	1,609.1	28.1	-11.1	-8.3	0.0
Serbia	914.5	27.1	-15.3	-18.0	0.0
Adjustment Group Level	0.0	0.0	-8.0	0.0	0.0
Total	5,993.7	277.7	-71.2	-190.5	-51.2

Development of ECL allowance

Cash reserves at central banks and other demand deposits

	EUR m
	Stage 1
ECL allowance at 01.01.2019	-4.0
Changes in the loss allowance	3.6
Transfer between stages	0.0
Write-offs	0.0
Changes due to modifications that did not result in derecognition	0.0
Changes in models/risk parameters	0.0
Foreign exchange and other movements	-0.1
ECL allowance as at 31.12.2019	-0.4

Loans and advances to credit institutions

	EUR m				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance at 01.01.2019	0.0	0.0	0.0	0.0	0.0
Changes in the loss allowance	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	0.0	0.0	0.0	0.0	0.0
Changes due to modifications that did not result in derecognition	0.0	0.0	0.0	0.0	0.0
Changes in models/risk parameters	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 31.12.2019	0.0	0.0	0.0	0.0	0.0

Loans and advances to customers

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance at 01.01.2019	-33.8	-47.4	-282.8	-14.4	-378.4
Changes in the loss allowance	27.8	-28.7	-5.4	-1.5	-7.8
Transfer between stages	-24.7	29.7	-10.5	5.5	0.0
Changes due to modifications that did not result in derecognition	0.0	0.0	0.0	0.0	0.0
Changes in models/risk parameters	0.0	0.0	0.0	0.0	0.0
Write-offs	0.0	10.6	103.0	9.5	123.2
Foreign exchange and other movements	-0.3	-0.4	-0.3	-0.2	-1.2
ECL allowance as at 31.12.2019	-30.9	-36.2	-196.0	-1.1	-264.2

Investment securities

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance at 01.01.2019	-1.7	0.0	0.0	0.0	-1.7
Changes in the loss allowance	1.1	0.0	0.0	0.0	1.1
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs	0.0	0.0	0.0	0.0	0.0
Changes due to modifications that did not result in derecognition	0.0	0.0	0.0	0.0	0.0
Changes in models/risk parameters	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 31.12.2019	-0.7	0.0	0.0	0.0	-0.7

Provisions - development of loan commitments, financial guarantee and other commitments given

EUR m

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance at 01.01.2019	-3.0	-1.8	-6.9	0.0	-11.7
Changes in the loss allowance	1.1	0.3	0.2	0.0	1.5
Transfer between stages	-1.0	0.9	0.1	0.0	0.0
Write-offs	0.0	0.0	0.0	0.0	0.0
Changes due to modifications that did not result in derecognition	0.0	0.0	0.0	0.0	0.0
Changes in models/risk parameters	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
ECL allowance as at 31.12.2019	-2.8	-0.7	-6.6	0.0	-10.0

The first table in accordance with Article 442 g-i CRR includes also risk provisions of loans to customers held for sale in the amount of EUR 0.2 million, which are not included in the tables presenting the development of ECL allowances.

Art 442 CRR

Please see Note 34 of Addiko Group's Annual Report 2019 for details on directly recognised impairment losses.

5.3 Use of ECAIs

5.3.1 Scope of application and use of external ratings

Art 444 a-d CRR

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

One ECAI has been licensed: Moody's Investor Service ("Moody's"). Addiko Group has not nominated any ECAs. The assignment of the rating grades to credit quality steps is undertaken according to Article 136 CRR and published EBA Implementing technical Standard on the mapping of ECAIs credit assessments. ECAI risk assessments are used for all exposure classes.

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

5.3.2 Exposure values associated with credit quality steps

Art 444 e CRR

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

External ratings are used to a limited extent in some exposure classes to calculate the RWA in the Standardised Approach:

- in case of institutions, if an external rating by an ECAI of the counterparty is available, the risk weight (RW) has to be determined pursuant to Article 120 CRR;
- in case an external rating by an ECAI of the counterparty is not available, the RW has to be determined pursuant to Article 121 CRR;
- in case of central governments and central banks, the RW has to be determined pursuant to Article 114 CRR

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

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

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

EUR m

Asset Class	Risk weight									Total	Of which unrated
	0%	10%	20%	35%	50%	75%	100%	150%	250%		
Exposures to central governments or central banks	871.5	41.4	0.0	140.5	86.1	0.0	350.3	0.0	0.0	1,489.9	1,223.2
Exposures to regional governments or local authorities	0.0	0.0	32.1	0.0	0.0	0.0	4.9	0.0	0.0	37.0	37.0
Exposures to public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	26.0	0.0	0.0	26.0	26.0
Exposures to institutions	0.0	0.0	100.2	1.3	228.0	0.0	16.7	0.0	0.0	346.2	28.7
Exposures to corporates	24.0	0.0	6.5	0.0	46.2	0.0	1,453.1	1.0	0.0	1,530.7	1,522.1
Retail exposures	1.0	0.0	0.0	0.0	0.0	2,539.3	89.9	0.0	0.0	2,630.2	2,630.2
Exposures secured by mortgages on immovable property	0.0	0.0	0.0	301.1	277.8	57.4	1.0	0.0	0.0	637.3	637.3
Exposures in default	0.6	0.0	0.0	0.0	0.0	0.0	83.0	20.3	0.0	103.9	103.9
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.2	0.0	19.2	19.2
Exposures in the form of units or shares in collective	0.0	0.0	13.2	0.0	0.0	0.0	16.4	0.0	0.0	29.6	29.6
Other items	145.8	0.0	0.1	0.0	0.0	0.0	126.4	0.0	7.2	279.6	279.6
Equity exposures	0.0	0.0	0.0	0.0	0.0	0.0	3.2	0.0	0.0	3.2	3.2
Total Exposure Net	1,042.9	41.4	152.1	442.9	638.0	2,596.7	2,170.9	40.5	7.2	7,132.8	6,540.0

5.4 Leverage

5.4.1 Leverage ratio

Art 451 (1) a CRR

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

As of 31 December 2019, the leverage ratio for Addiko Group at consolidated level amounted to 12.51% (according to IFRS 9 transitional rules) and 12.04% (as if IFRS 9 or analogous ECL transitional arrangements had not been applied), comfortably above the 3.0% minimum requirement expected to apply from 2019. The ratio is calculated on period-end values as of 31 December 2019 for both leverage exposure and Tier 1 capital, while the Tier 1 capital is determined based on fully-fledged CRR definitions, i.e. not including any transitional provisions.

The IFRS 9 transitional rules are presented in chapter 4.1.2.

5.4.2 Leverage exposure breakdown and reconciliation

Art 451 (1) a-c CRR

The table below provides a reconciliation of Addiko Group's published financial statements to the total leverage ratio exposure as of 31 December 2019:

	EUR m
Applicable Amount	
Summary reconciliation of accounting assets and leverage ratio exposures	
1 Total assets as per published financial statements	6,083.6
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0.0
3 (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0.0
4 Adjustments for derivative financial instruments	0.0
5 Adjustment for securities financing transactions (SFTs)	8.7
6 Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	361,7
EU-6a Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0,0
EU-6b (Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0,0
7 Other Adjustments	-12,4
8 Leverage ratio total exposure measure	6.441,7

The following table provides a breakdown of the total leverage exposure measure into its main constituent parts as well as the calculation of the period-end leverage ratio as of 31 December 2019:

Leverage ratio common disclosure	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)	
1 On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	6,109.4
2 (Asset amounts deducted in determining Tier 1 capital)	-45.4
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	6,064.0
Derivative exposures	
4 Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	2.4
5 Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	4,8
EU-5a Exposure determined under Original Exposure Method	0,0
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0,0
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0,0
8 (Exempted CCP leg of client-cleared trade exposures)	0,0
9 Adjusted effective notional amount of written credit derivatives	0,0
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0,0
11 Total derivatives exposures (sum of lines 4 to 10)	7,2
SFT exposures	
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	8,7
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	0,0
14 Counterparty credit risk exposure for SFT assets	0,0
EU-14a Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0,0
15 Agent transaction exposures	0,0
EU-15a (Exempted CCP leg of client-cleared SFT exposure)	0,0
16 Total securities financing transaction exposures (sum of lines 12 to 15a)	8,7
Other off-balance sheet exposures	
17 Off-balance sheet exposures at gross notional amount	1.005,5
18 (Adjustments for conversion to credit equivalent amounts)	-643,8
19 Other off-balance sheet exposures (sum of lines 17 and 18)	361,7
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
EU-19a (Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0,0
EU-19b (Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0,0
Capital and total exposure measure	
20 Tier 1 capital - fully phased-in definition	775,8
Tier 1 capital - transitional definition	809,8
21 Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b) using a fully phased-in definition of Tier 1 capital	6.441,7
Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital	6.475,8
Leverage ratio	
22 Leverage ratio - using a fully phased-in definition of Tier 1 capital	12,04%
22 Leverage Ratio - using a transitional definition of Tier 1 capital	12,51%
Leverage ratio	
EU-23 Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24 Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	0,0

The following table provides a breakdown of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by exposure class as of 31 December 2019:

	EUR m
	CRR leverage ratio exposures
EU-1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	5,840.5
EU-2 Trading book exposures	36.0
EU-3 Banking book exposures, of which:	5,804.5
EU-4 Covered bonds	0.0
EU-5 Exposures treated as sovereigns	1,453.8
EU-6 Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	52.0
EU-7 Institutions	327.6
EU-8 Secured by mortgages of immovable properties	333.5
EU-9 Retail exposures	2,077.2
EU-10 Corporate	1,132.6
EU-11 Exposures in default	96.2
EU-12 Other exposures (eg equity, securitisations, and other non-credit obligation assets)	331.6

5.4.3 Management of the risk of excessive leverage

Art 451 (1) d CRR

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

5.4.4 Factors influencing the development of leverage exposure

Art 451 (1) e CRR

The leverage ratio of Addiko was calculated for the first time in September 2015. As of 31 December 2019, the leverage ratio amounts to 12.51% (according to IFRS 9 transitional rules) and 12.04% (as if IFRS 9 or analogous ECL transitional arrangements had not been applied).

5.5 Credit risk mitigation techniques

5.5.1 Policies and processes for, and an indication of the extent to which the entity makes use of, on- and off- balance sheet netting

Art 453 a CRR

Netting is not used in Addiko Group.

5.5.2 Policies and processes for collateral valuation and management

Art 453 b CRR

Collateral valuation of properties and other types of collateral

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

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

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

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

ICV = Market value * haircut as defined in "Group Collateral Management Policy"

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

5.5.3 Main types of collateral taken by the institution

Art 453 c CRR

To hedge credit risk positions sustainable collaterals are provided.

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

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

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

In addition, following deductions must be considered:

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

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

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

Art 453 d CRR

EUR m

Guarantors by Credit quality step and asset class	Central governments or central banks	Institutions	Corporates	Total
Unrated	0.0	0.0	0.1	0.1
Credit quality step 1	0.0	0.0	0.0	0.0
Credit quality step 2	0.0	0.0	0.0	0.0
Credit quality step 3	43.2	0.5	0.0	43.7
Total	43.2	0.5	0.1	43.8

The allocation of the credit quality steps to the external ratings can be seen under chapter 5.3.2.

5.5.5 Risk concentrations within credit risk mitigation

Art 453 e CRR

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

Addiko has no concentration risk related to collaterals, as the risk is reduced by diversifying the portfolio in terms of size/volume, client segment, countries and different collateral instruments (including different real-estates, movables, guarantees, bonds, receivables etc.). Furthermore, collateral correlates with the level of exposure. In Addiko there are no significant concentrations in terms of exposure.

Although Addiko predominantly accepts two types of collateral, commercial and residential real estates, these assets are distributed among different countries, without concentration in terms of size, value or a specific country. Furthermore, Addiko implemented a limit monitoring system in order to properly monitor the country exposures.

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

Art 453 f-g CRR

The values in the table below represent the collateralized exposure values of Addiko:

	EUR m						
	Exposures unsecured	Exposures secured	Guarantees	Life Insurances	Other funded credit protection o/w commercial real estate	Other funded credit protection o/w residential real estate	Financial collaterals
Exposures to central governments or central banks	1,489.9	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to regional governments or local authorities	37.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	26.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions	324.6	21.6	9.7	0.0	0.0	0.0	11.9
Exposures to corporates	1,486.3	44.4	30.1	0.0	0.0	0.0	14.3
Retail exposures	2,609.2	20.9	3.1	0.1	0.0	0.0	17.7
Exposures secured by mortgages on immovable property	0.0	637.3	0.0	0.0	302.6	334.7	0.0
Exposures in default	90.9	13.0	0.8	0.0	7.0	2.3	2.9
Exposures associated with particularly high risk	19.2	0.1	0.0	0.0	0.0	0.0	0.1
Exposures in the form of units or shares in collective	29.6	0.0	0.0	0.0	0.0	0.0	0.0
Other items	279.6	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	3.2	0.0	0.0	0.0	0.0	0.0	0.0
Total Exposure	6,395.4	737.3	43.7	0.1	309.7	337.0	46.9

The following table illustrates the effect of CRM techniques:

	EUR m					
	Exposure before CCF and CRM		Exposure post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
Exposures to central governments or central banks	1,489.8	0.0	1,533.0	0.0	436.8	28%
Exposures to regional governments or local authorities	36.6	0.4	36.6	0.0	11.1	30%
Exposures to public sector entities	15.4	10.6	15.4	1.2	16.6	100%
Exposures to institutions	327.6	1.9	317.9	0.7	138.7	44%
Exposures to corporates	1,132.6	388.6	1,095.0	137.3	1,188.2	96%
Retail exposures	2,077.1	552.9	2,062.5	166.2	1,595.1	72%
Exposures secured by mortgages on immovable property	602.5	34.9	602.5	16.5	271.1	44%
Exposures in default	96.2	7.7	95.3	2.1	105.7	108%
Exposures associated with particularly high risk	19.2	0.0	19.1	0.0	28.7	150%
Exposures in the form of units or shares in collective	29.6	0.0	29.6	0.0	18.1	61%
Other items	279.6	0.0	279.6	0.0	144.5	52%
Equity exposures	3.2	0.0	3.2	0.0	3.2	100%
Total Exposure Net	6,109.4	997.0	6,089.6	324.1	3,958.0	62%

5.6 FX Exposure

Art 431 (3)

In accordance with the FMA Minimum Standards for the Risk Management and Granting of Foreign Currency Loans and Loans with Repayment Vehicles (FMA- FXTT-MS), published in June 2017, Addiko Group assessed whether additional disclosure regarding foreign currency loans and loans with repayment vehicle is necessary to convey its risk profile comprehensively to market participants.

As of December 31, 2019, the total exposure from bullet loans with repayment vehicles is mainly attributable to loans in Serbia (31.5 EURm) and Croatia (21.4 EURm). The total impact of these types of loans on the risk profile of Addiko Group is not significant.

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

	EUR m						
	Addiko Bank - Croatia	Addiko Bank - Bosnia & Herzegovina	Addiko Bank - Serbia	Addiko Bank - Montenegro	Addiko Bank - Slovenia	Total	% of total banking book loan portfolio
USD	103.0	20.4	17.9	0.6	10.5	152.4	2.5%
CHF	34.4	3.4	2.4	3.4	68.2	111.8	1.9%
JPY	0.6	0.0	0.0	0.0	0.0	0.6	0.0%
GBP	1.0	0.3	0.3	0.2	0.4	2.2	0.0%
CAD	0.3	0.6	0.2	0.0	0.0	1.1	0.0%
Total	139.2	24.8	20.7	4.1	79.7	268.5	4.6%

While the impact from outstanding foreign currency loans on the risk profile of Addiko Group is not decisive, the Group is subject to legal risk stemming from the invalidity of agreed foreign currency, interest and interest rate adjustment clauses following judicial decisions or changes to statutory provisions. Please see Note 63 of Addiko Group's Annual Report 2019 for details on these legal risks.

6 Counterparty credit risk

Art 439 CRR

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

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

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

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

Addiko uses derivative instruments to be able to reduce the market price risk as well as the counterparty risk. As of year-end 2019 the portfolio also includes single name CDS in the amount of USD 10 million, which were bought for protection purposes.

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

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

The counterparty credit risk is quantified with the IRB approach and is limited within the limits for the single name credit risk in the Risk Bearing Capacity.

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

EUR m				
Analysis of CCR exposure by approach	Replacement cost / current market value	Potential future credit exposure	EAD post CRM	RWAs
Mark to market	2.4	4.8	7.7	3.8
TOTAL	2.4	4.8	7.7	3.8

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

EUR m		
CVA capital charge 31.12.2019	Exposure value	RWAs
All portfolios subject to the standardised method	7.7	3.8
Total subject to the CVA capital charge	7.7	3.8

The table below provides an overview of Addiko Groups exposure from credit derivative transactions broken down between derivatives bought or sold. The credit default swaps serve to hedge credit risk. In the financial year 2019 no significant changes of the exposure from credit derivative transactions occurred.

	Credit derivative hedges		EUR m
	Protection bought	Protection sold	Other credit derivatives
Notionals			
Single-name credit default swaps	8.90	0.00	0.00
Index credit default swaps	0.00	0.00	0.00
Total return swaps	0.00	0.00	0.00
Credit options	0.00	0.00	0.00
Other credit derivatives	0.00	0.00	0.00
Total notionals	8.90	0.00	0.00
Fair values			
Positive fair value (asset)	0.00	0.00	0.00
Negative fair value (liability)	-0.15	0.00	0.00

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

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

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

Art 444 (e) CRR

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

Asset Class	Risk weight									EUR m	
	0%	10%	20%	35%	50%	75%	100%	150%	250%	Total	Of which unrated
Exposures to central governments or central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to regional governments or local authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions	0.0	0.0	1.4	0.0	1.9	0.0	0.3	0.0	0.0	3.6	1.7
Exposures to corporates	0.0	0.0	0.0	0.0	0.0	0.0	3.6	0.0	0.0	3.6	3.6
Retail exposures	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.1
Exposures secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures associated with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of units or shares in collective	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Exposure Net	0.0	0.0	1.4	0.0	1.9	0.1	3.9	0.0	0.0	7.2	5.3

7 Market risk

Art 435 (1), 445 CRR

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

7.1 Risk measurement

Addiko calculates market risk as part of daily monitoring with value-at-risk methods on the basis of a one-day holding period, with a confidence level of 99.0%. The VaR risk measure estimates the potential loss over the given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99.0% VaR number used by the bank reflects the 99% probability that the daily loss should not exceed the reported VaR. VaR methodology employed to calculate daily risk numbers is a Monte Carlo simulation used in order to determine potential future exposure to risk. The bank uses VaR to capture: exposure to Bank Book (99% confidence; 1 day holding horizon), exposure to Trading Book (99.0% confidence; 1 day horizon) and portfolios and exposure to daily open FX position of the bank. Methodology used is a structured Monte Carlo simulation with 10,000 runs and a 99.0% confidence interval based on exponentially weighted volatilities and correlations of the bank's own time series (250 days). The models calculate potential losses taking into account historical market fluctuations (volatilities) and market context (correlations).

7.2 Overview market risk

Interest Rate Risk

The value at risk of the economic interest rate risk (including the interest rate risk of the trading book) for the Addiko Group per 31.12.2019 is EUR 1.5 million (comparable VaR figure as at 31 December 2018: EUR 0.8 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 trading items of the Addiko Group were relatively stable in 2019. Changes in interest risk mainly resulted from adjustments to rolling interest positions and the shortening of the terms of fixed-rate transactions.

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

The regulatory limit of 20.0% of the total own funds were not even close to being reached or exceeded at any point in the year (interest risk equity ratio ex NIB amounted to 8.7% on average in 2019 as compared to 5.5% on average in 2018).

Regulatory requirements state that impact on EVE of a sudden parallel +/-200 basis points shift of the yield curve in total own funds may not exceed 20.0% and that impact on EVE of scenarios 1 to 6 as set out in Annex III of EBA/GL/2018/02 may not exceed 15% of Tier 1 capital.

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 2019 amounts to EUR -0.3 million (entire aggregated effect of this interest rate simulation) - the aggregated effect in 2018 was EUR -0.3 million.

Foreign Currency Risk

The database for determining the value at risk for foreign exchange risks at the Group level of the Addiko Group is based on the figures in the regulatory report and participations and contains operational business activities. Foreign exchange risk thereby covers the entire FX risk of the Addiko Group. The main foreign exchange risk drivers are the HRK and RSD currencies. The total volume of open currency positions as at 31 December 2019 is roughly EUR 626.5 million (volume per 31 December 2018 of approx. EUR 603.7 million), with the majority attributed to the currencies HRK and RSD. The value at risk for foreign exchange risk was approximately EUR 0.6 million per day as at 31 December 2019 (value at risk as at 31 December 2018: EUR 0.8 million), at a confidence interval of 99.0%. The limit of EUR 2.0 million was adhered to as at 31 December 2019.

Aside from foreign exchange risk from operating activities, the Addiko Group is also exposed to an additional foreign exchange risk from the consolidation of Addiko Bank AG's strategic investment in Addiko a.d. Beograd (volume of approx. EUR 191.4 million) and Addiko d.d. Zagreb (volume of approx. EUR 406.0 million) as recorded in the statement of financial position. The strategic currency risk thus represents the majority of the risk in open currency items at the Addiko Group. In addition to monitoring VaR in respect of foreign currency, the Addiko Group also monitors any concentration of relevant single foreign exchange positions on single currency level - this is reported on monthly basis within the Group Asset Liability Committee.

Equity Price Risk

The share capital held in the Group is susceptible to market price risks, which arise from the uncertainty surrounding the future value of these shares. The Addiko Group makes a distinction between equity risks which arise from utilizing collateral related to credit risk transactions where utilisation is not currently possible for reasons of illiquidity or because of regulations or agreements (customer default), and equity risks from an investment point of view (investments). The value at risk for the equity risk (customer default) at the Addiko Group amounted to EUR 2,898.0 as at 31 December 2019 (value at risk as at 31 December 2018: EUR 4,701.0) with a one-day holding period and a confidence level of 99.0% and EUR 1,071.0 (value at risk as at 31 December 2018: EUR 775.0) for the equity risk from an investment point of view. Under the risk strategy, no further share positions from an investment point of view are scheduled to be established at the Addiko Group - which is why the Addiko Group is only exposed to an extremely low level of risk from share items as at 31 December 2019 and therefore also no major concentration risk exists here.

Credit Spread Risk

The credit spread risk within the Addiko Group stood at EUR 0.7 million at 31 December 2019 with a one-day value at risk and a confidence level of 99.0% (value at risk as at 31 December 2018: EUR 0.5 million). The limit of EUR 2.4 million was adhered to as at 31 December 2019. The greatest influencing factor in credit spread risk is the holding of liquidity reserves in the form of securities at the Addiko Group. Consequently, there is not much room for reducing risk from these items. 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.

7.3 Exposure to market risk

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

		EUR m	
31.12.2019		RWAs	Capital requirements
Outright products			
Interest rate risk (general and specific)		91.7	7.3
Equity risk (general and specific)		0.0	0.0
Foreign exchange risk		112.5	9.0
Commodity risk		0.0	0.0
Total		204.2	16.3

8 Operational risk

8.1 Principles of operational risk management

Art 446 CRR

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

In accordance with Article 4 (52) of regulation (EU) No 575/2013 of the European parliament and of the council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Addiko Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

8.1.1 Organisation

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

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

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

8.1.2 Risk measurement and reporting

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

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

8.1.3 Calculation of own fund requirements

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

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

9 Interest rate risk

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

Art 448 (a) CRR

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value of equity (EVE). Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII).

Economic value measures reflect changes in value over the remaining life of the bank's assets, liabilities and off-balance sheet items, until all positions have run off, while earnings-based measure covers only the rolling 12-month period.

The main sub-types of interest risk in the banking book to which the Group is exposed are:

1. Gap risk

Gap risk arises from the term structure of banking book instruments, and describes the risk arising from the timing of instrument rate changes. Since rate resets on different instruments occur at different tenors, the risk to the bank arises when the rate of interest paid on liabilities increases before the rate of interest received on assets or reduces on assets before liabilities. The extent of gap risk depends also on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel or yield curve risk).

2. Option risk

Option risk arises from option derivative positions or from optional elements embedded in a bank's assets, liabilities and/or off-balance sheet items, where the bank or its customer can alter the level and timing of their cash flows. Option risk can be further characterized into automatic option risk and behavioural option risk.

9.2 Key assumptions used in risk modelling

The behavioural model for demand deposits used for risk measurement is based on the observed historical behaviour by entity, currency and business segment. For each of the cluster the model determines the stable portion that is found to remain undrawn with a high degree of likelihood. In a second step, the stable subset of NMDs is further broken down into a core component and a non-core component. The core deposits are the proportion of stable NMDs that do not reprice even under significant changes in the interest rate environment. The segmentation assumes that wholesale deposits fluctuate more than retail deposits and that the stable wholesale portion is more sensitive to market rates than for stable retail deposits. The non-core portion of demand deposits reprice immediately and accordingly are placed into the overnight time bucket. Core deposits are slotted across time buckets by respecting the predefined maximal average maturity (e.g. retail 5Y).

9.3 Risk measurement and reporting

Central Steering Unit Group Market & Liquidity Risk is responsible for the measurement and reporting of the interest rate risk in the banking book from the Group perspective. There are four methods which are used to measure interest rate risk in the banking book in Addiko:

1. PV01 - present value of a single basis point change in interest rates based on gap analysis. This analysis is used to derive the duration profile of the banking book or, equivalently, the profile of the present value of a single basis point change in interest rates. Gap analysis allocates all relevant interest rate-sensitive assets and liabilities to a certain number of predefined time buckets according to their next contractual reset date. This method

gives a visual impression of the risk exposure dispersion relative to the repricing profile, reflecting exposures to parallel as well as non-parallel gap risk.

2. EVE - economic value of equity measures the theoretical change in the net present value of the balance sheet excluding equity. The measure therefore depicts the change in equity value resulting from an interest rate shock. Under this method, the value of equity under alternative stress scenarios is compared with the value under a base scenario. All cash flows from on-balance sheet and off-balance sheet interest rate sensitive items in the banking book may be included in the computation. The market value of equity is computed as the present value of asset cash flows, less the present value of liability cash flows, without including assumptions on the interest rate sensitivity of equity.
3. VaR - value at risk measure maximum potential loss in value of an asset or portfolio over a defined period (1 day) at a given confidence interval (99%). It arises from the portfolio sensitivity vector i.e. change in the portfolio value due to a change of the risk factor value (shifted by 1 bp). Sensitivity vector is then multiplied with the variance-covariance matrix.
4. NII - Change in Net Interest Income look at the expected increase or reduction in NII over a shorter time horizon (one year) resulting from interest rate shock. The change in NII is the difference in the expected NII between a base scenario and an alternative, more stressful scenario. It reflects a full going-concern perspective and depending on the design of the alternative scenarios, this method is able to capture all different types of interest rate risk sensitivity.

All four measures are calculated and reported to the Group Asset Liability Committee (ALCO) on a monthly basis.

Art 448 (b) CRR

9.4 Quantitative disclosure on the interest rate risk in banking book

The bank applies regularly all scenarios in line with the Annex III EBA/GL/2018/02 to capture parallel and non-parallel interest rate shocks and its impact on change in earnings and economic value.

The change in Net interest income of Addiko Group per 31.12.2019 over a rolling 12-month period broken down by currency for each of the EBA scenarios is presented below:

Interest rates scenario	EUR m							
	EUR	CHF	USD	HRK	RSD	BAM	Other	Total
Parallel up 200 bp	-2.2	-1.9	0.1	-2.0	-0.5	3.6	0.0	-2.8
Parallel down 200 bp	12.5	3.0	-0.1	2.0	0.5	-3.6	0.0	14.4
Parallel shock up BCBS	-2.2	-0.9	0.1	-2.1	-1.0	3.6	0.0	-2.5
Parallel shock down BCBS	12.5	1.4	-0.1	2.1	1.1	-3.6	0.0	13.5
Steeper shock BCBS	10.4	0.7	0.4	2.7	1.0	-0.5	0.1	14.8
Flattener shock BCBS	-6.8	-0.8	-0.3	-3.1	-1.2	1.1	-0.1	-11.2
Short rates shock up BCBS	-6.9	-1.1	-0.3	-3.6	-1.5	2.1	-0.1	-11.4
Short rates shock down BCBS	16.0	1.6	0.3	3.6	1.5	-2.1	0.1	21.0

The following table exhibits the change in EVE of Addiko Group per 31.12.2019 broken down by currency:

Interest rates scenario	EUR m							Total
	EUR	CHF	USD	HRK	RSD	BAM	Other	
Parallel up 200 bp	-35.0	-1.1	-1.3	-2.6	-9.4	3.0	0.0	-46.4
Parallel down 200 bp	32.3	1.8	0.7	0.8	5.0	-7.3	0.0	33.4
Parallel shock up BCBS	-35.0	-0.6	-1.3	-2.7	-18.1	3.0	0.0	-54.6
Parallel shock down BCBS	32.3	0.5	0.7	0.6	10.4	-7.3	0.0	37.2
Steeper shock BCBS	3.2	-0.2	-0.4	5.0	-0.4	1.4	0.0	8.7
Flattener shock BCBS	-8.6	0.1	0.1	-10.5	-3.6	-1.9	0.0	-24.4
Short rates shock up BCBS	-20.7	-0.2	-0.5	-9.8	-10.3	0.0	0.0	-41.5
Short rates shock down BCBS	14.5	0.2	0.3	5.1	5.5	-0.1	0.0	25.5

The prescribed regulatory limits in amount of 20% of the own funds and 15% of Tier I capital are fully respected on the group and single entity level.

10 Other risks

10.1 Encumbered and unencumbered assets

Art 443 CRR

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

Per 31 December 2019 EUR 386.1 million of assets have been identified as encumbered assets within Addiko Group. The major part of encumbered assets has been loans.

EUR m

Encumbered and unencumbered assets	Carrying amount of encumbered assets	Fair Value of encumbered assets	Carrying amount of unencumbered assets	Fair Value of encumbered assets
Loans on demand	94.6		683.9	
Equity instruments	0.0	0.0	19.0	35.1
Debt securities	84.3	74.7	1,029.4	607.1
Loans and advances (other than loans on demand)	186.0		3,699.9	
Other assets	21.2		265.5	
Total	386.1		5,697.7	

EUR m

Collateral received	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Loans on demand	0.0	0.0
Equity instruments	0.0	0.0
Debt securities	0.0	8.7
Loans and advances (other than loans on demand)	0.0	190.8
Other assets	0.0	0.1

EUR m

Encumbered assets/collateral received and associated liabilities	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	104.2	109.4

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

The funding strategy of Addiko Group is based on its stable unsecured customer deposit base consisting predominantly of retail and corporate deposits. Due to our business model and funding structure, the percentage of asset encumbrance and matching secured liabilities in proportion to total liabilities is very low. Addiko Group does not have covered bonds outstanding. Encumbered assets were mainly used for ECB TLTRO and some REPO transactions for operational liquidity steering. Assets used for encumbrance consist predominantly of ECB-eligible customer loans and debt securities. To a small extend cash collateral for derivatives is provided under standard CSAs.

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

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

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

10.2 Exposures in equities not included in the trading book

Art 447 a-c CRR

At 31 December 2019, Addiko Group had equity investments in the nontrading book with a total carrying value of EUR 18.9 million. All equity investments are measured at Fair Value in accordance with IFRS 9 B.5.2.3. The majority of equity exposures (EUR 18.6 million) have been classified as at fair value through other comprehensive income (FVTOCI), whereby unrealised gains from FVTOCI equity instruments in the amount of EUR 1.3 million were fully recognised in CET1 as at 31 December 2019. Furthermore, Instruments with a total exposure of EUR 0.3 million have been classified as at fair value through profit and loss (FVTPL).

Please refer to Addiko Group's Annual Report 2019 for details on our accounting policy for equity investments measured at FVTOCI and FVTPL as well as a detailed description of the valuation techniques applied to private equity.

The following tables present an overview of the equity instruments not included in the trading book as of 31 December 2019:

	EUR m		
Participations and objectives	FVTOCI	FVTPL	31.12.2019
Slovenian Bank Resolution Fund	13.2	0.0	13.2
VISA Inc	4.8	0.0	4.8
Other strategic investments	0.6	0.0	0.6
Other equity investments	0.0	0.3	0.3
Total	18.6	0.3	18.9

	EUR m		
Participations and objectives	FVTOCI	FVTPL	31.12.2019
Governments	13.2	0.0	13.2
Credit institutions	5.1	0.0	5.1
Other financial corporations	0.0	0.0	0.0
Non-financial corporations	0.3	0.3	0.6
Total	18.6	0.3	18.9

The contribution to the Slovenian Bank Resolution Fund, which is prescribed by local regulation, constitutes the largest single equity investment, followed by the investment in VISA Inc.

None of the instruments listed above are traded on the stock exchange.

Art 447 d-e CRR

In 2019 Addiko Group did not recognise any gains or losses from the sale of equity instruments.

As of 31 December 2019, the cumulative unrealised gains amounted to EUR 2.4 million.

11 Glossary

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

Gross NPL Ration	Gross Carrying amount of Non-Performing Loans divided by total Gross carrying amount of Loans and advances
GRR	Group Risk Report
G-SII	Global Systemically Important Institution
HHI	Herfindahl Hirschman Index
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICV	Internal Collateral Value
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Assessment Process
IMM	Internal Model Method
IR	Interest Rate
IR Gap	Interest Rate Gap
IRB	Internal-Ratings-Based approach
IRRBB	Interest Rate Risk of the Banking Book
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LLSFR	Local Loan Stable Funding Ratio
LR	Leverage Ratio
LVaR	Liquidity value at risk
MB	Management Board
MREL	Minimum Requirement for own funds and Eligible Liabilities
n/a	not applicable
NIB	Non-Interest-Bearing positions
NII sensitivity	Net interest income (NII) sensitivity
NMD	Non-Maturity Deposits
NPL	Non-Performing Loans
NSFR	Net Stable Funding Ratio
OeNB	Oesterreichische Nationalbank
OIS	Overnight Index Swap
PD	Probability of Default
PFD	Provisioning, Forbearance, Default methodology
PFE	Potential Future Exposure
PMS	Portfolio Management System
POCI	Purchased or originated credit impaired assets
PSE	Public Sector Entity
RAF	Risk Appetite Framework
RBC	Risk-Based Capital
RCSA	Risk and Control Self Assessment
REPO	Repurchase agreement
RRE	Residential Real Estate
RWA	Risk Weighted Assets

SA	Standardised Approach
SFT	Securities financing transactions
SME	Small and medium-sized enterprises according to Commission Recommendation (2003/361/EC)
SPOC	Single Point of Contact
SREP	Supervisory Review Evaluation Process
SRP CI	Specific Risk Provision Collective Impaired method
Stage 1	Impairment stage which relates to financial instruments for which expected credit loss model applies and for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss
Stage 2	Impairment stage which relates to financial instruments for which expected credit loss model applies and for which are subject to significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss
Stage 3	Impairment stage which relates to financial instruments for which expected credit loss model applies and which are credit-impaired. The impairment is measured in the amount of the lifetime expected credit loss
SB	Supervisory Board
T1	Tier 1 Capital
T2	Tier 2 Capital
TC	Total Capital
TLTRO	Targeted Longer-Term Refinancing Operation
TSA	The Standardised Approach
UFN	Until Further Notice
VaR	Value at Risk

12 Imprint

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