



Addiko Bank

Disclosure Report 2020
pursuant to Part Eight
of the Capital Requirements Regulation (CRR)

Disclosure Report 2020

1	Introduction	3
1.1	Disclosure policy and structure	3
1.2	Regulatory framework for disclosures	3
1.3	CRR ‘Quick Fix’	4
1.4	Environmental, Social and Governance (ESG) Risks	5
1.5	Governance arrangements	6
1.6	Scope of application	7
2	Risk management objectives and policies	9
2.1	Risk control and monitoring	9
2.2	Risk strategy & Risk Appetite Framework (RAF)	10
2.3	Risk organisation	10
2.4	Internal risk management guidelines	11
3	Capital and RWAs	12
3.1	Own funds	12
3.2	Capital requirements	16
3.3	Capital buffers	17
4	Credit risk	19
4.1	Definition of past due, defaulted and impaired	19
4.2	Credit risk adjustments	19
4.3	COVID-19	32
4.4	Use of ECAs	35
4.5	Leverage	36
4.6	Credit risk mitigation techniques	39
4.7	FX Exposure	43
5	Counterparty credit risk	44
6	Market risk	47
6.1	Risk measurement	47
6.2	Overview market risk	47
6.3	Exposure to market risk	49
7	Operational risk	50
7.1	Principles of operational risk management	50
8	Interest rate risk	51
8.1	Exposure to interest rate risk on positions not included in the trading book	51
8.2	Key assumptions used in risk modelling	51
8.3	Risk measurement and reporting	51
8.4	Quantitative disclosure on the interest rate risk in banking book	52
9	Other risks	54
9.1	Encumbered and unencumbered assets	54
9.2	Exposures in equities not included in the trading book	55
10	Remuneration policy	56
10.1	Remuneration policy and practices	56
10.2	Quantitative information on remuneration for 2020	58
11	Overview of non-applicable disclosures or covered in other published reports	60
12	Glossary	61
13	Imprint	64

1 Introduction

Addiko Group is a consumer and small and medium-sized enterprises (SME) specialist banking group in Central and South Eastern Europe (CSEE). Addiko Group consists of Addiko Bank AG, the listed fully-licensed Austrian parent bank registered in Vienna, Austria, and regulated by the Austrian Financial Markets Authority and since the 7 October 2020 by the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates via two banks), Serbia and Montenegro. Addiko Group, through its six subsidiary banks, services as of 31 December 2020 approximately 0.8 million customers in CSEE, using a well-dispersed network of 168 branches and modern digital banking channels.

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

1.1 Disclosure policy and structure

Art 431, 433 and 434 CRR

The Disclosure Report of Addiko Group meets the disclosure requirements of Part Eight of the CRR and is in accordance with Art 431 to 455 CRR, which took effect on 1 January 2014. In addition, the report complies with the requirements set in relevant technical standards, the 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 preparation of the Disclosure Report and the formal review for completeness and compliance with the applicable requirements is carried out by a structured process within the relevant departments of Addiko. Quantitative reports are precisely aligned with the information disclosed in the year-end financial statements or the reports prepared for the regulator (Corep and Finrep). The report is unaudited.

All disclosures are prepared on a consolidated basis and in EUR million, unless otherwise stated. EU banking legislation and EBA guidelines require Addiko Group to disclose information at least on an annual basis.

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

1.2 Regulatory framework for disclosures

Implementation of Basel 3 in the European Union (EU)

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

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

- **Pillar 1 - Minimum requirements**

Pillar 1 contains mechanisms and requirements for the calculation by financial institutions of their minimum capital requirements for credit risk, market risk and operational risk. As such, it details the different methods available for calculating risk weighted assets for the three risk types and provides information on the eligibility criteria for the constituents of the capital base. Under Basel 3, a leverage exposure requirement was introduced

to complement the minimum risk-based capital requirements; however, the leverage ratio is not yet a binding requirement for EU institutions as the date of application was deferred by one year (until 1 January 2023) in the context of the CRR amendments approved in June 2020. Basel 3 extended minimum requirements to also cover liquidity in addition to capital. In this regard, Pillar 1 specifies the requirements for the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), with the latter not yet a binding requirement in the EU.

- **Pillar 2 - Supervisory review process**

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

- **Pillar 3 - Market discipline**

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

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

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

1.3 CRR 'Quick Fix'

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

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

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

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

- Bringing forward the implementation of:
 - Provisions on the treatment of certain loans granted by credit institutions to pensioners or employees,
 - Adjustments of risk weighted non-defaulted SME exposures (SME supporting factor)

- The preferential treatment of exposures to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential public services (Infrastructure supporting factor),
- Exempt prudently valued software assets from CET1 calculations.

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

Addiko Group so far implemented:

- Changes in SME supporting factor, contributing EUR 75.0 million to RWA reduction,
- Temporary treatment of public debt issued in the currency of another Member State, contributing EUR 201.0 million to RWA reduction.

Changes in SME supporting factor were introduced in 2019 CRR II in article 501 containing reductions to the capital requirements for credit risk on exposures to SMEs. Threshold to qualify for SME supporting factor (0.7619%) increased from EUR 1.5 million to EUR 2.5 million, with additional factor of 0.85% being introduced for exposures higher EUR 2.5 million.

Temporary treatment of public debt issued in the currency of another Member State is set out in new article 500a in to the CRR and applies in respect of the credit risk framework until 31 December 2024. For exposures to the central governments and central banks of Member States, where those exposures are denominated and funded in the domestic currency of another Member State, the risk weight applied shall be: 0% until 31 December 2022, 20% in 2023, 50% in 2024.

1.4 Environmental, Social and Governance (ESG) Risks

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

Addiko takes into account the environmental, social and governance (“ESG”) risks, associated with the activities of customer companies and pays particular attention to in-depth analysis of sustainability issues related to sectors which are considered as sensitive. Addiko does not treat the ESG risks as a separate risk type but integrates them in the existing risk classification and into the existing risk management framework.

As a first step Addiko concentrates on environmental risk management. Due to the fact that Addiko puts its focus on unsecured consumer lending, the environmental risk is considered a minor risk driver, primarily influencing non-retail exposures in specific industries.

The Credit Policy defines industries that are sensitive to environmental and social criteria or would be forbidden to finance. During the credit approval process, special attention is taken when analysing the aspects of the potential ESG risks that the company might face in its business performance or related to the specific project. Proper assessment is necessary in order to prevent potential financial, legal or reputational consequences for the bank that might appear in case that bank supports financing of the respective company.

After aspects above being analysed and in case that transaction is being supported adequate mitigating and monitoring system is implemented/established which will ensure the control over the transaction.

1.5 Governance arrangements

Art 435 (2) a CRR

The table below provides information about the number of directorships held by members of the Management Board of Addiko Bank AG per 31 December 2020:

Name of Member of the Management Board	Function in Addiko Bank AG	Number of directorships			
		Internal functions		External functions	
		Management	Supervisory	Management	Supervisory
Csongor Bulcsu Németh	Chairman of the Management Board	1	1	0	0
Markus Krause	Member of the Management Board	1	1	0	0
Ganesh Krishnamoorthi	Member of the Management Board	1	0	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 2020 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.

1.6 Scope of application

1.6.1 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 2020, 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

1.6.2 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.

1.6.3 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 2020, there was no capital shortfall at any of the companies included in Addiko Group's consolidation.

2 Risk management objectives and policies

For a detailed description of Addiko's risk strategies and processes, the structure and organization of the relevant risk management functions, as well as risk identification and risk management objectives and policies for each separate category of risk, please refer to the Risk Report in the Notes of the Addiko Group's Annual Report 2020.

Art 435 (1) a-f CRR

2.1 Risk control and monitoring

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

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

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

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 & 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.

KPI Risk Metrics	31.12.2020
RBC Utilisation	45.4%
TCR Addiko Group	20.3%
RWA Pillar I - Addiko Group (EURm)	4,053.10
Leverage Ratio	13.1%
LCR	197.4%
NSFR	149.3%
Share of NPE (EBA Definition)	5.8%

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.

2.2 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.

2.3 Risk organisation

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

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 2020, 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
- Non-Financial Risk Management

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

2.4 Internal risk management guidelines

Addiko defines Group wide standard risk management guidelines to ensure that risks are dealt with in a standardised manner. These guidelines are promptly adjusted to reflect organisational changes as well as regulatory changes 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 2020, the Liquidity Coverage Ratio (LCR) has been moving between its lowest level of 175.9% in February 2020 and its peak of 235.6% in July 2020.

Scope of consolidation (consolidated)	Total weighted value (average)			
Currency and units (EUR million)				
Quarter ending on:	31.03.2020	30.06.2020	30.09.2020	31.12.2020
Number of data points used for calculation of averages	12	12	12	12
21 Liquidity Buffer	1,122.0	1,149.2	1,180.1	1,225.1
22 Total Net Cash Outflows	681.2	657.0	630.9	622.3
23 Liquidity Coverage Ratio (%)	165.2%	175.7%	188.2%	197.4%

3 Capital and RWAs

3.1 Own funds

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

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

EUR m

	Regulation (EU) No 573/2013 Article Reference	31.12.2020
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)	650.4
Accumulated other comprehensive income (and other reserves)	26 (1)	5.0
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 profits net of any foreseeable charge or dividend	26 (2)	-45.3
o/w (Interim) profits of the current year	26 (2)	1.4
o/w Foreseeable charge or dividend	26 (2)	-46.6
Common Equity Tier 1 (CET1) capital before regulatory adjustments		805.2
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments	34, 105	-1.0
Intangible assets (net of related deferred tax liability)	36 (1) (b), 37, 472 (4)	-19.2
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)	-11.6
IFRS 9 transitional arrangement	473a	50.1
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		18.4
Common equity tier 1 capital		823.5
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)		823.5
Tier 2 capital: regulatory adjustments		
Tier 2 capital: instruments		0.0
Total capital (TC = T1 + T2)		823.5
Total risk-weighted assets		4,053.1

Capital ratios and buffers		
CET1 Capital ratio	92 (2) (a), 465	20.32%
CET1 Capital ratio as if IFRS 9 transitional rules had not been applied		19.32%
T1 Capital ratio	92 (2) (b), 465	20.32%
T1 Capital ratio as if IFRS 9 transitional rules had not been applied		19.32%
Total capital ratio	92 (2) (c)	20.32%
Total capital ratio as if IFRS 9 transitional rules had not been applied		19.32%
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)	18.8
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)	9.7

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 2020 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 2020.

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 2020.

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 2020.

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 2020:

	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 01.01.2020	195.0	298.7	22.5	-6.6	351.7	861.3	0.0	861.3
Result after tax	0.0	0.0	0.0	0.0	1.4	1.4	0.0	1.4
Other comprehensive income	0.0	0.0	-4.9	-6.0	0.0	-10.9	0.0	-10.9
Total comprehensive income	0.0	0.0	-4.9	-6.0	1.4	-9.5	0.0	-9.5
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	-60.7	0.0	0.0	60.7	0.0	0.0	0.0
Equity as at 31.12.2020	195.0	237.9	17.6	-12.6	413.8	851.8	0.0	851.8

3.1.1 Main features, full terms and conditions of capital instruments
Art. 437 (1) b-c CRR

Capital instruments and main features		31.12.2020
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

3.1.2 Impact on own funds of the introduction of IFRS 9

Art. 473 a CRR

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

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

As at 31 December 2020, 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 20.3% (YE19: 17.7%), well above the legal minimum requirement (8.0%). The total capital ratio calculated without applying IFRS 9 transitional rules would amount to 19.3%.

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

	EUR m	
	31.12.2020	31.12.2019
Available capital (amounts)		
Common Equity Tier 1 (CET1) capital	823.5	809.8
Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	773.4	775.8
Tier 1 capital	823.5	809.8
Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	773.4	775.8
Total capital	823.5	809.8
Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	773.4	775.8
Risk-weighted assets (amounts)		
Total risk-weighted assets	4,053.1	4,571.5
Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	4,003.0	4,534.5
Capital ratios		
Common Equity Tier 1 (as a percentage of risk exposure amount)	20.32%	17.71%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.32%	17.11%
Tier 1 (as a percentage of risk exposure amount)	20.32%	17.71%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.32%	17.11%
Total capital (as a percentage of risk exposure amount)	20.32%	17.71%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19.32%	17.11%
Leverage ratio		
Leverage ratio total exposure measure	6,286.9	6,475.8
Leverage ratio	13.10%	12.51%
Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.40%	12.04%

3.2 Capital requirements

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

Art. 438 a-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, within economic perspective, internal models are applied, wherein the forward looking risk parameters are used, and the internal capital requirements are calculated for all risk types identified as material (see point 3.1.).

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

	EUR m
	31.12.2020
Total economic capital amount	351.6
Total risk coverage capital amount	773.8
Excess capital	422.2

3.2.2 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	RWA w/o IFRS 9 transitional rule	Minimum capital requirements (*)	RWA with IFRS 9 transitional rule	RWA w/o IFRS 9 transitional rule	Minimum capital requirements (*)
Risk Weighted Assets and minimum capital requirements	31.12.2020	31.12.2020	31.12.2020	31.12.2019	31.12.2019	31.12.2019
CREDIT RISK (excluding Counterparty Credit Risk)	3,493.4	3,443.3	279.5	3,958.0	3,921.0	316.6
Of which the standardised approach	3,493.4	3,443.3	279.5	3,958.0	3,921.0	316.6
COUNTERPARTY CREDIT RISK	3.1	3.1	0.2	3.8	3.8	0.3
Of which CVA	3.1	3.1	0.2	3.8	3.8	0.3
MARKET RISK	151.8	151.8	12.1	204.2	204.2	16.3
Of which the standardised approach	151.8	151.8	12.1	204.2	204.2	16.3
OPERATIONAL RISK	404.8	404.8	32.4	405.5	405.5	32.4
Of which standardised approach	404.8	404.8	32.4	405.5	405.5	32.4
TOTAL	4,053.1	4,003.0	324.3	4,571.5	4,534.5	365.7

*Minimum capital requirements under consideration of IFRS 9 transitional rules

Within the Addiko Group the risk positions are covered by the Standardised Approach. RWAs decreased by EUR 518.4 million during the reporting period, thereof the RWA for credit risk decreased by EUR 464.6 million. One of the main reasons for the reduction is that Addiko Group has applied certain adjustments to the CRR and CRR II which became effective on 27 June 2020 in order to mitigate the Covid-19 pandemic impact (EU Regulation No. 2020/873).

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	RWA w/o IFRS 9 transitional rule	Minimum capital requirements with IFRS 9 transitional rule	Minimum capital requirements w/o IFRS 9 transitional rule
Risk Weighted Assets and minimum capital requirements	31.12.2020	31.12.2020	31.12.2020	31.12.2020
Exposures to central governments or central banks	324.8	324.8	26.0	26.0
Exposures to regional governments or local authorities	8.8	8.8	0.7	0.7
Exposures to public sector entities	23.8	23.8	1.9	1.9
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	130.5	130.5	10.4	10.4
Exposures to corporates	949.3	949.3	75.9	75.9
Retail exposures	1,515.8	1,515.8	121.3	121.3
Exposures secured by mortgages on immovable property	254.8	254.8	20.4	20.4
Exposures in default	65.4	65.4	5.2	5.2
Exposures associated with particularly high risk	23.1	23.1	1.8	1.8
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)	1.7	1.7	0.1	0.1
Other items	189.4	139.2	15.1	11.1
Equity exposures	6.1	6.1	0.5	0.5
TOTAL	3,493.4	3,443.3	279.5	275.5

3.3 Capital buffers

Art 440 (1) a-b CRR

Addiko Group calculates countercyclical buffer requirements at consolidated level in accordance with Title VII, Chapter 4 of Directive 2013/36/EU (CRD IV). As of 31 December 2020, none of the relevant jurisdictions applied countercyclical buffer rates.

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 2020. 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.

EUR m

31.12.2020	Relevant credit exposures - Standardised Approach	Own funds requirements o/w for credit risk	Weighted own funds requirements (%)	Countercyclical capital buffer rate	Institution-specific countercyclical capital buffer rate	Institution specific countercyclical buffer requirement
Croatia	1,352.5	79.9	33.29%	0.00%	0.00%	0.0
Slovenia	1,171.3	62.8	26.15%	0.00%	0.00%	0.0
Bosnia	698.8	41.9	17.44%	0.00%	0.00%	0.0
Serbia	686.0	39.6	16.49%	0.00%	0.00%	0.0
Montenegro	202.5	10.8	4.50%	0.00%	0.00%	0.0
United States of America	29.2	1.6	0.68%	0.00%	0.00%	0.0
Netherlands	27.9	1.3	0.55%	0.00%	0.00%	0.0
Austria	15.6	1.2	0.51%	0.00%	0.00%	0.0
Great Britain	9.1	0.7	0.30%	0.00%	0.00%	0.0
Germany	1.4	0.1	0.04%	0.00%	0.00%	0.0
Belgium	0.6	0.0	0.02%	0.00%	0.00%	0.0
Switzerland	0.4	0.0	0.01%	0.00%	0.00%	0.0
France	0.1	0.0	0.00%	0.00%	0.00%	0.0

4 Credit risk

4.1 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).

4.2 Credit risk adjustments

Art 442 b CRR

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

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

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

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

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

Art 442 c 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 31.12.2020	Average exposures over the period
Central governments or central banks	1,638.0	1,552.7
Regional governments or local authorities	29.3	32.3
Public sector entities	32.6	31.8
Multilateral development banks	0.0	0.0
International Organisations	0.0	0.0
Institutions	339.2	369.1
Corporates	1,350.2	1,408.9
Of which: SMEs	601.2	554.1
Retail	2,555.8	2,581.1
Of which: SMEs	711.7	715.6
Secured by mortgages on immovable property	618.9	622.2
Of which: SMEs	193.0	193.3
Exposures in default	64.9	73.7
Items associated with particularly high risk	15.4	16.6
Covered bonds	0.0	0.0
Collective investments undertakings (CIU)	13.3	13.9
Other exposures	317.8	307.9
Equity exposures	6.1	5.2
Total standardised approach	6,981.5	7,015.2

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	1,554.7		83.3	0.0
Exposures to regional governments or local authorities	29.3			
Exposures to public sector entities	32.6			
Exposures to institutions	17.3	28.4	289.2	4.3
Exposures to corporates	1,280.4	23.1	46.7	0.0
Retail exposures	2,554.9	0.1	0.9	0.0
Exposures secured by mortgages on immovable property	618.6	0.0	0.3	
Exposures in default	64.6	0.0	0.3	0.0
Exposures associated with particularly high risk	15.4	0.0	0.0	0.0
Exposures in the form of units or shares in collective	13.2	0.0	0.0	0.0
Other items	309.6	0.9	7.3	0.0
Equity exposures	0.8	5.2	0.1	0.0
Total Exposure Net	6,491.4	57.6	428.1	4.4

Table below presents net exposure for Middle and Eastern Europe:

Asset Class (Standard Approach)	Bosnia & Herzegovina					
	Bosnia & Herzegovina	Bulgaria	Croatia	Montenegro	Poland	Romania
Exposures to central governments or central banks	149.0	30.8	770.4	32.0	15.8	154.1
Exposures to regional governments or local authorities	1.7		7.7	0.3		
Exposures to public sector entities	11.5		1.0	0.1		
Exposures to institutions			3.3			
Exposures to corporates	220.2	0.0	381.9	25.5		0.0
Retail exposures	403.1	0.0	934.6	125.5	0.0	0.0
Exposures secured by mortgages on immovable property	86.7		96.9	39.2		
Exposures in default	11.6		32.1	6.6		
Exposures associated with particularly high risk			13.7			
Exposures in the form of units or shares in collective						
Other items	89.6		109.5	18.0		
Equity exposures	0.1		0.4			
Total Exposure Net	973.5	30.8	2,351.4	247.2	15.8	154.1

Asset Class (Standard Approach)	EUR m					
	Serbia	Slovenia	Czech	Hungary	Others	
Exposures to central governments or central banks	205.1	150.2	13.5	33.7		
Exposures to regional governments or local authorities	2.0	17.6				
Exposures to public sector entities	18.8	1.2				
Exposures to institutions	2.6	11.3				
Exposures to corporates	263.7	389.1			0.0	
Retail exposures	430.5	661.2	0.0	0.0	0.0	
Exposures secured by mortgages on immovable property	103.4	292.4				
Exposures in default	5.9	8.4	0.0		0.0	
Exposures associated with particularly high risk		1.7				
Exposures in the form of units or shares in collective	0.0	13.2				
Other items	47.5	45.1		0.0	0.0	
Equity exposures		0.3				
Total Exposure Net	1,079.7	1,591.8	13.5	33.7	0.1	

Table below presents net exposure for West and Central Europe:

Asset Class (Standard Approach)	EUR m					
	Italy	Austria	Spain	Germany	France	
Exposures to central governments or central banks	6.4	69.2	7.8	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	36.2	0.3	23.0	109.4	62.2	
Exposures to corporates	0.0	10.0	0.0	0.2	0.0	
Retail exposures	0.1	0.4	0.0	0.3	0.0	
Exposures secured by mortgages on immovable property	0.0	0.0	0.0	0.1	0.0	
Exposures in default	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	
Exposures in the form of units or shares in collective	0.0	0.0	0.0	0.0	0.0	
Other items	0.0	5.3	0.0	0.9	0.0	
Equity exposures	0.0	0.0	0.0	0.0	0.0	
Total Exposure Net	42.6	85.3	30.8	110.9	62.3	

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	17.3	28.2	0.10	12.5
Exposures to corporates	8.6	0.0	27.9	0.0
Retail exposures	0.0	0.0	0.0	0.0
Exposures secured by mortgages on immovable property	0.0	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	0.5	0.0	0.0	0.6
Equity exposures	0.0	0.0	0.0	0.1
Total Exposure Net	26.5	28.2	28.0	13.7

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	26.0	2.3
Exposures to corporates	23.1	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	0.9	0.0
Equity exposures	5.2	0.0
Total Exposure Net	55.2	2.3

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	0.3	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	0.1	0.2	0.1	11.1	6.4	2.7	0.0	0.1	0.0	8.1
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	27.9	22.5	354.2	40.5	36.5	166.8	287.9	65.9	36.5	44.5
Retail exposures	21.4	0.5	175.5	10.4	12.9	197.4	228.5	67.9	19.3	23.3
Exposures secured by mortgages on immovable property	9.6	6.3	62.1	1.5	0.3	25.1	77.9	25.4	49.0	3.2
Exposures in default	1.7	0.0	5.7	0.4	0.4	2.0	7.5	1.1	1.0	2.3
Exposures associated with particularly high risk	0.4	0.0	0.0	0.0	0.0	13.3	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	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.3
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	61.1	29.5	597.6	64.2	56.8	407.2	602.6	160.5	105.8	81.8

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	864.3	0.0	0.0	653.1	25.9	0.0	0.0	4.9	0.0	89.9
Exposures to regional governments or local authorities	0.0	0.1	0.0	28.9	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	0.1	1.5	0.0	0.4	0.2	0.9	0.2	0.7	0.0	0.0
Exposures to institutions	215.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	123.9
Exposures to corporates	111.3	58.0	31.3	0.3	0.3	10.1	4.7	17.1	5.1	29.0
Retail exposures	10.5	56.3	17.4	0.2	1.5	2.5	4.3	3.0	1,703.2	0.0
Exposures secured by mortgages on immovable property	34.8	8.7	4.6	2.1	1.5	11.4	1.8	1.1	292.3	0.0
Exposures in default	3.8	0.9	0.0	0.3	0.0	0.0	0.0	3.1	34.5	0.0
Exposures associated with particularly high risk	0.0	1.7	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	13.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items	74.5	0.0	0.0	0.3	0.0	0.0	0.0	240.5	0.1	1.3
Equity exposures	5.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Exposure Net	1,333.4	127.3	53.3	685.8	29.3	24.9	11.0	270.4	2,035.1	244.0

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

The 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	726.3	141.8	135.2	621.3	13.5	1,638.0
Exposures to regional governments or local authorities	0.8	0.2	0.1	28.2		29.3
Exposures to public sector entities	4.9	6.3	3.1	18.3		32.6
Exposures to institutions	56.8	55.7	58.2	168.5		339.2
Exposures to corporates	225.3	169.4	396.8	549.6	9.1	1,350.2
Retail exposures	384.3	165.7	580.2	1,422.3	3.4	2,555.8
Exposures secured by mortgages on immovable property	24.1	15.8	50.8	528.2		618.9
Exposures in default	1.3	1.8	12.9	48.7	0.1	64.9
Exposures associated with particularly high risk	0.0		0.4	14.9		15.4
Exposures in the form of units or shares in collective				13.2		13.2
Other items	105.9	0.0	0.0	0.9	211.0	317.8
Equity exposures				0.3	5.8	6.1
Net exposure	1,529.5	556.7	1,237.8	3,414.5	243.0	6,981.5

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 41-44 and 59 in the Addiko Group's Annual Report 2020. 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 (i.e. while the provisions are assigned individually to each account, the calculation is based on credit risk parameters).

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 credit quality of forborne exposures:

	Gross carrying amount / nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Collateral received and financial guarantees received	
	Performing exposures with forbearance measures	Non-performing exposures with forbearance measures			Performing exposures with forbearance measures - Accumulated impairment and provisions	Non-performing exposures with forbearance measures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which: Collateral and financial guarantees received		
			of which: Defaulted				of which: Impaired	Of which: Collateral and financial guarantees received on exposures with forbearance measures	Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
Loans and advances	66.0	50.0	50.0	50.0	-37.1	-7.1	-30.0	50.6	16.7
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	1.7	0.0	0.0	0.0	-0.3	-0.3	0.0	1.1	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	37.2	30.7	30.7	30.7	-21.5	-4.0	-17.5	33.2	12.0
Households	27.2	19.2	19.2	19.2	-15.4	-2.8	-12.5	16.4	4.6
Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan commitments given	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Total	66.7	50.0	50.0	50.0	-37.1	-7.1	-30.0	50.8	16.7

Please see Note 59.12 of Addiko Group's Annual Report 2020 for details on the development of forborne exposures.

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

EUR m

	Gross carrying amount											
	Performing exposures			Non-performing exposures								
		Not past due or Past due <= 30 days	Past due > 30 days <= 90 days		Unlikely to pay that are not past-due or past-due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which: defaulted
Loans and advances	3,674.5	3,616.4	58.1	233.4	58.2	18.3	22.9	32.4	48.7	17.2	35.7	233.4
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	82.3	82.3	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Credit institutions	56.5	56.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	32.2	32.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	1,523.4	1,490.7	32.7	81.9	21.2	5.4	7.4	17.2	20.6	6.2	3.8	81.9
Of which: Small and Medium-sized Enterprises	1,053.5	1,039.6	13.9	58.6	13.1	5.3	3.6	14.9	14.4	4.8	2.5	58.6
Households	1,980.0	1,954.6	25.4	151.2	36.7	12.8	15.4	15.2	28.1	11.0	31.9	151.2
Debt securities	911.8	911.8	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	628.8	628.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	198.5	198.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	27.9	27.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	56.6	56.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OFF-BALANCE SHEET EXPOSURES	1,008.4	-----	-----	9.7	-----	-----	-----	-----	-----	-----	-----	9.7
Central banks	0.0	-----	-----	0.0	-----	-----	-----	-----	-----	-----	-----	0.0
General governments	1.8	-----	-----	0.0	-----	-----	-----	-----	-----	-----	-----	0.0
Credit institutions	1.5	-----	-----	0.0	-----	-----	-----	-----	-----	-----	-----	0.0
Other financial corporations	2.3	-----	-----	3.2	-----	-----	-----	-----	-----	-----	-----	3.2
Non-financial corporations	879.6	-----	-----	5.7	-----	-----	-----	-----	-----	-----	-----	5.7
Households	123.2	-----	-----	0.9	-----	-----	-----	-----	-----	-----	-----	0.9
Total	5,594.7	4,528.2	58.1	243.1	58.2	18.3	22.9	32.4	48.7	17.2	35.7	243.1

The gross NPL ratio as of 31 December 2020 amounts to 5.9%. The overall NPL stock was further reduced by 0.3 pts compared to YE19, reflecting the continuous focus on asset quality in Addiko Group.

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

	Gross carrying amount						Accumulated impairment, accumulated changes in fair value due to credit risk and provisions						Accumulated partial write-offs	Collateral received and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On 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	3,674.5	3,106.3	568.2	233.4	0.0	233.4	-92.6	-30.0	-62.6	-174.1	0.0	-174.1	-15.3	1,382.4	44.2
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	82.3	79.7	2.6	0.3	0.0	0.3	-0.7	-0.4	-0.3	-0.1	0.0	-0.1	0.0	16.3	0.0
Credit institutions	56.5	56.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	32.2	25.6	6.6	0.0	0.0	0.0	-0.8	-0.3	-0.5	0.0	0.0	0.0	0.0	9.8	0.0
Non-financial corporations	1,523.4	1,274.0	249.4	81.9	0.0	81.9	-34.5	-12.8	-21.7	-58.0	0.0	-58.0	-1.5	690.7	19.9
Of which: Small and Medium-sized Enterprises	1,053.5	856.4	197.1	58.6	0.0	58.6	-25.3	-8.8	-16.5	-40.8	0.0	-40.8	-0.2	507.6	15.1
Households	1,980.0	1,670.5	309.6	151.2	0.0	151.2	-56.6	-16.5	-40.1	-116.0	0.0	-116.0	-13.8	665.7	24.3
Debt securities	911.8	911.8	0.0	0.0	0.0	0.0	-2.1	-2.1	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	628.8	628.8	0.0	0.0	0.0	0.0	-0.3	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	198.5	198.5	0.0	0.0	0.0	0.0	-1.6	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	27.9	27.9	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	56.6	56.6	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OFF-BALANCE SHEET EXPOSURES	1,008.4	942.2	66.2	9.7	0.0	9.7	5.5	3.6	1.9	4.9	0.0	4.9	-----	67.4	5.3
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-----	0.0	0.0
General governments	1.8	1.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-----	0.2	0.0
Credit institutions	1.5	0.3	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-----	0.3	0.0
Other financial corporations	2.3	2.3	0.0	3.2	0.0	3.2	0.0	0.0	0.0	0.1	0.0	0.1	-----	0.1	2.7
Non-financial corporations	879.6	821.9	57.8	5.7	0.0	5.7	5.0	3.3	1.7	4.1	0.0	4.1	-----	65.8	2.6
Households	123.2	116.1	7.2	0.9	0.0	0.9	0.5	0.2	0.2	0.7	0.0	0.7	-----	1.0	0.0
Total	5,594.7	4,960.3	634.4	243.1	0.0	243.1	-89.2	-28.5	-60.7	-169.2	0.0	-169.2	-15.3	1,449.8	49.5

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

	Collateral obtained by taking possession accumulated	
	Value at initial recognition	Accumulated negative changes
Property, Plant and Equipment	0.0	0.0
Other than Property Plant and Equipment	7.7	-4.5
Residential immovable property	3.4	-2.2
Commercial immovable property	2.9	-2.1
Movable property	0.0	0.0
Equity and debt instruments	0.0	0.0
Other	1.4	-0.3
Total	7.7	-4.5

In the financial year 2020 the value of foreclosed assets was further reduced.

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

EUR m

	Non-financial corporations		
	Gross carrying amount	Of which: non-performing	(-) Accumulated impairment (Stages 1 to 3), included POCI
A Agriculture, forestry and fishing	47.7	2.7	-2.5
B Mining and quarrying	24.2	0.0	-0.3
C Manufacturing	452.3	25.4	-32.7
D Electricity, gas, steam and air conditioning supply	42.4	1.9	-2.2
E Water supply	18.0	0.5	-0.3
F Construction	128.2	6.2	-7.2
G Wholesale and retail trade	407.8	22.1	-22.0
H Transport and storage	94.0	2.4	-2.4
I Accommodation and food service activities	107.1	1.7	-4.3
J Information and communication	57.6	4.7	-3.0
K Financial and insurance activities	27.7	7.2	-4.7
L Real estate activities	76.5	0.9	-1.7
M Professional, scientific and technical activities	47.2	3.3	-3.8
N Administrative and support service activities	31.4	0.8	-2.1
O Public administration and defence, compulsory social security	2.2	0.0	0.0
P Education	2.4	0.1	-0.1
Q Human health services and social work activities	24.2	0.5	-1.2
R Arts, entertainment and recreation	7.3	0.1	-0.3
S Other services	7.3	1.4	-1.7
LOANS AND ADVANCES	1,605.3	81.9	-92.5

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

	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	140.2	0.0	-0.3	0.0	0.0
Croatia	1,969.3	117.5	-21.6	-85.2	-0.4
Sarajevo	473.7	37.3	-14.1	-30.3	-11.8
Montenegro	194.6	18.5	-8.0	-11.5	0.0
Banja Luka	398.8	24.6	-12.4	-20.6	-3.0
Slovenia	1,488.4	24.9	-19.4	-16.4	0.0
Serbia	929.7	20.4	-17.4	-15.1	0.0
Adjustment Group Level	0.0	0.0	-7.0	0.0	0.0
Total	5,594.7	243.1	-100.3	-179.0	-15.3

Development of ECL allowance

Cash reserves at central banks and other demand deposits

	EUR m
	Stage 1
ECL allowance as at 01.01.2020	-0.4
Changes in the loss allowance	0.0
Transfer between stages	0.0
Write-offs	0.0
Changes due to modifications that did not result in derecognition	0.0
Changes in models	0.0
Foreign exchange and other movements	0.0
ECL allowance as at 31.12.2020	-0.4

Loans and advances to credit institutions

	EUR m				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	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 in models	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 31.12.2020	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 as at 01.01.2020	-30.9	-36.2	-196.0	-1.1	-264.2
Changes in the loss allowance	13.3	-44.1	-19.0	-1.5	-51.3
Transfer between stages	-12.7	18.1	-5.5	0.0	0.0
Changes due to modifications that did not result in derecognition	0.0	0.1	0.0	0.0	0.1
Changes in models	0.0	0.0	0.0	0.0	0.0
Write-offs	0.0	0.1	50.6	0.4	51.0
Foreign exchange and other movements	0.3	-0.6	-1.8	-0.2	-2.3
ECL allowance as at 31.12.2020	-30.0	-62.6	-171.7	-2.4	-266.7

Investment securities

	EUR m				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	-0.7	0.0	0.0	0.0	-0.7
Changes in the loss allowance	-1.5	0.0	0.0	0.0	-1.5
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 in models	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 31.12.2020	-2.1	0.0	0.0	0.0	-2.1

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

	EUR m				
	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	-2.8	-0.6	-6.6	0.0	-10.0
Changes in the loss allowance	-0.2	-2.3	1.6	0.0	-0.9
Transfer between stages	-0.6	0.6	0.0	0.0	0.0
Write-offs	0.0	0.0	0.0	0.0	0.0
Changes in models	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.1	0.3	0.1	0.0	0.5
ECL allowance as at 31.12.2020	-3.6	-1.9	-5.0	0.0	-10.4

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 0.4 million, which are not included in the tables presenting the development of ECL allowances.

Art 442 CRR

Please see Note 39 of Addiko Group's Annual Report 2020 for details on directly recognised impairment losses.

4.3 COVID-19

The Covid-19 pandemic is having unprecedented effects around the globe, both on people and economies. The pandemic determined governments in the countries of operation of the Group to take essential measures such as business lock-downs and restrictions with regards to social contacts, which have affected strongly social and economic activities.

Professional servicing of its customers remain the priority for Addiko Group through this crisis and a comprehensive range of measures have been implemented to support re-tail and business customers. Addiko Bank Croatia decided to support clients employed in the healthcare sector as they were on the front lines fighting against the corona-virus. They were exempted from paying monthly account maintenance fees in April, May and June 2020. Also, Addiko Bank in Sarajevo and Banja Luka launched a new marketing campaign to remind clients of the flexibility and service offered by using Addiko Mobile services, available from the comfort of their home. In these times of uncertainty, the bank strives to maintain a customer-first approach. All Addiko Bank services are tailored to the needs of clients, with an additional focus on health and safety.

In addition, 75,698 moratoria on payment obligations were granted in the fiscal year, of which 1,888 were still active as of 31 December 2020.

The tables below provide the disclosure requirements applied in the light of the COVID-19 crisis (EBA/GL/2020/07):

EUR m

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium	128.4	124.9	9.8	60.1	3.4	1.6	3.2	-9.1	-7.1	-1.1	-6.5	-2.0	-0.9	-1.8	1.3
of which: Households	39.8	37.4	5.5	17.4	2.4	1.6	2.2	-3.5	-2.0	-0.6	-1.8	-1.5	-0.9	-1.3	0.4
of which: Collateralised by residential immovable property	15.8	14.1	1.4	3.6	1.7	1.3	1.7	-1.2	-0.3	-0.1	-0.2	-0.9	-0.7	-0.9	0.1
of which: Non-financial corporations	88.3	87.3	4.3	42.5	1.0	0.0	1.0	-5.6	-5.1	-0.6	-4.7	-0.5	-0.0	-0.5	0.8
of which: Small and Medium-sized Enterprises	40.3	39.4	1.2	26.1	0.8	0.0	0.8	-3.7	-3.3	-0.2	-3.1	-0.4	-0.0	-0.4	0.8
of which: Collateralised by commercial immovable property	69.0	68.1	4.0	35.2	0.9	0.0	0.9	-4.8	-4.4	-0.5	-4.0	-0.4	-0.0	-0.4	0.8

EUR m

	Number of obligors	Gross carrying amount							
		Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria					
				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year	
Loans and advances for which moratorium was offered	51585	866.4							
Loans and advances subject to moratorium (granted)	51585	866.4	517.7	738.0	49.4	73.6	2.2	3.2	0.0
of which: Households		419.4	299.7	379.7	19.9	18.3	0.7	0.9	0.0
of which: Collateralised by residential immovable property		115.3	73.4	99.5	7.8	7.5	0.2	0.3	0.0
of which: Non-financial corporations		439.3	212.0	351.1	29.4	55.2	1.5	2.2	0.0
of which: Small and Medium-sized Enterprises		143.8	73.4	103.5	21.6	17.9	0.5	0.3	0.0
of which: Collateralised by commercial immovable property		298.8	119.3	229.9	22.6	44.2	0.4	1.8	0.0

EUR m

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

4.4 Use of ECAs

4.4.1 Scope of application and use of external ratings

Art 444 a-d CRR

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

The calculation of risk weighted exposures is based on ECAI rating (Moody's Investor Service ("Moody's")). Addiko Group has not nominated any 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 ECAs credit assessments. ECAI risk assessments are used for all exposure classes.

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

4.4.2 Exposure values associated with credit quality steps

Art 444 e CRR

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

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

- in case of institutions, if an external rating by an ECAI of the counterparty is available, the risk weight (RW) has to be determined pursuant to Article 120 CRR, in case an external rating by an ECAI of the counterparty is not available, the RW has to be determined pursuant to Article 121 CRR;
- in case of central governments and central banks, the RW has to be determined pursuant to Article 114 CRR;
- in case of corporate clients, the RW has to be determined pursuant to Article 122 CRR

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

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

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	1,298.4		0.0		29.8		309.9			1,638.0	1,638.0
Exposures to regional governments or local authorities			25.3				4.0			29.3	29.3
Exposures to public sector entities			0.0		1.2		31.4			32.6	32.6
Exposures to institutions			124.9		208.4		5.9			339.2	16.2
Exposures to corporates	18.1		4.6		41.3	0.0	1,285.0	1.2		1,350.2	1,350.2
Retail exposures	1.1					2,487.9	66.8			2,555.8	2,555.8
Exposures secured by mortgages on immovable property				279.3	280.7	56.9	2.0			618.9	618.9
Exposures in default	0.0						49.6	15.1	0.2	64.9	64.9
Exposures associated with particularly high risk								15.4		15.4	15.4
Exposures in the form of units or shares in collective			13.2				0.0			13.2	13.2
Other items	143.0		0.1		0.0		165.0		9.7	317.8	317.8
Equity exposures	0.0						6.1			6.1	6.1
Total Exposure Net	1,460.6	0.0	168.1	279.3	561.3	2,544.8	1,925.7	31.7	9.9	6,981.5	6,658.5

4.5 Leverage

4.5.1 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 2020, the leverage ratio for Addiko Group at consolidated level amounted to 13.10% (according to IFRS 9 transitional rules) and 12.40% (as if IFRS 9 or analogous ECL transitional arrangements had not been applied), comfortably above the 3.0% minimum requirement (according to Art. 92 of the Regulation (EU) 2019/876). The ratio is calculated on period-end values as of 31 December 2020 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 3.1.2.

4.5.2 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 2020:

	EUR m
Summary reconciliation of accounting assets and leverage ratio exposures	Applicable Amount
1 Total assets as per published financial statements	5,914.5
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	3.5
5 Adjustment for securities financing transactions (SFTs)	2.0
6 Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	344.6
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	-27.9
8 Leverage ratio total exposure measure	6,236.7

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 2020:

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)	5,965.4
2 (Asset amounts deducted in determining Tier 1 capital)	-81.9
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	5,883.5
Derivative exposures	
4 Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	3.1
5 Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	3.5
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)	6.6
SFT exposures	
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2.0
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)	2.0
Other off-balance sheet exposures	
17 Off-balance sheet exposures at gross notional amount	1,017.8
18 (Adjustments for conversion to credit equivalent amounts)	-673.3
19 Other off-balance sheet exposures (sum of lines 17 and 18)	344.6
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	773.4
Tier 1 capital - transitional definition	823.5
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	6,236.7
Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital	6,286.9
Leverage ratio	
22 Leverage ratio - using a fully phased-in definition of Tier 1 capital	12.40%
22 Leverage Ratio - using a transitional definition of Tier 1 capital	13.10%
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 2020:

	EUR m
	CRR leverage ratio exposures
EU-1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	5,965.4
EU-2 Trading book exposures	33.4
EU-3 Banking book exposures, of which:	5,932.1
EU-4 Covered bonds	0.0
EU-5 Exposures treated as sovereigns	1,604.5
EU-6 Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	51.7
EU-7 Institutions	335.3
EU-8 Secured by mortgages of immovable properties	589.7
EU-9 Retail exposures	1,977.0
EU-10 Corporate	961.3
EU-11 Exposures in default	60.0
EU-12 Other exposures (eg equity, securitisations, and other non-credit obligation assets)	352.5

4.5.3 Management of the risk of excessive leverage

Art 451 (1) d CRR

The leverage ratio is planned during the yearly planning process and is monthly monitored 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.

4.5.4 Factors influencing the development of leverage exposure

Art 451 (1) e CRR

The leverage ratio of Addiko was calculated for the first time in September 2015. As of 31 December 2020, the leverage ratio amounts to 13.10% (according to IFRS 9 transitional rules) and 12.40% (as if IFRS 9 or analogous ECL transitional arrangements had not been applied).

4.6 Credit risk mitigation techniques

4.6.1 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.

4.6.2 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.

4.6.3 Main types of collateral taken by the institution

Art 453 c CRR

To hedge credit risk positions sustainable collaterals are provided.

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

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

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

In addition, following deductions must be considered:

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

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

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

Art 453 d CRR

EUR m				
Guarantors by Credit quality step and asset class	Central governments or central banks	Institutions	Corporates	Total
Credit quality step 1	0.0	0.8	0.0	0.8
Credit quality step 2	42.6	0.4	0.1	43.1
Total	42.6	1.2	0.1	44.0

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

4.6.5 Risk concentrations within credit risk mitigation

Art 453 e CRR

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

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

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

4.6.6 Information of the 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	1,638.0	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to regional governments or local authorities	29.3	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to public sector entities	32.6	0.0	0.0	0.0	0.0	0.0	0.0
Exposures to institutions	329.4	9.8	9.8	0.0	0.0	0.0	0.0
Exposures to corporates	1,311.5	38.7	26.5	0.0	0.0	0.0	12.2
Retail exposures	2,534.0	21.9	7.1	0.1	0.0	0.0	14.6
Exposures secured by mortgages on immovable property	0.0	618.9	0.0	0.0	311.4	307.5	0.0
Exposures in default	55.1	9.7	0.5	0.0	3.2	2.2	3.8
Exposures associated with particularly high risk	15.4	0.0	0.0	0.0	0.0	0.0	0.0
Exposures in the form of units or shares in collective	13.2	0.0	0.0	0.0	0.0	0.0	0.0
Other items	317.8	0.0	0.0	0.0	0.0	0.0	0.0
Equity exposures	6.1	0.0	0.0	0.0	0.0	0.0	0.0
Total	6,282.4	699.0	44.0	0.1	314.7	309.7	30.6

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	1,637.8	0.1	1,680.5	0.1	324.8	19%
Exposures to regional governments or local authorities	28.4	0.9	28.4	0.9	8.8	30%
Exposures to public sector entities	23.3	9.3	23.3	9.3	23.8	73%
Exposures to institutions	335.3	1.3	326.0	2.1	130.5	40%
Exposures to corporates	961.3	383.2	927.2	378.7	949.3	73%
Retail exposures	1,977.0	578.7	1,960.5	573.3	1,515.8	60%
Exposures secured by mortgages on immovable property	589.7	29.2	589.7	29.2	254.8	41%
Exposures in default	60.0	4.9	59.2	1.4	65.4	108%
Exposures associated with particularly high risk	15.4	0.0	15.4	0.0	23.1	150%
Exposures in the form of units or shares in collective	13.2	0.0	13.2	0.0	1.7	13%
Other items	317.8	0.0	317.8	0.0	189.4	60%
Equity exposures	6.1	0.0	6.1	0.0	6.1	100%
Total Exposure Net	5,965.4	1,007.4	5,947.3	994.9	3,493.4	50%

4.7 FX Exposure

Art 431 (3) CRR

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

As of 31 December 2020, the total exposure from bullet loans with repayment vehicles is mainly attributable to loans in Croatia. The total impact of these types of loans on the risk profile of Addiko Group is not significant.

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

	Addiko Group EUR m	in % of total Bank Book portfolio
USD	182.2	2.6%
CHF	107.6	1.6%
Total	289.7	4.4%

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 67 of Addiko Group's Annual Report 2020 for details on these legal risks.

5 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 with the external counterparts and with one subsidiary. For the other subsidiaries the collateral is calculated based on a weekly netted market valuation of the underlying derivatives. Basis for the market valuation 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 2020 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:

	Replacement cost / current market value	Potential future credit exposure	EAD post CRM	RWAs
Analysis of CCR exposure by approach				
Mark to market	3.1	3.5	8.1	3.1
TOTAL	3.1	3.5	8.1	3.1

EUR m

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 31.12.2020	Exposure value	RWAs
All portfolios subject to the standardised method	6.8	3.4
Total subject to the CVA capital charge	6.8	3.4

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 2020 no significant changes of the exposure from credit derivative transactions occurred.

EUR m

	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notionals			
Single-name credit default swaps	8.15	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	8.15	0.00	0.00
Fair values			
Positive fair value (asset)	0.00	0.00	0.00
Negative fair value (liability)	-0.07	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										
											Total	Of which
		0%	10%	20%	35%	50%	75%	100%	150%	250%	unrated	
Exposures to central governments or central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.2	
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	1.7	0.0	1.0	0.0	0.0	0.0	0.0	2.7	0.0	
Exposures to corporates	0.0	0.0	0.0	0.0	0.0	0.0	5.7	0.0	0.0	5.7	5.7	
Retail exposures	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.2	
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	1.7	0.0	1.0	0.2	5.8	0.0	0.0	8.6	6.0	

6 Market risk

Art 435 (1), 445 CRR

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

6.1 Risk measurement

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).

6.2 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 31.12.2020 is EUR 0.7 million (comparable VaR figure as at 31 December 2019: EUR 1.5 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 2020. 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.

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% (2.7% at 31.12.2020 versus 5.9% at 31.12.2019) 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 (4.0% at 31.12.2020 versus 7,2% at 31.12.2019).

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 2020 amounts to EUR -0.2 million (entire aggregated effect of this interest rate simulation) - the aggregated effect in 2019 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 2020 is roughly EUR 607.0 million (volume per 31 December 2019 of approx. EUR 626.5 million), with the majority attributed to the currencies HRK and RSD. The value at risk for foreign exchange risk was approximately EUR 0.4 million per day as at 31 December 2020 (value at risk as at 31 December 2019: EUR 0.6 million), at a confidence interval of 99.0%. The limit of EUR 1.9 million was adhered to as at 31 December 2020.

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 (equity of EUR +193.6 million) and Addiko d.d. Zagreb (equity of EUR +382.5 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 5,313.0 as at 31 December 2020 (value at risk as at 31 December 2019: EUR 2,898.0) with a one-day holding period and a confidence level of 99.0% and EUR 0.0 - no exposure (value at risk as at 31 December 2019: EUR 1,071.0) 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 2020 and therefore also no major concentration risk exists here.

Credit Spread Risk

The credit spread risk within the Addiko Group stood at EUR 0.8 million at 31 December 2020 with a one-day value at risk and a confidence level of 99.0% (value at risk as at 31 December 2019: EUR 0.7 million). The limit of EUR 2.7 million was adhered to as at 31 December 2020. 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.

6.3 Exposure to market risk

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

	EUR m	
31.12.2020	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	53.6	4.3
Equity risk (general and specific)	0.0	0.0
Foreign exchange risk	98.3	7.9
Commodity risk	0.0	0.0
Total	151.8	12.1

7 Operational risk

7.1 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.

7.1.1 Organisation

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

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

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

7.1.2 Risk measurement and reporting

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

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

7.1.3 Calculation of own fund requirements

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

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

8 Interest rate risk

8.1 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.

8.2 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).

8.3 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

8.4 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 31.12.2020 over a rolling 12-month period broken down by currency for each of the EBA scenarios is presented below:

	EUR m							
Interest rates scenario	EUR	CHF	USD	HRK	RSD	BAM	Other	Total
Parallel up 200 bp	-1.8	-0.4	-0.9	1.4	-0.3	1.2	0.0	-0.8
Parallel down 200 bp	7.6	0.9	0.9	-1.3	0.3	-1.1	0.0	7.3
Parallel shock up	-1.8	-0.2	-0.9	1.7	-0.6	1.2	0.1	-0.5
Parallel shock down	7.6	0.3	0.9	-1.7	0.6	-1.1	-0.1	6.6
Steeper shock	6.4	0.2	0.7	4.2	0.9	2.4	0.3	15.1
Flattener shock	-5.2	-0.2	-0.6	-3.8	-1.0	-2.3	-0.2	-13.4
Short rates shock up	-5.1	-0.3	-1.2	-2.7	-1.1	-1.9	-0.2	-12.4
Short rates shock down	10.0	0.4	1.2	2.7	1.1	1.9	0.2	17.5

The following table exhibits the change in EVE of Addiko Group per 31.12.2020 broken down by currency:

EUR m

Interest rates scenario	EUR	CHF	USD	HRK	RSD	BAM	Other	Total
Parallel up 200 bp	-19.7	-0.3	-0.1	2.0	-9.8	6.6	0.0	-21.3
Parallel down 200 bp	21.6	1.7	0.0	-5.9	5.2	-15.1	0.0	7.5
Parallel shock up	-19.7	-0.2	-0.1	2.4	-18.9	6.6	0.0	-30.0
Parallel shock down	21.6	0.4	0.0	-7.8	10.8	-15.1	0.0	10.0
Steeper shock	2.2	0.1	0.7	6.7	-0.3	1.5	0.0	11.0
Flattener shock	-5.0	0.0	-1.1	-12.4	-3.9	-1.0	0.0	-23.3
Short rates shock up	-12.5	-0.2	-1.3	-8.4	-10.9	1.6	0.0	-31.8
Short rates shock down	9.3	0.2	0.7	4.3	5.8	-3.2	0.0	17.2

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.

9 Other risks

9.1 Encumbered and unencumbered assets

Art 443 CRR

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

On 31 December 2020, 308.6 million of assets have been identified as encumbered within Addiko Group. The major part of encumbered assets have 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 unencumbered assets
Loans on demand	66.0		973.6	
Equity instruments	0.0	0.0	19.3	19.1
Debt securities	88.0	88.0	855.1	614.3
Loans and advances (other than loans on demand)	154.6		3,486.6	
Other assets	0.0		272.1	
Total	308.6		5,606.7	

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	4.1
Debt securities	0.0	0.0
Loans and advances (other than loans on demand)	0.0	171.2
Other assets	0.0	0.0

EUR m		
Encumbered assets/collateral received and associated liabilities	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	75.9	113.5

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

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

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

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

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

9.2 Exposures in equities not included in the trading book

Art 447 a-c CRR

At 31 December 2020, Addiko Group had equity investments in the nontrading book with a total carrying value of EUR 19.3 million. All equity investments are measured at Fair Value in accordance with IFRS 9 B.5.2.3. The majority of equity exposures (EUR 19.0 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 0.5 million were fully recognised in CET1 as at 31 December 2020. 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 2020 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 2020:

	EUR m		
Participations and objectives	FVTOCI	FVTPL	31.12.2020
Slovenian Bank Resolution Fund	13.2	0.0	13.2
VISA Inc	4.8	0.0	4.8
Other equity instruments	1.0	0.3	1.3
Total	19.0	0.3	19.3

	EUR m		
Participations and objectives	FVTOCI	FVTPL	31.12.2020
Governments	13.2	0.0	13.2
Other financial corporations	5.5	0.0	5.5
Non-financial corporations	0.3	0.3	0.6
Total	19.0	0.3	19.3

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 2020 Addiko Group did not recognise any gains or losses from the sale of equity instruments.

As of 31 December 2020, the cumulative unrealised gains amounted to EUR 2.8 million.

10 Remuneration policy

Art 450 CRR

10.1 Remuneration policy and practices

Qualitative information on remuneration

The Nomination and Remuneration Committee according to sections 29 and 39c Austrian Banking Act (BWG) met in 2020 eight times. The Committee deals with issues relating to succession planning, supports the SB with the preparation of proposals to the General Assembly for filling of vacancies on the SB, recommends diversity targets as well as balanced skills, experience, size, composition and performance of the members of the corporate bodies. Furthermore remuneration matters including variable remuneration and resolutions that have an impact on the company's risk and how they will be managed.

Group HR provides the documents and data required for monitoring of the remuneration policy and remuneration practices. These are presented to the members of the respective committee. Furthermore, GHR advises the Group Management Board on remuneration matters and Group Audit verifies compliance with remuneration provisions.

Design and development of remuneration and its alignment with the legal frameworks, regulatory guidelines and the strategic direction of the Group's material business activities are part of a continuous process. For example, in 2020 a policy was introduced to manage the remuneration of management board members.

In 2020 Remuneration committees continued to serve as committees that support the local Supervisory Boards of the subsidiary banks. Group standards are monitored by these committees as well as by the local Supervisory and Management Boards, also supported by the local human resources and audit units.

Risk bearers

Risk bearers are those members of staff who have a material impact on the risk profile. This includes Executive Boards and senior management (division managers) as well as members of staff with supervisory functions and who count as risk bearers due to the nature of their activities. Approx. 8% of the Group's members of staff are risk bearers.

Fixed remuneration

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

- Statutory and collective remuneration regulations
- Group remuneration policy
- The Remuneration Policy of the Management Board of Addiko AG
- Job or role performed and job grading as defined in the Group Job Grading Policy
- Position within the company (hierarchy levels, assuming corporate responsibility, assessing past performance)
- Basic remuneration in line with market rates and the specific role (fulfilment is assessed by benchmarks)

Variable remuneration

Following the transposition of the European Banking Authority's CEBS Guidelines on Remuneration Policies and Practices into national law in Section 39b Austrian Banking Act (BWG), including the associated annex, the holding company created a bonus policy in line with legal requirements and implemented it throughout the entire institution group. The policy includes all of the Group's credit institutions as well as Group companies that are themselves not credit institutions. Corporate success is measured using defined (performance and risk) indicators. If certain minimum profitability and/or minimum risk criteria are not met, the staff member is not entitled to a bonus, or only entitled to a significantly reduced bonus. The staff member's individual performance is assessed via a MBO and/or performance evaluation process.

The prerequisite for fulfilling this performance criterion is the documented achievement of targets, with financial and non-financial or quantitative and qualitative staff and departmental targets having been agreed. The potential amount of the bonus depends on the job / function performed by the risk bearer and is capped at a maximum amount. Generally, the maximum variable remuneration of an individual person may not exceed 100%.

Criteria for variable remuneration received by the Group Executive Board are determined by the Supervisory Board. The Remuneration Policy of the Management Board of Addiko AG also clearly defines all aspects of variable remuneration for executives in Addiko AG. Furthermore, the Group Remuneration Policy defines that only 60% (or 40%) of the performance-

based remuneration can be paid out to risk bearers with immediate effect when the entitled amount exceeds EUR 30,000.00 (or EUR 150,000.00) or 25% of fixed gross remuneration. Forty percent (or 60%) are deferred and distributed over a period of 5 years, resulting in 8% (or 12%) p.a.

The annual remuneration reserve may be partially or wholly paid out only in the event that the corporate result is positive and individual performance has been assessed favourably in the respective financial year. Parts of the variable remuneration may be paid out in the form of non-cash instruments if these are regulated by the local legislator or apply on the basis of individual agreements. Following the decision that bonus rewards for the 2020 Performance Cycle will not be activated, the Variable remuneration paid out to risk bearers in 2020 relates only to the contracted sign-on / guaranteed variable remuneration.

10.2 Quantitative information on remuneration for 2020

Information presented in this table reflects shows the remuneration of identified staff^[1] for 2020. It is prepared based on the EBA/GL/2014/08 of 16.07.2014:

Business area	Management body in supervisory function (SB) ^[2]	Management body in management function (EB) ^[3]	Investment banking ^[4]	Retail banking ^[5]	Asset management ^[6]	Corporate functions ^[7]	Independent control functions ^[8]	All Other ^[9]	Total
Number of members of SB and EBM (HC)	17	22							39
Number of identified staff (FTE)			0	52	0	90	31	13	185
of which: number of identified staff in senior management positions			0	29	0	63	17	8	117
Total fixed remuneration (incl. Benefits)	€ 476,437	€ 5,307,618	€ 0	€ 3,130,812	€ 0	€ 6,326,518	€ 1,649,995	€ 958,858	€ 17,850,238
of which: fixed in cash	€ 476,437	€ 5,307,618	€ 0	€ 3,130,812	€ 0	€ 6,326,518	€ 1,649,995	€ 958,858	€ 17,850,238
of which: fixed in shares and share-linked instruments	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
of which: fixed in other types of instruments	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
Total variable remuneration (including variable remuneration which has been deferred)	€ 0	€ 55,555	€ 0	€ 348	€ 0	€ 0	€ 0	€ 0	€ 55,904
of which: variable in cash	€ 0	€ 55,555	€ 0	€ 348	€ 0	€ 0	€ 0	€ 0	€ 55,904
of which: variable in shares and share-linked instruments	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
of which: variables in other types of instruments	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
Total amount of variable remuneration which has been deferred	€ 0	€ 33,333	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 33,333
of which: deferred variable in cash	€ 0	€ 33,333	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 33,333
of which: deferred variable in shares and share-linked instruments	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
of which: deferred variable in other types of instruments	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0

[1] Identified Staff: Staff whose professional activities have a material impact on the institutions risk profile.

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

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

[4] Including corporate finance advice services, private equity, capital markets, trading and sales.

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

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

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

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

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

Additional information on the remuneration of identified staff^[1] is prepared based on the EBA/GL/2014/08 of 16.07.2014:

Business area	Management body in supervisory function (SB) ^[2]	Management body in management function (EB) ^[3]	Investment banking ^[4]	Retail banking ^[5]	Asset management ^[6]	Corporate functions ^[7]	Independent control functions ^[8]	All Other ^[9]	Total
Total amount of outstanding deferred variable remuneration awarded in previous years	€ 0	€ 3,376,809	€ 0	€ 42,847	€ 0	€ 228,306	€ 0	€ 6,400	€ 3,654,362
Total amount of explicit "ex post" performance adjustment for remuneration awarded in previous years	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
Number of beneficiaries of guaranteed variable remuneration (sign-on/contractual payments)	0	5	0	0	0	0	0	0	5
Total amount of guaranteed variable remuneration (sign-on/contractual payments)	€ 0	€ 365,204	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 365,204
Number of beneficiaries of severance payments (termination of employment contract)	0	3	0	2	0	2	1	0	8
Total amount of severance payments (termination of employment contracts)	€ 0	€ 1,313,900	€ 0	€ 18,942	€ 0	€ 15,594	€ 6,841	€ 0	€ 1,355,276
Highest severance payment to a single person	€ 0	€ 663,750	€ 0	€ 10,385	€ 0	€ 10,712	€ 6,841	€ 0	€ 663,750
Number of beneficiaries of contributions to discretionary pension benefits	0	0	0	0	0	0	0	0	0
Total amount of contributions to discretionary pension benefits	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
Total amount of variable remuneration awarded for multi-year periods under programmes which are not revolved annually	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0

Explanation on business areas of "All other" and information on "High earner"

Category All Other includes: Transaction Back-office, Credit Back-office, Card operations, Client & Account Administration, Operations Other, Document Center, Card processing center (CPC). There was no employee with a gross remuneration (total of fixed and variable remuneration) of EUR 1 Mio. or more in the reported year.

[1] Identified Staff: Staff whose professional activities have a material impact on the institutions risk profile.

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

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

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

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

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

CRR article	Disclosures requested in the CRR article	Reasons for inapplicability
Art 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 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 Approach to operational risk.
Art 455 CRR Use of Internal Market Risk Models	Institutions calculating their capital requirements in accordance with Article 363 shall disclose certain information about the characteristics of the models used.	Article 455 CRR is not applicable, as Addiko Group does not use internal models for incremental default and migration risk and does not have a correlation trading portfolio.

12 Glossary

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

GHR	Group Human Resources
GL	Guidelines
GREC	Group Risk Executive Committee
Gross NPL Ratio	Gross Carrying amount of Non-Performing Loans divided by total Gross carrying amount of Loans and advances
GRR	Group Risk Report
G-SII	Global Systemically Important Institution
HC	Headcount
HHI	Herfindahl Hirschman Index
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
SB	Supervisory Board
SFT	Securities financing transactions
SME	Small and medium-sized enterprises according to Commission Recommendation (2003/361/EC)
SPOC	Single Point of Contact
SREP	Supervisory Review Evaluation Process
SRP CI	Specific Risk Provision Collective Impaired method
Stage 1	Impairment stage which relates to financial instruments for which expected credit loss model applies and for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss
Stage 2	Impairment stage which relates to financial instruments for which expected credit loss model applies and for which are subject to significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss
Stage 3	Impairment stage which relates to financial instruments for which expected credit loss model applies and which are credit-impaired. The impairment is measured in the amount of the lifetime expected credit loss
SB	Supervisory Board
T1	Tier 1 Capital
T2	Tier 2 Capital
TC	Total Capital
TLTRO	Targeted Longer-Term Refinancing Operation
TSA	The Standardised Approach
UFN	Until Further Notice
VaR	Value at Risk

13 Imprint

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