Annual Report 2021

Addiko Bank d.d. Croatia

This version of the Annual Report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

Key data

			in HRK million
Selected items of Profit or Loss statement	**2021**	**2020**	**(%)**
Net banking income	570.5	602.5	-5.3%
Net interest income	411.6	441.5	-6.8%
Net fee and commission income	158.9	161.0	-1.3%
Net result on financial instruments	53.6	78.0	-31.3%
Other operating result	-4.5	-15.2	-70.5%
Operating expenses	-378.9	-375.2	1.0%
Operating result before impairments and provisions	**240.7**	**290.1**	**-17.0%**
Other result	-145.4	-21.7	>100%
Expected credit losses on financial assets	3.5	-125.6	>100%
Tax on income	-18.8	-55.7	-66.2%
Result after tax	**79.9**	**87.1**	**-8.3%**
Performance ratios	**2021**	**2020**	**(pts)**
Net interest income / total average assets	2.4%	2.5%	-0.1
Return on average tangible equity	2.8%	3.0%	-0.3
Cost/income ratio	66.4%	62.3%	4.1
Cost of Risk Ratio	0.0%	1.0%	-1.0
Selected items of the Statement of financial position	**2021**	**2020**	**(%)**
Loans and advances to customers	7,889.7	9,013.3	-12.5%
o/w gross performing loans	7,857.5	8,948.0	-12.2%
Deposits of customers	12,646.6	12,915.5	-2.1%
Equity	3,087.5	2,855.2	8.1%
Total assets	16,903.1	17,659.6	-4.3%
Risk-weighted assets	8,666.6	9,784.4	-11.4%
Balance sheet ratios	**2021**	**2020**	**(pts)**
Loan to Deposit Ratio	62.4%	69.8%	-7.4
NPE ratio	3.2%	4.5%	-1.3
NPE ratio (on balance loans)	4.6%	6.2%	-1.6
NPE coverage ratio	75.4%	76.8%	-1.4
Liquidity coverage ratio	262.0%	248.9%	13.1
Common equity tier 1 ratio	30.6%	27.6%	3.1
Tier 1 capital ratio	34.1%	27.6%	6.5
Total capital ratio	36.4%	28.6%	7.8

Letter from the CEO

Dear clients, partners and employees,

As we close the second year in a row of unprecedented disruption, we have remained true to our strategy: Addiko Bank continue to position itself as a specialist Consumer and SME Bank with a focus on growing its Consumer and SME lending activities as well as its payment services. Moreover, in the second half of 2021 we launched an ambitious transformation program to align our organizational structure with our specialist strategy even more, accelerate our loan book transformation and boost growth in our focus areas. This included minimizing or permanently abandoning all business activities that are not in the focus of our strategic business.

Over the course of the pandemic our customers have embraced digital banking in record number. Given that, digital is and will remain an enabler and important pillar in our strategy. Continuous efforts went into improving our digital capabilities, pioneering with new products and features such as mLoan and webLoan. We continue to focus on fully end-to-end services living up to our promise of delivering modern digital solutions and services to our customers through further automation and simplification of the processes along with taking care of exquisite user experience.

Driven by a relatively quick recovery of the ongoing pandemic consequences and increased household consumption, the 2021 year was economically better than previously expected which resulted in a normalization of business activities. Compared to the 2020 year, we approved 51% more cash loans to individuals and 82% more loans to small businesses, which is in total only 3% less new loans than the pre-pandemic 2019.

We closed the year behind us with a profit after tax of HRK 79.9 million and maintained a solid financial position and a strong capital ratio, supported by strict cost management. During 2021, Addiko Bank continued its activities related to the reduction of nonperforming placements, which resulted in nonperforming placements being below the level of the 5% share in total placements, as recommended by EBA Guidelines. Since March 2021 Addiko Bank has been under the direct supervision of the Single resolution Board (SRB) participating in resolution planning activities where Addiko Bank Croatia as Point of Entry must comply with binding interim MREL requirements. In order to fulfill MREL requirements we made changes in capital structure and further increase capital adequacy ratio.

In time of prolonged pandemic when core values were tested, we supported the community in which we live and work and embedded our values of diversity and inclusion in our strategy and operations across the bank. At the end of the year, we have been awarded by Mamforce certificate by which we committed ourselves to further implement good practices of a family-responsible and gender-aware organization. Our values are integral to our success.

Our employees worked in our branches and from home to operate with excellence, serving our clients with determination, helping them in innovative ways. I would like to thank them – especially those in critical functions requiring attendance at branches or headquarter premises – for their commitment, regardless circumstances caused by pandemic.

In the future, we want to become even more available to customers to support and finance their needs at their nearest point of contact or purchase. In line with the growing demand for digital services, we will continue to invest in digital infrastructure and processes, which - along with preparations for the introduction of EURO in Croatia - will be in focus in 2022.

I strongly believe that the introduction of EURO will contribute to the development of the economy and bring many benefits to citizens and the businesses. For us 2022 represents a year of depth preparations to meet in time all requirements for this most comprehensive project that involves all processes and resources within the bank.

With an outlook of further rebound in the economy, normalization across sectors and with a superior team, Addiko Bank is eager to accelerate its transformation program towards our clear and focused strategy. With a set of targets and solid business results we are in an excellent position to bring further value to our customers, employees and partners. Thanks for your interest in our bank.

Sincerely,
Mario Žižek
President of the Management Board

Annual Report 2021

The Management Board

Mario Žižek

Chief Executive Officer & Chief Market Officer

Responsible for:
Legal and Board Affairs
Corporate Governance Office
Compliance and AML
Internal Audit
Group Human Resources and Corporate Communications
Retail & SME
Group Retail Markets Development
Balance Sheet Management and Treasury
Financial Controlling*
Group Business Reporting*

Ivan Jandrić

Chief Operations Officer

Responsible for:
Group Transaction Banking and Operations
Information Technology
Card Processing Centre
Digital Transformation

Dubravko-Ante Mlikotić

Chief Risk Officer

Responsible for:
Risk Control
Credit Risk Management
Corporate Distressed Asset Management, Real Estate Management and Group Procurement
Group Risk Management Support
Accounting and Reporting*

Joško Mihić*

Chief Financial Officer

Responsible for:
Accounting and Reporting
Financial Controlling
Group Business Reporting

*Mr. Joško Mihić submitted his resignation to the position of Management Board member in September 2021, effective and with last day of mandate on 31 December 2021. Responsibility over streams of Mr. Mihić are taken over by Mr. Žižek, Management Board chairman, and Mr. Mlikotić, Management Board member.

Management Report

1. Overview of Addiko Bank

Addiko Bank d.d. (hereinafter referred to also as Addiko Bank or the Bank) is owned by Addiko Bank AG, an international banking group.

Addiko Group is a specialist banking group focusing on providing banking products and services to Consumer and small and medium-sized enterprises (SME) in Central and South-Eastern Europe (CSEE). Addiko Group consists of Addiko Bank AG, the listed and fully-licensed Austrian parent bank registered in Vienna, Austria, regulated by the Austrian Financial Markets Authority and 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 2021 approximately 0.8 million customers, using a well-dispersed and continuously optimized network of 155 branches and via an increasing use of mod-ern digital banking channels.

Based on its strategy, Addiko Bank repositioned itself as a specialist for Consumer and SME bank with a focus on growing its Consumer and SME lending activities as well as payment services (its "focus areas"), offering unsecured personal loan products for consumers and working capital loans for its SME customers. These core activities are largely funded by retail deposits. Addiko Bank's Mortgage lending, Public Lending and Large Corporate lending portfolios (its "non-focus areas") have been gradually reduced over time, thereby providing liquidity and capital for the growth in its Consumer and SME lending. During the second half 2021, the new management team has committed themselves to an accelerated transformation towards the focus areas via business growth initiatives and a faster reduction of non-the focus loan books as well as gradual exit from low-yielding and high-ticket medium enterprises within the SME segment.

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

Addiko Bank AG became a listed company on the Vienna Stock Exchange in 2019. Around 63% of the bank's shares are in free float, the rest of the shareholder base is well diversified with a broad geographic spread and different investment strategies. The institutional investors are primarily from Western Europe and North America.

On 13 July 2021, Moody's upgraded Addiko Bank AG's long-term Counterparty Risk Assessment (CR Assessment) to Ba1(cr) from Ba2(cr) and its long-term Counterparty Risk Ratings (CRR) to Ba2 from Ba3 following an update of their methodology. All other ratings remained un-changed, the outlook stable.

Addiko Group's Investor relations website https://www.addiko.com/investor-relations/ contains further information, including financial and other information for investors.

2. General economic environment

The Covid-19 pandemic is still affecting the world, including Croatia, with periodic waves occurring every several months. The vaccination rates have peaked after an initial in-crease and remain low, also related to vaccine scepticism. However, this does not seem to have any significant effects on the economy. People and enterprises have adapted to the new normality over time and are behaving as if there was no pandemic. Government is acting in the same way, avoiding lockdowns and introducing just mild restrictions.

As a result, Croatia had better economic results than expected previously. Household consumption was very strong, due to delayed consumption and increased savings. Business investment also flourished, for similar reasons.
With a high economic exposure to tourism, Croatia experienced a very strong rebound based on the good development during the tourism season.

Partly because of the strong economy, but primarily due to the higher international food and energy prices, inflation gained momentum. Although the averages for 2021 were around 2-3%, inflation in December 2021 was around 5%. The Croatian Government has taken measures for addressing these issues, through price freezes and through government transfers.

Croatia's economy grew faster than most EU-CEE countries in 2021, and faster than expected, with real GDP rebounding by an estimated 8.7%. Tourism was the main driver of the good results, with total tourist nights (domestic and foreign) growing by 55% compared to 2020. Inflation reached 5.5% in December 2021, pushing the average for the full year to 2.6%.

3. Transformation programme

In August 2021, the new management team of Addiko launched the Transformation Program to become the leading specialist bank in the region. It aims at challenging universal banks via the best digital offerings and pure online banks via superb personal customers service as well as at accelerating transformation towards a pure specialist bank.

The Transformation Program is planned to run until the end of 2022 and rests on three pillars:

First, on boosting growth in the focus areas by new Consumer & SME initiatives, the expansion of digital and hybrid offerings and the acceleration of the loan book transformation towards the defined focus segments. Second, on aligning the organisational structure and cost base with its specialist strategy by reducing costs and complexity on the one hand and streamlining the operating model on the other hand, leveraging digital capabilities. Third, on tackling special topics proactively which includes an ambitious reduction of NPEs as well as the exploration of structural opportunities.

While the new business initiatives will take longer to materialise, and the accelerated reduction of non-focus will have a negative short-term impact on the net banking income growth, the Transformation Program already yielded first results during 2021:

- The loan book transformation was accelerated:
  - Growth in focus book at 12.5% excluding the medium segment; overall focus growth at 3.1% in 2021,
  - Reduction of concentration in the low-yielding and higher ticket medium segment (-41.5%),
  - Decrease in non-focus book of 32.2% in 2021 following accelerated run-down,
- OPEX was reduced by 5% compared to 2020,
- The push for the NPE reduction was initiated during the second half of 2021, leading to a decrease of HRK 300.6 million in NPE volume to HRK 586.5 million and an NPE ratio of 3.2% at the end of 2021.

Brand repositioning

Addiko Bank is in the midst of a brand repositioning process. The future brand character of the company has been decided to best reflect the business strategy of becoming the leading specialist bank for Consumers and SMEs. Furthermore, a new advertising concept has already been agreed on and is planned for implementation during the second quarter 2022.

As experts in Consumer and SME lending, Addiko stands for speed and flexibility, and promises to be in all situations whenever & wherever customers need that extra boost.

The repositioning process covers:

- Brand narrative,
- User Journey Implication (Implications of the repositioning on the different customer touch points along the overall sales funnel according to the predefined marketing areas),
- Segmentation & Message Hierarchy (Development of a target group segmentation and corresponding cascading of messages for external communication architecture),
- Brand Measurement (Setting up a brand measurement system and defining KPIs).

4. Corporate Governance

4.1. Supervisory Board

In 2021 there were several changes in the composition of the supervisory board.
Three new members of the supervisory board were appointed: Ms. Sanela Pašić (CEO of Addiko Bank Sarajevo) became a member with first day of mandate on 15 March 2021, Mr. Herbert Juranek (CEO of Addiko Bank AG) became a member with first day of mandate on 22 December 2021 and Mr. Sava Ivanov Dalbokov became a member with first day of mandate on 22 December 2021.

All new supervisory board members have extensive experience in banking.

Also, two members of the supervisory board resigned, namely Mr. Nicholas John Tesseyman, with last day of mandate on 21 October 2021, and Mr. Csongor Bulcsu Nemeth, also chairman of the supervisory board, with last day of mandate on 23 December 2021.
The General Assembly rendered on 28 December 2021 a decision on appointment of a new member of the supervisory board, Mr. Andrea Castellarin, subject to and with first day of mandate as of the first day after the date when the Croatian National Bank issues prior approval. Request for prior approval has been submitted to the Croatian National Bank.
To sum up, the status of supervisory board membership on 31 December 2021 was as follows:

- Mr. Tomislav Perović, Deputy chairman to the supervisory board
- Mr. Herbert Juranek, member of the supervisory board
- Mr. Sava Ivanov Dalbokov, member of the supervisory board
- Ms. Sanela Pašić, member of the supervisory board
- Mr. Ferenc Joó, member of the supervisory board.

After 31 December 2021, the supervisory board will choose new chairmanship and deputy chairmanship among its members.

4.2. Management Board

Mr. Joško Mihić submitted his resignation to the position of management board member in September 2021, effective and with last day of mandate on 31 December 2021. Responsibility over streams of Mr. Mihić are taken over by Mr. Žižek, management board chairman, and Mr. Mlikotić, management board member.

5. Branches

At year end 2021 Addiko Bank operated a total of 35 branches. This physical distribution network is continuously being reviewed to enable the hybrid delivery of the Addiko Bank's Consumer and SME focused strategy, in the context of the increasing customers' preference for digital channels and digital innovation.

6. Financial development of the Bank

6.1. Detailed analysis of the reported result

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020	(abs)	(%)
Net banking income	570.5	602.5	-32.1	-5.3%
Net interest income	411.6	441.5	-29.9	-6.8%
Net fee and commission income	158.9	161.0	-2.2	-1.3%
Net result on financial instruments	53.6	78.0	-24.4	-31.3%
Other operating result	-4.5	-15.2	10.7	-70.5%
Operating income	**619.5**	**665.3**	**-45.7**	**-6.9%**
Operating expenses	**-378.9**	**-375.2**	**-3.6**	**1.0%**
Operating result before impairments and provisions	**240.7**	**290.1**	**-49.4**	**-17.0%**
Other result	-145.4	-21.7	-123.7	>100%
Expected credit losses on financial assets	3.5	-125.6	129.0	>100%
Result before tax	**98.7**	**142.8**	**-44.0**	**-30.8%**
Tax on income	-18.8	-55.7	36.8	-66.2%
Result after tax	**79.9**	**87.1**	**-7.2**	**-8.3%**

The **Net interest income** decreased from HRK 441.5 million in 2020, by HRK -29.9 million, or -6.8%, to HRK 411.6 million in 2021. The decrease in interest income, lower by HRK -58.1 million from HRK 517.7 million in 2020 to HRK 459.6 million in 2021 is resulting from the fact that the liquidity generated by the planned run down of non-focus portfolio could not be entirely reinvested in the focus segments during the financial year 2021. This resulted with a consequent higher volume of cash and balances with the central banks, with low or negative interest rates. Furthermore, the decline in interest income reflects lower yields in the bond portfolio compared to 2020. The negative impact in interest income was partially compensated by the decrease in interest expenses from HRK -76.2 million in 2020, by HRK 28.2 million, to HRK -48.0 million in 2021, predominantly resulting from lower interest expenses for customer deposit of HRK -24.1 million, mainly caused by a shift from higher yield term deposits to lower yield current deposits. Consequently, the **net interest margin** marks a slight decrease from 2,5% in 2020 to 2,4% in 2021.

The **Net fee and commission income** slightly decreased to an amount of HRK 158.9 million (2020: HRK 161.0 million). Thereof, fee and commission income increased from HRK 198.9 million in 2020 to HRK 201.5 million in 2021, whereas fee and commission expenses increased from HRK -37.9 million in 2020 to HRK -42.6 million in 2021.

The **Net result on financial instruments** amounts to HRK 53.6 million in 2021, compared to HRK 78.0 million in 2020 and mainly results in both years from realized profits from the sale of debt securities.

The **Other operating result** as the sum of other operating income and other operating expense improved from HRK -15.2 million in 2020, by HRK 10.7 million, to HRK -4.5 million in 2021. This position includes the following significant items:

- Deposit guarantee expenses decreasing from HRK -20.5 million to HRK 0 driven by the notification from the Croatian Deposit Insurance Agency that, starting from 1 January 2021 and until further notice, no payments to the local deposit insurance need to be further performed,
- Restructuring costs increasing from HRK -17.9 million to HRK -22.6 million connected with cost optimization initiatives,
- Income from services provided to the Addiko Group members decreased slightly from HRK 24.5 million in 2020 to HRK 24.2 million in 2021,
- Gain from sale of non-financial asset decreased from HRK 9.2 million in 2020 to HRK 5.4 million in 2021 and results in both years from sales of investment properties.

Operating expenses increased from HRK -375.2 million in 2020 by HRK 3.7 million or 1.0% to HRK -378.9 million at the current reporting date:

- Personnel expenses increased compared to the previous period from HRK -185.6 million in 2020 to HRK -192.7 million in 2021. The increase mainly consists of accrual for variable performance-based bonus expenses which did not occur in the previous reporting period in line with applicable recommendations by the regulators,

- Other administrative expenses decreased from HRK -136.3 million in 2020 by HRK -2.10 million or 1.5% to HRK -134.2 million in 2021. This development was mainly driven by lower IT costs due to insourcing of external applications, renegotiation of licences and transition to new card processor (2021: HRK -54.8 million, 2020: HRK -59.6 million) as well as lower premises expenses (2021: HRK -33.8 million, 2020: HRK -35.4 million),
- Depreciation and amortization decreased from HRK -53.4 million in 2020, by HRK -1.4 million, to HRK -52.0 million in 2021.

Other result with HRK -145.4 million (2020: -21.7 million) was significantly impacted by legal provisions mainly driven by the development in relation to legal matters of CHF currency clauses.

Expected credit losses on financial assets reflect the release in amount of HRK 3.5 million (2020: HRK -125.6 million). The provision bookings were significantly below the amount recognised in YE20, which included risk model adjustments in connection to changed macroeconomic parameters that incorporated estimated impacts of the Covid-19 outbreak. During the first waves of epidemic in 1H20 material impacts to credit quality were anticipated, however, the economy and clients proved to be more resilient and actual cost of risk are better than initially estimated.

Taxes on income amounted to HRK -18.8 million at YE21, as a result of current taxes and deferred taxes arising from changes in temporary differences, compared to HRK -55.7 million at YE20, which was mainly affected by reversal of recognition of deferred taxes on tax losses carried forward resulting in an expense of HRK -46.6 million. This impact was connected with the fact that the tax loss carried forward expired in 2020.

6.2. Detailed analysis of the statement of financial position

in HRK million

	31.12.2021	31.12.2020	(abs)	(%)
Cash reserves	4,555.2	4,228.4	326.8	7.7%
Financial assets held for trading	112.0	133.5	-21.6	-16.1%
Loans and receivables	7,906.0	9,417.8	-1,511.8	-16.1%
Loans and advances to credit institutions	16.3	404.4	-388.1	-96.0%
Loans and advances to customers	7,889.7	9,013.3	-1,123.7	-12.5%
Investment securities	3,926.9	3,457.1	469.8	13.6%
Tangible assets	197.9	240.6	-42.8	-17.8%
Intangible assets	83.1	79.3	3.8	4.8%
Tax assets	62.8	34.4	28.4	82.4%
Current tax assets	0.0	0.0	0.0	0.0%
Deferred tax assets	62.8	34.4	28.4	82.4%
Other assets	57.1	64.3	-7.2	-11.2%
Non-current assets held for sale	2.1	4.1	-2.0	-49.5%
Total assets	**16,903.1**	**17,659.6**	**-756.5**	**-4.3%**

The statement of financial position of Addiko Bank is illustrated in the simple and solid interest-bearing asset structure: almost 50% of the assets are represented by customer loans, most of which belong to the focus area. Regarding the statement of financial position, Bank's strategy continued to change the business composition from lower margin Mortgage lending and Public Finance towards higher value-added Consumer and SME lending. This is reflected by the increased share of these two segments of 67.7% of the gross performing loan book (YE20: 58.0%).

As of YE21 the total assets of Addiko Bank in the amount of HRK 16,903.1 million decreased by HRK -756.5 million or -4.3% compared with the YE20 level (HRK 17,659.6 million). The total risk, i.e., risk-weighted assets including credit, market and operational risk, (Basel III considering IFRS 9 transitional arrangements) decreased to HRK 8,666.6 million (YE20: HRK 9,784.4 million) reflecting the decreases of volumes and amortization of existing portfolio.

The **Cash reserve** increased by HRK 326.8 million to HRK 4,555.2 million as of 31 December 2021 (YE20: HRK 4,228.4 million) which reflects strong liquidity position of the Bank.

Financial assets held for trading decreased by HRK 21.5 million on YE 2021 compared to YE 2020 (HRK 133.5 million at YE20 vs. HRK 112.0 million at YE21). Named portfolio is fully invested in plain vanilla government bonds in order to insure high level of liquidity and transparency.
Overall **loans and receivables** decreased to HRK 7,906.0 million from HRK 9,417.8 million at year end 2020:

- Loans and receivables to credit institutions (net) decreased by HRK 388.1 million to HRK 16.3 million (YE20: HRK 404.4 million). Named decrease is mainly induced by reduction of deposits towards financial institutions,
- Loans and receivables to customers (net) decreased by HRK -1,123.6 million to HRK 7,889.7 million (YE20: HRK 9,013.3 million). The change was mainly in the non-focus segments with Mortgage Business and Large Corporate and Public Finance decreasing from HRK 3,724.6 million at year-end 2020 to HRK 2,512.6 million, which could not be compensated by the new disbursements in the focus segments, Consumer and SME lending, increasing to HRK 5,274.0 million (YE20: HRK 5,142.3 million).

The **investment securities** increased by HRK 469.8 million, from HRK 3,457.1 million at YE20, to HRK 3,926.9 million at YE21. The portfolio is largely invested in high rated government and financial institution bonds and has average duration of less than four years. To ensure high levels of liquidity and transparency in the securities portfolios, all investments were "plain vanilla" without any embedded options or other structured features.

Tangible assets decreased by HRK 42.7 million to HRK 197.9 million (YE20: HRK 240.6 million) mostly due to sale and impairment of named assets.

Tax assets increased to HRK 62.8 million (2020: HRK 34.4 million) as a result of the changes in temporary differences. Deferred tax assets on tax losses carried forward was reversed at YE20 due to the fact that tax loss carried forward expired in 2020.

Other assets decreased slightly to HRK 57.1 million (YE20: HRK 64.3 million). The main amounts in this position are related to Prepayments and accrued income (YE21: HRK 30.4 million; YE20: HRK 22.8 million).

in HRK million

	31.12.2021	31.12.2020	(abs)	(%)
Liabilities				
Financial liabilities held for trading	5.1	13.0	-7.8	-60.5%
Financial liabilities measured at amortised cost	13,408.5	14,510.0	-1,101.5	-7.6%
Deposits of credit institutions	147.0	80.6	66.3	82.2%
Deposits of customers	12,646.6	12,915.5	-269.0	-2.1%
Borrowings	260.1	351.1	-91.0	-25.9%
Subordinated debt	233.5	1,044.9	-811.4	-77.7%
Other financial liabilities	121.4	117.8	3.6	3.0%
Provisions	312.9	195.8	117.1	59.8%
Current tax liabilities	32.9	0.0	32.9	0.0%
Other liabilities	56.2	85.6	-29.4	-34.3%
Total liabilities	**13,815.6**	**14,804.4**	**-988.8**	**-6.7%**
Equity				
Share capital	2,558.9	2,558.9	0.0	0.0%
Additional Tier 1 capital	299.6	0.0	299.6	0.0%
Legal and other reserves	133.1	133.1	0.0	0.0%
Fair value reserve	11.0	76.1	-65.1	-85.5%
Accumulated profit	84.8	87.1	-2.3	-2.7%
Total equity	**3,087.5**	**2,855.2**	**232.2**	**8.1%**
Total liabilities and equity	**16,903.1**	**17,659.6**	**-756.5**	**-4.3%**

On the liabilities' side, **financial liabilities measured at amortized cost** decreased at HRK 13,408.5 million compared to HRK 14,510.0 million at year end 2020:

- Deposits of credit institutions increased by HRK 66.4 million from HRK 80.6 million at YE20 to HRK 147.0 million as of YE21,
- Deposits of customers slightly decreased at HRK 12,646.6 million (YE20: HRK 12,915.5 million). The strong deposit base demonstrates client confidence in the Bank,
- Borrowings decreased by HRK 91.0 million from HRK 351.1 million at YE20 to HRK 260.1 million at YE21,
- Subordinated debt decreased by HRK 811.4 million due to repayment of Tier 2 line at the maturity in amount of HRK 1,038.6 million to Addiko Bank AG and at the same time issuance of two new instruments – Tier 2 line in the amount of HRK 244.7 million and AT1 Bond in the amount of HRK 299.6 million.
- Other financial liabilities slightly increased from HRK 117.8 million at YE20 to HRK 121.4 million at YE21.

Provisions increased from HRK 195.8 million at YE20 to HRK 312.9 million at YE21. The development was primarily influenced by provisions for legal cases as well as provisions for variable performance-based bonus expenses which did not occur in the previous reporting period in line with applicable recommendations by the regulator.

Current Tax liabilities amounts to HRK 32.9 million at YE21 which represents 100% increase compared to YE20 due to the fact that tax losses carried forward expired at the end of 2020, therefore, the bank started to calculate current tax obligations.

Other liabilities decreased from HRK 85.6 million at YE20 to HRK 56.2 million in YE21 and mainly include liabilities related to card business and accruals for services received but not yet invoiced.

The development of **equity** from HRK 2,855.2 million at YE20 to HRK 3,087.5 million at YE21 is mainly the result of issuance of new AT1 Bond in the amount of HRK 300 million and at the same time reduction of revaluation of financial assets measured at fair value through other comprehensive income in the amount of HRK 65 million.

6.3. Capital and liquidity Requirement

The Overall Capital Requirement (OCR) valid on 31 December 2021 was 16.8%, based on SREP decision and applied combined buffer requirement, consisting of:

- 12.3% TSCR (8% Pillar 1 Requirement and 4.3% Pillar 2 Requirement); and
- 4.5% CBR (2.5% Capital Conservation Buffer, 1.5% Systemic Risk Buffer, and 0.5% O-SII buffer).

The capital base of the Bank was made up of CET1, AT1, and T2 capital instruments, and stands at 36.4% (YE20: 28.6%), well above the OCR. In addition to capital requirement, the SREP for 2021 did not result with any additional requirements for the Bank in terms of Pillar 2 Guidance.

The increase in the total capital adequacy derives both from the RWA reduction, driven by the amortization and early repayments of non-focus portfolio, as well as increase of total capital. Total capital increased by HRK 355 million during the reporting period, reflecting mainly issuance of the instrument of Additional Tier 1 capital (AT1) in the amount of HRK 299.6 million (EUR 40 million) and renewal of the subordinated instrument (T2) in the amount of HRK 224.7 million (EUR 30 million), while changes in other comprehensive income had negative impact on total capital position.

The inclusion of the Republic of Croatia in the single resolution mechanism implies the general responsibility of the Single Resolution Board (SRB) for efficient and consistent functioning of the single resolution mechanism. The Single Resolution Board became directly responsible for exercising resolution powers over some credit institutions based in Croatia, including Addiko Bank d.d. as of March 2021.

In March 2021, Addiko received the decision from the Single Resolution Board (SRB) relating to the future MREL requirement, which amounts to 26.13% of TREA (total risk exposure amount) and 5.91% of LRE (leverage ratio exposure) based on the point-of-entry (PoE) strategy at the subsidiary level of Addiko Bank d.d. (Croatia). According to the final decision the MREL requirement shall be reached by 1 January 2022 and shall be met at all times from that date onwards.

Taking into consideration the resolution PoE strategy change and the defined MREL target, the 2021 capital structure changed in order to fulfil expected regulatory requirements.

The regulatory approval for inclusion of Additional Tier 1 capital instrument in the amount of EUR 40 million and Tier 2 instrument in the amount of EUR 30 million in Own Funds was received in November 2021, applicable from Q4 2021.

The changes in the capital structure, together with the expected movement of risk-weighted assets of the Bank, lead to an increase in capital adequacy ratios. Based on the year end regulatory capital the Bank already meets the expected MREL requirements in accordance with the SRB calculation methodology.

The liquidity position of the Bank remains strong, with LTD ratio (net) of 62.4% (YE20: 69.8%), thus meeting the liquidity indicators high above the regulatory requirements.

7. Analysis of non-financial key performance indicators

7.1. Human Resources Management

At Addiko Bank we believe that employee success is focused on Accountability, Collaboration and Execution. As our business strategy develops, fundamental principles of our identity remain unchanged - integrity and performance delivery. The consistent focus on transformation is an organizational strength through which Addiko employees demonstrate high organizational agility.

The role of Human Resources (HR) is to elevate People Management, supporting the business to deliver the Bank's unique Business Strategy through its employees. In 2021 dedicated HR teams worked with the Business to shape the COVID-impacted Workplace and re-connect employees. Taking the learnings from 2020, health and safety of Addiko employees remained a priority in 2021. Home office was a norm. Addiko Bank Croatia put forward guidelines that managed flexibility, encouraging employees to safely return to the office when local COVID-19 restrictions allowed. One third of Addiko Bank employees continued to work in the offices and branches due to the nature of their jobs. Benefits (in kind) are provided to stimulate well-being and to support work-life balance.

Key HR process such as hiring, development, talent and performance management were thoroughly revised setting Addiko's Culture Road Map. It will enable culture-fitting employees to achieve profitable business growth whilst adhering to the rules of sound corporate governance.

As Non-Typical and Non-Conventional Bankers, our employees are the building blocks of our bank, defining the skills, culture code and success. Retaining and engaging qualified staff while attracting new talent is an enabler of the Bank's successful transformation. Proof of the collaborative learning culture can be demonstrated through the Addiko Mentoring program as one of the key initiatives supporting our cultural values, with the Management Board running the agenda. There are many on-the-job, in-class and digital learning opportunities available to Addiko Bank's employees over the course of their careers. We also actively encourage employees to apply for jobs internally and support cross-departmental transfers.

Addiko Bank creates an environment that enables the employment of candidates with different backgrounds, experiences and perspectives in order to achieve the best results without limitations.

Priority is given to internal placements and promotions. The internal fill rate for managerial roles is 77%, and over 65% of all vacant positions are internally filled.

As of 31 December 2021, 846 employees were employed at Addiko Bank d.d., equalling 117 less than the end of 2020.

Addiko Bank promotes a performance and feedback culture. The performance management system is a key process for all employees. Over 95% of employees surveyed in 2021 said they received regular performance feedback or career reviews.

Year end 2021 saw the completion of the three-year Diversity & Inclusion Scorecard and Action Plan through which principles of Diversity and Inclusion were strengthened. The 3-year targets to increase gender diversity were achieved, introducing significant changes to recruitment, remuneration and talent management practices.

Addiko Bank achieved the EU-sponsored ‘Mamforce’ top employer recognition, an award given to companies who actively promote diversity and inclusion in their workplace practices. The award is given only after an audit of the Company's metrics, policies, and practices. The award confirms that the organization is actively committed to achieving measurable Diversity targets by Year End 2024. The audit is repeated annually to ensure improvement in this area year on year.

Addiko Bank continues to work on its reputation, aiming to be recognised as an attractive employer. Through the 'Employer Partner Certificate' issued by SELECTIO Addiko Bank Croatia was recognised as a company with high standards of Human Resource management, positioned amongst the Top Employers in Croatia. In 2021, Addiko Bank Croatia was also awarded for the newly launched Employer Branding Communication strategy receiving two Best Employer Brand Awards Adria: the Best Employer Brand Award in the banking industry and the Best Employer Brand and Corporate Brand Integration Award. The new Employer Branding strategy emphasizes Addiko's specialist strategy, and a culture based on Accountability, Collaboration and Execution through the new visual identity: ‘Addiko Bank. Bank for unconventional bankers.’ The slogan was created by our employees, also reflecting the Bank’s strategy and brand.

8. Internal Control System for accounting procedures

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

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

The Internal Control System (ICS) consists of a set of rules, procedures and organisational structures which aim to:

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

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

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

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

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

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

9. Consolidated non-financial report

In line with the EU regulation Addiko Bank fully complies with the Directive 2014/95/EU and the rules on disclosure of non-financial and diversity information. The Bank operates and manages social and environmental related topics by continuously developing its responsible approach to business. Accordingly, the Bank's non-financial report includes policies it implemented in relation to environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery and diversity. The non-financial report is prepared as a consolidated independent report and is published online on Addiko Group's website www.addiko.com.

10. Research & Development

Addiko Bank does not conduct any research and development activities.

11. Outlook 2022 and Risk factors

11.1. Outlook

Economic growth is projected to remain strong over the next three years despite some headwinds in the near term. Sharply rising rates of Covid-19 infections are still affecting, with periodic waves occurring every several months. The emergence of the Omicron variant has added to this uncertainty. In addition, supply bottlenecks have intensified and are now expected to last longer, only gradually dissipating from the second quarter of 2022 and fully unwinding by 2023. However, this does not seem to have any material effects on the economy, with people and firms having adapted to the new normality and behaving as if there were no pandemic. Government is acting in the same way, avoiding lockdowns and introducing just mild restrictions.

Real GDP is expected to exceed its pre-Covid-19 level in the first quarter of 2022. As global supply constraints ease and the pandemic-related restrictions and associated uncertainty decrease, growth is consequently expected to be solid in 2022, notwithstanding a less supportive fiscal stance and higher market interest rate expectations. Household consumption will remain the key driver of economic growth, benefiting from a rebound in real disposable income, some unwinding of the accumulated savings and a robust labour market.

Inflation gained momentum, where it is expected to be close to or higher than the 2021 levels at around 2-3%. Although considerably stronger than previously anticipated, these inflationary pressures are still assessed to be largely temporary, reflecting a surge in energy prices and international and domestic mismatches in demand and supply as economies reopen. High inflation will reduce real incomes to some extent and might slow down spending and growth in turn.

Higher energy prices may also have an adverse effect on businesses and households as they have increased substantially in Europe and the CSEE region, which may affect small and medium companies in particular. The Croatian Government has taken measures for addressing these issues, through price freezes and government transfers, but these measures are only short-term.

Overall, the expectations for 2022 are that Croatia will continue to grow solidly.

The Croatian economy is expected to expand by 5.0%, with the inflow of EU Recovery and Resilience Facility (RRF) funds further supporting Croatia's growth dynamics. According to government estimates, the implementation of the RRF-financed projects – including the reconstruction of earthquake-damaged infrastructure – will contribute 1.4% to headline GDP growth in both 2022 and 2023. As the government steps up fiscal consolidation with a view to introducing the euro in January 2023, this year's budget deficit will decline to below the 3% Maastricht requirement, and the public debt-to-GDP ratio will fall to around 80%. Supported by economic recovery across the EU and the normalisation of tourist activity, Croatia's current account surplus is projected to rise to 0.5% of GDP, though the unemployment rate will remain at some 7% – above pre-Covid 19 levels. Persistent global supply-chain disruptions and higher energy prices will continue to exert upward pressure on inflation, which should average 3% in 2022, albeit with some volatility.

Concurrent with the improved growth expectations, the CSEE region offers higher growth compared to mature markets with still underserved niches to be identified. For this reason, the Group intends to further accelerate its competitive specialist strategy execution in the CSEE markets in 2022, focusing on sustainable business growth in the segments Consumer and SME with a specific focus on micro and small enterprises and the overall ambition to become the leading CSEE specialist bank for these segments.

Addiko's prudent risk approach will remain a key anchor of the loan growth generation strategy. Addiko intends to rebalance its risk appetite to enable growth and at the same time to leverage on its advanced risk-management tools across Consumers and SMEs as part of its modern digital platform.

The clear focus on Consumer and SME business will accelerate the transformation of the balance sheet of Addiko towards theses higher value generating segments. In this context, Addiko will consider the possibility of capital generation via faster non-focus reduction. Addiko believes that the reduction in the non-focus portfolio will generate value in the long term by sharpening the focus in the core segments and releasing capital from higher risk weight non-focus loans.

As one of its short-term ambitions, Addiko intends to further push its efficiency by reducing costs and complexity and streamlining its operating model.

The above Outlook 2022 does not consider any potential impacts from the evolving Russia-Ukraine situation. The ongoing conflict situation does not impact Addiko Bank d.d. directly, as it has no operating presence in those countries; direct exposures to both countries are negligible and no meaningful additional risk provisioning is currently anticipated in this context. However, indirect effects, such as financial market volatility, sanctions-related knock-on effects on some of our customers or the emergence of deposit insurance or resolution cases cannot be ruled out, though.

11.2. Risk Factors

Given Addiko's focus on Consumer and SME, the business is particularly tied to the economic cycle and the financial performance of the bank could be better or worse than expected depending on how the economy performs. In addition, the negative impact of potential further lockdowns to combat the Covid-19 pandemic could also have a negative impact on the bank's earnings than expected.

A review of conflicting rulings related to historical CHF lending in Croatia by the Croatian Supreme Court could also have negative consequences for the bank's financial performance.

Zagreb, 11 March 2022
Addiko Bank d.d. Zagreb

MANAGEMENT BOARD

Mario Žižek
President of the Management Board

Ivan Jandrić
Member of the Management Board

Dubravko-Ante Mlikotić
Member of the Management Board

Financial Statements

I. Statement of comprehensive income

Statement of profit or loss

in HRK million

	Note	01.01. - 31.12.2021	01.01. - 31.12.2020
Interest income calculated using the effective interest method	(30)	457.2	512.8
Other interest income	(30)	2.3	4.9
Interest expenses	(30)	-48.0	-76.2
Net interest income		**411.6**	**441.5**
Fee and commission income	(31)	201.5	198.9
Fee and commission expenses	(32)	-42.6	-37.9
Net fee and commission income		**158.9**	**161.0**
Net result on financial instruments	(32)	53.6	78.0
Other operating income	(33)	35.7	38.6
Other operating expenses	(33)	-40.2	-53.8
Operating income		**619.5**	**665.3**
Personnel expenses	(34)	-192.7	-185.6
Other administrative expenses	(35)	-134.2	-136.3
Depreciation and amortisation	(36)	-52.0	-53.4
Operating expenses		**-378.9**	**-375.2**
Operating result before impairments and provisions		**240.7**	**290.1**
Other result	(37)	-145.4	-21.7
Expected credit losses on financial assets	(38)	3.5	-125.6
Result before tax		**98.7**	**142.8**
Tax on income	(39)	-18.8	-55.7
Result after tax		**79.9**	**87.1**
thereof attributable to equity holders of parent		79.9	87.1

	31.12.2021	31.12.2020
Result after tax attributable to ordinary shareholders (in HRK million)	79.9	87.1
Weighted-average number of ordinary shares (in units of shares)	1,248,243.0	1,248,243.0
Earnings per share (in HRK)	64.0	69.8
Weighted-average diluted number of ordinary shares (in units of shares)	1,248,243.0	1,248,243.0
Diluted earnings per share (in HRK)	64.0	69.8

The following notes (1) – (80) are an integral part of these financial statements.

Statement of other comprehensive income

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Result after tax	**79.9**	**87.1**
Other comprehensive income	**-65.1**	**-26.0**
Items that will not be reclassified to profit or loss	**-2.5**	**-7.6**
Tangible assets	0.0	-10.2
Net change	0.0	-12.5
Income Tax	0.0	2.2
Fair value reserve - equity instruments	-2.5	2.7
Net change in fair value	-3.0	3.3
Income Tax	0.5	-0.6
Items that are or may be reclassified to profit or loss	**-62.6**	**-18.4**
Fair value reserve - debt instruments	-62.6	-18.4
Net change in fair value	-63.8	17.9
Net amount transferred to profit or loss	-12.5	-40.3
Income Tax	13.7	4.0
Total comprehensive income for the year	**14.9**	**61.1**
thereof attributable to equity holders of parent	14.9	61.1

The following notes (1) – (80) are an integral part of these financial statements.

II. Statement of financial position

in HRK million

	Note	31.12.2021	31.12.2020
Assets			
Cash reserves	(40)	4,555.2	4,228.4
Financial assets held for trading	(41)	112.0	133.5
Loans and receivables		7,906.0	9,417.8
Loans and advances to credit institutions	(42)	16.3	404.4
Loans and advances to customers	(42)	7,889.7	9,013.3
Investment securities	(43)	3,926.9	3,457.1
Tangible assets		197.9	240.6
Property, plant and equipment	(44)	181.1	232.9
Investment property	(44)	16.7	7.8
Intangible assets	(45)	83.1	79.3
Tax assets		62.8	34.4
Current tax assets		0.0	0.0
Deferred tax assets	(39)	62.8	34.4
Other assets	(47)	57.1	64.3
Non-current assets held for sale	(48)	2.1	4.1
Total assets		**16,903.1**	**17,659.6**
Liabilities			
Financial liabilities held for trading	(49)	5.1	13.0
Financial liabilities measured at amortised cost		13,408.5	14,510.0
Deposits from credit institutions	(50)	147.0	80.6
Deposits from customers	(50)	12,646.6	12,915.5
Borrowings	(50)	260.1	351.1
Subordinated debt	(50)	233.5	1,044.9
Other financial liabilities	(50)	121.4	117.8
Provisions	(51)	312.9	195.8
Current tax liabilities		32.9	0.0
Other liabilities	(52)	56.2	85.6
Total liabilities		**13,815.6**	**14,804.4**
Equity			
Share capital	(53)	2,558.9	2,558.9
Additional Tier 1 capital	(53)	299.6	0.0
Legal and other reserves	(53)	133.1	133.1
Fair value reserve	(53)	11.0	76.1
Accumulated profit	(53)	84.8	87.1
Total equity		**3,087.5**	**2,855.2**
Total liabilities and equity		**16,903.1**	**17,659.6**

The following notes (1) – (80) are an integral part of these financial statements.

III. Statement of changes in equity

The statement of changes in equity is presented in 2021 as follows:

in HRK million

	Share capital	Additional Tier 1 capital	Legal and other reserves	Fair value reserve	Accumulated profit	Total
Equity as at 01.01.2021	**2,558.9**	**0.0**	**133.1**	**76.1**	**87.1**	**2,855.2**
Result after tax	0.0	0.0	0.0	0.0	79.9	79.9
Other comprehensive income	0.0	0.0	0.0	-65.1	0.0	-65.1
Total comprehensive income	0.0	0.0	0.0	-65.1	79.9	14.9
Issued Additional Tier 1 capital	0.0	299.6	0.0	0.0	0.0	299.6
Dividends paid	0.0	0.0	-87.1	0.0	0.0	-87.1
Distribution of profit from previous year	0.0	0.0	87.1	0.0	-87.1	0.0
Other changes (Note 53)	0.0	0.0	0.0	0.0	4.9	4.9
Equity as at 31.12.2021	**2,558.9**	**299.6**	**133.1**	**11.0**	**84.8**	**3,087.5**

The statement of changes in equity is presented in 2020 as follows:

in HRK million

	Share capital	Legal and other reserves	Revaluation reserve	Fair value reserve	Accumulated profit	Total
Equity as at 01.01.2020	**2,558.9**	**138.2**	**10.2**	**91.8**	**219.6**	**3,018.7**
Result after tax	0.0	0.0	0.0	0.0	87.1	87.1
Other comprehensive income	0.0	0.0	-10.2	-15.8	0.0	-26.0
Total comprehensive income	0.0	0.0	-10.2	-15.8	87.1	61.1
Dividends paid	0.0	-5.0	0.0	0.0	-219.6	-224.6
Other changes	0.0	0.0	0.0	0.0	0.0	0.0
Equity as at 31.12.2020	**2,558.9**	**133.1**	**0.0**	**76.1**	**87.1**	**2,855.2**

The following notes (1) – (80) are an integral part of these financial statements.

IV. Statement of cash flows

in HRK million

	2021	2020
Result after tax	**79.9**	**87.1**
Depreciation and amortisation of intangible and tangible fixed assets	63.8	59.5
Change in risk provisions on financial instruments	-3.5	125.6
Modification gains or losses	0.1	3.0
Change in provision	171.7	26.8
Gains or losses on investment securities	-12.6	-40.5
Gains or losses from disposal of intangible assets and tangible fixed assets	-5.4	-9.2
Gains or losses on financial instruments at FVTPL	-28.9	-51.8
Net interest income	-411.6	-441.5
Foreign exchange differences	-11.2	13.9
Dividend income	-0.1	-0.2
Subtotal	**-157.7**	**-227.2**
Loans and advances to credit institutions and customers	1,482.0	766.8
Investment securities	-471.9	763.9
Financial assets held for trading	49.8	45.3
Other assets	-5.9	43.8
Financial liabilities measured at amortised cost	-1,131.1	-114.5
Financial liabilities held for trading	-6.5	4.2
Provisions	-50.8	-67.4
Other liabilities	4.9	-10.6
Payments for taxes on income	0.0	0.0
Interests received	470.7	507.7
Interests paid	-44.9	-83.8
Dividends received	0.1	0.2
Cash flows from operating activities	**138.8**	**1,628.4**
Proceeds from the sale of:	24.6	26.3
Tangible assets, investment properties, lease assets and intangible assets	22.6	26.3
Non-current assets held for sale	2.0	0.9
Payments for purchases of:	-45.9	-59.7
Tangible assets, investment properties, lease assets and intangible assets	-45.9	-59.7
Cash flows from investing activities	**-21.2**	**-33.4**
Dividends paid	-87.1	-224.6
Lease payments	-13.7	-17.0
Proceeds from issuing of Additional Tier 1 capital	299.6	0.0
Cash flows from financing activities	**198.8**	**-241.6**
Net (decrease) increase in cash and cash equivalents	**316.3**	**1,353.3**
Cash reserves at the end of previous period (01.01.)	**4,230.4**	**2,882.7**
Effect of exchange rate changes	8.6	-5.6
Cash reserves at the end of period (31.12.)	**4,555.4**	**4,230.4**

The following notes (1) – (80) are an integral part of these financial statements.

V. Notes to the financial statements

Company

Addiko Bank d.d. Zagreb is a joint stock company registered in the commercial register of the Commercial Court in Zagreb. The registered office of the Bank is located in Slavonska avenija 6, 10000 Zagreb, Croatia.

The Bank was granted a full banking license by the Croatian National Bank ("CNB") in 1996 and started its banking activities in September 1997.

The Bank is a fully owned by Addiko Bank AG, a fully licensed Austrian parent bank registered in Vienna, Austria, supervised by the Austrian Financial Market Authority and by the European Central Bank. Consolidated reports of the parent company can be found at www.addiko.com.

During 2021 the operations were conducted through the Bank's head office located in Zagreb and through branches organized into regional centres Zagreb and Central Croatia, Dalmatia, Istria and Kvarner and Slavonia and Baranja.

Addiko Bank d.d. Zagreb is a consumer and small and medium-sized enterprises (SME) specialist bank that operates in Republic of Croatia.

Based on its focused strategy, the Bank is a specialist for consumer and SME banking with a focus on growing its Consumer and SME lending activities as well as payment services (its "focus areas"), offering unsecured personal loan products for consumers and working capital loans for its SME customers funded largely by retail deposits. The Bank's Mortgage, Public and Large Corporate portfolios (its "non-focus areas") have been gradually reduced over time, thereby providing liquidity and capital for the steady growth in its Consumer and SME lending.

Accounting policies

(1) Accounting principles and statement of compliance

The financial statements have been prepared in accordance with statutory accounting requirements for banks in the Republic of Croatia. The statutory accounting requirements for banks in the Republic of Croatia as of 31 December 2021 are based on the recognition and measurement requirements of International Financial Reporting Standards as adopted in the EU (the "EU IFRS" or "the Standards") and the CNB's banking regulations.

In these financial statements, balances in the statement of financial position and the related notes as of 31 December 2021 and 31 December 2020 are aligned to the EU IFRS recognition and measurement requirements, in all material respects.

According to the provisions of Article 21 (2) of the CNB's Decision on the classification of exposures into risk categories and the method of determining credit losses ("the Decision"), from 1 January 2020 banks in the Republic of Croatia are no longer obliged to recognise allowance for expected credit losses (risk subgroups A1 and A2) on stage 1 and stage 2 exposures carried at amortised cost and eligible off - balance sheet exposures of at least 0.8%. Following the specific CNB guidance (Q&A 2019-712), any resulting difference in expected credit losses is recorded in 2020 income statement.

The principal difference between the accounting regulations of the CNB (primarily the requirements of the Decision) and recognition and measurement requirements of EU IFRS until 1 January 2020 was as follows:

- CNB required credit institutions to recognise impairment losses, in the income statement, for exposures classified in the risk subgroups A-1 and A-2 that could not be less than 0.8% of the gross carrying amount of eligible exposures measured at amortised cost, including exposures to financial institutions and sovereigns.

Overall expected credit loss allowance calculated under the internal EU IFRS based model was different over the periods. The difference for the Bank fully stems from the non-retail portfolio, including corporates, financial institutions and sovereigns.

Other differences, listed below, do not raise material departure from the recognition and measurement requirements of EU IFRS as of 31 December 2021 and 31 December 2020.

- The CNB prescribes minimum levels of impairment losses against certain non-performing exposures for which individual impairment has been recognised, regardless of the net present value of expected future cash flows, so that the impairment thus calculated may be different from the impairment loss required to be recognised in accordance with the IFRS requirements
- The Bank recognises provisions for court cases by incorporating the probability of loss into measurement of the provision (i.e., if the probability of loss is estimated to be 10%, the provision will be calculated as 10% of the potential loss), which is contrary to IFRS, which require the full amount of potential loss to be recognised where it is probable that the court case will be lost.

The principal accounting policies applied in the preparation of these financial statements are summarised below. The Bank has consistently applied the following accounting policies to all periods presented in these financial statements. Where specific accounting policies are aligned with accounting principles set out in EU IFRS, reference may be made to certain Standards in describing the accounting policies of the Bank unless otherwise stated, these references are to Standards as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU") applicable as at 31 December 2021.

The financial statements consist of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements. In principle, the statement of financial position is structured in descending order of liquidity. Amounts due or realizable within twelve or more than twelve months after the reporting date are described in Note (67) Analysis of remaining maturities.

The financial statements are prepared on a going concern basis which assumes the Bank will continue its business operations in the foreseeable future. Regarding estimates and assumptions according to IAS 1, please refer to Note (5) Use of estimates and assumptions/material uncertainties in relation to estimates.

The same estimates, judgments, accounting policies and methods of computation are followed in the financial statements as compared with the most recent annual financial statements.

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

These financial statements are presented in Croatian kuna ("HRK"), which is the Bank's functional and presentational currency. All amounts have been rounded to the nearest million, except when otherwise indicated. The tables shown may contain rounding differences.

On 11 March 2022, the Management Board of Addiko Bank d.d. Zagreb approved the financial statements as at 31 December 2021 for publication by submitting them to the Supervisory Board. The Supervisory Board is responsible for examining the financial statements and announcing whether it approves the financial statements as at 31 December 2021.

(2) Covid-19 disclosures

Considerations and significant impacts of the Covid-19 outbreak are presented within the Addiko Bank financial statements in those chapters to which they can be assigned thematically:

- Note (6) Accounting topics affected by Covid-19, discusses the accounting and measurement methods affected by Covid-19.
- Note (59) Credit risk and Credit related risks contains a separate sub-chapter “Moratoria due to Covid-19” which contains information on credit exposures subject to certain Covid-19 measures.
- Note (60) Development of Risk provisions explains the considerations of the pandemic on the ECL measurement and sensitivity analyses.
- Note (78.3) Own funds and capital requirements discusses the adjustments to the regulatory framework due to the current Covid-19 crisis.

(3) Changes in the presentation of the financial statements

In 2021, the Bank has reclassified the Visa Inc. Series C Participating Preferred Stock from the portfolio of equity instruments measured at fair value through other comprehensive income into the portfolio of debt instruments mandatorily measured at fair value through profit or loss. The effect of changes in the fair values that accumulated until 1 January 2021 in other comprehensive income in the amount of HRK 4.5 million was presented as a reclassification into retained earnings without restating the amount of the prior period, considering that it is not a material amount which would require restatement. The change in fair value for 2021 in the amount of HRK -0,3 million is presented in position “Net result on financial instruments”.

(4) Application of new standards and amendments

New standards, interpretations and their amendments are listed below.

The following new standards, interpretations and amendments to existing standards are mandatory for periods beginning on 1 January 2021:

Standard	Name	Description	Effective for financial year
IFRS 16	Amendments to IFRS 16 Leases	Covid-19 Related Rent Concessions	from June 2020
IFRS 9, IAS 37, IFRS 7, IFRS 4 and IFRS 16	Amendments to IFRS 9 Financial Instruments; IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, and IFRS 16 Leases	Interest rate benchmark reform - Phase 2	2021
IFRS 4	Amendments to IFRS 4 Insurance contracts	Deferral of IFRS 9	2021

4.1. Amendments to IFRS 16 Leases: Covid-19 Related Rent Concessions

The amendments to **IFRS 16 Leases** (Covid-19-Related Rent Concessions) provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Bank chose not to apply the practical expedient.

4.2. Amendments to IFRS 9 Financial Instruments: Interest rate benchmark reform – Phase 2

The amendments to **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** deal with replacement issues affecting financial reporting when an existing interest rate benchmark depending on submissions based on interbank offered rates (IBORs) are actually replaced by alternative nearly risk free rates (RFR) based on liquid underlying market transactions.

The Bank applied these amendments to annual reporting periods beginning on or after 1 January 2021 retrospectively. Earlier application is permitted, and restatement of prior period is not required. The Bank did not have any transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, therefore there is no impact on opening equity as a result of retrospective application.

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

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

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then first the effective interest rate of the financial asset or financial liability is updated to reflect the change that is required by interest rate benchmark reform. After that, all other modifications are accounted for using the current IFRS requirements.

In addition, the amendments introduce practical expedients in case future lease payments are changed as required by the interest rate benchmark reform. In such case the lease liability is remeasured by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

Furthermore, the amendments clarify that **hedge accounting** is not discontinued because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

The Bank has exposure to IBORs on its financial instruments that will be reformed. Although some of the IBORs were planned to be discontinued by the end of 2021, consultations and possible regulatory changes are in progress. LIBOR reference rates EUR, GBP, CHF, JPY for all tenors and USD LIBOR reference rates for 1W and 2M tenors ceased at the end of 2021. As at 31 December 2021, it is known that the remaining USD LIBOR tenors will be ceased as at 30 June 2023. New alternative reference rates (SONIA, SARON, TONAR, SOFR) are available as a replacement of the ceased rates.

The Bank is in process of amending or preparing to amend contractual terms for the existing contracts that are indexed to an IBOR and mature after the expected cessation of the IBOR rates, for example the incorporation of fallback provisions and establishing pricing for new products in response to IBOR reform, and there is still uncertainty over the timing and the methods of transition. The main risks to which the Bank is exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves, revision of operational controls related to the reform and assessing of potential litigation risk. Financial risk is predominantly limited to interest rate risk.

The Bank's IBOR exposures to non-derivative financial assets as at 31 December 2021 were Loans and advances indexed to EURIBOR and LIBOR. The Bank's IBOR exposures to non-derivative financial liabilities as at 31 December 2021 were deposits indexed to EURIBOR. The Bank holds interest rate derivatives with floating legs that are indexed to EURIBOR and LIBOR.

On 22 October 2021, the European Commission adopted the implementing regulations on the designation of a statutory replacement rate for two interest rate benchmarks, the Swiss Franc London Interbank Offered Rate (CHF LIBOR) and the Euro Overnight Index Change (EONIA).

The main focus of the Bank during 2021 was the transition of CHF LIBOR (predominantly in customer loans), as it had no exposure to other IBOR rates which were set for termination at the end of the year. Because of a statutory solution based on EU Commission implementing act, annexes of customers´ contracts are not needed. Customer loans will be automatically migrated to SARON (Swiss Average Rate Overnight) Compound Rate with first interest rate reset in 2022.

EURIBOR was so far reformed (the calculation methodology was changed) rather than being replaced. The Bank expects that EURIBOR will continue to exist as a benchmark rate.

The Bank further monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts and the volume of instruments that have yet to transition to an alternative benchmark rate. The Bank evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

The following table shows the total amount of financial instruments which are yet to transition to the new reference rates and which are referenced to LIBOR held on 31 December 2021:

in HRK million

	Non-derivative financial assets		Non-derivative financial liabilities		Derivatives	
	No. of contracts	Carrying amount	No. of contracts	Carrying amount	No. of contracts	Carrying amount
CHF	273	149.9	4	0.3	0	0.0
USD	0	0.0	16	1.9	2	66.4
Total	**273**	**149.9**	**20**	**2.3**	**2**	**66.4**

In addition, on 31 December 2021 the Bank had no derivative contracts which were referenced to EONIA, however it had credit support (variation margin) linked to named rate. Because of a statutory solution based on EU Commission implementing act, it was replaced on 3 January 2022 with Euro short term rate (€STR - new alternative reference rate which is administered by ECB) plus a fixed spread.

4.3. Amendments to IFRS 4 Insurance contracts: Deferral of IFRS 9

The amendments to **IFRS 4 Insurance contracts** (Deferral to IFRS 9) provide an extension of the end date for applying the temporary exemption from IFRS 9 to 1 January 2023. These amendments are not applicable for the Bank.

4.4. New standards not yet effective

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

Standard	Name	Description	Effective for financial year
IFRS 16	Amendments to IFRS 16 Leases	Covid 19-Related Rent Concessions	from April 2021
IFRS 1, IFRS 9, IFRS 16, IAS 41	Annual improvements to IFRS Standards 2018-2020 Cycle	IFRS 1 First-time Adoption of IFRS, IFRS 9 Financial instruments, IFRS 16 Leases, IAS 41 Agriculture	2022
IFRS 3	IFRS 3 Business Combinations	Update of reference to Conceptual Framework	2022
IAS 16	IAS 16 Property, Plant and Equipment	Proceeds before intended use	2022
IAS 37	IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Onerous contracts	2022

The amendments to **IFRS 16 Leases** (Covid-19-Related Rent Concessions) extend the practical expedient in relation to Covid-19 related rent concession for any change in lease payments originally due on or before 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted. The Bank chose not to apply the practical expedient.

The collection of **annual improvements to IFRSs 2018-2020** includes amendments to the following standards:

- The amendments to **IFRS 1** permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent´s date of transition to IFRSs.
- The amendments to **IFRS 9** clarify which fees an entity includes when it applies to “10 percent” test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other´s behalf.
- The amendment to **IFRS 16** only regards changes in illustrative example 13 (no effective date is stated).
- The amendments to **IAS 41** remove the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The amendments apply to annual reporting periods beginning on or after 1 June 2022. Earlier application is permitted. These amendments will not result in any significant changes for the Bank.

The amendments to **IFRS 3** update outdated references in IFRS 3 without significantly changing its requirements.
The amendment applies to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments will not result in any significant changes for the Bank.

The amendments to **IAS 16** relate to revenue incurred before an item of property, plant and equipment is ready for use. Costs for test runs to check whether an item of property, plant and equipment is functioning properly continue to be directly attributable costs. If goods are already produced as part of such test runs, both the income from their sale and their production costs must be recognised in profit or loss in accordance with the relevant standards. It is therefore no longer permissible to offset the net proceeds against the cost of the item of property, plant and equipment. The amendment applies to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments will not result in any significant changes for the Bank.

The amendments to **IAS 37** clarify which costs should be considered as costs of fulfilling the contract when assessing whether a contract is onerous. Costs of fulfilling a contract comprise the costs that relate directly to the contract. They can be incremental costs of fulfilling a contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment applies to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments will not result in any significant changes for the Bank.

4.5. New standards and interpretations not yet been adopted by the EU

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

Standard	Name	Description
IFRS 17	IFRS 17 Insurance contracts	New Standard replacing IFRS 4
IAS 1	Amendments to IAS 1 Presentation of Financial Statements	Classification of liabilities as current or non-current
IAS 1	Amendments to IAS 1 Presentation of Financial Statements	Disclosure of Accounting policies
IAS 8	Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates
IAS 12	IAS 12 Income Taxes	Deferred Tax related to Assets and liabilities arising from a Single Transaction

New **IFRS 17** Insurance contracts will replace IFRS 4. It applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. These amendments will not result in any significant changes for the Bank.

The amendments to **IAS 1** clarify the requirements for classifying liabilities as current or non-current. The amendment applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. These amendments will not result in any significant changes for the Bank.

The amendments to **IAS 1** clarify the requirements for disclosure of material accounting policy instead of significant accounting policies. The amendment applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. These amendments will not result in any significant changes for the Bank.

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

The amendments to **IAS 12** provide a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The amendment applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. These amendments will not result in any significant changes for the Bank.

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

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

Credit risk provisions
The Bank regularly assesses the recoverability of its problematic loans and recognises corresponding risk provisions in case of impairment. Estimates as to the amount, duration and probable occurrence of expected return cash flows are made when assessing recoverability. This assessment is based on a detailed analysis and assumptions made, which are however subject to uncertainties. A different estimate of these assumptions may result in a significantly different measurement of credit risk provisions. The model for measurement of expected credit losses requires the assessment of significant increase in credit risk and uses historical data and their extrapolations, the observed data and individual estimations as well as grouping of similar assets when credit risk deterioration has to be assessed on a collective basis.

In light of the ongoing Covid-19 pandemic, assessment regarding the measurement of individual financial assets, assessments regarding the transfer of financial instruments from stage 1 to stage 2, macroeconomic assumptions for the determination of forward-looking information in the course of the calculation of expected credit losses and assumptions for expected cash flows for impaired loans are based on the latest observations available. The long-term impact of the pandemic on economic development, the development of labour and other industry-specific markets as well as the payment holidays granted inside and outside of state or industry moratoria may be in hindsight overestimated or underestimated.

In estimating impairment losses on items individually assessed as impaired, the Bank also takes into consideration the ranges of specific impairment loss rates prescribed by the CNB.

For further information on credit risk provisioning methodology, reference is made to financial assets in Note (16) Financial instruments as well as to the Risk Report under Note (60) Development of risk provisions.

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

Provisions for legal proceedings typically require a higher degree of judgment than other types of provisions. When matters are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognized, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better-defined set of possible outcomes. The calculation of potential losses takes generally into account possible scenarios of how the litigation would be resolved and their probability, considering the history of former verdicts and assessments by independent law firms. In certain cases, due to a short horizon of available historical data and significant uncertainty as to the direction of court decisions as well as the market conditions, the adopted methodology and assumptions may be subjects of updates in subsequent reporting periods. Details regarding provisions for legal cases and uncertainty of estimates are described in Note (51.1) Provisions for pending legal disputes.

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

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

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

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

- Classification of financial assets (business model assessment, SPPI assessment) – the Note (16) Financial instruments.

(6) Accounting topics affected by Covid-19

The Covid-19 outbreak and its effect on the global economy have continued to impact the Republic of Croatia as well, with future effects of the pandemic that still remain uncertain. The speed at which the country returns to pre-Covid-19 levels of economic activity will be affected by the potential introduction of stricter containment measures as a consequence of a relatively low vaccination rate and the appearance of new coronavirus variants, as well as inflationary expectations that could lead to changes in personal consumption. There remains uncertainty regarding the efficacy and side effects of the vaccines over various time horizons, particularly as new variants of the virus emerge. A full return to pre-pandemic levels of social interaction is unlikely in the short to medium term, despite the easing of government restrictions.

ECL models continue to be impacted by the pandemic, particularly as a result of the various government measures introduced to support borrowers during the outbreak. This continues to require enhanced monitoring of model outputs and the recalibration of key loss models to take into account the impacts of Covid-19 on critical model inputs. For further information on credit risk provisioning methodology, reference is made to the Risk Report under Note (60) Development of risk provisions.

In light of the spread of Covid-19, a variety of measures have been taken by government aimed at addressing the economic consequences of the outbreak on individuals, households and businesses. Such measures include public moratoria on repayment of loans. In most cases interest continues to accrue on the outstanding balance during the moratorium period. In case an economic loss is incurred, modification losses are recognised from accounting perspective. This results from the fact that the interest accrued, instead of being repaid or capitalised at the end of the moratorium, is repaid over the period after the moratorium. For further information on credit exposures subject to certain Covid-19 measures, reference is made to the sub-chapter "Moratoria due to Covid-19" in the Note (59) Credit risk and Credit related risks.

(7) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following material items, which are measured on the following alternative basis on each reporting date.

Items	Measurement basis
Financial assets and liabilities held for trading	Fair value
Investment securities at fair value through other comprehensive income	Fair value
Investment securities at fair value through profit or loss	Fair value
Non-current assets held for sale	Lower of carrying amount and fair value less costs to sell

(8) Foreign currency transactions

Transactions in foreign currencies are translated into HRK at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated into HRK at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the statement of profit or loss. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into the reporting currency at the foreign exchange rates ruling at the date that the fair values are determined.

The principal rates of exchange set forth by the Croatian National Bank and used in the preparation of the balance sheet at the reporting dates were as follows:

31 December 2021	1 EUR = HRK 7.517174	1 USD = HRK 6.643548	1 CHF = HRK 7.248263
31 December 2020	1 EUR = HRK 7.536898	1 USD = HRK 6.139039	1 CHF = HRK 6.948371

(9) Leases

9.1. Leases in which the Bank is a lessee

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

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

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

Lease payments generally include fixed payments less lease incentives and variable payments that depend on an index or an interest rate. Prolongation options, termination options and purchase options are also considered (see Note (5) “Use of estimates and assumptions/material uncertainties in relation to estimates”), and also the amounts expected to be payable under a residual value guarantee have to be included in the measurement of lease liability.

Recognising right of use assets on the assets side of the statement of financial position, and the corresponding lease liabilities on the equity and liabilities side, leads to an increase in total assets/equity and liabilities. Since only liabilities increase on the equity and liabilities side and all other items remain the same, the equity ratio decreases. Profit and loss is also impacted. The total amount of the expenses charged over the term of the lease remains the same, but temporal distribution and allocation to different parts of profit and loss change. Pursuant to IFRS 16 expenses are to be split between interest expenses and depreciation. As interest expenses are calculated based on the effective interest method and decrease over the term of the lease, but depreciation is generally carried out on a straight-line basis, this results in a degressive development of expenses with a shift of expenses into the earlier periods of the term. Interest expenses are to be reported under the Net interest income. Additionally, since the annual depreciation of right of use assets under IFRS 16 is lower than the lease rates and all other items remain the same, the operating expenses will decrease.

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

Lease incentives are recognised as part of the measurement of right of use assets and lease liabilities.

9.2. Leases in which the Bank is a lessor

Lessor accounting depends on which party bears the material opportunities and risks in the lease asset.

For the classification and recognition of leases as a lessor (as finance or operating lease), the economic effect of the lease contract prevails over the legal ownership of the leased asset.

The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Under operating leases, the lessor presents the leased assets at cost less scheduled depreciation over the useful life of the asset and less any impairment loss.

9.3. Presentation in the financial statements

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

The Bank as a lessor in an operating lease, with the exception of real estate, presents the leased assets in the line "Property, plant and equipment" in tangible assets. Ongoing lease payments, gains and losses on disposal as well direct operating expenses are reported under the line item “Other operating income” or "Other operating expense", scheduled depreciation under “Depreciation and amortisation” and impairment under “Other result”. Real estate leased under an operating lease is reported in the statement of financial position under the line item “Investment properties” in tangible assets. Ongoing lease payments, gains and losses on disposal, direct operating expenses and scheduled depreciation are reported under the line item “Other operating income” or "Other operating expense” and impairment under “Other result”.

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

(10) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) in accordance with IAS 33 Earnings per share for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares and increasing the weighted average number of ordinary shares outstanding by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(11) Net interest income

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

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

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

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

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

Negative interest from financial assets and financial liabilities is presented in “Net interest income”.

(12) Net fee and commission income

Fee and commission income and expense (other than those that are integral part of effective interest rate on a financial asset or financial liability are included in the effective interest rate) are accounted for in accordance with IFRS 15 Revenue from contracts with customer and are reported in “Net fee and commission income”. The Bank derives its revenue from contracts with customers for the transfer of services over time and at a point in time.

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

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

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

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

- *Transaction services*, representing fee income charged to clients for transactions performed (except credit cards) like payment order, standing order
- *Cards*, representing fee income related to prepaid and credit cards (like monthly membership fees) and acquiring business like membership fees, interchange fees, scheme fees, service fees, etc.

- *Foreign exchange & Dynamic currency conversion*, representing fee income related to foreign exchange transactions like fees from FX spot transaction or Dynamic currency conversions.
- *Trade finance*, representing fee income earned mostly from issuing guarantees and letters of credit.

Other fee and commission expenses relate mainly to transaction and service fees which are expensed as the services are received.

In the Note (31) Net fee and commission income in the Notes to the statement of profit or loss, the product view is used as a base for presentation.

(13) Net result on financial instruments

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

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

Net result on financial instruments at fair value through other comprehensive income includes gains and losses from derecognition and dividends.

(14) Other operating income and other operating expenses

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

(15) Other result

The other result includes impairment losses and reversal of impairment losses for assets classified as held for sale and for non-financial assets. In addition, it shows the result from legal provisions and legal income and expense. Furthermore, the insignificant modification gains and losses are presented in this position.

(16) Financial instruments

The presentation of the items in the statement of financial position as such reflects the nature of the financial instruments. For this reason, the classes have been defined according to those items in the statement of financial position which contain financial instruments in accordance with **IFRS 9** Financial Instruments.

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

16.1. Classification and measurement

Business models

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

- *Hold to collect:* a financial asset held with the objective to collect contractual cash flows.
- *Hold to collect and sell:* a financial asset held with the objective of both collecting the contractual cash flows and selling financial assets.
- *Other:* a financial asset held with trading intent or that does not meet the criteria of the categories above.

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

Contractual cash flow characteristics

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

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

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

The SPPI compliance is assessed as follows:
- The prepayment clauses are not critical if the prepaid amount reflects the outstanding principal, interest and fees associated with the early redemption. The prepayment fee has to be smaller than the loss of interest margin and loss of interest.
- Other contingent payment features are typically side business clauses. The penalty represents the increased costs for risk monitoring or the reimbursement of lost profit which is associated with the triggering event.

- Project financing was assessed whether there is a reference to the performance of the underlying business project. If there is no such reference and the borrower has adequate equity for the project to absorb losses before affecting ability to meet payments on the loan, it may pass the SPPI test.
- Loans with floating interest rates can contain interest mismatch features (fixation date is before the start of the period, reference rate's tenor is different to the rate reset frequency, etc.). To assess whether the time value of money element of interest has been significantly modified (whether the interest mismatch feature could result in contractual undiscounted cash flows that are significantly different from benchmark deal), a quantitative benchmark test has to be performed.

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

During 2021 and 2020, there were no financial instruments with interest mismatch features which would lead to the classification at FVTPL. Significant volumes of financial instruments with critical features are not expected due to the internal policy for new products which eliminates potentially SPPI non-compliant features.

Classification and measurement of financial assets and financial liabilities

Financial assets

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

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

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss
A financial asset that is held for trading or that does not fall into the hold to collect nor hold to collect and sell business models shall be assigned into the other business model and is measured at fair value through profit or loss. In addition, the Bank may use option to designate some financial assets as measured at FVTPL. Interest income is presented in the line "Other interest income". Dividend income and gains and losses from revaluation and derecognition are presented in the line "Net result on financial instruments". In addition, any financial instrument for which the contractual cash flow characteristics are not SPPI compliant must be measured in this category, even if held in a hold to collect or hold to collect and sell business model. Non-trading financial assets consist of the two following subcategories and shall be assigned into the other business model and are measured at fair value through profit or loss.

- *Financial assets designated at fair value through profit or loss*
  At initial recognition, the Bank may irrevocably designate a financial asset that would otherwise be measured subsequently at amortised costs or FVTOCI, as measured at FVTPL, if such designation eliminates or significantly reduces a recognition and measurement inconsistency (i.e., "accounting mismatch") that would otherwise arise from measuring assets and liabilities or recognising the gains or losses on a different basis. Currently there is not such case in the Bank.

- *Financial assets mandatorily at fair value through profit or loss*
  Financial assets are classified in this category if their cash flows are not SPPI compliant or they are held as part of residual business models that are other than held for trading.

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

Financial liabilities

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

When modification or exchange of financial liability measured at amortised cost that does not result in the derecognition is performed, an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange.

Financial liabilities measured at FVTPL consist of financial liabilities held for trading and financial liabilities designated at FVTPL at initial recognition. Changes to the fair value of liabilities designated at FVTPL resulting from changes in own credit risk of the liability are recognised in other comprehensive income, the remaining amount of the change in the fair value has to be presented in profit or loss. The Bank did not make a use of the option to designate some financial liabilities as measured at FVTPL during 2021 and 2020.

There were no changes to the Bank´s business model during 2021 and 2020.

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

16.2. Impairment

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

The lifetime ECL is the expected present value of losses that arise if borrowers' default on their obligations at some time during the complete maturity of the financial assets with simultaneous consideration of probabilities of default as well as credit losses (loss given default).

Loss allowances for ECL are presented in the statement of financial position as follows:
- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed in Note (43) Investment securities.

Overview ECL calculation

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

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

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

The PD (probability of default) parameters reflects the probability of default for a certain period of time. The PDs used for the ECL calculation are derived by models/methodology which were developed by the Bank's or Group's internal model development unit. Generally, the models are based on Bank's internal data and segment specifics whenever possible and plausible. For certain parts of the portfolio, where no significant internal data is available, Group wide models are applied to reflect data availability and portfolio characteristics. In certain cases, also external data from rating agencies is applied for the same reason mentioned before. Methodology wise, an indirect modeling approach is chosen. This means that underlying existing Basel III methodology is used as a starting point and is adapted in a way to be fully IFRS 9 compliant. This includes the removal of any conservatism from the models, the inclusion of forward-looking point-in-time information within the methodology as well as the estimation of lifetime PD term structures.

EAD (exposure at default) is an estimate of the exposure including repayments of principal and interest and expected drawdowns on committed facilities. EAD is specified as the gross carrying amount at time of default while using the effective interest rate to discount cash flows to a present value at the reporting date. In cases where no contractual maturity is given, quantitative and/or qualitative criteria are applied for determining cashflow structure (e.g., frames).

LGD (loss given default) is an estimate of the economic loss under condition of a default. For the LGD parameter in retail an internally developed statistical model on segment level is applied. For Corporate a simplified approach is chosen: Addiko Bank uses expertly determined overall LGD values in that segment. Those values are internally aligned while qualitative and/or quantitative checks are performed to ensure an adequate level.

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

Significant increase in credit risk

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

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

When credit quality is deemed to deteriorate significantly asset is moved into stage 2, referring to Bank's staging criteria (as described further below in more detail). At this point, the full lifetime ECL is applied, resulting in a significant increase in the provisions.

Stage 3 occurs when the credit quality of a financial asset deteriorates to the point that the asset is credit-impaired / defaulted according to the CRR default definition. The regulatory default definition according to CRR (Capital Requirement Regulation) Article 178 of Regulation (EU) No. 575/2013 is as follows:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing collateral (if any is held), or
- The borrower is more than 90 days past due on any material credit obligation to the Bank, whereas absolute component of the material credit obligation amounts to HRK 750 for Retail, and HRK 3,750 for non-retail exposures, while relative component is set at 1% for both retail and non-retail exposures.

Lifetime ECL continuous to be applied for loans in this stage of credit deterioration but interest income is calculated by applying the effective interest rate to the amortised cost (i.e., gross carrying amount adjusted for the loss allowance.)

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

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

Qualitative staging criteria:

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

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

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

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

Forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The Bank has identified and documented key drivers of credit risk for each portfolio of financial instruments incorporating historical data analysis and estimated relationships between macro-economic variables and credit risk. These key drivers used for the analyses include in addition to other important factors the following major indicators: unemployment rates, GDP growth rates, real estate prices, industrial production. All variables incorporated are at country and portfolio level whenever possible and plausible.

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

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

Validation

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

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

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

The validation is performed by the local independent unit and adopted by the local MB.

Write-offs

When the Bank has no reasonable expectations of recovery, a write-off event occurs. A write-off constitutes a derecognition event (either in full or in part) typically triggered by concessions given to borrowers in significant financial difficulties and/or when the Bank determine that it is no longer reasonable to expect any recovery of that amount.

The amount written off can be either a full write-off or a partial write-off.

Write-off can be triggered by different criteria which can include unsecured and secured financial asset and needs to consider all proceedings that Bank can take (legal or internal). Therefore, in cases where financial asset for which the Bank’s right to claim repayment from the debtor in judicial or other proceedings has been terminated by approval of compulsory settlement or any other triggers defined for financial assets that are treated as non-recoverable will lead to executing write-off procedures. Recoveries of amounts previously written off are recognised when cash is received and are included within (38) Expected credit losses on financial assets.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank’s procedures for recovery of amounts due.

16.3. Derecognition and contract modification

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

Contractual adjustments resulting from negotiations with borrowers can lead to two types of modifications of initial contractual cash flows.

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

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

The following main criteria result in significant modifications:

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

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

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

(17) Repurchase agreements

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

(18) Fiduciary transactions

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

(19) Commitments and contingent liabilities

In the ordinary course of business, the Bank enters into credit related commitments which are recorded in off-balance-sheet accounts and primarily comprise guarantees, letters of credit and undrawn loan commitments. Such financial commitments are recorded in the Bank's statement of financial position if and when they become payable.

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

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the IFRS 9 ECL model requirements.

(20) Cash reserves

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

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

Land and buildings used by the Bank in the course of its own business activities as well as operating and office equipment are reported under property, plant and equipment. Assets leased to third parties under operating leases are reported here as well, for further details see Note (9) Leases. Real estate acquired to generate returns is reported under investment properties.

Property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. Scheduled depreciation is recorded on a straight-line basis over the expected useful life. Land, works of art and assets under construction are not subject to depreciation.

The following depreciation rates and expected useful lives are used:

Depreciation rate	in percent	in years
for immovable assets (buildings)	2 - 5 %	25 - 50 yrs
for movable assets (plant and equipment)	10 - 25 %	4 - 10 yrs

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

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

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

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

(22) Intangible assets

Software as well as prepayments made on intangible assets are reported under intangible assets. These assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs if applicable, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

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

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

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

(23) Tax assets and tax liabilities

Current and deferred income tax assets and liabilities are jointly reported in the statement of financial position under “tax assets” and “tax liabilities”. Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax expense is based on taxable income for the year. Taxable income differs from net income as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The Bank’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized. Deferred tax is charged or credited in the statement of profit or loss and statement of the comprehensive income respectively.

The Bank’s tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amount reported in the annual financial statements could be changed at a later date upon final determination by the tax authorities.

(24) Other assets

Other assets mainly consist of deferred assets and real estate held as current assets, but do not comprise financial instruments.

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

(25) Non-current assets held for sale

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

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

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

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

(26) Provisions

26.1. Provisions for employee benefits

According to the Addiko Group's Remuneration Policy and local Bank's Remuneration Policy, the provisions for employee benefits are defined/confirmed on the Addiko Group level based on Bank's impact to Addiko Group’s result. The distribution of the provisions is regulated by local Bank's Remuneration Policy.

26.2. Provisions for risks arising from the lending business

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

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

26.3. Provisions for restructuring

Provisions for restructuring are only recorded if the general criteria for recording provisions in accordance with IAS 37.72 are fulfilled. This requires the existence of a constructive obligation for the company, which is fulfilled by the existence of a formal, detailed restructuring plan and the announcement of the measures set out in this plan to those affected. For disclosure of restructuring expenses, see Note (33) Other operating income and other operating expenses.

26.4. Other provisions

Other provisions are recorded if there is a present liability related to a past event towards a third party, if the assertion of the relevant claim is probable and if the amount of the claim can be determined reliably. If the effect is significant, non-current provisions are discounted. The measurement of provisions for contingent liabilities and impending losses is based on reliable (best) estimates according to IAS 37.36 et seq. Provisions for legal cases include disputes with business partners, customers and external institutions, and are created based on an evaluation of the probability of a court case being lost by the Bank. In certain cases, the legal risk-related loss is calculated using statistical methods with the expected value being the sum of the products of the probabilities of specific litigation resolutions and the loss calculated for each scenario, taking into account alternative prediction methods with respect to the number of disputes within the relevant time horizon.

(27) Other liabilities

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

(28) Share-based payments

Cash-settled share-based payments

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

(29) Equity

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

Share (registered) capital represents the amounts paid in by shareholders in accordance with the articles of association.

In June 2021, the Bank has issued an AT1 instrument (bond) in the amount of EUR 40 million (HRK 299.6 million) which, according to the decision of the CNB, fulfils the conditions for allocation into Additional Tier 1 capital. The key features of the instrument are similar to non-cumulative preference shares that pay discretionary dividends with an obligation to pay a fixed amount only at liquidation. The bond was issued with following main features: no stated maturity date; an option for the issuer to redeem the instrument after 5 years, provided that specific conditions are fulfilled; discretionary coupons or dividends based on an interest rate of 12m Euribor + 9.25% of the principal amount that can be cancelled by the issuer on a non-cumulative basis. The Bank has classified the instrument as equity instrument in accordance with the IAS 32 and recognized it as a non-monetary item in HRK countervalue at the date of initial recognition.

The legal reserve has been created in accordance with the Croatian Companies Act, which requires 5% of the net profit for the year to be transferred to this reserve, until it reaches 5% of issued share capital. Legal reserve can be used for covering prior period losses if the losses are not covered by current year profits or if other reserves are not available. The legal reserve is not distributable to the shareholders.

Other reserves are created in accordance with the General assembly decision and can be used for purposes defined by the law or the General assembly decision. In addition, direct capital contributions are presented in this position.

Fair value reserve includes the measurement results – after taking deferred taxes into account – for the financial assets measured at fair value through other comprehensive income.

The accumulated profit includes profit for the year and realized fair value reserve that is not reclassified to profit and loss from the instruments measured at FVOCI.

Dividends payable are not accounted for until they have been approved at the General Assembly Meeting. The Bank will propose allocation of the net profit realized in 2021, less the allocation of EUR 1.8 million connected to distributable amount on the basis of Additional Tier 1 (AT1) instrument, into Dividends.

Notes to the profit or loss statement

(30) Net interest income

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Interest income calculated using the effective interest method	**457.2**	**512.8**
Financial assets at amortised cost	412.0	458.7
Financial assets at fair value through other comprehensive income	44.3	53.4
Negative interest from financial liabilities	0.9	0.6
Other interest income	**2.3**	**4.9**
Financial assets held for trading	2.3	4.9
Total interest income	**459.6**	**517.7**
Financial liabilities measured at amortised cost	-41.4	-65.5
o/w lease liabilities	-0.7	-1.4
Financial liabilities held for trading	-2.8	-6.6
Negative interest from financial assets	-3.3	-3.8
Other liabilities	-0.4	-0.3
Total interest expense	**-48.0**	**-76.2**
Net interest income	**411.6**	**441.5**

Interest expense of financial liabilities measured at amortised cost in the amount of HRK -41.4 million (2020: HRK -65.5 million) includes expenses of HRK -5.6 million (2020: HRK -12.7 million) related to customer deposits.

Interest income break down by instrument and sector as follows:

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Derivatives - Trading	**0.6**	**2.9**
Debt securities	**46.1**	**55.5**
Governments	36.3	45.5
Non-financial corporations	6.4	6.2
Credit institutions	2.8	3.1
Other financial corporations	0.7	0.6
Loans and advances	**412.0**	**458.8**
Households	307.1	341.2
Non-financial corporations	92.6	100.7
Governments	12.1	16.4
Credit institutions	0.0	0.4
Other financial corporations	0.2	0.2
Negative interest from financial liabilities	**0.9**	**0.6**
Non-financial corporations	0.5	0.4
Credit institutions	0.4	0.2
Total	**459.6**	**517.7**

Interest expenses break down by instrument and sector as follows:

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Derivatives - Trading	**-2.8**	**-6.6**
Deposits	**-6.8**	**-14.0**
Households	-5.6	-12.7
Non-financial corporations	-0.8	-0.8
Governments	-0.2	-0.2
Other financial corporations	-0.1	-0.2
Credit institutions	0.0	0.0
Subordinated debt	**-28.9**	**-44.9**
Credit institutions	-28.9	-44.9
Other liabilities	**-1.2**	**-1.7**
Negative interest from financial assets	**-3.3**	**-3.8**
Central banks	-0.6	-2.0
Credit institutions	-2.7	-1.8
Loans and advances	**-5.0**	**-5.3**
Governments	-4.4	-5.0
Credit institutions	-0.6	-0.2
Central banks	0.0	-0.1
Total	**-48.0**	**-76.2**

(31) Net fee and commission income

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Transactions	66.0	65.8
Accounts and Packages	64.4	63.9
Cards	26.2	24.2
Foreign exchange & Dynamic currency conversion	6.4	5.3
Securities	14.4	19.4
Bankassurance	10.8	7.7
Loans	4.2	3.9
Trade finance	7.0	7.0
Other	2.1	1.6
Fee and commission income	**201.5**	**198.9**
Cards	-20.6	-16.0
Transactions	-12.2	-11.4
Client incentives	-0.4	-0.6
Securities	-3.2	-3.2
Accounts and Packages	-1.0	-1.0
Loans	-1.7	-1.8
Bancassurance	-2.1	-2.0
Other	-1.4	-1.9
Fee and commission expenses	**-42.6**	**-37.9**
Net fee and commission income	**158.9**	**161.0**

(32) Net result on financial instruments

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Held for trading financial instruments	41.2	37.8
o/w exchange difference	*12.3*	*-13.9*
o/w gain or losses on financial instruments	*28.9*	*51.8*
Non-trading financial assets mandatorily at fair value through profit or loss	-0.3	-0.4
Financial assets at fair value through other comprehensive income	12.6	40.5
o/w dividend income from financial assets at fair value through other comprehensive income	*0.1*	*0.2*
Total	**53.6**	**78.0**

Result from Non trading financial assets relates to financial assets mandatorily measured at fair value through profit or loss. Result from Financial assets at fair value through other comprehensive income relates to Debt securities.

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

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Derivatives	-5.8	-5.8
Debt securities	-1.1	-1.1
Short positions	35.8	58.6
Total	**28.9**	**51.8**

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

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Interest rate instruments and related derivatives	3.3	-3.0
Foreign exchange trading and derivatives related to foreign exchange and gold	26.7	55.8
Other	-1.1	-1.1
Total	**28.9**	**51.8**

(33) Other operating income and other operating expenses

Other operating income and other operating expenses - net

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Deposit guarantee	0.0	-20.5
Recovery and resolution fund	-5.3	-5.8
Banking levies and other taxes	-7.2	-7.3
Restructuring expenses	-22.6	-17.9
Net result from sale of non-financial assets	5.4	9.2
Net result from assets held for sale	-0.1	0.0
Result from operate lease assets	1.2	2.6
Result from other income and other expenses	24.2	24.5
Total	**-4.5**	**-15.2**

Given that the targeted level of deposit insurance fund is reached there was no obligation for payment of ex-ante deposit insurance premium during 2021, therefore, the position Deposit guarantee equals to zero in comparison to 2020 when amounted to HRK -20.5 million.

Other operating income and other operating expenses - gross

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Other operating income	**35.7**	**38.6**
Gain from sale of non-financial assets	5.4	9.2
Income from operating lease assets	1.2	2.6
Income from services provided to the Addiko Group members	27.7	24.0
Other income	1.4	2.8
Other operating expenses	**-40.2**	**-53.8**
Restructuring expenses	-22.6	-17.9
Expense from assets held for sale	-0.1	0.0
Recovery and resolution fund	-5.3	-5.8
Deposit guarantee	0.0	-20.5
Banking levies and other taxes	-7.2	-7.3
Other expenses	-4.9	-2.3
Total	**-4.5**	**-15.2**

The line item "Restructuring expenses" in the amount of HRK -22.6 million (2020: HRK -17.9 million) includes cost optimization initiatives in the Bank.

(34) Personnel expenses

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Wages and salaries	-121.4	-128.0
Social security	-23.4	-25.2
Expenses for pensions	-29.0	-30.4
Variable remuneration	-15.8	-1.2
Bonuses and sales incentives	*-14.6*	*-1.2*
Cash-settled share-based payments	*-1.2*	*0.0*
Voluntary social expenses	-2.6	-2.2
Expenses for employee benefits	-0.1	0.0
Other personnel expenses	-0.5	-0.6
Income from release of other employee provisions	0.1	2.2
Total	**-192.7**	**-185.6**

In the financial year 2021, the Bank started to recognize expenses for variable remuneration after in the previous period only sales incentives were recognized, in line with ECB recommendations.

As at 31 December 2021 and 2020, the Bank had 846 and 963 employees, respectively.

(35) Other administrative expenses

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
IT expenses	-54.8	-59.6
Premises expenses (rent and other building expenses)	-33.8	-35.4
Advertising costs	-14.7	-12.5
Legal and advisory costs	-8.9	-7.5
Other administrative expenses	-21.9	-21.3
Total	**-134.2**	**-136.3**

The external auditor has during the year provided audit and other non-audit services to the Bank. The fee for the audit and non-audit service provided during 2021 amounted to HRK 1.3 million (2020: HRK 1.8 million) and refer to the following: audit of the Bank's financial statements, audit of the group reporting package, audit and other service provided for the purpose of mandatory reporting to Croatian National Bank, Croatian Financial Services Supervisory Agency and services over the Report on relations with related parties. In addition to previously stated services, comparable with previous period, during 2021 external auditor has provided the services for the purpose of mandatory reporting to Croatian Deposit Insurance Agency and service of preparing a transfer pricing study. Services provided during the year represent allowable non-audit services in accordance with the EU Regulation.

(36) Depreciation and amortisation

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Property, plant and equipment	-34.4	-37.0
o/w right of use assets	*-17.2*	*-19.4*
Intangible assets	-17.6	-16.4
Total	**-52.0**	**-53.4**

(37) Other result

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Net result from legal provision and legal income/expense	**-132.3**	**-10.6**
Release of provisions for legal cases and income from legal cases	4.8	17.3
Allocation of provisions for passive legal cases and legal costs	-137.1	-27.9
Result from assets classified as held for sale	**-0.6**	**-0.9**
Reversal of impairment	0.0	0.0
Impairment	-0.6	-0.9
Impairment / reversal of impairment on non-financial assets	**-12.4**	**-7.2**
Reversal of impairment	3.6	0.9
Impairment	-16.0	-8.1
Modification gains or losses	**-0.1**	**-3.0**
Total	**-145.4**	**-21.7**

The Bank did not receive public subsidies during 2021 and 2020.

The net amount of HRK -132.3 million provisions for legal cases mainly relate to disputes with business partners and customers. During 2021 the additional provisions for legal cases are significantly higher compared with the previous reporting period which resulted from reassessment of all the parameters used for determining the provisions for legal risks in connection with newest development in relation to legal matters on CHF currency clauses in Croatia. No further disclosures according to IAS 37.92 are made in order to protect the Bank's position in these legal disputes.

For further details concerning legal risk, please refer to Note (65) Legal risk.

The position impairments/reversal of impairment on non-financial assets was mainly impacted by the early renegotiation of a contract with a central IT supplier at better terms, which was leading to the recognition of HRK -3.3 million impairment on the amounts deferred based on the previous version of the contract. Furthermore, impairments relate to impairment of intangible assets, which was driven by the outcome of assessment of future economic benefit of certain IT applications and cost optimization initiatives as well as the outcome of regular yearly impairment test related to tangible assets. In 2020, a significantly lower impairment loss was recognized in this context.

The Covid-19 debt payment moratorium in 2021 is insignificant in comparison to previous period which reflects measures imposed by Croatian government that determined the recognition of HRK -3.0 million modification loss.

(38) Expected credit losses on financial assets

Expected credit losses on financial assets on financial assets measured at fair value through other comprehensive income, at amortised cost and financial guarantees and commitments breaks down as follows:

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Change in ECL on financial instruments at FVTOCI	**3.8**	**-3.1**
Change in ECL on financial instruments at amortised cost	**-4.2**	**-123.3**
Net allocation to risk provision	-13.5	-130.5
Proceeds from loans and receivables previously written-off	14.0	9.7
Directly recognised write-offs	-4.7	-2.5
Net allocation of provisions for commitments and guarantees given	**3.8**	**0.8**
Total	**3.5**	**-125.6**

In 2021 Expected credit losses were affected by the resilience and improvement of the lending market and overall economic environment. The decrease of risk provisions is mainly driven by the update of the risk models used to calculate expected credit loss (ECL), which was performed by taking into account the most recent macroeconomic forecasts, which were favourable in comparison to projections performed in 2020. Additionally, significant NPE reduction activities from debt sales additionally contributed to reduction of ECL in 2021.

Expected credit losses in 2020 were significantly influenced by the Covid-19 pandemic. The increase of risk provisions is mainly driven by the update of the macroeconomic scenarios used to calculate expected credit loss (ECL), which was performed by taking into account the most recent macroeconomic forecasts provided by the Vienna Institute for International Economic Studies. The requirement to maintain minimum of 0.8% of the total impairment for performing exposures (Stage 1 and Stage 2), stipulated in the transitional provision of the CNB's Decision on Classification of Exposure to Risk Groups and the Method of Determining Credit Losses (OG 114/2017 and 110/2018), expired with 1 January 2020.

(39) Taxes on income

in HRK million

	01.01. - 31.12.2021	01.01. - 31.12.2020
Current tax	-32.9	0.0
Deferred tax	14.1	-55.7
Total	**-18.8**	**-55.7**

39.1. Reconciliation of effective tax rate

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

in HRK million

	31.12.2021	31.12.2020
Result before tax	**98.7**	**142.8**
Theoretical income tax expense based on Republic of Croatia corporate tax rate of 18% (2020: 18%)	-17.8	-25.7
Tax effects		
Tax effect of non-taxable income	0.3	0.5
Tax effect of non-deductible expenses	-1.3	-3.2
Utilization of loss carried forward	0.0	19.4
Deferred tax on losses from prior years carried forward	0.0	-46.6
Actual income tax	**-18.8**	**-55.7**
Effective tax rate	19.0%	39.0%

39.2. Movements in deferred tax balances

In the financial year, deferred tax assets and liabilities were netted as far as the requirements according to IAS 12 were fulfilled.

Deferred taxes (tax assets or tax liabilities) have been recorded for the differences between carrying amounts for tax purposes and IFRS values as presented in the following table:

in HRK million

2021	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Balance at 31 December Net	Deferred tax assets	Deferred tax liabilities
Unrealized losses on derivative financial instruments	2.3	-1.2	0.0	1.1	1.1	0.0
Impairment of property and equipment	21.4	-3.4	0.0	18.0	18.0	0.0
Deferred loan origination fees	4.7	-1.0	0.0	3.7	3.7	0.0
Other provisions	2.3	0.9	0.0	3.2	3.2	0.0
Pending court cases provisions	18.9	16.7	0.0	35.6	35.6	0.0
Employees provisions	1.6	2.1	0.0	3.6	3.6	0.0
Fair value of debt instruments at fair value through other comprehensive income	-16.7	0.0	14.3	-2.4	0.0	-2.4
Deferred tax assets (liabilities) before set-off	**34.4**	**14.1**	**14.3**	**62.8**	**65.3**	**-2.4**
Deferred tax set-off	0.0	0.0	0.0	0.0	-2.4	2.4
Deferred tax assets	**34.4**	**14.1**	**14.3**	**62.8**	**62.8**	**0.0**

in HRK million

2020	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Balance at 31 December Net	Deferred tax assets	Deferred tax liabilities
Unrealized losses on derivative financial instruments	1.9	0.4	0.0	2.3	2.3	0.0
Impairment of property and equipment	21.5	-0.1	0.0	21.4	21.4	0.0
Deferred loan origination fees	6.1	-1.5	0.0	4.7	4.7	0.0
Other provisions	3.6	-1.3	0.0	2.3	2.3	0.0
Pending court cases provisions	22.6	-3.7	0.0	18.9	18.9	0.0
Employees provisions	4.5	-2.9	0.0	1.6	1.6	0.0
Tax loss carried forward	46.6	-46.6	0.0	0.0	0.0	0.0
Fair value of debt instruments at fair value through other comprehensive income	-20.2	0.0	3.5	-16.7	0.0	-16.7
Land and buildings revaluation	-2.2	0.0	2.2	0.0	0.0	0.0
Deferred tax assets (liabilities) before set-off	**84.4**	**-55.7**	**5.7**	**34.4**	**51.2**	**-16.7**
Deferred tax set-off	0.0	0.0	0.0	0.0	-16.7	16.7
Deferred tax assets	**84.4**	**-55.7**	**5.7**	**34.4**	**34.4**	**0.0**

The total change in deferred taxes in the financial statements is HRK 28.4 million (2020: HRK -50.0 million). Of this, HRK 14.1 million (2020: HRK -55.7 million) is reflected in the current income statement as deferred tax expense, and an amount of HRK 14.3 million (2020: HRK 5.7 million) is shown in other comprehensive income in equity.

Notes to the statement of financial position

(40) Cash reserves

in HRK million

31.12.2021	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash in hand	342.5	0.0	342.5
Cash balances at central banks	4,094.3	0.0	4,094.3
Other demand deposits	118.5	-0.1	118.4
Total	**4,555.4**	**-0.1**	**4,555.2**

in HRK million

31.12.2020	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash in hand	380.3	0.0	380.3
Cash balances at central banks	3,663.1	-0.1	3,663.0
Other demand deposits	187.0	-1.9	185.1
Total	**4,230.4**	**-2.0**	**4,228.4**

Cash balances at central banks and other demand deposits include amounts that are daily due and the minimum reserves. Amounts that are not daily due are reported under loans and receivables. Cash balances at central banks also serve to meet the requirements for minimum reserves.

The mandatory minimum reserve requirement is calculated from defined balance sheet items. 70% of determined minimum reserve is allocated on the special account with the central bank and remaining amount has to be fulfilled in average through the defined period of time.

At the reporting date, the allocated minimum reserve was HRK 755.3 million (2020: HRK 764.5 million).

40.1. Cash reserves at central banks and other demand deposits - development of gross carrying amount

in HRK million

	Stage 1	Stage 2	Total
Gross carrying amount at 01.01.2021	**3,830.6**	**19.5**	**3,850.1**
Changes in the gross carrying amount	368.4	-5.6	362.8
Transfer between stages	13.9	-13.9	0.0
Foreign exchange and other movements	0.0	0.0	0.0
Gross carrying amount at 31.12.2021	**4,212.8**	**0.0**	**4,212.9**

in HRK million

	Stage 1	Stage 2	Total
Gross carrying amount at 01.01.2020	**2,554.6**	**0.0**	**2,554.6**
Changes in the gross carrying amount	1,293.9	1.6	1,295.5
Transfer between stages	-17.9	17.9	0.0
Foreign exchange and other movements	0.0	0.0	0.0
Gross carrying amount at 31.12.2020	**3,830.6**	**19.5**	**3,850.1**

The total amount of cash reserves at central banks and other demand deposits is considered to have low credit risk and is classified within stage 1 (certain transfers to stage 2 during 2020 are result of worsening of macro forecasts and their implication on PiT PD).

40.2. Cash reserves at central banks and other demand deposits - development of ECL allowance

in HRK million

	Stage 1	Stage 2	Total
ECL allowance as at 01.01.2021	**-0.9**	**-1.1**	**-2.0**
Changes in the loss allowance	0.9	1.0	1.8
Transfer between stages	-0.1	0.1	0.0
Foreign exchange and other movements	0.0	0.0	0.0
ECL allowance as at 31.12.2021	**-0.1**	**0.0**	**-0.1**

in HRK million

	Stage 1	Stage 2	Total
ECL allowance as at 01.01.2020	**-3.6**	**0.0**	**-3.6**
Changes in the loss allowance	2.2	-0.6	1.6
Transfer between stages	0.4	-0.4	0.0
Foreign exchange and other movements	0.1	-0.1	0.0
ECL allowance as at 31.12.2020	**-0.9**	**-1.1**	**-2.0**

Total amount of cash reserves at central banks and other demand deposits is considered to have low credit risk and is classified within stage 1 (certain transfers to stage 2 during 2020 are result of worsening of macro forecasts and their implication on PiT PD).

(41) Financial assets held for trading

in HRK million

	31.12.2021	31.12.2020
Derivatives	**1.8**	**7.8**
Debt securities	**110.2**	**125.8**
Governments	110.2	125.8
Total	**112.0**	**133.5**

(42) Loans and receivables

The Addiko Bank measures all loans and receivables at amortised cost.

42.1. Loans and advances to credit institutions

in HRK million

31.12.2021	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and advances	16.5	-0.2	16.3
Credit institutions	16.5	-0.2	16.3
Total	**16.5**	**-0.2**	**16.3**

in HRK million

31.12.2020	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and advances	404.6	-0.2	404.4
Credit institutions	404.6	-0.2	404.4
Total	**404.6**	**-0.2**	**404.4**

42.2. Loans and advances to credit institutions - development of gross carrying amount

in HRK million

	Stage 1	Stage 2	Total
Gross carrying amount at 01.01.2021	**404.5**	**0.1**	**404.6**
Changes in the gross carrying amount	-388.1	0.0	-388.1
Transfer between stages	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0
Gross carrying amount at 31.12.2021	**16.5**	**0.0**	**16.5**

in HRK million

	Stage 1	Stage 2	Total
Gross carrying amount at 01.01.2020	**63.9**	**0.0**	**63.9**
Changes in the gross carrying amount	340.3	0.4	340.7
Transfer between stages	0.3	-0.3	0.0
Write-offs/utilisation	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0
Gross carrying amount at 31.12.2020	**404.5**	**0.1**	**404.6**

42.3. Loans and advances to credit institutions - development of ECL allowance

in HRK million

	Stage 1	Stage 2	Total
ECL allowance as at 01.01.2021	**-0.2**	**0.0**	**-0.2**
Changes in the loss allowance	0.1	-0.1	0.0
Transfer between stages	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0
Foreign exchange and other movements	-0.2	0.1	0.0
ECL allowance as at 31.12.2021	**-0.2**	**0.0**	**-0.2**

in HRK million

	Stage 1	Stage 2	Total
ECL allowance as at 01.01.2020	**-0.1**	**0.0**	**-0.1**
Changes in the loss allowance	0.0	0.0	-0.1
Transfer between stages	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0
ECL allowance as at 31.12.2020	**-0.2**	**0.0**	**-0.2**

42.4. Loans and advances to customers

in HRK million

	Gross carrying	ECL allowance				Carrying amount
31.12.2021	amount	Stage 1	Stage 2	Stage 3	POCI	(net)
Households	5,602.8	-17.7	-58.3	-260.0	-16.1	5,250.6
Non-financial corporations	2,534.5	-9.9	-35.6	-162.8	0.0	2,326.3
Other financial corporations	60.5	-0.1	0.0	0.0	0.0	60.5
Governments	253.7	-0.6	-0.7	0.0	0.0	252.3
Total	**8,451.6**	**-28.3**	**-94.6**	**-422.8**	**-16.1**	**7,889.7**

in HRK million

	Gross carrying	ECL allowance				Carrying amount
31.12.2020	amount	Stage 1	Stage 2	Stage 3	POCI	(net)
Households	5,879.3	-25.4	-71.4	-337.9	-18.5	5,426.2
Non-financial corporations	3,562.2	-15.7	-34.6	-319.1	0.0	3,192.8
Other financial corporations	62.9	-0.1	0.0	0.0	0.0	62.8
Governments	333.2	-1.5	-0.2	0.0	0.0	331.6
Total	**9,837.6**	**-42.6**	**-106.1**	**-657.0**	**-18.5**	**9,013.3**

42.5. Loans and advances to customers - development of gross carrying amount

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2021	**7,739.0**	**1,209.0**	**844.4**	**45.3**	**9,837.6**
Changes in the gross carrying amount	-566.2	-317.3	-152.0	-7.3	-1,042.7
Transfer between stages	-302.8	101.8	199.1	1.8	0.0
Write-offs/utilisation	-0.1	-0.6	-333.0	-5.8	-339.5
Changes due to modifications that did not result in derecognition	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	-4.9	-0.6	1.7	-0.2	-3.9
Gross carrying amount at 31.12.2021	**6,865.0**	**992.4**	**560.2**	**33.9**	**8,451.6**

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2020	**9,661.8**	**368.0**	**799.6**	**49.3**	**10,878.7**
Changes in the gross carrying amount	-882.0	-128.8	-71.0	1.0	-1,080.9
Transfer between stages	-1,109.0	969.6	145.1	-5.7	0.0
Write-offs/utilisation	-0.2	-0.1	-30.4	-2.7	-33.3
Changes due to modifications that did not result in derecognition	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	68.4	0.2	1.2	3.4	73.2
Gross carrying amount at 31.12.2020	**7,739.0**	**1,209.0**	**844.4**	**45.3**	**9,837.6**

42.6. Loans and advances to customers - development of ECL allowance

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2021	**-42.6**	**-106.1**	**-657.0**	**-18.5**	**-824.3**
Changes in the loss allowance	15.2	-23.4	-5.9	-1.3	-15.4
Transfer between stages	-0.8	34.1	-33.4	0.0	0.0
Write-offs/utilisation	0.0	0.5	331.9	5.8	338.2
Changes due to modifications that did not result in derecognition	0.1	0.0	0.0	0.0	0.0
Foreign exchange and other movements	-0.3	0.4	-58.4	-2.2	-60.4
ECL allowance as at 31.12.2021	**-28.3**	**-94.6**	**-422.8**	**-16.1**	**-561.9**

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	**-51.2**	**-53.7**	**-588.7**	**-12.5**	**-706.1**
Changes in the loss allowance	-0.5	-76.1	-47.6	-8.0	-132.2
Transfer between stages	9.3	23.7	-33.0	0.0	0.0
Write-offs/utilisation	0.1	0.1	28.0	2.7	30.8
Changes due to modifications that did not result in derecognition	0.1	0.0	0.1	0.0	0.2
Foreign exchange and other movements	-0.4	-0.1	-15.9	-0.6	-17.1
ECL allowance as at 31.12.2020	**-42.6**	**-106.1**	**-657.0**	**-18.5**	**-824.3**

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

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

in HRK million

	31.12.2021		31.12.2020	
	Amortised costs before the modification	Modification gains/losses	Amortised costs before the modification	Modification gains/losses
Non-financial corporations	1.2	0.0	39.0	0.0
Households	19.2	0.0	37.4	-0.4
Total	**20.4**	**0.0**	**76.4**	**-0.4**

The total gross carrying amount of debt financial assets measured at amortised costs, which were impacted by contractual modifications that did not result in derecognition at a time when they were assigned to stage 2 or stage 3 and reassigned to stage 1 during the year 2021 amounted to HRK 1.7 million as at 31 December 2021 (2020: HRK 17.8 million).

(43) Investment securities

in HRK million

	31.12.2021	31.12.2020
Fair value through other comprehensive income (FVTOCI)	3,906.7	3,457.1
Mandatorily at fair value through profit or loss (FVTPL)	20.2	0.0
Total	**3,926.9**	**3,457.1**

43.1. Investment securities - development of gross carrying amount (Debt Securities)

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2021	**3,351.6**	**0.0**	**0.0**	**0.0**	**3,351.6**
Changes in the gross carrying amount	539.5	0.0	0.0	0.0	539.5
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
Gross carrying amount at 31.12.2021	**3,891.2**	**0.0**	**0.0**	**0.0**	**3,891.2**

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2020	**3,985.0**	**0.0**	**0.0**	**0.0**	**3,985.0**
Changes in the gross carrying amount	-633.3	0.0	0.0	0.0	-633.3
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
Gross carrying amount at 31.12.2020	**3,351.6**	**0.0**	**0.0**	**0.0**	**3,351.6**

43.2. Investment securities - development of ECL allowance

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2021	**-4.6**	**0.0**	**0.0**	**0.0**	**-4.6**
Changes in the loss allowance	3.8	0.0	0.0	0.0	3.8
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
ECL allowance as at 31.12.2021	**-0.8**	**0.0**	**0.0**	**0.0**	**-0.8**

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	**-1.6**	**0.0**	**0.0**	**0.0**	**-1.6**
Changes in the loss allowance	-3.1	0.0	0.0	0.0	-3.1
Transfer between stages	0.0	0.0	0.0	0.0	0.0
Write-offs/utilisation	0.0	0.0	0.0	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
ECL allowance as at 31.12.2020	**-4.6**	**0.0**	**0.0**	**0.0**	**-4.6**

43.3. Fair value through other comprehensive income (FVTOCI)

in HRK million

	31.12.2021	31.12.2020
Debt securities	**3,882.3**	**3,415.3**
Governments	3,097.6	2,502.3
Credit institutions	421.7	469.5
Non-financial corporations	279.3	325.4
Other financial corporations	83.8	118.1
Equity instruments	**24.4**	**41.9**
Non-financial corporations	1.6	1.6
Other financial corporations	22.8	40.3
Total	**3,906.7**	**3,457.1**

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

in HRK million

	31.12.2021	31.12.2020
VISA Inc	21.5	38.9
Other equity instruments	2.9	2.9
Total	**24.4**	**41.9**

Reduction of the value of Visa Inc shares is related to reclassification of the Visa Inc. Series C Participating Preferred Stock from the portfolio of equity instruments measured at fair value through other comprehensive income into the portfolio of debt instruments mandatorily measured at fair value through profit or loss as shown in Note (43.4).

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

in HRK million

	31.12.2021	31.12.2020
Debt securities	**20.2**	**0.0**
Other financial corporations	20.2	0.0
Equity securities	**0.0**	**0.0**
Non-financial corporations	0.0	0.0
Total	**20.2**	**0.0**

In 2021, the Bank has reclassified the Visa Inc. Series C Participating Preferred Stock from the portfolio of equity instruments measured at fair value through other comprehensive income into the portfolio of debt instruments mandatorily measured at fair value through profit or loss. For more details, please see the Note (3) Changes in the presentation of the financial statements.

(44) Tangible assets

in HRK million

	31.12.2021	31.12.2020
Owned property, plant and equipment	**128.1**	**166.8**
Land and buildings	99.1	130.0
Plant and equipment	27.0	35.1
Plant and equipment under construction	2.1	1.7
Right of use assets	**53.0**	**66.1**
Land and buildings	45.5	53.8
Plant and equipment	7.5	12.3
Investment property	**16.7**	**7.8**
Total	**197.9**	**240.6**

(45) Intangible assets

in HRK million

	31.12.2021	31.12.2020
Purchased software	58.3	52.5
Developed software	13.2	2.0
Other intangible assets	0.0	0.0
Intangible assets under development	11.7	24.8
Total	**83.1**	**79.3**

(46) Development of tangible and intangible assets

46.1. Development of cost and carrying amounts of tangible assets

in HRK million

	Owned property, plant and equipment			Right of use assets			
	Land and buildings	Plant and equipment - internally used	Property, plant and equipment under construction	Land and buildings	Plant and equipment	Investment properties	Total
Acquisition cost 01.01.2021	**339.9**	**259.7**	**1.7**	**76.8**	**23.3**	**19.1**	**720.5**
Additions	0.6	2.2	3.4	2.9	0.9	0.0	10.0
Disposals	-50.9	-18.4	0.0	-3.1	-1.3	-2.1	-75.9
Other changes	-18.6	0.5	-3.1	1.7	0.0	24.1	4.6
Acquisition cost 31.12.2021	**271.0**	**244.0**	**2.1**	**78.2**	**22.9**	**41.1**	**659.2**
Cumulative depreciation and amortisation 31.12.2021	-171.9	-217.0	0.0	-32.7	-15.4	-24.3	-461.3
Carrying amount 31.12.2021	**99.1**	**27.0**	**2.1**	**45.5**	**7.5**	**16.7**	**197.9**

The reclassifications from Land and buildings into Investment property asset category in the amount of HRK 21.2 million is included in the line “Other changes”.

in HRK million

	Owned property, plant and equipment			Right of use assets			
	Land and buildings	Plant and equipment - internally used	Property, plant and equipment under construction	Land and buildings	Plant and equipment	Investment properties	Total
Acquisition cost 01.01.2020	**381.6**	**254.0**	**1.8**	**83.1**	**24.1**	**22.0**	**766.6**
Additions	1.1	11.8	2.9	10.6	0.1	0.1	26.5
Disposals	-18.0	-7.3	0.0	-4.6	-0.8	-13.9	-44.6
Other changes	-24.8	1.2	-2.9	-12.4	0.0	11.0	-28.0
Acquisition cost 31.12.2020	**339.9**	**259.7**	**1.7**	**76.8**	**23.3**	**19.1**	**720.5**
Cumulative depreciation and amortisation 31.12.2020	-210.0	-224.6	0.0	-23.0	-11.0	-11.3	-479.8
Carrying amount 31.12.2020	**130.0**	**35.1**	**1.7**	**53.8**	**12.3**	**7.8**	**240.6**

The reclassifications from Land and buildings into Investment property asset category in the amount of HRK 11.8 million is included in the line “Other changes”.

46.2. Development of depreciation of tangible assets

in HRK million

	Owned property, plant and equipment		Right of use assets			
	Land and buildings	Plant and equipment - internally used	Land and buildings	Plant and equipment	Investment properties	Total
Cumulative depreciation 01.01.2021	**-210.0**	**-224.6**	**-23.0**	**-11.0**	**-11.3**	**-479.8**
Scheduled depreciation	-8.3	-8.9	-11.8	-5.4	-0.3	-34.7
Impairment	-4.7	-1.5	0.0	0.0	-1.0	-7.1
Write-up	3.6	0.0	0.0	0.0	0.0	3.6
Disposals	35.9	17.9	2.1	1.0	0.4	57.3
Other changes	11.6	0.0	0.0	0.0	-12.1	-0.5
Cumulative depreciation 31.12.2021	**-171.9**	**-217.0**	**-32.7**	**-15.4**	**-24.3**	**-461.3**

in HRK million

	Owned property, plant and equipment		Right of use assets			
	Land and buildings	Plant and equipment - internally used	Land and buildings	Plant and equipment	Investment properties	Total
Cumulative depreciation 01.01.2020	**-219.1**	**-223.0**	**-13.4**	**-5.7**	**-5.2**	**-466.4**
Scheduled depreciation	-9.3	-8.4	-13.8	-5.6	-0.5	-37.5
Impairment	-5.3	-0.1	0.0	0.0	-1.1	-6.5
Write-up	0.9	0.0	0.0	0.0	0.0	0.9
Disposals	12.7	7.3	4.2	0.3	2.1	26.7
Other changes	10.1	-0.5	0.0	0.0	-6.6	3.0
Cumulative depreciation 31.12.2020	**-210.0**	**-224.6**	**-23.0**	**-11.0**	**-11.3**	**-479.8**

46.3. Development of cost and carrying amounts of intangible assets

in HRK million

	Intangible assets				
	Purchased software	Developed software	Other intangible assets	Intangible assets under development	Total
Acquisition cost 01.01.2021	**323.4**	**7.3**	**0.2**	**24.8**	**355.8**
Additions	5.2	0.0	0.0	19.4	24.6
Internal development	0.0	0.0	0.0	4.8	4.8
Disposals	-93.1	0.0	0.0	-4.2	-97.4
Other changes	17.7	15.4	0.0	-33.1	0.0
Acquisition cost 31.12.2021	**253.2**	**22.7**	**0.2**	**11.7**	**287.7**
Cumulative amortisation 31.12.2021	-194.9	-9.5	-0.2	0.0	-204.6
Carrying amount 31.12.2021	**58.3**	**13.2**	**0.0**	**11.7**	**83.1**

in HRK million

	Intangible assets				
	Purchased software	Developed software	Other intangible assets	Intangible assets under development	Total
Acquisition cost 01.01.2020	**299.3**	**7.2**	**0.7**	**5.1**	**312.3**
Additions	22.1	0.0	0.0	21.8	43.9
Internal development	0.0	0.1	0.0	0.0	0.1
Disposals	0.0	0.0	-0.5	0.0	-0.5
Other changes	2.0	0.0	0.0	-2.0	0.0
Acquisition cost 31.12.2020	**323.4**	**7.3**	**0.2**	**24.8**	**355.8**
Cumulative amortisation 31.12.2020	-270.9	-5.3	-0.2	0.0	-276.5
Carrying amount 31.12.2020	**52.5**	**2.0**	**0.0**	**24.8**	**79.3**

46.4. Development of amortisation of intangible assets

in HRK million

	Intangible assets				
	Purchased software	Developed software	Other intangible assets	Intangible assets under development	Total
Cumulative amortisation 01.01.2021	**-270.9**	**-5.3**	**-0.2**	**0.0**	**-276.5**
Scheduled amortisation	-15.2	-2.4	0.0	0.0	-17.6
Impairment	-3.1	-0.6	0.0	-4.2	-7.9
Write-up	0.0	0.0	0.0	0.0	0.0
Disposals	93.1	0.0	0.0	4.2	97.4
Other changes	1.2	-1.2	0.0	0.0	0.0
Cumulative amortisation 31.12.2021	**-194.9**	**-9.5**	**-0.2**	**0.0**	**-204.6**

in HRK million

	Intangible assets				
	Purchased software	Developed software	Other intangible assets	Intangible assets under development	Total
Cumulative amortisation 01.01.2020	**-255.2**	**-4.8**	**-0.7**	**0.0**	**-260.6**
Scheduled amortisation	-15.8	-0.6	0.0	0.0	-16.4
Impairment	0.0	0.0	0.0	0.0	0.0
Write-up	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.5	0.0	0.5
Other changes	0.0	0.0	0.0	0.0	0.0
Cumulative amortisation 31.12.2020	**-270.9**	**-5.3**	**-0.2**	**0.0**	**-276.5**

(47) Other assets

in HRK million

	31.12.2021	31.12.2020
Prepayments and accrued income	30.4	22.8
Inventories (repossessed assets, emergency acquired assets, leases to go, etc.)	4.3	9.0
Other remaining assets	22.4	32.5
Total	**57.1**	**64.3**

Item “Other remaining assets” relates mainly to the items in the course of settlement from card business, security deposits and prepayments to suppliers. Decrease in 2021 in comparison to 2020 relates mainly to reduction of the balances related to items in the course of settlement from card business.

(48) Non-current assets held for sale

In the current reporting period, this position includes real estate assets which are part of a project to dispose non-core assets and are already actively marketed. The sale is expected by the end of the year 2022.

in HRK million

	31.12.2021	31.12.2020
Property plant and equipment	2.1	4.1
Total	**2.1**	**4.1**

(49) Financial liabilities held for trading

in HRK million

	31.12.2021	31.12.2020
Derivatives	5.1	13.0
Total	**5.1**	**13.0**

(50) Financial liabilities measured at amortised cost

in HRK million

	31.12.2021	31.12.2020
Deposits	**12,793.5**	**12,996.2**
Deposits from credit institutions	147.0	80.6
Deposits from customers	12,646.6	12,915.5
Borrowings	**260.1**	**351.1**
Subordinated debt	**233.5**	**1,044.9**
Other financial liabilities	**121.4**	**117.8**
o/w lease liabilities	50.3	59.8
Total	**13,408.5**	**14,510.0**

50.1. Deposits from credit institutions

in HRK million

	31.12.2021	31.12.2020
Current accounts / overnight deposits	143.6	77.6
Deposits with agreed terms	3.3	3.1
Total	**147.0**	**80.6**

50.2. Deposits from customers

in HRK million

	31.12.2021	31.12.2020
Current accounts / overnight deposits	**10,825.6**	**10,460.9**
Governments	306.8	390.9
Other financial corporations	385.3	679.8
Non-financial corporations	2,512.9	2,354.8
Households	7,620.6	7,035.4
Deposits with agreed terms	**1,820.9**	**2,454.7**
Governments	7.7	10.5
Other financial corporations	427.4	456.7
Non-financial corporations	122.1	126.3
Households	1,263.7	1,861.2
Total	**12,646.6**	**12,915.5**

50.3. Borrowings

in HRK million

	31.12.2021	31.12.2020
Governments	260.1	351.1
Total	**260.1**	**351.1**

50.4. Subordinated debt

in HRK million

	31.12.2021	31.12.2020
Credit institutions	233.5	1,044.9
Total	**233.5**	**1,044.9**

Subordinated debt is to Addiko Bank AG, Vienna with initial maturity up to 5 years. In June 2021 the Bank has repaid subordinated instrument in the amount of HRK 1,038.6 million (EUR 138.6 million), with maturity as at 30 June 2021, and renewed subordinated instrument in the amount of HRK 224.7 million (EUR 30 million) and maturity as at June 2026. Repayment of these instruments before the redemption date is possible only under conditions stated in Regulation EU 575/2013 of the European Parliament and of the Council. Repayment of these funds in case of liquidation is subordinated to all other deposits and liabilities.

Subordinated debt is used as supplementary capital for the purpose of calculation of regulatory capital and capital adequacy according to articles 62 to 65 of Regulation (EU) No 575/2013 of the European Parliament and of the Council and CNB regulatory requirements.

(51) Provisions

in HRK million

	31.12.2021	31.12.2020
Pending legal disputes	251.6	152.9
Commitments and guarantees granted	11.8	15.6
Bonuses and sales incentives	18.9	8.7
Cash-settled share-based payments	1.2	0.0
Restructuring measures	13.0	5.9
Other provisions	16.4	12.8
Total	**312.9**	**195.8**

1) The item "Pending litigation and tax disputes" has been renamed "Pending litigation" in 2021. The comparative period has been adjusted accordingly and HRK 6.0 million were reclassified to Other provision.

51.1. Provisions for pending legal disputes

The item “Pending legal disputes” includes provisions for litigation proceedings from lending business, which normally occur in banking business.

The proceedings mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and principles of general civil law and that certain fees or parts of interest payments charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as to contractual provisions for the adjustment of interest rates and currencies. The legal risks are also increased because of a level of unpredictability of judicial decisions beyond the level of uncertainty generally inherent in court proceedings.

In 2021, the increase of provision was mainly driven by Swiss Franc (unconverted) loans, namely reassessment of estimates connected with the calculation of provisions for existing and expected legal proceedings in relation to Swiss Franc unilateral interest rate change and Swiss Franc currency clauses.

For further details concerning legal risk, please refer to Note (65).

The reassessment was leading to the recognition of additional provisions in amount of HRK 123 million in 2021, whereby the related total amount of the provision as of 31 December 2021 for Swiss Franc claims amounted to HRK 205.2 million (2020: HRK 107.4 million). The calculation is based on the best possible estimate according to IAS 37 of expected outflows of economically useful resources as at the reporting date, as well as on local regulations regarding provisioning of legal disputes. The following main assumptions play a key role in the estimate: the overall number of customers which will decide to sue the Bank, the outcome of individual court decisions, the estimated loss by individual contract. Outflows of economically useful resources are to be expected in line with the utilization schedule included in the calculation based on average duration of disputes. However, it should be considered that the outcome of the underlying proceedings is in many cases difficult to predict and for this reason final timing could significantly deviate from original estimate.

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

in HRK million

	31.12.2021
Change in the number of expected court cases +25%	15.6
Change in the number of expected court cases -25%	-15.8
Change in the percentage of individual court decisions in favour of the customer +10%	11.3
Change in the percentage of individual court decisions in favour of the customer -10%	-11.2
Change in the estimated loss by individual contract +25%	12.3
Change in the estimated loss by individual contract -25%	-12.0

In relation to the specific litigations no further disclosures according to IAS 37.92 are made in order to protect the Addiko Banks's position in these legal disputes.

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

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
Nominal value at 01.01.2021	**1,997.8**	**97.2**	**11.2**	**0.0**	**2,106.1**
Changes in the nominal value	-96.7	-17.0	-4.5	0.0	-118.2
Transfer between stages	9.8	-9.0	-0.8	0.0	0.0
Foreign exchange and other movements	-1.8	0.0	0.0	0.0	-1.8
Nominal value at 31.12.2021	**1,909.1**	**71.1**	**5.9**	**0.0**	**1,986.1**

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
Nominal value at 01.01.2020	**2,254.4**	**37.4**	**21.4**	**0.0**	**2,313.2**
Changes in the nominal value	-179.7	-22.6	-15.3	0.0	-217.7
Transfer between stages	-87.6	82.5	5.0	0.0	0.0
Foreign exchange and other movements	10.7	-0.1	0.0	0.0	10.6
Nominal value at 31.12.2020	**1,997.8**	**97.2**	**11.2**	**0.0**	**2,106.1**

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2021	**-6.3**	**-3.6**	**-5.7**	**0.0**	**-15.6**
Changes in the loss allowance	2.1	-1.0	2.7	0.0	3.8
Transfer between stages	-0.3	0.3	-0.1	0.0	0.0
Foreign exchange and other movements	0.0	0.0	0.0	0.0	0.0
ECL allowance as at 31.12.2021	**-4.5**	**-4.3**	**-3.0**	**0.0**	**-11.8**

in HRK million

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2020	**-8.3**	**-2.0**	**-6.1**	**0.0**	**-16.4**
Changes in the loss allowance	1.5	-1.6	0.8	0.0	0.8
Transfer between stages	0.5	-0.1	-0.4	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	**-6.3**	**-3.6**	**-5.7**	**0.0**	**-15.6**

51.3. Provisions - development of other provisions

in HRK million

	Carrying amount 01.01.2021	Foreign exchange differences	Allocations	Use	Releases	Other changes	Carrying amount 31.12.2021
Pending legal disputes	152.9	0.0	135.9	-33.7	-3.5	0.0	251.6
Bonuses and sales incentives	8.7	0.0	14.5	-4.2	-0.1	0.0	18.9
Cash-settled share-based payments	0.0	0.0	1.2	0.0	0.0	0.0	1.2
Restructuring measures	5.9	0.0	20.0	-12.9	0.0	0.0	13.0
Other provisions	12.8	0.0	3.7	0.0	0.0	0.0	16.4
Total	**180.2**	**0.0**	**175.2**	**-50.8**	**-3.6**	**0.0**	**301.1**

in HRK million

	Carrying amount 01.01.2020	Foreign exchange differences	Allocations	Use	Releases	Other changes	Carrying amount 31.12.2020
Pending legal disputes	167.5	0.0	27.8	-25.8	-16.6	0.0	152.9
Bonuses and sales incentives	24.8	0.0	0.6	-14.5	-2.2	0.0	8.7
Restructuring measures	12.1	0.0	17.4	-23.6	0.0	0.0	5.9
Other provisions	16.3	0.0	17.6	-3.5	-17.6	0.0	12.8
Total	**220.7**	**0.0**	**63.4**	**-67.4**	**-36.5**	**0.0**	**180.2**

The item "Pending litigation and tax disputes" has been renamed "Pending litigation" in 2021. The comparative period has been adjusted accordingly and HRK 6.0 million were reclassified to Other provision.

(52) Other liabilities

in HRK million

	31.12.2021	31.12.2020
Deferred income	0.2	0.2
Accruals	15.2	23.6
Other liabilities	40.8	61.8
Total	**56.2**	**85.6**

Accruals and other liabilities include liabilities for services provided and not yet paid as well as salaries and salary compensations not yet paid.

(53) Equity

in HRK million

	31.12.2021	31.12.2020
Share capital	2,558.9	2,558.9
Additional Tier 1 capital	299.6	0.0
Legal and other reserves	133.1	133.1
Fair value reserve	11.0	76.1
Accumulated profit	84.8	87.1
Total	**3,087.5**	**2,855.2**

The direct owner of the Bank is Addiko Bank AG, Vienna, Austria.

At the end of 2021 Addiko Bank d.d. had 1,248,243 (2020: 1,248,243) issued ordinary shares of nominal value HRK 2,050 (2020: HRK 2,050).

In June 2021, the Bank has issued an AT1 instrument (bond) in the amount of EUR 40 million (HRK 299.6 million) which, according to the decision of the CNB, fulfils the conditions for allocation into Additional Tier 1 capital. The Bank has classified the instrument as equity instrument in accordance with IAS 32 and recognized it as a non-monetary item in HRK countervalue at the date of initial recognition.

The legal reserve has been created in accordance with the Croatian Company Act, which requires 5% of the net profit for the year to be transferred to this reserve, until it reaches 5% of issued share capital. Legal reserve can be used for covering prior period losses if the losses are not covered by current year profits or if other reserves are not available. The legal reserve is not distributable to the shareholders.

Other reserves are created in accordance with the General assembly decision and can be used for purposes defined by the law or the General assembly decision. In addition, direct capital contributions are presented in this position.

The fair value reserve includes the measurement results – after taking deferred taxes into account – for the financial assets measured at fair value through other comprehensive income.

The accumulated profit includes profit for the year in the amount of HRK 79.9 million (2020: HRK 87.1 million), effects of reclassification of the Visa Inc. Series C Participating Preferred Stock from the portfolio of equity instruments measured at fair value through other comprehensive income into the portfolio of debt instruments mandatorily measured at fair value through profit or loss in the amount of HRK 4.5 million (see Note 3) and realized fair value reserve that is not reclassified to profit or loss from the instruments measured at FVOCI in the amount of HRK 0.4 million.

(54) Statement of cash flows

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

The cash flow from operating activities of the Bank contains cash inflows and outflows arising from loans and receivables from credit institutions and customers, liabilities to credit institutions and customers and debt securities. Changes in assets and liabilities held for trading are also included, as are the cash flow from dividends received and taxes.

The cash flow from investing activities includes cash inflows and outflows arising from intangible assets, property, plant and equipment and assets held for sale. Reclassifications regarding non-current assets and liabilities classified as held for sale are considered in the respective items.

Lease payments and cash flows from the sale and purchase of equity instruments are disclosed in the cash flow from financing activities. In addition, the position includes capital increases/decreases and dividend payments.

Cash and cash equivalents include cash, cash balances at central banks that are daily due and deposits that are daily due.

Risk Report

This note provides details of the Bank risk exposure which is defined as the amount on-balance items as well as off-balance items, which are not decreased for amount of allocated risk provisions. More precisely, the credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet exposures) without taking into account expected credit losses, provisions for guarantees, any collateral held, netting effects, other credit enhancements or credit risk mitigating transactions. Market values are used to calculate the relevant exposure for securities, whereas amortised cost is used for loans.

Risk Management note describes the methods used by management to identify, measure and manage risk in order to preserve Bank's capital. The main goal of the Bank is to adequately and efficiently manage all major risks, which essentially requires systematic and deliberate planning and management, as well as maintaining an acceptable level of risk and profitability.

(55) Risk control and monitoring

The Bank has established a strategic risk management function, conducted by the Risk Control and Non-financial Risks division. In this way, risk identification, assessment and measurement and management processes are established for major risks and unexpected events, all in order to achieve a stable and profitable business performance with the Bank's improved performance indicators and the quality of the portfolio in terms of risk and profitability. Also, Bank steers and monitors its risks across all business segments, with the aim of optimising the risk/performance profile and guaranteeing risk-bearing capacity at all times and therefore protecting the bank's creditors.

The following central principles apply to the Bank's overall controlling:
- Clearly defined processes and organisational structures are in place for all risk types, according to which all tasks, competencies and responsibilities of participants can be aligned.
- Front and back office as well as trading and settlement/monitoring units are functionally separated to pre-vent conflicts of interest in accordance with the regulatory requests.
- The Bank implements appropriate, mutually compatible procedures for identifying, analysing, measuring, combining, controlling and monitoring the risk types.
- Appropriate limits are set and effectively monitored for material risk types.

(56) Risk strategy & Risk Appetite Framework (RAF)

The Bank 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 Bank'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 Bank 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.

Bank has also 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 2020, risk strategy and the Recovery Plan giving an interlinked framework for proper internal steering and surveillance.

Additionally, one of the basic processes that the Bank is implementing as part of a strategic risk management is Internal capital adequacy assessment process ("ICAAP"). The main purpose of internal capital adequacy assessment process is to determine a positive level of capital which is high enough to cover the risks the Bank is exposed to and which are assessed as material. The ICAAP serves as an assessment of internal capital adequacy in relation to the Bank's risk profile and as an implementation of the Bank's strategy appropriate for maintaining an adequate internal capital level.

Also, by monitoring process of utilization of defined risk profile on a daily, monthly and quarterly basis, the Bank conducts limits utilization and steering process. The implementation and monitoring of various levels of limits from the product and client level to the level of different sub-portfolios such as market segments, regions, rating classes, levels of approved volumes, exposure levels etc., enables informative and proactive approach to risk management and strategic decision making which is based on a group of factors and also on interaction with other influential factors.

Achieving Bank's strategic targets and ways of managing risk are prescribed within mentioned Risk Strategy and a number of related policies, regulations and directives in which the basic guidelines according to law regulations and Addiko Group requests are defined.

(57) Risk organisation

Risk management organization is constituted in a way that the Bank manages the risks from the very moment of risk exposures appearance, from business conductance with clients, through client monitoring process and through administrative business. Risk exposures measurement and risks assessment process are conducted through the following organizational parts of the Bank.

Ensuring adequate risk management structures and processes is in the responsibility of the Chief Risk Officer (CRO), who is a member of the Bank Management Board. The CRO acts independently of market and trading units, in line with all regulatory requirements as well as appropriate internal controls.

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

In 2021, the following organisational units were operative:

Credit Risk Management includes Underwriting for Corporate / SME / PF and Credit Risk Management FI / Sovereigns / Standard / Privat Individuals; Portfolio Management, Credit Analysis and Collection. The function has both an operational and strategic role related to credit risk management. Operationally it covers analysis and approval of credit applications within defined approval authority levels; assessment and approval of lending products and test initiatives and soft and hard collection for Standard & Privat individuals, while strategically it defines policies, procedures, manuals, guidelines in relation to the governance of lending activities and collections.

Risk control operates as the independent risk management function, identifying, monitoring, controlling, and reporting of all material risks to Management and Supervisory Boards, proposing of mitigation measures, initiating escalation in case defined limits are breached and defining methodology for risk measurement and assessment.
Risk Control is actively involved in all major decisions relating to risk management and the development and review of risk strategy, own funds and capital management, stress testing, credit risk budgeting, tracking of risk exposure and steering of the ICAAP, ILAAP, SREP and MREL processes as well manages the same processes from methodological point of view and reports on them to the management.

Group Risk Management Support is organized as a separate organizational unit that is under the direct supervision of a member of the Management Board – Chief Risk Officer (CRO). Group Risk Management Support is responsible for:

- ensuring support in part of distressed asst management;
- operational risk management and support in integrated risk management;
- support in market and liquidity risk management;
- support in legal risk.

(58) Internal risk management guidelines

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

The Bank has clearly defined responsibilities for all risk guidelines, including preparation, review and update. Each of these guidelines must be implemented in accordance with Group guidelines 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.

(59) Credit risk and Credit related risks

Main risks that the Bank is exposed to emerge from the Bank's business activity and economic movements, and the Bank faces them in the form of credit risk, market and liquidity risk, operational risk and other risks such as legal risk, strategic risk, reputational risk, etc.

Hereafter, basic risks monitored and continuously managed in the Bank are presented. Also, in all upcoming risk analysis, analytical data based on internal assumptions of risk management have been used, and because of that it can differ from the data presented in the Financial Statements.

59.1. Credit risk

According to the Business and Risk Strategy, Credit Risk represents the most relevant driver of Risk in the Bank. Credit risk is defined as a possible loss that could occur due to non-fulfilment of a client's contractual obligations towards credit institution.

The Bank applies appropriate policies and procedures in credit risk management.

Credit risk management also includes monitoring and reporting of Concentration risk, Currency induced credit risk and Interest rate induced credit risk which represent forms of credit risk and due to their great importance for the Bank portfolio, they are monitored separately.

The process of identification, assessment, measurement and management of credit risk is being conducted on continuous basis and it encompasses the entire Bank portfolio.

Exposure to credit risk is being managed through regular analysis of existing and potential borrower's capability to pay obligations, and by changing loan limits when needed according to internal procedures and regulations prescribed by the CNB. Furthermore, credit risk is additionally being managed by obtaining collaterals which reduce Bank's exposure to credit risk. The process of credit risk reporting is conducted on a daily, monthly, quarterly and yearly basis, through reports which present current status and movement trends in the Bank portfolio. By reporting limits utilization and portfolio quality indicators overview, these reports enable effective risk management and efficient and timely decision making.

Hence, the automated production of strategically important reports is enabled within Risk Control department (on a daily, monthly, quarterly, half-yearly and yearly level), such as KRI report, Credit Risk Report, ICAAP report, Concentration Risk report, Rating Report etc. Regular monthly reporting process is set in a way that all reports are delivered according to predefined time schedule, in order to enable more efficient and more detailed analysis of portfolio structure changes and timely defining of measures for mitigation of risk level.

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

The internal capital adequacy assessment process is defined by the following regulations:

- Law on credit institutions,
- the Regulation (EU) no. 575/2013,
- Decision on the internal capital adequacy assessment process for credit institutions,
- Decision on governance arrangements.

The Bank uses IRB approach (with application of permanent partial use) to calculate Credit Risk internal capital requirements. Details to the calculation can be found in the document "Procedure for calculation of internal capital requirements for Credit Risk". In this way credit risk is directly involved in the ICAAP process.

59.2. Concentration risk

Concentration risk is the risk arising from each individual, direct or indirect, exposure towards one client, group of related parties that is the central counterparty or set of exposures connected by common risk factors such as the same economic sector or the same geographical area, equivalent jobs or goods, or application of similar credit risk mitigation techniques, including in particular the risks associated with large indirect credit exposures to a particular collateral provider that can lead to losses that could jeopardize the continuation of a credit institution or materially significant change in its risk profile.

The Bank measures and manages concentration risk from following points of view:

- Name/ Group of Borrowers concentration,
- Sector concentration,
- Collateral type and collateral provider concentration,
- Foreign currency concentration.

Concentration risk is measured within the risk management process and through ICAAP process. The main goals of concentration risk measurement are determination of certain changes in the structure of capital allocation for credit risk, improvement of strategy of loan approval connected to credit risk and setting/analysing limits for credit risk.

59.3. Currency induced credit risk (CICR)

Currency induced credit risk means the risk of loss to which a credit institution assuming credit risk arising from exposures denominated in or indexed to foreign currency is additionally exposed.

Currency induced credit risk is measured through risk management process as well as within ICAAP process. As there is no minimum regulatory capital request for Currency induced credit risk, the Bank has implemented internal method of quantification of Currency induced credit risk which has been specified in detail in the relevant internal documentation and 'ICAAP Policy'.

59.4. Interest rate induced credit risk

Interest rate-induced credit risk means the risk of loss to which a credit institution assuming credit risk arising from exposures linked to variable interest rates is additionally exposed.

Interest rate induced credit risk is measured through risk management process as well as within ICAAP process. As there is no minimum regulatory capital request for Interest rate induced credit risk, the Bank has implemented internal method of quantification of Interest rate induced credit risk which has been specified in detail in the relevant internal documentation and 'ICAAP Policy'.

59.5. Country risk

Country risk means:
- the risk that the central government, the central bank and/or entities treated as central governments will not settle their liabilities to domestic creditors and/or creditors in other countries; and
- the risk that a counterparty having its head office or domicile outside the Republic of Croatia will not settle its liabilities due to economic and political factors specific for the country in which the counterparty has its head office or domicile.

Bank manages country risk by conducting an ongoing analysis of the structure and quality of the overall portfolio which is a subject to country risk and to ensure that timely and appropriate measures will be taken to reduce the country risk.

59.6. Object risk

Object risk, including risk real estate investment, is defined as a risk of loss due to change in market value of assets from Bank's portfolio. Object risk can occur in the following cases:
- Banking: If a debtor defaults and the Bank is taking over the defaulted company and treats former collaterals (especially real estate and large producer durable goods) as own assets,
- Finance Lease: If a leasing taker defaults, the leased goods will become assets of the leasing company (repossessing),
- Objects in Bank's ownership.

Object risk is measured and assessed based on quantitative indicators of tangible assets volume in the Bank's portfolio. Materiality of object risk is assessed based on its impact on total Bank's assets and the impact of realized and planned losses from the revaluation of tangible assets.

The process of risk level calculation is determined by the influence of change in tangible assets value within certain time period, i.e. the period in which the assets are retained in Bank's portfolio. Book value of assets is the basis for the calculation of the internal capital requirement out of object risk and represents basic parameter when assessing the object risk.

Object risk is measured within credit risk, i.e. internal capital requirement for object risk is embedded within internal capital requirement for credit risk.

The Bank manages object risk by conducting continuous analysis of the structure and quality of total tangible assets portfolio in order to ensure timely undertaking of appropriate risk mitigation measures.

Object risk management is mostly reflected through regular evaluation of tangible assets by updated and reliable market values. If a new evaluation represents change in a book value of a real estate, adjustments in Bank's business books are performed. Real estate has the greatest share in total tangible assets, so this type of assets is affected the most by changes in market value.

Object risk management methods are prescribed by Bank's internal acts.

59.7. Dilution risk

Dilution risk is a risk of loss due to a reduction in the amount of purchased receivables as a result of cash or non-cash credits to the debtor, which arise from a legal relationship with the former creditor that is the basis for receivables which are the subject of the purchase.

The Bank manages dilution risk by conducting continuous analysis of the structure and quality of total dilution risk relevant portfolio in order to ensure timely undertaking of appropriate risk mitigation measures.

59.8. Macroeconomic risk

Macroeconomic risk is defined as a risk of indirect loss which occurs due to negative/unfavourable change of the macroeconomic variables such as inflation, unemployment rate and downfall of GDP etc.

Macroeconomic risk is not quantified, but his interaction with other risk is assessed during the stress testing. Stress testing is conducted by assessment of macroeconomic shocks, via estimated model, on different risk categories as well as their interaction. Results of comprehensive stress test form basis for analysis of Bank’s capital position via analysis of macroeconomic shocks transfer mechanisms on the capital position itself.

59.9. Risk of excessive leverage

Risk of excessive leverage is a risk resulting from the vulnerability of the institution due to financial leverage or potential financial leverage and could lead to unwanted modifications of its business plan, including the forced sale of assets which could result in losses or valuation adjustment of its remaining assets.

Financial leverage means, if compared to Bank’s capital, the relative size of assets, off-balance sheet liabilities and contingent liabilities for payment or delivery, or providing collateral, including liabilities based on received funding sources, retrieved liabilities, derivatives or repurchase agreements, but excluding liabilities which can be executed only during the liquidation of the institution. The risk of excessive leverage Bank measures by calculating the leverage ratio in a way to divide Bank's common equity capital, by a measure of the Bank’s exposure.

59.10. Shadow banking risk

Shadow Banking Risk is the risk that arises from exposures to individual shadow banking entities (undertakings that carry out one or more credit intermediation activities and that are not excluded undertakings). Exposures to individual shadow banking entities pursuant to Part Four of Regulation (EU) No 575/2013 with an exposure value, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403 and exemptions in accordance with Articles 400 and 493(3) of that Regulation, equal to or in excess of 0.25% of the institution’s eligible capital as defined in Article 4(1)(71) of Regulation (EU) No 575/2013.

In accordance with Bank's strategy, as well as expected assets growth in retail portfolio, there are no expected exposure increases towards shadow banking subjects, nor increases of individual exposures which amount to more than 0.25% of eligible capital, nor increases towards legal entities above internally set limits. As Shadow Banking entities need to be examined at the group of related client level, Bank already measure Single Name Concentration Risk and therefore, within ICAAP the Bank does not allocate additional capital requirement for Shadow Banking risk.

59.11. Credit Valuation Adjustment risk or "CVA"

In accordance with the Regulation (EU) no. 575/2013, 'Credit Valuation Adjustment' or 'CVA' means an adjustment to the mid-market valuation of the portfolio of transactions with counterparty. That adjustment reflects the current market value of the credit risk of the counterparty to the institution, but does not reflect the current market value of the credit risk of the institution to the counterparty.

The CVA is calculated in accordance with regulatory criteria prescribed by the Regulation (EU) no. 575/2013, article 384, under the standardized method.

59.12. Counterparty risk

Counterparty risk is monitored within credit risk. Exposure to counterparty credit risk or CCR means the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. The methodology used for internal capital allocation to cover counterparty credit risk is defined by the EU’s Regulation 575/2013 Title II Chapter 6.

Approval and tracking of internal limit utilization is defined by the Bank’s internal procedures. In daily business functioning, dealers are informed about limit availability to conduct transactions via various internal systems and in this way, aside from other determinants, decisions are made to conduct or not conduct transaction. For repo and reverse repo business, counterparty risk is calculated via standardized approach along with the implementation of the Financial Collateral Comprehensive Method. For derivatives, counterparty credit risk is calculated via Mark-to-market Method.

59.13. Participation risk

Participation risk resembles credit risk, because the danger of potential losses for a credit institution due to entered participations (provided equity, profit and loss transfer agreements or binding letters of comfort as well as financial commitments) exists. This can be the result of shortfall of dividends, partial depreciations, and amortization of losses or reduction of hidden reserves. Participation risk ranges from strategic participations (closely related to banking industry) to operative participations (in the non-banking areas).

59.14. Reconciliation between Financial instruments classes and Credit risk exposure

The credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet exposures) without taking into account expected credit losses, provisions for guarantees, any collateral held, netting effects, other credit enhancements or credit risk mitigating transactions. Maximum amount of exposure to credit risk is used to calculate the relevant exposure for securities, whereas amortised cost is used for loans.

Breakdown of net exposure within the Bank in accordance with IFRS 7.35 as at 31 December 2021:

in HRK million

31.12.2021	Performing			Non-performing			Total	
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash reserves[1)]	4,212.9	-0.1	4,212.7	0.0	0.0	0.0	4,212.9	4,212.7
Loans and advances to customers	7,887.5	-123.1	7,764.4	580.6	-439.0	141.6	8,468.1	7,906.0
of which credit institutions	16.5	-0.2	16.3	0.0	0.0	0.0	16.5	16.3
of which customer loans	7,871.0	-122.9	7,748.0	580.6	-439.0	141.6	8,451.6	7,889.7
Financial assets at FVTOCI[2)]	3,891.2	-0.8	3,890.4	0.0	0.0	0.0	3,891.2	3,890.4
On balance total	**15,991.5**	**-124.1**	**15,867.5**	**580.6**	**-439.0**	**141.6**	**16,572.1**	**16,009.1**
Off-balance	1,980.3	-8.8	1,971.5	5.9	-3.0	2.9	1,986.1	1,974.3
Total	**17,971.8**	**-132.8**	**17,838.9**	**586.5**	**-442.0**	**144.5**	**18,558.3**	**17,983.4**

[1)] The position does not include cash on hand in amount of HRK 342.5 million. [2)] Investment debt securities, without equity instruments. Exposure represents maximum amount of exposure to credit risk, while ECL relates to credit risk component of fair value reserve.

Breakdown of net exposure within the Bank in accordance with IFRS 7.35 as at 31 December 2020:

in HRK million

31.12.2020	Performing			Non-performing			Total	
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash reserves[1)]	3,850.1	-2.0	3,848.1	0.0	0.0	0.0	3,850.1	3,848.1
Loans and advances to customers	9,366.2	-149.0	9,217.2	876.0	-675.5	200.5	10,242.2	9,417.7
of which credit institutions	404.6	-0.2	404.4	0.0	0.0	0.0	404.6	404.4
of which customer loans	8,961.6	-148.8	8,812.8	876.0	-675.5	200.5	9,837.6	9,013.3
Financial assets at FVTOCI[2)]	3,351.6	-4.6	3,347.0	0.0	0.0	0.0	3,351.6	3,347.0
On balance total	**16,567.9**	**-155.6**	**16,412.2**	**876.0**	**-675.5**	**200.5**	**17,443.9**	**16,612.8**
Off-balance	2,094.9	-9.9	2,085.0	11.2	-5.7	5.5	2,106.1	2,090.5
Total	**18,662.8**	**-165.6**	**18,497.2**	**887.2**	**-681.1**	**206.0**	**19,550.0**	**18,703.2**

[1)] The position does not include cash on hand in amount of HRK 380.3 million. [2)] Investment debt securities, without equity instruments. Exposure represents maximum amount of exposure to credit risk, while ECL relates to credit risk component of fair value reserve.

59.15. Credit risk exposure by rating class

At 31 December 2021 roughly 21% of the total exposure is categorised as rating classes 1A to 1E and roughly 67% is categorised as rating class 2A to 2E.

The overall NPE stock development in 2021 is mainly influenced by significant reductions resulting from debt sales and restructuring and collection effects. Taking all these effects into consideration the overall non-performing exposure decreased during 2021 by HRK 300.6 million.

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

in HRK million

31.12.2021	1A-1E	2A-2E	3A-3E	Watch	NPE	No rating	Total
Consumer	1,048.0	2,265.0	196.1	166.6	96.6	0.0	3,772.4
SME	601.5	2,071.0	403.7	312.6	188.1	0.0	3,576.8
Non-focus	973.8	1,390.5	122.0	278.5	301.8	0.0	3,066.5
o/w Large Corporate	89.7	201.3	101.5	172.4	75.0	0.0	639.9
o/w Mortgage	884.1	990.3	14.3	12.0	224.9	0.0	2,125.5
o/w Public Finance	0.1	198.9	6.2	94.1	2.0	0.0	301.2
Treasury	1,308.5	6,807.6	26.4	0.0	0.0	0.0	8,142.5
Total	**3,931.8**	**12,534.1**	**748.3**	**757.6**	**586.5**	**0.0**	**18,558.3**

The following table shows the exposure by rating classes and market segment as at 31 December 2020:

in HRK million

31.12.2020	1A-1E	2A-2E	3A-3E	Watch	NPE	No rating	Total
Consumer	754.3	2,291.2	247.3	154.2	191.9	1.6	3,640.5
SME	463.8	2,276.1	550.2	281.8	315.3	2.9	3,890.1
Non-focus	1,575.4	1,918.4	275.0	243.1	379.9	2.3	4,394.1
o/w Large Corporate	572.3	478.9	150.0	149.5	90.0	0.2	1,440.9
o/w Mortgage	1,002.9	1,192.3	45.6	35.6	287.3	1.0	2,564.7
o/w Public Finance	0.2	247.2	79.4	58.0	2.6	1.1	388.5
Treasury	1,900.8	5,708.0	16.5	0.0	0.0	0.0	7,625.3
Total	**4,694.3**	**12,193.7**	**1,089.0**	**679.1**	**887.1**	**6.8**	**19,550.0**

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

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

Addiko applies the customer view to all customer segments, including retail clients. If an obligor defaults on one deal, then the customer's performing transactions are classified as non-performing as well.

The classifications per rating class and ECL stage can be seen in the tables below.

Loans and advances to customers and banks at amortised cost as at 31 December 2021:

in HRK million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	1,898.9	66.9	0.0	5.3	1,971.1
2A-2E	8,628.1	181.5	0.0	7.9	8,817.5
3A-3E	497.0	109.6	0.0	0.1	606.6
Watch	70.4	634.5	0.0	0.2	705.1
NPL	0.0	0.0	560.2	20.4	580.6
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**11,094.3**	**992.5**	**560.2**	**33.9**	**12,680.9**
Loss allowance	-28.7	-94.6	-422.8	-16.1	-562.2
Carrying amount	**11,065.7**	**897.9**	**137.4**	**17.8**	**12,118.7**

Loans and advances to customers and banks at amortised cost as at 31 December 2020:

in HRK million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	2,432.6	105.5	0.0	5.1	2,543.2
2A-2E	8,824.8	322.0	0.0	7.2	9,154.1
3A-3E	597.3	277.9	0.0	0.9	876.1
Watch	114.2	521.7	0.0	0.5	636.3
NPL	0.0	0.0	844.4	31.6	876.0
No rating	5.2	1.4	0.0	0.0	6.6
Total gross carrying amount	**11,974.1**	**1,228.6**	**844.4**	**45.3**	**14,092.3**
Loss allowance	-43.7	-107.2	-657.0	-18.5	-826.5
Carrying amount	**11,930.4**	**1,121.4**	**187.3**	**26.8**	**13,265.9**

Debt instruments measured at FVTOCI as at 31 December 2021:

in HRK million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	1,199.5	0.0	0.0	0.0	1,199.5
2A-2E	2,691.7	0.0	0.0	0.0	2,691.7
3A-3E	0.0	0.0	0.0	0.0	0.0
Watch	0.0	0.0	0.0	0.0	0.0
NPL	0.0	0.0	0.0	0.0	0.0
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**3,891.2**	**0.0**	**0.0**	**0.0**	**3,891.2**
Loss allowance	-0.8	0.0	0.0	0.0	-0.8

Debt instruments measured at FVTOCI as at 31 December 2020:

in HRK million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	1,337.6	0.0	0.0	0.0	1,337.6
2A-2E	2,014.0	0.0	0.0	0.0	2,014.0
3A-3E	0.0	0.0	0.0	0.0	0.0
Watch	0.0	0.0	0.0	0.0	0.0
NPL	0.0	0.0	0.0	0.0	0.0
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**3,351.6**	**0.0**	**0.0**	**0.0**	**3,351.6**
Loss allowance	-4.6	0.0	0.0	0.0	-4.6

Commitments and financial guarantees given as at 31 December 2021:

in HRK million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	752.4	8.8	0.0	0.0	761.2
2A-2E	1,022.5	2.5	0.0	0.0	1,024.9
3A-3E	132.2	9.4	0.0	0.0	141.6
Watch	2.1	50.4	0.0	0.0	52.5
NPL	0.0	0.0	5.9	0.0	5.9
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**1,909.1**	**71.1**	**5.9**	**0.0**	**1,986.1**
Loss allowance	-4.5	-4.3	-3.0	0.0	-11.8
Carrying amount	**1,904.7**	**66.8**	**2.9**	**0.0**	**1,974.3**

Commitments and financial guarantees given as at 31 December 2020:

in HRK million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	791.9	21.6	0.0	0.0	813.6
2A-2E	1,008.1	17.4	0.0	0.0	1,025.5
3A-3E	191.0	21.9	0.0	0.0	212.9
Watch	6.7	36.2	0.0	0.0	42.8
NPL	0.0	0.0	11.2	0.0	11.2
No rating	0.1	0.1	0.0	0.0	0.1
Total gross carrying amount	**1,997.8**	**97.2**	**11.2**	**0.0**	**2,106.1**
Loss allowance	-6.3	-3.6	-5.7	0.0	-15.6
Carrying amount	**1,991.4**	**93.6**	**5.5**	**0.0**	**2,090.5**

59.16. Exposure by business sector

The following tables present the exposure by industry based on the classification code "NACE Code 2.0". The lower-risk business sector groups (Financial and insurance activities) account for a share of 22,8% at the end of the year 2021 (2020: 20,9%). The well-diversified private customers sector accounts for a share of 32.0% (2020: 31.3%).

The following table shows the exposure by business sector and ECL as at 31 December 2021:

in HRK million

Business sector	Exposure PE	ECL Stage 1&2	Exposure NPE	ECL Stage 3	Total exposure	Total ECL
Private	5,624.8	74.3	321.6	254.9	5,946.4	329.2
Financial and insurance activities	4,239.3	0.4	0.0	0.0	4,239.3	0.4
Activities of extraterritorial organisations and bodies	1,655.1	0.6	0.0	0.0	1,655.1	0.6
Public administration and defence; compulsory social security	2,174.0	0.2	0.0	0.0	2,174.0	0.2
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,007.2	10.7	76.3	57.5	1,083.5	68.1
Manufacturing	879.9	9.8	128.8	82.6	1,008.8	92.4
Construction	815.3	6.0	20.0	14.8	835.2	20.8
Accommodation and food service activities	181.9	9.7	12.3	8.7	194.2	18.4
Agriculture, forestry and fishing	170.9	1.7	14.3	13.1	185.2	14.8
Professional, scientific and technical activities	252.0	8.8	7.2	5.6	259.2	14.5
Education	158.6	0.5	0.2	0.2	158.8	0.7
Transporting and storage	198.1	2.6	1.1	1.0	199.2	3.6
Electricity, gas, steam and air conditioning supply	209.6	0.5	0.0	0.0	209.6	0.5
Information and communication	138.2	0.6	0.1	0.1	138.3	0.7
Water supply; sewerage; waste management and remediation activities	78.7	0.4	0.8	0.6	79.5	0.9
Administrative and support service activities	60.8	1.5	2.0	1.8	62.8	3.3
Real estate activities	68.7	3.9	1.5	0.8	70.2	4.7
Human health and social work activities	21.7	0.1	0.1	0.1	21.8	0.3
Arts, entertainment and recreation	13.7	0.5	0.1	0.0	13.8	0.6
Other services activities	17.8	0.1	0.2	0.2	18.0	0.4
Mining and quarrying	5.2	0.0	0.0	0.0	5.2	0.0
Total	**17,971.8**	**132.8**	**586.5**	**442.0**	**18,558.3**	**574.8**

The following table shows the exposure by business sector and ECL as at 31 December 2020:

in HRK million

Business sector	Exposure PE	ECL Stage 1&2	Exposure NPE	ECL Stage 3	Total exposure	Total ECL
Private	5,699.9	92.3	421.5	322.7	6,121.5	415.0
Financial and insurance activities	4,039.1	2.2	54.8	31.8	4,093.8	33.9
Activities of extraterritorial organisations and bodies	1,637.1	3.9	0.0	0.0	1,637.1	3.9
Public administration and defence; compulsory social security	1,889.6	0.9	0.0	0.0	1,889.6	0.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,352.1	12.7	106.8	74.2	1,458.8	86.9
Manufacturing	1,302.2	22.2	154.6	141.1	1,456.8	163.3
Construction	795.0	4.4	49.1	37.1	844.2	41.5
Accommodation and food service activities	384.1	6.3	15.4	10.8	399.5	17.1
Agriculture, forestry and fishing	212.3	3.5	34.0	24.4	246.3	27.9
Professional, scientific and technical activities	222.0	4.4	19.0	17.4	240.9	21.8
Education	202.6	0.9	0.5	0.4	203.1	1.3
Transporting and storage	207.8	2.7	9.2	7.4	217.0	10.1
Electricity, gas, steam and air conditioning supply	227.4	0.7	0.0	0.0	227.4	0.7
Information and communication	146.1	1.0	0.6	0.5	146.7	1.5
Water supply; sewerage; waste management and remediation activities	128.2	1.5	3.9	1.1	132.1	2.6
Administrative and support service activities	40.1	0.9	6.4	6.3	46.5	7.1
Real estate activities	87.9	2.9	7.3	2.0	95.1	4.9
Human health and social work activities	37.2	1.2	3.1	3.1	40.3	4.3
Arts, entertainment and recreation	28.6	0.2	0.1	0.0	28.7	0.2
Other services activities	21.7	1.0	0.9	0.8	22.6	1.8
Mining and quarrying	1.9	0.0	0.1	0.1	2.0	0.1
Total	**18,662.9**	**165.6**	**887.2**	**681.1**	**19,550.0**	**846.7**

59.17. Presentation of exposure by overdue days

Analysis of credit portfolio quality is performed through regular reporting (daily/monthly) on the structure of the total exposure according to the different exposure categories (products, segments). In the following tables portfolio structure with classification of placements into risk categories is presented in a manner to show:

- amount of undue exposure in total exposure,
- amount of due exposure in total exposure divided in buckets of days in delay (less than 30 days, 31 to 60 days, 61 to 90 days, more than 91 days).

Bank's local processes and internal acts related to the calculation of days past due and implementation of default definition are in line with EBA regulatory requirements and CNB requirements.

Also, in order to enable effective credit portfolio management and to provide adequate information required for efficient decision making, the Bank has implemented certain procedures and activities focused on:

- collection of due receivables in accordance with the Bank’s internal acts and
- timely and adequate monitoring of due exposure in order to make appropriate value adjustment.

Main movements for 2021 in credit risk exposure and credit risk quality of the Bank’s portfolio is characterised by improved market conditions and overall business environment affecting lower overdue exposures in each category of delay.
Overall active NPE management including collection and recovery process, along with individual and collective debt sale actions resulted in significant reduction in NPE exposure during 2021.

Movements per segment and days of delay, divided to time buckets are showed in following tables.

Credit quality at 31 December 2021 was as follows:

in HRK million

31.12.2021	No overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	3,628.1	66.9	13.6	7.3	56.5	3,772.4
SME	3,345.5	99.3	11.0	0.0	120.9	3,576.8
Non-focus	2,892.5	14.4	3.8	4.1	151.6	3,066.5
o/w Large Corporate	634.9	0.0	0.0	0.0	5.0	639.9
o/w Mortgage	1,958.5	14.4	3.8	4.1	144.7	2,125.5
o/w Public Finance	299.2	0.0	0.0	0.0	2.0	301.2
Treasury	8,142.5	0.0	0.0	0.0	0.0	8,142.5
Total	**18,008.7**	**180.7**	**28.4**	**11.4**	**329.1**	**18,558.3**

Credit quality at 31 December 2020 was as follows:

in HRK million

31.12.2020	No overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	3,389.6	69.9	19.7	12.8	148.8	3,640.7
SME	3,492.2	117.7	13.3	1.2	265.7	3,890.1
Non-focus	3,984.1	55.3	7.7	108.9	238.1	4,394.1
o/w Large Corporate	1,266.9	37.7	0.0	105.6	30.7	1,440.9
o/w Mortgage	2,330.9	17.6	7.7	3.3	205.2	2,564.7
o/w Public Finance	386.2	0.0	0.0	0.0	2.2	388.5
Treasury	7,625.2	0.0	0.0	0.0	0.0	7,625.2
Total	**18,491.1**	**242.8**	**40.7**	**122.8**	**652.6**	**19,550.0**

59.18. Presentation of exposure by size classes

As 31 December 2021 around 34.9% (2020: 33.2%) of the exposure is found in the size range < HRK 1.5 million. The bank pursues a strict strategy of reducing concentration risk in the corporate banking area. The amount of HRK 7,442.3 million (2020: HRK 7,643.1 million) of exposure in the range > HRK 100 million is entirely attributable to national bank, foreign financial institutions or public sector. These transactions are necessary for securing liquidity, minimum deposit levels and long-term investments. The presentation is based on the group of borrowers (GoBs).

	31.12.2021		31.12.2020	
Size classes	Exposure in HRK million	GoBs	Exposure in HRK million	GoBs
< 50,000	1,133.2	96,330	1,231.1	102,967
50,000-250,000	2,801.6	24,962	2,532.0	22,399
250,000-700,000	1,817.4	4,652	1,973.5	4,917
700,000-1,500,000	718.0	704	750.5	737
1,500,000-5,000,000	1,076.9	420	1,126.1	433
5,000,000-10,000,000	661.3	95	698.4	99
10,000,000-50,000,000	1,988.1	93	2,412.1	110
50,000,000-100,000,000	919.4	14	1,183.2	16
> 100,000,000	7,442.3	5	7,643.1	14
Total	**18,558.3**	**127,275**	**19,550.0**	**131,692**

59.19. Breakdown of financial assets by degree of impairment

Financial assets which are neither overdue nor impaired:

in HRK million

	31.12.2021		31.12.2020	
Rating class	Exposure	Collateral	Exposure	Collateral
1A-1E	3,858.1	822.6	4,608.5	991.6
2A-2E	12,490.3	1,216.4	12,094.3	1,720.7
3A-3E	732.9	132.6	1,051.7	269.3
Watch	698.0	215.9	522.9	182.0
No rating	0.0	0.0	5.8	1.2
Total	**17,779.2**	**2,387.5**	**18,283.2**	**3,164.7**

Overdue but not impaired financial assets:

in HRK million

	31.12.2021		31.12.2020	
	Exposure	Collateral	Exposure	Collateral
- overdue to 30 days	170.6	14.6	233.0	31.7
- overdue 31 to 60 days	21.0	2.3	33.6	3.2
- overdue 61 to 90 days	0.9	0.1	113.1	30.2
- overdue 91 to 180 days	0.0	0.0	0.0	0.0
- overdue 181 to 365 days	0.0	0.0	0.0	0.0
- overdue over 1 year	0.0	0.0	0.0	0.0
Total	**192.5**	**17.0**	**379.7**	**65.1**

Impaired financial assets:

in HRK million

NPE	31.12.2021	31.12.2020
Exposure	586.5	887.2
Provisions	442.0	681.1
Collateral	272.4	368.5

All financial assets for which default event is determined are considered credit impaired and lifetime ECL is calculated. Exposures with rating category 4A or worse (watch list) are regularly monitored for potential default within the monitoring and pre-workout process.

The over-collateralisation (collaterals plus provisions) of the impaired financial assets shown in the table above is mostly driven by the Stage 3 collective impaired calculation, in which no collateral values are recognised.

59.20. Forbearance

Forbearance measures are defined as concessions towards a borrower facing or about to face difficulties in meeting its financial commitments (“financial difficulties”). Forbearance measures and risks are monitored by the operative risk units responsible for Corporate and Retail portfolio. Additionally, forbearance measures represent a trigger event in order to perform impairment tests in accordance with IFRS requirements.

During the 2020 and first quarter of 2021, payment moratoria were granted on a significant number of exposures to a significant number of clients, due to special circumstances related to Covid-19. All the payment moratoria granted in ABC fulfil the conditions as defined in the CNB Circular letter – Supervisory expectations for COVID-19 (180-020/19-03-20/BV). The regulatory environment in Croatia was compatible with EBA guidelines[1] on payment moratoria, therefore enabling ABC to continuously apply the EBA-compliant principles of exposure classification. As a consequence, moratoria granted to clients impacted by Covid-19 was not considered an automatic forbearance (or default) trigger, and as such have not impacted on the forbearance amounts but are being disclosed in a separate table below.

The following table provides an overview of the forbearance status at the Bank in the course of the financial year 2021. The off-balance positions only include loan commitments:

in HRK million

	01.01.2021	Additions of assets to which forbearance measures have been extended (+)	Assets which are no longer considered to be forborne (-)	Changes due to IFRS 5 (+/-)	FX (+/-)	Repayments and other changes (+/-)	31.12.2021
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments and government related entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	217.4	76.5	-104.4	0.0	0.0	-26.7	162.7
Households	143.0	62.5	-26.7	0.0	0.0	-17.4	161.4
Loans and advances	**360.4**	**139.0**	**-131.1**	**0.0**	**0.0**	**-44.2**	**324.1**
Loan commitments given	**0.2**	**2.9**	**-0.2**	**0.0**	**0.0**	**0.7**	**3.6**

[1] See EBA/GL/2020/02, “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis” and CNB Circular letter – Supervisory expectations COVID-19 (180-020/19-03-20/BV).

The following table provides an overview of the forbearance status at the Bank in the course of the financial year 2020. The off-balance positions only include loan commitments:

in HRK million

	01.01.2020	Additions of assets to which forbearance measures have been extended (+)	Assets which are no longer considered to be forborne (-)	Changes due to IFRS 5 (+/-)	FX (+/-)	Repayments and other changes (+/-)	31.12.2020
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments and government related entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-financial corporations	188.5	79.1	-41.8	0.0	0.0	-8.5	217.4
Households	120.6	64.4	-17.6	0.0	0.0	-24.4	143.0
Loans and advances	**309.2**	**143.5**	**-59.4**	**0.0**	**0.0**	**-32.9**	**360.4**
Loan commitments given	**1.1**	**0.2**	**-1.1**	**0.0**	**0.0**	**0.0**	**0.2**

The forbearance exposure was as follows in 2021:

in HRK million

	Closing balance 31.12.2021	Neither past due nor impaired	Past due but not impaired (> 0 days)	Impaired
Central banks	0.0	0.0	0.0	0.0
General governments and governments related entities	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0
Non-financial corporations	162.7	73.3	3.6	85.9
Households	161.4	83.3	5.2	72.8
Loans and advances	**324.1**	**156.6**	**8.8**	**158.7**

The forbearance exposure was as follows in 2020:

in HRK million

	Closing balance 31.12.2020	Neither past due nor impaired	Past due but not impaired (> 0 days)	Impaired
Central banks	0.0	0.0	0.0	0.0
General governments and governments related entities	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0
Other financial corporations	0.0	0.0	0.0	0.0
Non-financial corporations	217.4	68.5	0.0	148.9
Households	143.0	64.8	2.1	76.1
Loans and advances	**360.4**	**133.3**	**2.1**	**225.0**

The following table shows the collateral allocation for the forbearance exposure at the end of the year 2021:

in HRK million

Internal Collateral Value (ICV) in respect of forborne assets	ICV	thereof CRE	thereof RRE	thereof financial collateral	thereof guarantees	thereof other
Public Finance	2.0	2.0	0.0	0.0	0.0	0.0
Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0
Large Corporate	0.0	0.0	0.0	0.0	0.0	0.0
Medium and Small Corporate	96.9	73.3	18.0	0.9	4.3	0.4
Retail	74.4	6.9	64.9	0.0	0.0	2.6
Total	**173.2**	**82.2**	**82.8**	**0.9**	**4.3**	**3.0**

The following table shows the collateral allocation for the forbearance exposure at the end of the year 2020:

in HRK million

Internal Collateral Value (ICV) in respect of forborne assets	ICV	thereof CRE	thereof RRE	thereof financial collateral	thereof guarantees	thereof other
Public Finance	2.0	2.0	0.0	0.0	0.0	0.0
Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0
Large Corporate	23.1	18.3	0.0	0.0	0.0	4.8
Medium and Small Corporate	84.9	62.6	16.5	0.1	4.7	1.1
Retail	67.5	8.0	56.3	0.0	0.0	3.3
Total	**177.6**	**90.8**	**72.8**	**0.1**	**4.7**	**9.2**

Internal Collateral Value (ICV) is calculated as stated within the note 59.1.

59.21. Moratoria due to COVID-19

Based on intervention acts relating to the debt payment moratorium imposed by CNB and EBA, the Bank granted during 2020 and 2021 3,319 such moratoria, of which 30 were still active at 31.12.2021.

Bank has concluded so far that all moratoria introduced in the markets of operation fulfil the conditions as defined in the CNB and EBA guidelines (including updates). Relief offered to credit owners during 2020 and 2021 thus, did not result in an automatic triggering of forbearance or default classification. However, the Bank continues to perform individual assessments whether there are other or additional circumstances that would lead to forbearance or default classification. In addition, exposures where moratoria is expired are under additional monitoring for signs of deterioration.

The following table shows the amount of exposure under moratoria per market segment at the end of the year 2021:

in HRK million

	Performing		Non-performing		Total	
31.12.2021	Exposure	ECL	Exposure	ECL	Exposure	ECL
Consumer	1.2	0.2	0.4	0.4	1.5	0.5
SME	0.0	0.0	0.4	0.4	0.4	0.4
Non-focus	2.3	0.0	1.2	0.4	3.5	0.4
o/w Large Corporate	0.0	0.0	0.0	0.0	0.0	0.0
o/w Mortgage	2.3	0.0	1.2	0.4	3.5	0.4
o/w Public Finance	0.0	0.0	0.0	0.0	0.0	0.0
Treasury	0.0	0.0	0.0	0.0	0.0	0.0
Total	**3.5**	**0.2**	**1.9**	**1.1**	**5.4**	**1.3**

The following table shows the amount of exposure under moratoria per market segment at the end of the year 2020:

in HRK million

	Performing		Non-performing		Total	
31.12.2020	Exposure	ECL	Exposure	ECL	Exposure	ECL
Consumer	26.7	0.7	1.9	1.6	28.6	2.3
SME	128.6	5.0	0.0	0.0	128.6	5.0
Non-focus	201.2	5.9	1.7	0.4	202.8	6.3
o/w Large Corporate	141.6	5.4	0.0	0.0	141.6	5.4
o/w Mortgage	59.5	0.6	1.7	0.4	61.1	1.0
o/w Public Finance	0.1	0.0	0.0	0.0	0.1	0.0
Treasury	0.0	0.0	0.0	0.0	0.0	0.0
Total	**356.5**	**11.6**	**3.5**	**2.0**	**360.1**	**13.6**

(60) Development of risk provisions

Provisions are calculated in line with the International Financial Reporting Standard for financial instruments (IFRS 9). Different approaches are applied, depending on the stage a transaction is allocated to. Stage 1 requires the recognition of twelve-month expected credit losses. If there is a significant increase in credit risk, the loss allowance must be increased up to the amount of the expected lifetime loss (Stage 2). In case of an objective indication of an impairment (NPE, Stage 3) the lifetime expected credit loss is recognised.

IFRS 9 requires a bank to determine an expected credit loss (ECL) amount on a probability weighted basis as the difference between the cash flows that are due to the bank in accordance with the contractual terms of a financial instrument and the cash flows that the bank expects to receive.

In determining the cash flows that the bank expects to receive, following the recommendation of the GPPC (Global Public Policy Committee), the Bank is using a sum of marginal losses approach whereby ECLs are calculated as the sum of the marginal losses occurring in each time period from the reporting date. The marginal losses are derived from individual parameters that estimate exposures and losses in the case of default and the conditional probability of default for each period (the probability of a default in time period X conditional upon an exposure having survived to time period X).

In general, fully statistical models are applied to determine the parameters used wherever possible and plausible. These models rely on internal historical and / or external market available data. Methodologies are based on internal already available credit risk models while being adapted to be fully IFRS 9 compliant.

The (lifetime) ECL is calculated for different scenarios separately, considering current and future forward looking information. The aggregation to the final ECL is performed at the end by probability weighting of the different individual macro scenarios. The Bank calculates in total three outcomes: base case, optimistic case and pessimistic case, while occasionally also some more adverse scenarios are simulated to understand dynamics and potential portfolio risks.

As for the non-performing part (Stage 3) two approaches are of relevance, namely collective assessment based on risk parameters for small exposures and individual assessment with expert-based cash flow 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.

Depending on the assumed default scenario (restructuring or utilisation), expected repayments are assessed individually in terms of amount and time, the underlying assumptions are documented and justified on a case-by-case basis and expected cash flows are discounted to the net present value and offset against the outstanding current exposure. In terms of the calculation of recovery cash flows from real estate, the Bank bases its assumptions on the collateral's market value. 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.

For the part of the non-performing portfolio where the exposure at default (EAD) on group of borrower's levels is below a EUR 130 thousand, the calculation of provisions for impairment losses is performed as a collective assessment (rule-based approach). The provision amount is calculated as product of EAD and loss given default (LGD), where LGD is based on relevant characteristics such as time in default, risk segment and product.

Daily portfolio monitoring supported by clear performance goals regarding early collections, together with an incentive program leads to considerable improvements in the overall collections result and a significant reduction of the NPE portfolio. The NPE ratio (gross exposure based) decreased from 4.5% (2020) to 3.2% (2021).

The overall positive trend in NPE is mostly result of gradual and stable inflow during the year, reduced with individual and collective debt sales activities. Additionally, extensive focus on both, early collection and existing NPL collection / recovery, are continuously ensuring stable and controlled NPE portfolio development.

Risk costs for 2021 ended up in amount of HRK -4.2 million, and with inclusion of off-balance sheet items, and FVOCI instruments, total YTD risk costs amounts HRK 3.5 million. Favourable outcomes of debt sale process together with new macro forecast in performing portfolio ECL model update, expecting improvement in following years, resulted in decrease of risk cost recorded in 2021 in comparison to 2020.

Economic activity and business environment is expected to improve further in 2022 which will ensure stable and predictable NPE inflows along with additional efficiency in NPE management and debt sale actions which will result in further decrease of NPE portfolio.

Based on the ongoing model improvement framework at Addiko, updates are performed regularly to make sure that the latest available information and internal data is considered. In 2021 time series prolongation for all models was performed, incorporating most up-to-date data into statistical calculations. The changes were reflected in improvement model quality particularly reflected in migration stability as well as in improved performance. In addition, macro models were adapted in line with validation findings and new macroeconomic forecasts were used to reflect the latest available economic outlooks throughout all segments (last update done in November 2021).

The risk provisions were modelled on transactional level and reflect the most recent macroeconomic forecasts provided by the Vienna Institute for International Economic Studies (wiiw). In general, market expectations continuously improve as demonstrated also by overall upward revisions of publicly available forecasts up to December 2021, however uncertainty remains relatively high.

The following table provides quantitative aspects of the baseline case, upside (optimistic) case and downside (pessimistic) case scenario forecasts for selected forward-looking information/variables used to estimate the ECL for 31.12.2021 and 31.12.2020. The values shown represent the average value of the macroeconomic variables over the first 12 months and the remaining 2-year forecast period for the baseline case, as well as average values of the entire projection horizon (3-year) for the optimistic and pessimistic cases.

	Baseline case		Optimistic case	Pessimistic case
31.12.2021	2022[1)]	Remaining 2-year period[1)]	3-year period[1)]	3-year period[1)]
Real GDP (constant prices)	5.0	4.2	6.2	2.8
Unemployment Rate (ILO, average %)	6.8	6.5	3.1	10.0
Real-Estate (% of change)	4.0	4.0	7.5	0.5
CPI Inflation (average % YoY)	1.8	1.5	1.9	1.3

	Baseline case		Optimistic case	Pessimistic case
31.12.2020	2021[1)]	Remaining 2-year period[1)]	3-year period[1)]	3-year period[1)]
Real GDP (constant prices)	5.0	3.3	5.4	2.3
Unemployment Rate (ILO, average %)	8.0	7.2	6.4	8.7
Real-Estate (% of change)	0.0	4.0	5.8	-0.4
CPI Inflation (average % YoY)	1.0	1.6	1.6	1.1

The following table shows how the ECL allowance for stage 1 and stage 2 is taking into account the forward-looking information from the weighted multiple economic scenarios. Probability-weighted ECL allowance continues to reflect a 55%weighting of base case (2020: 60%), optimistic a 10% weighting (2020: 10%) and pessimistic case a 35% weighting (2020: 30%). The assumed distribution of scenario probabilities allows Bank to cover the broad range of future expectations.

in HRK million

31.12.2021	Probability weighted	Optimistic case	Base case	Pessimistic case
Retail	72.7	63.2	70.3	79.1
Non-retail	58.9	42.1	54.6	70.6
Treasury	1.2	0.4	0.9	1.9
Total	**132.8**	**105.7**	**125.8**	**151.5**

in HRK million

31.12.2020	Probability weighted	Optimistic case	Base case	Pessimistic case
Retail	86.6	85.7	82.1	89.8
Non-retail	72.0	70.5	64.7	77.4
Treasury	6.9	6.0	3.7	10.0
Total	**165.5**	**162.2**	**150.4**	**177.2**

The following table shows the NPE and coverage ratio (coverage ratio 1 considers Stage 3 risk provision stocks, while coverage ratio 2 additionally considers collaterals) according to the internal segmentation as of 31 December 2021 and 31 December 2020:

in HRK million

31.12.2021	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	Coverage Ratio 1	Coverage Ratio 2
Consumer	3,772.4	96.6	80.9	3.5	2.6%	83.8%	87.4%
SME	3,576.8	188.1	145.1	80.6	5.3%	77.1%	120.0%
Non-focus	3,066.5	301.8	216.0	188.2	9.8%	71.6%	133.9%
o/w Large Corporate	639.9	75.0	40.9	28.4	11.7%	54.5%	92.3%
o/w Mortgage	2,125.5	224.9	173.8	157.9	10.6%	77.3%	147.5%
o/w Public Finance	301.2	2.0	1.3	2.0	0.7%	66.2%	165.3%
Treasury	8,142.5	0.0	0.0	0.0	0.0%	0.0%	0.0%
Total	**18,558.3**	**586.5**	**442.0**	**272.4**	**3.2%**	**75.4%**	**121.8%**

in HRK million

31.12.2020	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	Coverage Ratio 1	Coverage Ratio 2
Consumer	3,640.7	191.9	161.8	38.9	5.3%	84.3%	104.5%
SME	3,890.1	315.3	244.3	100.0	8.1%	77.5%	109.2%
Non-focus	4,394.1	380.0	275.1	229.6	8.6%	72.4%	132.8%
o/w Large Corporate	1,440.9	90.0	60.9	32.2	6.2%	67.7%	103.4%
o/w Mortgage	2,564.7	287.3	212.6	195.1	11.2%	74.0%	141.9%
o/w Public Finance	388.5	2.6	1.6	2.3	0.7%	60.0%	148.5%
Treasury	7,625.2	0.0	0.0	0.0	0.0%	0.0%	0.0%
Total	**19,550.0**	**887.2**	**681.1**	**368.5**	**4.5%**	**76.8%**	**118.3%**

The decrease in coverage ratio is mostly result of executed debt sale transactions which eliminated older, more provisioned exposure, leaving higher collateralised exposure which improved value of coverage ratio 2.

60.1. Collateral distribution

Bank's exposure to credit risk comes out of loan activity, investments and cases where the Banks acts as an arbiter on behalf of clients or third persons. The risk that counterparty will not fulfil his/her obligations from financial instruments is continuously monitored on monthly basis.

The Bank exposure to credit risk arises from loans and advances to customers and banks, the amount of credit exposure in this regard, is the book value of these assets entered in the statement of financial position. Furthermore, the Bank is exposed to credit risk for off-balance sheet items, through commitments from unused credit frames and issued guarantees. More precisely, the credit risk exposure comprises the gross carrying amount (or nominal value in the case of off-balance-sheet exposures) without taking into account expected credit losses, provisions for guarantees, any collateral held, netting effects, other credit enhancements or credit risk mitigating transactions. Maximum exposure to credit risk is used to determine the relevant exposure for securities, whereas amortised cost is used for loans.

Collateral types and collateral amounts depend on the client credit risk assessment, and their acceptability and evaluation are regulated by internal act Collateral Management Policy.

The Bank is monitoring market values of accepted collaterals on an ongoing basis and requests additional collaterals if necessary and stipulated by the contract.

In the case when the counterparty is not able to pay the outstanding amounts due, the Bank can sell received collaterals (and does not use them for conducting its regular business) in order to close its receivables.

Analysis of type of collaterals and credit risk exposures secured with those collaterals are presented in the following tables. Amounts of collaterals are presented at the internally accepted value, more conservative than the estimated value, capped up to the value of debt due. Haircuts which are applied 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 Bank prescribed in internal documents the methods of treatment taking into account all security instruments that are relevant in terms of credit risk in the Bank in accordance with the regulatory requirements regarding security, which are relevant to the Bank.

Guarantees are represented by government guarantees, provinces, local authority's and banking guarantees.

Types of collaterals and internal collateral values (ICV) at 31 December 2021 and 31 December 2020 considered in the analysis above were as follows:

in HRK million

Collateral distribution	31.12.2021	31.12.2020
Exposure	18,558.3	19,550.0
Internal Collateral Value (ICV)	2,676.9	3,601.0
thereof CRE	881.7	1,391.9
thereof RRE	1,659.6	1,997.8
thereof financial collateral	66.1	95.2
thereof guarantees	59.2	91.3
thereof other	10.2	24.8
ICV coverage rate	**14.4%**	**18.4%**

The table below provides an analysis of the current fair value of collateral held and credit enhancements for stage 3 assets in accordance with IFRS 7R35K(c).

in HRK million

31.12.2021	Gross carrying amount	Fair value of collateral held under the base case scenario: Securities	Guarantees	Property	Other	Offsetting	Surplus collateral	Total collateral	Net exposure	ECL
Loans and advances	**580.6**	**0.0**	**0.0**	**145.7**	**0.0**	**0.0**	**0.0**	**145.7**	**434.9**	**439.0**
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0
Non-financial corporations	234.8	0.0	0.0	69.6	0.0	0.0	0.0	69.6	165.2	162.8
Households	345.8	0.0	0.0	76.1	0.0	0.0	0.0	76.1	269.7	276.2
Commitments and financial guarantees	**5.9**	**0.0**	**0.0**	**2.6**	**0.0**	**0.0**	**0.0**	**2.6**	**3.3**	**3.0**
Loan commitments given	3.6	0.0	0.0	1.2	0.0	0.0	0.0	1.2	2.4	2.2
Financial guarantees given	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other commitments given	2.3	0.0	0.0	1.4	0.0	0.0	0.0	1.4	0.9	0.9

in HRK million

31.12.2020	Gross carrying mount	Fair value of collateral held under the base case scenario Securities	Guarantees	Property	Other	Offsetting	Surplus collateral	Total collateral	Net exposure	ECL
Loans and advances	**876.0**	**0.0**	**0.0**	**212.0**	**5.7**	**0.0**	**0.0**	**217.7**	**658.3**	**675.4**
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0
Non-financial corporations	413.3	0.0	0.0	97.6	5.7	0.0	0.0	103.3	310.0	319.1
Households	462.7	0.0	0.0	114.4	0.0	0.0	0.0	114.4	348.3	356.3
Commitments and financial guarantees	**11.2**	**0.0**	**0.0**	**5.3**	**0.0**	**0.0**	**0.0**	**5.3**	**5.9**	**5.8**
Loan commitments given	3.8	0.0	0.0	1.8	0.0	0.0	0.0	1.8	2.0	2.0
Financial guarantees given	1.8	0.0	0.0	1.5	0.0	0.0	0.0	1.5	0.3	0.3
Other commitments given	5.6	0.0	0.0	1.9	0.0	0.0	0.0	1.9	3.7	3.5

Management of all collaterals is determined in the “Collateral Management Policy”. Pursuant to the Collateral Management Policy and also Real Estate Valuation Standard, all the real estate has to be regularly monitored and its value regularly re-assessed. Revaluation is being done annually for all commercial real estate, and at least once in three years for residential real estate. The valuation of all commercial real estate is performed on an individual level if the market value is above EUR 1.0 million, pursuant to the Addiko Group Real Estate Valuation Standard.
The predominant part of the reflected stated collaterals is provided for loans and advances (negligible collaterals within other financial instruments).

With the decrease of gross exposure also internal collateral value decreased. Additionally, Bank focuses lending activities on unsecured placements to private customers and small business entities which additionally contributed to the reduction of internal value of collateral received.

(61) Market risk

Market risk arises from open positions in market instruments that are linked to interest rates, different underlying currencies, and equities, all of which are exposed to general and specific market movements. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions, and through establishing and maintaining appropriate limits.

All trading instruments are subject to market risk, the risk that future changes in the market conditions may make an instrument less valuable or more onerous. The instruments are recognized at fair value, and all changes in the market conditions directly affect net trading income. The Bank manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed by buying or selling instruments and hedging positions in accordance with risk limits approved by the Management Board.

61.1. Value at Risk (VaR) analysis

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% 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% 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% confidence interval based on exponentially weighted volatilities and correlations of the Bank´s own time series (250 days).

Under the internal model, the variance-covariance method is used for the calculation of VaR for interest rate risk measurement in the Bank Book. The approach is based on the assumption that daily changes of interest rates fall within normal distribution. The risk vector is given by the position volatility and a normal distribution factor. The value of estimated loss or VaR for the overall portfolio is given by the multiplication of correlation matrix and inverse risk vector.

As Euro is the base currency for all calculations, the Monte Carlo-based VaR calculation is modelled and reported via Addiko Group internal application Portfolio Management System ("PMS") that covers Addiko Group’s exposure and monitors risk from the Addiko Group perspective.

The following table presents VaR trends of specific risk factors during the year 2021:

Value at Risk	HRK million	HRK million	HRK million	HRK million
Risk category	Minimum	Maximum	Average	End of year
Interest rate risk - trading book	0.0	0.3	0.1	0.0
Interest rate risk - banking book	1.8	6.6	3.2	3.1
Credit spread risk	0.4	3.4	1.7	2.7
Equity risk	0.0	1.1	0.5	0.8
Currency risk	0.0	0.5	0.2	0.1
Total*	**2.3**	**12.0**	**5.8**	**6.8**

* Correlation effects are not considered in the above analysis.

The following table presents VaR trends of specific risk factors during the year 2020:

Value at Risk	HRK million	HRK million	HRK million	HRK million
Risk category	Minimum	Maximum	Average	End of year
Interest rate risk - trading book	0.1	0.4	0.3	0.2
Interest rate risk - banking book	1.9	15.8	4.4	2.6
Credit spread risk	2.0	7.7	3.8	2.2
Equity risk	0.0	0.0	0.0	0.0
Currency risk	0.0	0.6	0.2	0.1
Total*	**4.0**	**24.5**	**8.6**	**5.1**

* Correlation effects are not considered in the above analysis.

Comparing end of year figures, increase of total risk amount in 2021 is mainly result of increase in interest rate volatility which led to increase in interest rate risk in bank book and equity risk which was included in the VaR calculation during the year. Total market risk exposure was offset with a decrease of credit spread risk due to lower volatility of CDS/probability of default of Croatia government bonds and similar emerging markets' issuers. Furthermore, total market risk exposure was on average lower in 2021 against the year before primarily due to lower exposure to credit spread risk and lower average interest rate risk in bank book compared to year before (it spiked in March and April 2020 due to Covid crisis).

61.2. Foreign currency risk

The Bank is exposed to changes of foreign exchange rates which influence its financial position and cash flows. Foreign currency risk exposures emerge out of credit, deposit and investment activities as well as out of trading activities. Foreign currency risk is controlled daily under the given limits for specific currencies and total off-balance sheet positions denominated in foreign currencies or linked to foreign currencies.

The Bank's Management Board establishes exposure limits at the overall level as well as per particular currency. The given internal limits represent the Bank's appetite for foreign currency risk exposure. In 2021, the Bank has continued with conservative strategy towards foreign currency risk exposure limited at EUR 0.24 million until mid-April when it was lowered to EUR 0.2 million. Foreign currency risk is measured via internal Monte Carlo-based VaR calculation. Average total open FX position volume was 67% higher compared to 2020.

The following graph shows comparison in movements of open foreign currency position related to regulatory capital for the year 2021 and 2020:

The Bank is mainly exposed to the Euro (EUR). The following table details the Bank's sensitivity to a 10% depreciation of the domestic currency (HRK) against the relevant foreign currencies.

The following table presents the open FX position from internal management with the anticipated net profit or loss effect as of 31 December 2021:

in HRK million

	EUR	USD	GBP	HKD	Other
Open FX position	54.5	-0.7	0.4	0.3	0.8
Net profit or loss effect	5.5	-0.1	0.0	0.0	0.1

The following table presents the open FX position from internal management with the anticipated net profit or loss effect as at 31 December 2020:

in HRK million

	USD	EUR	CHF	GBP	Other
Open FX position	12.2	-8.1	2.2	-2.1	3.2
Net profit or loss effect	1.2	-0.8	0.2	-0.2	0.3

All limits for open FX position were respected thorough whole 2021. Monthly average total open FX position volume was in range from around EUR 3.9 million to EUR 33.1 million, with EUR position consuming almost full size of total open FX position. With the EUR as the biggest part of total open FX position, FX risk measured by VaR remained at low levels, shaping limit utilization on 15% average.

The sensitivity analysis includes all foreign currency denominated items and adjustments of foreign currency openness at the year-end. The amount of adjustment is based at 10% change in foreign currency rates against the local currency HRK.

A positive number indicates an increase in profit in case of the HRK 10% depreciation against the relevant currency. In case of HRK 10% appreciation against the relevant currency, there would be an equal impact but with an opposite sign.

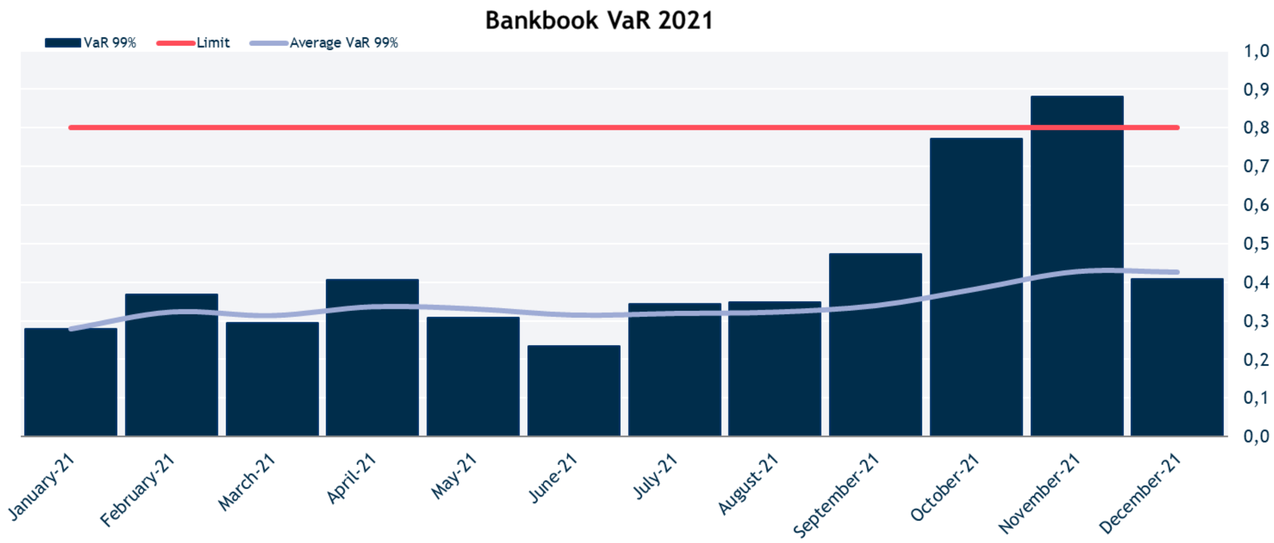
61.3. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. Management of the interest rate risk is performed through the Interest rate risk in bank book report with the inclusion of utilization of internally accepted limits and based on this report interest rate position steering within limits is performed through local and group Asset Liability Committees. Due receivables are taken into account under the following conditions: receivables that are due and not impaired are mapped as interest non-sensitive item. Furthermore, receivables which are impaired due to credit risk criteria are reduced for the portion of impairment through the whole payment period as to display only the interest sensitive part of each receivable.

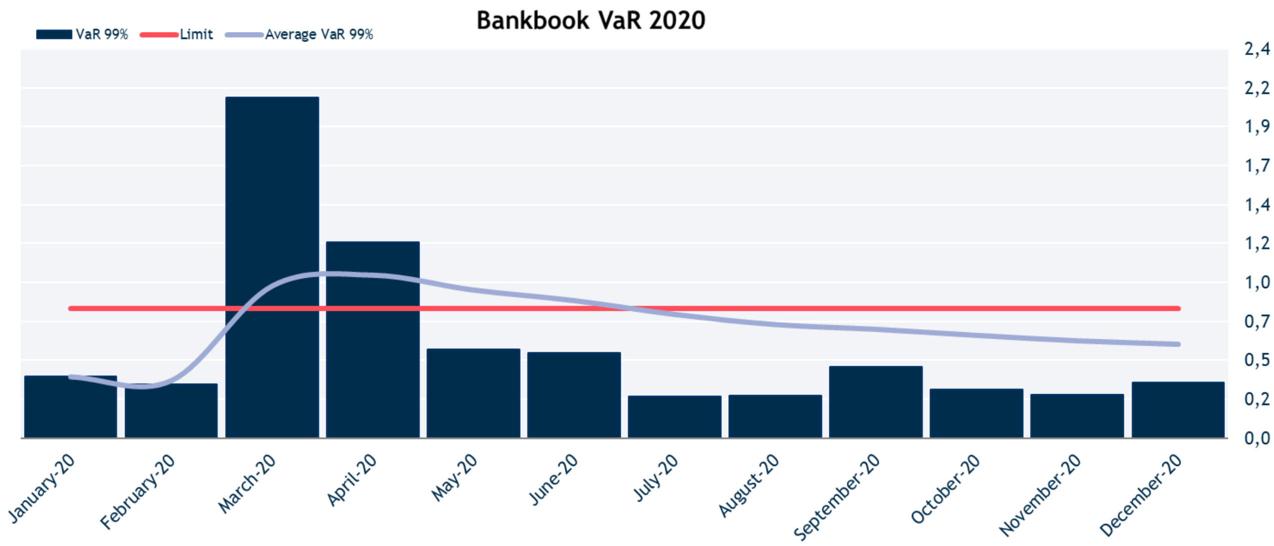
The Bank's interest rate risk in the Bank Book changed between EUR 0.23 million and EUR 0.88 million during 2021.The structure of the balance sheet according to the share of assets with fixed interest rates remained unchanged compared to previous year. In this connection, the Bank's funding structure still prevents a material increase in interest rate risk and this amid reduction in share of term deposits alongside an increase in share of received funding with until further notice interest rate type. The Bank's interest rate risk management was also influenced by full compliance with the EBA guidelines for interest rate risk in the Bank Book management.

Internal VaR limit for interest rate risk in the Bank Book was maintained at EUR 0.8 million (or HRK 6.0 million) at the end of 2021.

VaR limit monitoring and average usage of given limit for interest rate risk for 2021 is shown in the graph below, in EUR million:



VaR limit monitoring and average usage of given limits for interest rate risk for 2020 is shown in the graph below, in EUR million:



Increase in interest rate volatility was the key reason for a higher interest rate risk measured by VaR model compared to corresponding month in 2020 (except for Covid crisis in March and April 2020 when interest rate risk spiked).

Interest GAP Balance for on-balance sheet positions as at 31 December 2021 is as follows:

in HRK million

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect*	Total
Assets	4,373.4	1,117.0	697.1	3,613.9	1,437.9	1,150.5	3,858.9	654.3	16,903.1
Liabilities	-6,551.4	-968.2	-332.7	-1,200.8	-868.9	-734.1	-3,131.2	-3,115.9	-16,903.1
Interest GAP	**-2,178.1**	**148.8**	**364.4**	**2,413.2**	**569.1**	**416.5**	**727.8**	**-2,461.6**	**0.0**
Interest GAP (%)	**-12.9%**	**0.9%**	**2.2%**	**14.3%**	**3.4%**	**2.5%**	**4.3%**	**-14.6%**	**0.0%**

** "No Effect" position represents Share capital on Liability side and Tangible and Intangible assets on Asset side.*

Interest GAP Balance for on-balance sheet positions as at 31 December 2020 is as follows:

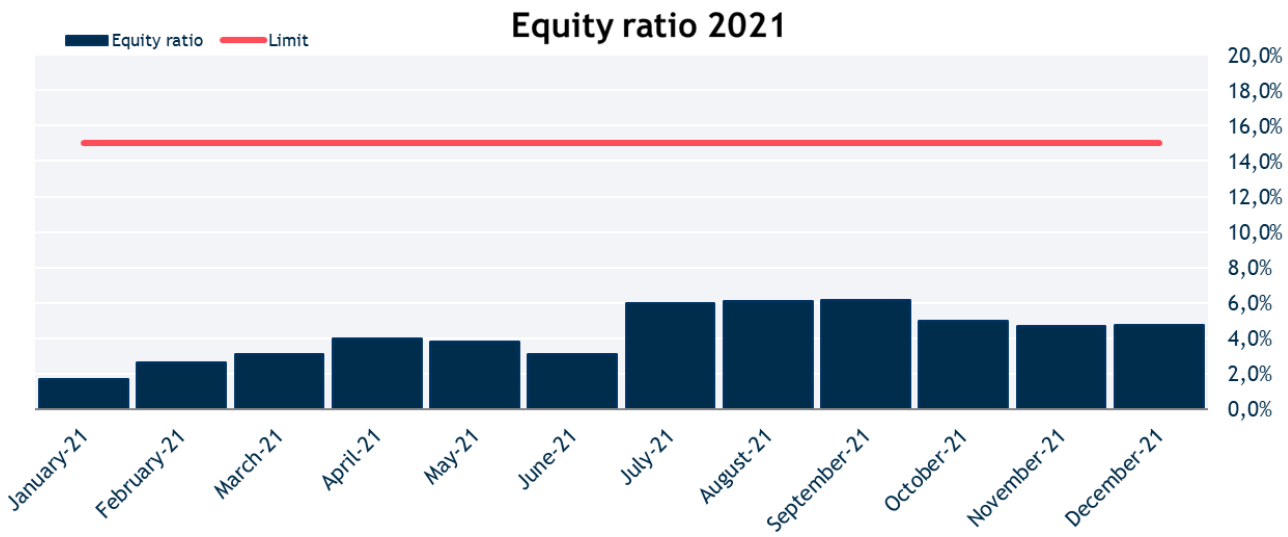
in HRK million

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect*	Total
Assets	3,922.2	1,357.1	1,419.7	4,320.6	1,657.2	1,253.6	3,226.0	503.1	17,659.6
Liabilities	-5,991.5	-844.5	-862.6	-2,682.6	-932.3	-644.6	-3,177.6	-2,523.8	-17,659.6
Interest GAP	**-2,069.3**	**512.6**	**557.1**	**1,638.0**	**724.8**	**609.0**	**48.4**	**-2,020.7**	**0.0**
Interest GAP (%)	**-11.7%**	**2.9%**	**3.2%**	**9.3%**	**4.1%**	**3.4%**	**0.3%**	**-11.4%**	**0.0%**

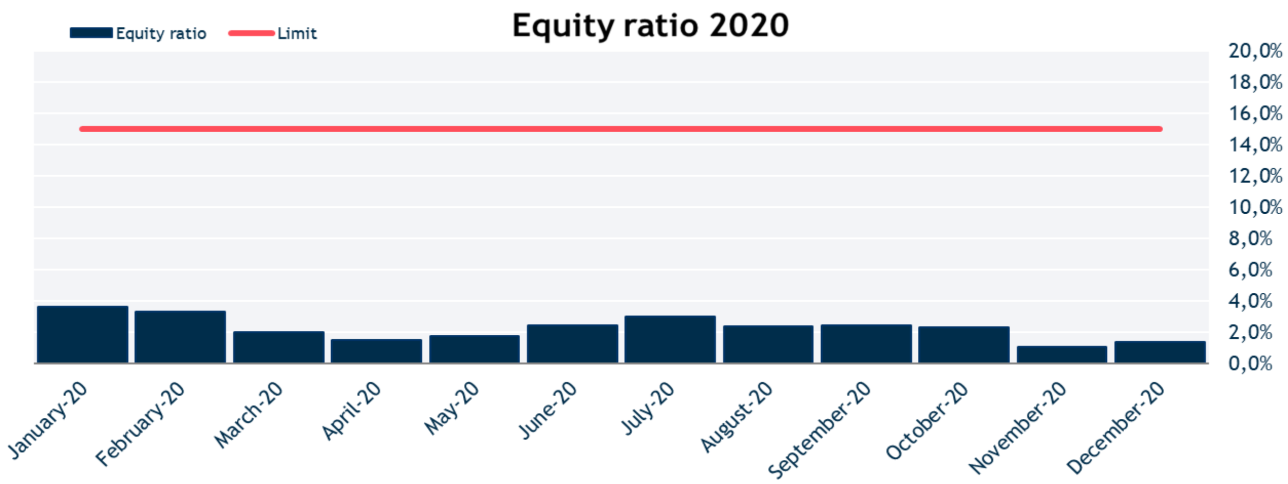
** "No Effect" position represents Share capital on Liability side and Tangible and Intangible assets on Asset side.*

As shown on the chart for 2021, interest rate risk in the Bank Book increased in October and November, while in rest of the year was largely stable. The EUR and HRK components were major risk contributors throughout 2021.

Monitoring of Equity ratio, which represents interest rate risk calculated as 200 BP interest rate shock in relation with regulatory capital, as well as monitoring of internally given limit of 15% of regulatory capital for 2021 are shown on the graph as follows:



Monitoring of Equity ratio which represents interest rate risk calculated as 200 BP interest rate shock in relation with regulatory capital, as well as monitoring of internally given limit of 15% of regulatory capital for 2020 is shown on the graph as follows:



The sensitivity analysis below is based on the exposure to interest rates for both derivatives and non-derivative instruments at the financial reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability presented at the financial reporting date was constant for the entire year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the impact of Bank's statement of profit or loss would be as presented in the following tables.

Interest GAP sensitivity as at 31 December 2021:

in HRK million

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect*	Total
Interest GAP	-2,178.1	148.8	364.4	2,413.2	569.1	416.5	727.8	-2,461.6	0.0
50 BP parallel shift	0.0%	0.0%	0.1%	0.3%	0.7%	1.1%	3.6%	0.0%	0.0%
P/L effect	0.0	0.0	0.3	7.5	3.9	4.7	26.1	0.0	42.5

Interest GAP sensitivity as at 31 December 2020:

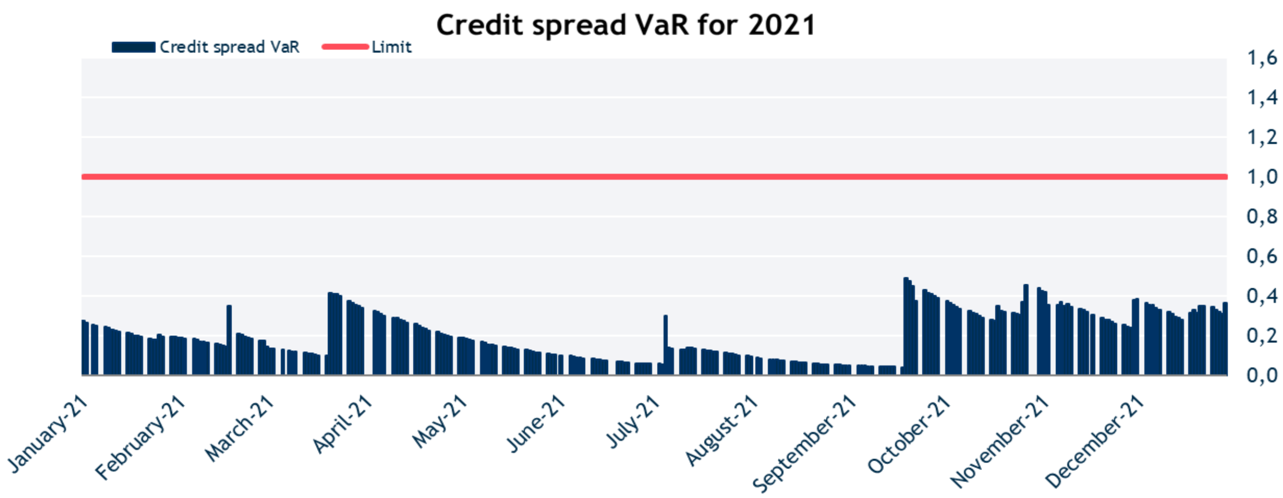
in HRK million

	Up to 1 day	1 day to 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	No Effect*	Total
Interest GAP	-2,069.3	512.6	557.1	1,638.0	724.8	609.0	48.4	-2,020.7	0.0
50 BP parallel shift	0.0%	0.0%	0.1%	0.3%	0.7%	1.1%	3.6%	0.0%	0.0%
P/L effect	0.0	0.1	0.4	5.1	5.0	6.9	1.7	0.0	19.2

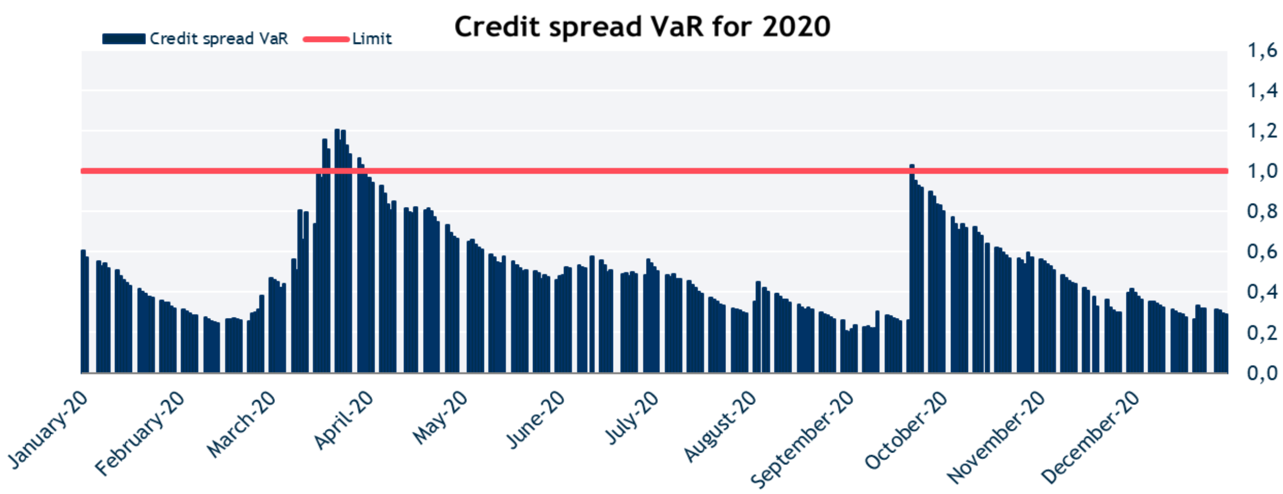
61.4. Credit spread risk

Credit spread risk represents the risk of debt instrument price change that comes out from a shift in expected client creditworthiness, which is usually reported through CDS curve. Along with the interest rate risk, credit spread risk represents a major risk factor within the market risks. Credit spread margin is a constitutional part of each market price of debt security and it is determined on a daily basis. VaR is used as a measure of credit spread risk, having estimated the maximum potential loss of the portfolio over a given period (usually 1 day), due to simulated changes in the prices of its constituent parts, i.e., debt financial instruments.

Historical trend of the Bank's exposure toward credit spread risk in EUR million, together with the given VaR limit for credit spread risk for 2021 is shown on the graph below:



Historical trend of Bank exposure toward credit spread risk in EUR million, together with given VaR limit for credit spread risk for 2020 is shown on the graph below:



Credit spread risk management is carried out through daily VaR reports, within which the monitoring of internally accepted limits is conducted. On the basis of that report, Management and the relevant sectors have information on the amount of risk taken and whether the bank is or it is not positioned within the defined/acceptable limits.

(62) Liquidity risk

Liquidity risk is a measure of the extent up to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. Bank is obliged to continuously insure sufficient amount of liquid assets in order to cover all demands that arise from maturity of their obligations.

The Bank has a clearly defined tolerance towards the liquidity risk exposure, which is determined in accordance with adopted strategy and business plans. In order to meet all regulatory requirements and to achieve and respect security principles as well as to maintain stability and achievement of planned profitability, systematic measurement, limitation and reporting of liquidity risk is applied within the Bank. The Bank maintains its liquidity in accordance with the requirements of CRR, including delegated act 2015/61 and the associated requirements of CEBS / EBA as well as CRR / CRD IV and the CNB regulations.

The Bank has maintained a strong liquidity position during 2021 given mostly the influence of robust liquidity reserve and stable funding base. As another one of key regulatory requirements, the Bank manages liquidity position via liquidity coverage ratio, which the regulator defines as the ratio of a credit institution's liquidity buffer to its net liquidity outflows over a 30 calendar day stress period.

In 2021, the Liquidity Coverage Ratio (LCR) has been moving between its lowest level of 156.0 % in June 2021 and its peak of 280.1 % in December 2021.

The following table represents levels of liquidity coverage ratio obtained by the Bank in 2021 and 2020 and calculated out of daily values:

	2021 %	2020 %
Year End	262.0	248.9
Maximum	280.1	279.1
Minimum	156.0	166.0
Average	220.2	205.0

In addition to the LCR ratio, the bank manages its long-term liquidity through a regulatory Net Stable Funding Ratio (NSFR). The NSFR ratio is a liquidity standard requiring banks to hold sufficient stable funding to cover the duration of their long-term assets.

In 2021, the NSFR has been moving between its lowest level of 150.4 % in March 2021 and its peak of 193.2 % in December 2021.

The following table represents levels of NSFR ratio obtained by the Bank in 2021 and 2020 and calculated out of quarterly values:

	2021 %	2020 %
Year End	193.2	157.2
Maximum	193.2	157.2
Minimum	150.4	141.7
Average	172.3	145.7

In December 2021, the counterbalancing capacity at the Addiko Bank was structured as follows:

in HRK million

Counterbalancing Capacity	
Coins and bank notes	342.5
Withdrawable central bank reserves	2,900.7
Level 1 tradable assets	2,835.5
Level 2A tradable assets	33.7
Level 2B tradable assets	100.7
Total Counterbalancing Capacity	**6,213.0**

In December 2020, the counterbalancing capacity at the Addiko Bank was structured as follows:

in HRK million

Counterbalancing Capacity	
Coins and bank notes	380.3
Withdrawable central bank reserves	2,467.9
Level 1 tradable assets	2,554.0
Level 2A tradable assets	34.5
Level 2B tradable assets	138.9
Total Counterbalancing Capacity	**5,575.6**

During 2021, the Bank has maintained obligatory amount of foreign currency claims in relation to foreign currency obligations (the so-called A/L ratio) above the prescribed regulatory minimum at 17% as defined by the CNB's Decision on A/L ratio.

The following table shows the level of A/L ratio in 2021 and 2020:

	2021 %	2020 %
Year End	26.5	25.1
Maximum	32.7	32.9
Minimum	21.5	22.5
Average	26.4	26.9

Furthermore, the Bank has set internal limits which represent constitutional part of Liquidity Risk Policy. Ratios which the Bank uses in liquidity risk management and which represents tolerance toward liquidity risk are:

- Current liquidity ratio,
- Local Loan Stable Funding Ratio (LLSFR),
- Short term assets to short term Liabilities ratio (up to 1 Year).

With robust liquidity reserve position, these liquidity risk indicators have also remained at strong levels.

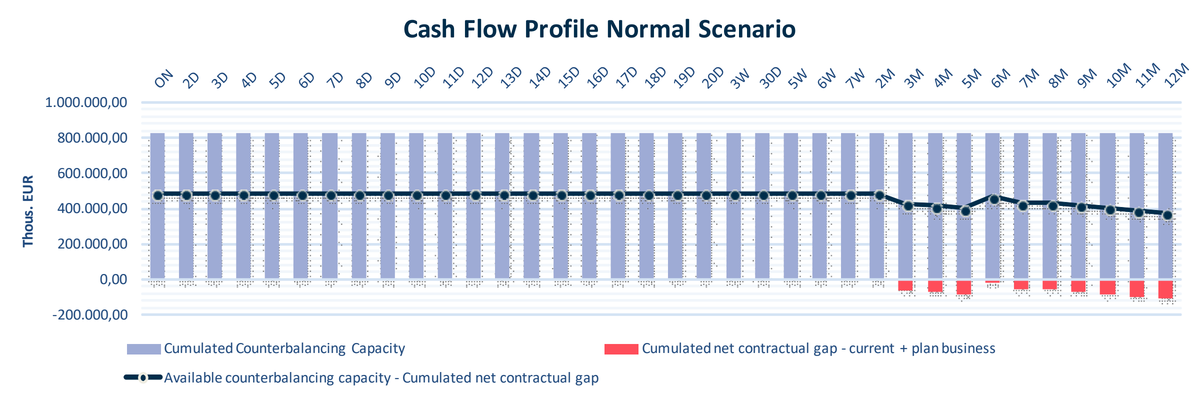
The following table shows the level of Liquidity ratios in 2021 and 2020:

	2021 %	2020 %
Current liquidity ratio:		
Year End	46.6	39.7
Maximum	46.6	39.7
Minimum	41.5	31.9
Average	43.2	36.3
LLSFR ratio:		
Year End	60.2	67.4
Maximum	66.6	77.5
Minimum	60.2	67.4
Average	64.2	73.2
Short term assets to short term liabilities ratio:		
Year End	131.3	111.3
Maximum	131.3	111.3
Minimum	106.3	86.5
Average	114.9	97.9

Aside from the mentioned regulatory requirements, the Bank has also developed a system of liquidity risk management which ensures continuous maintenance of sufficient liquidity assets (reserve) in the form of additional, high quality, unpledged liquid instruments as insurance in case of unexpected events. A system-based measurement of liquidity risk and monthly monitoring is being performed by the following measure used: the ratio of sufficient Counterbalancing capacity versus projected net cash flows, also known as "Time to Wall" ratio. This ratio is defined for a variety of scenarios. By monitoring this ratio, liquidity risk measurement is being performed for several different predefined liquidity crises, starting from moderate to severe.

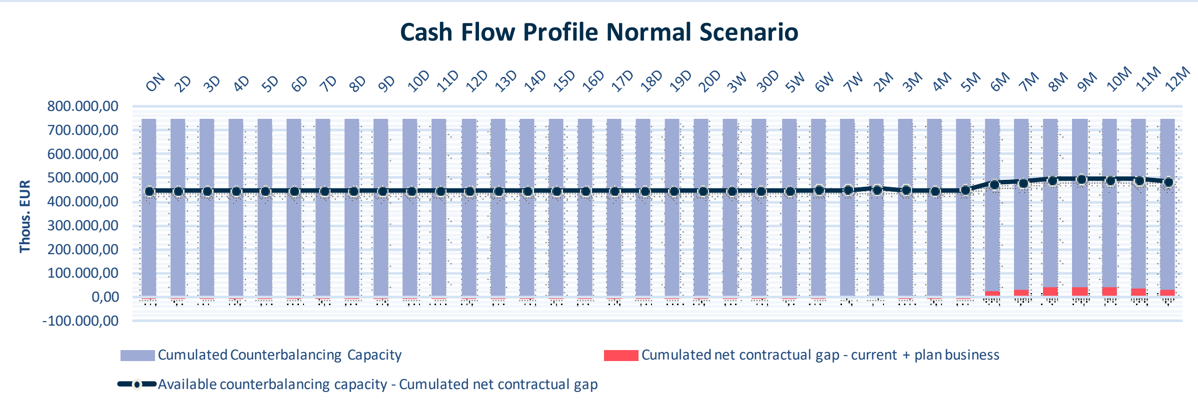
Graph below shows sufficiency of liquidity reserves in relation to net projected outflows ("Time to Wall" ratio) on 31 December 2021:

Normal Scenario		31.12.2021
Time to Wall		>12 m
Net Liquidity Position (EUR Mio) after	1 week	485.46
	1 month	487.36
	3 months	428.04
	6 months	465.67
	1 year	377.04



Graph below shows sufficiency of liquidity reserves in relation to net projected outflows ("Time to Wall" ratio) on 31 December 2020:

Normal Scenario		31.12.2020
Time to Wall		>12 m
Net Liquidity Position (EUR Mio) after	1 week	451.15
	1 month	452.62
	3 months	454.55
	6 months	481.32
	1 year	489.38



Aside from the above, the Bank has established a liquidity contingency plan which comprises a variety of measures and regulates procedures in case of a particular crisis. Liquidity crisis declaration criteria consist of several quantitative and qualitative ratios which are monitored and reported daily. In case that crisis declaration criteria is fulfilled, Risk Control department is obliged to inform Management Board, ALCO and LICO, which is then in charge of further actions.

Furthermore, the Bank places special focus on term structure of assets and liabilities in scope of its liquidity risk management.

The following table gives a breakdown of remaining contractual maturities of undiscounted cash flows for the financial assets, liabilities and off-balance of the Addiko Bank as at 31 December 2021:

in HRK million

31.12.2021	Carrying amount	Contractual cash flows	up to 1 day	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years
Assets							
Cash	342.5	342.5	342.5	0.0	0.0	0.0	0.0
Balances with Croatian National Bank	3,339.1	3,339.1	3,339.1	0.0	0.0	0.0	0.0
Financial assets at fair value through P/L and FVOCI	4,037.0	4,493.4	44.6	176.7	681.3	1,606.7	1,984.1
Placements with and loans to other banks	134.7	134.7	134.7	0.0	0.0	0.0	0.0
Loans and receivables	8,645.0	9,735.9	47.9	1,334.0	1,639.5	4,467.9	2,246.5
Total assets	**16,498.3**	**18,045.5**	**3,908.7**	**1,510.8**	**2,320.8**	**6,074.6**	**4,230.6**
Liabilities							
Deposits from credit institutions	159.3	159.3	155.9	3.3	0.0	0.0	0.0
Subordinated debt	233.5	305.0	0.0	0.0	15.9	289.1	0.0
Deposits from customers	12,965.4	12,978.0	10,979.1	735.8	756.5	426.1	80.4
Lease liabilities	50.3	50.3	50.3	0.0	0.0	0.0	0.0
Total liabilities	**13,408.5**	**13,492.5**	**11,185.3**	**739.2**	**772.4**	**715.2**	**80.4**
Off Balance							
Derivatives nominal inflow	769.1	769.1	0.5	546.8	0.0	109.1	112.8
Derivatives nominal outflow	-769.4	-769.4	-0.5	-547.1	0.0	-109.1	-112.8
Guarantees	594.4	594.4	23.9	129.8	196.5	238.4	5.8
Uncovered letters of credit	3.1	3.1	2.3	0.3	0.6	0.0	0.0
Revolving loans	247.9	247.9	5.8	45.5	138.8	57.8	0.0
Loan commitments	576.6	576.6	331.4	33.1	210.7	1.3	0.0
Other off-balance commitments	564.1	564.1	23.1	6.3	38.7	367.2	128.9

The table is based on undiscounted cash flows of financial instruments and reflects the numbers in the statement of financial position. Time bucketing is defined by residual maturity of each position with the inclusion of the respective interest.

Below is a breakdown of remaining contractual maturities of undiscounted cash flows for the financial assets, liabilities and off-balance of the Addiko Bank as at 31 December 2020:

in HRK million

31.12.2020	Carrying amount	Contractual cash flows	up to 1 day	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years
Assets							
Cash	380.3	380.3	380.3	0.0	0.0	0.0	0.0
Balances with Croatian National Bank	2,898.6	2,898.6	2,898.6	0.0	0.0	0.0	0.0
Financial assets at fair value through P/L and FVOCI	3,586.6	3,889.4	45.5	193.3	688.6	2,307.9	654.1
Placements with and loans to other banks	589.5	589.5	190.1	399.5	0.0	0.0	0.0
Loans and receivables	9,774.1	11,277.0	216.6	1,379.4	1,808.2	5,008.4	2,864.3
Total assets	**17,229.1**	**19,034.8**	**3,731.1**	**1,972.2**	**2,496.8**	**7,316.3**	**3,518.4**
Liabilities							
Deposits from credit institutions	84.6	84.6	81.5	3.1	0.0	0.0	0.0
Subordinated debt	1,044.9	1,065.9	0.0	0.0	1,065.9	0.0	0.0
Deposits from customers	13,320.5	13,339.6	10,632.0	838.7	1,195.4	545.0	128.5
Lease liabilities	59.8	59.8	59.8	0.0	0.0	0.0	0.0
Total liabilities	**14,509.8**	**14,550.0**	**10,773.4**	**841.7**	**2,261.4**	**545.0**	**128.5**
Off Balance							
Derivatives nominal inflow	1,040.6	1,040.6	0.0	769.0	7.5	264.1	0.0
Derivatives nominal outflow	-1,038.5	-1,038.5	-7.5	-759.4	-7.5	-264.1	0.0
Guarantees	507.8	507.8	26.1	97.1	194.6	186.3	3.7
Uncovered letters of credit	2.5	2.5	0.0	0.3	2.3	0.0	0.0
Revolving loans	361.4	361.4	4.9	87.2	201.5	67.8	0.0
Loan commitments	565.1	565.1	2.9	37.1	487.2	18.9	19.0
Other off-balance commitments	669.3	669.3	9.6	17.4	65.3	509.1	67.8

(63) Operational risk

Operational Risk is the risk of a loss resulting from inadequate or failed internal processes, systems, people or from external events. This definition includes legal risk.

Regulatory requirements with respect to the operational risk management process are related to continuous determination of risk to which the Bank is exposed or could be exposed in their operations and analysis of the risk exposure causes. Standards for an operational risk management process are aligned with the legislation of CNB. To calculate the capital requirement for the operational risk, Bank uses the standardized approach.

Operational risk management process includes comprehensiveness of the organizational structure, policies, processes, procedures, systems and resources for identifying, measuring and assessing, controlling, monitoring and reporting of operational risk exposures and risk management in general, and includes the establishment of appropriate corporate governance and risk culture.

The organizational structure of the operational risk management reflects the fact that operational risk is inherent in the overall operations of the Bank including a Risk Control function as a central component that coordinates, analyses and monitors operational risk, and a decentralized component in all organizational units of the Bank responsible for everyday practical use and implementation of operational risk management process.

Within the operational risk management, roles and responsibilities are strictly defined and documented in internal documents which allow communication and collaboration at all levels, and an adequate flow and circulation of information relevant for operational risk management. Non blaming culture prevents any conflict of interest in the data collection process.

Raising awareness on operational risk management is carried out by continuously organizing internal trainings in the Bank and by establishing the Operational Risk Committee as a body for approval and discussion of strategic issues related to monitoring and managing operational risk at the level of the Bank. Additionally, the Bank ensures continuous e-learning trainings in order to increase risk awareness regarding operational risk management.

Operational risk management process is based on a proactive approach to the early detection and prevention of operational risk events that could cause a loss. In the document "Operational Risk Management Policy" the Bank has summarized rules for the identification, assessment, management and control of the operational risk. Series of internal acts were created that strategically and operationally define operational risk management process and clearly define the roles and responsibilities of all the Bank's employees involved in it.

Methods of measuring the operational risk include both quantitative and qualitative methods, which represent the tool for observation of changes in the Bank's risk profile.

Quantitative method of measuring the operational risk includes the data collection about the events that resulted in losses or could result in losses due to the operational risk. Qualitative method of measurement of the operational risk includes an analysis of scenarios for events of low frequency and significant consequences on an annual basis, a risk assessment during the implementation of new products, entering into the new markets, outsourced activities, risk assessment within the significant projects and risk and control assessment in business processes according to internal control system methodology.

Internal Control System as part of the operational risk is the sum of all measures designed and implemented to determine, manage and minimize risks in business processes. It is built on a process-oriented approach and it is a core component of all processes in the Bank that are part of or that influence the financial reporting of the Bank. The main goal of an Internal Control System process is to reduce the risks within the business area by establishing adequate control management and by continuous improvement of the process of the established control system in order to assure the correctness of financial and regulatory reporting.

Capital requirement for operational risk as at 31 December 2021 amounts to HRK 84.1 million. Total realized booked operational risk losses amounts to HRK 132.2 million and these losses are recorded within 435 operational risk events which are mostly influenced by provisions allocated to CHF passive legal cases. The recovery is recorded in the amount of HRK 1.2 million, which represents net loss in the amount of HRK 131.0 million.

(64) Other risks

64.1. Strategic risk / Business risk

Strategic risk means the risk of loss caused by adverse business decisions, lack of responsiveness to changes in the economic environment. It arises from the faulty management decisions on corporate positioning, treatment of business sectors, the choice of business partners or the development and use of internal potentials.

Ability to manage strategic risk is crucial for its survival and long-term development. Strategic risk management primarily involves the Bank's relation to the environment in which it operates, decisions in response to the changes that occur in its business environment and making decisions related to capital and other resources in a manner that creates a priority of the Bank as a whole in front of her competition.

Business risk is defined as potential loss in earnings due to adverse, unexpected changes in business volume, margins or both. Such losses can result above all from a serious deterioration of the market environment, customer shift, changes in the competitive situation or internal restructuring.

It can lead to serious losses in earnings, thereby diminishing the market value of a company.

Business risk is in principle driven by three key factors:

- Revenue Volatility
- Pre-tax Operating Profit Margin
- Cost Base Flexibility

Increased revenue volatility will increase the probability of revenue falling below costs, hence incurring a business risk loss.

64.2. Outsourcing risk

Outsourcing risk represents the term for all the risks that can arise when the Bank is contractually delegating of activities to the service providers for services which would normally be performed by the Bank itself and as such risk cannot be quantified separately, but its influence is being observed through other risks such as operational risk, strategic, reputational, legal, etc., which could have a negative effect on the financial result, business continuity or Bank reputation.

64.3. Reputational risk

The Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of clients, counterparties, shareholders, investors or regulators.

The bank's reputation reflects the information that third parties have on how trustworthy the behaviour has been in the past.

The Bank distinguishes between two major factors for reputational risk:

- Reputational risk caused by internal and external complaints
- Reputational risk as a matter of the damage to the bank´s image

64.4. Systemic risk

Systemic risk is understood as the risk of disruption in the financial system as a whole or parts of the financial system.

(65) Legal risk

65.1. Historical unilateral interest change and Swiss Franc clause risk

Overview of legal disputes – Possible subsequent invalidity of agreed foreign currency, interest and interest rate adjustment clauses following judicial decisions or changes to statutory provisions

Particularly between 2004 and 2009, numerous private customers in Croatia have taken out foreign currency loans (especially CHF loans). As in the previous years, such loan agreements have increasingly become the subject of customer complaints and legal proceedings, the latter being a course of action initiated in particular by consumer protection organizations. The main allegation is that customers were not provided with sufficient information on the consequences of agreements with foreign currency and/or interest rate adjustment clauses when they were concluded and that such clauses are unfair. This is an attempt to renegotiate the terms and conditions of foreign currency loans.

The most relevant decisions that preceded the considerable increase of the number of individual CHF court's proceedings against the Bank are the following (i) May 2015 – the Supreme Court of the Republic of Croatia has fully confirmed the decision of the High Commercial Court of the Republic of Croatia on the nullity of the unilateral interest change provision in CHF loan agreements, and (ii) September 2019 - the Supreme Court of the Republic of Croatia has confirmed the decision of the High Commercial Court of the Republic of Croatia on the nullity of the currency clause provision in CHF loan agreements. Borrowers whether participating in the class action or not cannot exert any direct claims from this verdict but have to file individual complaints regarding any potential overpayment claims due to the FX clause. Since this verdict is not directly binding to all lower courts, each borrower has to claim individually and prove circumstances which would lead to the outcome of nullity of such clauses. Currently the Bank assumes that cases concerning converted loans are not open to annulment which was confirmed by the Croatian Supreme Court ruling in a sample case proceeding that converted loans, i.e., conversion annexes, can only be annulled if general reasons for invalidity of the conversion annex were given, e.g., incapacity of the plaintiff to sign legal documents. One case from another bank regarding validity of converted loans, i.e., validity of the annex, is pending with CJEU for preliminary ruling. On 3 February 2022, the Advocate General issued her opinion in the concerned matter that the CJEU does not have jurisdiction to answer the referred question.

In September 2017, a Request for Arbitration with the ICSID in Washington, DC against the Republic of Croatia was filed regarding the Conversion Laws claiming damages. The Group claims that the Bilateral Investment Treaties (BIT) with Croatia regarding the fair and equivalent treatment under the respective BIT was violated. The main hearing was conducted in March 2021 and parties are waiting for the final award.

65.2. Passive legal disputes

The overall number of passive legal disputes increased in 2021. The majority of pending proceedings relate to FX clauses, margin increases, and interest rate clauses.

There is a future risk of further increasing numbers of proceedings and amounts in dispute due to potential changes in court practice, binding sample proceedings decision and new laws (e.g., conversion laws, amendments to consumer credit acts, consumer protection acts).

In the Bank, monitoring and steering tools have been implemented to establish and secure reliable data quality and dispute handling quality, and to monitor daily litigation work and the development of court cases.

65.3. Monitoring and provisioning of legal risks

Legal provisions for the legal risk inherent in passive legal proceedings, specifically the risk of losing the case and having to bear the associated costs, are generally calculated in accordance with international accounting principles, considering also specific local regulations. Accordingly, no legal provision is required to be set up if the the Bank is very likely to prevail in the proceedings. If the probability of success is below 50%, legal provisions must be recorded. The Bank's legal specialists familiar with the respective case and/or external appraisers are responsible for assessing the chances of success. The latter especially applies in the case of particularly complex cases or particularly high amounts in dispute.

(66) Derivative financial instruments

Credit exposure or replacement cost of financial derivative instruments represents the Bank's credit exposure from contracts with a positive fair value, that is, it indicates the estimated maximum potential losses of the Bank in the event that counterparties fail to perform their obligations. This is usually a small fraction of the notional amounts of the contracts. The credit exposure of each contract is indicated by the credit equivalent, calculated pursuant to generally applicable methodology using the current exposure method and it involves the fair market value of the contract (only if positive, otherwise a zero value is taken into account) and a portion of nominal value, which indicates the potential change in fair market value over the term of the contract.

The credit equivalent is established depending on the type of contract and its maturity. The Bank periodically assesses credit risks of all financial instruments.

Derivative financial instruments used by the Bank include interest, cross-currency and currency swaps and forwards, whose value changes in response to changes in interest rates and foreign exchange rates. Derivatives are either standardized contracts transacted through regulated exchanges or individually negotiated contracts. Swap arrangements are used for hedging of exposure resulting from adverse movements in interest and exchange rates, as well as for transformation of currency liquidity.

Supplementary information required by IFRS

(67) Analysis of remaining maturities

The following tables set out the remaining contractual maturity of bank's financial assets and liabilities:

in HRK million

31.12.2021	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash reserves	3,800.0	755.3	0.0	0.0	0.0	4,555.2	0.0	4,555.2
Financial assets held for trading	0.0	15.3	1.4	94.1	1.2	16.7	95.3	112.0
Financial assets mandatorily at fair value through profit or loss	0.0	20.2	0.0	0.0	0.0	20.2	0.0	20.2
Financial assets at fair value through other comprehensive income	24.4	138.2	546.4	1,291.8	1,905.9	708.9	3,197.8	3,906.7
Financial assets at amortised cost	54.8	903.5	1,404.3	3,709.4	1,834.0	2,362.6	5,543.4	7,906.0
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0	197.9	197.9
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	83.1	83.1
Tax assets	0.0	0.0	0.0	0.0	0.0	0.0	62.8	62.8
Current tax assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	0.0	62.8	62.8
Other assets	0.0	0.0	0.0	0.0	0.0	57.1	0.0	57.1
Non-current assets held for sale	0.0	0.0	0.0	0.0	0.0	2.1	0.0	2.1
Total	**3,879.1**	**1,832.5**	**1,952.0**	**5,095.3**	**3,741.1**	**7,722.8**	**9,180.3**	**16,903.1**
Financial liabilities held for trading	0.0	0.7	0.0	3.3	1.1	0.7	4.5	5.1
Financial liabilities measured at amortised cost	10,732.2	1,143.7	770.9	678.8	82.8	12,646.8	761.6	13,408.5
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	312.9	312.9
Current tax liabilities	0.0	0.0	0.0	0.0	0.0	32.9	0.0	32.9
Other liabilities	0.0	0.0	0.0	0.0	0.0	56.2	0.0	56.2
Total	**10,732.2**	**1,144.3**	**770.9**	**682.2**	**83.9**	**12,736.6**	**1,079.0**	**13,815.6**

in HRK million

31.12.2020	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash reserves	3,464.0	764.4	0.0	0.0	0.0	4,228.4	0.0	4,228.4
Financial assets held for trading	0.0	5.1	1.8	126.6	0.0	6.9	126.6	133.5
Financial assets mandatorily at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	41.9	170.5	621.8	2,000.0	623.0	834.2	2,623.0	3,457.1
Financial assets at amortised cost	55.0	1,379.5	1,541.9	4,133.1	2,308.3	2,976.4	6,441.4	9,417.8
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0	240.6	240.6
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	79.3	79.3
Tax assets	0.0	0.0	0.0	0.0	0.0	0.0	34.4	34.4
Current tax assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	0.0	34.4	34.4
Other assets	0.0	0.0	0.0	0.0	0.0	64.3	0.0	64.3
Non-current assets held for sale	0.0	0.0	0.0	0.0	0.0	4.1	0.0	4.1
Total	**3,560.9**	**2,319.5**	**2,165.6**	**6,259.6**	**2,931.3**	**8,114.3**	**9,545.3**	**17,659.6**
Financial liabilities held for trading	0.0	4.5	0.1	8.4	0.0	4.6	8.4	13.0
Financial liabilities measured at amortised cost	10,284.8	1,269.9	2,247.5	571.4	136.5	13,802.1	707.9	14,510.0
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	195.8	195.8
Other liabilities	0.0	0.0	0.0	0.0	0.0	85.6	0.0	85.6
Total	**10,284.8**	**1,274.4**	**2,247.5**	**579.8**	**136.5**	**13,892.3**	**912.1**	**14,804.4**

Remaining maturity refers to the period between the reporting date and the expected payment inflow/outflow date for the receivable assets or liability. Where receivables or liabilities fall due in partial amounts, the remaining maturity is reported separately for each partial amount. An analysis regarding recovery or settlement up to 1 year after the reporting date and over 1 year after the reporting date, as requested in IAS 1, is presented. The break-down by remaining maturities is based on the carrying amounts included in the statement of financial position.

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are related to demand deposits from customers which are expected to remain stable and loan commitments are not all expected to be drawn down immediately.

(68) Leases from the view of the Bank as lessor

68.1. Finance leases

The receivables under finance lease are included in loans and receivables, breaking down as follows:

in HRK million

	31.12.2021	31.12.2020
Minimum lease payments (agreed instalments + guaranteed residual value)	34.7	59.0
Unguaranteed Residual Value (+)	0.0	0.0
Gross investment value (=)	34.7	59.0
up to 1 year	21.5	22.1
from 1 year to 2 years	13.2	23.3
from 2 year to 3 years	0.0	13.6
from 3 year to 4 years	0.0	0.0
from 4 year to 5 years	0.0	0.0
over 5 years	0.0	0.0
Unrealized financial income (interest) (-)	-1.0	-2.5
Net investment value (=)	33.7	56.5
Present value of non-guaranteed residual values	0.0	0.0
Present value of the minimum lease payments	33.7	56.5
up to 1 year	20.7	20.6
from 1 year to 2 years	13.1	22.4
from 2 year to 3 years	0.0	13.5
from 3 year to 4 years	0.0	0.0
from 4 year to 5 years	0.0	0.0
over 5 years	0.0	0.0

Assets leased under finance leases (leased assets) break down as follows:

in HRK million

	31.12.2021	31.12.2020
Movable assets	34.7	59.0
Total	**34.7**	**59.0**

68.2. Operating leases

The undiscounted minimum lease payments to be received after the reporting date from operating leases for each of the years of the lease contract are shown as follows:

in HRK million

	31.12.2021	31.12.2020
Up to 1 year	1.4	1.1
From 1 year to 2 years	0.3	0.3
From 2 years to 3 years	0.2	0.3
From 3 years to 4 years	0.1	0.2
From 4 years to 5 years	0.1	0.2
Over 5 years	0.0	0.0
Total	**2.2**	**2.0**

The breakdown of minimum lease payments from non-cancellable operating leases, by leased assets, is as follows:

in HRK million

	31.12.2021	31.12.2020
Investment properties	0.9	0.6
Land and buildings	1.3	1.3
Total	**2.2**	**2.0**

Rental income recognised by the Bank during the year 2021 is HRK 1.2 million (2020: HRK 2.6 million).

(69) Leases from the view of the Bank as lessee

The Bank leases the majority of its offices and branches under various rental agreements. The Bank leases also equipment and vehicles. Most of the lease contracts are made under usual terms and conditions and include price adjustment clauses in line with general office rental market conditions. Rental contracts are typically made for fixed periods up to 10 years. Extension and termination options are included in a number of property leases. Several lease contracts have indefinite lease term. There are no restrictions placed upon the lessee by entering into these contracts. There are no lease contracts with variable payments other than that depending on an index or a rate. For further details regarding lease contracts please refer to Note (9) Leases, and to Note (5) Use of estimates and assumptions/material uncertainties in relation to estimates.

The lease agreements do not include any clauses that impose any restrictions on the Bank's ability to pay dividends, engage in debt financing transactions or enter into further lease agreements.

The Bank had total cash outflows for leases of HRK -19.4 million in 2021 (2020: HRK -23.5 million).

in HRK million

	31.12.2021	31.12.2020
Payments for principal portion of lease liability	-13.0	-15.6
Payments for interest portion of lease liability	-0.7	-1.4
Payments for short-term, low value assets and variable lease payments not included in the measurement of the lease liability	-5.7	-6.5
Total	**-19.4**	**-23.5**

The undiscounted maturity analysis of lease liabilities under IFRS 16 is as follows:

in HRK million

	31.12.2021	31.12.2020
Up to 1 year	12.7	12.8
From 1 year to 5 years	35.4	38.2
More than 5 years	3.7	11.0
Total	**51.9**	**62.1**

The expenses relating to payments not included in the measurement of the lease liability are as follows:

in HRK million

	31.12.2021	31.12.2020
Short-term leases	0.0	0.0
Leases of low value assets	-3.6	-3.5
Variable lease payments	-2.1	-3.0
Total	**-5.7**	**-6.6**

(70) Assets/liabilities denominated in foreign currencies

The following amounts in the statement of financial position are denominated in foreign currencies:

in HRK million

	31.12.2021	31.12.2020
Assets	7,550.3	8,354.0
Liabilities	7,459.9	8,452.2

(71) Transfer of financial assets - repurchase agreements

At the current and previous reporting date, no financial assets have been transferred under repurchase agreements.

(72) Contingent liabilities and other liabilities not included in the statement of financial position

The following gross commitments not included in the statement of financial position existed at the reporting date:

in HRK million

	31.12.2021	31.12.2020
Loan commitments given	1,388.7	1,595.8
Financial guarantees given	122.5	136.9
Other commitments given	475.0	373.4
Total	**1,986.1**	**2,106.1**

The position other commitments given includes mainly non-financial guarantees, like performance guarantees or warranty guarantees and guarantee frames.

(73) Fair value disclosures

Fair value is the price that would be received for the sale of an asset or paid to transfer a debt in an orderly transaction between market participants at the measurement date. The Bank uses various valuation techniques to determine fair value. IFRS 13 specifies a fair value hierarchy with respect to the inputs and assumptions used to measure financial and non-financial assets and liabilities at fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the assumptions of the Bank.

This hierarchy gives the highest priority to observable inputs when available and the lowest priority to unobservable inputs. The Bank considers relevant and observable inputs in its valuations, where possible. The fair value hierarchy comprises the following levels:

- **Level 1 - Quoted prices in active markets:** The fair value of financial instruments traded in active markets is best established through quoted prices of identical financial instruments where these quoted prices represent market values/prices used in regularly occurring transactions. This applies above all to equity instruments traded on an active market, debt instruments traded on the interbank market and quoted derivatives.

- **Level 2 - Value determined using observable parameters:** If there are no quoted prices for individual financial instruments, the market prices of comparable financial instruments or accepted measurement models applying directly or indirectly observable prices or parameters (interest rates, yield curves, implied volatilities and credit spreads) must be used to determine the fair value. This level includes the majority of the OTC derivatives and non-quoted debt instruments. A financial instrument is classified in Level 2 if all significant inputs in the valuation are observable on the market.

- **Level 3 - Value determined using non-observable parameters:** This category includes financial instruments for which there are no observable market rates or prices. The fair value is therefore determined using measurement models and unobservable inputs (typically internally derived credit spreads) appropriate for the respective financial instrument. These models make use of management assumptions and estimates depending on the pricing transparency and complexity of the financial instrument. A financial instrument is classified in Level 3 if one or more significant inputs are not directly observable on the market.

The used valuation models are regularly reviewed, validated and calibrated. All valuations are performed independently of the trading departments.

Financial assets and financial liabilities are reported by instrument in the following way:

- **Equity instruments** - Equity instruments are reported under Level 1 if prices are quoted in an active market. If no quoted prices are available, they are reported under Level 3. Valuation models include the adjusted net asset value method, the simplified income approach, the dividend discount model or the comparable company multiple method.

- **Derivatives** - The fair value of derivatives that are not options is determined by discounting the relevant cash flows with the corresponding yield curves. These are reported under Level 2 if they are measured on the basis of observable input factors. If non-observable significant input factors are used, these derivatives are reported under Level 3. The fair value of structured financial products is calculated according to the type of embedded derivative using a measurement model; they are reported under Level 2 or Level 3, depending on the input factors used.

- **Debt financial assets and liabilities** - The method used to measure debt financial assets and liabilities depends on the liquidity in the relevant market. Liquid instruments measured on the basis of the relevant market value are reported under Level 1. The fair value is determined using valuation techniques whereby expected cash flows are discounted by the risk premium adjusted curves in the event that there is no active market. The proximity to the risk premium curve used determines whether these instruments are reported under Level 2 or Level 3. They are reported under Level 3 in the event that a significant, non-observable risk premium is used. Market prices provided either at a low frequency or only from one source are reported under Level 3.

Measurement methods used to determine the fair value of Level 2 and Level 3 items

The accepted measurement models according to IFRS 13 are the market approach, the cost approach and the income approach. The measurement method using the market approach is based on identical or comparable assets and liabilities. With the income approach, future cash flows, expenses or revenue are discounted at the measurement date. The fair value determined in this manner reflects current market expectations regarding these future amounts. It primarily includes present value models and also option price models used for the measurement of financial instruments or option-based cash flows. The cost approach is not used. The fair value of financial instruments with short-terms where the carrying amount is an adequate approximation of the fair value was not separately determined.

The following measurement techniques are applied to items that are measured internally based on models:

- Present value of the future cash flows (discounted cash flow method) - Level 2 and 3 items that are not traded in active markets but where the date and amount of the cash flows are known are measured at the present value of the future cash flows. Discounting takes a risk premium into account. All significant input factors are observable for Level 2 instruments while some significant parameters cannot be directly observed for Level 3.
- Option measurement models - The existing portfolio of Level 3 items includes cash flows with amounts tied to various market variables such as swap rates, stock market indexes and FX rates, or with dates that cannot be determined. Accepted interest and option measurement models calibrated daily with market data (swaption prices, market prices, FX rates) are used for the measurement of such cash flows.

Non-observable input factors for Level 3 items:

- Volatilities and correlations - Volatilities are important input parameters for all option measurement models. The volatilities are derived from market data using accepted models.
- Risk premiums - Credit risk premiums indicate the default risk of an issuer. They provide information about the expected loss if the issuer defaults and therefore reflect the loss given default and the probability of default. For some issuers, risk premiums can be observed directly in the market. When single-name CDS curves are not available for an issuer, the risk premiums have to be estimated based on similarities to other issuers or based on the issuer's country and sector. Increase (decrease) in the credit risk premiums would decrease (increase) the fair value.
- Loss given default - The loss given default is a parameter that is never directly observable before an entity defaults.
- Probability of default - Risk premiums and loss given default are used to estimate the probability of default, which is used for possible fair value adjustments.

Fair value adjustments - Credit value adjustment (CVA) and debt value adjustment (DVA)

Credit value adjustment (CVA) and debt value adjustment (DVA) are reported for all OTC derivatives. The calculation is based on a Monte Carlo simulation of the future replacement value (exposure), taking into account the effects of CSA agreements (credit support annex, CSA) by path. This results in a distribution of replacement values for all future dates. To determine the CVA, the absolute expected values from the positive exposure paths are multiplied by the counterparty's marginal probabilities of default and discounted. The DVA, on the other hand, is determined by multiplying and discounting the absolute expected values from the negative exposure paths with the bank's own marginal probabilities of default.

For counterparties with a collateral contract, the CVA and DVA have to be calculated at the portfolio level. The calculation takes into account contractual parameters such as minimum transfer amount, threshold, rounding and netting. The relative CVA approach is used to allocate the portfolio CVA to specific items. Here, the portfolio CVA is distributed in proportion to the individual CVAs. The full CVA approach is applied to items not secured by collateral. This approach calculates the CVA at the individual item level. A waterfall principle is applied to determine the probabilities of default. First, the probabilities of default are derived from CDS curves. Synthetic curves are used if there are no single-name curves available; and are composed of country-specific curves and an internal rating.

OIS discounting

The Bank measures derivatives taking into account base spread influences by applying various interest curves to calculate the forward rates and discount factors (multi-curve framework). According to the current market standards, overnight-indexed swap rates (OIS interest rates) are used for discounting in the measurement of OTC derivatives secured by collateral. A cross-currency base spread is taken into account for foreign currency swaps, where the collateral and cash flows are in a different currency.

73.1. Fair value of financial instruments carried at fair value

The table below shows the allocation of financial instruments carried at fair value to their level in the fair value hierarchy.

in HRK million

31.12.2021	Level 1 - from active market	Level 2 - based on market assumptions	Level 3 - based on non-market assumptions	Total
Assets				
Financial assets held for trading	110.2	1.8	0.0	112.0
Derivatives	0.0	1.8	0.0	1.8
Debt securities	110.2	0.0	0.0	110.2
Investment securities mandatorily at FVTPL	0.0	20.2	0.0	20.2
Equity instruments	0.0	0.0	0.0	0.0
Debt securities	0.0	20.2	0.0	20.2
Investment securities at FVTOCI	3,903.8	0.0	2.9	3,906.7
Equity instruments	21.5	0.0	2.9	24.4
Debt securities	3,882.3	0.0	0.0	3,882.3
Total	**4,013.9**	**22.0**	**2.9**	**4,038.8**
Liabilities				
Financial liabilities held for trading	0.0	5.1	0.0	5.1
Derivatives	0.0	5.1	0.0	5.1
Total	**0.0**	**5.1**	**0.0**	**5.1**

in HRK million

31.12.2020	Level 1 - from active market	Level 2 - based on market assumptions	Level 3 - based on non-market assumptions	Total
Assets				
Financial assets held for trading	125.8	7.8	0.0	133.5
Derivatives	0.0	7.8	0.0	7.8
Debt securities	125.8	0.0	0.0	125.8
Investment securities mandatorily at FVTPL	0.0	0.0	0.0	0.0
Participations in investment funds	0.0	0.0	0.0	0.0
Debt securities	0.0	0.0	0.0	0.0
Investment securities at FVTOCI	3,369.9	84.3	2.9	3,457.1
Equity instruments	20.0	18.9	2.9	41.9
Debt securities	3,349.9	65.4	0.0	3,415.3
Total	**3,495.6**	**92.0**	**2.9**	**3,590.6**
Liabilities				
Financial liabilities held for trading	0.0	13.0	0.0	13.0
Derivatives	0.0	13.0	0.0	13.0
Total	**0.0**	**13.0**	**0.0**	**13.0**

Transfers between Level 1 and Level 2

There were no transfers between Level 1 and Level 2 comparing year end 2021 and 2020. Decrease of Level 2 debt securities at FVTOCI was result of the maturity of bonds issued by Republic of Serbia, while FVTOCI Equity instruments were reclassified to FVTPL debt securities.

The development of Level 3 instruments as at 31 December 2021 is presented as follows:

in HRK million

2021	01.01.	Valuation gains/losses - PnL	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	Transfer into/out of other Levels	Other (+/-)	31.12.
Assets								
Investment securities at FVTOCI	2.9	0.0	0.0	0.0	0.0	0.0	0.0	2.9
Equity instruments	2.9	0.0	0.0	0.0	0.0	0.0	0.0	2.9
Total	**2.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.9**

The development of Level 3 instruments as at 31 December 2020 is presented as follows:

in HRK million

2020	01.01.	Valuation gains/losses - PnL	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	Transfer into/out of other Levels	Other (+/-)	31.12.
Assets								
Investment securities at FVTOCI	2.9	0.0	0.0	0.0	0.0	0.0	0.0	2.9
Equity instruments	2.9	0.0	0.0	0.0	0.0	0.0	0.0	2.9
Total	**2.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.9**

73.2. Fair value of financial instruments and assets not carried at fair value

The carrying amounts of recognised financial instruments not carried at fair value are compared to the respective fair values below:

in HRK million

31.12.2021	Carrying amount	Fair Value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non-market assumptions
Assets						
Cash reserves[1)]	4,555.2	4,555.2	0.0	0.0	0.0	0.0
Financial assets at amortised cost	7,906.0	8,643.9	737.9	0.0	0.0	8,643.9
Loans and receivables	7,906.0	8,643.9	737.9	0.0	0.0	8,643.9
Total	**12,461.2**	**13,199.1**	**737.9**	**0.0**	**0.0**	**8,643.9**
Liabilities						
Financial liabilities measured at amortised cost	13,408.5	13,442.6	-34.1	0.0	0.0	13,442.6
Deposits	12,793.5	12,806.8	-13.2	0.0	0.0	12,806.8
Borrowings	260.1	261.0	-0.9	0.0	0.0	261.0
Subordinated debt	233.5	253.5	-20.0	0.0	0.0	253.5
Other financial liabilities	121.4	121.4	0.0	0.0	0.0	121.4
Total	**13,408.5**	**13,442.6**	**-34.1**	**0.0**	**0.0**	**13,442.6**

[1)]Cash reserves have not been assigned to a level as the carrying amount always approximates their fair value due to their short-term nature.

in HRK million

31.12.2020	Carrying amount	Fair Value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non-market assumptions
Assets						
Cash reserves[1)]	4,228.4	4,228.4	0.0	0.0	0.0	0.0
Financial assets at amortised cost	9,417.8	10,518.6	1,100.9	0.0	0.0	10,518.6
Loans and receivables	9,417.8	10,518.6	1,100.9	0.0	0.0	10,518.6
Total	**13,646.2**	**14,747.1**	**1,100.9**	**0.0**	**0.0**	**10,518.6**
Liabilities						
Financial liabilities measured at amortised cost	14,510.0	14,555.0	-45.0	0.0	0.0	14,555.0
Deposits	12,996.2	13,017.0	-20.8	0.0	0.0	13,017.0
Borrowings	351.1	352.2	-1.1	0.0	0.0	352.2
Subordinated debt	1,044.9	1,068.0	-23.1	0.0	0.0	1,068.0
Other financial liabilities	117.8	117.8	0.0	0.0	0.0	117.8
Total	**14,510.0**	**14,555.0**	**-45.0**	**0.0**	**0.0**	**14,555.0**

[1)]Cash reserves have not been assigned to a level as the carrying amount always approximates their fair value due to their short-term nature.

Financial instruments not carried at fair value are not managed on a fair value basis and their fair values are calculated only for disclosure purposes and do not impact the statement of financial position and the income statement. The fair value of receivables and liabilities is determined according to the present value of future cash flows. The risk premium amounts for receivables depend on the internal or external rating of the borrower taking into account the country risk. For liabilities, the own credit spread is taken into account in the discount factor. Due to the fact that no debt issues of the Bank are placed on the market, the calculation of credit spread curves for senior unsecured liabilities is based on quoted credit default swap curves or credit spreads from senior unsecured bonds in a weighted peer group consisting of banking groups operating in CSEE whose markets and estimated credit standing is as similar to that of the Bank as possible. For liabilities covered, a weighted credit spread curve from available benchmark-covered bonds from the peer group was used. Due to the existing uncertainties, a broad range exists for the fair values to be determined.

The Bank assessed that the fair value of cash positions approximately corresponds to their carrying amounts largely due to the short-term maturities of these instruments.

73.3. Fair value of Investment properties

The fair value of investment properties is determined using market-based estimates which are generally calculated by experts. If no market-based estimate exists, the fair value is determined using a discounted cash flow method. At the end of 2021 the carrying amount of investment properties amounts to HRK 16.7 million (2020: HRK 7.8 million), whereas the fair value amounts to HRK 18.2 million (2020: HRK 12.4 million). All investment properties were classified in Level 3 (2020: Level 3).

(74) Offsetting financial assets and financial liabilities

The following tables show the reconciliation of gross amounts to the offset net amounts, separately for all recognised financial assets and financial liabilities. Furthermore, the amounts that are subject to a legally enforceable global netting or similar agreement but have not been offset in the statement of financial position.

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position where the Bank has currently an enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

The impact of offsetting is presented in the line "Amounts that are set off for financial instruments I". The impact of potential offsetting if all set-off rights would be exercised is presented in the line "Net amounts of financial instruments I and II (c-d)".

in HRK million

31.12.2021	Derivatives	Reverse repo	Total
Assets			
a) Gross amounts of recognised financial instruments (I and II[1])	**0.0**	**20.0**	**20.0**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**0.0**	**20.0**	**20.0**
d) Master netting arrangements (that are not included in b)	0.0	0.0	0.0
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.0	0.0	0.0
Amounts related to financial collateral (including cash collateral);	0.0	0.0	0.0
Amounts related to non-cash financial collateral received (excluding cash collateral);	0.0	20.0	20.0
e) Net amounts of financial instruments I and II (c-d)	**0.0**	**0.0**	**0.0**

[1]Financial instruments I: Financial assets that are already offset in the statement of financial position
Financial instruments II: Financial assets that are subject to a netting agreement but are not offset in the statement of financial position

in HRK million

31.12.2020	Derivatives	Reverse repo	Total
Assets			
a) Gross amounts of recognised financial instruments (I and II[1])	**0.5**	**15.0**	**15.5**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**0.5**	**15.0**	**15.5**
d) Master netting arrangements (that are not included in b)	0.0	0.0	0.0
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.0	0.0	0.0
Amounts related to financial collateral (including cash collateral);	0.5	0.0	0.5
Amounts related to non-cash financial collateral received (excluding cash collateral);	0.0	15.0	15.0
e) Net amounts of financial instruments I and II (c-d)	**0.0**	**0.0**	**0.0**

[1]Financial instruments I: Financial assets that are already offset in the statement of financial position
Financial instruments II: Financial assets that are subject to a netting agreement but are not offset in the statement of financial position

in HRK million

31.12.2021	Derivatives	Direct repo	Total
Liabilities			
a) Gross amounts of recognised financial instruments (I and II[1])	**4.5**	**0.0**	**4.5**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**4.5**	**0.0**	**4.5**
d) Master netting arrangements (that are not included in b)	0.0	0.0	0.0
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.0	0.0	0.0
Amounts related to financial collateral (including cash collateral);	4.5	0.0	4.5
Amounts related to non-cash financial collateral received (excluding cash collateral);	0.0	0.0	0.0
e) Net amounts of financial instruments I and II (c-d)	**0.0**	**0.0**	**0.0**

[1]Financial instruments I: financial liabilities that are already offset in the statement of financial position
Financial instruments II: financial liabilities that are subject to a netting agreement but are not offset in the statement of financial position

in HRK million

31.12.2020	Derivatives	Direct repo	Total
Liabilities			
a) Gross amounts of recognised financial instruments (I and II[1])	**10.4**	**0.0**	**10.4**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**10.4**	**0.0**	**10.4**
d) Master netting arrangements (that are not included in b)	0.0	0.0	0.0
Amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria (Netting effect of financial instruments II)	0.0	0.0	0.0
Amounts related to financial collateral (including cash collateral);	10.4	0.0	10.4
Amounts related to non-cash financial collateral received (excluding cash collateral);	0.0	0.0	0.0
e) Net amounts of financial instruments I and II (c-d)	**0.0**	**0.0**	**0.0**

[1]Financial instruments I: financial liabilities that are already offset in the statement of financial position
Financial instruments II: financial liabilities that are subject to a netting agreement but are not offset in the statement of financial position

Framework agreements are concluded with business partners for offsetting derivative transactions, so that positive and negative market values of the derivative contracts covered by the framework agreements can be offset against each other.

Repurchase agreements qualify as potential offsetting agreements. Since such offsetting cannot be performed in the ordinary course of business but only in case following an event of default, insolvency or bankruptcy or following other predetermined events, the positions are not offset in the statement of financial position.

(75) Derivative financial instruments

75.1. Derivatives held for trading

The following transactions had not yet been carried out at the reporting date:

in HRK million

	31.12.2021			31.12.2020		
	Nominal amounts	Fair values Positive	Fair values Negative	Nominal amounts	Fair values Positive	Fair values Negative
a) Interest rate	**221.8**	**1.3**	**4.5**	**480.2**	**3.0**	**10.4**
OTC-products	**221.8**	**1.3**	**4.5**	**480.2**	**3.0**	**10.4**
OTC other	221.8	1.3	4.5	480.2	3.0	10.4
b) Foreign exchange and gold	**547.3**	**0.5**	**0.7**	**559.8**	**4.7**	**2.5**
OTC-products	**547.3**	**0.5**	**0.7**	**559.8**	**4.7**	**2.5**
OTC other	547.3	0.5	0.7	559.8	4.7	2.5

(76) Related party disclosures

Addiko Bank d.d., Zagreb is directly owned by Addiko Bank AG, Vienna, to whom and to whose affiliates, the Bank provides banking services.

Related parties as defined by the Bank are parent company, entities of the parent company group as well as key management. The Bank considers that the key management include Management and Supervisory Board members, procurator, as well as managers with key or controlling functions including their close family members.

Business relations with related parties are as follows at the respective reporting date:

in HRK million

31.12.2021	Parent company	Entities of the parent company group	Key management	Other related parties
Financial assets	18.0	5.9	0.6	0.0
Cash reserves	6.7	0.9	0.0	0.0
Financial assets held for trading	0.0	0.1	0.0	0.0
Loans and receivables	11.4	4.9	0.6	0.0
Other assets	0.0	0.5	0.0	0.0
Financial liabilities	243.3	93.6	6.6	0.0
Financial liabilities held for trading	4.5	0.1	0.0	0.0
Deposits	3.7	91.0	6.6	0.0
Subordinated debt	233.5	0.0	0.0	0.0
Other financial liabilities	1.5	2.4	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0

in HRK million

31.12.2020	Parent company	Entities of the parent company group	Key management	Other related parties
Financial assets	16.3	6.1	3.5	0.0
Cash reserves	14.7	2.6	0.0	0.0
Financial assets held for trading	0.0	0.0	0.0	0.0
Loans and receivables	1.5	3.5	3.5	0.0
Other assets	0.0	0.5	0.0	0.0
Financial liabilities	1,065.6	21.5	8.2	0.0
Financial liabilities held for trading	10.4	0.0	0.0	0.0
Deposits	9.1	19.0	8.2	0.0
Subordinated debt	1,044.9	0.0	0.0	0.0
Other financial liabilities	1.1	2.5	0.0	0.0
Other liabilities	0.0	0.0	0.1	0.0

in HRK million

31.12.2021	Parent company	Entities of the parent company group	Key management	Other related parties
Interest and similar income	0.3	0.1	0.0	0.0
Interest expense	-32.3	0.0	0.0	0.0
Fee and commission income	0.1	0.7	0.0	0.0
Fee and commission expenses	0.0	-0.1	0.0	0.0
Net result on financial instruments	4.6	-4.2	0.0	0.0
Other administrative expenses	-2.4	-2.9	-0.2	0.0
Other operating income	15.7	11.9	0.0	0.0
Other operating expenses	0.0	0.0	0.0	0.0
Total	**-14.0**	**5.4**	**-0.2**	**0.0**

in HRK million

31.12.2020	Parent company	Entities of the parent company group	Key management	Other related parties
Interest and similar income	2.6	0.1	0.1	0.0
Interest expense	-52.0	0.0	0.0	0.0
Fee and commission income	0.2	0.5	0.0	0.0
Fee and commission expenses	0.0	-0.2	0.0	0.0
Net result on financial instruments	-3.6	0.0	0.0	0.0
Other administrative expenses	-2.7	-3.0	-0.4	0.0
Other operating income	16.5	7.5	0.0	0.0
Other operating expenses	0.0	-0.1	0.0	0.0
Total	**-39.1**	**4.8**	**-0.3**	**0.0**

The compensation received by key members of management is presented as follows:

in HRK million

	31.12.2021	31.12.2020
Wages and salaries	17.4	20.1
Social security	3.3	3.9
Expenses for pensions	2.9	3.3
Other personnel expenses	0.5	0.0
Total	**24.1**	**27.3**

Compensation to the Supervisory Board members for the year 2021 amounted to HRK 0.5 million (2020: HRK 0.4 million).

(77) Share-based payments

In 2021 the Group established, in addition to the annual bonus, a Performance Acceleration Incentive Framework (PAIF) based on which the Addiko granted to defined employees (including management board) variable remuneration components in the form of share-based payments. The program is intended to closely align the interests of the participants with those of the shareholders. The amount paid is dependent on the average share price of Addiko Bank AG during the month of December 2021. In addition, in alignment with EBA guidelines, the program is activated only if regulatory requirements in respect of own funds and liquidity are met and no breaches of specific risk indicators took place within a pre-defined timeframe. According to the remuneration policy of Addiko Group, the remuneration program included cash-settled share-based payments.

The PAIF program is accounted for in accordance with IFRS 2.

Cash-settled share-based payments: Under the Addiko Group's PAIF scheme, executives and selected managers receive an additional variable remuneration in the form of issued cash payments based on the average share price of Addiko Bank AG during the month of December 2021. In case the overall amount of the normal bonus and the remuneration granted under the PAIF program exceeds predefined limits, the payments are deferred over a period of six years in tranches.

For the total carrying amount of liabilities arising from cash-settled share-based payments, see the Note (51) Provisions and for expense see the Note (34) Personnel expenses. There were no settlements during 2021 and 2020.

Share-based payments can only be paid out if regulatory requirements in respect of own funds and liquidity are met and no breaches of specific risk indicators took place within a predefined timeframe.

(78) Capital management

78.1. Own funds and capital management

The capital management of the Bank is based on own funds as defined by the CRR (Capital Requirements Regulation) and the corresponding local regulations (Basel III Pillar I) and the economic capital management approach (Basel III Pillar II) related to the Internal Capital Adequacy Assessment Process (ICAAP). The requirements were implemented within the EU by the Capital Requirements Regulation No. 575/2013 (CRR) – amended by the Regulation (EU) No. 2019/876 (CRR II) - and the Capital Requirements Directive (Regulation (EU) No. 2019/878 - CRD V). The CRD V was enacted in national law in the CNB regulation[2].

[2] CNB Decision on the internal capital adequacy assessment process for credit institutions

In terms of the calculation of risk weighted assets (RWA) at standalone level (for regulatory reporting), the following approaches are applied:

- Standardised Approach for credit risk (SA-CR) and
- Standardised Approach (STA) for operational risk

The Bank employs a centralized capital management process. The main responsibilities of this function are to continuously monitor the development of the overall business, to analyze changes in its risk-weighted assets and to reconcile those with the available regulatory own funds or the ICAAP limit and utilizations for each segment. The capital management function is fully integrated into the Banks business planning process to ensure that the regulatory requirements as well as the target capital ratio are complied with throughout the planning horizon.

As part of the SREP, minimum regulatory capital requirements are set for the Bank (Pillar II capital guidance is not required). In addition to the minimum capital ratios required by the regulators, the Bank defines early warning and recovery levels in the Addiko Group's recovery plan and the corresponding processes. The warning levels refer to liquidity as well as to regulatory and economic capital figures. The recovery plan was prepared within the framework of SRB and CNB (Decision on recovery plans of credit institutions).

Additionally, the Risk Control and Accounting departments tracks all new regulatory changes, e.g., MREL and Basel IV. The impact of the new regulatory changes is estimated and the expected effects on the capital position of the bank are presented to the respective division heads and Management Board members. This process should ensure that the Bank adapts its capital management procedures to the new prudential requirement in time.

78.2. ICAAP – Internal Capital Adequacy Assessment Process

Securing the Banks ability to bear economic risks forms a central part of steering activities within the Bank; to which end the Bank processes an institutionalised internal process (ICAAP or "Internal Capital Adequacy Assessment Process").

Risks are managed as part of the overall bank management process, which makes risk capital available to the types of risk involved so they can follow strategies, and restricts and monitors this capital by placing limits on it.
The starting point for performing the risk-bearing capacity calculation is the identification of all material risks through an annual risk materiality assessment process. The value at risk (VaR) method is applied for calculating risk capital requirements for credit, market and liquidity risk, the main risk categories.

Risk capital requirements are counterbalanced by risk coverage capital. This is used as the basis for the annual limit planning and for the regular comparison with risk capital requirements as part of the risk-bearing capacity analysis. In addition, stress tests are performed, in which risk parameters (probabilities of default, collateral values, exchange rates, etc.) are stressed in specific scenarios and the effects of these stress scenarios on liquidity and own capital funds are presented.

The risk-bearing capacity report and the results of the stress tests are prepared by Risk Control and presented to the Risk Committee (RICO) and Management Board, where they are discussed and, if required, measures are decided. In this regard, the RICO and regular Management Board sessions serve as an operational basis for controlling economic risks. This committee also discusses and approves the risk standards (methods, processes, systems, organisation and stress test assumptions) for the Bank. Additionally, the ICAAP report is submitted to the Management Board on a quarterly basis and summary is also presented to the committees of the Supervisory Board.

78.3. Own funds and capital requirements

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

The regulatory minimum capital ratios including the regulatory buffers as of 31 December 2021 and 31 December 2020 amount to:

	31.12.2021			31.12.2020		
	CET1	T1	TCR	CET1	T1	TCR
Pillar I requirement	4.5%	6.0%	8.0%	4.5%	6.0%	8.0%
Pillar II requirement	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Total SREP Capital Requirement (TSCR)	**8.8%**	**10.3%**	**12.3%**	**8.8%**	**10.3%**	**12.3%**
Capital Conservation Buffer (CCB)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Systemic risk buffer	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
O-SII risk buffer	0.5%	0.5%	0.5%	1.0%	1.0%	1.0%
Counter-Cyclical Capital Buffer	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Combined Buffer Requirements (CBR)	**4.5%**	**4.5%**	**4.5%**	**5.0%**	**5.0%**	**5.0%**
Overall Capital Requirement (OCR)	**13.3%**	**14.8%**	**16.8%**	**13.8%**	**15.3%**	**17.3%**
Pillar II guidance (P2G)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
OCR + P2G	**13.3%**	**14.8%**	**16.8%**	**13.8%**	**15.3%**	**17.3%**

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

- Pillar II requirement (SREP requirement): bank specific, obligatory requirement set by the supervisory institution through the Supervisory Review and Evaluation Process (SREP) (together with the Pillar I requirement it represents the minimum total SREP requirement – TSCR). The 2020 SREP assessment has been performed by the CNB using a pragmatic approach in the light of the Covid-19 pandemic. The Pillar II requirement from the 2020 SREP process remained unchanged at 4.3%. The SREP 2021 decision specifies a P2R of 3.25% (at least 56.25% must be held in CET1 and at least 75% in Tier 1), which will apply from 1 March 2022.

- Applicable combined buffer requirement (CBR): system of capital buffers to be added on top of TSCR – breaching of the CBR is not a breach of capital requirement, but triggers limitations in the payment of dividends and other distributions from capital. Some of the buffers are prescribed by CNB law for all banks and some of them are bank specific, set by the supervisory institution (CBR and TSCR together form the overall capital requirement – OCR). The Bank has to establish a capital conservation buffer in the amount of 2.5%.

- Pillar 2 Guidance: capital recommendation over and above the OCR, set by the supervisory institution through the SREP process. It is bank specific, and as a recommendation not obligatory. Any non-compliance does not affect dividends or other distributions from capital, however, it might lead to intensified supervision and imposition of measures to re-establish a prudent level of capital. As a part of SREP 2020 decision the Bank did not have Pillar 2 guidance (P2G) set. The SREP 2021 decision now includes a P2G of 2.00% to be fully met by CET1, which will apply from 1 March 2022.

As response to the Covid-19 pandemic, ECB communicated on the 12 March 2020 temporary capital relief measures with regard to the full usage of the capital conservation buffer as well as the P2G, allowing institutions temporarily to operate below these requirements. In its announcement letter from 28 July 2020, published in the supervision blog, the ECB clarified that banks do not need to start refilling combined buffer requirements and P2G before the end of 2022. Given its solid capital structure the Bank had no need to make use of these options.

The following table shows the breakdown of own funds requirements within the Bank by applying transitional rules as per 31 December 2021 and 31 December 2020 pursuant to CRR applying IFRS figures.

in HRK million

Ref[1)]		31.12.2021	31.12.2020
	Common Equity Tier 1 (CET1) capital: Instruments and reserves		
1	Capital instruments and the related share premium accounts	2,558.9	2,558.9
2	Retained earnings	0.0	0.0
3	Accumulated other comprehensive income (and other reserves)	144.2	209.2
6	CET1 capital before regulatory adjustments	2,703.1	2,768.1
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-4.0	-3.6
8	Intangible assets (net of related tax liability)	-45.9	-67.9
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met)	0.0	0.0
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-49.9	-71.5
29	Common Equity Tier 1 (CET1) capital	2,653.1	2,696.6
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	299.6	0.0
44	Additional Tier 1 (AT1) capital	299.6	0.0
45	Tier 1 capital (T1 = CET1 + AT1)	2,952.8	2,696.6
	Tier 2 (T2) capital: instruments and provisions		
58	Tier 2 (T2) capital	202.8	103.6
59	Total capital (TC = T1 + T2)	3,155.6	2,800.2
60	Total risk weighted assets	8,666.6	9,784.4
	Capital ratios and buffers %		
61	CET1 ratio	30.6%	27.6%
62	T1 ratio	34.1%	27.6%
63	TC ratio	36.4%	28.6%

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

Total capital increased by HRK 355 million during the reporting period, reflecting mainly issuance of the instrument of Additional Tier 1 capital (AT1) in the amount of HRK 299.6 million (EUR 40 million) and renewal of the subordinated instrument (T2) in the amount of HRK 224.7 million (EUR 30 million), while changes in other comprehensive income had slight negative impact on total capital position.

The capital requirements in force during the year, including a sufficient buffer, were met at all times on a standalone basis.

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

In the scope of regulatory risks, which include credit risk, operational risk and market risk, Bank uses the standardised approach in the calculation of all three types of risk. RWAs decreased by HRK 1,117.7 million during the reporting period:

- The RWA for credit risk decreased by HRK 1,078.2 million, primarily driven by the amortization and early repayments of non-focus portfolio in the last quarter of the year.
- The decrease of RWAs for market risk by HRK 9.4million is mainly caused by the lower specific and general risk in trading book in amount of HRK 8.6 million and less open positions in domestic currency in amount of HRK 0.9 million.
- The RWA for operational risk also shows decrease in amount of HRK 30.8 million. The RWA for operational risks is based on the three-year average of relevant income, which represents the basis for the calculation.

in HRK million

Ref[1]		31.12.2021	31.12.2020
1	Credit risk pursuant to Standardised Approach	7,566.3	8,640.3
6	Counterparty credit risk	8.2	11.7
20	Market risk	40.7	50.1
23	Operational risk	1,051.5	1,082.3
29	**Total risk exposure amount**	**8,666.6**	**9,784.4**

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

Leverage ratio on a transitional basis

The leverage ratio for the Bank, calculated in accordance with the CRD IV, was 17.0% at 31 December 2021, up from 14.9% at 31 December 2020. The development was driven by reduction in the total leverage exposure and parallel increase in Tier 1 capital.

in HRK million

Ref[1]		31.12.2021	31.12.2020
2	Tier 1 capital	2,952.8	2,696.6
13	Total leverage ratio exposure	17,348.6	18,122.5
14	**Leverage ratio %**	**17.0%**	**14.9%**

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

MREL

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

In March 2021 Addiko received the decision from the Single Resolution Board (SRB) relating to future MREL requirements, which amounts to 26.13% of TREA (total risk exposure amount) and 5.91% of LRE (leverage ratio exposure based on point-of-entry (PoE) strategy at the subsidiary level of Addiko Bank d.d. Croatia. According to final decision MREL requirements shall be reached by 01 January 2022 and shall be met at all times from that date onwards. Taking into consideration the resolution PoE strategy change and the defined MREL targets the 2021 capital structure changed in order to fulfil expected regulatory requirements. The regulatory approval for inclusion of Additional Tier 1 capital instrument in the amount of EUR 40 million and Tier 2 instrument in the amount of EUR 30 million in Own Funds was received in November 2021, applicable from Q4 2021. Changes in the capital structure together with expected movements of risk-weighted assets of the Bank, lead to an increase in capital adequacy ratios. Based on the year end and regulatory capital the Bank meets the expected MREL requirements in accordance with the SRB calculation methodology.

(79) Boards and Officers of the Company

1 January to 31 December 2021

Supervisory Board

Chairman of the Supervisory Board:
Csongor Bulcsu Németh (until 23 December 2021)

Deputy Chairman of the Supervisory Board:
Tomislav Perović (until 04 January 2022)

Members of the Supervisory Board:
Tomislav Perović
Ferenc Joó
Nicholas John Tesseyman (until 21 October 2021)
Sanela Pašić (from 15 March 2021)
Herbert Juranek (from 22 December 2021)
Sava Ivanov Dalbokov (from 22 December 2021)

Management Board

Mario Žižek, Chairman of the Management Board
Dubravko-Ante Mlikotić, Member of the Management Board
Ivan Jandrić, Member of the Management Board
Joško Mihić, Member of the Management Board (from 01 January 2021 until 31 December 2021)

(80) Events after the reporting date

The evolving Russia-Ukraine situation does not impact Addiko directly, as it has no operating presence in those countries; direct exposures to both countries are negligible and no meaningful additional risk provisioning is currently anticipated in this context. Indirect effects, such as financial market volatility, sanctions-related knock-on effects on some of our customers or the emergence of deposit insurance or resolution cases cannot be ruled out, though.

Zagreb, 11 March 2022
Addiko Bank d.d. Zagreb

MANAGEMENT BOARD

Mario Žižek
President of the Management Board

Ivan Jandrić
Member of the Management Board

Dubravko-Ante Mlikotić
Member of the Management Board

Responsibility of the Management and Supervisory Boards for the preparation and for the approval of annual financial statements

The Management Board of the Bank is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Bank at the reporting date and of the results of its operations and cash flows, in accordance with statutory accounting requirements for credit institutions in the Republic of Croatia, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. It has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; making judgements and estimates that are reasonable and prudent; and preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Management Board is responsible for the submission to the Supervisory Board of its Annual Report. If the Supervisory Board approves the Annual Report, it is deemed confirmed by the Management Board and Supervisory Board, after which the Supervisory Board submits the Annual Report to the General Assembly for approval.

The Management Board is also responsible for preparation and fair presentation of supplementary schedules in accordance with the Decision of the Croatian National Bank on the Structure and Content of the Annual Financial Statements of Banks (Official Gazette 42/18, 122/20, 119/2021).

The Management Board is responsible for the preparation and content of Management report presented on pages 5 to 17 in accordance with the provisions of the Croatian Accounting Act (Official Gazette 78/15, 134/15, 120/16, 116/18, 42/20, 47/20) and other information that include Key data and Letter from the CEO.

The financial statements set out on pages 21 to 25, as well as the Appendix to the Financial statements on pages 156 to 170, were authorised by the Management Board on 11 March 2022 and submitted to the Supervisory Board for acceptance. To confirm this, the financial statements have been signed by authorized persons, as follows.

For and on behalf of Addiko bank d.d.:

Zagreb, 11 March 2022
Addiko Bank d.d. Zagreb

MANAGEMENT BOARD

Mario Žižek

President of the Management Board

Ivan Jandrić	Dubravko-Ante Mlikotić
Member of the Management Board	Member of the Management Board

Independent Auditors’ report to the shareholder of Addiko Bank d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Addiko Bank d.d. (“the Bank”), which comprise the statement of financial position of the Bank as at 31 December 2021, and the statements of comprehensive income, cash flows and changes in equity of the Bank for the year then ended, and notes, comprising significant accounting policies and other explanatory information (“the financial statements”).

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with statutory accounting requirements for credit institutions in the Republic of Croatia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2020 were audited by another auditor who issued an unmodified audit opinion on those financial statements on 15 March 2021.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This version of the Auditors' Report is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all maters of interpretation of information, views or opinions, the original language version of the audit report takes precedence over this translation.

KPMG

Independent Auditors' report to the shareholder of Addiko Bank d.d.

Report on the Audit of the Financial Statements (continued)

Key audit matter (continued)

Impairment of loans and advances to customers

As at 31 December 2021, gross loans and advances to customers: HRK 8,451.6 million, related impairment allowance: HRK 561.9 million and, for the year then ended, impairment loss recognised in the income statement: HRK 15.4 million (31 December 2020: gross loans and advances to customers: HRK 9,837.6 million, impairment allowance: HRK 824.3 million, and, for the year then ended, impairment loss recognised in the income statement: HRK 132.2 million).

Refer to pages 26 to 53 (Accounting policies), page 33 (note 5 Use of estimates and assumptions/material uncertainties in relation to estimates), pages 66 to 68 (notes 42.4 to 42.6 Loans and advances to customers), and pages 84 to 101 (notes 58 Internal risk management guidelines and 59 Credit risk and Credit related risks).

Key audit matter	How our audit addressed the matter
Impairment allowances represent the Management Board's best estimate of the expected credit losses ("ECLs") within the loans and advances ("loans", "exposures") at the reporting date. We focused on this area as the determination of impairment allowances requires a significant judgment from the Management Board over the amounts of any such impairment. The Bank calculates allowances for credit losses in accordance with the Croatian National Bank's (the CNB's) regulations, which incorporate measurement and impairment requirements of IFRS 9 Financial instruments, based on the ECL model (with dual-measurement approach, under which the impairment allowance is measured as either 12-months expected credit losses or lifetime expected credit losses, depending on whether or not there has been a significant increase in credit risk since initial recognition). Impairment allowances for performing exposures (Stage 1 and Stage 2 in the provisioning regulations' hierarchy) and non-performing exposures (Stage 3 in the hierarchy) below EUR 130 thousand (on a Group of connected clients), are determined by modelling techniques (together "collective impairment allowance").	Our audit procedures in this area included, among others: — Inspecting the ECL impairment provisioning methods and models, and assessing their compliance with the relevant regulatory and financial reporting framework; — Making relevant inquiries of the Bank's risk management and information technology (IT) personnel to gain an understanding of the provisioning process, IT applications used therein, as well as key data sources and assumptions in the ECL model. Also, testing of IT control environment for data security and access, assisted by our own IT specialists; — Testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans, including those over the identification of loss events and default, appropriateness of classification of exposures into performing and non-performing and their segmentation into homogenous groups, calculation of days past due and calculation of the impairment allowances; For collective impairment allowance: — Obtaining an understanding of the key internal rating models for loans, and assessing the relevance and reliability of the key data used therein; — Obtaining the relevant forward-looking information and macroeconomic forecasts used in the Bank's ECL assessment. Independently assessing the information by reference to publicly available external market reports and corroborating inquiries of the Management Board;

Report on the Audit of the Financial Statements (continued)

Key audit matter (continued)

Impairment of loans and advances to customers (continued)

Key audit matter	How our audit addressed the matter
Historical experience, identification of exposures with a significant deterioration in credit quality and defaulted exposures, forward-looking information and management judgment are incorporated into the model assumptions. The Bank is continuously recalibrating the model parameters, which also require our increased attention in the audit. For Stage 3 exposures over EUR 130 thousand (on a Group of connected clients), a discounted cash flows analysis is applied in the impairment analysis, based on the knowledge of each individual borrower, and often on estimation of the fair value of the related collateral. The process involves a high level of subjectivity and reliance on a number of significant assumptions, including those in respect of the expected sale proceeds from collateral. Due to the above factors, coupled with the significantly higher estimation uncertainty stemming from the continued impact of the COVID-19 global pandemic on multiple sectors of the economy, we considered impairment of loans to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	— Assessing whether the definition of significant increase in credit risk and an event of default are appropriate and whether the CNB's staging criteria were consistently applied; — Challenging the collective LGD and PD parameters used by the Bank, by, among other things, performing back-testing of historical defaults and by reference to historical realized losses on those defaults, and considering any required adjustments to reflect expected changes in circumstances; For impairment allowances calculated individually, for a risk-based sample of exposures: — For the sample selected, critically assessing the existence of any triggers for classification to Stage 2 or Stage 3, by reference to the underlying documentation (loan files), through inquiries of the loan officers and credit risk management personnel and by considering business operations of the respective customers as well as market conditions and historical debt service; — For Stage 3 exposures, challenging key assumptions applied in the estimates of future cash flows used in the impairment calculation, such as discount rates, collateral values and realization period, and performing respective independent recalculations, where relevant; — Considering the adequacy of the ECLs recognised against the various minimum provisioning requirements of the CNB; For all impairment allowances: — Critically assessing the overall reasonableness of the impairment allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage; — Evaluating the accuracy and completeness of the financial statement disclosures relating to expected credit losses against the requirements of the relevant financial reporting framework.

Report on the Audit of the Financial Statements (continued)

Key audit matter (continued)

Provision for court cases

As at 31 December 2021, provisions related to court cases, within Provisions: HRK 251.6 million (31 December 2020: HRK 152.9 million); and, for the year then ended, related expense recognised in the income statement: HRK 132.3 million (2020: HRK 10.6 million).

Refer to 26 and 53 (Accounting policies), page 33 (note 5 Use of estimates and assumptions/material uncertainties in relation to estimates), pages 77 to 78 (note 51.1 Provisions for pending legal disputes) and pages 123 to 124 (note 65 Legal risk).

Key audit matter	How our audit addressed the matter
As part of its regular business activities, the Bank is exposed to various litigations, including those relating to Swiss Frank ("CHF") loans, as discussed in Note 51.1. A provision is recognised in respect of those litigations where a present, legal or constructive, obligation exists as a result of past events and a reliable estimate of the obligation could be determined. Whether a liability or a contingent liability is recognised or disclosed in the financial statements is inherently uncertain and is dependent on a number of significant assumptions and judgments. Key judgements and estimates in the process are related to the existence of a present obligation, the probability of future outflow of resources (payment) and estimation of the amount of obligation. Additionally, for CHF lending-related court cases, key judgements relate to the expected developments of the court practice in Croatia, with respect to the treatment of CHF conversion conducted in 2015. The provision for CHF lending relates to loans that have not been converted to HRK or EUR and are still denominated in CHF. The amounts involved are potentially significant and determining the amount, if any, to be recognised or disclosed in the financial statements, is inherently subjective. For the above reasons, provisioning for court cases is considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be our key audit matter.	Our audit procedures in this area included, among others: — Inspecting the Bank's court cases provisioning methodology and assessing its compliance with the relevant requirements of the financial reporting framework and CNB provisioning regulations, including, but not limited to, the existence of the present obligation, probability of future payment and estimation of the amount of obligation; — Reading minutes of the meetings of the Management and Supervisory Board to assess reasonableness of the major judgements and estimates made by management and identify additional potential obligations; — Critically assessing the Bank's assumptions and estimates in respect of the claims, including the liabilities recognised or contingent liabilities disclosed in the financial statements. This involved assessing the probability of an unfavourable outcome of litigation and the reliability of estimates of related obligations, by inspecting supporting documentation, such as individual court case files, higher level courts decisions and opinions and analyses of the Bank's in-house and external lawyers, and making corroborating inquiries of the Management Board members about future development of claims; — Specifically, in respect of the CHF lending court cases, inspecting opinions and representations of external legal advisors and the developments of court practice in Croatia, in order to support reasonableness of the major judgements and estimates made by Management Board in the provisioning process; — Evaluating the accuracy and completeness of the related disclosures in accordance with relevant accounting framework.

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Independent Auditors' report to the shareholder of Addiko Bank d.d.

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises of Key data, Letter from the CEO, The Management Board and the Management report included in the Annual Report of the Bank, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report, we also performed procedures required by the Accounting Act in Croatia ("Accounting Act"). Those procedures include considering whether the Management Report has been prepared in accordance with the requirements of Article 21 of the Accounting Act.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements;
- the Management Report has been prepared, in all material respects, in accordance with the requirements of Article 21 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Key data, Letter from the CEO, The Management Board and the Management Report. We have nothing to report in this respect.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with statutory accounting requirements for credit institutions in the Republic of Croatia, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Independent Auditors' report to the shareholder of Addiko Bank d.d.

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditors' report to the shareholder of Addiko Bank d.d.

Report on the Audit of the Financial Statements *(continued)*

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the Decision of the Croatian National Bank on the Structure and Content of the Annual Financial Statements of credit institutions (Official Gazette 42/2018, 122/20 and 119/2021), the Management Board of the Bank has prepared the schedules ("the Schedules"), which comprise an alternative presentation of the statement of financial position as of 31 December 2021, and of the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a reconciliation ("the Reconciliation") of the Schedules with the financial statements. The Schedules are set out on pages 156 to 162, and the Reconciliation on pages 163 to 170. The Management Board of the Bank is responsible for the Schedules and the Reconciliation. The financial information in the Schedules is derived from the financial statements set out on pages 21 to 25 on which we have expressed an opinion as set out above.

We were appointed by those charged with governance on 29 March 2021 to audit the financial statements of Addiko Bank d.d. for the year ended 31 December 2021. Our total uninterrupted period of engagement is one year, covering the periods from 1 January 2021 to 31 December 2021.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 11 March 2022;
- for the period to which our statutory audit relates, we have not provided any prohibited non-audit services referred to in Article 44 of the Audit Act. We also remained independent of the audited entity in conducting the audit.

KPMG Croatia d.o.o. za reviziju
Croatian Certified Auditors
Eurotower, 17th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

KPMG Croatia
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Eurotower, 17. kat
Ivana Lučića 2a, 10000 Zagreb

11 March 2022

Katarina Kecko
Director, Croatian Certified Auditor

This version of the Auditors' Report is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all maters of interpretation of information, views or opinions, the original language version of the audit report takes precedence over this translation.

Appendix - Supplementary Schedules for the Croatian National Bank

Pursuant to the Croatian Accounting Act (Official Gazette 78/2015, 134/2015, 120/2016, 116/2018, 42/2020, 47/2020) the Croatian National Bank issued the Decision on structure and contents of annual financial statements of credit institutions (Official Gazette 42/2018, 122/2020, 119/2021). The following tables present financial statements in accordance with the above-mentioned decision:

Statement of Financial Position

in HRK million

Position	Position Name	31.12.2021	31.12.2020
	Assets		
1.	Cash, cash balances at central banks and other demand deposits (from 2. to 4.)	3,800.0	3,464.0
2.	*Cash on hand*	*342.5*	*380.3*
3.	*Cash balances at central banks*	*3,339.1*	*2,898.6*
4.	*Other demand deposits*	*118.4*	*185.1*
5.	Financial assets held for trading (from 6. to 9.)	112.0	133.5
6.	*Derivatives*	*1.8*	*7.8*
7.	*Equity instruments*	*0.0*	*0.0*
8.	*Debt securities*	*110.2*	*125.8*
9.	*Loans and advances*	*0.0*	*0.0*
10.	Non-trading financial assets mandatorily at fair value through profit or loss (from 11. to 13.)	20.2	0.0
11.	*Equity instruments*	*0.0*	*0.0*
12.	*Debt securities*	*20.2*	*0.0*
13.	*Loans and advances*	*0.0*	*0.0*
14.	Financial assets designated at fair value through profit or loss (15. + 16.)	0.0	0.0
15.	*Debt securities*	*0.0*	*0.0*
16.	*Loans and advances*	*0.0*	*0.0*
17.	Financial assets at fair value through other comprehensive income (from 18. to 20.)	3,906.7	3,457.1
18.	*Equity instruments*	*24.4*	*41.9*
19.	*Debt securities*	*3,882.3*	*3,415.3*
20.	*Loans and advances*	*0.0*	*0.0*
21.	Financial assets at amortised cost (22. + 23.)	8,661.3	10,182.2
22.	*Debt securities*	*0.0*	*3.7*
23.	*Loans and advances*	*8,661.3*	*10,178.5*
24.	Derivatives – hedge accounting	0.0	0.0
25.	Fair value changes of the hedged items in portfolio hedge of interest rate risk	0.0	0.0
26.	Investments in subsidiaries, joint ventures and associates	0.0	0.0
27.	Tangible assets	184.3	223.5
28.	Intangible assets	96.7	96.5
29.	Tax assets	62.8	34.4
30.	Other assets	57.1	64.3
31.	Non-current assets and disposal groups classified as held for sale	2.1	4.1
32.	**Total assets (1. + 5. +10. +14. + 17. + 21. + from 24. to 31.)**	**16,903.1**	**17,659.6**

in HRK million

Position	Position Name	31.12.2021	31.12.2020
	Liabilities		
33.	Financial liabilities held for trading (from 34. to 38.)	5.1	13.0
34.	*Derivatives*	*5.1*	*13.0*
35.	*Short positions*	*0.0*	*0.0*
36.	*Deposits*	*0.0*	*0.0*
37.	*Debt securities issued*	*0.0*	*0.0*
38.	*Other financial liabilities*	*0.0*	*0.0*
39.	Financial liabilities designated at fair value through profit or loss (from 40. to 42.)	0.0	0.0
40.	*Deposits*	*0.0*	*0.0*
41.	*Debt securities issued*	*0.0*	*0.0*
42.	*Other financial liabilities*	*0.0*	*0.0*
43.	Financial liabilities measured at amortised cost (from 44. to 46.)	13,408.5	14,510.0
44.	*Deposits*	*13,287.1*	*14,392.2*
45.	*Debt securities issued*	*0.0*	*0.0*
46.	*Other financial liabilities*	*121.4*	*117.8*
47.	Derivatives - hedge accounting	0.0	0.0
48.	Fair value changes of the hedged items in portfolio hedge of interest rate risk	0.0	0.0
49.	Provisions	298.3	195.6
50.	Tax liabilities	32.9	0.0
51.	Share capital repayable on demand	0.0	0.0
52.	Other liabilities	70.8	85.8
53.	Liabilities included in disposal groups classified as held for sale	0.0	0.0
54.	**Total liabilities (33. + 39. + 43. + from 47. to 53.)**	**13,815.6**	**14,804.4**
	Equity		
55.	Share capital	2,558.9	2,558.9
56.	Share premium	0.0	0.0
57.	Equity instruments issued other than capital	299.6	0.0
58.	Other equity	0.0	0.0
59.	Accumulated other comprehensive income	11.0	76.1
60.	Retained earnings	4.9	0.0
61.	Revaluation reserves	0.0	0.0
62.	Other reserves	133.1	133.1
63.	(-) Treasury shares	0.0	0.0
64.	Profit or loss attributable to owners of the parent	79.9	87.1
65.	(-) Interim dividends	0.0	0.0
66.	Minority interests [non-controlling interests]	0.0	0.0
67.	**Total equity (from 55. to 66.)**	**3,087.5**	**2,855.2**
68.	**Total equity and total liabilities (54. + 67.)**	**16,903.1**	**17,659.6**

Statement of Profit or Loss

in HRK million

Position	Position Name	31.12.2021	31.12.2020
1.	Interest income	459.8	517.9
2.	(Interest expenses)	47.5	75.9
3.	(Expenses on share capital repayable on demand)	0.0	0.0
4.	Dividend income	0.1	0.2
5.	Fee and commission income	201.5	198.9
6.	(Fee and commission expenses)	40.5	35.9
7.	Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	12.7	40.3
8.	Gains or (-) losses on financial assets and liabilities held for trading, net	28.9	51.8
9.	Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	-0.3	-0.4
10.	Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net	0.0	0.0
11.	Gains or (-) losses from hedge accounting, net	0.0	0.0
12.	Exchange differences [gain or (-) loss], net	12.3	-13.9
13.	Gains or (-) losses on derecognition of investments in subsidiaries, joint ventures and associates, net	0.0	0.0
14.	Gains or (-) losses on derecognition of non-financial assets, net	5.3	11.0
15.	Other operating income	31.6	28.2
16.	(Other operating expenses)	4.3	1.9
17.	**Total operating income, net (1. - 2. - 3. + 4. + 5. - 6. + from 7. to 15. - 16.)**	**659.7**	**720.3**
18.	(Administrative expenses)	339.8	333.6
19.	(Cash contributions to resolution funds and deposit guarantee schemes)	5.3	26.3
20.	(Depreciation)	52.3	53.9
21.	Modification gains or (-) losses, net	-0.1	-3.0
22.	(Provisions or (-) reversal of provisions)	152.3	27.7
23.	(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	-1.0	124.9
24.	(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures and associates)	0.0	0.0
25.	(Impairment or (-) reversal of impairment on non-financial assets)	11.5	7.2
26.	Negative goodwill recognised in profit or loss	0.0	0.0
27.	Share of the profit or (-) loss of investments in subsidiaries, joint ventures and associates	0.0	0.0
28.	Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-0.7	-0.9
29.	**Profit or (-) loss before tax from continuing operations (17. - from 18. to 20. + 21. - from 22. to 25. + from 26. to 28.)**	**98.7**	**142.8**
30.	(Tax Expenses or (-) income related to profit or loss from continuing operations)	18.8	55.7
31.	**Profit or (-) loss after tax from continuing operations (29. - 30.)**	**79.9**	**87.1**
32.	**Profit or (-) loss after tax from discontinued operations (33. - 34.)**	**0.0**	**0.0**
33.	Profit or (-) loss before tax from discontinued operations	0.0	0.0
34.	(Tax expense or (-) income related to discontinued operations)	0.0	0.0
35.	**Profit or (-) loss for the year (31. + 32.; 36. + 37.)**	**79.9**	**87.1**
36.	Attributable to minority interest [non-controlling interests]	0.0	0.0
37.	Attributable to owners of the parent	79.9	87.1

Statement of Other Comprehensive Income

in HRK million

Position	Position Name	31.12.2021	31.12.2020
1.	**Profit or (-) loss for the year**	**79.9**	**87.1**
2.	**Other comprehensive income (3. + 15.)**	**-65.1**	**-26.0**
3.	**Items that will not be reclassified to profit or loss (from 4. to 10. + 13. + 14.)**	**-2.5**	**-7.6**
4.	Tangible assets	0.0	-12.5
5.	Intangible assets	0.0	0.0
6.	Actuarial gains or (-) losses on defined benefit pension plans	0.0	0.0
7.	Non-current assets and disposal groups held for sale	0.0	0.0
8.	Share of other recognized income and expense of entities accounted for using the equity method	0.0	0.0
9.	Fair value changes of equity instruments measured at fair value through other comprehensive income	-3.0	3.3
10.	Gains or (-) losses from hedge accounting of equity instruments at fair value through other comprehensive income, net	0.0	0.0
11.	*Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]*	*0.0*	*0.0*
12.	*Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]*	*0.0*	*0.0*
13.	Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	0.0	0.0
14.	Income tax relating to items that will not be reclassified	0.5	1.7
15.	**Items that may be reclassified to profit or loss (from 16. to 23.)**	**-62.6**	**-18.4**
16.	Hedge of net investments in foreign operations [effective portion]	0.0	0.0
17.	Foreign currency translation	0.0	0.0
18.	Cash flow hedges [effective portion]	0.0	0.0
19.	Hedging instruments [not designated elements]	0.0	0.0
20.	Debt instruments at fair value through other comprehensive income	-76.3	-22.5
21.	Non-current assets and disposal groups held for sale	0.0	0.0
22.	Share of other recognized income and expense of Investments in subsidiaries, joint ventures and associates	0.0	0.0
23.	Income tax relating to items that may be reclassified to profit or (-) loss	13.7	4.0
24.	**Total comprehensive income for the year (1. + 2.; 25. + 26.)**	**14.9**	**61.1**
25.	Attributable to minority interest [non-controlling interests]	0.0	0.0
26.	Attributable to owners of the parent	14.9	61.1

Zagreb, 11 March 2022
Addiko Bank d.d. Zagreb

MANAGEMENT BOARD

Mario Žižek
President of the Management Board

Ivan Jandrić
Member of the Management Board

Dubravko-Ante Mlikotić
Member of the Management Board

Statement of Cash Flows

in HRK million

Position	Position Name	31.12.2021	31.12.2020
	Operating activities by indirect method		
9.	Profit/(loss) before tax	98.7	142.8
	Adjustments:		
10.	Impairment and provisions	168.2	152.4
11.	Depreciation	63.8	59.5
12.	Net unrealized loss/(gain) from financial assets and liabilities at fair value through profit or loss	-12.6	-40.5
13.	(Gain)/loss on disposal of fixed assets	-5.4	-9.2
14.	Other non-monetary items	-470.5	-532.2
	Change in assets and liabilities from operating activities		
15.	Balances with Croatian National Bank	0.0	0.0
16.	Deposits and loans with credit institutions	397.7	-350.4
17.	Loans and advances to other customers	1,084.3	1,117.2
18.	Securities and other financial instruments at fair value through other comprehensive income	-451.7	641.5
19.	Securities and other financial instruments held for trading	49.8	45.3
20.	Non-trading securities and other financial assets mandatorily at fair value through profit or loss	0.0	122.4
21.	Securities and other financial instruments mandatory at fair value through profit or loss	-20.2	0.0
22.	Securities and other financial instruments mandatory at amortised cost	0.0	0.0
23.	Other assets from operating activities	-5.9	43.8
24.	Deposits from financial institutions	55.9	-39.4
25.	Transaction accounts of other customers	124.6	722.2
26.	Demand deposits of other costumers	213.0	-95.7
27.	Term deposits of other customers	-641.5	-703.7
28.	Derivative financial liabilities and other trading liabilities	-6.5	4.2
29.	Other liabilities from operating activities	-24.6	-78.0
30.	Interest received from operating activities	470.7	507.7
31.	Dividends received from operating activities	0.1	0.2
32.	Interest paid from operating activities	-44.9	-83.8
33.	(Income taxes paid)	0.0	0.0
34.	**Net cash flow from operating activities (from 1. to 33.)**	**1,043.1**	**1,626.1**
	Investing activities		
35.	Proceeds from sale/(payments for purchase) of tangible and intangible assets	-21.2	-33.4
36.	Proceeds from sale/(payments for purchase) of investments in subsidiaries, joint ventures and associates	0.0	0.0
37.	Proceeds from sale/(payments for purchase) of securities and other financial instruments from investing activities	0.0	0.0
38.	Dividends received from investing activities	0.0	0.0
39.	Other proceeds/(payments) from investing activities	0.0	0.0
40.	**Net cash flow from investing activities (from 35. to 39.)**	**-21.2**	**-33.4**
	Financing activities		
41.	Net increase/(decrease) of borrowings from financial activities	-90.4	2.2
42.	Net increase/(decrease) of borrowings from issued debt securities	0.0	0.0
43.	Net increase/(decrease) of subordinated debt	-814.0	0.0
44.	Increase of share capital	0.0	0.0
45.	(Dividend paid)	-87.1	-224.6
46.	Other proceeds/(payments) from financing activities	285.9	-17.0
47.	**Net cash flows from financing activities (from 41. to 46.)**	**-705.5**	**-239.4**
48.	**Net increase/(decrease) of cash and cash equivalents (34. + 40. + 47.)**	**316.3**	**1,353.3**
49.	**Cash and cash equivalents at the beginning of the year**	**4,230.4**	**2,882.7**
50.	Effects of exchange rate changes on cash and cash equivalents	8.6	-5.6
51.	**Cash and cash equivalents at the end of the year (48. + 49. + 50.)**	**4,555.4**	**4,230.4**

Statement of Changes in Equity

in HRK million

													Minority interests		
Position	Position Name	Capital	Share premium	Equity instruments issued other than capital	Other equity	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Other items	Total
1.	**Opening balance [before restatement] for the year 2021**	**2,558.9**	**0.0**	**0.0**	**0.0**	**76.1**	**0.0**	**0.0**	**133.1**	**0.0**	**87.1**	**0.0**	**0.0**	**0.0**	**2,855.2**
2.	Effects of corrections of errors	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
3.	Effects of changes in accounting policies	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
4.	**Opening balance [current period] for the year 2021**	**2,558.9**	**0.0**	**0.0**	**0.0**	**76.1**	**0.0**	**0.0**	**133.1**	**0.0**	**87.1**	**0.0**	**0.0**	**0.0**	**2,855.2**
5.	Issuance of ordinary shares	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
6.	Issuance of preference shares	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
7.	Issuance of other equity instruments	0.0	0.0	299.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	299.6
8.	Exercise or expiration of other equity instruments issued	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
9.	Conversion of debt to equity	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
10.	Capital reduction	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
11.	Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-87.1	0.0	0.0	0.0	0.0	0.0	-87.1
12.	Purchase of treasury shares	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
13.	Sale or cancellation of treasury shares	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
14.	Reclassification of financial instruments from equity to liability	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
15.	Reclassification of financial instruments from liability to equity	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
16.	Transfers among components of equity	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
17.	Equity increase or (-) decrease resulting from business combinations	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
18.	Share based payments	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
19.	Other increase or (-) decrease in equity	0.0	0.0	0.0	0.0	0.0	4.9	0.0	87.1	0.0	-87.1	0.0	0.0	0.0	4.9
20.	Total comprehensive income for the year	0.0	0.0	0.0	0.0	-65.1	0.0	0.0	0.0	0.0	79.9	0.0	0.0	0.0	14.9
21.	**Closing balance [current period] for the year 2021**	**2,558.9**	**0.0**	**299.6**	**0.0**	**11.0**	**4.9**	**0.0**	**133.1**	**0.0**	**79.9**	**0.0**	**0.0**	**0.0**	**3,087.5**

in HRK million

													Minority interests		
Position	Position Name	Capital	Share premium	Equity instruments issued other than capital	Other equity	Accumulated other comprehensive income	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Other items	Total
1.	**Opening balance [before restatement] for the year 2020**	**2,558.9**	**0.0**	**0.0**	**0.0**	**102.1**	**62.9**	**0.0**	**138.2**	**0.0**	**156.7**	**0.0**	**0.0**	**0.0**	**3,018.7**
2.	Effects of corrections of errors	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
3.	Effects of changes in accounting policies	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
4.	**Opening balance [current period] for the year 2020**	**2,558.9**	**0.0**	**0.0**	**0.0**	**102.1**	**62.9**	**0.0**	**138.2**	**0.0**	**156.7**	**0.0**	**0.0**	**0.0**	**3,018.7**
5.	Issuance of ordinary shares	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
6.	Issuance of preference shares	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
7.	Issuance of other equity instruments	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
8.	Exercise or expiration of other equity instruments issued	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
9.	Conversion of debt to equity	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
10.	Capital reduction	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
11.	Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.0	0.0	-219.6	0.0	0.0	0.0	-224.6
12.	Purchase of treasury shares	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
13.	Sale or cancellation of treasury shares	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
14.	Reclassification of financial instruments from equity to liability	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
15.	Reclassification of financial instruments from liability to equity	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
16.	Transfers among components of equity	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
17.	Equity increase or (-) decrease resulting from business combinations	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
18.	Share based payments	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
19.	Other increase or (-) decrease in equity	0.0	0.0	0.0	0.0	0.0	-62.9	0.0	0.0	0.0	62.9	0.0	0.0	0.0	0.0
20.	Total comprehensive income for the year	0.0	0.0	0.0	0.0	-26.0	0.0	0.0	0.0	0.0	87.1	0.0	0.0	0.0	61.1
21.	**Closing balance [current period] for the year 2020**	**2,558.9**	**0.0**	**0.0**	**0.0**	**76.1**	**0.0**	**0.0**	**133.1**	**0.0**	**87.1**	**0.0**	**0.0**	**0.0**	**2,855.2**

Reconciliation of the statutory financial statements with the supplementary schedules for the Croatian National Bank

As data in financial statements prepared in accordance with the Croatian National Bank ("CNB") decision are classified differently from data in financial statements prepared according to the statutory accounting requirements for banks in Croatia, the following tables present comparatives.

Comparatives for the Statement of financial position - Assets at 31 December 2021:

in HRK million

		Statutory accounting requirements for banks in Croatia											
Croatian National Bank's Decision		Cash reserves	Financial assets held for trading	Loans and advances to credit institutions	Loans and advances to customers	Investment securities	Property, plant and equipment	Investment property	Intangible assets	Current tax assets	Deferred tax assets	Other assets	Non-current assets held for sale
Assets													
Cash, cash balances at central banks and other demand deposits	3,800.0	3,800.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets held for trading	112.0	0.0	112.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-trading financial assets mandatorily at fair value through profit or loss	20.2	0.0	0.0	0.0	0.0	20.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	3,906.7	0.0	0.0	0.0	0.0	3,906.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost	8,661.3	755.3	0.0	16.3	7,889.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	184.3	0.0	0.0	0.0	0.0	0.0	167.6	16.7	0.0	0.0	0.0	0.0	0.0
Intangible assets	96.7	0.0	0.0	0.0	0.0	0.0	13.6	0.0	83.1	0.0	0.0	0.0	0.0
Tax assets	62.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	62.8	0.0	0.0
Other assets	57.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	57.1	0.0
Non-current assets and disposal groups classified as held for sale	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1
Total assets	**16,903.1**	**4,555.2**	**112.0**	**16.3**	**7,889.7**	**3,926.9**	**181.1**	**16.7**	**83.1**	**0.0**	**62.8**	**57.1**	**2.1**

Comparatives for the Statement of financial position – Liabilities and Equity at 31 December 2021:

in HRK million

Croatian National Bank's Decision		Statutory accounting requirements for banks in Croatia: Financial liabilities held for trading	Deposits of credit institutions	Deposits of customers	Borrowings	Subordinated debt	Other financial liabilities	Provisions	Current tax liabilities	Other liabilities	Share capital	Additional Tier 1 capital	Legal and other reserves	Fair value reserve	Accumulated profit
Liabilities															
Financial liabilities held for trading	5.1	5.1	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
Financial liabilities measured at amortised cost	13,408.5	0.0	147.0	12,646.6	260.1	233.5	121.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	298.3	0.0	0.0	0.0	0.0	0.0	0.0	298.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax liabilities	32.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.9	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	70.8	0.0	0.0	0.0	0.0	0.0	0.0	14.6	0.0	56.2	0.0	0.0	0.0	0.0	0.0
Total liabilities	**13,815.6**	**5.1**	**147.0**	**12,646.6**	**260.1**	**233.5**	**121.4**	**312.9**	**32.9**	**56.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Equity															
Share capital	2,558.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,558.9	0.0	0.0	0.0	0.0
Equity instruments issued other than capital	299.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	299.6	0.0	0.0	0.0
Accumulated other comprehensive income	11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.0	0.0
Retained earnings	4.9	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	4.9
Other reserves	133.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	133.1	0.0	0.0
Profit or loss attributable to owners of the parent	79.9	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	79.9
Total equity	**3,087.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2,558.9**	**299.6**	**133.1**	**11.0**	**84.8**
Total equity and total liabilities	**16,903.1**	**5.1**	**147.0**	**12,646.6**	**260.1**	**233.5**	**121.4**	**312.9**	**32.9**	**56.2**	**2,558.9**	**299.6**	**133.1**	**11.0**	**84.8**

Comparatives for the Statement of financial position - Assets at 31 December 2020:

in HRK million

		Statutory accounting requirements for banks in Croatia											
Croatian National Bank's Decision		Cash reserves	Financial assets held for trading	Loans and advances to credit institutions	Loans and advances to customers	Investment securities	Property, plant and equipment	Investment property	Intangible assets	Current tax assets	Deferred tax assets	Other assets	Non-current assets held for sale
Assets													
Cash, cash balances at central banks and other demand deposits	3,464.0	3,464.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets held for trading	133.5	0.0	133.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-trading financial assets mandatorily at fair value through profit or loss	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
Financial assets at fair value through other comprehensive income	3,457.1	0.0	0.0	0.0	0.0	3,457.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost	10,182.2	764.4	0.0	404.4	9,013.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	223.5	0.0	0.0	0.0	0.0	0.0	215.7	7.8	0.0	0.0	0.0	0.0	0.0
Intangible assets	96.5	0.0	0.0	0.0	0.0	0.0	17.2	0.0	79.3	0.0	0.0	0.0	0.0
Tax assets	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	34.4	0.0	0.0
Other assets	64.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	64.3	0.0
Non-current assets and disposal groups classified as held for sale	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.1
Total assets	**17,659.6**	**4,228.4**	**133.5**	**404.4**	**9,013.3**	**3,457.1**	**232.9**	**7.8**	**79.3**	**0.0**	**34.4**	**64.3**	**4.1**

Comparatives for the Statement of financial position – Liabilities and Equity at 31 December 2020:

in HRK million

		Statutory accounting requirements for banks in Croatia											
Croatian National Bank's Decision		Financial liabilities held for trading	Deposits of credit institutions	Deposits of customers	Borrowings	Subordinated debt	Other financial liabilities	Provisions	Other liabilities	Share capital	Legal and other reserves	Fair value reserve	Accumulated profit
Liabilities													
Financial liabilities held for trading	13.0	13.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities measured at amortised cost	14,510.0	0.0	80.6	12,915.5	351.1	1,044.9	117.8	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	195.6	0.0	0.0	0.0	0.0	0.0	0.0	195.6	0.0	0.0	0.0	0.0	0.0
Other liabilities	85.8	0.0	0.0	0.0	0.0	0.0	0.0	0.2	85.6	0.0	0.0	0.0	0.0
Total liabilities	**14,804.4**	**13.0**	**80.6**	**12,915.5**	**351.1**	**1,044.9**	**117.8**	**195.8**	**85.6**	**0.0**	**0.0**	**0.0**	**0.0**
Equity													
Share capital	2,558.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,558.9	0.0	0.0	0.0
Accumulated other comprehensive income	76.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	76.1	0.0
Retained earnings	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 reserves	133.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	133.1	0.0	0.0
Profit or loss attributable to owners of the parent	87.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	87.1
Total equity	**2,855.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2,558.9**	**133.1**	**76.1**	**87.1**
Total equity and total liabilities	**17,659.6**	**13.0**	**80.6**	**12,915.5**	**351.1**	**1,044.9**	**117.8**	**195.8**	**85.6**	**2,558.9**	**133.1**	**76.1**	**87.1**

Comparatives for the statement of profit or loss ended 31 December 2021:

in HRK million

		Statutory accounting requirements for banks in Croatia													
Croatian National Bank's Decision		Interest income calculated using the effective interest method	Other interest income	Interest expenses	Fee and commission income	Fee and commission expenses	Net result on financial instruments	Other operating income	Other operating expenses	Personnel expenses	Other administrativ e expenses	Depreciation and amortisation	Other result	Expected credit losses on financial assets	Tax on income
Interest income	459.8	457.5	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Interest expenses)	47.5	0.0	0.0	47.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend income	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fee and commission income	201.5	0.0	0.0	0.0	201.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Fee and commission expenses)	40.5	0.0	0.0	0.0	0.0	40.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	12.7	0.0	0.0	0.0	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Gains or (-) losses on financial assets and liabilities held for trading, net	28.9	0.0	0.0	0.0	0.0	0.0	28.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	-0.3	0.0	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange differences [gain or (-) loss], net	12.3	0.0	0.0	0.0	0.0	0.0	12.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains or (-) losses on derecognition of non-financial assets, net	5.3	0.0	0.0	0.0	0.0	0.0	0.0	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	31.6	0.0	0.0	0.0	0.0	0.0	0.0	30.3	0.0	0.0	0.0	0.0	1.3	0.0	0.0
(Other operating expenses)	4.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0	3.3	0.0	0.0
Total operating income, net	**659.7**	**457.2**	**2.3**	**-47.5**	**201.5**	**-40.5**	**53.6**	**35.7**	**-0.7**	**0.0**	**0.0**	**0.0**	**-2.0**	**0.2**	**0.0**
(Administrative expenses)	339.8	0.0	0.0	0.4	0.0	2.1	0.0	0.0	7.6	192.7	134.2	0.0	1.2	1.5	0.0
(Cash contributions to resolution funds and deposit guarantee schemes)	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0
(Depreciation)	52.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	52.0	0.0	0.0	0.0
Modification gains or (-) losses, net	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0
(Provisions or (-) reversal of provisions)	152.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.7	0.0	0.0	0.0	132.4	-3.8	0.0

Comparatives for the statement of profit or loss ended 31 December 2021:

in HRK million

		Statutory accounting requirements for banks in Croatia													
Croatian National Bank's Decision		Interest income calculated using the effective interest method	Other interest income	Interest expenses	Fee and commission income	Fee and commission expenses	Net result on financial instruments	Other operating income	Other operating expenses	Personnel expenses	Other administrative expenses	Depreciation and amortisation	Other result	Expected credit losses on financial assets	Tax on income
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	0.0
(Impairment or (-) reversal of impairment on non-financial assets)	11.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	0.0	0.0	9.1	0.0	0.0
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.6	0.0	0.0
Profit or (-) loss before tax from continuing operations	**98.7**	**457.2**	**2.3**	**-48.0**	**201.5**	**-42.6**	**53.6**	**35.7**	**-40.2**	**-192.7**	**-134.2**	**-52.0**	**-145.4**	**3.5**	**0.0**
(Tax Expenses or (-) income related to profit or loss from continuing operations)	18.8	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	18.8
Profit or (-) loss after tax from continuing operations	**79.9**	**457.2**	**2.3**	**-48.0**	**201.5**	**-42.6**	**53.6**	**35.7**	**-40.2**	**-192.7**	**-134.2**	**-52.0**	**-145.4**	**3.5**	**-18.8**
Profit or (-) loss for the year	**79.9**	**457.2**	**2.3**	**-48.0**	**201.5**	**-42.6**	**53.6**	**35.7**	**-40.2**	**-192.7**	**-134.2**	**-52.0**	**-145.4**	**3.5**	**-18.8**

Comparatives for the statement of profit or loss ended 31 December 2020:

in HRK million

		Statutory accounting requirements for banks in Croatia													
Croatian National Bank's Decision		Interest income calculated using the effective interest method	Other interest income	Interest expenses	Fee and commission income	Fee and commission expenses	Net result on financial instruments	Other operating income	Other operating expenses	Personnel expenses	Other administrative expenses	Depreciation and amortisation	Other result	Expected credit losses on financial assets	Tax on income
Interest income	517.9	512.9	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Interest expenses)	75.9	0.0	0.0	75.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend income	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fee and commission income	198.9	0.0	0.0	0.0	198.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Fee and commission expenses)	35.9	0.0	0.0	0.0	0.0	35.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	40.3	0.0	0.0	0.0	0.0	0.0	40.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains or (-) losses on financial assets and liabilities held for trading, net	51.8	0.0	0.0	0.0	0.0	0.0	51.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	-0.4	0.0	0.0	0.0	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange differences [gain or (-) loss], net	-13.9	0.0	0.0	0.0	0.0	0.0	-13.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains or (-) losses on derecognition of non-financial assets, net	11.0	0.0	0.0	0.0	0.0	0.0	0.0	11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	28.2	0.0	0.0	0.0	0.0	0.0	0.0	27.6	0.0	0.0	0.0	0.0	0.6	0.0	0.0
(Other operating expenses)	1.9	0.2	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0
Total operating income, net	**720.3**	**512.8**	**4.9**	**-75.9**	**198.9**	**-35.9**	**78.0**	**38.6**	**-1.7**	**0.0**	**0.0**	**0.0**	**0.6**	**0.0**	**0.0**
(Administrative expenses)	333.6	0.0	0.0	0.3	0.0	2.0	0.0	0.0	7.8	185.6	136.3	0.0	0.1	1.5	0.0
(Cash contributions to resolution funds and deposit guarantee schemes)	26.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	26.3	0.0	0.0	0.0	0.0	0.0	0.0
(Depreciation)	53.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	53.4	0.0	0.0	0.0
Modification gains or (-) losses, net	-3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.0	0.0	0.0
(Provisions or (-) reversal of provisions)	27.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.4	0.0	0.0	0.0	11.1	-0.8	0.0
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	124.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	124.9	0.0

Comparatives for the statement of profit or loss ended 31 December 2020:

in HRK million

		Statutory accounting requirements for banks in Croatia													
Croatian National Bank's Decision		Interest income calculated using the effective interest method	Other interest income	Interest expenses	Fee and commission income	Fee and commission expenses	Net result on financial instruments	Other operating income	Other operating expenses	Personnel expenses	Other administrative expenses	Depreciation and amortisation	Other result	Expected credit losses on financial assets	Tax on income
(Impairment or (-) reversal of impairment on non-financial assets)	7.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2	0.0	0.0
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.9	0.0	0.0
Profit or (-) loss before tax from continuing operations	**142.8**	**512.8**	**4.9**	**-76.2**	**198.9**	**-37.9**	**78.0**	**38.6**	**-53.8**	**-185.6**	**-136.3**	**-53.4**	**-21.7**	**-125.6**	**0.0**
(Tax Expenses or (-) income related to profit or loss from continuing operations)	55.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	55.7
Profit or (-) loss after tax from continuing operations	**87.1**	**512.8**	**4.9**	**-76.2**	**198.9**	**-37.9**	**78.0**	**38.6**	**-53.8**	**-185.6**	**-136.3**	**-53.4**	**-21.7**	**-125.6**	**-55.7**
Profit or (-) loss for the year	**87.1**	**512.8**	**4.9**	**-76.2**	**198.9**	**-37.9**	**78.0**	**38.6**	**-53.8**	**-185.6**	**-136.3**	**-53.4**	**-21.7**	**-125.6**	**-55.7**

Glossary

ABC	Addiko Bank d.d., Croatia
Addiko Group	Group of banks including Holding in Austria, and six banks in Croatia, Slovenia, Serbia, Bosnia and Herzegovina and Montenegro
AC	Amortised costs
Additional Tier 1 (AT1)	Own funds as defined by Art 51 et seq. CRR
Associated company	A company over which a material influence is exerted in terms of its business or financial policy and that is recognised in the consolidated accounts using the equity method
Banking book	All risk-bearing on- and off-balance-sheet positions of a bank that are not assigned to the trading book
CBR	Capital Conservation Buffer
CDS	Credit default swap; a financial instrument that securitizes credit risks, for example those associated with loans or securities
Change ECL/GPL (simply Ø)	Change in ECL / simply Ø gross performing loans
CMA & CML	Customer Margin Assets (CMA) and Liabilities (CML) is as Gross Margin respectively on the asset and liability side, including the booked regular and interest like income and calculatoric costs and benefits defined within the Fund Transfer Pricing methodology
Cost/income ratio (CIR)	Operating expenses / (Net interest income + Net fee and commission income)
Cost of risk ratio	Expected credit losses on financial assets/Credit risk bearing exposures
CRB	Credit Risk Bearing
Credit institutions	Any institution covered by the definition in Article 4(1)(1) of CRR (“undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account”) and multilateral development banks (MDBs)
CRR	Capital requirements regulation; Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Text with EEA relevance
CSEE	Central and South-Eastern Europe
CSF	"Central Steering Functions" and designated services that have the character of shareholder activities and are therefore provided and charged solely to Addiko. CSF are related to strategic direction, coordination, support, monitoring and steering, e.g. human resources, legal, marketing
Customer loans	Exposure of on balance loans including accrued interest, gross amount of provisions of performing and non-performing loans
Derivatives	Financial instruments whose value depends on the value of an underlying asset (such as stocks or bonds). The most important derivatives are futures, options and swaps
ECL	Expected Credit Loss
Fair value	Price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date
FDI	Foreign Direct Investment
FVTOCI	Fair value through OCI
FVTPL	Fair value through Profit or Loss
FX & DCC	Foreign exchange and Dynamic currency conversions
General governments	Central governments, state or regional governments, and local governments, including administrative bodies and non-commercial undertakings, but excluding public companies and private companies held by these administrations that have a

	commercial activity (which shall be reported under “credit institutions”, “other financial corporations” or “non-financial corporations” depending on their activity); social security funds; and international organisations, such as institutions of the European Union, the International Monetary Fund and the Bank for International Settlements
Gross disbursements	Disbursements include disbursements of term loans (Consumer- Mortgage and Housing loans and Corporate term loans, not including revolving loans) and internal refinancing which relates to intra – bank transactions
Gross exposure	Exposure of on and off-balance loans including accrued interest, gross amount of provisions for performing loans and non-performing loans
Gross performing loans	Exposure of on balance loans without accrued interest and no deduction of provisions of performing loans
GSS	Means "group shared services" and designates services that are aimed at providing economic or commercial value to Group members by means of enhancing or maintaining their business position, e.g. transaction banking, back office, digital banking. GSS do not relate to shareholder activities, i.e. activities performed solely because of a shareholding interest in one or more other Group members, and are provided and charged to the respective receiving Group member
Households	Individuals or groups of individuals as consumers and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services provided that their activities are not those of quasi-corporations. Non-profit institutions which serve households (“NPISH”) and which are principally engaged in the production of non- market goods and services intended for particular groups of households shall be included
ICAAP	Internal Capital Adequacy Assessment Process; an internal procedure to ensure that a bank has sufficient own funds to cover all material types of risk
ICSID	International Center for Settlement of Investment Disputes
KPI	Key Performance Indicator
Large Corporates	The segment Large Corporates includes legal entities and entrepreneurs with annual gross revenues of more than EUR 50 million
LCR	Liquidity coverage ratio; the ratio of high-quality liquid assets and net cash flows in the next 30 days
Leverage ratio	The ratio of Tier 1 capital to specific exposures on and off the statement of financial position calculated in accordance with the methodology set out in CRR
Loans and receivables	Gross carrying amount of loans and receivables less ECL allowance
Loan to deposit ratio	Indicates a bank's ability to refinance its loans by deposits rather than wholesale funding. It is based on net customer loans and calculated with loans to non-financial corporations and households in relation to deposits from non-financial corporations and households. Segment level: Loans and receivables divided by financial liabilities at amortised costs
Loss identification period (LIP)	The time span from the default of the client until the recognition of the default in the Bank
MREL	Minimum Requirement for own funds and Eligible Liabilities
Net banking income	The sum of net interest income and net fee and commission income
Net interest income (segment level)	Net interest income on segment level includes total interest income related to effective interest rate from gross performing loans, interest income from NPE, interest like income, interest expenses from customer deposits, consideration of funds transfer pricing and allocated contribution from interest and liquidity gap
NIM	Net interest margin is used for external comparison with other banks as well as an internal profitability measurement of products and segments. It is calculated with net interest income set in relation to average interest-bearing assets (total assets

	less investments in subsidiaries, joint ventures and associates, intangible assets, tangible assets, tax assets and other assets)
Non-financial corporations	Corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services according to the ECB BSI Regulation
NPE	Defaulted, non-performing exposure (Gross Carrying Amount). A default and thus a non-performing exposure applies if it can be assumed that a customer is unlikely to fulfill all of its credit obligations to the bank, or if the debtor is overdue at least 90 days on any material credit obligation to the bank
NPE ratio	Is an economic ratio to demonstrate the proportion of loans that have been classified as defaulted non-performing in relation to the entire customer loan portfolio. The definition of non-performing has been adopted from regulatory standards and guidelines and comprises in general those customers where repayment is doubtful, a realization of collaterals is expected, and which thus have been moved to a defaulted customer rating segment. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management. Non-performing exposure/credit risk bearing exposure (on and off balance)
NPE coverage ratio	Describes to which extent defaulted non-performing exposure have been covered by impairments (individual and portfolio-based loan loss provisions) thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses set in relation to defaulted non-performing exposure
NPE collateral coverage	Collaterals allocated to non-performing exposure / non-performing exposure
OCR	Overall Capital Requirement
Option	The right to buy (call) or sell (put) an underlying reference asset at an agreed price with-in a specific period of time or at a fixed point in time
OTC	Over the counter; trade with non-standardised financial instruments directly between the market participants instead of through an exchange
Other financial corporations	All financial corporations and quasi-corporations other than credit institutions such as investment firms, investment funds, insurance companies, pension funds, collective investment undertakings, and clearing houses as well as remaining financial intermediaries, financial auxiliaries and captive financial institutions and money lenders
PI	Private individuals
Pillar 2 Guidance (P2G)	The level and quality of own funds the institution is expected to hold in excess of its overall capital requirements. The Pillar 2 guidance is a non-legally binding expectation of the regulatory authorities
Pillar 2 Requirement (P2R)	Additional own funds requirements imposed in accordance with Article 104(1)(a) of Directive 2013/36/EU. The Pillar 2 requirement covers risks underestimated or not covered by Pillar 1
POCI	Purchased or originated credit impaired assets
Public Finance	The segment Public Finance includes all state-owner entities
Regular interest income	Regular interest income is related to nominal interest rate from gross performing loans excluding income from origination fees, penalty interests and funds transfer pricing
Rescue acquisitions	Emergency acquired assets, which are assets acquired during the foreclosure procedures of a loan
Risk-weighted assets (RWA)	On-balance and off-balance positions, which shall be risk weighted according to (EU) Nbr 575/2013
Return on tangible equity	Calculated as adjusted result after tax divided by the simple average of equity attributable to the owners of the parent for the respective period

SME	Within this corporate segment small & medium corporate businesses are included. The small business subsegment includes clients with an annual gross revenue up to EUR 10 million. The medium business subsegment includes corporate clients with an annual gross revenue between EUR 10 million and EUR 50 million
SREP	Supervisory Review and Evaluation Process
SRB	Single Resolution Board
Stage 1	Impairment stage which relates to financial instruments for which expected credit loss model applies and for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss
Stage 2	Impairment stage which relates to financial instruments for which expected credit loss model applies and for which are subject to significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss
Stage 3	Impairment stage which relates to financial instruments for which expected credit loss model applies and which are credit impaired. The impairment is measured in the amount of the lifetime expected credit loss
Tier 1 capital (T1)	Sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution
Total capital ratio (TCR)	all the eligible own fund according to article 72 CRR, presented in % of the total risk according to article 92 (3) CRR
Tier 2 capital	Own funds consisting of the sum of Tier 1 capital and supplementary capital (Tier 2). According to Regulation (EU) Nbr 575/2013 Art 62 to Art 71, Tier 2 refers to instruments or subordinated loans with an original maturity of at least five years that do not include any incentive for their principal amount to be redeemed or repaid prior to their maturity (and fulfill other requirements)
TLOF	Total liabilities and own funds
TSCR	Total SREP Capital Requirement
Yield GPL (simply Ø)	Regular interest income / simply Ø gross performing loans

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