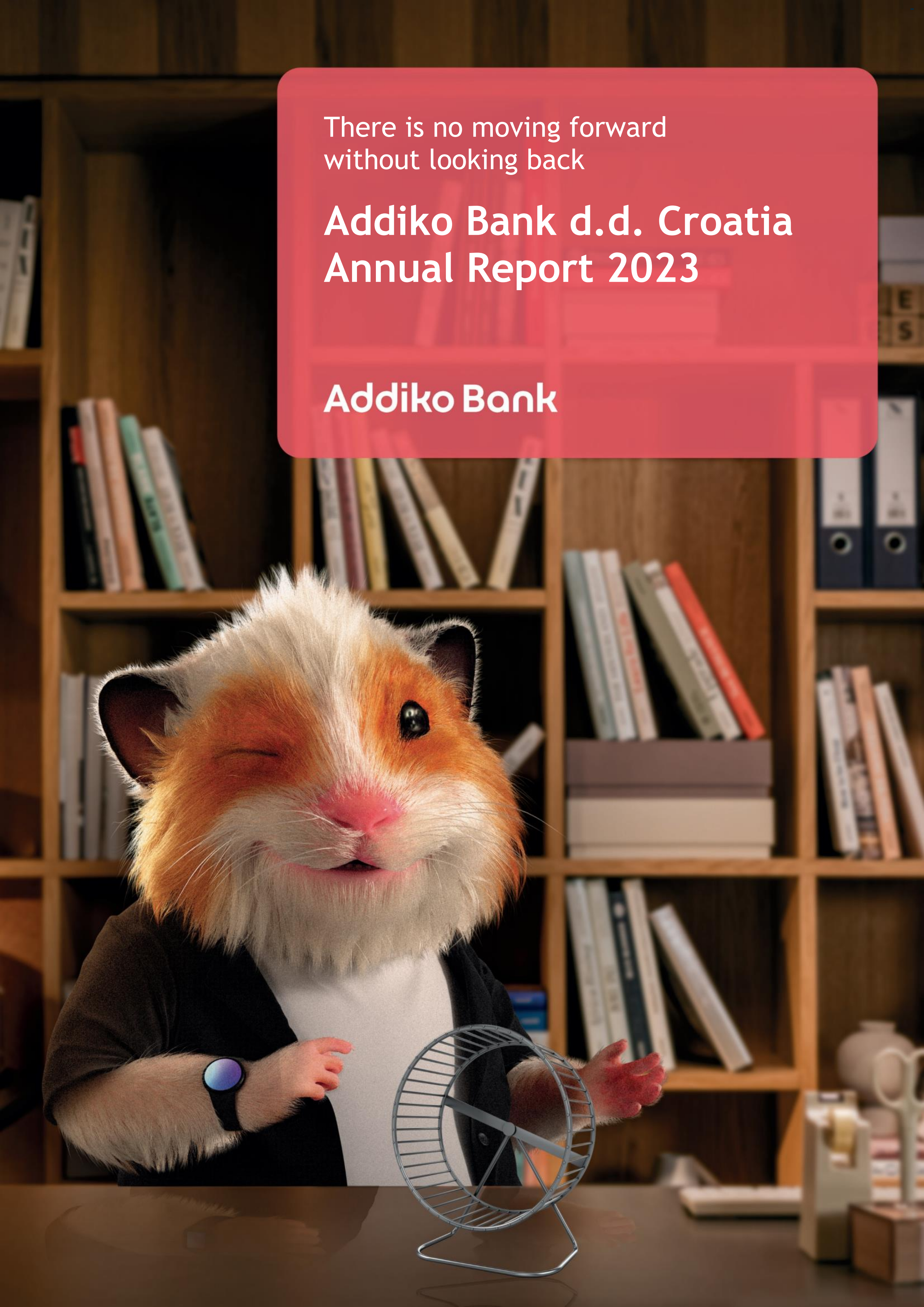
There is no moving forward without looking back

Addiko Bank d.d. Croatia Annual Report 2023

Addiko Bank



Addiko Bank

Key data

in EUR million			
Selected items of Profit or Loss statement	**2023**	**2022**	**(%)**
Net banking income	93.3	75.2	24.2%
Net interest income	72.3	54.0	34.0%
Net fee and commission income	21.0	21.2	-0.9%
Net result on financial instruments	1.8	7.1	-74.5%
Other operating result	-0.3	2.6	>100%
Operative income	**94.8**	**84.9**	**11.7%**
General administrative expenses	**-50.7**	**-51.2**	**-1.1%**
Operating result before impairments and provisions	**44.1**	**33.7**	**31.2%**
Other result	-31.4	-22.8	37.7%
Expected credit loss expenses on financial assets	-2.3	-2.9	-22.2%
Taxes on income	-1.4	-1.1	20.4%
Result after tax	**9.2**	**6.8**	**34.2%**
Performance ratios	**2023**	**2022**	**(pts)**
Net interest income / total average assets	3.2%	2.4%	0.8
Return on average tangible equity	2.5%	1.8%	0.7
Cost/income ratio	54.3%	68.1%	-13.9
Cost of Risk Ratio	0.2%	0.2%	0.0
Selected items of the Statement of financial position	**2023**	**2022**	**(%)**
Loans and receivables from customers	1,153.3	1,062.3	8.6%
Deposits of customers	1,642.8	1,750.0	-6.1%
Equity	382.0	360.5	6.0%
Total assets	2,204.9	2,286.1	-3.6%
Risk-weighted assets [1]	1,127.7	1,121.4	0.6%
Balance sheet ratios	**2023**	**2022**	**(pts)**
Loan to Deposit Ratio	70.2%	60.7%	9.5
NPE ratio	1.9%	2.6%	-0.7
NPE ratio (on balance loans)	2.8%	3.6%	-0.8
NPE coverage ratio	85.4%	80.7%	4.7
Liquidity coverage ratio	333.0%	383.9%	-50.9
Common equity tier 1 ratio [1]	29.0%	29.0%	0.0
Tier 1 capital ratio [1]	32.6%	32.5%	0.0
Total capital ratio [1]	33.9%	34.4%	-0.5

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

Letter from the CEO

Dear clients, partners and employees,

From the macroeconomic perspective, the year 2023 continued the trends of 2022, when the Croatian economy - like numerous economies around the world - was affected by historically high inflation, fuelled by high energy prices and disruptions in supply chains. Despite unfavourable circumstances, the past year was relatively more advantageous for Croatia than for other European Union member states. The reason primarily relates to introducing the euro and entering the Schengen zone, which opened new opportunities for development within the eurozone, as well as enabling access to additional sources of financing. The flawless introduction of the new currency was strongly and positively impacted by the banking sector; I can proudly say that on the very first day of 2023, Addiko Bank ensured a smooth and carefree transition to the euro for all its clients and citizens of Croatia, due to over a year-long preparation for this comprehensive step.

Addiko Bank concluded the previous year with very good business results, setting new financial year records. We closed the year with a profit after tax of EUR 9.2 million, having achieved a 31.2% higher operating profit before impairment and provisions than a year earlier, in the amount of EUR 44.1 million. Our effective cost management performance in times of high inflation is noticeable and it can be seen in the improved cost-to-income ratio of 54%. These positive developments are built upon continuous and solid results from previous years. Thus, by strict cost management, we have maintained a solid financial position and a strong capital ratio.

By being committed to business excellence and with a focus on medium-term goals, we strengthened our position as a bank-specialist in consumer loans and financing of small and medium-sized enterprises (SMEs). The year 2023 was marked by volatile market conditions and once again emphasized the importance of its ability to adapt in a rapidly changing environment. As we continue to respond to the ever-changing needs of our clients, our Operational Excellence Program, planned for completion in mid-2024, is focused on further growing our business in key areas, improving operational performance, and strengthening our digital capabilities.

It is precisely technological innovations that are becoming crucial for being able to adapt to new challenges and clients' needs. We will continue investing in digital infrastructure and processes that enable our customers to obtain financing whenever and wherever they need it. Accordingly, in the past year, we launched a unique loan product on the market - a hybrid loan that combined digital and traditional channels, fulfilling the client's needs even more. We have confirmed that technology is the key to success, but only when aimed at customers' satisfaction.

Forecasts for the following year indicate a stable GDP growth in Croatia along with a stable employment rate. The main drivers of growth should be domestic demand and a continued decrease in inflation, which will largely depend on geopolitical trends. Therefore, in 2024, Addiko Bank expects to maintain financing activities at the 2023 levels and further growth in focus areas - modern and fast services for citizens and small and medium-sized entrepreneurs.

With the increase of digital banking users and the intensified use of smart services and tools, financial literacy is more important than ever. The need for continuous financial education has gained even more importance, where we as financial service providers are willing to take on a part of this responsibility. At Addiko Bank, we will place a special emphasis on providing children and young people with basic knowledge in the field of financial literacy, consequently developing good habits of financial responsibility from an early age.

In addition to financial literacy, our focus will be on other sustainable business initiatives as part of the ESG recommendations. We will advocate for carbon emissions reduction and social equality, both inside and outside our organization. In the future, we are determined to further intensify our efforts in this area, allocating more resources to significantly contribute to sustainable development.

Along with satisfaction regarding our accomplishments, which reflect the progress we have achieved together as a team, I would like to express my sincere gratitude to all our employees for their excellent results and dedicated work with serving our clients. Together, we are building a better Addiko Bank, which sustainably delivers value for our customers, employees, shareholders and the community in which we operate.

Sincerely,

Mario Žižek
President of the Management Board

Addiko Bank

Addiko Bank d.d.

Annual Report 2023

Any data is presented on the Addiko Bank d.d. level (referred to as Addiko Bank or the Bank throughout the document) unless stated otherwise.

The tables in this report may contain rounding differences.

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
Human Resources and Corporate Communications
Retail & SME
Group Retail Markets Development
Treasury & Financial Controlling

Ivan Jandrić

Chief Operations Officer

Responsible for:
Group Transaction Banking and Operations
Information Technology
Card Technology
Digital Transformation
Accounting and Reporting

Ana Dorić Škeva

Chief Risk Officer

Responsible for:
Risk Control
Credit Risk Management
Group Risk Management Support

Management Report

Addiko Bank d.d. (hereinafter referred to also as Addiko Bank, Addiko 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). The Group consists of Addiko Bank AG, the fully-licensed Austrian parent bank registered in Vienna, Austria, listed on the Vienna Stock Exchange and supervised by the Austrian Financial Market Authority and the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates via two banks), Serbia and Montenegro. Addiko Group is a publicly listed company owned by a diversified investor base. Through its six subsidiary banks, Addiko Group services as of 31 December 2023 approximately 0.9 million customers in CSEE using a well-dispersed network of 154 branches and modern digital banking channels.

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

1. Macroeconomic Environment

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

Distortions on commodity and energy markets fueled inflation, which peaked in the Eurozone at 10.6% in October 2022 followed by a noteworthy descent throughout 2023, diminishing from 8.6% in January to 2.9% in December. However, depending on the measures taken by governments to combat inflation in the individual member states, the rates of price increases in December 2023 varied widely, ranging from a low of 0.4% in Denmark and 0.5% in Belgium to 7.0% in Romania and 7.6% in the Czech Republic. With a 5.4% increase in consumer prices compared with December 2022, Croatia was in the upper range of the Euro area.

In order to achieve its inflation target of 2.0% again, the ECB has responded with significant interest rate hikes. Since the first increase in the key interest rate from 0.0% to 0.5% in July 2022, there have been a total of ten interest rate increases, adjusting the rate on main refinancing operations to 4.5% on 20 September 2023.

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

Croatia's economy benefited from the introduction of the Euro at the beginning of 2023 and from its accession to the Schengen area, both of which will improve conditions for the economically indispensable tourism sector. Tourism has already witnessed substantial gains, particularly during the summer, resulting in a total of 108 million overnight stays for the entire year 2023, which represents an increase of 3% over the previous year. While GDP is expected to grow by 2.5%, unemployment was at 6.5%, 0.2 percentage points lower than in 2022.

(Source: Eurostat, wiiw)

2. Acceleration Program

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

2.1. First pillar: Business Growth in Focus Areas

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

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

- The Bank extended its lending business over alternative channels. The Bank continued introducing innovative solutions enabling fully e2e lending process with no physical contact with the branch. Further focus on partnership resulted with extension of network and tripling 2022 results. This move has allowed Addiko to tap into a new customer segment that appreciate financing at the point-of-sale.
- In addition, actions were executed to compensate the eliminated EUR 3.0 million commission income related to FX&DCC that occurred due to the implementation of the euro in Croatia. Almost 60% of lost income is compensated with growth in daily banking services (packages, payments and card business).

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

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

In the Consumer segment Addiko has achieved 12% growth of loanbook, accompanied by 87 basis points increase in contracted interest rate and a 7% year-over-year increase in gross disbursement (new business). Customer deposits movements were affected with euro conversion and pricing pressures coming from state activities and response of the market. In the Micro business segment, Addiko has achieved an impressive growth rate of loanbook of 40% year-over-year accompanied by 48 basis points increase in contracted interest rate. At the same time results in Small segment follows the trend with growth rate of loanbook of 20% year-over-year accompanied by 55 basis points increase in contracted interest rate.

Addiko will continue to launch E2E digital capabilities to attract digital customers and expand through its partnership ecosystem. Furthermore, the product offering for Consumers and SMEs shall be amplified, for instance, through the bankassurance products and card business. Strong focus during 2024 will be put on optimization and automation of branch processes and services like cash management, documentation management and know your client procedures. ESG view on products and services is becoming integral part of product management activities.

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

2.2. Second pillar: Operational Excellence & Digital

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

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

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

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

- Evolutionary upgrade of the existing branch-based digital solution to offer an end-to-end digital customer experience that eliminates the need for customers to visit physical branches.
- Streamlining of the loan application process, resulting in a reduction of time-to-cash, and a commensurate improvement of Addiko’s unique selling proposition. This, in turn, enabled the Bank to implement price increases for loans above market average.

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

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

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

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

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

3. Business Updates

3.1. Marketing activities in 2023

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

Thanks to the well-liked 3D animated brand character Oskar, Addiko consistently delivered brand and product messaging in an efficient and differentiating way. Throughout campaigns executed in 2023, on all media channels – from TV, radio, Out-of-Home to social networks and the wide ecosystem of online media - Addiko delivered transparent and understandable information about its products.

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

Product communication highlights included:

- Launching the campaign for hybrid cash loan which announced the unique possibility to complete and sign all documentation from home, with the help of a courier service.
- Promoting Addiko Mastercard Credit Card and its feature of splitting transactions in instalments via Mobile Application

According to the latest measurements of the Brand Tracker, Addiko's “Spontaneous Awareness” continued to grow year-over-year, while the “Consideration” for fast cash loans grew by 6.4 pp. Enhanced creativity and storytelling centred on customer needs - with the help of the brand character Oskar - have increased "Advertising Awareness” further.

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

A number of successful marketing activities was awarded with the following awards: Native Advertising Institute – awards in four categories, Euro Effie - finalist, Effie Croatia - finalist, SoMo Borac - finalist and Mixx Awards Croatia – finalist.

3.2. Swiss Francs: end of statute of limitation and current status

Since 2012 Addiko and seven other major banks in the Republic of Croatia have been subject of collective and individual lawsuits in relation to Swiss Franc consumer loan agreements. The consumers’ association and individuals raised their claims asserting that consumers’ rights have been violated in relation to contractual clauses used in Swiss Franc loans between 2004 and 2008.

The Swiss Franc loan conversion, imposed in 2015 by the changes in local regulations (Amendments to the Consumer Credit Act) placed borrowers of Swiss Franc loans in the same position they would have been if their loans were from inception denominated in Euros.

During 2023 Addiko recognized an increase in provisions reflecting developments during 2023 related to CHF unconverted cases, including the increasing number of court cases that have been initiated by customers who did not convert their loans under the Amendments to the Consumer Credit Act enacted in 2015.

Since the deadline for filing new claims expired on 14 June 2023, Addiko has more knowledge on the topic in terms of the potential final number of cases and has initiated activities on a settlement strategy for CHF non-converted cases in 4Q23 to support resolving the cases. Despite the inherent uncertainties in estimating the future outcome of court cases, Addiko expects that future developments of unconverted cases will not have a significant adverse impact on capital adequacy.

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

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

3.3. SREP letter

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

According to CNB announcement of the continued application of the countercyclical buffer rate, countercyclical buffer rate to be applied as of 31.12.2023 is at level of 1.0% (increased from previous 0.5%). Also, in accordance with CNB decision on other systemically important credit institutions (O-SII) and relevant capital buffer requirements from 20 November 2023, O-SII capital buffer decreased from 0.5% to 0.25% and will be applied from 1 January 2024. All other capital buffers stayed on the same level as in the previous year (capital conservation buffer at level of 2.5% and systemic buffer at level of 1.5%).

4. Branches

At year end 2023 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.

5. Financial development of the Bank

5.1. Overview of financial performance

- Operating result before impairments and provisions up 31% to EUR 44.1 million vs. EUR 33.7 million last year
- The cost/income ratio (excluding one-off Euro implementation project expenses) saw further improvement, reaching 53.5% (YE22: 63.0%)
- Cost of Risk at 0.2% or EUR 2.3 million compared to EUR 2.9 million a year earlier
- NPE ratio (on balance loans) decreased to historic low of 2.8 % (YE22: 3.6%) with increased NPE coverage at 85.4% (YE22:80.7%)
- Return on average tangible equity 2.5% (YE22: 1.8%)

The result after tax of EUR 9.2 million (YE22: EUR 6.8 million) reflected the strong business development, successful repricing, provisions for legal claims and relatively benign credit losses. Expected credit loss expenses stood at EUR -2.3 million or 0.2 % Cost of Risk (YE22: EUR -2.9 million).

The **share of the two focus segments Consumer and SME** as a percentage of the gross performing loan book increased to 81.8% compared to 75.8% at year-end 2022. The overall customer gross performing loan book continued along its growth trajectory, expanding to EUR 1.14 billion compared to EUR 1.05 billion at the end of 2022, while the non-focus as well as the medium SME loan book decreased. The overall focus book grew by 17% YoY, while the focus portfolio excluding the medium SME loans showed significant growth of 19%.

Net interest income achieved robust growth of 34 %, rising to EUR 72.3 million (YE22: EUR 54.0 million) with improved NIM at 3.2% (YE22: 2.4%). The **net fee and commission income** decreased by 0.9% YoY to EUR 21.0 million (YE22: EUR 21.2 million), mainly driven by lost income from DCC following the introduction of the Euro on 1 January 2023. **General administrative expenses**, excluding one-off Euro implementation project expenses, increased to EUR 49.9 million (YE22: EUR 49.3 million) as the result of the high level of inflation.

The NPE ratio stood at a historic low of 1.9% (YE22: 2.5%), the NPE ratio related to on-balance loans was at 2.8% (YE22: 3.6%) based on a non-performing exposure (NPE) of EUR 46 million (YE22: EUR 62.9 million), with an improved NPE coverage of 85.4% (YE22: 80.7%).

The CET1 ratio stood at 29.0% (YE22: 29.0%) with Total Capital ratio at the level of 33.9% (YE22: 34.4%). As of 1 January 2023, there is no difference between the transitional and the fully-loaded regulatory capital base due to the expiry of the Article 468 CRR (EU 2020/873) transitional capital rules.

5.2. Detailed analysis of the reported result

in EUR million

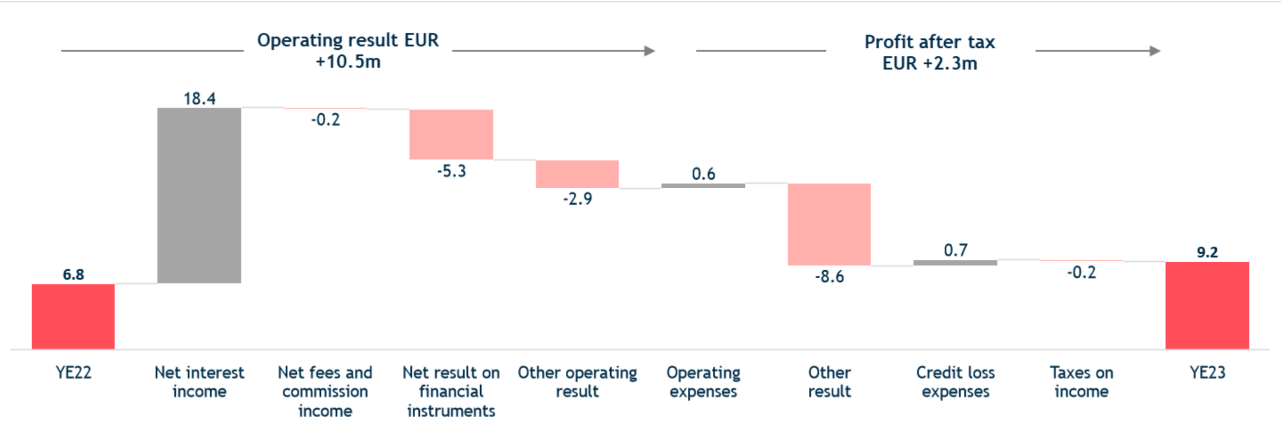
	01.01. - 31.12.2023	01.01. - 31.12.2022	(abs)	(%)
Net banking income	93.3	75.2	18.2	24.2%
Net interest income	72.3	54.0	18.4	34.0%
Net fee and commission income	21.0	21.2	-0.2	-0.9%
Net result on financial instruments	1.8	7.1	-5.3	-74.5%
Other operating result	-0.3	2.6	-2.9	>100%
Operating income	**94.8**	**84.9**	**9.9**	**11.7%**
General administrative expenses	**-50.7**	**-51.2**	**0.6**	**-1.1%**
Operating result before impairments and provisions	**44.1**	**33.7**	**10.5**	**31.2%**
Other result	-31.4	-22.8	-8.6	37.7%
Expected credit loss expenses on financial assets	-2.3	-2.9	0.7	-22.2%
Result before tax	**10.5**	**7.9**	**2.6**	**32.2%**
Taxes on income	-1.4	-1.1	-0.2	20.4%
Result after tax	**9.2**	**6.8**	**2.3**	**34.2%**

The **net banking income** improved by EUR 18.2 million to EUR 93.3 million at year end 2023.

Net interest income increased significantly by EUR 18.4 million, driven by the focus segments Consumer and SME as well as income related to liquidity management and treasury. The Consumer segment recorded higher regular interest income of EUR 1.6 million on the back of an increased loan book volume (up EUR 58.9 million) compared with YE22 retained and further extended its premium pricing relative to peer banks. The increase in the SME segment of EUR 5.0 million was driven by both higher loan volumes (up by EUR 78.2 million) as well as significantly improved loan pricing (interest rate on loans up 63bp YoY calculated on simple average), supported by the change in market rates in most markets. Interest income was additionally complemented by EUR 12.6 million derived from cash balances at central bank and EUR 9.2 million from investments in debt securities, reflecting the evolving interest rate environment. The regular interest income from the non-focus segment decreased due to intentionally accelerated run-down of the non-focus portfolio (down EUR 45.0 million YoY). On the liabilities side, interest expenses naturally increased by EUR 2.4 million due to both higher volume of term deposits by EUR 103.6 million and changed market environment (interest rate increased by 116bps YoY), while the a-vista/demand deposits decreased by EUR 216.0 million (interest rate increased by 1bp YoY).

Net fee and commission income slightly decreased at YE23 to EUR 21.0 million (2022: EUR 21.2 million) mainly driven by lost income from DCC as a consequence of the introduction of the Euro in Croatia on January 1st, 2023, despite growth in income related to the card business and accounts & packages.

Result after tax of Addiko Bank d.d. – development YoY (in EUR million):



The **Net result on financial instruments** amounted to EUR 1.8 million at YE23, as a result of trading activities and FX differences, compared to EUR 7.1 million at YE22. No income from the disposal of debt instruments measured at FVTOCI was recorded, in line with the new treasury strategy implemented in 2022 to invest excess liquidity in long-term and high-quality government bonds with the intention to keep them until maturity for yield enhancement purposes.

Other operating result, which is the sum of other operating income and other operating expense, decreased by EUR -2.9 million from EUR 2.6 million at YE22 to EUR -0.3 million at YE23. This position included the following significant items:

- Income from services provided to the Addiko Group members increased from EUR 3.2 million in 2022 to EUR 3.7 million in 2023.
- Lower regulatory charges from the recovery and resolution fund of EUR -0.05 million (YE22: EUR -0.2 million).
- Deposit guarantee expenses of EUR -1.5 million (YE22: EUR -1.4 million).
- No income from release of provisions for tax litigations in 2023, compared to EUR 0.8 million in 2022.
- No gain from sale of non-financial assets in 2023, compared to EUR 1.3 million in 2022.
- Recognition of restructuring provisions in the amount of EUR -1.2 million (YE22: EUR 0.0 million), resulting from the Operational Excellence Program, which includes improvements to the operating platform overall, back-office process optimisation and automation, and further enhancements to the credit risk operating model.

General administrative expenses decreased from EUR -51.2 million at YE22 to EUR -50.7 million at YE23:

- In the year 2023, General administrative expenses were influenced by one-off Euro implementation project which amounted in total EUR -0.7 million, compared to EUR -3.9 million in 2022
- Excluding one-off Euro implementation costs, Personnel expenses increased by EUR -2.6 million to EUR -25.4 million in the reporting period. This increase was mainly driven by salary adjustments of EUR 1.4 million due to inflation pressure and by the recognition of higher variable payments for EUR 0.5 million.
- Other administrative expenses, excluding Euro implementation costs, increased by EUR 0.3 million to EUR -17.8 million. The development of this position was driven by the increase in IT costs and premises expenses due to inflation (EUR -0.4 million YoY) and advertising costs (EUR -0.2 million YoY) as well as a decrease of other administrative expenses (EUR +0.3 million YoY).
- Depreciation and amortization decreased by EUR 0.3 million to EUR -6.8 million.

Despite the increase in general administrative expenses, significantly higher net banking income led to an improvement of the cost/income ratio (excluding Euro implementation project expenses) from 63.0% to 53.5%, down 9.5 percentage points compared to the previous year.

The **other result,** at EUR -31.4 million (YE22: EUR -22.8 million), was mainly impacted by credit-linked and portfolio-based provisions for expected legal proceedings on Swiss franc-denominated loans. The increase in provisions reflects updates in the underlying assumptions, based on the regular back testing process. A higher inflow of new cases shortly before the statute of limitation expired in June 2023 compared to the estimated number of expected claims for unconverted claims was the primary driver. Despite the inherent uncertainties in predicting the future outcome of legal proceedings, no additional material changes are expected for unconverted cases in the subsequent years following the expiration of the statute of limitations in June 2023.

Expected credit losses on financial assets reflect the allocation in the amount of EUR -2.3 million (2022: EUR -2.9 million). The provision bookings were below the amount recognized in YE22, primarily influenced by stable and predicted NPE inflows in focus segments supported by NPE recovery and repayment releases along with positive effects from secured debt sale transaction. In line with regular review of risk parameters and update of macroeconomic data, the Bank also assessed the value of Post Model Adjustment (PMA) introduced in 2022 to address the uncertainties regarding the future macroeconomic environment. As expected, volatility of macroeconomic environment reduced, Bank revised the amount of booked PMA down to EUR -2.5 million (2022: EUR -3.6 million).

Tax on income amounted to EUR -1.4 million at YE23 compared to EUR -1.1 million at YE22. Tax on income is influenced by current taxes and deferred taxes arising from changes in temporary differences.

5.3. Detailed analysis of the statement of financial position

in EUR million

	31.12.2023	31.12.2022	(abs)	(%)
Cash and cash equivalents	423.9	538.9	-115.0	-21.3%
Financial assets held for trading	11.3	2.7	8.7	>100%
Loans and receivables from credit institutions	0.8	53.1	-52.3	-98.6%
Loans and receivables from customers	1,153.3	1,062.3	91.0	8.6%
Investment securities	562.9	569.0	-6.1	-1.1%
Tangible assets	20.2	21.1	-0.9	-4.2%
Intangible assets	8.7	9.7	-1.0	-10.4%
Tax assets	17.2	20.0	-2.8	-14.0%
Current tax assets	0.0	1.7	-1.7	-100.0%
Deferred tax assets	17.2	18.2	-1.1	-5.8%
Other assets	6.7	9.1	-2.4	-26.7%
Non-current assets held for sale	0.0	0.3	-0.3	-100.0%
Total assets	**2,204.9**	**2,286.1**	**-81.2**	**-3.6%**

The statement of the financial position of Addiko Bank continues to evidence a simple and solid interest-bearing asset structure: 52% of the assets were represented by customer loans, predominantly concentrated in the focus areas. In addition, a substantial part of the residual assets consisted of cash reserves and high-rated plain vanilla debt securities predominantly related to CESEE sovereign bonds.

Cash and cash equivalents decreased to EUR 423.9 million at year end 2023, maintaining a solid liquidity position (YE22: EUR 538.9 million).

Financial assets held for trading increased by EUR 8.7 million on YE23 compared to YE22 (EUR 11.3 million at YE23 vs. EUR 2.7 million at YE22). Other than the positive market value of the outstanding derivatives, this position also includes securities held for trading. The named portfolio is fully invested in plain vanilla government bonds in order to ensure a high level of liquidity and transparency.

Loans and receivables from credit institutions decreased by EUR 52.3 million to EUR 0.8 million (YE22: EUR 53.1 million) as a result of the introduction of the Euro and the reduction of the amount of cash collateral that had to be provided to the Croatian National Bank at the end of 2022 during the preparation phase of the introduction of the single currency, the Euro.

Loans and receivables from customers increased by EUR 91.0 million to EUR 1,153.3 million (YE22: EUR 1,062.3 million). Their rate of growth was commensurate with Addiko's strategy to continue the accelerated run-down of lower yielding Large Corporate, Mortgage and Public lending to change the business composition in favour of higher value-adding lending business in the focus segments: Consumer and SME. As a result of activities initiated under the Transformation Program and additional initiatives undertaken as part of the Acceleration Program, the focus segments continued their growth trajectory and grew loans by EUR 137.1 million to EUR 930.4 million (YE22: EUR 793.3 million), representing 80.7% of the total gross performing loans and advances to customers (YE22: 74.7%). The non-focus segments decreased as planned by EUR 45.0 million to EUR 203.3 million at YE23 (YE22: EUR 248.3 million).

The **Investment securities** remained almost unchanged, decreasing by EUR 6.1 million, from EUR 569 million at YE22, to EUR 562.9 million at YE23. The portfolio is largely invested in high rated government and financial institution bonds and has an average duration of around four years. To ensure high levels of liquidity and transparency in the securities portfolios, all investments were "plain vanilla" without any complex structured features. Due to its solid liquidity levels and the fact that new business volumes in the focus segments are expected to be funded by the accelerated run-down of the non-focus segments and liquidity surplus, Addiko adapted its treasury strategy with the aim to invest in long-term high-quality bonds for yield enhancement purposes and essentially the collection of interest income until maturity to support the main income driver, the net banking income.

Tax assets decreased to EUR 17.2 million (2022: EUR 20.0 million) as a result of the changes in temporary differences. The decrease related to current tax assets is mostly driven by the utilisation of income tax advances from previous period. The decrease related to deferred taxes was mainly driven by the change in the negative fair value of investment securities measured at fair value through other comprehensive income and a change in provisions.

Other assets decreased to EUR 6.7 million (YE22: EUR 9.1 million). This position includes prepaid expenses and accruals as well as other receivables. The change was caused by lower receivables related to the card business.

Compared to year-end 2022 the total assets of Addiko Bank remained relatively stable and stood at EUR 2,204.9 million down EUR 81.2 million or 3.6%. The total risk, i.e., risk-weighted assets including credit, market and operational risk increased to EUR 1,127.7 million (YE22: EUR 1,121.4 million) reflecting the increase of volume in loan portfolio.

in EUR million

	31.12.2023	31.12.2022	(abs)	(%)
Liabilities				
Financial liabilities held for trading	2.6	0.6	2.0	>100%
Deposits from credit institutions	16.4	16.5	0.0	-0.2%
Deposits from customers	1,642.8	1,750.0	-107.2	-6.1%
Borrowings	20.2	49.7	-29.6	-59.5%
Subordinated debt	31.1	31.1	0.0	0.0%
Other financial liabilities	18.2	12.2	6.0	49.3%
Provisions	75.1	51.2	23.9	46.7%
Current tax liabilities	1.8	0.0	1.8	100.0%
Other liabilities	14.6	14.3	0.3	2.3%
Total liabilities	**1,822.9**	**1,925.6**	**-102.7**	**-5.3%**
Equity				
Share capital	339.5	339.6	-0.1	0.0%
Additional Tier 1 capital	40.0	39.8	0.2	0.6%
Legal and other reserves	17.8	17.7	0.1	0.6%
Fair value reserve	-24.2	-43.4	19.2	-44.3%
Accumulated profit	8.9	6.8	2.1	30.4%
Total equity	**382.0**	**360.5**	**21.5**	**6.0%**
Total liabilities and equity	**2,204.9**	**2,286.1**	**-81.2**	**-3.6%**

Financial liabilities held for trading, which includes negative market value of outstanding derivatives, have increased to EUR 2.6 million, from EUR 0.6 million at YE22.

Deposits from credit institutions remained almost unchanged at EUR 16.4 million (EUR 16.5 million as of YE22).

Deposits from customers decreased to EUR 1,642.8 million (YE22: EUR 1,750.0 million). Customer deposit base in 2023 has still been influenced by clients' activities related to conversion of HRK to EUR, but also with government first-ever issuances of retail bond and treasury bill which created new investment alternative for clients.

Borrowings decreased by EUR 29.6 million from EUR 49.7 million at YE22 to EUR 20.2 million at YE23 predominantly due to lower repo loans.

Subordinated debt remained unchanged from the previous year at EUR 31.1 million (YE22 EUR 31.1 million).

Other financial liabilities increased from EUR 12.2 million at YE22 to EUR 18.2 million at YE23.

Provisions increased from EUR 51.2 million at YE22 to EUR 75.1 million at YE23. This position included mainly credit-linked and portfolio-based provisions in connection with expected court rulings on Swiss franc-denominated loans. Obligations for variable performance-based payments are now presented under the line item "Other liabilities". The comparative figures for the previous period have been amended accordingly.

Current Tax liabilities amount to EUR 1.8 million at YE23 compared to EUR 0.0 million at YE22 given that during 2023 the Bank has utilised tax advances from the previous period and started to recognise current tax obligation.

Other liabilities increased slightly from EUR 14.3 million at YE22 to EUR 14.6 million in YE23, mainly reflecting accruals for services received but not yet invoiced as well as liabilities for accrued compensation, including obligations for variable performance-based payments (previously presented under Provisions).

Equity rose from EUR 360.5 million at YE22 to EUR 382.0 million, driven by the year-end result, as well as the positive development in the other comprehensive income (EUR 19.2 million), which mainly reflects the recovery of market values and the related fair value measurement of debt and equity instruments measured at FVTOCI. As disclosed in the YE22 Financial Statements, the current classification of the debt instruments under the “Hold-to-Collect and Sell” business model and the related fair value measurement is not fully reflective of the new business and treasury strategy to invest in long-term high-quality bonds and hold them to maturity for yield enhancement purposes. Except in case of unexpected negative market swings, the current negative fair value reserves of EUR -24.2 million (YE22: EUR -43.4 million), majority of which comes from debt instruments, will gradually decrease over time, given the high credit quality and firm expectation that the issuers will repay those bonds at maturity.

6. Capital and liquidity Requirement

The Overall Capital Requirement (OCR) valid on 31 December 2023 was 20.0%, based on SREP decision and applied combined buffer requirement, consisting of:

- 14.5% TSCR (8% Pillar 1 Requirement, 3.25% Pillar 2 Requirement and 3.25% Pillar 2 Guidance); and
- 5.5% CBR (2.5% Capital Conservation Buffer, 1.5% Systemic Risk Buffer, and 0.5% O-SII buffer, 1.0% countercyclical buffer).

The capital base of the Bank was made up of CET1, AT1, and T2 capital instruments, and Total Capital Ratio stands at 33.9% (YE22: 34.4%), well above the OCR.

The decrease in the total capital adequacy mainly derives from the regular amortization of T2 capital instruments. Other changes are coming from a slight RWA increase, reflecting the increase of volume in loan portfolio.

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 MREL requirement based on the point-of-entry (PoE) strategy at the subsidiary level of Addiko Bank d.d. (Croatia). According to the decision the final MREL requirement shall be reached by 1 January 2024 and shall be met at all times from that date onwards. Based on the year end regulatory capital the Bank meets the expected MREL requirements in accordance with the SRB calculation methodology.

The main funding base predominantly consists of customer deposits, especially in the retail segment, which represents a highly stable and steadily growing base. The Loan to Deposit ratio (LTD), the ratio between net loans to customers and deposits from customers, stood at 70.2% (YE22: 60.7%), which represents a very comfortable level and provides the potential for further customer loan origination.

7. Analysis of non-financial key performance indicators

7.1. Human Resources Management

In 2023 Addiko continued to improve the key HR processes that enabled to recruit and internally develop culture-fit employees to achieve profitable business growth whilst adhering to the rules of sound corporate governance.

Addiko Bank continued to monitor the situation on the demanding labour market, especially banking market where bank participates in the salary survey of banking sector. Based on the collected data, the Bank continued to introduce additional benefits and other allowances.

In the area of well-being, the Bank supports the hybrid working model (model “3+2 and 2+3”) for the headquarters’ employees. This combination of office work and homework enables work-life balance on one side and fosters team spirit on another side. In the area of well-being, there were organized different workshops and trainings in the area of well-being such as mindfulness and health body and mind.

In regard to the Diversity & Inclusion Strategic Action Plan established for period 2022-2024, and covering Recruitment and Selection; Career Management; Learning and Development; Remuneration; Benchmark and Implementation of Best Practices; Gender Balance Targets, bank continued with different initiatives and actions. In 2023 Bank prepared the Gender Pay Gap report that showed no structural deficiencies or discriminatory practices were determined regarding the remuneration. The Bank structurally and systematically takes care of a balanced management structure by encouraging diversity and inclusion within the company. In 2023 new female Supervisory Board member was appointed and bank fulfilled the diversity target for Supervisory Board members set for period from 2022 until 2024.

Addiko Bank continues to work on its reputation, aiming to be recognised as an attractive employer. Through the 'Employer Partner Certificate' issued for the 5th time by SELECTIO Addiko Bank Croatia was recognized as a company with high standards of human resource, positioned amongst the Top Employers in Croatia. Addiko Bank is also a holder of the MAMFORCE certificate, which emphasizes the family-responsible and gender-aware human resources management policies.

8. Sustainability

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

Transparent Reporting
Addiko in 2023, for the first time disclosed its consolidated Group Sustainability Report adhering to the Corporate Sustainability Reporting Directive (CSRD), showing Addiko proactive approach to meeting the recently adopted European Sustainability Reporting Standards (ESRS). Addiko has taken a best-effort basis in the application of these standards on a voluntary basis. This initiative provided Addiko with an opportunity to review its methodology for assessing impacts, risks, and opportunities using the double materiality approach. Additionally, Addiko established diligent data gathering processes to collect quantitative ESG data for further reporting and steering measures. By fostering transparent reporting mechanisms, Addiko aims to provide stakeholders with insights into its environmental, social, and governance performance, reinforcing its commitment to responsible banking practices.

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

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

ESG Strategy
In 2023, Addiko presented a comprehensive ESG strategy, closely linked to its business and risk strategy, outlining targets to achieve its sustainable development ambitions. This strategy focuses on four key areas within the UN Sustainable Development Goals, supported by 15 group-wide initiatives with clear targets and performance indicators. A dedicated ESG coordinator and working group are established across business and control functions. Regular reporting on the implementation of initiatives was established. Addiko commitment to achieving these goals promotes ESG awareness and sustainable performance across the bank.

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

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

Looking Ahead
As Addiko continues its sustainability journey, it remains committed to setting ambitious ESG goals and actively engaging with stakeholders to drive positive change. Addiko is dedicated to further improve the data collection processes, ensuring preparedness to fulfil the reporting obligations in 2024, while enhancing target setting and steering of further ESG initiatives.

9. Research & Development

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

In the Consumer segment, the Bank's top priority in 2023 was the development of end-to-end lending process tailored to consumers. By aligning with the preferences of the customers, an online lending process was introduced that includes the possibility of customer identification via a staff member of the Post Office, with loan contracts also exchanged by post. This permits customers who are reluctant to use remote modes of identification or digital certificates for signatures to access Addiko's services from the comfort of their own home. Addiko is constantly rethinking and streamlining its processes to provide customers with more accessible and easier-to-use products and services via ongoing optimisation and adaptation in accordance with market customs and applicable regulations.

During 2023, Addiko continued to work on the development of its mobile banking app, with a special focus on improving the user interface and experience which is considered as essential element for success of our mobile banking apps. Addiko efforts are also recognized by its clients, thus the trend of new mobile banking users continued to increase in 2023 with the same magnitude as in the previous years.

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

For the Consumer segment, Addiko will continue to expand the implementation of its online loan processes to its entire footprint during 2024, bearing in mind the need to align certain processes with the ability to implement digital solutions that are subject to applicable legislation and regulation. Simultaneously, Addiko will continue exploring its customers' preferences. Ongoing innovation has enabled Addiko to streamline and expedite lending procedures to get closer to its customers. For the SME segment, Addiko plans to continue working on improvements and introducing new features to the existing platforms in 2024. The innovations introduced during 2023 underscore Addiko's commitment and ability to leverage technology and make banking more accessible, efficient, and customer centric.

10. Outlook and Risk factors

10.1. Outlook

Croatia is forecasting GDP growth for 2024 at 2.9%. Such comparatively high rates of growth would permit Croatia to outpace growth in the Eurozone, which is forecasted to grow at a slower 0.5% to 1.0% pace in 2024.

Inflation is expected to come down significantly in 2024, ranging from 3.0% to 4.0%.

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

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

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

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

10.2. Risk Factors

Given Addiko's focus on Consumer and SME, the business is particularly tied to the economic cycle and economic developments. A severe local political crisis is hard to predict as it could emerge out of a minor event, where little attention is paid to it at the beginning.

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

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

Addiko is moreover exposed to non-financial and legal risks that may materialize regardless of the economic environment. Addiko is involved in a number of passive legal disputes. The majority of pending proceedings relate to FX-linked loans, margin increases, and interest rate clauses. There is a future risk of further increasing numbers of proceedings and amounts in dispute due to changed court practice and binding legal opinions of the Supreme Court. A lack of legal certainty or Addiko's inability to obtain effective legal remedies in a reasonably timely manner may have a material adverse effect on Addiko Group's business, financial position and results of operations.

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

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

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

11. Corporate Governance

11.1. Supervisory Board

In 2023 there were several changes in the composition of the Supervisory Board.

Mr. Sava Ivanov Dalbokov, member and Deputy Chairman of the Supervisory Board of Addiko Bank d.d., has filed his resignation regarding the abovementioned functions, effective as of 16 May 2023. The mandate of Ms. Julia Leeb as a new member of the Supervisory Board started as of 12 May 2023, for a period of 4 years, while she has also been elected as Deputy Chairman of the Supervisory Board, as of 1 June 2023.

As of 30 October 2023, Mr. Herbert Juranek (CEO of Addiko Bank AG) has been re-elected as Chairman of the Supervisory Board.

To sum up, the status of supervisory board membership on 31 December 2023 was as follows:

- Mr. Herbert Juranek, chairman of the supervisory board
- Ms. Julia Leeb, deputy chairman of the supervisory board
- Ms. Sanela Pašić, member of the supervisory board
- Mr. Tomislav Perović, member to the supervisory board
- Mr. Andrea Castellarin, member of the supervisory board.

11.2. Management Board

In 2023, there were no changes in composition of the Management Board, noting that Mr. Ivan Jandrić has announced his departure from Addiko Bank d.d. as a member of the Management Board.

12. Internal Control System for accounting procedures

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

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 organizational 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 behaviors 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 organization that emphasizes and demonstrates to all levels of personnel the importance of internal controls.

13. 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.

Zagreb, 8 March 2024
Addiko Bank d.d.

MANAGEMENT BOARD

Mario Žižek
President of the Management Board

Ivan Jandrić
Member of the Management Board

Ana Dorić Škeva
Member of the Management Board

Financial Statements

I. Statement of comprehensive income

Statement of profit or loss

in EUR million

	Note	01.01. - 31.12.2023	01.01. - 31.12.2022
Interest income calculated using the effective interest method		65.4	57.6
Other interest income		13.2	0.3
Interest expenses		-6.3	-3.9
Net interest income	**(28)**	**72.3**	**54.0**
Fee and commission income		27.1	27.2
Fee and commission expenses		-6.1	-6.0
Net fee and commission income	**(29)**	**21.0**	**21.2**
Net result on financial instruments	(30)	1.8	7.1
Other operating income	(31)	4.3	5.7
Other operating expenses	(31)	-4.6	-3.2
Personnel expenses	(32)	-25.8	-24.2
Other administrative expenses	(33)	-18.1	-19.9
Depreciation and amortisation	(34)	-6.8	-7.1
Operating result before impairments and provisions		**44.1**	**33.7**
Other result	(35)	-31.4	-22.8
Expected credit loss expenses on financial assets	(36)	-2.3	-2.9
Result before tax		**10.5**	**7.9**
Taxes on income	(37)	-1.4	-1.1
Result after tax		**9.2**	**6.8**
thereof attributable to holders of ordinary shares		4.1	3.3
thereof attributable to holders of other equity		5.0	3.5

	31.12.2023	31.12.2022
Result after tax attributable to ordinary shareholders (in EUR million)	4.1	3.3
Weighted-average number of ordinary shares (in units of shares)	1,248,243.0	1,248,243.0
Earnings per share (in EUR) - undiluted/diluted	3.32	2.66

The following notes (1) – (77) are an integral part of these financial statements.

Statement of other comprehensive income

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Result after tax	**9.2**	**6.8**
Other comprehensive income	**19.2**	**-44.9**
Items that will not be reclassified to profit or loss	**0.7**	**0.0**
Fair value reserve - equity instruments	0.7	0.0
Net change in fair value	0.9	0.0
Taxes on income	-0.2	0.0
Items that are or may be reclassified to profit or loss	**18.5**	**-44.9**
Fair value reserve - debt instruments	18.5	-44.9
Net change in fair value	22.6	-54.2
Net amount transferred to profit or loss	0.0	-0.6
Taxes on income	-4.1	9.9
Total comprehensive income for the year	**28.4**	**-38.1**
thereof attributable to holders of ordinary shares	23.4	-41.6
thereof attributable to holders of other equity	5.0	3.5

The following notes (1) – (77) are an integral part of these financial statements.

II. Statement of financial position

in EUR million

	Note	31.12.2023	31.12.2022
Assets			
Cash and cash equivalents	(38)	423.9	538.9
Financial assets held for trading	(39)	11.3	2.7
Loans and receivables from credit institutions	(40)	0.8	53.1
Loans and receivables from customers	(40)	1,153.3	1,062.3
Investment securities	(41)	562.9	569.0
Tangible assets	(42)	20.2	21.1
Property, plant and equipment		18.7	20.1
Investment property		1.5	1.0
Intangible assets	(43)	8.7	9.7
Tax assets		17.2	20.0
Current tax assets		0.0	1.7
Deferred tax assets	(37)	17.2	18.2
Other assets	(45)	6.7	9.1
Non-current assets held for sale	(46)	0.0	0.3
Total assets		**2,204.9**	**2,286.1**
Liabilities			
Financial liabilities held for trading	(47)	2.6	0.6
Deposits from credit institutions	(48)	16.4	16.5
Deposits from customers	(48)	1,642.8	1,750.0
Borrowings	(48)	20.2	49.7
Subordinated debt	(48)	31.1	31.1
Other financial liabilities	(48)	18.2	12.2
Provisions [1)]	(49)	75.1	51.2
Current tax liabilities		1.8	0.0
Other liabilities [1)]	(50)	14.6	14.3
Total liabilities		**1,822.9**	**1,925.6**
Equity			
Share capital	(51)	339.5	339.6
Additional Tier 1 capital	(51)	40.0	39.8
Legal and other reserves	(51)	17.8	17.7
Fair value reserve	(51)	-24.2	-43.4
Accumulated profit	(51)	8.9	6.8
Total equity		**382.0**	**360.5**
Total liabilities and equity		**2,204.9**	**2,286.1**

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

The following notes (1) – (77) are an integral part of these financial statements.

III. Statement of changes in equity

in EUR million

	Share capital	Additional Tier 1 capital	Legal and other reserves	Fair value reserve	Accumulated profit	Total
Equity as at 01.01.2023	**339.6**	**39.8**	**17.7**	**-43.4**	**6.8**	**360.5**
Result after tax	0.0	0.0	0.0	0.0	9.2	9.2
Other comprehensive income	0.0	0.0	0.0	19.2	0.0	19.2
Total comprehensive income	0.0	0.0	0.0	19.2	9.2	28.4
Dividends paid	0.0	0.0	0.0	0.0	-3.3	-3.3
AT1 distributable amount paid	0.0	0.0	0.0	0.0	-3.5	-3.5
Other changes (Note 51)	-0.1	0.2	0.1	0.0	-0.2	0.0
Equity as at 31.12.2023	**339.5**	**40.0**	**17.8**	**-24.2**	**8.9**	**382.0**

in EUR million

	Share capital	Additional Tier 1 capital	Legal and other reserves	Fair value reserve	Accumulated profit	Total
Equity as at 01.01.2022	**339.6**	**39.8**	**17.7**	**1.5**	**11.3**	**409.8**
Result after tax	0.0	0.0	0.0	0.0	6.8	6.8
Other comprehensive income	0.0	0.0	0.0	-44.9	0.0	-44.9
Total comprehensive income	0.0	0.0	0.0	-44.9	6.8	-38.1
Dividends paid	0.0	0.0	0.0	0.0	-9.5	-9.5
AT1 distributable amount paid	0.0	0.0	0.0	0.0	-1.8	-1.8
Other changes (Note 51)	0.0	0.0	0.0	0.0	0.0	0.0
Equity as at 31.12.2022	**339.6**	**39.8**	**17.7**	**-43.4**	**6.8**	**360.5**

The following notes (1) – (77) are an integral part of these financial statements.

IV. Statement of cash flows

in EUR million

	2023	2022
Result after tax	**9.2**	**6.8**
Adjustments for:		
Net interest income	-72.3	-54.0
Depreciation and amortisation of intangible and tangible fixed assets	6.8	7.3
Change in risk provisions on financial instruments	2.3	2.9
Change in provision	32.1	21.5
Gains or losses on investment securities	0.0	-0.6
Gains or losses from disposal of intangible assets and tangible fixed assets	-0.1	-1.3
Gains or losses on financial instruments at FVTPL	-1.9	-4.6
Foreign exchange differences	0.5	-2.0
Subtotal	**-23.6**	**-24.0**
Loans and receivables from credit institutions and customers	-38.6	-60.9
Investment securities	148.7	1.3
Financial assets held for trading	-6.6	16.7
Other assets	0.7	2.8
Financial liabilities measured at amortised cost	-129.3	72.9
Financial liabilities held for trading	2.0	0.0
Provisions	-8.7	-9.5
Other liabilities	4.0	0.8
Payments for taxes on income	-1.5	-7.3
Interests received	72.7	53.4
Interests paid	-6.3	-4.5
Cash flows from operating activities	**13.5**	**41.8**
Proceeds from sales or collection of principal and interest:	49.8	3.9
Financial investments at amortised cost [1)]	49.8	0.1
Tangible assets, investment properties, lease assets and intangible assets	0.0	3.7
Payments for purchases of:	-169.3	-98.9
Financial investments at amortised cost [1)]	-166.3	-95.4
Tangible assets, investment properties and intangible assets	-3.0	-3.5
Cash flows from investing activities	**-119.5**	**-95.1**
Dividends paid	-3.3	-9.5
Lease payments	-2.1	-1.8
AT1 distributable amount paid	-3.5	-1.8
Cash flows from financing activities	**-8.9**	**-13.0**
Net (decrease) increase in cash and cash equivalents	**-114.9**	**-66.3**
Cash and cash equivalents at the end of previous period (01.01.)	**538.9**	**604.6**
Effect of exchange rate changes	-0.1	0.7
Cash and cash equivalents at the end of period (31.12.)	**424.0**	**538.9**

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

The following notes (1) – (77) are an integral part of these financial statements.

V. Notes to the financial statements

Accounting and measurement policies

Addiko Bank d.d. 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 2023 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. 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 business, Public and Large Corporate lending portfolios (its “non-focus areas”) are subject of an accelerated run-down process, thereby providing liquidity and capital for the growth in its Consumer and SME lending.

(1) Accounting principles and statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (“IFRS”).

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 the descending order of liquidity. Amounts due or realizable within twelve or more than twelve months after the reporting date are described in Note (61) Liquidity risk.

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 (4) 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 Euro ("EUR"), 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. Starting from 1 January 2023 the Republic of Croatia changed its currency from Croatian kuna ("HRK") to Euro ("EUR") and Euro ("EUR") became the functional and presentational currency in 2023. The introduction of Euro as the official currency in the Republic of Croatia represents a change in the Bank's functional currency. The comparative amounts for the year 2022 were converted into Euro using the official conversion rate of 7.53450. There are no material impacts on these financial statements from change in functional and presentational currency in 2023.

On 8 March 2024, the Management Board of Addiko Bank d.d. approved the financial statements as at 31 December 2023 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 2023.

(2) Changes in the presentation of the financial statements

In 2023 the Bank reviewed the statement of financial position. The result of the review led to a change in the presentation of obligations for variable payments and cash-settled share-based payments, which are now reported as part of the "Other liabilities". Previously they were reported as part of the "Provisions". The previous period was adjusted by EUR -3.0 million in the position "Provisions" and consequently by EUR +3.0 million in the position "Other liabilities". As a result from the change in the presentation, the financial statements provide a more relevant information about the level of uncertainty of the reclassified position.

In 2023 the Bank reviewed the statement of cash flows. The result of the review led to a change in the presentation of cash flows from investment in debt securities measured at amortised cost, which are now reported as part of the investment activities. Previously they were reported as part of the net cash flows from operating activities. The previous period was adjusted by EUR 95.3 million in the position "Investment securities" and consequently by EUR +0.1 million in the position "Proceeds from sales or collection of principal and interest of financial investments at amortised cost" and by EUR -95.4 million in the position "Payments for purchases of financial investments at amortised cost". As a result from the change in the presentation, the financial statements provide a more relevant information about the cash flows from treasury activities.

(3) Application of new standards and amendments

3.1. New currently effective requirements

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

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

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

The Bank assessed relevant criteria whether the issued contract is an insurance contract and the impact of IFRS 17 Insurance contracts on the Bank in these business areas:

Financial guarantees
Financial guarantee contracts require the issuer to make specified payments, to reimburse the holder for a loss that it incurs because a specified debtor fails to make a payment when due, meet the definition of an insurance contract. They are, however, outside the scope of IFRS 17, unless the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has used the accounting guidance applicable to insurance contracts. The Bank chose to treat financial guarantees according to IFRS 7, IFRS 9 and IAS 32.

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

Performance guarantees
Performance guarantees compensate the beneficiary, if Bank's client fails to perform his obligations (i.e. to design, develop, manufacture, construct or produce products or production facilities (and related non-monetary obligations) or to provide services related to any of the foregoing) according to the requirements specified in client's contract with the beneficiary of the guarantee. An adverse effect on the policyholder is a precondition for the payment.

Some contracts require a payment if a specified uncertain future event occurs, but do not require an adverse effect on the policyholder as a precondition for the payment. This type of contract is not an insurance contract even if the holder uses it to mitigate an underlying risk exposure (IFRS 17.B13, IFRS 4.B14).

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

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

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

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

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

After the assessment the bank came to the conclusion that the new standard IFRS 17 Insurance contracts and its amendments do not result in an impact and changes within the 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. These amendments do not result in any significant changes within 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. These amendments do not result in any significant changes within 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, when tax deductions are attributable to the lease liability, temporary differences associated with the lease asset and lease liability arise on initial recognition of the lease, an entity is required to recognise the related deferred tax asset and liability. The amendment applies to annual reporting periods beginning on or after 1 January 2023, applying to transactions that occurred on or after the beginning of the earliest comparative period. There was no impact on the statement of financial position because the IAS balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change.

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

3.2. Forthcoming requirements

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

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

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

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

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

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

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

(4) 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

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

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

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

For further information on credit risk provisioning methodology, reference is made to financial assets in note (14) Financial instruments as well as to the Risk Report under note (58.2) Development of risk provisions. For further information on this topic reference is made to the note (58.1) Method of calculating risk provisions.

Deferred tax assets

Deferred tax assets on deductible temporary differences are only recognised when future tax profits that allow utilisation appear to be highly likely. These estimates are based on the respective 5 years tax plans. These naturally reflect the management's evaluations, which are in turn subject to a degree of predictive uncertainty. The Bank regularly re-evaluates its estimates related to deferred tax assets, including its assumptions about future profitability. Due to the current macroeconomic environment, affected by inflationary pressures, increase in the interest rates, deterioration of the business climate, geopolitical risks and the remaining pandemic-related effects, there is substantially more uncertainty than under normal market conditions, which may affect the projections of future taxable profits.

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 (49.2) 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 (7) 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 (14) Financial instruments.

(5) Impact of climate change on financial statements

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

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

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

(6) Foreign currency transactions

Transactions in foreign currencies are translated into EUR 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 EUR 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 2023	-	1 EUR = USD 1.1050	1 EUR = CHF 0.9260
31 December 2022	1 EUR = HRK 7.534500	1 USD = HRK 7.064035	1 CHF = HRK 7.651569

(7) Leases

7.1. 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 assesses 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 (4) Use of estimates and assumptions/material uncertainties in relation to estimates), and also the amounts expected to be payable under a residual value guarantee have to be included in the measurement of lease liability.

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

7.2. 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.

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

(8) Earnings per share

The Bank presents earnings per share (EPS) in accordance with IAS 33 Earnings per share for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by 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. As there are no stock options issued by the Bank, the basic (undiluted) earnings per share equal the diluted earnings per share.

(9) 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 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”.

(10) Net fee and commission income

Fee and commission income (other than those that are integral part of effective interest rate on a financial asset or financial liability) are accounted for in accordance with IFRS 15 Revenue from contracts with customer and are reported in “Net fee and commission income”. 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 the Bank product classes the following services are accrued over the period:

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

- *Securities*, representing commission income and expense from 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 or standing order.
- *Cards*, representing fee income related to prepaid and credit cards and acquiring business like 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 (29) Net fee and commission income the product view is used as a base for presentation.

(11) 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 and realized gains and losses from derecognition.

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

Net result on financial assets and liabilities at amortised cost includes all gains and losses from derecognition.

(12) 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).

(13) Other result

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

(14) Financial instruments

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

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

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

Contractual cash flow characteristics

For the assessment whether contractual cash flows are solely payments of principal and interest, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as 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 in a way that it would not meet this condition, considering the following: contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the 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 unilateral changes in margins and interest rates, prepayment clauses, other contingent payment features, project financing and benchmark test for loans with interest mismatch features.

The SPPI compliance is assessed as follows:

- Unilateral changes of margins and interest rates: passing on costs related to the basic lending agreement, introducing the clauses designed to maintain a stable profit margin, and the changes of interest rates that reflect the worsening of the credit rating, are not SPPI harmful.
- Prepayment clauses: if the prepaid amount reflects the outstanding principal, interest and fees associated with the early redemption they are not critical. The prepayment fee has to be smaller than the loss of interest margin and loss of interest.

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

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

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

Classification and measurement of financial assets and financial liabilities

Financial assets

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

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

Interest income is presented in the line "Interest income calculated using the effective interest rate method". Expected credit losses are presented in the line " Expected credit loss expenses 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 a 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.

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 use of the option to designate some financial liabilities as measured at FVTPL during 2023 and 2022.

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

14.2. 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 Bank estimates ECL based on reasonable and supportable information that includes historical, current and forecast information, thus considering possible future credit loss events in different scenarios.

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

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

- financial assets measured at 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: as the carrying amount of these assets is their fair value, loss allowances are recognised in OCI with opposite entry in the statement of profit or loss. Loss allowances are disclosed in Note (41) 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. When estimating ECL, the Bank calculates in total three outcomes: base case, optimistic case and pessimistic case. For additional analyses the Bank simulates more adverse scenarios to understand dynamics and potential portfolio risks.

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

The PD (probability of default) parameters reflects the probability of default for a certain period of time. The PDs used for the ECL calculation are derived by models/methodology which were developed by the Bank's or Group's internal model development units. 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. Methodology wise, an indirect modeling approach is chosen. This means that underlying existing Basel III methodology is used as a starting point and is adapted in a way to be fully IFRS 9 compliant. This includes the removal of any conservatism from the models, the inclusion of forward-looking point-in-time information within the methodology as well as the estimation of lifetime PD term structures.

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

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

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

During 2023 the Bank implemented improvements into several models, and re-evaluated the need for post-model adjustment, which was booked with the end of 2022, introduced to cover the ability of the PD models to correctly capture uncertainty of the future and high overall volatility of the macroeconomic environment. The Post Model Adjustment (PMA) was reduced to EUR -2.5 million (2022: EUR -3.6 million) as a result of an update of macroeconomic data, which included a reduction in expected macroeconomic volatility, partially reversing the PMA taken in the previous period (based on higher anticipated macroeconomic volatility at the time).

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 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:

- 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.

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

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

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

Forward-looking information

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 macroeconomic variables and credit risk. These key drivers used for the analyses include in addition to other important factors the following major indicators: unemployment rates, GDP growth rates, real estate prices, industrial production. To account for the potential effect of climate-related and environmental risk on credit risk, the Bank considers the impact of transitional risks on the macroeconomic indicators. For this purpose the effect of a significant increase of carbon prices, which would be needed to meet “net-zero targets”, is simulated.

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

Forecast of these economic variables are regularly evaluated and updated. The input data for the forecasts is collected from external data sources. An extensive internal check and (if needed) adjustment is performed to make sure that forecasts reflect the 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 used 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 formalised 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 an independent internal unit and adopted by the local Management Board.

Write-offs

When the Bank has no reasonable expectations of recovery, a write-off event occurs. A write-off constitutes a derecognition event typically triggered by concessions given to borrowers in significant financial difficulties and/or by the Bank's judgement 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.

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

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

14.3. 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,
- And either: (i) it has transferred substantially all risks and rewards connected with ownership of the asset, or (ii) has neither transferred nor retained substantially all risks and rewards connected with ownership of the asset but has transferred control of the asset.

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

The following main criteria result in significant modifications:

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

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

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

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

14.4. Interest rate benchmark reform

After EUR, GPB, CHF and JPY LIBOR reference rates (all tenors) and USD LIBOR reference rates (1W and 2M tenors) ceased at the end of 2021, the remaining USD LIBOR tenors (1/3/6M) are still published but became unrepresentative as of 30 June 2023. New alternative reference rates (e.g., SARON for CHF, SOFR for USD) are available as a replacement of the ceased rates. The Bank had only minor exposure on CHF and USD LIBOR (limited to loans and deposits with customers) and completed the transition in line with the deadlines.

The main risks to which the Bank has been exposed because of IBOR reform are operational (e.g., the renegotiation of loan contracts, updating of contractual terms, updating of systems that use IBOR curves etc.). Financial risk is predominantly limited to interest rate risk.

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

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

(15) 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.

(16) 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.

(17) Commitments and contingent liabilities

In the ordinary course of business, the Bank enters into credit-related commitments which are recorded in the 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.

(18) Cash and cash equivalents

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

(19) 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. Real estate acquired to generate returns is reported under investment properties.

Property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. Scheduled depreciation is recorded on a straight-line basis over the expected useful life. Factors involved in determining the useful life include the asset’s age when purchased, how frequently the asset will be used, technology changes and changes due to climate risks. 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 %	40 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. The existence of a plan for energy efficient replacement investments which is in line with the Bank’s carbon reduction strategy qualifies as an impairment trigger. Impairment or reversal of impairment, if any, is reported under the item “Other result”. If the reasons for the impairment cease to exist, the previously reconised 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.

(20) Intangible assets

Purchased 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 amortization". 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".

(21) 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.

(22) Other assets

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

Deferred expenses 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.

(23) 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 expenses".

(24) Provisions

24.1. Provisions for risks arising from the lending business

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

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

24.2. Provisions for legal disputes and other provisions

Provisions for legal disputes and other provisions are recorded if there is a present liability related to a past event towards a third party, if the assertion of the relevant claim is probable and if the amount of the claim can be determined reliably. 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.

24.3. 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 (31) Other operating income and other operating expenses.

(25) Other liabilities

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

(26) 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 statement of financial position. The ultimate cost of a cash-settled award is the cash paid to the beneficiary, which is the fair value at the settlement date. Changes in the measurement of the liability are reflected in the statement of profit or loss.

(27) 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 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 at the date of initial recognition.

- The **legal reserve** is 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.
- The **fair value reserves** of debt instruments and of equity instruments include the measurement results – after taking deferred taxes into account – for the financial assets measured at fair value through other comprehensive income.
- The **accumulated profit** includes profit for the year, realized fair value reserve that is not reclassified to profit and loss from the instruments measured at FVOCI and other profit or loss items recognised directly in equity.
- Dividend payables are not accounted for until they have been approved by the General Assembly. The Bank will propose allocation into dividends the net profit realized in 2023, less the allocation of EUR 5.0 million (2022: EUR 3.5 million) connected to distributable amount on the basis of Additional Tier 1 (AT1) instrument.

Notes to the profit or loss statement

(28) Net interest income

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Interest income calculated using the effective interest method	**65.4**	**57.6**
Financial assets at amortised cost	61.6	52.8
Financial assets at fair value through other comprehensive income	3.8	4.7
Negative interest from financial liabilities	0.0	0.1
Other interest income	**13.2**	**0.3**
Financial assets held for trading	0.4	0.3
Other assets	12.8	0.0
Total interest income	**78.6**	**57.8**
Financial liabilities measured at amortised cost	-5.9	-3.3
o/w Households	-0.7	-0.4
o/w lease liabilities	-0.1	-0.1
Financial liabilities held for trading	-0.3	-0.3
Negative interest from financial assets	-0.1	-0.2
Total interest expense	**-6.3**	**-3.9**
Net interest income	**72.3**	**54.0**

Interest income break down by instrument and sector as follows:

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Derivatives - Trading	**0.3**	**0.2**
Debt securities	**9.2**	**5.5**
Governments	9.0	4.4
Non-financial corporations	0.0	0.7
Credit institutions	0.2	0.2
Other financial corporations	0.0	0.1
Loans and receivables	**56.4**	**52.1**
Households	38.3	38.3
Non-financial corporations	16.8	12.4
Governments	1.1	1.2
Credit institutions	0.0	0.1
Other financial corporations	0.2	0.1
Other assets	**12.8**	**0.0**
Negative interest from financial liabilities	**0.0**	**0.1**
Credit institutions	0.0	0.1
Total	**78.6**	**57.8**

Interest expenses break down by instrument and sector as follows:

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Derivatives - Trading	**-0.3**	**-0.3**
Deposits	**-3.3**	**-0.6**
Households	-0.7	-0.4
Non-financial corporations	-0.4	-0.1
Other financial corporations	-1.9	-0.1
Credit institutions	-0.3	0.0
Subordinated debt	**-2.1**	**-2.1**
Credit institutions	-2.1	-2.1
Other liabilities	**-0.2**	**-0.1**
Negative interest from financial assets	**-0.1**	**-0.2**
Credit institutions	0.0	-0.2
Other financial corporations	-0.1	0.0
Borrowings	**-0.3**	**-0.5**
Governments	-0.3	-0.4
Credit institutions	0.0	-0.1
Total	**-6.3**	**-3.9**

(29) Net fee and commission income

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Transactions	9.7	10.1
Accounts and Packages	9.4	9.0
Cards	4.4	3.8
Foreign exchange & Dynamic currency conversion	0.3	0.9
Securities	0.2	0.3
Bankassurance	1.6	1.6
Loans	0.4	0.4
Trade finance	0.8	0.8
Other	0.2	0.2
Fee and commission income	**27.1**	**27.2**
Cards	-3.0	-2.7
Transactions	-1.7	-1.9
Client incentives	-0.1	-0.2
Securities	-0.1	-0.1
Accounts and Packages	-0.2	-0.1
Loans	-0.4	-0.4
Bancassurance	-0.3	-0.3
Other	-0.4	-0.3
Fee and commission expenses	**-6.1**	**-6.0**
Net fee and commission income	**21.0**	**21.2**

(30) Net result on financial instruments

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Held for trading financial instruments	1.9	4.6
Foreign exchange	-0.5	2.0
Non-trading financial assets mandatorily at fair value through profit or loss	0.4	-0.1
Financial assets at fair value through other comprehensive income	0.0	0.6
Total	**1.8**	**7.1**

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

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Derivatives	0.7	-0.5
Debt securities	0.0	-0.1
Other financial liabilities	1.1	5.2
Total	**1.9**	**4.6**

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

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Interest rate instruments and related derivatives	0.0	0.6
Foreign exchange trading and derivatives related to foreign exchange and gold	1.9	4.1
Other	0.0	-0.1
Total	**1.9**	**4.6**

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

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Debt securities	0.0	0.6
Total	**0.0**	**0.6**

(31) Other operating income and other operating expenses

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Other operating income	**4.3**	**5.7**
Gain from sale of non-financial assets	0.0	1.3
Release of provisions for tax litigation	0.0	0.8
Income from operating lease assets	0.1	0.2
Income from services provided to the Addiko Group members	3.7	3.2
Other income	0.5	0.3
Other operating expenses	**-4.6**	**-3.2**
Restructuring expenses	-1.2	0.0
Recovery and resolution fund	-0.1	-0.2
Deposit guarantee	-1.5	-1.4
Banking levies and other taxes	-1.4	-1.4
Other expenses	-0.4	-0.2
Total	**-0.3**	**2.6**

(32) Personnel expenses

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Wages and salaries	-15.4	-14.9
Social security contribution	-2.9	-2.9
Expenses for pensions	-3.7	-3.6
Variable remuneration	-3.7	-2.5
Bonuses and sales incentives	*-3.5*	*-2.5*
Cash-settled share-based payments	*-0.2*	*0.0*
Voluntary social expenses	-1.1	-0.5
Other personnel expenses	-0.1	-0.1
Income from release of other employee provisions	1.1	0.2
Total	**-25.8**	**-24.2**

As at 31 December 2023 and 2022, the Bank had 802 and 795 employees, respectively.

(33) Other administrative expenses

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
IT expenses	-7.1	-8.4
Premises expenses (rent and other building expenses)	-5.0	-4.8
Advertising costs	-2.3	-2.2
Legal and advisory costs	-1.1	-1.6
Remaining other administrative expenses	-2.6	-2.9
Total	**-18.1**	**-19.9**

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 2023 amounted to EUR 0.2 million (2022: EUR 0.2 million) and refer to the following: audit of the Bank's financial statements, audit of the group reporting package, audit and other services provided for the purpose of mandatory reporting to Croatian National Bank and Croatian Financial Services Supervisory Agency. In addition to previously stated, during 2023 external auditor has provided the services upon the Report on relations with related companies, services for the purpose of mandatory reporting to Croatian Deposit Insurance Agency and services of preparing a transfer pricing study. Services provided during the year represent allowable non-audit services in accordance with the EU Regulation.

(34) Depreciation and amortisation

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Property, plant and equipment	-3.6	-4.2
o/w right of use assets	*-1.8*	*-2.2*
Intangible assets	-3.2	-2.9
Total	**-6.8**	**-7.1**

(35) Other result

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Net result from legal cases	**-30.8**	**-22.4**
Release of provisions for legal cases and income from legal cases	0.4	0.5
Allocation of provisions for passive legal cases and legal costs	-31.2	-22.9
Net result from operational risks [1)]	**-0.6**	**0.0**
Allocation of provisions from operational risk and operational risk expenses	-0.6	0.0
Impairment / reversal of impairment on non-financial assets	**0.0**	**-0.3**
Reversal of impairment	0.2	0.3
Impairment	-0.1	-0.6
Total	**-31.4**	**-22.8**

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

The net result from legal provision and legal income/expense of EUR -30.8 million (2022: EUR -22.4 million) was mainly impacted by portfolio based provisions for expected legal matters on Swiss Franc denominated loans. 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 Notes (64) Legal risk.

(36) Expected credit loss expenses on financial assets

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Change in ECL on financial instruments at FVTOCI	**-0.1**	**0.1**
Change in ECL on financial instruments at amortised cost	**-1.7**	**-2.3**
Net allocation to risk provision	-2.2	-2.4
Proceeds from loans and receivables previously impaired	0.7	0.9
Directly recognised impairment losses	-0.3	-0.8
Net allocation of provisions for commitments and guarantees given	**-0.5**	**-0.7**
Total	**-2.3**	**-2.9**

(37) Taxes on income

in EUR million

	01.01. - 31.12.2023	01.01. - 31.12.2022
Current tax	-4.5	-1.2
Deferred tax	3.2	0.1
Total	**-1.4**	**-1.1**

37.1. Reconciliation of effective tax rate

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

in EUR million

	31.12.2023	31.12.2022
Result before tax	**10.5**	**7.9**
Theoretical income tax expense based on Republic of Croatia corporate tax rate of 18% (2022: 18%)	-1.9	-1.4
Tax effect of:		
Tax-exempt income	0.1	0.0
Instruments of AT1 capital	0.6	0.3
Non-deductible expenses	-0.2	0.0
Actual income tax	**-1.4**	**-1.1**
Effective tax rate	**13.0%**	**14.0%**

37.2. 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 EUR million

2023	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Balance at 31 December Net	Balance at 31 December Deferred tax assets	Balance at 31 December Deferred tax liabilities
Financial assets held for trading	0.1	0.4	0.0	0.5	0.5	0.0
Financial assets at fair value through other comprehensive income	9.5	0.0	-4.2	5.3	5.3	0.0
Financial assets at amortised cost	0.5	0.0	0.0	0.4	0.4	0.0
Tangible assets	1.3	-0.1	0.0	1.3	1.3	0.0
Intangible assets	0.2	0.0	0.0	0.2	0.2	0.0
Provisions	6.6	2.9	0.0	9.5	9.5	0.0
Deferred tax assets (liabilities) before set-off	**18.2**	**3.2**	**-4.2**	**17.2**	**17.2**	**0.0**
Deferred tax set-off	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax assets (liabilities)	**18.2**	**3.2**	**-4.2**	**17.2**	**17.2**	**0.0**

in EUR million

2022	Net balance at 1 January	Recognised in profit or loss	Recognised in OCI	Balance at 31 December Net	Balance at 31 December Deferred tax assets	Balance at 31 December Deferred tax liabilities
Financial assets held for trading	0.1	0.0	0.0	0.1	0.1	0.0
Financial assets at fair value through other comprehensive income	-0.3	0.0	9.9	9.5	9.5	0.0
Financial assets at amortised cost	0.5	0.0	0.0	0.5	0.5	0.0
Tangible assets	1.9	-0.5	0.0	1.3	1.3	0.0
Intangible assets	0.5	-0.3	0.0	0.2	0.2	0.0
Provisions	5.6	0.9	0.0	6.6	6.6	0.0
Deferred tax assets (liabilities) before set-off	**8.3**	**0.1**	**9.9**	**18.2**	**18.2**	**0.0**
Deferred tax set-off	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax assets (liabilities)	**8.3**	**0.1**	**9.9**	**18.2**	**18.2**	**0.0**

The total change in deferred taxes in the financial statements is EUR -1.1 million (2022: EUR 9.9 million). Of this, EUR 3.2 million (2022: EUR 0.1 million) is reflected in the current income statement as deferred tax expense, and an amount of EUR -4.2 million (2022: EUR 9.9 million) is shown in other comprehensive income in equity.

The Bank did not separately present deferred tax assets and deferred tax liabilities on the stock of right of use assets and lease liabilities, taking into account that the separate presentation is not considered material for the Bank's financial statements. Gross deferred tax assets on lease liabilities would amount to EUR 0.9 million and gross deferred tax liabilities on right of use assets would amount to EUR 0.9 million as at 31 December 2023.

Notes to the statement of financial position

(38) Cash and cash equivalents

in EUR million

31.12.2023	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash on hand	48.4	0.0	48.4
Cash balances at central banks	363.4	0.0	363.4
Other demand deposits	12.2	0.0	12.2
Total	**424.0**	**0.0**	**423.9**

in EUR million

31.12.2022	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash on hand	57.5	0.0	57.5
Cash balances at central banks	466.0	0.0	466.0
Other demand deposits	15.4	0.0	15.4
Total	**538.9**	**0.0**	**538.9**

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

The year 2022 has brought significant changes to the mandatory minimum reserve requirement calculation. After the EU Council Decision on the adoption of the euro, Croatian National Bank has adjusted its Decision on minimum requirements, where it first decreased the reserve ratio from 9% to 5% in August, and then to 1% in mid-December, when it also switched to 100% maintenance of the required amount on CB's account (i.e., no more allocation). With the Eurozone entry, local Decision has been put out of force, and Regulation (EU) 2021/378 of the ECB of 22 January 2021 on the application of minimum reserve requirements is directly applicable to all credit institutions in Croatia.

Until 21 December 2022, the interest rate paid on minimum reserves was equal to the interest rate on the main refinancing operations. It was then reduced to the deposit facility rate (DFR), before being set at 0% (effective from 20 September 2023). Under the current rules, all funds on banks' current accounts that exceed the minimum reserve requirements are remunerated at 0% when the DFR is above 0%, and at the DFR when it is below 0% (DFR on 31 December 2023 at 4.00%; 2022: 2.00%).

On 31 December 2023 the minimum reserve which had to be maintained through average daily standings on the CNB accounts was EUR 16.5 million (2022: EUR 18.1 million).

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

in EUR million

	Stage 1
Gross carrying amount at 01.01.2023	**481.5**
New financial assets originated or purchased	471.4
Financial assets that have been derecognised	-472.7
Changes in the gross carrying amount of existing financial assets	-104.6
Gross carrying amount at 31.12.2023	**375.5**

in EUR million

	Stage 1
Gross carrying amount at 01.01.2022	**559.1**
New financial assets originated or purchased	3.1
Financial assets that have been derecognised	-61.1
Changes in the gross carrying amount of existing financial assets	-19.7
Gross carrying amount at 31.12.2022	**481.5**

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

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

(39) Financial assets held for trading

in EUR million

	31.12.2023	31.12.2022
Derivatives	**2.7**	**0.5**
Debt securities	**8.6**	**2.1**
Governments	8.6	2.1
Total	**11.3**	**2.7**

(40) Loans and receivables

The Bank measures all loans and receivables at amortised cost.

40.1. Loans and receivables from credit institutions

in EUR million

31.12.2023	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and receivables	0.8	0.0	0.8
Credit institutions	0.8	0.0	0.8
Total	**0.8**	**0.0**	**0.8**

The decrease of the loans and receivables from credit institutions during the reporting period was mainly driven by the utilization of EUR 50.6 million of the cash collateral provided to the Croatian National Bank related to the change of the functional currency from Croatian kuna (“HRK”) to Euro (“EUR”).

in EUR million

31.12.2022	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and receivables	53.1	0.0	53.1
Credit institutions	1.4	0.0	1.4
Central banks	51.6	0.0	51.6
Total	**53.1**	**0.0**	**53.1**

40.1.1. Loans and receivables from credit institutions - development of gross carrying amount

in EUR million

	Stage 1
Gross carrying amount at 01.01.2023	**53.1**
New financial assets originated or purchased	25.9
Financial assets that have been derecognised	-78.1
Changes in the gross carrying amount of existing financial assets	-0.1
Gross carrying amount at 31.12.2023	**0.8**

in EUR million

	Stage 1
Gross carrying amount at 01.01.2022	**2.2**
New financial assets originated or purchased	300.1
Financial assets that have been derecognised	-249.5
Changes in the gross carrying amount of existing financial assets	0.3
Gross carrying amount at 31.12.2022	**53.1**

40.1.2. Loans and receivables to credit institutions - development of ECL allowance

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

40.2. Loans and receivables from customers

in EUR million

31.12.2023	Gross carrying amount	ECL allowance Stage 1	Stage 2	Stage 3	POCI	Carrying amount (net)
Households	761.8	-1.8	-5.1	-17.6	-1.1	736.3
Non-financial corporations	405.0	-1.9	-4.1	-19.1	0.0	380.0
Other financial corporations	11.7	0.0	0.0	0.0	0.0	11.7
Governments	25.4	-0.1	0.0	0.0	0.0	25.3
Total	**1,203.9**	**-3.8**	**-9.1**	**-36.6**	**-1.1**	**1,153.3**

in EUR million

31.12.2022	Gross carrying amount	ECL allowance Stage 1	Stage 2	Stage 3	POCI	Carrying amount (net)
Households	732.2	-1.4	-4.6	-21.5	-1.2	703.5
Non-financial corporations	355.8	-1.7	-3.4	-26.9	0.0	323.8
Other financial corporations	10.4	0.0	0.0	0.0	0.0	10.4
Governments	24.7	0.0	0.0	0.0	0.0	24.6
Total	**1,123.1**	**-3.2**	**-8.0**	**-48.4**	**-1.2**	**1,062.3**

40.2.1. Loans and receivables from customers - development of gross carrying amount

in EUR million

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2023	**966.7**	**94.4**	**58.4**	**3.6**	**1,123.1**
New financial assets originated or purchased	672.8	16.1	0.0	0.2	689.1
Financial assets that have been derecognised	-292.1	-30.0	-31.9	-0.4	-354.5
Changes in the gross carrying amount of existing financial assets	-231.7	-30.4	23.2	-0.1	-239.1
Transfer between stages	-107.6	98.7	8.9	0.0	0.0
Write-offs/utilisation	0.0	0.0	-15.9	0.0	-15.9
Foreign exchange and other movements	0.9	0.1	0.3	0.0	1.2
Gross carrying amount at 31.12.2023	**1,009.0**	**148.9**	**42.8**	**3.3**	**1,203.9**

in EUR million

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2022	**911.1**	**131.7**	**74.4**	**4.5**	**1,121.7**
New financial assets originated or purchased	586.3	21.7	0.3	0.0	608.2
Financial assets that have been derecognised	-314.7	-37.0	-29.3	-0.4	-381.5
Changes in the gross carrying amount of existing financial assets	-204.8	-24.7	24.7	1.4	-203.3
Transfer between stages	-13.0	2.6	10.3	0.0	0.0
Write-offs/utilisation	-0.1	0.0	-22.9	-1.9	-24.8
Foreign exchange and other movements	1.8	0.2	0.8	0.0	2.8
Gross carrying amount at 31.12.2022	**966.7**	**94.4**	**58.4**	**3.6**	**1,123.1**

40.2.2. Loans and receivables from customers - development of ECL allowance

in EUR million

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2023	**-3.2**	**-8.0**	**-48.4**	**-1.2**	**-60.8**
Increases due to origination and acquisition	-2.3	-1.2	0.0	0.0	-3.5
Decreases due to derecognition	0.3	1.1	4.7	0.1	6.2
New remeasurement of loss allowance	1.0	-2.1	-3.9	0.1	-4.9
Transfer between stages	0.4	1.0	-1.4	0.0	0.0
Write-offs/utilisation	0.0	0.0	15.7	0.0	15.7
Foreign exchange and other movements	0.0	0.0	-3.4	0.0	-3.4
ECL allowance as at 31.12.2023	**-3.8**	**-9.1**	**-36.6**	**-1.1**	**-50.7**

in EUR million

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2022	**-3.8**	**-12.6**	**-56.1**	**-2.1**	**-74.6**
Increases due to origination and acquisition	-2.4	-2.0	0.0	0.0	-4.4
Decreases due to derecognition	0.5	1.8	4.4	0.1	6.8
New remeasurement of loss allowance	2.5	1.9	-9.4	0.2	-4.8
Transfer between stages	-0.1	2.9	-2.8	0.0	0.0
Write-offs/utilisation	0.0	0.0	22.2	1.9	24.1
Foreign exchange and other movements	0.0	0.0	-6.6	-1.2	-7.9
ECL allowance as at 31.12.2022	**-3.2**	**-8.0**	**-48.4**	**-1.2**	**-60.8**

40.3. Loans and receivables 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 EUR million

	31.12.2023		31.12.2022	
	Amortised costs before the modification	Modification gains or losses	Amortised costs before the modification	Modification gains or losses
Non-financial corporations	1.0	0.0	0.6	0.0
Households	0.9	0.0	1.2	0.0
Total	**2.0**	**0.0**	**1.7**	**0.0**

The total gross carrying amount of debt financial assets measured at amortised costs, which were impacted by contractual modifications that did not result in derecognition at a time when they were assigned to stage 2 or stage 3 and reassigned to stage 1 during the year 2023 amounted to EUR 0.4 million as at 31 December 2023 (2022: EUR 0.2 million).

(41) Investment securities

in EUR million

	31.12.2023	31.12.2022
Fair value through other comprehensive income (FVTOCI)	343.5	471.7
Mandatorily at fair value through profit or loss (FVTPL)	1.8	1.5
At amortised cost	217.6	95.9
Total	**562.9**	**569.0**

41.1. Fair value through other comprehensive income (FVTOCI)

in EUR million

	31.12.2023	31.12.2022
Debt securities	**338.0**	**467.1**
Governments	315.7	445.4
Credit institutions	17.4	17.0
Other financial corporations	5.0	4.7
Equity instruments	**5.5**	**4.6**
Non-financial corporations	0.2	0.2
Other financial corporations	5.3	4.4
Total	**343.5**	**471.7**

41.1.1. Investment securities at FVTOCI - development of gross carrying amount (debt securities)

in EUR million

	Stage 1	Stage 2	Total
Gross carrying amount at 01.01.2023	**523.0**	**0.0**	**523.0**
New financial assets originated or purchased	6.5	0.0	6.5
Financial assets that have been derecognised	-150.5	0.0	-150.5
Changes in the gross carrying amount of existing financial assets	-7.7	0.0	-7.7
Transfer between stages	-3.0	3.0	0.0
Foreign exchange and other movements	0.1	0.0	0.1
Gross carrying amount at 31.12.2023	**368.3**	**3.0**	**371.3**

in EUR million

	Stage 1	Stage 2	Total
Gross carrying amount at 01.01.2022	**516.4**	**0.0**	**516.4**
New financial assets originated or purchased	577.8	0.0	577.8
Financial assets that have been derecognised	-587.7	0.0	-587.7
Changes in the gross carrying amount of existing financial assets	16.4	0.0	16.4
Gross carrying amount at 31.12.2022	**523.0**	**0.0**	**523.0**

41.1.2. Investment securities at FVTOCI - development of ECL allowance (debt securities)

in EUR million

	Stage 1	Stage 2	Total
ECL allowance as at 01.01.2023	**0.0**	**0.0**	**0.0**
New remeasurement of loss allowance	0.0	0.0	-0.1
ECL allowance as at 31.12.2023	**-0.1**	**0.0**	**-0.1**

in EUR million

	Stage 1	Stage 2	Total
ECL allowance as at 01.01.2022	**-0.1**	**0.0**	**-0.1**
New remeasurement of loss allowance	0.1	0.0	0.1
ECL allowance as at 31.12.2022	**0.0**	**0.0**	**0.0**

41.1.3. Equity investment securities designated to be measured at FVTOCI

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

in EUR million

	31.12.2023	31.12.2022
VISA Inc	5.1	4.2
Other equity instruments	0.4	0.4
Total	**5.5**	**4.6**

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

in EUR million

	31.12.2023	31.12.2022
Debt securities	**1.8**	**1.5**
Other financial corporations	1.8	1.5
Total	**1.8**	**1.5**

41.3. At amortised cost

in EUR million

	31.12.2023	31.12.2022
Debt securities	**217.6**	**95.9**
Governments	217.6	95.9
Total	**217.6**	**95.9**

41.3.1. Investment securities at amortised cost - development of gross carrying amount

in EUR million

	Stage 1
Gross carrying amount at 01.01.2023	**95.9**
New financial assets originated or purchased	167.0
Financial assets that have been derecognised	-46.6
Changes in the gross carrying amount of existing financial assets	1.3
Gross carrying amount at 31.12.2023	**217.6**

in EUR million

	Stage 1
Gross carrying amount at 01.01.2022	**0.0**
New financial assets originated or purchased	95.9
Gross carrying amount at 31.12.2022	**95.9**

41.3.2. Investment securities at amortised cost - development of ECL allowance

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

(42) Tangible assets

in EUR million

	31.12.2023	31.12.2022
Owned property, plant and equipment	**13.6**	**14.8**
Land and buildings	10.5	11.2
Plant and equipment	3.1	3.0
Plant and equipment under construction	0.0	0.5
Right of use assets	**5.1**	**5.3**
Land and buildings	4.3	5.1
Plant and equipment	0.8	0.3
Investment property	**1.5**	**1.0**
Total	**20.2**	**21.1**

(43) Intangible assets

in EUR million

	31.12.2023	31.12.2022
Purchased software	5.7	6.5
Developed software	1.8	1.8
Intangible assets under development	1.1	1.4
Total	**8.7**	**9.7**

(44) Development of tangible and intangible assets

44.1. Development of cost and carrying amounts

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

in EUR million

	Land and buildings	Plant and equipment	Plant and equipment under construction	Investment properties	Total
Acquisition cost 01.01.2023	**31.3**	**18.6**	**0.5**	**3.0**	**53.4**
Additions	0.1	0.8	0.0	0.0	0.8
Disposals	-0.5	-0.9	0.0	0.0	-1.4
Other changes	-0.1	0.2	-0.5	0.7	0.3
Acquisition cost 31.12.2023	**30.7**	**18.7**	**0.0**	**3.6**	**53.1**
Cumulative depreciation and amortisation 31.12.2023	-20.2	-15.7	0.0	-2.1	-38.0
Carrying amount 31.12.2023	**10.5**	**3.1**	**0.0**	**1.5**	**15.1**

in EUR million

	Land and buildings	Plant and equipment	Plant and equipment under construction	Investment properties	Total
Acquisition cost 01.01.2022	**36.0**	**32.4**	**0.3**	**5.5**	**74.1**
Additions	0.1	0.5	0.6	0.0	1.1
Disposals	-5.1	-14.3	0.0	-2.5	-21.8
Other changes	0.3	0.0	-0.3	0.0	0.0
Acquisition cost 31.12.2022	**31.3**	**18.6**	**0.5**	**3.0**	**53.4**
Cumulative depreciation and amortisation 31.12.2022	-20.0	-15.6	0.0	-2.0	-37.6
Carrying amount 31.12.2022	**11.2**	**3.0**	**0.5**	**1.0**	**15.8**

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

in EUR million

	Land and buildings	Plant and equipment	Total
Acquisition cost 01.01.2023	**10.8**	**2.9**	**13.7**
Additions	0.1	0.5	0.6
Disposals	-0.6	-0.6	-1.1
Other changes	0.8	0.4	1.2
Acquisition cost 31.12.2023	**11.1**	**3.3**	**14.4**
Cumulative depreciation and amortisation 31.12.2023	-6.8	-2.5	-9.3
Carrying amount 31.12.2023	**4.3**	**0.8**	**5.1**

in EUR million

	Land and buildings	Plant and equipment	Total
Acquisition cost 01.01.2022	**10.4**	**3.0**	**13.4**
Additions	0.2	0.0	0.2
Disposals	-0.2	-0.1	-0.3
Other changes	0.3	0.0	0.3
Acquisition cost 31.12.2022	**10.8**	**2.9**	**13.7**
Cumulative depreciation and amortisation 31.12.2022	-5.7	-2.7	-8.4
Carrying amount 31.12.2022	**5.1**	**0.3**	**5.3**

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

in EUR million

	Purchased software	Developed software	Under development	Total
Acquisition cost 01.01.2023	**24.8**	**3.7**	**1.4**	**29.9**
Additions	0.8	0.0	0.5	1.3
Internal development	0.0	0.0	0.8	0.8
Disposals	-0.3	0.0	0.0	-0.3
Other changes	0.8	0.8	-1.6	0.0
Acquisition cost 31.12.2023	**26.1**	**4.5**	**1.1**	**31.8**
Cumulative amortisation 31.12.2023	-20.4	-2.6	0.0	-23.1
Carrying amount 31.12.2023	**5.7**	**1.8**	**1.1**	**8.7**

in EUR million

	Purchased software	Developed software	Under development	Total
Acquisition cost 01.01.2022	**33.6**	**3.0**	**1.5**	**38.2**
Additions	0.3	0.0	0.5	0.8
Internal development	0.0	0.0	0.8	0.8
Disposals	-9.9	0.0	0.0	-9.9
Other changes	0.8	0.7	-1.5	0.0
Acquisition cost 31.12.2022	**24.8**	**3.7**	**1.4**	**29.9**
Cumulative amortisation 31.12.2022	-18.3	-1.9	0.0	-20.2
Carrying amount 31.12.2022	**6.5**	**1.8**	**1.4**	**9.7**

44.2. Development of depreciation and amortisation

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

in EUR million

	Land and buildings	Plant and equipment	Investment properties	Total
Cumulative depreciation 01.01.2023	**-20.0**	**-15.6**	**-2.0**	**-37.6**
Scheduled depreciation	-0.9	-0.9	0.0	-1.8
Impairment	-0.1	0.0	0.0	-0.1
Write-up	0.1	0.0	0.1	0.2
Disposals	0.5	0.9	0.0	1.4
Other changes	0.2	0.0	-0.2	0.0
Cumulative depreciation 31.12.2023	**-20.2**	**-15.7**	**-2.1**	**-38.0**

in EUR million

	Land and buildings	Plant and equipment	Investment properties	Total
Cumulative depreciation 01.01.2022	**-22.8**	**-28.8**	**-3.2**	**-54.8**
Scheduled depreciation	-0.9	-1.0	-0.1	-2.0
Impairment	-0.2	-0.1	-0.1	-0.4
Write-up	0.2	0.0	0.1	0.2
Disposals	3.8	14.3	1.3	19.4
Cumulative depreciation 31.12.2022	**-20.0**	**-15.6**	**-2.0**	**-37.6**

The development of depreciation of right of use assets is presented in the table below:

in EUR million

	Land and buildings	Plant and equipment	Total
Cumulative depreciation 01.01.2023	**-5.7**	**-2.7**	**-8.4**
Scheduled depreciation	-1.4	-0.4	-1.8
Disposals	0.4	0.6	0.9
Cumulative depreciation 31.12.2023	**-6.8**	**-2.5**	**-9.3**

in EUR million

	Land and buildings	Plant and equipment	Total
Cumulative depreciation 01.01.2022	**-4.3**	**-2.0**	**-6.4**
Scheduled depreciation	-1.5	-0.7	-2.2
Disposals	0.2	0.1	0.2
Cumulative depreciation 31.12.2022	**-5.7**	**-2.7**	**-8.4**

The development of amortisation of intangible assets is presented in the table below:

in EUR million

	Purchased software	Developed software	Total
Cumulative amortisation 01.01.2023	**-18.3**	**-1.9**	**-20.2**
Scheduled amortisation	-2.4	-0.7	-3.2
Disposals	0.3	0.0	0.3
Cumulative amortisation 31.12.2023	**-20.4**	**-2.6**	**-23.1**

in EUR million

	Purchased software	Developed software	Total
Cumulative amortisation 01.01.2022	**-25.9**	**-1.3**	**-27.2**
Scheduled amortisation	-2.3	-0.6	-2.9
Disposals	9.9	0.0	9.9
Cumulative amortisation 31.12.2022	**-18.3**	**-1.9**	**-20.2**

(45) Other assets

in EUR million

	31.12.2023	31.12.2022
Prepayments and accrued income	4.1	3.8
Inventories (repossessed assets, emergency acquired assets, leases to go, etc.)	0.4	0.4
Other remaining assets	2.2	4.9
o/w receivables from card business	*1.5*	*4.2*
Total	**6.7**	**9.1**

(46) Non-current assets held for sale

in EUR million

	31.12.2023	31.12.2022
Property plant and equipment	0.0	0.3
Total	**0.0**	**0.3**

(47) Financial liabilities held for trading

in EUR million

	31.12.2023	31.12.2022
Derivatives	2.6	0.6
Total	**2.6**	**0.6**

(48) Financial liabilities measured at amortised cost

in EUR million

	31.12.2023	31.12.2022
Deposits from credit institutions	16.4	16.5
Deposits from customers	1,642.8	1,750.0
Borrowings	20.2	49.7
Subordinated debt	31.1	31.1
Lease liabilities	5.1	5.5
Other financial liabilities	13.1	6.7
Total	**1,728.7**	**1,859.5**

Increase in “Other financial liabilities” as at 31 December 2023 compared to 31 December 2022 is mainly driven by increase in payables based on card operations and early repayments of loans to customers.

48.1. Deposits from credit institutions

in EUR million

	31.12.2023	31.12.2022
Current accounts / overnight deposits	13.4	13.7
Deposits with agreed terms	3.1	2.8
Total	**16.4**	**16.5**

48.2. Deposits from customers

in EUR million

	31.12.2023	31.12.2022
Current accounts / overnight deposits	**1,390.4**	**1,603.6**
Governments	45.6	46.5
Other financial corporations	8.3	50.2
Non-financial corporations	337.1	350.0
Households	999.3	1,157.0
Deposits with agreed terms	**252.4**	**146.4**
Governments	1.1	1.0
Other financial corporations	81.6	51.5
Non-financial corporations	21.4	7.1
Households	148.4	86.8
Total	**1,642.8**	**1,750.0**

48.3. Borrowings

in EUR million

	31.12.2023	31.12.2022
Governments	20.2	25.4
Credit institutions	0.0	24.3
Total	**20.2**	**49.7**

48.4. Subordinated debt

in EUR million

	31.12.2023	31.12.2022
Credit institutions	31.1	31.1
Total	**31.1**	**31.1**

Subordinated debt is to Addiko Bank AG, Vienna with maturity in 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.

(49) Provisions

in EUR million

	31.12.2023	31.12.2022[1)]
Commitments and guarantees granted	2.8	2.3
Pending legal disputes	70.7	48.3
Other provisions	1.6	0.7
Restructuring measures	1.2	0.3
Remaining other provisions	0.4	0.3
Total	**75.1**	**51.2**

[1)] In 2023 obligations for variable payments in the amount of EUR 3.2 million (2022: EUR 2.9 million) and obligations for cash-settled share-based payments in the amount of EUR 0.2 million (2022: EUR 0.1 million) have been reclassified from "Provisions" to "Other liabilities". The comparative figures have been amended accordingly.

49.1. Provisions for commitments and guarantees granted

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

in EUR million

	Stage 1	Stage 2	Stage 3	Total
Nominal value at 01.01.2023	**215.3**	**8.7**	**3.2**	**227.1**
New loan commitments, financial guarantees and other commitments given originated or purchased	115.5	3.2	0.0	118.7
Loan commitments, financial guarantees and other commitments given that have been derecognised	-111.4	-12.2	-1.4	-125.0
Changes in the nominal value of existing instruments	-10.5	0.3	0.2	-10.0
Transfer between stages	-13.0	12.9	0.1	0.0
Nominal value at 31.12.2023	**195.8**	**12.8**	**2.1**	**210.8**

in EUR million

	Stage 1	Stage 2	Stage 3	Total
Nominal value at 01.01.2022	**253.4**	**9.4**	**0.8**	**263.6**
New loan commitments, financial guarantees and other commitments given originated or purchased	120.8	3.0	0.0	123.8
Loan commitments, financial guarantees and other commitments given that have been derecognised	-151.1	-3.6	-0.4	-155.1
Changes in the nominal value of existing instruments	-3.9	-1.3	0.0	-5.2
Transfer between stages	-4.0	1.2	2.8	0.0
Foreign exchange and other movements	0.2	0.0	-0.1	0.1
Nominal value at 31.12.2022	**215.3**	**8.7**	**3.2**	**227.1**

in EUR million

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01.01.2023	**-0.4**	**-0.7**	**-1.1**	**-2.3**
Increases due to origination and acquisition	-0.4	-0.3	0.0	-0.7
Decreases due to derecognition	0.2	0.7	0.1	1.1
New remeasurement of loss allowance	0.0	-0.3	-0.5	-0.8
Transfer between stages	0.1	-0.1	0.0	0.0
ECL allowance as at 31.12.2023	**-0.5**	**-0.7**	**-1.6**	**-2.8**

in EUR million

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 01.01.2022	**-0.6**	**-0.6**	**-0.4**	**-1.6**
Increases due to origination and acquisition	-0.4	-0.2	0.0	-0.6
Decreases due to derecognition	0.3	0.1	0.0	0.5
New remeasurement of loss allowance	0.3	-0.2	-0.8	-0.6
ECL allowance as at 31.12.2022	**-0.4**	**-0.7**	**-1.1**	**-2.3**

49.2. Provisions for pending legal disputes

The item “Pending legal disputes” includes provisions for litigation proceedings from lending 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. A certain level of unpredictability is generally inherent to court proceedings.

In the tables below the development of pending legal disputes is presented:

in EUR million

	Carrying amount 01.01.2023	Allocations	Use	Releases	Carrying amount 31.12.2023
Pending legal disputes	48.3	31.2	-8.3	-0.4	70.7
Total	**48.3**	**31.2**	**-8.3**	**-0.4**	**70.7**

in EUR million

	Carrying amount 01.01.2022	Allocations	Use	Releases	Carrying amount 31.12.2022
Pending legal disputes	33.4	22.7	-7.6	-0.2	48.3
Total	**33.4**	**22.7**	**-7.6**	**-0.2**	**48.3**

In 2023, the increase of provision was mainly driven by the reassessment of estimates connected with the calculation of provisions for existing and expected legal proceedings in relation to Swiss Franc currency clauses, including the increasing number of court cases that have been filed by customers who did not convert their loans under the Consumer Credit Act (Official Gazette 102/2015) before the expiry of statute of limitation for filing such claims in June 2023.

For further details concerning legal risk, please refer to Note (64) Legal risk.

The reassessment was leading to the recognition in the income statement of additional provisions in amount of EUR 30.8 million (2022: EUR 22.5 million), whereby the related total amount of the provision as of 31 December 2023 was EUR 70.7 million (2022: EUR 48.3 million), with EUR 8.3 million (2022: EUR 7.6 million) being utilised during the year mainly in relation to lawyers and court costs. 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 sued the Bank, the outcome of individual court decisions (whether the court decision will be in favor of the bank or the customer), the estimated loss by individual contract, which is the result of a court decision. 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 EUR million

	31.12.2023	31.12.2022
Change in the estimated loss by individual contract +10% (2022: +15%)	5.9	2.4
Change in the estimated loss by individual contract -10% (2022: -15%)	-5.9	-2.3

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

49.3. Other provisions

In the tables below the development of other provisions is presented:

in EUR million

	Carrying amount 01.01.2023	Allocations	Use	Releases	Carrying amount 31.12.2023
Restructuring measures	0.3	1.3	-0.3	-0.1	1.2
Remaining other provisions	0.3	0.1	0.0	0.0	0.4
Total	**0.7**	**1.4**	**-0.4**	**-0.1**	**1.6**

in EUR million

	Carrying amount 01.01.2022	Allocations	Use	Releases	Carrying amount 31.12.2022[1)]
Restructuring measures	1.7	0.0	-1.4	0.0	0.3
Remaining other provisions	2.2	0.4	-0.8	-1.5	0.3
Total	**3.9**	**0.4**	**-2.2**	**-1.5**	**0.7**

[1)] Obligations for variable payments with a carrying amount as of 1 January 2022 of EUR 2.5 million, allocations during 2022 of EUR 2.5 million, utilizations of EUR -1.9 million, releases of EUR -0,2 million and thus the carrying amount as of 31 December 2022 of EUR 2.9 million were transferred from "Provisions" to "Other liabilities". Obligations for cash-settled share-based payments with a carrying amount as of 1 January 2022 of EUR 0.2 million, utilizations of EUR -0.1 million and thus a carrying amount as of 31 December 2022 of EUR 0.1 million were transferred from "Provisions" to "Other liabilities". The carrying amounts were adjusted accordingly in the statement of financial position. Reference to note (2) Changes in the presentation of the financial statements for further details.

(50) Other liabilities

in EUR million

	31.12.2023	31.12.2022
Accruals and other liabilities	14.6	14.3
Accruals	3.9	3.9
Liabilities for variable payments	3.2	3.0
Liabilities for cash-settled share-based payments	0.2	0.0
Liabilities for other taxes	0.2	0.3
Liabilities for other taxes on salaries	0.2	0.2
Liabilities for contributions on salaries	0.6	0.6
Liabilities for net salaries	1.2	1.1
Other liabilities	5.1	5.2
Total	**14.6**	**14.3**

Note: Obligations for variable payments in the amount of EUR 3.2 million (2022: EUR 2.9 million) and obligations for cash-settled share-based payments in the amount of EUR 0.2 million (2022: EUR 0.1 million) have been reclassified from "Provisions" to "Other liabilities". The comparative figures have been amended accordingly.

(51) Equity

in EUR million

	31.12.2023	31.12.2022
Share capital	339.5	339.6
Additional Tier 1 capital	40.0	39.8
Legal and other reserves	17.8	17.7
Fair value reserve	-24.2	-43.4
Accumulated profit	8.9	6.8
Total	**382.0**	**360.5**

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

At the end of 2023 Addiko Bank d.d. had 1,248,243 (2022: 1,248,243) issued ordinary shares of nominal value EUR 272 (2022: HRK 2,050). Pursuant to the Law on the introduction of the euro as the official currency in the Republic of Croatia (OG 57/2022, 88/2022), the Bank has redenominated and, due to obligation of rounding to the nearest whole euro, reduced issued capital by reducing nominal value of individual ordinary share from amount of EUR 272.08 to amount of EUR 272.00. Issued capital has thus been reduced from EUR 339.6 million to EUR 339.5 million.

In June 2021, the Bank has issued an AT1 instrument (bond) in the amount of EUR 40 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 an equity instrument in accordance with IAS 32 and recognized it as a non-monetary item.

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 EUR 9.2 million (2022: EUR 6.8 million) and the loss from conversion of non-monetary items (AT1) in the process of changing the functional currency in the amount of EUR 0.2 million.

(52) 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 (except securities at amortised costs). Changes in assets and liabilities held for trading are also included, as are the cash flow from dividends received and taxes.
- The cash flow from **investing activities** includes cash inflows and outflows arising from debt securities at amortised cost, intangible assets, property, plant and equipment and assets held for sale.
- Lease payments and cash flows from own equity instruments are disclosed in the cash flow from **financing activities**. In addition, the position includes capital increases/decreases, dividend payments and AT1 distributable amount 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.

(53) Risk control and monitoring

The Bank has established a strategic risk management function, conducted by the Risk Control 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, the 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 prevent 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.

(54) 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.

The Bank has also established a Risk Appetite Statement (RAS) which sets the bank’s risk appetite and forms part of the process of development and implementation of the bank’s business and risk strategy. Furthermore, it determines the risks undertaken in relation to its risk capacity. The framework of risk appetite measures defines the risk level the bank is willing to accept. The calibration of measures takes into consideration the budget, risk strategy and the Recovery Plan giving an interlinked framework for proper internal steering and surveillance.

(55) Risk organisation

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 restructuring of problematic loans, loan settlement, as well as risk control and monitoring of counterparty default, market, liquidity, operational, ESG and other risks at the portfolio level.

In 2023, the following organisational units were operative:

Credit Risk Management includes Underwriting for Corporate / SME / PF and Credit Risk Management FI / Sovereigns / Standard / Private 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 the effective mitigation measures, initiating escalation process 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 corporate credit risk management part of distressed asset management;
- support in integrated risk management;
- support in market and liquidity risk management;
- support in data architecture and quality.

(56) 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.

(57) Credit risk

57.1. Definition

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

57.2. General requirements

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

Credit decisions are made by the Supervisory Board, Management Board and Credit Committee as well as by key staff in the back office and the analysis units of the Risk Office.

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

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

57.3. Risk measurement

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 on the basis of default probabilities on a 25-level master rating scale.

57.4. Risk limitation

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

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

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

57.5. Reconciliation between Financial instruments classes and Credit risk exposure

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

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

in EUR million

31.12.2023	Performing			Non-performing			Total	
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash and cash equivalents[1)]	375.6	-0.1	375.5	0.0	0.0	0.0	375.6	375.5
Loans and receivables from customers	1,160.8	-13.0	1,147.8	43.9	-37.7	6.2	1,204.7	1,154.0
of which credit institutions	0.8	0.0	0.8	0.0	0.0	0.0	0.8	0.8
of which customer loans	1,160.0	-13.0	1,147.0	43.9	-37.7	6.2	1,203.9	1,153.3
Investment securities[2)]	588.9	-0.1	588.8	0.0	0.0	0.0	588.9	588.8
On balance total	**2,125.3**	**-13.1**	**2,112.2**	**43.9**	**-37.7**	**6.2**	**2,169.2**	**2,118.4**
Off-balance	208.7	-1.2	207.5	2.1	-1.6	0.5	210.8	208.0
Total	**2,333.9**	**-14.3**	**2,319.7**	**46.0**	**-39.3**	**6.7**	**2,380.0**	**2,326.4**

[1)] The position does not include cash in hand in the amount of EUR 48.4 million. [2)] Investment securities, without equity instruments and instruments mandatorily at fair value through profit or loss (FVTPL). Exposure represents the maximum amount of exposure to credit risk, while ECL for FVOCI instruments 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 2022:

in EUR million

31.12.2022	Performing			Non-performing			Total	
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash and cash equivalents[1)]	481.5	0.0	481.5	0.0	0.0	0.0	481.5	481.5
Loans and receivables from customers	1,116.5	-11.2	1,105.3	59.7	-49.6	10.1	1,176.2	1,115.3
of which credit institutions	53.1	0.0	53.1	0.0	0.0	0.0	53.1	53.1
of which customer loans	1,063.4	-11.2	1,052.2	59.7	-49.6	10.1	1,123.1	1,062.3
Investment securities[2)]	618.8	0.0	618.8	0.0	0.0	0.0	618.8	618.8
On balance total	**2,216.8**	**-11.3**	**2,205.5**	**59.7**	**-49.6**	**10.1**	**2,276.5**	**2,215.6**
Off-balance	224.0	-1.1	222.8	3.2	-1.1	2.0	227.1	224.9
Total	**2,440.8**	**-12.4**	**2,428.4**	**62.8**	**-50.7**	**12.1**	**2,503.6**	**2,440.4**

[1)] The position does not include cash in hand in the amount of EUR 57.5 million. [2)] Investment debt securities, without equity instruments. Exposure represents the maximum amount of exposure to credit risk, while ECL relates to credit risk component of fair value reserve.

57.6. Credit risk exposure by rating class

At 31 December 2023 roughly 54% of the total exposure is categorised as rating classes 1A to 1E and roughly 37% is categorised as rating class 2A to 2E.

The overall NPE stock development in 2023 is mainly influenced by stable NPE inflow and active NPE management involving collection and restructuring activities along with timely debt sales. Taking all these effects into consideration the overall non-performing exposure decreased during 2023 by EUR 16.8 million.

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

in EUR million

31.12.2023	1A-1E	2A-2E	3A-3E	4A-4E	NPE	No rating	Total
Consumer	170.4	371.0	35.2	24.5	11.7	0.0	612.8
SME	75.9	375.5	56.7	30.9	13.8	0.0	552.9
Non-focus	120.6	93.9	4.3	6.1	20.6	0.0	245.5
o/w Large Corporate	9.6	3.0	1.2	4.9	10.2	0.0	28.9
o/w Mortgage	89.1	84.9	2.1	1.1	10.4	0.0	187.5
o/w Public Finance	21.9	6.0	1.0	0.2	0.0	0.0	29.1
Treasury	914.3	50.8	3.4	0.3	0.0	0.0	968.8
Total	**1,281.1**	**891.2**	**99.7**	**61.8**	**46.0**	**0.0**	**2,380.0**

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

in EUR million

31.12.2022	1A-1E	2A-2E	3A-3E	4A-4E	NPE	No rating	Total
Consumer	154.0	335.5	31.5	22.2	12.9	0.0	556.1
SME	60.7	336.0	49.3	28.9	25.6	0.0	500.5
Non-focus	105.5	136.8	11.7	10.6	24.3	0.0	289.0
o/w Large Corporate	7.7	10.2	8.7	0.0	10.2	0.0	36.9
o/w Mortgage	97.6	108.0	2.0	2.0	14.1	0.0	223.8
o/w Public Finance	0.2	18.6	1.0	8.6	0.0	0.0	28.3
Treasury	1,092.5	60.0	5.5	0.0	0.0	0.0	1,158.0
Total	**1,412.7**	**868.2**	**98.1**	**61.7**	**62.8**	**0.0**	**2,503.6**

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

- 1A-1E: representing customers with a very low risk, having the best, excellent or very good credit standing (this is equivalent to Moody’s rating Aaa-Baa3),
- 2A-2E: representing customers with a good or moderate credit standing (this is equivalent to Moody’s rating Ba1-B1),
- 3A-3E: representing customers with a medium or high credit risk (this is equivalent to Moody’s rating B2-Caa1),
- 4A-4E: representing customers with a very high credit risk or who are likely to default. This class includes customers which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term (this is equivalent to Moody’s rating Caa2-C),

- NPE (default): one or more of the default criteria under Article 178 CRR are met: among others, interest or principal payments on a material exposure have been overdue for more than 90 days, the bank significantly doubts the customer's credit standing, there are risk-oriented restructuring measures leading to a forborne non-performing exposure, there is a realisation of a loan loss or bankruptcy proceedings are initiated.

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 receivables from customers at amortised cost as at 31 December 2023:

in EUR million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	273.9	6.0	0.0	1.0	280.9
2A-2E	675.4	59.6	0.0	1.1	736.1
3A-3E	58.0	30.6	0.0	0.0	88.6
4A-4E	1.6	52.7	0.0	0.1	54.4
NPL	0.0	0.0	42.8	1.1	43.9
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**1,009.0**	**148.9**	**42.8**	**3.3**	**1,203.9**
Loss allowance	-3.8	-9.1	-36.6	-1.1	-50.7
Carrying amount	**1,005.2**	**139.7**	**6.2**	**2.2**	**1,153.3**

Loans and receivables from customers at amortised cost as at 31 December 2022:

in EUR million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	226.8	4.9	0.0	0.9	232.5
2A-2E	665.3	24.8	0.0	1.4	691.6
3A-3E	65.7	19.6	0.0	0.0	85.3
4A-4E	8.9	45.1	0.0	0.0	54.1
NPL	0.0	0.0	58.4	1.3	59.7
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**966.7**	**94.4**	**58.4**	**3.6**	**1,123.1**
Loss allowance	-3.2	-8.0	-48.4	-1.2	-60.8
Carrying amount	**963.5**	**86.4**	**10.0**	**2.4**	**1,062.3**

Loans and receivables from credit institutions at amortised cost as at 31 December 2023:

in EUR million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	0.5	0.0	0.0	0.0	0.5
2A-2E	0.0	0.0	0.0	0.0	0.0
3A-3E	0.2	0.0	0.0	0.0	0.2
4A-4E	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	**0.8**	**0.0**	**0.0**	**0.0**	**0.8**
Loss allowance	0.0	0.0	0.0	0.0	0.0
Carrying amount	**0.8**	**0.0**	**0.0**	**0.0**	**0.8**

Loans and receivables from credit institutions at amortised cost as at 31 December 2022:

in EUR million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	51.7	0.0	0.0	0.0	51.7
2A-2E	1.2	0.0	0.0	0.0	1.2
3A-3E	0.2	0.0	0.0	0.0	0.2
4A-4E	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	**53.1**	**0.0**	**0.0**	**0.0**	**53.1**
Loss allowance	0.0	0.0	0.0	0.0	0.0
Carrying amount	**53.1**	**0.0**	**0.0**	**0.0**	**53.1**

Debt instruments measured at FVTOCI as at 31 December 2023:

in EUR million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	318.3	3.0	0.0	0.0	321.3
2A-2E	50.0	0.0	0.0	0.0	50.0
3A-3E	0.0	0.0	0.0	0.0	0.0
4A-4E	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	**368.3**	**3.0**	**0.0**	**0.0**	**371.3**
Loss allowance	-0.1	0.0	0.0	0.0	-0.1

Debt instruments measured at FVTOCI as at 31 December 2022:

in EUR million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	471.9	0.0	0.0	0.0	471.9
2A-2E	51.0	0.0	0.0	0.0	51.0
3A-3E	0.0	0.0	0.0	0.0	0.0
4A-4E	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	**523.0**	**0.0**	**0.0**	**0.0**	**523.0**
Loss allowance	0.0	0.0	0.0	0.0	0.0

Debt instruments measured at amortised cost as at 31 December 2023:

in EUR million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	217.6	0.0	0.0	0.0	217.6
2A-2E	0.0	0.0	0.0	0.0	0.0
3A-3E	0.0	0.0	0.0	0.0	0.0
4A-4E	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	**217.6**	**0.0**	**0.0**	**0.0**	**217.6**
Loss allowance	0.0	0.0	0.0	0.0	0.0

Debt instruments measured at amortised cost as at 31 December 2022:

in EUR million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	87.8	0.0	0.0	0.0	87.8
2A-2E	8.0	0.0	0.0	0.0	8.0
3A-3E	0.0	0.0	0.0	0.0	0.0
4A-4E	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	**95.9**	**0.0**	**0.0**	**0.0**	**95.9**
Loss allowance	0.0	0.0	0.0	0.0	0.0

Commitments and financial guarantees given as at 31 December 2023:

in EUR million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	85.1	0.4	0.0	0.0	85.5
2A-2E	100.2	4.8	0.0	0.0	105.0
3A-3E	9.9	1.0	0.0	0.0	10.8
4A-4E	0.7	6.7	0.0	0.0	7.4
NPL	0.0	0.0	2.1	0.0	2.1
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**195.8**	**12.8**	**2.1**	**0.0**	**210.8**
Loss allowance	-0.5	-0.7	-1.6	0.0	-2.8
Carrying amount	**195.3**	**12.2**	**0.5**	**0.0**	**208.0**

Commitments and financial guarantees given as at 31 December 2022:

in EUR million

Rating class	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI Lifetime ECL	Total
1A-1E	87.4	0.3	0.0	0.0	87.6
2A-2E	115.5	0.5	0.0	0.0	116.0
3A-3E	10.5	2.1	0.0	0.0	12.6
4A-4E	1.9	5.7	0.0	0.0	7.7
NPL	0.0	0.0	3.2	0.0	3.2
No rating	0.0	0.0	0.0	0.0	0.0
Total gross carrying amount	**215.3**	**8.7**	**3.2**	**0.0**	**227.1**
Loss allowance	-0.4	-0.7	-1.1	0.0	-2.3
Carrying amount	**214.9**	**7.9**	**2.0**	**0.0**	**224.9**

57.7. 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 16.0% at the end of the year 2023 (2022: 21.4%). The well-diversified private customers sector accounts for a share of 33.8% (2022: 31.4%).

The following table shows the exposure by business sector and ECL as at 31 December 2023:

in EUR million

Business sector	Exposure PE	ECL Stage 1&2	Exposure NPE	ECL Stage 3	Total exposure	Total ECL
Private	782.4	6.6	22.0	17.9	804.4	24.5
Financial and insurance activities	380.2	0.1	0.0	0.0	380.2	0.1
Activities of extraterritorial organisations and bodies	244.9	0.2	0.0	0.0	244.9	0.2
Public administration and defence; compulsory social security	369.1	0.0	0.0	0.0	369.1	0.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	141.7	1.9	5.1	4.7	146.9	6.6
Manufacturing	106.1	1.5	11.6	10.6	117.7	12.1
Construction	121.0	1.5	4.5	3.8	125.5	5.3
Accommodation and food service activities	21.3	0.3	0.9	0.8	22.2	1.1
Agriculture, forestry and fishing	30.5	0.2	0.3	0.3	30.7	0.5
Professional, scientific and technical activities	38.3	0.9	0.1	0.1	38.4	1.0
Education	10.1	0.1	0.0	0.0	10.1	0.1
Transporting and storage	34.4	0.3	0.3	0.3	34.7	0.6
Electricity, gas, steam and air conditioning supply	0.4	0.0	0.0	0.0	0.4	0.0
Information and communication	15.4	0.1	0.8	0.7	16.2	0.8
Water supply; sewerage; waste management and remediation activities	5.6	0.0	0.0	0.0	5.6	0.0
Administrative and support service activities	15.5	0.1	0.2	0.2	15.7	0.3
Real estate activities	5.2	0.2	0.2	0.1	5.4	0.2
Human health and social work activities	4.9	0.0	0.0	0.0	4.9	0.0
Arts, entertainment and recreation	3.1	0.0	0.0	0.0	3.1	0.0
Other services activities	2.0	0.0	0.0	0.0	2.0	0.0
Mining and quarrying	1.7	0.0	0.0	0.0	1.7	0.0
Total	**2,333.9**	**14.3**	**46.0**	**39.3**	**2,380.0**	**53.6**

The following table shows the exposure by business sector and ECL as at 31 December 2022:

in EUR million

Business sector	Exposure PE	ECL Stage 1&2	Exposure NPE	ECL Stage 3	Total exposure	Total ECL
Private	758.0	5.7	27.1	21.5	785.1	27.2
Financial and insurance activities	535.9	0.1	0.0	0.0	535.9	0.1
Activities of extraterritorial organisations and bodies	227.9	0.1	0.0	0.0	227.9	0.1
Public administration and defence; compulsory social security	408.1	0.0	0.0	0.0	408.1	0.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	130.8	1.8	7.7	6.6	138.5	8.4
Manufacturing	97.6	1.3	16.6	14.6	114.2	15.9
Construction	112.9	1.6	7.5	4.8	120.4	6.4
Accommodation and food service activities	16.6	0.3	1.2	0.9	17.8	1.2
Agriculture, forestry and fishing	21.9	0.2	0.5	0.5	22.4	0.7
Professional, scientific and technical activities	36.5	0.3	0.6	0.6	37.1	0.9
Education	15.6	0.0	0.0	0.0	15.6	0.0
Transporting and storage	26.7	0.2	0.8	0.4	27.5	0.6
Electricity, gas, steam and air conditioning supply	0.4	0.0	0.0	0.0	0.4	0.0
Information and communication	17.0	0.1	0.5	0.5	17.5	0.6
Water supply; sewerage; waste management and remediation activities	7.1	0.0	0.1	0.0	7.2	0.1
Administrative and support service activities	9.6	0.1	0.1	0.1	9.7	0.2
Real estate activities	9.2	0.4	0.2	0.1	9.4	0.6
Human health and social work activities	2.5	0.0	0.0	0.0	2.5	0.0
Arts, entertainment and recreation	4.0	0.1	0.0	0.0	4.0	0.1
Other services activities	1.0	0.0	0.0	0.0	1.1	0.0
Mining and quarrying	1.3	0.0	0.0	0.0	1.3	0.0
Total	**2,440.8**	**12.4**	**62.8**	**50.7**	**2,503.6**	**63.2**

57.8. 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 2023 is characterized by volatile macroeconomic environment accompanied by inflationary pressures which did not significantly affected quality of the portfolio. Also, 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 2023.

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

Credit quality at 31 December 2023 was as follows:

in EUR million

31.12.2023	No overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	589.5	13.3	2.0	1.1	6.9	612.8
SME	535.1	6.4	0.8	0.1	10.5	552.9
Non-focus	225.5	1.9	0.4	0.1	17.6	245.5
o/w Large Corporate	18.7	0.0	0.0	0.0	10.2	28.9
o/w Mortgage	177.7	1.9	0.4	0.1	7.4	187.5
o/w Public Finance	29.1	0.0	0.0	0.0	0.0	29.1
Treasury	968.7	0.1	0.0	0.0	0.0	968.8
Total	**2,318.8**	**21.7**	**3.2**	**1.2**	**35.0**	**2,380.0**

Credit quality at 31 December 2022 was as follows:

in EUR million

31.12.2022	No overdue	- overdue to 30 days	- overdue 31 to 60 days	- overdue 61 to 90 days	- overdue more than 90 days	Total
Consumer	536.5	9.0	2.1	1.2	7.3	556.1
SME	474.7	6.1	0.3	0.0	19.5	500.5
Non-focus	260.4	8.3	0.2	0.2	19.9	289.0
o/w Large Corporate	20.4	6.3	0.0	0.0	10.2	36.9
o/w Mortgage	211.7	2.0	0.2	0.2	9.7	223.8
o/w Public Finance	28.3	0.0	0.0	0.0	0.0	28.3
Treasury	1,158.0	0.0	0.0	0.0	0.0	1,158.0
Total	**2,429.6**	**23.3**	**2.6**	**1.4**	**46.7**	**2,503.6**

57.9. Presentation of exposure by size classes

As 31 December 2023 around 52.0% (2022: 45.3%) of the exposure is found in the size range < EUR 1 million. The bank pursues a strict strategy of reducing concentration risk in the corporate banking area. The amount of EUR 739.1 million (2022: EUR 936.0 million) of exposure in the range > EUR 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).

	31.12.2023		31.12.2022	
Size classes	Exposure in EUR million	GoBs	Exposure in EUR million	GoBs
<10,000	209.6	94,974	213.2	101,449
10,000-50,000	504.8	23,498	450.4	21,222
50,000-100,000	126.8	1,850	130.8	1,920
100,000-250,000	145.7	930	130.7	852
250,000-500,000	166.4	465	127.3	348
500,000-1,000,000	84.0	118	81.2	116
1,000,000-10,000,000	212.6	90	271.2	108
10,000,000-50,000,000	191.0	6	112.0	5
50,000,000-100,000,000	0.0	0	50.8	1
>100,000,000	739.1	2	936.0	2
Total	**2,380.0**	**121,933**	**2,503.6**	**126,023**

57.10. 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 portfolios. Additionally, forbearance measures represent an indicator that financial assets might be credit impaired.

The following table provides an overview of the forbearance status at the Bank in the course of the financial year 2023. The off-balance positions only include loan commitments:

in EUR million

	01.01.2023	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 (+/-)	31.12.2023
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments and governments 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	16.8	2.4	-2.7	0.0	0.0	-5.7	10.8
Households	14.4	1.5	-1.7	0.0	0.0	-4.6	9.6
Loans and receivables	**31.2**	**3.9**	**-4.4**	**0.0**	**0.0**	**-10.3**	**20.4**
Loan commitments given	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

The following table provides an overview of the forbearance status at the Bank in the course of the financial year 2022. The off-balance positions only include loan commitments:

in EUR million

	01.01.2022	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 (+/-)	31.12.2022
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments and governments 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	21.6	3.8	-4.3	0.0	0.0	-4.3	16.8
Households	21.4	2.2	-3.2	0.0	0.0	-6.0	14.4
Loans and receivables	**43.0**	**6.0**	**-7.5**	**0.0**	**0.0**	**-10.3**	**31.2**
Loan commitments given	**0.5**	**0.0**	**-0.4**	**0.0**	**0.0**	**-0.1**	**0.0**

The forbearance exposure at the end of the year 2023 can be broken down as follows:

in EUR million

	Closing balance 31.12.2023	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	10.8	5.1	0.0	5.7
Households	9.6	5.3	0.4	3.9
Loans and receivables	**20.4**	**10.4**	**0.4**	**9.6**

The forbearance exposure at the end of the year 2022 can be broken down as follows:

in EUR million

	Closing balance 31.12.2022	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	16.8	8.5	0.0	8.3
Households	14.4	7.5	0.6	6.3
Loans and receivables	**31.2**	**16.0**	**0.6**	**14.5**

The following table shows the collateral allocation for the forbearance exposure at the end of the year 2023:

in EUR million

Internal Collateral Value (ICV) in respect of forborne assets	ICV	thereof CRE	thereof RRE	thereof financial collateral	thereof guarantees	thereof other
Public Finance	0.0	0.0	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	3.9	2.9	0.9	0.0	0.1	0.0
Retail	5.0	0.3	3.6	0.0	0.0	1.1
Total	**8.9**	**3.3**	**4.5**	**0.0**	**0.1**	**1.1**

The following table shows the collateral allocation for the forbearance exposure at the end of the year 2022:

in EUR million

Internal Collateral Value (ICV) in respect of forborne assets	ICV	thereof CRE	thereof RRE	thereof financial collateral	thereof guarantees	thereof other
Public Finance	0.0	0.0	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	9.6	7.5	1.7	0.3	0.1	0.0
Retail	7.1	0.7	5.5	0.0	0.0	0.9
Total	**16.7**	**8.1**	**7.2**	**0.3**	**0.1**	**0.9**

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

(58) Risk provisions

58.1. Method of calculating 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). For transactions which have a determined contractual date, lifetime loss is calculated for the time until maturity. For transactions where a contractual date does not exist due to the nature of the product, 3 years from the reporting date is used as maturity for the purpose of calculation of lifetime loss. In case of an objective indication of an impairment (NPE, stage 3) the lifetime expected credit loss is also recognised.

As for the non-performing part (Stage 3) two approaches are of relevance, namely collective assessment based on risk parameters for small exposures and individual assessment with expert based cashflow estimation for larger exposures. For the part of the non-performing portfolio where the exposure at default (EAD) on group of borrower level is below 130.000 € the calculation of provisions for impairment losses is performed as a collective assessment (rule-based approach). The collective assessment is done based on the estimation/projection of the main recovery parameters for groups of portfolios (exposures showing similar characteristics related to credit risk profile and recovery potential).

Individual assessment, or calculation of specific risk provisions based on the individual assessment of impairment losses considers that the underlying credit exposure is subject to an individual analysis in accordance with regulations regarding the calculation of provisions for impairment losses. In this calculation, repayments from a company's operating business (primary cash flows) and from the utilisation of collaterals and guarantees (secondary cash flows) are taken into consideration. Depending on the assumed recovery scenario (restructuring, settlement, debt sale, court procedure and/or collaterals repossession), expected repayments are assessed individually in terms of type, amount and time, the underlying assumptions are documented and justified on a case-by-case basis and expected cash flows are discounted to the net present value and offset against the outstanding current exposure. In terms of the calculation of recovery cash flows from real estate, the Bank bases its assumptions on the collateral's market value which is updated regularly. Haircuts are measured individually on a case-by-case basis, depending on the determined usability and based on a variety of factors such as market liquidity, location, utilisation period and legal situation in relation to the real estate.

The risk provisions were modeled on transactional level and reflect the most recent macroeconomic forecasts provided by the Vienna Institute for International Economic Studies (wiiw). The likelihood for pessimistic scenario is set at 35%, which is second consecutive downward revision that reflects high and persistent inflation materializing already, with monetary policy adjusting for some time. Nevertheless, three major risks are present at the moment, heavily skewed in favour of negative outcomes, which is why optimistic scenario probability remains at low level. First, there is a possibility that transmission of the monetary policy will not be effective to anchor inflation expectations over the coming months. Second, European financial institutions and corporates are facing serious challenges due to increasing interest rates that might trigger risks built-up during the era of quantitative easing. Third, geopolitical risks may lead to further trade fragmentation leading to another round of inflation and macro-financial instability.

Scenario probabilities[1)]	Baseline case	Optimistic case	Pessimistic case
May 2021 wiiw forecast report	55%	20%	25%
October 2021 wiiw forecast report	55%	10%	35%
May 2022 wiiw forecast report	60%	5%	35%
October 2022 wiiw forecast report	50%	5%	45%
May 2023 wiiw forecast report	55%	5%	40%
October 2023 wiiw forecast report	60%	5%	35%

[1)] wiiw calibrates also adverse scenario that reflects extreme severity of calibrated shocks, used for static and dynamic stress testing purposes. No probability is assigned to this type of scenario, considered to be highly unlikely, yet plausible.

The following table provides quantitative aspects of the baseline case, upside (optimistic) case and downside (pessimistic) case scenarios for selected forward-looking information/variables used to estimate the ECL for 31 December 2023. The values shown represent the average value of the macroeconomic variables over the first 12 months and the remaining 2-year forecast period for the baseline case, as well as average values of the entire projection horizon (3-year) for the optimistic and pessimistic cases.

Scenario	Historical	Baseline case			Optimistic case	Pessimistic case
			2024-2026			
	2022	2023	First 12 months[1)]	Remaining 2-year period[1)]	3-year period[1)]	3-year period[1)]
Real GDP (constant prices YoY, %)	6.2	2.5	2.9	2.9	5.0	0.2
Unemployment Rate (ILO, average %)	7.0	6.8	6.7	6.5	4.2	8.9
Real-Estate (% of change)	14.8	9.0	6.5	5.0	12.5	-0.3
CPI Inflation (average % YoY)	10.7	7.5	4.0	2.8	2.6	4.9

[1)] The numbers represent average values for the quoted periods. Source: wiiw (October 2023)

The following table provides selected variables used to estimate the ECL for 31 December 2022:

Scenario	Historical	Baseline case			Optimistic case	Pessimistic case
			2023-2025			
	2021	2022	First 12 months[1)]	Remaining 2-year period[1)]	3-year period[1)]	3-year period[1)]
Real GDP (constant prices YoY, %)	10.2	5.0	2.5	3.3	4.8	0.6
Unemployment Rate (ILO, average %)	7.6	7.3	7.4	6.8	3.9	10.6
Real-Estate (% of change)	7.3	8.5	2.8	2.6	6.1	0.3
CPI Inflation (average % YoY)	2.7	9.5	6.0	2.8	2.6	6.2

[1)] The numbers represent average values for the quoted periods.

The baseline forecast is the outcome of assessment of current economic developments, medium-term outlooks in the real and financial sector, and risks surrounding them. The scenarios are differentiated by:

(i) economic and geopolitical risks, mainly reflecting the prolonged war conditions in Ukraine, further trade fragmentation and mild resurgence of protectionism, higher interest rates, widespread recession.
(ii) climate transition risks reflecting assumptions on decarbonisation policies impacting core economic scenarios.

The calibration of economic shocks that leads to core alternative scenarios is implicitly derived from the last available EBA´s stress testing assumptions, i.e. any factor of conservativism that affected original deviation from the baseline path in EBA´s exercise is indirectly transposed into the internal framework. Technically, the core adverse scenario (not shown in the table above as it is used for internal stress testing and not in ECL calculation) depends on EBA´s deviation of adverse to baseline, which is imposed to wiiw´s baseline trajectories. Optimistic and pessimistic cases are ½ of the deviation used as described above. On the other hand, climate-related and environmental risk factors were calibrated based on econometric modelling of carbon pricing policies. They are specifically designed only for negative scenarios, while the baseline and optimistic case are already assumed to reflect climate effects stemming from “Paris Agreement setting” that implies no carbon dioxide removal efforts beyond the already established limits keeping the global warming below 2.5°C. Therefore, the climate effects in the baseline and optimistic scenarios are not quantitatively isolated at this stage, while for the negative scenarios they are added as annual deviations on top of core economic scenario values, reflecting carbon pricing policies targeting more ambitious limits of emissions, i.e. to reduce global warming below 1.6°C. This leads to asymmetrically dispersed distribution of potential outcomes, conditional on risk assessment and its materialization.

The respective narratives are as follows:

- Baseline: The 2023 carried greater risks for economic growth and solvency of the private sector, in contrast to the previous period when European economies faced uncertainty related mostly to price increases and deteriorating incomes. Although monetary policy stance of the major central banks and those from the region gradually switched from hawkish to neutral, the effects of increasing interest rates on the balance sheets and households come with a certain lag and are yet to be seen in full. This puts solvency of both financial institutions and corporates, which have been enjoying ultra-low interest rates for a long time, to a test. For the most part, the materialized inflation seems to be manageable although regulators have not achieved a decisive victory in their fight against it. However, short-term outlook may be jeopardized by recessionary impulses in large eurozone economies, bearing significant weight in the external trade as a major driver of regional growth. Most worryingly, mid-year growth in Germany and Italy was rather disappointing, suggesting that recovery will most likely not take place in the second half of 2023, and this pattern could be expected in a number of European economies. Stabilization over medium-run can still be assumed. Due to the moderation of inflation, and the policies for supporting wages implemented by governments, real wages saw a turnaround in Q2 2023. With unemployment steadily coming down in addition, it is all likely to stimulate consumption in the short-run, and help economic activity to a certain extent. However, it may also complicate the inflationary dynamics and make inflation more entrenched, especially if labour shortages contribute.

Turning to the climate risks, the European Commission has proposed ambitious goals regarding the reduction of GHG emissions over the next decade through the REPowerEU plan and the New Green Deal. By 2030, the share of renewables is supposed to be 45% of final energy (raised by 5 percentage points from the previous target). Additionally, the EU has set itself the binding goal of reducing emissions by at least 55% (compared to 1990 levels) until 2030. These plans are going to impact the EU economy. However, the aggregated output will not be greatly affected by these plans, rather will lead to a shift in the composition of GDP, where investment-consumption ratio could rise. High impact climate shocks are still largely to be expected in the long-run. The main physical risk for the region is the disproportionally growing temperature in the summer season, greater occurrence of droughts, and loss of precipitation. Considering that most of the physical risks are skewed towards the second half of the century, it can be expected that both the transition and physical risks are to remain minor over the forecast period.

- Optimistic: The positive scenario assumes warfare between Russia and Ukraine ends in Q4 2024 followed by lengthy political negotiations with gradual easing of delivery restrictions for essential goods. The ability to reopen trade routes relieves pressure from the markets for food and metal, putting the downward price pressures on the respective markets. Additionally, the tensions between the US and China subside leading to easing on the global markets of manufacturing production while global commodity prices do not increase. Monetary policy tightening brings its fruits with inflation declining ahead of expectations. New credit risks do not materialize, emerging markets enjoy increased capital flows and appreciated exchange rates versus EUR. This would increase consumption levels and open possibilities for higher investment rates that would enable European economies to grow considerably faster. For the period 2027-28, macroeconomic indicators are simulated to converge to the baseline scenario, according to the assumption that in the long run the economy will operate on its potential level, although reached by growth moderation in this scenario. These conditions may foster strengthening of the ambition regarding the greenhouse gas emissions and policies advocated by largest CO2 emitters, but one can still expect, in line with the latest Climate Action Tracker, that policy ambitions will stay within existing unconditional nationally determined contributions (NDC) commitments, i.e. individual country plans to reduce its emissions follow the Paris Agreement. Therefore, increases in carbon pricing over the forecast horizon is not to be expected and what is more, regional climate policy variations will remain quite low.

- Pessimistic: The negative scenario assumes that active warfare between Russia and Ukraine continues with little possibility for political negotiations in sight until the end of the next year. Trade costs for essential goods are assumed to increase due to trade fragmentation caused by the sanctions' policies, while energy transition of the EU triggers upward repricing of the energy commodities leading to a 25% increase above the current level. Price stabilization would then be delayed of course, whereas labour markets are hit by the tighter lending constraints decreasing the pace of the interest rate increase. These negative outcomes would be followed by mild resurgence of protectionism, which contributes to secondary upward pricing pressures and more volatile capital flows, alongside potentially colder winter conditions in Europe. Eurozone economic crisis would be unavoidable and could last until 2025, spilling-over to the regional markets asymmetrically if it weren´t for climate factors simultaneously kicking-in. This would not necessarily be true for segmented markets, what is more, real-estate crisis would be more than likely in this case across entre region, regardless of the climate transition risks materializing. In this scenario, Croatia would start recovering more quickly, already in 2026 GDP growth would turn positive. It is assumed that this capacity lacks in the rest of the sample for the entire simulation horizon. The climate shocks mentioned in the context are related to the global and regional climate policies targeting a 1.6°C limit to global warming, implemented immediately, albeit gradually, with European countries increasing carbon prices by 5,5% and the rest of the world by more than 12%. Of course, one has to admit there is a sizable chance that the global leaders may fail to coordinate on implementation of the climate action programs beyond the nationally determined contributions, which may be the source of additional risks and disturbances in both directions.

Expected credit losses as of 31 December 2023 include also post model adjustments of EUR 2.5 million which is EUR 1.1 million lower compared to the PMA amount as of 31 December 2022. The decrease of PMA is based on the update of macroeconomic scenarios, as well as on the assumption on decrease of volatility of macro-economic environment, visible also in the above-mentioned decrease of probability of pessimistic scenario occurrence. The post-model adjustment is booked across IFRS 9 stages 1 and 2.

The following table illustrates the weighted impairment allowance as well as the results of the sensitivity analysis where stage 1 and stage 2 ECLs are measured under each scenario with 100% weight. The sensitivity analysis is based on the baseline ECL excluding the applied management adjustment, which is included in the total ECL stock after probability weighting the ECL of each scenario. The assumed distribution of scenario probabilities (baseline 60%, optimistic 5% and pessimistic 35%) allows the Bank to cover the broad range of future expectations.

in EUR million

31.12.2023	ECL including post model adjustment	ECL excluding post model adjustment	Optimistic case	Base case	Pessimistic case
Retail	6.5	6.4	6.0	6.3	6.7
Non-retail	7.6	5.2	4.6	5.0	5.5
Treasury	0.2	0.2	0.1	0.1	0.2
Total	**14.3**	**11.7**	**10.7**	**11.5**	**12.4**

in EUR million

31.12.2022	ECL including post model adjustment	ECL excluding post model adjustment	Optimistic case	Base case	Pessimistic case
Retail	5.6	4.1	3.1	3.8	4.6
Non-retail	6.8	4.6	3.3	4.3	5.2
Treasury	0.1	0.0	0.0	0.0	0.0
Total	**12.4**	**8.8**	**6.4**	**8.1**	**9.9**

58.2. Development of risk provisions

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 2.5% (2022) to 1.9% (2023).

The overall positive trend in NPE is mostly the 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 NPE collection / recovery are continuously ensuring stable and controlled NPE portfolio development.

Risk costs for 2023 ended up in amount of EUR -1.7 million, and with inclusion of off-balance sheet items, and FVOCI instruments, total YTD risk costs amounts EUR -2.3 million. The figure is mainly influenced by stable NPE inflow in focus segments along with comprehensive NPE collection and recovery activities. Despite unfavourable macroeconomic environment and inflationary pressures there was no material deterioration in asset quality in 2023, with risk provision development according to the expectations.

58.3. Changes in the calculation of portfolio risk provisions

Based on the ongoing model improvement framework at Addiko, updates are performed regularly to make sure that the latest available information is considered. During 2023 a significant number of models for estimating credit risk parameters has undergone regular reviews.

58.4. Development of the coverage ratio

The following table shows the NPE and coverage ratio (coverage ratio considers Stage 3 risk provision stocks) according to the internal segmentation as of 31 December 2023 and 31 December 2022:

in EUR million

31.12.2023	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	Coverage Ratio
Consumer	612.8	11.7	8.9	0.4	1.9%	76.6%
SME	552.9	13.8	12.2	4.2	2.5%	88.1%
Non-focus	245.5	20.6	18.2	16.0	8.4%	88.6%
o/w Large Corporate	28.9	10.2	9.3	3.5	35.3%	91.0%
o/w Mortgage	187.5	10.4	8.9	12.4	5.5%	86.3%
o/w Public Finance	29.1	0.0	0.0	0.0	0.0%	100.0%
Treasury	968.8	0.0	0.0	0.0	0.0%	0.0%
Total	**2,380.0**	**46.0**	**39.3**	**20.6**	**1.9%**	**85.4%**

in EUR million

31.12.2022	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	Coverage Ratio
Consumer	556.1	12.9	9.9	0.6	2.3%	76.4%
SME	500.5	25.6	20.0	7.5	5.1%	78.2%
Non-focus	289.0	24.3	20.9	14.3	8.4%	85.7%
o/w Large Corporate	36.9	10.2	9.3	3.5	27.6%	90.7%
o/w Mortgage	223.8	14.1	11.6	10.8	6.3%	82.1%
o/w Public Finance	28.3	0.0	0.0	0.0	0.0%	99.6%
Treasury	1,158.0	0.0	0.0	0.0	0.0%	0.0%
Total	**2,503.6**	**62.8**	**50.7**	**22.4**	**2.5%**	**80.8%**

The overall increase in the Coverage Ratio is a result of provision allocation for clients in SME and Non-focus segments.

In determining provision coverage for NPE, Addiko Bank aims to be fully aligned with the supervisory expectations for prudential provisioning of non-performing exposures published by the European Central Bank.

(59) Measurement of real estate collateral and other collateral

59.1. 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 obligation from financial instruments is continuously monitored on monthly basis.

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 (ICV), more conservative than the estimated value, using conservative haircuts in the calculation, which buffer potential losses, capped up to the value of the outstanding exposure they secure. Haircuts which are applied consistently in line with prescribed internal policy.

The Bank prescribed in its internal documents the methods of treatment all security instruments that are relevant in terms of credit risk for the Bank, in accordance with the regulatory requirements governing those instruments.

Guarantees are represented by government guarantees, provinces, local authorities and banking guarantees.

Types of collaterals and internal collateral values (ICV) at 31 December 2023 and 31 December 2022 considered in the analysis above were as follows:

in EUR million

Collateral distribution	31.12.2023	31.12.2022
Exposure	2,380.0	2,503.6
Internal Collateral Value (ICV)	240.4	275.9
thereof CRE	61.4	84.7
thereof RRE	169.0	177.3
thereof financial collateral	4.5	6.9
thereof guarantees	4.1	5.6
thereof other	1.4	1.4
ICV coverage rate	**10.1%**	**11.0%**

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 reassessed. 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 Collateral Management Policy. The market value of the ones with lower value is monitored using a statistical model. Thresholds for individual monitoring for residential real estate are more conservative, and those correspond to a market value of over EUR 0,4 million. Any outliers identified through statistical monitoring (CRE and RRE) are additionally monitored manually.

The predominant part of the reflected stated collaterals is provided for loans and receivables (negligible collaterals within other financial instruments). Reduction of collateral received value is the result of the continuing increase of lending activities on unsecured placements to private customers and small business entities according to the adopted business strategy.

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 EUR million

31.12.2023	Gross carrying amount	Fair value of collateral held under the base case scenario							Net exposure	ECL
		Securities	Guarantees	Property	Other	Offsetting	Surplus collateral	Total collateral		
Loans and receivables	**43.9**	**0.0**	**0.0**	**6.7**	**0.0**	**0.0**	**0.0**	**6.7**	**37.2**	**37.7**
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	21.2	0.0	0.0	2.5	0.0	0.0	0.0	2.5	18.7	19.1
Households	22.8	0.0	0.0	4.2	0.0	0.0	0.0	4.2	18.6	18.7
Commitments and financial guarantees	**2.1**	**0.0**	**0.0**	**0.4**	**0.0**	**0.0**	**0.0**	**0.4**	**1.7**	**1.6**
Loan commitments given	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
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	1.9	0.0	0.0	0.4	0.0	0.0	0.0	0.4	1.5	1.4

in EUR million

31.12.2022	Gross carrying mount	Fair value of collateral held under the base case scenario							Net exposure	ECL
		Securities	Guarantees	Property	Other	Offsetting	Surplus collateral	Total collateral		
Loans and receivables	**59.7**	**0.0**	**0.0**	**10.1**	**0.0**	**0.0**	**0.0**	**10.1**	**49.6**	**49.6**
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	31.4	0.0	0.0	4.5	0.0	0.0	0.0	4.5	26.9	26.9
Households	28.3	0.0	0.0	5.6	0.0	0.0	0.0	5.6	22.7	22.7
Commitments and financial guarantees	**3.2**	**0.0**	**0.0**	**2.0**	**0.0**	**0.0**	**0.0**	**2.0**	**1.1**	**1.1**
Loan commitments given	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
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	3.0	0.0	0.0	2.0	0.0	0.0	0.0	2.0	1.0	1.0

(60) 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.

The Bank structures market price risks according to the risk factors in interest rate, credit spread, currency and equity price risk. The Bank places a special emphasis on identifying, measuring, analysing and managing market risk. Market price risks may result from securities (and products similar to securities), money and foreign currency products, derivatives, exchange rate hedges and results hedging, assets similar to equity or from the management of assets and equity/liabilities.

60.1. 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 in-verse 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 2023:

Value at Risk	EUR million	EUR million	EUR million	EUR million
Risk category	Minimum	Maximum	Average	End of year
Interest rate risk - trading book	0.0	0.0	0.0	0.0
Interest rate risk - banking book	0.3	0.9	0.5	0.4
Credit spread risk	0.2	0.7	0.4	0.3
Equity risk	0.1	0.1	0.1	0.1
Currency risk	0.0	0.0	0.0	0.0
Total*	**0.6**	**1.7**	**1.0**	**0.8**

* Correlation effects are not considered in the above analysis.

The following table presents VaR trends of specific risk factors during the year 2022:

Value at Risk	EUR million	EUR million	EUR million	EUR million
Risk category	Minimum	Maximum	Average	End of year
Interest rate risk - trading book	0.0	0.0	0.0	0.0
Interest rate risk - banking book	0.4	1.0	0.6	0.6
Credit spread risk	0.0	1.8	0.7	0.6
Equity risk	0.1	0.2	0.2	0.1
Currency risk	0.0	0.1	0.0	0.1
Total*	**0.5**	**3.1**	**1.5**	**1.4**

* Correlation effects are not considered in the above analysis.

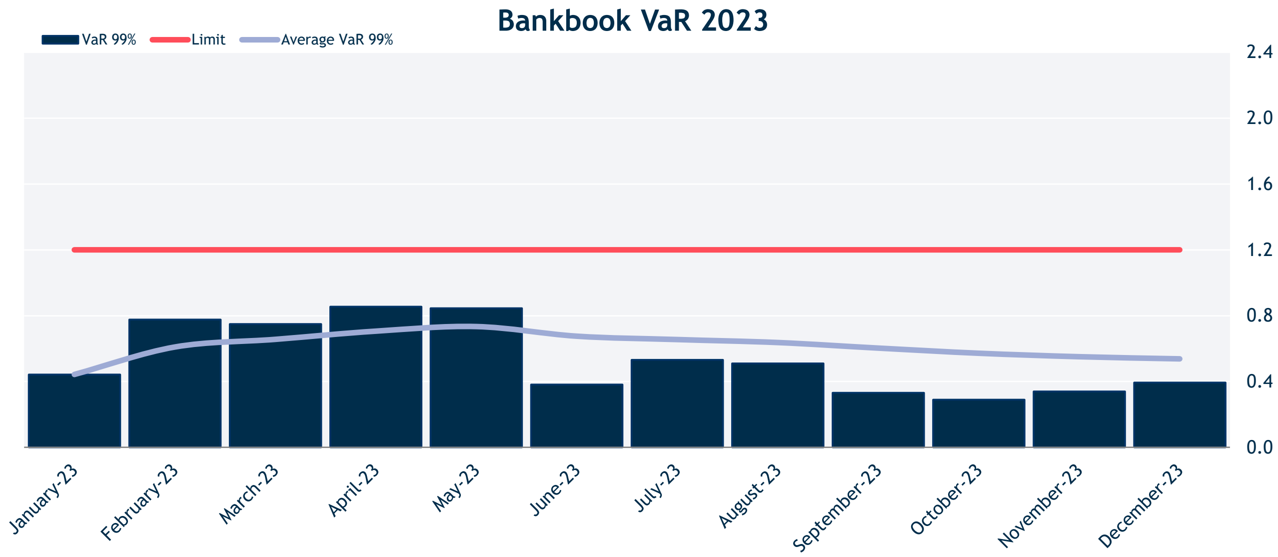
Comparing end of year figures, decrease of total risk amount at the end of 2023 is mainly result of decrease in credit spread risk due to decreased volatility of CDS/probability of default of Croatia government bonds and similar emerging markets' issuers alongside decrease of interest rate risk in banking book due to decreased interest rate volatilities. Furthermore, total market risk exposure was on average lower in 2023 compared to the year before primarily due to lower exposure to credit spread risk and lower interest rate risk in bank book.

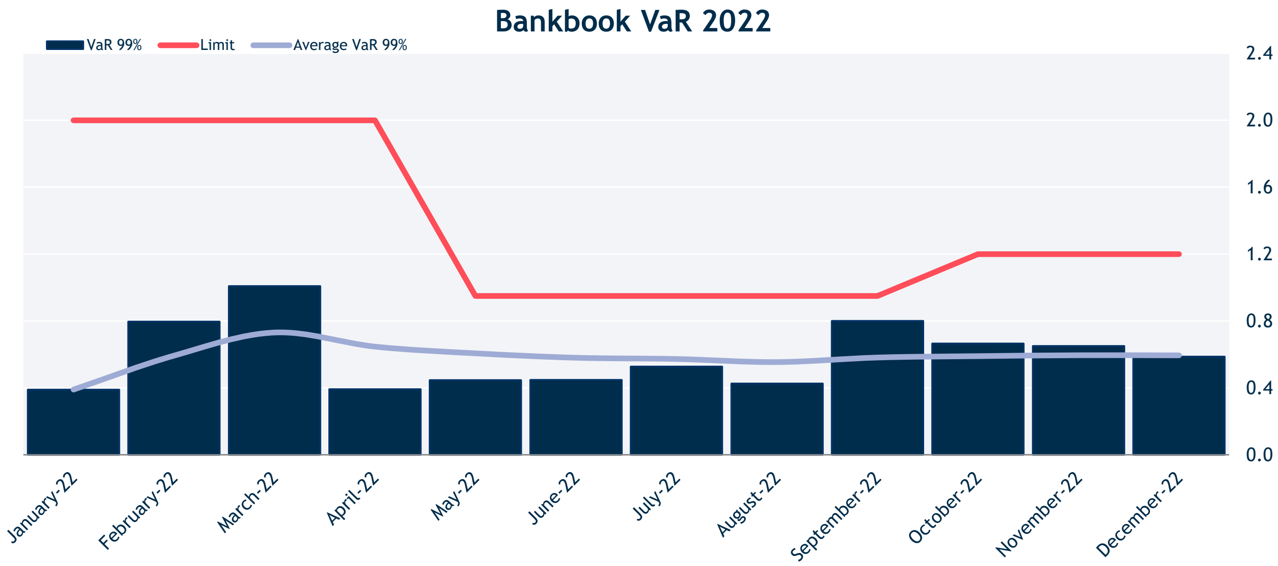
60.2. Interest rate risk

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 0.29 million and EUR 0.86 million during 2023 and was below internal VaR limit set at EUR 1.2 million. The structure of the balance sheet according to the share of liabilities with fixed interest rates increased compared to the previous year. The Bank's funding structure still prevents a material increase in interest rate risk, taking into consideration an increase in the share of term deposits and a decrease in the share of received funds with until a further notice type of interest rate.

VaR limit monitoring and average usage of given limits for interest rate risk for 2023 and 2022 are shown in the graphs below, in EUR million:





Decrease in interest rate volatility in the second half of the year was the key reason for a lower interest rate risk measured by VaR model compared to corresponding month in 2022.

As shown on the chart for 2023, interest rate risk in the Bank Book was below the limit the whole year. The EUR was the biggest risk contributor throughout 2023.

Interest GAP Balance for on-balance sheet positions as of 31 December 2023 is as follows:

in EUR 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	472.0	99.6	79.3	368.9	258.1	212.2	608.6	106.2	2,204.9
Liabilities	-512.7	-93.2	-39.6	-260.2	-140.1	-155.8	-547.6	-455.8	-2,204.9
Interest GAP	**-40.7**	**6.4**	**39.7**	**108.7**	**118.0**	**56.4**	**61.0**	**-349.5**	**0.0**
Interest GAP (%)	**-1.8%**	**0.3%**	**1.8%**	**4.9%**	**5.4%**	**2.6%**	**2.8%**	**-15.9%**	**0.0%**

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

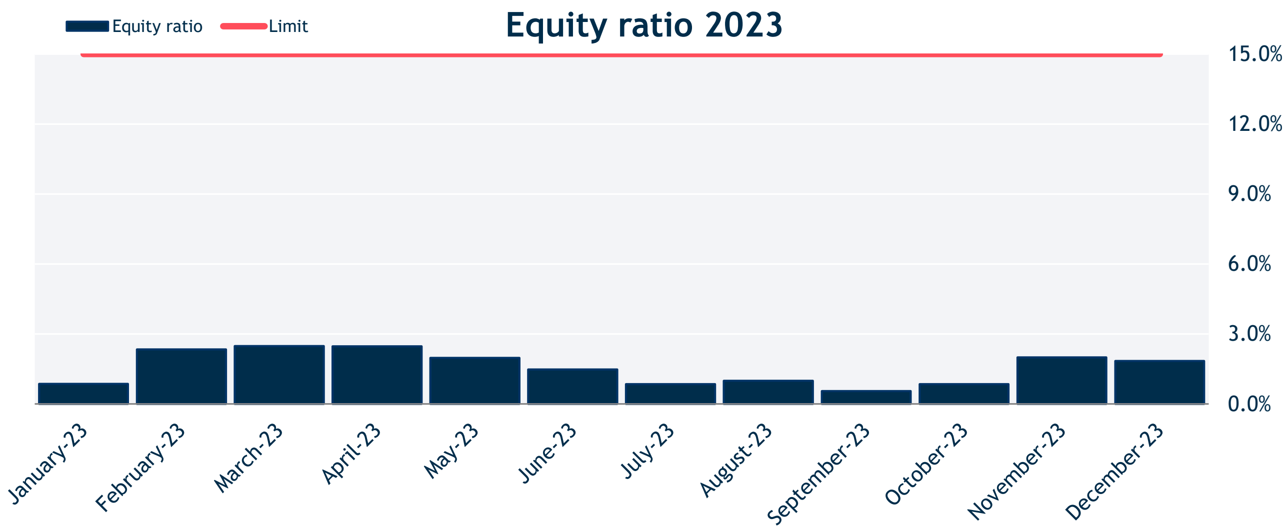
Interest GAP Balance for on-balance sheet positions as at 31 December 2022 is as follows:

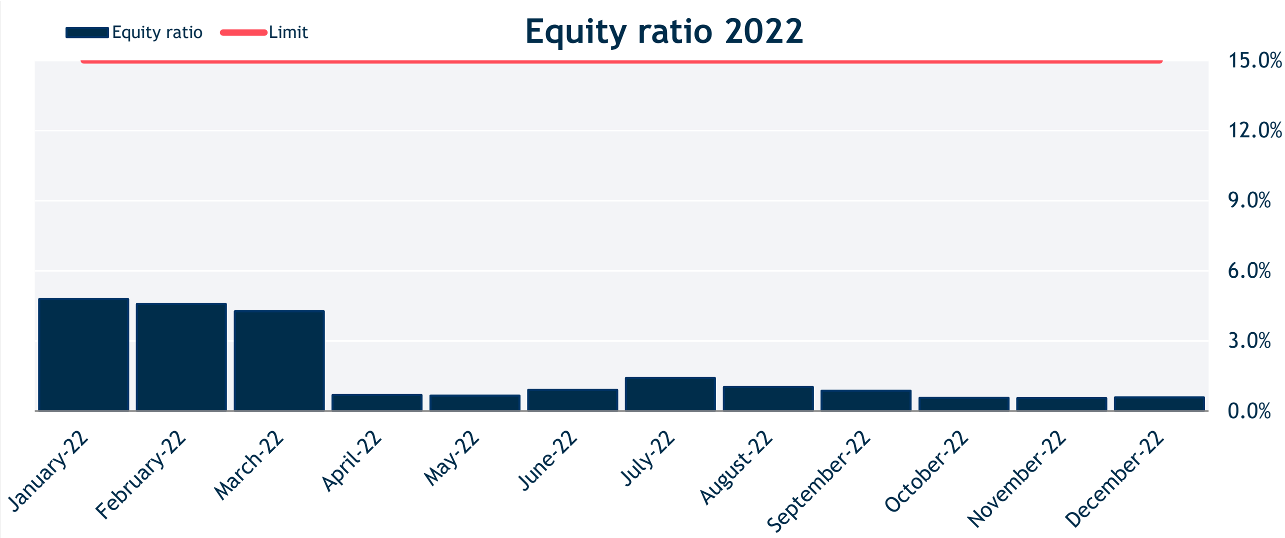
in EUR million

	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	640.7	157.8	52.9	445.2	207.7	149.1	571.0	61.8	2,286.1
Liabilities	-840.7	-114.8	-26.1	-151.7	-157.5	-106.9	-525.0	-363.5	-2,286.1
Interest GAP	**-200.0**	**43.0**	**26.8**	**293.5**	**50.2**	**42.2**	**46.0**	**-301.7**	**0.0**
Interest GAP (%)	**-8.7%**	**1.9%**	**1.2%**	**12.8%**	**2.2%**	**1.8%**	**2.0%**	**-13.2%**	**0.0%**

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

Monitoring of Equity ratio, which represents interest rate risk calculated as 200 BP interest rate shock in relation with regulatory capital as defined in EBA Interest rate risk in banking book guidelines, as well as monitoring of internally given limit of 15% of regulatory capital for 2023 and 2022 are shown on the graphs as follows:





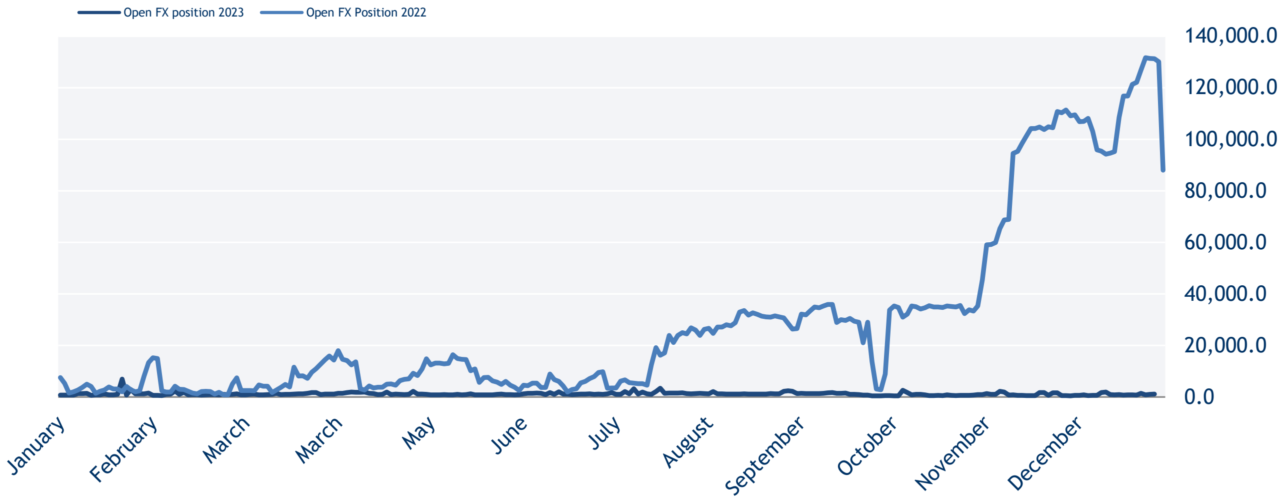
Regulatory requirements state that impact on local EVK report (report on exposures to interest rate risk in banking book) of a sudden parallel +/-200 basis points shift of the yield curve in total own funds may not exceed 20.0%, with the relevant risk estimation at 6.5% at 31 December 2023 versus 6.3% at 31 December 2022. Under the scenarios 1 to 6 as set out in Annex III of EBA/GL/2018/02, the impact may not exceed 15% of Tier 1 capital, with the relevant risk estimation at 6.7% at 31 December 2023 versus 6.9% at 31 December 2022.

60.3. 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. With Croatia's entry into the Eurozone in beginning of the 2023, the Bank's total open FX position was almost closed and has been at low levels ever since. For this reason, volume open FX limit was reduced from EUR 150 million to EUR 30 million at the beginning of the year. Foreign currency risk is measured via internal Monte Carlo-based VaR calculation, and the VaR limit was lowered from EUR 300 thousand to EUR 100 thousand at the end of February 2023. Average total open FX position volume was 96% lower compared to 2022 due to closing of open FX position with Croatia entering eurozone.

The following graph shows comparison in movements of open foreign currency position for the year 2023 and 2022:



The following table details the Bank's open FX position as of 31 December 2023 as well as Bank's sensitivity to changes in the exchange rate between the domestic currency (EUR) and the relevant foreign currency, comparing the rates at the end of 2023 and 2022:

in EUR million

	CHF	CAD	AUD	Other
Open FX position	-0.3	0.2	0.2	0.2
Net profit or loss effect	0.0	0.0	0.0	0.0

The following table details the Bank's open FX position as of 31 December 2022 as well as Bank's sensitivity to changes in the exchange rate between the domestic currency at the time (HRK) and the relevant foreign currency, comparing the rates at the end of 2022 and 2021:

in EUR million

	EUR	USD	CHF	Other
Open FX position	82.2	-5.4	0.1	0.2
Net profit or loss effect	1.4	-2.4	0.0	0.1

A positive number with long open position indicates an increase in profit and a depreciation of domestic currency against the relevant foreign currency, while a negative number with long open position indicates a decrease in profit and an appreciation of domestic currency against the relevant foreign currency comparing year end exchange rates.

All limits for open FX position were respected throughout whole 2023. Monthly average total open FX position volume was in range from around EUR 0.8 million to EUR 1.6 million. With low appetite for open FX position, FX risk measured by VaR remained at low levels, shaping limit utilization on 6% average.

60.4. 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.

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.

The credit spread risk stood at EUR 0.3 million at 31 December 2023, versus EUR 0.6 million at 31 December 2022. The Bank’s credit spread risk maintained from EUR 0.2 million to EUR 1 million throughout the year and was below VaR limit of EUR 1.4 million defined at the end of February 2023.

(61) 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. The 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 2023 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 2023, the Liquidity Coverage Ratio (LCR) has been moving between its lowest level of 312.3 % in September 2023 and its peak of 472.1 % in January 2023.

The following table represents levels of liquidity coverage ratio obtained by the Bank in 2023 and 2022 and calculated out of daily values:

	2023 %	2022 %
Year End	333.0	384.0
Maximum	472.1	409.1
Minimum	312.3	235.0
Average	355.9	294.0

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 2023, the NSFR has been moving between its lowest level of 183.5 % in December 2023 and its peak of 195.7 % in March 2023.

The following table represents levels of NSFR ratio obtained by the Bank in 2023 and 2022 and calculated out of quarterly values:

	2023 %	2022 %
Year End	183.5	205.1
Maximum	195.7	205.1
Minimum	183.5	187.5
Average	188.9	195.0

In December 2023, the counterbalancing capacity at the Addiko Bank was structured as follows:

in EUR million

Counterbalancing Capacity	
Coins and bank notes	49.1
Withdrawable central bank reserves	345.6
Level 1 tradable assets	503.8
Level 2A tradable assets	0.0
Level 2B tradable assets	5.9
Total Counterbalancing Capacity	**904.5**

In December 2022, the counterbalancing capacity at the Addiko Bank was structured as follows:

in EUR million

Counterbalancing Capacity	
Coins and bank notes	57.5
Withdrawable central bank reserves	447.9
Level 1 tradable assets	473.5
Level 2A tradable assets	0.0
Level 2B tradable assets	5.8
Total Counterbalancing Capacity	**984.6**

Furthermore, the Bank has set additional internal limits which represent the constitutional part of Liquidity Risk Policy. These ratios are used in liquidity risk management process and represents tolerance toward liquidity risk:

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

The ratio of liquid assets to total assets is indicator of current liquidity which defines what portion of total assets should be kept as liquid assets (e.g. giro positions, securities portfolio). The goal is to keep liquidity reserves in proportion with total assets.

The short-term assets to short-term liabilities defines the relation between short term assets and short term liabilities and takes into consideration remaining asset and liabilities maturity up to 1 year.

Loan Stable Funding Ratio should be on the monthly observation’s ratio between loans and funding.

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

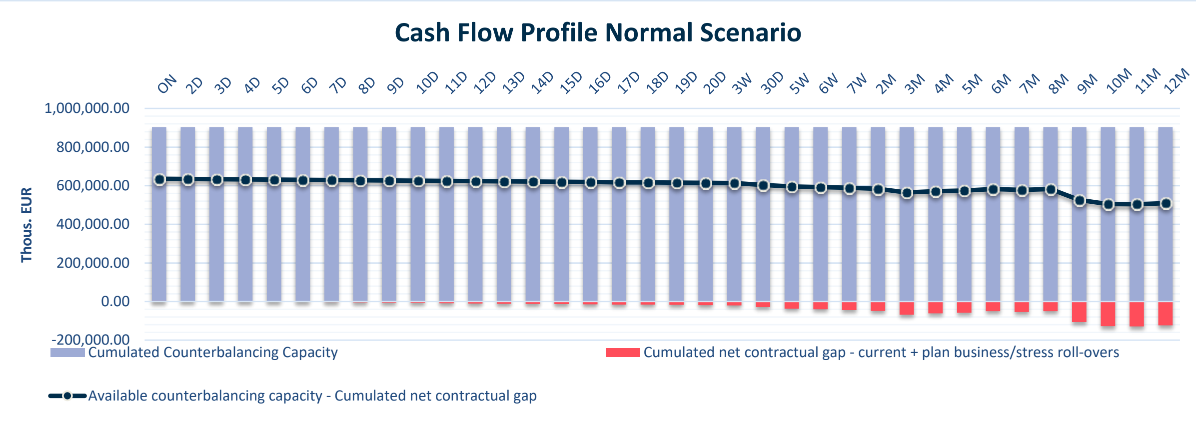
The following table shows the level of Liquidity ratios in 2023 and 2022:

	2023 %	2022 %
Current liquidity ratio:		
Year End	45.4	49.5
Maximum	49.6	49.5
Minimum	44.5	40.8
Average	46.3	44.2
LLSFR ratio:		
Year End	67.5	59.1
Maximum	68.9	64.5
Minimum	59.7	59.1
Average	65.4	62.1
Short term assets to short term liabilities ratio:		
Year End	116.3	158.3
Maximum	160.9	158.3
Minimum	116.3	131.4
Average	138.5	142.1

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.

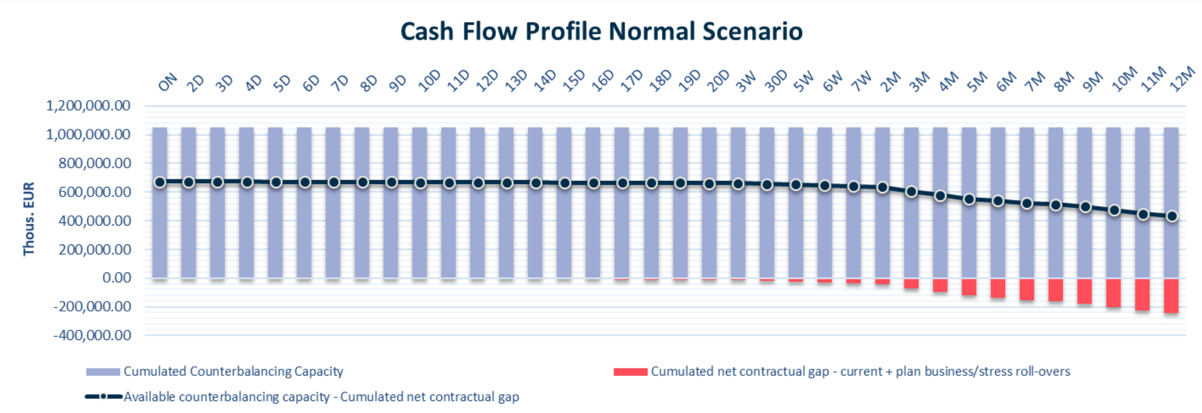
Graph below shows sufficiency of liquidity reserves in relation to net projected outflows ("Time to Wall" ratio) on 31 December 2023:

Normal Scenario		31.12.2023
Time to Wall		>12 m
Net Liquidity Position (EUR Mio) after	1 week	629.23
	1 month	604.09
	3 months	564.79
	6 months	582.68
	1 year	510.05



Graph below shows sufficiency of liquidity reserves in relation to net projected outflows ("Time to Wall" ratio) on 31 December 2022:

Normal Scenario		31.12.2022
Time to Wall		>12 m
Net Liquidity Position (EUR Mio) after	1 week	671.33
	1 month	657.58
	3 months	606.61
	6 months	540.32
	1 year	434.19



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 2023:

in EUR million

31.12.2023	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	48.4	48.4	48.4	0.0	0.0	0.0	0.0
Balances with Croatian National Bank	363.4	363.4	363.4	0.0	0.0	0.0	0.0
Financial assets at fair value through P/L and FVOCI	353.9	379.5	7.3	29.5	36.0	238.7	68.1
Debt securities at amortised cost	217.6	533.1	0.3	7.7	40.6	262.5	222.0
Placements with and loans to other banks	12.9	12.9	12.9	0.0	0.0	0.0	0.0
Loans and receivables	1,153.3	1,323.4	55.5	80.6	257.1	677.8	252.4
Total assets	**2,149.5**	**2,660.7**	**487.8**	**117.8**	**333.7**	**1,178.9**	**542.5**
Liabilities							
Deposits and borrowings from credit institutions	16.4	17.5	13.4	3.1	1.1	0.0	0.0
Subordinated debt	31.1	35.3	0.0	0.0	1.1	34.2	0.0
Deposits from customers, borrowings and other financial liabilities	1,676.1	1,678.1	1,408.8	108.2	129.2	28.7	3.3
Lease liabilities	5.1	5.4	0.0	0.4	1.2	3.7	0.1
Total liabilities	**1,728.7**	**1,736.3**	**1,422.1**	**111.7**	**132.5**	**66.5**	**3.4**
Off Balance							
Derivatives nominal inflow	264.7	264.7	0.0	232.1	19.2	13.4	0.0
Derivatives nominal outflow	-264.5	-264.5	0.0	-231.9	-19.2	-13.4	0.0
Guarantees	52.1	52.1	1.7	50.4	0.0	0.0	0.0
Uncovered letters of credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revolving loans	35.1	35.1	1.0	1.6	10.3	22.2	0.0
Loan commitments	69.7	69.7	0.5	69.2	0.0	0.0	0.0
Other off-balance commitments	53.9	53.9	0.0	0.5	1.2	38.5	13.7

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. The Banks' expected cash flows on some financial assets and financial liabilities vary from the contracted cash flows. The principal difference is related to deposits from customers that are expected to remain stable.

The table above is showing residual maturity including in full non-maturing Deposits from customers (NMD's) in up to 1 day time bucket. Statistical approach (NMD model) which is used in IRRBB management could be indicative in liquidity management showing fluctuations occurring at the individual account level and overall volume of NMD deposits remaining relatively constant. In retail segment (significant, EUR currency) more than 90% of NMD's is stable with rollout percentage of 89% and maximum maturity up to 8Y. In corporate segment (EUR currency) around 90% of NMD's is stable with rollout percentage of 50% (regulatory cap) and with maximum maturity up to 5Y. The NMD model was made according to the Basel Committee on Banking Supervision (BCBS) 2016 guidelines.

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 2022:

in EUR million

31.12.2022	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	57,5	57,5	57,5	0,0	0,0	0,0	0,0
Balances with Croatian National Bank	517,7	517,7	467,0	50,6	0,0	0,0	0,0
Financial assets at fair value through P/L and FVOCI	475,3	516,9	6,1	45,6	109,8	198,7	156,7
Debt securities at amortised cost	95,9	101,1	0,0	0,7	47,4	53,0	0,0
Placements with and loans to other banks	16,8	16,8	16,8	0,0	0,0	0,0	0,0
Loans and receivables	1.062,3	1.223,6	37,5	70,8	231,8	614,5	269,1
Total assets	**2.225,4**	**2.433,6**	**584,9**	**167,8**	**388,9**	**866,2**	**425,8**
Liabilities							
Deposits and borrowings from credit institutions	40,8	40,8	38,0	2,8	0,0	0,0	0,0
Subordinated debt	31,1	38,5	0,0	0,0	2,1	36,3	0,0
Deposits from customers, borrowings and other financial liabilities	1.782,1	1.783,4	1.616,4	60,2	31,6	68,7	6,5
Lease liabilities	5,5	5,5	0,0	0,0	1,5	3,8	0,2
Total liabilities	**1.859,5**	**1.868,1**	**1.654,4**	**63,0**	**35,1**	**108,9**	**6,7**
Off Balance							
Derivatives nominal inflow	63,2	63,2	0,0	37,2	9,8	3,4	12,8
Derivatives nominal outflow	-63,2	-63,2	0,0	-37,3	-9,8	-3,4	-12,8
Guarantees	67,9	67,9	2,4	65,5	0,0	0,0	0,0
Uncovered letters of credit	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Revolving loans	31,9	31,9	20,7	1,7	9,1	0,3	0,0
Loan commitments	78,8	78,8	63,5	15,3	0,0	0,0	0,0
Other off-balance commitments	48,5	48,5	0,0	0,0	2,3	36,0	10,3

(62) 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 through 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 scenarios analysis 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 2023 amounts to EUR 11.47 million. Total realized booked new operational risk gross losses amounts to EUR 13.6 million and these losses are recorded within 1122 operational risk events which are mostly influenced by provisions allocated to CHF passive legal cases. The recovery is recorded in the amount of EUR 0.2 million, which represents net loss in the amount of EUR 13.4 million. In addition, allocation in total amount of EUR 4.97 million were booked as part of the adjustment of existing losses, which are mostly related to CHF passive legal cases.

(63) Other risks

63.1. 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.

63.2. 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.

63.3. 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

63.4. Systemic risk

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

63.5. Environmental, Social and Governance (ESG) Risks

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

As described in the consolidated Addiko Group Non-Financial report, Addiko takes into account the environmental, social and governance ("ESG)" risks, associated with the activities of customer companies and pays particular attention to in-depth analysis of sustainability issues related to sectors which are considered sensitive.

Addiko Bank also regularly assesses and reports on ESG risks which may impact the bank. ESG risk factors (primarily climate-related and environmental risks) and its risk materiality are regularly assessed on a yearly basis, resulting with inclusion into existing risk types (credit risk and other risks), rather than showing them as a single, standalone ESG risk type. Depending on the results of the mentioned risk materiality assessment process, appropriate risk reduction techniques and control mechanisms are implemented, with the aim of monitoring such a portfolio throughout its entire life. Any negative movement in this context must be reflected in the deterioration of the client's rating, which will ultimately result in an increase in capital requirements for credit risk.

In line with regulatory expectations, Addiko puts a special focus on climate-related and other environmental risk (C&E risk) management. In this context Addiko considers both physical and transition risks:

- Physical risk refers to the direct impact from climate-related or environmental changes, which can be "acute" (e.g. extreme weather events such as hurricanes, floods and wildfires) or "chronic" in case of progressive changes, such as sustained higher temperatures, heat waves, droughts and rising sea levels.
- Transition risk refers to the potential losses resulting from the adjustment towards a lower-carbon and more environmentally sustainable economy (e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand).

While no immediate danger for Addiko was identified in the assessment of climate-related and other environmental risks, the urgency and uncertainty of the matter require continuous monitoring. Addiko focuses in particular on the strict limitation of any idiosyncratic C&E risk. In this context, Addiko has identified industries which are and might in the future be impacted by climate and environmental risk and set prudent limits on the maximum exposure to these limits, which are diligently tracked. Furthermore, within the operational credit-granting process, Addiko has defined measures to recognize the potential impact of climate and environmental risk on the asset quality of the clients. Proper assessment is necessary in order to prevent potential financial, legal or reputational consequences for the bank that might appear in case that bank supports financing of the respective company.

Additionally, climate-related and environmental risk factors were calibrated based on econometric modelling of carbon pricing policies and included in macroeconomic forecasts and therefore also make integral part of IFRS 9 ECL calculation. They are specifically designed only for pessimistic and worst-case scenarios, while the baseline and optimistic case are already assumed to reflect climate effects stemming from "Paris Agreement setting" that implies no carbon dioxide removal efforts beyond the already established limits keeping the global warming below 2.5°C. Therefore, the climate effects in the baseline and optimistic scenarios are not quantitatively isolated at this stage, while for the negative scenarios they are added as annual deviations on top of core economic scenario values, reflecting carbon pricing policies targeting more ambitious limits of emissions, i.e., to reduce global warming below 1.6°C. This leads now to asymmetrically dispersed distribution of potential outcomes, conditional on risk assessment and its materialization.

(64) Legal risk

64.1. Passive legal disputes: monitoring and provisioning of legal risks

The overall number of passive legal disputes increased in 2023. The expiration of the statute of limitation term for filing CHF claims lead to a higher number of FX court cases and adequate alterations of the internal provisioning model. As a consequence, the overall amount in dispute for passive legal disputes was increased as of 31 December 2023 (EUR 200.05 million) versus 31 December 2022 (EUR 164.82 million) by EUR 35.23 million.

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 and local regulations where the expected outflow of economic resources is more probable than not. The Bank’s Litigation division familiar with the respective case and/or external appraisers is responsible for assessing the expected outcome of the dispute with the plaintiff.

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.

For further details concerning provisions for legal disputes, please refer to Note (49.2) Provisions for pending legal disputes.

64.2. Historical unilateral interest changes and Suisse Frank clause risk

Between 2004 and 2008, numerous private customers in Croatia have borrowed foreign currency loans (especially loans denominated in CHF). 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 such agreements when they were concluded, and as a result, such foreign currency and interest rate adjustment clauses applied were subsequently considered null and void. This was 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 consumer CHF court's proceedings against the Bank during the period from 2019 to 2023 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,
- (ii) September 2019 - the Supreme Court of the Republic of Croatia has confirmed the 2018 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 the verdict but had to file individual complaints regarding any potential overpayment claims due to the FX clause.
- (iii) March 2020 - the Supreme Court of the Republic of Croatia ruled in the sample case that the annexes for converted loans are valid, which implies that CHF converted borrowers are not entitled to additional reimbursement,
- (iv) In May 2022 the European Court of Justice (“CJEU”) ruled in a case regarding converted CHF loans, that a) CJEU has no jurisdiction over the CHF loan itself since the loan agreement was concluded before Croatia’s accession to the EU and b) that the Consumer Protection Directive might not be applicable if the Conversion law 2015 was intended to bring balance between banks and consumers. The task of checking whether this is the case is up to local courts,

(v) December 2022 - the Supreme Court of the Republic of Croatia published its opinion regarding converted CHF loans. The opinion states that clients who converted under Conversion Law 2015 are entitled to additional payments according to the General Obligations Act, which should consist of penalty interest until the conversion. However, this opinion did not pass the control by the Register for Judicial Practice of the Supreme Court and therefore it is not legally binding.

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

As of 13 June 2019, all claims due to the unilateral interest change provisions in CHF loan agreements are time barred and as of 14 June 2023, due to the expiry of the statute of limitation term for FX, plaintiffs can no longer file valid CHF claims for FX clauses. The expiry of the said statute of limitation term for filing CHF claims lead to an increased number of FX court cases and provisions accordingly.

Since the deadline for filing new claims expired on 14 June 2023, Addiko has more knowledge on the topic in terms of the potential final number of cases and has initiated activities on a settlement strategy for CHF non-converted cases in 4Q23 to support resolving the cases. Despite the inherent uncertainties in estimating the future outcome of court cases, Addiko expects that future developments of unconverted cases will not have a significant adverse impact on Bank's financial statements.

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.

For further details concerning provisions for legal disputes, please refer to Note (49.2) Provisions for pending legal disputes.

(65) 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

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

The Bank doesn't provide disclosures for leases from the view as lessor as specified by IFRS Standards due to the fact that the information resulting from these disclosures are not material.

(67) 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 and equipment 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 (7) Leases, and to Note (4) Use of estimates and assumptions/material uncertainties in relation to estimates.

The lease agreements do not include any clauses that impose any restrictions on the Bank's ability to pay dividends, engage in debt financing transactions or enter into further lease agreements.

The total cash outflows for leases are as follows:

in EUR million

	31.12.2023	31.12.2022
Payments for principal portion of lease liability	-1.9	-1.7
Payments for interest portion of lease liability	-0.1	-0.1
Payments for short-term, low value assets and variable lease payments not included in the measurement of the lease liability	-0.6	-0.7
Total	**-2.7**	**-2.5**

The undiscounted maturity analysis of lease liabilities under IFRS 16 is as follows:

in EUR million

	31.12.2023	31.12.2022
Up to 1 year	1.6	1.5
From 1 year to 5 years	3.7	3.9
More than 5 years	0.1	0.2
Total	**5.4**	**5.7**

The expenses relating to payments not included in the measurement of the lease liability are as follows:

in EUR million

	31.12.2023	31.12.2022
Short-term leases	-0.1	0.0
Leases of low value assets	-0.5	-0.5
Variable lease payments	0.0	-0.3
Total	**-0.6**	**-0.8**

The Bank has no commitments for future cash outflows which are not reflected in the measurement of lease liabilities at the current reporting date.

(68) Assets/liabilities denominated in foreign currencies

The following amounts in the statement of financial position are denominated in foreign currencies:

in EUR million

	31.12.2023	31.12.2022[1)]
Assets	98.5	1,015.0
Liabilities	76.9	939.2

[1)] 2022 figures contain assets and liabilities denominated in EUR.

(69) Contingent liabilities

in EUR million

	31.12.2023	31.12.2022
Loan commitments	158.7	159.2
Financial guarantees	8.7	14.2
Other commitments	43.4	53.8
Total	**210.8**	**227.1**

The position Other commitments includes mainly non-financial guarantees, like performance guarantees or warranty guarantees and guarantee frames.

(70) Fair value disclosures

Fair value is the price that would be received for the sale of an asset or paid to transfer a debt in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

IFRS 13 specifies the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- **Level I - Quoted prices in active markets:** The fair value of financial instruments traded in active markets is best established through quoted prices of identical financial instruments where these quoted prices represent market values/prices used in regularly occurring transactions. This applies above all to equity instruments traded on an active market, debt instruments traded on the interbank market and quoted derivatives.

- **Level II - Value determined using observable parameters:** If there are no quoted prices for individual financial instruments, the market prices of comparable financial instruments or accepted measurement models applying directly or indirectly observable prices or parameters (interest rates, yield curves, implied volatilities and credit spreads) must be used to determine the fair value. This level includes the majority of the OTC derivatives and non-quoted debt instruments. A financial instrument is classified in level II if all significant inputs in the valuation are observable on the market.

- **Level III - Value determined using non-observable parameters:** This category includes financial instruments for which there are no observable market rates or prices. The fair value is therefore determined using measurement models and unobservable inputs (typically internally derived credit spreads) appropriate for the respective financial instrument. These models make use of management assumptions and estimates depending on the pricing transparency and complexity of the financial instrument. A financial instrument is classified in level III if one or more significant inputs are not directly observable on the market.

The used valuation models are regularly reviewed, validated and calibrated. All valuations are performed independently of the trading departments.

Financial assets and financial liabilities are reported by instrument in the following way:

- **Equity instruments** - Equity instruments are reported under level I if prices are quoted in an active market. If no quoted prices are available, they are reported under level III. Valuation models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple method.

- **Derivatives** - The fair value of derivatives that are not options is determined by discounting the relevant cash flows with the corresponding yield curves. These are reported under level II if they are measured on the basis of observable input factors. If non-observable significant input factors are used, these derivatives are reported under level III. The fair value of structured financial products is calculated according to the type of embedded derivative using a measurement model; they are reported under level II or level III depending on the input factors used.

- **Debt financial assets and liabilities** - The method used to measure debt financial assets and liabilities depends on the liquidity in the relevant market. Liquid instruments measured on the basis of the relevant market value are reported under level I. The fair value is determined using valuation techniques whereby expected cash flows are discounted by the risk premium adjusted curves in the event that there is no active market. The proximity to the risk premium curve used determines whether these instruments are reported under level II or level III. They are reported under level III in the event that a significant, non-observable risk premium is used. Market prices provided either at a low frequency or only from one source are reported under level III.

Measurement methods used to determine the fair value of level II and level III items

The accepted measurement models according to IFRS 13 are the market approach, the cost approach and the income approach. The measurement method using the market approach is based on identical or comparable assets and liabilities. With the income approach, future cash flows, expenses or revenue are discounted at the measurement date. The fair value determined in this manner reflects current market expectations regarding these future amounts. It primarily includes present value models and also option price models used for the measurement of financial instruments or option-based cash flows. The cost approach is not used. The fair value of financial instruments with short-terms where the carrying amount is an adequate approximation of the fair value was not separately determined.

The following measurement techniques are applied to items that are measured internally based on models:

- Present value of the future cash flows (discounted cash flow method) - Level II and III items that are not traded in active markets but where the date and amount of the cash flows are known are measured at the present value of the future cash flows. Discounting takes a risk premium into account. All significant input factors are observable for level II instruments while some significant parameters cannot be directly observed for level III.
- Option measurement models - The existing portfolio of level III items includes cash flows with amounts tied to various market variables such as swap rates, stock market indexes and FX rates, or with dates that cannot be determined. Accepted interest and option measurement models calibrated daily with market data (swaption prices, market prices, FX rates) are used for the measurement of such cash flows.

Non-observable input factors for level III items:

- Volatilities and correlations - Volatilities are important input parameters for all option measurement models. The volatilities are derived from market data using accepted models.
- Risk premiums - Credit risk premiums indicate the default risk of an issuer. They provide information about the expected loss if the issuer defaults and therefore reflect the loss given default and the probability of default. For some issuers, risk premiums can be observed directly in the market. When single-name CDS curves are not available for an issuer, the risk premiums have to be estimated based on similarities to other issuers or based on the issuer's country and sector. 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 and as a result out of the IBOR reform, the new benchmark indices are used for discounting in the measurement of OTC derivatives.

70.1. Fair value of financial instruments carried at fair value

in EUR million

31.12.2023	Level I - from active market	Level II - based on market assumptions	Level III - based on non-market assumptions	Total
Assets				
Financial assets held for trading	8.6	2.7	0.0	11.3
Derivatives	0.0	2.7	0.0	2.7
Debt securities	8.6	0.0	0.0	8.6
Investment securities mandatorily at FVTPL	0.0	1.8	0.0	1.8
Debt securities	0.0	1.8	0.0	1.8
Investment securities at FVTOCI	343.3	0.0	0.2	343.5
Equity instruments	5.3	0.0	0.2	5.5
Debt securities	338.0	0.0	0.0	338.0
Total	**351.9**	**4.5**	**0.2**	**356.6**
Liabilities				
Financial liabilities held for trading	0.0	2.6	0.0	2.6
Derivatives	0.0	2.6	0.0	2.6
Total	**0.0**	**2.6**	**0.0**	**2.6**

in EUR million

31.12.2022	Level I - from active market	Level II - based on market assumptions	Level III - based on non-market assumptions	Total
Assets				
Financial assets held for trading	2.1	0.5	0.0	2.7
Derivatives	0.0	0.5	0.0	0.5
Debt securities	2.1	0.0	0.0	2.1
Investment securities mandatorily at FVTPL	0.0	1.5	0.0	1.5
Debt securities	0.0	1.5	0.0	1.5
Investment securities at FVTOCI	382.0	89.3	0.4	471.7
Equity instruments	4.2	0.0	0.4	4.6
Debt securities	377.8	89.3	0.0	467.1
Total	**384.1**	**91.3**	**0.4**	**475.8**
Liabilities				
Financial liabilities held for trading	0.0	0.6	0.0	0.6
Derivatives	0.0	0.6	0.0	0.6
Total	**0.0**	**0.6**	**0.0**	**0.6**

Transfers between level I and level II

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the financial instrument does no longer meet the criteria described above for the categorisation in the respective level.

There were no transfers between Level I and Level II comparing year end 2023 and 2022. Movements on the Bank bond portfolio are result of Treasury department strategy and trading activities and activities and Level II was decreased due to regular maturities.

The development of level III is presented as follows:

in EUR million

2023	01.01.	Valuation gains/losses - profit or loss	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	Transfer into/out of other levels	31.12.
Assets							
Investment securities at FVTOCI	0.4	0.0	0.0	0.0	0.0	-0.2	0.2
Equity instruments	0.4	0.0	0.0	0.0	0.0	-0.2	0.2
Total	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.2**	**0.2**

in EUR million

2022	01.01.	Valuation gains/losses - profit or loss	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	Transfer into/out of other levels	31.12.
Assets							
Investment securities at FVTOCI	0.4	0.0	0.0	0.0	0.0	0.0	0.4
Equity instruments	0.4	0.0	0.0	0.0	0.0	0.0	0.4
Total	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.4**

70.2. Fair value of financial instruments and assets not carried at fair value

in EUR million

31.12.2023	Carrying amount	Fair Value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non-market assumptions
Assets						
Cash and cash equivalents[1)]	423.9	423.9	0.0	0.0	0.0	0.0
Financial assets at amortised cost	1,371.6	1,436.8	65.1	220.2	0.0	1,216.6
Debt securities	217.6	220.2	2.6	220.2	0.0	0.0
Loans and receivables	1,154.0	1,216.6	62.5	0.0	0.0	1,216.6
Total	**1,795.6**	**1,860.7**	**65.1**	**220.2**	**0.0**	**1,216.6**
Liabilities						
Financial liabilities measured at amortised cost	1,728.7	1,723.3	5.4	0.0	0.0	1,723.3
Deposits	1,659.3	1,655.9	3.4	0.0	0.0	1,655.9
Borrowings	20.2	18.9	1.3	0.0	0.0	18.9
Subordinated debt	31.1	30.3	0.8	0.0	0.0	30.3
Other financial liabilities	18.2	18.2	0.0	0.0	0.0	18.2
Total	**1,728.7**	**1,723.3**	**5.4**	**0.0**	**0.0**	**1,723.3**

[1)]Cash and cash equivalents have not been assigned to a level as the carrying amount always approximates their fair value due to their short-term nature.

in EUR million

31.12.2022	Carrying amount	Fair Value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non-market assumptions
Assets						
Cash and cash equivalents[1)]	538.9	538.9	0.0	0.0	0.0	0.0
Financial assets at amortised cost	1,211.2	1,308.4	97.2	93.0	0.0	1,215.3
Debt securities	95.9	93.0	-2.8	93.0	0.0	0.0
Loans and receivables	1,115.4	1,215.3	100.0	0.0	0.0	1,215.3
Total	**1,750.1**	**1,847.3**	**97.2**	**93.0**	**0.0**	**1,215.3**
Liabilities						
Financial liabilities measured at amortised cost	1,859.5	1,856.4	3.1	0.0	0.0	1,856.4
Deposits	1,766.5	1,762.6	3.9	0.0	0.0	1,762.6
Borrowings	49.7	48.4	1.3	0.0	0.0	48.4
Subordinated debt	31.1	33.2	-2.1	0.0	0.0	33.2
Other financial liabilities	12.2	12.2	0.0	0.0	0.0	12.2
Total	**1,859.5**	**1,856.4**	**3.1**	**0.0**	**0.0**	**1,856.4**

[1)]Cash and cash equivalents have not been assigned to a level as the carrying amount always approximates their fair value due to their short-term nature.

Financial instruments not carried at fair value are not managed on a fair value basis and their fair values are calculated only for disclosure purposes and do not impact the statement of financial position and the income statement. The fair value of receivables and liabilities is determined according to the present value of future cash flows. The risk premium amounts for receivables depend on the internal or external rating of the borrower taking into account the country risk. The fair value valuation of debt securities at amortised costs is based on quoted prices or other observable inputs on the markets. For liabilities, the credit spread from Addiko Group is taken into account for the discount factor. For subordinated debt, forecasted return on equity (ROE) is taken for calculation of discount factor. 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.

70.3. 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 2023 the carrying amount of investment properties amounts to EUR 1.5 million (2022: EUR 1.0 million), whereas the fair value amounts to EUR 1.7 million (2022: EUR 1.2 million). All investment properties were classified in level III (2022: level III).

(71) 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 EUR million

31.12.2023	Derivatives	Reverse repo	Total
Assets			
a) Gross amounts of recognised financial instruments (I and II)[1)]	**2.7**	**3.7**	**6.4**
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)	**2.7**	**3.7**	**6.4**
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);	0.2	0.0	0.2
Amounts related to financial collateral (including cash collateral);	1.8	0.0	1.8
Amounts related to non-cash financial collateral received (excluding cash collateral);	0.0	3.7	3.7
e) Net amounts of financial instruments I and II (c-d)	**0.7**	**0.0**	**0.7**

[1)] Financial instruments I: Financial assets that are already offset in the statement of financial position
Financial instruments II: Financial assets that are subject to a netting agreement but are not offset in the statement of financial position

in EUR million

31.12.2022	Derivatives	Reverse repo	Total
Assets			
a) Gross amounts of recognised financial instruments (I and II)[1)]	**0.5**	**4.7**	**5.3**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**0.5**	**4.7**	**5.3**
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	4.7	4.7
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 EUR million

31.12.2023	Derivatives	Direct repo	Total
Liabilities			
a) Gross amounts of recognised financial instruments (I and II)[1)]	**2.6**	**0.0**	**2.6**
b) Amounts that are set off for financial instruments I	0.0	0.0	0.0
c) Net amounts of financial instruments I and gross amounts of financial instruments II presented in the statement of financial position (a-b)	**2.6**	**0.0**	**2.6**
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);	0.2	0.0	0.2
Amounts related to financial collateral (including cash collateral);	2.0	0.0	2.0
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)	**0.3**	**0.0**	**0.3**

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 EUR million

31.12.2022	Derivatives	Direct repo	Total
Liabilities			
a) Gross amounts of recognised financial instruments (I and II)[1)]	**0.6**	**24.3**	**24.9**
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)	**0.6**	**24.3**	**24.9**
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	24.3	24.3
e) Net amounts of financial instruments I and II (c-d)	**0.6**	**0.0**	**0.6**

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.

(72) Derivative financial instruments

72.1. Derivatives held for trading

The following derivatives existed at the reporting date:

in EUR million

	31.12.2023			31.12.2022		
	Nominal	Fair values		Nominal	Fair values	
	amounts	Positive	Negative	amounts	Positive	Negative
a) Interest rate	**11.7**	**0.3**	**0.3**	**16.2**	**0.5**	**0.5**
OTC-products	**11.7**	**0.3**	**0.3**	**16.2**	**0.5**	**0.5**
OTC other	11.7	0.3	0.3	16.2	0.5	0.5
b) Foreign exchange and gold	**251.1**	**2.5**	**2.3**	**47.0**	**0.0**	**0.1**
OTC-products	**251.1**	**2.5**	**2.3**	**47.0**	**0.0**	**0.1**
OTC other	251.1	2.5	2.3	47.0	0.0	0.1

(73) 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 includes Management and Supervisory Board members, as well as managers with key or controlling functions including their close family members.

Transactions with related parties are done at arm's length.

Business relations with related parties are as follows at the respective reporting date:

in EUR million

31.12.2023	Parent company	Entities of the parent company group	Key management
Financial assets	0.4	0.4	0.1
Cash reserves	0.1	0.0	0.0
Financial assets held for trading	0.3	0.1	0.0
Loans and receivables	0.0	0.2	0.1
Financial liabilities	31.8	1.9	0.2
Financial liabilities held for trading	0.0	0.2	0.0
Deposits	0.8	1.7	0.2
Subordinated debt	31.1	0.0	0.0
Nominal value of derivatives	5.8	17.6	0.0
Contingent liabilities	0.0	0.4	0.0

in EUR million

31.12.2022	Parent company	Entities of the parent company group	Key management
Financial assets	1.2	0.3	0.1
Cash reserves	0.0	0.1	0.0
Financial assets held for trading	0.5	0.0	0.0
Loans and receivables	0.6	0.2	0.1
Financial liabilities	31.9	9.9	0.3
Financial liabilities held for trading	0.0	0.0	0.0
Deposits	0.8	9.9	0.3
Subordinated debt	31.1	0.0	0.0
Nominal value of derivatives	8.1	15.2	0.0
Contingent liabilities	0.0	0.5	0.0

in EUR million

31.12.2023	Parent company	Entities of the parent company group	Key management
Interest and similar income	0.2	0.0	0.0
Interest expense	-2.2	0.0	0.0
Fee and commission income	0.1	0.1	0.0
Net result on financial instruments	-0.3	-0.1	0.0
Other administrative expenses	-0.1	-0.6	-0.1
Other operating income	1.9	1.8	0.0
Total	**-0.3**	**1.3**	**-0.1**

in EUR million

31.12.2022	Parent company	Entities of the parent company group	Key management
Interest and similar income	0.1	0.0	0.0
Interest expense	-2.4	0.0	0.0
Fee and commission income	0.0	0.1	0.0
Net result on financial instruments	1.3	-1.0	0.0
Other administrative expenses	-0.1	-0.4	-0.1
Other operating income	1.7	1.5	0.0
Total	**0.6**	**0.2**	**-0.1**

The compensation received by the key management personnel is presented as follows:

in EUR million

	31.12.2023	31.12.2022
Wages and salaries	1.5	2.0
Social security	0.3	0.4
Expenses for pensions	0.2	0.3
Share-based payments	0.2	0.0
Other personnel expenses	0.8	0.7
Total	**3.0**	**3.4**

The number of key members of management that received compensation in 2023 was 24 (2022: 25).

Compensation to the Supervisory Board members for the year 2023 amounted to EUR 0.1 million (2022: EUR 0.1 million).

(74) Share-based payments

Since 2021 the Group offers, in addition to the annual bonus, a Performance Acceleration Incentive Framework (PAIF) based on which Addiko granted to defined senior management (including management board) variable remuneration components in the form of share-based payments. The aim of the PAIF scheme is to align the business strategy and long-term objectives of Addiko Group senior management team with the interests of shareholders and to provide a long-term incentive for the management to ensure a sustainable development of the Company. The PAIF scheme is designed as a long-term reward scheme with a performance monitoring period of three years. It is composed of the main long-term component, that monitors achievements over a three-year period, and a second component that allows yearly adjustments.

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 Bank, the remuneration program includes cash-settled share-based payments.

(75) Capital management

75.1. Own funds and capital requirements

The regulatory capital of the Bank is calculated according to the Capital Requirements Regulation (CRR, Regulation (EU) No. 575/2013) and the Capital Requirement Directive (CRD IV, Directive (EU) 2013/36/EU). Both CRD IV and CRR have been amended since the entry into force in 2014 inter alia with directive (EU) 2019/878 (CRD V) as well as regulations (EU) 2019/876 (CRR 2) and (EU) 2020/873 (CRR Quick Fix). Both the CRD IV and CRD V were transposed into national law.

The European Central Bank (ECB) is the competent authority in charge for the direct supervision of Addiko Group, the parent entity and the two subsidiaries operating in Slovenia and Croatia. The individual banking operations in the Bank are directly supervised by the Croatian National Bank.

The Bank's regulatory minimum capital ratios, including the regulatory buffers and the capital requirements determined in the Supervisory Review and Evaluation Process (SREP) are presented in the following table:

	31.12.2023			31.12.2022		
	CET1	T1	TCR	CET1	T1	TCR
Pillar 1 requirement	4.50%	6.00%	8.00%	4.50%	6.00%	8.00%
Pillar 2 requirement	1.83%	2.44%	3.25%	1.83%	2.44%	3.25%
Total SREP Capital Requirement (TSCR)	**6.33%**	**8.44%**	**11.25%**	**6.33%**	**8.44%**	**11.25%**
Capital Conservation Buffer (CCB)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Systemic risk buffer	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
O-SII risk buffer	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Counter-Cyclical Capital Buffer	0.98%	0.98%	0.98%	0.00%	0.00%	0.00%
Combined Buffer Requirements (CBR)	**5.48%**	**5.48%**	**5.48%**	**4.50%**	**4.50%**	**4.50%**
Overall Capital Requirement (OCR)	**11.81%**	**13.92%**	**16.73%**	**10.83%**	**12.94%**	**15.75%**
Pillar 2 guidance (P2G)	3.25%	3.25%	3.25%	2.00%	2.00%	2.00%
OCR + P2G	**15.06%**	**17.17%**	**19.98%**	**12.83%**	**14.94%**	**17.75%**

As a result of the 2022 SREP process performed by the European Central Bank (ECB), Addiko received on 14 December 2022 the decision which continued to stipulate a **Pillar 2 Requirement** (P2R) of 3.25% from 1 January 2023 (unchanged compared to 2022). On 30 November 2023 the bank received the 2023 SREP decision, on the basis of which the Addiko must continue to meet an unchanged P2R of 3.25% as of 1 January 2024.

In relation to the applicable combined buffer requirement (CBR) it should be noted that as of 31 December 2023, the prescribed **countercyclical capital buffer** (CCyB) rate for the Republic of Croatia is set at 1.00%, resulting with the Bank's implied rate of 0.98%. As of 30 June 2024, CCyB rate increases to 1.50%. As of 31 December 2023, the Bank is assessed as an Other Systemically Important Institution, with a prescribed buffer rate of 0.50%. On 24 November 2023 the bank received the decision, on the basis of which the bank's O-SII rate will decrease to 0.25% as of 1 January 2024. In addition, the bank has to establish a **Capital Conservation Buffer** in the amount of 2.5% and **Systemic Risk Buffer** in the amount of 1.5%

Following the SREP 2022, bank was required to fulfill a **Pillar 2 guidance** (P2G) of 3.25% valid as of 1 January 2023 onwards - up from 2.00% valid for 2022. According to the 2023 SREP decision, the bank must meet a reduced P2G of 3.00% as of 1 January 2024.

Own funds

The regulatory capital consists of Common Equity Tier 1 capital, which includes ordinary share capital, related share premiums, retained earnings, reserves and accumulated other comprehensive income after adjustment for dividends proposed after the end of the reporting period and deductions for goodwill, intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; Additional Tier 1 and Tier 2 capital.

The following table therefore shows the breakdown of own funds pursuant to CRR:

in EUR million

Ref[1]		31.12.2023	31.12.2022
	Common Equity Tier 1 (CET1) capital: Instruments and reserves		
1	Capital instruments and the related share premium accounts	339.5	339.6
2	Retained earnings	0.0	0.0
3	Accumulated other comprehensive income (and other reserves)	-6.4	-25.8
6	**CET1 capital before regulatory adjustments**	**333.1**	**313.9**
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-0.4	-0.5
8	Intangible assets (net of related tax liability)	-5.3	-5.6
27a	Other regulatory adjustments	0.0	17.4
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-5.7**	**11.3**
29	**Common Equity Tier 1 (CET1) capital**	**327.4**	**325.1**
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	40.0	39.8
44	**Additional Tier 1 (AT1) capital**	**40.0**	**39.8**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**367.4**	**364.9**
	Tier 2 (T2) capital: instruments		
58	**Tier 2 (T2) capital**	**15.0**	**21.0**
59	**Total capital (TC = T1 + T2)**	**382.4**	**385.9**
60	Total risk exposure amount	1,127.7	1,121.4
	Capital ratios %		
61	CET1 capital	29.0%	29.0%
62	T1 capital	32.6%	32.5%
63	Total capital	33.9%	34.4%

[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.

The capital requirements in force during the reporting period, including a sufficient buffer, were met at all times.

Total capital decreased by EUR 3.5 million during the reporting period, reflecting the following main components:

- The positive **OCI development** of EUR 19.4 million, mainly resulting from the fair value measurement of debt instruments measured at FVTOCI,
- Decrease of EUR 17.4 million of **other regulatory deduction items** resulting from temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in 2022 in accordance with article 468 of CRR 575/2013,
- Regular amortization of Tier 2 capital which impacted decrease of total capital by EUR 6 million.

Risk structure

Addiko uses the standardised approach in the calculation of the credit, market and operational risk, which partly explains the relatively high risk density (measured by comparing RWA to assets) of 51.1% (YE22: 49.1%). The bank's focus on unsecured consumer lending and SME business is another important source of the reported risk density.

The risk-weighted assets (RWA) increased by EUR 6.3 million during the reporting period:

- The **RWA for credit risk** increased by EUR 73.5 million, mainly driven by new disbursements in the focus segments Consumer and SME, which resulted in an RWA increase of EUR 86.0 million in the household asset class. This development was partially compensated for by repayments in the non-focus segments, which resulted in an RWA decrease of EUR 16.3 million in corporate asset class.
- The **RWA for counterparty credit risk (CVA)** decreased marginally during the reporting period by EUR 0.2 million.
- The **RWAs for market risk** decreased by EUR 82.2 million, driven by significant decrease of open FX positions due to introduction of Euro in Croatia which eliminated the EUR open position.
- The **RWA for operational risk** increased by EUR 15.1 million predominantly due to higher net interest income in 2023. Calculation of the RWA for operational risk is based on the three-year average of relevant income, which represents the basis for the calculation.

in EUR million

Ref[1)]		31.12.2023	31.12.2022
1	Credit risk pursuant to Standardised Approach	980.3	907.8
6	Counterparty credit risk	3.1	2.1
20	Market risk	0.9	83.1
23	Operational risk	143.4	128.3
29	**Total risk exposure amount**	**1,127.7**	**1,121.4**

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

Leverage ratio

The leverage ratio for the Bank, calculated in accordance with Article 429 CRR, was 16.3% at 31 December 2023 (2022: 14.8%). The development was driven by reduction in the total leverage exposure and parallel increase in Tier 1 capital.

in EUR million

Ref[1)]		31.12.2023	31.12.2022
2	Tier 1 capital	367.4	364.9
13	Total leverage ratio exposure	2,252.1	2,462.7
14	**Leverage ratio %**	**16.3%**	**14.8%**

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

Capital allocation

The bank's policy aims to keep a strong capital base to maintain creditor and market confidence and to sustain the future development of the business. The bank employs a centralised capital management process which covers both normative and economic perspectives of capital management. Securing the bank's ability to satisfy capital requirements in economic perspective forms a central part of the "Internal Capital Adequacy Assessment Process" (ICAAP) steering activities. The starting point for performing the risk-bearing capacity calculation is the identification of all material risks through an annual risk inventory. The value at risk (VaR) method is applied for calculating risk capital requirements for credit, market and liquidity risk, the main risk categories applies the confidence level of 99,9%.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific operations and activities is undertaken during the budgeting process. Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of expectations of specific risk drivers development in the following period, synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the bank's longer-term strategic objectives.

Disclosure template according to Article 468 CRR

In June 2022 the Bank decided to make use of the temporary treatment in accordance with Article 468 CRR of the regulation EU 2020/873 in order to limit the potential future impacts of the currently unpredictable developments in the Ukraine-Russia conflict on the markets, which allowed to add back to CET1 during 2022 40% of the unrealised gains and losses from government instruments measured at fair value through OCI. As of 1 January 2023, there is no difference between the transitional and the fully-loaded regulatory capital base due to the expiry of the Article 468 CRR (EU 2020/873) transitional capital rules.

Comparison of Bank's own funds and capital and leverage ratios with and without the application of the temporary treatment in accordance with Article 468 of the CRR (extended) as at 31 December 2022:

in EUR million

Ref[1]		31.12.2022
	Available capital (amounts)	
1	Common Equity Tier 1 (CET1) capital	325.1
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	307.8
3	Tier 1 capital	364.9
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	347.6
5	Total capital	385.9
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	368.5
	Risk-weighted assets (amounts)	
7	Total risk-weighted assets	1,121.4
8a	Total RWAs as if the temporary treatment of unrealised gains and losses measured at FVTOCI had not been applied (Art. 468 CRR)	1,126.2
	Capital ratios (%)	
9	CET1 (as a percentage of risk exposure amount)	29.0%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	27.3%
11	Tier 1 (as a percentage of risk exposure amount)	32.5%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	30.9%
13	Total capital (as a percentage of risk exposure amount)	34.4%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	32.7%
	Leverage ratio (LR)	
15	Leverage ratio total exposure measure	2,462.7
16	Leverage ratio	14.8%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	14.2%

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

75.2. MREL requirements

The Bank Recovery and Resolution Directive (BRRD) provides that institutions established in the European Union (EU) should meet a minimum requirement for own funds and eligible liabilities (MREL) to ensure an effective and credible application of the bail-in tool. MREL targets are determined on a case-by-case basis for each institution or banking group by the competent resolution authority, which is the SRB (Single Resolution Board) in the case of the bank.

Based on the resolution plan received on 25 May 2023 from the SRB, the bank is determined as a resolution entity, as it was assessed by the resolution authority to provide critical functions to the local market. The SRB concluded that a point of entry (PoE) is the most suitable strategy for the bank and determined the following minimum requirements for own funds and eligible liabilities - 25.44% of TREA and 5.91% of LRE on an individual basis by 1 January 2022. In the year 2023 the MREL ratio was above the respective requirements.

(76) Boards and Officers of the Company

1 January to 31 December 2023

Supervisory Board

Chairman of the Supervisory Board:
Herbert Juranek (member since 22 December 2021,
reelected as chairman since 30 October 2023)

Deputy Chairman of the
Supervisory Board:
Sava Ivanov Dalbokov (deputy chairmain until 16 May 2023)
Julia Leeb (member since 12 May 2023,
deputy chairman since 1 June 2023)

Members of the Supervisory Board:
Tomislav Perović
Sanela Pašić
Andrea Castellarin

Management Board

Mario Žižek, Chairman of the Management Board
Ivan Jandrić, Member of the Management Board
Ana Dorić Škeva, Member of the Management Board

(77) Events after the reporting date

There were no material events after the reporting date.

Zagreb, 8 March 2024
Addiko Bank d.d.

MANAGEMENT BOARD

Mario Žižek

President of the Management Board

Ivan Jandrić	Ana Dorić Škeva
Member of the Management Board	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 International Financial Reporting Standards as adopted in the European Union ("IFRS"), 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, 119/21, 108/22).

The Management Board is responsible for the preparation and content of Management report presented on pages 5 to 23 in accordance with the provisions of the Croatian Accounting Act (Official Gazette 78/15, 134/15, 120/16, 116/18, 43/20, 47/20, 114/22, 82/23) and other information that include Key data and Letter from the CEO.

The financial statements set out on pages 26 to 30, as well as the Appendix to the Financial statements on pages 150 to 164, were authorised by the Management Board on 8 March 2024 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, 8 March 2024
Addiko Bank d.d.

MANAGEMENT BOARD

Mario Žižek

President of the Management Board

Ivan Jandrić

Member of the Management Board

Ana Dorić Škeva

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 2023, and the statements of comprehensive income, cash flows and changes in equity of the Bank for the year then ended, and notes, comprising material accounting policies and other explanatory information (further referred to as “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 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (“EU IFRS”).

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.

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.

Independent Auditors' report to the shareholder of Addiko Bank d.d. *(continued)*

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Impairment of loans and advances to customers

As at 31 December 2023, gross loans and advances to customers: EUR 1,203.9 million, related impairment allowance: EUR 50.6 million and, for the year then ended, impairment loss recognised in the income statement: EUR 2.2 million (31 December 2022: gross loans and advances to customers: EUR 1,123.1 million, impairment allowance: EUR 60.8 million, and, for the year then ended, impairment loss recognised in the income statement: EUR 2.4 million).

Refer to Accounting and measurement policies, note 4 Use of estimates and assumptions/material uncertainties in relation to estimates, note 40.2 Loans and advances from customers, and notes 56 Internal risk management guidelines and 57 Credit risk.

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 the amounts of impairment allowances requires a significant judgment from the Management Board. The Bank calculates allowances for credit losses in accordance with IFRS 9 *Financial Instruments*, based on the ECL model with dual-measurement approach, under which the impairment allowance is measured as either 12-month 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 ECL methodology's hierarchy) and non-performing exposures (Stage 3 in the hierarchy) not exceeding EUR 130 thousand (individually or for a group of related borrowers), are determined by modelling techniques (together, "collective impairment allowance"). 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 required our increased attention in the audit.	Our audit procedures in this area included, among others: — Inspecting the ECL impairment provisioning methods and models, and assessing their continued compliance with the relevant regulatory and financial reporting framework; — Making relevant inquiries of the Bank's risk management and information technology (IT) personnel to update our understanding of the loan impairment process, IT applications used therein, as well as key data sources and assumptions in the ECL model. Also, testing the IT control environment for data security and access, assisted by our own IT specialists; — Testing the design, implementation and operating effectiveness of selected controls over the 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. — Assessing whether the definition of significant increase in credit risk and an event of default used by the Bank were appropriate and whether the staging criteria were consistently applied;

Report on the Audit of the Financial Statements *(continued)*

Key Audit Matters (continued)

Impairment of loans and receivables from customers (continued)

Key audit matter	How our audit addressed the matter
For Stage 3 exposures over EUR 130 thousand (individually or for a Group of related borrowers), 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. Due to the above factors, including the significantly higher estimation uncertainty stemming from the current volatile economic outlook, slowing economic growth and rising interest rates 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.	For collective impairment allowances: — Obtaining an understanding of the selected internal rating models for loans, and assessing the relevance and reliability of the key data used therein; — Assisted by our own financial risk management specialist, challenging selected key parameters within the collective ECL model, such as the probability of default (PD) and loss given default (LGD) by reference to, among other things, our own analysis of the Bank's data on past default occurrence and realised losses on those defaults; — Considering our knowledge of a given industry and understanding of the current macro-economic volatility and uncertainties, challenging key management overlays applied to the ECL model. As part of the procedure, we also performed the inspection of the Bank's overlay estimation model as supplemented by inquiries of the credit risk personnel and Management Board members; For impairment allowances calculated individually, for a risk-based sample of exposures: — 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 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.

Provisions for legal claims

As at 31 December 2023, provisions for claims disputed in courts, recognised within Provisions: EUR 70.7 million (31 December 2022: EUR 48.3 million); and, for the year then ended, related expense recognised in the income statement: EUR 30.8 million (2022: EUR 22.4 million).

Refer to Accounting and measurement policies, note 4 Use of estimates and assumptions/material uncertainties in relation to estimates, note 49 Provisions and note 64 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 64. Under the relevant requirements of IFRS Standards, a provision is recognised in respect of those litigations where a present, legal or constructive obligation exists as a result of past events, it is more likely than not that there will be an outflow of benefits and a reliable estimate of the obligation could be made. 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. The amounts involved are potentially material and determining the amount, if any, to be recognised or disclosed in the financial statements, is inherently subjective. For the above reasons, accounting for the legal claims 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 legal claim provisioning methodology and assessing its compliance with the relevant requirements of the financial reporting framework; — Reading minutes of the meetings of the Management and Supervisory Boards to assess reasonableness of the major judgements and estimates made by management and identify additional obligations; — On a sample basis, challenging the Bank's assumptions and estimates in respect of the claims, including those for the liabilities recognised or contingent liabilities disclosed in the financial statements. This involved assessing the probability of an unfavourable outcome of the litigation and challenging the estimates of related obligations, by inspecting supporting documentation, such as individual court case files, analyses of the Bank's in-house and external lawyers' assessment of the future development of claims and expected outcome; — 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 challenge the reasonableness of the major judgements and estimates made by Management Board in the provisioning process; — Evaluating the accuracy and completeness of the related disclosures against the requirements of the relevant financial reporting framework.

Independent Auditors’ report to the shareholder of Addiko Bank d.d. *(continued)*

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 EU IFRS, 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.

KPMG

Independent Auditors' report to the shareholder of Addiko Bank d.d. *(continued)*

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. *(continued)*

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, 122/2020, 119/2021 and 108/2022), 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 2023, 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 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 on which we have expressed an opinion as set out above.

We were appointed by those charged with governance on 23 March 2023 to audit the financial statements of the Bank for the year ended 31 December 2023. Our total uninterrupted period of engagement is three years, covering the periods from 1 January 2021 to 31 December 2023.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 7 March 2024;
- 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, 16th floor
Ivana Lučića 2a
10000 Zagreb
Croatia

8 March 2024

KPMG Croatia d.o.o. za reviziju Eurotower, 17. kat Ivana Lučića 2a, 10000 Zagreb 5

Katarina Kecko
Member of the Management Board, 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 78/15, 134/15, 120/16, 116/18, 42/20, 47/20, 114/22, 82/23) the Croatian National Bank issued the Decision on structure and contents of annual financial statements of credit institutions (Official Gazette 42/18, 122/20, 119/21, 108/22). The following tables present financial statements in accordance with the above-mentioned decision:

Statement of Financial Position

in EUR million

Position	Position Name	31.12.2023	31.12.2022
	Assets		
1.	Cash, cash balances at central banks and other demand deposits (from 2. to 4.)	423.9	538.9
2.	*Cash on hand*	*48.4*	*57.5*
3.	*Cash balances at central banks*	*363.4*	*466.0*
4.	*Other demand deposits*	*12.2*	*15.4*
5.	Financial assets held for trading (from 6. to 9.)	11.3	2.7
6.	*Derivatives*	*2.7*	*0.5*
7.	*Equity instruments*	*0.0*	*0.0*
8.	*Debt securities*	*8.6*	*2.1*
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.)	1.8	1.5
11.	*Equity instruments*	*0.0*	*0.0*
12.	*Debt securities*	*1.8*	*1.5*
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.)	343.5	471.7
18.	*Equity instruments*	*5.5*	*4.6*
19.	*Debt securities*	*338.0*	*467.1*
20.	*Loans and advances*	*0.0*	*0.0*
21.	Financial assets at amortised cost (22. + 23.)	1,371.6	1,211.2
22.	*Debt securities*	*217.6*	*95.9*
23.	*Loans and advances*	*1,154.0*	*1,115.4*
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	20.2	21.1
28.	Intangible assets	8.7	9.7
29.	Tax assets	17.2	20.0
30.	Other assets	6.7	9.1
31.	Non-current assets and disposal groups classified as held for sale	0.0	0.3
32.	**Total assets (1. + 5. +10. +14. + 17. + 21. + from 24. to 31.)**	**2,204.9**	**2,286.1**

in EUR million

Position	Position Name	31.12.2023	31.12.2022
	Liabilities		
33.	Financial liabilities held for trading (from 34. to 38.)	2.6	0.6
34.	*Derivatives*	*2.6*	*0.6*
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.)	1,728.7	1,859.5
44.	*Deposits*	*1,710.5*	*1,847.3*
45.	*Debt securities issued*	*0.0*	*0.0*
46.	*Other financial liabilities*	*18.2*	*12.2*
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	75.1	51.2
50.	Tax liabilities	1.8	0.0
51.	Share capital repayable on demand	0.0	0.0
52.	Other liabilities	14.6	14.3
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.)**	**1,822.9**	**1,925.6**
	Equity		
55.	Share capital	339.5	339.6
56.	Share premium	0.0	0.0
57.	Equity instruments issued other than capital	40.0	39.8
58.	Other equity	0.0	0.0
59.	Accumulated other comprehensive income	-24.2	-43.4
60.	Retained earnings	-0.2	0.0
61.	Revaluation reserves	0.0	0.0
62.	Other reserves	17.8	17.7
63.	(-) Treasury shares	0.0	0.0
64.	Profit or loss attributable to owners of the parent	9.2	6.8
65.	(-) Interim dividends	0.0	0.0
66.	Minority interests [non-controlling interests]	0.0	0.0
67.	**Total equity (from 55. to 66.)**	**382.0**	**360.5**
68.	**Total equity and total liabilities (54. + 67.)**	**2,204.9**	**2,286.1**

Statement of Profit or Loss

in EUR million

Position	Position Name	31.12.2023	31.12.2022
1.	Interest income	78.6	57.8
2.	(Interest expenses)	6.3	3.8
3.	(Expenses on share capital repayable on demand)	0.0	0.0
4.	Dividend income	0.0	0.0
5.	Fee and commission income	27.1	27.2
6.	(Fee and commission expenses)	5.8	5.7
7.	Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	0.0	0.6
8.	Gains or (-) losses on financial assets and liabilities held for trading, net	1.9	4.6
9.	Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	0.4	-0.1
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	-0.5	2.0
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	0.1	1.3
15.	Other operating income	4.3	3.9
16.	(Other operating expenses)	0.9	0.5
17.	**Total operating income, net (1. - 2. - 3. + 4. + 5. - 6. + from 7. to 15. - 16.)**	**98.9**	**87.3**
18.	(Administrative expenses)	45.8	46.5
19.	(Cash contributions to resolution funds and deposit guarantee schemes)	1.6	1.6
20.	(Depreciation)	6.8	7.1
21.	Modification gains or (-) losses, net	0.0	0.0
22.	(Provisions or (-) reversal of provisions)	32.6	22.2
23.	(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	1.6	1.7
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)	0.0	0.1
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	0.0	0.0
29.	**Profit or (-) loss before tax from continuing operations (17. - from 18. to 20. + 21. - from 22. to 25. + from 26. to 28.)**	**10.5**	**7.9**
30.	(Tax Expenses or (-) income related to profit or loss from continuing operations)	1.4	1.1
31.	**Profit or (-) loss after tax from continuing operations (29. - 30.)**	**9.2**	**6.8**
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.)**	**9.2**	**6.8**
36.	Attributable to minority interest [non-controlling interests]	0.0	0.0
37.	Attributable to owners of the parent	9.2	6.8

Statement of Other Comprehensive Income

in EUR million

Position	Position Name	31.12.2023	31.12.2022
1.	**Profit or (-) loss for the year**	**9.2**	**6.8**
2.	**Other comprehensive income (3. + 15.)**	**19.2**	**-44.9**
3.	**Items that will not be reclassified to profit or loss (from 4. to 10. + 13. + 14.)**	**0.7**	**0.0**
4.	Tangible assets	0.0	0.0
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	0.9	0.0
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	-0.2	0.0
15.	**Items that may be reclassified to profit or loss (from 16. to 23.)**	**18.5**	**-44.9**
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	22.6	-54.8
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	-4.1	9.9
24.	**Total comprehensive income for the year (1. + 2.; 25. + 26.)**	**28.4**	**-38.1**
25.	Attributable to minority interest [non-controlling interests]	0.0	0.0
26.	Attributable to owners of the parent	28.4	-38.1

Zagreb, 8 March 2024
Addiko Bank d.d.

MANAGEMENT BOARD

Mario Žižek
President of the Management Board

Ivan Jandrić
Member of the Management Board

Ana Dorić Škeva
Member of the Management Board

Statement of Cash Flows

in EUR million

Position	Position Name	31.12.2023	31.12.2022
	Operating activities by indirect method		
9.	Profit/(loss) before tax	10.5	7.9
	Adjustments:		
10.	Impairment and provisions	34.4	24.4
11.	Depreciation	6.8	7.3
12.	Net unrealized loss/(gain) from financial assets and liabilities at fair value through profit or loss	0.0	-0.6
13.	(Gain)/loss on disposal of fixed assets	-0.1	-1.3
14.	Other non-monetary items	-75.2	-61.7
	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	41.8	-51.6
17.	Loans and advances to other customers	-80.4	-9.3
18.	Securities and other financial instruments at fair value through other comprehensive income	148.9	0.3
19.	Securities and other financial instruments held for trading	-6.6	16.7
20.	Non-trading securities and other financial assets mandatorily at fair value through profit or loss	0.0	0.0
21.	Securities and other financial instruments mandatory at fair value through profit or loss	-0.4	1.4
22.	Securities and other financial instruments mandatory at amortised cost	0.1	-0.5
23.	Other assets from operating activities	0.7	2.8
24.	Deposits from financial institutions	-1.9	-0.7
25.	Transaction accounts of other customers	433.8	109.9
26.	Demand deposits of other costumers	-643.6	37.4
27.	Term deposits of other customers	105.4	-86.0
28.	Derivative financial liabilities and other trading liabilities	2.0	0.0
29.	Other liabilities from operating activities	1.8	-10.7
30.	Interest received from operating activities	72.7	53.4
31.	Dividends received from operating activities	0.0	0.0
32.	Interest paid from operating activities	-6.3	-4.5
33.	(Income taxes paid)	-1.5	-7.3
34.	**Net cash flow from operating activities (from 1. to 33.)**	**43.1**	**27.4**
	Investing activities		
35.	Proceeds from sale/(payments for purchase) of tangible and intangible assets	-3.0	0.3
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	-116.5	-95.3
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.)**	**-119.5**	**-95.1**
	Financing activities		
41.	Net increase/(decrease) of borrowings from financial activities	-29.5	14.4
42.	Net increase/(decrease) of borrowings from issued debt securities	0.0	0.0
43.	Net increase/(decrease) of subordinated debt	0.0	0.0
44.	Increase of share capital	0.0	0.0
45.	(Dividend paid)	-6.8	-11.3
46.	Other proceeds/(payments) from financing activities	-2.1	-1.8
47.	**Net cash flows from financing activities (from 41. to 46.)**	**-38.5**	**1.3**
48.	**Net increase/(decrease) of cash and cash equivalents (34. + 40. + 47.)**	**-114.9**	**-66.3**
49.	**Cash and cash equivalents at the beginning of the year**	**538.9**	**604.6**
50.	Effects of exchange rate changes on cash and cash equivalents	-0.1	0.7
51.	**Cash and cash equivalents at the end of the year (48. + 49. + 50.)**	**424.0**	**538.9**

Statement of Changes in Equity

in EUR 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 2023**	**339.6**	**0.0**	**39.8**	**0.0**	**-43.4**	**0.0**	**0.0**	**17.7**	**0.0**	**6.8**	**0.0**	**0.0**	**0.0**	**360.5**
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 2023**	**339.6**	**0.0**	**39.8**	**0.0**	**-43.4**	**0.0**	**0.0**	**17.7**	**0.0**	**6.8**	**0.0**	**0.0**	**0.0**	**360.5**
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	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
11.	Dividends	0.0	0.0	0.0	0.0	0.0	-3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.3
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	6.8	0.0	0.0	0.0	-6.8	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	0.2	0.0	0.0	-3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.5
20.	Total comprehensive income for the year	0.0	0.0	0.0	0.0	19.2	0.0	0.0	0.0	0.0	9.2	0.0	0.0	0.0	28.4
21.	**Closing balance [current period] for the year 2023**	**339.5**	**0.0**	**40.0**	**0.0**	**-24.2**	**-0.2**	**0.0**	**17.8**	**0.0**	**9.2**	**0.0**	**0.0**	**0.0**	**382.0**

in EUR million

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	Minority interests: Accumulated other comprehensive income	Minority interests: Other items	Total
1.	**Opening balance [before restatement] for the year 2022**	**339.6**	**0.0**	**39.8**	**0.0**	**1.5**	**0.6**	**0.0**	**17.7**	**0.0**	**10.6**	**0.0**	**0.0**	**0.0**	**409.8**
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 2022**	**339.6**	**0.0**	**39.8**	**0.0**	**1.5**	**0.6**	**0.0**	**17.7**	**0.0**	**10.6**	**0.0**	**0.0**	**0.0**	**409.8**
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	-9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-9.5
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	10.6	0.0	0.0	0.0	-10.6	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	-1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.8
20.	Total comprehensive income for the year	0.0	0.0	0.0	0.0	-44.9	0.0	0.0	0.0	0.0	6.8	0.0	0.0	0.0	-38.1
21.	**Closing balance [current period] for the year 2022**	**339.6**	**0.0**	**39.8**	**0.0**	**-43.4**	**0.0**	**0.0**	**17.7**	**0.0**	**6.8**	**0.0**	**0.0**	**0.0**	**360.5**

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 IFRS, the following tables present comparatives.

Comparatives for the Statement of financial position - Assets at 31 December 2023:

in EUR million

		IFRS											
Croatian National Bank's Decision		Cash reserves	Financial assets held for trading	Loans and receivables from credit institutions	Loans and receivables from 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	423.9	423.9	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	11.3	0.0	11.3	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	1.8	0.0	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	343.5	0.0	0.0	0.0	0.0	343.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost	1,371.6	0.0	0.0	0.8	1,153.3	217.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	20.2	0.0	0.0	0.0	0.0	0.0	18.7	1.5	0.0	0.0	0.0	0.0	0.0
Intangible assets	8.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.7	0.0	0.0	0.0	0.0
Tax assets	17.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.2	0.0	0.0
Other assets	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.7	0.0
Non-current assets and disposal groups classified as held for sale	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
Total assets	**2,204.9**	**423.9**	**11.3**	**0.8**	**1,153.3**	**562.9**	**18.7**	**1.5**	**8.7**	**0.0**	**17.2**	**6.7**	**0.0**

Comparatives for the Statement of financial position – Liabilities and Equity at 31 December 2023:

in EUR million

		IFRS														
Croatian National Bank's Decision		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	2.6	2.6	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	1,728.7	0.0	16.4	1,642.8	20.2	31.1	18.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	75.1	0.0	0.0	0.0	0.0	0.0	0.0	75.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax liabilities	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	14.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.6	0.0	0.0	0.0	0.0	0.0
Total liabilities	**1,822.9**	**2.6**	**16.4**	**1,642.8**	**20.2**	**31.1**	**18.2**	**75.1**	**1.8**	**14.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Equity															
Share capital	339.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	339.5	0.0	0.0	0.0	0.0
Equity instruments issued other than capital	40.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0	0.0	0.0	0.0
Accumulated other comprehensive income	-24.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-24.2	0.0
Retained earnings	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2
Other reserves	17.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.8	0.0	0.0
Profit or loss attributable to owners of the parent	9.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.2
Total equity	**382.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**339.5**	**40.0**	**17.8**	**-24.2**	**8.9**
Total equity and total liabilities	**2,204.9**	**2.6**	**16.4**	**1,642.8**	**20.2**	**31.1**	**18.2**	**75.1**	**1.8**	**14.6**	**339.5**	**40.0**	**17.8**	**-24.2**	**8.9**

Comparatives for the Statement of financial position - Assets at 31 December 2022:

in EUR million

		IFRS											
Croatian National Bank's Decision		Cash reserves	Financial assets held for trading	Loans and receivables from 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	538.9	538.9	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	2.7	0.0	2.7	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	1.5	0.0	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	471.7	0.0	0.0	0.0	0.0	471.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost	1,211.2	0.0	0.0	53.1	1,062.3	95.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	21.1	0.0	0.0	0.0	0.0	0.0	20.1	1.0	0.0	0.0	0.0	0.0	0.0
Intangible assets	9.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.7	0.0	0.0	0.0	0.0
Tax assets	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	18.2	0.0	0.0
Other assets	9.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.1	0.0
Non-current assets and disposal groups classified as held for sale	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Total assets	**2,286.1**	**538.9**	**2.7**	**53.1**	**1,062.3**	**569.0**	**20.1**	**1.0**	**9.7**	**1.7**	**18.2**	**9.1**	**0.3**

Comparatives for the Statement of financial position – Liabilities and Equity at 31 December 2022:

in EUR million

		IFRS														
Croatian National Bank's Decision		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	0.6	0.6	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	1,859.5	0.0	16.5	1,750.0	49.7	31.1	12.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	51.2	0.0	0.0	0.0	0.0	0.0	0.0	51.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	14.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.3	0.0	0.0	0.0	0.0	0.0
Total liabilities	**1,925.6**	**0.6**	**16.5**	**1,750.0**	**49.7**	**31.1**	**12.2**	**51.2**	**0.0**	**14.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Equity															
Share capital	339.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	339.6	0.0	0.0	0.0	0.0
Equity instruments issued other than capital	39.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	39.8	0.0	0.0	0.0
Accumulated other comprehensive income	-43.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-43.4	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	0.0	0.0
Other reserves	17.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.7	0.0	0.0
Profit or loss attributable to owners of the parent	6.8	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	6.8
Total equity	**360.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**339.6**	**39.8**	**17.7**	**-43.4**	**6.8**
Total equity and total liabilities	**2,286.1**	**0.6**	**16.5**	**1,750.0**	**49.7**	**31.1**	**12.2**	**51.2**	**0.0**	**14.3**	**339.6**	**39.8**	**17.7**	**-43.4**	**6.8**

Comparatives for the statement of profit or loss ended 31 December 2023:

in EUR million

Croatian National Bank's Decision		IFRS													
		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	78.6	65.4	13.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Interest expenses)	6.3	0.0	0.0	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fee and commission income	27.1	0.0	0.0	0.0	27.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Fee and commission expenses)	5.8	0.0	0.0	0.0	0.0	5.8	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains or (-) losses on financial assets and liabilities held for trading, net	1.9	0.0	0.0	0.0	0.0	0.0	1.9	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	0.4	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	-0.5	0.0	0.0	0.0	0.0	0.0	-0.5	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	0.1	0.0	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
Other operating income	4.3	0.0	0.0	0.0	0.0	0.0	0.0	4.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0
(Other operating expenses)	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.6	0.0	0.0
Total operating income, net	**98.9**	**65.4**	**13.2**	**-6.3**	**27.1**	**-5.8**	**1.8**	**4.3**	**-0.3**	**0.0**	**0.0**	**0.0**	**-0.6**	**0.0**	**0.0**
(Administrative expenses)	45.8	0.0	0.0	0.0	0.0	0.3	0.0	0.0	1.4	25.8	18.1	0.0	0.0	0.2	0.0
(Cash contributions to resolution funds and deposit guarantee schemes)	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0
(Depreciation)	6.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.8	0.0	0.0	0.0
Modification gains or (-) losses, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Provisions or (-) reversal of provisions)	32.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	30.8	0.5	0.0

Comparatives for the statement of profit or loss ended 31 December 2023:

in EUR million

		IFRS													
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)	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6	0.0
(Impairment or (-) reversal of impairment on non-financial assets)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit or (-) loss before tax from continuing operations	**10.5**	**65.4**	**13.2**	**-6.3**	**27.1**	**-6.1**	**1.8**	**4.3**	**-4.6**	**-25.8**	**-18.1**	**-6.8**	**-31.4**	**-2.3**	**0.0**
(Tax Expenses or (-) income related to profit or loss from continuing operations)	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
Profit or (-) loss after tax from continuing operations	**9.2**	**65.4**	**13.2**	**-6.3**	**27.1**	**-6.1**	**1.8**	**4.3**	**-4.6**	**-25.8**	**-18.1**	**-6.8**	**-31.4**	**-2.3**	**-1.4**
Profit or (-) loss for the year	**9.2**	**65.4**	**13.2**	**-6.3**	**27.1**	**-6.1**	**1.8**	**4.3**	**-4.6**	**-25.8**	**-18.1**	**-6.8**	**-31.4**	**-2.3**	**-1.4**

Comparatives for the statement of profit or loss ended 31 December 2022:

in EUR million

		IFRS													
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	57.8	57.6	0.3	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)	3.8	0.0	0.0	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fee and commission income	27.2	0.0	0.0	0.0	27.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Fee and commission expenses)	5.7	0.0	0.0	0.0	0.0	5.7	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	0.6	0.0	0.0	0.0	0.0	0.0	0.6	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	4.6	0.0	0.0	0.0	0.0	0.0	4.6	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	-0.1	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
Exchange differences [gain or (-) loss], net	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	0.0
Gains or (-) losses on derecognition of non-financial assets, net	1.3	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	3.9	0.0	0.0	0.0	0.0	0.0	0.0	3.7	0.0	0.0	0.0	0.0	0.2	0.0	0.0
(Other operating expenses)	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.2	0.0	0.0
Total operating income, net	**87.3**	**57.6**	**0.3**	**-3.8**	**27.2**	**-5.7**	**7.1**	**4.9**	**-0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
(Administrative expenses)	46.5	0.0	0.0	0.0	0.0	0.3	0.0	0.0	1.4	24.2	19.9	0.0	0.2	0.5	0.0
(Cash contributions to resolution funds and deposit guarantee schemes)	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0
(Depreciation)	7.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	7.1	0.0	0.0	0.0
Modification gains or (-) losses, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Provisions or (-) reversal of provisions)	22.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.8	-0.2	0.0	0.0	0.0	22.5	0.7	0.0
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0

Comparatives for the statement of profit or loss ended 31 December 2022:

in EUR million

		IFRS													
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)	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
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit or (-) loss before tax from continuing operations	**7.9**	**57.6**	**0.3**	**-3.9**	**27.2**	**-6.0**	**7.1**	**5.7**	**-3.2**	**-24.2**	**-19.9**	**-7.1**	**-22.8**	**-2.9**	**0.0**
(Tax Expenses or (-) income related to profit or loss from continuing operations)	1.1	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	1.1
Profit or (-) loss after tax from continuing operations	**6.8**	**57.6**	**0.3**	**-3.9**	**27.2**	**-6.0**	**7.1**	**5.7**	**-3.2**	**-24.2**	**-19.9**	**-7.1**	**-22.8**	**-2.9**	**-1.1**
Profit or (-) loss for the year	**6.8**	**57.6**	**0.3**	**-3.9**	**27.2**	**-6.0**	**7.1**	**5.7**	**-3.2**	**-24.2**	**-19.9**	**-7.1**	**-22.8**	**-2.9**	**-1.1**

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
CRE	Commercial Real Estate
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
IBOR	Interbank Offered Rate
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
LIBOR	London Interbank Offered Rate
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 fulfil 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
RRE	Residential Real Estate
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 fulfil other requirements)
TLOF	Total liabilities and own funds
TSCR	Total SREP Capital Requirement
wiiw	Vienna Institute for International Economic Studies
Yield GPL (simply Ø)	Regular interest income / simply Ø gross performing loans

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