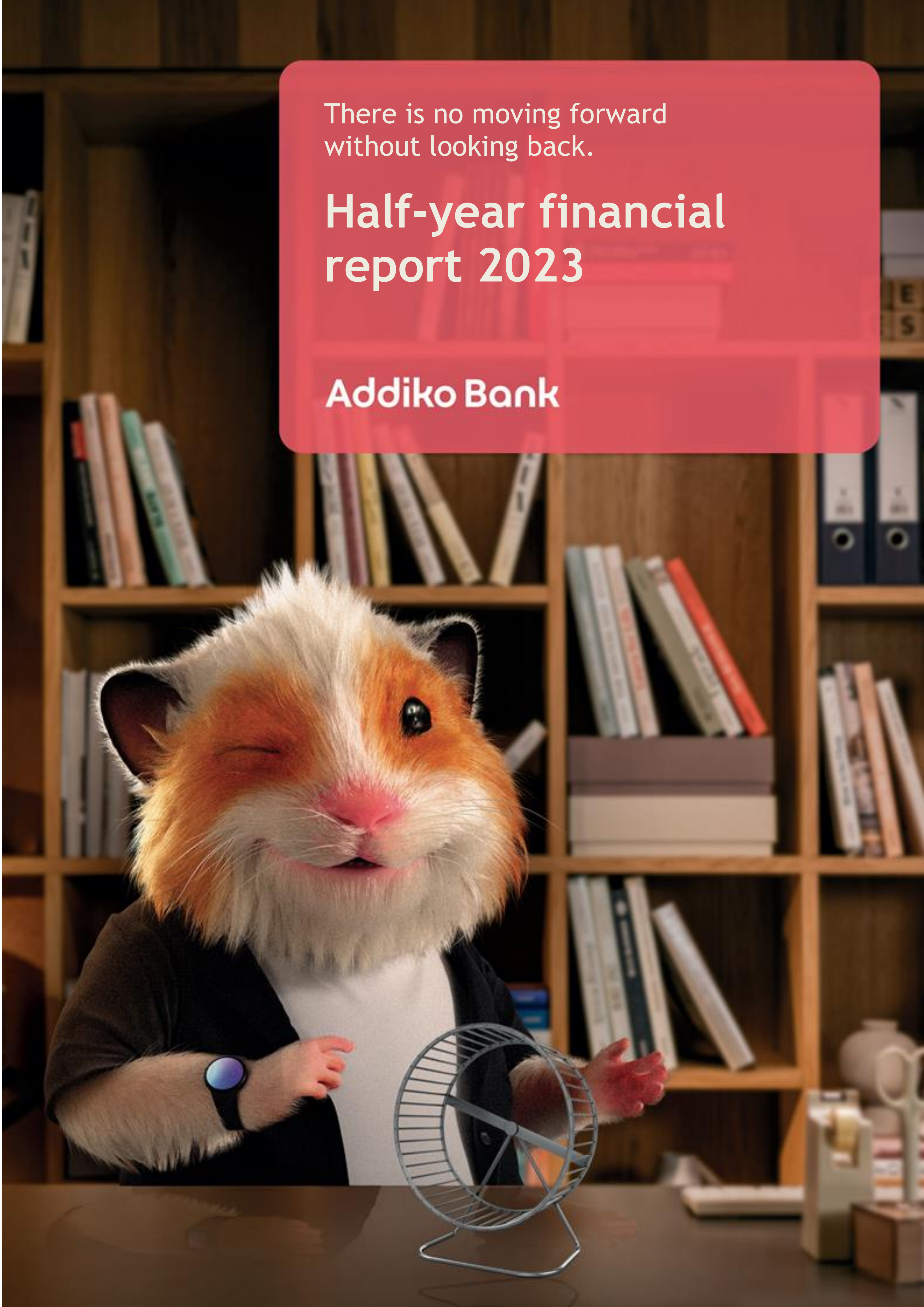
There is no moving forward without looking back.

# Half-year financial report 2023

Addiko Bank



# HIGHLIGHTS

## 1 Key financial data

| | |
|---|---|
| **Earnings** | |
| Net Profit | €19.5m |
| Operating Result | €49.6m |
| EPS | €1.0 |
| NIM | 3.7% |
| **Asset Quality** | |
| Cost of Risk | -0.2% |
| NPE Ratio | 2.4% |
| NPE Volume | €158.5m |
| **Capital** | |
| CET1 Ratio | 19.9% |

## 2 Business development

- Net Profit up 55% to €19.5m
- Operating Result up 54% YoY to €49.6m reflecting continued positive momentum on top-line
- Double-Digit YoY Growth in Consumer and SME continued - on track to achieve 2023 Outlook
- New Loan Business Pricing remains at premium, well above 100bp YoY in focus areas - prudent underwriting as anchor
- Dividend of €23.6m (€1.21 DPS) paid on 4 May 2023
- ESG Strategy & Action Plan on track
- Upgraded Outlook 2023 on the back of a strong first half of the year

## 3 Outlook 2023 upgraded

| | |
|---|---|
| Gross Performing Loans | ca €3.5b with >10% growth in focus |
| Net Banking Income | up by ca. 15% (prev. ca. 10%) |
| Operating Expenses | below €179m |
| TCR | >18.6% (fully loaded) |
| Sum Other Result & Credit Loss Expenses | <1.5% (prev. ca. 1.2%) on average net loans to customers |

# Key data

| | | | EUR m |
|---|---|---|---|
| **Selected items of the profit or loss statement** | **1H23** | **1H22** | **(%)** |
| Net banking income | 140.7 | 120.7 | 16.6% |
| Net interest income | 108.1 | 84.6 | 27.8% |
| Net fee and commission income | 32.5 | 36.1 | -9.7% |
| Net result on financial instruments | 0.7 | 0.2 | >100% |
| Other operating result | -4.9 | -5.9 | -16.4% |
| Operating expenses | -86.9 | -82.8 | 4.9% |
| **Operating result before impairments and provisions** | **49.6** | **32.3** | **53.7%** |
| Other result | -16.5 | -8.6 | 92.5% |
| Credit loss expenses on financial assets | -9.2 | -8.8 | 4.3% |
| Taxes on income | -4.5 | -2.3 | 92.9% |
| **Result after tax** | **19.5** | **12.6** | **54.7%** |
| | | | |
| **Performance ratios** | **1H23** | **1H22** | **(pts)** |
| Net interest income/total average assets | 3.7% | 3.0% | 0.7 |
| Return on average tangible equity | 5.4% | 3.4% | 2.0 |
| Cost/income ratio | 61.7% | 68.6% | -6.8 |
| Cost of risk ratio | -0.2% | -0.2% | 0.0 |
| Cost of risk ratio (net loans) | -0.3% | -0.3% | 0.0 |
| Earnings per share (in EUR) | 1.00 | 0.65 | 35.5 |
| | | | |
| **Selected items of the statement of financial position** | **Jun23** | **Dec22** | **(%)** |
| Loans and advances to customers | 3,423.3 | 3,292.7 | 4.0% |
| o/w gross performing loans | 3,435.6 | 3,303.8 | 4.0% |
| Deposits and borrowings of customers | 4,848.5 | 4,959.6 | -2.2% |
| Equity | 756.4 | 746.3 | 1.4% |
| Total assets | 5,875.5 | 5,996.4 | -2.0% |
| Risk-weighted assets [1)] | 3,559.2 | 3,481.0 | 2.2% |
| | | | |
| **Balance sheet ratios** | **Jun23** | **Dec22** | **(pts)** |
| Loan to deposit ratio | 70.6% | 66.4% | 4.2 |
| NPE ratio | 2.4% | 2.4% | 0.0 |
| NPE Ratio (on balance loans) | 3.3% | 3.3% | 0.0 |
| NPE coverage ratio | 78.0% | 75.4% | 2.6 |
| Liquidity coverage ratio | 335.8% | 307.4% | 28.4 |
| Common equity tier 1 ratio [1)] | 19.9% | 20.0% | -0.1 |
| Total capital ratio [1)] | 19.9% | 20.0% | -0.1 |

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

# Letter from the CEO

Based on the progress in our Acceleration Program, we accomplished a successful first half of 2023. Building on the achievements of our Transformation Program, which was launched almost two years ago, the improvements in our results are clearly visible in our business volumes, in our financial results and in the services offered to our customers.

Addiko Group posted a net profit of EUR 19.5 million for the first six months of this year, up 55% from 2022. Our operating result also improved significantly with a 54% increase to EUR 49.6 million, an achievement that was supported by double-digit year-on-year growth in our focus areas Consumers and SME.

Our performance on cost management in times of elevated inflation is also evident and can be seen in an improved Cost/income ratio of 61.7% (1H22: 68.6%). These developments are a continuation of the solid results in 2022 which allowed us to distribute a dividend of EUR 23.6 million or EUR 1.21 per share to our shareholders in May 2023.

In response to changing customer needs, our Acceleration Program continues to prioritise business growth in the focus areas of Consumers and SME, operational excellence and the enhancement of our digital capabilities. At the same time, we want to become the best-in-class bank in risk management driven by data analytics and automation.

Our ambition allowed us to deliver a market premiere in Croatia by giving customers the possibility to get their loan documentation wherever and whenever suits them by courier service. In Slovenia, our bank improved the cash loan origination process by lowering the time to decision to a maximum of 15 minutes, with time to cash in under one hour. The process is now fully automated.

In Serbia, our customer centric approach has further improved, with lending at the point of sale (PoS) now available at over 300 partners including retail stores selling electronics, household appliances and other consumer goods. The simple and fast process enables customers to get a loan within 15 minutes, using only their ID.

Addiko's brand character Oskar was present across all media channels throughout more than 30 marketing campaigns to promote our offerings.

Despite falling energy prices, inflation in the region remains elevated, impacting household incomes and consumer spending. The war in the Ukraine also contributes to higher geopolitical risks, increasing economic uncertainties for the second half. Slovenia has been severely impacted by the recent floods. While Addiko Slovenia and its branches are so far only experiencing limited impacts, we are supporting affected employees and customers with targeted relief measures. Croatia on the other hand is expected to further benefit from its 2023 accession to the euro and the Schengen area.

Despite these uncertainties, we are confident that we still have significant headroom for growth in fast lending to Consumers and SMEs complemented by other simple banking products.

For the remainder of 2023, we have raised our outlook to reflect the continued strong business development, the favourable interest rate environment and our prudency on risk & legal costs.

I'm very satisfied with these results, which show how far we have come as a team and how fast we have moved as a business towards becoming the leading specialist bank for consumers & SME customers in the CSEE region. I would like to thank all our employees for their professional behavior and all their energy with which they serve our customers.

Herbert Juranek
CEO

# Half-Year Financial Report 2023





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

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

# Condensed Group Management Report

Addiko Group is a specialist banking group focusing on providing banking products and services to Consumer and Small and Medium-sized Enterprises (SME) in Central and South-Eastern Europe (CSEE). The Group consists of the stock-market listed parent company Addiko Bank AG in Austria and six subsidiary banks in Croatia, Slovenia, Bosnia & Herzegovina (two banks), Serbia and Montenegro.

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

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

## 1. Macroeconomic environment

In addition to the positive effects from the end of the Covid pandemic, the first half of 2023 in Europe continued to be dominated by the impact of the Russian aggression in Ukraine, which has now entered its second year.

Following the turbulence of 2022, which led to distortions on commodity and energy markets in Europe, fuel and energy prices in particular fell significantly in the first half of 2023, which in turn led to a reduction in inflation within the Eurozone to 5.5% in June 2023. However, depending on the measures taken by governments to combat inflation in the individual member states, the rates of price increases in June varied widely, ranging from a low 1.6% in Spain and Belgium to 9.0% in Estonia and 11.3% in Slovakia. With a 7.8% increase in consumer prices compared with June 2022, Austria was in the upper range of Euro area countries, but a significant reduction was recorded compared with the highest monthly value of 11.6% in October 2022.

In order to achieve its inflation target of 2.0% again, the ECB has responded with significant interest rate steps. Since the first increase in the key interest rate from 0.0% to 0.5% in July 2022, there have been a total of eight interest rate increases, with the key interest rate increase on 15 June 2023, the central bank adjusted the reference rate for loans to 4.0%. A further increase of 0.25 percentage points in the key ECB interest rate was decided on July 27, 2023.

Particularly because of the lower purchasing power of the population due to inflation and their reluctance to spend, GDP in the Eurozone decreased by 0.1% in the first quarter of 2023 compared with the previous quarter. GDP is also expected to stagnate in 1H23. On the other hand, the seasonally adjusted number of unemployed people in the Euro area decreased to 6.5% in May 2023, down 0.2 percentage points compared with May 2022.

Regarding Addiko's core markets, a predominantly positive economic scenario is expected. Although inflation in the CSEE countries will remain high in 2023, a significant reduction is expected compared with 2022. While lower price increases are expected for Croatia (6.5%) and Slovenia (6.6%), they are still relatively high in Bosnia & Herzegovina (8.7%), Montenegro (9.7%) and Serbia (12.0%). Contrary to the economic stagnation of the Eurozone, the CSEE markets may post gains in 2023. Both the Eurozone countries Croatia (+2.5%) and Slovenia (+1.4%) as well as the other countries where Addiko operates, Bosnia & Herzegovina (+1.7%), Montenegro (+3.5%) and Serbia (+1.5%) are expected to see a strong increase in GDP in 2023. The GDP forecast for Slovenia does not consider the effects of the recent floods in August 2023. In all five countries of operation, the labor markets are developing positively and leading to a significant reduction in the unemployment rate.

In Slovenia, inflation was still around 8.4% in May 2023. While energy costs dropped significantly, spending on housing and food was still much higher. The Slovenian labor market is characterised by a historically low unemployment rate, which is expected to remain close to 3.9% for the full year. Nominal salary increases are expected at ca. 4.0%.

Croatia's economy will benefit from the introduction of the Euro at the beginning of 2023 and from its accession to the Schengen area, which both will make life much easier for the very important tourism sector. Tourism has already profited very strongly in the first quarter of 2023, leading to 5.3 million overnight stays, which represented an increase of 19.6% over the previous year. While increasing infrastructure investments also boosted GDP, private household spending remained subdued in view of high inflation.

Bosnia & Herzegovina also benefited from increased tourism, which rose by 16% year-on-year in the first quarter of 2023. The economy itself showed few signs of recovery. While industrial production declined by 4% year-on-year in the first four months of 2023 and exports fell, imports increased. At the same time, private households are expected to continue to react to rising prices by holding back on spending. Credit growth on the market was only moderate in the first few months, and the central bank's interest rate hikes remained well below those of the ECB.

In Serbia, too, high inflation has significantly reduced disposable household income, resulting in a reluctance to spend. After government spending was also cut back, GDP growth fell to only 0.7% in the first three months year-on-year. Positive factors were foreign direct investment and remittances from residents living abroad, which were 30% higher in the first quarter of 2023 than a year earlier. Downside risks relate to the political situation with regard to anti-government protests and northern Kosovo.

Montenegro recorded very significant GDP growth of 6.1% in the first three months of 2023. This was driven by a 16.3% increase in consumption and a 60% increase in tourists visiting the country in the period January - April. Although a large part of the increase was due to Ukrainian and Russian citizens, a full recovery of tourism to pre-Covid levels is expected for the full year 2023. This is reflected in the GDP accordingly, which is expected to grow by 3.5% in 2023.

(Source: Eurostat, WIIW)

## 2. Business updates

### 2.1. Marketing activities in 1H23

Addiko remains focused on becoming the best specialist bank in the CSEE region where customers can find simple and fast lending solutions to whatever lifestyle needs they have. Addiko's dedication to being a responsible lender is particularly evident in its product design as well as in its communication and advertisements, addressing product characteristics in a direct and transparent manner in complete alignment between sales and prudent risk management.

Marketing continues to play a strong enabling role with the main aim not only to drive new customer acquisition but to improve customer experience. The brand character Oskar is the message carrier for Addiko, both outside to potential and existing customers, as well as internally to the employees to reinforce customer centricity. The 3D animated brand character Oskar is brought to life in each of the local Addiko markets in CSEE by communicating in local language. In the first half of 2023, Oskar was visible across all media channels such as TV ads, outdoor billboards, social media, digital advertising and mobile in all markets where Addiko operates throughout more than 30 marketing campaigns.

A new image campaign was rolled out in the five countries where Addiko operates, and followed by loan product campaigns strongly aligned to the brand with the promise to guarantee record Time-to-Yes and Time-to-Cash. In the biggest market Croatia a market premiere was launched by giving customers the possibility to get the loan documentation wherever and whenever suits them – by delivering it via the courier service. In cooperation with Mastercard shopping weekends launched in parts of Bosnia & Herzegovina promoting electronic payments and offering discounts to clients in different stores. In Serbia, the customer-centric approach has progressed the most in lending at the point of sale (PoS). The Addiko Bank partnership solution for the PoS loan is already available in over 300 retail stores selling electronics, house appliances and other consumer goods. The simple and fast process enables the customer to get a loan in 15 minutes, using only their ID.

In product advertising, Addiko uses clear and direct messages along with representative examples to ensure full transparency and to provide customers with the information required for them to be able to make a conscious decision concerning their finances. Even more detailed information on products and services is always available on the respective websites of Addiko's banking entities in CSEE.

According to the latest measurements of the Brand Tracker Addiko's spontaneous awareness is growing across markets on average by 10% year-on-year and the consideration for fast cash loan on average by 17%. The improvement in Addiko's reputation reinforced the position of a bank expert for fast cash loans available wherever and whenever. Overall, stronger creativity and storytelling around customer needs with the help of the brand character Oskar have increased Addiko advertising awareness on average by 10%. Customers recognised Addiko's marketing efforts. In terms of brand consideration, customers are willing to consider Addiko as a bank they want to do business with, which has displayed stable growth over the years and is one of the main indicators of customer perception. Together with the fact that Addiko's brand awareness is showing desirable growth in all markets, this also illustrates Addiko's positive image.

### 2.2. Acceleration program

In order to further drive value generation, Addiko set up a group-wide program, the "Acceleration Program". The overall goal of the program is to get closer to Addiko’s ambition to become the best specialist bank for Consumers and SMEs in CSEE. The intention is to accelerate the Group’s capabilities for its customers to create incremental value and to assure a faster achievement of the Group mid-term targets. The program is based on three main pillars:

- The first pillar is dedicated to enable constant, sustainable business growth within the current geography. Over the past two years, Addiko significantly improved its digital platform to better serve its customers. Addiko strategy is to take the next step and leverage, optimise and extract the maximum out of the existing platform. Addiko will continue to launch E2E digital capabilities to attract digital customers and further expand through its partnership ecosystem. Furthermore, the product offering for Consumers and SMEs shall be amplified, for instance, through the card business via tailored functionalities. At the same time, unprofitable products and services will be retired. Marketing capabilities are an essential part of this pillar and will be further improved and refined. All of that shall assure a further growth of the focus business in a sustainable and profitable way, while maintaining a prudent underwriting approach. In addition, 2023 will be used to evaluate a potential geographical expansion into a new CESEE market to leverage on the Group digital platform and to further increase scalability. This assessment project shall last until the end of this year. Based on the outcome, Addiko will decide on a potential expansion of its business model into a new market.
- The second pillar of the program is designed to address operational excellence to achieve further E2E optimisation of Addiko core processes. During the first half of 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's focus will be on customer experience. This means best-in-class customer experience in the focus areas and respective products - no matter which channel customers are using -, customer-first culture, innovation for key end-to-end processes and reduction of waste. This is complemented by introducing new digital solutions and automation of back-office tasks while enabling efficiency enhancements over the years. Addiko made substantial improvements in its business intelligence reporting systems. This helps the Group to understand its customers better and it also helps to reap the benefits, such as fine-tuning products and services to the advantage of both the customer and the bank.
- The third pillar deals with the objective to become best-in-class in risk management. Addiko is convinced that its goal to become the best specialist bank for Consumers and SMEs in CSEE is only achievable by becoming superior on the risk side. In the current economic situation, Addiko considers the importance of data management and analytics in the risk management area even more important. Accordingly, Addiko will further invest into its IT systems to establish a scalable and automated leading-edge underwriting, monitoring and reporting environment. Addiko will also continue to concentrate on effective NPE management to create value for the bank.

## 2.3. Share Buyback

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

Between 11 April and 30 June 2023 in total 56,073 shares were repurchased under the Share Buyback Programme 2023 exclusively on the Vienna Stock Exchange at an average price of EUR 13.10. Together with 14,805 own treasury shares repurchased under the Share Buyback Programme 2022, Addiko holds as of 30 June 2023 in total 70,878 own shares (corresponding to 0.3635% of subscribed capital) at an average price of EUR 12.21. Further information on the share buyback programme can be found on the website of Addiko Bank AG https://www.addiko.com/sharebuyback.

# 3. Financial development of the Group

## 3.1. Overview of financial performance

- **Operating result before impairments and provisions up 53.7% to EUR 49.6 million vs. EUR 32.3 million last year**
- **Operating expenses remained below guidance**
- **Cost of Risk at 0.3% or EUR 9.2 million compared to EUR 8.8 million a year earlier**
- **NPE ratio stable at 2.4% (YE22: 2.4%) with increased NPE coverage at 78.0% (YE22: 75.4%)**
- **Return on average tangible equity up to 5.4% (1H22: 3.4%)**
- **EPS of EUR 1.00 in 1H23 compared to EUR 0.65 a year earlier**

The **result after tax** of EUR 19.5 million (1H22: EUR 12.6 million) reflected the strong business development, successful repricing, provisions for legal claims and relatively benign credit losses. **Credit loss expenses** stood at EUR 9.2 million or 0.3% Cost of Risk (1H22: EUR 8.8 million). While the underlying asset quality continued to be strong, Addiko decided to keep the IFRS 9 post-model adjustment at a prudent level of EUR 18.5 million (YE22: EUR 20.7 million) to reflect uncertainties and the high volatility in the macroeconomic environment.

The **share of the two focus segments Consumer and SME** of the gross performing loan book increased to 84.5% compared to 82.4% at year-end 2022. The overall customer gross performing loan book continued on the growth trajectory to EUR 3.42 billion compared to EUR 3.30 billion at the end of 2022 while decreasing the non-focus as well as the medium SME loan book. The overall focus book growth was at 10% YoY while the focus portfolio excluding the medium SME loans grew significantly by 14%.

**Net interest income** rose significantly by 27.8% to EUR 108.1 million (1H22: EUR 84.6 million) with improved NIM at 3.67% (1H22: 2.96%). The **net fee and commission income** decreased by 9.7% YoY to EUR 32.5 million (1H22: EUR 36.1 million) mainly driven by lost income from FX&DCC in Croatia following the introduction of the Euro on 1 January 2023. **Operating expenses** increased to EUR 86.9 million (1H22: EUR 82.8 million) as result of significantly elevated inflation. The cost-income ratio further improved to 61.7% (1H22: 68.6%).

The **NPE ratio** remained stable at 2.4% (YE22: 2.4%) at an improved **NPE coverage** of 78.0% (YE22: 75.4%), the **NPE ratio related to on-balance loans** was at 3.3% (YE22: 3.3%) based on a **non-performing exposure (NPE)** of EUR 158.5 million (YE22: EUR 163.2 million).

The **CET1 ratio** stood at 19.9% (YE22: fully loaded 20.0%). As of 1 January 2023, there is no difference between the transitional and the fully loaded regulatory capital base due to the expiry of the IFRS 9 and Article 468 CRR (EU 2020/873) transitional capital rules.

## 3.2. Detailed analysis of the result

EUR m

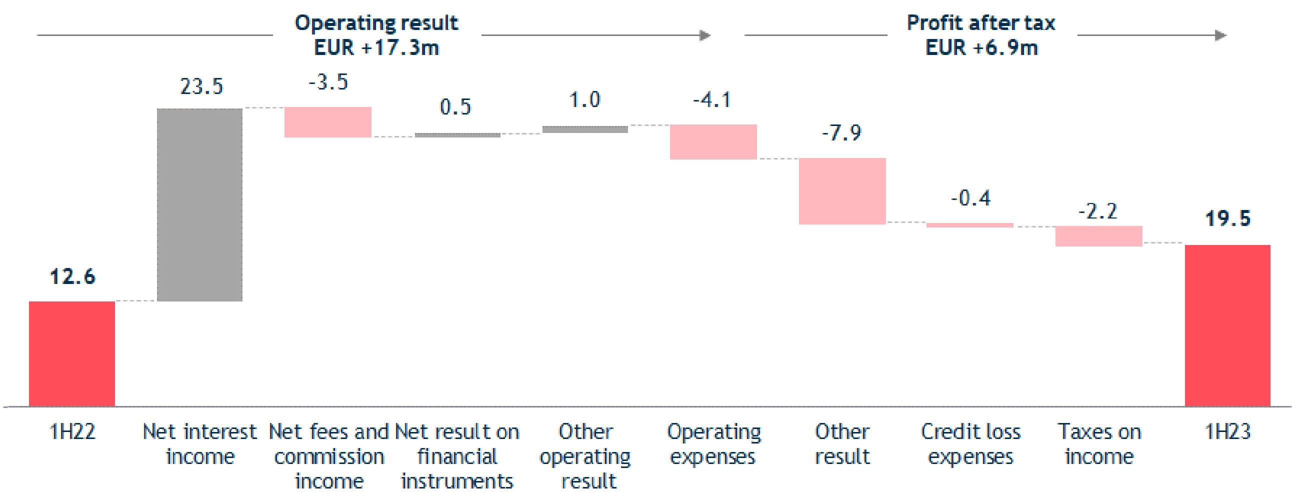
| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 | (abs) | (%) |
|---|---|---|---|---|
| Net banking income | 140.7 | 120.7 | 20.0 | 16.6% |
| Net interest income | 108.1 | 84.6 | 23.5 | 27.8% |
| Net fee and commission income | 32.5 | 36.1 | -3.5 | -9.7% |
| Net result on financial instruments | 0.7 | 0.2 | 0.5 | >100% |
| Other operating result | -4.9 | -5.9 | 1.0 | -16.4% |
| **Operating income** | **136.5** | **115.1** | **21.4** | **18.6%** |
| **Operating expenses** | **-86.9** | **-82.8** | **-4.1** | **4.9%** |
| **Operating result before impairments and provisions** | **49.6** | **32.3** | **17.3** | **53.7%** |
| Other result | -16.5 | -8.6 | -7.9 | 92.5% |
| Credit loss expenses on financial assets | -9.2 | -8.8 | -0.4 | 4.3% |
| **Result before tax** | **24.0** | **14.9** | **9.0** | **60.6%** |
| Taxes on income | -4.5 | -2.3 | -2.2 | 92.9% |
| **Result after tax** | **19.5** | **12.6** | **6.9** | **54.7%** |

**Net banking income** improved by EUR 20.0 million to EUR 140.7 million in the first half of 2023.

**Net interest income** increased significantly by EUR 23.5 million driven by the focus segments Consumer and SME and income related to liquidity management and treasury. The Consumer segment recorded higher regular interest income of EUR 5.3 million on the back of an increased loan book volume (up EUR 130.0 million) compared with 1H22 by keeping and further extending the premium pricing versus incumbent banks. The increase in the SME segment of EUR 11.9 million was driven by both higher loan volumes (up EUR +133.2 million YoY) as well as significantly improved lending interest rates (up +158bps YoY based on simple average) supported by the change in market rates in most markets and both, new business at higher rates and repricing of the variable back book. In addition, the recorded interest income was positively complemented by EUR 12.9 million from cash balances at central banks and EUR 4.8 million from investment in debt securities, reflecting the changed interest rate environment. The regular interest income from the non-focus segment remained stable, with the increase in interest rates overcompensating the intentionally accelerated run-down of the non-focus portfolio (down EUR 212.9 million YoY). On the liability side, interest expenses naturally increased by EUR 11.9 million due to both higher customer deposit volumes (up EUR 213.8 million YoY), whereby the volume of term deposits increased by EUR 283.0 million, and the changed market environment (interest rate increased by 106bps YoY), while the a-vista volume slightly reduced by EUR 46.6 million (interest rate increased by 8bps YoY).

**Net fee and commission income** decreased in 1H23 to EUR 32.5 million (1H22: EUR 36.1 million) mainly driven by lost income from FX&DCC as a consequence of introduction of the Euro in Croatia since 1 January 2023, despite growth in income related to card business and accounts & packages.

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



The **net result on financial instruments** amounted to EUR 0.7 million at 1H23 resulting from FX and related trading activities, compared to EUR 0.2 million at 1H22. No income from the disposal of debt instruments measured at FVTOCI was recorded, in line with the 2022 implemented new treasury strategy 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** as the sum of the other operating income and the other operating expense increased by EUR 1.0 million from EUR -5.9 million at 1H22 to EUR -4.9 million at 1H23. This position included the following significant items:

- Lower frontloaded regulatory charges from the recovery and resolution fund in Croatia and Slovenia of EUR -0.2 million (1H22: EUR -0.6 million).
- Deposit guarantee expenses of EUR -2.9 million (1H22: EUR -4.0 million). The decrease was primarily due to the fact that in the reporting period no contributions were charged in Croatia, as the required amount of the local deposit insurance was already reached. This was leading to a reversal of the amounts initially estimated and recognised in the first quarter 2023.
- Bank levies and other taxes stayed at EUR -1.8 million at 1H23 (1H22: EUR -1.8 million), thereof EUR -0.5 million (1H22: EUR -0.6 million) refer to banking levies from ECB, SRB and local banking agencies.

**Operating expenses** increased from EUR -82.8 million at 1H22 to EUR -86.9 million at 1H23:

- Personnel expenses increased by EUR 5.2 million to EUR 48.0 million in the reporting period. This increase was mainly driven, besides salary adjustments of EUR 2.7 million due to inflation pressure, by the recognition of higher variable payments for EUR 0.6 million and by EUR 1.5 million accrued vacation pay. These expenses reflect the amount of time-off pay earned by employees but not yet used by them during the first half year.
- Other administrative expenses decreased by EUR 0.8 million to EUR 30.3 million following the cost reduction initiatives executed as part of the Transformation Program during 2021 and 2022. The development of this position was also reflecting the decrease of advertising costs of EUR 0.8 million YoY connected with higher costs from the brand repositioning initiative in the previous reporting period.
- Depreciation and amortisation decreased by EUR 0.3 million to EUR -8.6 million.

Despite the increase of the Operating expenses, significantly higher net banking income led to an improvement in the Cost/income ratio from 68.6% to 61.7%.

The **other result** at EUR -16.5 million (1H22: EUR -8.6 million) was impacted by credit linked and portfolio based provisions for expected legal matters on Swiss franc denominated loans in Croatia, Slovenia and Montenegro, provisions connected with proportional fee reimbursements in Slovenia in case of early loan repayments (“Lexitor case”), the impact from the decision of the Indirect Taxation Authority in Bosnia & Herzegovina to reverse their previous instructions and apply VAT on credit card services retroactively and going forward and expenses in connection with customer-related operational risk cases.

**Credit loss expenses on financial assets** were EUR -9.2 million in the first half of 2023, a slight increase of EUR -0.4 million compared to 1H22 (EUR -8.8 million). During the first half of 2023 Addiko performed a methodology update for the Corporate models and the update of the macroeconomic data in all models. The combined effect of these activities was an increase for EUR 2.2 million. Since the PMA recognised at group level was introduced to address the uncertainties, specifically regarding the future macroeconomic environment, and now models were updated with newest macroeconomic input data, the PMA was decreased in the same amount in order to avoid double counting.

**Tax on income** increased to EUR -4.5 million at 1H23 compared to EUR -2.3 million at 1H22. The development reflects the higher Result before tax in 1H23 compared to 1H22 and the positive impact from the remeasurement of deferred tax assets on existing taxable losses in the previous reporting period. By excluding the impact of deferred tax measurement on existing taxable losses in both reporting periods, the effective tax rate decreased from 23.7% at 1H22 to 19.8% at 1H23, mainly due to tax reliefs applicable in Serbia.

Overall, the **result after tax** increased significantly by 54.7% to EUR 19.5 million for the first six months of the year 2023 (1H22: EUR 12.6 million).

### 3.3. Detailed analysis of the statement of financial position

EUR m

| | 30.06.2023 | 31.12.2022 | (abs) | (%) |
|---|---|---|---|---|
| Cash reserves | 1,129.4 | 1,382.9 | -253.5 | -18.3% |
| Financial assets held for trading | 23.8 | 22.8 | 1.0 | 4.5% |
| Loans and advances to credit institutions | 48.0 | 89.2 | -41.1 | -46.2% |
| Loans and advances to customers | 3,423.3 | 3,292.7 | 130.6 | 4.0% |
| Investment securities | 1,109.1 | 1,061.6 | 47.6 | 4.5% |
| Tangible assets | 60.3 | 61.6 | -1.3 | -2.1% |
| Intangible assets | 22.4 | 24.5 | -2.1 | -8.6% |
| Tax assets | 38.3 | 42.4 | -4.1 | -9.7% |
| Current tax assets | 3.4 | 5.4 | -2.0 | -37.2% |
| Deferred tax assets | 34.9 | 37.0 | -2.1 | -5.7% |
| Other assets | 19.1 | 17.1 | 2.0 | 11.7% |
| Non-current assets held for sale | 1.7 | 1.6 | 0.1 | 5.1% |
| **Total assets** | **5,875.5** | **5,996.4** | **-120.9** | **-2.0%** |

The statement of financial position of Addiko Group continues with a simple and solid interest-bearing asset structure: 58% of the assets were represented by customer loans, the majority thereof belonged to 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.

The **cash reserves** decreased to EUR 1,129.4 million as of 30 June 2023, maintaining a solid liquidity position (YE22: EUR 1,382.9 million) predominantly related to planned outflows.

**Loans and advances to credit institutions** decreased by EUR -41.1 million to EUR 48.0 million (YE22: EUR 89.2 million) as a result of the implementation of the Euro in Croatia and the reduction of the cash collateral which had to be provided to the Croatian Central Bank during the preparation phase of the Euro introduction.

**Loans and advances to customers** increased by EUR 130.6 million to EUR 3,423.3 million (YE22: EUR 3,292.7 million). The development was in line with Addiko's strategy to further pursue the accelerated change in the business composition from lower margin Large Corporate, Mortgage and Public Finance lending towards higher value-adding lending business in the focus segments Consumer and SME. As a result of activities launched during the Transformation Program, the focus segments continued the growth trajectory and increased by EUR 181.7 million to EUR 2,903.9 million (YE22: EUR 2,722.2 million), representing 84.5% of the total gross performing loans and advances to customers (YE22: 82.4%). The non-focus segments decreased as planned by EUR 49.9 million to EUR 531.7 million at 1H23 (YE22: EUR 581.6 million).

The **investment securities** increased from EUR 1,061.6 million at YE22 to EUR 1,109.1 million at 1H23. The investments are predominantly in high-rated and investment grade government bonds mainly issued by governments of the CESEE region. In line with the new treasury strategy implemented during 2Q22 all new investments performed by the EU group entities were classified in the Hold-to-Collect category, which increased during the reporting period from EUR 182.2 million to EUR 348.8 million.

**Tax assets** decreased to EUR 38.3 million (YE22: EUR 42.4 million), thereof EUR 10.6 million refer to deferred taxes on tax loss carried forward (YE22: EUR 10.3 million). The decrease is principally reflecting the deferred tax assets recognised on the back of the fair value development of the investment securities measured at fair value through other comprehensive income (FVTOCI).

**Other assets** increased to EUR 19.1 million (YE22: EUR 17.1 million). This position includes prepaid expenses and accruals as well as other receivables. The increase compared with year-end is due to the prepayment executed at the beginning of 2023 for a large service provider.

Compared to year-end 2022 the total assets of Addiko Group remained relatively stable and stood at EUR 5,875.5 million, down EUR -120.9 million or -2.0% . The total risk, i.e. risk-weighted assets including credit, market and operational risk, slightly increased to EUR 3,559.2 million (YE22: EUR 3,487.3 million on a transitional basis and EUR 3,481.0 million on a fully loaded basis) on the back of growth in the focus loan book.

EUR m

| | 30.06.2023 | 31.12.2022 | (abs) | (%) |
|---|---|---|---|---|
| Financial liabilities held for trading | 3.3 | 3.1 | 0.2 | 6.5% |
| Deposits and borrowings of credit institutions | 101.7 | 128.5 | -26.8 | -20.8% |
| Deposits and borrowings of customers | 4,848.5 | 4,959.6 | -111.0 | -2.2% |
| Other financial liabilities | 49.8 | 48.8 | 1.0 | 2.1% |
| Provisions | 88.7 | 83.4 | 5.4 | 6.5% |
| Tax liabilities | 1.1 | 0.6 | 0.5 | 71.5% |
| Current tax liabilities | 1.1 | 0.6 | 0.5 | 74.1% |
| Other liabilities | 25.9 | 26.2 | -0.3 | -1.0% |
| Equity | 756.4 | 746.3 | 10.1 | 1.4% |
| **Total equity and liabilities** | **5,875.5** | **5,996.4** | **-120.9** | **-2.0%** |

**Deposits and borrowings of credit institutions** decreased from EUR 128.5 million at YE22 to EUR 101.7 million as of 1H23.

**Deposits and borrowings of customers** remained stable, and recorded a slight 2.2% decrease to EUR 4,848.5 million during the first half of 2023 (YE22: EUR 4,959.6 million). The solid funding profile is one of the strengths of the Group, which drives its low dependence on market funding. Around 34% of the deposits were term deposits, mainly Euro denominated, followed by Bosnia & Herzegovina Convertible Marka (BAM) and Serbian Dinar (RSD).

**Other financial liabilities** slightly increased from EUR 48.8 million at YE22 to EUR 49.8 million at 1H23.

**Provisions** increased from EUR 83.4 million at YE22 to EUR 88.7 million in the first half of 2023. This position included mainly credit-linked and portfolio-based provisions in relation to expected court rulings on Swiss franc denominated loans as well as provisions connected with proportional fee reimbursements in Slovenia in case of early loan repayments ("Lexitor case") and the impact from the decision of the Indirect Taxation Authority in Bosnia & Herzegovina to reverse their previous instructions and apply VAT on credit card services retroactively and going forward. This balance sheet position also included provisions for variable performance-based bonus.

**Other liabilities** slightly decreased from EUR 26.2 million at YE22 to EUR 25.9 million at 1H23 mainly reflecting accruals for services received but not yet invoiced (1H23: EUR 24.5 million, YE22: EUR 25.2 million) as well as liabilities for salaries and salary compensations not yet paid.

**Equity** rose from EUR 746.3 million to EUR 756.4 million driven by the half year result, as well as the positive development in the other comprehensive income (EUR 14.7 million) mainly reflecting the recovery of market values and the related fair value measurement of debt instruments measured at FVTOCI. As disclosed in the YE22 Consolidated Financial Statements, the current classification of the debt instruments in the business model Hold-to-Collect&Sell in the EU entities of the Group and the related fair value measurement is not fully reflecting the new business and treasury strategy to invest in long-term high-quality bonds and hold it to maturity for yield enhancement purposes. Addiko is for this reason expecting that the current negative fair value reserves of EUR 71.3 million from debt instruments will continuously decrease until the maturity of the debt instruments, given the high credit quality and the expectation that the issuers, predominantly CESEE governments, will repay those bonds at maturity.

## 4. Capital and liquidity

As of 30 June 2023, the capital base of Addiko Group was solely made up of CET1 and stood at 19.9% (YE22: 21.1% on a transitional basis and 20.0% on a fully loaded basis), significantly above the currently applicable requirements and the Pillar 2 Guidance (P2G) of 17.41% in total (YE22: 15.75%).

**Regulatory capital requirements**

The Overall Capital Requirement (OCR) for the Addiko Group was 14.16%, consisting of:

- 11.25% Total SREP Capital Requirement (TSCR) out of 8.00% Pillar 1 requirement and 3.25% Pillar 2 requirement and
- 2.91% CBR out of 2.50% Capital Conservation Buffer (CCB), 0.16% Counter-Cyclical Capital Buffer (CCyB) and 0.25% Systemic Risk Buffer (SyRB).

The Pillar 2 Guidance (P2G) amounts to 3.25%. The regulator therefore expects Addiko to maintain at Group level a Total Capital Ratio of 17.41% (11.25% SREP requirement, plus 2.91% CCB, plus 3.25% P2G).

Compared with YE22 the following changes came into effect:

- The CCyB increased from 0.00% to 0.16% mainly driven by the CCyB rate of Croatia of 0.5%. On 31 December 2023 the CCyB rate of Croatia will be set to 1.0%. At the same time the CCyB rate of Slovenia will raise from 0 to 0.5%. Both will raise the CCyB requirement by approximately 0.29% to 0.46%.
- On 21 December 2022 FMA published that Addiko is subject to a SyRB of 0.5% at the consolidated level on the grounds of systemic concentration risk. The SyRB will be raised gradually by 0.25 percentage points starting from the 1 January until the 31 December 2023 and reaching the full level starting from the 1 January 2024. In Addiko's view the rationale applied to identify systemic concentration risk as well as the procedural steps taken are incorrect. Therefore, Addiko submitted an appeal against the FMA ordinance regarding the SyRB to the Federal Administrative Court.
- The 2022 SREP decision includes an increase of the P2G from 2.00% to 3.25%.

**Consolidated own funds**

Starting from the beginning of the reporting period, the transitional arrangements in accordance with Article 468 CRR of the regulation EU 2020/873 allowing partial neutralisation of unrealised losses for exposures to central government measured at FVTOCI as well as the static component of the IFRS 9 transitional capital rules, as published by the EU on 21 December 2017 and amended on the 24 June 2020, expired. For this reason, as of 30 June 2023 there is no difference between the transitional and the fully loaded regulatory capital base anymore.

During the reporting period, taking into consideration fully loaded figures as starting point, the capital base increased by EUR 13.7 million reflecting the following components:

- The positive OCI development of EUR 14.7 million mainly resulting from the fair value measurement of debt instruments measured at FVTOCI.

- The EUR 1.4 million decrease of other regulatory deduction items principally driven by a lower amount of intangible assets and minor changes in the prudential valuation adjustments connected with assets/liabilities measured at fair value and the value of deferred tax assets on existing taxable losses.
- The negative effect of EUR 2.5 million connected with the share buyback program 2023.
- The capital calculation does not include the interim profit for the first half of 2023.

The risk-weighted assets (RWA) increased by EUR 78.2 million during the reporting period, whereby EUR 107.8 million RWA increase for credit risk was partially compensated by EUR 28.9 million RWAs for market risk decreased principally driven by the introduction of the Euro in Croatia starting with 1 January 2023 which eliminated the residual HRK open position.

Please refer to note (43) of the condensed consolidated interim financial statements for further details on this topic.

**Liquidity position**

The liquidity position of the Group remained strong, thus meeting the liquidity indicators high above the regulatory requirements. The impacts of the war in Ukraine, its overall economic implication and recent developments in the banking system did not cause any material liquidity outflows. The Group holds a very strong liquidity position at the Group and individual subsidiary bank level, which is well above the risk appetite with the Liquidity Coverage Ratio (LCR) moving between its lowest level of 307.6% in January 2023 and its peak of 361.0% in March 2023 well ahead of the minimum required coverage of 100%. As of June 2023 the LCR was at 335.8%.

Unencumbered liquidity reserves of the Group amounted to EUR 1,804.0 million, corresponding to 34.6% of total assets (31 December 2022: EUR 2,048.9 million, 34.2% of total assets). Debt securities portfolio increased from EUR 1,061.6 million at YE22 to EUR 1,109.1 million at 1H23.

The banking book securities, which accounted for 51.1% of the Group's liquidity reserves (31 December 2022: 41.4%), are largely in high-rated and investment grade government bonds mainly issued by governments of the CESEE region. All investments are “plain vanilla” without any embedded options or other structured features.

The main funding base of the Group at the Group and individual subsidiary bank level predominately entails customer deposits, namely in the retail segment, representing a very stable and constantly growing base. A very comfortable level of Loan to Deposit ratio (LTD) calculated as the ratio between net loans to customers and deposits from customers at 70.6% (YE22: 66.4%) gives the Group the potential for further customer loan placements.

**ECB stress test 2023**

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

Despite the fact that in terms of GDP decline, the 2023 adverse scenario was the most severe used in the EU wide stress up to now, in line with the results published by the ECB at the end of July 2023, Addiko showed overall a higher resilience in the simulated scenarios compared with the previous stress test exercises.

## 5. Segment information

The segment reporting presents the results of the operating business segments of Addiko Group, prepared on the basis of the internal reports used by the Management to assess the performance of the business segments and is used as a source for decision making. The business segmentation is subdivided into the higher value adding Consumer and SME segments, which represent the focus segments of Addiko Group, and into the non-focus segments, which comprise Large Corporates, Mortgages and Public Finance. According to the Group's strategy, the accelerated contraction of lower margin Large Corporate, Mortgage and Public Finance lending is managed accordingly.

EUR m

| 30.06.2023 | Focus segments | | Non-focus segments | | | Corporate Center | Total |
|---|---|---|---|---|---|---|---|
| | Consumer | SME Business | Mortgage | Large Corporates | Public Finance | | |
| Net banking income | 77.4 | 47.7 | 11.6 | 4.2 | 2.9 | -3.1 | 140.7 |
| Net interest income | 58.7 | 35.4 | 11.6 | 2.8 | 2.6 | -3.0 | 108.1 |
| o/w regular interest income | 54.8 | 30.1 | 9.2 | 2.4 | 0.9 | 25.1 | 122.4 |
| Net fee and commission income | 18.7 | 12.3 | 0.0 | 1.4 | 0.4 | -0.2 | 32.5 |
| Net result on financial instruments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 | 0.7 |
| Other operating result | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -4.9 | -4.9 |
| **Operating income** | **77.4** | **47.7** | **11.6** | **4.2** | **2.9** | **-7.3** | **136.5** |
| **Operating expenses** | **-41.0** | **-16.8** | **-0.7** | **-1.7** | **-0.9** | **-25.7** | **-86.9** |
| **Operating result before impairments and provisions** | **36.3** | **30.9** | **10.9** | **2.5** | **2.0** | **-33.0** | **49.6** |
| Other result | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -16.5 | -16.5 |
| Credit loss expenses on financial assets | -6.0 | -6.0 | 2.0 | 1.0 | 0.1 | -0.2 | -9.2 |
| **Result before tax** | **30.3** | **24.8** | **12.9** | **3.5** | **2.2** | **-49.7** | **24.0** |
| | | | | | | | |
| **Business volume** | | | | | | | |
| Net loans and receivables | 1,589.9 | 1,296.8 | 394.9 | 102.0 | 37.1 | 50.6 | 3,471.3 |
| o/w gross performing loans customers | 1,606.4 | 1,297.5 | 393.6 | 101.7 | 36.5 | | 3,435.6 |
| Gross disbursements | 327.8 | 429.8 | 0.0 | 7.7 | 0.2 | | 765.3 |
| Financial liabilities at AC [1] | 2,718.4 | 1,076.7 | 0.0 | 212.0 | 242.9 | 750.0 | 5,000.1 |
| RWA [2] | 1,212.4 | 932.8 | 237.7 | 130.2 | 20.2 | 503.6 | 3,037.0 |
| | | | | | | | |
| **Key ratios** | | | | | | | |
| NIM [3] | 5.4% | 3.3% | -0.1% | 2.2% | 0.7% | | 3.7% |
| Cost/income Ratio | 53.1% | 35.3% | 6.0% | 40.8% | 31.1% | | 61.7% |
| Cost of risk ratio | -0.3% | -0.3% | 0.5% | 0.4% | 0.3% | | -0.2% |
| Loan to deposit ratio | 58.5% | 120.4% | - | 48.1% | 15.3% | | 70.6% |
| NPE ratio (on-balance loans) | 3.8% | 3.9% | 5.7% | 8.9% | 6.8% | | 3.3% |
| NPE coverage ratio | 80.1% | 73.9% | 78.6% | 90.7% | 62.2% | | 78.0% |
| NPE collateral coverage | 2.3% | 44.5% | 79.6% | 90.5% | 100.0% | | 36.9% |
| Change CL/GPL (simple average) | -0.4% | -0.5% | 0.5% | 1.0% | 0.3% | | -0.3% |
| Yield GPL (simple average) | 7.0% | 4.9% | 4.5% | 4.7% | 4.4% | | 5.8% |

[1] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 539 million, EUR 128 million Deposits of credit institutions and EUR 83 million Other liabilities. [2] Includes only credit risk. [3] Net interest margin on segment level is the sum of interest income (without interest income on NPE) and expenses including funds transfer pricing divided by the respective average business volume using daily balances.

EUR m

| 30.06.2022 | Focus segments: Consumer | Focus segments: SME Business | Non-focus segments: Mortgage | Non-focus segments: Large Corporates | Non-focus segments: Public Finance | Corporate Center | Total |
|---|---|---|---|---|---|---|---|
| Net banking income | 70.6 | 32.0 | 6.9 | 4.7 | 2.2 | 4.3 | 120.7 |
| Net interest income | 50.9 | 18.1 | 6.9 | 2.8 | 1.5 | 4.5 | 84.6 |
| o/w regular interest income | 49.4 | 18.2 | 8.3 | 3.0 | 0.8 | 6.6 | 86.3 |
| Net fee and commission income | 19.8 | 13.8 | 0.0 | 1.9 | 0.7 | -0.2 | 36.1 |
| Net result on financial instruments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 |
| Other operating result | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -5.9 | -5.9 |
| **Operating income** | **70.6** | **32.0** | **6.9** | **4.7** | **2.2** | **-1.3** | **115.1** |
| **Operating expenses** | **-40.4** | **-14.9** | **-0.9** | **-1.9** | **-0.9** | **-23.8** | **-82.8** |
| **Operating result before impairments and provisions** | **30.3** | **17.0** | **6.0** | **2.8** | **1.3** | **-25.1** | **32.3** |
| Other result | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -8.6 | -8.6 |
| Credit loss expenses on financial assets | -10.6 | 0.6 | 4.2 | -2.9 | 0.1 | 0.0 | -8.8 |
| **Result before tax** | **19.6** | **17.6** | **10.1** | **-0.1** | **1.3** | **-33.7** | **14.9** |
| | | | | | | | |
| **Business volume** | | | | | | | |
| Net loans and receivables | 1,450.4 | 1,165.1 | 489.3 | 200.3 | 57.8 | 5.2 | 3,367.9 |
| o/w gross performing loans customers | 1,476.4 | 1,164.3 | 485.8 | 201.8 | 57.0 | | 3,385.3 |
| Gross disbursements | 314.3 | 379.8 | 1.0 | 28.9 | 2.4 | | 726.4 |
| Financial liabilities at AC [1] | 2,434.8 | 1,033.5 | 0.0 | 282.9 | 365.1 | 746.2 | 4,862.5 |
| RWA [2] | 1,096.6 | 886.9 | 297.8 | 234.9 | 32.1 | 519.1 | 3,067.4 |
| | | | | | | | |
| **Key ratios** | | | | | | | |
| NIM [3] | 5.6% | 2.8% | 1.3% | 1.7% | 0.8% | | 3.0% |
| Cost/income Ratio | 57.1% | 46.7% | 13.1% | 40.3% | 42.3% | | 68.6% |
| Cost of risk ratio | -0.6% | 0.0% | 0.8% | -0.8% | 0.1% | | -0.2% |
| Loan to deposit ratio | 59.6% | 112.7% | - | 70.8% | 15.8% | | 72.6% |
| NPE ratio (on-balance loans) | 4.4% | 4.3% | 8.2% | 4.9% | 3.9% | | 3.8% |
| NPE coverage ratio | 79.2% | 69.9% | 80.1% | 91.2% | 45.7% | | 76.7% |
| NPE collateral coverage | 2.6% | 59.4% | 73.1% | 87.2% | 95.6% | | 43.6% |
| Change CL/GPL (simple average) | -0.7% | 0.1% | 0.8% | -1.3% | 0.1% | | -0.3% |
| Yield GPL (simple average) | 7.0% | 3.3% | 3.3% | 2.7% | 2.7% | | 4.8% |

[1] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 441 million, EUR 178 million Deposits of credit institutions and EUR 127 million Other liabilities. [2] Includes only credit risk (without application of IFRS 9 transitional rules). [3] Net interest margin on segment level is the sum of interest income (without interest income on NPE) and expenses including funds transfer pricing divided by the respective average business volume using daily balances.

## 5.1. Consumer

EUR m

| Consumer Business | | | |
|---|---|---|---|
| **Profit or loss statement** | **1H23** | **1H22** | **(%)** |
| Net interest income | 58.7 | 50.9 | 15.3% |
| o/w regular interest income | 54.8 | 49.4 | 10.8% |
| Net fee and commission income | 18.7 | 19.8 | -5.5% |
| **Operating income** | **77.4** | **70.6** | **9.5%** |
| **Operating expenses** | **-41.0** | **-40.4** | **1.6%** |
| **Operating result before impairments and provisions** | **36.3** | **30.3** | **20.0%** |
| Other result | 0.0 | 0.0 | >100% |
| Credit loss expenses on financial assets | -6.0 | -10.6 | -43.7% |
| **Result before tax** | **30.3** | **19.6** | **54.5%** |
| | | | |
| **Business volume** | **1H23** | **1H22** | **(%)** |
| Net loans and receivables | 1,589.9 | 1,450.4 | 9.6% |
| o/w gross performing loans customers | 1,606.4 | 1,476.4 | 8.8% |
| Gross disbursements | 327.8 | 314.3 | 4.3% |
| Financial liabilities at AC | 2,718.4 | 2,434.8 | 11.6% |
| | | | |
| **Key ratios** | **1H23** | **1H22** | **(bps)** |
| NIM | 5.4% | 5.6% | -23 |
| Cost/income Ratio | 53.1% | 57.1% | -410 |
| Cost of risk ratio | -0.3% | -0.6% | 30 |
| Loan to deposit ratio | 58.5% | 59.6% | -108 |
| NPE ratio (on-balance loans) | 3.8% | 4.4% | -62 |
| NPE coverage ratio | 80.1% | 79.2% | 98 |
| NPE collateral coverage | 2.3% | 2.6% | -33 |
| Change CL/GPL (simple average) | -0.4% | -0.7% | 36 |
| Yield GPL (simple average) | 7.0% | 7.0% | 8 |

### Consumer strategy

Addiko's strategy is to offer modern banking, focusing on products for the essential needs of customers via unsecured loans, payments and cards, communicated in a simple and transparent manner and delivered efficiently via a hybrid distribution approach consisting of physical branches and modern digital channels. In the segment Consumer the focus is on unsecured lending, followed by account packages and deposit products, regular transactions and cards. Addiko also puts significant efforts into continuously improving digital capabilities and is recognised in its markets as a digital challenger with digital products and services such as Webloans, mLoans and online account opening capabilities.

### Consumer 1H23 business review

The net interest income in 1H23 increased by EUR 7.8 million, up 15.3% YoY to EUR 58.7 million, compared to EUR 50.9 million at 1H22 resulting from strong business activities by keeping the premium price compared to the incumbent banks. The net fee and commission income decreased by EUR 1.1 million to EUR 18.7 million at 1H23 compared to EUR 19.8 million at 1H22, mainly due to the lost income from FX&DCC (EUR -1.2 million) following the introduction of the Euro in Croatia since 1 January 2023.

In the first half year 2023 the operating result before impairments and provisions amounted to EUR 36.3 million, up 20.0% versus 1H22 driven by the overall positive development in the operating income, slightly consumed by higher operating expenses as a result of the high inflation environment. The Cost/income ratio improved to 53.1% (1H22: 57.1%). The result before tax amounted to EUR 30.3 million (1H22: EUR 19.6 million), up 54.5%, also influenced by lower allocations of credit loss expenses on financial assets.

The gross disbursements amounted to EUR 327.8 million in the first half of 2023 and increased YoY by 4.3% (1H22: EUR 314.3 million). The 1H23 consumer gross performing loans increased by 8.8%. The NPE ratio (on balance loans) further improved with a decrease of -62bps YoY illustrating the continued focus on asset quality containment.

### 5.2. SME Business

EUR m

| SME Business | | | |
|---|---|---|---|
| **Profit or loss statement** | **1H23** | **1H22** | **(%)** |
| Net interest income | 35.4 | 18.1 | 95.5% |
| o/w regular interest income | 30.1 | 18.2 | 65.1% |
| Net fee and commission income | 12.3 | 13.8 | -11.3% |
| **Operating income** | **47.7** | **32.0** | **49.3%** |
| **Operating expenses** | **-16.8** | **-14.9** | **12.6%** |
| **Operating result before impairments and provisions** | **30.9** | **17.0** | **81.4%** |
| Other result | 0.0 | 0.0 | >100% |
| Credit loss expenses on financial assets | -6.0 | 0.6 | >100% |
| **Result before tax** | **24.8** | **17.6** | **41.1%** |
| | | | |
| **Business volume** | **1H23** | **1H22** | **(%)** |
| Net loans and receivables | 1,296.8 | 1,165.1 | 11.3% |
| o/w gross performing loans customers | 1,297.5 | 1,164.3 | 11.4% |
| Gross disbursements | 429.8 | 379.8 | 13.2% |
| Financial liabilities at AC | 1,076.7 | 1,033.5 | 4.2% |
| | | | |
| **Key ratios** | **1H23** | **1H22** | **(bps)** |
| NIM | 3.3% | 2.8% | 58 |
| Cost/income Ratio | 35.3% | 46.7% | -1147 |
| Cost of risk ratio | -0.3% | 0.0% | -35 |
| Loan to deposit ratio | 120.4% | 112.7% | 771 |
| NPE ratio (on-balance loans) | 3.9% | 4.3% | -43 |
| NPE coverage ratio | 73.9% | 69.9% | 395 |
| NPE collateral coverage | 44.5% | 59.4% | -1488 |
| Change CL/GPL (simple average) | -0.5% | 0.1% | -54 |
| Yield GPL (simple average) | 4.9% | 3.3% | 158 |

**SME strategy**

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

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

**SME 1H23 business review**

The net interest income in 1H23 increased significantly by EUR 17.3 million, up 95.5% YoY to EUR 35.4 million, compared to EUR 18.1 million at 1H22. NIM stood at 3.3%, due to the accelerated growth of micro and small enterprises with higher interest yields (yields up by +158bps YoY based on simple average) also supported by the change in market rates and repricing of both, new business and the variable back book. The net fee and commission income decreased by EUR 1.6 million to EUR 12.3 million at 1H23 compared to EUR 13.8 million at 1H22, mainly due to the lost income from FX&DCC (EUR -1.5 million) following the introduction of the EUR in Croatia since 1 January 2023.

The operating result before impairments and provisions at 1H23 amounted to EUR 30.9 million, up 81.4% versus 1H22 driven by the overall strong development in operating income partially consumed by higher operating expenses as a result of the high inflation environment. The Cost/income ratio improved to 35.3% (1H22: 46.7%). The result before tax amounted to EUR 24.8 million (1H22: EUR 17.6 million), up 41.1% YoY, despite higher allocations of credit loss expenses on financial assets in the first half of 2023.

The gross disbursements amounted to EUR 429.8 million during the reporting period and increased YoY by 13.2% (1H22: EUR 379.8 million). The 1H23 SME gross performing loans increased by 11.4%. The NPE ratio (on balance loans) further improved with a decrease of -43bps YoY illustrating the continued focus on asset quality containment.

## 5.3. Mortgage

EUR m

| Mortgages | | | |
|---|---|---|---|
| **Profit or loss statement** | **1H23** | **1H22** | **(%)** |
| Net interest income | 11.6 | 6.9 | 68.3% |
| o/w regular interest income | 9.2 | 8.3 | 10.8% |
| Net fee and commission income | 0.0 | 0.0 | - |
| **Operating income** | **11.6** | **6.9** | **68.3%** |
| **Operating expenses** | **-0.7** | **-0.9** | **-22.1%** |
| **Operating result before impairments and provisions** | **10.9** | **6.0** | **81.9%** |
| Other result | 0.0 | 0.0 | - |
| Credit loss expenses on financial assets | 2.0 | 4.2 | -52.4% |
| **Result before tax** | **12.9** | **10.1** | **27.0%** |
| | | | |
| **Business volume** | **1H23** | **1H22** | **(%)** |
| Net loans and receivables | 394.9 | 489.3 | -19.3% |
| o/w gross performing loans customers | 393.6 | 485.8 | -19.0% |
| Gross disbursements | 0.0 | 1.0 | -100.0% |
| Financial liabilities at AC | 0.0 | 0.0 | - |
| | | | |
| **Key ratios** | **1H23** | **1H22** | **(bps)** |
| NIM | -0.1% | 1.3% | -134 |
| Cost/income Ratio | 6.0% | 13.1% | -702 |
| Cost of risk ratio | 0.5% | 0.8% | -31 |
| Loan to deposit ratio | - | - | - |
| NPE ratio (on-balance loans) | 5.7% | 8.2% | -252 |
| NPE coverage ratio | 78.6% | 80.1% | -153 |
| NPE collateral coverage | 79.6% | 73.1% | 657 |
| Change CL/GPL (simple average) | 0.5% | 0.8% | -34 |
| Yield GPL (simple average) | 4.5% | 3.3% | 120 |

**Mortgage strategy and 1H23 business review**

Mortgage lending is defined as non-focus and primarily targets the managed and gradual run-down of existing and profitable customers loans along their contractual maturity. Given the run-down strategy, mortgage lending products are not actively marketed.

Despite the volume decrease, the operating income of EUR 11.6 million at 1H23 increased by 68.3% in comparison to EUR 6.9 million at 1H22. This increase is due to changed market rates observed since the second half of the year 2022, overcompensating the forgone income from the intentional reduction of gross performing loans of EUR 92 million.

## 5.4. Large Corporates

EUR m

| Large Corporates | | | |
|---|---|---|---|
| **Profit or loss statement** | **1H23** | **1H22** | **(%)** |
| Net interest income | 2.8 | 2.8 | 2.6% |
| o/w regular interest income | 2.4 | 3.0 | -19.8% |
| Net fee and commission income | 1.4 | 1.9 | -27.5% |
| **Operating income** | **4.2** | **4.7** | **-9.7%** |
| **Operating expenses** | **-1.7** | **-1.9** | **-8.7%** |
| **Operating result before impairments and provisions** | **2.5** | **2.8** | **-10.3%** |
| Other result | 0.0 | 0.0 | - |
| Credit loss expenses on financial assets | 1.0 | -2.9 | >100% |
| **Result before tax** | **3.5** | **-0.1** | **>100%** |
| | | | |
| **Business volume** | **1H23** | **1H22** | **(%)** |
| Net loans and receivables | 102.0 | 200.3 | -49.1% |
| o/w gross performing loans customers | 101.7 | 201.8 | -49.6% |
| Gross disbursements | 7.7 | 28.9 | -73.5% |
| Financial liabilities at AC | 212.0 | 282.9 | -25.1% |
| | | | |
| **Key ratios** | **1H23** | **1H22** | **(bps)** |
| NIM | 2.2% | 1.7% | 51 |
| Cost/income Ratio | 40.8% | 40.3% | 44 |
| Cost of risk ratio | 0.4% | -0.8% | 128 |
| Loan to deposit ratio | 48.1% | 70.8% | -2266 |
| NPE ratio (on-balance loans) | 8.9% | 4.9% | 392 |
| NPE coverage ratio | 90.7% | 91.2% | -47 |
| NPE collateral coverage | 90.5% | 87.2% | 329 |
| Change CL/GPL (simple average) | 1.0% | -1.3% | 229 |
| Yield GPL (simple average) | 4.7% | 2.7% | 201 |

**Large Corporates strategy and 1H23 business review**

The Large Corporates segment comprises Addiko's business activities relating to loan products, services and deposit products, as well as other complementary products to companies with an annual gross turnover of above EUR 50 million. An accelerated run-down path is pursued in this non-focus segment, as initiated during the second half of 2021 and continued since then, while Addiko will continue to serve selected customers with a favorable and balanced view on value generation while at the same time limiting overall single client exposure.

As a non-focus segment Large Corporates recorded a reduction of the gross performing loans while the operating income remained at almost the same level in comparison to the comparative period in 2022 due to the changed market rates and the related repricing of the variable back book. The net interest income slightly increased by EUR 0.1 million to EUR 2.8 million during 1H23 compared to EUR 2.8 million at 1H22. Net fee and commission income decreased to EUR 1.4 million (1H22: EUR 1.9 million) due to the intentional reduction in gross performing loans. The result before tax amounted to EUR 3.5 million at 1H23 (1H22: EUR -0.1 million), which is up >100% compared to 1H22, impacted by releases on credit loss expenses on financial assets.

The NPE ratio (on balance loans) increased to 8.9% (1H22 at 4.9%) mainly driven by the reduced loan book rather than the overall worsening of the credit quality of the portfolio.

### 5.5. Public Finance

EUR m

| Public Finance | | | |
|---|---|---|---|
| **Profit or loss statement** | **1H23** | **1H22** | **(%)** |
| Net interest income | 2.6 | 1.5 | 68.6% |
| o/w regular interest income | 0.9 | 0.8 | 10.4% |
| Net fee and commission income | 0.4 | 0.7 | -45.2% |
| **Operating income** | **2.9** | **2.2** | **32.5%** |
| **Operating expenses** | **-0.9** | **-0.9** | **-2.5%** |
| **Operating result before impairments and provisions** | **2.0** | **1.3** | **58.2%** |
| Other result | 0.0 | 0.0 | - |
| Credit loss expenses on financial assets | 0.1 | 0.1 | 149.3% |
| **Result before tax** | **2.2** | **1.3** | **61.7%** |
| | | | |
| **Business volume** | **1H23** | **1H22** | **(%)** |
| Net loans and receivables | 37.1 | 57.8 | -35.8% |
| o/w gross performing loans customers | 36.5 | 57.0 | -36.1% |
| Gross disbursements | 0.2 | 2.4 | -93.8% |
| Financial liabilities at AC | 242.9 | 365.1 | -33.5% |
| | | | |
| **Key ratios** | **1H23** | **1H22** | **(bps)** |
| NIM | 0.7% | 0.8% | -8 |
| Cost/income Ratio | 31.1% | 42.3% | -1119 |
| Cost of risk ratio | 0.3% | 0.1% | 18 |
| Loan to deposit ratio | 15.3% | 15.8% | -55 |
| NPE ratio (on-balance loans) | 6.8% | 3.9% | 294 |
| NPE coverage ratio | 62.2% | 45.7% | 1644 |
| NPE collateral coverage | 100.0% | 95.6% | 435 |
| Change CL/GPL (simple average) | 0.3% | 0.1% | 23 |
| Yield GPL (simple average) | 4.4% | 2.7% | 179 |

**Public Finance strategy and 1H23 business review**

The Public Finance segment is part of the non-focus area and comprises Addiko's business with key public institutions in CSEE countries, such as ministries of finance, state enterprises and local governments. Given the run-down strategy, lending products in the Public Finance segment are not actively marketed.

The net interest income amounted to EUR 2.6 million at 1H23 (1H22: EUR 1.5 million). The increase in net interest income was also supported by the changed market rates compensating the effects from the intentional run-down of the portfolio (gross performing loans down by 36.1% compared to 1H22). As a consequence, the net fee and commission income decreased by EUR 0.3 million compared to the same period last year. The Public Finance segment generated operating income of EUR 2.9 million (1H22: EUR 2.2 million) and a result before tax of EUR 2.2 million at 1H23 (1H22: EUR 1.3 million).

The NPE ratio increased by 294bps at 1H23 predominantly driven by a reduction in the gross performing loan balance.

## 5.6. Corporate Center

EUR m

| Corporate Center | | | |
|---|---|---|---|
| **Profit or loss statement** | **1H23** | **1H22** | **(%)** |
| Net interest income | -3.0 | 4.5 | >100% |
| o/w regular interest income | 25.1 | 6.6 | >100% |
| Net fee and commission income | -0.2 | -0.2 | 18.4% |
| Net result from financial instruments | 0.7 | 0.2 | >100% |
| Other operating result | -4.9 | -5.9 | -16% |
| **Operating income** | **-7.3** | **-1.3** | **>100%** |
| **Operating expenses** | **-25.7** | **-23.8** | **8.0%** |
| **Operating result before impairments and provisions** | **-33.0** | **-25.1** | **31.6%** |
| Other result | -16.5 | -8.6 | 92.7% |
| Credit loss expenses on financial assets | -0.2 | 0.0 | >100% |
| **Result before tax** | **-49.7** | **-33.7** | **47.7%** |
| | | | |
| **Business volume** | **1H23** | **1H22** | **(%)** |
| Net loans and receivables | 50.6 | 5.2 | >100% |
| Financial liabilities at AC | 750.0 | 746.2 | 0.5% |

**Corporate Center strategy**

The Corporate Center segment is primarily an internal segment without direct product offerings to external customers and comprise the results from Addiko's liquidity and capital management activities. This segment reflects Addiko's treasury activities as well as other functions, such as corresponding overhead, project-related operating expenses, contributions to the Single Resolution Fund, bank levies and other one-off items, including Addiko Group's reconciliation to IFRS (i.e. consolidation effects). In addition, this segment includes direct deposit activities of Addiko Bank AG to customers in Austria and Germany, which are steered by Group Treasury and conducted for liquidity management purposes.

The Corporate Center segment's prime responsibilities comprise the Group-wide asset and liability management (ALM) steering, management of liquidity portfolios within the regulatory requirements and the optimisation of the funding mix of Addiko's banking subsidiaries.

**Corporate Center 1H23 business review**

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

The net interest income at 1H23 amounted to EUR -3.0 million (1H22: EUR 4.5 million) driven by higher interest income from the bond portfolio in treasury, as well higher interest income from national bank deposits, consumed by higher FTP costs linked to the new market interest environment. The operating expenses increased by EUR -1.9 million, to EUR -25.7 million at 1H23 (1H22: EUR -23.8 million) as a result of the high inflation environment and higher variable payments of EUR -0.6 million.

For the explanation of net result on financial instruments, other operating result and other result please see chapter 3.2 detailed analysis of the result.

**Asset Contribution**

The net interest income in the Corporate Center at 1H23 includes a fraction of the positive impact from interest and liquidity gap contribution (IGC) in the amount of EUR 44.8 million. The majority of the IGC in the amount of EUR 41.4 million is distributed to the market segments according to their respective asset contribution. IGC is the result of partially funding longer term assets with stable but shorter-term liabilities. The extent of this maturity transformation is strictly managed in accordance with regulatory and internal limits. The Addiko Funds Transfer Pricing (FTP) methodology assigns internal funding costs to assets and internal funding benefits to liabilities on a matched maturity basis. This means, if maturities of loans and deposits of a certain segment were the same, IGC would be zero. Since a certain percentage of longer-term assets is funded by shorter term liabilities, market segments are therefore charged more for their assets than compensated for their liabilities within the FTP methodology. By compensating those market segments delivering longer term assets against shorter term liabilities, the respective part of IGC is redistributed from the segment Corporate Center to the originator of the IGC, i.e. the respective market segment.

## 6. Risk management

With respect to the explanations on financial and legal risk at Addiko Group as well as the goals and methods of risk management, please refer to the risk report section of the condensed consolidated interim financial statements.

## 7. Outlook & Risk factors

### 7.1. Outlook

**Macroeconomic environment and Addiko strategy**

Although all Covid-related restrictions were lifted across all European countries in the first half of 2023 and stronger GDP growth would therefore have been expected, growth within the European Union for the full year 2023 is forecasted at a low 0.5% as a result of Russia's ongoing war against Ukraine.

As the CSEE countries will benefit above average from the strong development in the tourism market and the significant increase in overnight stays, a substantially more positive economic growth is expected for the Addiko core markets. The Eurozone countries Slovenia and Croatia will grow by 1.4% and 2.5% respectively, Serbia and Bosnia & Herzegovina are expected to grow by 1.5% and 1.7% and Montenegro by as much as 3.5% due to the influx from Russia and Ukraine. In addition, economists in all these countries expect both inflation and unemployment rate to fall significantly in 2023. The GDP forecast for Slovenia does not consider the effects of the recent floods in August 2023.

Following ECB's ninth interest rate hike in a row on 27 July, the key interest rate for ECB loans is now at 4.25%, close to the level that was also observed at the peak of past interest rate cycles in 2001 and 2008. Since industrial producer prices in the Eurozone fell by 1.5% in the first five months of 2023 and energy prices, which are important for measuring inflation, have also fallen significantly in the meantime, pressure on ECB for a tight monetary policy is easing. Accordingly, the market is increasingly expecting that further interest rate steps by the ECB will only take place in very small steps or that the end of the interest rate hike phase is near.

Supported by the macroeconomic outlook, Addiko therefore expects continued growth in its markets. Accordingly, the Group raised its Outlook for the full year 2023 to reflect the strong business development, favourable interest environment and continued prudency on risk and legal costs:

- Gross performing loans at ca. EUR 3.5 billion with more than 10% growth in focus,

- Net Banking Income up by ca. 15%, impacted positively by the rising interest curve, despite increasing funding costs and run-down of non-focus (previously ca. 10%),
- Operating expenses below EUR 179 million, mainly driven by inflation,
- TCR >18.6% on a fully loaded basis,
- Sum of other result and credit loss expenses on financial assets below 1.5% on average net loans and advances to customers (previously ca. 1.2%).

To achieve these objectives, Addiko intends to further accelerate its competitive specialist strategy execution in the CSEE markets in 2023, focusing on sustainable business growth in the segments Consumer and SME, with a particular focus on micro and small enterprises and the overall ambition to become the leading CSEE specialist bank for these segments. Addiko's prudent risk approach will remain a key anchor of the loan growth generation strategy.

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

As one of its short-term ambitions, Addiko intends to further increase its efficiency by reducing costs and complexity and further streamlining its operating model. Addiko will continue to implement efficiency measures to generate sustainable and visible saving effects.

**Sustainability**

In 2023, the Group will continue to implement its sustainability agenda in all three pillars of its Sustainability Framework. A group-wide project team, steered by the ESG working group, was set up in order to prepare the implementation of new reporting standards and additional disclosure requirements, according to the European Sustainability Reporting Standards ("ESRS"), that will enter into force with the financial year 2024, for reports published in 2025.

**Dividend policy**

Addiko reconfirms the guidance of an annual dividend payout of 60% of net profit attributable to shareholders.

Addiko's ability and intention to pay dividends depends on its financial position, results of operations, regulatory capital requirements including capital buffer requirements, MREL targets, investment alternatives and other factors that the Management Board and the Supervisory Board may deem relevant. Any proposals by the Management Board and Supervisory Board regarding dividend payments will be subject to approval at the Annual General Meeting of shareholders. A payment of dividends is also subject to maintaining the relevant thresholds in terms of capital ratios which requires, among other things, that the payment of such dividends is consistent with its long-term and sustainable business and compliant with then applicable regulatory requirements, and that neither a recommendation of the ECB would, in the bank's view, conflict with a distribution of dividends nor a legally mandatory distribution restriction is effective or applicable.

## 7.2. Risk factors

Given Addiko's focus on Consumer and SME, the business is particularly tied to the economic cycle and economic developments in its core countries Slovenia, Croatia, Bosnia & Herzegovina, Serbia and Montenegro. Some of those countries are characterised by pronounced political instability of one sort or another, with nationalist-conservative rhetoric dominating the local political stage. A severe local political crisis is hard to predict as it could emerge out of a minor event, little attention is paid to at the beginning.

Besides escalation of Russia's war against the 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 Group did not identify any direct material impacts from the devastating floods which took place during the first week of August in Slovenia. However, at the time of writing, the situation is being assessed and further implications cannot be fully excluded. Addiko, through the Banking Association, sent an initative to Bank of Slovenia and the Government to activate a »covid-like« regulatory framework for moratoria and emergency funding for those affected.

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 Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. The Group is involved in a number of passive legal disputes. The majority of pending proceedings relate to FX transactions, margin increases, and interest rate clauses at Addiko Bank AG's subsidiaries, here especially the Croatian subsidiary. There is a future risk of further increasing numbers of proceedings and amounts in dispute due to changed court practice, binding sample proceeding decisions and new laws (e.g. conversion laws, amendments to consumer credit acts, consumer protection acts).

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 Treaties (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 up to ca. EUR 11 million. Based on legal advice, management believes that the action will prove successful or that Addiko will reach a settlement agreement with the Republic of Croatia.

Addiko also regularly assesses and reports on ESG risks that may impact the bank. 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.

## 8. Sustainability

**Addiko's ESG framework**

Addiko Bank endorses the growing importance and relevance of environmental, social and governance ("ESG") matters to its business and operating environment and therefore started to set up a strong sustainability framework in 2020. This framework is based on Addiko's vision, mission and corporate strategy and anchored on international standards and sustainable development recommendations, such as

- Sustainable Development Goals,
- the principles of the UN Global Compact,
- the Green Deal and Fit for 55,
- the EU Action Plan on Financing sustainable growth and the regulations and guidelines arising from them, such as the CSRD, the drafts of the ESRS, the FMA guidelines on dealing with sustainability risks or the ECB Guideline on Climate and Environmental Risks.

Addiko's ESG framework consists of 4 strategic pillars:

- ESG Strategy
- ESG Governance
- ESG Risk management and Compliance
- ESG Assessment and Reporting

**ESG Strategy**

As an important milestone, Addiko presented a comprehensive ESG strategy in January 2023, which serves as a governance roadmap and sets targets to achieve Addiko's sustainable development ambitions. This ESG strategy is closely linked to Addiko's business and risk strategy and will be reviewed annually. Within the ESG strategy, Addiko has defined four key areas of focus within the UNHCR Sustainable Development Goals, supported by 15 group-wide initiatives with clear targets and performance indicators. Addiko underlines its clear commitment to achieving these goals, thereby promoting ESG awareness and sustainable performance among its group companies.

**ESG Governance**

In addition, a strong governance framework has been put in place to ensure that strategic objectives are promoted holistically throughout the organisation. The overall responsibility for the management of climate-related and environmental risks (C&E risks) has been taken over by the Head of the Risk Management Function (i.e. the Chief Risk Officer of Addiko Bank AG).

To promote structured discussion at Board level, the Group Governance, Risk and Compliance Committee is designated as the dedicated committee for sustainability matters. In this context the Group Governance, Risk and Compliance Committee serves as central platform to quarterly inform the Management Board (inter alia) on the development of C&E risks, to monitor respective limits as well as to discuss the implications for Addiko Group's Business and ESG strategy.

Additionally, a dedicated ESG working group has been established to steer and coordinate Addiko's sustainable development initiatives and integrate them into its business lines and core processes. Besides the ESG working group activities on group level, each local Addiko unit has defined ESG representatives, who also regularly report to the ESG working group on the progress of sustainability initiatives and closely follow developments regarding local regulatory obligations.

**ESG Risk Management and Compliance**

Another important element of the ESG framework is the integration of ESG into its risk management and compliance framework. Addiko continues to identify ESG risk factors assessing their materiality and incorporating them into existing risk types rather than into a single, standalone ESG risk type. Coinciding with Addiko's overall Risk Strategy, the impact of climate-related and environmental risks on Credit Risk is assessed as being the most material. Other risk types are impacted to lesser extent or only over the long-term. From a compliance perspective, the dynamic developments in ESG disclosure standards are duly monitored to ensure that all mandatory disclosure requirements are met.

**ESG Assessment and Reporting**

In addition to the ESG strategy, which reflects Addiko's strategic objectives in relation to ESG, an annual ESG assessment (primarily climate-related and environmental risks) is carried out. The assessment is a fundamental building block of the ESG strategy and assesses whether there are any climate or environmental events or conditions, that may actually or potentially have a material adverse effect on the financial position, financial performance or reputation of Addiko. ESG factors are categorised from the perspective of dual-materiality, inside-out factors refer to Addiko's activities that may have consequences for the environment. The outside-in perspective covers factors of influence that affect Addiko from outside and may impact Addiko's business model.

## 9. Related parties

A number of banking transactions have been entered into with related parties in the normal course of business. Further information on transaction volumes is available under note (41) of the condensed consolidated interim financial statements.

## 10. Corporate Governance

### 10.1. AGM 2023

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

### 10.2. Management Board

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

### 10.3. Supervisory Board

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

# Condensed Consolidated Interim Financial Statements

# I. Consolidated statement of comprehensive income

## Statement of profit or loss

EUR m

| | Note | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|---|
| Interest income calculated using the effective interest method | | 121.3 | 92.3 |
| Other interest income | | 7.0 | 0.6 |
| Interest expenses | | -20.1 | -8.2 |
| **Net interest income** | **(7)** | **108.1** | **84.6** |
| Fee and commission income | | 43.5 | 45.2 |
| Fee and commission expenses | | -11.0 | -9.2 |
| **Net fee and commission income** | **(8)** | **32.5** | **36.1** |
| Net result on financial instruments | (9) | 0.7 | 0.2 |
| Other operating income | (10) | 1.4 | 1.9 |
| Other operating expenses | (10) | -6.3 | -7.8 |
| **Operating income** | | **136.5** | **115.1** |
| Personnel expenses | (11) | -48.0 | -42.8 |
| Other administrative expenses | (12) | -30.3 | -31.1 |
| Depreciation and amortisation | (13) | -8.6 | -8.9 |
| **Operating expenses** | | **-86.9** | **-82.8** |
| **Operating result before impairments and provisions** | | **49.6** | **32.3** |
| Other result | (14) | -16.5 | -8.6 |
| Credit loss expenses on financial assets | (15) | -9.2 | -8.8 |
| **Result before tax** | | **24.0** | **14.9** |
| Taxes on income | (16) | -4.5 | -2.3 |
| **Result after tax** | | **19.5** | **12.6** |
| thereof attributable to equity holders of parent | | 19.5 | 12.6 |

| | 30.06.2023 | 30.06.2022 |
|---|---|---|
| Result after tax attributable to ordinary shareholders (in EUR m) | 19.5 | 12.6 |
| Weighted-average number of outstanding ordinary shares (in units of shares) | 19,460,091 | 19,482,246 |
| Earnings per share (in EUR) | 1.00 | 0.65 |

For more details about earnings per share, please refer to note (6) Earnings per share.

## Statement of other comprehensive income

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| **Result after tax** | **19.5** | **12.6** |
| **Other comprehensive income** | **14.7** | **-78.8** |
| **Items that will not be reclassified to profit or loss** | **0.5** | **-0.4** |
| Actuarial gains or losses on defined benefit plans | 0.0 | 0.0 |
| Fair value reserve - equity instruments | 0.5 | -0.4 |
| Net change in fair value | 0.6 | -0.5 |
| Taxes on income | -0.1 | 0.1 |
| **Items that are or may be reclassified to profit or loss** | **14.2** | **-78.4** |
| Foreign currency translation | 0.2 | -0.6 |
| Gains/losses of the current period | 0.2 | -0.6 |
| Fair value reserve - debt instruments | 14.1 | -77.8 |
| Net change in fair value | 16.4 | -90.9 |
| Net amount transferred to profit or loss | 0.0 | -0.1 |
| Taxes on income | -2.4 | 13.1 |
| **Total comprehensive income for the year** | **34.2** | **-66.2** |
| thereof attributable to equity holders of parent | 34.2 | -66.2 |

# II. Consolidated statement of financial position

EUR m

| | Note | 30.06.2023 | 31.12.2022 |
|---|---|---|---|
| **Assets** | | | |
| Cash reserves | (17) | 1,129.4 | 1,382.9 |
| Financial assets held for trading | (18) | 23.8 | 22.8 |
| Loans and advances to credit institutions | (19) | 48.0 | 89.2 |
| Loans and advances to customers | (19) | 3,423.3 | 3,292.7 |
| Investment securities | (20) | 1,109.1 | 1,061.6 |
| Tangible assets | (21) | 60.3 | 61.6 |
| Property, plant and equipment | | 56.1 | 57.3 |
| Investment property | | 4.2 | 4.3 |
| Intangible assets | | 22.4 | 24.5 |
| Tax assets | | 38.3 | 42.4 |
| Current tax assets | | 3.4 | 5.4 |
| Deferred tax assets | | 34.9 | 37.0 |
| Other assets | (22) | 19.1 | 17.1 |
| Non-current assets held for sale | (23) | 1.7 | 1.6 |
| **Total assets** | | **5,875.5** | **5,996.4** |
| | | | |
| **Equity and liabilities** | | | |
| Financial liabilities held for trading | (24) | 3.3 | 3.1 |
| Deposits and borrowings of credit institutions | (25) | 101.7 | 128.5 |
| Deposits and borrowings of customers | (25) | 4,848.5 | 4,959.6 |
| Other financial liabilities | (25) | 49.8 | 48.8 |
| Provisions | (26) | 88.7 | 83.4 |
| Tax liabilities | | 1.1 | 0.6 |
| Current tax liabilities | | 1.1 | 0.6 |
| Other liabilities | (27) | 25.9 | 26.2 |
| Equity | (28) | 756.4 | 746.3 |
| thereof attributable to equity holders of parent | | 756.4 | 746.3 |
| **Total equity and liabilities** | | **5,875.5** | **5,996.4** |

# III. Consolidated statement of changes in equity

The consolidated statement of changes in equity is presented at the 30 June 2023 as follows:

EUR m

| | Subscribed capital | Treasury shares | Capital reserves | Fair value reserve | Foreign currency reserve | Cumulated result and other reserves | Equity holders of parent | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Equity as at 01.01.** | **195.0** | **-0.4** | **237.9** | **-83.3** | **-11.5** | **408.5** | **746.3** | **0.0** | **746.3** |
| Result after tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 19.5 | 19.5 | 0.0 | 19.5 |
| Other comprehensive income | 0.0 | 0.0 | 0.0 | 14.6 | 0.2 | 0.0 | 14.7 | 0.0 | 14.7 |
| Total comprehensive income | 0.0 | 0.0 | 0.0 | 14.6 | 0.2 | 19.5 | 34.2 | 0.0 | 34.2 |
| Transactions with equity holders | 0.0 | -0.5 | 0.0 | 0.0 | 0.0 | -23.6 | -24.1 | 0.0 | -24.1 |
| Dividends paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -23.6 | -23.6 | 0.0 | -23.6 |
| Share-based payments | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | -0.1 | 0.1 | 0.0 | 0.1 |
| Purchase of treasury shares | 0.0 | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | -0.7 | 0.0 | -0.7 |
| Other changes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Equity as at 30.06.** | **195.0** | **-0.9** | **237.9** | **-68.7** | **-11.3** | **404.4** | **756.4** | **0.0** | **756.4** |

The consolidated statement of changes in equity is presented at the 30 June 2022 as follows:

EUR m

| | Subscribed capital | Treasury shares | Capital reserves | Fair value reserve | Foreign currency reserve | Cumulated result and other reserves | Equity holders of parent | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Equity as at 01.01.** | **195.0** | **0.0** | **237.9** | **0.9** | **-10.8** | **382.1** | **805.1** | **0.0** | **805.1** |
| Result after tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.6 | 12.6 | 0.0 | 12.6 |
| Other comprehensive income | 0.0 | 0.0 | 0.0 | -78.2 | -0.6 | 0.0 | -78.8 | 0.0 | -78.8 |
| Total comprehensive income | 0.0 | 0.0 | 0.0 | -78.2 | -0.6 | 12.6 | -66.2 | 0.0 | -66.2 |
| Transactions with equity holders | 0.0 | -0.4 | 0.0 | 0.0 | 0.0 | -0.2 | -0.6 | 0.0 | -0.6 |
| Dividends paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Share-based payments | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | -0.2 | 0.0 | 0.0 | 0.0 |
| Purchase of treasury shares | 0.0 | -0.6 | 0.0 | 0.0 | 0.0 | 0.0 | -0.6 | 0.0 | -0.6 |
| Other changes | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| **Equity as at 30.06.** | **195.0** | **-0.4** | **237.9** | **-77.4** | **-11.4** | **394.6** | **738.3** | **0.0** | **738.3** |

# IV. Condensed consolidated statement of cash flows

EUR m

| | 2023 | 2022 [1)] |
|---|---|---|
| **Result after tax** | **19.5** | **12.6** |
| **Non-cash items included in profit and reconciliation to cash flows from operating activities** | **-51.6** | **-41.2** |
| Changes in assets and liabilities arising from operating activities after corrections for non-cash positions | -301.5 | -229.1 |
| Interests received | 128.4 | 95.3 |
| Interests paid | -18.6 | -11.7 |
| Dividends received | 0.0 | 0.0 |
| **Cash flows from operating activities** | **-223.9** | **-174.2** |
| Proceeds from sales of: | 0.8 | 4.0 |
| Non-current assets held for sale | -0.1 | 0.2 |
| Tangible assets, investment properties, lease assets and intangible assets | 0.9 | 3.8 |
| Payments for purchases of: | -2.9 | -3.3 |
| Tangible assets, investment properties, lease assets and intangible assets | -2.9 | -3.3 |
| **Cash flows from investing activities** | **-2.1** | **0.7** |
| Dividends paid | -23.6 | 0.0 |
| Lease payments | -3.4 | -1.9 |
| Purchase of treasury shares | -0.7 | -0.6 |
| **Cash flows from financing activities** | **-27.7** | **-2.5** |
| **Net (decrease) increase in cash and cash equivalents** | **-253.7** | **-176.0** |
| **Cash reserves at the end of previous period (01.01.)** | **1,383.0** | **1,361.8** |
| Effect of exchange rate changes | 0.2 | -0.6 |
| **Cash and cash equivalents at end of period (30.06.)** | **1,129.5** | **1,185.2** |

[1)] The Cashflow for the period 1H22 was adjusted according to the explanation in note (2) Changes to the cash flow statement.

The following notes (1) - (44) are an integral part of these consolidated interim financial statements.

# V. Condensed notes

## Group accounting policies

### (1) Accounting principles

The condensed consolidated interim financial statements ("interim financial statements") of Addiko Group for the period from 1 January to 30 June 2023 were prepared in accordance with the International Financial Reporting Standards (IFRS) and in accordance with their interpretation by the IFRS Interpretations Committee (IFRIC) as adopted by the European Union (EU) as they apply in the European Union pursuant to Regulation (EC) No. 1606/2002 (IAS Regulation), in compliance with the requirements of IAS 34 "Interim Financial Reporting".

The interim financial statements of Addiko Group are based on financial information of the fully consolidated subsidiaries. Uniform accounting and measurement principles according to IFRS 10 are applied throughout the Addiko Group. The interim consolidated financial statements are prepared on a going concern basis. Regarding estimates and assumptions according to IAS 1, please refer to note (4) Use of estimates and assumptions/material uncertainties in relation to estimates.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements. As these interim financial statements do not include all information and disclosures required in the annual consolidated financial statements, this document should be read in conjunction with Addiko Bank's consolidated financial statements as of 31 December 2022.

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

The figures in the interim consolidated financial statements are generally stated in millions of Euros (EUR million); the Euro (EUR) is the reporting currency. The tables shown may contain rounding differences.

The information in the Consolidated Interim Financial Statements has been neither audited nor reviewed by the external auditor.

### (2) Changes to the cash flow statement

As disclosed in the YE22 Consolidated Financial Statements, Addiko amended the consolidated statement of cash flows for the following reasons:

- the position "Non-cash items included in profit and reconciliation to cash flows from operating activities" was adjusted by EUR 2.0 million for exchange differences now reported in the position "Changes in assets and liabilities arising from operating activities after corrections for non-cash positions".
- Purchase of own treasury shares are now reported in a separate position within the "Cash flows from investing activities". Previously they were reported in the position "Changes in assets and liabilities arising from operating activities after corrections for non-cash positions".

## (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 |

In addition to the above new standards, in 2023 the following amendment has been issued by the IASB: “International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12”, which is applicable starting from the 23 May 2023. The amendment is currently not relevant for the Addiko Group.

### 3.2. Forthcoming requirements

New standards, interpretations and amendments to existing standards issued by the IASB but not yet effective were not early adopted by the Addiko Group and application of these standards, interpretations and amendments is not expected to have a significant impact on Addiko Group´s financial statements.

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

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

**Credit risk provisions**

The Addiko Group regularly assesses the recoverability of its problematic loans and recognises corresponding risk provisions in case of impairment. Estimates as to the amount, duration and probable occurrence of expected return cash flows are made when assessing recoverability. This assessment is based on a detailed analysis and assumptions made, which are however subject to uncertainties. A different estimate of these assumptions may result in a significantly different measurement of credit risk provisions.

The model for measurement of expected credit losses requires the assessment of significant increase in credit risk and uses historical data and their extrapolations, the observed data and individual estimations as well as grouping of similar assets when credit risk deterioration has to be assessed on a collective basis. The uncertainty which is inherent to estimating expected credit losses is very elevated, especially due to the strongly increased volatility of the economic environment as consequences of Russia's war in Ukraine and the turmoil on energy markets due to the introduction of Western sanctions against the Russian petrochemicals. Due to the fact that the current developments are not comparable to the historic data in the existing models, Addiko has addressed the uncertainty by considering post model adjustments (PMAs). These adjustments include:

- Post-model adjustments (PMAs) to address the positive impact of the macroeconomic development on the PD models, where some models recognise the current development as a significant improvement compared to the previously recognised positions;
- PMAs to address the uncertainty of the future of the macroeconomic environment and high overall volatility. As observed in the last years, macroeconomic projections changed quite frequent and could be significantly different depending on the institute providing the projections. IFRS 9 modelling framework can not reasonably capture this uncertainty and the high volatility in the macroeconomic environment.

For further information on credit risk provisioning methodology, reference is made to the Risk Report under note (30.2) Development of risk provisions. For further information on this topic reference is made to the note (30.1) Method of calculating risk provisions.

**Deferred tax assets**

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

**Provisions**

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

Provisions for legal proceedings typically require a higher degree of judgment than other types of provisions. When matters are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists and estimating the probability and amount of any outflows that may arise. As matters progress, management and legal advisers evaluate on an ongoing basis whether provisions should be recognised, revising previous estimates as appropriate. At more advanced stages, it is typically easier to make estimates around a better-defined set of possible outcomes. The calculation of potential losses takes generally into account possible scenarios of how the litigation would be resolved and their probability, considering the history of former verdicts and assessments by independent law firms. In certain cases, due to a short horizon of available historical data and significant uncertainty as to the direction of court decisions as well as the market conditions, the adopted methodology and assumptions may be subjects of updates in subsequent reporting periods. Details regarding provisions for legal cases and uncertainty of estimates are described in note 26.1 Provisions for pending legal disputes.

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

## (5) Scope of consolidation

There were no changes to the scope of consolidation during the reporting period.

# Notes to the profit or loss statement

## (6) Earnings per share

| Changes in number of outstanding shares | 30.06.2023 | 30.06.2022 |
|---|---|---|
| **Shares outstanding as of 1 January** | **19,466,081** | **19,500,000** |
| Acquisition of treasury shares | -56,073 | -47,633 |
| Disposal of treasury shares | 19,114 | 13,714 |
| **Shares outstanding as of 30 June** | **19,429,122** | **19,466,081** |
| Treasury Shares | -70,878 | -33,919 |
| Number of shares issued at the reporting date | 19,500,000 | 19,500,000 |
| **Weighted average number of outstanding shares** | **19,460,091** | **19,482,246** |

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

| | 30.06.2023 | 30.06.2022 |
|---|---|---|
| Result after tax attributable to ordinary shareholders (in EUR m) | 19.5 | 12.6 |
| Weighted-average number of outstanding ordinary shares (in units of shares) | 19,460,091 | 19,482,246 |
| **Earnings per share (in EUR)** | **1.00** | **0.65** |

## (7) Net interest income

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| **Interest income calculated using the effective interest method** | **121.3** | **92.3** |
| Financial assets at fair value through other comprehensive income | 5.8 | 5.6 |
| Financial assets at amortised cost | 115.4 | 86.5 |
| Negative interest from financial liabilities | 0.0 | 0.2 |
| **Other interest income** | **7.0** | **0.6** |
| Financial assets held for trading | 1.3 | 0.6 |
| Cash balances at central banks, other demand deposits and other receivables | 5.7 | 0.0 |
| **Total interest income** | **128.3** | **92.9** |
| Financial liabilities measured at amortised cost | -18.8 | -6.5 |
| o/w lease liabilities | -0.2 | -0.2 |
| Other liabilities | -0.7 | 0.0 |
| Financial liabilities held for trading | -0.6 | -0.5 |
| Negative interest from financial assets | 0.0 | -1.2 |
| **Total interest expense** | **-20.1** | **-8.2** |
| **Net interest income** | **108.1** | **84.6** |

Interest expense of financial liabilities measured at amortised cost in the amount of EUR -18.8 million (1H22: EUR -6.5 million) includes expenses of EUR -11.2 million (1H22: EUR -3.0 million) related to customer deposits. The negative interest income on TLTRO III financial liabilities amounts to EUR 0.0 million (1H22: EUR 0.1 million).

## (8) Net fee and commission income

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| Transactions | 9.6 | 10.1 |
| Accounts and Packages | 13.6 | 12.8 |
| Cards | 8.0 | 6.3 |
| Foreign exchange & Dynamic currency conversion | 3.6 | 6.4 |
| Securities | 0.1 | 0.1 |
| Bancassurance | 3.0 | 3.0 |
| Loans | 2.5 | 2.8 |
| Deposits | 0.0 | 0.6 |
| Trade finance | 2.6 | 2.7 |
| Other | 0.5 | 0.5 |
| **Fee and commission income** | **43.5** | **45.2** |
| Cards | -5.8 | -5.0 |
| Transactions | -2.1 | -2.2 |
| Client incentives | -1.1 | -0.2 |
| Securities | -0.1 | -0.1 |
| Accounts and Packages | -0.7 | -0.5 |
| Bancassurance | -0.2 | -0.2 |
| Trade finance | 0.0 | 0.0 |
| Deposits | 0.0 | 0.0 |
| Foreign exchange & Dynamic currency conversion | -0.1 | -0.1 |
| Loans | -0.5 | -0.3 |
| Other | -0.4 | -0.6 |
| **Fee and commission expenses** | **-11.0** | **-9.2** |
| **Net fee and commission income** | **32.5** | **36.1** |

The fees and commission presented in this note include income of EUR 24.1 million (1H22: EUR 22.5 million) and expenses of EUR -7.0 million (1H22: EUR -5.8 million) relating to financial assets and liabilities not measured at FVTPL.

## (9) Net result on financial instruments

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| Held for trading financial instruments | 0.8 | -2.0 |
| Foreign exchange | -0.3 | 2.5 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 0.2 | -0.2 |
| Financial assets at fair value through other comprehensive income | 0.0 | 0.0 |
| Financial assets at amortised cost | 0.0 | 0.0 |
| **Total** | **0.7** | **0.2** |

## (10) Other operating income and other operating expenses

### Other operating income and other operating expenses - net

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| Deposit guarantee | -2.9 | -4.0 |
| Recovery and resolution fund | -0.2 | -0.6 |
| Banking levies and other taxes | -1.8 | -1.8 |
| Net result from sale of non-financial assets | 0.7 | 1.0 |
| Result from other income and other expenses | -0.7 | -0.6 |
| **Total** | **-4.9** | **-5.9** |

### Other operating income and other operating expenses - gross

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| **Other operating income** | **1.4** | **1.9** |
| Gain from sale of non-financial assets | 0.8 | 1.2 |
| Income from operating lease assets | 0.3 | 0.3 |
| Other income | 0.4 | 0.5 |
| **Other operating expenses** | **-6.3** | **-7.8** |
| Losses from sale of non-financial assets | 0.0 | -0.1 |
| Expense incurred in earning the operating lease assets income | -0.3 | -0.3 |
| Recovery and resolution fund | -0.2 | -0.6 |
| Deposit guarantee | -2.9 | -4.0 |
| Banking levies and other taxes | -1.8 | -1.8 |
| Other expenses | -1.0 | -1.0 |
| **Total** | **-4.9** | **-5.9** |

## (11) Personnel expenses

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| Wages and salaries | -30.0 | -27.9 |
| Social security contribution | -5.1 | -4.8 |
| Variable remuneration | -4.2 | -3.6 |
| Bonuses and sales incentives | -3.4 | -3.8 |
| Cash-settled share-based payments | -0.6 | 0.2 |
| Equity-settled share-based payments | -0.1 | 0.0 |
| Voluntary social expenses | -1.9 | -1.4 |
| Expenses for retirement and severance payments | -4.8 | -4.3 |
| Income from release of employee provisions | 0.6 | 0.1 |
| Other personnel expenses | -2.6 | -1.1 |
| **Total** | **-48.0** | **-42.8** |

## (12) Other administrative expenses

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| IT expenses | -15.3 | -15.7 |
| Premises expenses (rent and other building expenses) | -6.3 | -5.9 |
| Legal and advisory costs | -1.6 | -1.4 |
| Advertising costs | -3.3 | -4.1 |
| Other administrative expenses | -3.7 | -4.0 |
| **Total** | **-30.3** | **-31.1** |

## (13) Depreciation and amortisation

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| Property, plant and equipment | -5.0 | -5.3 |
| o/w right of use assets | -2.9 | -3.0 |
| Intangible assets | -3.6 | -3.5 |
| **Total** | **-8.6** | **-8.9** |

## (14) Other result

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| **Net result from legal cases** | **-12.1** | **-8.4** |
| Release of provisions for legal cases and income from legal cases | 1.4 | 1.2 |
| Allocation of provisions for passive legal cases and legal costs | -13.5 | -9.6 |
| **Net result from operational risks [1)]** | **-4.2** | **0.0** |
| Allocation of provisions from operational risk and operational risk expenses | -4.2 | 0.0 |
| **Impairment / reversal of impairment on non-financial assets** | **0.0** | **-0.2** |
| Impairment | 0.0 | -0.2 |
| **Modification gains or losses** | -0.1 | 0.0 |
| **Total** | **-16.5** | **-8.6** |

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

The net result from legal cases amounting to EUR -12.1 million at 1H23 (1H22: EUR -8.4 million) was mainly impacted by credit linked and portfolio based provisions for expected legal matters on Swiss franc denominated loans in Croatia, Slovenia and Montenegro. Further details regarding provisions for legal cases are included in note (26) Provisions.

The net result from operational risk amounting to EUR -4.2 million at 1H23 (1H22: EUR 0.0 million) includes provisions connected with proportional fee reimbursements in Slovenia in case of early loan repayments ("Lexitor case"), with the impact from the decision of the Indirect Taxation Authority in Bosnia & Herzegovina to reverse their previous instructions and apply VAT on credit card services retroactively and going forward and expenses in connection with customer-related operational risk cases.

## (15) Credit loss expenses on financial assets

Credit loss expenses on financial assets measured at fair value through other comprehensive income, at amortised cost and financial guarantees and commitments breaks down as follows:

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| **Change in CL on financial instruments at FVTOCI** | **-0.1** | **0.0** |
| **Change in CL on financial instruments at amortised cost** | **-9.2** | **-9.1** |
| Net allocation to risk provision | -13.7 | -12.6 |
| Proceeds from loans and receivables previously impaired | 4.9 | 4.3 |
| Directly recognised impairment losses | -0.5 | -0.8 |
| **Net allocation of provisions for commitments and guarantees given** | **0.2** | **0.3** |
| **Total** | **-9.2** | **-8.8** |

## (16) Taxes on income

EUR m

| | 01.01. - 30.06.2023 | 01.01. - 30.06.2022 |
|---|---|---|
| Current tax | -4.9 | -2.8 |
| Deferred tax | 0.4 | 0.5 |
| thereof: temporary differences | 0.1 | -0.5 |
| thereof: tax losses carried forward | 0.3 | 1.0 |
| **Total** | **-4.5** | **-2.3** |

## Notes to the consolidated statement of financial position

### (17) Cash reserves

EUR m

| 30.06.2023 | Gross carrying amount | ECL allowance | Carrying amount (net) |
|---|---|---|---|
| Cash reserves | 128.7 | 0.0 | 128.7 |
| Cash balances at central banks | 905.1 | 0.0 | 905.1 |
| Other demand deposits | 95.7 | 0.0 | 95.6 |
| **Total** | **1,129.5** | **-0.1** | **1,129.4** |

EUR m

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

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

The cash balances at central banks include EUR 195.6 million (YE22: EUR 212.2 million) minimum reserves which subsidiaries were holding at the reporting date in their current accounts at their national central banks in order to meet on average during the maintenance period the prescribed requirements.

### (18) Financial assets held for trading

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| **Derivatives** | **5.0** | **5.0** |
| **Debt securities** | **18.8** | **17.9** |
| Governments | 18.8 | 17.9 |
| **Total** | **23.8** | **22.8** |

## (19) Loans and advances

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

### 19.1. Loans and advances to credit institutions

EUR m

| 30.06.2023 | Gross carrying amount | ECL allowance | Carrying amount (net) |
|---|---|---|---|
| Loans and advances to credit institutions | 48.0 | 0.0 | 48.0 |

The decrease of the loans and advances to credit institutions was mainly driven by the EUR 51.6 million cash collateral provided in 2022 to the Croatian Central Bank which was used during the reporting period for the payment for Euro currency supplies. The carrying amount as of 30 June 2023 refers mainly to repo business with Central Banks.

EUR m

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

### 19.2. Loans and advances to customers

EUR m

| 30.06.2023 | Gross carrying amount | ECL | | | | Carrying amount (net) |
|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | POCI | |
| Households | 2,175.3 | -13.9 | -25.1 | -69.7 | -1.1 | 2,065.5 |
| Non-financial corporations | 1,377.6 | -7.3 | -13.3 | -48.4 | 0.0 | 1,308.6 |
| Governments | 27.0 | 0.0 | 0.0 | 0.0 | 0.0 | 27.0 |
| Other financial corporations | 23.3 | -0.1 | -1.0 | -0.1 | 0.0 | 22.2 |
| **Total** | **3,603.3** | **-21.3** | **-39.4** | **-118.2** | **-1.1** | **3,423.3** |

EUR m

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

Development of ECL allowance:

### 19.2.1. LOANS AND ADVANCES TO HOUSEHOLDS

EUR m

| 2023 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-13.7** | **-26.9** | **-71.3** | **-1.2** | **-113.2** |
| Changes in the loss allowance | 2.7 | -1.3 | -8.1 | 0.1 | -6.6 |
| Transfer between stages | -2.9 | 3.1 | -0.2 | 0.0 | 0.0 |
| Write-offs/utilisation | 0.0 | 0.0 | 10.9 | 0.0 | 11.0 |
| Foreign exchange and other movements | 0.1 | 0.0 | -0.8 | 0.0 | -0.7 |
| **ECL allowance as at 30.06.** | **-13.9** | **-25.1** | **-69.7** | **-1.1** | **-109.8** |

EUR m

| 2022 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-15.4** | **-33.0** | **-93.7** | **-2.1** | **-144.3** |
| Changes in the loss allowance | 6.1 | -0.3 | -14.7 | 0.3 | -8.7 |
| Transfer between stages | -4.5 | 4.8 | -0.3 | 0.0 | 0.0 |
| Write-offs/utilisation | 0.0 | 2.4 | 43.0 | 1.9 | 47.3 |
| Foreign exchange and other movements | 0.0 | -0.8 | -5.6 | -1.2 | -7.6 |
| **ECL allowance as at 31.12.** | **-13.7** | **-26.9** | **-71.3** | **-1.2** | **-113.2** |

Overall gross carrying amount slightly increased during 1H23, mostly through disbursements of new loans - outperforming the repayments and write offs – accompanied by slightly increasing ECL stock for performing portfolio despite decreasing coverage on total portfolio mainly driven by write off / utilisation.

### 19.2.2. LOANS AND ADVANCES TO NON-FINANCIAL CORPORATIONS

EUR m

| 2023 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-7.1** | **-16.5** | **-45.6** | **0.0** | **-69.2** |
| Changes in the loss allowance | 0.7 | 1.2 | -7.3 | 0.0 | -5.4 |
| Transfer between stages | -0.9 | 2.1 | -1.2 | 0.0 | 0.0 |
| Write-offs/utilisation | 0.0 | 0.0 | 7.6 | 0.0 | 7.6 |
| Foreign exchange and other movements | 0.0 | -0.1 | -1.6 | 0.0 | -1.6 |
| **ECL allowance as at 30.06.** | **-7.3** | **-13.3** | **-48.4** | **0.0** | **-69.0** |

EUR m

| 2022 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-8.0** | **-17.2** | **-40.0** | **0.0** | **-65.2** |
| Changes in the loss allowance | 0.4 | -0.7 | -12.7 | 0.0 | -13.0 |
| Transfer between stages | 0.5 | 1.3 | -1.8 | 0.0 | 0.0 |
| Write-offs/utilisation | 0.0 | 0.0 | 11.0 | 0.0 | 11.0 |
| Foreign exchange and other movements | 0.0 | 0.0 | -2.0 | 0.0 | -2.0 |
| **ECL allowance as at 31.12.** | **-7.1** | **-16.5** | **-45.6** | **0.0** | **-69.2** |

Overall gross carrying amount of loans and advances to non-financial corporations increased during the first half of 2023 accompanied by a concurrent increase in ECL in stage 3 (increasing ECL coverage for stage 3), and minor decrease of absolute ECL amount in performing portfolio, driven predominantly by migration to the non-performing portfolio.

19.2.3. LOANS AND ADVANCES TO GENERAL GOVERNMENTS

EUR m

| 2023 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-0.1** | **0.0** | **0.0** | **0.0** | **-0.1** |
| Changes in the loss allowance | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| **ECL allowance as at 30.06.** | **0.0** | **0.0** | **0.0** | **0.0** | **-0.1** |

EUR m

| 2022 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-0.1** | **-0.1** | **0.0** | **0.0** | **-0.2** |
| Changes in the loss allowance | 0.1 | 0.1 | 0.0 | 0.0 | 0.2 |
| **ECL allowance as at 31.12.** | **-0.1** | **0.0** | **0.0** | **0.0** | **-0.1** |

19.2.4. LOANS AND ADVANCES TO OTHER FINANCIAL CORPORATIONS

EUR m

| 2023 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-0.1** | **-0.8** | **-0.1** | **0.0** | **-1.0** |
| Changes in the loss allowance | 0.0 | -0.1 | 0.0 | 0.0 | -0.2 |
| **ECL allowance as at 30.06.** | **-0.1** | **-1.0** | **-0.1** | **0.0** | **-1.1** |

EUR m

| 2022 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-0.1** | **-0.6** | **-0.1** | **0.0** | **-0.8** |
| Changes in the loss allowance | 0.0 | -0.2 | 0.0 | 0.0 | -0.2 |
| **ECL allowance as at 31.12.** | **-0.1** | **-0.8** | **-0.1** | **0.0** | **-1.0** |

## (20) Investment securities

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Fair value through other comprehensive income (FVTOCI) | 758.4 | 877.6 |
| Mandatorily at fair value through profit or loss (FVTPL) | 1.9 | 1.8 |
| At amortised cost | 348.8 | 182.2 |
| **Total** | **1,109.1** | **1,061.6** |

### 20.1. Fair value through other comprehensive income (FVTOCI)

EUR m

| 2023 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-0.3** | **0.0** | **0.0** | **0.0** | **-0.3** |
| Changes in the loss allowance | -0.1 | -0.1 | 0.0 | 0.0 | -0.1 |
| **ECL allowance as at 30.06.** | **-0.4** | **-0.1** | **0.0** | **0.0** | **-0.4** |

EUR m

| 2022 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-0.3** | **0.0** | **0.0** | **0.0** | **-0.3** |
| Changes in the loss allowance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **ECL allowance as at 31.12.** | **-0.3** | **0.0** | **0.0** | **0.0** | **-0.3** |

For instruments measured at amortised cost the ECL allowance are below EUR 0.1 million and therefore not disclosed separately.

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| **Debt securities** | **740.0** | **859.9** |
| Governments | 624.1 | 724.7 |
| Credit institutions | 107.2 | 116.1 |
| Other financial corporations | 4.7 | 12.2 |
| Non-financial corporations | 4.1 | 7.0 |
| **Equity instruments** | **18.4** | **17.7** |
| Governments [1)] | 12.7 | 12.6 |
| Other financial corporations | 5.1 | 4.6 |
| Non-financial corporations | 0.6 | 0.6 |
| **Total** | **758.4** | **877.6** |

[1)] Slovenian Bank Resolution Fund

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

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| **Debt securities** | **1.6** | **1.5** |
| Other financial corporations | 1.6 | 1.5 |
| **Equity instruments** | **0.3** | **0.3** |
| Non-financial corporations | 0.3 | 0.3 |
| **Total** | **1.9** | **1.8** |

### 20.3. At amortised cost

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| **Debt securities** | **348.8** | **182.2** |
| Governments | 335.7 | 180.1 |
| Credit institutions | 10.2 | 2.1 |
| Non-financial corporations | 2.9 | 0.0 |
| **Total** | **348.8** | **182.2** |

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

## (21) Tangible assets

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| **Owned property, plant and equipment** | **39.2** | **40.1** |
| Land and buildings | 30.9 | 31.5 |
| Plant and equipment | 8.2 | 7.8 |
| Plant and equipment - under construction | 0.1 | 0.8 |
| **Right of use assets** | **17.7** | **17.2** |
| Land and buildings | 15.6 | 16.2 |
| Plant and equipment | 1.3 | 1.0 |
| Investment property | 0.8 | 0.0 |
| **Investment property** | **3.4** | **4.3** |
| **Total** | **60.3** | **61.6** |

## (22) Other assets

The other assets contain the following main positions:

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Prepayments and accrued income | 12.5 | 8.4 |
| Inventories (repossessed assets, emergency acquired assets, leases to go, etc.) | 1.1 | 1.2 |
| Other remaining assets | 5.6 | 7.5 |
| **Total** | **19.1** | **17.1** |

The line item “other remaining assets” includes EUR 1.3 million receivables from card business, which arise from pending cash movements related to the credit cards (YE22: EUR 4.2 million).

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

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Loans and advances | 0.1 | 0.1 |
| Property plant and equipment | 1.6 | 1.5 |
| **Total** | **1.7** | **1.6** |

## (24) Financial liabilities held for trading

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Derivatives | 3.3 | 3.1 |
| **Total** | **3.3** | **3.1** |

## (25) Financial liabilities measured at amortised cost

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Deposits and borrowings of credit institutions | 101.7 | 128.5 |
| Deposits and borrowings of customers | 4,848.5 | 4,959.6 |
| Other financial liabilities | 49.8 | 48.8 |
| o/w lease liabilities | 18.1 | 18.8 |
| **Total** | **5,000.1** | **5,136.8** |

The position “Financial liabilities measured at amortised cost” includes borrowed funds in amount of EUR 102.6 million (YE22: EUR 127.0 million) from supranational and local institutions for refinancing purposes of specific loans to customers under the specific funding criteria (purpose of the loan, compliance with environmental and social legislative provisions, other funding criteria). As of the reporting date there are no TLTRO refinancing lines (YE22: EUR 0.0 million).

### 25.1. Deposits and borrowings of credit institutions

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Current accounts / overnight deposits | 20.7 | 4.4 |
| Deposits with agreed terms | 81.0 | 99.8 |
| Repurchase agreements | 0.0 | 24.3 |
| **Total** | **101.7** | **128.5** |

### 25.2. Deposits and borrowings of customers

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| **Current accounts / overnight deposits** | **3,199.4** | **3,353.4** |
| Governments | 80.2 | 82.4 |
| Other financial corporations | 48.1 | 67.6 |
| Non-financial corporations | 832.3 | 951.9 |
| Households | 2,238.8 | 2,251.6 |
| **Deposits with agreed terms** | **1,643.6** | **1,599.9** |
| Governments | 63.3 | 85.0 |
| Other financial corporations | 190.2 | 190.7 |
| Non-financial corporations | 220.6 | 258.1 |
| Households | 1,169.5 | 1,066.0 |
| **Deposits redeemable at notice** | **5.5** | **6.2** |
| Governments | 1.0 | 1.0 |
| Non-financial corporations | 4.5 | 5.2 |
| **Total** | **4,848.5** | **4,959.6** |

## (26) Provision

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Pending legal disputes | 64.3 | 58.2 |
| Commitments and guarantees granted | 8.4 | 8.5 |
| Provisions for variable payments | 7.6 | 10.9 |
| Cash-settled share-based payments | 0.7 | 0.1 |
| Pensions and other post employment defined benefit obligations | 2.0 | 2.0 |
| Restructuring measures | 0.3 | 1.0 |
| Other long term employee benefits | 0.3 | 0.3 |
| Provisions for operational risk | 2.7 | 0.0 |
| Other provisions | 2.4 | 2.4 |
| **Total** | **88.7** | **83.4** |

### 26.1. Provisions for pending legal disputes

The item “Pending legal disputes” includes provisions for litigations from lending business or litigations with customer protection associations.

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

The 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 unilateral interest rate change and Swiss franc currency clauses in Croatia. The reassessment was leading to the recognition in the income statement of additional provisions in amount of EUR 8.3 million (YE22: EUR 20.8 million), whereby the related total amount of the provision as of 1H23 was EUR 48.3 million (YE22: EUR 43.2 million), with EUR 3.8 million (YE22: EUR 5.9 million) utilised during the year, mainly in relation to lawyers and court costs, and EUR 0.7 million discounting effect (YE22: no discounting effects).

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

- The **overall number of customers** which will file a lawsuit against the bank is based on historical observations regarding court cases and is characterised by considerable uncertainty as to the forecast of clients' inclination to file a case in court in the future. Despite the statute of limitation expiring in July 2023, Croatia's backlog of court cases and the recent judicial strike will require several months before being able to assess the final number of relevant lawsuits.
- The **outcome of individual court decisions**, in particular regarding the assessment if the bank engaged in unfair business practices, which is affecting the level of loss. As currently there are little number of final court judgments, there is a significant uncertainty in relation to this estimate.

- The **estimated loss by individual contract** was calculated taking into account the average amount to be refunded to the customers and was performed by clustering the potential lawsuits into specific groups. Uncertainties relate in particular to the potential inclusion of penalty interest, which in turn are connected with Addiko ability to demonstrate that acted in good faith.

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

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

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Change in number of expected court cases +10% (YE22: +25%) | 1.6 | 2.9 |
| Change in number of expected court cases -10% (YE22: -25%) | -1.6 | -2.9 |
| Change in the outcome individual court decisions in favor of the customer +25% (YE22: +10%) | 7.6 | 2.2 |
| Change in the outcome individual court decisions in favor of the customer -25% (YE22: -10%) | -7.6 | -2.2 |
| Change in the estimated loss by individual contract +10% (YE22: +15%) | 2.9 | 2.4 |
| Change in the estimated loss by individual contract -10% (YE22: -15%) | -2.9 | -2.3 |

Additional information in relation to legal proceedings connected to Swiss franc unilateral interest rate change and Swiss franc currency clauses are presented in note (36) Legal risk.

A further topic for which provisions for pending legal disputes have been recognised is based on corporate variable interest margin claims, with an amount in dispute of EUR 1.3 million at 30.06.2023, where the right to change the margin is allegedly not precisely enough aligned and which were lost for the majority of the cases in favour of clients.

In addition, provisions for pending legal disputes have been recognised for claims against the Serbian subsidiary regarding loan processing fees. The total amount in dispute as of 30.06.2023 is EUR 1.3 million for approximately 5,300 cases. On 16 September 2021 the Serbian Supreme Court issued a new opinion on the validity of loan processing fees in essence finding the fees to be valid if banks provided written offers to the clients before signing of the loan agreement which led to a significant lower number of new claims, i.e. 319 claims filed and received after 16 September 2021. All banks in Serbia are confronted with these kinds of claims and joint initiatives via the Serbian Banking Association were made and are envisaged for the future.

During the reporting period provisions for pending legal disputes in amount of EUR 1.5 million have been recognised following the retroactively change of interpretation by the Slovenian Supreme Court in non Addiko cases of local consumer protection law, establishing higher requirements for the information duty vis-á-vis the customer.

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

### 26.2. Provisions – development of loan commitments, financial guarantee and other commitments given

EUR m

| 2023 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-1.9** | **-2.2** | **-4.4** | **0.0** | **-8.5** |
| Changes in the loss allowance | 0.1 | -0.3 | 0.4 | 0.0 | 0.2 |
| Transfer between stages | 0.2 | -0.1 | -0.1 | 0.0 | 0.0 |
| **ECL allowance as at 30.06.** | **-1.8** | **-2.6** | **-4.1** | **0.0** | **-8.4** |

EUR m

| 2022 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| **ECL allowance as at 01.01.** | **-2.6** | **-1.1** | **-3.6** | **0.0** | **-7.2** |
| Changes in the loss allowance | 0.3 | -0.8 | -0.8 | 0.0 | -1.3 |
| Transfer between stages | 0.4 | -0.3 | 0.0 | 0.0 | 0.0 |
| **ECL allowance as at 31.12.** | **-1.9** | **-2.2** | **-4.5** | **0.0** | **-8.5** |

## (27) Other liabilities

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Deferred income | 1.5 | 1.0 |
| Accruals and other liabilities | 24.5 | 25.2 |
| **Total** | **25.9** | **26.2** |

Accruals and other liabilities include liabilities for other taxes EUR 1.0 million (YE22: EUR 1.7 million), liabilities for other taxes on salaries EUR 0.9 million (YE22: EUR 0.8 million), liabilities for contributions on salaries EUR 1.4 million (YE22: EUR 1.3 million) and liabilities related to net salaries EUR 1.9 million (YE22: EUR 2.0 million).

## (28) Equity

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| **Equity holders of parent** | **756.4** | **746.3** |
| Subscribed capital | 195.0 | 195.0 |
| Treasury shares | -0.9 | -0.4 |
| Capital reserves | 237.9 | 237.9 |
| Fair value reserve | -68.7 | -83.3 |
| Foreign currency reserve | -11.3 | -11.5 |
| Cumulated result and other reserves | 404.4 | 408.5 |
| **Non-controlling interest** | **0.0** | **0.0** |
| **Total** | **756.4** | **746.3** |

## Segment Reporting

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

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

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

Net interest income in Corporate Center includes only as small fraction of the positive impact from interest and liquidity gap contribution (IGC) of EUR 44.8 million. The majority of the IGC in the amount of EUR 41.4 million is distributed to the market segments according to their respective asset contribution. IGC is the result of partially funding longer term assets with stable but shorter-term liabilities. The extent of this maturity transformation is strictly managed in accordance with regulatory and internal limits. The FTP methodology assigns internal funding costs to assets and internal funding benefits to liabilities on a matched maturity basis. This means, if maturities of loans and deposits of a certain segment were the same, IGC (after deduction of deposit insurance and minimum reserve costs) would be approximately zero. In addition, the net result on financial instruments and the other operating result, consisting out of other operating income and other operating expense and other result are included in the Corporate Center.

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

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

**Business Segmentation**

The segment reporting comprises the following business segments:

- **Consumer:** serves ca. 0.7 million customers, which includes Private Individuals (excluding mortgage and housing loans) through a hybrid distribution consisting of a network of 154 branches and digital channels.
- **SME**: serves approximately 40 thousand SME clients (companies and private entrepreneurs with annual turnover between EUR 0 million and EUR 50 million) in the CSEE region.
- **Mortgage**: comprises Retail customers with loans related to real estate purchase (housing loans also excluding a collateral) or leveraging private real estate as collateral.
- **Large Corporates**: includes legal entities with annual gross revenues of more than EUR 50 million.
- **Public Finance:** comprises businesses oriented on participation in public tenders for the financing requirements of key public institutions in CSEE countries, ministries of finance, state enterprises and local governments.

- **Corporate Center**: consists of the Treasury business as well as central functions items such as overhead, project-related operating expenses, contributions to the Single Resolution Fund, bank levies and the intercompany reconciliation. In addition, this segment includes direct deposit activities with customers in Austria and Germany

**Segments overview**

EUR m

| 30.06.2023 | Focus segments | | Non-focus segments | | | Corporate Center | Total |
|---|---|---|---|---|---|---|---|
| | Consumer | SME Business | Mortgage | Large Corporates | Public Finance | | |
| Net banking income | 77.4 | 47.7 | 11.6 | 4.2 | 2.9 | -3.1 | 140.7 |
| Net interest income | 58.7 | 35.4 | 11.6 | 2.8 | 2.6 | -3.0 | 108.1 |
| o/w regular interest income | 54.8 | 30.1 | 9.2 | 2.4 | 0.9 | 25.1 | 122.4 |
| Net fee and commission income | 18.7 | 12.3 | 0.0 | 1.4 | 0.4 | -0.2 | 32.5 |
| Net result on financial instruments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 | 0.7 |
| Other operating result | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -4.9 | -4.9 |
| **Operating income** | **77.4** | **47.7** | **11.6** | **4.2** | **2.9** | **-7.3** | **136.5** |
| **Operating expenses** | **-41.0** | **-16.8** | **-0.7** | **-1.7** | **-0.9** | **-25.7** | **-86.9** |
| **Operating result before impairments and provisions** | **36.3** | **30.9** | **10.9** | **2.5** | **2.0** | **-33.0** | **49.6** |
| Other result | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -16.5 | -16.5 |
| Credit loss expenses on financial assets | -6.0 | -6.0 | 2.0 | 1.0 | 0.1 | -0.2 | -9.2 |
| **Result before tax** | **30.3** | **24.8** | **12.9** | **3.5** | **2.2** | **-49.7** | **24.0** |
| | | | | | | | |
| **Business volume** | | | | | | | |
| Net loans and receivables | 1,589.9 | 1,296.8 | 394.9 | 102.0 | 37.1 | 50.6 | 3,471.3 |
| o/w gross performing loans customers | 1,606.4 | 1,297.5 | 393.6 | 101.7 | 36.5 | | 3,435.6 |
| Gross disbursements | 327.8 | 429.8 | 0.0 | 7.7 | 0.2 | | 765.3 |
| Financial liabilities at AC [1] | 2,718.4 | 1,076.7 | 0.0 | 212.0 | 242.9 | 750.0 | 5,000.1 |
| RWA [2] | 1,212.4 | 932.8 | 237.7 | 130.2 | 20.2 | 503.6 | 3,037.0 |
| **Key ratios** | | | | | | | |
| NIM [3] | 5.4% | 3.3% | -0.1% | 2.2% | 0.7% | | 3.7% |
| Cost/income Ratio | 53.1% | 35.3% | 6.0% | 40.8% | 31.1% | | 61.7% |
| Cost of risk ratio | -0.3% | -0.3% | 0.5% | 0.4% | 0.3% | | -0.2% |
| Loan to deposit ratio | 58.5% | 120.4% | - | 48.1% | 15.3% | | 70.6% |
| NPE ratio (on-balance loans) | 3.8% | 3.9% | 5.7% | 8.9% | 6.8% | | 3.3% |
| NPE coverage ratio | 80.1% | 73.9% | 78.6% | 90.7% | 62.2% | | 78.0% |
| NPE collateral coverage | 2.3% | 44.5% | 79.6% | 90.5% | 100.0% | | 36.9% |
| Change CL/GPL (simple average) | -0.4% | -0.5% | 0.5% | 1.0% | 0.3% | | -0.3% |
| Yield GPL (simple average) | 7.0% | 4.9% | 4.5% | 4.7% | 4.4% | | 5.8% |

[1] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 539 million, EUR 128 million Deposits of credit institutions, EUR 83 million Other liabilities. [2] Includes only credit risk. [3] Net interest margin on segment level is sum of interest income (without interest income on NPE) and expenses including funds transfer pricing divided by the respective average business volume using daily balances.

The Corporate Center segment includes consolidation items in amount of EUR 46.2 million, relating to the elimination of intragroup dividends, measurement of consolidated participations, credit loss expenses on intragroup refinancing lines and gains/losses from the intragroup sale of debt instruments.

EUR m

| 30.06.2022 | Focus segments Consumer | SME Business | Non-focus segments Mortgage | Large Corporates | Public Finance | Corporate Center | Total |
|---|---|---|---|---|---|---|---|
| Net banking income | 70.6 | 32.0 | 6.9 | 4.7 | 2.2 | 4.3 | 120.7 |
| Net interest income | 50.9 | 18.1 | 6.9 | 2.8 | 1.5 | 4.5 | 84.6 |
| o/w regular interest income | 49.4 | 18.2 | 8.3 | 3.0 | 0.8 | 6.6 | 86.3 |
| Net fee and commission income | 19.8 | 13.8 | 0.0 | 1.9 | 0.7 | -0.2 | 36.1 |
| Net result on financial instruments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 |
| Other operating result | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -5.9 | -5.9 |
| **Operating income** | **70.6** | **32.0** | **6.9** | **4.7** | **2.2** | **-1.3** | **115.1** |
| **Operating expenses** | **-40.4** | **-14.9** | **-0.9** | **-1.9** | **-0.9** | **-23.8** | **-82.8** |
| **Operating result before impairments and provisions** | **30.3** | **17.0** | **6.0** | **2.8** | **1.3** | **-25.1** | **32.3** |
| Other result | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -8.6 | -8.6 |
| Credit loss expenses on financial assets | -10.6 | 0.6 | 4.2 | -2.9 | 0.1 | 0.0 | -8.8 |
| **Result before tax** | **19.6** | **17.6** | **10.1** | **-0.1** | **1.3** | **-33.7** | **14.9** |
| | | | | | | | |
| **Business volume** | | | | | | | |
| Net loans and receivables | 1,450.4 | 1,165.1 | 489.3 | 200.3 | 57.8 | 5.2 | 3,367.9 |
| o/w gross performing loans customers | 1,476.4 | 1,164.3 | 485.8 | 201.8 | 57.0 | | 3,385.3 |
| Gross disbursements | 314.3 | 379.8 | 1.0 | 28.9 | 2.4 | | 726.4 |
| Financial liabilities at AC [1] | 2,434.8 | 1,033.5 | 0.0 | 282.9 | 365.1 | 746.2 | 4,862.5 |
| RWA [2] | 1,096.6 | 886.9 | 297.8 | 234.9 | 32.1 | 519.1 | 3,067.4 |
| | | | | | | | |
| **Key ratios** | | | | | | | |
| NIM [3] | 5.6% | 2.8% | 1.3% | 1.7% | 0.8% | | 3.0% |
| Cost/income Ratio | 57.1% | 46.7% | 13.1% | 40.3% | 42.3% | | 68.6% |
| Cost of risk ratio | -0.6% | 0.0% | 0.8% | -0.8% | 0.1% | | -0.2% |
| Loan to deposit ratio | 59.6% | 112.7% | - | 70.8% | 15.8% | | 72.6% |
| NPE ratio (on-balance loans) | 4.4% | 4.3% | 8.2% | 4.9% | 3.9% | | 3.8% |
| NPE coverage ratio | 79.2% | 69.9% | 80.1% | 91.2% | 45.7% | | 76.7% |
| NPE collateral coverage | 2.6% | 59.4% | 73.1% | 87.2% | 95.6% | | 43.6% |
| Change CL/GPL (simple average) | -0.7% | 0.1% | 0.8% | -1.3% | 0.1% | | -0.3% |
| Yield GPL (simple average) | 7.0% | 3.3% | 3.3% | 2.7% | 2.7% | | 4.8% |

[1] Financial liabilities at AC include the Direct deposits (Austria/Germany) amounting to EUR 441 million, EUR 178 million Deposits of credit institutions, EUR 127 million Other liabilities. [2] Includes only credit risk (without application of IFRS 9 transitional rules). [3] Net interest margin on segment level is sum of interest income (without interest income on NPE) and expenses including funds transfer pricing divided by the respective average business volume using daily balances.

The Corporate Center segment includes consolidation items in amount of EUR 24.5 million, relating to the elimination of intragroup dividends, measurement of consolidated participations, credit loss expenses on intragroup refinancing lines and gains/losses from the intragroup sale of debt instruments.

The net interest income breakdown explains the net interest income details per segment up to total bank. It lists all subpositions of the net interest income including the customer margin assets and liabilities, the basic items within the interest Gap Contribution and Asset Contribution.

EUR m

| 30.06.2023 | Focus segments | | Non-focus segments | | | Corporate Center | Total |
|---|---|---|---|---|---|---|---|
| | Consumer | SME Business | Mortgage | Large Corporates | Public Finance | | |
| **Net interest income** | **58.7** | **35.4** | **11.6** | **2.8** | **2.6** | **-3.0** | **108.1** |
| **o/w Interest income** | **57.8** | **32.2** | **9.7** | **2.5** | **0.9** | **25.1** | **128.3** |
| o/w Regular Interest Income | 54.8 | 30.1 | 9.2 | 2.4 | 0.9 | 25.1 | 122.4 |
| o/w Interest income on NPE | 0.6 | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 1.1 |
| o/w Interest like income | 2.5 | 1.9 | 0.3 | 0.1 | 0.0 | 0.0 | 4.8 |
| **o/w Interest expenses** | -6.6 | -2.3 | 0.0 | -1.5 | -1.0 | -8.8 | -20.1 |
| **o/w FTP (asset & liabilities)** | -4.2 | -10.4 | -9.6 | 0.7 | 1.4 | -22.6 | -44.8 |
| **o/w Interest gap contribution** | 11.6 | 15.9 | 11.6 | 1.2 | 1.2 | 3.4 | 44.8 |
| o/w Asset contribution | 11.6 | 15.9 | 11.6 | 1.2 | 1.2 | -41.4 | 0.0 |
| o/w Interest gap contribution | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 44.8 | 44.8 |

EUR m

| 30.06.2022 | Focus segments | | Non-focus segments | | | Corporate Center | Total |
|---|---|---|---|---|---|---|---|
| | Consumer | SME Business | Mortgage | Large Corporates | Public Finance | | |
| **Net interest income** | **50.9** | **18.1** | **6.9** | **2.8** | **1.5** | **4.5** | **84.6** |
| **o/w Interest income** | **52.8** | **20.1** | **9.0** | **3.4** | **0.9** | **6.6** | **92.9** |
| o/w Regular Interest Income | 49.4 | 18.2 | 8.3 | 3.0 | 0.8 | 6.6 | 86.3 |
| o/w Interest income on NPE | 0.6 | 0.3 | 0.3 | 0.1 | 0.0 | 0.0 | 1.4 |
| o/w Interest like income | 2.7 | 1.6 | 0.4 | 0.3 | 0.0 | 0.0 | 5.1 |
| **o/w Interest expenses** | **-2.3** | **-1.3** | **0.0** | **-0.7** | **-0.6** | **-3.3** | **-8.2** |
| **o/w FTP (asset & liabilities)** | **-7.7** | **-3.7** | **-5.5** | **-0.6** | **0.9** | **-3.4** | **-20.0** |
| **o/w Interest gap contribution** | **8.0** | **3.0** | **3.4** | **0.7** | **0.4** | **4.5** | **20.0** |
| o/w Asset contribution | 8.0 | 3.0 | 3.4 | 0.7 | 0.4 | -15.5 | 0.0 |
| o/w Interest gap contribution | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 20.0 | 20.0 |

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

EUR m

| 30.06.2023 | Focus segments [1] Consumer | SME Business | Non-focus segments Large Corporates | Public Finance | Corporate Center | Total |
|---|---|---|---|---|---|---|
| Accounts and Packages | 10.6 | 2.8 | 0.1 | 0.1 | 0.0 | 13.6 |
| Transactions | 2.3 | 5.9 | 0.7 | 0.3 | 0.3 | 9.6 |
| Cards | 7.1 | 0.9 | 0.0 | 0.0 | 0.0 | 8.0 |
| Foreign exchange & Dynamic currency conversion | 2.3 | 0.9 | 0.2 | 0.0 | 0.2 | 3.6 |
| Bancassurance | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.0 |
| Trade finance | 0.0 | 2.2 | 0.4 | 0.0 | 0.0 | 2.6 |
| Loans | 1.3 | 1.1 | 0.0 | 0.0 | 0.0 | 2.5 |
| Securities | 0.0 | 0.0 | 0.1 | 0.0 | -0.1 | 0.1 |
| Deposits | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.3 | 0.2 | 0.1 | 0.0 | 0.0 | 0.5 |
| **Fee and commission income** | **27.0** | **14.0** | **1.7** | **0.5** | **0.4** | **43.5** |
| Cards | -5.5 | -0.3 | 0.0 | 0.0 | 0.0 | -5.8 |
| Transactions | -0.8 | -0.9 | -0.1 | -0.1 | -0.1 | -2.1 |
| Total incentives | -0.8 | -0.3 | 0.0 | 0.0 | 0.0 | -1.1 |
| Accounts and Packages | -0.5 | 0.0 | -0.1 | 0.0 | -0.1 | -0.7 |
| Loans | -0.4 | -0.1 | 0.0 | 0.0 | 0.0 | -0.5 |
| Bancassurance | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 |
| Securities | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 |
| FX Changes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 |
| Other | 0.0 | 0.0 | -0.1 | 0.0 | -0.3 | -0.4 |
| **Fee and commission expenses** | **-8.3** | **-1.7** | **-0.3** | **-0.1** | **-0.6** | **-11.0** |
| **Net fee and commission income** | **18.7** | **12.3** | **1.4** | **0.4** | **-0.2** | **32.5** |

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

EUR m

| 30.06.2022 | Focus segments [1] Consumer | SME Business | Non-focus segments Large Corporates | Public Finance | Corporate Center | Total |
|---|---|---|---|---|---|---|
| Accounts and Packages | 10.2 | 2.4 | 0.1 | 0.1 | 0.0 | 12.8 |
| Transactions | 2.4 | 6.1 | 0.9 | 0.4 | 0.3 | 10.1 |
| Foreign exchange& Dynamic currency conversion | 3.5 | 2.4 | 0.3 | 0.1 | 0.2 | 6.4 |
| Cards | 5.4 | 0.9 | 0.0 | 0.0 | 0.0 | 6.3 |
| Bancassurance | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.0 |
| Loans | 1.6 | 1.0 | 0.1 | 0.0 | 0.0 | 2.8 |
| Trade finance | 0.0 | 2.2 | 0.5 | 0.0 | 0.0 | 2.7 |
| Deposits | 0.1 | 0.3 | 0.2 | 0.1 | 0.0 | 0.6 |
| Securities | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Other | 0.3 | 0.1 | 0.1 | 0.0 | 0.0 | 0.5 |
| **Fee and commission income** | **26.4** | **15.3** | **2.2** | **0.8** | **0.5** | **45.2** |
| Cards | -4.7 | -0.3 | 0.0 | 0.0 | 0.0 | -5.0 |
| Transactions | -0.8 | -1.0 | -0.1 | -0.1 | -0.1 | -2.2 |
| Accounts and Packages | -0.4 | -0.1 | 0.0 | 0.0 | -0.1 | -0.5 |
| Loans | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 |
| Total incentives | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 |
| Bancassurance | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | -0.2 |
| Securities | 0.0 | 0.0 | -0.1 | 0.0 | -0.1 | -0.1 |
| Foreign exchange& Dynamic currency conversion | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 |
| Other | -0.2 | 0.0 | -0.1 | 0.0 | -0.3 | -0.6 |
| **Fee and commission expenses** | **-6.7** | **-1.5** | **-0.3** | **-0.1** | **-0.7** | **-9.2** |
| **Net fee and commission income** | **19.8** | **13.8** | **1.9** | **0.7** | **-0.2** | **36.1** |

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

### Geographical Segmentation

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

EUR m

| 30.06.2023 | ABC | ABS | ABBL | ABSA | ABSE | ABM | ABH [4] | Reco | Addiko Group |
|---|---|---|---|---|---|---|---|---|---|
| Net banking income | 44.4 | 34.9 | 14.6 | 13.5 | 25.1 | 7.1 | 1.9 | -0.8 | 140.7 |
| Net interest income | 34.0 | 27.6 | 10.2 | 9.4 | 19.5 | 6.1 | 2.1 | -0.8 | 108.1 |
| o/w regular interest income [1] | 35.3 | 31.1 | 11.0 | 9.6 | 24.7 | 6.5 | 7.5 | -3.3 | 122.4 |
| Net fee and commission income | 10.4 | 7.2 | 4.3 | 4.1 | 5.6 | 1.1 | -0.1 | 0.0 | 32.5 |
| Net result on financial instruments | 0.5 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 39.9 | -40.0 | 0.7 |
| Other operating result | -0.8 | -0.6 | -0.3 | -0.4 | -1.1 | -0.7 | -0.2 | -0.8 | -4.9 |
| **Operating income** | **44.1** | **34.5** | **14.2** | **13.1** | **24.0** | **6.5** | **41.6** | **-41.5** | **136.5** |
| **Operating expenses** | **-22.4** | **-14.5** | **-7.5** | **-7.5** | **-13.5** | **-4.0** | **-14.4** | **-3.1** | **-86.9** |
| **Operating result before impairments and provisions** | **21.7** | **20.0** | **6.7** | **5.5** | **10.5** | **2.6** | **27.2** | **-44.5** | **49.6** |
| Other result | -7.7 | -3.6 | -1.1 | -0.9 | -1.1 | -0.1 | 0.0 | -1.9 | -16.5 |
| Credit loss expenses on financial assets | -2.6 | -4.8 | 0.5 | 0.2 | -4.8 | 0.0 | -0.1 | 2.5 | -9.2 |
| **Result before tax** | **11.4** | **11.6** | **6.1** | **4.8** | **4.6** | **2.5** | **27.1** | **-44.0** | **24.0** |
| | | | | | | | | | |
| **Total assets** | **2,167.4** | **1,337.6** | **474.5** | **543.5** | **852.0** | **223.5** | **1,145.5** | **-868.5** | **5,875.5** |
| | | | | | | | | | |
| **Business volume** | | | | | | | | | |
| Net loans and receivables | 1,128.8 | 1,021.0 | 335.5 | 281.5 | 600.5 | 165.5 | 49.3 | -110.7 | 3,471.3 |
| o/w gross performing loans customers | 1,118.6 | 982.7 | 327.2 | 281.1 | 563.3 | 162.7 | 0.0 | | 3,435.6 |
| Gross disbursements | 273.0 | 162.2 | 71.5 | 81.9 | 143.7 | 33.0 | 0.0 | | 765.3 |
| Financial liabilities at AC [2] | 1,731.9 | 1,132.0 | 380.5 | 444.3 | 639.8 | 187.3 | 619.5 | -135.2 | 5,000.1 |
| RWA [3] | 961.8 | 750.3 | 297.9 | 308.0 | 516.9 | 161.6 | 33.6 | 6.9 | 3,037.0 |
| | | | | | | | | | |
| **Key ratios** | | | | | | | | | |
| Net interest margin (NIM) | 3.1% | 4.2% | 4.2% | 3.6% | 4.6% | 5.5% | 0.4% | | 3.7% |
| Cost/income Ratio | 50.5% | 41.5% | 51.6% | 56.0% | 53.8% | 55.4% | n.m. | | 61.7% |
| Cost of risk ratio | -0.2% | -0.4% | 0.1% | 0.0% | -0.6% | 0.0% | -0.2% | | -0.2% |
| Loan to deposit ratio | 67.6% | 91.3% | 86.8% | 64.2% | 96.5% | 90.3% | | | 70.6% |
| NPE ratio (on-balance loans) | 3.6% | 2.4% | 3.9% | 2.9% | 4.2% | 6.4% | | | 3.3% |
| NPE coverage ratio | 83.8% | 76.3% | 80.5% | 81.8% | 69.1% | 69.1% | | | 78.0% |
| NPE collateral coverage | 48.3% | 40.9% | 17.8% | 15.9% | 18.4% | 58.7% | | | 36.9% |
| Change CL/GPL (simple average) | -0.2% | -0.5% | 0.2% | 0.1% | -0.9% | 0.0% | | | -0.3% |
| Yield GPL (simple average) | 4.8% | 5.6% | 6.3% | 6.0% | 7.5% | 7.4% | | | 5.8% |

[1] Regular interest income is related to booked interests excluding interest like income, interest income on NPE and funds transfer pricing. [2] Direct deposits (Austria/Germany) amounting to EUR 539 million presented in ABH. [3] Includes only credit risk. [4] In ABH intragroup exposure is included.

EUR m

| 30.06.2022 | ABC | ABS | ABBL | ABSA | ABSE | ABM | ABH [4] | Reco | Addiko Group |
|---|---|---|---|---|---|---|---|---|---|
| Net banking income | 39.7 | 27.0 | 11.7 | 11.1 | 22.9 | 6.5 | 1.7 | -0.1 | 120.7 |
| Net interest income | 26.4 | 19.5 | 7.6 | 7.2 | 16.7 | 5.4 | 2.0 | -0.1 | 84.6 |
| o/w regular interest income [1] | 26.6 | 18.5 | 8.3 | 7.2 | 18.4 | 5.6 | 2.9 | -1.3 | 86.3 |
| Net fee and commission income | 13.4 | 7.5 | 4.1 | 3.9 | 6.2 | 1.2 | -0.2 | 0.0 | 36.1 |
| Net result on financial instruments | 0.7 | 0.2 | 0.0 | 0.1 | -0.9 | 0.0 | 20.2 | -20.0 | 0.2 |
| Other operating result | -1.6 | -0.9 | -0.1 | -0.5 | -1.0 | -0.8 | -0.4 | -0.6 | -5.9 |
| **Operating income** | **38.8** | **26.3** | **11.6** | **10.7** | **21.0** | **5.7** | **21.5** | **-20.7** | **115.1** |
| **Operating expenses** | **-22.2** | **-13.1** | **-7.2** | **-7.4** | **-12.6** | **-3.8** | **-14.5** | **-2.0** | **-82.8** |
| **Operating result before impairments and provisions** | **16.6** | **13.2** | **4.4** | **3.4** | **8.5** | **1.9** | **7.0** | **-22.7** | **32.3** |
| Other result | -5.5 | -0.3 | -0.2 | 0.2 | -0.6 | 0.0 | -0.4 | -1.8 | -8.6 |
| Credit loss expenses on financial assets | -2.3 | 1.0 | 0.6 | -0.7 | -2.8 | -0.4 | -0.1 | -4.0 | -8.8 |
| **Result before tax** | **8.8** | **13.8** | **4.8** | **2.9** | **5.0** | **1.5** | **6.6** | **-28.5** | **14.9** |
| | | | | | | | | | |
| **Total assets** | **2,172.2** | **1,332.0** | **486.8** | **478.3** | **884.9** | **215.1** | **1,055.6** | **-924.8** | **5,700.0** |
| | | | | | | | | | |
| **Business volume** | | | | | | | | | |
| Net loans and receivables | 1,078.0 | 993.0 | 321.6 | 253.2 | 628.8 | 169.2 | 84.3 | -160.2 | 3,367.9 |
| o/w gross performing loans customers | 1,066.4 | 954.8 | 315.3 | 255.2 | 626.6 | 167.0 | 0.0 | | 3,385.3 |
| Gross disbursements | 247.1 | 147.8 | 77.6 | 70.9 | 147.2 | 35.8 | 0.0 | | 726.4 |
| Financial liabilities at AC [2] | 1,752.7 | 1,126.5 | 401.1 | 375.3 | 682.7 | 183.9 | 526.4 | -186.0 | 4,862.5 |
| RWA [3] | 989.3 | 738.3 | 282.6 | 288.2 | 589.0 | 155.4 | 18.6 | 6.0 | 3,067.4 |
| | | | | | | | | | |
| **Key ratios** | | | | | | | | | |
| Net interest margin (NIM) | 2.4% | 2.9% | 3.2% | 2.9% | 3.8% | 5.0% | 0.4% | | 3.0% |
| Cost/income Ratio | 55.9% | 48.5% | 61.5% | 66.1% | 54.9% | 59.0% | n.m. | | 68.6% |
| Cost of risk ratio | -0.2% | 0.1% | 0.1% | -0.2% | -0.3% | -0.2% | -0.7% | | -0.2% |
| Loan to deposit ratio | 64.3% | 94.4% | 82.8% | 68.4% | 103.9% | 95.8% | | | 72.6% |
| NPE ratio (on-balance loans) | 4.5% | 1.9% | 3.8% | 5.8% | 3.9% | 8.6% | | | 3.8% |
| NPE coverage ratio | 84.5% | 65.0% | 82.6% | 83.9% | 70.4% | 61.4% | | | 76.7% |
| NPE collateral coverage | 55.1% | 53.2% | 21.1% | 29.4% | 23.6% | 50.9% | | | 43.6% |
| Change CL/GPL (simple average) | -0.2% | 0.1% | 0.2% | -0.3% | -0.5% | -0.3% | | | -0.3% |
| Yield GPL (simple average) | 4.6% | 3.9% | 5.4% | 5.5% | 5.4% | 6.9% | | | 4.8% |

[1] Regular interest income is related to booked interests excluding interest like income, interest income on NPE and funds transfer pricing. [2] Direct deposits (Austria/Germany) amounting to EUR 441 million presented in ABH. [3] Includes only credit risk (without application on IFRS 9 transitional rules). [4] In ABH intragroup exposure is included.

# Risk Report

A summary of Addiko risk policies in relation to risk management, internal organisation, risk strategy and risk appetite framework organisation is set out in the note of the same name in the consolidated financial statements as of 31 December 2022.

## (29) Credit risk

### 29.1. Reconciliation between Financial instruments classes and Credit risk exposure

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

Breakdown of net exposure within the Group in accordance with IFRS 7.35M as at 30 June 2023:

EUR m

| 30.06.2023 | Performing | | | Non Performing | | | Total | |
|---|---|---|---|---|---|---|---|---|
| Financial instruments | Exposure | ECL | Net | Exposure | ECL | Net | Exposure | Net |
| Cash reserves [1] | 1,000.8 | -0.1 | 1,000.7 | 0.0 | 0.0 | 0.0 | 1,000.8 | 1,000.7 |
| Financial assets held for trading | 23.8 | | 23.8 | 0.0 | | 0.0 | 23.8 | 23.8 |
| Loans and receivables | 3,498.8 | -60.7 | 3,438.1 | 152.5 | -119.3 | 33.2 | 3,651.3 | 3,471.3 |
| of which credit institutions | 48.0 | 0.0 | 48.0 | 0.0 | 0.0 | 0.0 | 48.0 | 48.0 |
| of which customer loans | 3,450.8 | -60.6 | 3,390.1 | 152.5 | -119.3 | 33.2 | 3,603.3 | 3,423.3 |
| Investment Securities [2][3] | 1,187.0 | -0.5 | 1,103.1 | 0.0 | 0.0 | 0.0 | 1,187.0 | 1,103.1 |
| Other Assets - IFRS 5 | 0.0 | 0.0 | 0.0 | 0.5 | -0.4 | 0.1 | 0.5 | 0.1 |
| **On balance total** | **5,710.5** | **-61.2** | **5,565.8** | **153.0** | **-119.7** | **33.3** | **5,863.5** | **5,599.1** |
| Off-balance | 825.0 | -4.4 | 820.6 | 5.5 | -4.0 | 1.5 | 830.5 | 822.1 |
| ECL on FVTOCI debt securities [3] | -83.9 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | -83.9 | 0.0 |
| **Total** | **6,451.6** | **-65.2** | **6,386.4** | **158.5** | **-123.7** | **34.8** | **6,610.1** | **6,421.2** |
| Adjustment [4] | -1.9 | | -1.9 | | | 0.0 | -1.9 | -1.9 |
| **Total credit risk exposure** | **6,449.7** | **-65.2** | **6,384.5** | **158.5** | **-123.7** | **34.8** | **6,608.2** | **6,419.4** |

[1] The position does not include cash on hand in amount of EUR 128.7 million. [2] Investment securities, without equity instruments, including participation in the bank resolution fund in Slovenia. [3] For debt securities at FVTOCI the exposure is calculated based on the amortised cost before adjusting for any loss allowance and for this reason it does not include any changes of the fair value of the instruments. For credit risk purposes the fair value of the instruments is considered. For this reason, also the related ECL is not included as this is already reflected in the fair value of the underlying instruments. [4] Adjustment includes reconciliation differences between the gross carrying amount and the carrying amount of the credit risk exposure components.

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

EUR m

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

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

### 29.2. Allocation of credit risk exposure within the Group

As at 30 June 2023, the overall gross exposure within the Group is reduced by EUR 193.1 million (or -2.8%) compared to YE22. Following the business strategy, most of the reduction since beginning of the year is recognised in the corporate center, strongly impacted due to reduction of exposure towards local National Banks, as well as in the non-focus portfolio, which is partially compensated by an increase in the consumer and SME portfolio. On the overall level, reductions in the exposures are recognised in all Legal Entities except in Addiko Bank Slovenia, Addiko Bank Sarajevo and in Addiko Holding. Within the Group, the credit risk exposure breaks down as presented in the following table.

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Addiko Croatia | 2,307.6 | 2,448.6 |
| Addiko Slovenia | 1,559.9 | 1,553.8 |
| Addiko Serbia | 1,021.5 | 1,071.1 |
| Addiko in Bosnia & Herzegovina | 1,123.4 | 1,142.7 |
| Addiko Montenegro | 229.8 | 231.4 |
| Addiko Holding | 365.9 | 353.7 |
| **Total** | **6,608.2** | **6,801.3** |

### 29.3. Credit risk exposure by rating class

At 30 June 2023 roughly 37.6% (YE22: 38.6%) of the exposure is categorised as rating classes 1A to 1E. This exposure mainly relates to receivables from financial institutions and private individuals with a minor part within corporate and sovereigns.

During the first half of 2023 the NPE Stock reduced by EUR 4.7 million (or -2.9%), primarily in the non-focus portfolio as well as within the Consumer segment as a result of write offs / portfolio sales as well as due to collection effects and are especially driven by reductions in Addiko Bank Croatia, Addiko Bank Sarajevo and Addiko Bank Montenegro.

The following table shows the exposure by rating classes and market segment as at 30 June 2023:

EUR m

| 30.06.2023 | 1A-1E | 2A-2E | 3A-3E | 4A-4E | NPE | No rating | Total |
|---|---|---|---|---|---|---|---|
| Consumer | 318.9 | 934.3 | 336.7 | 153.0 | 63.3 | 22.7 | 1,828.9 |
| SME | 225.9 | 1,086.4 | 446.9 | 87.7 | 58.2 | 3.5 | 1,908.5 |
| Non-Focus | 252.7 | 277.3 | 81.5 | 40.5 | 37.0 | 0.9 | 689.9 |
| o/w Large Corporate | 27.0 | 118.0 | 53.8 | 12.4 | 10.6 | 0.7 | 222.4 |
| o/w Mortgage | 202.4 | 150.6 | 20.9 | 19.6 | 23.7 | 0.2 | 417.4 |
| o/w Public Finance | 23.4 | 8.7 | 6.8 | 8.5 | 2.7 | 0.0 | 50.1 |
| Corporate Center [1)] | 1,683.9 | 317.1 | 172.9 | 0.0 | 0.0 | 7.0 | 2,180.9 |
| **Total** | **2,481.4** | **2,615.0** | **1,037.9** | **281.2** | **158.5** | **34.1** | **6,608.2** |

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

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

EUR m

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

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

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

- 1A-1E: representing customers with a very low risk, having the best, excellent or very good credit standing,
- 2A-2E: representing customers with a good or moderate credit standing,
- 3A-3E: representing customers with a medium or high credit risk,
- 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,
- 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.

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

Loans and advances to customers at amortised cost:

EUR m

| 30.06.2023 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| Rating class | | | | | |
| 1A-1E | 573.4 | 15.8 | 0.0 | 1.0 | 590.3 |
| 2A-2E | 1,807.4 | 53.1 | 0.0 | 1.7 | 1,862.1 |
| 3A-3E | 628.2 | 103.8 | 0.1 | 1.0 | 733.0 |
| 4A-4E | 39.4 | 214.8 | 1.1 | 0.8 | 256.1 |
| NPE | 0.0 | 0.0 | 148.3 | 2.9 | 151.2 |
| No rating | 10.4 | 0.1 | 0.1 | 0.0 | 10.6 |
| **Total gross carrying amount** | **3,058.7** | **387.6** | **149.5** | **7.4** | **3,603.3** |
| Loss allowance | -21.3 | -39.4 | -118.2 | -1.1 | -180.0 |
| **Carrying amount** | **3,037.5** | **348.3** | **31.3** | **6.3** | **3,423.3** |

EUR m

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

Loans and advances to credit institutions at amortised cost:

EUR m

| 30.06.2023 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| Rating class | | | | | |
| 1A-1E | 11.2 | 0.0 | 0.0 | 0.0 | 11.2 |
| 2A-2E | 35.3 | 0.0 | 0.0 | 0.0 | 35.3 |
| 3A-3E | 1.5 | 0.0 | 0.0 | 0.0 | 1.6 |
| 4A-4E | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| NPE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| No rating | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total gross carrying amount** | **48.0** | **0.0** | **0.0** | **0.0** | **48.0** |
| Loss allowance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Carrying amount** | **48.0** | **0.0** | **0.0** | **0.0** | **48.0** |

EUR m

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

Debt instruments measured at FVTOCI:

EUR m

| 30.06.2023 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| Rating class | | | | | |
| 1A-1E | 614.1 | 3.0 | 0.0 | 0.0 | 617.1 |
| 2A-2E | 159.7 | 0.0 | 0.0 | 0.0 | 159.7 |
| 3A-3E | 47.0 | 0.0 | 0.0 | 0.0 | 47.0 |
| 4A-4E | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| NPE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| No rating | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total gross carrying amount** | **820.9** | **3.0** | **0.0** | **0.0** | **823.9** |
| Loss allowance | -0.4 | -0.1 | 0.0 | 0.0 | -0.4 |
| FV [1)] | -83.2 | -0.2 | 0.0 | 0.0 | -83.4 |
| **Carrying amount** | **737.3** | **2.7** | **0.0** | **0.0** | **740.1** |

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

EUR m

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

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

Debt instruments measured at amortised cost:

EUR m

| 30.06.2023 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| Rating class | | | | | |
| 1A-1E | 302.2 | 0.0 | 0.0 | 0.0 | 302.2 |
| 2A-2E | 42.5 | 0.0 | 0.0 | 0.0 | 42.5 |
| 3A-3E | 4.1 | 0.0 | 0.0 | 0.0 | 4.1 |
| 4A-4E | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| NPE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| No rating | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total gross carrying amount** | **348.8** | **0.0** | **0.0** | **0.0** | **348.8** |
| Loss allowance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Carrying amount** | **348.8** | **0.0** | **0.0** | **0.0** | **348.8** |

EUR m

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

Commitments and financial guarantees given:

EUR m

| 30.06.2023 | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|---|---|---|---|---|
| Rating class | | | | | |
| 1A-1E | 209.9 | 0.3 | 0.0 | 0.0 | 210.2 |
| 2A-2E | 428.0 | 17.4 | 0.0 | 0.0 | 445.4 |
| 3A-3E | 123.8 | 18.0 | 0.0 | 0.0 | 141.7 |
| 4A-4E | 6.7 | 20.8 | 0.0 | 0.0 | 27.4 |
| NPE | 0.0 | 0.0 | 5.5 | 0.0 | 5.5 |
| No rating | 0.2 | 0.0 | 0.0 | 0.0 | 0.2 |
| **Total gross carrying amount** | **768.5** | **56.5** | **5.5** | **0.0** | **830.5** |
| Loss allowance | -1.8 | -2.6 | -4.0 | 0.0 | -8.4 |
| **Carrying amount** | **766.7** | **53.9** | **1.5** | **0.0** | **822.1** |

EUR m

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

### 29.4. Credit risk exposure by region

The Addiko Group's country portfolio focuses on Central and South Eastern Europe. The following table shows the break-down of exposure by region within the Group (at customer level):

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| SEE | 5,741.2 | 6,005.3 |
| Europe (excl. CEE/SEE) | 470.0 | 479.4 |
| CEE | 332.8 | 246.0 |
| Other | 64.2 | 70.6 |
| **Total** | **6,608.2** | **6,801.3** |

### 29.5. Exposure by business sector and region

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

The lower-risk business sector groups - financial institutions and the public sector - account for a share of 34.0% at June 2023 (YE22: 36.9%). The well-diversified private customers sector accounts for a share of 24.6% (YE22: 28.1%).

EUR m

| 30.06.2023<br>Business sector | Europe (excl.<br>CEE/SEE) | SEE | CEE | Other | Total |
|---|---|---|---|---|---|
| Private | 1.8 | 1,626.0 | 0.3 | 0.0 | 1,628.1 |
| Financial services | 387.1 | 809.8 | 0.1 | 30.3 | 1,227.3 |
| Public sector | 74.4 | 579.9 | 332.4 | 32.7 | 1,019.4 |
| Industry | 4.9 | 904.6 | 0.0 | 1.1 | 910.7 |
| Trade and commerce | 0.2 | 537.2 | 0.0 | 0.0 | 537.4 |
| Services | 1.1 | 514.6 | 0.0 | 0.0 | 515.7 |
| Real estate business | 0.0 | 36.4 | 0.0 | 0.0 | 36.4 |
| Tourism | 0.0 | 61.7 | 0.0 | 0.0 | 61.7 |
| Agriculture | 0.0 | 40.3 | 0.0 | 0.0 | 40.3 |
| Other | 0.5 | 630.5 | 0.0 | 0.1 | 631.2 |
| **Total** | **470.0** | **5,741.2** | **332.8** | **64.2** | **6,608.2** |

EUR m

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

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

### 29.6. Presentation of exposure by overdue days

EUR m

| 30.06.2023 | No Overdue | - overdue to 30 days | - overdue 31 to 60 days | - overdue 61 to 90 days | - overdue more than 90 days | Total |
|---|---|---|---|---|---|---|
| Consumer | 1,706.5 | 67.6 | 6.1 | 5.0 | 43.7 | 1,828.9 |
| SME | 1,833.8 | 33.3 | 4.4 | 4.1 | 32.9 | 1,908.5 |
| Non-Focus | 644.0 | 18.2 | 0.7 | 1.2 | 25.8 | 689.9 |
| o/w Large Corporate | 204.4 | 7.7 | 0.0 | 0.0 | 10.2 | 222.4 |
| o/w Mortgage | 391.7 | 8.2 | 0.7 | 1.2 | 15.6 | 417.4 |
| o/w Public Finance | 47.9 | 2.2 | 0.0 | 0.0 | 0.0 | 50.1 |
| Corporate Center | 2,180.9 | 0.0 | 0.0 | 0.0 | 0.0 | 2,180.9 |
| **Total** | **6,365.3** | **119.0** | **11.2** | **10.2** | **102.5** | **6,608.2** |

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

EUR m

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

### 29.7. Presentation of exposure by size classes

As of 30 June 2023 around 51.8% (YE22: 47.5%) of the exposure is found in the size range < EUR 1 million. The bank pursues a strict strategy of reducing concentration risk in the corporate banking area.

The amount of EUR 1,537.0 million (YE22: EUR 1,908.7 million) of exposure in the range > EUR 100 million is entirely attributable to national banks or the public sector. These transactions are necessary for securing liquidity, minimum deposit levels and long-term investments as well as for hedge transactions. The presentation is based on the group of borrowers (GoBs).

| Size classes | Exposure EUR m | 30.06.2023 GoBs | Exposure EUR m | 31.12.2022 GoBs |
|---|---|---|---|---|
| < 10,000 | 636.3 | 349,742 | 611.0 | 333,513 |
| 10,000-50,000 | 1,470.3 | 74,496 | 1,416.2 | 71,670 |
| 50,000-100,000 | 258.2 | 3,708 | 258.0 | 3,713 |
| 100,000-250,000 | 350.3 | 2,260 | 321.8 | 2,104 |
| 250,000-500,000 | 383.2 | 1,073 | 333.1 | 923 |
| 500,000-1,000,000 | 322.9 | 467 | 293.6 | 419 |
| 1,000,000-10,000,000 | 1,050.5 | 448 | 1,166.2 | 479 |
| 10,000,000-50,000,000 | 434.5 | 19 | 377.0 | 18 |
| 50,000,000-100,000,000 | 165.0 | 2 | 115.8 | 2 |
| > 100,000,000 | 1,537.0 | 8 | 1,908.7 | 8 |
| **Total** | **6,608.2** | **432,223** | **6,801.3** | **412,849** |

### 29.8. Breakdown of financial assets by degree of impairment

Overdue but not impaired financial assets:

EUR m

| | Exposure | 30.06.2023 Collateral | Exposure | 31.12.2022 Collateral |
|---|---|---|---|---|
| **Loans and advances to customers (on- and off-balance)** | | | | |
| - overdue to 30 days | 110.3 | 18.0 | 99.0 | 16.8 |
| - overdue 31 to 60 days | 8.5 | 0.8 | 11.8 | 1.8 |
| - overdue 61 to 90 days | 5.9 | 0.7 | 4.3 | 0.5 |
| - overdue 91 to 180 days | 0.1 | 0.1 | 0.0 | 0.0 |
| - overdue 181 to 365 days | 0.0 | 0.0 | 0.1 | 0.1 |
| - overdue over 1 year | 0.2 | 0.2 | 0.2 | 0.2 |
| **Total** | **125.1** | **19.9** | **115.3** | **19.3** |

Impaired financial instruments:

EUR m

| Loans and advances to customers (on- and off-balance) | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Exposure | 157.8 | 161.1 |
| Provisions | 123.7 | 123.0 |
| Collateral | 57.9 | 63.3 |

All financial assets to which one or several of those events apply (positive impairment trigger) are to be tested for the potential necessity to apply the provisioning methodology. Consequently, an impairment calculation according to note

(30.1) “Method of calculating provisions” of the group financial statements 2022 is performed. Receivables with rating category 4A or worse are regularly tested for potential impairment triggers within the monitoring and pre-workout process.

### 29.8.1. FORBEARANCE

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

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

EUR m

| | 01.01.2023 | Classified as forborne during the year (+) | Transferred to non-forborne during the year (-) | Changes due to IFRS 5 (+/-) | FX (+/-) | Repayments and other changes (+/-) | 30.06.2023 |
|---|---|---|---|---|---|---|---|
| Central banks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General governments and government related entities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Credit institutions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other financial corporations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-financial corporations | 54.3 | 3.4 | -9.8 | 0.0 | 0.0 | -7.1 | 40.7 |
| Households | 43.8 | 3.2 | -6.1 | 0.0 | 0.0 | -4.6 | 36.2 |
| **Loans and advances** | **98.0** | **6.5** | **-15.9** | **0.0** | **0.0** | **-11.6** | **77.0** |
| Loan commitments given | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.3 |

The following table shows the forbearance status in the course of the year 2022:

EUR m

| | 01.01.2022 | Classified as forborne during the year (+) | Transferred to non-forborne during the year (-) | Changes due to IFRS 5 (+/-) | FX (+/-) | Repayments and other changes (+/-) | 31.12.2022 |
|---|---|---|---|---|---|---|---|
| Central banks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General governments and government related entities | 1.5 | 0.0 | -1.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Credit institutions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other financial corporations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-financial corporations | 80.7 | 7.4 | -17.7 | 0.0 | 0.0 | -16.1 | 54.3 |
| Households | 61.9 | 7.0 | -15.2 | 0.0 | 0.0 | -9.9 | 43.8 |
| **Loans and advances** | **144.1** | **14.5** | **-34.4** | **0.0** | **-0.1** | **-26.1** | **98.0** |
| Loan commitments given | 0.7 | 0.0 | -0.4 | 0.0 | 0.0 | -0.1 | 0.2 |

The forbearance exposure as of June 2023 can be broken down as follows:

EUR m

| | 30.06.2023 | Neither past due nor impaired | Past due but not impaired | Impaired |
|---|---|---|---|---|
| General governments and government related entities | 0.0 | 0.0 | 0.0 | 0.0 |
| Credit institutions | 0.0 | 0.0 | 0.0 | 0.0 |
| Other financial corporations | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-financial corporations | 40.7 | 17.8 | 1.4 | 21.5 |
| Households | 36.2 | 18.5 | 3.6 | 14.1 |
| **Loans and advances** | **77.0** | **36.3** | **5.0** | **35.7** |

The forbearance exposure as of December 2022 can be broken down as follows:

| | 31.12.2022 | Neither past due nor impaired | Past due but not impaired (> 0 days) | Impaired |
|---|---|---|---|---|
| General governments and government related entities | 0.0 | 0.0 | 0.0 | 0.0 |
| Credit institutions | 0.0 | 0.0 | 0.0 | 0.0 |
| Other financial corporations | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-financial corporations | 54.3 | 27.9 | 1.2 | 25.2 |
| Households | 43.8 | 25.3 | 3.6 | 14.9 |
| **Loans and advances** | **98.0** | **53.2** | **4.8** | **40.1** |

The following table shows the collateral allocation for the forbearance exposure at the 1H23:

EUR m

| Internal Collateral Value (ICV) in respect of forborne assets | ICV | thereof CRE | thereof RRE | thereof financial collateral | thereof guarantees | thereof other |
|---|---|---|---|---|---|---|
| Large Corporate | 4.3 | 4.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Medium and Small Corporate | 23.6 | 18.6 | 0.5 | 0.0 | 2.1 | 2.4 |
| Retail | 16.5 | 4.4 | 11.2 | 0.0 | 0.8 | 0.0 |
| **Total** | **44.4** | **27.3** | **11.8** | **0.0** | **2.9** | **2.4** |

Following table shows the collateral allocation for the forbearance exposure at the YE22:

EUR m

| Internal Collateral Value (ICV) in respect of forborne assets | ICV | thereof CRE | thereof RRE | thereof financial collateral | thereof guarantees | thereof other |
|---|---|---|---|---|---|---|
| Large Corporate | 4.4 | 4.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Medium and Small Corporate | 33.6 | 20.2 | 0.7 | 0.2 | 9.3 | 3.1 |
| Retail | 21.9 | 6.0 | 14.1 | 0.0 | 1.6 | 0.2 |
| **Total** | **61.5** | **32.3** | **14.8** | **0.3** | **11.0** | **3.2** |

## (30) Risk provisions

### 30.1. Method of calculating risk provisions

Provisions are calculated in line with the international accounting standard for financial instruments (IFRS 9). Different approaches are applied, depending on the stage a transaction is allocated to. Stage 1 requires the recognition of twelve-month expected credit losses. If there is a significant increase in credit risk, the loss allowance must be increased up to the amount of the expected lifetime loss (stage 2). For transactions which have a determined contractual date, lifetime loss is calculated for the time until maturity. For transactions where a contractual date does not exist due to the nature of the product (for instance revolving loans), 3 years from the reporting date is used as maturity for the purpose of calculation of lifetime loss. In case of an objective indication of an impairment (NPE, stage 3) the lifetime expected credit loss is also recognised.

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

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

The risk provisions are calculated on transaction level and reflect the most recent macroeconomic forecasts provided by the Vienna Institute for International Economic Studies (wiiw). Compared to the previous macroeconomic outlook, the number and magnitude of the risks has somewhat decreased. The likelihood of pessimistic scenario is reduced to 40%

(down from 45%, with the probability of baseline raised to 55%, and optimistic remaining at 5%) to reflect that some of the risks have already materialised (high and persistent inflation, with crawling consumer crisis overshadowing short-run outlook).

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 in ECL estimation. The values shown represent the average value of the macroeconomic variables over the first 12 months and the remaining 2-year forecast period for the baseline case, as well as average values of the entire projection horizon (3-year) for the optimistic and pessimistic cases.

| Scenario | Historical | Baseline case | | Optimistic case | Pessimistic case |
|---|---|---|---|---|---|
| Sample-period | | 2023-2025 | | | |
| Sub-sample | 2022 | 2023 | Remaining 2-year Period[1] | 3-year Period[1] | 3-year Period[1] |
| **Real GDP (constant prices YoY, %)** | | | | | |
| Croatia | 6.2 | 2.5 | 3.0 | 5.1 | -0.1 |
| Slovenia | 5.4 | 1.4 | 2.6 | 3.9 | -0.7 |
| Bosnia & Herzegovina | 3.9 | 1.7 | 2.2 | 4.7 | -4.3 |
| Serbia | 2.3 | 1.5 | 2.8 | 5.0 | -5.5 |
| Montenegro | 6.1 | 3.5 | 2.9 | 5.8 | -4.8 |
| Euroarea | 3.5 | 0.5 | 1.8 | 3.0 | -0.3 |
| **Unemployment Rate (ILO, average %)** | | | | | |
| Croatia | 7.0 | 6.8 | 6.7 | 4.3 | 9.1 |
| Slovenia | 4.0 | 3.9 | 3.9 | 1.9 | 5.9 |
| Bosnia & Herzegovina | 15.4 | 15.0 | 14.5 | 13.2 | 16.2 |
| Serbia | 9.4 | 9.0 | 8.3 | 7.0 | 10.0 |
| Montenegro | 14.7 | 13.8 | 12.6 | 11.5 | 14.4 |
| Euroarea | 6.8 | 6.6 | 6.6 | 4.8 | 8.4 |
| **Real-Estate (% of change)** | | | | | |
| Croatia | 14.8 | 0.9 | 1.5 | 8.8 | -5.1 |
| Slovenia | 14.7 | 0.7 | 2.3 | 6.1 | -1.8 |
| Serbia | 17.2 | 2.0 | 2.2 | 8.0 | -0.1 |
| Euroarea | 7.1 | -1.3 | 0.9 | 4.6 | -3.4 |
| **CPI Inflation (average % YoY)** | | | | | |
| Croatia | 10.7 | 6.5 | 3.5 | 3.8 | 6.3 |
| Slovenia | 9.3 | 6.4 | 3.0 | 3.4 | 5.7 |
| Bosnia & Herzegovina | 14.0 | 9.0 | 3.3 | 4.3 | 14.7 |
| Serbia | 11.9 | 10.0 | 3.5 | 4.8 | 10.2 |
| Montenegro | 13.0 | 9.9 | 3.4 | 4.7 | 11.0 |
| Euroarea | 8.5 | 5.7 | 2.7 | 2.6 | 5.6 |

[1](Source: WIIW June 2023)

The provisions in the 30 June 2023 consolidated financial statements include also post-model adjustments (PMA) of EUR 18.5 million, which is EUR 2.2 million lower compared to the PMA amount in the 31 December 2022 consolidated financial statements. The decrease of PMA is based on the update of macroeconomic scenarios, as well as on the recalibration of the PD model for corporate exposures, whereupon the decrease of ECL which resulted from these adjustments was booked on individual transactions, and PMA booked at consolidation level was decreased to avoid double counting.

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 55%, optimistic 5% and pessimistic 40%) allows the Group to cover the broad range of future expectations.

EUR m

| 30.06.2023 | ECL incl. post model adjustment | ECL excl. post model adjustment | Optimistic scenario | Baseline scenario | Pessimistic scenario |
|---|---|---|---|---|---|
| Retail | 37.7 | 27.9 | 24.5 | 26.4 | 30.4 |
| Non-Retail | 27.1 | 18.5 | 14.0 | 16.6 | 21.6 |
| Corporate Center | 0.4 | 0.3 | 0.1 | 0.2 | 0.4 |
| **Total** | **65.2** | **46.6** | **38.7** | **43.2** | **52.3** |

EUR m

| 31.12.2022 | ECL incl. post model adjustment | ECL excl. post model adjustment | Optimistic scenario | Baseline scenario | Pessimistic scenario |
|---|---|---|---|---|---|
| Retail | 38.8 | 27.5 | 21.4 | 24.3 | 31.7 |
| Non-Retail | 30.5 | 21.2 | 14.3 | 17.3 | 26.3 |
| Corporate Center | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| **Total** | **69.5** | **48.8** | **35.7** | **41.6** | **58.2** |

### 30.2. Development of risk provisions

The development of risk provisions in 1H23 is mainly influenced by provision requirements in the consumer portfolio as well as by provisions for big tickets within the SME segment (mainly in Slovenia and Serbia), mainly driven by allocation in the NPE portfolio. On the other hand, the overall ECL coverage for performing loans (stage 1 and 2) decreased during the first half of 2023 also impacted by the updated macro-economic outlook within the ECL calculation, as well as by a partial release of the post model adjustment on group level. Despite the still tense macroeconomic environment and inflationary pressure, there was no material deterioration in asset quality during 1H23 recognised (no significant increase in NPE and related risk provisions), whereby the ongoing development of the portfolio with regard to migrations to the NPE portfolio is subject to continuous monitoring.

### 30.3. Changes in the calculation of portfolio risk provisions

Based on the ongoing model improvement framework at the Addiko Group, updates are performed regularly to make sure that the latest available information is considered. In 1H23 a refinement of the approach to model IFRS 9 Corporate models was introduced, introduction of modelled prepayment rates for ABM entity was done, update of staging rule connected to intragroup exposures was also done, and an update of the macro forecasts to reflect latest available information.

### 30.4. Development of the coverage ratio

The NPE coverage ratio 1 (78.0%) slightly increased compared to the YE22 (75.4%). Increases are recognised in all legal entities except Addiko Bank Banja Luka – and are mainly driven by increases in the consumer and mortgage portfolio as well as by the SME portfolio due to provision allocation for certain bigger tickets during 1H23.
The following tables show the NPE and coverage ratios at 1H23 and YE22:

EUR m

| 30.06.2023 | Exposure | NPE | Provisions | Collateral (NPE) | NPE Ratio | NPE Ratio (On-balance loans) | Coverage Ratio 1 | Coverage Ratio 3 |
|---|---|---|---|---|---|---|---|---|
| Consumer | 1,828.9 | 63.3 | 50.7 | 1.4 | 3.5% | 3.8% | 80.1% | 82.4% |
| SME | 1,908.5 | 58.2 | 43.0 | 25.9 | 3.1% | 3.9% | 73.9% | 118.4% |
| Non-Focus | 689.9 | 37.0 | 29.9 | 31.1 | 5.4% | 6.4% | 80.9% | 165.1% |
| o/w Large Corporate | 222.4 | 10.6 | 9.6 | 9.6 | 4.8% | 8.9% | 90.7% | 181.2% |
| o/w Mortgage | 417.4 | 23.7 | 18.6 | 18.9 | 5.7% | 5.7% | 78.6% | 158.3% |
| o/w Public Finance | 50.1 | 2.7 | 1.7 | 2.7 | 5.4% | 6.8% | 62.2% | 162.1% |
| Corporate Center | 2,180.9 | 0.0 | 0.0 | 0.0 | 0.0% | 0.0% | 1.7% | 1.7% |
| **Total** | **6,608.2** | **158.5** | **123.7** | **58.5** | **2.4%** | **3.3%** | **78.0%** | **114.9%** |
| **o/w Credit Risk Bearing** | **4,538.1** | **158.5** | **123.7** | **58.5** | **3.5%** | **4.1%** | **78.0%** | **114.9%** |

EUR m

| 31.12.2022 | Exposure | NPE | Provisions | Collateral (NPE) | NPE Ratio | NPE Ratio (On-balance loans) | Coverage Ratio 1 | Coverage Ratio 3 |
|---|---|---|---|---|---|---|---|---|
| Consumer | 1,747.9 | 64.9 | 51.1 | 1.5 | 3.7% | 4.0% | 78.7% | 81.1% |
| SME | 1,858.5 | 58.4 | 40.1 | 30.1 | 3.1% | 4.1% | 68.6% | 120.1% |
| Non-Focus | 755.5 | 39.8 | 31.8 | 33.4 | 5.3% | 6.3% | 79.9% | 163.9% |
| o/w Large Corporate | 233.8 | 10.6 | 9.6 | 9.6 | 4.5% | 8.9% | 91.0% | 181.6% |
| o/w Mortgage | 461.1 | 26.6 | 20.6 | 21.2 | 5.8% | 5.8% | 77.4% | 157.3% |
| o/w Public Finance | 60.7 | 2.7 | 1.7 | 2.7 | 4.5% | 5.5% | 61.8% | 160.8% |
| Corporate Center | 2,439.4 | 0.0 | 0.0 | 0.0 | 0.0% | 0.0% | 5.0% | 5.0% |
| **Total** | **6,801.3** | **163.2** | **123.0** | **65.1** | **2.4%** | **3.3%** | **75.4%** | **115.3%** |
| **o/w Credit Risk Bearing** | **4,446.9** | **163.2** | **123.0** | **65.1** | **3.7%** | **4.4%** | **75.4%** | **115.3%** |

## (31) Measurement of real estate collateral and other collateral

The real estate market in Addiko operating countries is closely monitored on a quarterly basis. According to newest available statistical data all markets still show growth in market values in all property segments. On the other hand the continuous increases of the base interest rate by the ECB has increased the cost of financing for developers and buyers alike. Consequently, a slowdown of the market is expected in the coming year. The slowdown is expected to hit the total sales volume initially and could spill over to market values in the second half of 2023.

Addiko is using conservative haircuts in the calculation of internal collateral values, which buffer potential losses, a re-assessment of the market values for collaterals was not considered to be necessary in the preparation of the interim financial statements.

Pursuant to the Addiko Group Collateral Management Policy and the Addiko Group Real Estate Valuation Policy, all commercial real estate and real estates which are collateral for NPE exposures are monitored annually, values of residential real estate are monitored at least once every three years. The monitoring of all commercial real estate is performed on an individual level if the market value is above EUR 1.0 million, pursuant to the Addiko Group 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 400,000 are monitored manually. The market values of residential real estate with MV below EUR 400,000 are monitored statistically.

The internal collateral values (ICV) are shown in the following table for 30 June 2023 as well as 31 December 2022:

EUR m

| Collateral Distribution | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Exposure | 6,608.2 | 6,801.3 |
| Internal Collateral Value (ICV) | 844.5 | 978.2 |
| thereof CRE | 316.9 | 346.9 |
| thereof RRE | 344.4 | 375.8 |
| thereof financial collateral | 28.0 | 30.8 |
| thereof guarantees | 116.4 | 176.1 |
| thereof other | 38.7 | 48.5 |
| **ICV coverage rate** | **12.8%** | **14.4%** |

The predominant part of the reflected stated collaterals is provided for loans and advances (negligible collaterals for other exposure types). With the decrease of gross exposure also internal collateral value decreased. Primarily residential real estates given as collaterals for Mortgages loans were reduced, due to the decrease of the mortgage loan portfolio in Retail. Collateral coverage in 1H23 (12.8%) reduces compared to YE22 (14.4%).

### (32) Market risk

A summary of Addiko policies in relation to the market risk is set out in the note (63) of the same name in the consolidated financial statements as of 31 December 2022.

The following table shows the estimated values of market risks, which Addiko uses for internal risk management:

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Interest Rate Risk (Banking and Trading Book) | 17.4 | 42.9 |
| Credit Spread Risk | 17.9 | 24.7 |
| Foreign Exchange Risk | 3.2 | 7.4 |
| Equity Risk - Investments | 2.7 | 2.6 |
| Equity Risk - Client Default | 0.1 | 0.1 |

Total market risk exposure was lower at end of the half year 2023 compared with the end of the year 2022, highly influenced by the lower volatility arising from the lower interest rate and credit spread risk. Additional improvements have been done in area of the IRRBB governance mainly driven by the implementation the statistically based models (both prepayments and non-maturing deposits) as well as the requirements arising from the IRRBB RTS, resulting in the decrease of the internal capital charges for IRRBB.

Market developments also have had an impact on the valuation of the security portfolio of Addiko, where positive developments are seen in prices of the security portfolio leading to the positive result namely increase of the value of the financial assets measured at Fair Value through other comprehensive income (OCI) by EUR 16.4 million at 30 June 2023 compared to 31 December 2022. The business and investment strategy of Addiko Bank follows a prudent definition based on a Hold-to-Collect business model.

## (33) Liquidity risk

A summary of Addiko policies in relation to the liquidity risk is set out in the note (64) of the same name in the consolidated financial statements as of 31 December 2022.

In the first half of 2023, the Liquidity Coverage Ratio (LCR) has been moving between its lowest level of 307.6% reached in January 2023 and its peak of 361.0% in March 2023. As of June 2023 the LCR was at 335.8%.

The counterbalancing capacity at the Addiko Group was structured as follows:

EUR m

| Counterbalancing Capacity | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Coins and bank notes | 128.7 | 120.0 |
| Withdrawable central bank reserves | 752.5 | 1,080.5 |
| Level 1 tradable assets | 922.7 | 838.1 |
| Level 2A tradable assets | 0.0 | 0.0 |
| Level 2B tradable assets | 0.0 | 10.3 |
| **Total Counterbalancing Capacity** | **1,803.9** | **2,048.9** |

The liquidity situation of the Addiko Group in the first half of 2023 was characterised by a liquidity surplus. Any capital market activities were therefore not necessary.

During the first half of the financial year 2023, the Addiko Group recorded a stable level of deposits around EUR 5.0 billion. Based on anticipated inflows and outflows, a stable liquidity situation is also expected for the second half of the year 2023.

The concentration of the liquidity risk is in line with the diversification of funding based on the main products and the most relevant currencies. The biggest positions in the funding, apart from equity, are sight and term-deposits. The most important currency in funding with 81.7% is EUR, followed by BAM with 10.1%. Both, products and currencies are tracked through different time buckets and time frames. In addition, the Group is monitoring the impact of customers with high volume business: the biggest customers are compared with the volume of total financial liabilities.

Collateral exchanges as part of the relevant margining procedures underlying the derivatives business is taken into account in all the relevant liquidity risk calculations and as such form the relevant input used in both regulatory reporting as well as internal management.

## (34) Operational risk

Within the definition and approach to risk measurement for operational risk there were no material changes compared to disclosures from the consolidated financial statements as of 31 December 2022.

Activities related to identifying, measuring, managing, monitoring and reporting operational risk for an effective oversight over the operational risk exposure have been continued according to the defined standards.

The monitoring of Operational Risk losses in the first six months of 2023 shows impacts for expected legal matters on Swiss franc denominated loans in Croatia, increased number of credit fraud cases in Slovenia and the impact from the decision of the Indirect Taxation Authority in Bosnia & Herzegovina to reverse their previous instructions and apply VAT on credit card services retroactively and going forward.

### (35) Sustainability (Environmental, Social and Governance – ESG) Risks

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

As described in the Consolidated Non-Financial Report for the year 2022 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 does not treat the ESG risks as a separate risk type but integrates them in the existing risk classification and into the existing risk management framework, as drivers for other risk types (e.g. credit risk or operational risk).

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

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

Addiko Group performed an assessment of climate-related and other environmental risks in two consecutive steps. In a first step Addiko Group assessed the impact of climate and environmental change on its countries of operation considering various scenarios for the short, medium and long-term. In a second step Addiko Group analysed how the impact identified in the first step will transmit onto the Group. Based on this analysis, Addiko concluded that in particular its credit risk can be impacted by climate-related and other environmental risk drivers. While due to the granularity and diversification of Addiko Group's loan portfolio, there is no immediate material threat to the quality of assets of Addiko Group, the potential impact on the economy in the area of Addiko operation drives the systemic risk Addiko is exposed to. In this context it is evident that acute and chronic climate and environmental risks already do impact macroeconomic indicators, whereby the severity of this impact over the medium- to long term is highly dependent on the measures taken to curb climate change. Consequently, Addiko also considered the impact from climate-related transition risks in the macroeconomic financial forecasts used in the calculation of the Expected Credit Loss, thus, directly impacting the risk provisions of the loan book.

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

## (36) Legal risk

### 36.1. Passive legal disputes: monitoring and provisioning of legal risks

The overall number of passive legal disputes increased during the first half of 2023 due to FX transactions, margin increases and interest rate clauses at the Croatian subsidiary and loan processing fees collected by the Serbian subsidiary. Despite the increase of number of cases in these two entities, the overall amount in dispute for passive legal disputes was reduced as of 30 June 2023 (EUR 206 million) versus 31 December 2022 (EUR 212 million) by EUR 6 million.

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

Across the Addiko Group, a centralised legal data base has been established, which enables monitoring and steering by the holding company, as well as early perception of possible new developments and reasonings in the jurisdictions the Addiko Group is doing business in. Besides, other monitoring and steering tools have been implemented to establish and secure reliable data quality and dispute handling quality, and to monitor daily litigation work and the development of court cases.

Legal provisions for the legal risk inherent in passive legal proceedings, specifically the risk of losing the case and having to bear the associated costs, are generally calculated in accordance with international accounting principles applicable across the entire Addiko Group. Accordingly, no legal provision is required to be set up if the Addiko Group is more likely than not to prevail in the proceedings. If the probability of success is equal to or below 50%, legal provisions are recognised. Local legal divisions familiar with the respective case and/or external appraisers are responsible for assessing the chances of success. The latter especially applies in the case of particularly complex cases or particularly high amounts in dispute. In addition to these general requirements, legal provisions are also formed for particularly complex and/or high-profile legal disputes, which of course carry a greater inherent legal risk. Group wide monitoring of foreign currency legal disputes has been intensified as a consequence of the increasing number of regulations and rulings on handling foreign currency loans in the Central and South Eastern European countries (e.g. “forced conversion”).

Addiko practises an active legal monitoring on local legal risk trends, inter alia via the legal data bases, , regular reports on the local legal situation and the latest developments in the pending legal proceedings, as well as ad-hoc reports on new legal disputes are actively requested from Addiko subsidiaries. The resulting stocktaking allows for an timely overview of the total number of pending legal proceedings the Group is involved in as well as the legal risk inherent in these proceedings (as measured by the chances of success), the recording of risk-adequate legal provisions at an appropriate amount, an effective monitoring of changes and the adopting of measures, if necessary.

### 36.2. Historical unilateral interest changes and Suisse Frank clause risk

As of 30 June 2023 15,165 individual court proceedings (YE22: 14,799 proceedings) were pending against the Group by its customers, with the total amount in dispute related to retail cases (FX, unilateral interest change disputes or claims for payment) in which the Group is respondent of EUR 100 million (YE22: EUR 96 million).

Particularly between 2004 and 2009, numerous private customers in Central and South-Eastern Europe have taken out foreign currency loans (especially CHF loans). In the previous years, such loan agreements have increasingly become the subject of customer complaints and legal proceedings, the latter being a course of action initiated in particular by consumer protection organisations. The main allegation is that customers were not provided with sufficient information on the consequences of such agreements when they were concluded, and/or that the foreign currency and/or interest rate adjustment clauses applied or the whole FX contracts were void.

At the time of writing, Slovenia and Serbia show different decision-making practice in Retail CHF clause cases; some of the local court practices and verdicts went against the defendant subsidiary banks, but other cases were ruled in their favour. In general Croatian and Montenegrinian courts regard CHF clauses as void in contrast to Bosnian courts, which regard them as valid.

In 1H23 the **Slovenian** Supreme Court changed in non Addiko cases retroactively interpretation of local consumer protection law, establishing higher requirements for the information duty vis-á-vis the customer. These new considerations of the Supreme Court have already been included in the assessment of the chances of success of the pending cases. Although Swiss Franc Law enacted in February 2022 was abolished by the Slovenian Constitutional Court due to unconstitutionality, new legislative measures with respect to the CHF topic cannot be excluded for the future. Addiko will therefore continue to actively pursue a solution together with other banks and the government to ensure definitive legal certainty and a balanced approach.

In **Bosnia & Herzegovina**, the lawfulness of foreign currency clauses used at the subsidiary banks in Sarajevo and Banja Luka was confirmed by a Supreme Court statement of the Republic of Bosnia & Herzegovina, which has a binding effect for lower-instance courts thus put an end to filing of new claims. Both Bosnian subsidiary banks have implemented a voluntary settlement project for conversion of CHF loans into the national currency BAM. Since then, numbers of new claims in this regard significantly decreased and requests for conversion and/or restructuring of loans increased. As of 30 June 2023, approx. 93% of the CHF loans were converted or closed. The number of claims in this respect has therefore decreased considerably. Since the last attempt to introduce a CHF conversion law was withdrawn in 2022, no new attempts were made.

In **Croatia** the most relevant decisions that preceded the considerable increase of the number of individual consumer CHF cour''s proceedings against the Bank during 2019 and June 2023 are the following:

- May 2015 – the Supreme Court of the Republic of Croatia has fully confirmed the decision of the High Commercial Court of the Republic of Croatia on the nullity of the unilateral interest change provision in CHF loan agreements, and
- September 2019 – the Supreme Court of the Republic of Croatia has confirmed the 2018 decision of the High Commercial Court Zagreb on the nullity of the currency clause provision in CHF loan agreements. Borrowers, whether participating in the class action or not, cannot exert any direct claims from the verdict but have to file individual complaints regarding any potential overpayment claims due to the FX clause.
- May 2022 – the European Court of Justice ("CJEU") ruled in a case regarding converted CHF loans, that a) CJEU has no jurisdiction over the CHF loan itself since the loan agreement was concluded before Croatia's accession to the EU and b) that the Consumer Protection Directive might not be applicable if the Conversion law 2015 was intended to bring balance between banks and consumers. The task of checking whether this is the case is up to local courts.
- December 2022 – the Croatian Supreme Court published a non-binding opinion, granting clients who converted under Conversion Law 2015 penalty interest until the conversion. As per publication by the Croatian Supreme Court this opinion should become legally binding to lower instances through confirmation in an individual case by the Supreme Court, which is at the date of writing this report still outstanding. The opinion does not contain any indication on the calculation method regarding the additional compensation. In addition, there is no connex between the requests made in the already pending disputes and the legal content of the opinion. Following this non-binding opinion, the Croatian Supreme Court ruled in an individual case concerning a converted CHF loan which was rejected by the Records Department and reversed for additional reasoning to the respective Supreme Court chamber. Since then no further decision was taken by the Croatian Supreme Court regarding this topic. In HY2023 the High Court in Varazdin ruled in a converted CHF cases that converted loan consumers do not have any claim for additional compensation.
- As of 14 June 2023 all FX claims filed after this date are time bared according to the rulings of the Croatian Supreme Court.
- Beginning of 2023 - the Croatian Supreme Court declared also an unilateral interest change clause in a non Addiko Kuna loan agreement as void, a potential impact on Addiko cases is continuously monitored.

In **Montenegro**, in relation to the class action against the local Addiko subsidiary regarding the validity of the CHF clause, the second instance ruled that this clause is invalid. Nevertheless, plaintiff'' request for compensation was denied and plaintiffs were ordered by the court to request conversion under the Conversion law 2015. One of the High Courts awarded clients in one of the mass claim proceedings parts of the litigation costs. Also, the Constitutional Court confirmed in one individual case partial cost claim of the client although client withdraw the claim in the course of exercising his Conversion right.

In relation to the requests filed by the Group in September 2017 for Arbitration with the ICSID in Washington, DC against the Republic of Croatia regarding the Conversion Law reference is made to the disclosures in note (38) "Contingent liabilities and other liabilities not included in the statement of financial position".

EUR m

| | | 30.06.2023 | | 31.12.2022 |
|---|---|---|---|---|
| | Exposure | thereof CHF | Exposure | thereof CHF |
| Addiko Bank Croatia | 2,307.6 | 20.8 | 2,448.6 | 23.3 |
| Addiko Bank Slovenia | 1,559.9 | 30.8 | 1,553.8 | 33.6 |
| Addiko Bank Serbia | 1,021.5 | 1.4 | 1,071.1 | 7.0 |
| Addiko Bank Sarajevo | 603.1 | 2.9 | 597.4 | 3.0 |
| Addiko Bank Banja Luka | 520.3 | 4.6 | 545.3 | 4.3 |
| Addiko Bank Montenegro | 229.8 | 2.7 | 231.4 | 2.8 |
| Addiko Holding | 365.9 | 0.0 | 353.7 | 0.0 |
| **Total** | **6,608.2** | **63.1** | **6,801.3** | **74.0** |

During the first half of 2023, CHF portfolio decreased from EUR 74.0 million at the end of 2022 to EUR 63.1 million at 1H23.

## (37) EU-wide Stress Test

Addiko Group participated in the EU-wide stress test conducted by the ECB in the first half of 2023, which is based on EBA methodology, with necessary adjustments for smaller banks to ensure proportionate treatment. The EU-wide stress test analyses how a bank's capital position will develop over a period of three years, under both a baseline and an adverse scenario and is based on 2022 year-end data.

In line with the results published by the ECB at the end of July 2023, Addiko Group's CET1 ratio depletion under the adverse scenario is classified in the bucket "> 900bps", while the CET1 ratio is classified in the bucket "CET1R <8%". While the 2023 adverse scenario assumed the most severe GDP decline in an EU wide stress yet, Addiko showed overall a higher resilience in the simulated scenarios than in previous stress test exercises.

## Supplementary information required by IFRS

### (38) Contingent liabilities

EUR m

| | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Loan commitments given | 397.3 | 455.7 |
| Financial guarantees given | 82.2 | 184.1 |
| Other commitments, given | 351.0 | 257.7 |
| **Total** | **830.5** | **897.5** |

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

**Contingent liabilities in relation to legal cases**

Addiko Group is subject to a number of legal proceedings that are often highly complex, take considerable time and are difficult to predict or estimate. As of 30 June 2023, Addiko Group's passive legal disputes (i.e., disputes where Addiko Group is the defendant), for which the probability of a cash outflow was deemed to be not-likely (and consequently no provisions were recognised), amounted to claims of EUR 40.5 million (YE22: EUR 51.8 million) (excluding accrued interest) relating to 1,172 cases (YE22: 2,958 cases). The outcome of such proceedings is difficult to predict or estimate until late in the proceedings, which may also last for several years. Nevertheless, based on legal advice, management believes that its defense of the action will be successful.

From the overall amount of EUR 40.5 million (excluding accrued interest), 47% (or EUR 19.1 million) relate to damage cases where plaintiffs request contractual or extra contractual damages. The remaining amounts in dispute relate to certain standard contractual provisions concerning retail FX clauses in CHF loans of Addiko Group, unilateral interest rate changes and refunds of loan processing fees or to corporate payment requests. Two of the damage proceedings, having an amount in dispute between EUR 5 to 10 million are briefly described below:

- One claim is pending against a subsidiary of Addiko Group relating to a case where the plaintiff requests contractual damages. The opinion of the external legal counsel is that the claim does not have meritorious grounds. As result, management believes that its defense will be successful.
- In the other claim pending the plaintiff requests damages due to alleged inability registering shares with the company register. However, the plaintiff already lost several cases based on the same factual situation against the bank. Hence, based on legal advice, management believes that its defense of the action will be successful.

In the above numbers is also included the claim the Slovenian subsidiary received during 2022 by a consumer protection organisation aimed at reimbursement of overpayments due to aligned “zero floor” clauses in the amount of dispute of EUR 11.7 million. According to external legal opinion the probability of a cash outflow was deemed to be not-likely.

Addiko Group is also involved in a number of active legal disputes (i.e., disputes where Addiko Group is the claimant). The principal one is regarding the request for arbitration that the Group filed in September 2017 with the ICSID in Washington, DC against the Republic of Croatia regarding the Conversion Laws claiming EUR 153 million. The Group claims that the Bilateral Investment Treaties (BIT) regarding the fair and equivalent treatment under the BIT was violated. The main hearing was conducted in March 2021 and parties are waiting for the final award. If the action is unsuccessful, then court fees and legal costs could amount up to ca. EUR 11 million. Based on external legal advice, management believes that the action will be successful or that Addiko will reach a settlement agreement with the Republic of Croatia.

## (39) 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. Addiko Group uses various valuation techniques to determine fair value. IFRS 13 specifies a fair value hierarchy with respect to the inputs and assumptions used to measure financial and non-financial assets and liabilities at fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the assumptions of Addiko Group. This hierarchy gives the highest priority to observable inputs when available and the lowest priority to unobservable inputs. Addiko Group considers relevant and observable inputs in its valuations, where possible. The fair value hierarchy comprises the following levels:

- **Level 1 - Quoted prices in active markets**: The fair value of financial instruments traded in active markets is best established through quoted prices of identical financial instruments where these quoted prices represent market values/prices used in regularly occurring transactions. This applies above all to equity instruments traded on an active market, debt instruments traded on the interbank market and quoted derivatives.
- **Level 2 - Value determined using observable parameters**: If there are no quoted prices for individual financial instruments, the market prices of comparable financial instruments or accepted measurement models applying directly or indirectly observable prices or parameters (interest rates, yield curves, implied volatilities and credit spreads) must be used to determine the fair value. This level includes the majority of the OTC derivatives and non-quoted debt instruments. A financial instrument is classified in level II if all significant inputs in the valuation are observable on the market.
- **Level 3 - Value determined using non-observable parameters**: This category includes financial instruments for which there are no observable market rates or prices. The fair value is therefore determined using measurement models and unobservable inputs (typically internally derived credit spreads) appropriate for the respective financial instrument. These models make use of management assumptions and estimates depending on the pricing transparency and complexity of the financial instrument. A financial instrument is classified in level III if one or more significant inputs are not directly observable on the market.

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

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

- Equity instruments - Equity instruments are reported under level I if prices are quoted in an active market. If no quoted prices are available, they are reported under level III. Valuation models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple method.
- Derivatives - The fair value of derivatives that are not options is determined by discounting the relevant cash flows with the corresponding yield curves. These are reported under level II if they are measured on the basis of observable input factors. If non-observable significant input factors are used, these derivatives are reported under level III. The fair value of structured financial products is calculated according to the type of embedded derivative using a measurement model; they are reported under level II or level III depending on the input factors used.
- Debt financial assets and liabilities - The method used to measure debt financial assets and liabilities depends on the liquidity in the relevant market. Liquid instruments measured on the basis of the relevant market value are reported under level I. The fair value is determined using valuation techniques whereby expected cash flows are discounted by the risk premium adjusted curves in the event that there is no active market. The proximity to the risk premium curve used determines whether these instruments are reported under level II or level III. They are reported under level III in the event that a significant, non-observable risk premium is used. Market prices provided either at a low frequency or only from one source are reported under level III.

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

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

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

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

Non-observable input factors for level III items:

- Volatilities and correlations - Volatilities are important input parameters for all option measurement models. The volatilities are derived from market data using accepted models.
- Risk premiums - Credit risk premiums indicate the default risk of an issuer. They provide information about the expected loss if the issuer defaults and therefore reflect the loss given default and the probability of default. For some issuers, risk premiums can be observed directly in the market. When single-name CDS curves are not available for an issuer, the risk premiums have to be estimated based on similarities to other issuers or based on the issuer's country and sector. This applies to the risk premium of the Addiko Group. Increase (decrease) in the credit risk premiums would decrease (increase) the fair value.
- Loss given default - The loss given default is a parameter that is never directly observable before an entity defaults.
- Probability of default - Risk premiums and loss given default are used to estimate the probability of default, which is used for possible fair value adjustments.

**Fair value adjustments - Credit value adjustment (CVA) and debt value adjustment (DVA)**

Credit value adjustment (CVA) and debt value adjustment (DVA) are reported for all OTC derivatives. The calculation is based on a Monte Carlo simulation of the future replacement value (exposure), taking into account the effects of CSA agreements (credit support annex, CSA) by path. This results in a distribution of replacement values for all future dates. To determine the CVA, the absolute expected values from the positive exposure paths are multiplied by the counterparty's marginal probabilities of default and discounted. The DVA, on the other hand, is determined by multiplying and discounting the absolute expected values from the negative exposure paths with the bank's own marginal probabilities of default.

For counterparties with a collateral contract, the CVA and DVA have to be calculated at the portfolio level. The calculation takes into account contractual parameters such as minimum transfer amount, threshold, rounding and netting. The relative CVA approach is used to allocate the portfolio CVA to specific items. Here, the portfolio CVA is distributed in proportion to the individual CVAs. The full CVA approach is applied to items not secured by collateral. This approach calculates the CVA at the individual item level. A waterfall principle is applied to determine the probabilities of default. First, the probabilities of default are derived from CDS curves. Synthetic curves are used if there are no single-name curves available; and are composed of country-specific curves and an internal rating.

**OIS discounting**

The Addiko Group measures derivatives taking into account base spread influences by applying various interest curves to calculate the forward rates and discount factors (multi-curve framework). According to the current market standards and as a result out of the IBOR reform, the new benchmark indices are used for discounting in the measurement of OTC derivatives secured by collateral. In Addiko Group the fair value for all derivatives where the respective collateral €STR is used as interest rate, €STR is used as discount rate.

### 39.1. Fair value of financial instruments carried at fair value

The table below shows the allocation of financial instruments carried at fair value, to their level in the fair value hierarchy.

EUR m

| 30.06.2023 | 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 | 2.7 | 21.1 | 0.0 | 23.8 |
| Derivatives | 0.0 | 5.0 | 0.0 | 5.0 |
| Debt securities | 2.7 | 16.1 | 0.0 | 18.8 |
| Investment securities mandatorily at FVTPL | 0.0 | 1.6 | 0.3 | 1.9 |
| Equity instruments | 0.0 | 0.0 | 0.3 | 0.3 |
| Debt securities | 0.0 | 1.6 | 0.0 | 1.6 |
| Investment securities at FVTOCI | 591.1 | 164.4 | 2.9 | 758.4 |
| Equity instruments | 17.4 | 0.0 | 0.9 | 18.4 |
| Debt securities | 573.7 | 164.3 | 2.0 | 740.0 |
| **Total** | **593.8** | **187.1** | **3.3** | **784.1** |
| **Liabilities** | | | | |
| Financial liabilities held for trading | 0.0 | 3.3 | 0.0 | 3.3 |
| Derivatives | 0.0 | 3.3 | 0.0 | 3.3 |
| **Total** | **0.0** | **3.3** | **0.0** | **3.3** |

EUR m

| 31.12.2022 | Level I - from active market | Level II - based on market assumptions | Level III - based on non market assumptions | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets held for trading | 2.1 | 20.7 | 0.0 | 22.8 |
| Derivatives | 0.0 | 5.0 | 0.0 | 5.0 |
| Debt securities | 2.1 | 15.7 | 0.0 | 17.9 |
| Investment securities mandatorily at FVTPL | 0.0 | 1.5 | 0.3 | 1.8 |
| Equity instruments | 0.0 | 0.0 | 0.3 | 0.3 |
| Debt securities | 0.0 | 1.5 | 0.0 | 1.5 |
| Investment securities at FVTOCI | 626.4 | 245.4 | 5.9 | 877.6 |
| Equity instruments | 16.8 | 0.0 | 0.9 | 17.7 |
| Debt securities | 609.6 | 245.3 | 5.0 | 859.9 |
| **Total** | **628.5** | **267.5** | **6.2** | **902.2** |
| **Liabilities** | | | | |
| Financial liabilities held for trading | 0.0 | 3.1 | 0.0 | 3.1 |
| Derivatives | 0.0 | 3.1 | 0.0 | 3.1 |
| **Total** | **0.0** | **3.1** | **0.0** | **3.1** |

**Transfers between level I and level II**

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

In the current and the previous reporting period no transfers between levels took place.

**Unobservable inputs and sensitivity analysis for level III measurements**

For investment securities classified in level III, which are illiquid unlisted corporate bonds, the main input parameter is the discount factor. If the credit spreads used in the calculation of the fair value increased by 100 basis points, the cumulative valuation result as of 30 June 2023 would have decreased by EUR 0.1 million (YE22: EUR 0.1 million). If the credit spreads used in the calculation of the fair value decreased by 100 basis points, the cumulative valuation result as of 30 June 2023 would have increased by EUR 0.1 million (YE22: EUR 0.1 million).

The development of level III is presented as follows:

EUR m

| 2023 | 01.01. | Valuation gains/losses - PnL | Valuation gains/losses - OCI | Additions (+) | Disposals (-) | Settlement (-) | 30.06. |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Investment securities mandatorily at FVTPL | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 |
| Equity instruments | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 |
| Investment securities at FVTOCI | 5.9 | 0.0 | 0.0 | 0.0 | 0.0 | -2.9 | 2.9 |
| Equity instruments | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 |
| Debt securities | 5.0 | 0.0 | 0.0 | 0.0 | 0.0 | -2.9 | 2.0 |
| **Total** | **6.2** | **0.0** | **0.0** | **0.0** | **0.0** | **-2.9** | **3.3** |

EUR m

| 2022 | 01.01. | Valuation gains/losses - PnL | Valuation gains/losses - OCI | Additions (+) | Disposals (-) | Settlement (-) | 30.06. |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Investment securities mandatorily at FVTPL | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 |
| Equity instruments | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 |
| Investment securities at FVTOCI | 5.2 | 0.0 | 0.0 | 3.3 | -0.1 | -2.5 | 5.9 |
| Equity instruments | 0.7 | 0.0 | 0.0 | 0.3 | -0.1 | 0.0 | 0.9 |
| Debt securities | 4.5 | 0.0 | 0.0 | 3.0 | 0.0 | -2.5 | 5.0 |
| **Total** | **5.5** | **0.0** | **0.0** | **3.3** | **-0.1** | **-2.5** | **6.2** |

With regard to level III in the current and in the previous reporting period no transfers into/out of other levels took place.

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

The carrying amounts of recognised financial instruments not carried at fair value are compared to the respective fair values below:

EUR m

| 30.06.2023 | 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 reserves [1] | 1,129.4 | 1,129.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial assets at amortised cost | 3,820.1 | 3,853.8 | 33.7 | 231.7 | 110.2 | 3,511.8 |
| Debt securities | 348.8 | 344.8 | -4.0 | 231.7 | 110.2 | 2.9 |
| Loans and advances | 3,471.3 | 3,509.0 | 37.7 | 0.0 | 0.0 | 3,509.0 |
| Non-current assets held for sale | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| **Total** | **4,949.7** | **4,983.4** | **33.7** | **231.7** | **110.2** | **3,512.0** |
| **Liabilities** | | | | | | |
| Financial liabilities measured at amortised cost | 5,000.1 | 4,961.5 | 38.6 | 0.0 | 0.0 | 4,961.5 |
| Deposits | 4,950.3 | 4,911.7 | 38.6 | 0.0 | 0.0 | 4,911.7 |
| Other financial liabilities | 49.8 | 49.8 | 0.0 | 0.0 | 0.0 | 49.8 |
| **Total** | **5,000.1** | **4,961.5** | **38.6** | **0.0** | **0.0** | **4,961.5** |

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

EUR m

| 31.12.2022 | Carrying amount | Fair Value | Difference | Level I - from active market | Level II - based on market assumptions | Level III - based on non market assumptions |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash reserves [1] | 1,382.9 | 1,382.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial assets at amortised cost | 3,564.0 | 3,532.4 | -31.6 | 110.7 | 66.8 | 3,354.9 |
| Debt securities | 182.2 | 177.5 | -4.7 | 110.7 | 66.8 | 0.0 |
| Loans and advances | 3,381.9 | 3,354.9 | -27.0 | 0.0 | 0.0 | 3,354.9 |
| Non-current assets held for sale | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| **Total** | **4,947.1** | **4,915.3** | **-31.6** | **110.7** | **66.8** | **3,355.0** |
| **Liabilities** | | | | | | |
| Financial liabilities measured at amortised cost | 5,136.8 | 5,101.9 | 35.0 | 0.0 | 0.0 | 5,101.9 |
| Deposits | 5,088.0 | 5,053.1 | 35.0 | 0.0 | 0.0 | 5,053.1 |
| Other financial liabilities | 48.8 | 48.8 | 0.0 | 0.0 | 0.0 | 48.8 |
| **Total** | **5,136.8** | **5,101.9** | **35.0** | **0.0** | **0.0** | **5,101.9** |

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

Financial instruments not carried at fair value are not managed on a fair value basis and their fair values are calculated only for disclosure purposes and do not impact the statement of financial position and the income statement. The fair value of receivables and liabilities is determined according to the present value of future cash flows. The risk premium amounts for receivables depend on the internal or external rating of the borrower taking into account the country risk.

The fair value valuation of debt securities at amortised costs is based on quoted prices or other observable inputs on the markets. For liabilities, the own credit spread is taken into account in the discount factor. Due to the fact that no debt issues of the Addiko Group are placed on the market, the calculation of the credit spread curves for senior unsecured liabilities is based on quoted credit default swap curves or credit spreads from senior unsecured bonds in a weighted peer group consisting of banking groups operating in CSEE whose markets and estimated credit standing is as similar to that of the Addiko Group as possible. For liabilities covered, a weighted credit spread curve from available benchmark-covered bonds from the peer group was used. Due to the existing uncertainties, a broad range exists for the fair values to be determined.

Addiko Group assessed that the fair value of the cash positions approximately corresponds to their carrying amounts largely due to the short-term maturities of these instruments.

### 39.3. 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 30 June 2023 the carrying amount of investment properties amounts to EUR 3.4 million (YE22: EUR 3.5 million), whereas the fair value amounts to EUR 4.4 million (YE22: EUR 4.5 million). All investment properties are classified in level III (YE22: level III).

## (40) Derivative financial instruments

### 40.1. Derivatives held for trading

The following transactions had not yet been carried out at the reporting date:

EUR m

| | 30.06.2023 | | | 31.12.2022 | | |
|---|---|---|---|---|---|---|
| | | Fair values | | | Fair values | |
| | Nominal amounts | Positive | Negative | Nominal amounts | Positive | Negative |
| **a) Interest rate** | | | | | | |
| **OTC-products** | **97.6** | **4.1** | **2.6** | **109.0** | **4.6** | **3.0** |
| OTC options | 18.8 | 0.7 | 0.7 | 19.3 | 0.8 | 0.8 |
| OTC other | 78.9 | 3.4 | 1.9 | 89.7 | 3.8 | 2.2 |
| **b) Foreign exchange and gold** | | | | | | |
| **OTC-products** | **186.1** | **0.9** | **0.7** | **63.5** | **0.4** | **0.2** |
| OTC other | 186.1 | 0.9 | 0.7 | 63.5 | 0.4 | 0.2 |

## (41) Related party disclosures

As of the reporting date, there are no companies with significant influence, as around 53.7% (YE22: 56.9%) is in free float and no investors holds a stake of more than 10% in the company.

Related parties as defined by the Addiko Group are subsidiaries, associates, other entities excluded from consolidation as well as key personnel of the institution. Key personnel of the Company are the Management Board and the Supervisory Board of Addiko Bank AG as well as the management boards and supervisory boards of the subsidiaries including their close family members. Transactions between Addiko Bank AG and the fully consolidated entities are not disclosed in the notes to the consolidated financial statements, as they are eliminated in the course of consolidation. Transaction with related parties are done at arm's length.

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

EUR m

| Key personnel of the institution or its parent | 30.06.2023 | 31.12.2022 |
|---|---|---|
| Financial assets (loans and advances) | 0.0 | 0.1 |
| Financial liabilities (deposits) | 2.5 | 2.6 |

### (42) Share-based payments

Under the variable remuneration scheme, the members of the management board of Addiko Bank AG receive 50% of the annual variable remuneration achieved in cash and 50% in the form of shares of Addiko Bank AG while all other beneficiaries receive the remuneration fully in cash. The physical transfer of shares is deferred over six years in different tranches starting in the year following the bonus period. Rewards are granted in the current year when the service and performance conditions are met and vest at the year end. The beneficiaries do not receive any dividends and are not entitled to vote in relation to the deferred shares during the vesting period and until the settlement when the shares are transferred to the beneficiaries who are not allowed to sell the shares within a 12 month period. The deferred shares, which are acquired via a share buy back program are held as treasury shares until they are transferred to the beneficiaries. Shares with a value equal to fixed cash amount are granted. The granted amount is determined based on the estimation or the achievement of preselected criteria. The variable remuneration will only be activated if certain knock-out criteria are met. Those knock-out criteria are based on capital, liquidity and risk requirements. Only once they are achieved the second step for the regular bonus is the achievement of the individual targets.

In addition to the annual bonus Addiko offers a Performance Acceleration Incentive Framework (PAIF) based on which Addiko granted to defined key employees (including management board of Addiko Bank AG) variable remuneration components in the form of share-based payments. The program is intended to ensure alignment of the interests of the senior leadership team with those of the shareholders and is set up as a multi-year incentive scheme. Vesting of the shares depends on the fulfillment of certain conditions. In addition, in alignment with EBA guidelines, the program is activated only if regulatory requirements in respect of own funds and liquidity are met and no breaches of specific risk indicators took place within a pre-defined timeframe. According to the remuneration policy of Addiko Group, the remuneration program includes both share-settled applicable for the group management board members and cash-settled share-based payments for all others.

For their performance during financial year 2021 group management board is entitled to receive 31,179 shares of Addiko Bank AG of which in 2022 and 2023 17,207 shares were already transferred, 13,972 shares will be transferred in the years 2024 – 2027. For the year 2022 group management board is entitled to 39,046 shares of which 15,621 were transferred in first half 2023 and 23,425 will be transferred in the years 2024 – 2028.

## (43) Own funds and capital requirements

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

| | 30.06.2023 | | | 31.12.2022 | | |
|---|---|---|---|---|---|---|
| | CET1 | T1 | TCR | CET1 | T1 | TCR |
| Pillar 1 requirement | 4.50% | 6.00% | 8.00% | 4.50% | 6.00% | 8.00% |
| Pillar 2 requirement | 1.83% | 2.44% | 3.25% | 1.83% | 2.44% | 3.25% |
| **Total SREP Capital Requirement (TSCR)** | **6.33%** | **8.44%** | **11.25%** | **6.33%** | **8.44%** | **11.25%** |
| Capital Conservation Buffer (CCB) | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Counter-Cyclical Capital Buffer (CCyB) | 0.16% | 0.16% | 0.16% | 0.00% | 0.00% | 0.00% |
| Systemic Risk Buffer (SyRB) | 0.25% | 0.25% | 0.25% | n.a. | n.a. | n.a. |
| **Combined Buffer Requirements (CBR)** | **2.91%** | **2.91%** | **2.91%** | **2.50%** | **2.50%** | **2.50%** |
| **Overall Capital Requirement (OCR)** | **9.24%** | **11.35%** | **14.16%** | **8.83%** | **10.94%** | **13.75%** |
| Pillar 2 guidance (P2G) | 3.25% | 3.25% | 3.25% | 2.00% | 2.00% | 2.00% |
| **OCR + P2G** | **12.49%** | **14.60%** | **17.41%** | **10.83%** | **12.94%** | **15.75%** |

As a result of the 2022 SREP process performed by the European Central Bank (ECB), Addiko Bank AG received on 14 December 2022 the decision which continues to stipulate a P2R of 3.25% from 1 January 2023 (at least 56.25% must be held in CET1 and at least 75% in Tier 1).

In relation to the **combined buffer requirement** (CBR) it should be noted that after the first half of 2023, the **counter-cyclical capital buffer** (CCyB) amounted to 0.16%. The CCyB rate of Croatia was 0.5% which increased the CCyB requirement of Addiko Group by almost 0.16%. On 31 December 2023 the CCyB rate of Croatia will be set to 1.0%. At the same time the CCyB rate of Slovenia will raise from 0.0 to 0.5%. Both will raise the CCyB requirement by approximately 0.29% to 0.46%. In addition, the FMA published on 21 December 2022 that Addiko is subject to a **systemic risk buffer** (SyRB) of 0.5% at the consolidated level on the grounds of systemic concentration risk. The SyRB will be raised gradually by 0.25 percentage points starting from the 1 January until the 31 December 2023 and reaching the full level starting from the 1 January 2024. In Addiko's view the rationale applied to identify systemic concentration risk as well as the procedural steps taken are incorrect. Therefore, Addiko submitted an appeal against the FMA ordinance regarding the SyRB to the Federal Administrative Court.

Following the SREP 2022, Addiko Group is expected to meet a Pillar 2 guidance (P2G) of 3.25% with CET1 valid as of 1 January 2023 onwards, up from 2.0% from the SREP 2021 decision.

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

### Consolidated own funds

The regulatory reporting on a consolidated basis is performed at the level of Addiko Bank AG as the EU parent financial holding company of the group of credit institutions.

As of 1 January 2023, the transitional arrangements in accordance with Article 468 CRR of the regulation EU 2020/873 as well as in relation to the static component of the IFRS 9 transitional capital rules published by the EU on 21 December 2017 and amended on the 24 June 2020 expired. For this reason, as of 30 June 2023, there is no difference between the transitional and the fully loaded regulatory capital base.

The following table shows the breakdown of the own funds of the Group as per 30 June 2023 and 31 December 2022 pursuant to CRR using IFRS figures. All comparative figures are prepared on a fully loaded basis.

EUR m

| Ref[1] | | 30.06.2023 | 31.12.2022[2] |
|---|---|---|---|
| | **Common Equity Tier 1 (CET1) capital: Instruments and reserves** | | |
| 1 | Capital instruments and the related share premium accounts | 195.0 | 195.0 |
| 2 | Retained earnings | 286.2 | 284.4 |
| 3 | Accumulated other comprehensive income (and other reserves) | 256.6 | 241.1 |
| 5a | Independently reviewed (interim) and eligible profits net of any foreseeable charge or dividend | 0.0 | 2.1 |
| 5aa | o/w Interim eligible profit of the current year | 0.0 | 25.7 |
| 5ab | o/w Foreseeable charge or dividend | 0.0 | -23.6 |
| **6** | **CET1 capital before regulatory adjustments** | **737.8** | **722.6** |
| | **CET1 capital: regulatory adjustments** | | |
| 7 | Additional value adjustments | -0.8 | -0.9 |
| 8 | Intangible assets (net of related tax liability) | -13.8 | -15.4 |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) | -10.6 | -10.3 |
| 16 | Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount) | -3.2 | -0.4 |
| 25a | Losses of the current financial year (negative amount) | 0.0 | 0.0 |
| 27a | Other regulatory adjustments (including IFRS 9 transitional rules) | -0.4 | -0.1 |
| **28** | **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **-28.7** | **-27.2** |
| **29** | **Common Equity Tier 1 (CET1) capital** | **709.1** | **695.4** |
| | **Tier 2 (T2) capital: instruments and provisions** | | |
| **58** | **Tier 2 (T2) capital** | **0.0** | **0.0** |
| **59** | **Total capital (TC = T1 + T2)** | **709.1** | **695.4** |
| 60 | Total risk weighted assets | 3,559.2 | 3,481.0 |
| | **Capital ratios and buffers %** | | |
| **61** | **CET1 ratio** | **19.9%** | **20.0%** |
| **63** | **TC ratio** | **19.9%** | **20.0%** |
| 64 | Institution CET1 overall capital requirement | 9.2% | 8.8% |
| 65 | o/w capital conservation buffer requirement | 2.5% | 2.5% |
| 66 | o/w countercyclical buffer requirement | 0.2% | 0.0% |
| 67 | o/w systemic risk buffer requirement | 0.3% | 0.0% |
| 68 | CET 1 available to meet buffer (as % of risk exposure amount) | 8.7% | 8.7% |
| | **Amounts below the thresholds for deduction (before risk weighting)** | | |
| 72 | Not significant direct and indirect holdings of own funds and eligible liabilities of financial sector entities (amount below 10% threshold and net of eligible short positions) | 5.2 | 4.7 |
| 75 | Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met) | 24.4 | 26.7 |

[1] The references identify the lines prescribed in the EU template, which are applicable and where there is a value. The structure is based on the technical standards included in (EU) 2021/637 of 15 March 2021. [2] Comparative figures are prepared on a fully loaded basis.

Total capital increased by EUR 13.7 million during the reporting period, reflecting the following components:

- The positive **OCI development** of EUR 14.7 million resulted from the following parts: EUR 14.1 million from debt instruments, EUR 0.5 million from equity instruments measured at FVTOCI and EUR 0.1 million from the change of foreign currency reserves.
- The EUR 1.4 million decrease of **other regulatory deduction items** resulting from: a lower amount of intangible assets (total capital increased by EUR 1.6 million), the decrease in the prudential valuation adjustments connected with assets/liabilities measured at fair value (total capital increased by EUR 0.1 million) and the increase of deferred tax assets on existing taxable losses (total capital decreased by EUR 0.3 million). The deduction item out of non-performing exposures in context with the SREP process remained stable during the period.
- The negative effect of EUR 2.5 million connected with the **share buy-back program** deriving from the combined effect of equity-settled share-based payments (total capital increased by EUR 0.5 million) and the ECB approval for the buy-back of additional EUR 3.2 million of Addiko own CET1 instruments translating into an increase of the deduction item by EUR 3.0 million.
- With reference to Article 26 CRR, the **interim profit** of the first half of 2023 (EUR 19.5 million) was not included into the calculation of the regulatory capital.

### Risk structure

Addiko Group uses the standardised approach in the calculation of the credit and operational risk, which partly explains the relatively high risk density (measured by comparing RWA to assets) of 60.6% (YE22: 58.2%). The bank's focus on unsecured consumer lending and SME business is another important source of the reported risk density.

The risk-weighted assets (RWA) increased by EUR 78.2 million during the reporting period:

- The **RWA for credit risk** increased by EUR 107.8 million, mainly driven by new disbursements in the focus segments Consumer and SME (EUR 129.2 million). Furthermore, the application of the article 500a of the regulation (EU) 2020/873 led to higher risk weights for certain sovereigns and financial institutions (EUR 13.5 million). This development was partially compensated by the exposure reduction in the non-focus segments Mortgages (EUR 19.9 million), Public Finance (EUR 5.5 million) and Large Corporates (EUR 8.5 million).
- The **RWA for counterparty credit risk (CVA)** decreased during the reporting period by EUR 0.7 million.
- The **RWAs for market risk** decreased by EUR 28.9 million, principally driven by the introduction of Euro in Croatia which eliminated the residual HRK open position, reducing RWA by EUR 25.6 million.
- The **RWA for operational risk** remained stable in line with the previous year-end. The RWA for operational risk is based on the three-year average of relevant income, which represents the basis for the calculation.

EUR m

| | | 30.06.2023 | 31.12.2022[1)] |
|---|---|---|---|
| 1 | Credit risk pursuant to Standardised Approach | 3,037.0 | 2,929.2 |
| 6 | Counterparty credit risk | 3.3 | 4.0 |
| 20 | Market risk | 115.9 | 144.8 |
| 23 | Operational risk | 403.0 | 403.0 |
| **29** | **Total risk exposure amount** | **3,559.2** | **3,481.0** |

[1)] Comparative figures are prepared on a fully loaded basis.

**Leverage ratio**

The leverage ratio for the Addiko Group, calculated in accordance with Article 429 CRR, was 11.5% at 30 Juni 2023 (YE22: 11.1%). The development is due to the above-mentioned development of the Tier 1 capital and the leverage ratio exposure, with both components contributing equally to the increase in the ratio.

EUR m

| | | 30.06.2023 | 31.12.2022[1)] |
|---|---|---|---|
| 2 | Tier 1 capital | 709.1 | 695.4 |
| 13 | Total leverage ratio exposure | 6,171.2 | 6,293.0 |
| **14** | **Leverage ratio %** | **11.5%** | **11.1%** |

[1)] Comparative figures are prepared on a fully loaded basis.

**MREL**

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

Based on the resolution plan received on 25 May 2023 from the SRB, Addiko Group consists of two resolution entities - Addiko Bank d.d. (Croatia) and Addiko Bank d.d. (Slovenia) – as both entities were assessed by the resolution authority to provide critical functions to the local market. Addiko Bank AG is the liquidation entity. The SRB concluded that a multiple point of entry (MPE) is the most suitable strategy for Addiko Group and determined the following minimum requirements for own funds and eligible liabilities:

- Addiko Bank d.d. (Croatia) 25.44% of TREA and 5.91% of LRE on an individual basis by 1 January 2022.
- Addiko Bank d.d. (Slovenia) 11.25% of TREA and 3% of LRE on an individual basis by 1 January 2022. The bank has to assure a linear build-up of own funds and eligible liabilities towards the MREL requirement applicable as at 2 June 2025 of 20.73% of TREA and 5.24% of LRE on an individual basis.
- Addiko Bank AG 11.25% of TREA and 3% of LRE by 1 January 2022.

On the 30 June 2023 the MREL ratio of all entities was above the respective requirements.

## (44) Events after the reporting date

Slovenia has been severely impacted by the recent floods in August. While Addiko Slovenia and its branches are so far only experiencing limited impacts, the situation is being further assessed and implications cannot be fully excluded. Addiko is supporting affected employees and customers with targeted relief measures.

# Statement of all Legal Representatives

We confirm to the best of our knowledge that the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Vienna, 16 August 2023
Addiko Bank AG

MANAGEMENT BOARD

Herbert Juranek
Chairman

Edgar Flaggl
Member of the Management Board

Tadej Krašovec
Member of the Management Board

Ganesh Krishnamoorthi
Member of the Management Board

# Glossary

| | |
|---|---|
| 1H23 (1H22) | First half 2023 (2022) |
| ABC | Addiko Bank d.d., Croatia |
| ABBL | Addiko Bank a.d., Bosnia & Herzegovina (Banja Luka) |
| ABH | Addiko Bank AG, Austria (Holding) |
| ABM | Addiko Bank a.d., Montenegro |
| ABS | Addiko Bank d.d., Slovenia |
| ABSA | Addiko Bank d.d., Bosnia & Herzegovina (Sarajevo) |
| AC | Amortised costs |
| AT1 | Additional Tier 1; own funds as defined by Art 51 et seq. CRR |
| AGM | Annual general meeting |
| Asset contribution | By compensating market segments delivering longer term assets against shorter term liabilities, the respective part of the interest gap contribution (IGC) is re-distributed from segment Treasury to the respective market segments |
| 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 |
| CCyB | Countercyclical capital buffer |
| CDS | Credit default swap; a financial instrument that securitises credit risks, for example those associated with loans or securities |
| Change CL/GPL (simple av. ) | Change in CL / simple average gross performing loans |
| CL | Credit loss |
| 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 | Credit loss expenses on financial assets/Credit risk bearing exposures |
| Cost of risk ratio (net loans) | Credit loss expenses on financial assets/net loans customers |
| CRB | Credit risk bearing |
| Credit institutions | Any institution covered by the definition in Article 4(1)(1) of CRR (“undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account”) and multilateral development banks (MDBs) |
| CRR | Capital requirements regulation; Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 Text with EEA relevance |
| CRE | Commercial real estate collaterals |
| CESEE | Central, East and South-Eastern Europe |
| 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 |
| CVA | Credit value adjustment |
| C&E risiks | Climate & environmental risks |

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| 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 |
| DVA | Debit value adjustment |
| ECL | Expected credit loss |
| ESG | Environmental, social, governance |
| 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 |
| FTP | Funds transfer pricing; is an internal allocation methodology for liquidity costs and benefits of interest-bearing assets and liabilities used for calculating profitability on segment, branch, GoB/client, product & deal level |
| 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 |
| Hold-to-Collect | The business model is to hold financial assets to collect their contractual cash flows |
| Hold-to-Collect&Sell | the objective of the business model is to both collect the contractual cash flows and sell the financial asset |
| 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 |
| ICSID | International Center for Settlement of Investment Disputes |
| IGC | Interest and liquidity gap contribution |
| IRRBB | Interest rate risk in the banking book; refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions |
| Large Corporates | The segment Large Corporates includes legal entities and entrepreneurs with annual gross revenues of more than EUR 50 million |

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| LCR | Liquidity coverage ratio; the ratio of high quality liquid assets and net cash flows in the next 30 days |
| Leverage ratio | The ratio of Tier 1 capital to specific exposures on and off the statement of financial position calculated in accordance with the methodology set out in CRR |
| Loans and receivables | Gross carrying amount of loans and receivables less ECL allowance |
| Loan to deposit ratio | Indicates a bank's ability to refinance its loans by deposits rather than wholesale funding. It is based on net customer loans and calculated with loans to non-financial corporations and households in relation to deposits from non-financial corporations and households. Segment level: Loans and receivables divided by financial liabilities at amortised costs |
| MPE | Multiple point of entry |
| MREL | Minimum requirement for own funds and eligible liabilities |
| Net banking income | The sum of net interest income and net fee and commission income |
| Net interest income (segment level) | Net interest income on segment level includes total interest income related to effective interest rate from gross performing loans, interest income from NPE, interest like income, interest expenses from customer deposits, consideration of funds transfer pricing and allocated contribution from interest and liquidity gap |
| NIM | Net interest margin is used for external comparison with other banks as well as an internal profitability measurement of products and segments. It is calculated with net interest income set in relation to average interest-bearing assets (total assets less investments in subsidiaries, joint ventures and associates, intangible assets, tangible assets, tax assets and other assets) |
| Non-financial corporations | Corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services according to the ECB BSI Regulation |
| NPE | Defaulted, non-performing exposure (gross carrying amount). A default and thus a non-performing exposure applies if it can be assumed that a customer is unlikely to fulfill all of its credit obligations to the bank, or if the debtor is overdue at least 90 days on any material credit obligation to the bank |
| NPE ratio | Is an economic ratio to demonstrate the proportion of loans that have been classified as defaulted non-performing in relation to the entire customer loan portfolio. The definition of non-performing has been adopted from regulatory standards and guidelines and comprises in general those customers where repayment is doubtful, a realisation of collaterals is expected, and which thus have been moved to a defaulted customer rating segment. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management. Non performing exposure/credit risk bearing exposure (on and off-balance) |
| NPE coverage ratio | Describes to which extent defaulted non-performing exposure have been covered by impairments (individual and portfolio-based loan loss provisions) thus expressing also the ability of a bank to absorb losses from its NPE. It is calculated with impairment losses set in relation to defaulted non-performing exposure |
| NPE collateral coverage | Collaterals allocated to non-performing exposure / non-performing exposure |
| OCI | Other comprehensive income |
| Option | The right to buy (call) or sell (put) an underlying reference asset at an agreed price within 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 |

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| PI | Private individuals |
| P2G | Pillar 2 guidance; 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 |
| P2R | Pillar 2 requirement; additional own funds requirements imposed in accordance with Article 104(1)(a) of Directive 2013/36/EU. The Pillar 2 requirement covers risks under-estimated or not covered by Pillar 1 |
| PMA | Post model adjustment |
| 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 proce-dures of a loan |
| RWA | Risk-weighted assets; 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 attribut-able to the owners of the parent for the respective period |
| RRE | Residential real estate collaterals |
| 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 |
| SRB | Single Resolution Board |

# Imprint

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