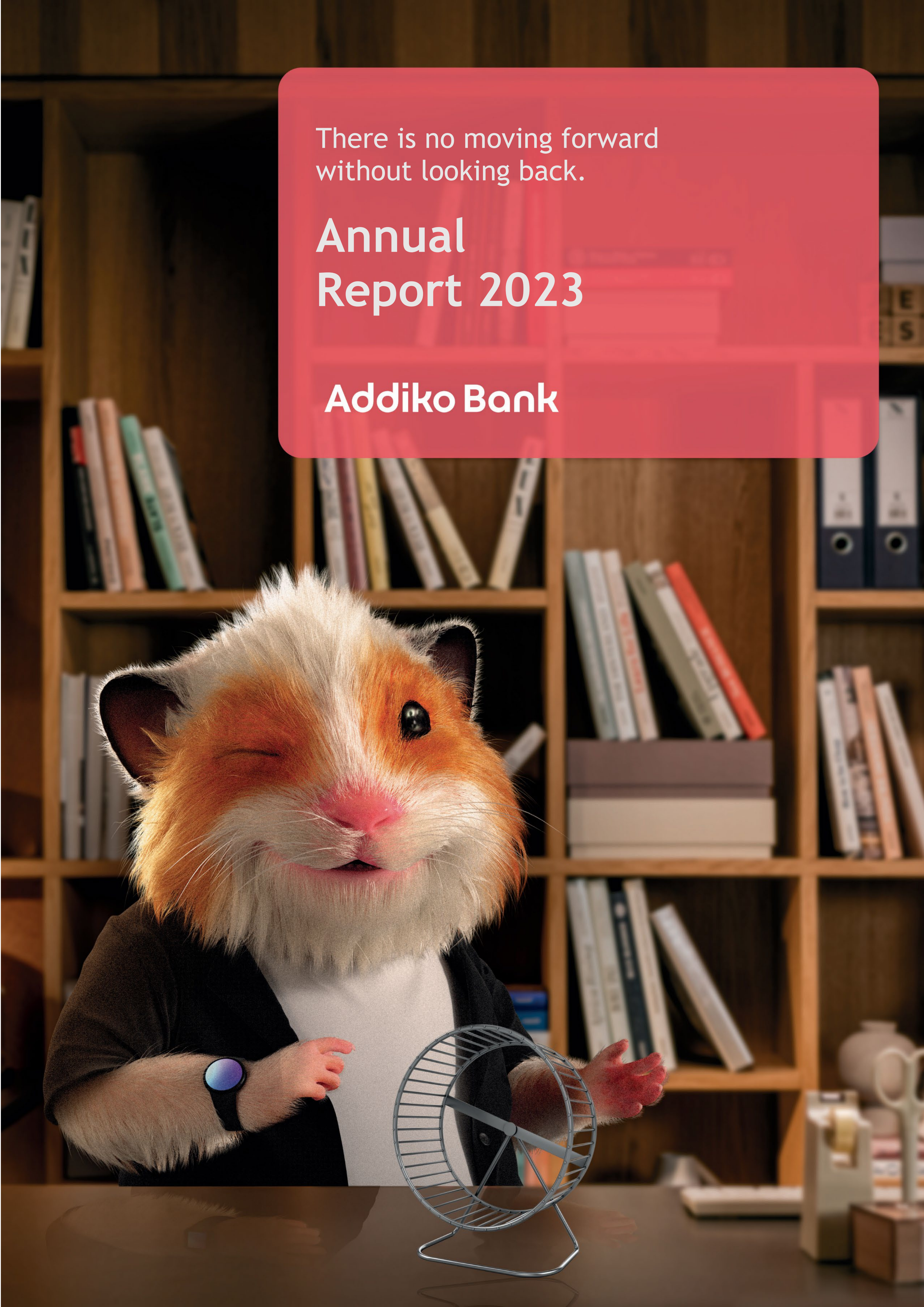
There is no moving forward
without looking back.

Annual Report 2023

Addiko Bank



Key data

			EUR thousand
Selected items of the Profit or Loss statement	**2023**	**2022**	**(%)**
Net banking income	72,619	57,263	26.8%
Net interest income	58,199	42,723	36.2%
Net fee and commission income	14,421	14,540	-0.8%
Net result on financial instruments	672	372	80.6%
Other operating result	22	-462	-104.8%
Operative income	**73,313**	**57,173**	**28.2%**
General administrative expenses	**-31,644**	**-29,347**	**7.8%**
Operating result before impairments and provisions	**41,669**	**27,826**	**49.8%**
Other result	-6,415	-563	>100%
Expected credit loss expenses on financial assets	-9,455	-5,747	64.5%
Tax on income	141	-1,866	-107.6%
Profit after tax	**25,941**	**19,649**	**32.0%**

Performance ratios	**2023**	**2022**	**(pts)**
Net interest income/total average assets	4.3%	3.2%	1.07
Return on tangible equity	12.5%	9.8%	2.7
Cost/income ratio	43.6%	51.3%	-7.67
Cost of risk ratio (net loans)	0.74%	0.49%	0.25
Cost of risk ratio	0.72%	0.48%	0.24

Selected items of the Statement of financial position	**2023**	**2022**	**(%)**
Loans and advances to customers	977,734	938,899	4.1%
Deposits of customers	1,160,990	1,029,784	12.7%
Equity	210,364	201,499	4.4%
Total assets	1,448,044	1,329,827	8.9%
Risk-weighted assets	853,589	835,080	2.2%

Balance sheet ratios	**2023**	**2022**	**(pts)**
Loan to deposit ratio	84.3%	91.2%	-6.9
NPE ratio	1.37%	1.66%	-0.3
NPE Ratio (on balance loans)	1.60%	1.82%	-0.2
NPE coverage ratio	86.3%	68.4%	18.0
Liquidity coverage ratio	220.8%	230.0%	-9.2
Common equity tier 1 ratio	19.8%	20.2%	-0.4
Total capital ratio	20.7%	21.4%	-0.7

The indicators are calculated in accordance with the Instructions for the preparation of the statement of financial position, income statement and statement of comprehensive income and the calculation of indicators of operations of banks and savings banks (29.11.2021)

Annual Report 2023

Disclaimer:

Certain statements contained in this report may be forward-looking statements and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied by such statements.

The Bank's interim results are generally not indicative of expected results for the full year. Actual results may differ materially from those projected, and information about past performance does not permit reliable conclusions about future success. Forward-looking statements based on management's current views and assumptions involve risks and uncertainties that could cause a material departure from the statements contained in this document.

The English version of the Report is a translation. Only the Slovene is the authentic language version.

The tables in this report may contain rounding differences.

Letter from the Management for 2023

Dear Shareholders, Clients, Partners and Employees,

with 2023 behind us, we are pleased to reflect on the outstanding journey we have undertaken at Addiko Bank. In 2023, we not only achieved significant milestones but solidified our position as a specialist bank known for its fast loans, improved digital services, and unwavering commitment to customer satisfaction.

As we continuously respond to changing customer needs, with agile approach and unique products, focused on growing our business in our key areas, Consumers and SME, improving our operations, boosting our digital capabilities, we were able to achieve our plans, underlined by strong full-year results:

- Net operating result increase by 49.8% to EUR 41,669 thousand compared to EUR 27,826 thousand in previous year;
- General administrative expenses increase by 7.8% in 2023 mainly driven by inflation and following business initiatives in order to support targeted revenue to execute business strategy. Despite expenses increased cost-to-income ratio (CIR) strongly improve compared to previous year by 7.7 pp to 43.6% driven by higher net interest income by 36.2%.
- Out successful transformation program all resulted in 10.3% percent growth of our focus area. Our non-focus portfolio decreased by 18.8%.

The year 2023 was marked by global challenges such as rising geopolitical tensions, economic recovery after COVID-19, inflation and corresponding monetary politics, as well as rapid digital transformation. The Slovenian banking sector was further influenced by the Supreme Court's decisions regarding loans in foreign currency Swiss Franc or linked to the foreign currency Swiss Franc, which disrupted the established judicial jurisprudence.

With clear mission, vision and overall strategy we managed to tackle the challenges and make the most of the uncertain situation. Addiko Bank strengthened the position of the leading specialist bank for quick, simple and effective banking solutions for Consumer and SME lending. We entered the year 2023 with focus on communicating the fastest loans on the market. Very successful “Broken promise” campaign emphasized our unique financial products, while it also reaffirmed Addiko Bank’s core values – accountability, reliability and dedication to our clients.

The positioning of the Bank, which is there for the customers when and where they need us most, was further strengthened with an attractive proposal for deposits. We challenged the entire market with higher interest rates and won the title of The best bank of the year in the field of deposits.

In the end of the 2023 we made another step towards our customers – we simplified the identification of new-to-bank customers, interested in our fast loans. Since then, the process is almost entirely run online and the clients can be identified in the comfort of their homes, by a postal worker.

With exciting products, client-oriented approach and strong visible marketing activities we have successfully grown the number of our customers, business partners, as well as the Bank network. We have also expanded our management board which gained a new member, responsible for products, information technologies and operations – areas of our business which are at the heart of our further transformation and business growth.

Digitalization and automation continued to be among our top priorities last year, enabling convenience for our customers as well as speeding up decision and various banking services. We also demonstrated this in the SME segment where onboarding – the time of obtaining a business account number – was significantly reduced from 2 days to just 10 minutes.

The repositioning of the Bank, initiated in 2022, continues to show expected results. Customers recognize Addiko Bank as a specialist bank and appreciate us for speed, innovation and flexibility. However, the excellent business results are not only the result of our vision, but also dedicated work of the entire Addiko team. Our motivated employees, demonstrating highest level of professional skills as well as vivid entrepreneurial spirit, are our biggest assets. It is a great pleasure leading such diverse team with the same goals and a unified vison. As an organization, we strive to be sustainable, reliable and cooperative partner of local community, which we have demonstrated also in ESG, another focal point of 2023. We have implemented a number of initiatives aimed at achieving our sustainable development goals. Central to our focus is the reduction of our carbon footprint and the promotion of social equality, both within and beyond our organization, as well as various CSR certificates, charitable donations and other responsible projects for our internal and external stakeholders to further intensify our efforts in this domain.

A positive team spirit will continue to lead us also in the year 2024. Uncertainty is becoming the new normality – in the industry as well as in general society. We will have to adapt our business operations in many aspects. One of them is a strategic move to further strengthen our position in the CSEE region and represents the expansion of Addiko Bank to Romania by the end of 2024. By leveraging our well-established digital platform, we aim to offer innovative financial solutions and unparalleled customer service in the Romanian market, contributing to the continued success of our growth initiatives.

Agility, focus and a high number of innovations will clearly remain our anchor points also in the next chapter of our business development journey. Addiko Bank will continue to implement the Bank's clearly defined strategy, further strengthening its position of a specialist bank and continue with a distinguished marketing approach. We are convinced that with the right core values and a motivated team we are ready to take on any new challenges despite all the uncertainty the future holds.

Anja Božac, *Member*	*Andraž Vrh,* *Member*	*Andrej Andoljšek,* *President of the Management Board*

The Management Board

ANJA BOŽAC

Responsibilities

- Finance
- Risk Controlling
- Retail Risk Management
- Credit Management
- Compliance
- Anti - Money Laundering
- Information and Physical Security
- Data Management

ANDRAŽ VRH

Responsibilities

- Product Management
- Operations
- Information Technology

ANDREJ ANDOLJŠEK

Responsibilities

- Retail Banking
- Corporate Banking
- Legal
- Marketing & Public Relations
- Human Resources
- Balance Sheet Management and Treasury
- Internal Audit

On 31 December 2023, the Management Board comprised of three members:

- Andrej Andoljšek, President of the Management Board (CEO, CMO),
- Anja Božac, Member of the Management Board (CFO, CRO),
- Andraž Vrh, Member of the Management Board (CTO, COO).

Management Report

Addiko Bank d.d. (hereinafter referred to also as Addiko Bank, Addiko or the Bank) is owned by Addiko Bank AG (hereinafter referred to also as Addiko Group or the Group).

Addiko Group is a specialist banking group focusing on providing banking products and services to Consumer and Small and Medium-sized Enterprises (SME) in Central and South-Eastern Europe (CSEE). Addiko Group consists of Addiko Bank AG, the fully-licensed Austrian parent bank registered in Vienna, Austria, listed on the Vienna Stock Exchange and supervised by the Austrian Financial Market Authority and the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates via two banks), Serbia and Montenegro. Through its six subsidiary banks, Addiko Group services as of 31 December 2023 approximately 0.9 million customers in CSEE using a well-dispersed network of 154 branches and modern digital banking channels.

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

1. Macroeconomic environment

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

Distortions on commodity and energy markets fueled inflation, which peaked in the Eurozone at 10.6% in October 2022 followed by a noteworthy descent throughout 2023, diminishing from 8.6% in January to 2.9% in December. However, depending on the measures taken by governments to combat inflation in the individual member states, the rates of price increases in December 2023 varied widely, ranging from a low of 0.4% in Denmark and 0.5% in Belgium to 7.0% in Romania and 7.6% in the Czech Republic. With a 5.7% increase in consumer prices compared with December 2022, Austria was in the upper range of the Euro area.

In order to reattain its inflation target of 2.0%, the ECB has responded with significant interest rate hikes, following the initial increase in the key interest rate from 0.0% to 0.5% in July 2022, a series of ten interest rate increases has been implemented, culminating in a rise in the reference rate for loans to 4.5% on 20 September 2023.

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

Addiko is forecasting a predominantly positive economic scenario for its core markets. Although inflation in the CSEE countries remained significantly higher than in the rest of Europe in 2023, there was a significant reduction compared to 2022. Price increases in the Eurozone member states Slovenia (7.2%) and Croatia (7.5%) were relatively low compared to inflation rates in Montenegro (9.1%) and Serbia (12.5%). Bosnia & Herzegovina achieved a notable reduction in inflation, decreasing from 14.0% (2022) to 7.5% (2023).

Contrary to the low GDP growth in the Eurozone, the CSEE markets posted stronger growth in 2023. Both the Eurozone countries Croatia (+2.5%) and Slovenia (+1.3%) as well as the other countries where Addiko operates - Bosnia & Herzegovina (+1.7%), Montenegro (+4.5%) and Serbia (+1.5%) - are expected to post a strong increase in GDP in 2023, well above the average in the European Union. With the exception of Serbia, the labour markets in all other countries of operation exhibited positive development, resulting in a notable decline in the unemployment rate.

On 8 August 2023, the worst flood in decades hit Slovenia, resulting in damages amounting to EUR 4.7 billion as per the government's preliminary assessment, necessitating approximately EUR 7 billion of funding to finance the reconstruction of buildings and infrastructure. Consequently, the government is seeking funding from both external (EU funds) as well as internal sources (higher tax rates and the introduction of a special tax for banks). Governmental spending for reconstruction shall increase by 1.9% in 2024 and increase by 2.2% in 2025. As a result, GDP growth in Slovenia is expected to slow to a mere 1.6% (UMAR) with an increase to 2.8% forecasted for 2024. While the price of energy dropped significantly, spending on housing and food was still much higher. The Slovenian labour market is characterised by a historically low unemployment rate, projected to settle at close to 3.7% for the full year 2023.

(Source: Eurostat, UMAR, WIIW)

2. Acceleration Program

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

2.1. First pillar: Business Growth in Focus Areas

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

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

- The Bank extended its partnership network to 296 partners and its presence in 344 locations. This move has enabled Addiko to tap into a new customer segment that values financing at the point-of-sale.
- In addition, further actions were taken to grow non-lending product revenue streams with a particular focus on cards and insurance. In fact, the innovations in cards led to a remarkable 38% year-over-year increase in cards commission income.

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

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

In the Consumer segment, Addiko has achieved a robust growth of 51% in new customer acquisition, accompanied by a 113 basis points increase in loan yields and a 33% year-over-year development in gross rise (new business), along with an increase in customer deposits. In the Micro business segment, Addiko has achieved an impressive growth rate of 19% year-over-year. Additionally, across the Small and Micro landscape, Addiko Bank achieved 5% growth in new business, with a substantial increase of 179 basis points in loan pricing year-over-year.

Addiko will continue to launch E2E digital capabilities to attract digital customers and expand through its partnership ecosystem. Furthermore, the product offering to Consumers and SMEs shall be expanded by introducing bespoke functionalities in the card business. 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. These actions will contribute to the continued growth of the focus business areas in a sustainable and profitable manner, while maintaining a prudent under-writing approach.

In addition to the growth initiatives in the focus segments of Consumers and SMEs, Addiko also assessed the possibility of expanding into a new CESEE market in 2023, which would leverage on the Bank’s digital platform and further increase scalability in the long term. Based on the outcome from this assessment, Addiko decided on the expansion of its digital business model into the Romanian market.

2.2. Second pillar: Operational Excellence & Digital

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

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

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

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

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

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

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

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

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

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

3. Business updates

3.1. Marketing activities in 2023

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

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

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

Product communication highlights included:

- Launching "The Broken Promise" campaign, promising record short feedback (time-to-decision) and disbursement of the amount of the cash loan granted (time-to-cash) to customers, with concrete benefit in case of prolongation (time-to-cash in 60 minutes or lowering interest rate to 0% with no approval and no risk assessment costs).
- Promoting "Check your creditworthiness at Addiko", promising fast time-to-decision when the regulator's macro-prudential limits changed.
- Various campaigns in cooperation with Mastercard.

According to the latest Brand Tracker measurements, Addiko's 'Spontaneous Awareness' continued to be stable (47%). At the same time, the number of people open to the possibility of taking out a fast cash loan ('Consideration') grew by

17%. Enhanced creativity and storytelling centred on customer needs—with the help of the brand character Oskar, — have increased ‘Advertising Awareness’ by 21%.

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

To improve on the efficiency of media spending, Media Mix Modelling was conducted for Slovenia in order to better understand how different parts of the media mix, working in synergy with external variables, result in different levels of product applications and offers. These findings will serve as a basis for a further optimisation of the media strategy in the year 2024.

3.2. Expansion to Romania

During 2023, Addiko Bank assessed the possibility of expanding into a new CESEE market. The assessment revealed a range of opportunities in the Romanian market, driven by positive macroeconomic trends, low indebtedness, a stable banking sector and legislative digital readiness. The household debt to GDP ratio of only 35% illustrates a low level of indebtedness in the country, which provides an opportunity to grow in lending. As a Member State of the European Union with approximately 18.8 million inhabitants, Romania is one of the largest markets in the CESEE region. The country’s high rate of adoption of digital banking in recent years suggests the right fit for Addiko expansion plans.

The value proposition in retail banking in Romania centres on unsecured personal loans, followed by term deposits and savings accounts, which will be delivered via digital channels. As the Romanian market alone has a population equivalent to all other countries of CESEE where Addiko currently operates its network of banks, the expansion is expected to provide additional scalability for the Bank over the long term.

Addiko plans to enter the Romanian market with caution, carefully balancing investments, risks and a reasonable timeframe to generate value adding returns. Consequently, the Bank plans to apply a prudent approach in order to achieve maximum impact, while at the same time allowing for the calibration of its business practices and the full use of existing capabilities within the Bank.

The existing platform and business practices, digital infrastructure and expertise in risk management form the basis for the Bank’s purely digital entry into the Romanian market. The European passporting framework was selected as the optimal and primary choice for an efficient business model with minimal investment outlay.

Based on an assessment of operational, technical, regulatory, digital and business capabilities within the Bank, Addiko decided to enter the Romanian market.

4. Changes in the Management Board

Andraž Vrh was appointed by Supervisory Board as a new Management Board Member in in 2023. His responsibilities are products, information technologies and operations.

5. Branches

The Bank renovated the branch in Nova Gorica and opened a new digital branch in Ajdovščina. Both branches are aligned with the Addiko Bank Express branch concept. The Bank will continue to transform its branches into modern ones with added digital content.

At the year end of 2023, Addiko Bank operated a total of 20 branches in 16 major cities in Slovenia and 39 ATMs. This physical distribution is optimally sized to deliver Addiko Bank's Consumer and SME focused strategy, in the context of the increasing customer preference for digital channels.

6. Financial development of the Bank

6.1. Overview of financial performance

- **Operating result before impairments and provisions up 49.8% to EUR 41,669 thousand vs. EUR 27,826 thousand last year.**
- **General administrative expenses remained below guidance.**

- **Cost of Risk at 0.72% or EUR 9,455 thousand compared to EUR 5,747 thousand a year earlier.**
- **NPE ratio improved at 1.37% (YE22: 1.66%) with increased NPE coverage at 86.3% (YE22: 68.4%).**
- **Return on average tangible equity up to 12.5% (YE22: 9.8%).**

The **result after tax of EUR** 25,941 thousand (YE22: EUR 19,649 thousand) reflected the strong business development, successful repricing. Expected credit loss expenses stood at EUR 9,455 thousand or 0.72% Cost of Risk (YE23: EUR 5,747 thousand).

The **share of the two focus segments Consumer and SME** as a percentage of the gross performing loan book increased to 85% compared to 80.5% at year-end 2022. The overall customer gross performing loan book continued along its growth trajectory, expanding to EUR 846,388 thousand compared to EUR 767,624 thousand at the end of 2022 while the non-focus as well as the medium SME loan book decreased. The overall focus book grew at 10.3% YoY, while the focus portfolio excluding the medium SME loans showed significantly growth of 15.7%.

Net interest income achieved robust growth of 36.2%, rising to EUR 58,199 thousand (YE22: EUR 42,723 thousand) with improved NIM at 4.2% (YE22: 3.2%). **The net fee and commission income** decreased by 0.8% YoY to EUR 14,421 thousand (YE22: EUR 14,540 thousand), mainly related of cancelation of deposits excess liquidity fees mid of 2022 related to increased market rate and sales incentive, which was in 2022 booked under administrative costs. **General administrative expenses** increased to EUR 31,644 thousand (YE22: EUR 29,347 thousand) as result of the high level of inflation and business initiatives in order to support targeted revenue to execute business strategy. The cost-income ratio saw further improvement, reaching 43.6% (YE22: 51.3%), an improvement by 7.7 percentage points.

The **NPE ratio** stood at a historic low of 1.37% (YE22: 1.66%) at an improved **NPE coverage** ratio of 86.3% (YE22: 68.4%); **NPE ratio related to on-balance loans** came in at 1.60% (YE22: 1.82%), based on a **non-performing exposure (NPE)** of EUR 23,608 thousand (YE22: EUR 26,610 thousand).

The **CET1 ratio** stood at 19.8% (YE22: 20.2%).

6.2. Detailed analysis of the reported result

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022	(%)
Net banking income	72,619	57,263	26.8%
Net interest income	58,199	42,723	36.2%
Net fee and commission income	14,421	14,540	-0.8%
Net result on financial instruments	672	372	80.6%
Other operating result	22	-462	<-100%
Operating income	**73,313**	**57,173**	**28.2%**
General administrative expenses	**-31,644**	**-29,347**	**7.8%**
Operating result before impairments and provisions	**41,669**	**27,826**	**47.6%**
Other result	-6,415	-563	>100%
Expected credit loss expenses on financial assets	**-9,455**	**-5,747**	**64.5%**
Profit before tax	**25,800**	**21,516**	**19.9%**
Tax on income	141	-1.866	<-100%
Profit after tax	**25,941**	**19,649**	**32.0%**

Net banking income improved by EUR 15,356 thousand (27%) at year end 2023.

Net interest income increased significantly by EUR 15,476 thousand (+36.2%) to EUR 58,199 thousand at YE23 (YE22: EUR 42,723 thousand), driven by the focus segments Consumer and SME as well as income related to liquidity management and treasury. The Consumer segment recorded higher regular interest income of EUR 4,802 thousand on the back of an increased loan book volume (up EUR 50,230 thousand) compared with YE22 as Bank keep retained and further extended its premium pricing relative to incumbent banks. Lending consumer interest rates increase by +55bps YoY. The increase in the SME segment of EUR 9,786 thousand was driven by both higher loan volumes (up EUR +28,536 thousand YoY) as well as significantly improved loan pricing (interest rates on loans up +220bps YoY calculated 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. Interest income was additionally complemented by EUR 4,583 thousand derived from cash balances at central banks and EUR 2,514 thousand from investments in debt securities, reflecting the evolving interest rate environment. The regular interest income from the non-focus segment is higher by EUR 3,245 thousand, with the increase in interest rates outweighing the impact from the intentionally accelerated run-down of the non-focus portfolio (down EUR 34,940 thousand YoY). On the liabilities side, interest expenses naturally increased by EUR 10,178 thousand due to both higher customer deposit volumes (up EUR 130,127 thousand YoY), whereby the volume of term deposits increased by EUR 128,617 thousand, and the changed market environment (interest rate increased by 140bps YoY), while the a-vista/demand deposit increased by EUR 1,511 thousand (interest rate increased by 34bps YoY).

Net fee and commission income decreased from EUR 14,540 thousand at YE22, by EUR 120 thousand (-0.8%), to EUR 14,420 thousand at year YE23. Decrease is mainly related to deposits excess liquidity fee in 2022 (EUR 576 thousand in 2022) and shift of sales incentive from administrative costs to fee expenses in 2023.

The **net result on financial instruments** amounted to EUR 672 thousand at YE23, resulting from FX and related trading activities, compared to EUR 372 thousand at YE22. No income from the disposal of debt instruments measured at FVTOCI was recorded, in line with the new treasury strategy implemented in 2022 to invest excess liquidity in long-term and high-quality government bonds with the intention of holding them until maturity for the purpose of yield enhancement.

Other operating result as the sum of the other operating income and the other operating expense increased by EUR -484 thousand from EUR -462 thousand at YE22 to EUR +22 thousand at YE23. This position included the following significant items:

- Deposit guarantee expenses of EUR -622 thousand (YE22: EUR -502 thousand).
- Lower regulatory charges from the recovery and resolution fund (YE23: EUR -102 thousand, YE22: EUR - 357 thousand).
  Banking levies from ECB, SRB and national bank supervision of EUR -397 thousand (YE22: EUR -428 thousand).

General administrative expenses increased from EUR -29,347 thousand at YE22 to EUR -31,644 thousand in YE23.

- Personnel expenses increased by EUR -817 thousand to EUR 17,220 thousand in the reporting period. This increase was mainly driven by salary adjustments due to inflation pressure, highly competitive labor market. Additional increase is due to increased number of highly qualified employees. The number of employees expressed in full-time equivalent (‘FTE’) on 31 December 2023 was 323,25, an increase of 24.45 from 31 December 2022.
- Other administrative expenses increased by EUR -1,272 thousand to EUR -11,421 thousand driven by inflation related adjustments to the cost base, following business initiatives which support business growth and digitalization and start-up costs in connection with the planned expansion into Romania.
- Depreciation and amortisation increased by EUR -208 thousand to EUR -3,004 thousand.

Despite the increase in general administrative expenses, significantly higher net banking income led to an improvement of the cost/income ratio from 51.3% to 43.6% in 2023, down 7 percentage points compared to the previous year.

The **other result,** at EUR -6,415 thousand (YE22: EUR -563 thousand) was mainly impacted by one-off expenses reflecting the following circumstances:

- The National Bank was providing in 2023 additional guidance in relation to the treatment of early loan repayments (“Lexitor case”), which forced banks to specific behaviors despite the unclear legal situation.
- Furthermore, court practice regarding Swiss franc cases changed to the detriment of the banks during 2023. The changed circumstances, albeit in a very limited number of cases, were driving the recognition of additional provisions.
- Expenses were recognised in connection with customer-related operational risk cases.

Expected credit loss expenses on financial assets totaled EUR -9,455 thousand at year end 2023, an increase of EUR -3.708 thousand compared to YE22 (EUR -5,747 thousand. During 2023, Addiko performed a review of several Probability of Default (PD) and Loss Given Default (LGD) models and update the macroeconomic data used for PD calculations. The provisions in the YE23 financial statements include also post-model adjustments (PMA) of EUR 2.8 million, which is EUR 1.3 million higher compared to the PMA amount in the 31 December 2022 financial statements. The increase of PMA is based on the update of expected macroeconomic scenarios as well as changes in the Addiko Bank portfolio.

Tax on income increased to EUR 141 thousand at YE23 compared to EUR -1,866 thousand at YE22. The development reflects the higher result before tax in YE23 compared to YE22 and the positive impact from the remeasurement of deferred tax assets on existing taxable losses following the planned increase of the corporate income tax rate. By excluding the impact of deferred tax measurement on existing taxable losses in both reporting periods, the adjusted effective tax rate remained stable at 9.3% (YE22: 8.7%).

Overall, the **result after tax** increased significantly by 32% to EUR 25,941 thousand (YE22: EUR 19,649 thousand).

6.3. Detailed analysis of the statement of financial position

EUR thousand

	31.12.2023	31.12.2022	Change (%)
Cash and cash equivalents	225,377	180,954	24.5%
Financial assets held for trading	1,382	2,929	-52.8%
Loans and advances to credit institutions	50,676	50,229	0.9%
Loans and advances to customers	977,734	938,899	4.1%
Other financial assets	944	1,253	-24.7%
Investment securities	166,325	131,237	26.7%
Tangible assets	7,676	8,349	-8.1%
Intangible assets	2,234	2,192	1.9%
Tax assets	14,928	13,124	13.7%
Current tax assets	0	267	n.a.
Deferred tax assets	14,928	12,857	16.1%
Other assets	591	541	9.2%
Non-current assets held for sale	177	121	46.3%
Total assets	**1,448,044**	**1,329,827**	**8.9%**

The statement of financial position of Addiko continues to evidence with a simple and solid interest-bearing asset structure: 68% of the assets were represented by loans and advances to customers, predominately concentrated in the focus areas (YE23: 85% share; YE22: 80.5% share). In addition, a substantial part of the residual assets consisted of cash reserves and high-rated plain vanilla debt securities predominantly related to CESEE sovereign bonds.

Cash and cash equivalents increased by EUR 44,423 thousand to EUR 225,377 thousand as of YE23 (YE22: EUR 180,954 thousand) resulting still high liquidity and consequent high cash balances at central banks.

Loans and advances to credit institutions increased by EUR 447 thousand to EUR 50,676 thousand (YE22: EUR 50,229 thousand).

Loans and advances to customers increased by EUR 38,835 thousand or 4.1% to EUR 977,734 thousand (YE22: EUR 938,899 thousand). Their rate of growth was commensurate with Addiko's strategy to continue the accelerated run-down of lower yielding 'non focus' portfolio lending (exposures of housing loans, public sector and large companies) to change the business composition in favour of higher value-adding lending business in the focus segments: Consumer and SME. As a result of activities initiated under the Transformation Program and additional initiatives undertaken as part of the Acceleration Program, the focus segments continued their growth trajectory and grew loans by EUR 78.764 thousand to EUR 846,388 thousand (YE22: EUR 767,624 thousand), representing 85% of the total gross performing loans and advances to customers (YE22: 81%). The non-focus segments decreased as planned by EUR 34,940 thousand to EUR 150,632 thousand at YE23 (YE22: EUR 185,572 thousand).

Investment securities increased from EUR 131,237 thousand at YE22 to EUR 166,325 thousand at YE23. 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 made by EU group entities were classified in the Hold-to-Collect category, which increased during the reporting period from EUR 62,938 thousand to EUR 111,820 thousand.

Tax assets increased to EUR 14,928 thousand (YE22: EUR 13,124 thousand) mainly related to the positive impact from the remeasurement of deferred tax assets on existing taxable losses following the planned increase of the corporate income tax rate for next 5 years.

Compared to year-end 2022 the **total assets** of Addiko Bank Slovenia remained relatively stable and stood at EUR 1,448,044 thousand, up EUR 118,217 thousand or 8.9%. The total risk, i.e. risk-weighted assets including credit, market and operational risk, increased slightly by 2.2% to EUR 853,589 thousand (YE22: EUR 835,080 thousand) on the back of growth in the focus loan book and 10.9% growth of operational risk-weighted assets.

EUR thousand

	31.12.2023	31.12.2022	Change (%)
Financial liabilities held for trading	1,837	2,531	-27.4%
Financial liabilities measured at amortised cost	**1,224,610**	**1,117,893**	**9.5%**
Deposits from customers	1,160,990	1,029,784	12.7%
Deposits from credit institutions	32,540	58,636	-44.5%
Certificates of deposits	0	50	-100.0%
Issued bonds, subordinated and supplementary capital	15,014	15,009	0.0%
Other financial liabilities	16,066	14,414	11.5%
Provisions	8,302	5,551	49.6%
Tax liabilities	598	0	-
Other liabilities	2,333	2,354	-0.9%
Equity	210,364	201,499	4.4%
Total equity and liabilities	**1,448,044**	**1,329,827**	**8.9%**

On the liabilities' side, **financial liabilities measured at amortized cost** increased by 9.5% to EUR 1,224,610 thousand compared to EUR 1,117,893 thousand at year end 2022:

Deposits from credit institutions decreased from EUR 58,636 thousand to EUR 32,540 thousand at YE23.

Deposits from customers increase by EUR 12.7% to EUR 1,160,990 thousand (YE22: EUR 1,029,784 thousand) The solid funding profile is one of the strengths of the Addiko Bank, which drives its low dependence on market funding. Share of a-vista decreased from 60.7% at the end of 2022 to 54.1% at the end of 2023.

Issued bonds, subordinated and supplementary capital included subordinated debt from group in amount of EUR 15,014 thousand at YE23 (YE22: EUR 15,009 thousand).

Other financial liabilities increased from EUR 14,414 thousand at YE22 to EUR 16,066 thousand in YE23 mainly due to higher liabilities to credit cards.

Provisions increased from EUR 5,551 thousand at YE22 to EUR 8,302 thousand at YE23. This position included mainly credit-linked and portfolio-based provisions in connection with expected court rulings on Swiss franc denominated loans as well as provisions for proportional fee reimbursements in case of early loan repayments ('Lexitor case'). This position additionally included Commitments and guarantees given, Other long term employee benefits, Pensions and other post employment benefit obligations and provisions for variable performance-based bonus expenses.

Tax liabilities increased from EUR 0 thousand at YE22 to EUR 598 thousand at YE23. The Bank had a tax liability in amount of EUR 598 thousand at YE23 because the profit in 2023 was higher than in 2022 and the advance payments were too low, resulting in a tax liability at the end of the year. In 2022 the profit was lower than 2021, consequently the advance payments paid were too high and consequently the tax receivable and payable were 0.

Other liabilities at EUR 2,333 thousand and in line with previous year (YE22: EUR 2,354 thousand).

Equity rose from EUR 201,499 thousand to EUR 210,364 thousand driven by the higher year end result in YE23 compared to previous year, as well as the positive development in the other comprehensive income which mainly reflecting the recovery of market values and the related fair value measurement of debt instruments measured at FVTOCI. As disclosed in the YE22 Financial Statements, the current classification of the debt instruments under business model Hold-to-Collect and Sell and the related fair value measurement is not fully reflective of the new business and treasury strategy to invest in long-term high-quality bonds and hold them to maturity for yield enhancement purposes. For this reason, Addiko is expecting that the current negative fair value reserves 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.

7. Capital and liquidity

As of 31 December 2023, the capital base of Addiko Bank comprised solely of Tier 1 (CET1) and Tier 2 (T2) and Total capital (TC) stood at 19.83% (YE22: 20.15%), significantly above the currently applicable requirements and the Pillar 2 Guidance (P2G) of 17.78% in total (YE22: 15.75%).

Regulatory capital requirements

The Overall Capital Requirement (OCR) for the Addiko Bank was 14.53%, consisting of:

- 11.25% Total SREP Capital Requirement (TSCR), comprising an 8.00% Pillar 1 requirement and a 3.25% Pillar 2 requirement and
- 3.28% Combined Buffer Requirements (CBR), comprising a 2.50% Capital Conservation Buffer (CCB), a 0.5% Counter-Cyclical Capital Buffer (CCyB) and 0.28% Systemic Risk Buffer (SyRB).

The Pillar 2 Guidance (P2G) amounts to 3.25%. The regulator therefore expects Addiko Bank to maintain a Total Capital Ratio of 17.78% (11.25% SREP requirement, plus 3.28% CBR, plus 3.25% P2G).

Compared with 31 December 2022 the following changes came into effect:

The CCyB increased from 0.0% to 0.5% driven by increasing systemic risk in Slovenian banking system because of the growing uncertainty in the economic environment.

- Systemic risk buffer is related to sectoral exposures in the Republic of Slovenia in the following amount:
  - 1.0% for all retail exposures to natural persons secured by residential immovable property and
  - 0.5% for all other exposures to natural persons.

The 2023 SREP decision includes a decrease of the P2G from 3.25% to 3.00% valid from 1 January 2024.

Own funds

Own funds according to the CRR consist of Common Equity Tier 1 (CET1) and Tier 2 (T2). In order to determine the capital ratios, each respective capital component – after application of all regulatory deductions and filters – is considered in relation to the total risk amount. The determination of eligible total capital in accordance with the applicable regulations is based on international accounting standards.

The Bank during the year 2023 and 2022 did not use any transitional rules when calculating capital adequacy.

During the reporting period, the capital base decreased by EUR 2,029 thousand reflecting the following components:

- A decrease by EUR -2,998 thousand of the Tier 2 due to amortisation,
- An increase by EUR 2,505 thousand of the other comprehensive income due to the valuation of debt instruments,
- An increase by EUR 4 thousand of the retained earnings,
- An increase in regulatory deduction items in the amount of EUR -1,540 thousand as net impact of increase in deferred tax assets on existing taxable losses (EUR -2,529 thousand), increase in intangible assets (EUR -186 thousand), decrease of adjustments due to prudential filters (EUR 16 thousand) and decrease of deduction item for additional allocation of provisions for credit risk (EUR 1,158 thousand based on Commission Delegated Regulation (Eu) No 183/2014 of 20 December 2013 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments).

The Risk-weighted assets (RWA) increased by EUR 18,509 thousand during the reporting period, whereby EUR 10,935 thousand RWA increase is related to operational risk where the basis for the calculation is based on the three-year average of relevant income, the RWA for credit risk increased by EUR 8,052 thousand, mainly driven by new disbursements in the focus segments Consumer and SME.

Please refer to note (67) of the condensed financial statements for further details on this topic.

Liquidity position

The liquidity position of the Bank remained strong, thus meeting the liquidity indicators high above the regulatory requirements. The economic focus was on inflation and, as a result, potential liquidity crises and how these can be overcome or managed within the Bank. The Bank holds a very strong liquidity, which is well above the risk appetite with the Liquidity Coverage Ratio (LCR) moving between its lowest level of 185.6% in May 2023 and its peak of 251.6% in December 2023 well ahead of the minimum required coverage of 100%. As of December 2023 the LCR was at 251.6%.

Unencumbered liquidity reserves of the Bank amounted to EUR 140.3 million, corresponding to 9.7% of total assets (31 December 2022: EUR 105.7 million, 7.9% of total assets). Debt securities portfolio increased from EUR 118,4 million at YE22 to EUR 152,9 million at YE23.

The banking book securities, which accounted for 45.9% of the Banks's liquidity reserves (31 December 2022: 46.2%), are largely comprise and investment grade government bonds mainly issued by governments of the CESEE region.

The main funding base of Addiko ank predominately consists of customer deposits, especially in the retail segment, which represent a highly stable and steadily growing base. The Bank Loan to Deposit ratio (LTD), the ratio between net loans to customers and deposits from customers stood at 84.3% (YE22: 91.2%) which represents a very comfortable level and provides Addiko Bank with potential for further customer loan origination.

8. Market and operations development

8.1. Consumer Banking

Strategy

Addiko's strategy is to offer modern banking, focusing on products for the essential needs of customers via unsecured loans and payments. This approach is communicated in a simple and transparent manner and delivered efficiently via a hybrid distribution approach, utilizing both 20 physical branches and modern digital channels. The Consumer segment focuses on unsecured lending, followed by account packages, regular transactions and cards. Addiko Bank also dedicates substantial efforts to continuously improving its digital capabilities and is recognized in the market as a digital challenger with digital products and services such as Webloans and mLoans online capabilities.

Consumer YE23 Business review

Despite a continuous margin pressure on the market and competing on the price, Addiko Bank focused on its strategy in order to differentiate and gain market share. Main incremental drivers are:

- Digital E2E as differentiated USP towards competition,
- Significant expansion in the partnership acquisition through the use of new digital platforms which is being upsold to regular lending products,
- Leveraging proactive customer acquisition using Bank@Work and CRM channels,
- Process automation with an optimised set of required data and documentation.

The consumer segment is divided into two departments, the sales force, covering the complete business network and other sales channels, including partnerships, and the product and segment management, comprising support, services management and sales channel management.

In the sales network, the Bank continued with activities for boosting the efficiency of sales, the purpose of which was to increase the number of services per client and reduce the time necessary to render a service. The sales results and analysis of the Bank's clients' opinions show that the activities had a positive effect on client satisfaction and have improved the sales network's efficiency.

Through a professional, business and trustworthy relationship, the Bank also continued with intense cross-sales activities within the "Bank@Work" project, aimed at the Bank's business customers' employees, with retail consultants offering them customised financial solutions at their workplace.

The Bank complemented its sales activities through product-oriented campaigns guided by the Marketing & PR Department and the results of individual campaigns have been monitored.

The segment result is driven by the business strategy to focus on consumer lending and payments while reducing the mortgage portfolio. The results of the Bank's strategy are evident in the number of services sold per customer, per employee as well as per branch office.

The Product Management and Marketing & PR departments followed the strategy and, in cooperation with other departments, made sure that the processes ran smoothly. Activities related to process product changes and marketing support were coordinated together with monthly branch plans. During 2023 the Bank ran the strategy of gaining new customers by adapting products and services and targeting smaller consumer segments along with introducing new as well as improved sales channels through partnerships and point of sale loans.

8.2. SME Banking

Strategy

Addiko's strategy is to offer modern banking, focusing on products for the essential needs of customers via unsecured loans and payments. This approach is communicated in a simple and transparent manner and delivered efficiently via a hybrid distribution approach, utilizing both 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. 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 less value-adding medium-size SME lending, Addiko managed to increase its overall loan book in this segment while driving both interest and commission income growth.

In 2023 Addiko Bank has managed to increase the overall loan book volume in standard segment which exceeded EUR 100 mio. With the strengthening of the standard segment and focus on small and medium-sized enterprises, Addiko Bank withdrew from the financing of the large enterprise segment, while the provision of documentary business services remains important also in this segment.

Addiko Bank's SMEs services are also based on convenience and the development of the products is aimed at highly digitalized ones that offer a competitive advantage. The lending platform and further optimization of lending process have enabled customers to obtain a loan and open a business account in a short time (the process was reduced from 2 days to only 10 minutes) with the minimum required documentation (now only 4 documents are needed compared to previous 14) and represent excellent user experience for customers. 80% of new accounts are opened with new onboarding process. Digitalization of business operations to improve the user experience will remain the primary goal of the Bank's development also in the coming years.

SME YE23 Business review

Year 2023 was successful for the Bank in all strategic areas of business operations. The Bank's greatest success was in focusing on smaller segments (especially micro, which refers to companies with annual gross revenue up to EUR 1.5 mio, with higher yields) and additionally optimized lending and onboarding process with less documentation, which enables faster time-to-yes and time-to-cash loan lending. Digitalisation of lending and client onboarding processes (focusing on E2E processes) is one of the key strategic tasks within development initiatives.

SME business is showing visible growth, transformation program continued yield results in business development. With strong focus of sales staff on targeted numbers and innovative approach of addressing potential customers Addiko Bank exceeded the budgeted goals of increasing the number of new customers and the volume of approved/disbursed loans. Although branches maintain the most important channel for servicing clients, Addiko Bank is testing different approaches for addressing new clients (sales calls, web form…) with the goal to increase process speed and achieve higher level of user experience for the clients.

While we expect a continuous margin pressure on the market, Addiko Bank strategy is focused on digital and underserved client segments, which allow the Bank to differentiate and gain market share. Main incremental drivers are:

- Building E2E lending as differentiated USP towards competition,
- Expanding USP to ancillary lending & non-lending products, coupled with non-proprietary products with the goal to establish an ecosystem for SME clients.

9. Sustainability

9.1. Managing Sustainability in 2023

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

9.2. Transparent Reporting

Addiko Group published its Sustainability Report according to the Corporate Sustainability Re-porting Directive (CSRD) for the first time in 2023, underscoring Addiko's proactive approach to fulfilling the recently adopted European Sustainability Reporting Standards (ESRS). Addiko has voluntarily adopted a best-effort basis in the application of these standards. This initiative provided Addiko with an opportunity to review its methodology for assessing impacts, risks, and opportunities using the double materiality approach. Additionally, Addiko established diligent data gathering processes to collect quantitative ESG data for further reporting and steering measures throughout Addiko Group. By fostering transparent reporting mechanisms, Addiko aims to provide stakeholders with insights into the results of its environmental, social, and governance policies, thereby reinforcing its commitment to responsible banking practices.

9.3. Climate-Related Risk Assessment

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

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

9.4. ESG Strategy

In 2023, Addiko presented a comprehensive ESG strategy, closely linked to its business and risk strategy, outlining targets to achieve its sustainable development ambitions. This strategy focuses on four key areas within the UN Sustainable Development Goals, supported by 15 Group-wide initiatives with clear targets and performance indicators. A dedicated working group steers the implementation of these initiatives within Addiko and provides regular updates on the implementation process. Addiko's commitment to achieving these goals promotes ESG awareness and sustainable performance.

9.5. ESG Governance and Responsible Practice

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

9.6. Stakeholder Engagement

Addiko places great importance on engaging with its stakeholders, including customers, employees, shareholders, and regulatory authorities. At present, Addiko is in process of 17 formalizing processes to facilitate regular exchanges with both internal and external stakeholders, ensuring that their concerns are not only heard but also integrated into its sustainability initiatives. A significant aspect of this engagement strategy involves enhancing sustainability awareness among employees through a series of internal and external training initiatives. By fostering a culture of sustainability and shared responsibility, Addiko aims to empower its workforce to actively contribute to the company's sustainability goals and initiatives.

9.7. Looking Ahead

As Addiko continues along its sustainability journey, it remains committed to setting ambitious ESG goals and actively engaging with stakeholders to drive positive change. Having initiated the implementation of ESRS disclosure requirements in 2023 on group level, Addiko is dedicated to further improving the data collection processes, ensuring preparedness to fulfil the reporting obligations in 2024, while enhancing the target setting and execution of further ESG initiatives.

10. Research & Development

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

In the Consumer segment, Addiko Bank's top priority in 2023 was the development of an end-to-end lending process tailored to consumers. Bank has developed a lending process for amount up to EUR 10.000 where, on average, it takes less than 30 minutes from start to loan disbursement on user's account at the other bank in Slovenia.

By aligning the various different levels of digital maturity and the customer preferences in Slovenia, an online lending process was introduced that includes the possibility of customer identification via a staff member of the Slovenian Post Office, with loan contracts exchanged digitally. This permits customers who are reluctant to use remote methods for identification or digital certificates for signatures to access Addiko's services from the comfort of their own home. Addiko is constantly rethinking and streamlining its processes to provide customers with more accessible and easier to use products and services via ongoing optimisation and adaptation in accordance with local market customs applicable regulations.

During 2023, Addiko continued to work on the development of its mobile banking app, with a special focus on improving the user interface and user experience, which is considered an essential element for the success of mobile banking apps.

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

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

11. Analysis of non-financial key performance indicators

11.1. Human resource management

In 2023 human resources management was mainly based on the continuation of well-established practices, such as an effective onboarding and mentoring program, and strengthening the partnership with Directors of divisions and/or departments to address various human resources topics (education, planning, promotion, goal setting, finding suitable staff, developing leadership skills, reorganizations…). By this the Bank is proactively addressing current human resources market trends and above all retention measures.

One of the important milestones in 2023 was the introduction of retention management aimed at the pool of the Bank's successors and talent pool. Special endeavors were aimed to create and advance Talent management program, besides already established and redefined ones, a new Retail Talent Academy was established, aiming at all talents within the consumer sector, which is one of the core sectors within the Bank. The second important step was made in further development of Addiko Coaching Academy for Managing Directors, within which the management was provided with leadership coaching skills to better enable stimulating environment for employees' development and better provide with opportunities and challenges to realize one's potential and leave a mark. Additionally individual mentoring and coaching support for management level was provided by certified coaches to proactively address leadership skills' development. In learning and developmental endeavors proactive development of skills and competencies needed by teams to work proactively in the coming years, when major changes in the banking market are expected, has been made. Towards the end of the year the new Addiko Values communication project was introduced with a plan of execution in 2024. Throughout communicating Addiko Values it is aimed that employees feel even stronger connection to the Bank business strategy.

Further on the Bank actively promoted well-being activities and provided additional benefit for employees in providing a partial reimbursement of costs for specialist medical examination. It also strengthened internal in-person events and promoted teambuilding events for further integration of team relationships. The Bank continued to promote its Inclusion and Diversity Strategy, which structurally and systematically takes care of a balanced management structure, balanced gender treatment and respects the principles of equal treatment and opportunities for all employees and prevents any discrimination.

The Bank is proud of its full Family-Friendly Company Certificate, which proves that the Bank lives in accordance with the principles of the certificate and trusts its employees and encourages them to act responsibly in many areas.

By sound human resources strategies and processes the Bank puts employees at the center of its business, as it is aware that employees are the foundation of growth and success. The Bank is determined to continue implementing the planned measures and thus maintain its status of a competitive and attractive employer on the Slovenian market.

Addiko Bank Slovenia Gender Diversity Status in 2023:

Management level	Number of employees based on gender diversity (Female to male ratio)
Senior management	35.7% : 64.3%
Management Board	33.3% : 66.7%
Supervisory Board	33.3% : 66.7%
Total Bank	34.7% : 65.3%

At the end of 2023, the Bank had 334 employees.

Year	Number of employees on 31.12.	Number of employees based on working hours*	Average number of employees
2023	334	323.25	323.75
2022	314	298.75	316.7

*The number of employees calculated based on working hours shows the real number of employees in the company. There are a certain number of employees who, due to the nature of their work and their responsibilities, have employment contracts with the Bank.

11.2. Educational structure

The educational structure of the Bank's employees is at a very high level.

Level of education	Number of employees based on educational structure
IV. vocational secondary education	1
V. secondary education	114
VI. non-university higher education courses	28
VII. higher education programs, university programs	178
VIII. university degree specialisation, diploma of Master of Science	13
Total on 31.12.2023	**334**

11.3. Recruitment

Selection and recruitment of new employees is based on the clearly defined needs of individual organisational units and strategic work force planning that is defined during the business planning process each year.

Priority is given to internal recruitment, during which Addiko Bank takes the ambitions of employees into account and thus enables career development of employees with transitions from one job to another. In 2023 special attention was given to pool of internal successors and talents to enable their career progression.

In 2023, the Bank continued employer branding activities with EVP (Employee Value Proposition) to attract external candidates and build a solid employer brand by communicating innovative community culture, supportive environment for career development, stressed flexibility and hybrid working model within job positions where the model is applicable. The final selection of candidates is based on a strategy and principles that ensure equal treatment and equal opportunities of all qualified candidates and thus the prevention of discrimination.

The candidate selection is based on their expertise, attitude towards the job, culture fit to the Bank's values and behaviours as well as personal characteristics that are identified during the selection process.

For key functions in the Bank, an assessment of the applicant's ability and suitability (Fit & Proper) is also carried out under an internal procedure complying with all local and European legal and regulatory standards and guidelines.

The Bank successfully addressed the challenges on the current hiring market and also further stressed internal promotion and job rotation. Highly skilled individuals, whether employees or external candidates, can find an opportunity to innovate, develop their own projects and initiatives, be proactive and take the initiative.

11.4. Education and training

Addiko Bank believes that only highly qualified staff can follow the needs, trends and challenges of the Slovenian financial market. For this reason, the Bank provides constant and comprehensive expert training to all employees. To achieve the Bank's business objectives, there are three exposed areas in the Addiko Academy, which offers several sets of curriculums: Addiko Leader, Addiko Sales, Addiko Risk Management. Individual development is also promoted through a specific focus upon key employees.

Each year, various internal trainings are organised in accordance with the Bank's needs. In 2023, the focus was to further elevate leadership skills of senior leaders and directors of individual departments, where Addiko Coaching Academy was further developed, and leadership structure was continuingly trained in leading with coaching skills. Additionally, an individual support of certified coaches and mentors was introduced to managerial structure. As special attention was focused to retention of successors and talents on all levels in the Bank, evolvement of specific skills within this pool was identified and addressed through various training, mentoring, coaching and project assignment interventions. Identified talents attended trainings conducted by Addiko Leadership Academy and additionally a Retail Talent Academy was created, providing extensive curricula to talents in one of the Bank’s core sectors – consumer. As each year the Bank provided assessments using the 360 Degree Feedback tool, which provides feedback to plan further leadership development. In addition, many professional, compliance and legally required trainings are continually offered to our employees, ensuring upgrading of their knowledge. In 2023 the Bank continued to perform its online learning via its own Learning Management System (LMS). Employees participated in training in the field of Data Protection, Raising Awareness of the Importance of Fraud Risk, Anti Money Laundering and Terrorist Financing Detection and Prevention, Security Awareness, Compliance, so in 2023 further emphasis was placed on awareness and preventive actions of employees. The Bank continued its mentoring program in 2023, which was very well received when it was introduced in 2020. This year also, the response of mentor couples was above expectations, so the Bank will upgrade the program in the future and enable even better internal visibility of the program.

All new employees who joined Addiko team were systematically introduced to all the Bank segments and contents through the LMS. Additionally, this year they received an extensive introduction via onboarding activities, which were additionally strengthened, and a special internal portal was established for introduction of all the Bank’s departments and segments.

The Bank also enables employees to obtain various finance and insurance licenses that are necessary for professional work and at the same time provides mandatory training to maintain them.

11.5. Corporate Social Responsibility projects for employees

Addiko Bank takes pride in the commitment to corporate and social responsibility. From 2016 the Addiko Cares project stands as a testament to the Bank's dedication to making a positive impact on both the employees and the communities we serve.

Employee Engagement: A Community United

Addiko Cares has successfully engaged over 60% of dedicated employees in a variety of impactful activities in 2023. Their enthusiasm and collective effort have played a crucial role in fostering a sense of community and shared responsibility.

Supporting Victims of Summer Floods and Aiding Firefighters in Flood Mitigation Efforts

In response to the devastating summer floods in Slovenia, Addiko Bank's employees within Addiko Cares initiative rallied together to collect voluntary contributions for the victims. The employees' action, initially conceived to help colleagues affected by the floods, was also supported by Addiko Bank Management Board. Recognizing the vital role played by firefighters in mitigating the impact of floods the funds collected by the employees were not only matched but doubled by the Bank and allocated to the volunteer fire brigades PGD Rečica ob Savinji, PGD Pobrežje pri Savinji and PGD Rakitovec, which lost much-needed equipment in the fight against raging water. This initiative not only showcased the generosity of Addiko Bank's workforce but also demonstrated the Bank's corporate commitment to standing by those in need. The aim was not only to contribute to immediate relief but also to support the courageous individuals working tirelessly on the front lines.

Local Impact: Ajdovščina Branch Opening and Sožitje Association Donation

With the opening of a new branch opening in Ajdovščina, the Bank sought to integrate with the local community. Social responsibility and humanitarian activity of Addiko Bank are important foundations of operation and cooperation. Addiko Bank’s arrival in the local environment was therefore accompanied by a donation in the amount of EUR 1,500, dedicated to the inter-municipal society for helping people with intellectual disabilities, Sožitje Ajdovščina-Vipava. The funds will be used specifically for programs of social inclusion and assistance to families with people with intellectual disabilities. This initiative reflects the Addiko Cares commitment to fostering inclusivity and supporting local causes that make a meaningful difference.

By the end of the year within the opening of renovated branch in Nova Gorica the Bank donated to the local fire brigade PGD Nova Gorica a sum of EUR 1,500 for the purchase of new firefighting gear to replace and renovate equipment damaged in previous year fires in Karst region.

Driving Sustainability: Electric Car Charging Stations for Ajdovščina and Velenje

As part of the commitment to Environmental, Social, and Governance (ESG) initiatives, the Bank, in collaboration with Mastercard, embarked on a transformative "Green challenge" campaign aimed at promoting sustainable practices. During the campaign period from 16 October to 23 December 2023, Addiko Mastercard users demonstrated their commitment to a greener future. For every 150,000 transactions made with Addiko Mastercards, they pledged to donate one electric car charging station to a local community within the Addiko branch network.

The campaign exceeded all expectations, accumulating over 390,000 transactions. As a result, the Bank fulfilled the promise by donating two electric car charging stations – one each to the communities of Ajdovščina and Velenje. These charging stations, powered by Addiko & Mastercard, will stand as tangible contributions to fostering sustainable mobility and reducing Addiko Bank's collective carbon footprint.

Empowering Emergency Response: Donation to Ljubljana Firefighters' Dispatching Center

In the pursuit of excellence and commitment to the USP of being »*your best choice for fast cash loans*«, Addiko Bank initiated a "Broken Promise" campaign, challenging itself to disburse loans within an ambitious 60-minute timeframe. Remarkably, the Bank's dedicated team exceeded expectations, with an average disbursing time of 21.3 minutes and 99.4% of loans disbursed in under 60 minutes. As promised, for the only two instances where the 60-minute mark has not been met, the Bank upheld its commitment to transparency by returning loan processing fees to the customers and providing their loans with 0% interest. Demonstrating the Bank's dedication to community welfare, the funds originally budgeted for more of these returns found a purposeful home in the enhancement of the speed of emergency services. The Bank donated EUR 5,000 to the Ljubljana Firefighters' Dispatching Center. This contribution aims to improve their reaction time to emergency calls, ensuring a faster and more effective response in critical situations. It reflects the belief in the importance of speed not only in financial services but also in supporting those who play a crucial role in ensuring the safety and well-being of the community.

In summary, Addiko Cares continues to be a beacon of Addiko Bank's corporate and social responsibility efforts. Through the active participation of employees and impactful projects, Addiko Bank remains dedicated to creating positive change in the lives of those it serves and the communities it calls home.

11.6. Performance and development interviews and target-oriented management

In 2023, the Bank continued the Addiko Performance Management Cycle through which employees are evaluated and rewarded. The aim of continual performance feedback and the year-end performance review is to ensure successful individual performance, elevating the operations of the Bank on a long-term basis. The Performance Management Cycle expects that individual targets are set annually, reviewed at least twice during the year and reviewed again at the beginning of the new year. The objective is to provide systematic, professional and personal feedback and development of the managerial staff and employees.

11.6.1. BONUS SYSTEM

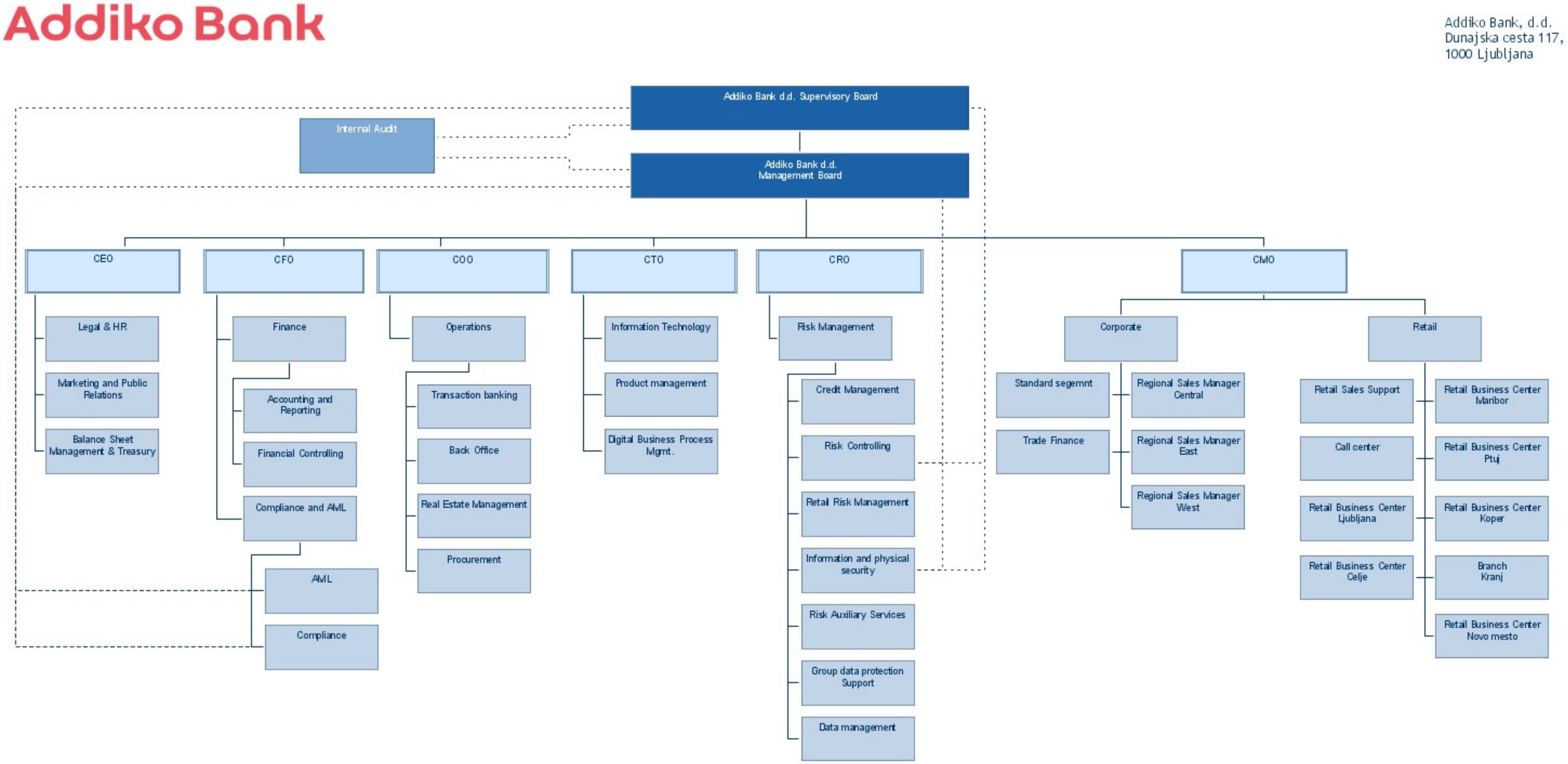
The Bank's bonuses are awarded within the variable payment framework and are closely linked to target-oriented management. By applying individual bonuses, the Bank would like to reward an individual's performance when demonstrating the extra-mile. They also aim to motivate teamwork and achievement of targets as a team.

11.6.2. REMUNERATION POLICY

The remuneration policy is governed by the provisions of the applicable legislation, the CEBS guidelines, the Bank of Slovenia decisions and EU directives on capital requirements. The policy clearly sets criteria and conditions for the payment of various bonuses to the managerial staff and employees. In accordance with the aforementioned acts the Bank also determines key functions that may, due to the scope of work tasks and activities, significantly influence the Bank's risk profile.

11.7. Organisation of the Bank

11.7.1. ORGANISATIONAL CHART



Solid line: disciplinary and professional supervision. In case of Internal Audit, Compliance, AML, Data Protection and Information and Physical Security and Risk Controling: responsibility for daily operative requests required for smooth operation of the organisational unit, tasks are carried out independently by these functions.

Dotted line: In accordance with relevant legal regulations, it represents direct access and possibility to report to the Supervisory Board and/or Management Board.

11.8. Supervisory Board

The Supervisory Board of the Bank is comprised of six members. On 31 December 2023, the members of the Supervisory Board were:

- Edgar Flaggl, Chairman of the Supervisory Board,
- Joško Mihić, Deputy Chairman of the Supervisory Board,
- Georgiana Grigore, Member of the Supervisory Board,
- Tanya Šplajt-Brainović, Member of the Supervisory Board,
- Klemen Brenk, Member of the Supervisory Board and
- András Ferenc Matern, Member of the Supervisory Board.

The Supervisory Board met five times in 2023, of which four times for regular meetings.

The Bank also has two Committees of the Supervisory Board, which are:

- An Audit Committee comprising four members, all members of the Supervisory Board: Edgar Flaggl, Chairman, Joško Mihić, Deputy Chairman and Members Klemen Brenk and Tanya Šplajt-Brainović. In 2023, they met four times.
- A Risk Committee comprising four members, all members of the Supervisory Board: András Ferenc Matern, Chairman, Georgiana Grigore, Deputy Chairwoman, Edgar Flaggl and Joško Mihić, Members. In 2023, they met five times, of which four times for regular meetings.

11.9. Shareholders Assembly

The Management Board of the Bank convenes the Shareholders' Assembly meetings in cases laid down by law or in the Articles of Association or when this benefits the Bank. One Shareholders' Assembly meeting was convened in 2023.

At the Shareholders' Assembly meeting, the Shareholders exercise their rights in accordance with the provisions of the Companies Act. Addiko Bank's Shareholders' Assembly is universal, as the Bank only has one shareholder; it is 100% owned by Addiko Bank AG. The shareholder exercises its rights by proxy voting. The proxy is chosen for each meeting individually.

In 2023, the Shareholders' Assembly acknowledged the audited 2022 Annual Report, the 2022 Internal Audit Annual Report and decided on the utilization of the accumulated (net) profit.

11.10. Committees and Commissions of the Bank:

- Liquidity Commission - LICO,
- Bank Credit Committee,
- Assets and Liability Committee – ALCO,
- Risk Executive Committee – RECO,
- Capital Steering Group – CSG,
- Operational Risk Management, Internal Control System, Reputation Risk Management Committee (OpRisk Committee) and Security Committee,
- Change Management Committee – CMC,
- Outsourcing Committee,
- PPSC - Project portfolio steering committee.

The objectives, tasks, authorisations and composition of the committees and commissions are laid down in the Rules on Organisation and Job Systematisation of the Bank as well as in the Rules on the Powers, Authorisation and Signatories in the Bank, while the operation of the Bank's bodies is governed by various rules of procedure or other internal acts.

12. Internal Control System for accounting procedures

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

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

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

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

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

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

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

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

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

13. Non-financial report

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

14. Other disclosures

Supplementary information required by the Bank of Slovenia

In compliance with the Bank of Slovenia Decision on business ledgers (Ur. l. RS, št. 67/17,73/19, 164/20) and annual reports of commercial and savings banks (29.11.2021), the following additional data are presented below for a period of three years:

EUR thousand

INDICATORS[1]	2023	2022	2021
1. STATEMENT OF FINANCIAL POSITION			
Total assets	1,448,044	1,329,827	1,370,383
Total deposits by the non-banking sector, measured at amortised cost	1,160,990	1,029,784	1,022,462
a) by legal and other persons carrying out economic activity	449,288	501,845	561,857
b) by retail sector	711,702	527,939	460,605
Total loans to the non-banking sector	952,113	932,571	941,237
a) legal and other persons carrying out economic activity	419,204	407,284	419,327
b) retail sector	532,910	525,287	521,909
Total capital	210,364	201,499	187,181
Valuation adjustments and credit loss provisions	34,411	31,979	31,660

Off-balance sheet operations	283,710	283,649	310,442
2. INCOME STATEMENT			
Net interest	58,199	42,723	38,638
Net non-interest income	15,542	15,779	15,751
Labor costs, overhead and administrative costs	30,256	28,474	26,588
Amortisation and depreciation	3,004	2,796	2,796
Impairments and provisions (credit losses)	-9,455	-5,747	1,618
Pre-tax profit or loss from continuing and discontinued operations	25,800	21,515	26,409
Corporate income tax from continuing and discontinued operations	-141	1,866	1,125
Other comprehensive income, before tax	3,038	-6,406	-1,104
Corporate income tax from other comprehensive income	-464	1,219	216
Number of branches	20	19	18
3. INDICATORS			
a) Capital			
Common Equity Tier 1 ratio	19.83%	20.15%	20.23%
Core Tier 1 ratio	19.83%	20.15%	20.23%
Total capital ratio	20.73%	21.44%	21.82%
Financial leverage ratio	11.16%	11.81%	11.81%
b) Profitability			
Interest margin	4.3%	3.2%	2.7%
Margin of financial intermediation	5.4%	4.4%	3.9%
Return on assets after tax	1.9%	1.9%	1.8%
Return on equity before tax	13.1%	13.4%	13.5%
Return on equity after tax	12.5%	12.9%	12.9%
c) General administrative expenses			
General administrative expenses /Average assets	2.4%	2.3%	2.1%
e) Credit risk			
Non-performing (balance sheet and off-balance-sheet) exposures/classified balance sheet and off-balance sheet exposures	1.4%	1.7%	1.7%
Non-performing loans and other financial assets/classified loans and other financial assets	1.7%	1.9%	2.2%
Non-performing loans and other financial assets/classified loans and other financial assets	1.8%	2.0%	1.9%
Valuation adjustments and credit loss provisions/non-performing exposures	86.5%	65.5%	57.9%
Valuation adjustments and credit loss provisions/non-performing exposures	86.5%	65.5%	57.9%
Received collateral/non-performing exposures	40.6%	38.0%	36.5%

EUR thousand

INDICATORS	2023	2022	2021
4. EMPLOYEES			
at year-end	334	314	321
5. SHARES AT YEAR-END			
number of shareholders	1	1	1
number of shares	41,706	41,706	41,706
share book value (EUR)	5.0	4.8	4.5
Nominal value of share	2.1	2.1	2.1

1) The indicators are calculated in accordance with the Instructions for the preparation of the statement of financial position, income statement and statement of comprehensive income and the calculation of indicators of operations of banks and savings banks (29.11.2021)

	1.-3. 2023	4.-6. 2023	7.-9. 2023	10.-12. 2023
d.) Liquidity				
Liquidity coverage ratio	237.5%	194.2%	208.5%	243.0%
Net stable funding ratio	138.4%	140.7%	140.5%	148.0%

15. Outlook 2024

To achieve these objectives, Addiko intends to further accelerate its specialist strategy execution in the Slovenian market during 2024, focusing on sustainable business growth in the focus segments Consumer and SME, with a particular focus within SME on micro and small enterprises and the overall ambition to become the leading specialist bank for these segments. Addiko's prudent risk approach will remain a key anchor for the loan growth generation.

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 Bank 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 such as the Acceleration Program to generate sustainable and visible saving effects.

In this context, we expect consumer spending to slightly increase, which will benefit predominantely our retail cluster in the area of consumer loans, whereas short term overdrafts are expected to somewhat decrease, given the current higher short term interest rates and an inverted interest curve all together. Addiko in Slovenia has benefited and will benefit from not operating in real estate financing which has come almost to a complete halt in Slovenia during the past two years.

In corporate financing (micro, small and middle sized companies) we expect demand to stay on the current level, with possible slight increase in the second half, with companies becoming more investment oriented as interest rates are expected to decrease in Q3 and Q4 of 2024. We further expect the maturity of loans to somewhat increase.

Inflation is expected to stay slightly above the European Monetary Union's average but with a decreasing trend and shall be staying significantly above the ECB's target of 2%. The main inflationary pressures stemming from high energy prices, are partly related to political and geostrategic events outside Slovenia and are difficult to quantify for 2024 but shall be dependent on Slovenia's capability to further decrease its dependency on Russian Gas for winter heating.

GDP growth is expected to increase to 2.8% in 2024 and slightly decrease in 2025. The European Central Bank which was increasing rates by the end of 2023, is forecasted to start lowering them in the course of 2024, starting in the second half of the year but with very unclear outlook as to the exact timing and amount. The top deposit rate, despite being difficult to forecast, shall decrease to around 3.75%, according to market researchers and ECB commentators.

Addiko Bank's operations remain inextricably linked to the state of the Slovenian economy, which is heavily dependent on its Exports. These are slowly regaining pace to pre-Covid levels.

Given the current lending conditions, the quality of the loan portfolio shall not deteriorate as the Bank has not been active in real estate financing, furthermore, the quality of the loan portfolio is expected to increase due to well diversified risks and constant monitoring of its borrowers. The Bank's focus on consumer and SME lending ("focus areas") and payment services and its commitment to further digital transformation continues to make a decisive contribution to this.

The Bank's liquidity shall remain high and above regulatory demands. Larger outflows are not expected, given the bank's well-diversified lending portfolio. The Bank's liquidity and solvency are not and will not be jeopardized in any way.

Report of the President of the Supervisory Board of the Bank

In 2023, the Supervisory Board of Addiko Bank d.d. supervised the business of the Bank, its financial results and the performance of its Management Board.

The Supervisory Board operated in accordance with the Bank's Statute and the Rules of Procedure of the Supervisory Board. The prepared materials and notes on meetings enabled an efficient supervision of the Bank's operations in line with the Slovenian and Austrian legislation. The Bank of Slovenia submitted to the Supervisory Board the results from the regular audits of the Bank’s operations. The Bank's Management Board regularly informed the Supervisory Board members about the Bank's operations. At its meetings, the Supervisory addressed different aspects of Addiko’s current operations and development and adopted appropriate decisions as well as supervised their fulfilment. The decisions of the Supervisory Board were based on the findings, suggestions and the diligent assessments of the Audit and Risk Committees of the Supervisory Board, as well as the reports of the Management Board of the Bank. One of the key activities of the Supervisory Board was also the monitoring of the implementation and fulfilment of the Bank’s strategy.

In 2023, the Supervisory Board had four regular meetings and one extraordinary meetings. The Supervisory Board has two committees: The Risk Committee and the Audit Committee. Both committees perform tasks set forth in the relevant laws and the Rules of procedure.

The decisions of the Supervisory Board were unanimous, the members of the Supervisory Board expressed their opinions with arguments and actively participated in the discussions. The Supervisory Board has adopted and confirmed the following in 2023: the Annual report of the Bank for the year 2022 and the allocation of profits, Business Strategy 2023, Risk Strategy 2023, IT Strategy 2023 and ESG Strategy 2023, Sales Incentive Scheme 2023, appointment of Andraž Vrh as a Management Board member and Fit&Proper Assessment, the work plans for the Internal Audit and Compliance departments, the report on the Internal Capital Adequacy Assessment (ICAAP), the risk appetite framework and the framework for the remediation of the Bank, Rules of Procedure of the Management Board, Audit Committe, Risk Committee and Supervisory Board, Collective Assessment of Management Board members and Supervisory Board members. Further, the Supervisory Board had acquainted itself with the five-year budget of the Bank as well as the annual reports of the Internal Audit, Compliance and Anti-Money laundering departments.

The Audit Committee had four regular meetings in 2023. The Audit Committee helps the Supervisory Board with the fulfilment of its duties and competences regarding the adequacy and efficiency of internal controls, which includes risk management, compliance, the adequacy of accounting standards used for the preparation of the financial statements, and the suitability and independence of external auditors.

The Risk Committee had four regular meetings and one extraordinary meeting in 2023. The Risk Committee counsels the Supervisory Board regarding the risk appetite of the Bank and its risk management strategy and monitors whether the remuneration system takes into account risk, capital, liquidity, the probability and timeline of the Bank’s income, as well as whether the Bank’s product pricing is compatible with its business model and risk management strategy. The Risk Committee also addresses and monitors the reports on various types of risk and acquaints itself with pending topics regarding risk management.

In accordance with Article 282 of the Companies Act and based on the current monitoring of the Bank's operations, periodical reports by the Internal Audit department and the unmodified opinion issued by the audit firm KPMG poslovno svetovanje d.o.o., the Supervisory Board analyzed the Business Report of Addiko Bank in 2023.

The Report will also be presented at the Bank's Shareholders’ Assembly. In accordance with Article 230 of the Companies Act, the Supervisory Board approved the proposal by the Management Board regarding the allocation of accumulated profit and proposed to the Meeting of Shareholders to adopt it. In line with its tasks and responsibilities, the Supervisory Board supervised the internal controls and risk management activities.

The Supervisory Board assesses that it has performed its duties in 2023 with quality, responsibly, with the highest ethical standards, due diligence and in compliance with the relevant legislation and internal rules.

President of the Supervisory Board

Edgar Flaggl,
President

Ljubljana, 27.3.2024

Statement on internal governance arrangements

As at 31.12.2023, Addiko Bank d.d. is not a public company in terms of the Takeover Act because it has no financial instruments included in any organised trading or quoted on the stock market.

Based on the above as well as the exception noted in the second point of the fifth paragraph of Art. 70 of the Companies Act, Addiko Bank d.d. implements the internal governance arrangements, including corporate governance, in accordance with the legislation in force in the Republic of Slovenia, taking into account its internal acts. Addiko Bank d.d. also fully complies with the acts referred to in Paragraph 2 of Article 9 of the Banking Act (ZBan-3). In order to strengthen the internal governance arrangements, the Bank operates particularly in accordance with the following:

1) Provisions of the applicable Banking Act (ZBan-3), which define internal governance arrangements, in particular the provisions of Chapter 3.4 (Organisation of the Bank) and Chapter 6 (Internal governance) in the requirements applicable to a bank/savings bank or members of a management board;
2) Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks; and
3) EBA guidelines governing internal governance, assessment of the suitability of the members of the management body and key function holders as well as remuneration policies and practices on the basis of the relevant decisions of the Bank of Slovenia on the application of these guidelines.

At the same time, we are striving to the greatest extent possible to act in accordance with the non-binding recommendations stated in the Letter of the Bank of Slovenia (ref. 38.20-0288/15-TR dated 23 October 2015) and the recommendations given by the Bank of Slovenia based on the conducted inspection of banks in respect of disclosures of information for 2017.

The Bank provides disclosures of important information in the Management Report:

1) a description of the main characteristics of internal control and risk management systems and mechanisms of the Bank in Chapter 12. Internal Control System for accounting procedures. The Bank keeps books and other records that enable financial reporting and ongoing monitoring of the Bank's effectiveness and compliance of risk management
2) data on the activities of the General Assembly and its key competences and the description of the rights of the shareholders in Chapter 11.7. Organisation of the Bank
3) data on the activities of management and supervisory bodies and their committees in Chapter 11.7. Organisation of the Bank
4) policies for the selection of management board members, the diversity policy upon such selection, the remuneration policy and other information in Chapter 11.1. Human resource management

By signing this Statement, we also commit ourselves to further proactive action to enhance and promote adequate internal governance arrangements and corporate integrity in the wider professional, financial, economic and other public.

Ljubljana, 27.3.2024

Management Board of the Bank

Anja Božac, Member

Andraž Vrh, Member

Andrej Andoljšek, President

Supervisory Board of the Bank

Edgar Flaggl, President

[1]Banking Act (ZBan-3), Official Gazette of the Republic of Slovenia, no.92/21.

[2] The Bank of Slovenia Regulation on Internal Governance Arrangements, the Management body and the Internal Capital Adequacy Assessment Process for Banks and Savings banks , Official Gazette of the Republic of Slovenia, no. 115/21.

Declaration on the adequacy of risk management

In accordance with Article 435(e) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR), the governance bodies of Addiko Bank d.d.

the Management Board represented by Members Andrej Andoljšek, Anja Božac and Andraž Vrh

and

the Supervisory Board represented by President Edgar Flaggl,

confirm, by signing this Declaration, the adequacy of the risk management system, which represents an independent area in the organisational scheme of the Bank.

The risk management system is in line with the Bank's risk profile and the Bank's strategy and risk-taking capabilities.

Ljubljana, 27.3.2024

Management Board of the Bank

Anja Božac, Member	Andraž Vrh, Member	Andrej Andoljšek, President of the Management Board

Supervisory Board of the Bank
Edgar Flaggl,
President

Financial report

Statement of Management's responsibility

The Management Board has approved the financial statements for the year ended 31 December 2023, the accounting policies and estimates used and the notes to the financial statements.

The Management Board is responsible for the preparation of financial statements that give a true and fair presentation of the financial position of the Bank and of its financial performance for the year ended 31 December 2023. The Management Board is also responsible for proper management of the Bank's accounts and adoption of measures to secure the Bank's assets and to prevent and detect fraud and other irregularities.

The management confirms to have consistently applied the appropriate accounting policies and made the accounting estimates according to the principle of prudence and due diligence. The Management Board also confirms that the financial statements, along with the notes, were prepared based on the going concern assumption and in accordance with applicable legislation and International Financial Reporting Standards as adopted by EU.

Tax authorities may, at any time within a period of five years after the end of the period for which tax assessment was made, inspect the Bank's operations, which may lead to additional tax liabilities, default interest and penalties with regard to corporate income tax or other taxes and levies. The Bank's Management Board is not aware of any circumstances that may result in a significant tax liability in this respect.

Ljubljana, 27.3.2024

Management Board of the Bank

Anja Božac, Member	Andraž Vrh, Member	Andrej Andoljšek, President of the Management Board

KPMG SLOVENIJA, podjetje za revidiranje, d.o.o.
Železna cesta 8a
SI-1000 Ljubljana
Slovenija

Telefon: +386 (0) 1 420 11 60
Internet: http://www.kpmg.si

Independent Auditors' Report

To the shareholder of Addiko Bank d.d.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Addiko Bank d.d. (the »Bank«), which comprise:

- the statement of financial position as at 31 December 2023;

and, for the period from 1 January to 31 December 2023:

- the statement of profit or loss and the statement of other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;

and

- notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and EU Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (OJ L 158, 27.5.2014, p. 77-112 - EU Regulation EU No 537/2014). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants' (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Independent Auditor's Report is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only and is not to be signed.

We have determined the following key audit matters:

<table>
<tr><th colspan="2">Impairment of loans and advances to customers</th></tr>
<tr><td colspan="2">As at 31 December 2023 the carrying amount of loans and advances to customers: € 977,734 thousand (2022: € 938,899 thousand); impairment loss (net allocation to risk provision) recognised in 2023: € 12,584 thousand (2022: € 7,668 thousand); total ECL allowance as at 31 December 2023: € 32,878 thousand (2022: € 28,423 thousand).

Refer to Note 11.2. (Impairment), Notes 33 (Expected credit loss expenses on financial assets) and 37.2 (Loans and advances and other financial assets to customers).</td></tr>
<tr><th>Key audit matter</th><th>Our response</th></tr>
<tr><td>Impairment allowances represent the Management Board’s best estimate of the expected credit losses (“ECLs”) within loans and advances to customers at amortized cost (“loans”, exposures”) at the reporting date. We focused on this area as the determination of impairment allowances requires complex and subjective judgment and assumptions from the Management Board.

As part of the impairment assessment, each loan is allocated into one of three stages in line with IFRS 9 Financial instruments. Stage 1 and Stage 2 loans are performing loans, with Stage 2 loans representing loans where a significant increase in credit risk (“SICR”) since origination has been observed. Stage 3 loans are non-performing, i.e. in default.

ECLs for individually significant Stage 3 loans are based on an analysis of estimated, scenario-weighted future recoveries. The analysis considers the circumstances of each individual customer and the estimated amount and timing of future cash flows, including the realizable value of any related collateral.

For all other loans, the Bank performs a collective assessment of ECLs based on common risk characteristics. The key parameters used in the collective assessment, such as PD, LGD and EAD, are based on statistical expectations relying on the Bank’s historical experience and forward-looking information. In addition, as the ECL model used to date may not adequately reflect extraordinary circumstances such as current market volatility, an increase in the ECLs ("post model adjustment") has been applied by the Bank in addition to the model results.

For the above reasons, coupled with the significantly higher estimation uncertainty stemming from the current geopolitical and</td><td>Our audit procedures in this area, performed, where relevant, assisted by our own financial risk management and IT audit specialists, included, among others:

• updating our understanding of the Bank’s ECL impairment methodology and assessing its compliance with the relevant requirements of IFRS 9. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of IFRS 9 requirements. We also challenged the Management Board on whether the level of methodology sophistication is appropriate based on our assessment of the entity-level and portfolio-level factors, including inspecting and assessing the internal validation reports;

• making relevant inquiries of the Bank’s risk management, internal audit and IT personnel in order to gain understanding of the ECL provisioning process and IT applications used therein, and also testing the Bank’s IT control environment for data security and access;

• testing the design, implementation and operating effectiveness of selected controls over the monitoring of loans and advances, including, but not limited to, the controls relating to the identification of loss events / default, appropriateness of the classification of exposures into performing and non-performing, calculation of days past due, and validation of the overall ECL estimate;

• for a risk-based sample of loans, critically assessing, by reference to the underlying documentation (loan files) and through inquiries of the credit risk management</td></tr>
</table>

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economic volatility, impairment of loans and advances to customers was considered by us to be a significant risk in our audit, which required our increased attention. Accordingly, we considered the area to be a key audit matter.	personnel, the existence of any triggers for classification to Stage 3. • for a risk-based sample of individually significant loans in default (Stage 3), challenging key assumptions applied in the estimates of future cash flows used in the impairment estimate, such as discount rates, collateral values and recovery period, where relevant, by reference to publicly available market data; • for loans assessed on the collective (portfolio) basis: — challenging the collective PD, LGD and EAD parameters used by the Bank, by reference to historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances; — obtaining the relevant forward-looking information and macroeconomic projections used in the ECL assessment and independently assessing the information by means of corroborating inquiries of the Management Board and inspecting publicly available sources; — challenging the post model adjustment applied, by reference to our knowledge of the industry and our understanding of the current macro-economic situation; • Critically assessing the overall reasonableness of the impairment allowances, including both the share of the gross non-performing exposures in total gross exposure and the non-performing loans provision coverage. • Examining whether the loan impairment and credit risk-related disclosures in the financial statements appropriately address the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other Information

Management is responsible for the other information. The other information comprises the Letter from the Management for 2023, the Management Report, the Report of the President of the Supervisory board of the Bank, the Statement on internal governance arrangements and the Declaration on the Adequacy of Risk management included in the Annual Report but does not include the financial statements and our auditor's report thereon. Other information was obtained prior to the date of this auditors' report, except for the Report of the President of the Supervisory Board of the Bank, which will be available after that date.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, with respect to the Business Report, we are required to report on its consistency with the financial statements and on whether the Business Report includes the disclosures required by the Companies Act dated 4 May 2006 (Official Gazette of Republic of Slovenia no. 42/2006 with amendments - hereafter referred to as »the applicable legal requirements«). Based solely on the work required to be undertaken in the course of the audit of the financial statements and the procedures above, in our opinion:

- the information given in the Business Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and EU Regulation (EU) No 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and EU Regulation (EU) No 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by the shareholder of the Bank on the shareholders meeting dated 30 March 2022 to audit the financial statements of the Bank for the year ended 31 December 2023. Our total uninterrupted period of engagement is 2 years.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank dated 21 March 2024;
- we have not provided any prohibited non-audit services (NASs) referred in Article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the Bank in conducting the audit.

For the period to which our statutory audit relates, we have not provided any other services to the Bank which are not disclosed in the Management Report or in the financial statements.

On behalf of audit firm

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Signed on the Slovenian original

Domagoj Vuković, FCCA
Certified Auditor
Partner

KPMG Slovenija, d.o.o.
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Ljubljana, 27 March 2024

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Financial Statements

I. Statement of profit and loss and statement of other comprehensive income

Statement of profit or loss

EUR thousand

	Note	01.01. - 31.12.2023	01.01. - 31.12.2022
Interest income calculated using the effective interest method		71,589	46,057
Other interest income		1,036	915
Interest expenses		-14,426	-4,248
Net interest income	24	**58,199**	**42,723**
Dividend income		0	20
Fee and commission income		18,690	17,982
Fee and commission expenses		-4,270	-3,442
Net fee and commission income	25	**14,421**	**14,540**
Net gains or losses on financial assets and liabilities held for trading	26	-736	-1,502
Net exchange differences	26	1,408	1,854
Net gains and losses on derecognition of non-financial assets		-2	-46
Other net operating income	27	528	825
Administrative expenses	28,29	-29,532	-27,614
Cash contributions to resolution funds and deposit guarantee schemes	30	-724	-859
Depreciation and amortisation	31	-3,004	-2,796
Modification gain or loss		-103	81
Provision for other liabilities and charges	32	-5,226	29
Provision for commitment and guarantees	33	1,425	565
Impairment financial assets	33	-10,880	-6,313
Net gains or losses from non-current assets held for sale		26	8
Profit before tax		**25,800**	**21,515**
Income tax expense	34	141	-1,866
Profit for the period		**25,941**	**19,649**

The following notes (1) - (72) are an integral part of these financial statements.

Statement of other comprehensive income

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Profit after tax	**25,941**	**19,649**
Other comprehensive income	**2,574**	**-5,187**
Items that will not be reclassified to profit or loss	**509**	**-464**
Actuarial gains or (-) losses on defined benefit pension plans	69	9
Fair value reserve - equity instruments	440	-472
Net change in fair value	541	-583
Income tax	-101	111
Items that may be reclassified to profit or loss	**2,065**	**-4,724**
Fair value reserve - debt instruments	2,065	-4,724
Net change in fair value	2,428	-5,831
Income tax	-363	1,108
Total comprehensive income for the year	**28,515**	**14,462**

The following notes (1) - (72) are an integral part of these financial statements.

II. Statement of financial position

EUR thousand

	Note	31.12.2023	31.12.2022
Assets			
Cash and cash equivalents	35	225,377	180,954
Financial assets held for trading	36	1,382	2,929
Non-trading financial assets mandatorily at fair value through profit or loss	38	313	313
Financial assets at fair value through other comprehensive income	38	54,192	67,986
Financial assets at amortised cost		1,141,175	1,053,320
Loans and advances to credit institutions	37	50,676	50,229
Loans and advances to customers	37	977,734	938,899
Debt securities	38	111,820	62,938
Other financial assets	37	944	1,253
Tangible assets	39,41	7,676	8,349
Intangible assets	40,41	2,234	2,192
Tax assets	34	14,928	13,124
Current tax assets		0	267
Deferred tax assets		14,928	12,857
Other assets		591	541
Non-current assets and disposal groups classified as held for sale		177	121
Total assets		**1,448,044**	**1,329,827**
Equity and liabilities			
Financial liabilities held for trading	42	1,837	2,531
Financial liabilities measured at amortised cost	43	1,224,610	1,117,893
Deposits from banks and central banks		5,967	2,671
Borrowings from banks and central banks		26,572	55,965
Deposits from customers		1,160,990	1,029,784
Subordinated liabilities		15,014	15,009
Debt securities issued		0	50
Other financial liabilities		16,066	14,414
Provisions	44	8,302	5,551
Tax liabilities	34	598	0
Current tax liabilities		598	0
Other liabilities	45	2,333	2,354
Total liabilities		**1,237,679**	**1,128,329**
Capital		89,959	89,959
Share premium		18,814	18,814
Accumulated other comprehensive income		-2,495	-5,065
Retained earnings (including profit or loss for the financial year)		104,087	97,791
Total equity	**46**	**210,364**	**201,499**
Total equity and liabilities		**1,448,044**	**1,329,827**

The following notes (1) - (72) are an integral part of these financial statements.

III. Statement of changes in equity

The statement of changes in equity is presented at the 31.12.2023 as follows:

EUR thousand

	Subscribed capital	Capital reserves	Fair value reserve	Cumulated result and other reserves	Total
Equity as at 01.01.2023	**89,959**	**18,814**	**-5,111**	**97,839**	**201,499**
Result after tax	0	0	0	25,941	25,941
Other comprehensive income	0	0	2,505	69	2,574
Total comprehensive income	0	0	2,505	26,010	28,515
Transactions with equity holders	0	0	0	-19,649	-19,649
Dividends paid	0	0	0	-19,649	-19,649
Other changes	0	0	0	0	0
Equity as at 31.12.2023	**89,959**	**18,814**	**-2,607**	**104,198**	**210,364**

The statement of changes in equity is presented at the 31.12.2022 as follows:

EUR thousand

	Subscribed capital	Capital reserves	Fair value reserve	Cumulated result and other reserves	Total
Equity as at 01.01.2022	**89,959**	**18,814**	**85**	**78,324**	**187,181**
Result after tax	0	0	0	19,649	19,649
Other comprehensive income	0	0	-5,196	9	-5,187
Total comprehensive income	0	0	-5,196	19,658	14,462
Transactions with equity holders	0	0	0	0	0
Dividends paid	0	0	0	0	0
Other changes	0	0	0	-143	-143
Equity as at 31.12.2022	**89,959**	**18,814**	**-5,111**	**97,839**	**201,499**

The following notes (1) - (72) are an integral part of these financial statements.

IV. Statement of cash flows

EUR thousand

	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Cash flow from operating activities before changes in operating assets and liabilities	**40,138**	**28,734**
Total profit or loss before tax	25,800	21,515
Depreciation	3,004	2,796
Impairments / (reversal of impairments) of loans and other financial assets measured at fair value through other comprehensive income	23	-2
Impairments / (reversal of impairments) of loans and other financial assets measured at amortised cost	12,614	6,314
Net (gains) / losses from exchange differences	-1,408	-1,854
Modification gains/losses	103	-81
Net (gains) / losses from sale of tangible assets	2	46
(Increases) / decreases in operating assets (excluding cash & cash equivalents)	**-34,904**	**19,853**
Net (increase) / decrease in financial assets held for trading	1,546	-2,109
Net (increase) / decrease in financial assets measured at fair value through other comprehensive income	16,572	24,569
Net (increase) / decrease in loans and receivables measured at amortised cost	-52,916	-13,445
Net (increase) / decrease in non-current assets and disposal groups classified as held for sale	-56	10,948
Net (increase) / decrease in other assets	-50	-110
Increases / (decreases) in operating liabilities	**109,443**	**-53,449**
Net increase / (decrease) in financial liabilities held for trading	-694	1,100
Net increase / (decrease) in deposits, loans and receivables measured at amortised cost	107,456	-54,464
Net increase / (decrease) in debt securities issued measured at amortised cost	-50	0
Net increase / (decrease) in other liabilities	2,731	-85
Cash flow from operating activities	**114,677**	**-4,863**
Income taxes (paid) / refunded	-1,528	-3,593
Net cash flow from operating activities	**113,148**	**-8,456**
CASH FLOW FROM INVESTING ACTIVITIES		
Receipts from the sale of tangible assets	0	224
Receipts from the disposal of investments in debt securities measured at amortized cost	21,333	15,003
Cash flows from investing activities	**21,334**	**15,227**
(Cash payments to acquire tangible assets)	-781	-668
(Cash payments to acquire intangible assets)	-955	-711
(Cash payments to acquire investments in debt securities measured at amortized cost)	-67,171	-77,846
Cash payments on investing activities	**-68,907**	**-79,225**
Net cash flow from investing activities	**-47,573**	**-63,998**
CASH FLOW FROM FINANCING ACTIVITIES		
(Dividends paid)	-19,649	0
(Lease payments)	-1,443	-1,351
Net cash flow from financing activities	**-21,092**	**-1,351**
Effects of change in exchange rates on cash and cash equivalents	-53	251
Net increase in cash and cash equivalents	**44,483**	**-73,804**
Opening balance of cash and cash equivalents	**180,961**	**254,514**
Closing balance of cash and cash equivalents	**225,391**	**180,961**

The following notes (1) - (72) are an integral part of these financial statements.

V. Notes to the financial statements

Company

Addiko Bank is a specialist bank focusing on providing banking products and services to Consumer and Small and Medium-sized Enterprises (SME) in Slovenia. Through its branches, the Bank services approximately 80 thousand customers, using a network of 20 branches and modern digital banking channels.

Based on its strategy, Addiko Bank repositioned itself as a specialist Consumer and SME banking bank with a focus on growing its Consumer and SME lending activities as well as payment services (its "focus areas"), offering unsecured personal loan products for consumers and working capital loans for its SME customers. These core activities are largely funded by retail deposits. Addiko Bank's Mortgage, Public and Large Corporate lending portfolios (its "non-focus areas") are subject of an accelerated run-down process, thereby providing liquidity and capital for the growth in its Consumer and SME lending.

Addiko Bank d.d. is a Slovenian Public Limited company registered in the Slovenian business register under company registration number SRG 99/01362. The headquarter is located at Dunajska cesta 117, 1000 Ljubljana, Slovenia.

The Bank is 100% owned by Addiko Bank AG. The Addiko Bank AG headquarters is located at Canettistraße 5 / 12. OG 1100 Vienna, Austria. Addiko Bank d.d. is included in the consolidated financial statements of the Addiko Bank AG. The financial statements can be obtained at the headquarters and the following websites: www.addiko.si and www.addiko.com.

(1) Accounting principles

The financial statements of Addiko Bank 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) and, where necessary, explanatory notes are added in line with local legal requirements.

The financial statements consist of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

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

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

The euro (EUR) is the reporting currency of the financial statements. All figures are in thousands of euros (EUR thousand), except otherwise stated. The tables shown may contain rounding differences.

On 22 March 2024, the Management Board of Addiko Bank d.d. approved the financial statements as at 31 December 2023 for publication by submitting them to the Supervisory Board. The Supervisory Board is responsible for examining the financial statements and announcing whether it approves the financial statements as at 31 December 2023.

(2) Application of new standards and amendments

2.1. New currently effective requirements

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

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

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

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

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

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

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

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

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

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

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

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

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

After the assessment the Bank came to the conclusion that the new standard IFRS 17 Insurance contracts and its amend-ments do not result in an impact and changes within the Addiko Bank.

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

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

The amendments to **IAS 12** provide a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business com-bination and affects neither accounting nor taxable profit. Following the amendments to IAS 12, when tax deductions are attributable to the lease liability, temporary differences associated with the lease asset and lease liability arise on initial recognition of the lease, an entity is required to recognise the related deferred tax asset and liability. The amendment applies to annual reporting periods beginning on or after 1 January 2023, applying to transactions that occurred on or after the beginning of the earliest comparative period. There was no impact on the statement of financial position because the of IAS balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change.

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

2.2. Forthcoming requirements

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

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

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

The amendments to **IAS 1** clarify the requirements for classifying liabilities as current or non-current. The amendment applies to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. These amendments are not expected to result in any significant changes within Addiko Bank as assets and liabilities of the Bank are presented in decreasing order of liquidity.

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

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

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

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

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

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

Credit risk provisions

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

The model for measurement of expected credit losses requires the assessment of significant increase in credit risk and uses historical data and their extrapolations, the observed data and individual estimations as well as grouping of similar assets when credit risk deterioration has to be assessed on a collective basis. The uncertainty which is inherent to estimating expected credit losses is currently elevated, due to the increased volatility of the economic environment as consequences of still ongoing conflicts in Russia and in the Middle east, as well as still present inflationary pressures.
Due to the fact that the current developments are not fully comparable to the historic data used for development and calibrations of the existing PD models, Addiko has addressed the uncertainty by considering post model adjustments (PMAs). These adjustments mainly cover the ability of the PD models to correctly capture uncertainty of the future and high overall volatility of the macroeconomic environment.

For further information on credit risk provisioning methodology, reference is made to financial assets in note (11) Financial instruments as well as to the Risk Report under note (53.2) Development of risk provisions. For further information on this topic reference is made to the note (53.1) Method of calculating risk provisions.

Deferred tax assets

Deferred tax assets on deductible temporary differences and 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. These naturally reflect the management's evaluations, which are in turn subject to a degree of predictive uncertainty. Addiko Bank regularly re-evaluates its estimates related to deferred tax assets, including its assumptions about future profitability. Due to the current macroeconomic environment, affected by inflationary pressures, increase in the interest rates, deterioration of the business climate, geopolitical risks and the remaining pandemic-related effects, there is substantially more uncertainty than under normal market conditions, which may affect the projections of future taxable profits. In addition, although Addiko Bank 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.

For further details regarding tax loss carried forward please refer to note (34) Taxes on income.

Provisions

Setting up provisions is also based on judgments. A decision has to be made on the extent to which Addiko Bank 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 (44.2) 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.

Lease contracts

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

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

For further details regarding the treatment of leasing contracts please refer to the note (6) Leases.

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

- Classification of financial assets (business model assessment, SPPI assessment) – the note (11) Financial instruments

(4) Impact of climate change on financial statements

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

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

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

(5) Foreign currency translation

Foreign currency translation within Addiko Bank follows the provisions of IAS 21. Accordingly, all monetary assets and liabilities have to be converted at the exchange rate prevailing at the reporting date. Insofar as monetary items are not part of a net investment in foreign operations, the result of the conversion is generally reported under exchange differences through profit or loss. Open forward transactions are translated at forward rates at the reporting date.

(6) Leases

6.1. Leases in which Addiko Bank is a lessee

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

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

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

Lease payments generally include fixed payments less lease incentives and variable payments that depend on an index or an interest rate. Prolongation options, termination options and purchase options are also considered (see note 4) "Use of estimates and assumptions/material uncertainties in relation to estimates"), and also the amounts expected to be payable under a residual value guarantee have to be included in the measurement of lease liability.

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

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

6.2. Leases in which Addiko Bank is a lessor

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

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

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

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

6.3. Presentation in the financial statements

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

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

(7) Net interest income

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

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

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

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

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

Negative interest from financial assets and financial liabilities is presented in ‘Net interest income’.

(8) Net fee and commission income

Fee and commission income (other than those that are integral part of effective interest rate on a financial asset or financial liability are included in the effective interest rate) are accounted for in accordance with IFRS 15 Revenue from contracts with customer and are reported in “Net fee and commission income”. Addiko Group derives its revenue from contracts with customers for the transfer of services over time and at a point in time in the business segments. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments.

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

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

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

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

- *Transaction services*, representing fee income charged to clients for transactions performed (except credit cards) like payment order, standing order.
- *Cards*, representing fee income related to prepaid and credit cards and acquiring business like, interchange fees, scheme fees, service fees, etc.
- *FX & DCC*, representing fee income related to foreign exchange transactions like fees from FX spot transaction or Dynamic currency conversions.
- *Trade finance*, representing fee income earned from providing transaction services to third parties, such as arranging the acquisition of shares or other securities.

Other fee and commission expenses relate mainly to transaction and service fees which are expensed as the services are received. Fee and commission expenses includes in the position Client incentives sales incentives paid to Addiko employees based on the achievement of pre-defined sales targets.

In the note (25) Net fee and commission income the product view is used as a base for presentation.

(9) Net result on financial instruments

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

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

Net result on financial instruments at fair value through other comprehensive income includes gains and losses from derecognition and dividends. Financial assets and liabilities at amortised cost includes all gains and losses from derecognition.

(10) Other operating income and other operating expenses

Other operating income and other operating expenses reflect all other income and expenses not directly attributable to ordinary activities as expenses for restructuring or income from operating lease assets.

(11) Financial instruments

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

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

11.1. Classification and measurement

Business models

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

- *Hold to collect:* a financial asset held with the objective to collect contractual cash flows.
- *Hold to collect and sell:* a financial asset held with the objective of both collecting the contractual cash flows and selling financial assets.

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

Contractual cash flow characteristics

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

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

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

The SPPI compliance is assessed as follows:

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

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

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

Classification and measurement of financial assets and financial liabilities

Financial assets

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

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

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

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

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

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

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

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

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

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

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

Non-trading financial assets consist of the two following subcategories and shall be assigned into the other business model and are measured at fair value through profit or loss.

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

Financial assets are classified in this category if their cash flows are not SPPI compliant or they are held as part of residual business models that are other than held for trading.

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

Financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss.
Financial liabilities measured at FVTPL consist of financial liabilities held for trading and financial liabilities measured at FVTPL at initial recognition. Changes to the fair value of liabilities designated at FVTPL resulting from changes in own credit risk of the liability are recognised in other comprehensive income, the remaining amount of the change in the fair value has to be presented in profit or loss. Addiko Bank did not make a use of the option to designate some financial liabilities as measured at FVTPL during 2023 and 2022.

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

11.2. Impairment

While applying the forward-looking ECL model, Addiko Bank recognises ECL and updates the amount of ECL recognised at each reporting date to reflect changes in the credit risk of financial assets. IFRS 9 applies measure ECL based on reasonable and supportable information that includes historical, current and forecast information, thus considering possible future credit loss events in different scenarios.

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

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: as the carrying amount of these assets is their fair value, loss allowances are recognised in OCI with opposite entry in the statement of profit or loss. Loss allowances are disclosed in Note (38) Investment securities.

Overview ECL calculation

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

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

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

The PD (probability of default) parameters reflect the probability of default for a certain period of time. The PDs used for the ECL calculation are derived by models/methodology which were developed by Addiko Bank internal model development units. Generally, the models are country (Slovenia) specific and segment specific whenever possible and plausible. For certain parts of the portfolio, Group wide models (for all countries, including Slovenia) are applied to reflect data availability and portfolio characteristics. In certain cases, also external data from rating agencies is applied for the same reason mentioned before. Methodology wise, an indirect modelling approach is chosen. This means that the underlying existing Basel III methodology is used as a starting point and is adapted in a way to be fully IFRS 9 compliant. This includes the removal of any conservatism from the models, the inclusion of forward-looking point-in-time information within the methodology as well as the estimation of lifetime PD term structures.

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

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

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

Considering the ability of models to correctly capture the forward-looking information and predict the development of PDs, consequently development of ECL, Addiko Bank regularly (quarterly) estimates the need to introduce or revoke post-model adjustments (“overlays”) into the ECL calculation with the aim to ensure that the risk is not underestimated while the models are adjusted. The process of estimation and introduction of such post-model adjustment (PMAs) is strongly governed.

During 2023 Addiko Bank implemented improvements into several models, and re-evaluated the need for post-model adjustment, which was booked with the end of 2022, introduced to cover the ability of the PD models to correctly capture uncertainty of the future and high overall volatility of the macroeconomic environment. The Post Model Adjustment (PMA) was increased to EUR 2.8 million (YE22: EUR 1.5 million) as a result of an update of macroeconomic data as well as changes in the Addiko Bank’s portfolio.

Significant increase in credit risk

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

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

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

Stage 3 occurs when the credit quality of a financial asset deteriorates to the point that:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising collateral (if any is held), or
- The borrower is more than 90 days past due on any material credit obligation to the Bank.

Lifetime ECL continuous to be applied for loans in this stage of credit deterioration but interest income is calculated based on the lower net amortised cost carrying amount (gross carrying amount adjusted for the loss allowance).

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

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

Qualitative staging criteria:

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

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

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

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

Forward-looking information

Addiko Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The Bank has identified and documented key drivers of credit risk for each portfolio of financial instruments, incorporating historical data analysis and estimated relationships between macroeconomic variables and credit risk. These key drivers used for the analyses include in addition to other important factors the following major indicators: unemployment rates, GDP growth rates, real estate prices, industrial production. To account for the potential effect of climate-related and environmental risk on credit risk, Addiko considers the impact of transitional risks on the macroeconomic indicators. For this purpose the effect of a significant increase of carbon prices, which would be needed to meet “net-zero targets”, is simulated.

All variables incorporated are at country level (Slovenia specific) and portfolio level whenever possible and plausible.

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

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

Validation

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

Addiko Bank distinguishes between an initial and an ongoing validation:

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

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

The validation is performed by an independent internal unit which delivers reports to Risk controlling unit, which after performed review, further delivers reports to management.

Write-offs

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

Write-off can be done only against already recognised ECL. The amount written off can be either a full write-off or a partial write-off.

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

- Unsecured financial asset if the debtor is already undergoing bankruptcy proceedings,
- Unsecured financial asset if no repayment occurred within a period of one year on observed financial asset,
- Secured financial asset if no repayment occurred within the defined period, depending on the type of collateral:
    a. Real estate collateral, if no repayment occurred within a period of 5 years,
    b. By movables, if no repayment occurred within a period of 2 years,
    c. Other (i.e. not "a" or "b"), if no repayment occurred within a period of 1 year,
- Financial assets which have been subject to restructuring three or more times and the Bank assessed the debtor as not able to repay their obligations,
- Financial asset for which the bank's right to claim repayment from the debtor in judicial or other proceedings has been terminated by approval of compulsory settlement,

Other triggers were defined for financial assets that are treated as non-recoverable.

11.3. Derecognition and contract modification

A financial asset is derecognised when:

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

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

The following main criteria result in significant modifications:

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

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

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

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

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

(12) Fiduciary transactions

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

(13) Financial guarantees

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

(14) Cash and cash equivalents

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

The mandatory minimum reserve requirement is calculated from defined balance sheet items and has to be fulfilled in average through an extended period of time. Therefore, the minimum reserve requirement deposits are not subject to any restraints.

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

Land and buildings used by Addiko Bank in the course of its own business activities as well as operating and office equipment are reported under property, plant and equipment. Real estate acquired to generate returns is reported under investment properties.

Property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses. Scheduled depreciation is recorded on a straight-line basis over the expected useful life. Factors involved in determining the useful life include the asset's age when purchased, how frequently the asset will be used, technology changes and changes due to climate risks. The following depreciation rates and expected useful lives are used:

Depreciation rate	in percent	in years
for immovable assets (buildings)	2 - 4 %	25 - 50 yrs
for movable assets (plant and equipment)	5 - 33 %	3 - 20 yrs

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

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

Scheduled depreciation on property, plant and equipment used by Addiko Bank is reported separately under depreciation and amortisation in the income statement. Gains and losses on disposal of property, plant and equipment and investment properties are reported under "Net gain and losses on derecognition of non-financial assets".

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

(16) Intangible assets

Purchased software as well as prepayments made on intangible assets are reported under intangible assets. Expenditure on internally developed software is recognised as an asset when Addiko Bank is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. These assets are measured at cost less amortisation.

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

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

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

(17) Tax assets and tax liabilities

Current and deferred income tax assets and liabilities are jointly reported in the statement of financial position under "Tax assets" and "Tax liabilities". Current income taxes are determined according to the tax law regulations of the country.

Deferred tax assets and liabilities are accounted for using the liability method, which compares the tax base of the items in the statement of financial position with the amounts stated pursuant to IFRS. In the case of expected taxable temporary differences, taxes are deferred. A deferred tax liability shall be recognised if the reversal of taxable tempo-rary differences will lead to an effective tax burden. Deferred tax assets are recognised for taxable temporary differ-ences that result in a tax credit when recovered. Deferred tax assets and deferred tax liabilities have been offset as required by IAS 12. The recognition of deferred tax is only allowed if there is convincing other evidence that sufficient taxable profits will be available.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. In accordance with IAS 12, non-current deferred taxes are not discounted. Deferred tax assets are recorded for tax loss carry-forwards if there is convincing evidence that future taxable profits will be available against which losses can be utilised. This assessment is made on tax plans which are based on business plans as agreed by the Management Board.

The recoverability of a deferred tax asset due to tax losses carried forward and taxable temporary differences is reviewed at the end of each reporting period. Recognition and reversal of tax assets and tax liabilities is recorded either in the income statement or in other comprehensive income, shown as a separate position.

(18) Other assets

Other assets mainly consist of prepayments and accruals.

Deferred assets are recognised at their nominal value.

(19) Non-current assets classified as held for sale

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

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

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

The measurement requirements of IFRS 5 that refer to measurement of fair value less cost to sell shall not apply for financial assets previously treated in accordance with IFRS 9. Such financial assets continue to be measured in accordance with IFRS 9. Assets classified as held for sale and the associated liabilities are each recorded in a separate main item in the statement of financial position. Gains and losses from disposal for assets classified as held for sale and disposal groups are presented in “Net gains or losses from non-current assets held for sale”.

(20) Provisions

20.1. Provisions for risks arising from the lending business

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

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

20.2. Provisions for legal disputes and other provisions

Provisions for legal disputes and other provisions are recorded if there is a present liability related to a past event towards a third party, if the assertion of the relevant claim is probable and if the amount of the claim can be determined reliably. If the time value of the money effect due to passage of time is material, then provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised as interest expense.

The measurement of provisions for contingent liabilities and impending losses is based on reliable (best) estimates according to IAS 37.36 et seq. Provisions for legal cases include disputes with business partners, customers and external institutions, and are created based on an evaluation of the probability of a court case being lost by the Bank. In certain cases, the legal risk-related loss is calculated using statistical methods with the expected value being the sum of the products of the probabilities of specific litigation resolutions and the loss calculated for each scenario, taking into account alternative prediction methods with respect to the number of disputes within the relevant time horizon.

20.3. Provisions for retirement benefits and similar obligations

Addiko Bank maintains both defined contribution and defined benefit plans. Under defined contribution plans, a fixed contribution is paid to an external provider. These payments are recognised under personnel expenses in the income statement. Except for these, there are no further legal or other obligations on the part of the employer. Therefore, no provision is required.

Defined benefit obligations relate to pension commitments and severance obligations. These schemes are unfunded, i.e. all of the funds required for coverage remain within the Company.

Non-current personnel provisions are determined according to IAS 19 – Employee Benefits – using the projected unit credit method. The valuation of future obligations is based on actuarial opinions prepared by independent actuaries. The present value of the defined benefit obligation is reported in the statement of financial position. According to the provisions of IAS 19, the resulting actuarial gains and losses are recorded under equity in other comprehensive income without affecting profit or loss. The key parameters underlying the actuarial calculations for staff members in Slovenia are an actuarial interest rate of 3.6% as at 31 December 2023 (2022: 3.5%) and a salary increase of 3.5% p.a. (2022: 4% p.a.) for active staff members. Biometric basic data are taken into account using the generation mortality tables for salaried employees. Non-current personnel provisions are calculated on the basis of the earliest possible legal retirement age.

The expenditure to be recognised through profit or loss consists of service cost reported under personnel expenses and interest expense which is recorded as such; actuarial gains and losses are reported under equity in other comprehensive income without affecting profit or loss.

20.4. Provisions for restructuring

Provisions for restructuring are only recorded if the general criteria for recording provisions in accordance with IAS 37.72 are fulfilled. This requires the existence of a constructive obligation for the company, which is fulfilled by the existence of a formal, detailed restructuring plan and the announcement of the measures set out in this plan to those affected.

(21) Other liabilities

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

(22) Share-based payments

22.1. Cash-settled share-based payments

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

(23) Equity

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

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

Capital reserve includes share premium which is the amount by which the issue price of the shares exceeded their nominal value. In addition, direct capital contributions are presented in this position.

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

The cumulative result includes the cumulated profits generated by Addiko Bank.

Notes to the statement of comprehensive income

(24) Net interest income

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Interest income	**66,638**	**46,057**
Financial assets at fair value through other comprehensive income	555	625
Financial assets at amortised cost	66,083	45,322
Negative interest from financial liabilities	0	110
Other interest income	**5,987**	**915**
Financial assets held for trading	1,036	310
Other assets	4,951	604
Total interest income	**72,625**	**46,971**
Financial liabilities measured at amortised cost	-13,378	-3,447
o/w lease liabilities	-111	-116
Financial liabilities held for trading	-1,005	-267
Other liabilities	-42	-6
Negative interest from financial liabilities	0	-528
Total interest expense	**-14,426**	**-4,248**
Net interest income	**58,199**	**42,723**

Interest income break down by instrument and sector as follows:

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Derivatives	**1,036**	**310**
Debt securities	**3,540**	**1,108**
Governments	2,790	746
Credit institutions	500	167
Non-financial corporations	251	195
Loans and advances	**63,098**	**44,838**
Governments	655	502
Credit institutions	728	330
Other financial corporations	306	121
Non-financial corporations	20,268	11,227
Households	41,140	32,658
Other assets	**4,951**	**604**
Negative interest from financial liabilities	**0**	**110**
Central banks	0	110
Credit institutions	0	1
Total	**72,625**	**46,971**

Interest expenses break down by instrument and sector as follows:

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Derivatives	**-1,005**	**-267**
Deposits	**-13,265**	**-3,328**
Central banks	0	-5
Governments	-144	-78
Credit institutions	-3,253	-2,246
Other financial corporations	-113	-106
Non-financial corporations	-2,010	-205
Households	-7,744	-688
Issued bonds, subordinated and supplementary capital	**-3**	**-2**
Negative interest from financial assets	**0**	**-528**
Debt securities	0	-82
Governments	0	-82
Loans and advances	0	-446
Central banks	0	-430
Credit institutions	0	-16
Other liabilities	**-153**	**-122**
Total	**-14,426**	**-4,248**

(25) Net fee and commission income

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Accounts and Packages	5,229	4,333
Transactions	3,013	2,989
Cards	4,221	3,339
Foreign exchange & Dynamic currency conversion	70	157
Bancassurance	1,166	1,223
Loans	2,982	3,318
Trade finance	1,472	1,595
Deposits	7	576
Other	531	452
Fee and commission income	**18,690**	**17,982**
Cards	-2,144	-1,831
Transactions	-869	-919
Client incentives	-384	0
Securities	-13	-12
Accounts and Packages	-640	-417
Bancassurance	0	0
Loans	-180	-225
Trade finance	-40	-39
Other	0	0
Fee and commission expenses	**-4,270**	**-3,442**
Net fee and commission income	**14,421**	**14,540**

The fees and commission presented in this note include income of EUR 4,377 thousand (YE22 EUR 4,782 thousand) and expenses of EUR -53 thousand (YE22: EUR -40 thousand) relating to financial assets and liabilities not measured at FVTPL. The fees and commission include EUR 16,342 thousand (2022: EUR 14,901 thousand) from contracts with customers in the scope of IFRS 15 Revenues from Contracts with Customers and EUR 2,348 thousand (2022: EUR 3,081 thousand) from financial guarantees contracts and loan commitments. Furthermore, the position Client incentives includes EUR 384 thousand sales incentives paid to Addiko Bank employees based on the achievement of pre-defined sales targets. In 2022 sales incentives were shown under personnel expenses; previous-year figures were not amended due to minor amounts.

(26) Net result on financial instruments

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Foreign exchange	1,408	1,854
Held for trading financial instruments	-736	-1,502
Total	672	**352**

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

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Derivatives	-718	-1,730
Other financial liabilities	-17	228
Total	**-736**	**-1,502**

The "derivatives" item shows the net losses arising from foreign exchange and interest rate swaps and foreign exchange futures and options.

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

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Interest rate instruments and related derivatives	-13	0
Foreign exchange trading and derivatives related to foreign exchange and gold	-723	-1,502
Total	**-736**	**-1,502**

(27) Other operating income and other operating expense

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Other operating income	**1,155**	**893**
Direct income arising from legal cases	55	9
Investment property	191	151
Other income	909	732
Other operating expenses	**-627**	**-68**
Other expenses	-627	-68
Total	**528**	**825**

(28) Personnel expenses

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Wages and salaries	-11,782	-10,598
Social security contribution	-970	-908
Variable remuneration	-865	-1,657
Bonuses and sales incentives	-865	-1,657
Voluntary social expenses	-2,535	-2,239
Expenses for retirement benefits	-1,044	-919
Expenses for severance payments	0	-70
Other personnel expenses	-24	-11
Total	**-17,220**	**-16,402**

Certain incentives are paid to Addiko sales employees based on the achievement of pre-defined targets. For the year 2023 we believe it is more appropriate to show such volume and pricing based incentives under Fees and commission expenses whereas before (2022) such incentives were disclosed under personnel expenses. Considering EUR -384 thousand sales incentives paid during 2023 (YE22: -366 thousand) the overall personnel expenses would amount to EUR -17,220 thousand (YE22: EUR -16,402 thousand).

(29) Other administrative expenses

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
IT expense	-4,443	-4,174
Premises expenses (rent and other building expenses)	-2,269	-2,017
Legal and advisory costs	-1,594	-1,173
Advertising costs	-1,265	-1,321
Banking levies and other taxes	-612	-614
Other administrative expenses	-2,131	-1,913
Total	**-12,312**	**-11,212**

(30) Recovery and resolution fund

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Recovery and resolution fund	-102	-357
Deposit guarantee	-622	-502
Total	**-724**	**-859**

(31) Depreciation and amortisation

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Property, plant and equipment	-1,896	-1,792
o/w Right of use assets	-1,336	-1,074
Investment properties	-195	-173
Intangible assets	-913	-831
Total	**-3,004**	**-2,796**

(32) Provisions for other liabilities and charges

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Net result from legal provision	**-3,714**	**29**
Release of provisions for legal cases	25	54
Allocation of provisions for legal cases	-3,739	-25
Net result from operational risk provisions	**-1,512**	**0**
Allocation of provisions for operational risk	-1,512	0
Total	**-5,226**	**29**

The net result from legal cases amounting to EUR -3,714 thousand during the year 2023 (2022: EUR 29 thousand) was mainly impacted by credit linked and portfolio based provisions for expected legal matters on Swiss franc denominated loans. Further details regarding provisions for legal cases are included in note (26) Provisions.

The net result from operational risk amounting to EUR -1,512 thousand during the year 2023 (2022: EUR 0 thousand) includes provisions connected with proportional fee reimbursements in Slovenia in case of early loan repayments ("Lexitor case") and expenses in connection with customer-related operational risk cases.

(33) Expected credit loss expenses on financial assets

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

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Change in CL on financial instruments at FVTOCI	**-23**	**2**

Change in CL on financial instruments at amortised cost	**-10,857**	**-6,313**
Net allocation to risk provision	-12,584	-7,688
Proceeds from loans and advances previously written-off	1,757	1,389
Write off directly to the statement of profit and loss	-30	-16
Net allocation of provisions for commitments and guarantees given	**1,425**	**565**
Total	**-9,455**	**-5,747**

(34) Taxes on income

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2022
Calculated/assessed tax	-2,393	-1,953
Deferred tax	2,534	87
thereof: temporary differences	6	11
thereof: tax losses carried forward	2,529	76
Total	**141**	**-1,866**

34.1. Reconciliation of effective tax rate

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

EUR thousand

	01.01. - 31.12.2023	01.01. - 31.12.2023	01.01. - 31.12.2022	01.01. - 31.12.2022
Profit before tax		**25,800**		**21,515**
Theoretical income tax expense based on Slovenian corporate tax rate of 19%	19.0%	4,902	19.0%	4,088
Tax effects of:				
from foreign income and other tax-exempt income	0.1%	-21	0.0%	-10
from investment related tax relief and other reducing the tax burden	-10.3%	-2,664	-10.3%	-2,219
from tax non-deductible expenses	0.7%	177	0.4%	94
Recognition of previously unrecognised tax losses and re-assess-ment of related DTA	-9.8%	-2,529	0.4%	-76
Recognition/non-recognition of temporary differences	-0.0%	-6	-0.1%	-11
Actual income tax (effective tax rate)	**-0.5%**	**-141**	**8.7%**	**1,866**

In 2023, the income tax was EUR -141 thousand (2022: EUR 1,866 thousand).

In the current tax, item tax non-deductible income arises from the disposal (utilisation) of provisions. The majority of tax non-deductible expenses is represented by the expenses arising from the impairment of investments, expenses for providing bonuses and other payments related to employment, and the tax non-deductible part of the expenses arising from the creation of provisions.

In 2023, when calculating corporate income tax, the Bank took into account EUR 14,022 thousand (2022: EUR 11,679 thousand) of tax deductions arising from transferred tax loss, investment relief, relief from the employment of disabled people, relief for voluntary supplementary pension insurance and donation relief. The Bank was able to take into account EUR 13,302 thousand (2022: EUR 10,979 thousand) of tax relief from transferred tax loss.

The effective tax rate for 2023 stood at -0.5% (2022: 8.7%). The increase is due to lower recognition of previously unrecognised tax losses, due to lower expected profits in future years.

34.2. Movements in deferred tax balances

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

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

EUR thousand

2023	Net balance 1.1.	Recognised in profit or loss	Recognised in OCI	Balance at 31 December		
				Net	Deferred tax assets	Deferred tax liabilities
Financial assets designated at FVTPL	220	35	0	255	255	0
Financial assets at fair value through other comprehensive income	1,208	12	-464	756	756	0
Tangible assets	102	-32	0	70	70	0
Provisions	75	-9	0	66	66	0
Tax losses carried forward	11,252	2,528	0	13,780	13,780	0
Tax assets (liabilities) before set-off	**12,857**	**2,534**	**-464**	**14,928**	**14,928**	**0**
Tax assets (liabilities)	**12,857**	**2,534**	**-464**	**14,928**	**14,928**	**0**

EUR thousand

2022	Net balance 1.1.	Recognised in profit or loss	Recognised in OCI	Balance at 31 December		
				Net	Deferred tax assets	Deferred tax liabilities
Financial assets designated at FVTPL	220	0	0	220	220	0
Financial assets at fair value through other comprehensive income	-11	0	1,219	1,208	1,208	0
Tangible assets	75	28	0	102	102	0
Provisions	91	-16	0	75	75	0
Tax losses carried forward	11,175	76	0	11,252	11,252	0
Tax assets (liabilities) before set-off	**11,551**	**87**	**1,219**	**12,857**	**12,857**	**0**
Tax assets (liabilities)	**11,551**	**87**	**1,219**	**12,857**	**12,857**	**0**

The total change in deferred taxes in the financial statements is EUR 2,070 thousand (2022: EUR -1,306 thousand) mainly due to the increase of corporate income tax rate from 19% to 22% (1,879 thousand EUR). Of this, EUR 2,534 thousand (2022: EUR 87 thousand) is reflected in the current income statement as deferred tax income and an amount of EUR -464 thousand (2021: EUR 1,219 thousand) is shown in other comprehensive income in equity.

34.3. Unrecognized deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probably that future taxable profits will be available in the next 5 years against which Addiko Bank can use the benefit therefrom.

EUR thousand

	2023		2022	
	Gross amounts	Tax effect	Gross amounts	Tax effect
Deductible temporary differences	0	0	0	0
Tax losses	80,714	17,757	97,447	18,515
Total	**80,714**	**17,757**	**97,447**	**18,515**

34.4. Tax losses carried forward

In 2023, the management of Addiko Bank, based on the updated five-year business plan and taking into account the reversal of existing taxable temporary differences, updated its estimate of the future taxable profits and Addiko Bank used EUR 16,733 thousand (2022: EUR 11,380 thousand) of previously unrecognised tax losses, which has a positive tax impact of EUR 758 thousand (2022: EUR 2,162 thousand). By assuming that the entity will generate enough taxable profits in the future years to entirely utilise the existing taxable losses, additional deferred tax assets and related tax benefit of EUR 17,757 thousand (2022: EUR 18,515 thousand) could be recognised.

34.5. Uncertainty over income tax treatments

Addiko Bank considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Bank determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. However, due to the fact that Addiko Bank is subject to a large number of tax regulations that in some cases have only been in effect for a short period of time, are frequently amended and enforced by political divisions, there is a risk that tax audits could, on account of diverging interpretations, result in assessments of tax deficiencies, which could require Addiko Bank to pay additional taxes not previously expected.

At the moment there are no ongoing disputes with local tax authorities.

Addiko Bank believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Notes to the statement of financial position

(35) Cash and cash equivalents

EUR thousand

31.12.2023	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash on hand	8,889	0	8,889
Cash balances at central banks	214,108	0	214,108
Other demand deposits	2,394	-14	2,380
Total	**225,391**	**-14**	**225,377**

EUR thousand

31.12.2022	Gross carrying amount	ECL allowance	Carrying amount (net)
Cash on hand	7,981	0	7,981
Cash balances at central banks	166,071	0	166,071
Other demand deposits	6,910	-7	6,902
Total	**180,961**	**-7**	**180,954**

The total amount of Cash and cash equivalents 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 10,319 thousand (YE22: EUR 8,434 thousand) minimum reserves which was holding at the reporting date in current accounts at national central bank in order to meet on average during the maintenance period the prescribed requirements.

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

EUR thousand

2023	Stage 1
Gross carrying amount at 01.01.2023	**172,981**
Changes in the gross carrying amount of existing assets	43,521
Gross carrying amount at 31.12.2023	**216,502**

EUR thousand

2022	Stage 1
Gross carrying amount at 01.01.2022	**246,310**
Changes in the gross carrying amount of existing assets	-73,329
Gross carrying amount at 31.12.2022	**172,981**

35.2. Cash balances at central banks and other demand deposits - development of ECL allowance

EUR thousand

2023	Stage 1
ECL allowance as at 01.01.2023	**-7**
New remeasurement of loss allowance	-7
ECL allowance as at 31.12.2023	**-14**

EUR thousand

2022	Stage 1
ECL allowance as at 01.01.2022	**-68**
New remeasurement of loss allowance	61
ECL allowance as at 31.12.2022	**-7**

(36) Financial assets held for trading

EUR thousand

	31.12.2023	31.12.2022
Derivatives	1,382	2,929
Total	**1,382**	**2,929**

(37) Loans and advances and other financial assets

Addiko Bank measures all loans and advances at amortised cost.

37.1. Loans and advances and other financial assets to credit institutions

EUR thousand

31.12.2023	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and advances	50,864	-188	50,676
Other financial assets	226	0	226
Total	**51,090**	**-188**	**50,902**

EUR thousand

31.12.2022	Gross carrying amount	ECL allowance	Carrying amount (net)
Loans and advances	50,264	-35	50,229
Other financial assets	500	0	500
Total	**50,764**	**-35**	**50,729**

Loans and advances and other financial assets to Credit institutions - development of gross carrying amount

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2023	**50,764**	**0**	**0**	**0**	**50,764**
New financial assets originated or purchased	1	0	0	0	1
Financial assets that have been derecognised	-1	0	0	0	-1
Changes in the gross carrying amount of existing assets	326	0	0	0	326
Foreign exchange and other movements	0	0	0	0	0
Gross carrying amount at 31.12.2023	**51,090**	**0**	**0**	**0**	**51,090**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2022	**51,095**	**0**	**0**	**0**	**51,095**
New financial assets originated or purchased	4	0	0	0	4
Financial assets that have been derecognised	-2	0	0	0	-2
Changes in the gross carrying amount of existing assets	-357	0	0	0	-357
Foreign exchange and other movements	23	0	0	0	23
Gross carrying amount at 31.12.2022	**50,764**	**0**	**0**	**0**	**50,764**

Loans and advances and other financial assets to credit institutions – development of ECL allowance

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2023	**-35**	**0**	**0**	**0**	**-35**
New remeasurement of loss allowance	-151	0	0	0	**-151**
Increases due to origination and acquisition	-1	0	0	0	-1
ECL allowance as at 31.12.2023	**-188**	**0**	**0**	**0**	**-188**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2022	**-225**	**0**	**0**	**0**	**-225**
New remeasurement of loss allowance	190	0	0	0	**190**
Increases due to origination and acquisition	0	0	0	0	**0**
ECL allowance as at 31.12.2022	**-35**	**0**	**0**	**0**	**-35**

37.2. Loans and advances and other financial assets to customers

EUR thousand

31.12.2023	Gross carrying amount	ECL allowance				Carrying amount (net)
		Stage 1	Stage 2	Stage 3	POCI	
Loans and advances	**1,010,535**	**-4,249**	**-9,516**	**-19,036**	**0**	**977,734**
Households	614,276	-2,413	-5,703	-8,485	0	597,674
Non-financial corporations	385,118	-1,823	-3,759	-10,544	0	368,993
Governments	6,488	-5	0	0	0	6,484
Other financial corporations	4,653	-8	-54	-7	0	4,584
Other financial assets	**795**	**0**	**-63**	**-13**	**0**	**718**
Households	16	0	0	0	0	16
Non-financial corporations	268	0	0	-13	0	255
Governments	210	0	-63	0	0	147
Other financial corporations	301	0	0	0	0	301
Total	**1,011,330**	**-4,249**	**-9,580**	**-19,049**	**0**	**978,453**

EUR thousand

31.12.2022	Gross carrying amount	ECL allowance				Carrying amount (net)
		Stage 1	Stage 2	Stage 3	POCI	
Loans and advances	**967,312**	**-2,817**	**-10,471**	**-15,125**	**0**	**938,899**
Households	573,707	-1,778	-5,222	-6,507	0	560,200
Non-financial corporations	379,635	-1,020	-5,249	-8,618	0	364,748
Governments	9,608	-8	0	0	0	9,600
Other financial corporations	4,362	-11	0	0	0	4,351
Other financial assets	**764**	**0**	**0**	**-10**	**0**	**753**
Households	20	0	0	0	0	20
Non-financial corporations	304	0	0	-10	0	294
Governments	219	0	0	0	0	219
Other financial corporations	222	0	0	0	0	222
Total	**968,076**	**-2,817**	**-10,471**	**-15,135**	**0**	**939,653**

37.2.1. LOANS AND ADVANCES AND OTHER FINANCIAL ASSETS TO HOUSEHOLDS

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2023	**476,467**	**88,890**	**8,371**	**0**	**573,727**
New financial assets originated or purchased	189,276	2,336	0	0	191,612
Financial assets that have been derecognised	-55,191	-6,416	-442	0	-62,049
Changes in the gross carrying amount of existing assets	-67,807	-15,404	-387	0	-83,598
Transfer between stages	-40,262	31,881	8,381	0	0
Write-offs/utilisation	-21	-3	-3,182	0	-3,206
Changes due to modifications that did not result in de-recognition	-9	9	2	0	2
Foreign exchange and other movements	0	0	-2,196	0	-2,196
Gross carrying amount at 31.12.2023	**502,454**	**101,293**	**10,545**	**0**	**614,292**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2022	**468,729**	**73,251**	**9,613**	**0**	**551,594**
New financial assets originated or purchased	139,331	1,570	0	0	140,901
Financial assets that have been derecognised	-53,252	-4,582	-1,693	0	-59,527
Changes in the gross carrying amount of existing assets	-45,225	-8,536	-203	0	-53,963
Transfer between stages	-32,963	27,239	5,723	0	0
Write-offs/utilisation	-3	-3	-3,147	0	-3,153
Changes due to modifications that did not result in de-recognition	5	18	9	0	32
Foreign exchange and other movements	-158	-67	-1,932	0	-2,157
Gross carrying amount at 31.12.2022	**476,467**	**88,890**	**8,371**	**0**	**573,727**

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2023	**-1,778**	**-5,222**	**-6,507**	**0**	**-13,507**
New remeasurement of loss allowance	3,950	-3,559	-7,158	0	**-6,767**
Increases due to origination and acquisition	-1,244	-189	0	0	**-1,433**
Decreases due to derecognition	205	312	325	0	**842**
Transfer between stages	-3,553	2,953	600	0	**0**
Write-offs/utilisation	7	1	3,178	0	**3,186**
Changes due to modifications that did not result in de-recognition	0	0	0	0	**0**
Foreign exchange and other movements	0	0	1,077	0	**1,077**
ECL allowance as at 31.12.2023	**-2,413**	**-5,703**	**-8,485**	**0**	**-16,602**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2022	**-1,313**	**-5,102**	**-7,043**	**0**	**-13,458**
New remeasurement of loss allowance	3,999	-3,457	-5,283	0	**-4,741**
Increases due to origination and acquisition	-662	-150	0	0	**-812**
Decreases due to derecognition	128	262	875	0	**1,265**
Transfer between stages	-3,931	3,224	707	0	**0**

Write-offs/utilisation	1	2	3,147	0	**3,150**
Changes due to modifications that did not result in de-recognition	0	-1	-4	0	**-5**
Foreign exchange and other movements	0	0	1,094	0	**1,094**
ECL allowance as at 31.12.2022	**-1,778**	**-5,222**	**-6,507**	**0**	**-13,507**

Overall gross carrying amount increased during the year 2023, 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.

37.2.2. LOANS AND ADVANCES AND OTHER FINANCIAL ASSETS TO NON-FINANCIAL CORPORATIONS

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2023	**332,995**	**32,210**	**14,734**	**0**	**379,939**
New financial assets originated or purchased	134,356	363	0	0	134,719
Financial assets that have been derecognised	-13,465	-1,379	-915	0	-15,759
Changes in the gross carrying amount of existing assets	-99,923	-8,435	-651	0	-109,009
Transfer between stages	-23,815	21,068	2,748	0	0
Write-offs/utilisation	-4	-1	-4,377	0	-4,382
Changes due to modifications that did not result in de-recognition	-29	-75	0	0	-104
Foreign exchange and other movements	0	0	-19	0	-19
Gross carrying amount at 31.12.2023	**330,115**	**43,752**	**11,519**	**0**	**385,386**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2022	**337,968**	**35,141**	**14,370**	**0**	**387,478**
New financial assets originated or purchased	144,246	123	0	0	144,369
Financial assets that have been derecognised	-69,726	-499	-2,672	0	-72,898
Changes in the gross carrying amount of existing assets	-70,756	-6,119	-160	0	-77,035
Transfer between stages	-8,838	3,554	5,283	0	0
Write-offs/utilisation	-2	-3	-2,087	0	-2,092
Changes due to modifications that did not result in de-recognition	40	9	0	0	49
Foreign exchange and other movements	63	4	0	0	67
Gross carrying amount at 31.12.2022	**332,995**	**32,210**	**14,734**	**0**	**379,939**

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2023	**-1,020**	**-5,249**	**-8,628**	**0**	**-14,897**
New remeasurement of loss allowance	2,714	-359	-7,095	0	**-4,740**
Increases due to origination and acquisition	-687	-20	0	0	**-707**
Decreases due to derecognition	25	182	316	0	**523**
Transfer between stages	-2,856	1,687	1,168	0	**0**
Write-offs/utilisation	0	0	4,371	0	**4,372**
Changes due to modifications that did not result in de-recognition	0	0	0	0	**0**
Foreign exchange and other movements	0	0	-690	0	**-690**
ECL allowance as at 31.12.2023	**-1,823**	**-3,758**	**-10,557**	**0**	**-16,138**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2022	**-1,662**	**-4,433**	**-6,862**	**0**	**-12,957**
New remeasurement of loss allowance	1,299	-1,330	-4,331	0	**-4,362**
Increases due to origination and acquisition	-611	-10	0	0	**-621**
Decreases due to derecognition	434	10	888	0	**1,331**
Transfer between stages	-480	515	-35	0	**0**
Write-offs/utilisation	0	0	2,079	0	**2,079**
Changes due to modifications that did not result in de-recognition	0	-1	0	0	**-1**
Foreign exchange and other movements	1	0	-367	0	**-367**
ECL allowance as at 31.12.2022	**-1,020**	**-5,249**	**-8,628**	**0**	**-14,897**

Overall gross carrying amount of loans and advances to non-financial corporations increased during 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.

37.2.3. LOANS AND ADVANCES AND OTHER FINANCIAL ASSETS TO GENERAL GOVERNMENTS

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2023	**9,827**	**0**	**0**	**0**	**9,827**
New financial assets originated or purchased	0	0	0	0	0
Financial assets that have been derecognised	-121	0	0	0	-121
Changes in the gross carrying amount of existing assets	-3,050	42	0	0	-3,007
Transfer between stages	-88	88	0	0	0
Changes due to modifications that did not result in derecognition	-1	0	0	0	-1
Foreign exchange and other movements	0	0	0	0	0
Gross carrying amount at 31.12.2023	**6,568**	**130**	**0**	**0**	**6,698**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2022	**13,500**	**0**	**0**	**0**	**13,500**
New financial assets originated or purchased	624	0	0	0	624
Financial assets that have been derecognised	-124	0	0	0	-124
Changes in the gross carrying amount of existing as-sets	-4,026	-129	0	0	-4,155
Transfer between stages	-129	129	0	0	0
Changes due to modifications that did not result in derecognition	0	0	0	0	0
Foreign exchange and other movements	-17	0	0	0	-17
Gross carrying amount at 31.12.2022	**9,827**	**0**	**0**	**0**	**9,827**

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2023	**-8**	**0**	**0**	**0**	**-8**
New remeasurement of loss allowance	3	-63	0	0	**-60**
Transfer between stages	0	0	0	0	**0**
ECL allowance as at 31.12.2023	**-5**	**-63**	**0**	**0**	**-68**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2022	**-13**	**0**	**0**	**0**	**-13**
New remeasurement of loss allowance	10	-5	0	0	**5**
Transfer between stages	-5	5	0	0	**0**
ECL allowance as at 31.12.2022	**-8**	**0**	**0**	**0**	**-8**

The overall gross carrying amount of loans and advances to general governments decreased during 2023 accompanied by increase in ECL in stage 2, which is predominantly resulting out of provision requirements for big tickets.

37.2.4. LOANS AND ADVANCES AND OTHER FINANCIAL ASSETS TO OTHER FINANCIAL CORPORATIONS

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2023	**4,576**	**8**	**0**	**0**	**4,584**
New financial assets originated or purchased	1,002	0	0	0	1,002
Financial assets that have been derecognised	-94	0	0	0	-94
Changes in the gross carrying amount of existing assets	-906	369	2	0	-535
Transfer between stages	-1,355	1,348	7	0	0
Write-offs/utilisation	0	0	-3	0	-3
Foreign exchange and other movements	0	0	0	0	0
Gross carrying amount at 31.12.2023	**3,221**	**1,725**	**7**	**0**	**4,953**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2022	**4,692**	**30**	**0**	**0**	**4,722**
New financial assets originated or purchased	242	99	0	0	341
Financial assets that have been derecognised	0	0	0	0	0
Changes in the gross carrying amount of existing assets	-624	-5	12	0	-617
Transfer between stages	116	-116	0	0	0
Write-offs/utilisation	0	0	-12	0	-12
Foreign exchange and other movements	150	0	0	0	150
Gross carrying amount at 31.12.2022	**4,576**	**8**	**0**	**0**	**4,584**

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2023	**-11**	**0**	**0**	**0**	**-12**
New remeasurement of loss allowance	6	-52	-8	0	**-54**
Increases due to origination and acquisition	-6	0	0	0	**-6**
Transfer between stages	3	-2	0	0	**0**
Write-offs/utilisation	0	0	3	0	**3**
Foreign exchange and other movements	0	0	-1	0	**-1**
ECL allowance as at 31.12.2023	**-7**	**-54**	**-7**	**0**	**-69**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2022	**-22**	**-2**	**0**	**0**	**-25**
New remeasurement of loss allowance	22	1	-11	0	**12**
Increases due to origination and acquisition	-1	-8	0	0	**-9**
Transfer between stages	-9	9	0	0	**0**
Write-offs/utilisation	0	0	11	0	**11**
Foreign exchange and other movements	0	0	0	0	**0**
ECL allowance as at 31.12.2022	**-11**	**0**	**0**	**0**	**-12**

The overall gross carrying amount of loans and advances to other financial corporations decreased during 2023 accompanied by increase in ECL in stage 2, which is predominantly resulting out of provision requirements for big tickets.

(38) Investment securities

EUR thousand

	31.12.2023	31.12.2022
Fair value through other comprehensive income (FVTOCI)	54,192	67,986
Mandatorily at fair value through profit or loss (FVTPL)	313	313
At amortised cost	111,820	62,938
Total	**166,325**	**131,236**

38.1. Investment securities measured at fair value through other comprehensive income (FVTOCI)

EUR thousand

	31.12.2023	31.12.2022
Debt securities	**41,098**	**55,432**
Governments	22,760	23,631
Credit institutions	16,336	24,841
Non-financial corporations	2,002	6,960
Equity instruments	**13,094**	**12,553**
Governments	13,094	12,553
Total	**54,192**	**67,986**

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

EUR thousand

	31.12.2023	31.12.2022
Slovenian Bank Resolution Fund	13,094	12,553
Total	**13,094**	**12,553**

Investment securities – development of gross carrying amount (Debt Securities)

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2023	**61,193**	**0**	**0**	**0**	**61,193**
New financial assets originated or purchased	0	0	0	0	**0**
Financial assets that have been derecognised	-16,433	0	0	0	**-16,433**
Changes in the gross carrying amount of existing assets	-306	0	0	0	**-306**
Gross carrying amount at 31.12.2023	**44,454**	**0**	**0**	**0**	**44,454**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2022	**85,370**	0	0	0	**85,370**
New financial assets originated or purchased	56,817	0	0	0	**56,817**
Financial assets that have been derecognised	-81,102	0	0	0	**-81,102**
Changes in the gross carrying amount of existing assets	109	0	0	0	**109**
Gross carrying amount at 31.12.2022	**61,193**	**0**	**0**	**0**	**61,193**

Investment securities - development of ECL allowance

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2023	**-47**	**0**	**0**	**0**	**-47**
New remeasurement of loss allowance	-27	0	0	0	**-27**
Increases due to origination and acquisition	0	0	0	0	**0**
Decreases due to derecognition	4	0	0	0	**4**
ECL allowance as at 31.12.2023	**-71**	**0**	**0**	**0**	**-71**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2022	**-49**	0	0	0	-49
New remeasurement of loss allowance	12	0	0	0	12
Increases due to origination and acquisition	-11	0	0	0	-11
Decreases due to derecognition	1	0	0	0	1
ECL allowance as at 31.12.2022	**-47**	**0**	**0**	**0**	**-47**

38.2. Investment securities measured mandatorily at fair value through profit or loss (FVTPL)

EUR thousand

	31.12.2023	31.12.2022
Equity instruments	**313**	**313**
Non-financial corporations	313	313
Total	**313**	**313**

38.3. Investment securities measured at amortised cost

EUR thousand

	31.12.2023	31.12.2022
Debt securities	**111,820**	**62,938**
Governments	98,454	60,869
Credit institutions	10,406	2,070
Non-financial corporations	2,961	0
Total	**111,820**	**62,938**

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

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2023	**62,939**	**0**	**0**	**0**	**62,939**
New financial assets originated or purchased	67,156	0	0	0	67,156

Financial assets that have been derecognised	-19,988	0	0	0	-19,988
Changes in the gross carrying amount of existing assets	1,738	0	0	0	1,738
Gross carrying amount at 31.12.2023	**111,846**	**0**	**0**	**0**	**111,846**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount at 01.01.2022	**0**	0	0	0	**0**
New financial assets originated or purchased	77,846	0	0	0	77,846
Financial assets that have been derecognised	-15,003	0	0	0	-15,003
Changes in the gross carrying amount of existing assets	95	0	0	0	95
Gross carrying amount at 31.12.2022	**62,939**	**0**	**0**	**0**	**62,939**

Investment securities - development of ECL allowance

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2023	**-1**	**0**	**0**	**0**	**-1**
New remeasurement of loss allowance	2	0	0	0	**2**
Increases due to origination and acquisition	-27	0	0	0	**-27**
ECL allowance as at 31.12.2023	**-25**	**0**	**0**	**0**	**-25**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2022	**0**	0	0	0	0
New remeasurement of loss allowance	2	0	0	0	**2**
Increases due to origination and acquisition	-3	0	0	0	**-3**
ECL allowance as at 31.12.2022	**-1**	**0**	**0**	**0**	**-1**

(39) Tangible assets

EUR thousand

	31.12.2023	31.12.2022
Owned property, plant and equipment	**3,135**	**3,124**
Land and buildings	1,788	1,915
Plant and equipment	1,347	1,209
Right of use assets	**4,540**	**5,225**
Land and buildings	3,815	4,334
Plant and equipment	138	122
Investment property	588	769
Total	**7,676**	**8,349**

(40) Intangible assets

EUR thousand

	31.12.2023	31.12.2022
Purchased software	2,234	2,192
Total	**2,234**	**2,192**

(41) Development of tangible and intangible assets

41.1. Development of cost and carrying amounts

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

EUR thousand

2023	Land and buildings	Plant and equipment - internally used	Total
Acquisition cost 01.01.2023	**4,472**	**7,782**	**12,254**
Additions	297	470	**767**
Disposals	0	-72	**-72**
Other changes	0	0	**0**
Acquisition cost 31.12.2023	**4,769**	**8,180**	**12,949**
Cumulative depreciation and impairment 31.12.2023	-2,981	-6,833	-9,814
Carrying amount 31.12.2023	**1,788**	**1,347**	**3,135**

EUR thousand

2022	Land and buildings	Plant and equipment - internally used	Total
Acquisition cost 01.01.2022	**4,937**	**7,764**	**12,701**
Additions	239	371	**610**
Disposals	-704	-353	**-1,057**
Other changes	0	0	**0**
Acquisition cost 31.12.2022	**4,472**	**7,782**	**12,254**
Cumulative depreciation and impairment 31.12.2022	-2,557	-6,573	-9,130
Carrying amount 31.12.2022	**1,915**	**1,209**	**3,124**

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

EUR thousand

2023	Land and buildings	Plant and equipment	Investment properties	Total
Acquisition cost 01.01.2023	**5,622**	**324**	**940**	**6,886**
Additions	0	0	14	**14**
Disposals	534	78	0	**612**
Other changes	0	0	0	**0**
Acquisition cost 31.12.2023	**6,156**	**402**	**954**	**7,512**
Cumulative depreciation and impairment 31.12.2023	-2,341	-265	-366	-2,972
Carrying amount 31.12.2023	**3,815**	**138**	**588**	**4,540**

EUR thousand

2022	Land and buildings	Plant and equipment	Investment properties	Total
Acquisition cost 01.01.2022	**8,693**	**369**	**0**	**9,062**
Additions	290	123	940	**1,353**
Disposals	-3,738	-167	0	**-3,905**
Other changes	377	0	0	**377**
Acquisition cost 31.12.2022	**5,622**	**324**	**940**	**6,886**
Cumulative depreciation and impairment 31.12.2022	-1,287	-202	-171	-1,660
Carrying amount 31.12.2022	**4,334**	**122**	**769**	**5,225**

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

EUR thousand

2023	Purchased software
Acquisition cost 01.01.2023	**15,413**
Additions	955
Disposals	0
Acquisition cost 31.12.2023	**16,369**
Cumulative depreciation and impairment 31.12.2023	-14,135
Carrying amount 31.12.2023	**2,234**

EUR thousand

2022	Purchased software
Acquisition cost 01.01.2022	**15,140**
Additions	711
Disposals	-437
Acquisition cost 31.12.2022	**15,413**
Cumulative depreciation and impairment 31.12.2022	-13,222
Carrying amount 31.12.2022	**2,192**

41.2. Development of depreciation and amortisation

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

EUR thousand

2023	Land and buildings	Plant and equipment - internally used	Total
Cumulative depreciation 01.01.2023	**-2,557**	**-6,573**	**-9,130**
Disposals	0	72	**72**
Scheduled depreciation	**-424**	**-332**	**-755**
Cumulative depreciation 31.12.2023	**-2,981**	**-6,833**	**-9,814**

EUR thousand

2022	Land and buildings	Plant and equipment - internally used	Total
Cumulative depreciation 01.01.2022	**-2,676**	**-6,523**	**-9,199**
Disposals	513	274	**787**
Scheduled depreciation	-394	-324	**-718**
Cumulative depreciation 31.12.2022	**-2,557**	**-6,573**	**-9,130**

The development of depreciation and amortisation of right of use is presented in the table below.

EUR thousand

2023	Land and buildings	Plant and equipment	Investment properties	Total
Cumulative depreciation 01.01.2023	**-1,287**	**-202**	**-171**	**-1,660**
Disposals	0	25	0	**25**
Scheduled depreciation	-1,053	-87	-195	**-1,336**
Impairment	0	0	0	**0**
Write-ups	0	0	0	0
Cumulative depreciation 31.12.2023	**-2,341**	**-265**	**-366**	**-2,972**

EUR thousand

2022	Land and buildings	Plant and equipment	Investment properties	Total
Cumulative depreciation 01.01.2022	**-3,170**	**-237**	**0**	**-3,407**
Disposals	2,855	136	0	**2,991**

Scheduled depreciation	-972	-101	-171	**-1,244**
Impairment	0	0	0	**0**
Write-ups	0	0	0	0
Cumulative depreciation 31.12.2022	**-1,287**	**-202**	**-171**	**-1,660**

The development of depreciation and amortisation of intangible assets is presented in the table below.

EUR thousand

2023	Purchased software
Cumulative depreciation 01.01.2023	**-13,222**
Disposals	0
Scheduled depreciation	-913
Cumulative depreciation 31.12.2023	**-14,135**

EUR thousand

2022	Purchased software
Cumulative depreciation 01.01.2022	**-12,828**
Disposals	437
Scheduled depreciation	-831
Cumulative depreciation 31.12.2022	**-13,222**

(42) Financial liabilities held for trading

EUR thousand

	31.12.2023	31.12.2022
Derivatives	1,837	2,531
Total	**1,837**	**2,531**

(43) Financial liabilities measured at amortised cost

EUR thousand

	31.12.2023	31.12.2022
Deposits and borrowings	**1,193,530**	**1,088,420**
Deposits from banks and central banks	5,967	2,671
Borrowings from banks and central banks	26,572	55,965
Deposits from customers	1,160,990	1,029,784
Issued bonds, subordinated and supplementary capital	**15,014**	**15,059**
Investment securities issued	0	50
Subordinated loan	15,014	15,009
Other financial liabilities	**16,066**	**14,414**
o/w lease liabilities	4,907	5,585
Total	**1,224,610**	**1,117,893**

43.1. Deposits and borrowings of credit institutions

EUR thousand

	31.12.2023	31.12.2022
Current accounts / overnight deposits	345	2,671
Deposits with agreed terms	5,622	0
Borrowings of central bank and credit institutions	26,572	55,965
Total	**32,540**	**58,636**

43.2. Deposits and borrowings of customers

EUR thousand

	31.12.2023	31.12.2022
Current accounts / overnight deposits	**635,137**	**628,207**
Governments	3,814	2,335
Other financial corporations	25,251	4,974
Non-financial corporations	237,189	230,846
Households	368,883	390,052
Deposits with agreed terms	**521,263**	**395,368**
Governments	6,072	33,969
Other financial corporations	4,843	53,828
Non-financial corporations	131,869	137,537
Households	378,479	170,034
Deposits redeemable at notice	**4,589**	**6,209**
Governments	992	985
Other financial corporations	50	0
Non-financial corporations	3,547	5,224
Total	**1,160,990**	**1,029,784**

43.3. Debt securities issued

EUR thousand

	31.12.2023	31.12.2022
Certificates of deposit	0	50
Total	**0**	**50**

43.4. Subordinated loans

EUR thousand

	31.12.2023	31.12.2022
Subordinated loans	15,014	15,009
Total	**15,014**	**15,009**

Addiko Bank discloses subordinated liabilities in the amount of EUR 15,014 thousand. Subordinated liabilities take the form of a borrowed loan from the parent company in the amount of 15,014 thousand with a maturity of 10 years, which is fully due on 29.07.2026. The Bank obtained the Bank of Slovenia's approval for the loan to be included in the calculation of additional capital in its entirety.

Subordinated debt is subordinated to all other liabilities of the Bank. The Bank of Slovenia may as a supervisory measure, which may be used in the event that it is determined that the Bank would not be able to settle its liabilities with its assets, in accordance with statutory provisions, stipulate that subordinated liabilities partially or fully terminate or that subordinate liabilities of the Bank convert partly or wholly into new ordinary shares of the Bank on the basis of an increase in the share capital of the Bank by paying an in-kind contribution in the form of claims of creditors representing subordinated liabilities.

(44) Provisions

EUR thousand

	31.12.2023	31.12.2022
Pending legal disputes	3,720	17
Commitments and guarantees granted	1,683	3,108
Provisions for variable payments	1,618	1,561
Other long term employee benefits	125	115
Pensions and other post employment defined benefit obligations	637	626
Provisions for operational risk	507	0
Restructuring measures	11	123
Total	**8,302**	**5,551**

44.1. Provisions for commitments and guarantees granted

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

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
Nominal value at 01.01.2023	**274,619**	**6,063**	**2,968**	**0**	**283,649**
New loan commitments, financial guarantee and other commitments given originated or purchased	85,279	88	0	0	85,367
New loan commitments, financial guarantee and other commitments given that have been derecognised	-77,499	-970	-1,017	0	-79,485
Changes in the nominal value of existing instruments	-5,519	540	-841	0	-5,821
Transfer between stages	-4,301	4,530	-229	0	0
Nominal value at 31.12.2023	**272,578**	**10,252**	**880**	**0**	**283,710**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
Nominal value at 01.01.2022	**301,910**	**4,854**	**3,685**	0	**310,450**
New loan commitments, financial guarantee and other commitments given originated or purchased	75,334	0	0	0	75,334
New loan commitments, financial guarantee and other commitments given that have been derecognised	-90,054	-535	-1,074	0	-91,663
Changes in the nominal value of existing instruments	-10,263	-60	-147	0	-10,470
Transfer between stages	-2,308	1,804	504	0	0
Nominal value at 31.12.2022	**274,619**	**6,063**	**2,968**	**0**	**283,649**

EUR thousand

2023	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2023	**-268**	**-198**	**-2,642**	**0**	**-3,108**
New remeasurement of loss allowance	27	23	544	0	**594**
Increases due to origination and acquisition	-196	-8	0	0	**-204**
Decreases due to derecognition	71	71	892	0	**1,034**
Transfer between stages	-199	-145	345	0	**0**
ECL allowance as at 31.12.2023	**-565**	**-257**	**-862**	**0**	**-1,683**

EUR thousand

2022	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 01.01.2022	**-484**	**-112**	**-3,078**	0	**-3,674**
New remeasurement of loss allowance	365	-93	-412	0	**-140**
Increases due to origination and acquisition	-156	0	0	0	**-156**
Decreases due to derecognition	76	2	782	0	**861**
Transfer between stages	-69	5	64	0	**0**
ECL allowance as at 31.12.2022	**-268**	**-198**	**-2,642**	**0**	**-3,108**

44.2. Provisions for pending legal disputes

The term “pending legal disputes” includes legal proceedings against the Bank that are still ongoing. The majority of ongoing legal proceedings against the Bank derive from consumer claims regarding loan agreements with foreign currency clause in Swiss Francs. Consumers are claiming that the loan agreements with foreign currency clause in Swiss Francs are null and void as the Bank did not fulfil its information duty and did not provide enough information on the consequences of loans, linked to foreign currency Swiss Franc, to consumers at the time the respective loan agreements with foreign currency clause in Swiss Francs were concluded.

In 2023 the judicial jurisprudence changed and contrary to the previous judicial jurisprudence the arguments that were so far interpreted in favour of the banks, were now interpreted differently. The Supreme Court of the Republic of Slovenia interprets the Slovenian consumer protection law in a way that retroactively establishes higher requirements for the fulfilment of the information duty of the Bank vis-à-vis consumers.

Therefore, provisions for pending legal disputes in the amount of EUR 3.7 million have been established following the change in the judicial jurisprudence.

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

EUR thousand

2023	Carrying amount 01.01.2023	Allocations	Use	Releases	Other changes	Carrying amount 31.12.2023
Pending legal disputes	17	3,739	-11	-25	0	3,720
Total	**17**	**3,739**	**-11**	**-25**	**0**	**3,720**

EUR thousand

2022	Carrying amount 01.01.2022	Allocations	Use	Releases	Other changes	Carrying amount 31.12.2022
Pending legal disputes	50	25	-4	-54	0	17
Total	**50**	**25**	**-4**	**-54**	**0**	**17**

44.3. Other provisions

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

EUR thousand

2023	Carrying amount 01.01.2023	Allocations	Use	Releases	Other changes	Carrying amount 31.12.2023
Pensions and other post-employment defined benefit obligations	626	59	0	0	-48	637
Other long term employee benefits	115	12	-5	0	3	125
Restructuring measures	123	0	-112	0	0	11
Provision for variable payments	1,561	1,146	-793	-297	0	1,618
Provisions for operational risk	0	1,512	-1,005	0	0	507
Total	**2,425**	**2,730**	**-1,915**	**-297**	**-44**	**2,898**

EUR thousand

2022	Carrying amount 01.01.2022	Allocations	Use	Releases	Other changes	Carrying amount 31.12.2022
Pensions and other post employment defined benefit obligations	584	59	-14	0	-3	626
Other long term employee benefits	123	11	-10	0	-10	115
Restructuring measures	250	0	-127	0	0	123
Provision for variable payments	419	1,356	-210	-4	0	1,561
Total	**1,376**	**1,426**	**-361**	**-4**	**-13**	**2,425**

44.3.1. DEFINED BENEFIT OBLIGATIONS

The development of the present value of obligations relating to retirement benefits and severance payments is displayed below. For reasons of immateriality, disclosures were summarised.

EUR thousand

	2023	2022
Present value of the defined benefit obligations as of 01.01.	**626**	584
+ Current service cost	59	59
+ Interest costs	22	5
+/- Actuarial gains/losses	**-69**	**-9**
+/- Actuarial gains/losses arising from changes in financial assumptions	-51	-8
+/- Actuarial gains/losses arising from changes from experience assumptions	-19	-1
- Payments from the plan	0	-14
Present value of the defined benefit obligations as of 31.12.	**638**	**626**

44.3.2. PROVISIONS FOR OPERATIONAL RISK

During 2023 Addiko Bank recognized provisions for operational risk in connection with the additional guidance that the National Bank in Slovenia was providing in 2023 in relation to the treatment of early loan repayments ("Lexitor case"), which forced banks to specific behaviors despite the unclear legal situation.

(45) Other liabilities

EUR thousand

	31.12.2023	31.12.2022
Deferred income	391	465
Accruals and other liabilities	1,942	1,889
Total	**2,333**	**2,354**

Deferred income as at 31 December 2023 contains contract liabilities in accordance with IFRS 15 in the amount of EUR 391 thousand (31 December 2022: EUR 465 thousand; 1 January 2022: EUR 501 thousand). The amount of EUR 292 thousand included in contract liabilities as at 31 December 2022 has been recognised as revenue for the year ended 31 December 2023 (2022: EUR 290 thousand).

(46) Equity

EUR thousand

	31.12.2023	31.12.2022
Equity		
Subscribed capital	89,959	89,959
Capital reserves	18,814	18,814
Fair value reserve	-2,607	-5,111
Other reserves	111	46
Retained earnings	104,087	97,791
Total	**210,364**	**201,499**

The subscribed capital is based on the financial statements as of 31 December 2023. The total amount of EUR 89,959 thousand (2022: EUR 89,959 thousand) corresponds to that fully paid up by the owner, which is divided into 141,706,318 no-par value shares.

The capital reserves include contributions from shareholders that do not represent subscribed capital. Capital reserves amounted to EUR 18,814 thousand (2022: EUR 18,814 thousand).

The fair value reserve includes the measurement results – after taking deferred taxes into account – for the financial assets measured at fair value through other comprehensive income. At the end of 2023, the revaluation surplus amounted to EUR -2,607 thousand (2022: EUR -5,111 thousand).

Pursuant to the Companies Act, the Bank shall set aside legal reserves in such an amount that the sum of legal reserves and capital surplus amounts to 10% of the nominal capital or to a higher amount that is prescribed in the Articles of Association. If the legal reserves and capital reserves do not reach the percentage of share capital stated in the previous sentence, the Bank, when compiling the balance sheet, shall pay into the legal reserves 5% of the amount of net profit less the amount used to cover any transferred losses.

Capital surplus and legal reserves (tied-up reserves) may only be used under the following conditions.

a. If the total amount of these reserves falls short of the statutory percentage of share capital, they may only be used for:
- coverage of net loss for the financial year if it cannot be offset against retained earnings or other revenue reserves;
- coverage of transferred loss if it cannot be offset against the net profit for the financial year or other revenue reserves.

b. If the total amount of these reserves exceeds the statutory percentage of share capital, the surplus amount of these reserves may only be used for:
- increasing the share capital from company assets;
- coverage of net loss for the financial year if it cannot be offset against retained earnings and if no revenue reserves are used for the payment of profit to the shareholders; or
- coverage of transferred net loss if it cannot be offset against the net profit for the financial year and if the revenue reserves are not used for the payment of profit to the shareholders.

Addiko Bank has no legal reserves. Retained earnings from the previous years amounted to EUR 104,087 thousand at the end of the year (2022: EUR 97,791 thousand).

In 2023, the Bank recognised profit in the amount of EUR 25,941 thousand (2022: EUR 19,649 thousand).

(47) Statement of cash flows

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

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

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

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

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

EUR thousand

	2023	2022
CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest paid	14,085	2,865
Interest received	71,708	37,959
Dividends received	0	20
TOTAL	**85,793**	**40,844**

EUR thousand

	2023	2022
CASH AND CASH EQUIVALENTS		
Cash on hand and cash balances with the central bank	225,391	180,961
TOTAL	**225,391**	**180,961**

Risk Report

(48) Risk control and monitoring

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

The following principles apply to the Bank's overall controlling:

- Clearly defined processes and organisational structures are in place for all risk types, according to which all tasks, competencies and responsibilities of participants can be aligned.
- Front and back office as well as trading and settlement/monitoring units are functionally separated to prevent conflicts of interest in accordance with the Slovenian Banking Act.
- The Bank implements appropriate, mutually compatible procedures for identifying, analysing, measuring, combining, controlling and monitoring the risk types.
- Appropriate limits are set and effectively monitored for material risk types.

(49) Risk strategy & Risk Appetite Statement (RAS)

The Bank's risk strategy is derived from the business strategy and describes the planned business structure, strategic development and growth, taking into consideration processes, methodologies and the organisational structure relevant for the management of risk factors. As such, the risk strategy represents the bridge between the Bank's business strategy and risk positioning. It is also a management tool of the highest level for the purposes of bank's risk steering and as such it provides a framework for controlling, monitoring and limiting risks inherent in the banking business as well as ensuring the adequacy of the internal capital, the bank's liquidity position and the overall through-the-cycle profitability.

The Bank's risk strategy reflects key risk management approaches included in the business strategy. This is mirrored in the bank's risk objectives that will support safe and sustainable growth and ensure the preservation of the bank in line with regulatory requirements for adequate own funds with regard to risk-taking activities.

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

(50) Risk organisation

The Bank has a single organisational structure, which is to great extent aligned with the group structure. The responsibilities of individual risk management segments are divided into three areas. All risk management segments report directly to a Member of the Management Board responsible for risks (CRO). The CRO acts independently of market and trading units, which is in line with the banking regulation.

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

In 2023, the following organisational units were operative:

- Corporate Credit Risk management
- Retail Risk Management
- Risk Controlling
- Data management
- Information and physical security

Corporate Credit Risk Management has the responsibility for credit risk management for all non-Retail customer segments, i.e. Corporate, SME, Public Finance (Sovereigns and Sub sovereigns) and Financial Institution. That includes an operative and a strategic role. Operationally it covers analysis and approval of credit applications, early warning system and distressed asset management. Strategically it defines policies, procedures, manuals, guidelines, and all other documents for above mentioned activities.

Retail Risk Management oversees all the Retail Risk and Collections departments. It monitors and manages credit risk in Retail portfolio. The function has both an operational and strategic role related to credit risk management. Operationally it covers assessment and approval of lending products and test initiatives, while strategically defines policies, procedures, manuals, guidelines in relation to the governance of lending activities and collections. Besides this continuously monitors the portfolio development and ensures the development and maintenance of a reporting toolkit that serves this purpose. This enables that the risk appetite of the lending products is in line with the risk appetite of the Bank.

Risk Controlling operates as the independent risk management function, identifying, monitoring, controlling, and reporting of all material risks to Management and Supervisory Board, proposing of mitigation measures, initiating escalation in case defined limits are breached and defining methodology for risk measurement and assessment together with the Group. Risk Controlling is actively involved in all major decisions relating to risk management and the development and review of risk strategy, own funds and economic capital management, stress testing, risk budgeting, tracking of risk exposure and steering of the processes related to ICAAP, SREP and recovery plan as well reports on them to the Management and Supervisory Board. Organisationally the following functions are embedded in Risk Controlling:

- Market and Liquidity Risk Controlling
- Credit Risk Controlling
- Operational Risk Controlling

Market & Liquidity Risk Controlling is involved in identifying, monitoring, controlling and reporting of market and liquidity risks, cooperates in defining methodology for risk measurement and assessment of the Bank, limit setting process, initiating escalation in case defined limits are breached and proposing mitigation measures within the defined risk appetite and regulatory limitations.

Credit Risk Controlling deals with identifying, measuring, managing, monitoring and reporting credit risk and oversees the credit risk model landscape from a portfolio management perspective and supervises development of portfolio dependent and business-related credit risk models as well as validation and regular monitoring of credit risk and IFRS 9. It makes sure that applied models fulfil expected quality standards while fitting within the model architecture also in terms of budget and strategy. The unit also deals with credit risk reporting. The validation function is outsourced to Risk Validation team within Addiko Group; however, the local team is strongly involved in the performed validation and review of the validation results and reports.

Operational Risk Controlling provides strategic direction with a robust framework of operational risk management, which includes identifying, measuring, managing, monitoring and reporting operational risk, providing a mechanism for discussion and effective escalation of issues leading to better risk management and increasing institutional resilience. The unit also deals with the Fraud Risk management with the goal of ensuring a consistent approach to the entire process of Fraud Risk Management. Fraud risk management operates by means of a risk management assessment for supporting fraud risk identification, assessment, and control implementation in business processes; they support early identification of fraud risk in business products and proposing anti-fraud controls.

Data management (LDO) is the main responsible function for the business aspects of enterprise data management. LDO implements and maintains group-wide methods, standards and definitions to achieve a common and harmonized view on enterprise data. In operational matters the LDO team is supporting business functions in regular and ad-hoc reporting, common/central data transformations and calculations and data quality monitoring and reporting.

Information and physical security unit is responsible for information security management, with the objective to define information security governance including strategy and policies, in accordance with business objectives and legal, contractual or regulatory information security requirements. The unit is also responsible for Physical security, Outsourcing and Business Continuity Management including Crisis Management. The physical and outsourcing management functions are responsible for steering, monitoring and overseeing the physical security and outsourcing process, creation and maintenance of outsourcing standards, policies and templates.

Business Continuity Management is responsible for steering, monitoring and oversight of the Business Continuity Framework and Crisis Management Framework, as well as the creation and maintenance of business continuity standards.

(51) Internal risk management guidelines

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

The Bank has clearly defined responsibilities for all risk guidelines, including preparation, review, and update. Each group guideline must be implemented at the local level and adjusted to local conditions. Compliance with these guidelines is ensured by those directly involved in the risk management process. The Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(52) Credit risk

52.1. Definition

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

52.2. General requirements

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

In line with a Group wide instruction on authority levels as defined by the Management and Supervisory Board, credit decisions are made by the Supervisory Boards, Management Board and Credit Committee as well as by key staff in the credit risk management units.

The Credit Committee is a permanent institution of Addiko Bank and the highest body for making credit decisions, subordinated only to the Management Board. All methodological matters relating to credit risk are accepted by the Management Board.

The Risk Executive Committee (RECO) is responsible for monitoring and managing credit risk.

52.3. Risk measurement

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

52.4. Risk limitation

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

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

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

52.5. Reconciliation between Financial instrument 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 Held-to-Collect&Sale business model, whereas amortised cost is used for loans and securities classifies in the Held-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.

All the written-off exposures which are not written-off as a part of the asset sale or debt settlement process, and are therefore kept out of balance, continue to be subject to enforcement activity.

Breakdown of net exposure within Addiko Bank in accordance with IFRS 7.36 as at 31 December 2023:

EUR thousand

31.12.2023		Performing			Non Performing			Total
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash and cash equivalents [1]	216,502	-14	216,487	0	0	0	216,502	216,487
Financial assets held for trading [2]	1,382	0	1,382	0	0	0	1,382	1,382
Loans and advances	1,040,337	-14,016	1,026,321	22,083	-19,049	3,034	1,062,420	1,029,355
of which credit institutions	50,963	-188	50,776	0	0	0	50,963	50,776
of which customer loans	989,374	-13,829	975,545	22,083	-19,049	3,034	1,011,456	978,579
Investment securities [3]	166,108	-96	166,012	0	0	0	166,108	166,012
Other Assets - IFRS 5 [4]	0	0	0	645	-468	177	645	177
On balance total	**1,424,329**	**-14,126**	**1,410,202**	**22,727**	**-19,516**	**3,211**	**1,447,056**	**1,413,413**
Off balance	282,830	-822	282,009	880	-862	19	283,710	282,027
Total credit risk exposure	**1,707,159**	**-14,948**	**1,692,211**	**23,608**	**-20,378**	**3,230**	**1,730,766**	**1,695,440**

[1] The position does not include cash on hand in amount of EUR 8.9 million. [2] The position consists of on-balance exposure on derivatives - it is excluded from every other table in this report, unless specifically stated otherwise. [3] Investment securities, without equity instruments, including participation in the bank resolution fund in Slovenia. [4] The position includes only loans and advances.

The following table shows the exposure in accordance with IFRS 7.36 as at 31 December 2022:

EUR thousand

31.12.2022		Performing			Non Performing			Total
Financial instruments	Exposure	ECL	Net	Exposure	ECL	Net	Exposure	Net
Cash and cash equivalents [1]	172,980	-7	172,973	0	0	0	172,980	172,973
Financial assets held for trading [2]	2,929	0	2,929	0	0	0	2,929	2,929
Loans and advances	995,733	-13,324	982,409	23,108	-15,136	7,972	1,018,841	990,381
of which credit institutions	50,764	-35	50,729	0	0	0	50,764	50,729
of which customer loans	944,969	-13,289	931,681	23,108	-15,136	7,972	968,077	939,652
Investment securities [3]	130,972	-48	130,924	0	0	0	130,972	130,924
Other Assets - IFRS 5 [4]	0	0	0	534	-413	121	534	121
On balance total	**1,302,614**	**-13,379**	**1,289,235**	**23,642**	**-15,549**	**8,093**	**1,326,256**	**1,297,328**
Off balance	280,681	-466	280,215	2,968	-2,642	325	283,649	280,541
Total credit risk exposure	**1,583,296**	**-13,845**	**1,569,451**	**26,610**	**-18,191**	**8,418**	**1,609,905**	**1,577,869**

[1] The position does not include cash on hand in amount of EUR 8.0 million. [2] The position consists of on-balance exposure on derivatives - it is excluded from every other table in this report, unless specifically stated otherwise. [3] Investment securities, without equity instruments, including participation in the bank resolution fund in Slovenia. [4] The position includes only loans and advances.

52.6. Credit risk exposure by rating class

On 31 December 2023, roughly 37.5% (YE22: 35.5%) of the exposure is categorised as rating classes 1A to 1E. This exposure primarily relates to receivables from financial institutions, small and medium enterprises and private individuals.

The overall NPE stock development in 2023 has mainly been influenced by a regular debt sale process on the Consumer segment, repayments, internal write-offs according to Slovenian legislation and collection effects. The overall non-performing exposure decreased during 2023 by EUR 3 million, mainly due to a decrease in small and medium enterprises portfolio and an increase in Consumer portfolio.

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

EUR thousand

31.12.2023	1A-1E	2A-2E	3A-3E	4A-4E	NPE	No rating	Total
Consumer	37,018	292,547	110,050	56,240	8,615	0	504,470
SME	115,557	366,026	55,164	26,752	13,254	0	576,755
Non-Focus	113,701	74,016	19,506	2,752	1,738	0	211,714
o/w Large Corporate	21,561	52,302	15,255	336	15	0	89,469
o/w Mortgage	84,259	19,729	4,184	2,417	1,723	0	112,312
o/w Public Finance	7,881	1,986	67	0	0	0	9,934
Corporate Center [1)]	382,463	53,982	0	0	0	0	436,445
Total	**648,740**	**786,572**	**184,721**	**85,745**	**23,608**	**0**	**1,729,384**

1) Corporate Center includes financial institutions comprising also the exposure towards Bank of Slovenia, Investment securities and Intragroup business

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

EUR thousand

31.12.2022	1A-1E	2A-2E	3A-3E	4A-4E	NPE	No rating	Total
Consumer	35,447	254,093	104,538	46,833	6,954	0	447,864
SME	98,158	337,834	68,017	26,807	17,895	0	548,711
Non-Focus	138,531	92,848	11,550	7,205	1,760	0	251,894
o/w Large Corporate	24,505	65,918	7,542	4,523	0	0	102,488
o/w Mortgage	104,265	23,317	3,712	2,633	1,760	0	135,688
o/w Public Finance	9,760	3,613	295	49	0	0	13,718
Corporate Center [1)]	298,387	58,088	2,033	0	0	0	358,507
Total	570,523	742,862	186,137	80,845	26,610	0	1,606,976

1) Corporate Center includes financial institutions comprising also the exposure towards Bank of Slovenia, Investment securities and Intragroup business

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

- 1A-1E: representing customers with a very low risk, having the best, excellent or very good credit standing, (this is equivalent to Moody's rating Aaa-Baa3),
- 2A-2E: representing customers with a good or moderate credit standing, (this is equivalent to Moody's rating Ba1-B1),
- 3A-3E: representing customers with a medium or high credit risk (this is equivalent to Moody's rating B2-Caa1),
- 4A-4D: representing customers with a very high credit risk or who are likely to default. This class includes customers that may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term (this is equivalent to Moody's rating Caa2-C),
- NPE (default): one or more of the default criteria under Article 178 CRR are met: among others, interest or principal payments on a material exposure have been overdue for more than 90 days, the Bank significantly doubts the customer's credit standing, there are risk-oriented restructuring measures leading to a forborne non-performing exposure, there is a realisation of a loan loss or bankruptcy proceedings are initiated (this is equivalent to Moody's rating Default).

Addiko Bank applies the customer view to all customer segments, including retail clients. An obligor defaults on every deal and is classified as non-performing if an internal or regulatory threshold is met at the customer level. The classifications per rating class and ECL stage can be seen in the tables below.

Loans and advances to customers at amortised cost:

EUR thousand

31.12.2023 Rating class	Stage 1	Stage 2	Stage 3	POCI	Total
1A-1E	164,017	12,029	0	0	176,046
2A-2E	538,636	28,702	0	0	567,338
3A-3E	135,548	27,173	0	0	162,721
4A-4E	4,266	79,003	0	0	83,269
NPE	8	0	22,074	0	22,083
No rating	0	0	0	0	0
Total gross carrying amount	**842,475**	**146,907**	**22,074**	**0**	**1,011,456**
Loss allowance	-4,249	-9,580	-19,049	0	-32,878
Carrying amount	**838,226**	**137,327**	**3,025**	**0**	**978,579**

EUR thousand

31.12.2022 Rating class	Stage 1	Stage 2	Stage 3	POCI	Total
1A-1E	183,835	8,685	0	0	192,520
2A-2E	501,986	11,592	0	0	513,578
3A-3E	135,000	25,942	0	0	160,942
4A-4E	3,039	74,891	0	0	77,929
NPE	0	0	23,107	0	23,108
No rating	0	0	0	0	0
Total gross carrying amount	**823,860**	**121,110**	**23,107**	**0**	**968,077**
Loss allowance	-2,818	-10,471	-15,136	0	-28,424
Carrying amount	**821,042**	**110,639**	**7,972**	**0**	**939,652**

Loans and advances to banks at amortised cost:

EUR thousand

31.12.2023 Rating class	Stage 1	Stage 2	Stage 3	POCI	Total
1A-1E	83	0	0	0	83
2A-2E	50,880	0	0	0	50,880
3A-3E	0	0	0	0	0
4A-4E	0	0	0	0	0
NPE	0	0	0	0	0
No rating	0	0	0	0	0
Total gross carrying amount	**50,963**	**0**	**0**	**0**	**50,963**
Loss allowance	-188	0	0	0	-188
Carrying amount	**50,776**	**0**	**0**	**0**	**50,776**

EUR thousand

31.12.2022 Rating class	Stage 1	Stage 2	Stage 3	POCI	Total
1A-1E	106	0	0	0	106
2A-2E	50,657	0	0	0	50,657
3A-3E	0	0	0	0	0
4A-4E	0	0	0	0	0
NPE	0	0	0	0	0
No rating	0	0	0	0	0
Total gross carrying amount	**50,764**	**0**	**0**	**0**	**50,764**
Loss allowance	-35	0	0	0	-35
Carrying amount	**50,729**	**0**	**0**	**0**	**50,729**

Debt instruments measured at FVTOCI:

EUR thousand

31.12.2023 Rating class	Stage 1	Stage 2	Stage 3	POCI	Total
1A-1E	52,190	0	0	0	52,190
2A-2E	2,002	0	0	0	2,002
3A-3E	0	0	0	0	0
4A-4E	0	0	0	0	0
NPE	0	0	0	0	0
No rating	0	0	0	0	0
Fair value	**54,192**	**0**	**0**	**0**	**54,192**

EUR thousand

31.12.2022 Rating class	Stage 1	Stage 2	Stage 3	POCI	Total
1A-1E	63,987	0	0	0	63,987
2A-2E	2,002	0	0	0	2,002
3A-3E	1,997	0	0	0	1,997
4A-4E	0	0	0	0	0
NPE	0	0	0	0	0
No rating	0	0	0	0	0
Fair value	**67,986**	**0**	**0**	**0**	**67,986**

Debt instruments at amortised cost:

EUR thousand

31.12.2023 Rating class	Stage 1	Stage 2	Stage 3	POCI	Total
1A-1E	111,846	0	0	0	111,846
2A-2E	0	0	0	0	0
3A-3E	0	0	0	0	0
NPE	0	0	0	0	0
No rating	0	0	0	0	0
Total gross carrying amount	**111,846**	**0**	**0**	**0**	**111,846**
Loss allowance	-25	0	0	0	-25
Carrying amount	**111,820**	**0**	**0**	**0**	**111,820**

EUR thousand

31.12.2022 Rating class	Stage 1	Stage 2	Stage 3	POCI	Total
1A-1E	62,939	0	0	0	62,939
2A-2E	0	0	0	0	0
3A-3E	0	0	0	0	0
NPE	0	0	0	0	0
No rating	0	0	0	0	0
Total gross carrying amount	**62,939**	**0**	**0**	**0**	**62,939**
Loss allowance	-1	0	0	0	-1
Carrying amount	**62,938**	**0**	**0**	**0**	**62,938**

Commitments and financial guarantees given:

EUR thousand

31.12.2023 Rating class	Stage 1	Stage 2	Stage 3	POCI	Total
1A-1E	90,823	1,249	0	0	92,072
2A-2E	161,380	4,903	0	0	166,282
3A-3E	19,900	2,101	0	0	22,000
4A-4E	476	2,000	0	0	2,476
NPE	0	0	880	0	880
No rating	0	0	0	0	0
Total gross carrying amount	**272,578**	**10,252**	**880**	**0**	**283,710**
Loss allowance	-565	-257	-862	0	-1,683
Carrying amount	**272,014**	**9,995**	**19**	**0**	**282,027**

EUR thousand

31.12.2022 Rating class	Stage 1	Stage 2	Stage 3	POCI	Total
1A-1E	81,751	50	0	0	81,800
2A-2E	172,023	780	0	0	172,804
3A-3E	20,377	2,786	0	0	23,162
4A-4E	468	2,447	0	0	2,915
NPE	0	0	2,968	0	2,968
No rating	0	0	0	0	0
Total gross carrying amount	**274,619**	**6,063**	**2,968**	**0**	**283,649**
Loss allowance	-268	-198	-2,642	0	-3,108
Carrying amount	**274,351**	**5,865**	**325**	**0**	**280,541**

52.7. Credit risk exposure by region

Addiko Bank's country portfolio focuses on South Eastern Europe, especially on the domestic market. The following table shows the breakdown of exposure by region within the Bank's portfolio (at customer level):

EUR thousand

	31.12.2023	31.12.2022
SEE	1,536,381	1,440,933
Europe (excl. CEE/SEE)	92,653	95,002
CEE	94,190	60,351
Other	6,090	10,643
Total	**1,729,314**	**1,606,929**

52.8. 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 26.4% at YE23 (YE22: 23.6%). The well-diversified private customers sector accounts for a share of 35.7% (YE22: 36.3%).

EUR thousand

31.12.2023 **Business sector**	Europe (excl. CEE/SEE)	SEE	CEE	Other	Total
Private	507	611,405	4,824	0	616,736
Financial services	66,116	256,521	408	105	323,150
Public sector	21,290	16,344	88,958	5,985	132,577
Industry	4,300	326,131	0	0	330,431
Trade and commerce	107	106,750	0	0	106,858
Services	333	168,503	0	0	168,836
Real estate business	0	17,754	0	0	17,754

Tourism	0	28,606	0	0	28,606
Agriculture	0	3,880	0	0	3,880
Other	0	486	0	0	486
Total	**92,653**	**1,536,381**	**94,190**	**6,090**	**1,729,314**

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

EUR thousand

31.12.2022 Business sector	Europe (excl. CEE/SEE)	SEE	CEE	Other	Total
Private	519	582,972	0	7	583,498
Financial services	71,424	205,408	0	3,968	280,800
Public sector	17,642	14,464	60,321	6,523	98,950
Industry	4,681	324,497	0	145	329,323
Trade and commerce	0	106,749	0	0	106,749
Services	735	153,427	30	0	154,192
Real estate business	0	19,089	0	0	19,089
Tourism	0	29,984	0	0	29,984
Agriculture	0	4,053	0	0	4,053
Other	0	290	0	0	290
Total	**95,002**	**1,440,933**	**60,351**	**10,643**	**1,606,929**

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

52.9. Presentation of exposure by overdue days

EUR thousand

31.12.2023	No Overdue	- overdue to 30 days	- overdue from 31 to 60 days	- overdue from 61 to 90 days	- overdue more than 90 days	Total
Consumer	468,712	25,282	3,164	1,702	5,609	504,470
SME	545,806	20,473	1,427	934	8,116	576,755
Non-Focus	210,097	286	277	189	865	211,714
o/w Large Corporates	89,469	0	0	0	0	89,469
o/w Mortgage	110,695	286	277	189	865	112,312
o/w Public Finance	9,934	0	0	0	0	9,934
Corporate Center	436,374	0	0	0	0	436,374
Total	1,660,989	46,041	4,869	2,825	14,590	1,729,314

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

EUR thousand

31.12.2022	No Overdue	- overdue to 30 days	- overdue from 31 to 60 days	- overdue from 61 to 90 days	- overdue more than 90 days	Total
Consumer	418,815	21,557	1,994	904	4,593	447,864
SME	534,906	8,238	394	404	4,769	548,711
Non-Focus	250,363	304	146	1	1,081	251,894
o/w Large Corporates	102,488	0	0	0	0	102,488
o/w Mortgage	134,157	304	146	1	1,081	135,688
o/w Public Finance	13,718	0	0	0	0	13,718
Corporate Center	357,034	1,426	0	0	0	358,460
Total	**1,561,118**	**31,525**	**2,534**	**1,309**	**10,443**	**1,606,929**

52.10. Presentation of exposure by size class

As at 31 December 2023, around 56.4% (YE22: 55.1%) 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 227.2 million (YE22: EUR 178.6 million) of exposure in the range > EUR 100 million is entirely attributable to exposure towards the National Bank. These transactions are necessary for securing liquidity, minimum deposit levels and long-term investments. The presentation is based on the group of borrowers (GoBs).

EUR thousand

	31.12.2023		31.12.2022	
Size classes	Exposure	No of GoBs	Exposure	No of GoBs
< 10,000	135,201	49,970	99,091	33,265
10,000-50,000	414,330	19,011	389,930	18,026
50,000-100,000	100,782	1,437	101,552	1,439
100,000-250,000	129,272	853	112,110	765
250,000-500,000	113,007	325	97,858	271
500,000-1,000,000	83,375	124	85,037	122
1,000,000-10,000,000	365,301	141	396,698	146
10,000,000-50,000,000	109,888	6	91,709	7
50,000,000-100,000,000	50,955	1	54,320	1
> 100,000,000	227,201	1	178,624	1
Total	**1,729,314**	**71,869**	**1,606,929**	**54,043**

52.11. Breakdown of financial assets by degree of impairment

Financial assets that are neither overdue nor impaired:

EUR thousand

	31.12.2023		31.12.2022	
Rating class	Exposure	Collateral	Exposure	Collateral
1A-1E	647,519	64,693	568,298	72,816
2A-2E	771,482	83,402	737,345	94,620
3A-3E	178,054	23,685	182,175	22,892
4A-4E	58,727	8,874	59,966	20,170
NPL	9	0	1,662	1,651
No rating	0	0	0	0
Total	**1,655,791**	**180,655**	**1,549,447**	**212,148**

Overdue but not impaired financial assets:

EUR thousand

Loans and advances to customers	31.12.2023		31.12.2022	
(on- and off-balance)	Exposure	Collateral	Exposure	Collateral
- overdue to 30 days	44,277	4,875	28,423	1,152
- overdue 31 to 60 days	3,831	2	2,084	36
- overdue 61 to 90 days	1,816	0	944	1
- overdue 91 to 180 days	2	0	2	0
- overdue 181 to 365 days	0	0	1	0
- overdue over 1 year	0	0	2	0
Total	**49,928**	**4,878**	**31,455**	**1,188**

Impaired financial instruments:

EUR thousand

Loans and advances to customers (on- and off-balance)	31.12.2023	31.12.2022
Exposure	22,950	24,066
Provisions	19,910	17,778
Collateral	2,696	8,750

All financial assets to which one or several of those events apply (positive impairment trigger) are to be tested for potential need of applied provisioning methodology. Consequently, an impairment calculation according to note (11.2.)

"Impairment" is performed. Receivables with rating category 4A or worse (watch list) are regularly tested for potential impairment triggers within the monitoring and pre-workout process.

52.11.1. 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 Addiko Bank in the course of the financial year 2023. The off-balance positions only include loan commitments.

EUR thousand

	01.01.2023	Classified as forborne during the year (+)	Transferred to non-forborne during the year (-)	Changes due to IFRS 5 (assets held for sale) (+/-)	FX (+/-)	Repayments and other changes (+/-)	31.12.2023
Central banks	0	0	0	0	0	0	0
General governments and government related entities	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0
Non-financial corporations	16,173	2,104	-6,153	0	0	-3,171	8,953
Households	10,363	2,139	-3,194	0	0	-1,620	7,688
Loans and advances	**26,536**	**4,243**	**-9,347**	**0**	**0**	**-4,791**	**16,641**
Loan commitments given	200	0	0	0	0	-88	112

The following chart provides an overview of the forbearance status at the YE22:

EUR thousand

	01.01.2022	Classified as forborne during the year (+)	Transferred to non-forborne during the year (-)	Changes due to IFRS 5 (assets held for sale) (+/-)	FX (+/-)	Repayments and other changes (+/-)	31.12.2022
Central banks	0	0	0	0	0	0	0
General governments and government related entities	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0
Non-financial corporations	22,387	1,995	-3,231	0	0	-4,979	16,173
Households	17,504	1,547	-4,309	0	0	-4,379	10,363
Loans and advances	**39,891**	**3,543**	**-7,540**	**0**	**0**	**-9,358**	**26,536**
Loan commitments given	**210**	**3**	**0**	**0**	**0**	**-13**	**200**

The forbearance exposure as of YE23 as well as YE22 can be broken down as follows:

EUR thousand

	31.12.2023	Neither past due nor impaired	Past due but not impaired	Impaired
General governments and government related entities	0	0	0	0
Credit institutions	0	0	0	0
Other financial corporations	0	0	0	0
Non-financial corporations	8,953	5,484	227	3,242
Households	7,688	5,435	1,042	1,212
Loans and advances	16,641	10,918	1,269	4,454

EUR thousand

	31.12.2022	Neither past due nor impaired	Past due but not impaired	Impaired
General governments and government related entities	0	0	0	0
Credit institutions	0	0	0	0
Other financial corporations	0	0	0	0
Non-financial corporations	16,173	7,757	67	8,349
Households	10,363	7,942	1,527	894
Loans and advances	26,536	15,699	1,594	9,243

The following tables shows the collateral allocation for the forbearance exposure at the YE23 as well as at the YE22:

EUR thousand

Internal Collateral Value (ICV) in respect of forborne assets 31.12.2023	Internal Collateral Value (ICV)	thereof Commercial Real Estate (CRE	thereof Residential Real Estate (RRE)	thereof financial collateral	thereof guarantees	thereof other
Large Corporates	0	0	0	0	0	0
Medium and Small Corporate	3,894	3,772	0	0	121	0
Retail	3,519	942	2,570	0	0	7
Total	**7,413**	**4,715**	**2,570**	**0**	**121**	**7**

EUR thousand

Internal Collateral Value (ICV) in respect of forborne assets 31.12.2022	Internal Collateral Value (ICV)	thereof Commercial Real Estate (CRE	thereof Residential Real Estate (RRE)	thereof financial collateral	thereof guarantees	thereof other
Large Corporates	4,369	4,369	0	0	0	0
Medium and Small Corporate	6,952	6,012	216	0	724	0
Retail	4,342	1,005	3,035	13	259	31
Total	**15,663**	**11,386**	**3,251**	**13**	**982**	**31**

(53) Risk provisions

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

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

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

The following table provides quantitative aspects of the baseline case, upside (optimistic) case and downside (pessimistic) case scenarios for selected forward-looking information/variables used to estimate the ECL for 31.12.2023. The values shown represent the average value of the macroeconomic variables over the first 12 months and the remaining 2-year forecast period for the baseline case, as well as average values of the entire projection horizon (3-year) for the optimistic and pessimistic cases.

Scenario	Historical	Baseline case		Optimistic case	Pessimistic case
Sample-period		2024-2026			
Sub-sample	2023	2024	Remaining 2-year Period[1)]	3-year Period[1)]	3-year Period[1)]
Real GDP (constant prices YoY, %)					
Slovenia	1.3	2.7	2.9	4.4	0.0
Euroarea	0.5	1.2	1.6	3.0	0.0
Unemployment Rate (ILO, average %)					
Slovenia	3.7	3.7	3.7	1.8	5.6
Euroarea	6.6	6.6	6.6	4.8	8.4
Real-Estate (% of change)					
Slovenia	-1.5	0.6	3.8	6.7	-0.4
Euroarea	-1.3	-0.1	2.6	5.8	-1.5
CPI Inflation (average % YoY)					
Slovenia	7.2	3.6	2.5	2.2	4.3
Euroarea	5.7	3.2	2.3	1.7	4.4

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

The baseline forecast is the outcome of assessment of current economic developments, medium-term outlooks in the real and financial sector, and risks surrounding them. The scenarios are differentiated by:
(i) economic and geopolitical risks, mainly reflecting the prolonged war conditions in Ukraine, further trade fragmentation and mild resurgence of protectionism, higher interest rates, widespread recession;
(ii) climate transition risks reflecting assumptions on decarbonisation policies impacting core economic scenarios.

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

The respective narratives are as follows:

- Baseline: The 2023 carried greater risks for economic growth and solvency of the private sector, in contrast to the previous period when European economies faced uncertainty related mostly to price increases and deteriorating incomes. Although monetary policy stance of the major central banks and those from the region gradually switched from hawkish to neutral, the effects of increasing interest rates on the balance sheets and households come with a certain lag and are yet to be seen in full. This puts solvency of both financial institutions and corporates, which have been enjoying ultra-low interest rates for a long time, to a test. For the most part, the materialized inflation seems to be manageable although regulators have not achieved a decisive victory in their fight against it. Slovenia proved to be quite resilient so far. However, short-term outlook may be jeopardized by recessionary impulses in large eurozone economies, bearing significant weight in the external trade as a major driver of regional growth. Most worryingly, mid-year growth in Germany and Italy was rather disappointing, suggesting that recovery will most likely not take place in the second half of 2023, and this pattern could be expected in a number of European economies. Stabilization over medium-run can still be assumed. In general, over a 3Y horizon, Slovenia can be expected to grow at 2.8%. Due to the moderation of inflation, and the policies for supporting wages implemented by the government, real wages saw a turnaround in Q2 2023. With unemployment being low in addition, it is all likely to stimulate consumption in the short-run, and help economic activity to a certain extent. However, it may also complicate the inflationary dynamics and make inflation more entrenched, especially if labor shortages contribute.
  Turning to the climate risks, the European Commission has proposed ambitious goals regarding the reduction of GHG emissions over the next decade through the REPowerEU plan and the New Green Deal. By 2030, the share of renewables is supposed to be 45% of final energy (raised by 5 percentage points from the previous target). Additionally, the EU has set itself the binding goal of reducing emissions by at least 55% (compared to 1990 levels) until 2030. These plans are going to impact the EU economy. However, the aggregated output will not be greatly affected by these plans, rather will lead to a shift in the composition of GDP, where investment-consumption ratio could rise. High impact climate shocks are still largely to be expected in the long-run. The main physical risk for the region is the disproportionally growing temperature in the summer season, greater occurrence of droughts, and loss of precipitation. Considering that most of the physical risks are skewed towards the second half of the century, it can be expected that both the transition and physical risks are to remain minor over the forecast period.

- Optimistic: The positive scenario assumes warfare between Russia and Ukraine ends in Q4 2024 followed by lengthy political negotiations with gradual easing of delivery restrictions for essential goods. The ability to reopen trade routes relieves pressure from the markets for food and metal, putting the downward price pressures on the respective markets. Additionally, the tensions between the US and China subside leading to easing on the global markets of manufacturing production while global commodity prices do not increase. Monetary policy tightening brings its fruits with inflation declining ahead of expectations. New credit risks do not materialize, emerging markets enjoy increased capital flows and appreciated exchange rates versus EUR. This would increase consumption levels and open possibilities for higher investment rates that would enable European economies to grow considerably faster. Slovenia GDP could surpass 1.6 percentage points in relation to the baseline growth over the 2024-26 period. For the period 2027-28, macroeconomic indicators are simulated to converge to the baseline scenario, according to the assumption that in the long run the economy will operate on its potential level, although reached by growth moderation in this scenario. These conditions may foster strengthening of the ambition regarding the greenhouse gass emissions and policies advocated by largest CO2 emitters, but one can still expect, in line with the latest Climate Action Tracker, that policy ambitions will stay within existing unconditional nationally determined contributions (NDC) commitments, i.e. individual country plans to reduce its emissions follow the Paris Agreement. Therefore, increases in carbon pricing over the forecast horizon is not to be expected and what is more, regional climate policy variations will remain quite low.

- Pessimistic: The negative scenario assumes that active warfare between Russia and Ukraine continues with little possibility for political negotiations in sight until the end of the next year. Trade costs for essential goods are assumed to increase due to trade fragmentation caused by the sanctions’ policies, while energy transition of the EU triggers upward repricing of the energy commodities leading to a 25% increase above the current level. Price stabilization would then be delayed of course, whereas labour markets are hit by the tighter lending constraints decreasing the pace of the interest rate increase. These negative outcomes would be followed by mild resurgence of protectionism, which contributes to secondary upward pricing pressures and more volatile capital flows, alongside potentially colder winter conditions in Europe. Eurozone economic crisis would be unavoidable and could last until 2025, spilling-over to the regional markets asymmetrically if it weren´t for climate factors simultaneously kicking-in. This would not necessarily be true for Slovenia and neighboring countries, what is more, real-estate crisis would be more than likely in this case across entire region, regardless of the climate transition risks materializing. In this scenario, however, Slovenia would start recovering quickly, already in 2026 GDP growth would turn positive. The climate shocks mentioned in this context are related to the global and regional climate policies targeting a 1.6°C limit to global warming, implemented immediately, albeit gradually, with European countries increasing carbon prices by 5.5% and the rest of the world by more then 12%. Of course, one has to admit there is a sizable chance that the global leaders may fail to coordinate on implementation of the climate action programs beyond the nationally determined contributions, which may be the source of additional risks and disturbances in both directions.

The provisions in the YE23 financial statements include also post-model adjustments (PMA) of EUR 2.8 million, which is EUR 1.3 million higher compared to the PMA amount in the 31 December 2022 financial statements. The increase of PMA is based on the update of macroeconomic scenarios as well as changes in Addiko Bank's portfolio.

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

EUR thousand

31.12.2023	ECL incl. Post model overlay	ECL excl. Post model overlay	Optimistic scenario	Base scenario	Pessimistic scenario
Retail	7,619	7,271	7,064	7,202	7,417
Non-retail	7,022	4,617	4,354	4,559	4,754
Corporate center	304	304	212	283	352
Total	**14,945**	**12,192**	**11,631**	**12,045**	**12,524**

EUR thousand

31.12.2022	ECL incl. Post model overlay	ECL excl. Post model overlay	Optimistic scenario	Base scenario	Pessimistic scenario
Retail	6,755	6,350	6,015	6,218	6,534
Non-retail	6,982	5,936	4,784	5,536	6,508
Corporate center	108	59	23	45	79
Total	**13,845**	**12,345**	**10,822**	**11,799**	**13,120**

53.2. Development of risk provisions

The development of risk provisions in 2023 is mainly influenced by provision requirements in the consumer portfolio as well as by provisions for big tickets within the SME segment, mainly driven by allocation in the NPE portfolio. The overall ECL coverage for performing loans (stage 1 and 2) stayed at the same level during 2023 compared to YE22. Despite the still tense macroeconomic environment and inflationary pressure, there was no material deterioration in asset quality during 2023 recognised (decrease in NPE, however higher risk provisions due to higher NPE coverage), whereby the ongoing development of the portfolio with regard to migrations to the NPE portfolio is subject to continuous monitoring.

53.3. Changes in the calculation of portfolio risk provisions

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

53.4. Development of the coverage ratio

The coverage ratio (calculated as the ratio of the total risk provisions to non-performing exposure) has increased in 2023 (86.3%) compared to YE22 (68.4%).

The following table shows the NPE and coverage ratio (NPE coverage ratio considers Stage 3 allowances, while NPE coverage ratio (including collateral) additionally considers collaterals) according to the internal segmentation at YE23 and YE22:

EUR thousand

31.12.2023	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Coverage Ratio	NPE Coverage Ratio (incl collateral)
Consumer	504,470	8,615	6,958	0	1.7%	80.8%	80.8%
SME	576,755	13,254	12,194	1,756	2.3%	92.0%	105.2%
Non Focus	211,714	1,738	1,226	940	0.8%	70.5%	124.6%
o/w Large Corporate	89,469	15	5	7	0.0%	34.4%	79.8%
o/w Mortgage	112,312	1,723	1,221	933	1.5%	70.9%	125.0%
o/w Public Finance	9,934	0	0	0	0.0%	0.0%	0.0%
Corporate Center	436,374	0	0	0	0.0%	0.0%	0.0%
Total	**1,729,314**	**23,608**	**20,378**	**2,696**	**1.4%**	**86.3%**	**97.7%**
o/w Credit Risk Bearing	**1,349,169**	**23,608**	**20,378**	**2,696**	**1.7%**	**86.32%**	**97.7%**

The Credit Risk Bearing exposure does not include exposure towards the national bank as well as securities and derivatives.

EUR thousand

31.12.2022	Exposure	NPE	Provisions	Collateral (NPE)	NPE Ratio	NPE Coverage Ratio	NPE Coverage Ratio (incl collateral)
Consumer	447,864	6,954	5,694	646	1.6%	81.9%	91.2%
SME	548,711	17,895	11,412	8,790	3.3%	63.8%	112.9%
Non Focus	251,894	1,760	1,085	965	0.7%	61.6%	116.5%
o/w Large Corporate	102,488	0	0	0	0.0%	0.0%	0.0%
o/w Mortgage	135,688	1,760	1,085	965	1.3%	61.6%	116.5%
o/w Public Finance	13,718	0	0	0	0.0%	0.0%	0.0%
Corporate Center	358,460	0	0	0	0.0%	0.0%	0.0%
Total	**1,606,929**	**26,610**	**18,191**	**10,401**	**1.7%**	**68.4%**	**107.5%**
o/w Credit Risk Bearing	**1,309,934**	**26,610**	**18,191**	**10,401**	**2.0%**	**68.4%**	**107.5%**

The Credit Risk Bearing exposure does not include exposure towards the national bank as well as securities and derivatives.

(54) Measurement of real estate collateral and other collateral

The real estate market in Slovenia generally shows diminishing growth in market values, while market values in some property segments (e.g. apartments and land plots for residential properties) have stalled or decreased slightly. On the other hand, the high base interest rate set by the ECB has increased the cost of financing for both developers and buyers. Consequently, a further slowdown of the market activities is expected in the coming year. Data from the markets expose a decrease in total sales volume which could spill over to market values in 2024.

The Bank is using conservative haircuts in the calculation of internal collateral values, which buffer potential losses. Furthermore, all eligible collateral values are recorded at their original value established at loan origination (i.e. not indexed upwards). They are regularly monitored.

In Addiko Bank values of residential real estate (RRE) are monitored at least once every three years. All commercial real estate (CRE) and all real estates which are collateral for NPE or FB exposures (both CRE and RRE) are monitored annually. The monitoring of all commercial real estate is performed on an individual level if the market value is above EUR 1.0 million. The market value of the properties with value below EUR 1 million is monitored using a statistical model. Thresholds for individual monitoring for residential real estate are more conservative, and those correspond to all RRE with 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. Any outliers identified through statistical monitoring (CRE and RRE) are additionally monitored manually.

The following table shows the development of the internal collateral values (ICV):

EUR thousand

Collateral Distribution	31.12.2023	31.12.2022
Exposure	1,729,384	1,606,929
Internal Collateral Value (ICV)	188,577	223,711
thereof CRE	93,113	112,369
thereof RRE	56,197	64,796
thereof financial collateral	12,312	16,787
thereof guarantees	21,057	22,990
thereof other	5,899	6,769
ICV coverage rate	**10.9%**	**13.9%**

The predominant part of the reflected stated collaterals is provided for loans and advances (negligible collaterals for other exposure types). Residential real estate given as collaterals as well as CRE collaterals decreased in 2023. Collateral coverage also decreased in the portfolio overall to 10.9% compared to YE22 (13.9%).

(55) Market risk

55.1. Definition

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

55.2. Risk measurement

Addiko Bank calculates market risk as part of daily monitoring with value-at-risk methods on the basis of a one-day holding period, with a confidence level of 99.0%. The VaR risk measure estimates the potential loss over the given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99.0% VaR number used by the Bank reflects the 99% probability that the daily loss should not exceed the reported VaR. The VaR methodology employed to estimate daily risk numbers is a Monte Carlo simulation with 10,000 runs, or a simulation under Variance-Covariance method. While the latter method is used to estimate interest rate risk for non-trading activities, the Monte Carlo approach is then used to estimate potential losses of other market risk types. The Bank uses VaR to capture potential losses arising from changes in the risk free rates, security issuers' credit margins, foreign exchange rates, equity prices and commodity prices. All VaR methods in place rest on assumption of exponentially weighted moving averages and correlations in the market risk factors collected for the historical series of 250 days.

55.3. Market risk overview

55.3.1. INTEREST RATE RISK

The value at risk of the economic interest rate risk (including the interest rate risk of the trading book) for the Bank per 31.12.2023 is EUR 164 thousand (comparable VaR figure as at 31 December 2022: EUR 254 thousand). The interest rate gap profile of the Bank contains all interest-rate-sensitive items (Assets, liabilities and off-balance-sheet items in the non-trading book), which are either contractually fixed, floating or based on behavioural assumptions. The stochastic cash flows are illustrated using uniform Group standards as well as local models for country-specific transactions. All interest sensitive items in the balance sheet are taken as the basis for calculating economic value and earnings-based measures as well as other measures of IRRBB, based on the interest rate shock and stress scenarios. Any non-interest-sensitive items are not comprised in the interest risk calculation but dealt with in association with other risk factors, such as the participation risk.

The methodology of regulatory interest risk calculation is based on the EBA Guidelines on the management of interest rate risk arising from non-trading activities (EBA/GL/2018/02) and the Guidelines on IRRBB and credit spread risk arising from non-trading book activities (CSRBB).

Regulatory requirements state that impact on EVE (Economic Value of Equity) of a sudden parallel +/-200 basis point shift of the yield curve in total own fund may not exceed 20.0% (0.4% at 31.12.2023 versus 0.7% at 31.12.2022) and that impact on EVE of scenarios 1 to 6 as set out in Annex III of EBA/GL/2018/02 and the final draft RTS (Regulatory Technical Standards) on IRRBB supervisory outlier tests (SOT – Supervisory Outlier Tests), the impact may not exceed 15% of Tier 1 capital (1.9% at 31.12.2023 and 2.1% at 31.12.2022).

The change in present value of the banking book in EUR thousands with a parallel rise in the interest rate curves by 1 base point in all maturity bonds and currencies as at 31 December 2023 amounts to EUR -14 thousand (entire aggregated effect of this interest rate simulation) – the aggregated effect in 2022 was EUR 4 thousand.

Sensitivity analysis of the reported equity to interest rate movements:

EUR thousand

Year 2023	Parallel up 200bp	Parallel down 200bp	Parallel shock up BSBS	Parallel shock down BSBS
At 31 December	-158	-685	-166	-689
Average of period	-309	366	-304	161
Maximum for the period	1,196	1,800	1,177	1,457
Minimum for the period	-1,817	-1,641	-1,839	-1,995

EUR thousand

Year 2022	Parallel up 200bp	Parallel down 200bp	Parallel shock up BSBS	Parallel shock down BSBS
At 31 December	569	-1,340	491	-1,450
Average of period	-1,474	823	-1,453	658
Maximum for the period	1,464	4,794	1,394	4,676
Minimum for the period	-7,397	-1,340	-7,313	-1,450

Sensitivity analysis of projected net interest income:

EUR thousand

Year 2023	Parallel up 200bp	Parallel down 200bp	Parallel shock up BSBS	Parallel shock down BSBS
At 31 December	4,400	-4,315	4,369	-4,287
Average of period	3,135	-3,038	3,136	-3,070
Maximum for the period	4,400	-1,975	4,369	-1,967
Minimum for the period	2,027	-4,315	2,017	-4,287

EUR thousand

Year 2022	Parallel up 200bp	Parallel down 200bp	Parallel shock up BSBS	Parallel shock down BSBS
At 31 December	4,379	-4,298	4,348	-4,271
Average of period	3,829	-2,677	3,854	-2,685
Maximum for the period	5,785	-556	5,453	-557
Minimum for the period	2,637	-4,298	2,650	-4,271

Differences in the sensitivity estimates arise from the implementation of the Draft Regulatory Technical Standards specifying supervisory shock scenarios, common modelling and parametric assumptions and what constitutes a large decline for the calculation of the economic value of equity and of the net interest income in accordance with Article 98(5a) of Directive 2013/36/EU (EBA/RTS/2022/10).

55.3.2. FOREIGN EXCHANGE RISK

Foreign exchange risk covers the entire FX risk of the Bank. The main foreign exchange risk drivers are the RON, CHF and USD currencies. The total volume of open currency positions as at 31 December 2023 is roughly EUR 643 thousand (volume as of 31 December 2022 of approx. EUR 793 thousand), with the majority attributed to the currencies RON, CHF and USD. The value at risk for foreign exchange risk was approximately EUR 1.72 thousand per day as at 31 December 2023 (value at risk as at 31 December 2022: EUR 3.30 thousand), at a confidence interval of 99.0%. The limit of EUR 25.0 thousand was adhered in year 2023.

In addition to monitoring VaR in respect of foreign currency, the Bank also monitors any concentration of relevant single foreign exchange positions at the single currency level – this is reported on a quarterly basis within the Asset Liability Committee.

Exposure to currency risk:

EUR thousand

	31.12.2023	EUR	USD	CHF	other	31.12.2022	EUR	USD	CHF	other
Cash, cash balances at central banks and other demand deposits at banks	**225,377**	223,314	313	267	1,484	**180,954**	175,468	184	257	5,044
Financial assets held for trading	**1,382**	1,382	0	0	0	**2,929**	2,929	0	0	0
Non-trading financial assets mandatorily at fair value through profit or loss	**313**	313	0	0	0	**313**	313	0	0	0
Financial assets at fair value through other comprehensive income	**54,192**	49,518	4,674	0	0	**67,986**	61,462	6,523	0	0
Financial assets at amortised cost	**1,141,175**	1,105,088	1,312	29,543	5,233	**1,053,320**	1,020,178	0	33,141	0
Debt securities	**111,820**	110,509	1,311	0	0	**62,938**	62,938	0	0	0
Loans and advances to credit institutions	**50,676**	50,676	0	0	0	**50,229**	50,229	0	0	0
Loans and advances to customers	**977,734**	942,960	0	29,542	5,232	**938,899**	905,789	0	33,110	0
Other financial assets	**944**	942	0	1	1	**1,253**	1,222	0	31	0
Tangible assets	**7,676**	7,676	0	0	0	**8,349**	8,349	0	0	0
Intangible assets	**2,234**	2,234	0	0	0	**2,192**	2,192	0	0	0
Tax assets	**14,928**	14,842	86	0	0	**13,124**	13,008	116	0	0
Current tax assets	**0**	0	0	0	0	**267**	267	0	0	0
Deferred tax assets	**14,928**	14,842	86	0	0	**12,857**	12,740	116	0	0
Other assets	**591**	591	0	0	0	**541**	541	0	0	0
Non-current assets and disposal groups classified as held for sale	**177**	177	0	0	0	**121**	121	0	0	0
Total assets	**1,448,044**	**1,405,133**	**6,384**	**29,810**	**6,717**	**1,329,827**	**1,284,561**	**6,824**	**33,398**	**5,044**

EUR thousand

	31.12.2023	EUR	USD	CHF	other	31.12.2022	EUR	USD	CHF	other
Financial liabilities held for trading	**1,837**	1,837	0	0	0	**2,531**	2,531	0	0	0
Financial liabilities measured at amortised cost	**1,224,610**	1,204,893	8,487	10,265	964	**1,117,893**	1,099,761	6,745	6,635	4,751
Deposits of credit institutions	**5,967**	1,629	15	4,323	0	**2,671**	2,671	0	0	0
Deposits of customers	**1,160,990**	1,146,854	7,246	5,942	949	**1,029,784**	1,012,054	6,364	6,628	4,738
Loans of banks and central banks	**41,586**	41,586	0	0	0	**70,974**	70,974	0	0	0
of which subordinated loans	**15,014**	15,014	0	0	0	**15,009**	15,009	0	0	0
Investment securities issued	**0**	0	0	0	0	**50**	50	0	0	0
Other financial liabilities	**16,066**	14,824	1,227	0	16	**14,414**	14,015	378	7	14
Provisions	**8,302**	8,302	0	0	0	**5,551**	5,521	0	0	29
Tax liabilities	**598**	598	0	0	0	**0**	0	0	0	0
Current tax liabilities	**598**	598	0	0	0	**0**	0	0	0	0
Deferred tax liabilities	**0**	0	0	0	0	**0**	0	0	0	0
Other liabilities	**2,333**	2,333	0	0	0	**2,354**	2,354	0	0	0
Total liabilities	**1,237,679**	**1,217,963**	**8,487**	**10,265**	**964**	**1,128,329**	**1,110,167**	**6,745**	**6,635**	**4,781**
Capital	**89,959**	89,959	0	0	0	**89,959**	89,959	0	0	0
Share premium	**18,814**	18,814	0	0	0	**18,814**	18,814	0	0	0
Accumulated other comprehensive income	**-2,495**	-2,495	0	0	0	**-5,065**	-5,065	0	0	0
Retained earnings (including profit or loss for the financial year)	**104,087**	104,087	0	0	0	**97,791**	97,791	0	0	0
Total equity	**210,364**	**210,364**	**0**	**0**	**0**	**201,499**	**201,499**	**0**	**0**	**0**
Total liabilities and equity	**1,448,044**	**1,428,327**	**8,487**	**10,265**	**964**	**1,329,827**	**1,311,666**	**6,745**	**6,635**	**4,781**
Net off-balance-sheet liabilities arising from spot transactions and derivatives	**317**	21,830	1,974	-18,296	-5,190	**-168**	27,953	-1,177	-27,066	122
Other off balance exposures	**282,729**	283,700	242	0	-1,214	**282,668**	266,312	502	-	15,854

55.3.3. EQUITY RISK

The share capital held in the Bank is susceptible to market price risks, which arise from the uncertainty surrounding the future value of these shares. The Value at Risk for the equity risk is estimated at EUR 3 thousand as of 31 December 2023 against the estimation of EUR 5 thousand as of 31 December 2022. Size of risk exposure to movements in equity market prices is seen as low given the Bank strategy, in general, not to invest into such asset classes. If the comparison is done on each separate risk type, equity risk exposure thus displays that no major concentration risk arises from therein.

55.3.4. CREDIT SPREAD RISK

The credit spread risk within the Bank stood at EUR 52 thousand at 31 December 2023 with a one-day value at risk and a confidence level of 99.0% (value at risk as at 31 December 2022: EUR 108 thousand). The greatest influencing factor in credit spread risk is the holding of liquidity reserves in the form of securities at the Bank. Consequently, there is not much room for reducing risk from these items. In addition to monitoring VaR in respect to the credit spread risk, the Bank also monitors concentration risks within the bond portfolio over the whole Bank's total assets as well as concentrations of bonds within the categories of government bonds, financial bonds and corporate bonds.

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

EUR thousand

	31.12.2023	31.12.2022
Interest Rate Risk (Banking and Trading Book)	3,446	4,736
Credit Spread Risk	1,084	2,011
Foreign Exchange Risk	36	62
Equity Risk - Investments	0	0
Equity Risk - Client Default	69	97

Total market risk exposure was lower at year end 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 pre-payments 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. The business and investment strategy of the Bank follows a prudent definition based on a Hold-to-Collect business model.

(56) Liquidity risk

56.1. Definition

Addiko Bank defines liquidity risk as the risk of not being able to fully or timely meet obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risks also includes the risk, in the event of a liquidity crisis, to only being able to procure refinancing at increased market rates, or only being able to sell assets if a discount has been included to the market prices.

56.2. Management of liquidity risk

At Addiko Bank, liquidity controlling, and management are the responsibility of Balance Sheet Management & Treasury. The unit is responsible for operational liquidity steering and liquidity offset. The liquidity risk control is the responsibility of Market and liquidity risk controlling, where risk measurement and mitigation as well as timely and consistent reporting are carried out there.

The Bank's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank has liquidity contingent plans in place, which set out the instruments and the measures required to avert imminent crises or to overcome acute crises. A bundle of different liquidity reserves, including also ECB-eligible securities, ensures the Bank's solvency at all times, even during crisis situations.

Regular liquidity stress testing is conducted under a variety of scenarios, developed taking into account market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes) and Group-specific events (e.g. a reputation deterioration).

56.3. Exposure to liquidity risk

The liquidity position of the Bank remained strong, with the Loan to deposit ratio (LDR) (net) of 84.3% (YE22: 91.2%)

The Bank primarily manages its liquidity position via the liquidity coverage ratio (LCR), which the regulator defines as the ratio of a credit institution's liquidity buffer to its net liquidity outflows over a 30 calendar day stress period. In 2023 the LCR has moving between its lowest level of 185.6% in May 2023 and its peak of 251.6% in December 2023 (during 2022 the LCR was moving between 189.8% in September and 275.9% in March and was significantly above the minimum regulatory requirement of 100%.

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

	31.12.2023	31.12.2022
End of period	251.6%	219.2%
Average for the period	220.8%	230.0%
Maximum for the period	251.6%	275.9%
Minimum for the period	185.6%	189.8%

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

In 2023, the NSFR has been moving between its lowest level of 137.4% in January 2023 and its peak of 150.3% in December 2023 (during 2022 the NSFR was moving between 129.0% in August and 135.7% in December).

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

	31.12.2023	31.12.2022
End of period	150.3%	135.7%
Average for the period	141.9%	132.8%
Maximum for the period	150.3%	135.7%
Minimum for the period	137.4%	129.0%

56.4. Maturity analysis

56.4.1. CONTRACTUAL MATURITIES

The following tables set out the contractual maturities of undiscounted cash flows of the Banks financial assets, liabilities and off-balance items:

EUR thousand

31.12.2023	Carrying amount	Contractual cash flows	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years
Cash and cash equivalents	225,377	225,377	215,058	10,319	0	0	0
Financial assets held for trading	1,382	1,382	1,382	0	0	0	0
Financial assets mandatorily at fair value through profit or loss	313	313	313	0	0	0	0
Financial assets at fair value through other comprehensive income	54,192	57,260	13,094	0	2,640	41,526	0
Financial assets at amortised cost	1,141,175	1,275,371	78,129	94,371	262,430	634,795	205,646
Tangible assets	7,676	7,676	7,676	0	0	0	0
Intangible assets	2,234	2,234	2,234	0	0	0	0
Tax assets	14,928	14,928	14,928	0	0	0	0
Current tax assets	0	0	0	0	0	0	0
Deferred tax assets	14,928	14,928	14,928	0	0	0	0
Other assets	591	591	591	0	0	0	0
Non-current assets and disposal groups classified as held for sale, financial instruments	177	177	177	0	0	0	0
Total	**1,448,044**	**1,585,308**	**333,581**	**104,690**	**265,070**	**676,321**	**205,646**
Financial liabilities measured at amortised costs	1,224,610	1,240,357	652,793	169,908	309,355	100,681	7,619
Deposits of customers	1,160,990	1,168,506	640,844	164,033	303,727	58,308	1,595
Deposits of credit institutions	47,554	55,213	701	5,810	5,622	38,285	4,795
Other financial liabilities	16,066	16,638	11,249	66	6	4,088	1,230
Derivatives	1,837	1,837	1,837	0	0	0	0
Provisions	8,302	8,302	8,302	0	0	0	0

Tax liabilities	598	598	598	0	0	0	0
Current tax liabilities	598	598	598	0	0	0	0
Other liabilities	2,333	2,333	2,333	0	0	0	0
Loan commitments		117,166	117,166	0	0	0	0
Financial guarantees		12,784	12,784	0	0	0	0
Other commitments		153,761	153,761	0	0	0	0
Total	**1,237,679**	**1,537,137**	**949,574**	**169,908**	**309,355**	**100,681**	**7,619**

EUR thousand

31.12.2022	Carrying amount	Contractual cash flows	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years
Cash and cash equivalents	180,954	180,954	171,928	9,026	0	0	0
Financial assets held for trading	2,929	2,929	2,929	0	0	0	0
Financial assets mandatorily at fair value through profit or loss	313	313	313	0	0	0	0
Financial assets at fair value through other comprehensive income	67,986	70,778	12,553	4,696	12,140	36,017	5,372
Financial assets at amortised cost	1,053,320	1,152,735	74,118	62,363	158,033	648,077	210,144
Tangible assets	8,349	8,349	8,349	0	0	0	0
Intangible assets	2,192	2,192	2,192	0	0	0	0
Tax assets	13,124	13,124	13,124	0	0	0	0
Current tax assets	267	267	267	0	0	0	0
Deferred tax assets	12,857	12,857	12,857	0	0	0	0
Other assets	541	541	541	0	0	0	0
Non-current assets and disposal groups classified as held for sale, financial instruments	121	121	121	0	0	0	0
Total	**1,329,827**	**1,432,034**	**286,167**	**76,085**	**170,173**	**684,094**	**215,516**
Financial liabilities measured at amortised costs	1,117,893	1,129,877	649,683	106,260	240,609	121,530	11,795
Deposits of customers	1,029,784	1,032,732	638,179	105,225	230,123	57,536	1,668
Deposits of credit institutions	73,645	82,682	2,671	1,033	10,420	59,544	9,013
Other financial liabilities	14,414	14,414	8,832	2	15	4,451	1,114
Derivatives	2,531	2,531	2,531	0	0	0	0
Provisions	5,551	5,551	5,551	0	0	0	0
Tax liabilities	0	0	0	0	0	0	0
Current tax liabilities	0	0	0	0	0	0	0
Other liabilities	2,354	2,354	2,354	0	0	0	0
Loan commitments		118,730	118,730	0	0	0	0
Financial guarantees		30,304	30,304	0	0	0	0
Other commitments		134,615	134,615	0	0	0	0
Total	**1,128,329**	**1,423,962**	**943,768**	**106,260**	**240,609**	**121,530**	**11,795**

The amounts in the table above have been compiled as follows:

Type of financial instrument	Basis on which amounts are complied
Non-derivative financial liabilities	Undiscounted cash flows, which include estimated interest payments.
Issued financial guarantee contracts, and unrecognized loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial liabilities and financial assets held for risk management purposes	Contractual undiscounted cash flows.
Trading derivative liabilities and assets forming part of the Bank's proprietary trading operations that are expected to be closed out before contractual maturity	Fair values at the date of the statement of financial position. This is because contractual maturities do not reflect the liquidity risk exposure arising from these positions. These fair values are disclosed in the 'daily due' column.
Trading derivative liabilities and assets that are entered into by the Bank with its customers	Contractual undiscounted cash flows. This is because these instruments are not usually closed out before contractual maturity and so the Bank believes that contractual maturities are essential for understanding the timing of cash flows associated with these derivative positions.

56.4.2. EXPECTED MATURITIES

The following table sets out the carrying amount of assets and liabilities by remaining maturities, taking into consideration the period between the reporting date and the expected payment date for the receivable or liability. Where receivables or liabilities fall due in partial amounts, the remaining maturity is reported separately for each partial amount.

EUR thousand

31.12.2023	daily due	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash and cash equivalents	215,058	10,319	0	0	0	225,377	0	225,377
Financial assets held for trading	1,382	0	0	0	0	1,382	0	1,382
Financial assets mandatorily at fair value through profit or loss	313	0	0	0	0	313	0	313
Financial assets at fair value through other comprehensive income	13,094	0	2,002	39,097	0	15,095	39,097	54,192
Financial assets at amortised cost	69,583	88,536	255,425	539,631	188,000	413,544	727,631	1,141,175
Tangible assets	7,676	0	0	0	0	7,676	0	7,676
Intangible assets	2,234	0	0	0	0	2,234	0	2,234
Tax assets	14,928	0	0	0	0	14,928	0	14,928
Other assets	591	0	0	0	0	591	0	591
Non-current assets and disposal groups classified as held for sale, financial instruments	177	0	0	0	0	177	0	177
Total	**325,035**	**98,855**	**257,426**	**578,728**	**188,000**	**681,316**	**766,728**	**1,448,044**
Financial liabilities held for trading	1,837	0	0	0	0	1,837	0	1,837
Financial liabilities measured at amortised cost	654,198	167,495	303,232	80,964	18,720	1,124,925	99,684	1,224,610
Provisions	8,302	0	0	0	0	8,302	0	8,302
Tax liabilities	598	0	0	0	0	598	0	598
Other liabilities	2,333	0	0	0	0	2,333	0	2,333
Total	**667,268**	**167,495**	**303,232**	**80,964**	**18,720**	**1,137,995**	**99,684**	**1,237,679**

EUR thousand

31.12.2022	daily due or without maturity	up to 3 months	from 3 months to 1 year	from 1 year to 5 years	> 5 years	up to 1 year	over 1 year	Total
Cash and cash equivalents	180,954	0	0	0	0	180,954	0	180,954
Financial assets held for trading	2,929	0	0	0	0	2,929	0	2,929
Financial assets mandatorily at fair value through profit or loss	313	0	0	0	0	313	0	313
Financial assets at fair value through other comprehensive income	11,580	4,191	10,815	35,382	6,018	26,586	41,400	67,986
Financial assets at amortised cost	74,412	63,979	168,898	533,331	212,699	307,289	746,030	1,053,320
Tangible assets	8,349	0	0	0	0	8,349	0	8,349
Intangible assets	2,192	0	0	0	0	2,192	0	2,192
Tax assets	13,124	0	0	0	0	13,124	0	13,124
Other assets	541	0	0	0	0	541	0	541
Non-current assets and disposal groups classified as held for sale, financial instruments	121	0	0	0	0	121	0	121
Total	**294,514**	**68,170**	**179,713**	**568,713**	**218,717**	**542,397**	**787,430**	**1,329,827**
Financial liabilities held for trading	2,531	0	0	0	0	2,531	0	2,531
Financial liabilities measured at amortised cost	648,003	106,414	227,620	109,510	26,346	982,037	135,856	1,117,893
Provisions	5,551	0	0	0	0	5,551	0	5,551
Tax liabilities	0	0	0	0	0	0	0	0
Other liabilities	2,354	0	0	0	0	2,354	0	2,354
Total	**658,439**	**106,414**	**227,620**	**109,510**	**26,346**	**992,473**	**135,856**	**1,128,329**

56.5. Liquidity reserves

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, balances with central bank and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Bank holds unencumbered assets eligible for use as collateral with central bank.

The following table sets out the counterbalancing capacity of the Bank:

EUR thousand

Counterbalancing Capacity	31.12.2023		31.12.2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Coins and bank notes	8,889	8,889	7,981	7,981
Withdrawable central bank reserves	203,789	203,789	157,045	157,045
Level 1 tradable assets	120,748	120,594	93,739	91,407
Level 2A tradable assets	-	-	-	-
Level 2B tradable assets	-	-	-	-
Total Counterbalancing Capacity	**333,427**	**333,272**	**258,765**	**256,433**

56.6. Financial assets available to support future funding

The following table sets out the availability of the Bank's financial assets (carrying amount) to support future funding.

EUR thousand

31.12.2023	Encumbered assets	Unencumbered assets
Cash balances at central banks and other demand deposits	0	216,487
Equity instruments	0	13,406
Debt securities	12,636	140,282
Loans and advances	0	1,029,355
Total	**12,636**	**1,399,530**

EUR thousand

31.12.2022	Encumbered assets	Unencumbered assets
Cash balances at central banks and other demand deposits	1,080	171,893
Equity instruments	0	12,865
Debt securities	12,661	105,710
Loans and advances	0	990,381
Total	**13,741**	**1,280,850**

56.7. Financial assets pledged as collateral

The carrying amount of financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 December 2023 and 2022 is shown in the following table:

EUR thousand

	31.12.2023	31.12.2022
Cash, cash balances at central banks and other demand deposits	0	1,080
Financial assets at fair value through other comprehensive income	0	0
Financial assets at amortised cost	0	0
Total	**0**	**1,080**

Financial assets are pledged as collateral as part of sales and repurchases and securities borrowing under terms that are usual and customary for such activities. Cash collaterals were pledged in relation to derivatives. No financial assets (either Financial assets at fair value through other comprehensive income or financial assets at amortised costs) were pledged as collateral for liabilities arising from refinancing transactions, repurchase agreements and other collateral arrangements.

(57) Operational risk

Within the definition and approach to risk measurement for operational risk there were no material changes compared to disclosures from the 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 2023 shows impacts for expected legal matters on Swiss franc denominated loans, repayment of costs at early repayments of loans and increased number of credit fraud cases.

(58) 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 and credit quality and could lead to legal consequences.

The Bank 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 (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).

The Bank performed an assessment of climate-related and other environmental risks in two consecutive steps. In a first step the Bank 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 Bank 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 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 Bank, 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 was identified in the assessment of climate-related and other environmental risks, the urgency and uncertainty of the matter require continuous monitoring. Addiko focuses in particular on the strict limitation of any idiosyncratic C&E risk. In this context, Addiko has identified industries which are and might in the future be impacted by climate and environmental risk and set prudent limits on the maximum exposure to these industries, which are diligently tracked. Furthermore, within the operational credit-granting process, Addiko has defined measures to recognize the potential impact of climate and environmental risk on the asset quality of the clients. Proper assessment is necessary in order to prevent potential financial, legal or reputational consequences for the Bank that might appear in case that the Bank supports financing of the respective company.

(59) Legal risk

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

Legal provisions for legal risks inherent in passive legal proceedings, specifically risks of not prevailing in legal proceedings and having to bear the associated costs, are generally calculated in accordance with international accounting principles. Accordingly, no legal provisions are required if the Bank is more likely to prevail than to not prevail in the respective legal proceedings. If the Bank's likeliness to prevail is equal to or below 50%, legal provisions are established. The Bank extensively monitors its effectiveness in each legal proceeding, including the Bank's likeliness to prevail, with the engagement of external legal experts and lawyers if necessary. The latter are mainly engaged regarding complex legal proceedings and/or legal proceedings with high dispute amounts. Additionally, legal provisions are also established for particularly complex and/or high-profile legal proceedings, which inherent higher legal risks.

59.2. Overview of legal disputes - Possible subsequent invalidity of agreed foreign currency

Particularly during 2004-2008 numerous consumers in Slovenia decided for loans in foreign currency or linked to foreign currency (especially Swiss Franc). Since 2015 the respective loan agreements in foreign currency or with foreign currency clause have increasingly become the subject of consumer complaints and legal proceedings against the banks. The respective consumers are claiming that the loan agreements in foreign currency or with foreign currency clause are null and void as the banks did not provide enough information on the consequences of loans in foreign currency or linked to foreign currency to consumers at the time the respective loan agreements in foreign currency or with foreign currency clause were concluded.

The number of ongoing legal proceedings against the Bank in connection with loan agreements with foreign currency clause in Swiss Francs increased during 2023. From 2015 until 2023 the judicial jurisprudence was favourable for the banks and the majority of judicial verdicts were ruled in their favour, depending on the circumstances of each respective legal case. In second quarter 2023 the judicial jurisprudence changed and contrary to the previous judicial jurisprudence the arguments that were so far interpreted in favour of the banks, were now interpreted differently. The Supreme Court of the Republic of Slovenia interprets the Slovenian consumer protection law in a way that retroactively establishes higher requirements for the fulfilment of the information duty of the banks vis-à-vis consumers. As the judicial jurisprudence is inconsistent the final outcomes of the respective legal proceedings are not yet known. Furthermore, the legal issues regarding the statute of limitation of claims of consumers and potential monetary claims of consumers are not yet resolved. The Bank will continue to seek solutions, together with other Slovenian banks and the Slovenian government, to ensure legal certainty and equal approach.

EUR thousand

		31.12.2023		31.12.2022
	Exposure	Of which CHF	Exposure	Of which CHF
Addiko Bank Slovenia	1,729,314	30.061	1,606,929	33,770

In 2023 the Bank was able to further reduce its foreign exchange risk due to the portfolio of loans linked to foreign currency Swiss Franc reduction from 33.8 million EUR at the end of 2022 to 30.1 million EUR at the end of 2023.

59.3. Overview of legal disputes – Possible subsequent invalidity of agreed »floor« clause

In 2015 the reference interest rate EURIBOR became negative. To counteract negative consequences of the negative reference interest rate EURIBOR the Bank introduced so called “floor” clauses into the loan agreements thus negative interests could not apply and the interest rate would amount to at least the reference interest rate EURIBOR. In September 2023 a consumer organization filed a class action against the Bank with the intent to nullify the respective loan agreements with “floor” clauses. Similar to the legal proceedings regarding the loan agreements with foreign currency clause the main allegation also in the respective class action is that the consumers were not provided with enough information on the consequences of the respective “floor” clause. The respective consumer organization also filed class actions against all other Slovenian banks that offered loans with the reference interest rate EURIBOR. While the respective legal proceeding regarding the class action against the Bank is still in its beginning phase, the Bank remains optimistic regarding its outcome.

(60) Leases from the view of Addiko Bank as lessor

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

EUR thousand

	31.12.2023	31.12.2022
up to 1 year	202	175
from 1 year to 2 years	202	27
from 2 year to 3 years	202	27
from 3 year to 4 years	0	27
from 4 year to 5 years	0	0
over 5 years	0	0
Total	**605**	**255**

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

EUR thousand

	31.12.2023	31.12.2022
Investment properties	588	769
Total	**588**	**769**

Rental income recognised by Addiko Bank during the year 2023 is EUR 191 thousand (2022: EUR 151 thousand).

(61) Leases from the view of Addiko Bank as lessee

The majority of offices and branches are leased under various rental agreements. Addiko Bank leases also equipment and vehicles. Most of the lease contracts are made under usual terms and conditions and include price adjustment clauses in line with general office rental market conditions. Rental contracts are typically made for fixed periods up to 10 years. Extension and termination options are included in a number of property and equipment leases. Several lease contracts have indefinite lease term and several contracts contain insignificant residual value guarantees. There are no restrictions placed upon the lessee by entering into these contracts. There are no lease contracts with variable payments other than that depending on an index or a rate. For further details regarding lease contracts please refer to note (6) Leases, and to note (3) Use of estimates and assumptions/material uncertainties in relation to estimates.

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

The total cash outflows for leases are as follows:

EUR thousand

	31.12.2023	31.12.2022
Payments for principal portion of lease liability	-1,332	-1,230
Payments for interest portion of lease liability	-111	-116

Payments for short-term, low value assets and variable lease payments not included in the measurement of the lease liability	-7	-5
Total	-1,450	-1,351

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

EUR thousand

Maturity analysis - contractual undiscounted cashflow	31.12.2023	31.12.2022
up to 1 year	1,444	1,308
from 1 year to 5 years	3,174	3,874
more than 5 years	423	448
Total undiscounted lease liabilities	5,042	5,630

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

EUR thousand

	31.12.2023	31.12.2022
Short-term leases	-2	-3
Leases of low value assets	-5	-2
Total	-7	-5

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

(62) Assets/liabilities denominated in foreign currencies

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

EUR thousand

	31.12.2023	31.12.2022
Assets	42,910	45,266
Liabilities	19,716	18,161

The majority of the difference between the respective sums is economically hedged through foreign exchange swaps (FX swaps and cross-currency swaps) and forward exchange transactions.

(63) Contingent liabilities

The following gross commitments not included in the statement of financial position existing at the reporting date:

EUR thousand

	31.12.2023	31.12.2022
Loan commitments, given	117,166	118,730
Financial guarantees, given	12,784	30,304
Other commitments, given	153,761	134,615
Total	283,710	283,649

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

The Bank is subject to legal proceedings that are often highly complex, take considerable time and are difficult to predict or estimate. As of 31 December 2023 the Bank's passive legal proceedings, in which the Bank is the defendant, for which the probability of a cash outflow was deemed to be not likely and consequently no provisions were established, amounted to claims of EUR 12,800 thousand (excluding accrued interests) relating to 13 legal cases, including the class action claim by a consumer protection organization aimed at reimbursement of overpayments due to "floor" clauses in loan agreements in the dispute amount of EUR 11,747 thousand. The outcome of the respective legal proceeding is difficult to predict or estimate until late in the proceedings, which may also last for several years. Nevertheless, according to the external legal opinion the probability of a cash outflow is deemed to be not likely and based on legal advice, management of the Bank believes that the Bank's defence in the respective legal proceeding will be successful.

(64) Fair value disclosures

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

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

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

- **Level I - Quoted prices in active markets.** The fair value of financial instruments traded in active markets is best established through quoted prices of identical financial instruments where these quoted prices represent market values/prices used in regularly occurring transactions. This applies above all to equity instruments traded on an active market, debt instruments traded on the interbank market and quoted derivatives.
- **Level II - Value determined using observable parameters.** If there are no quoted prices for individual financial instruments, the market prices of comparable financial instruments or accepted measurement models applying directly or indirectly observable prices or parameters (interest rates, yield curves, implied volatilities and credit spreads) must be used to determine the fair value. This level includes the majority of the OTC derivatives and non-quoted debt instruments. A financial instrument is classified in Level II if all significant inputs in the valuation are observable on the market.
- **Level III - Value determined using non-observable parameter.** 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 observable directly 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 technique; 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 where 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 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 default.
- 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

Addiko Bank measures derivatives taking into account base spread influences by applying various interest curves to calculate the forward rates and discount factors (multi-curve framework). According to the current market standards, overnight-indexed swap rates (OIS interest rates) are used for discounting in the measurement of OTC derivatives secured by collateral. A cross-currency base spread is taken into account for foreign currency swaps, where the collateral and cash flows are in a different currency.

64.1. 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 thousand

31.12.2023	Level I - from active market	Level II - based on market assumptions	Level III - based on non market assumptions	Total
Assets				
Financial assets held for trading	0	1,382	0	1,382
Derivatives	0	1,382	0	1,382
Debt securities	0	0	0	0
Investment securities mandatorily at FVTPL	0	0	313	313
Equity instruments	0	0	313	313
Debt securities	0	0	0	0
Investment securities at FVTOCI	13,094	39,097	2,002	54,192
Equity instruments	13,094	0	0	13,094
Debt securities	0	39,097	2,002	41,098
Total	**13,094**	**40,479**	**2,314**	**55,887**
Liabilities				
Financial liabilities held for trading	0	1,837	0	1,837
Derivatives	0	1,837	0	1,837
Total	**0**	**1,837**	**0**	**1,837**

EUR thousand

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	0	2,929	0	2,929
Derivatives	0	2,929	0	2,929
Debt securities	0	0	0	0
Investment securities mandatorily at FVTPL	0	0	313	313
Equity instruments	0	0	313	313
Debt securities	0	0	0	0
Investment securities at FVTOCI	12,553	50,470	4,963	67,986
Equity instruments	12,553	0	0	12,553
Debt securities	0	50,470	4,963	55,433
Total	**12,553**	**53,398**	**5,276**	**71,227**
Liabilities				
Financial liabilities held for trading	0	2,531	0	2,531
Derivatives	0	2,531	0	2,531
Total	**0**	**2,531**	**0**	**2,531**

Transfers between level I and level II

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

There were no transfers between levels in 2023.

Unobservable inputs and sensitivity analysis for Level 3 measurements

For investment securities classified in level III, which is an illiquid unlisted corporate bond, 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 31 December 2023 would have decreased by EUR 19 thousand. If the credit spreads used in the calculation of the fair value decreased by 100 basis points, the cumulative valuation result as of 31 December 2023 would have increased by EUR 19 thousand. The development of Level III is presented as follows.

The development of level III was as follows:

EUR thousand

2023	01.01.	Valuation gains/losses - profit or loss	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	Settlement (-)	31.12.
Assets							
Investment securities mandatorily at FVTPL	313	0	0	0	0	0	313
Equity instruments	313	0	0	0	0	0	313
Investment securities at FVTOCI	4,963	0	0	0	0	-2,962	2,002
Equity instruments	0	0	0	0	0	0	0
Debt securities	4,963	0	0	0	0	-2,962	2,002
Total	**5,276**	**0**	**0**	**0**	**0**	**-2,962**	**2,314**

EUR thousand

2022	01.01.	Valuation gains/losses - profit or loss	Valuation gains/losses - OCI	Additions (+)	Disposals (-)	Settlement (-)	31.12.
Assets							
Investment securities mandatorily at FVTPL	313	0	0	0	0	0	313
Equity instruments	313	0	0	0	0	0	313
Investment securities at FVTOCI	4,480	0	0	2,962	0	-2,479	4,963
Equity instruments	0	0	0	0	0	0	0
Debt securities	4,480	0	0	2,962	0	-2,479	4,963
Total	**4,793**	**0**	**0**	**2,962**	**0**	**-2,479**	**5,276**

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

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

EUR thousand

31.12.2023	Carrying amount	Fair Value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non market assumptions
Assets						
Cash and cash equivalents [1]	225,377	225,377	0	225,377	0	0
Financial assets at amortised cost	1,141,175	1,163,552	22,377	0	107,482	1,056,070
Debt securities	111,820	110,346	-1,474	0	107,482	2,864
Loans and receivables	1,029,355	1,053,206	23,851	0	0	1,053,206
Non-current assets held for sale	177	181	3	0	0	181
Total	**1,366,729**	**1,389,109**	**22,380**	**225,377**	**107,482**	**1,056,250**
Liabilities						
Financial liabilities at amortised cost	1,224,610	1,218,057	-6,553	0	0	1,218,057
Deposits	1,193,530	1,187,143	-6,387	0	0	1,187,143
Issued bonds, subordinated and supplementary capital	15.014	14.933	-80	0	0	14.933
Other financial liabilities	16,066	15,980	-86	0	0	15,980
Total	**1,224,610**	**1,218,057**	**-6,553**	**0**	**0**	**1,218,057**

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

EUR thousand

31.12.2022	Carrying amount	Fair Value	Difference	Level I - from active market	Level II - based on market assumptions	Level III - based on non market assumptions
Assets						
Cash and cash equivalents [1]	180,954	180,954	0	180,954	0	0
Financial assets at amortised cost	1,053,320	1,054,666	1,347	0	61,318	993,348
Debt securities	62,938	61,318	-1,621	0	61,318	0
Loans and receivables	990,381	993,348	2,967	0	0	993,348
Non-current assets held for sale	121	121	0	0	0	121
Total	**1,234,394**	**1,235,741**	**1,347**	**180,954**	**61,318**	**993,470**
Liabilities						
Financial liabilities at amortised cost	1,117,893	1,089,636	-28,257	0	0	1,089,636
Deposits	1,088,420	1,060,908	-27,512	0	0	1,060,908
Issued bonds, subordinated and supplementary capital	15,059	14,679	-381	0	0	14,679
Other financial liabilities	14,414	14,050	-364	0	0	14,050
Total	**1,117,893**	**1,089,636**	**-28,257**	**0**	**0**	**1,089,636**

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

Financial instruments not carried at fair value are not managed on a fair value basis and their fair values are calculated only for disclosure purposes and do not impact the statement of financial position and the income statement. The fair value of receivables and liabilities is determined according to the present value of future cash flows. The risk premium amounts for receivables depend on the internal or external rating of the borrower taking into account the country risk. The fair value valuation of debt securities at amortised costs is based on quoted prices or other observable inputs on the markets. For liabilities, the own credit spread is taken into account in the discount factor. Due to the fact that no debt issues of 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 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.

The Bank 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.

64.3. 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 31 December 2023 the carrying amount of investment properties amounts to EUR 588 thousand (YE22: EUR 769 thousand), whereas the fair value amounts to EUR 599 thousand (YE22: EUR 770 thousand). All investment properties are classified in level III .

(65) Derivative financial instruments

65.1. Derivatives held for trading

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

EUR thousand

	31.12.2023			31.12.2022		
	Nominal amounts	Fair values		Nominal amounts	Fair values	
		Positive	Negative		Positive	Negative
a) Interest rate						
OTC-products	58,022	1,260	-1,205	77,848	2,553	-2,449
OTC options	16,766	412	-405	19,627	802	-784
OTC other	41,256	847	-800	58,221	1,751	-1,664
b) Foreign exchange and gold						
OTC-products	31,159	102	-612	31,719	368	-76
OTC other	31,159	102	-612	31,719	368	-76

c) Credit derivatives	0	0	0	0	0	0
Credit default swap	0	0	0	0	0	0

(66) Related party disclosures

Addiko Bank is 100-percent owned by Addiko Bank AG.

Related parties as defined by Addiko Bank are other entities within Addiko Group, Management Board and the Supervisory Board members and members of their families and Key management personnel with individual contract.

The Bank conducts business in the areas of loans and deposits, issuance of letters of credit and guarantees, which is also presented in the table below.

Pursuant to Article 545 of the Companies Act, we declare that the Bank, in circumstances known to it, performs the transactions between connected persons under normal market conditions.

In 2023, in all transactions held with the parent bank and other related parties, the Bank received adequate payments and repayments and was not disadvantaged on the basis of any transactions.

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

EUR thousand

31.12.2023	Parent company	Subsidiaries and other entities of the same group	Key personnel of the institution or its parent
Cash and cash equivalents	66	16	0
Financial assets held for trading	455	0	0
Loan and advances	50,985	0	4
Financial liabilities held for trading	574	9	0
Deposits	15,354	495	228
Other financial liabilities	27	0	0
Loan commitments, financial guarantees and other commitments received	1,400	9	9

EUR thousand

31.12.2022	Parent company	Subsidiaries and other Group companies	Key personnel of the institution or its parent
Cash and cash equivalents	129	3,693	0
Financial assets held for trading	1,301	0	0
Loan and advances	50,474	0	145
Financial liabilities held for trading	14	0	0
Deposits	16,509	1,171	1,149
Loan commitments, financial guarantees and other commitments received	0	29	48

EUR thousand

31.12.2023	Parent company	Subsidiaries and other entities of the same group	Key personnel of the institution or its parent
Interest and similar income	1,235	0	0
Interest expenses	-1,705	0	-6
Fee and commission income	0	2	0
Fee and commission expenses	-33	-2	0
Other administrative expenses	-121	-660	0
Other expenses/income	858	0	0
Total	**234**	**-660**	**-6**

EUR thousand

31.12.2022	Parent company	Subsidiaries and other Group companies	Key personnel of the institution or its parent
Interest and similar income	384	0	4
Interest expenses	-1,819	-4	-3
Fee and commission income	0	4	3
Fee and commission expenses	-4	-4	0
Other administrative expenses	-131	-573	0
Other expenses/income	678	1	0
Total	**-892**	**-576**	**4**

(67) Capital management

67.1. Own funds and capital requirements

The capital management of Addiko Bank is based on own funds as defined by the Regulation on prudential requirements for credit institutions and investment firms (CRR), the corresponding national regulations and the economic capital management approach related to the Internal Capital Adequacy Assessment Process (ICAAP). The capital requirements were implemented within the EU with Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and the Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms - Capital Requirements Directive (CRD). The CRD V was enacted in national law in the Slovenian Banking Act.

The European Central Bank (ECB) is the competent authority in charge for the direct supervision of Addiko Bank.

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

	31.12.2023			31.12.2022		
	CET1	T1	TCR	CET1	T1	TCR
Pillar 1 requirement	4.50%	6.00%	8.00%	4.50%	6.00%	8.00%
Pillar 2 requirement (P2R)	1.83%	2.44%	3.25%	1.83%	2.44%	3.25%
Total SREP Capital Requirement (TSCR)	**6.33%**	**8.44%**	**11.25%**	**6.33%**	**8.44%**	**11.25%**
Capital Conservation Buffer (CCB)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Systemic Risk Buffer (SyRB)	0.28%	0.28%	0.28%	0.00%	0.00%	0.00%
Counter-Cyclical Capital Buffer (CCyB)	0.50%	0.50%	0.50%	0.00%	0.00%	0.00%
Combined Buffer Requirements (CBR)	**3.28%**	**3.28%**	**3.28%**	**2.50%**	**2.50%**	**2.50%**
Overall Capital Requirement (OCR)	**9.61%**	**11.72%**	**14.53%**	**8.83%**	**10.94%**	**13.75%**
Pillar 2 guidance (P2G)	3.25%	3.25%	3.25%	2.00%	2.00%	2.00%
OCR + P2G	**12.86%**	**14.97%**	**17.78%**	**10.83%**	**12.94%**	**15.75%**

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

Following the SREP 2022, Addiko Group was required to fulfill a **Pillar 2 guidance** (P2G) of 3.25% valid as of 1 January 2023 onwards, up from 2% for 2022. According to the 2023 SREP decision, the Addiko Group must meet a reduced P2G of 3.0% as of 1 January 2024.

Own funds

Own funds according to the CRR consist of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2). In order to determine the capital ratios, each respective capital component – after application of all regulatory deductions and filters – is considered in relation to the total risk amount. The determination of eligible total capital in accordance with the applicable regulations is based on international accounting standards.

The Bank during the year 2023 and 2022 did not use any transitional rules when calculating capital adequacy.

In the table below the composition of the own funds of the Bank is presented as of 31.12.2023 and 31.12.2022.

EUR thousand

		31.12.2023	31.12.2022
	Common Equity Tier 1 (CET1) capital: Instruments and reserves		
1	Capital instruments and the related share premium accounts	108,773	108,773
2	Retained earnings	78,146	78,141
3	Accumulated other comprehensive income (and other reserves)	-2,607	-5,111
6	**CET1 capital before regulatory adjustments**	**184,312**	**181,803**
	CET1 capital: regulatory adjustments		
7	Additional value adjustments	-58	-74
8	Intangible assets (net of related tax liability)	-1,216	-1,031
10	Deferred tax assets that rely on future profitability excluding	-13,780	-11,252
12	Negative amounts resulting from the calculation of expected loss amounts	0	-1,158
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-15,055**	**-13,515**
29	**Common Equity Tier 1 (CET1) capital**	**169,258**	**168,289**
	Tier 2 (T2) capital: instruments and provisions		
58	Tier 2 (T2) capital	7,730	10,728
59	Total capital (TC = T1 + T2)	176,988	179,017
60	Total risk weighted assets	853,589	835,080
	Capital ratios and buffers %		
61	CET1 ratio	19.83%	20.15%
63	TC ratio	20.73%	21.44%

* 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 decreased by EUR 2,029 thousand during the reporting period, reflecting the net impact of the following components:

- a decrease by EUR -2,998 thousand of the TIER2 due to amortisation,
- an increase by EUR 2,505 thousand of the other comprehensive income due to the valuation of debt instruments,
- an increase by EUR 4 thousand of the retained earnings
- an increase in regulatory deduction items in the amount of EUR -1,540 thousand as net impact of increase in deferred tax assets on existing taxable losses (EUR -2,529 thousand), increase in intangible assets (EUR -186 thousand), decrease of adjustments due to prudential filters (EUR 16 thousand) and decrease of deduction item for additional allocation of provisions for credit risk (EUR 1,158 thousand based on Commission Delegated Regulation (Eu) No 183/2014 of 20 December 2013 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments).

Risk structure

Addiko Bank uses the standardised approach in the calculation of the credit and market risk and basic indicator approach in the calculation of operational risk, which partly explains the relatively high risk density (measured by comparing RWA to assets) of 58.9% (YE22: 62.7%). 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 18,509 thousand during the reporting period:

- The **RWA for credit risk** increased by EUR 8,052 thousand, mainly driven by new disbursements in the focus segments Consumer and SME.
- The **RWA for counterparty credit risk (CVA)** decreased during the reporting period by EUR 1,891 thousand.
- The **RWAs for market risk** increased by EUR 1,413 thousand.

The **RWA for operational risk** increased by EUR 10,935 thousand. The RWA for operational risk is based on the three-year average of relevant income, which represents the basis for the calculation.

EUR thousand

		31.12.2023	31.12.2022
1	Credit risk	738,394	730,342
6	Counterparty credit risk	2,091	3,983
20	Market risk	2,135	721
23	Operational risk	110,969	100,034
29	**Total risk exposure amount (RWA)**	**853,589**	**835,080**

*The references identify the lines prescribed in the EBA template, which are applicable and where there is a value.

Leverage ratio

The leverage ratio calculated in accordance with the CRR was 11.16% at 31 December 2023 and 11.81% at 31 December 2022.

EUR thousand

		31.12.2023	31.12.2022
2	Tier 1 capital	169,258	168,289
13	Total leverage ratio exposure	1,516,842	1,425,326
14	**Leverage ratio %**	**11.16%**	**11.81%**

*The references identify the lines prescribed in the EBA template, which are applicable and where there is a value.

Capital allocation

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

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

(68) Remunerations of auditors

Audit costs of the external auditor incurred for the financial years 2023 and 2022:

EUR thousand

	31.12.2023	31.12.2022
Total statutory audit fees	**88**	**81**
Fees for the audit of financial statements pursuant to legislation (1)	88	81
Other assurance services (2)	6	6
Tax advisory services	0	0
Other non-audit services (3)	9	8
Total fees	**103**	**95**

(1) Includes fees of KPMG Audit firm and fees of the KPMG Audit firm network of independent member firms affiliated with KPMG International Cooperative for work on component reporting prepared for financial statement purposes.
(2) Includes fees review of Report on relations with affiliated companies
(3) Includes fees related to various services, such as Agreed-Upon procedures Report, ZBan3, SRB

All fees stated above are without VAT.

(69) Trading Book

The volume of the trading book of Addiko Bank breaks down as follows:

EUR thousand

	31.12.2023	31.12.2022
Derivatives in trading book (nominal amount)	89,181	109,566
Debt securities (carrying amount)	0	0
Trading book volume	**89,181**	**109,566**

(70) Remuneration received by Management Board, Supervisory Board and Key management personnel with individual contracts

EUR thousand

2023	Fixed ongoing payments	Variable ongoing payments	Repayments of variable remuneration from previous year	Cost reimbursement	Supplementary pension insurance	Other payments	Total
Management board	520	55	65	4	7	0	651
Supervisory Board	24	0	0	0	0	0	24
Ex members of management Board	0	0	32	0	0	0	32
Key management personnel with individual contracts	1,386	150	0	24	35	0	1,595
Total	**1,930**	**205**	**97**	**28**	**42**	**0**	**2,302**

EUR thousand

2022	Fixed ongoing payments	Variable ongoing payments	Repayments of variable remuneration from previous year	Cost reimbursement	Supplementary pension insurance	Other payments	Total
Management board	439	46	106	5	0	6	602
Supervisory Board	10	0	0	0	0	0	10
Ex members of management Board	0	33	59	0	0	0	92
Key management personnel with individual contracts	1,554	115	0	36	0	40	1,745
Total	**2,003**	**194**	**165**	**41**	**0**	**46**	**2,449**

(71) Events after the reporting year

On 13 December 2023, the Act on Reconstruction, Development and Provision of Financial Resources (ZORZFS) was adopted with the aim of establishing mechanisms that will enable faster reconstruction, development and protection against future natural disasters. Among other things, the law introduced:

- a temporary increase in the corporate income tax rate from 19% to 22% for the tax periods 2024-2028.
- balance sheet tax for banks at a rate of 0.2% for the tax periods 2024-2028. Based on the latest projections, the Bank estimates the impact of the tax to be around 3 million per year.

(72) Accumulated profit

Net profit for the financial year may be used for:

- setting aside legal reserves,
- setting aside reserves for own interests,
- setting aside statutory reserves and
- setting aside other revenue reserves.

Addiko Bank generated a profit after tax in the amount of EUR 25,941 thousand in the financial year 2023 (2022: EUR 19,649 thousand).

The Bank will propose at the General Meeting the distribution of the total accumulated profit of EUR 104,087 thousand as follows:

- EUR 78,146 thousand remains unallocated and represents the retained earnings,
- EUR 25,941 thousand will be distributed as a dividend.

The accumulated profit is shown in the table below:

EUR thousand

	31.12.2023	31.12.2022
Profit for the financial year	25,941	19,649
Retained earnings	78,146	78,141
Total accumulated profit	**104,087**	**97,791**

Glossary

Addiko uses alternative performance measures (APM) to describe its performance or financial position which are not defined or specified in the financial (IFRS) or regulatory (CRR) reporting framework. The following additional information provide a reconciliation of the APM to the reconciled line item, subtotal or total presented in the financial statements and explaining the material reconciling items.

Bank@Work	An alternative sales channel, focusing on delivering the convenience promise as a main advantage to the customer. Branch teams regularly visit large companies' headquarters with mobile equipment, presenting Addiko's product and service offer, opening products on the spot or helping potential customers apply for a loan
CL	Credit loss
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 (not annualised)
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 CRD IV
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
Net banking income	The sum of net interest income and net fee and commission income
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)
NPE	Defaulted, non-performing exposure (Gross Carrying Amount). A default and thus a non-performing exposure applies if it can be assumed that a customer is unlikely to fulfil all of its credit obligations to the bank, or if the debtor is overdue at least 90 days on any material credit obligation to the bank
NPE ratio	Is an economic ratio to demonstrate the proportion of loans that have been classified as defaulted non-performing in relation to the entire customer loan portfolio. The definition of non-performing has been adopted from regulatory standards and guidelines and comprises in general those customers where repayment is doubtful, a 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 what extent defaulted non-performing exposures 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
Risk-weighted assets	On-balance and off-balance positions, which shall be risk weighted according to (EU) Nbr 575/2013

Business Centres and Branch Offices

Basic data about Addiko Bank d.d.

Full name: Addiko Bank d. d.
Registered office: Dunajska cesta 117, SI-1000 Ljubljana
Entry in the Companies Register: no. 1/31020/00. SRG 99/01362
Registration number: 1319175
VAT ID: SI75482894
Transaction account: SI56 3300 0330 0000 034
SWIFTHAABSI22
Share capital: EUR 89,958,958.47
T: +386 1 580 40 00
F: +386 1 580 40 01
Website: https:/www.addiko.si
Facebook: https://www.facebook.com/addikoslovenija/
Instagram: https://www.instagram.com/addikobank_slovenija/
LinkedIn: https://www.linkedin.com/company/addiko-bank-slovenija
You Tube: https://www.youtube.com/channel/UCGR8rMrkCKpN4yT9APh6dvg
E: info.si@addiko.com

Ljubljana
Addiko Bank d.d., sedež Banke in poslovalnica Addiko Bank express Stekleni dvor
Dunajska cesta 117, 1000 Ljubljana
T: +386 (0)1 580 40 00
E: info.si@addiko.com

Poslovalnica Trg Osvobodilne fronte
Trg Osvobodilne fronte 12, 1000 Ljubljana
T: +386 (0)1 580 42 50
E:info.ljof.si@addiko.com

Poslovalnica Addiko Bank Express BTC
BTC City, Hall A, Šmartinska cesta 152, 1000 Ljubljana
T: +386 (0)1 580 40 00
E: info.ljbtc.si@addiko.com

Poslovalnica Supernova Rudnik
Supernova Ljubljana – Rudnik, Jurčkova cesta 223, 1000 Ljubljana
1000 Ljubljana
T: +386 (0)1 580 40 07
E: info.ljru.si@addiko.com

Domžale
Poslovalnica Domžale
Mercator center Domžale, Cesta talcev 4, 1230 Domžale
T: +386 (0)1 580 42 44
E: info.do.si@addiko.com

Maribor
Poslovni center Maribor
Trg Leona Štuklja 5, 2000 Maribor
T: +386 (0)2 450 39 41
E: info.mbc.si@addiko.com

Poslovalnica Maribor Center
Trg Leona Štuklja 4, 2000 Maribor
T: +386 (0)2 450 39 49
E: info.mbc.si@addiko.com

Poslovalnica Maribor Tabor
Center Mercator Tabor II, Ulica Eve Lovše 1, 2000 Maribor
T: +386 (0)2 450 39 36
E: info.mbc.si@addiko.com

Ptuj
PE Maribor, Poslovalnica Ptuj
Center Supernova, Ormoška cesta 15, 2250 Ptuj
T: +386 (0)2 450 38 91
E: info.pt.si@addiko.com

Murska Sobota
Poslovna enota Murska Sobota
Kocljeva ulica 2, 9000 Murska Sobota
T: +386 (0)2 530 81 74
E: info.ms.si@addiko.com

Celje
Poslovna enota Celje
Ljubljanska cesta 20b, 3000 Celje
T: +386 (0)3 425 73 30
E: info.ce.si@addiko.com

Trbovlje
PE Celje, Poslovalnica Trbovlje
Obrtniška cesta 30, 1420 Trbovlje
T: +386 (0)3 425 73 52
E: info.tr.si@addiko.com

Velenje
PE Celje, Poslovalnica Velenje
Šaleška cesta 19, 3320 Velenje
T: +386 (0)3 425 73 58
E: info.ve.si@addiko.com

Kranj
Poslovna enota Kranj
Koroška cesta 1, 4000 Kranj
T: +386 (0)4 201 08 80
E: info.kr.si@addiko.com

Koper
Poslovna enota Koper
Pristaniška ulica 6, 6000 Koper
T: +386 (0)5 663 78 00
E: info.kp.si@addiko.com

Nova Gorica
Poslovna enota Nova Gorica
Kidričeva ulica 20, 5000 Nova Gorica
T: +386 (0)5 335 47 00
E: info.ng.si@addiko.com

Novo mesto
Poslovna enota Novo mesto
Supernova Mercator center, Ljubljanska cesta 47, 8000 Novo mesto
T: +386 (0)7 371 90 64
E: info.nm.si@addiko.com

Krško
Poslovalnica Addiko Bank express
Center Qlandia, Cesta krških žrtev 141, 8270 Krško
T: +386 (0)7 371 90 71
E: info.kk.si@addiko.com

Slovenj Gradec
Poslovalnica Addiko Bank express
Trg svobode 1, 2380 Slovenj Gradec
T: +386 (0)2 881 23 11
E: info.sg.si@addiko.com

Kočevje
Poslovalnica Addiko Bank express
Trgovski park Kočevje, Kolodvorska cesta 6, 1330 Kočevje
T +386 (0)1 580 48 71
E: info.ko.si@addiko.com

Ajdovščina
Tovarniška cesta 4c, 5270 Ajdovščina
T +386 (0)5 335 40 00
info.aj.si@addiko.com