

Addiko Bank

Addiko bank a.d. Beograd
Annual Report 2021

Key data

Addiko Bank a.d. Beograd operating results

based on the financial statements prepared in accordance with the IFRS

	2021	2020
Income statement (in RSD '000)	01-Jan to 31-Dec	01-Jan to 31-Dec
Net operating income	5,239,975	4,656,220
Net interest income	3,766,493	3,413,710
Net fee and commission income	1,473,482	1,242,510
Other operating income	394,765	528,690
Operating expenses	-4,398,758	-4,176,459
Operating result before credit risk provisions	1,235,982	1,008,451
Credit risk provisioning costs	-395,829	-425,157
Income tax	-39,743	-39,954
Result for the period after tax	800,410	543,340
Balance sheet (in RSD '000)	31.12.2021	31.12.2020
Loans and receivables due from clients	72,118,908	71,669,829
Deposits and financial liabilities due to clients	68,923,834	66,588,521
Equity	23,336,140	22,759,282
Total assets	102,681,350	101,461,847
Key performance ratios	2021	2020
Net interest income/total assets	3,67%	3,36%
Cost to income ratio (CIR)	69,80%	71,02%
Tier 1 capital ratio	26,10%	26,40%
Total capital adequacy ratio	26,10%	26,40%
Head count as of the reporting date	546	532
Number of branches	36	36

CEO Letter

Dear clients, partners, and employees,

During 2021, we have remained true to our strategy - position of Addiko bank as a specialist Consumer and SME, with a focus on growing its Consumer and SME lending activities as well as its digital payment services. Moreover, 2021 was marked with launch of the ambitious transformation program in order to support our specialist strategy even more and boost growth in our focus areas.

In 2021, we achieved progress in Addiko Bank's focus segments - consumer lending and SME business. Cash loans recorded the growth of 12.4% and the SME portfolio increased by 14% in 2021, confirming the strategic direction of Addiko Bank as a bank specialized in these segments.

For several years, the Addiko brand was recognized as the leader in digital transformation and this trend continued in 2021. Over the course of the pandemic, we upgraded our digital proposition ecosystem by launching webLoan for Consumer and Standard segments, our digitally initiated cash loans. Given that, digital is and will remain an important pillar in our strategy and we will continue to be focused on further simplification of the processes, along with taking care of superb user experience.

Our dedication to digital transformation was reflected in the fact that at the year end, the share of consumer cash loans sold digitally amounts to 42%, while 95% of transactions were performed digitally.

Addiko Bank a.d. Beograd continued to support our community and embedded our values of diversity and inclusion in our strategy and operations across the bank. In 2021, Addiko adopted the United Nations Women's Empowerment Principles as part of its commitment to promoting gender equality and women's empowerment in the workplace.

With an outlook of further rebound in the economy, normalization across sectors and with a superior team, Addiko Bank is eager to accelerate its transformation program towards our clear and focused strategy. In the forthcoming period, Addiko Bank will continue following its strategic direction of consumer and SME specialized bank, and bringing further value to our customers, employees, and partners.

Thank you for your interest in our bank.

Sincerely,



Vojislav Lazarevic

CEO

The Annual Business Report is prepared in accordance with Article 29 of the Law on Accounting (Official Gazette of RS nos. 62/13, 30/2018, 73/2019 and 44/2021 - the other law), containing the following:

Addiko Bank a.d. Beograd Annual Report 2021

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Annual Business Report of Addiko Bank a.d. Beograd

1. Overview of Addiko Bank

Addiko Group is a specialist banking group focusing on providing banking products and services to Consumer and small and medium-sized enterprises (SME) in Central and South-Eastern Europe (CSEE). Addiko Group consists of Addiko Bank AG, the listed and fully-licensed Austrian parent bank registered in Vienna, Austria, regulated by the Austrian Financial Markets Authority and by the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates via two banks), Serbia and Montenegro. Addiko Group, through its six subsidiary banks, services as of 31 December 2021 approximately 0.8 million customers, using a well-dispersed and continuously optimized network of 155 branches and via an increasing use of modern digital banking channels. Addiko bank in Serbia have 36 branches and one of the best scaled mbanking application in the banking industry.

Based on its strategy, Addiko Group repositioned itself as a specialist Consumer and SME banking group with a focus on growing its Consumer and SME lending activities as well as payment services (its “focus areas”), 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 Group’s Mortgage lending, Public Lending and Large Corporate lending portfolios (its “non-focus areas”) have been gradually reduced over time, thereby providing liquidity and capital for the growth in its Consumer and SME lending. During the second half 2021, the new management team has committed themselves to an accelerated transformation towards the focus areas via business growth initiatives and a faster reduction of non-focus loan books as well as gradual exit from low-yielding and high-ticket medium enterprises within the SME segment.

Addiko Group delivers a modern customer experience in line with its strategy. Banking products and services have been standardized, especially in the Consumer and the SME segment, to im-

prove efficiency, manage risks and maintain asset quality. This specialist approach is continuously fine-tuned to react to customer needs and the market

environment.

Addiko Bank a.d. Beograd is in 100 percent ownership of Addiko Bank AG which is a listed company on the Vienna Stock Exchange since 2019. Around 63% of the Addiko Bank AG shares are in free float, the rest of the shareholder base is well diversified with a broad geographic spread and different investment strategies. The institutional investors are primarily from Western Europe and North America.

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

2. General Economic Environment

The Covid-19 pandemic is still affecting the world, and the region where the bank operates, with periodic waves occurring every several months. The vaccination rates have peaked after an initial increase and remain low, also related to vaccine skepticism. However, this does not seem to have any significant effect on the economy. People and enterprises have adapted to the new normality over time and are behaving as if there was no pandemic. Governments are acting in the same way, avoiding lockdowns and introducing, if any, just mild restrictions. As a result, Croatia, Montenegro, Bosnia & Herzegovina, Slovenia and Serbia, the countries in which Addiko Group operates, had better economic results than expected previously. Household consumption was very strong everywhere, due to delayed consumption and increased savings. Business investments and FDIs also flourished.

Serbia’s economy continued its good performance in 2021 - according to flash estimates, GDP grew by 7.5%, which is among the highest figures in Europe. A supportive fiscal policy was one of the main drivers - government capital expenditure increased by over 50% in 2021. Foreign direct investment was also strong, reaching 7.4% of GDP. The strength of the economy, together with high global energy and food prices, caused inflation to reach 7.9% in December, and pushed the average for the full year to 4%. The central bank has not yet raised its policy rate, but the government has decided to freeze the price of certain basic products, which should prevent inflation from escalating further.

3. Earnings Performance in Brief

Overall year 2021 was challenging keeping uncertainty of COVID 19 but the bank delivered very good results. Addiko Bank a.d. Beograd made a Net profit of 800 million dinars representing a Y-o-Y increase of 257 million dinars.

Net banking income was achieved in amount of 5.2 billion dinars, 12,5% higher in comparison to the previous year. The growth was generated from consumer and SME segments, which grew for 294 million dinars and more than fully compensated the declines in the non-focus portfolio. In addition to this, there was a reduction in interest expenses by 193 million and a very significant growth in NCI of 231 million dinars or 19% in comparison to the previous year.

The business strategy has been delivered both in numbers and in results. Focus segments growth was 6.9 billion dinars in 2021 (households, excluding the portfolio of housing loans +2.9 billion dinars and loans intended for small and medium enterprises including "standard" segment +3.9 billion dinars) and reached 80% of performing portfolio, showing that Addiko Bank a.d. Beograd is strongly delivering on the defined strategy. This is followed also in the P&L because, 71% of interest income is coming from the focus segments and this is higher than last year by 66%.

Overall, the bank's strong financial growth comes from executing the strategy. Beside the loans which grew in the focus part, the non-focus decline in the year 2021 was 7.2 billion dinars, where the largest declines were in Large and Public segment.

On the expense side, there was an achievement of lower operating costs. In comparison to last year, savings were realized on several fronts mainly on personnel expenses, security costs, rents, education and depreciation, achieved as results of orientation on our strategy optimizing process. Although legal costs were higher because of the increased inflow of legal cases for the fees which were quite predominant, operating results increased by 227 billion dinars Y-o-Y.

Risk costs were 437 million dinars originated as result of portfolio growth, COVID 19 prevention measures and a change in assumptions in macro forward looking components.

Overall customer deposits growth was 2,3 billion dinars mostly due to increase of dinars deposits while there was decrease in EUR deposits.

One of the most important performance indicators CIR has been sharply reduced in comparison to 2020, ending the year 2021 at 69,8%, which is much better than in 2020 (71%), also showing good developments.

4. Transformation Program

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

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

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

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

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

5. 2021 at a glance

5.1. Business Model

Addiko Bank a.d. Belgrade operates as a specialist bank for consumer loans and for small and medium enterprises, with a clear focus on digitalization of our services.

This is reflected in supreme simplification of loan application process, creating excellent user experience. Apart from providing its services in a branch, the Bank has invested efforts to develop various channels for the customers, allowing them to apply for a loan anytime, anywhere. Customers can apply for the loan at the comfort of their home by using web loan or mobile application, from their workplace by using Addiko@Work services and by using BNPL services.

Specialized consumer lending offers are adopted to various niche segments, recognizing needs of young employees, digital savvy customers, but also pensioners.

To assure this to our clients we design banking products and services which are standardized in consumer and SME segments, and we constantly improve our efficiency and provide superior customer experience while maintaining asset quality.

The Bank approves loans, provides guarantees, opens letters of credit, provides transaction services to clients, collects deposits and trades in securities to achieve its business goals. When establishing a business relationship with clients, the Bank is guided by an independent assessment of the history of the potential client, its ownership structure, management, and financial indicators in accordance with regulations and internal acts of the bank.

Key areas which help us to drive our business model are:

- Digitization - Products and service which we put on first place with emphasize on improving customer experience through product simplicity, improved access to and processing of services, faster and better credit decisions, convenience for customers, expanded digital offerings and standardization of products.
- Risk management where through advanced modelling and scoring mechanisms, regular calibration, and strict, granular portfolio quality monitoring, the Bank can ensure prudent risk approach.
- Improving our brand awareness, especially among new customers.
- Motivating and re-energizing the sales force through the implementation of performance standards, KPIs utilization and elimination of non-focus products.
- Effective cost management and continuous optimization of processes improve our sourcing and optimizing our marketing strategy. With strong cost discipline, the Bank is improving efficiency and achieves greater return

All these activities resulted in our market recognition and an increase in market share. Focus for the next period will be further simplification and standardization of processes with maximizing profitability, cost efficiency and asset improvement.

5.2. Supporting Clients

During 2021. Addiko Bank a.d. Belgrade continues to support clients through numerous services remotely, providing them with the best user and customer experience, for both consumers and small and medium sized businesses. We are mainly focused on responding to the needs of our customers here and now; for daily banking needs, day-to-day managing money better; major life events providing - cash loans and revolving products and educate our customers for using of digital tools and applications. Going further we provide selling products and services that are suitable for our customers, also we ensure that our sales staff are thoroughly trained and equipped with the skills and knowledge to provide quality information to our customers.

During the challenging 2021 year, we did not give up on our values and we continued to keep the needs of our clients in our focus. Thus, we have continued with a third moratorium with state institutions and the regulator in order to facilitate repayment for clients and ensure the best possible functioning of the financial sys-

tem. Also, guarantee schemes were available to corporate clients, which facilitated the path to financial resources and shortened the procedures that clients go through.

5.3. Operational Stability

Addiko Bank a.d. Beograd incorporated experience gathered during 2020 COVID-19 working conditions as „new normal“ in 2021. Remote working has been extended throughout the year. Employees were regularly informed about plans for phasing return to the workplace. The plans were adjusted in a timely manner with the recommendations of the authorities. All reasonable steps have been taken to ensure that staff feel safe and secure throughout the process of returning to the workplace.

All branches are equipped with physical distancing measures, plexiglass separators, and sanitary measures to protect staff and clients. Following the recommendation of the Government of Serbia for operating facilities minimum of sqm/person is provided by limiting the number of clients who can be in the branch office at the same time.

Supporting operational stability and business continuity was the main objective of all measures taken at the onset and during the COVID-19 event. Notwithstanding the challenges, Addiko Bank a.d. Beograd managed to successfully continue operations in the COVID-19 crisis mode for a prolonged period.

5.4. Retail

Addiko Bank offers a modern user experience based on the simple and convenient banking strategy, aiming to become a primary bank for our customers to fulfill daily banking needs in a simple digital way. The primary focus in 2021 was on superior service in consumer lending by providing additional sales communication channels. The offer of bancassurance products during previous years was enlarged by products available to most of our clients.

The digital potential of the Bank was continually developed with the mission to improve the user experience primarily on the mobile platform and additionally via web platform in

couple of simple steps. In addition to transaction banking, Addiko Bank's clients can now apply for cash loans and authorized overdrafts through m-banking, with their current accounts being credited within few minutes, without having to go to the branch. Customers can also open digital mAccount, via video identification. During 2021, the bank has launched mDeposit allowing customers to make a term deposit in couple of minutes via mobile app.

5.5. Corporate

Addiko Bank is one of the leaders in the digital transformation, speed and simplicity, with focus on segments Standard, Small and Medium. Continuous improvement of E2E process ensure stable market position and USP - fast&simple.

Transformation of Corporate segment include sales model optimization - changes in client servicing dedicated by specialisation of Client Managers (Appian specialist, SME specialist). Likewise branch managers are included in sales force for Standard segment.

In order to filling underserved niches, finding new opportunities and extend reach, new approaches to client acquisition are:

- Partnership
- Telesales and direct mailing to clients (pre-letted list)
- Web application form

Bank has successful cooperation with international (financial) institutions aiming to ensure funding resources (EBRD) and guarantee schemes (e.g. USAID).

Sustainability of revenues - based on stable interest and commission income, exploiting additional business from existing clients and increase number of new clients.

5.6. Alternative Sales Channels

Direct Sales model with dedicated sales staff and nationwide coverage is progressing in dedicated team setup focused both on Retail & Corporate products. Flexibility of the model due to performance-based payments ensures excellent cost to result ratio and size changes depending on the current strategy.

POS (partnership) sales channel was prepared according to market experiences creating products with strong USPs in order to penetrate the market and provide significant acquisition of new to bank clients. The Bank signed the first contract using an externalized service model with Led Pay selling loans for Car Registration and created ground for growth next year.

The telemarketing team was set up in June with the task of providing capacity for different CVM campaigns, increasing high quality touchpoint

5.7. Corporate Social Responsibility

In 2021, the main focus in CSR activities was healthy environment and inclusion.

Addiko Bank joined “Plant Your Shade” initiative. With the goal of forestation of Serbia, Addiko Bank CEO Vojislav Lazarevic, planted a Japanese cherry seedling in park Ušće as an announcement of Addiko Bank birthday gift of 500 White clear seedlings which were planted by our employees in November throughout Serbia.

For Addiko Bank 5th birthday we have gifted our employees tote bags designed by persons within human

with our clients, increasing both client satisfaction, as well as sales results.

Addiko Bank continues its quest to be present everywhere where our customers are and make available products and services in all places that create a need for financing services.

itarian organization “A Kids Heart“ for the support of persons with mental health disorders. Their task was to design and draw pictures on tote bags based on Addiko Bank symbols as a surprise for our employees. Addiko Bank goal was to help this organization in raising awareness on importance of promotion of equal opportunities.

Addiko Bank also organized a preparation of New Year’s gifts for Svratišće association for the integration of youth who work or live on the streets. Our employees prepared gift bags for kids which were given to them by the New Year’s.

6. Financial Statements

6.1. Income Statement Analysis

		In RSD '000	
	2021	2020	Change
Interest income	4,386,457	4,226,467	3.79%
Interest expenses	-619,964	-812,757	-23.72%
Net interest income	3,766,493	3,413,710	10.33%
Commission income	1,655,929	1,414,258	17.09%
Commission expenses	-182,447	-171,748	6.23%
Net commission income	1,473,482	1,242,510	18.59%
Net loss /gains on changes in the fair value of financial instruments	-3,223	1,208	-366.80%
Net gains on reclassification of financial instruments	7,012	10,116	-30.68%
Net gains on derecognition of financial instruments measured at fair value	51,075	193,061	-73.54%
Net losses /exchange gains and negative currency clause effects	-15,407	43,246	-135.63%
Net losses on impairment of financial assets not measured at fair value through profit or loss	-395,829	-425,157	-6.90%
Other operating income	259,909	239,857	8.36%
TOTAL NET OPERATING INCOME	5,143,512	4,718,551	9.01%
Salary expenses, salary compensations and other personal expenses	-1,272,681	-1,231,119	3.38%
Amortisation/depreciation charge	-479,851	-503,455	-4.69%
Other income	95,399	41,202	131.54%
Other expenses	-2,646,226	-2,441,885	8.37%
PROFIT BEFORE TAX	840,153	583,294	44.04%
Income tax	-	-211	-100.00%
Deferred tax losses	-39,743	-39,743	0.00%
PROFIT AFTER TAX	800,410	543,340	47.31%

Addiko Bank a.d. Beograd made a Net profit of 800 million dinars representing an annual increase of 257 million dinars.

The growth of interest income in the amount of 160 million dinars is recorded in 2021 together with an increase in the total loan portfolio to the bank's clients. Main contribution is from focus segments with 71% participation in interest income.

The interest expenses decreased by 193 million dinars. This fact is important if we consider the growth of the client's deposit portfolio, especially in the local currency, which carries a higher interest rate.

Net income from fees and commissions - after decline during 2020, growth is recorded in 2021 in the amount of 231 million dinars or 19% compared to previous year. The largest increase was recorded in revenues from payment transactions, revenues from maintenance of accounts and bancassurance, because of economic recovery and growth of business activity. On the expenses side, we have the highest growth in card expenses and in client incentive due to more business activity and loan lending.

The operating result before the change in impairment was realized in the amount of 1,2 million dinars and recorded an increase compared to 2020 by 227 million dinars, primarily due to growth of interest income and fees, compensating higher legal expenses.

6.2. Balance Sheet Analysis

		In RSD '000	
	31-Dec-2021	31-Dec-2020	Change
Cash and balances held with the Central Bank	9,751,850	11,732,009	-17%
Receivables from derivatives	3,459	1,408	146%
Securities	13,454,383	12,602,828	7%
Loans and receivables due from banks and other financial institutions	4,824,007	2,684,211	80%
Loans and receivables due from customers	72,118,908	71,669,829	1%
Intangible assets	753,652	844,941	-11%
Property, plant and equipment	1,028,909	1,067,427	-4%
Deferred tax assets	60,095	60,388	-0.5%
Other assets	686,087	798,806	-14%
TOTAL ASSETS	102,681,350	101,461,847	1%

Total assets of Addiko Bank a.d. Beograd has increased by 1.3 billion dinars.

Within banks **loan portfolio**, main annual growth of 6.9 billion dinars is in focus segments, reaching 80% of performing portfolio: cash loans 2.9 billion and SME loans 3.9 billion dinars. Aligned with banks strategy, non-focus portfolio decline in year 2021 was 7.2 billion dinars, where the largest declines were in Large and Public.

The second position that records growth in 2021 is **Loans and receivables due from banks and other financial institutions**, which increased by 2.1 billion dinars.

Investment securities include financial assets “available for sale” and this position increased compared to the previous year.

At the end of 2021, **provisions for credit risk** are at a lower level than at the end of 2020, which is the result of continuous improvement of results in collection of receivables and resolution of problematic placements.

Other assets recorded a decrease of 113 million dinars due to a decrease in the prepaid expenses and due to depreciation of fixed assets.

		In RSD '000	
	31-Dec-2021	31-Dec-2020	Change
Liabilities under derivatives	3,200	38,201	-92%
Deposits and other financial liabilities due to banks, other financial institutions and the Central Bank	8,558,428	10,118,745	-15%
Deposits and other financial liabilities due to customers	68,923,834	66,588,521	4%
Provisions	533,873	443,991	20%
Current tax liabilities	-	211	-100%
Other liabilities	1,325,875	1,512,896	-12%
Share capital	20,545,294	20,545,294	0%
Profit	1,927,334	1,126,924	71%
Loss	(1,126,066)	(1,126,066)	0%
Reserves	1,989,578	2,213,130	-10%
TOTAL LIABILITIES	102,681,350	101,461,847	1%

Total liabilities during 2021 recorded an increase mostly due to the growth of **customer deposits and provisions**.

One of the main tasks of Addiko Bank a.d. Beograd was to develop a stable deposit base of clients, which should support the growth of assets. The growth of the deposit portfolio stems from growth in focus segment, 4.8 billion dinars in 2021.

On other hand side increase in provision position was caused mostly due to increase in legal provisions as consequence of increased number of legal claims.

7. Non-Financial Report

The main topics covered in this section include taking care of environmental matters and Group-Wide Compliance (including the Code of Business Conduct and Ethics, Anti-Corruption, Anti-Bribery, Customer Privacy and Information Security), while Addiko approach to human resources is covered in more detail in section 10 below.

7.1 Environmental Matters

Although a direct impact of banks on the environment may be regarded as rather limited and not as significant as in other industries, Addiko Bank recognises its responsibility in preserving the environment. Addiko Bank addresses environmental matters and is committed to reducing its own consumption of natural resources, mainly in terms of electricity and heating as well as fuel and paper consumption.

Protection of the environment is an important part of

Addiko Bank's strategy, which aims to achieve sustainable improvement of living and working environment conditions.

In 2021, there were no cases of non-compliance with environmental regulations.

Space Optimisation

One of Addiko Bank's long-term measures is a group-wide space optimisation initiative aiming to reduce the space used for Addiko Bank's core business. Such an approach is effective in terms of the usage of heating and cooling systems and shows positive ecological effects resulting from less electricity and water consumption.

Due to the current Covid-19 pandemic, this positive development was enhanced even further. At the Addiko Bank headquarters, many workplaces have been replaced by home office and flexible working concepts. As a result with moving HQ to the new office building used office space for head office (HQ) purposes decreased by 500sqm in 2021. The new office building provides also additional possibility for energy saving, being more energy efficient. Further reduction is planned during 2022.

Energy Saving

Addiko Bank continues to promote the reduction of energy consumption also by applying energy efficient solutions in case of all renovations and investments. Installing light-emitting diode (LED) lighting as an energy saving solution is standard for the entire Addiko Bank network.

In the procurement of electricity, Addiko Bank places an increasing emphasis upon purchasing renewable energy. Improvements have already been made and 10-20% of electricity comes from renewable “green” sources.

Reduction of CO2 emissions

With the renewal of carpool to a newer generation of vehicles every 4 years Addiko Bank continues to reduce its vehicle fleet’s CO2 emissions to a weighted average CO2 emission of the 110g/km in 2021.

The best way to reduce CO2 emissions on business trips is to generally avoid them or keep such trips limited. Addiko Bank has therefore implemented a sophisticated video conferencing system and encourages its employees to use video calls as alternatives to holding onsite business meetings whenever possible.

Document Management System

Addiko Bank is engaged in the continuous improvement of its internal procedures in order to be more efficient and to save resources (especially paper) wherever possible. While some organisational units are legally required to use paper, other documents are fully digitalised as result of previous years’ initiatives to optimise Addiko Bank’s document management.

Paper Reduction and Sustainable Printing

Optimised printing management does not only save paper. It also has a substantial influence on waste in connection with toners and energy consumption. Addiko Bank uses common, multifunctional large-scale printers, classified as energy efficiency category “A”. The default printer settings are set to print in duplex mode and in black and white.

General Awareness of Environmental Protection

Awareness of the importance of rational use and saving of natural resources is at a high level.

Addiko Bank bought 500 white ash seedlings for its fifth birthday as part of a birthday present for its employees. In this way, ABSE supported the initiative “Plant your shade” to afforest Serbia. Addiko employees planted 100 seedlings of this tree in New Belgrade. The remaining 400 seedlings were planted in other cities in Serbia.

Supplier Management

The Procurement Policy of Addiko Group has been updated in 2021 by defining our expectations towards suppliers with regards to environmental protection. This obligates our suppliers to respect the fundamental rights, health and safety of their employees and refers to anti-corruption regulations. In the course of the supplier evaluation, commercial, professional/technical, legal and general parameters surrounding the future cooperation are comprehensively examined and evaluated.

7.2 Human Rights

Addiko Bank respects the protection of internationally proclaimed human rights. Addiko Bank is committed to upholding the fundamental human rights of its employees, and expects vendors, partners and others who provide services on behalf of Addiko Bank to adhere to the same high standards.

Addiko Bank is committed to a workplace that is free from sexual, racial and other unlawful harassment, and from threats or acts of violence or physical intimidation. Abusive, harassing or other offensive conduct is unacceptable, whether verbal, physical or visual.

Addiko Bank’s values and workplace behaviours are built on trust, respect and integrity. Addiko Bank is an equal opportunity employer and bases its recruitment, employment, development and promotion decisions solely on a person’s ability and potential in relation to the needs of the job.

Anti-Corruption, Anti-Bribery

Addiko Bank a.d. Beograd has a zero-tolerance approach when it comes to bribery and corruption. In that sense, all employees at every level of the organisation follow the Group’s standards and policies.

All forms of bribery and corruption, including giving or promising, directly or indirectly, anything of value to any employee or government official (including state-owned companies) or a political party, candidate for office, or to any person performing public duties or state functions in order to obtain or retain business or to secure an improper advantage with respect to any aspect of Addiko Bank's business, are strictly prohibited. Gifts and invitations must always be proportionate and must not create a conflict of interest or the perception thereof. Addiko Bank expects the same from clients, business partners and third parties. Bribery and corruption are not accepted in any form.

It is strictly forbidden to request, take or offer any form of under-the-table payment, kickback, bribe, barter or other improper payment or gratuity in connection with any corporate expenditure or sale of goods or services.

Addiko Bank requires that all third-party agreements include a provision to comply with applicable anti-corruption laws.

In 2021, Addiko Bank did not discover or record any incident of corruption.

Whistleblowing

Addiko Bank is committed to supporting a culture in which all employees are encouraged to raise concerns about unacceptable practices and misconduct, and has therefore implemented a whistleblowing process - as an early warning system - that enables employees to raise concerns about potential risks related to serious wrongdoing (including unethical, illegal, corrupt or other inappropriate conduct) via various channels such as e-mail, post, Intranet, Internet, etc.

"Whistleblowers" will not suffer any disadvantage as a consequence of their whistleblowing undertakings. Addiko Bank strictly forbids retaliation against anyone who reports a possible infringement in good faith, no matter who is included in their report.

Reports are always handled in a strictly confidential manner, analysed thoroughly, and managed with due care.

Conflict of Interest

In line with the Addiko Bank Code of Business Conduct and Ethics, Compliance and Conflict of Interest Policy, respective guidelines and applicable legal stipulations, Addiko Bank is able to identify potential or actual conflicts of interest and manage them appropriately.

Addiko Bank's employees are expected to manage their relationships with each other, within Addiko Bank and outside of Addiko Bank with impartiality and honesty in order to commit to the highest level of integrity.

Employees must not use their positions for personal advantage. As a general rule, all employees must keep away from and disclose ethical, legal, financial, or other conflicts of interest involving Addiko Bank and/or its clients and/or third parties and exclude themselves from a position of decision-making authority with respect to any conflict situation involving Addiko Bank. Special rules have been defined within the respective rules of procedure for Executive and Supervisory Board members.

8. Corporate Governance

8.1. Addiko Bank a.d. Beograd Board of Directors and Executive Board

In October 2021 Mr. Velimir Lukić took the position of the Board of Directors and Audit Committee member, while Mr. Dragan Lončar resigned from these functions.

In November 2021 Mr. Ganeshkumar Krishnamoorthi took the position of the Chairman of the Board of Directors and the Audit Committee, while Mr. Markus Krause became Board of Directors Deputy Chairman and Mr. Henning Giesecke resigned from the position of the Board of Directors Deputy Chairman and Audit Committee Chairman.

The Board of Directors is comprised of five members: Mr. Ganeshkumar Krishnamoorthi at the position of the Chairman, Mr. Markus Krause at the position of Deputy Chairman and Ms. Marija Desivojević-Cvetković, Mr. Željko Djukanović and Mr. Velimir Lukić being members of the Board of Directors.

The Audit Committee consists of four members: Mr. Ganeshkumar Krishnamoorthi at the position of the Chairman, Mr. Markus Krause at the position of Deputy Chairman, and Ms. Marlene Schellander-Pinter and Mr. Velimir Lukić being members of the Audit Committee.

The Executive Board is comprised of three members, Chairman position being held by Mr. Vojislav Lazarević (CEO & CMO), Deputy Chairman position by Mr. Mirko Španović (COO) and Mr. Vladimir Stanisavljević being Member of the Executive Board (CFO & CRO).

9. Transformation Towards Out-of-Branch Sales and Digital Development

9.1. Great Customer Experience with Efficient Distribution Transformation

Following the trend, which was accelerated in 2021, Addiko Bank a.d. Beograd continues to adjust services and products in order to meet the customers' needs and to provide best user experience.

Addiko Bank is dedicated to delivering convenient banking promises and ensuring great customer experience. An important part of this goal is further development and seamless integration of the Bank's digital channels across all customer touchpoints.

The Bank's digital capabilities are being continuously developed with the mission to improve and enrich the user experience on the web banking platform and mobile app as well as end-to-end digital solutions for obtaining a loan, overdraft open the current account or saving account.

As branches remains one of the most important channels with Addiko Bank Serbia introduced concept of Universal banker role aiming for improving customer service.

9.2. Digital Transformation

Addiko Bank's successes over the past years were to a great extent made possible by the bank's strong digital orientation. Addiko Bank successfully captures changing customer habits and preferences and positions itself at the forefront of digital transformation.

Our mobile banking app for private individuals offers a full range of end-to-end digital banking services, including account opening, payments, loans, and savings. It's user friendliness consistently places it at the top of the mobile banking app rating.

Non-customers are able to find out details and apply for Addiko Bank's consumer products via specific Addiko Bank lending pages, which consists of interactive calculators, contact forms and a multichannel acquisition platform/ chatbot that performs sales dialogues with a focus on the products provided in each particular market.

Digital transformation by creating new digital capabilities remains one of the strategic focus points of the Addiko Bank. For the Consumer segment the share of consumer loans sold digitally Addiko Bank a.d. Beograd improved to 42% in 2021, compared to 23% in 2020.

9.3. IT Strategy

In line with the defined business strategy, information technology focus is on further development of digital initiatives and expansion on the digital services towards clients, implementing new mDeposit process within mBanking application and web-based webloan solution for submitting cash loan requests.

In 2021. strategical project of migration to the new card processor FiServ was successfully conducted as part of the group project, whereas all card transactions are transferred to the new processor.

Related to infrastructure, a strong focus of Information Technology was on the stabilization and optimization of the infrastructure and service providers, resulting in a change of ISP provider receiving further service quality and cost reduction.

Related to Cybersecurity, in 2021. existing processes were assessed, in order to establish improved threat detection and mitigation tools and processes, which after implementation will result in a higher level of safety for the banks and the clients.

All above activities are ensured by strict adherence and compliance with all regulatory frameworks governing the infrastructure of the financial

system.

In 2022, Digital Development will keep the course of further developing the systems that enables offering banking products in digital world, focusing on Retail and SME businesses.

9.4. Branches

At the end of the year 2021 Addiko Bank a.d. Beograd operated in a total of 36 branches. Branches are organized in three regions - Belgrade, Novi Sad, Central and South Serbia. In order to optimize resources as a part of Branch transformation project, Addiko Bank Serbia introduced concept of Universal banker role aiming for improving customer service. Bank refurbished 4 branches in line with Addiko standards creating a modern environment for its employees and customers.

The consistent focus on transformation is an organizational strength through which Addiko employees demonstrate high organizational agility. This explains the cohesive, collaborative business teams who continually innovate and adapt.

Type of contract		Working time	
PERMANENT	TEMPORARY	FULL TIME	PART TIME
92.30%	7.70%	94.70%	5.30%
504	Zoom 42	517	29

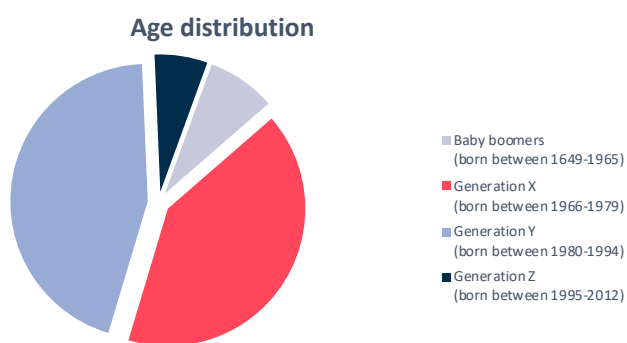
Number of Employees

At the end of 2021, a total of 546 employees were employed at Addiko Bank a.d. Beograd.

The majority of Addiko Bank’s employees have full-time, permanent employment contracts.

Age Structure and Seniority

The average overall age of Addiko Bank’s employees is 41.6 years of age and Addiko Bank’s employees are getting younger. The average age in 2020 was 42.5 years. Also, there is an increasing number of “Generation Z” employees throughout the years.



Overview of Age Distribution as of YE 2021

Starosna struktura	Žene		Muškarci	
	Broj zaposlenih	%	Broj zaposlenih	%
Bebi-bum generacija (rođeni između 1949. i 1965.)	31	5.7%	13	2.4%
Generacija X (rođeni između 1966. i 1979.)	164	30.0%	60	11.0%
Generacija Y (rođeni između 1980. i 1994.)	168	30.8%	76	13.9%
Generacija Z (rođeni između 1995. i 2012.)	27	4.9%	7	1.3%

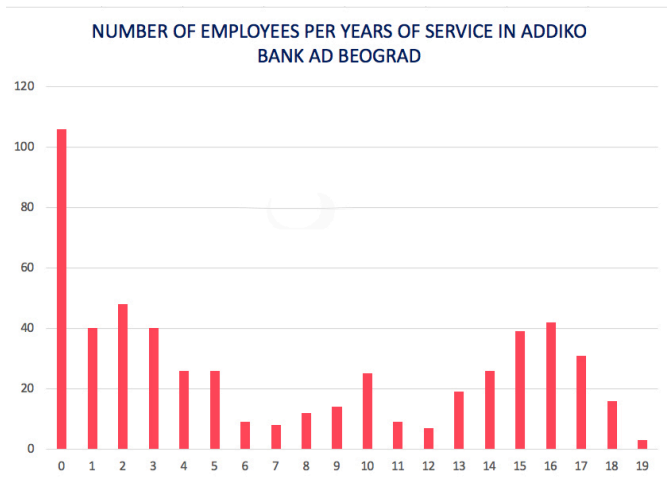
10. Human Resources Management

The human resource strategy is a driver of the cultural transformation of Addiko Bank. HR processes of Addiko Bank possess quality and imply performance management, selection and recruiting, talent development, education and development of leadership skills aiming at ensuring agility of employee opinions and capabilities. Performance appraisal and talent management were the key processes for the identification, development, valuation and recognition of high-quality employees and talents. In this way, Addiko Bank aims at establishing a good work environment in order to become one of the most desirable employers, attract talents and offer possibilities for further career development of its employees.

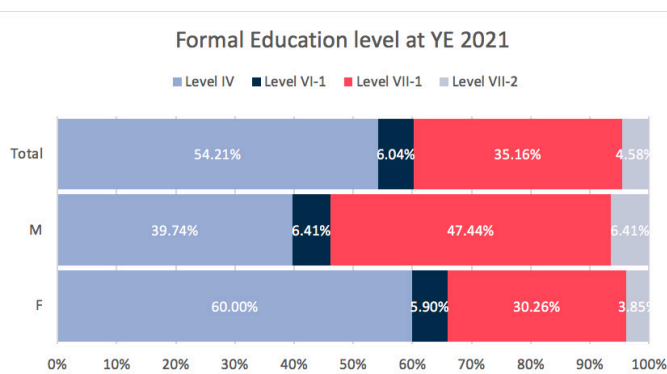
The average seniority at Addiko Bank is 7.3 years. More than 19% of employees have less than 1 year of seniority within Addiko Bank a.d. Beograd and more than 48% have less than 5 years of seniority in Addiko Bank a.d. Beograd.

Here at Addiko Bank, we believe that employee success is focused on Accountability, Collaboration and Execution. As our business strategy develops, fundamental principles of our identity remain unchanged - integrity and performance delivery.

Overview of Seniority distribution as of YE 2021 Educational Level



The education level across Addiko Bank shows that more than 45,8% of employees are educated with a bachelor's degree or higher. The statistics show differences in educational level, whereby approximately 40% of female employees and around 60% of male employees have academic degrees.



EoY 20201 (Gender, Type of contract)	Gender distribution		
	TOTAL	FEMALE	MALE
Percentage	100.00%	71.40%	28.60%
Total	546	390	156

The education level across Addiko Bank shows that more than 45,8% of employees are educated with a bachelor's degree or higher. The statistics show differences in educational level, whereby approximately 40% of female employees and around 60% of male employees have academic degrees.

Wellbeing

The specific situation caused by Covid-19 pandemic continued during 2021, so the activities were focused on the psychological well-being of employees. Employees were able to use ReZilent, an online platform with support aimed at well-being in

areas of work, family, mind and body. Psychological support was also available for our employees in order to help them in balancing private and business life.

Diversity and Equal Opportunities

Addiko Bank is committed to establishing a diverse and inclusive workforce irrespective of gender, race, nationality, religion, national origin, ethnicity, LGBTIQ sexual orientation, age, colour, marital status and parental status.

The principles of diversity and inclusion are embedded in the Bank's corporate culture and can be seen in a way in which selection, recruitment, development, financial equity, talent discussions and internal promotion are conducted.

In 2021. Addiko Bank joined UN initiative The Women's Empowerment Principles, representing a set of principles offering guidance to business on how to promote gender equality and women's empowerment in the workplace, marketplace and community.

Addiko Bank also started a collaboration with Youth with disabilities forum, an organization helping with the inclusion of persons with any form of disability in the workplace. In cooperation with the forum Addiko Bank organized a working practice and started to promote vacancies on their social networks in order to achieve higher levels of inclusion in the workplace.

In 2021 no incidents of discrimination were identified.

Recognition & Awards

Addiko Bank Serbia started its participation the EU-supported prestigious 'Mamforce' top employer recognition, an award given to companies who actively promote and implement diversity and inclusion in their workplace practices. The award is given only after an in-depth audit of the Company's metrics, policies, and practices.

Addiko Bank a.d. Beograd was granted the "Employer Partner Certificate" third year in a row and retained its recognised status as companies with high standards of Human Resource management.

11. 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 organization.

The aim of the internal control system of Addiko Bank a.d. Beograd 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 consists of a set of rules, procedures and organizational structures which aim to:

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

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

The internal control system of Addiko Bank in Serbia is built on a process-oriented approach. Addiko Bank deploys control activities through process documentation which incorporates the tracking and documentation of each process, including the information about process flow according to the internally set up guidelines for process management.

The overall effectiveness of the internal controls is monitored on an ongoing basis. Monitoring of key risks is part of daily activities of Addiko Bank as well as periodic evaluations by the business lines, internal control functions, risk management, compliance, and internal audit.

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

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

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

12. Financial Risk Management

The risk management system of the Bank is aimed at ensuring, by observing and applying risk management principles, policies and procedures, that the risks the Bank is exposed to in its operation are minimized to the largest possible extent, that all aspects of the Bank's business operations are stable and sensitive to negative internal and external factors to the smallest possible extent and that the Bank's risk profile satisfies requirements of prudent banking operation at all times.

The Bank's risk strategy stems from its business strategy and depicts planned business structure, strategic development, and growth with considering processes, methodologies and organizational structure relevant for managing risk factors. It defines a framework for monitoring, control and limiting risks to which the Bank is exposed in its operations, while ensuring adequacy of internal capital, liquidity position, solvency position and total profitability. Policies and procedures for managing individual risks are grounded on requirements of laws and bylaws of the National Bank of Serbia and guidelines, principles, and relevant documents of the Addiko Group.

The Bank established a comprehensive risk management system which is integrated in all business activities and ensures the compliance of the Bank's risk profile with the established risk appetite framework - RAF at all times. The risk management framework defines the level of risks acceptable by the Bank. Measures of the RAF definition are calibrated with considering the business plan, risk strategy and recovery plan representing a framework for adequate internal risk management and control.

Furthermore, within its strategic risk management, the Bank implements another key process - Internal Capital Adequacy Assessment Process - ICAAP in order to establish the level of capital sufficient to cover all material risks the Bank is exposed to. The ICAAP serves as a tool for assessment of internal capital adequacy in relation to the Bank's risk profile and implementation of the Bank's strategy applied to preserve adequate internal capital level.

In the course of 2021, the Bank's risk management (risk identification, measurement/assessment, mitigation, and monitoring) was performed by the following:

- Bank bodies and other committees envisaged by the Law on Banks - Board of Directors, Executive Board, Audit Committee, Asset & Liability Management Committee (ALCO) and Credit Committee;
- Working bodies of the Executive Board of the Bank - Risk Control Advisory Body, Corporate Client Monitoring Advisory Body and Operational Risk Management Body;
- Organizational units of the Bank - Risk Control Department, Credit Risk Management Department, Balance Sheet Management and Treasury Department, Compliance Department and other organisational parts of the Bank when needed.

The key risks the Bank is exposed to are inherent in the Bank's business and market conditions and they are manifested as the credit risk, liquidity risk, interest rate risk, market risks, operational risk and other risks, such as the risk of investments in legal entities and fixed assets and country risk.

12.1. Credit Risk

The process of credit risk assessment and monitoring at the level of individual clients and groups of related parties is performed in line with adopted policies and procedures establishing rules and criteria for approving new placements and defining activities to be undertaken and obligations and responsibilities of persons in-volved in the credit risk monitoring process.

The credit risk identification, assessment, measurement, and management are implemented on an ongoing basis and covers the total Bank portfolio prone to credit risk.

The Bank's impairment methodology under the IFRS 9 was additionally improved in 2021 by applying new macroeconomic forecasts and calibrating to longer time series.

In the course of 2021, the Bank was fully compliant with the Basel III standards of capital adequacy. As at 31 December 2021, the total capital requirement for credit risk stood at RSD 5.4 billion, the capital adequacy ratio (CAR) stood at 26,10%, with the Common Equity Tier 1 capital ratio (equaling the Tier 1 capital ratio) also at 26.10%.

12.2. Liquidity Risk and Interest Rate Risk

The Bank's liquidity risk management system is based on measures and criteria prescribed by the National Bank of Serbia and it is focused on short-term and structural liquidity, with implementing an adequate limit system and early warning policies and procedures compliant with the ICAAP and ILAAP (Internal Liquidity Adequacy Assessment Process) and liquidity risk management principles of the Addiko Group.

The liquidity risk management activities in the course of 2021 were aimed at measurement, monitoring and re-orting on forecasts of liquidity inflows and outflows, liquidity reserves in various scenarios of normal business and potential liquidity crises and at monitoring and regular reporting to Bank bodies and ALCO on movements of regulatory liquidity ratios (liquidity ratio, narrow liquidity ratio, liquidity coverage ratio - LCR and other liquidity ratios according to the internal methodology of the Bank or the Basel III standard (Loan to local stable funding ratio - LLSFR, Net Stable Funding Ratio - NSFR).

In the course of 2021, all liquidity ratios, both regulatory and internally defined, in relation to liquidity risk management were aligned and above the prescribed limits. The liquidity ratios prescribed by regulations of the National Bank of Serbia as of 31 December 2021 were as follows: liquidity ratio: 1.69, narrow liquidity ratio: 1.31 and LCR: 150%.

The interest rate risk management system of the Bank is based on principles prescribed by the National Bank of Serbia and the Addiko Group, focusing on the analysis, measurement, monitoring and reporting on banking book interest rate risk. In the course of 2021, all interest rate risk ratios of the Bank were aligned and within limits defined by Bank's policies and procedures on interest rate risk management.

12.3. FX Risk and Other Market Risks

In accordance with the Decision of the National Bank of Serbia on Capital Adequacy of Banks, the Bank must maintain the foreign exchange risk ratio, being the ratio between the total net open fx position and the capital of the Bank, so that the total net open fx position of the Bank, including the absolute value of the net open position in gold, at the end of each business day, does not exceed 20% of the Bank's capital. In the course of 2021, the fx risk ratio of the Bank was aligned with requirements of the National Bank of Serbia and as of 31 December 2021, it stood at 0.16%.

Market risk management of the Bank is regulated by adequate policies defining the manner of implementing criteria and measures prescribed by the National Bank of Serbia and principles of the Addiko Group for market risk control and management adopted, at a proposal of the Executive Board, by the Board of Directors of the Bank. In the course of 2021, the Bank managed and continually aligned the level of exposure to the price risk stemming from Bank investments in debt securities, and the exposure was predominantly generated from Bank investments in government securities of the Republic of Serbia.

12.4. Exposure Risk

The risk of exposure to one person or a group of related persons is controlled and monitored through unified databases of information on related persons, active monitoring and the regulatory reporting process. In the course of 2021, the Bank did not record any exceeding of regulatory limits of exposure to one person/group of related persons, which was regularly reported to the Risk Control Advisory Body and bodies of the Bank.

12.5. Operational Risk

Aiming at comprehensive monitoring of Bank's exposure to the operational risk, the operational risk management system is based on standard principles of identification through obtaining and classifying data on operational risk events and related losses, implementing and monitoring measures for the elimination and mitigation and regular reporting to Bank bodies and the Operational Risk Advisory Body, focusing on timely analysis of causes and proposals of measures for minimization of Bank's exposure to the operational risk.

In the course of 2021, the Bank continued assessing potential operational risks from new products and outsourcing, as well as the Risk and Control Self-Assessment.

The calculation of the capital requirement for operational risk is based on the Basic indicator approach according to which the capital requirement for operational risk of the Bank as of 31 December 2021 stood at RSD 799 million.

12.6. Adequacy of the Risk Management System

In the course of 2021, the Bank's risk management system was adequate, in view of the following facts for the period:

- Bank managed to have all risks under control in the continuing Covid-19 pandemic circumstances;
- Bank has completely complied with all the regulator's requests concerning implementation referring to the Moratorium related extraordinary requirements;
- In 2021 the Bank complied with the annually updated Operational Plan for Achieving of Non-Performing Exposure Targets, as a result of adequate approach to approval of new loans and management of non-performing loans;
- Within the continued implementation of the IFRS 9 standards for the calculation of impairment of financial assets, the Bank applied new macroeconomic forecasts and updated risk parameters - PD (Probability of Default) and LGD (Loss Given Default) models for calculation of value adjustment of on-balance sheet assets and off-balance sheet items;
- The Bank aligned the concentration from exposure to certain product types by lowering the share of the portfolio with initial maturity above 7 years below the prescribed ratio;
- The Bank maintained regulatory and internal ratios of exposure to significant risks within prescribed limits and regularly monitored and reported to the management bodies and working bodies of the Bank, including the

ratios envisaged by the effective recovery plan;

- The Bank regularly monitored exposures to several types of risk in relation to regulatory and internal limits and timely defined measures for limit breaching prevention;
- The Bank implemented the ICAAP regularly and maintained all calculated capital values aligned with internal and regulatory limits;
- Improvements of Banks system of integrated risk management have been made, with final effect on the Supervisory Review and Evaluation Process (SREP) decrease, specified through recommendations from the National Bank of Serbia note.

13. Outlook

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

Real GDP exceeded pre-Covid-19 level in the first half of 2021. As global supply constraints ease and the pandemic-related restrictions and associated uncertainties decrease, growth is consequently expected to be solid in 2022, notwithstanding a less supportive fiscal stance and higher market interest rate expectations. Household consumption will remain the key driver of economic growth, benefiting from a rebound in real disposable income, some unwinding of the accumulated savings and a robust labour market.

Inflation gained momentum everywhere in the region, in which it is expected to be close to or higher than the 2021 levels at around 2-3% for 2022. Although considerably stronger than previously anticipated, these inflationary pressures are still assessed to be largely temporary, reflecting a surge in energy prices and international and domestic mismatches in demand and supply as economies reopen. High inflation will reduce real income to some extent and may slow down spending and growth in turn.

Higher energy prices may also have an adverse effect on businesses and households as they have increased

substantially in Europe and the CSEE region, which may affect small and medium enterprises in particular. Some of the governments (Croatia and Serbia) have taken measures for addressing these issues, through price freezes and government transfers, but these measures are only short-term.

The economy in Serbia is expected to remain robust with a GDP growth of 4.6% in 2022. The government will keep fiscal policy expansionary ahead of the presidential and parliamentary elections in April, and it has already embarked on some transfer programmes, such as the EUR 100 stimulus for people aged between 16 and 29, which will have a positive effect on consumption and economic activity. Foreign direct investment is likely to remain strong. One downside risk may arise from the ongoing problems in the global supply chains, which could hit the output of foreign-owned factories in the country.

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

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

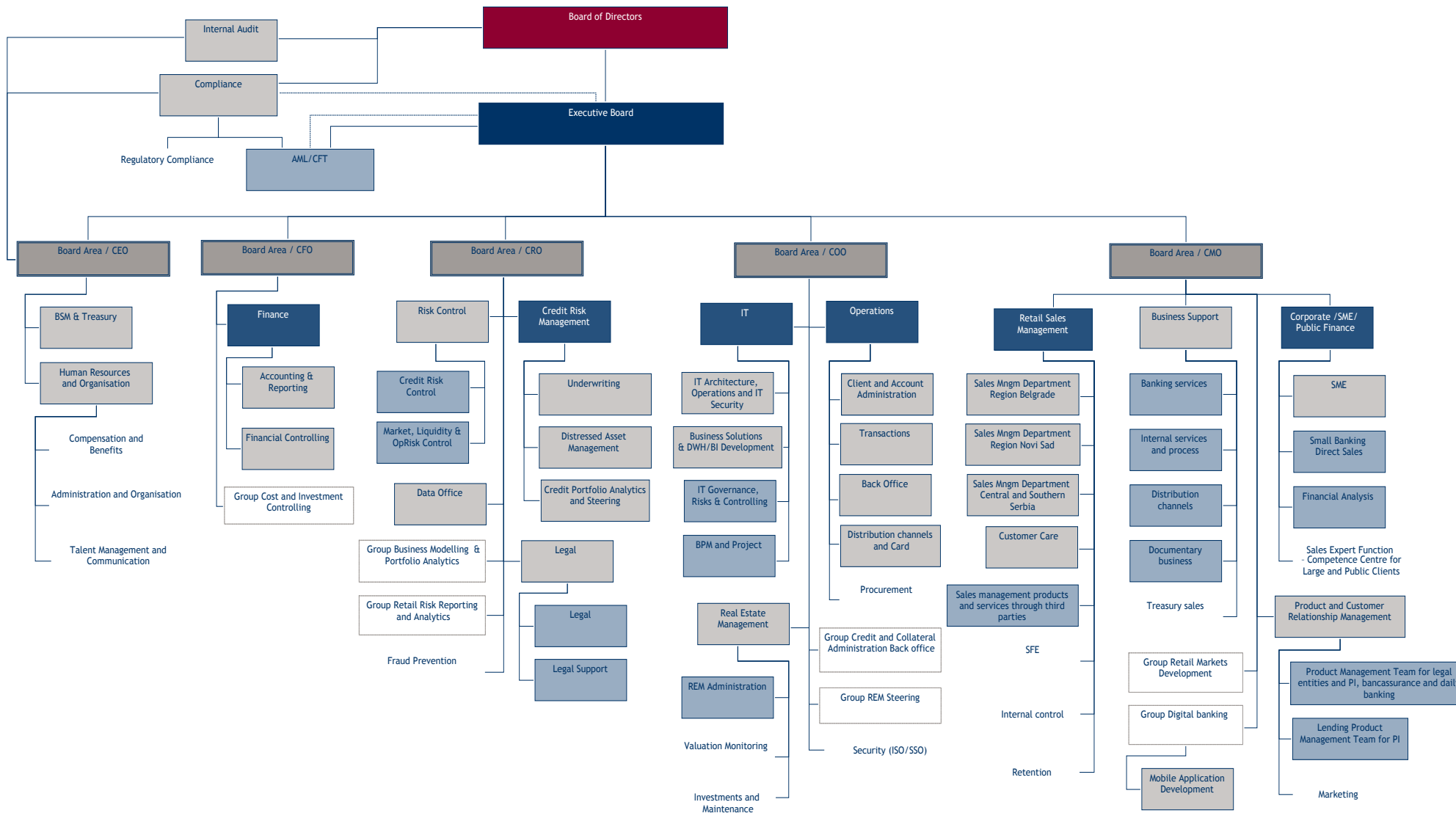
As one of its short-term ambitions, Addiko Bank a.d. Beograd intends to further push its efficiency by reducing costs and complexity and streamlining its operating model.

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

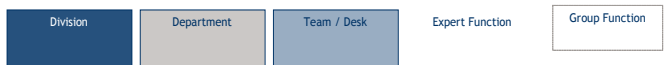
14. Organisational Chart

The organisational chart of the Bank as at 31 December 2021 is presented below:

Addiko Bank a.d. Beograd
Bulevar Mihajla Pupina 6
11000 Beograd, Serbia



Legend:



Belgrade, 24 March 2022

Addiko Bank a.d. Belgrade

EXECUTIVE BOARD



Vojislav Lazarević
(Chairman of the Executive Board)



Mirko Španović
Deputy Chairman of Executive Board



Vladimir Stanisljević
(Member of the Executive Board)

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.