

There is no moving forward
without looking back.

Annual Report 2022

Addiko Bank



HIGHLIGHTS

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Business development

- FOCUS BOOK share in total portfolio up to 86% showing continued strategy delivery
- CONSUMER CLIENTS number increase by 304% YoY
- NET BANKING INCOME up 8% YoY with strong performance in both net interest income improving NIM to 3.89% and double digit growth of net commission income
- OPERATING RESULT increased 37% YoY to 1.7 billion dinars
- OPERATING EXPENSE reduced 8% YoY reaching C/I of 57.6% reflecting strong cost management despite brand repositioning and inflation

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Key financial data

EARNINGS:

NET PROFIT	583M RSD
NET OPERATING INCOME	5.7B RSD
NIM	3.89%
CIR	57.63%

STRUCTURE:

TOTAL ASSETS	102.6B RSD
CUSTOMER LOANS	65.7B RSD
CUSTOMER DEPOSITS	69.7B RSD

CAPITAL:

CET1 RATIO	27.53%
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Key achievements

- EXPANDED CONSUMER REACH through development of POS partnerships with retailers and DSA network
- TRANSFORMED EARNINGS AND FUNDING MIX enhancing profitability and resilience
- BRAND REPOSITIONING successfully completed
- ESG STRATEGY & ACTION PLAN to implement ESG reporting requirements and steer the process of sustainable development

Key Data

Addiko Bank a.d. Beograd operating results

based on the financial statements prepared in accordance with the IFRS

	2022	2021
Income statement (in RSD '000)	01-Jan to 31-Dec	01-Jan to 31-Dec
Net operating income	5.655.221	5.239.975
Net interest income	3.986.077	3.766.493
Net fee and commission income	1.669.144	1.473.482
Other operating income	95.485	394.765
Operating expenses	-4.060.350	-4.398.758
Operating result before credit risk provisions	1.690.356	1.235.982
Credit risk provisioning costs	-1.061.839	-395.829
Income tax	-45.833	-39.743
Result for the period after tax	582.684	800.410
Balance sheet (in RSD '000)	31.12.2022	31.12.2021
Loans and receivables due from clients	65.703.395	72.118.908
Deposits and financial liabilities due to clients	69.723.245	68.923.834
Equity	22.873.001	23.336.140
Total assets	102.560.461	102.681.350
Key performance ratios	2022	2021
Net interest income/total assets	3,89%	3,67%
Cost to income ratio (CIR)	57,63%	69,80%
Tier 1 capital ratio	27,53%	26,10%
Total capital adequacy ratio	27,53%	26,10%
Headcount as of the reporting date	533	546
Number of branches	34	36

CEO Letter

Dear clients, partners and colleagues,

Even though the beginning of 2022 was very promising as the world finally started to recover from the impact of Covid-19, new challenges soon emerged. Adverse impact of supply chains disruptions and rising inflation levels were compounded by Russia's military invasion of Ukraine creating new uncertainties both in Europe and on the Serbian market. This turmoil also had implications for our bank, but we remained focused on delivering our strategy and growing our partnership with the clients, providing them with continuous financial and advisory support. That approach helped us to strengthen resilience and achieve positive results in this challenging, but also rewarding year.

Exceptional commitment to partnership with our clients and a constant desire to develop and innovate our services remained our key instruments to enhance resilience and boost the growth of our business. In 2022 we expanded our reach by building partnerships with retailers enabling our customers access of our services whenever and wherever they are needed and in the most favorable and comfortable way. Additionally, the bank continued providing credit support for our SME clients with sustainable and favorable possibilities ensured through new contracts with US International Development Finance Corporation, European Bank for Reconstruction and Development and Serbian Entrepreneurship Foundation. All of this resulted in strong growth of our client base, especially in Consumer and SME segment.

Addiko Bank remains a strong support for the economy, as a reliable partner for a large number of citizens and SME's providing them with constant credit support and the opportunity to save with us on very attractive terms. This is rewarded by the trust given by our clients in both credit and saving business. In the upcoming period we will continue to increase our client base, strengthen existing partnerships as well as to support all our clients in a highly professional and convenient manner.

Efficiency of our business was one of our main targets. Addiko Bank continued with the digitalization of its operations and excellent cost management despite strong inflationary pressures further reducing the cost to income ratio to 58%. At the same time, we strengthened our resilience further through prudent risk management continuing the diversification of our portfolio while carefully monitoring of the environment in which clients operate and supporting them in their business.

To support our path towards becoming the leading specialist bank in Consumer and SME lending and to better engage with customers, we have introduced a new brand character, called Oskar. That was an additional improvement in our communication strategy, as well as in our marketing approach. The new character serves as Addiko's brand ambassador and main communicator to convey that we stand for speed and flexibility.

Overall, 2022 was a challenging year for us with plenty of uncertainty, but also opportunities.

Results that we achieved will not be possible without our exceptional team - the Addiko team. The team that every day in every operation promote core Addiko values and are focused on the clients, collaboration, efficiency, and responsibility. I would like to thank to all Addiko employees on results in this challenging times. Your professionalism is admirable.

In the name of the entire senior leadership, I also want to sincerely thank our shareholders for their support in 2022. We will continue to work on increasing values for you, our clients and our employees.

Sincerely,

Vojislav Lazarevic,
President of the Executive Board of Addiko Bank a.d. Beograd

This Annual 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 2022

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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). The Group consists of Addiko Bank AG, the fully-licensed Austrian parent bank registered in Vienna, Austria, and regulated by the Austrian Market Authority (FMA) and the European Central Bank, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (where it operates via two banks), Serbia and Montenegro. Addiko Group is a publicly listed company owned by a diversified investor base. Through its banks, the group services approximately 0.8 million customers, using a network of 154 branches and modern digital banking channels.

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

Addiko Bank AG became a listed company on the Vienna Stock Exchange in 2019. Around 56.9% of the bank’s shares are in free float, the rest of the shareholder base is well diversified with a broad geographic spread and different investment strategies. The institutional investors are primarily from Western Europe and North America.

On 17 August 2022, Moody’s affirmed Addiko Bank AG’s long-term deposit ratings at Ba3 and upgraded the outlook on these ratings to positive from stable.

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

2. Addiko Brand Repositioning

Addiko is pursuing a process-driven transformation with the clear vision to grow and extend its financial platform into a larger ecosystem, where customers find simple and fast lending solutions to whatever lifestyle needs they have. Addiko’s specialist bank strategy, purpose and brand promise were aligned towards this goal.

Addiko’s brand repositioning has been introduced in all six markets in May 2022 through an omni-channel marketing campaign and amplified by media and PR activities.

The newly defined purpose of Addiko is: “To make customers’ life easier, to help them in unpredictable situations, and to help them get things they want”. This simple sentence will give guidance, especially in the transformation efforts. Based on that, the new brand promise shall be: “As experts in Consumer and SME lending, we stand for speed and flexibility, and we promise to be there for you in all situations whenever and wherever you need that extra boost.” Translated to everyday life, this means the bank wants to be close to the customers and support them when they need a loan, be it for example to purchase a new dishwasher or a bike for their kids.

The new brand character, Oskar, replaces the previous triangle symbol. Since May 2022, Oskar is the message carrier for Addiko, both outside to potential and existing customers, as well as internally to the employees to reinforce customer centric focus. The brand character Oskar has a voice in every market in the respective local language and was visible across all media channels such as TV ads, outdoor billboards, social media, digital advertising and mobile in all markets where Addiko operates throughout 2022.

Oskar's message addresses existing customers speaking about how Addiko promises to deliver cash in a fast and uncomplicated manner whenever and wherever customers need an extra boost and will act as their champion. For new and potential customers, Oskar is inviting them to try Addiko and he is communicating that the bank is also there to serve young employees, pensioners, starting entrepreneurs and digital-savvy people.

3. Earnings Performance in Brief

Although 2022 was challenging due to extended negative effects caused by the pandemic and disruption in supply chains and now additionally influenced by uncertainty of the conflict in Ukraine and inflation pressures, the Addiko Bank managed to strengthen resilience and deliver positive results with a net profit of 583 million dinars.

Net banking income was achieved in amount of 5.6 billion dinars, 8% higher in comparison to the previous year. The growth was generated from Consumer and SME segments, driven by double-digit growth in the number of clients achieved through diversification of our products, services and extended reach through partnership with retailers.

Development of focus portfolio continued during the whole year and finally resulted in a share of Consumer and SME focus segments of 86% in performing portfolio, creating 78% of interest income. Together with a decrease of non-focus portfolio, 5.3 billion dinars in 2022, this reflects strong commitment of Addiko Bank in delivering on the defined strategy.

Profitability remains strong with net interest margin increased to 3.89% although deposits have become more expensive and interest expenses have increased by 294 million dinars. Overall Addiko Bank ended the year with a stable funding base based on customer deposits (retail, corporate, public and other financial institution clients) growth of 1.4 billion dinars mostly due to increase of FX deposits in Retail segment.

On the expense side, operating costs continue Y-o-Y decrease despite inflationary pressures. In comparison to 2021, savings were realized mainly on IT expenses and real estate management as results of focus on continuous process optimization, while on other hand side personnel expenses were higher. In 2022 legal costs were lower for 0.2 billion dinars compared to last year due to decreased inflow of legal cases related to processing fees. All of this resulted in a substantial decrease of cost of income ratio to 57.63% and operating results increased by 0.45 billion dinars Y-o-Y.

Responsible risk management ensures stable operating business. Credit loss expenses having increasing trend due to Addiko decision to redevelop risk models and to recognize in provisioning post model adjustments reflecting pandemic-related effects, upcoming economic slowdown and increase in interest rates with expectations to increase uncertainties of future development.

4. Addiko's ESG framework

Addiko Bank endorses the growing importance and relevance of environmental, social and governance ("ESG") issues, specifically that of climate change to its business and operating environment.

Therefore, Addiko Bank established a formal ESG working group, with representatives from risk, governance and compliance streams, with the aim to steer, develop and implement ESG related topics from strategic perspective to reporting requirements as well as to steer the process of sustainable development within Addiko Bank. Together with our Addiko Group this working group focuses their activities on developing first Addiko ESG strategy and to further raise awareness all over the bank.

Addiko Bank's ESG framework consists of 3 strategic pillars:

4.1. ESG Strategy

As a major milestone within its path to sustainability, Addiko has formulated an ESG strategy, which was developed during the reporting period and approved by the Addiko Group Supervisory Board in January 2023.

This ESG strategy is closely interconnected with Addiko Group's business and risk strategy, striving to provide an organized approach to ESG and sustainability. The ESG strategy provides support to incorporate ESG considerations into governance, loan origination, risk management, financing decisions and reporting among the entities of the group. Furthermore, it also determines which C&E risks may impact the business strategy and how to reflect these risks in the strategy implementation.

Within the ESG strategy, Addiko Bank also defines specific sustainable development goals and gives its commitment to fulfil these goals by executing 15 group wide initiatives that foster ESG awareness and achievements among Addiko Group.

4.2. ESG Governance

In addition, a strong corporate governance framework was established to ensure that strategic objectives are holistically promoted through the institution.

Therefore, a dedicated ESG working group was established with the aim to integrate ESG in business lines and core processes of Addiko Group and regularly monitor Addiko's efforts in the management of ESG risks. The ESG working group is chaired by the Group's Chief Risk Officer, who has the ultimate responsibility over the ESG agenda and ensures a structured discussion and regular reporting on Management Board and Supervisory Board level.

4.3. ESG Risk Management and Compliance

Another important element of the ESG framework is the integration of ESG into its risk management and compliance framework. From a risk management perspective, Addiko continues to identify ESG risk factors (primarily climate-related and environmental risks), assessing their materiality and incorporating them into existing risk types rather than into a single, standalone ESG risk type.

From a compliance perspective, the dynamic developments of regulatory requirements on ESG disclosure standards are duly tracked and incorporated to ensure that all mandatory disclosure requirements regarding ESG are complied with.

Currently, Addiko Group discloses non-financial information according to the Non-Financial Reporting Directive and complies with disclosure requirements for the Green Asset Ratio as stipulated by the EU Taxonomy Regulation.

5. 2022 at a glance

5.1. Our Business Model

Addiko Bank a.d. Belgrade's strategy is to offer modern banking solutions for private individuals, our business clients and agricultural producers.

In our daily cooperation with our clients and business partners, Addiko is focusing on products for the essential needs of customers via loans, payments, savings and cards, communicated in a simple and transparent manner and delivered efficiently via a hybrid distribution approach consisting of physical branches and modern digital channels.

In the Retail segment the focus is on lending, followed by account packages, regular transactions and cards. Addiko also puts significant efforts into continuously improving digital capabilities and is recognised in its markets as a digital challenger with digital products and services such as Webloans, mLoans and online account opening capabilities. The Bank has invested efforts to develop various channels for the customers, allowing them to apply for a loan anytime, anywhere.

In the SME segment, the focus is on shorter term financing, followed by transaction banking and trade finance products. 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.

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 has been further increased in 2022 the focus on untapped niches of micro and small enterprises in need of financing. Despite reducing large ticket and lower value adding medium SME lending, Addiko is trying to increase the overall loan book in this segment while driving both interest and commission income growth.

5.2. Consumer

Addiko's strategy is to offer modern banking, focusing to become a primary bank for our customers to fulfill daily banking needs in a simple digital way.

Customers are served via unsecured loans, payments and cards, communicated in a simple and transparent manner and delivered efficiently via a hybrid distribution approach consisting of physical branches, modern digital channels and Point-of-Sales financing. Addiko physical footprint consists of 34 branches, mainly located in urban areas and 85 ATMs. Branch network has been optimized in 2022 (from 36 branches in 2021 to 34 in 2022), in line with growing digital and partnership presence.

In the segment Consumer the focus is on unsecured lending, followed by account packages, regular transactions and cards. Innovative digital web loan campaigns and increased presence on Point-Of-Sales contributed to acquiring more than 27.000 new customers with cash loans, achieving 304% YOY growth. There was significant focus in H2 2022 in attracting new Consumer deposits, which resulted in 39.5 million EUR increase in H2 2022. Addiko sold 28% more credit cards in 2022 than last year, showing customer trust and appreciation for credit card installment features.

5.2.1. Digital Transformation and Customer Experience

Addiko puts significant efforts into continuously improving digital capabilities and is recognized as a digital challenger with products and services such as Web loan, mLoan, mOverdraft, mDeposit, online account opening and newly launched WebCreditCard, allowing customers to apply for Credit Card online.

Addiko customers recognize the value of digital banking solutions, with 4.6 average rating for Addiko Mobile app. Growth of digital customers was 6.5% in 2022. Digitally originated loans, showing 9% YOY growth and contribution of 27% in total number of sold loans. Thereof, mLoans which were performed completely digitally showed YOY growth of 13.5% , via Addiko Mobile application, providing convenience to customers. It's obvious that this trend will continue in the period ahead.

Addiko Bank will continue to innovate its business and to invest in the most modern digital solutions. Superior Customer experience is an important value for Addiko, and Bank will continue to improve its service and processes, in order to satisfy growing customer expectations. Addiko is regularly measuring Customer Experience by globally accepted Net Promoter Score metric, which was 69 in 2022 and exceeded benchmark level.

5.3. SME

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 and simple.

Transformation of Corporate segment includes sales model optimization - changes in client servicing dedicated by specialization of Client Managers (Appian specialist for Standard segment, SME specialist).

Likewise Branch managers are included in sales force for Standard segment having in mind our intention to be more present on the part of Serbian market with LE with revenues up to 1.5 million EUR per annum.

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

- Partnership
- Telesales and direct mailing to clients (preselected list)
- Web application form
- Calls by Branch managers and Appian specialist.

Bank has successful cooperation with international (financial) institutions aiming to ensure and increase funding resources (EBRD) and guarantee schemes (e.g. USAID/DFC) during 2022 with the same intention in 2023. Also Addiko Bank started cooperation with SEF (Serbian Foundation for Entrepreneurship) in 2022, providing additional risk coverage to our clients depending on the company's activities from 60% to 75% for Standard and SME clients.

Sustainability of our revenues in this segment is ultimate goal - based on positive trend of increase in contracted interest rate and stable commission income, exploiting additional business opportunity from existing clients and increase number of new clients.

5.4. Alternative Sales Channels

Alternative Sales is organized around three main pillars that are focused on large nationwide presence with low running cost, extremely fast and reliable service, new client's acquisition, and superb clients onboarding process.

Point of Sales Financing team was fully established and started performing above expectations in the second part of the year. In 2022 Addiko Bank have signed 30 contracts with large retailers and our offer was available at 210 merchant locations nationwide. This kind of presence created an opportunity to support our clients with funding on most suitable way for them wherever and whenever they need it what resulted in acquisition of almost 15.000 new clients. Further strategy for 2023 is to continue growing both in nationwide presence and results. Addiko Bank aspires to become market leader in Partnership businesses in the years to come.

After one full year of presence in the market, Addiko DSA team has built a reputation for agility, speed, and convenience for both clients and DSA partners. The Direct Sales model made excellent results with 10% of overall net cash disbursement share in Retail sales with 100% of new clients acquisition. Current strategy is aiming to increase the team's presence and activities and cover larger area - compensating for lower footprint the Bank has in the Serbian market.

Telemarketing team was fully dedicated to communicating all planned actions to both Retail and Corporate clients and we realized more than 137.400 inbound calls and 23.600 outbound calls. In 2022 we also ensured more than 73.400 sales calls and generate 4.556 loan applications with total disbursement of more than 5 million EUR. Results were in line with the plan, and it is expected that the team will continue its support to planned CRM actions in 2023 with strong focus on partnership originated clients and their onboarding in Addiko Bank.

Addiko Bank is continuing to be focused on partnerships making our products fast and reliable, and available to clients wherever they need them.

6. Financial Statements

6.1. Income Statement Analysis

	000 RSD		
	2022	2021	Change
Interest income	4.899.769	4.386.457	11,70%
Interest expenses	-913.692	-619.964	47,38%
Net interest income	3.986.077	3.766.493	5,83%
Commission income	1.884.294	1.655.929	13,79%
Commission expenses	-215.150	-182.447	17,92%
Net commission income	1.669.144	1.473.482	13,28%
Net gains on changes in the fair value of financial instruments	-154.048	-3.223	4679,65%
Net gains on reclassification of financial instruments	0	7.012	-100,00%
Net gains on derecognition of financial instruments measured at fair value	0	51.075	-100,00%
Net exchange gains / losses and negative currency clause effects	-9.077	-15.407	-41,09%
Net losses on impairment of financial assets not measured at fair value through profit or loss	-1.061.839	-395.829	168,26%
Net losses on derecognition of financial instruments measured at FV	-66.927	0	0
Other operating income	261.928	259.909	0,78%
TOTAL NET OPERATING INCOME	4.625.258	5.143.512	-10,08%
Salary expenses, salary compensations and other personal expenses	-1.279.892	-1.272.681	0,57%
Amortisation/depreciation charge	-457.531	-479.851	-4,65%
Other income	63.609	95.399	-33,32%
Other expenses	-2.322.927	-2.646.226	-12,22%
PROFIT / (LOSS) BEFORE TAX	628.517	840.153	-25,19%
Income tax	-6.090	0	100%
Deferred tax losses	-39.743	-39.743	0,00%
PROFIT / (LOSS) AFTER TAX	582.684	800.410	-27,20%

Addiko Bank a.d. Beograd made a **Net profit of 583 million** dinars representing an annual decrease of 218 million dinars.

Interest income was achieved at level of 4.9 billion dinars with YoY growth in the amount of 513 million dinars. Main contribution came from focus segments with 78% participation in interest income.

Interest expenses increased by 294 million dinars as a result of client deposits portfolio growth, especially in FX currency, together with more term deposits (49% is participation of term deposits while last year was 42% at YE).

Net income from fees and commissions - growth is recorded in 2022 in the amount of 196 million dinars or 13% compared to previous year. The largest increase was recorded in revenues from payment transactions, revenues from maintenance of accounts and income from FX due to significantly enlarged client base.

Credit loss expenses on financial assets amounted to 1.1 billion dinars compared to 396 million dinars in 2021 because of Addiko's decision to recognize in provisioning post model adjustment as result of the increased volatility of the economic environment (residual pandemic-related effects, inflation, increase in the interest rates, deterioration of the business climate and uncertainties regarding future developments).

Operating result before the change in impairment was realized in the amount of 1.7 billion dinars and recorded an increase compared to 2021 by 454 million dinars, primarily due to growth of interest income and fees, compensating negative trading and financial result.

Overall Addiko Bank remains profitable with **net interest margin increased** to 3.89% and **cost of income ratio decreased** to 57.63% reflecting increase in business efficiency.

6.2. Balance Sheet Analysis

	31.12.2022	31.12.2021	Change
Cash and balances held with the Central Bank	15.246.913	9.751.850	56%
Receivables from derivatives	946	3.459	-73%
Securities	13.418.512	13.454.383	0%
Loans and receivables due from banks and other financial institutions	5.738.623	4.824.007	19%
Loans and receivables due from customers	65.703.395	72.118.908	-9%
Intangible assets	652.263	753.652	-13%
Property, plant and equipment	881.479	1.028.909	-14%
Deferred tax assets	204.909	60.095	241%
Other assets	713.421	686.087	4%
TOTAL ASSETS	102.560.461	102.681.350	0%

Total assets of Addiko Bank a.d. Beograd remain at the similar level like last year.

Total Assets are mainly structured from **customer loans and receivables** which contribute 64% of total asset. Addiko has continued to follow its strategy the further pursue the accelerated change in the business composition from lower margin Large Corporate, Mortgage and Public Finance lending towards higher value-adding lending business in the focus segments Consumer and SME. This resulted in a further increase in the share of these two segments, corresponding to a focus book share of 86%. Main annual growth was achieved in Consumer segment by 293 million dinars. Aligned with the bank's strategy, **non-focus portfolio declined** in year 2022 by 5.3 billion dinars, with the largest declines in Large and Public.

The residual assets are mostly consisted of **cash reserves and debt securities**. Balances with the National Bank of Serbia are higher at YE 2022 due to investment in Repo securities.

Other assets recorded an increase of 27 million dinars as well as deferred tax assets calculated on fair value of securities through OCI in the amount of 145 million dinars.

	31.12.2022	31.12.2021	Change
Liabilities under derivatives	2.126	3.200	-34%
Deposits and other financial liabilities due to banks, other financial institutions, and the Central Bank	7.824.026	8.558.428	-9%
Deposits and other financial liabilities due to customers	69.723.245	68.923.834	1%
Provisions	765.644	533.873	43%
Current tax liabilities	6.090	0	100%
Other liabilities	1.366.329	1.325.875	3%
Share capital	20.545.294	20.545.294	0%
Profit	2.510.018	1.927.334	23%
Loss	-1.126.066	-1.126.066	0%
Reserves	943.755	1.989.578	-53%
TOTAL LIABILITIES	102.560.461	102.681.350	0%

Total liabilities during 2022 remain on the similar level.

One of the main tasks of Addiko Bank a.d. Beograd was to develop a stable deposit base of clients, which should support assets development. The growth of the deposit portfolio stems from growth in focus segment, 2.3 billion dinars in 2022 mostly due to increase of FX deposits in Retail segment, while RSD deposits remain on the similar level. On other hand side deposit and other financial liabilities due to banks and other financial institution decrease for 9%.

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 the direct impact of banks on the environment can be considered somewhat limited and not as significant as in other industries, Addiko Bank recognizes its responsibility to preserve the environment.

Addiko Bank deals with environmental protection by reducing waste, improving energy efficiency, and improving the Bank's direct and indirect effects on environmental protection.

During the past year, environmental protection and activities in the field of sustainability have been focused on responsible resource management. In 2022, there were no cases of non-compliance with environmental regulations.

7.1.1 Addiko Bank's current activities in connection with environmental issues

Space Optimization

During 2022, we continued with one of Addiko Bank's long-term measures - space optimization, an initiative aimed at reducing the space used for Addiko Bank's core business.

Used office space for head office (HQ) purposes decreased by 390sqm in 2022.

Such an approach is beneficial in terms of the usage of heating and cooling systems and shows positive ecological effects resulting from less electricity and water consumption.

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 back-office building, the existing lighting was replaced with LED lighting, which reduced the consumption of electrical energy in the building by approx. 20%.

Addiko Bank places an increasing emphasis on purchasing renewable energy.

According to the data of PE "Elektroprivreda Srbije", 35% of the electricity production capacity is from the 16 hydropower plants. Total energy consumption was around 1,67 GWh in 2022, 7% less than in 2021.

Reduction of CO2 emissions

Since Addiko Bank is committed to a positive impact on the development of the environment and climate, electric vehicles and plug-in hybrids are a high priority.

The plan is to increase the share of such vehicles, of course taking into consideration the available infrastructure of the country. The proposal is to go in this direction - by EY 2023 share of such cars will reach 10%, and the trend should continue until at least 50% share in 2027.

Document Management System

Addiko Bank continuously improves its internal procedures to be more efficient and save resources (especially paper) wherever possible.

While some organizational units are legally obliged to use paper documents, other documents have been fully digitized as a result of previous initiatives to optimize Addiko Bank's document management.

Paper Reduction and Sustainable Printing

Optimized print management doesn't just save paper. It also has a significant impact on toner waste and energy consumption.

Addiko Bank uses conventional, multi-purpose large printers, classified in energy efficiency category A. The printer's default settings are set to double-sided printing and black-and-white printing.

Addiko Bank has provided cardboard bins for office space recycling. Cardboard recycling bins are the ideal solution for a cost-effective and environmentally friendly solution for separate recycling in our office. Being made entirely of cardboard, the cardboard recycling bin, when it reaches the end of its useful life, can be easily recycled.

General Awareness of Environmental Protection

Addiko bank takes care of the environment.

Therefore, we always consider the associated environmental consequences of the products and services we offer. Participation in transactions or projects that expose the environment to the risk of permanent adverse effects is not in accordance with our business policy. Our goal is to minimize the negative impact of our business activities on the environment and to continuously improve the environmental footprint of our product and service portfolio.

7.1.2 Supplier Management

The Procurement Policy of the Addiko Bank has been updated by defining our expectations towards suppliers in terms of environmental protection.

Our suppliers are obliged to respect the fundamental rights, health, and safety of their employees and relate to anti-corruption regulations. The commercial, professional/technical, legal, and general parameters surrounding future cooperation are comprehensively examined and evaluated during the supplier evaluation.

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 behaviors 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 organization 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 2022, 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, analyzed 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

The Board of Directors is comprised of five members: Mr. Ganeshkumar Krishnamoorthi at the position of the Chairman, Ms. Sanela Pašić at the position of Deputy Chairman and Ms. Jozefina Trnavska, Ms. Marija Desivojević-Cvetković 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, Ms. Sanela Pašić at the position of Deputy Chairman, 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 Stanislavljević being Member of the Executive Board (CFO & CRO).

The Board of Directors of Addiko Bank a.d. Beograd decided on November 22, 2022 to appoint Mr. Miloš Nedeljković as a new member of the Bank's Executive Board. This decision entered into force on March 3, 2023 based on the consent of the National Bank of Serbia.

9. IT Strategy

In line with the defined business strategy, in 2022 Information technology focus was on further development of digital initiatives and expansion of the digital services towards clients.

Expansion of digital services in Retail segment was focused on implementation of web-based Webcard solution for submitting online credit card requests and implementation of web-based Webloan solution for processing online loan requests submitted via 3rd party channel.

Expansion of digital services in SME segment, was focused on implementation of enhanced solution of eBanking service with responsive design functionalities, providing more convenient usage of eBanking solution, for the clients, on mobile devices.

Following the regulatory requirements, focus in year 2022 was on implementation of E-invoices solution, as part of country digitalization initiatives.

Related to IT infrastructure, upgrade of operating system on servers was conducted and renewal of IT equipment used by bank employees.

Related to Cybersecurity, in 2022. project of implementation of PAM (Privilege Access Management) tool was in focus, as well as mitigation of identified weaknesses on infrastructure as a regular task.

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

In 2023, 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 as primary pillars as well as enhancements in domain of Cybersecurity.

10. Human Resources Management

The human resource strategy is a main driver of the Addiko Bank culture.

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.

As Unconventional bankers, our employees are the building blocks of our bank, defining the skills, culture code and success. Retaining and engaging qualified staff while attracting new talent is an enabler of the Bank's successful transformation.

Proof of the collaborative learning culture can be demonstrated through the Addiko Mentoring program as one of the key initiatives supporting our cultural values, with the Management Board running the agenda. There are many on-the-job, in-class and digital learning opportunities available to Addiko Bank's employees over the course of their careers. We also actively encourage employees to apply for jobs internally and support cross-departmental transfers.

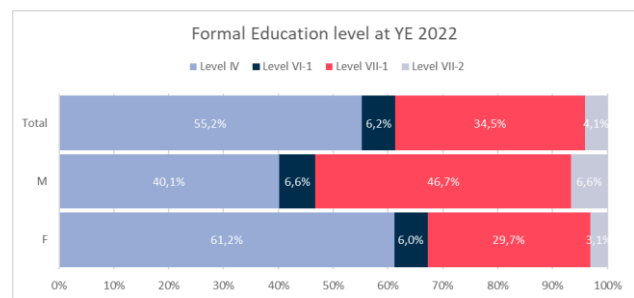
The internal fill rate for managerial roles is 56%.

Employees Structure

At the end of 2022, a total of 533 employees were employed at Addiko Bank a.d. Beograd.

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

Type of contract		Working time	
PERMANENT	TEMPORARY	FULL TIME	PART TIME
91,56%	8,44%	94,56%	5,44%
488	45	504	29

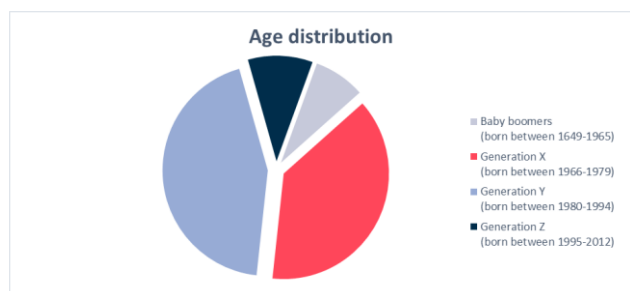


Age Structure and Seniority

The average overall age of Addiko Bank's employees is 41.08 years of age. The average age in 2021 was 40.9 years. Also, there is an increasing number of "Generation Z" employees throughout the years. The average seniority at Addiko Bank is 7.01 years.

Overview of Age Distribution as of YE 2022

Age distribution by gender	Female		Male	
	HC	%	HC	%
Baby boomers (born between 1949-1965)	30	5,6%	12	2,3%
Generation X (born between 1966-1979)	143	26,8%	61	11,4%
Generation Y (born between 1980-1994)	164	30,8%	70	13,1%
Generation Z (born between 1995-2012)	44	8,3%	9	1,7%



Educational Level

The education level across Addiko Bank shows that more than 44,8% of employees are educated with a bachelor's degree or higher.

The statistics show differences in educational level, whereby approximately 39% of female employees and around 60% of male employees have academic degrees.

Wellbeing

Focus in 2022 remains on well-being of employees. All employees were able to use Rezilient 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, color, marital status and parental status.

EoY 20202 (Gender, Type of contract)	Gender distribution		
	TOTAL	FEMALE	MALE
Percentage	100,00%	71,48%	28,52%
Total	533	381	152

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, remuneration, talent discussions and internal promotion are conducted.

Addiko Bank Serbia continued collaboration with Youth with disabilities forum in 2022, through internship programs. Youth with disabilities forum is an organization helping with the inclusion of persons with any form of disability in the workplace.

In 2022 no incidents of discrimination were identified.

Recognition & Awards

In 2022. Addiko Bank Serbia received the EU-supported prestigious 'Mamforce' top employer recognition. 'Mamforce' certificate is an award given to companies who actively promote and implement diversity and inclusion in their workplace practices. The award is given based on an in-depth audit of the Company's metrics, policies, and practices.

Addiko Bank continues to work on its reputation, aiming to be recognized as an attractive employer. Through the 'Employer Partner Certificate' issued by SELECTIO Addiko Bank Serbia was recognized as a company with high standards of Human Resource management, positioned amongst the Top Employers in Serbia.

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 organization 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 statement - RAS at all times. The risk management framework defines the level of risks acceptable by the Bank. Measures of the RAS 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 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 2022, 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, Watch List Advisory Body and Operational Risk Management Body;
- Organizational units of the Bank - Risk Control Department, Credit Risk Management Division, Balance Sheet Management and Treasury Department, Compliance Department and other organizational 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 involved in the credit risk monitoring process.

During 2022 the Bank looked at the possible impact of changes in the macroeconomic environment and business conditions on the business and creditworthiness of clients, and in accordance with the results of the analysis made appropriate adjustments for criteria and conditions for approval of new loans, as well as in the way of monitoring and exposure strategies for existing clients, all with the aim of reducing the potential unwanted consequences of external factors and maintaining the desired risk appetite.

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 2022 by applying new macroeconomic forecasts for PD and by update and development of following models: LGD, CCF and Prepayment.

In the course of 2022, the Bank was fully compliant with the Basel III standards of capital adequacy. As of 31 December 2022, the total capital requirement for credit risk stood at RSD 4.9 billion, the capital adequacy ratio (CAR) stood at 27.53%, with the Common Equity Tier 1 capital ratio (equaling the Tier 1 capital ratio) also at 27.53%.

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 2022 were aimed at measurement, monitoring and reporting 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 2022, 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 2022 were as follows: liquidity ratio: 2.45, narrow liquidity ratio: 1.96 and LCR: 178%.

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 2022, 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 2022, the FX risk ratio of the Bank was aligned with requirements of the National Bank of Serbia and as of 31 December 2022, it stood at 1.20%.

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 2022, 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 2022, 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 2022, 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 2022 stood at RSD 820 million.

12.6. Adequacy of the Risk Management System

In the course of 2022, the Bank's risk management system was adequate, in view of the following facts for the period:

- 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 last final effect on the Supervisory Review and Evaluation Process (SREP) decrease, specified through recommendations from the National Bank of Serbia note. The Bank has continuously complied with MREL limit determined by local regulator on the basis of performances shown within quarterly reports, as well as percentage based on SREP note;
- 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 IFRS 9 PD and updated and developed LGD, CCF and Prepayment models;
- Bank has completely complied with all the regulator's requests concerning implementation referring to the Moratorium related extraordinary requirements (Decision on temporary measures for banks aimed at adequate management of credit risk in agricultural loans portfolio in conditions of aggravated agricultural production, issued by the National bank of Serbia).

13. Outlook

For the global economy, the largely positive developments recorded in the first half of 2022 have been heavily knocked back by the consequences of Russia's war in Ukraine and the turmoil on energy markets due to the introduction of Western sanctions against the Russian petrochemicals.

For the Addiko countries, the war in Ukraine propagates largely through inflation, rising costs of credit, and decline in external demand. The key source of contagion from the war remains inflation, which continues eroding real incomes. With central banks increasing interest rates, the EU economy may enter recession with negative externalities to the Addiko countries. Sharply rising energy prices will affect the performance of energy-intensive industries, possibly resulting in some business closures. Worsened business sentiment will also drive investment down, both from domestic and foreign companies, contributing further to the economic slowdown.

In Serbia, the economic activity is expected to decelerate with a projected GDP at 1.9% in 2023. Unemployment is expected to continue declining gradually, with a rate of 9% for 2023.

Government increases of the minimum wage and public sector wages during 2022 supported the growth of real wages. Further increases have been announced for the coming period, which should prevent inflation from eroding real incomes. Inflation in Serbia proves to be more persistent than previously thought but is still among the lowest in the region.

Government continues to keep the prices for basic food products frozen, price of electricity is also capped, and price of fuels is heavily regulated, which also contributes to price stabilization. Because of this, inflation forecasts for 2023 are at 8%.

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

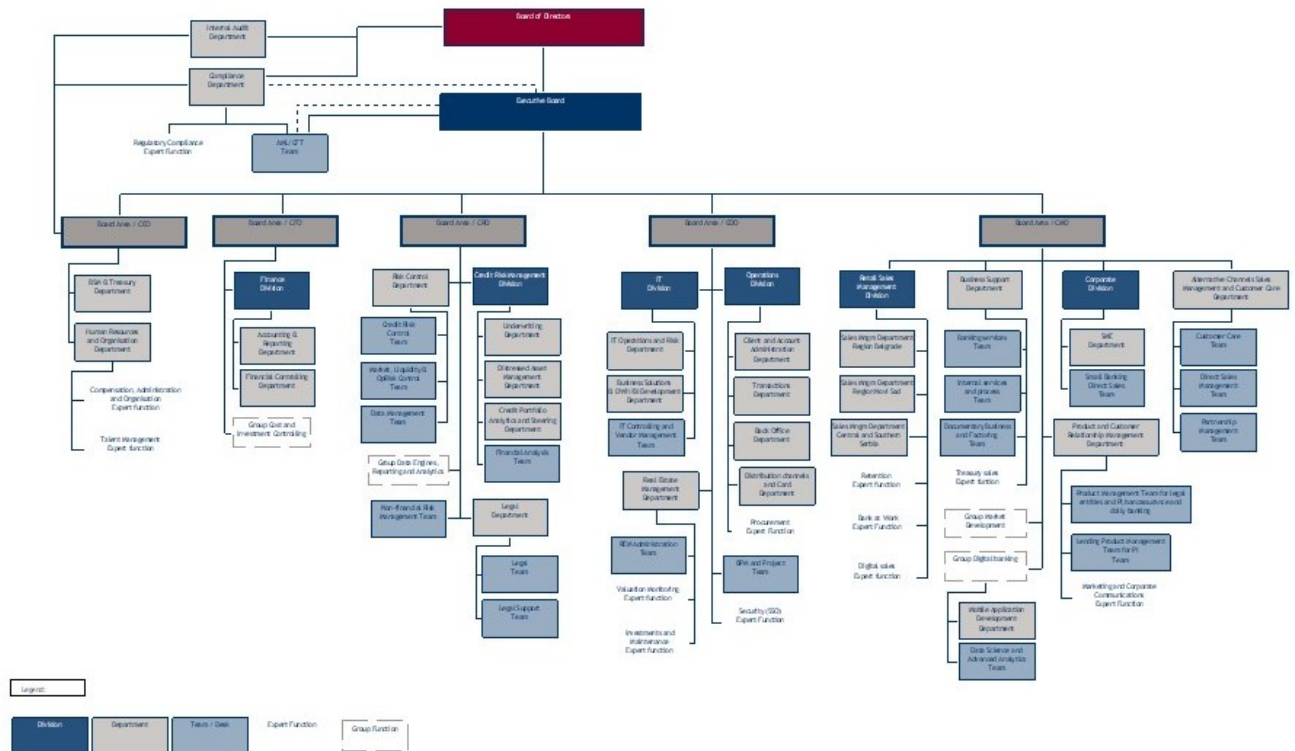
The clear focus on Consumer and SME business will accelerate the transformation of the balance sheet of Addiko towards these higher value generating segments. In this context, the Group will continue considering the possibility of capital generation via faster non-focus reduction. Addiko believes that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

As one of its short-term ambitions, Addiko intends to further push its efficiency by reducing costs and complexity and streamlining its operating model. Addiko will continue with the implementation efficiency measures in order to generate a sustainable and visible gross saving impact.

Organisational Chart

The organisational chart of the Bank as at 31 December 2022 is presented below:


Addiko Bank a.d. Beograd
Bulevar Oslobođenja 29
11000 Beograd, Serbia




Belgrade, 21 March 2023

Addiko Bank a.d. Belgrade

EXECUTIVE BOARD



Vojislav Lazarević
Chairman of the Executive Board



Vladimir Stanisavljević
Deputy Chairman of Executive Board



Miloš Nedeljković
Member of the Executive Board